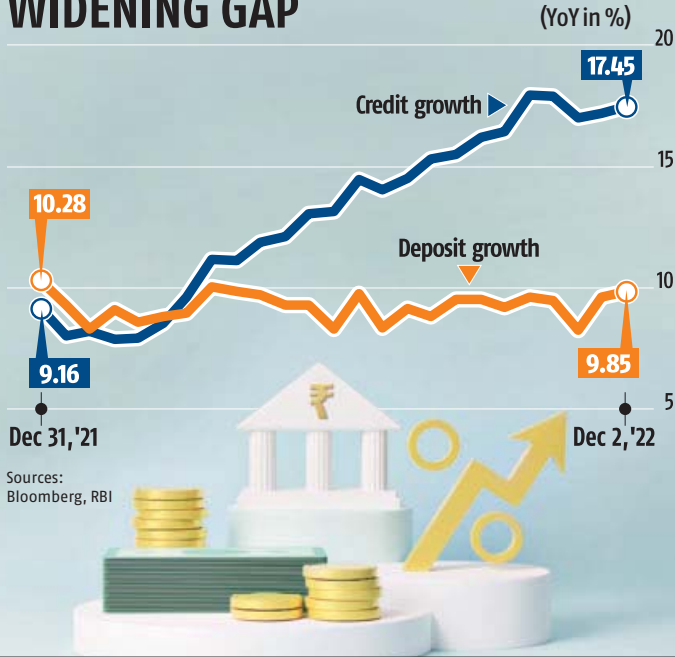


Bank credit grows 17.5% in a fortnight; deposits up 10%

WIDENING GAP



SUBRATA PANDA

Mumbai, 16 December

Bank credit grew by 17.5 per cent year-on-year (YoY) to ₹131.06 trillion in the fortnight ended December 2, reflecting the continuation of firm demand for loans in the economy, latest Reserve Bank of India (RBI) data showed.

Deposit mobilisation increased 9.9 per cent YoY to ₹175.24 trillion during the period, a healthy rise from 9.6 per cent a fortnight ago, the latest data showed. Deposit growth is picking up gradually as banks have begun to pass on the rate hikes done by the RBI.

As the system liquidity is shrinking, banks have become more aggressive to garner deposits to fund the high credit growth in the economy.

The swift pace of growth in bank credit alongside slower deposit growth has exerted pressure on banks to mobilise funds, with lenders raising deposit rates as well as turning to debt capital markets en masse over the past few months to raise money.

Earlier this week, banks made a bee-line to raise deposit rates as major private lenders such as HDFC Bank, ICICI Bank, Axis Bank, and Kotak Mahindra Bank raised interest rates on their deposits. IDFC First Bank, Equitas Small Finance Bank, and AU Small Finance Bank also announced revised deposit rates over the past few days, with analysts saying that rates were finally moving in line with the RBI's policy rate hikes.

State Bank of India raised deposit rates by 15-100 basis points, the maximum increase being for bulk deposits. Having said that, the critical 1-3-year deposit rates have been increased by 50-65 bps by SBI.

There is still a wide gap between deposit and credit growth. Analysts said the gap would start to narrow going into the next year. They expect a combination of factors, including RBI's rate hikes, slowing GDP growth, and the normalisation of the base effect, to blunt the sharp growth in credit. Credit growth has moderated from 18 per cent in early October.

Forex reserves rise by \$2.9 bn

BHASKAR DUTTA

Mumbai, 16 December

The Reserve Bank of India's (RBI's) foreign exchange reserves rose by \$2.9 billion to \$564.07 billion in the week ended December 9. This is the fifth consecutive week of an increase in the central bank's coffers.

The rise in the previous week was mainly on account of an increase in the RBI's foreign currency assets, which rose by \$3.1 billion to \$500.13 billion, according to latest data. In the week ended December 9, the RBI's gold reserves declined by \$296 million to \$40.73 billion, the data showed.

In the week ended December 9, the rupee depreciated 1.2 per cent versus the US dollar, ending at 82.28. So far in 2022, the rupee has weakened 10.3 per cent versus the greenback.

Over the past five weeks, the RBI's reserves have increased significantly amid a steep decline in the US dollar index.

In the week ended December 2, the reserves rose \$11.02 billion to \$561.16 billion, marking their highest levels since August 26. As of October 28, the reserves were at \$531.08 billion.

According to analysts, the increase in the RBI's reserves is due to revaluation as well as the central bank's purchases of the greenback as it looks to replenish its reserves.

The RBI's reserves have declined sharply in 2022 — partially due to dollar sales by the central bank — in order to prevent excessive volatility in the rupee's exchange rate. The rupee has witnessed bouts of volatility this year due to Russia's invasion of Ukraine and the subsequent aggressive rate hikes carried out by the US Fed.

As on February 25, which was around the time of the invasion, the RBI's reserves were at \$631.35 billion. This sparked a global flight of investment to the safety of the US dollar.

IN THE KITTY

Forex reserves (\$ bn)

