

Fortnightly round up of key banking and economic indicators

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Aalok Shah

aalok.shah@emkayglobal.com

+91 22 6612 1336

Kashyap Jhaveri

kashyap.jhaveri@emkayglobal.com

+91 22 6612 1249

- **Non-food credit growth at 17.4%yoy is on a decline and also appears on a lower end primarily due to the higher base-effect of previous year. Despite busy season, growth in non-food credit is down 1% over Q2FY12**
- **With a view to meet RBI target of 18% yoy in FY12, credit growth for balance period should be 2x of actual growth YTD. Given higher base of previous year and elevated interest rates, the full-year target seems a bit on upper-end**
- **Growth in total deposits at 16.4% yoy too is on a downward trajectory and has been dragged by slower accretion in demand deposits. Demand deposits at sub-10% are down 12% yoy. On other hand, time deposits are up 21% yoy**
- **While CD ratio has remained stable; inc. CDR has inched to 60% levels. Money supply (M3) growth came in at 15.2% yoy. M1 growth at <2% yoy clearly reflects the slower growth in circulation of money into the system**
- **Liquidity remained tight with net outflow at Rs1,050bn (1.9% of NDTL). However, recent OMO operations have eased liquidity back to ~1% levels**
- **G-sec yields too have eased by ~20bps+ from their recent highs. 10-yr/1-yr G-sec stood at 8.67%/8.41% respectively on Dec-5. The short end curve is back to Q2 levels leaving minimal risk of MTM losses**
- **Call money rates have moved in tandem with repo rate. Food inflation has eased to 8% in Nov 19. Given three-consecutive weeks of deceleration in primary and food articles, we expect inflation to ease to 9.2% for Nov'11**

Econometer

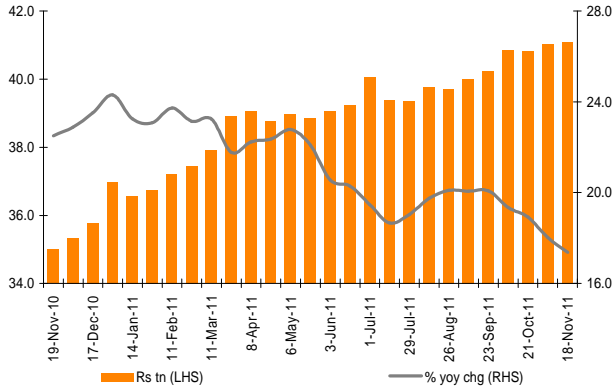
	Sept-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09
GDP# (% yoy chg)	6.90	7.70	7.80	8.30	8.40	8.85	8.57	7.33
IIP (% yoy chg)	1.81	9.45	8.84	1.60	4.90	7.17	15.55	17.95
Trade Balance (US\$ bn)	(34.88)	(31.61)	(28.28)	(21.30)	(35.08)	(32.27)	(27.15)	(28.63)
Current account balance (US\$ bn)	-	(14.11)	(5.40)	(10.00)	(16.80)	(12.10)	(13.00)	(12.03)
Fiscal balance (US\$ bn)	-	(36.39)	(44.36)	(8.41)	(20.23)	(8.63)	(22.49)	(24.06)
Inflation (%)	9.75	9.47	9.38	8.43	8.93	10.28	9.45	4.50
10-year bond yield (%)	8.43	8.33	7.99	7.92	7.85	7.55	7.83	7.14
INR/\$ (avg)	45.78	44.72	45.26	45.16	46.01	46.57	45.50	46.63
INR/\$ (quarter end)	48.97	44.70	44.59	44.86	44.93	45.63	45.14	46.20

Base: 2004-2005

	India	USA	UK	Euro zone	Japan
5 th Dec				Euro-Zone Retail Sales (YoY)	
6 th Dec				Euro-Zone GDP s.a. (YoY)	
7 th Dec			Industrial Production		Leading Index CI
8 th Dec	Food Articles WPI YoY	Initial Jobless Claims	BOE announce rates	ECB announce interest rates	Bank Lending Banks Adjust YoY
9 th Dec		Trade Balance	Trade Balance Non EU GBP/Mn		GDP Deflator YoY
12 th Dec	Industrial Production YoY				Consumer Confidence
13 th Dec			Core CPI YOY		Tertiary Industry Index (MoM)
14 th Dec	Monthly Wholesale Prices YoY%	FOMC Rate Decision, Import Price Index	Jobless Claims Change	Euro-Zone Ind. Prod. wda (YoY)	Industrial Production YOY%
15 th Dec		Current Account Balance	BoE/GfK Inflation Next 12 Mths	Eurozone Employment (YoY)	
16 th Dec	RBI monetary policy	Consumer Price Index (MoM)			

Source: Bloomberg

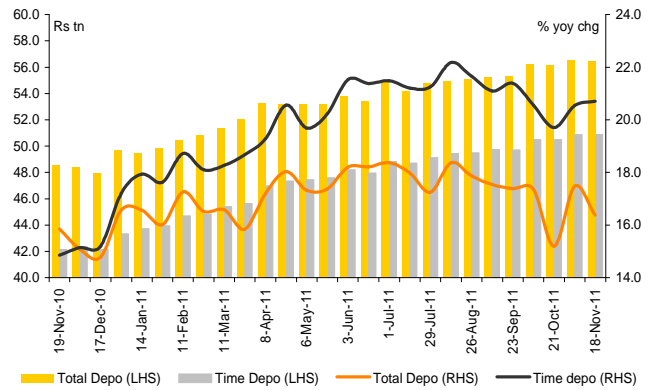
Non food credit



- Growth in non-food credit at 17.4% yoy is on a decline (18.0% yoy in previous fortnight) and also seems on lower end primarily due to higher base of previous year. On YTD basis, growth is up 6.1%.

Source: RBI, Emkay Research

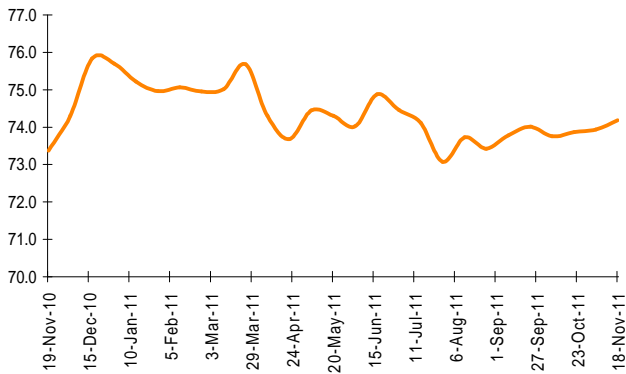
Deposits



- Growth in total deposits too is on downward trajectory at 16.4% yoy levels. On other hand, time / demand deposits are +20.7% yoy / -12% yoy respectively. On a YTD basis, growth, is up at 8.5%

Source: RBI, Emkay Research

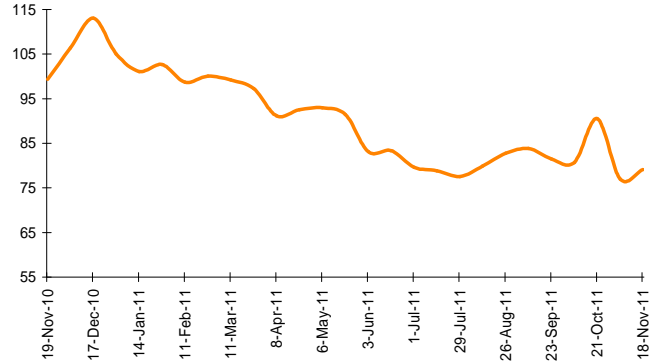
CD Ratio (%)



- While CR ratio has remained constant at 73-75% levels, incremental CD is on an up-tick and now stands at 57% levels.

Source: RBI, Emkay Research

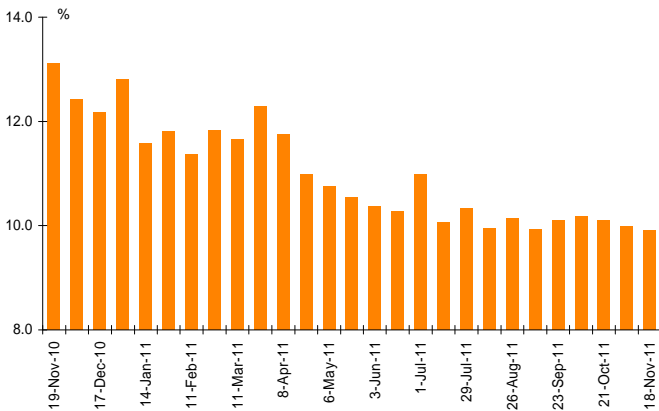
TTM CD Ratio (%)



- ... TTM CD too has moved upwards of ~80% levels

Source: RBI, Emkay Research

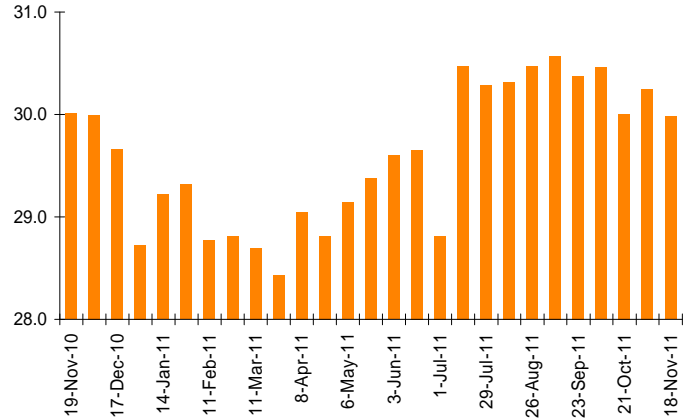
CASA as % of total



- On a yoy basis, demand deposits are down 12% yoy and comprise ~10% of total deposits. For RBI targeted deposit growth at 17% yoy for FY12, demand deposits need to gather momentum in H2.

Source: RBI, Emkay Research

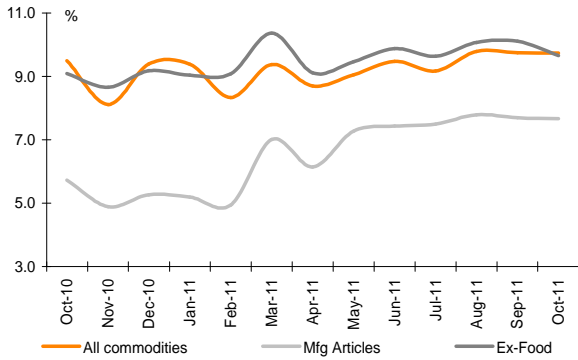
SLR as % of NDTL



- SLR has remained healthy at 30%+ levels since July'2011.

Source: RBI, Emkay Research

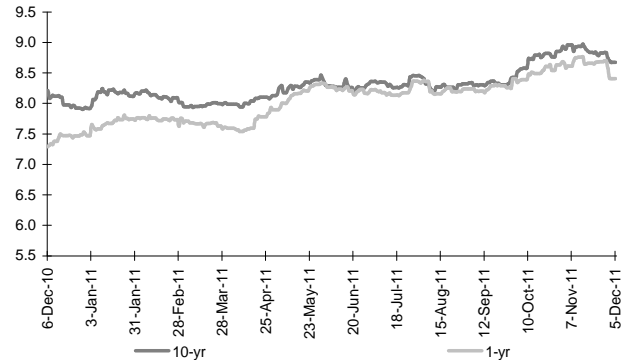
Inflation (%)



- October inflation at 9.73%, albeit on a downward trajectory remains above RBI comfort zone.
- However, food inflation has eased for consecutive third quarter in November to 8% yoy. With slower accretion in primary food articles, we expect inflation to slow down to 9.2% for Nov-11.

Source: RBI, Emkay Research

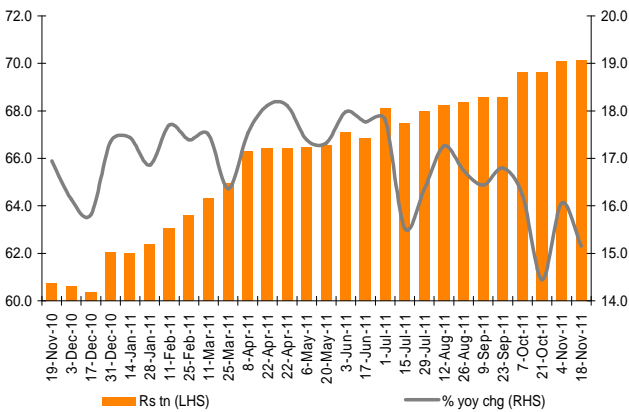
Government bond yields (%)



- After an initial spike, consecutive OMO operations have enabled bond yields to ease by ~20bps+ from their recent highs. 10-yr / 1-yr G-sec now trades at 8.67%/8.41% as on Dec 5th 2011.
- The shorter-end of the yield curve is back to Q2 levels (down 36bps from recent high), leaving behind minimal risk of MTM losses.

Source: RBI, Emkay Research

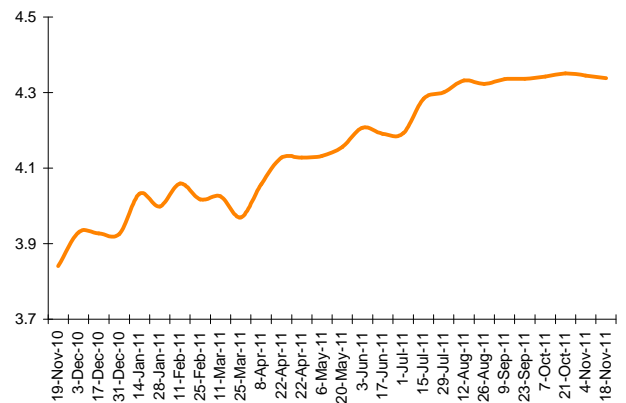
M3



- Money supply growth came in at mere 15.2% yoy. M1 growth at <2% yoy clearly reflects the slower growth in circulation of money into the system.

Source: RBI, Emkay Research

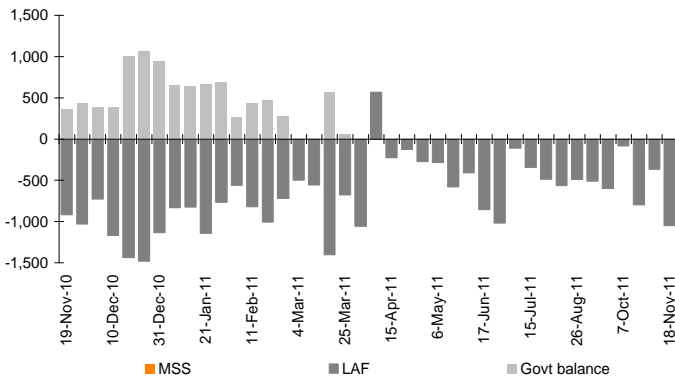
Money multiplier (x)



- ... ratio of M3 / M1 is now at a multi-quarter high of 4.34x

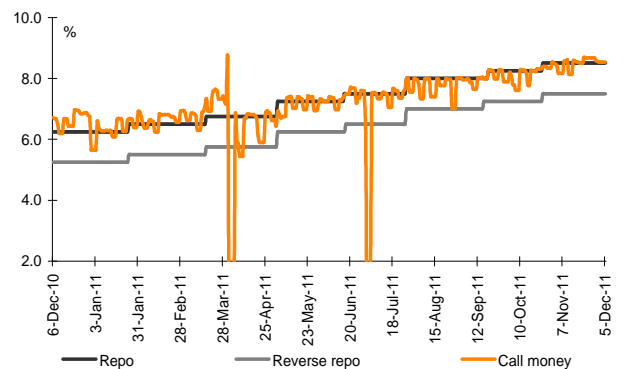
Source: RBI, Emkay Research

Excess liquidity (Rs bn)



- Liquidity situation continues to worsen with net deficit at Rs1,050bn (1.9% of NDTL) as on Nov'18. However, recent OMO operations have helped ease liquidity to 1.1% of NDTL as on 2nd Dec'11

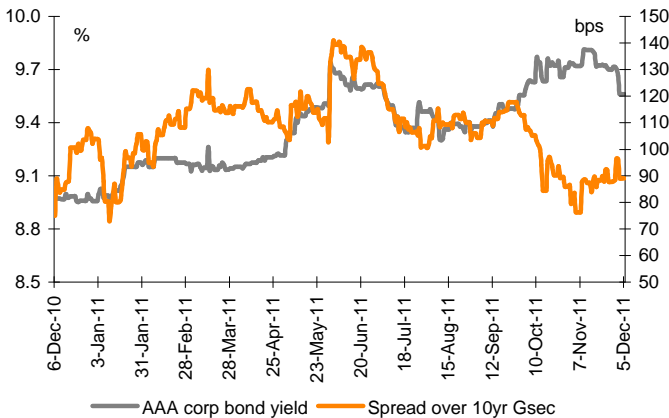
Call money borrowing rate (%)



- Call money rates have moved in tandem with repo rate and stood at 8.54% as at Dec 5th, 2011.

Source: RBI, Emkay Research

10-year AAA corporate bond yield

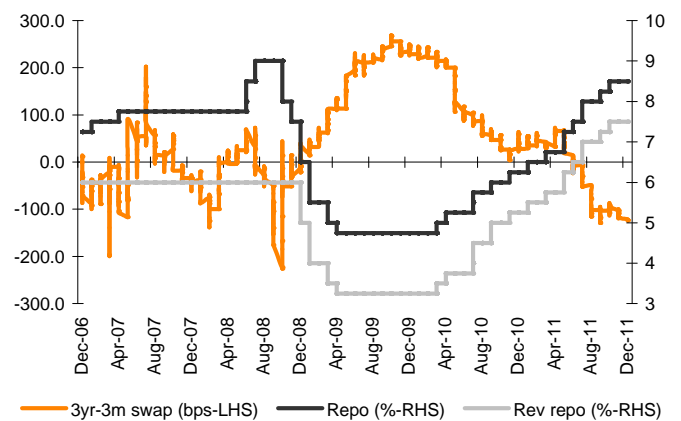


- Spreads of 10-yr Gsec over 10-yr AAA corporate bonds has eased to sub-100bps.

Source: Bloomberg, Emkay Research

Source: RBI, Emkay Research

3 year – 3 month swap spread



- The spread between the long and short end OIS continues to remain in -ve zone (100bps+) for long now.

Source: Bloomberg, Emkay Research

Emkay Global Financial Services Ltd.

Corporate Add: B – Ruby Mills Tower, 7th Floor, South East Wing, Senapati Bapat Marg, Dadar (W), Mumbai - 400028 India.

Tel.: +912266121212 Web: www.emkayglobal.com

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