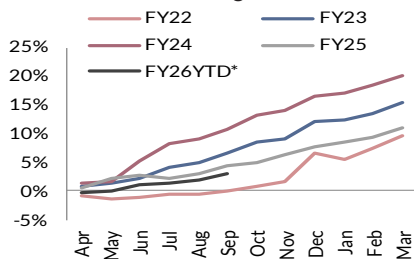


Sectoral credit break-up for Aug'25

(Rs trn), (%)	Aug'25	% mix	% MoM	% YoY
Agriculture	23.2	13.2	0.5	7.6
Industry	40.0	22.6	1.4	6.5
Services	51.4	29.1	0.5	10.6
Retail	62.1	35.1	0.8	11.8
Total	185.9		0.8	9.9

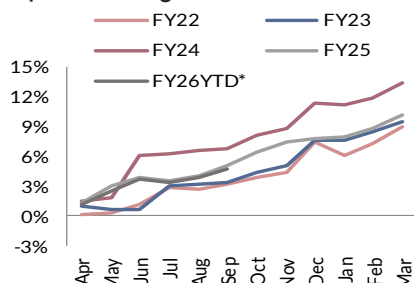
Source: RBI, Axis Capital

Non-food credit - YTD growth



Source: RBI, Axis Capital; * FY26YTD growth is up to 05 Sep 2025

Deposits - YTD growth



Source: RBI, Axis Capital; * FY26YTD growth is up to 05 Sep 2025

Non-food bank credit growth has come in at 10.2% YoY as of 5 Sep'25 (vs 9.9% YoY on 25 July'25) while deposit growth has moderated slightly to 9.8% YoY (vs 10.2%). Consistent improvement in sequential trends over last two months indicate that system credit growth may have moved past the inflection point towards a steady recovery path. Sectoral credit data as of 22 Aug (+9.9% YoY) shows large corporate offtake improved (+1.3% MoM) after a 3% YTD contraction over Apr-Jul'25, while MSME (+1.5% MoM), gold loans (+4.0% MoM) and housing (+0.9% MoM) remain on a consistent path. Consumption loans are lagging and Q3 uptick can lift the pace of recovery. August lending/deposit rate data shows a cumulative 116bps cut in deposit prices since Mar'25 (vs 60bps cut in fresh lending rate) leading to a healthy NIM recovery path in 2HFY26E.

MoM growth recovers led by uptick in industry segment

MoM credit growth recovered in August 2025 to +0.8% MoM (vs flat in July 2025) led by an uptick in large industries (+1.3% MoM) along with continued trends in MSME (+1.5% MoM) and retail segments like gold (+4% MoM) and housing (+0.9% MoM). Overall retail expanded 0.8% MoM (vs 0.2% in July). Within industry, higher growth was visible in fuels (+8.7%) electronics (+6.1%), beverages and tobacco (+4.8%), mining (+3.6%) and gems and jewellery (+2.8%). Services segment posted a minor improvement to 0.5% MoM (vs -0.3% in July) and was broad-based with positive numbers for NBFCs (+0.3% MoM).

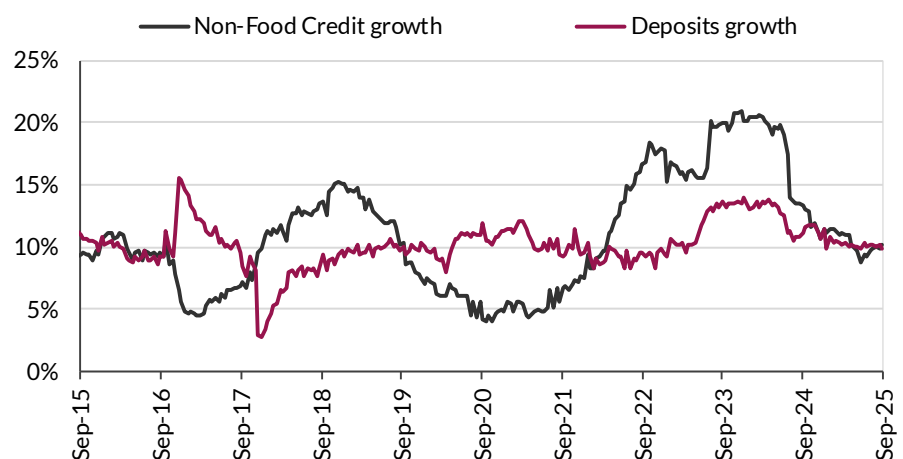
Retail growth led by gold, education and housing; unsecured yet to recover

Retail growth was led by gold (+4% MoM / +118% YoY), education (+2.1% MoM / +15% YoY) and housing (+0.9% MoM / +9.7% YoY). Vehicle loans (+0.6% vs -1.3% in July) and other personal loans (+0.4% vs -0.4% in July) posted a modest recovery, while credit cards (-0.8% vs -0.5% in July) and consumer durables (-0.8% vs -1.1% in July) continued to register a de-growth. Q3 uptick in festive can lift the pace of recovery and unsecured credit remains a key indicator for system risk appetite.

Q2 NIM impact can be lower than expected; NIM recovery on track

RBI data for August suggest that cumulative reduction of deposit rates on o/s system deposits for July-August period is similar to lending rate reduction of ~12bps. If a similar trend holds in September, incremental NIM impact for banks in Q2 may be lower than that expected by the street. On new flows, cumulative pricing cuts on deposits (116bps) continue to outpace those on loans (60bps) by a wide margin. As these cuts flow through the books, we see a healthy path of NIM recovery for banks beginning from Q3 itself.

Exhibit 1: Non-food credit up 10.2% YoY, deposits up 9.8% YoY



Source: RBI, Axis Capital; includes merged data for HDFC Bank w.e.f. Jul '23. Data is up to Sep 05, 2025

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