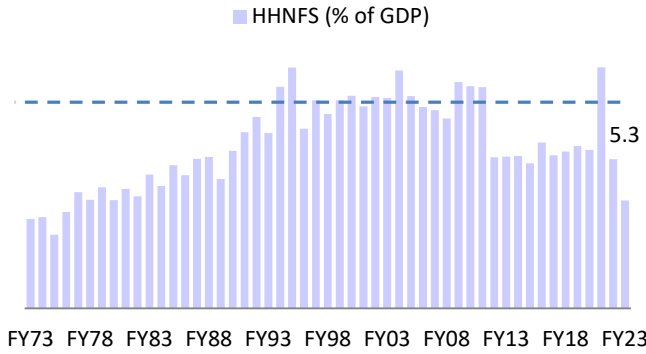
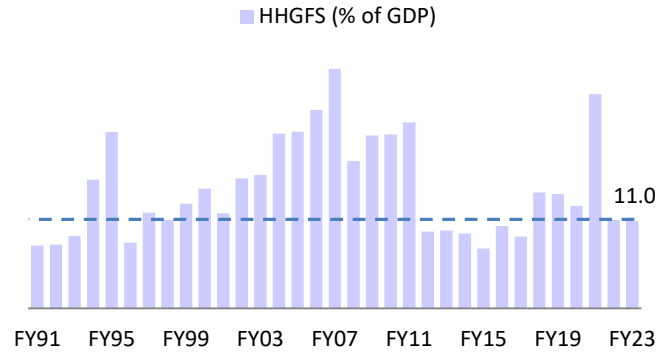
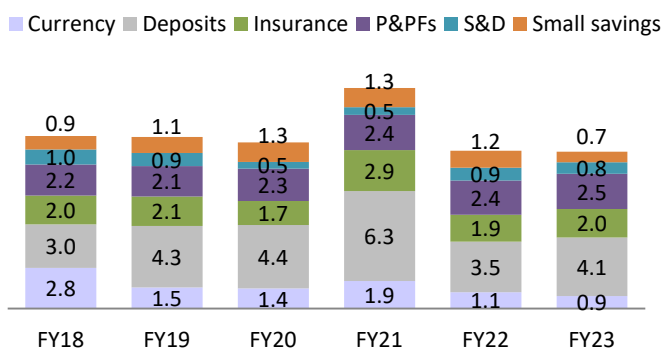
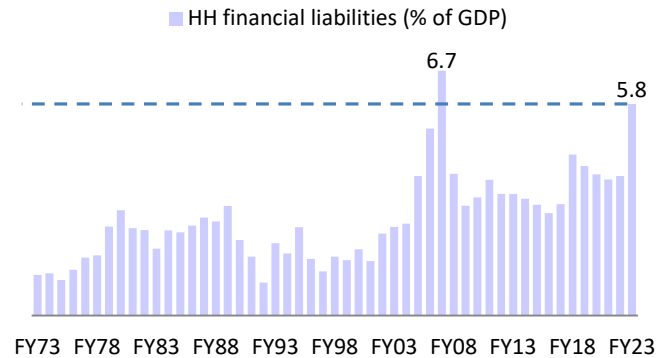
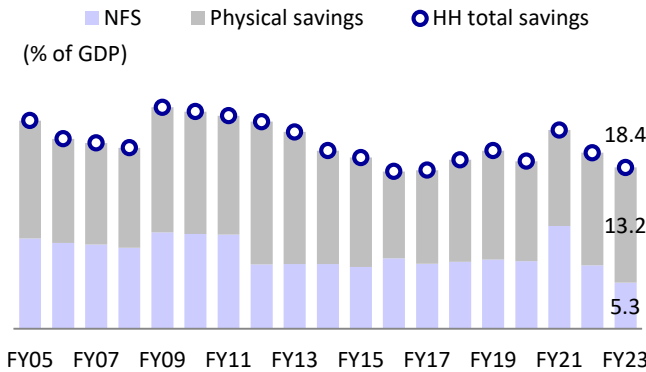
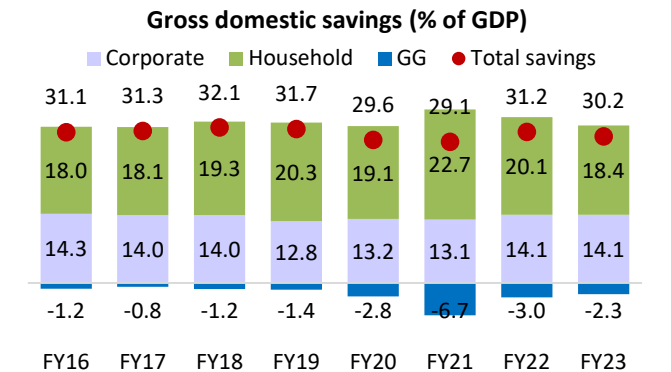
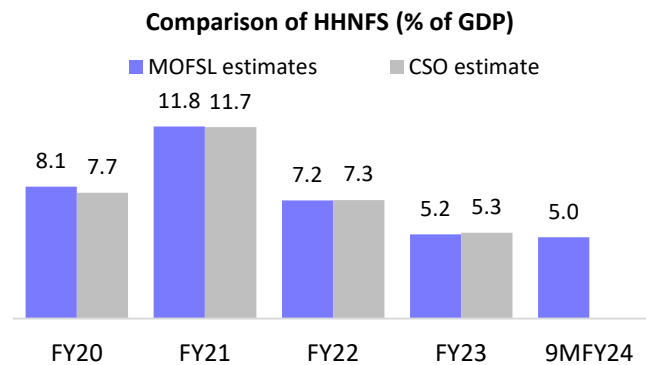
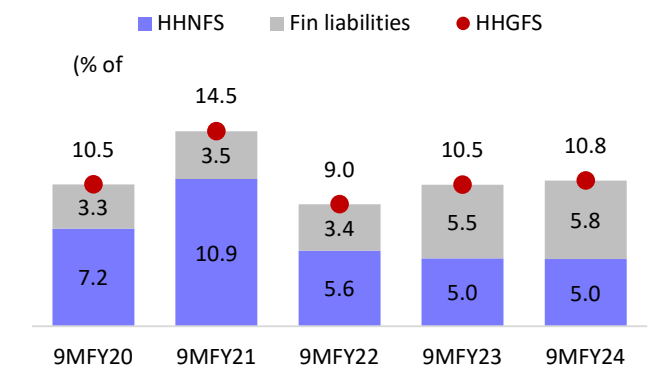


## HHNFS likely unchanged at ~5% of GDP in 9MFY24

Household debt may have risen to a new high of 40% of GDP in 3QFY24

- According to the first revised estimate (FRE) published by the Central Statistics Office (CSO) last month, household net financial savings (HHNFS) stood at a 47-year low of 5.3% of GDP in FY23, down from 7.3% of GDP in FY22 and an average of 7.6% of GDP between FY12 and FY20 (*Exhibit 1*). This marks a slight upward revision from the earlier estimate of 5.1% of GDP in FY23, published by the Reserve Bank of India (RBI) in Sep'23.
- HHNFS is a function of household gross financial savings (HHGFS) and their financial liabilities (FL). Notably, HHGFS was largely stable at 11% of GDP in FY23 vs. FY22 (*Exhibit 2*), which means that lower HHNFS was a clear result of a sharp jump in household borrowings last year. GFS has six major components – deposits, currency, insurance, pension & provident funds (P&PFs), capital market investments (shares & debentures, S&D), and small savings. Deposits are, by far, the largest components of household GFS. The rise in deposits (as % of GDP) in FY23 vis-à-vis FY22, was offset by lower currency holdings and small savings (*Exhibit 3*).
- HH annual borrowings surged to 5.8% of GDP in FY23 (*Exhibit 4*), the second-highest in the post-independence period (it was 6.7% of GDP in FY07), and compared to an average of 4% of GDP in the past few years.
- HHNFS is the source of funds available to the government and/or the corporate sector to finance their deficit. The gap between national investments and gross domestic savings (GDS) is funded by foreign savings (also called current account deficit, CAD). The fall in HHNFS was so dramatic last year, that it entirely offset the sum of higher household physical savings, and lower dis-savings by the government. There are, thus, two important things to note: 1) Notwithstanding a decade-high household physical savings, HH total savings were at a six-year lowest level of 18.4% of GDP in FY23 (*Exhibit 5*); 2) India's GDS eased to 30.2% of GDP in FY23, lower than 31.2% of GDP in FY22 and 31-32% of GDP between FY14 and FY19 (*Exhibit 6*).
- Were the falling HHNFS and lower HH savings in FY23 an exception? We do not think so. Our estimates suggest that HHNFS was broadly unchanged at ~5% of GDP in 9MFY24, and it is very likely that it could be between 5% and 5.5% of GDP in FY24 (*Exhibit 7*). Although HHGFS increased slightly to 10.8% of GDP in 9MFY24 (vs. 10.5% of GDP in 9MFY23), financial liabilities also rose to 5.8% of GDP vs. 5.5% of GDP (*Exhibit 8*).
- Our detailed estimates of HHGFS suggest that higher deposits and small savings were offset by a sharp fall in currency holdings (*Exhibit 9*). Further, the share of capital market investments (called shares & debentures, S&D) has quadrupled to an average of 0.8% of GDP in the past seven years (FY17-FY23) from just 0.2% of GDP in the years prior to demonetization and it likely stayed at ~0.7% of GDP in 9MFY24 as well.
- As discussed in our recent [strategy note](#), weak income growth, coupled with robust consumption and investment growth (i.e., physical savings) can occur only if HHNFS declines significantly. This is exactly what had transpired in FY23. With income growth remaining weak (in line with single-digit nominal GDP growth) and HHNFS likely at its lowest (at ~5% of GDP), it is not surprising that both private consumption and household investment growth has weakened considerably in FY24E (*Exhibit 10*).
- What about the next year – FY25? Unlike FY24, investments are unlikely to be the primary driver of real GDP growth, since both government investments are likely to grow at a much slower pace. Corporate investments may pick up (as is the hope after general elections), however, with a revival in the investment deflator (in line with the wholesale price index, WPI), real investments are likely to grow much slowly in FY25 vs. FY24. In contrast, assuming unchanged HHNFS (FY25-S2), better income growth could push private spending (consumption + investments) growth higher next year. The real GDP growth, however, is likely to be much weaker.
- Finally, household debt was revised up to 38% of GDP in FY23 (and down to 36.7% of GDP in FY22), only second to 39.1% of GDP in FY21. Our estimates suggest that it has risen to ~40% of GDP as of Dec'23 (3QFY24), reaching a new high (*Exhibit 11*). Based on banks' data, it is clear that unsecured personal loans (PL) continue to grow at the fastest pace within household debt, followed by secured debt, agricultural loans, and business loans (*Exhibit 12*).

**Exhibit 1: HHNFS at a 47-year low of 5.3% of GDP in FY23**

**Exhibit 2: HHGFS was stable at 11% of GDP last year...**

**Exhibit 3: ...as higher deposits were offset by lower currency and small savings**

**Exhibit 4: Annual borrowings were at the second-highest level in the post-independence period**

**Exhibit 5: HH total savings were at a six-year low in FY23...**

**Exhibit 6: ...and GDS also fell last year**

**Exhibit 7: HHNFS likely stable at ~5% of GDP in 9MFY24...**

**Exhibit 8: ...as higher liabilities offset higher HHGFS**


Source: RBI, CSO, MOFSL

**Exhibit 9: Our estimates of HH financial savings on a quarterly basis**

% of GDP, unless stated otherwise	Annual data~					First nine-month data#				
	FY19	FY20	FY21	FY22	FY23	9MFY20	9MFY21	9MFY22	9MFY23	9MFY24
<b>GFS</b>	<b>12.0</b>	<b>11.6</b>	<b>15.4</b>	<b>11.1</b>	<b>11.0</b>	<b>10.5</b>	<b>14.5</b>	<b>9.0</b>	<b>10.5</b>	<b>10.8</b>
Deposits	4.3	4.4	6.3	3.5	4.1	3.3	4.9	1.8	3.8	4.5
Currency	1.5	1.4	1.9	1.1	0.9	2.1	3.0	2.0	2.1	2.2
Insurance	2.1	1.7	2.9	1.9	2.0	2.0	2.3	2.0	2.2	2.4
P&PFs^	2.1	2.3	2.4	2.4	2.5	0.8	2.2	0.7	0.4	(0.7)
Investments@	0.9	0.5	0.5	0.9	0.8	0.8	0.3	1.0	0.7	0.7
Ow: MFs	0.8	0.3	0.3	0.7	0.7	0.6	0.1	0.7	0.6	0.7
Small savings	1.1	1.3	1.3	1.2	0.7	1.4	1.6	1.5	1.2	1.5
<b>Financial liabilities</b>	<b>4.1</b>	<b>3.9</b>	<b>3.7</b>	<b>3.8</b>	<b>5.8</b>	<b>3.3</b>	<b>3.5</b>	<b>3.4</b>	<b>5.5</b>	<b>5.8</b>
Bank loans	3.1	2.4	3.2	3.3	4.4	2.9	3.1	2.7	4.5	4.9
HFCs*	0.3	0.0	0.3	0.4	0.4	0.2	0.2	0.4	0.4	(0.1)
NBFCs	0.5	1.2	0.4	0.1	0.9	0.1	0.3	0.4	0.6	1.0
<b>NFS</b>	<b>7.9</b>	<b>7.7</b>	<b>11.7</b>	<b>7.3</b>	<b>5.3</b>	<b>7.2</b>	<b>10.9</b>	<b>5.6</b>	<b>5.0</b>	<b>5.0</b>

~CSO's data up to FY22 (RBI for FY23)

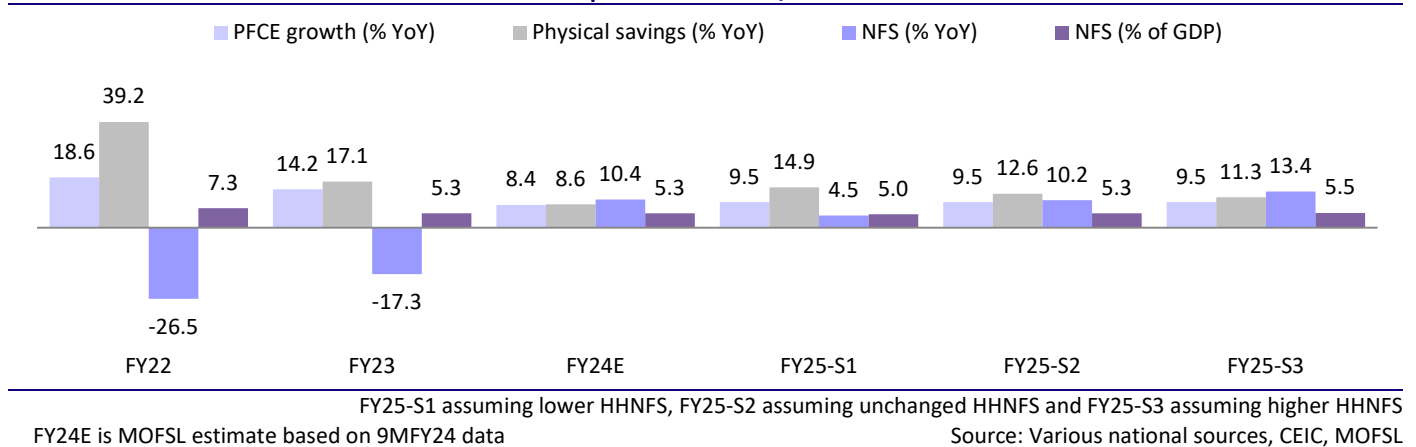
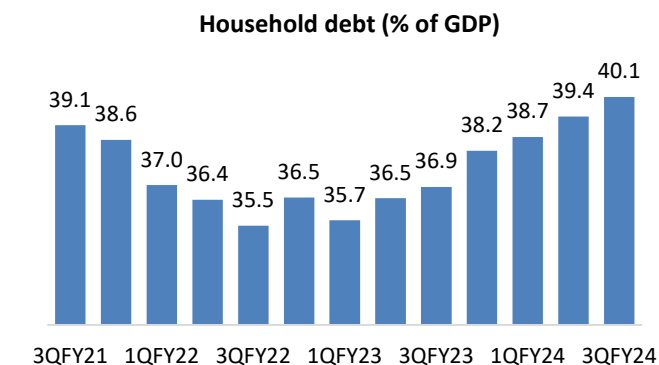
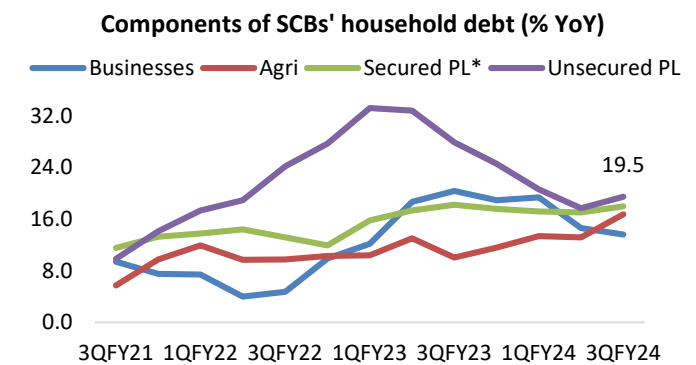
@ Including net flows into MFs and capital raised

#Based on RBI's quarterly data (up to FY23), which may be different from CSO's data

^ Assumptions for 9MFY24

\*For comparison sake, HDFC Ltd. is included in HFCs in 2Q/3QFY24

Source: Various national sources, CEIC, MOFSL

**Exhibit 10: Possible scenario for household financial position in FY24E/FY25F****Exhibit 11: Household debt likely at a new peak of 40% of GDP in 3QFY24...****Exhibit 12: ...as unsecured personal loans (PL) continue to grow at the fastest pace**

\*include housing, vehicles, education and loans against gold

Source: RBI, CSO, MOFSL

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
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