

Household Savings set to surprise in FY 2024?

5th April, 2024

By:
Kanika Pasricha
Chief Economic Advisor
kanika.pasricha@unionbankofindia.bank

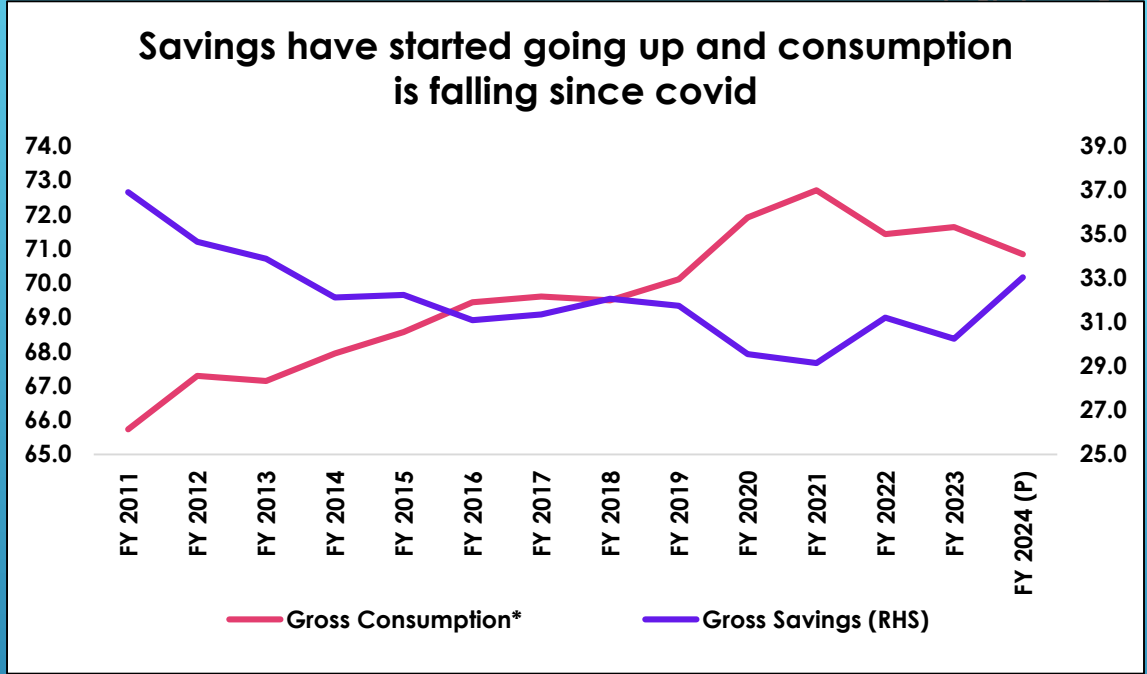
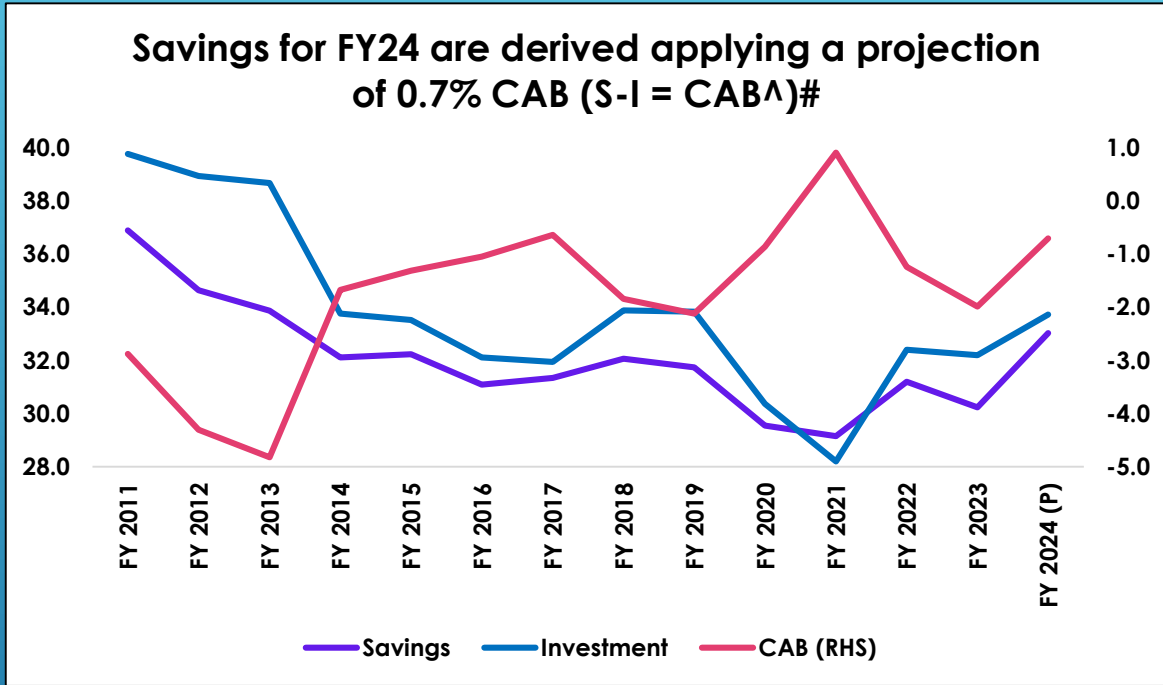
Nidhi Arora
nidhiarora@unionbankofindia.bank

Ashish Dhok
ashish.dd@unionbankofindia.bank



- ❖ We estimate a pickup in savings rate in FY24
 - ❖ Our analysis shows that overall savings rate spiked to c.33% in FY24, highest since FY15
 - ❖ Interestingly, household savings rate likely picked up after falling for two consecutive years
 - ❖ This analysis partly explains the sharp slowdown in consumption growth in FY24
- ❖ Household (HH) savings pickup in FY24 is broad based in our view
 - ❖ Actual data till FY23 signals a shift back from financial to physical assets post covid, a reversal in trend seen since “taper tantrum”
 - ❖ Within financial savings, a shift away from bank deposits to equities and insurance was seen till FY23
 - ❖ Importantly, our analysis shows that FY24 likely saw a pickup in both physical and financial savings
- ❖ Falling share of households in total SCB deposits, likely stabilised in FY24
 - ❖ Falling share of households in SCB deposits post FY21 has stabilised in Q1-Q3 FY24
 - ❖ Deposit rate hikes led households’ savings flow rise into deposits along with equity, small savings among others

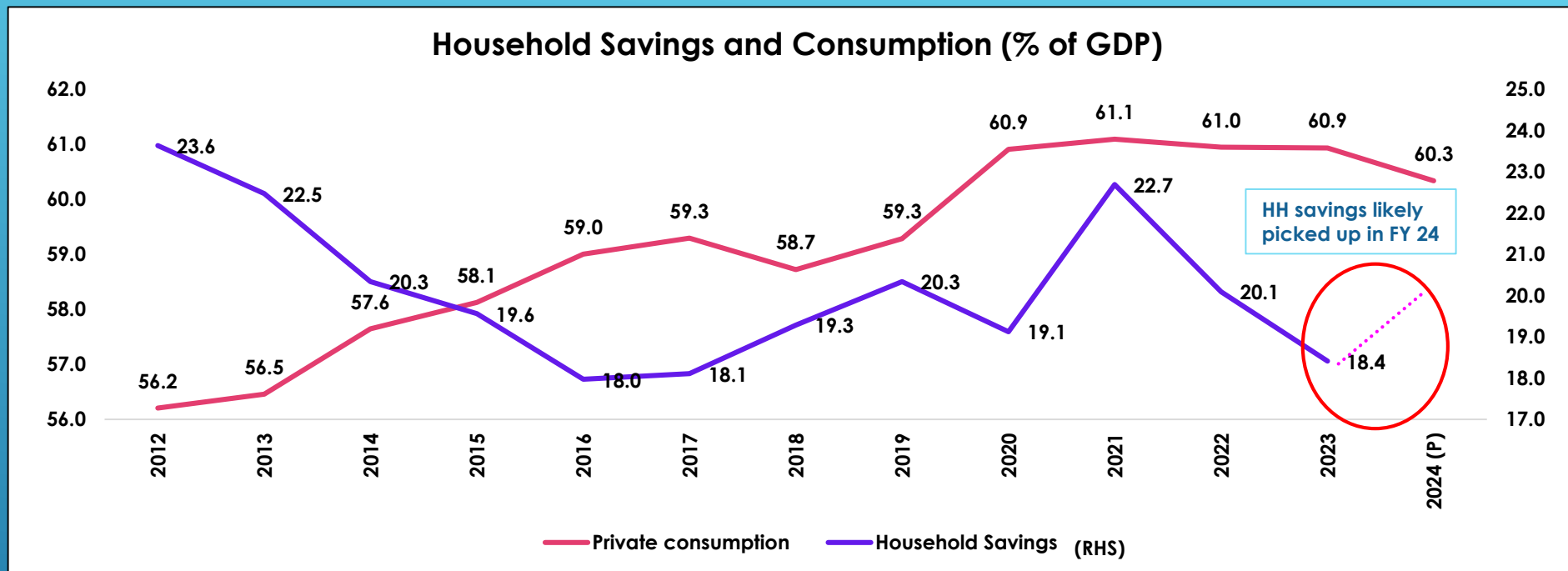
Savings likely picked up in FY24 while consumption lagged behind



* Includes private and public consumption

- ❖ Savings rate has seen a broad declining trend from FY11
- ❖ Savings as a % of GDP, from a peak of 36.9% in FY11 dropped to c.30% by FY23
- ❖ Using ($S-I = CAB^{\wedge}$) identity, which implies that the gap between domestic savings and capex is balanced by flows from abroad (or a C/A deficit), we estimate rise in savings rate to c.33.0% in FY24, highest since FY15

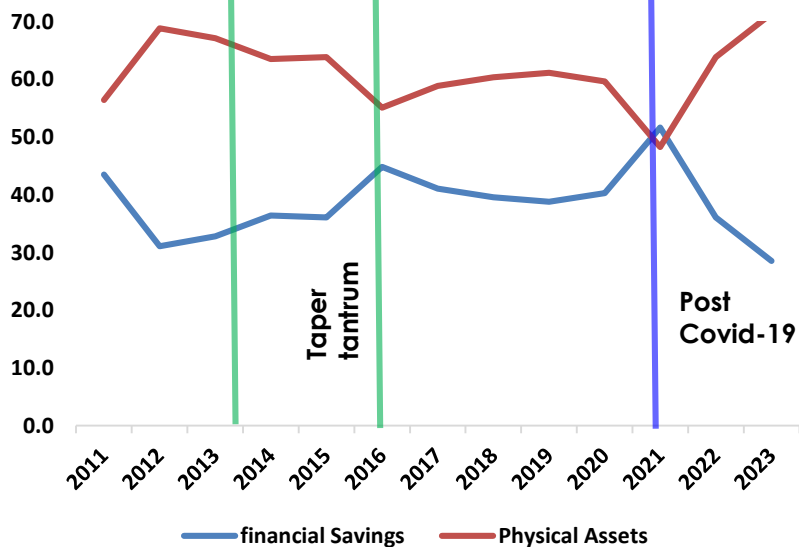
#as per second advance estimate for FY24 GDP; \wedge CAB implies current account balance;



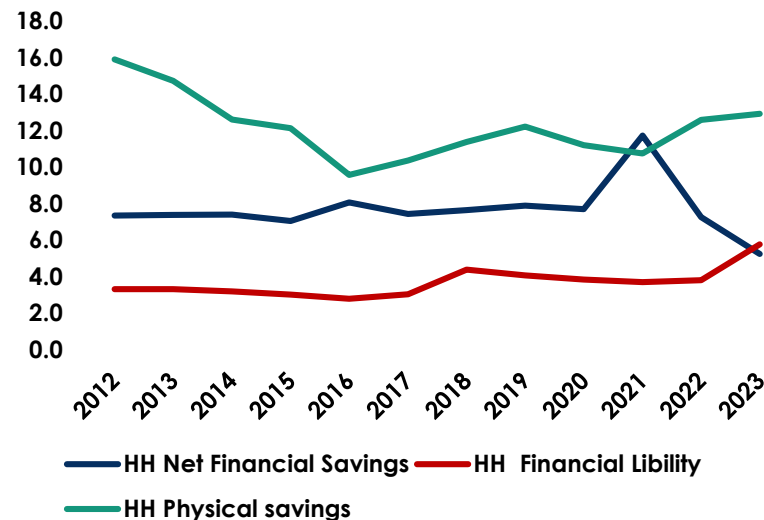
- ❖ Household savings (as a % of GDP) have been falling since post covid and have come down to 18.4% in FY23 from 22.7% in FY21
- ❖ However, FY24 probably saw a pickup in household savings which partly helps explain the sharp slowdown in consumption growth

Household Savings shifting away from financial to physical assets

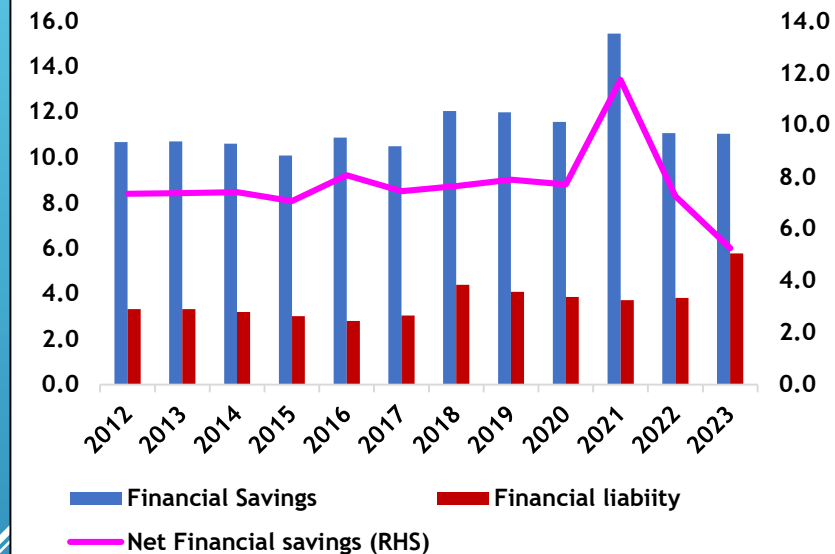
Household savings portfolio allocation (% share)



Growing financial liabilities and physical savings impacting net financial savings (% of GDP)



Financial savings have slipped to 4 decade lows(% of GDP)

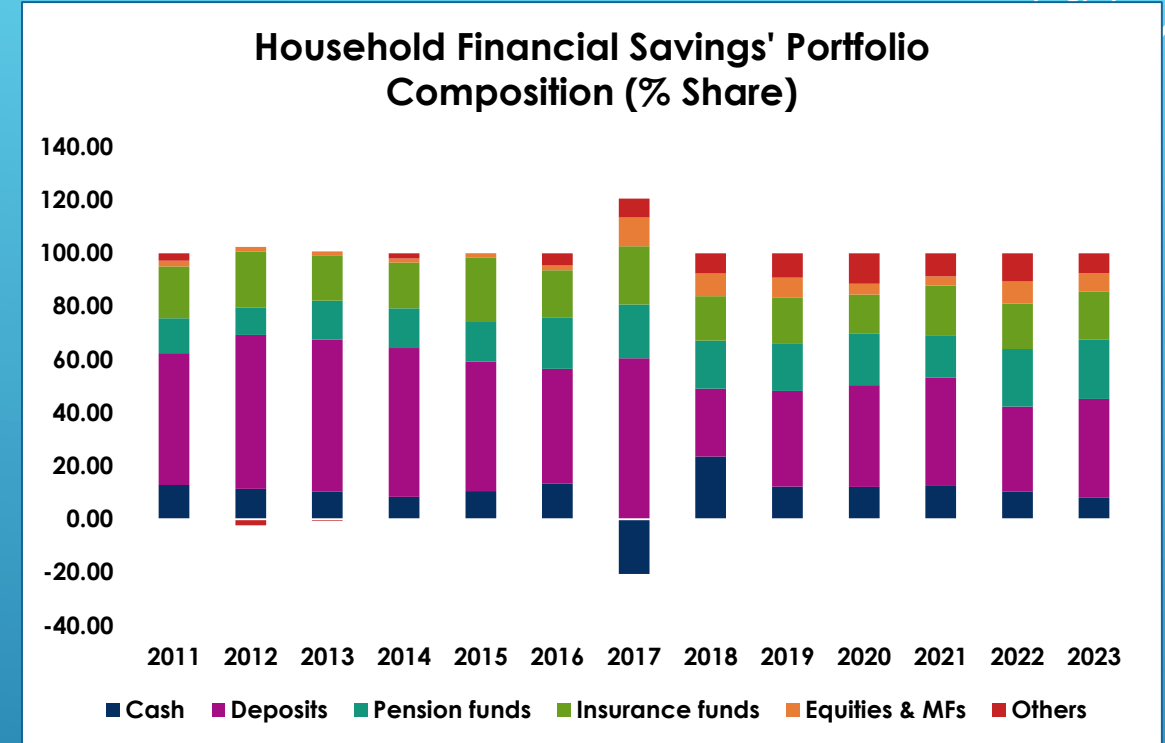


- ❖ Post “taper tantrum” phase saw HH savings moving away from physical assets like real estate and gold & silver to financial savings
- ❖ However, post the pandemic, a prominent shift was witnessed from traditional financial instruments towards physical assets
- ❖ Growing financial liabilities on the back of rising personal especially mortgage loans have weighed on net financial savings

During FY22-23, a clear shift away from bank deposits to alternate assets was underway

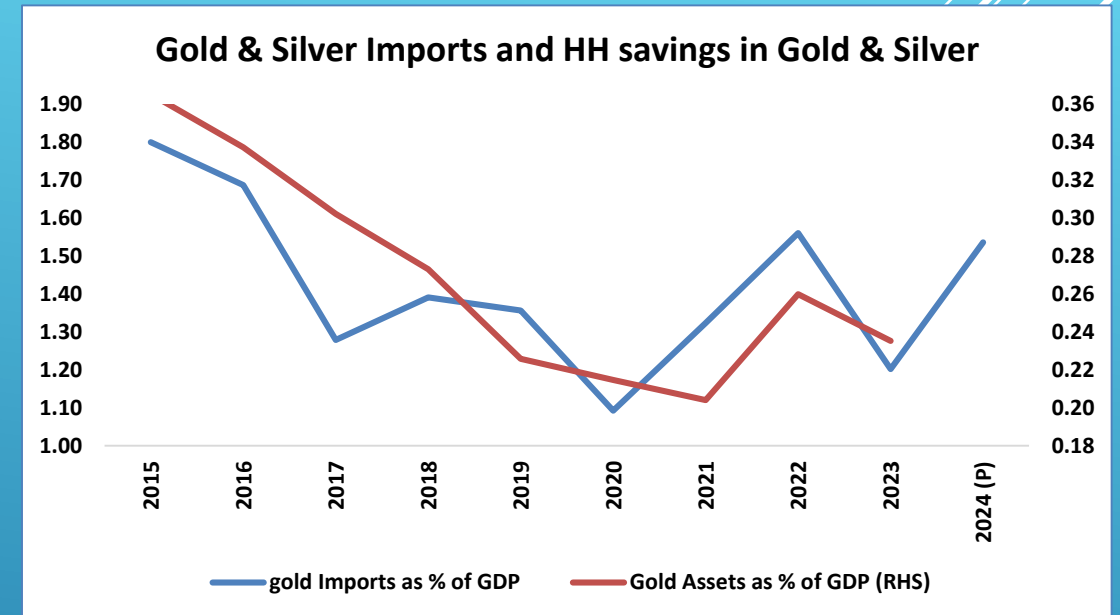
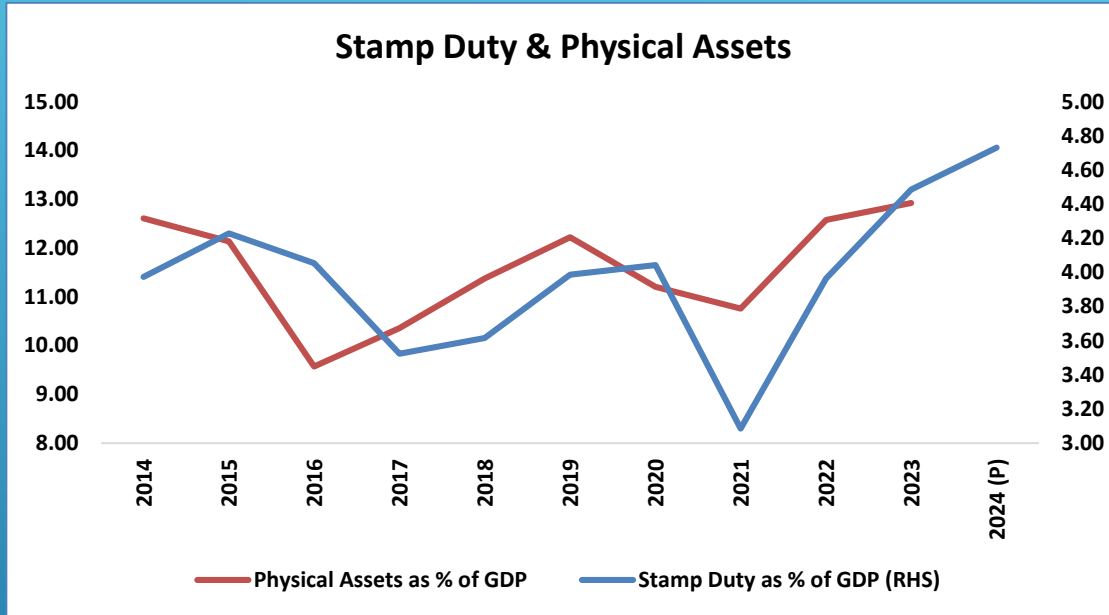
Rs.'000 Cr

Year	Household Financial Savings	Household Savings in Physical Assets	Currency	Household Deposits	Household savings in shares and debentures, MF
2011	184	145	41	118	53
2012	-148	354	-32	4	-8
2013	131	76	5	66	1
2014	127	-49	-12	61	2
2015	66	97	34	-55	1
2016	239	-196	67	32	8
2017	118	277	-533	333	146
2018	442	350	818	-453	3
2019	207	365	-207	289	-4
2020	61	-57	5	74	-78
2021	742	-117	99	356	12
2022	-455	833	-112	-415	107
2023	362	515	-32	270	-12



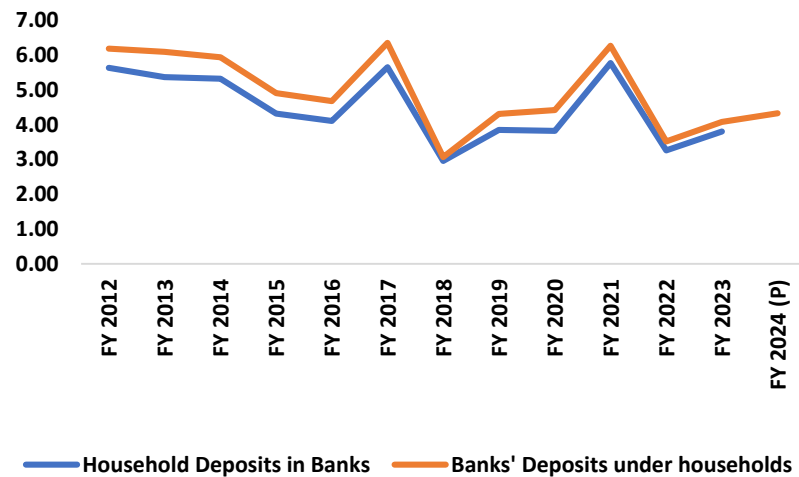
Others include govt secs, small savings, insurance & pension funds

- ❖ An analysis of incremental household financial savings shows that a clear shift to other asset classes is visible in years showing a negative deposit accretion
- ❖ In general, the shift is mainly observed between deposits, cash holdings & physical assets. Recently, equities/ mutual funds/insurance have also emerged as major alternate avenues
- ❖ Year 2022 is remarkable as the incremental allocation to physical assets is twice the drop in deposits while allocation to equities is still high

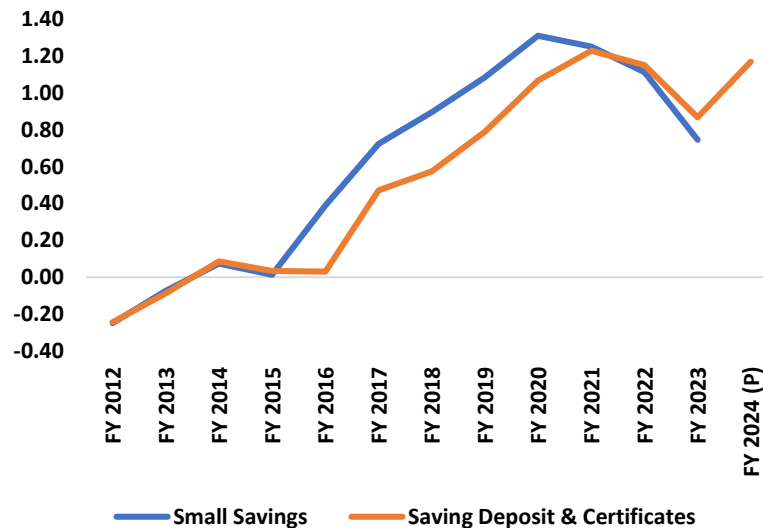


- ❖ Physical savings have two key sub-components – physical assets (real estate) and gold & silver
- ❖ Stamp duty collections which appear to be a good proxy for HH savings in physical assets, are seeing a sharp upward movement in FY24. This indicates a corresponding pick up in HH savings in physical savings as well
- ❖ HH savings in precious metals also likely to clock a spike in FY24, as indicated by a probable spike in gold & silver imports, a broad proxy for HH savings in precious metals

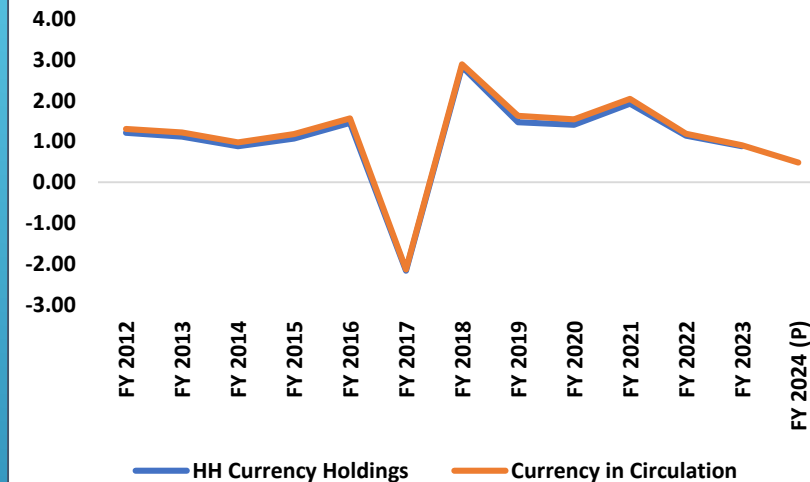
HH Deposits in Banks likely to post a marginal increase



Small Savings are seen to rise sharply



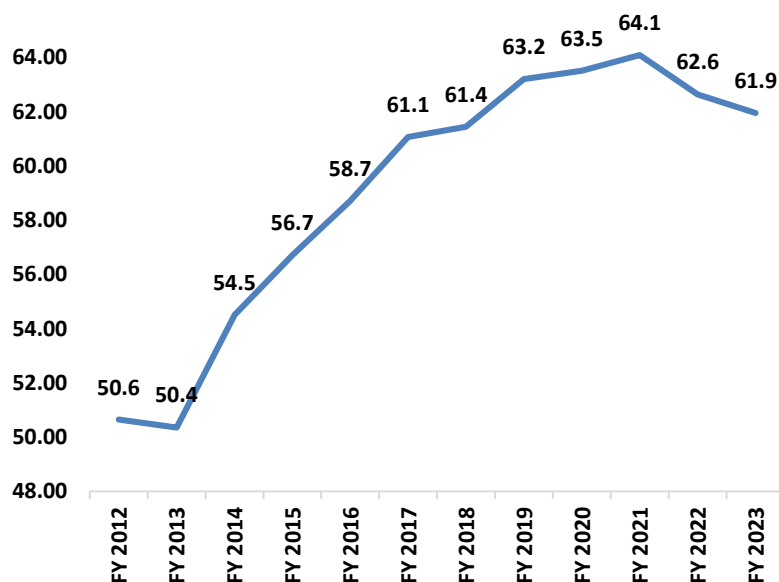
Currency holdings show a downward movement



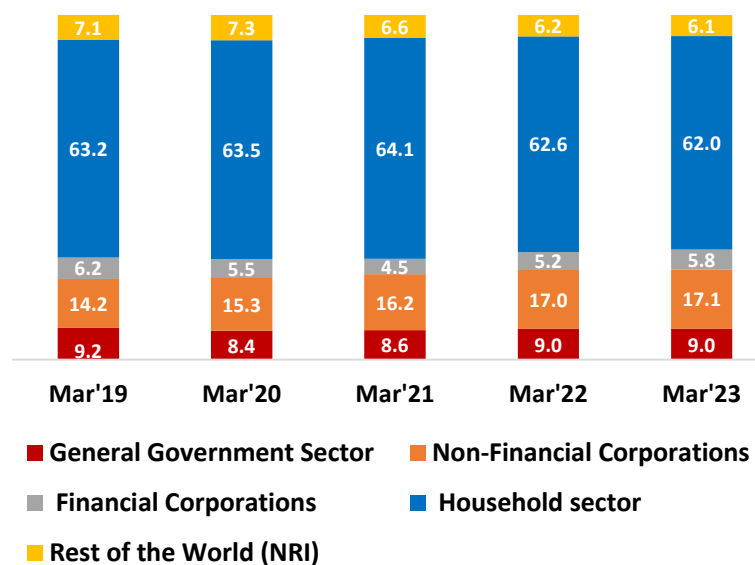
- ❖ Our proxies for 3 key sub-components of HH financial savings - deposits, small savings and currency with 50% share - show a good mapping
- ❖ Our analysis shows that the downward trend in currency holdings on withdrawal of Rs. 2,000 currency notes in FY24 was likely more than offset by a rise in bank deposits and a visible spike in small savings
- ❖ Though not confirmed due to paucity of data, the savings in insurance, equities and PFs also signal an upward trend for FY24

Household share in SCB deposits likely stabilized above 60% after consistently falling since FY21

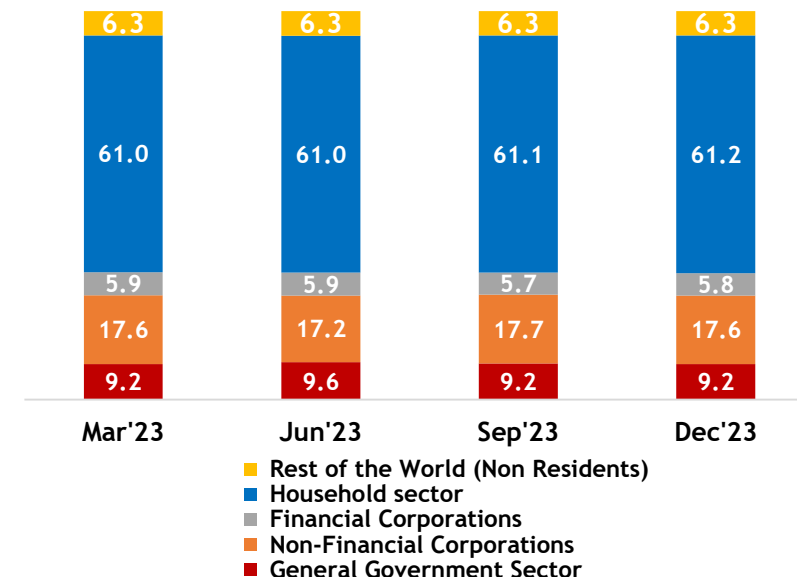
Household Bank Deposits as % of total Bank Deposits



Ownership of Deposits with SCBs



Quarterly ownership of deposits with SCBs (excluding RRBs, % share)



- ❖ The share of HH deposits in total bank deposits, going strength by strength till 2021, gained good momentum from 50.3% in FY13 to 64.1% in FY 21
- ❖ Post-Covid the share has been on a downward trend, slipping to 61.9% in FY 23
- ❖ Interestingly, HH bank deposits are seen stabilizing on quarterly basis and in fact have gained a minor uptick in Q3' FY24

Thank You !

BANKING RESEARCH TEAM



KANIKA PASRICHA
(Chief Economic Advisor)

SUNEESH K

R GUNASEELAN

NIDHI ARORA

RAJESH RANJAN

S JAYALAXMI

JOVANA LUKE GEORGE

ASHISH D DHOK

ROHIT YARMAL

AJINKYA TAWDE

KANHAIYA JHA

MANEESH GUPTA