



Data Taste Revealed

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Economic Research Vertical: Canara Bank: Head Office

Discussion

Why Major Economies See Lagged Lending despite their GDP Surge?

Data Source

World Bank Data

Reflections

- ✓ GDP & Credit growth 'Not' always moves in Sync for all economies.
- ✓ It depends on the stage of Economy.
- ✓ Moderate Correlation for Emerging Economies like : China (0.43), India(0.47)
- ✓ Very weak Correlation for Developed Economies like: USA, (-0.12), Japan (0.16).
- ✓ However, Germany has shown very strong correlation (0.60), although Weak economic fundamentals and shocks led to contracting GDP growth, despite moderate credit growth.
- ✓ For Japan, after 1990s, Burst in credit Bubble, Credit Growth stagnated, GDP has very low/negative growth.

GDP Growth (Nominal,%) Vs. Credit Growth(%) of Major Economies

Country	Growth (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Correlation
USA	GDP	4.3	3.9	2.8	4.3	5.3	4.3	-0.9	10.9	9.8	6.6	5.3	***	-0.12
	Credit	4.89	7.77	7.29	4.28	3.82	5.80	8.88	6.64	9.08	1.43	1.95	***	
CHINA	GDP	8.6	7.1	8.4	11.3	10.5	7.5	2.9	13.4	5.1	4.9	4.2	5	0.43
	Credit	14.7	12.4	14.7	12.4	12.8	13.7	12.7	12.6	11.4	11.8	9.6	7.4	
GERMANY	GDP	4.1	3.4	3.6	4.2	3.0	3.0	-2.4	6.6	7.6	5.9	2.9	***	0.60
	Credit	1	3.5	1.5	1	2	2.5	1.5	4	16.41	6.39	-0.25	***	
JAPAN	GDP	2.0	3.7	1.2	1.6	0.6	0.2	-3.3	2.5	1.3	5.6	3.0	***	0.16
	Credit	1.2	0.5	2	3	1.9	2.3	2	6.3	0.5	3	3.2	***	
INDIA	GDP	12.97	11	10.46	11.76	11	10.6	6.37	-1.24	18.8	13.96	12	9.78	0.47
	Credit	11.5	12.5	10	5	10	13	6	6	11	12	19	11.0	

Key Takeaway:

Relation between GDP Growth & Credit Growth are often strong for developing & emerging Economies. However this does not hold true for advanced economies. This is due to Debt saturation in advanced economies. Household & firms have already high debt. Extra borrowing is for refinancing old loans, buying Existing assets (houses, Stocks). In Advanced economies-more credit fuels higher asset prices.