Singapore Outlook

OCBC Bank

S'pore bank loans growth slowed further in March

Tuesday, April 30, 2019

Highlights

- **Total bank loans growth slowed to 2.2% yoy in March**, down from 3.3% yoy in February, and marking the slowest pace of expansion since November 2016. For the first quarter of 2019, total bank loans grew by 2.9% yoy, which is also a sharp slowdown from the 4.8% seen in 1Q 2018, but a little ahead of our expectations for 2.2%. Our full-year bank loans growth forecast for 2019 remains at just 1.6%.

- **Business loans growth eased to 3.4% yoy in March**, compared to 5.2% yoy in February. Business loans by industry performance was mixed – transport, storage & communications and building & construction loans outperformed with double-digit growth of 12.7% and 11.5% respectively, whereas general commerce loans fell for the eight consecutive month by 2.6% yoy amid the ongoing regional demand and trade slowdown. Barring a quick US-China trade deal in the near-term, it remains apparent that the green economic shoots from China from its policy stimulus have not benefited other Asian economies yet. One possible explanation is that the Chinese policy stimulus is very much targeted at the fiscal side, namely tax cuts for corporates and household consumption, which does not easily translate to higher demand for imports at this juncture.

- **Consumer loans has cooled dramatically to just 0.3% in March**, down from February's 0.5% yoy and marking the slowest pace since at least 2005. The main drag came from housing loans growth which decelerated to just 0.9% yoy in March, the lowest since at least 1992, reflecting the ongoing cooling in the domestic private residential property market. Watch this space as a further deterioration in the consumer loans front in the coming months may warrant some concern that consumer confidence is not as resilient as what the 1Q19 labour market conditions imply.

- **Business expectations surveys for the manufacturing and services sectors suggest 1Q19 may have been the bottom for the Singapore economy**. A rebound was seen in the net weighted 4% of services firms that anticipate more favourable business conditions in 2Q-3Q 2019, compared to -4% three months ago. This suggests that the 1H19 dip is likely short-lived, albeit the services firms are generally less upbeat compared to the same period last year (+8%). Within the service industries, the most optimistic were information & communications (+18%, notably in computer

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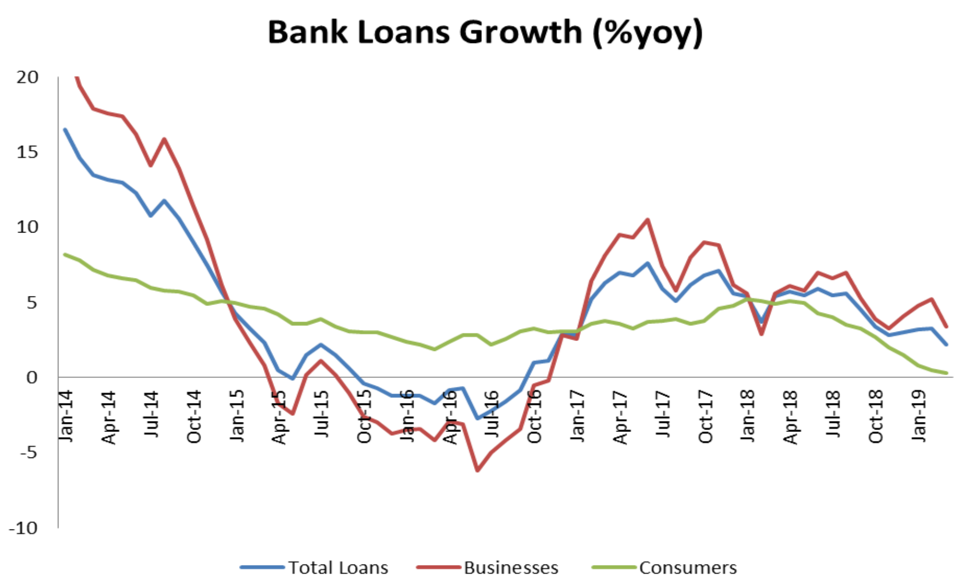
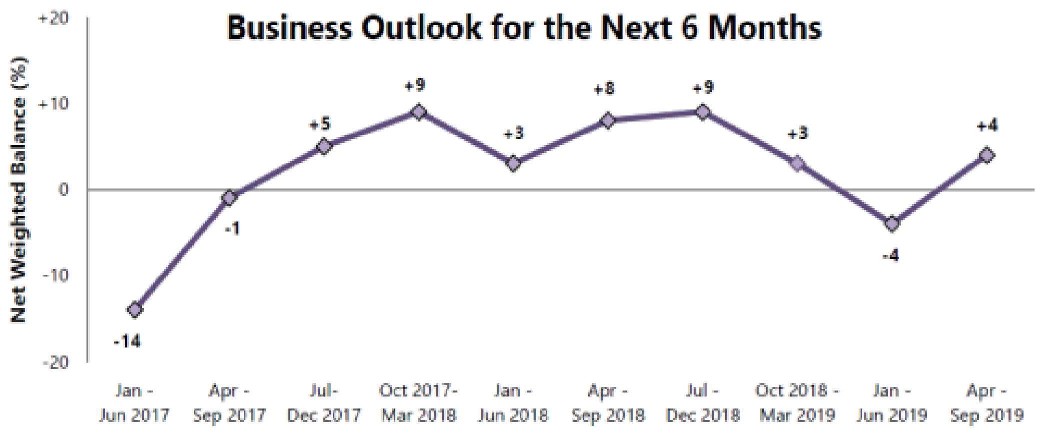
programming & consultancy services software publishing services and web portal services), finance & insurance (+9%, especially fund management and insurance), wholesale trade (+9%, particularly for machinery & equipment and petroleum & petroleum products), while the most bearish were retail trade (-14% post year-end and festive season), transport & storage (-14%, weighed down by air transport segment) and F&B services (-9%). Hiring intentions were fairly muted, with only a net weighted 2% of service firms anticipating an increase in hiring activity for 2Q19, mainly in recreation, community & personal services (+10%), information & communications (+8%) and wholesale trade (+2%).

- **Manufacturing sentiments also improved to a 1% net weighted balance tipping an improved business situation for 2Q-3Q 2019**. This is a sharp turnaround from the -14% seen three months ago, albeit still lower than the +13% seen in the same period a year ago. In particular, the most upbeat was the transport engineering cluster (+16%, led by the marine & offshore engineering segment amid a modest uptick in demand for oil & gas-field equipment, as well as the ship repair and commercial airline repair), followed by the biomedical manufacturing (+2%), whilst the most bearish were the general manufacturing (-6%, dragged down by the F&B & tobacco, and demand for print jobs and construction materials), precision engineering (-3%) and electronics (-1%) due to softening demand for semiconductors and semiconductor-related equipment. For 2Q19 output, the most optimistic clusters were biomedical (+51%), transport engineering (+34%) and chemicals (+14%) while electronics (-26%) and precision engineering (-33%) clusters will remain lacklustre.



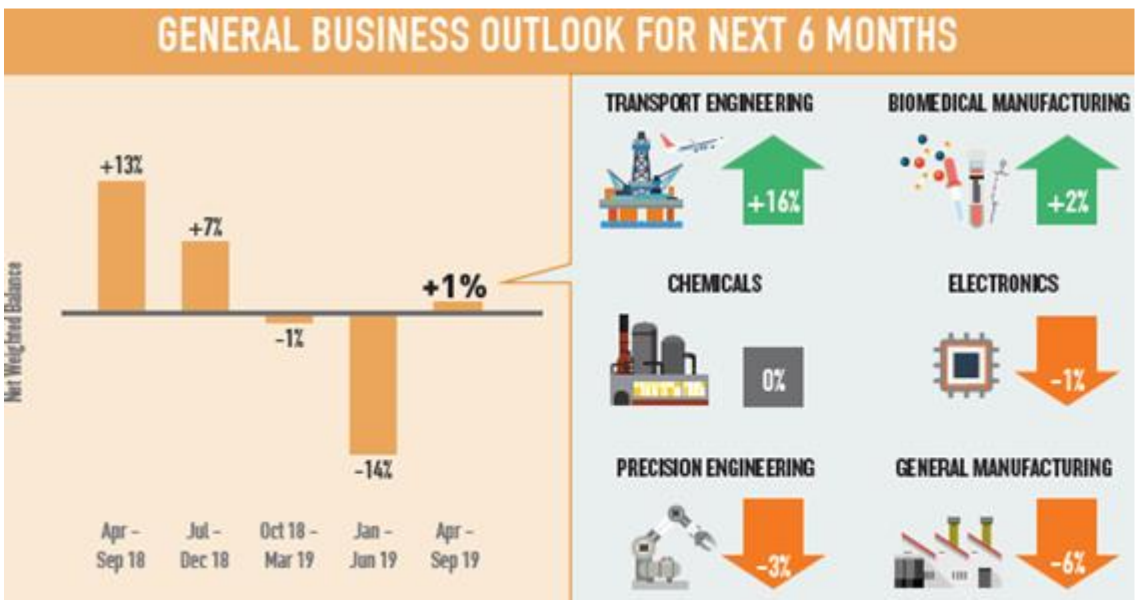
Source: Bloomberg, OCBC

Services



Source: Singstat

Manufacturing



Source: EDB

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