

Bank loans contracted for the 6th consecutive month

Friday, 29 April 2016

- **Bank loans contracted for the 6th consecutive month by 1.7% yoy (-0.9% mom) in March**, worse than the 1.2% yoy (-0.7% mom) drop seen previously, and within our expectations for 1-2% yoy. This loan shrinkage now matches the record 6 month slump seen back in Nov99-Apr00 amid a lacklustre business climate.
- **Notably, business loans fell a sharper 4.2% yoy (-1.6% mom) in March** (February: -3.4%), dragged down by general commerce (-22.8%), financial institutions (-7.5%) and others (-13.8%) which more than offset the stellar loans growth to building and construction companies (+15.1% yoy and +0.5% mom).
- **Meanwhile, consumer loans remained the bright spot** and expanded by 1.9% yoy (0% mom) in March, albeit still a moderation from the 2.2% seen in February, as housing and bridging loans (3.5%) offset the contraction in car loans, credit cards and others. This is unsurprising given the cautious macro-environment.
- **However it was not all doom and gloom.** The latest business expectations survey pointed to a net +1% of manufacturers anticipating more favourable business conditions for April-September (up from -22% a quarter ago), whereas a net 13% services companies anticipate less favourable business conditions (compared to -18% a quarter ago).
- **Interestingly, business conditions appear to have turned the corner** for electronics (+9% versus -32% previously), especially for semiconductor and other electronic modules and components, and precision engineering (+27% versus -18% previously) industries. For services companies, firms' expectations may have already bottomed at -18% last quarter, albeit the current -13% still foresee a slower business outlook. The most bullish services industries are the recreation, community & personal services (+5%) and information & communications (+5%), whereas the most bearish were real estate (-36%) and transport & storage (-34%).

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