

**S'pore's bank loans accelerated slightly.
However, consumer loans was very soft at 0.5%
yoy**

Friday, March 29, 2019

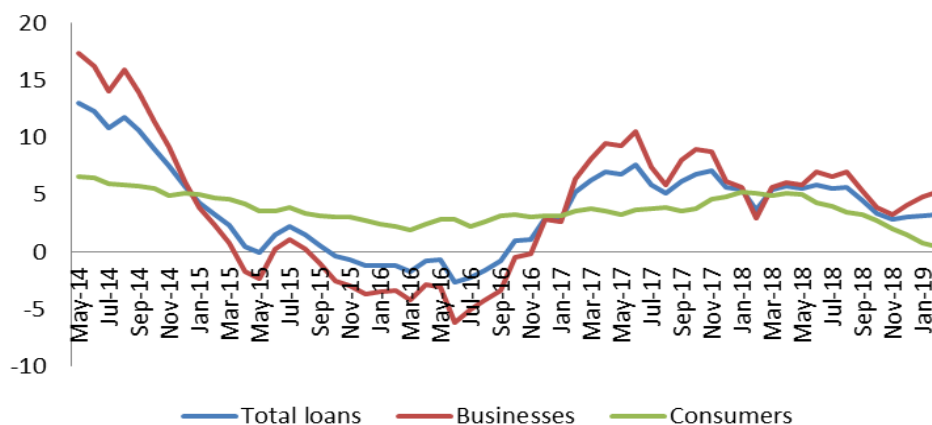
Highlights

- **S'pore's bank loans accelerated slightly to 3.3% yoy (+0.2% mom) in Feb**, up from 3.2% yoy (-0.1% mom) in Jan 2019. This is the fastest yoy pace of growth since November 2018 (2.8% yoy) and the highest since October 2018 (3.4% yoy). This is encouraging but the underlying details suggest a more mixed picture.
- **Business loans grew by 5.2% yoy (0.4% mom) in Feb**, which is an improvement over 4.8% yoy (0.1% mom) seen in Jan 2019 and also the fastest yoy pace since Sep 2018. This brought the first two months' business loans growth to 5.0% yoy, which is actually faster than the 4.2% yoy seen during the same period last year. Looking at the breakdown, loans to the general commerce segment remained weak for the sixth straight month at -7.7% yoy in Feb (Jan: -7.8% yoy) and loans to the building and construction sector moderated to 12.7% yoy (Jan: 13.8% yoy), albeit loans to the financial institutions segment grew at a 5-month high of 3.3% yoy (Jan: 1.5% yoy). Under Budget 2019, the government had earlier announced that it will increase the accessibility of loan financing for firms by taking up to 70% of the risk (up from 50%) for firms, and this may provide some support for business bank loans going forward.
- **Consumer loans decelerated to just 0.5% yoy (-0.2% mom) in Feb**, down from 0.8% yoy (-0.3% mom) in Jan. This marked the slowest pace of expansion since at least 2005 and is even lower than the 1.4% yoy seen in May 2006 (the cycle low before the Global Financial Crisis). In addition, consumer loans also shrank on-month for the second consecutive month. In particular, the housing and bridging loans growth eased to just 1.2% yoy in Feb (Jan: 1.6% yoy), which is also the slowest growth on record since at least Mar 2004. The private residential housing market is likely to remain subdued in the near-term due to the cooling measures, notwithstanding that market expectations of further US Federal Reserve rate hikes have been largely unwound.
- **Our full year 2019 bank loans growth forecast is 1.6% yoy, which suggests there is downside risk of slower bank loans momentum for the months ahead.** This will likely be a moderation from the average 4.7% yoy pace seen in 2018 and could potentially mark the weakest year for bank loans growth since the -0.7% yoy decline in 2016.

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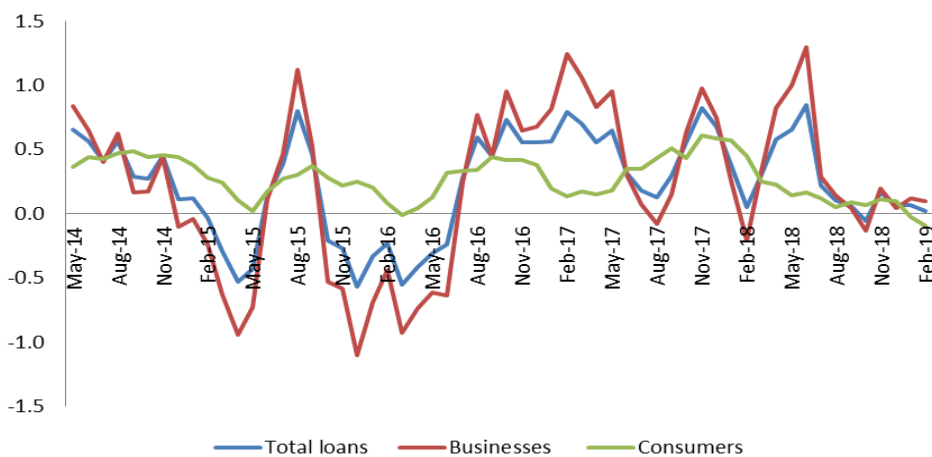
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Bank Loans Growth (%yoy)



Source: MAS, OCBC Bank

4-week average Bank Loans Growth (%mom)



Source: MAS, OCBC Bank

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