

## 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

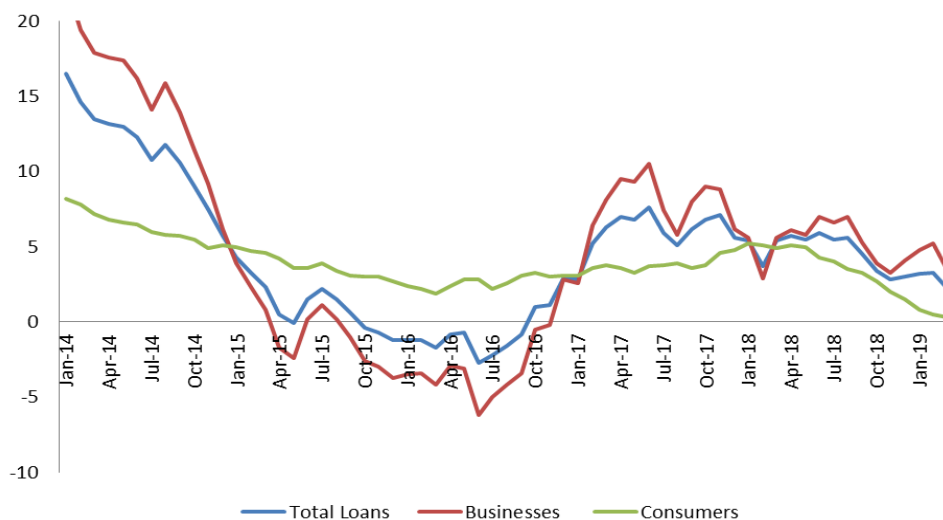
Treasury Research  
Tel: 6530-8384

Selena Ling  
Tel: 6530-4887  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

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%).

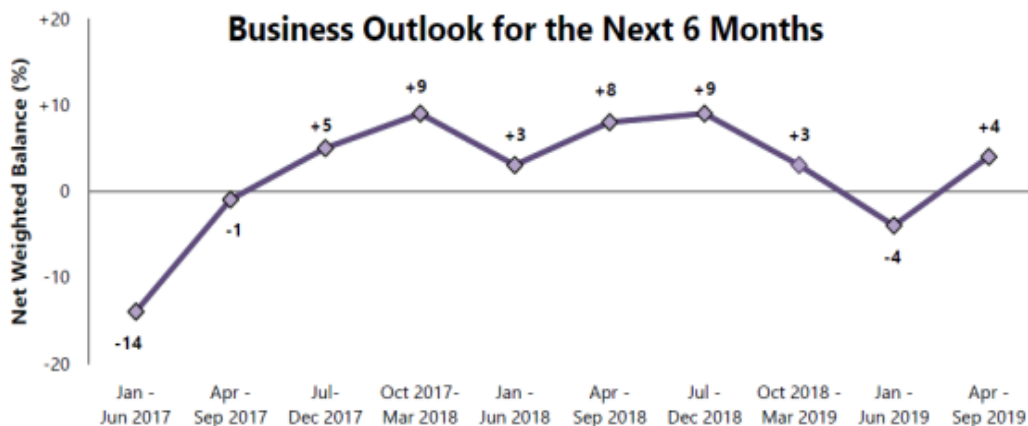
- Manufacturing sentiments also improved to a 1% net weighted balance tipping an improved business situation for 2Q-3Q 2019.** This is a sharp turnaround from the -14% seen three months ago, albeit still lower than the +13% seen in the same period a year ago. In particular, the most upbeat was the transport 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.

**Bank Loans Growth (%yoy)**



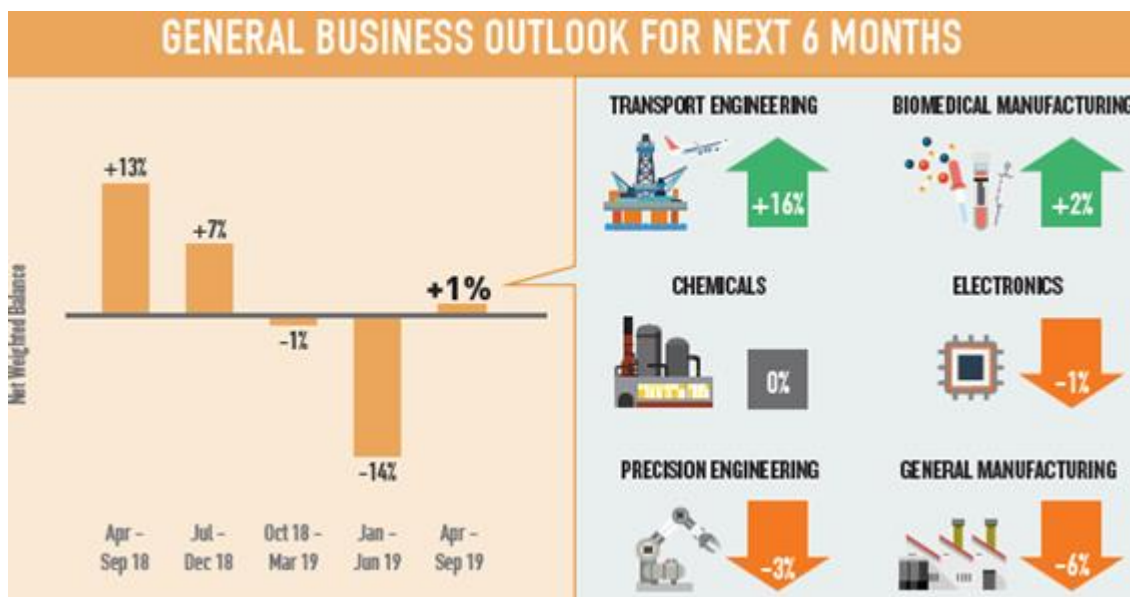
Source: Bloomberg, OCBC

Services



Source: Singstat

Manufacturing



Source: EDB

---

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W