

Spore bank loans accelerated slightly from 3.0% yoy in January to 3.1% yoy in February.

Selena Ling

Head of Research and Strategy

+65 6530 4887

LingSSSelena@ocbc.com

Highlights

February bank loans growth accelerated slightly to 3.1% yoy (0.2% mom), up from 3.0% yoy (-0.1% mom) in January. The improvement was largely driven by business loans which also picked up further to 5.8% yoy (0.4% mom), whereas consumer loans remains soft and shrank for the 10th straight month by 1.1% yoy (-0.2% mom). The former is not a reflection of improving economic activity as the advance 1Q20 GDP estimates pointed to a worse-than expected contraction of 2.2% yoy) and a full-year recession for the Singapore economy is on the cards, nevertheless, the acceleration in the February business loans growth can be attributed to business services (12.3% yoy), general commerce (11.7% yoy) and financial institutions (9.0% yoy). While there could be a low base due to the Chinese New Year festive timing in February 2019, nevertheless, the gradual resumption of factory production in China, the growing trend of work from home arrangements in Singapore, and the tightening funding conditions globally and in the region may have contributed as well. In addition, the enhancements to the Temporary Bridging Loan Programme, the \$20b set aside of loan capital to support good companies and catalyse private sector loan capital should be supportive of business loans growth in the interim.

The weakness in consumer loans is clearly mirroring the consumption fallout due to social distancing measures, cut back in risk sentiments and belt-tightening, especially for big-ticket items like housing. Mortgage loan drawdowns also declined for the 10th consecutive month by 1.6% yoy (-0.2% mom) in February, while car loans also shrank for the second month by 1.1% yoy (-0.1% mom). Credit card loans also fell for the first time by 2.3% yoy (-1.6% mom) while the recent stock market volatility may have contributed to share financing declining for the third month by 10.9% yoy (-4.9% mom). Looking ahead, with the corporate sector bearing the brunt of the demand impact of Covid-19 and cost cutting measures being implemented, even with the NWC recommendations not to touch wages first and only use retrenchments as a last resort, still the potential job and wage threats must be starting to weigh on consumer minds, albeit the enhancements to the Jobs Support Scheme in the Resilience Budget may help at the margin.

Economic activity is likely to remain soft in the near-term. LTA has cut ERP rates from 6 April for 95% of gantries due to a swift decline in traffic volumes. This is unsurprising with increasing work-from-home arrangements and increasing social distancing measures. We expect 2Q economic performance to be significantly weaker than 1Q20 and a technical recession looks probably for the Singapore economy.

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy
LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia
WellianWiranto@ocbc.com

Terence Wu

FX Strategist
TerenceWu@ocbc.com

Howie Lee

Thailand, Korea & Commodities
HowieLee@ocbc.com

Carie Li

Hong Kong & Macau
carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau
dicksnyu@ocbcwh.com

Credit Research

Andrew Wong

Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst
WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst
ZhiQiSeow@ocbc.com

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).