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