

S'pore's bank loan growth falls again

Selena Ling

Head of Research and Strategy

+65 6530 4887

LingSSSelena@ocbc.com

Highlights:

Total bank loans growth fell for the third consecutive month by 1.0% yoy, dragged down by consumer loans which contracted 2.6% yoy, mainly due to housing loans (-1.4% yoy), but business loans also flat-lined (0% yoy) as well. The slowdown in business loans momentum could signal challenging times ahead of the private sector, albeit the MAS is already in talks with financial institutions to extend the loans moratorium beyond 31 December to avoid a cliff effect upon expiry. In particular, the business segments that saw large discrepancies in loans growth momentum were business services (+21.0% yoy), building and construction (+4.5% yoy) and transport, storage & communications (+4.4% yoy) which fared relatively better, whereas manufacturing (-9.1% yoy) and general commerce (-3.4% yoy) underperformed. This divergence in loans momentum between different business industries could be a reflection of a K-shaped recovery where different recovery speeds are noted depending on whether they are Covid-resilient and externally or domestically oriented.

Compared to July, total bank loans shrank for the 6th straight month by 0.1% mom, weighed down by business loans which decreased for the 5th month by 0.4% mom due to softness in manufacturing and financial institutions. However, consumer loans actually rose by 0.3% mom after falling sequentially for most of this year up to July 2020. Notably, car loans and credit card loans rebounded 0.7% mom and 1.7% mom in August, despite being 4.3% and 10.1% lower than a year ago. This suggests that consumer sentiments may also be stabilizing if not modestly ticking higher in the third quarter after the Circuit Breaker-induced lows in the second quarter, albeit they are not back to pre-Covid levels yet.

Total bank loans have expanded 1.1% for the first eight months of this year, but is likely to remain tepid for the remaining months of 2020. Our forecast is for bank loans to contract around 1% yoy in the third quarter and only see marginal growth of 0.2% yoy for the full year. If this materializes, 2020 would mark the slowest bank loans growth since 2015. Whilst recent economic indicators suggest a modest sequential 2H20 recovery is underway and an earlier transition to Phase 3 before the year-end may bode well for the certain beleaguered services industries, nevertheless, without clarity on whether the loans moratorium will be extended into 2021, we are unlikely to see a quick turnaround in the bank loans momentum just yet.

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).