

S'pore bank loans mildly contracted in March while near-term business expectations look upbeat

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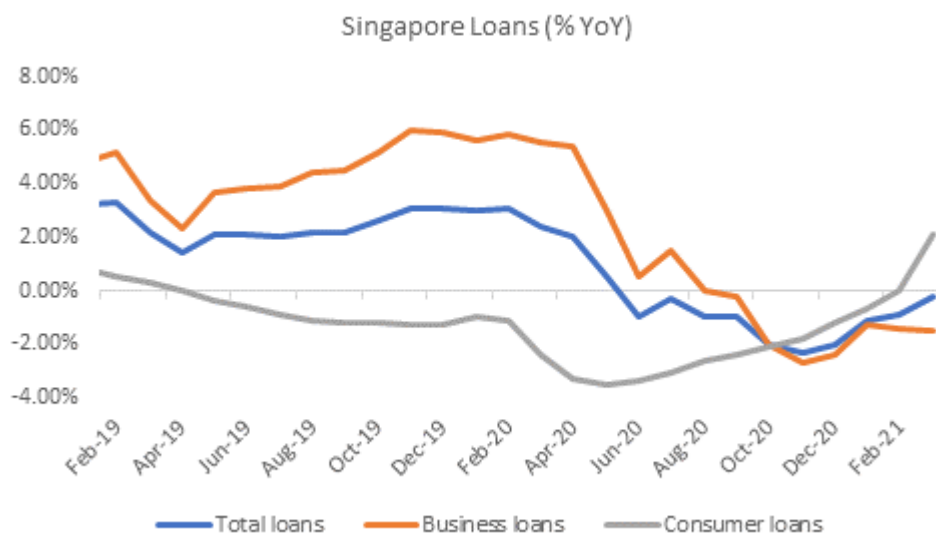
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Highlights:

Bank loans growth fell for the 10th straight month by a milder 0.2% yoy in March 2021, the smallest decline since bank loans growth turned negative in June last year. While business loans continued to decline for the 7th consecutive month by 1.5% yoy, consumer loans grew by 2.1% yoy in March mainly on the back of housing & bridging loans which saw its 4th month of growth by 1.8% yoy. Within the business loans segments, building & construction (+5.5% yoy) and business services (+3.7% yoy) fared better, but was unable to compensate for the weakness in general commerce (-4.1% yoy), financial institutions (-6.4% yoy) and manufacturing (-4.2% yoy). On a sequential basis, total bank loans growth actually expanded for the 5th consecutive month by 0.7% mom, aided by healthy business and consumer loans which both grew 0.7% yoy in March. While total bank loans fell 0.7% yoy in 1Q21, this is still slightly better than the -0.8% yoy we expected and also 2.1% higher than 1Q19 (pre-Covid). Hence, this latest bank loans data reinforces the green shoots story in the Singapore economic recovery and it is likely that the overall bank loans data may revert to modest positive on-year growth in the coming months. Our full year 2021 bank loans growth forecast is 0.3% yoy. Note that domestic business sentiments are gradually improving further going into 2H21 amid the vaccination progress and talk of more travel bubbles opening up.

The latest business expectations survey for manufacturers showed further optimism, with a net 38% expressing upbeat sentiments about the April-September period. The most optimistic industries are the electronics (+66%, led by semiconductors at +78% and other electronics components at +50% due to strong export demand from 5G markets), biomedical cluster (+32% with the anticipated pickup in overseas demand for pharmaceuticals and medical technology segments), and the precision engineering cluster (+19%, boosted by the machinery & systems segment due to semiconductor-related equipment demand). For 2Q21, a net 28% of manufacturers expect output to rise with the exception of the general manufacturing cluster. A majority (72%) of the manufacturing firms also reported no limiting factors to obtain export orders for 2Q21, but for those that anticipate challenges, the top two limiting factors are the Covid-19 pandemic and overseas price competition. Notably, a weighted 72% of manufacturers also plan to invest in plant and machinery in the next 12 months, of which 65% expect similar or higher capital expenditure levels which are intended to replace worn-out equipment and expand production capacity of existing products

Services firms also turned more upbeat for the second quarter with a net 11% anticipating a more favourable outlook for the April-September period. This is up from the +7% three months ago and a sharp turnaround from the -58% a year ago during the Circuit Breaker period. For the 2Q21 operating receipts, a net 9% anticipate an improvement. A net 6% of services firms also expect to hire more staff in 2Q21, led by the recreation, community & personal services industry, especially those involved in health services, as well as the information & communications industry. At the industry level, the most optimistic were the information & communications (+23% aided by the computer programming & consultancy services due to the digitalisation push), finance & insurance (+15% due to the pickup in economic sentiments amid the ongoing vaccination program) and wholesale trade (+13% which is benefiting from the wholesale demand for computers and computer peripheral equipment) industries. However, the two laggards remain the accommodation (-20% due to the slow hotel activity as international borders and ongoing entry restrictions) and retail trade (-18% due to the absence of festive holidays and still soft labour market conditions) industries. Interestingly, the F&B services industry expect higher revenue in 2Q21 as more employees return to work in office. While hoteliers also anticipate staycation demand to pick up in the June school holidays, it would not be sufficient to offset the low tourism arrivals.

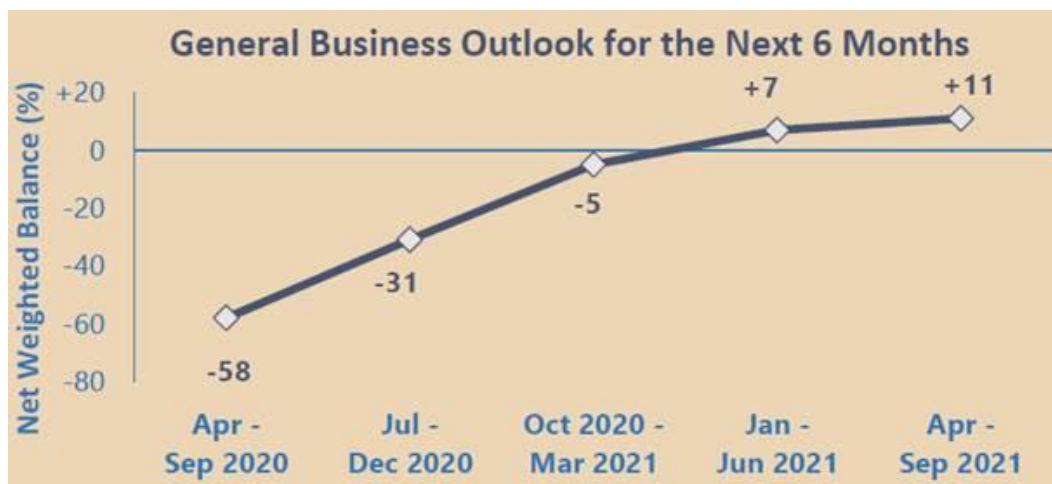


Manufacturing Sector

(per cent)

Industry	General Business Outlook for April – September 2021 compared with January – March 2021				Forecast for April – June 2021	
	Net Weighted Balance	Up	Same	Down	Output	Numbers Employed
Electronics	+66	66	34	0	+35	+14
Semiconductors	+78	78	22	0	+40	+19
Computer Peripherals & Data Storage	0	0	100	0	0	+7
Infocomms & Consumer Electronics	+8	8	92	0	+8	0
Other Electronic Modules & Components	+50	50	50	0	+52	+20
Chemicals	+1	5	91	4	+2	+2
Petroleum	-17	25	33	42	-17	0
Petrochemicals	-1	0	99	1	-4	0
Specialties	+1	4	93	3	+12	+4
Other Chemicals	+10	11	88	1	+1	+5
Biomedical Manufacturing	+32	32	68	0	+53	+27
Pharmaceuticals	+45	45	55	0	+80	+36
Medical Technology	+19	19	81	0	+26	+22
Precision Engineering	+19	29	61	10	+37	+14
Machinery & Systems	+27	30	67	3	+54	+24
Precision Modules & Components	+2	26	50	24	+7	+5
Transport Engineering	+18	24	70	6	+18	+2
Marine & Offshore Engineering	-7	9	75	16	+4	0
Aerospace	+25	25	75	0	+19	+7
Land	+55	64	27	9	+56	0
General Manufacturing Industries	+16	26	64	10	-5	+5
Food, Beverages & Tobacco	-5	11	73	16	-29	-8
Printing	-1	10	79	11	-8	-7
Miscellaneous	+51	52	47	1	+32	+18
Total All Industries	+38	41	56	3	+28	+9

Services Sector



Source: MAS, Singstat, EDB

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