

# Banking Sector Developments April 2015

Release date: 12 June 2015

	Apr 15	Mar 15	Feb 15	Jan 15
Deposit rate*	2.34	2.32	2.28	2.25
Lending rate*	8.59	8.65	8.79	8.59
Total Deposits (T\$m)	363.2	360.9	365.0	371.7
Total lending (T\$m)	404.9	404.1	401.7	396.7
New commitments (T\$m)	7.6	16.9	17.2	20.3
Broad Money (T\$m)	385.0	379.6	379.7	380.8

\*Weighted Average calculated as a function of interest rate and volume of deposits and loans

## Narrowing banks' interest rate spread

### Lending

Total lending rose slightly over the month by 0.2%, due to a slight increase in business lending; whilst increased lending to households over the year saw annual total lending rise by 6.2%. These increases in lending coincide with a 47 basis points decline in weighted average lending rates over the year. The increase in lending is also indicative of growing economic activities in the Kingdom.

#### *Business lending*

Total business lending increased slightly over the month by 0.9%, driven mainly by a 4.2% increase in banks' lending to non-bank financial businesses. The increase in business lending coincides with a 6 basis points decline in weighted average lending rate to businesses. New business loan commitments from banks fell over the month by 35.7%, reflecting a significant decline in lending to public enterprises. Over the year, total lending to businesses increased by 1.2%. Comparatively, annual business lending from the banking system exclusively increased by 9.9% due to major loans extended to public enterprises.

#### *Household lending*

Total lending to households declined slightly over the month by 0.4%, due mainly to a decline in other personal lending. This coincides with lower payments for imports of construction material. However, annual total household lending increased by 11.9%, owing mainly to a rise in housing loans, reflecting the 20 basis point fall in average lending rates for housing due to housing loan

campaigns held by banks. This suggests a stronger construction sector over the year and corresponds with increased payments for imports of construction materials.

### *Other lending*

Other loans fell over the month and year by 3.8% and 27.8% respectively, led mainly by lending activities within the non-profit institutional sector.

### *Non-performing loans*

Non-performing loans for the banking system increased over the month by 9.4%. The decline in loan repayments was driven mainly by a 6.9% increase in business non-performing loans. Annual non-performing loans also rose by 4.9%; underpinned by an 8.8% increase in non-performing household loans.

## **Deposits**

Bank deposits rose slightly over the month by 0.6%, mainly due to a 2.4% increase in the demand deposits offsetting slight declines in savings and term deposits. Over the year, bank deposits grew by 6.3% underpinned by increases in all the categories. The increases in savings and term deposits coincide with the rises in weighted savings and term deposit rates.

## **Interest rates spread**

Weighted interest rate spread narrowed over the month from 6.33% in March 2015 to 6.25% in April 2015, reaching its lowest level in 14 years. This was driven by a 6.4 basis points decline in weighted average lending rate due to an increase in low interest rate loans to businesses and a 1.6 basis points increase in weighted average deposit rate.

## **Broad money**

Broad Money grew over the month by 1.4% to T\$385 million, reflecting a 5% increase in net domestic assets. The increase in net domestic assets was mainly due to the rise in lending. However, net foreign assets fell slightly over the month due to an increase in foreign liabilities. Increases in currency in circulation and total demand deposits also contributed to the overall growth in broad money. Over the year, broad money rose by 7.7%, owing mainly to the increase in lending.

## **Liquidity**

Banking system liquidity rose over the month by 1.3% to T\$142.1 million. The increase in liquidity resulted from the higher deposits over the month, consistent with the rise in foreign reserves. Over the year, banking system liquidity rose by 3.3%, and this contributed to the increase in broad money.

## Outlook

Credit growth is supported by the continuous improvements in business confidence and lending conditions. Continued competition amongst banks and the ongoing lending activities of the Government's manage funds will continue to support the current low lending rates. The NRBT is forecasting credit to grow by more than 10% in the next six months. This is based on continuous improvements in business confidence; imminent drawdowns of some large loan commitments; the continued low interest rates; and the Government's manage funds scheme. Commercial banks' prospects for credit growth remain positive. The NRBT will continue to promote prudent lending and closely monitor credit growth in light of the impact on the monetary policy targets and financial stability.

Table 1

	Lending Balances					Change over the		Shares of totals %
	Level as at					1 month	1 year	
	Apr 15 TOPm	Mar 15 TOPm	Feb 15 TOPm	Jan 15 TOPm	Apr 14 TOPm	%	%	
Lending, banks	302.0	301.2	297.4	292.5	274.9	0.3	9.8	100
Household	151.7	152.6	151.9	147.6	137.5	-0.6	10.3	50
Business*	149.0	147.2	144.2	143.7	135.6	1.2	9.9	49
Other	1.3	1.4	1.3	1.3	1.9	-3.8	-27.8	0
Lending, banks and other	404.9	404.1	401.7	396.7	381.5	0.2	6.2	100
Household	203.1	204.0	204.7	200.2	181.5	-0.4	11.9	50
Business	200.5	198.7	195.7	195.2	198.1	0.9	1.2	50
Other	1.3	1.4	1.3	1.3	1.9	-3.8	-27.8	0
New comm'ts, banks	7.6	16.9	17.2	20.3	7.5	-55.1	0.6	N/A
Undrawn comm'ts, banks	17.1	19.1	14.1	14.7	9.4	-10.3	82.9	N/A
Implied repay'ts, banks	8.7	8.2	12.9	8.6	7.1	6.7	23.6	N/A

\* Method for calculating these series was updated in August 2014, resulting in revisions to the full history of data  
Sources: SPBD; RFB; MOFNP; Banking system

Table 2

Interest Rates								
Weighted average of all banks								
	Level as at					Change over the last:		Share of loans/deposits %
	Apr 15 %	Mar 15 %	Feb 15 %	Jan 15 %	Apr 14 %	1 month bps	1 year bps	
Deposits all	2.34	2.32	2.28	2.25	2.12	2	22	100
Demand	0.51	0.46	0.53	0.58	0.53	5	-2	39
Savings	2.45	2.48	2.44	2.48	2.18	-3	28	16
Term	3.92	3.87	3.81	3.78	3.56	5	36	44
Loans all	8.59	8.65	8.79	8.59	9.06	-6.4	-47	100
Housing	8.50	8.49	8.47	8.45	8.70	0.9	-20	35
Other personal	12.79	12.80	12.82	12.74	13.10	0	-31	18
Business*	7.47	7.53	7.76	7.44	8.36	-6	-90	24
Other	6.31	6.52	6.53	6.28	6.47	-21	-16	23

\*Method for calculating these series was updated in August 2014, resulting in revision to the full history of data

Sources: Banks; NRBT

Table 3

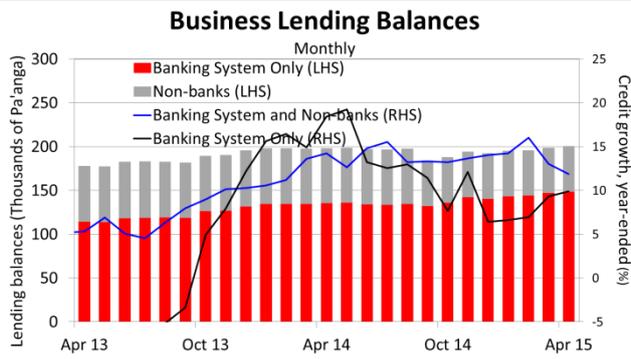
Consolidated Balance Sheet of Depository Corporations								
	Level as at					Change over the last:		
	Apr-15 \$TOPm	Mar-15 \$TOPm	Feb-15 \$TOPm	Jan-15 \$TOPm	Apr-14 \$TOPm	1 month % growth	1 year % growth	
<b>Broad money liabilities</b>	<b>385.0</b>	<b>379.6</b>	<b>379.7</b>	<b>380.8</b>	<b>357.5</b>	<b>1.42</b>	<b>7.7</b>	
Currency in circulation	42.9	39.8	40.2	40.4	36.0	7.9	19.1	
Demand deposits	137.4	134.0	137.1	138.4	131.5	2.6	4.5	
Savings and term deposits*	204.7	205.9	202.4	202.1	189.9	-0.6	7.7	
<i>equals</i>								
<b>Net foreign assets</b>	<b>265.7</b>	<b>266.0</b>	<b>266.7</b>	<b>277.0</b>	<b>258.4</b>	<b>-0.1</b>	<b>2.8</b>	
<i>plus</i>								
<b>Net domestic assets</b>	<b>119.3</b>	<b>113.6</b>	<b>113.0</b>	<b>103.9</b>	<b>99.1</b>	<b>5.0</b>	<b>20.4</b>	
Gross bank lending**	310.3	309.4	305.6	300.4	282.1	0.3	10.0	
Other***	-191.0	-195.8	-192.6	-196.5	-183.0	-2.4	4.4	

\* Also includes very minor amounts for securities other than shares.

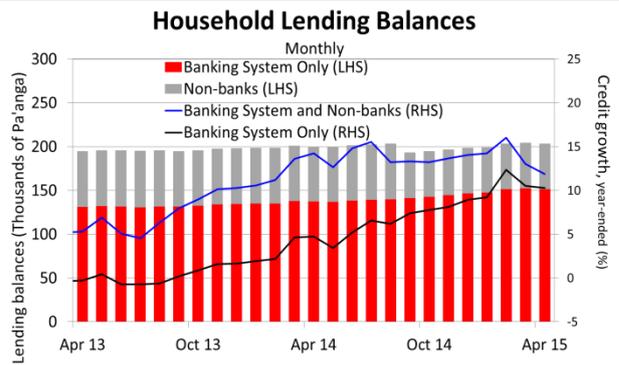
\*\* Differs slightly from standard measures of bank lending by amounts classified as accrued interest.

\*\*\* Includes mostly capital accounts of the banks and NRBT, and their net claims on the central government.

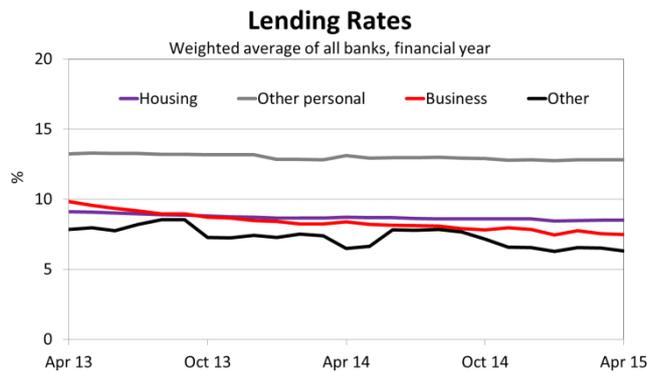
Sources: Banking system; NRBT



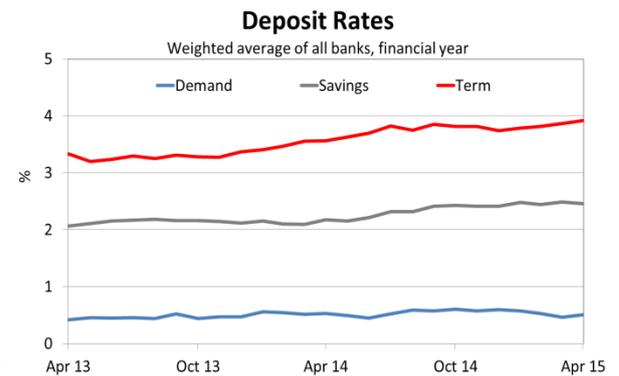
Data Sources: Banking System, SPBD, RFB and Ministry of Finance and National Planning



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