

Banking Sector Developments June 2015

Release date: 22 December 2015

	June 15	May 15	Apr 15	Mar 15
Deposit rate (%)*	2.35	2.37	2.34	2.32
Lending rate (%)*	8.23	8.32	8.27	8.33
Total Deposits (T\$m)	379.6	365.4	363.2	360.9
Total lending (T\$m)	416.2	411.9	408.4	405.6
New commitments (T\$m)	14.1	11.0	7.6	16.9
Broad Money (T\$m)	403.3	389.8	385.0	379.6

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

Household loans led strong credit growth

Lending

Total lending rose over the month by 1.0%, driven by increases in loans to businesses and households. Total lending also increased over the year by 8.2%, underpinned mainly by an increase in household lending. Business lending also increased over the year. These increases in lending coincide with a 43.8 basis points decline in weighted average lending rates over the year. The continued increase in lending indicates strong economic activities in the Kingdom, due to preparations for the coronation, school reunions and annual churches conferences.

Business lending

Bank lending to businesses increased over the month by 1.4%, largely as a result of an increase in lending to the manufacturing, agricultural and construction sectors. The increase in loans to the agricultural sector was supported by the government's managed funds loan scheme. The rise in business lending coincides with a 11.4 basis points decline in weighted average lending rate to businesses. New business loan commitments from banks also rose by more than double over the month to \$7.9 million mainly to the tourism sector, however remained undrawn over the month. This reflects ongoing activities in the sector including the renovations works by the Tanoa Group. Including government on-lent loans, total lending to businesses rose over the month by 1.1%. Over the year, total bank lending to businesses increased by 13.4% due to major loans extended to public enterprises. Including government on-lent loans, business lending only increased by 3.4% over the year, reflecting declines in government on-lent loans.

Household lending

Bank lending to households increased slightly over the month by 0.5%, driven by a rise in housing and other personal lending. The increase in housing loans coincides with higher payments for

imports of construction materials. This indicates growing construction activities throughout the country. Including non-banks' lending to household, total lending to households rose by 1.0%. In year ended terms, banks' lending to household increased by 11%, driven by the increase in housing loans. Including lending from non-banks institutions, it rose further by 14.5% over the year underpinned by the increase in other personal loans. The increase in household loans coincides with a decline in the weighted average lending rate for housing and other personal loans by 16.6 basis points and 23.1 basis points respectively.

Other lending

Other loans increased over the month by 4.7% but declined over the year by 57.1%, due mainly to lending activities within the non-profit institutional sector.

Non-performing loans

Non-performing loans for the banking system fell over the month and year by 0.8% and 12.5% respectively. The decline in non-performing loans was mainly due to a fall in household non-performing loans.

Deposits

Bank deposits increased over the month by 3.9%, due to increases in all categories. The increases in savings and term deposits coincides with 5.7 and 8.9 basis points increases in weighted average deposit rates for savings and term deposits respectively. Over the year, bank deposits grew by 9.9% to record over \$165 million underpinned by increases in all categories particularly term deposits. This coincides with a 38.1 basis points increase in weighted average term deposit rates over the year. The rises were mainly in the category of more than three years, up to five years deposits.

Interest rates spread

Weighted average interest rate spread narrowed over the month from 5.95% to 5.88% in June 2015. This was due to a 9.4 basis points decline in weighted average lending rate to 8.23%, driven mainly by lower interest rate on business loans; and a 2.5 basis points drop in weighted average deposit rate which resulted from a 9.7 basis points fall in weighted average demand deposit.

Broad money

During the month broad money increased by 3.5% to T\$403.3 million. The increase was driven by an increase in net domestic assets and net foreign assets by 5.4% and 2.7% respectively. The rise in net domestic assets reflects the increase in lending while a rise in foreign reserves drove the increase in net foreign assets. Increases in currency in circulation and total deposits also contributed to the overall growth in broad money. Over the year, broad money increased by 9.3%, due to the increase in lending and foreign reserves.

Liquidity

Banking system liquidity rose over the month and year to T\$151.8 million by 7.6% and 13.7% respectively, which resulted from the higher deposits and the increase in foreign reserves. The increase in banking system liquidity also contributed to the growth in broad money.

Outlook

Credit growth is supported by the continuous improvements in business confidence, improving economic conditions and annual events. Continued competition amongst banks and the ongoing lending activities of the Government's managed funds will continue to support the current low lending rates. The NRBT is forecasting credit growth to grow by more than 10% in the next six months. This is based on continuous improvements in business confidence supporting banks' positive outlook on bankable projects; imminent drawdowns of some large loan commitments; the continued low interest rates; and the Government's manage funds loan scheme. 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 %	
	Jun 15 TOPm	May 15 TOPm	Apr 15 TOPm	Mar 15 TOPm	Jun 14 TOPm			
Lending, banks	307.6	304.5	302.0	301.2	276.0	1.0	11.4	100.0
Household	153.8	153.0	151.7	152.6	138.5	0.5	11.0	50.0
Business*	152.3	150.2	149.0	147.2	134.3	1.4	13.4	49.5
Other	1.4	1.3	1.3	1.4	3.2	4.7	-57.1	0.4
Lending, banks and other	416.2	411.9	408.4	405.6	384.6	1.0	8.2	100.0
Household	211.0	209.1	206.7	205.6	184.4	1.0	14.5	50.7
Business	203.7	201.6	200.4	198.6	197.0	1.1	3.4	48.9
Other	1.4	1.3	1.3	1.4	3.2	4.7	-57.1	0.4
New comm'ts, banks	14.1	11.0	7.6	16.9	9.1	28.6	54.3	N/A
Undrawn comm'ts, banks	23.9	17.1	17.1	19.1	8.5	40.3	182.8	N/A
Implied repay'ts, banks	4.2	8.5	8.7	8.2	9.0	-51.1	-53.9	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				Jun 14 %	Change over the last:		Share of loans/deposits %
	Jun 15 %	May 15 %	Apr 15 %	Mar 15 %		1 month bps	1 year bps	
Deposits all	2.35	2.37	2.34	2.32	2.13	-2.46	21.93	100
Demand	0.38	0.47	0.51	0.46	0.45	-9.68	-7.56	40
Savings	2.52	2.47	2.45	2.48	2.21	5.69	31.07	16
Term	4.08	3.99	3.93	3.88	3.69	8.92	38.05	44
Loans all	8.23	8.32	8.27	8.33	8.67	-9.39	-43.76	100
Housing	8.50	8.52	8.50	8.49	8.67	-1.54	-16.56	35
Other personal	11.01	11.02	11.01	11.05	11.24	-1.00	-23.11	18
Business*	7.41	7.52	7.48	7.54	8.16	-11.44	-75.35	25
Other	6.48	6.30	6.31	6.52	7.80	17.14	-132.30	22

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

Sources: Banks; NRBT

Table 3

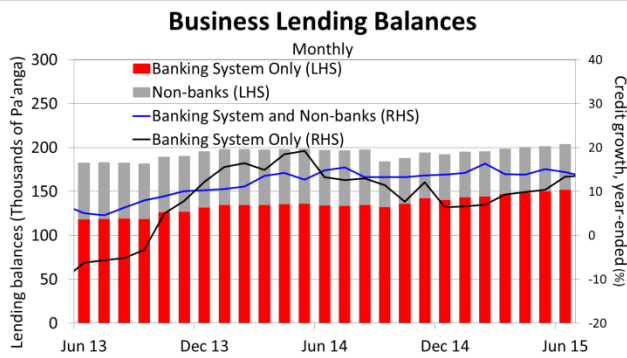
Consolidated Balance Sheet of Depository Corporations								
	Level as at				Jun-14 \$TOPm	Change over the last:		
	Jun-15 \$TOPm	May-15 \$TOPm	Apr-15 \$TOPm	Mar-15 \$TOPm		1 month % growth	1 year % growth	
Broad money liabilities	403.3	389.8	385.0	379.6	368.9	3.5	9.3	
Currency in circulation	45.0	44.1	42.9	39.8	38.9	2.0	15.7	
Demand deposits	147.8	140.7	137.4	134.0	137.1	5.0	7.8	
Savings and term deposits*	210.5	204.9	204.7	205.9	192.9	2.7	9.1	
<i>equals</i>								
Net foreign assets	283.2	275.8	265.7	266.0	268.5	2.7	5.5	
<i>plus</i>								
Net domestic assets	120.1	114.0	119.3	113.6	100.4	5.4	19.7	
Gross bank lending**	315.6	312.2	310.3	309.4	285.3	1.1	10.6	
Public enterprises	47.5	47.3	47.3	46.8	41.7	0.6	14.0	
Private Sector	249.5	246.3	244.7	245.0	230.6	1.3	8.2	
Other financial corporation	18.6	18.6	18.3	17.6	13.0	-0.1	43.1	
Other***	-195.4	-198.2	-191.0	-195.8	-184.9	-1.4	5.7	

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

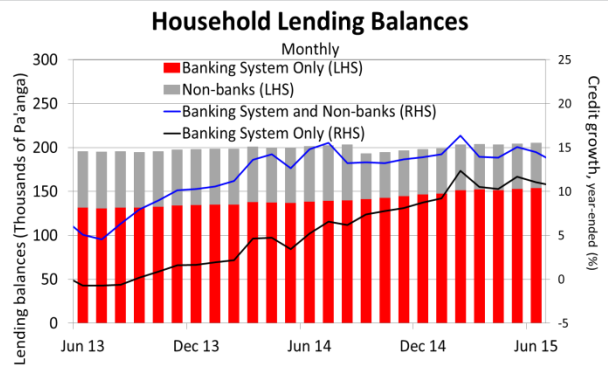
** Differs slightly from standard measures of bank lending by amounts classified as accrued interest.

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

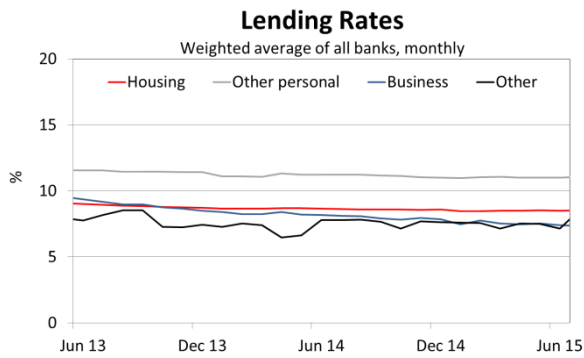
Sources: Banking system; NRBT



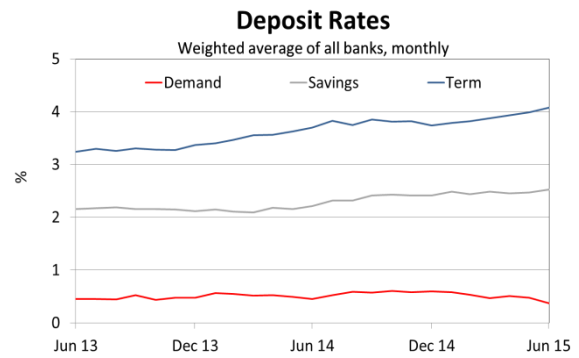
Data Sources: Banking System, SPBD, RFB and Ministry of Finance and National Planning



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