

# Banking Sector Developments March 2015

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	Mar 15	Feb 15	Jan 15	Dec 14
Deposit rate*	2.32	2.28	2.25	2.23
Lending rate*	8.65	8.79	8.59	8.90
Total Deposits (T\$m)	360.9	365.0	371.7	373.2
Total lending (T\$m)	404.1	401.7	396.7	392.3
New commitments (T\$m)	16.9	17.2	20.3	9.8
Broad Money (T\$m)	379.6	379.7	380.8	387.5

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

## Business driving lending growth

### Lending

Total lending increased over the month by 0.6%, driven mainly by a rise in lending to businesses; whilst increased lending to households over the year saw annual total lending rise by 6.5%. This increase in lending coincides with a 31 basis points fall in weighted average lending rates over the year.

#### *Business lending*

Total lending to the business sector increased over the month by 1.5%, due to a 26.1% increase in banks' lending to non-bank financial businesses. The increase in business lending coincides with a 23 basis points decline in weighted average lending rate to businesses. New business loan commitments from banks increased over the month by 8.6%, reflecting the increase in banks' lending to non-bank financial businesses. Lending activities within the manufacturing, fishing, agriculture and construction sectors also increased over March, supported by the Managed Funds scheme. In year ended-terms, lending to businesses from all financial institutions, including non-banks, increased by 0.7%. Comparatively, business lending from the banking system exclusively increased by 9.3% due to major loans extended to public enterprises.

#### *Household lending*

Total lending to the household sector fell slightly over the month by 0.3%, owing mainly to a decline in the lending activities of non-banks'. However, annual total household lending increased by 13%. This annual growth was driven by a rise in housing loans, reflecting the fall in average lending rates for housing as a result of the housing loan campaigns held by banks.

### *Other lending*

Other loans rose over the month by 4.6% but fell over the year by 24%, 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 1.2%, driven mainly by an increase in non-performing business loans. Contrastingly, non-performing business loans fell over the year by 4.5%. However, non-performing household loans deteriorated over the year by 17.2%.

### **Deposits**

Bank deposits fell over the month by 1.1%, reflecting declines in broad money and foreign reserves. In year ended terms, bank deposits grew by 4.2% underpinned by 23.4 and 6.5 basis points increases in savings and term deposits respectively. The increase in savings and term deposits is consistent with the rises in weighted savings and term deposit rates.

### **Interest rates spread**

Weighted interest rate spread narrowed over the month from 6.51% in February 2015 to 6.33% in March 2015. This was due to a 13.6 basis points decline in weighted average lending rate underpinned by an increase in low interest loans to businesses, and a 4.5 basis points rise in weighted average deposit rate.

### **Broad money**

Broad Money fell slightly over the month to T\$379.6 million, reflecting a 0.3% decline in net foreign assets. The fall in net foreign assets was mainly underpinned by a 3.8% decline in foreign reserves. Declines in currency in circulation and total demand deposits also contributed to the overall decline in broad money. In year ended terms, broad money rose by 7.1%, owing mainly to the increase in lending.

### **Liquidity**

Banking system liquidity fell over the month by 6.4% to T\$125.9 million. The decline in liquidity resulted from the lower deposits over the month, consistent with the decline in foreign reserves. In year ended terms, banking system liquidity fell by 0.3%.

### **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							Shares of totals %
	Level as at					Change over the		
	Mar 15 TOPm	Feb 15 TOPm	Jan 15 TOPm	Dec 14 TOPm	Mar 14 TOPm	1 month %	1 year %	
Lending, banks	301.2	297.4	292.5	288.8	274.5	1.3	9.7	100
Household	152.6	151.9	147.6	146.8	138.0	0.5	10.5	51
Business*	147.2	144.2	143.7	140.6	134.6	2.1	9.3	49
Other	1.4	1.3	1.3	1.4	1.8	4.6	-24.0	0
Lending, banks and other	404.1	401.7	396.7	392.3	379.6	0.6	6.5	100
Household	204.0	204.7	200.2	198.8	180.5	-0.3	13.0	50
Business	198.7	195.7	195.2	192.1	197.3	1.5	0.7	49
Other	1.4	1.3	1.3	1.4	1.8	4.6	-24.0	0
New comm'ts, banks	16.9	17.2	20.3	9.8	10.6	-1.5	58.9	N/A
Undrawn comm'ts, banks	19.1	14.1	14.7	6.7	9.3	35.4	105.5	N/A
Implied repay'ts, banks	8.2	12.9	8.6	10.9	9.8	-36.5	-16.9	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							Share of loans/deposits %
	Level as at					Change over the last:		
	Mar 15 %	Feb 15 %	Jan 15 %	Dec 14 %	Mar 14 %	1 month bps	1 year bps	
Deposits all	2.32	2.28	2.25	2.23	2.07	4	26	100
Demand	0.46	0.53	0.58	0.60	0.51	-7	-5	39
Savings	2.48	2.44	2.48	2.41	2.09	4	39	16
Term	3.87	3.81	3.78	3.74	3.55	6	32	45
Loans all	8.65	8.79	8.59	8.90	8.96	-13.6	-31	100
Housing	8.49	8.47	8.45	8.58	8.64	1.9	-15	35
Other personal	12.80	12.82	12.74	12.79	12.81	-2	-2	18
Business*	7.53	7.76	7.44	7.85	8.23	-23	-70	24
Other	6.52	6.53	6.28	6.53	7.40	-1	-87	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					Change over the last:	
	Mar-15 \$TOPm	Feb-15 \$TOPm	Jan-15 \$TOPm	Dec-14 \$TOPm	Mar-14 \$TOPm	1 month % growth	1 year % growth
<b>Broad money liabilities</b>	<b>379.6</b>	<b>379.7</b>	<b>380.8</b>	<b>387.5</b>	<b>354.5</b>	<b>0.0</b>	<b>7.1</b>
Currency in circulation	39.8	40.2	40.4	44.1	34.3	-1.1	15.8
Demand deposits	134.0	137.1	138.4	141.9	134.1	-2.3	-0.1
Savings and term deposits*	205.9	202.4	202.1	201.6	186.0	1.7	10.7
<i>equals</i>							
<b>Net foreign assets</b>	<b>266.0</b>	<b>266.7</b>	<b>277.0</b>	<b>288.2</b>	<b>265.0</b>	<b>-0.3</b>	<b>0.4</b>
<i>plus</i>							
<b>Net domestic assets</b>	<b>113.6</b>	<b>113.0</b>	<b>103.9</b>	<b>99.3</b>	<b>89.5</b>	<b>0.5</b>	<b>26.9</b>
Gross bank lending**	309.4	305.6	300.4	296.2	281.7	1.2	9.8
Other***	-195.8	-192.6	-196.5	-197.0	-192.2	1.7	1.9

\* 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

