

# Banking Sector Developments

## May 2015

Release date: 14 December 2015

	May 15	Apr 15	Mar 15	Feb 15
Deposit rate (%)*	2.37	2.34	2.32	2.28
Lending rate (%)*	8.32	8.27	8.33	8.46
Total Deposits (T\$M)	365.4	363.2	360.9	365.0
Total lending (T\$M)	411.9	408.4	405.6	402.3
New commitments (T\$M)	11.0	7.6	16.9	17.2
Broad Money (T\$M)	389.8	385.0	379.6	379.7

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

## Annual events drive lending

### Lending

Total lending rose over the month by 0.9%, driven mainly by an increase in household lending. Increase in household lending also contributes to a 7.7% rise in annual total lending. These increases coincide with a 35.2 basis points decline in weighted average lending rates over the year. The increase in lending supports economic activities in the Kingdom, underpinned by annual churches conferences, special Sundays (Children Sunday, Father's Day & Mother's Day) and preparations for the coronation.

### Business lending

Bank lending to businesses increased slightly over the month by 0.8% despite a 4.2 basis points rise in weighted lending rate to businesses. New business loan commitments rose over the month by 46% to \$3.7 million, mainly to distribution, manufacturing, agricultural, professional & other services and construction sectors. The drawdown of these new commitments as well as support from the government's managed funds loan scheme translated to higher outstanding loans over the month. Including non-banks' lending, it only rose by 0.6%. Over the year, total bank lending to businesses increased by 10.4%. However, including government on-lent loans, annual business lending only increased by 1.5%, reflecting declines in government on-lent loans.

### Household lending

Bank lending to households increased over the month by 0.9%, driven by a rise in other personal loans. Housing loans also increased, coinciding with higher payments for imports of construction materials. This indicates a strong construction sector over the month. Including non-banks' lending to household, it rose by 1.1%. Annual total bank lending to households increased by 11.7%, underpinned by the increase in housing loans. This is consistent with a 16.7 basis points

decline in average lending rate for housing. Household loans have been increasing constantly since September 2013, reflecting more consumer confidence. Including loans extended by non-banks, annual household lending rose by 15.1%.

#### *Other lending*

Other loans declined over the month and year by 2.1% and 35.1% respectively, due mainly to fewer loans to non-profit institutional sector.

#### *Non-performing loans*

Non- performing loans for the banking system fell slightly over the month and over the year by 12%. This was mainly due to write-offs of non-performing business loans.

#### **Deposits**

Total bank deposits slightly rose over the month by 0.6% mainly due to increases in the savings and term deposits. Over the year, bank deposits grew by 8.0% supported by increases in all categories. This coincides with rises in the weighted deposit rates for savings and term deposits.

#### **Interest rates spread**

Weighted interest rate spread widened over the month from 5.92% to 5.95%. This was due to a 5.3 basis points increase in weighted average lending rate to 8.32% caused by an increase in interest rate on business loans. This outweighed a 2.7 basis points increase in weighted average deposit rate.

#### **Broad money**

During the month broad money increased by 1.2% to T\$389.8 million. The rise reflects a 3.8% increase in net foreign assets due to a T\$9.7 million increase in foreign reserves more than offsetting a 4.5% decline in net domestic assets. The increase in foreign reserves reflected the receipt of budget support for the Government from one of the donor partners during the month. The decline in net domestic assets resulted from an increase in government deposits over the month. Increases in currency in circulation and total demand deposits also contributed to the overall growth in broad money. Over the year, broad money increased by 8.9%, due mainly to the improvement in credit growth.

#### **Liquidity**

Banking system liquidity fell slightly over the month by 0.8% to T\$141 million underpinned by an increase in banks' cash withdrawl from the NRBT in light of the special Sundays (Children Sunday, Father's Day & Mother's Day) happening during the month. Over the year, it rose by 3.9%, which resulted from the higher deposits and rise in foreign reserves. The increase in banking system liquidity over the year 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						Shares of totals %	
	Level as at					Change over the		
	May 15 TOPm	Apr 15 TOPm	Mar 15 TOPm	Feb 15 TOPm	May 14 TOPm	1 month %	1 year %	
Lending, banks	304.5	302.0	301.2	297.4	275.1	0.8	10.7	100
Household	153.0	151.7	152.6	151.9	137.0	0.9	11.7	50.3
Business*	150.2	149.0	147.2	144.2	136.0	0.8	10.4	49.3
Other	1.3	1.3	1.4	1.3	2.0	-2.1	-35.1	0.4
Lending, banks and other	411.9	408.4	405.6	402.3	382.4	0.9	7.7	100
Household	209.1	206.7	205.6	205.3	181.7	1.1	15.1	51
Business	201.6	200.4	198.6	195.7	198.7	0.6	1.5	49
Other	1.3	1.3	1.4	1.3	2.01	-2.1	-35.1	0
New comm'ts, banks	11.0	7.6	16.9	17.2	7.9	44.5	39.1	N/A
Undrawn comm'ts, banks	17.1	17.1	19.1	14.1	9.3	-0.4	83.8	N/A
Implied repay'ts, banks	8.5	8.7	8.2	12.9	7.8	-2.4	8.7	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 %	
	Weighted average of all banks					Change over the last:		
	May 15 %	Apr 15 %	Mar 15 %	Feb 15 %	May 14 %	1 month bps	1 year bps	
Deposits all	2.37	2.34	2.32	2.28	2.12	2.7	24.8	100
Demand	0.47	0.51	0.46	0.53	0.50	-3.9	-2.3	39
Savings	2.47	2.45	2.48	2.44	2.16	1.2	31.1	17
Term	3.99	3.93	3.88	3.82	3.63	5.6	35.6	44
Loans all	8.32	8.27	8.33	8.46	8.67	5.3	-35.2	100
Housing	8.52	8.50	8.49	8.47	8.69	2.3	-16.7	35
Other personal	11.02	11.01	11.05	11.04	11.23	0.8	-21.1	18
Business*	7.52	7.48	7.54	7.77	8.21	4.2	-69.0	25
Other	6.30	6.31	6.52	6.53	6.62	-0.6	-32.0	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:	
	May-15 \$TOPm	Apr-15 \$TOPm	Mar-15 \$TOPm	Feb-15 \$TOPm	May-14 \$TOPm	1 month % growth	1 year % growth
<b>Broad money liabilities</b>	<b>389.8</b>	<b>385.0</b>	<b>379.6</b>	<b>379.7</b>	<b>358.1</b>	<b>1.2</b>	<b>8.9</b>
Currency in circulation	44.1	42.9	39.8	40.2	38.5	2.9	14.6
Demand deposits	140.7	137.4	134.0	137.1	128.9	2.4	9.2
Savings and term deposits*	204.9	204.7	205.9	202.4	190.6	0.1	7.5
<i>equals</i>							
<b>Net foreign assets</b>	<b>275.8</b>	<b>265.7</b>	<b>266.0</b>	<b>266.7</b>	<b>259.2</b>	<b>3.8</b>	<b>6.4</b>
<i>plus</i>							
<b>Net domestic assets</b>	<b>114.0</b>	<b>119.3</b>	<b>113.6</b>	<b>113.0</b>	<b>98.9</b>	<b>-4.5</b>	<b>15.3</b>
Gross bank lending**	312.2	310.3	309.4	305.6	282.7	0.6	10.4
Public enterprises	47.3	47.3	46.8	47.4	41.2	-0.2	14.8
Private Sector	246.3	244.7	245.0	244.2	229.2	0.7	7.5
Other financial corporation	18.6	18.3	17.6	14.0	12.4	1.6	49.8
Other***	-198.2	-191.0	-195.8	-192.5	-183.9	3.8	7.8

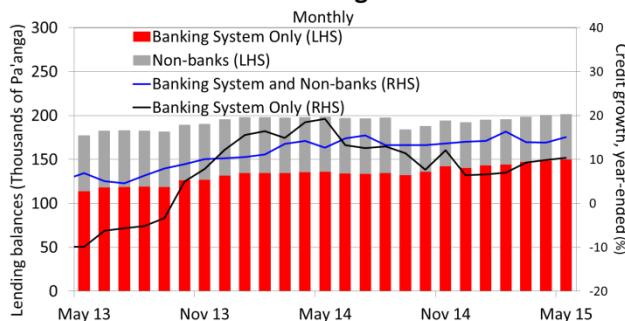
\* Also includes very minor amounts for securities other than shares.

\*\* 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.

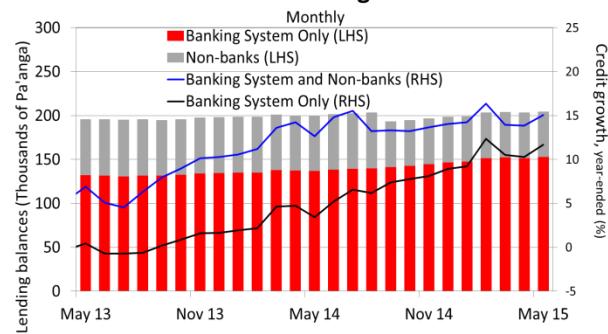
Sources: Banking system; NRBT

## Business Lending Balances



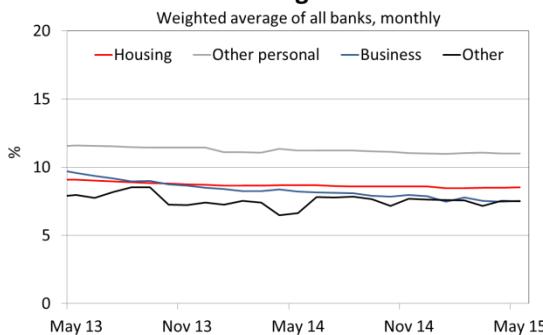
Data Sources: Banking System, SPBD, RFB and Ministry of Finance and National Planning

## Household Lending Balances



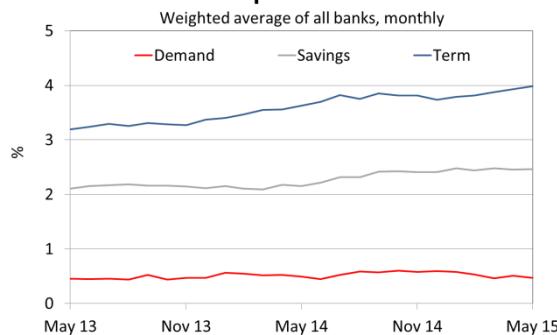
Data Sources: Banking System, SPBD, RFB and Ministry of Finance and National Planning

## Lending Rates



Source: Banking System

## Deposit Rates



Source: Banking System