

# Banking Sector Developments October 2015

Release date: 29 January 2016

	Oct 15	Sep 15	Aug 15	Jul 15
Deposit rate (%)*	2.29	2.29	2.28	2.28
Lending rate (%)*	8.09	8.27	8.26	8.22
Total Deposits (T\$m)	407.8	403.9	399.8	388.8
Total lending (T\$m)	436.2	430.5	423.8	418.1
New commitments (T\$m)	14.9	13.5	10.5	14.5
Broad Money (T\$m)	428.7	422.3	424.2	413.5

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

## Housing loans increased to its highest level since 2009

### Lending

Total bank lending increased over the month and year by 1.4% and 13.8% respectively, driven by an increase in both household and business lending. Notably, housing loans is at its highest level since October 2009. The increase in housing loans showed encouraging signs for the housing and construction industry. Annual growth coincides with a 47 basis points decline in weighted average lending rates over the year. The continued increase in total lending indicates strong economic activities in the country.

#### *Business lending*

Banks' lending to businesses rose slightly over the month by 0.5% to \$154.1 million, due to an increase in lending to the distribution agricultural and manufacturing sectors. The increase in loans to the agricultural sector was partially supported by the government's managed funds loan scheme. Including government on-lent loans, total lending to businesses rose by 0.3%. Over the year, total bank lending to businesses increased by 13.1%, due to major loans extended to public enterprises. However, including government on-lent loans, annual business lending increased only by 10.8%, reflecting declines in government on-lent loans.

#### *Household lending*

Banks' lending to households increased over the month by 2.3% to \$164.4 million, its highest level since 2006, due mainly to a \$2.8 million rise in housing loans. This is reflected in the growing residential construction activities by individuals throughout the country. Including non-banks' lending, total lending to households increased also. Over the year, total household lending increased by 15.1%, supported by a \$15.3 million increase in housing loans and a \$6.2 million in other personal loans.

Including loans extended by non-banks, annual household lending increased by 17.6%, underpinned by an increase in other personal loans through the non-bank institutions.

#### *Other lending*

Other loans increased over the month by 1.3% but fell over the year by 40.6%, due mainly to lending activities within the non-profit institutions sector.

#### *Non-performing loans*

Total non-performing loans for the banking system fell over the month by 5.5% to \$24.9 million, which represents 7.6% of total loans. The decline in non-performing loans reflected a fall in business non-performing loans, offsetting an increase in household non-performing loans over the month. However, household non-performing loans drove the 20.7% annual decline in non-performing loans.

#### **Deposits**

Total bank deposits increased over the month by 1.0% to \$407.8 million, resulting mainly from an increase in households and businesses' demand and term deposits. In year ended terms, bank deposits grew by 14.5% reflecting increases in all categories.

#### **Interest rates spread**

Banks Weighted average interest rate spread narrowed over the month from 5.98% to 5.80% in October 2015. This was driven by a decline in weighted average lending rate from 8.27% to 8.09%. Weighted average interest rate spread also fell over the year led by the 47 basis points decline in the weighted average lending rate due mainly to an increase in the number of low interest rate loans to businesses. Increased competitions among banks to maintain its existing good customers and also to attract new clients have resulted in the higher number of low interest loans to businesses.

#### **Broad money**

Broad money increased over the month by 1.5% to \$428.7 million, due to a 2.6% rise in net domestic assets and a 1.1% increase in net foreign assets. The rise in net domestic assets reflects the increase in lending while an increase in foreign reserves drove the increase in net foreign assets. Broad money also increased over the year by 14.9%, underpinned by the increases in net domestic assets and net foreign assets. Total domestic demand deposits and currency in circulation also increased in line with the rise in broad money.

#### **Liquidity**

Banking system liquidity rose over the month and over the year by 2.0% and 14.3% respectively to \$170.6 million, resulting from the increases in deposits and the foreign reserves.

#### **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 continue to grow by more than 10% in the next six

months. 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								
	Level as at					Change over the			Shares of totals %
	Oct 15	Sep 15	Aug 15	Jul 15	Oct 14	1 month	1 year		
TOPm	TOPm	TOPm	TOPm	TOPm	%	%			
Lending, banks	320.1	315.6	310.0	309.1	281.3	1.4	13.8	100.0	
Household	164.4	160.7	158.2	155.1	142.9	2.3	15.1	51.4	
Business*	154.1	153.3	150.3	152.6	136.2	0.5	13.1	48.1	
Other	1.3	1.3	1.3	1.3	2.2	1.3	-40.6	0.4	
Lending, banks and other	436.2	430.5	423.8	418.1	382.6	1.3	14.0	100.0	
Household	226.5	221.5	218.0	211.5	192.6	2.3	17.6	51.9	
Business	208.1	207.4	204.3	205.2	187.7	0.3	10.8	47.7	
Other	1.3	1.3	1.3	1.3	2.2	1.3	-40.6	0.4	
New comm'ts, banks	14.9	13.5	10.5	14.5	8.8	10.1	69.8	N/A	
Undrawn comm'ts, banks	20.6	21.3	20.6	27.7	10.1	-3.4	103.9	N/A	
Implied repay'ts, banks	11.1	7.2	16.6	9.3	5.1	53.8	119.1	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 <sup>^</sup> :		
Oct 15	Sep 15	Aug 15	Jul 15	Oct 14	1 month	1 year		
%	%	%	%	%	bps	bps		
Deposits all	2.29	2.29	2.28	2.28	2.32	0.00	-3	100
Demand	0.41	0.38	0.36	0.37	0.60	2.63	-19	41
Savings	2.38	2.42	2.45	2.46	2.43	-3.88	-5	17
Term	4.09	4.10	4.07	4.01	3.81	-1.40	27	42
Loans all	8.09	8.27	8.26	8.22	8.56	-18.45	-47	100
Housing	8.39	8.48	8.52	8.53	8.60	-9.46	-21	36
Other personal	10.91	11.10	11.19	11.24	11.13	-19.64	-22	18
Business*	7.22	7.54	7.38	7.34	7.88	-32.45	-66	26
Other	6.44	6.36	6.25	6.38	7.15	7.64	-71	20

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

<sup>^</sup>Due to rounding errors some data may not aggregate precisely

Sources: Banks; NRBT

Table 3

## Consolidated Balance Sheet of Depository Corporations

	Level as at				Change over the last:		
	Oct-15 \$TOPm	Sep-15 \$TOPm	Aug-15 \$TOPm	Jul-15 \$TOPm	Oct-14 \$TOPm	1 month % growth	1 year % growth
<b>Broad money liabilities</b>	<b>428.7</b>	<b>422.3</b>	<b>424.2</b>	<b>413.5</b>	<b>372.9</b>	<b>1.5</b>	<b>14.9</b>
Currency in circulation	46.9	42.5	46.7	46.6	38.6	10.5	21.7
Demand deposits	159.1	158.6	158.6	152.2	132.0	0.3	20.5
Savings and term deposits*	222.7	221.3	218.8	214.7	202.4	0.6	10.0
<i>equals</i>							
<b>Net foreign assets</b>	<b>303.3</b>	<b>300.1</b>	<b>302.4</b>	<b>295.7</b>	<b>267.4</b>	<b>1.1</b>	<b>13.4</b>
<i>plus</i>							
<b>Net domestic assets</b>	<b>125.8</b>	<b>122.6</b>	<b>122.4</b>	<b>118.1</b>	<b>105.8</b>	<b>2.6</b>	<b>18.9</b>
Gross bank lending**	329.2	324.4	318.5	317.3	289.3	1.5	13.8
Public enterprises	46.2	46.3	46.0	46.8	41.2	-0.3	12.0
Private Sector	268.0	262.9	257.9	251.8	235.0	1.9	14.0
Other financial corporation	14.9	15.1	14.6	18.8	13.0	-1.1	15.0
Other***	-203.3	-201.8	-196.1	-199.3	-183.5	0.8	10.8

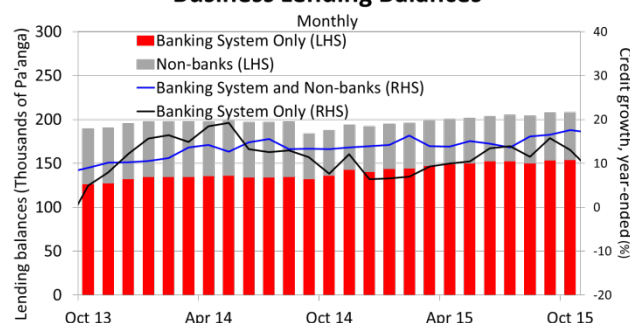
\* Also includes very minor amounts for securities other than shares.

\*\* 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.

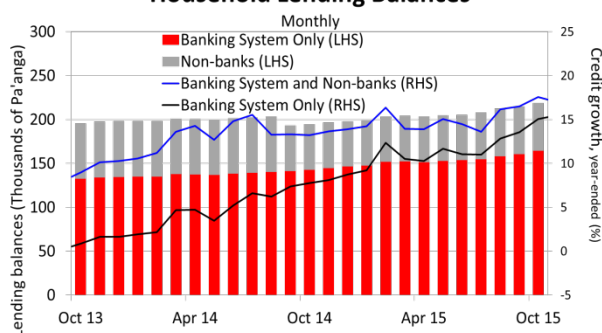
Sources: Banking system; NRBT

## Business Lending Balances



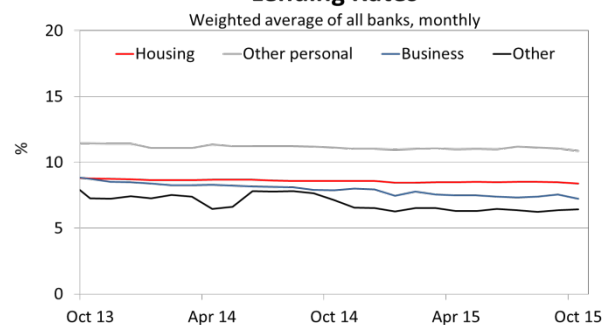
Data Sources: Banking System, SPBD, RFB and Ministry of Finance and National Planning

## Household Lending Balances



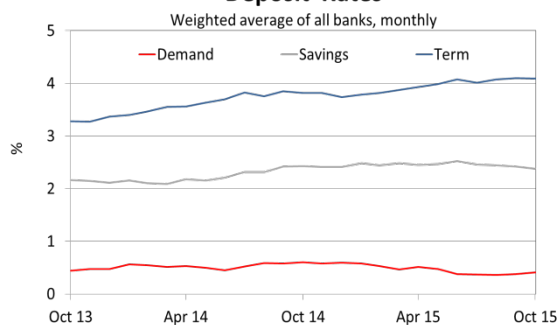
Data Sources: Banking System, SPBD, RFB and Ministry of Finance and National Planning

## Lending Rates



Source: Banking System

## Deposit Rates



Source: Banking System