

Banking Sector Developments July 2015

Release date: 11 January 2016

	Jul 15	Jun 15	May 15	Apr 15
Deposit rate (%)*	2.28	2.35	2.37	2.34
Lending rate (%)*	8.22	8.23	8.32	8.27
Total Deposits (T\$m)	388.8	379.6	365.4	363.2
Total lending (T\$m)	418.1	416.2	411.9	408.4
New commitments (T\$m)	14.5	14.1	11.0	7.6
Broad Money (T\$m)	413.5	403.3	389.8	385.0

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

Demand for credit remain strong

Lending

Total bank lending increased over the month of July 2015 and over the year by 0.5% and 11.7% respectively, driven by an increase in both household and business lending. Annual growth coincides with a 41 basis points decline in weighted average lending rates over the year. The continued increase in lending indicates strong demand for credit driven by economic activities in the Kingdom, underpinned by school reunions and the Free Wesleyan Church's annual conference.

Business lending

Bank lending to businesses rose slightly over the month by 0.2%, largely as a result of an increase in lending to the distribution and manufacturing sectors. This is in line with a 4.4% rise in new business loan commitments to \$8.3 million, mainly to the distribution and manufacturing sectors. The increase in loans to the manufacturing sector was partially supported by the government's managed funds loan scheme. Including government on-lent loans, total lending to businesses rose by 0.7%. Over the year, total bank lending to businesses increased by 13.9%, due to major loans extended to public enterprises. However, including government on-lent loans, annual business lending increased only by 4.3%, reflecting declines in government on-lent loans.

Household lending

Bank lending to households increased slightly over the month by 0.8%, driven mainly by a rise in housing loans. The increase in housing loans supports growing construction activities throughout the country. Including non-banks' lending, total lending to households only rose by 0.2%, underpinned by a decline in other personal loans. Over the year, total household lending increased by 11.0%, supported by the increase in housing loans and other personal loans. The

increase in housing loans corresponds with a 9.1 basis points decline in weighted average lending rate for housing over the year. Including loans extended by non-banks, year-ended growth in household lending would have increased by 13.6%, reflecting an increase in other personal loans through the non-banking institutions.

Other lending

Other loans fell over the month by 3.6% and declined by 56.5% over the year, 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 8.9% and 19.0% respectively to \$28.0 million, which represents 9.1% of total loans. The decline in non-performing loans over the month was mainly due to a fall in non-performing business loans whilst a 2.0% decline in non-performing household loans contributed to the annual decline in non-performing loans.

Deposits

Bank deposits increased over the month by 2.4% due to increases in households' savings and businesses' demand deposits. Over the past year, bank deposits grew by 10.1% underpinned by increases in all categories particularly saving and term deposits.

Interest rates spread

Weighted average interest rate spread widened over the month from 5.88% to 5.95%. The weighted average lending rate was little changed over July while weighted average deposit rates declined by 6.6 basis points to 2.28%. Over the past year, weighted average interest rate spread decline by 51.5 basis points driven by a 41 basis points fall in weighted average lending rate.

Broad money

During the month, broad money increased by 2.5% to T\$413.5 million due to a 4.4% increase in net foreign assets, offsetting a 1.9% decline in net domestic assets. The increase in net foreign assets reflects the increase in foreign reserves while a 3.8% decline in capital accounts driven mainly by a decline in banks' retained earnings contributed to the lower net domestic assets. Broad money also increased over the year by 13.4%, underpinned by increases in net domestic assets and net foreign assets. Bank deposits and currency in circulation also increased in line with the rise in broad money.

Liquidity

Banking system liquidity rose over the month by 5.9% to \$160.8 million, which resulted from the higher deposits and the increase in foreign reserves. Over the year, banking system liquidity increased by 17.8%, due to 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 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	
	Jul 15 TOPm	Jun 15 TOPm	May 15 TOPm	Apr 15 TOPm	Jul 14 TOPm	1 month %		1 year %
Lending, banks	309.1	307.6	304.5	302.0	276.7	0.5	11.7	100.0
Household	155.1	153.8	153.0	151.7	139.7	0.8	11.0	50.2
Business*	152.6	152.3	150.2	149.0	133.9	0.2	13.9	49.4
Other	1.3	1.4	1.3	1.3	3.0	-3.6	-56.5	0.4
Lending, banks and other	418.1	416.2	411.9	408.4	385.9	0.5	8.4	100.0
Household	211.5	211.0	209.1	206.7	186.2	0.2	13.6	50.6
Business	205.2	203.7	201.6	200.4	196.7	0.7	4.3	49.1
Other	1.3	1.4	1.3	1.3	3.0	-3.6	-56.5	0.4
New comm'ts, banks	14.5	14.1	11.0	7.6	7.6	2.9	90.8	N/A
Undrawn comm'ts, banks	27.7	23.9	17.1	17.1	9.8	15.5	182.2	N/A
Implied repay'ts, banks	9.3	4.2	8.5	8.7	5.6	124.2	66.0	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

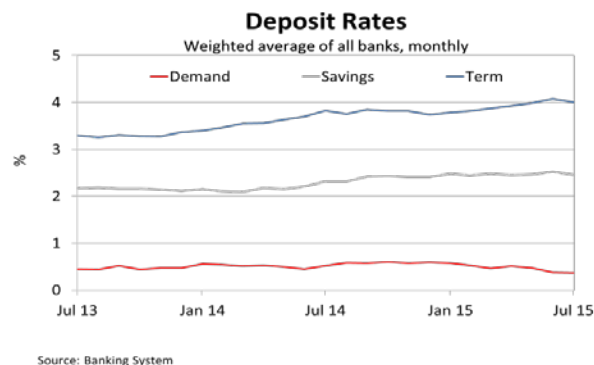
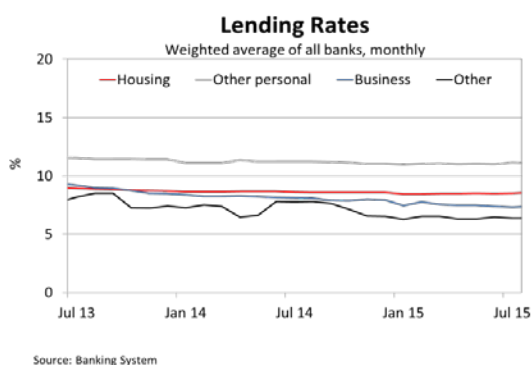
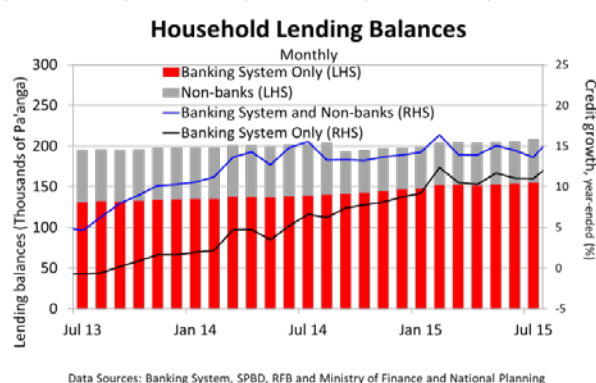
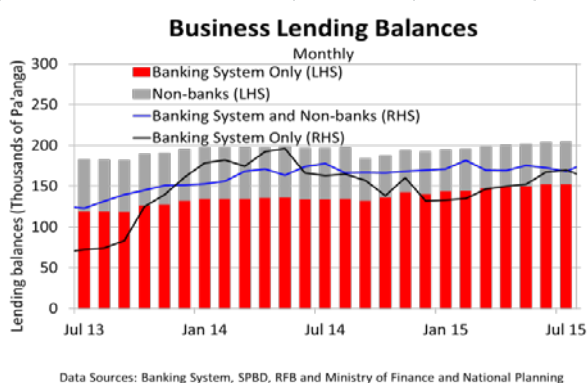


Table 2

Interest Rates								
Weighted average of all banks								
	Level as at				Jul 14 %	Change over the last:		Share of loans/deposits %
	Jul 15 %	Jun 15 %	May 15 %	Apr 15 %		1 month bps	1 year bps	
Deposits all	2.28	2.35	2.37	2.34	2.18	-6.63	10.38	100
Demand	0.37	0.38	0.47	0.51	0.52	-0.46	-15.28	40
Savings	2.46	2.52	2.47	2.45	2.32	-6.45	14.42	17
Term	4.01	4.08	3.99	3.93	3.82	-6.89	18.19	43
Loans all	8.22	8.23	8.32	8.27	8.64	-0.33	-41.16	100
Housing	8.53	8.50	8.52	8.50	8.62	2.08	-9.12	35
Other personal	11.14	11.01	11.02	11.01	11.23	13.47	-8.85	18
Business*	7.34	7.41	7.51	7.48	8.12	-6.89	-78.12	25
Other	6.38	6.48	6.30	6.31	7.78	-9.46	-140.00	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				Jul-14 \$TOPm	Change over the last:		
	Jul-15 \$TOPm	Jun-15 \$TOPm	May-15 \$TOPm	Apr-15 \$TOPm		1 month % growth	1 year % growth	
Broad money liabilities	413.5	403.3	389.8	385.0	364.6	2.5	13.4	
Currency in circulation	46.6	45.0	44.1	42.9	37.5	3.4	24.2	
Demand deposits	152.2	147.8	140.7	137.4	136.0	3.0	11.9	
Savings and term deposits*	214.7	210.5	204.9	204.7	191.1	2.0	12.4	
<i>equals</i>								
Net foreign assets	295.7	283.2	275.8	265.7	275.1	4.4	7.5	
<i>plus</i>								
Net domestic assets	118.1	120.5	114.3	119.6	90.3	-2.0	30.7	
Gross bank lending**	317.3	315.6	312.2	310.3	286.1	0.6	10.9	
Public enterprises	46.8	47.5	47.3	47.3	41.4	-1.5	12.9	
Private Sector	251.8	249.5	246.3	244.7	231.4	0.9	8.8	
Other financial corporation	18.8	18.6	18.6	18.3	13.3	1.1	41.5	
Other***	-199.3	-195.1	-197.9	-190.7	-195.7	2.1	1.8	

* 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