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

		L '	citaling Dais	unices				
	Level as at					Change o	Shares of	
	Mar 15	Feb 15	Jan 15	Dec 14	Mar 14	1 month	1 year	totals
	TOPm	TOPm	TOPm	TOPm	TOPm	%	%	%
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

Weighted average of all banks

		L	evel as at			Change ove	r the last:	Share of
	Mar 15	Feb 15	Jan 15	Dec 14	Mar 14	1 month	1 year	loans/deposits
	%	%	%	%	%	bps	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

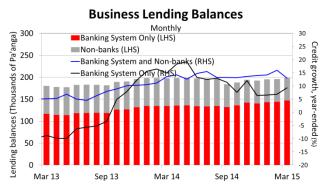
Table 3

Consolidated Balance Sheet of Depository Corporations

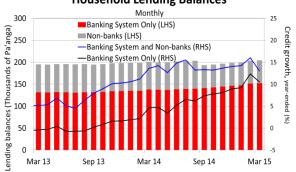
		Le	vel as at			Change ov	er the last:
	Mar-15	Feb-15	Jan-15	Dec-14	Mar-14	1 month	1 year
	\$TOPm	\$TOPm	\$TOPm	\$TOPm	\$TOPm	% growth	% growth
Broad money liabilities	379.6	379.7	380.8	387.5	354.5	0.0	7.1
Currency in circulation	39.8	40.2	40.4	44.1	34.3	-1.1	15.8
Demand deposits	134.0	137.1	138.4	141.9	134.1	-2.3	-0.1
Savings and term deposits*	205.9	202.4	202.1	201.6	186.0	1.7	10.7
equals							
Net foreign assets	266.0	266.7	277.0	288.2	265.0	-0.3	0.4
plus							
Net domestic assets	113.6	113.0	103.9	99.3	89.5	0.5	26.9
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.

^{***} Includes mostly capital accounts of the banks and NRBT, and their net claims on the central government. Sources: Banking system; NRBT

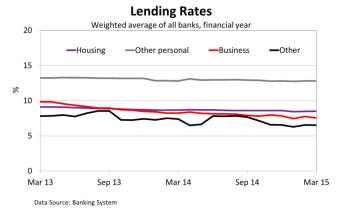


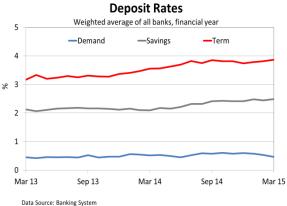
Household Lending Balances



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

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