

Singapore Banking Sector MAS Loan Statistics for September 2012

Report type: Update

Sector Overview

The Singapore Banking Sector provides traditional lending and depository functions, as well as other services in the areas of commercial banking, financial advisory, insurance broking and capital market services. The sector is exposed to changes in the macroeconomic environment, and would be adversely affected should conditions in US, Europe or China deteriorate.

What is the news?

The Monthly statistics bulletin released by the Monetary Authority of Singapore revealed the loan and deposit numbers ending September 2012.

- Singapore's total DBU loans outstanding registered y-y growth of 16.5% to S\$472.3 billion in Sep 2012. Business loans and Consumer loans reported growth of 17.5% y-y and 15.1% y-y respectively.
- M-m, loans growth in Sep 2012 was lower. Total loans grew 0.7%, compared to 2.3% in Aug 2012. Business loans grew 0.3% m-m, 4.6% q-q, while Consumer loans grew by 1.4% m-m, 4.0% q-q.
- 58.1% of total loans comprise of Business loans, with the remaining attributed to Consumer loans.
- We are underweight on the Singapore Banking Sector, and maintain our preference for DBS over UOB and OCBC.

How do we view this?

M-m growth was rather disappointing after stronger performances since May 2012. Business loans grew a marginal 0.3% m-m, while consumer loans grew at a more consistent m-m rate of 1.4%. Building and Construction was the main growth driver, registering 1.6% m-m growth to S\$74.3 billion. We expect Buildings and Construction loans to be a growth driver due to the steady pipeline of construction projects. Total system loans (DBU + ACU) grew 0.1% m-m, 1.8%q-q, as ACU loans contracted both m-m and q-q at -0.7% and -1.1% respectively.

Investment Actions?

The slower q-q total system loans growth of 1.8% in 3Q12 is significantly lower than the 3.4% q-q growth in 2Q12. This may imply lower loans growth for the three banks. Furthermore, the 3Q12 q-q -1.5% GDP contractions, based on advance estimates, may further dampen Singapore loans demand. Coupled with the housing cooling measures, we think that the banks may further reduce loans growth guidance for FY2012. The shrinking deposits may also intensify the competition for deposits in Singapore. A detailed outlook of the Singapore banks, and our 3Q12 forecast has been presented in our Singapore Banking Sector report dated 31 Oct 2012. We maintain our preference for DBS over UOB and OCBC.

Singapore Banking Sector

Company	Rating	Price (\$S)	TP (\$S)	Upside (%)	M.Cap. (US\$m n)
DBS Group Holdings Ltd	Neutral	13.90	15.10	8.6%	27,786
Overseas Chinese Banking Corp	Reduce	9.10	8.20	-9.9%	25,609
United Overseas Bank	Reduce	18.27	17.85	-2.3%	23,590

Source: Bloomberg, PSR

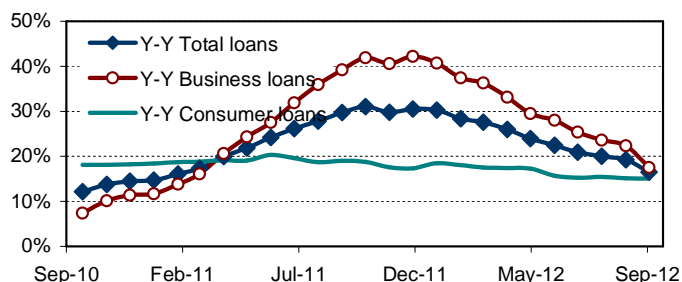
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Fig 1: Y-Y growth in total loans, business loans and consumer loans (in %)



Source: MAS, Phillip Securities Research

Total DBU Loans

Total DBU loans increased 0.7% m-m, 16.5% y-y to S\$472.3 billion. Consumer loans grew 1.4% m-m, maintaining August growth rate. As per our expectations, y-y growth rate of Business loans (in Red) continues its convergence towards Consumer loans (in Green). We expect the three lines to decline, and move towards the 10% - 12% y-y growth level.

Fig 2: Singapore DBU Book loan data

Loan Data (S\$ mil)	Sep-12	Sep-11	Aug-12	Y-Y	M-M
Business					
Agriculture	1,874	1,850	1,873	1.3%	0.1%
Manufacturing	27,717	17,936	28,324	54.5%	-2.1%
Building and construction	74,319	63,122	73,145	17.7%	1.6%
General commerce	55,978	48,302	55,697	15.9%	0.5%
Transport	13,386	11,232	13,868	19.2%	-3.5%
Business Services	4,448	4,306	5,010	3.3%	-11.2%
Financial institutions	62,645	51,279	62,593	22.2%	0.1%
Professional and private (business)	6,145	4,630	5,917	32.7%	3.9%
Others	27,999	30,935	27,258	-9.5%	2.7%
Total Business Loans	274,511	233,590	273,685	17.5%	0.3%

Loan Data (S\$ mil)	Sep-12	Sep-11	Aug-12	Y-Y	M-M
Consumer					
Housing	145,025	126,705	143,335	14.5%	1.2%
Car loans	12,595	11,417	12,629	10.3%	-0.3%
Credit Card	8,440	7,304	8,217	15.5%	2.7%
Share financing	1,076	949	1,033	13.3%	4.2%
Others	30,645	25,471	29,909	20.3%	2.5%
Total Consumer Loans	197,781	171,847	195,124	15.1%	1.4%

Source: MAS, Phillip Securities Research

Business Loans

Business loans grew a disappointing 0.3% m-m in Sep 2012 to S\$274.5 billion. This marked the slowest growth since Feb 2012. Year to date, Business loans registered growth of 13.9%. Building and Construction was the main growth driver, registering 1.6% m-m growth to S\$74.3 billion. Manufacturing loans, which had been a strong growth driver, contracted 2.1% m-m to S\$27.7, in line with the slowing economy. Growth of Manufacturing loans remain exceptional, with ytd and q-q growth of 45.7% and 17.6% respectively. Growth of Business loans may face a drag due to the weak, below-trend, Singapore GDP growth forecast. Buildings and Construction loans will likely be a growth driver due to the steady pipeline of construction projects.

Fig 3: Business Loans in various Segments (in S\$ millions)

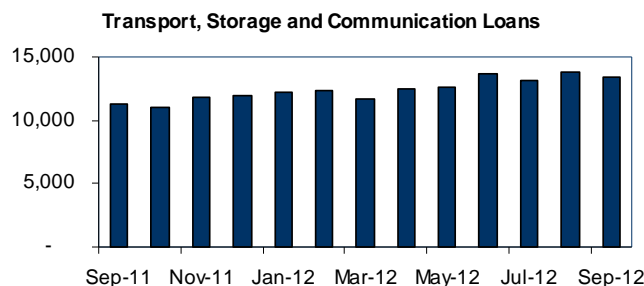
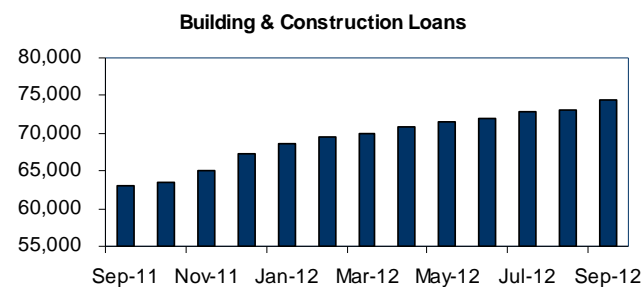
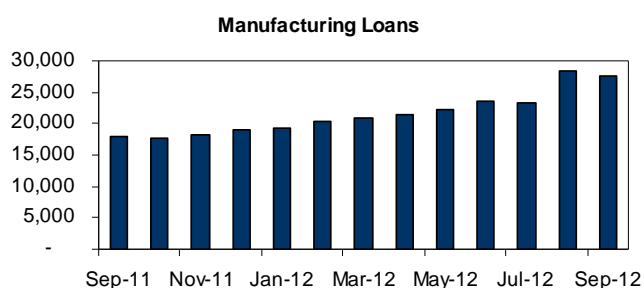
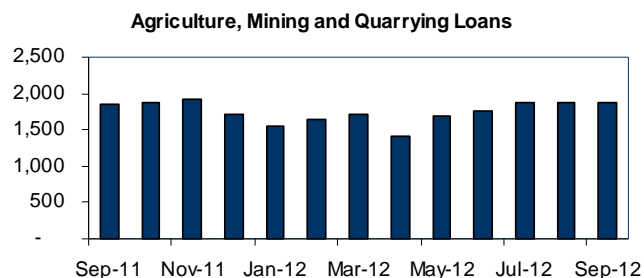
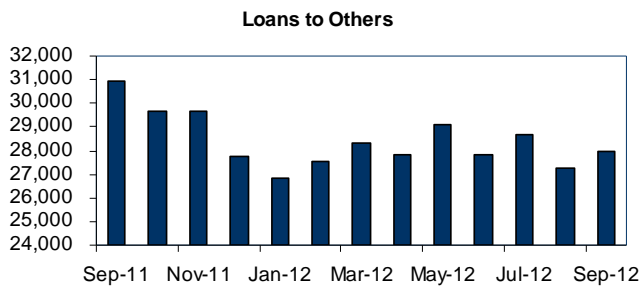
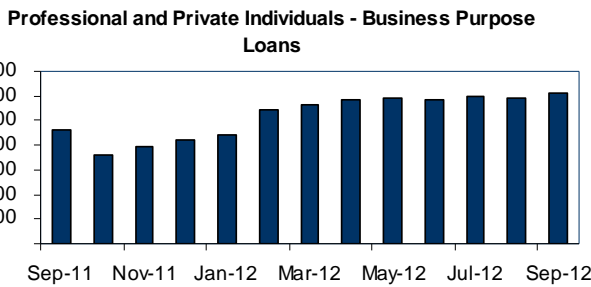
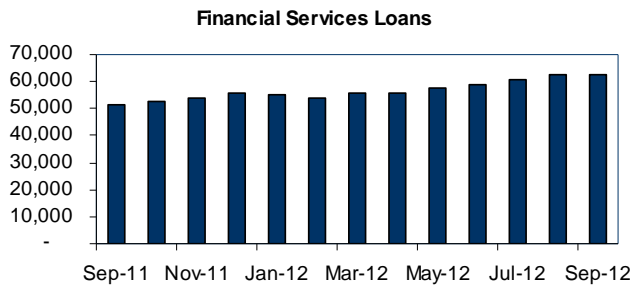
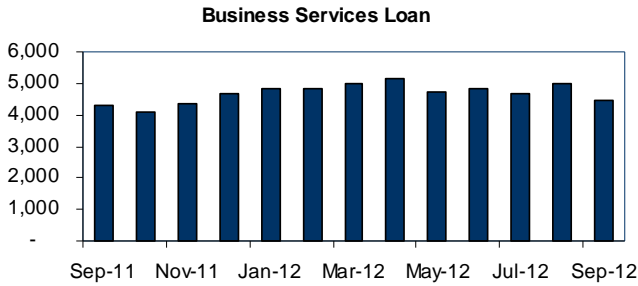


Fig 3: Business Loans in various Segments (in S\$ millions) (Continued)

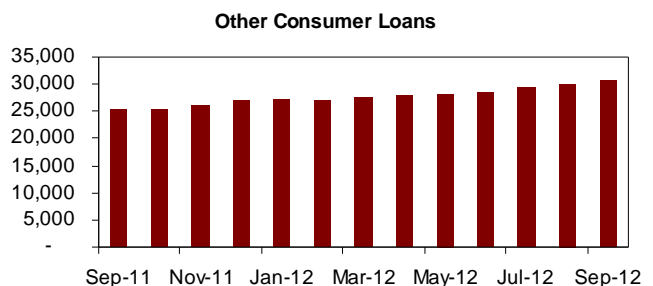
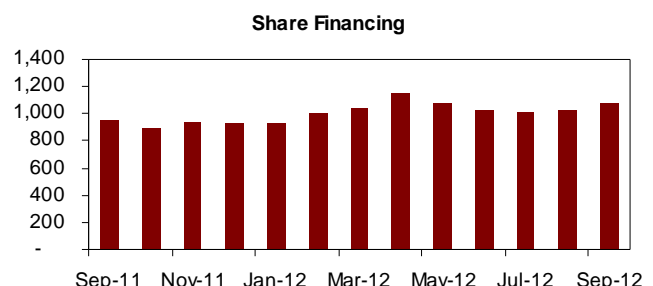
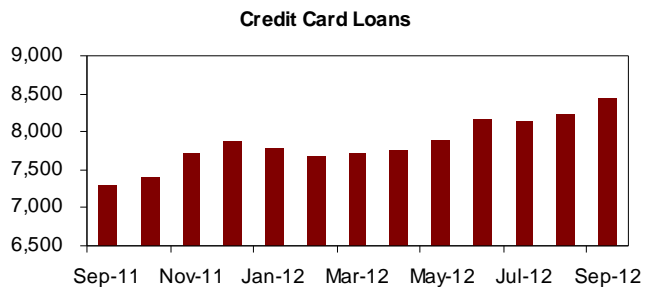
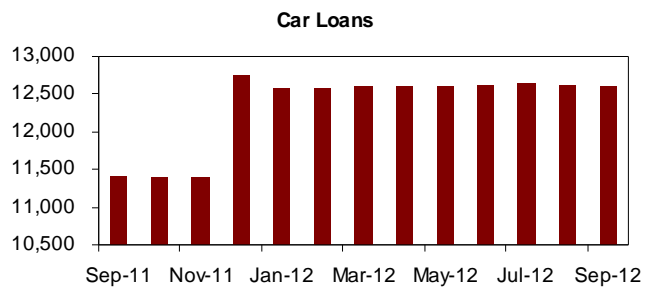
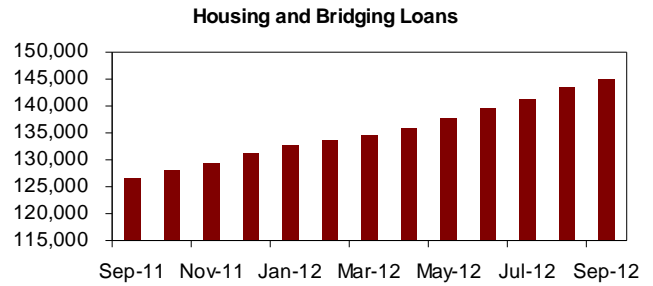


Source: MAS, Phillip Securities Research

Consumer Loans

Consumer loans grew 1.4% m-m, 4.0% q-q to S\$197.8 billion. Growth has been rather resilient, due largely to the performance of housing loans despite the numerous cooling measures introduced. The new round of cooling measures introduced on Oct 5, including the lowering of LTV caps for certain categories of borrowers and loan tenure, may dampen growth of housing loans. This effect would however only impact housing loans in the later part of year, due to the long loan approval process. We note that supply, and demand continues to be strong, based on the success of recent new launches.

Fig 4: Consumer Loans in various segments (in S\$ million)



Source: MAS, Phillip Securities Research

Fig 5: Singapore DBU book deposit data

Deposits Data (S\$ million)	Sep-12	Sep-11	Aug-12
Demand deposits	121,855	118,961	121,842
Fixed deposits	207,402	194,296	209,838
Savings and other deposits	174,699	160,015	173,909
Total Deposits	503,955	473,272	505,589
Total Loans	472,293	405,437	468,809
LDR	93.7%	85.7%	92.7%

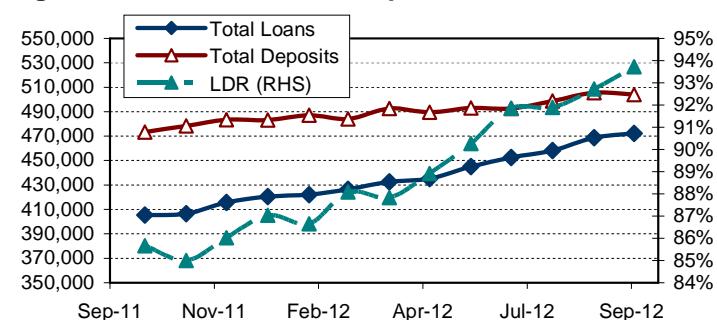
Deposits Data (S\$ million)	Y-Y	M-M	% of total deposits
Demand deposits	2.4%	0.0%	24.2%
Fixed deposits	6.7%	-1.2%	41.2%
Savings and other deposits	9.2%	0.5%	34.7%
Total Deposits	6.5%	-0.3%	100.0%
Total Loans	16.5%	0.7%	
LDR	9.4%	1.1%	

Source: MAS, Phillip Securities Research

Deposits

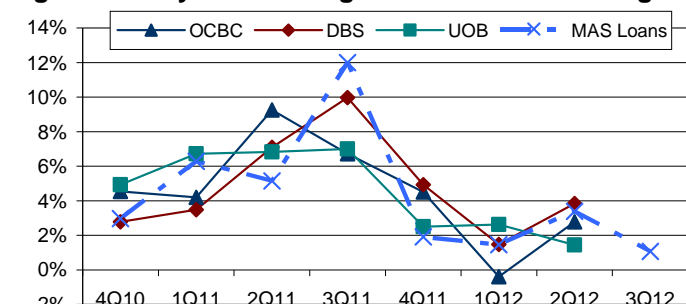
Deposits contracted -0.3% m-m, but grew 2.3% q-q, to S\$504.0 billion. This was due to declines in deposits of non-bank FIs, and deposits of residents outside Singapore. This drove LDR further to 93.7%. With continued low interest rates from deposits and high inflation, consumers may prefer investing their money instead of placing them in deposits.

Fig 6: Total Loans vs Total Deposits



Source: MAS, Phillip Securities Research

Fig 7: Total System loans growth vs Banks loans growth



Source: MAS, Phillip Securities Research

Fig 8: Singapore ACU Book loan data

Loan Data (S\$ mil)	Sep-12	Sep-11	Aug-12	Y-Y	M-M
Business					
Agriculture	19,768	15,397	20,710	28.4%	-4.5%
Manufacturing	49,452	48,729	51,358	1.5%	-3.7%
Building and construction	14,614	13,712	14,762	6.6%	-1.0%
General commerce	55,602	49,204	55,486	13.0%	0.2%
Transport	64,185	68,768	65,444	-6.7%	-1.9%
Business Services	5,033	6,843	5,439	-26.5%	-7.5%
Financial institutions	85,315	84,502	82,423	1.0%	3.5%
Professional and private (business)	2,462	2,713	2,416	-9.3%	1.9%
Others	48,953	50,465	50,261	-3.0%	-2.6%
Total Business Loans	345,385	340,333	348,299	1.5%	-0.8%

Loan Data (S\$ mil)	Sep-12	Sep-11	Aug-12	Y-Y	M-M
Consumer					
Housing	4,322	3,303	4,322	30.9%	0.0%
Share financing	24	500	24	-95.2%	-1.2%
Others	30,932	28,140	30,893	9.9%	0.1%
Total Consumer Loans	35,279	31,942	35,239	10.4%	0.1%

Source: MAS, Phillip Securities Research

Total ACU Loans

ACU loans contracted -0.7% m-m, -1.1% q-q, to S\$380.7 billion. Business loans contracted -0.8% m-m, -1.6% q-q, to S\$345.4 billion. The decline was across most loan categories, with Business Services loans declining -7.5% m-m, -4.0% q-q to S\$5.0 billion, and Manufacturing loans declining -3.7% m-m, -6.8% q-q to S\$49.5 billion. YTD, ACU loans grew 1.2%, much lower compared to the 12.3% growth of DBU loans.

Singapore Banking Sector Outlook

The slower q-q total system loans growth of 1.8% in 3Q12 is significantly lower than the 3.4% q-q growth in 2Q12. Per Fig 8, the banks' loans growths generally grow in-line with the total system loans growth. This may imply lower loans growth for the three banks. Furthermore, the 3Q12 q-q -1.5% GDP contractions, based on advance estimates, may further dampen Singapore loans demand. Coupled with the housing cooling measures, we think that the banks may further reduce loans growth guidance for FY2012. The shrinking deposits may also intensify the competition for deposits in Singapore. A detailed outlook of the Singapore banks, and our 3Q12 forecast has been presented in our Singapore Banking Sector report dated 31 Oct 2012. We maintain our preference for DBS over UOB and OCBC.

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