

Singapore Banking Sector

MAS Loan Statistics for October 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 October 2012.

- Singapore's total DBU loans outstanding registered y-y growth of 17.9% to S\$479.4 billion in Oct 2012. Business loans and Consumer loans reported growth of 19.1% y-y and 16.3% y-y respectively.
- M-m, loans growth in Oct 2012 was higher. Total loans grew 1.5%, compared to 0.7% in Sep 2012. Business loans grew 1.3% m-m, while Consumer loans grew faster at 1.8% m-m.
- 58.0% of total loans comprise of Business loans, with the remaining attributed to Consumer loans.
- We are neutral on the Singapore Banking Sector, and will present a detailed outlook in our upcoming Singapore Banking Sector report.

How do we view this?

M-m growth of DBU loans in Oct 12 rebounded from the weak performance in Sep 12. Business loans grew 1.3% m-m, while consumer loans grew at a more consistent m-m rate of 1.8%. Loans to Financial Institutes was the main growth driver in Oct 12. We expect Buildings and Construction loans to be a growth driver due to the steady pipeline of construction projects. LDR continues to increase due to a weaker deposits growth, mainly from y-y contracting deposits from non-bank Financial Institutes. Total system loans (DBU + ACU) grew 0.9% m-m, as Total ACU loans grew 0.2% from stronger General Commerce ACU loans growth.

Investment Actions?

A detailed outlook of the Singapore banks and our 3Q12 results takeaway will be presented in our upcoming Singapore Banking Sector report.

Singapore Banking Sector

Company	Rating	Price (\$)	TP (\$)	Upside (%)	M.Cap. (US\$m n)
DBS Group Holdings Ltd	Neutral	14.38	15.10	5.0%	28,712
Overseas Chinese Banking Corp	Reduce	9.44	8.30	-12.1%	26,533
United Overseas Bank	Accumulate	18.82	18.00	-4.4%	24,279

Source: Bloomberg, PSR

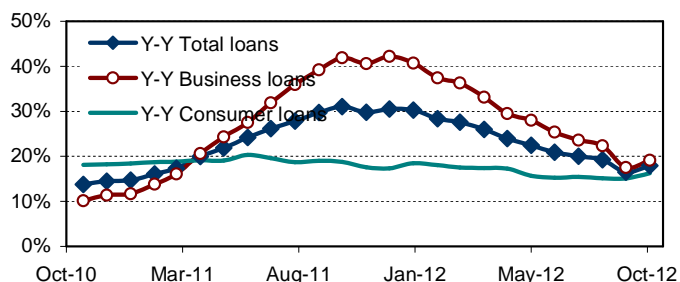
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Fig 1: Y-Y growth in total loans, business loans and consumer loans (in %)



Source: MAS, Phillip Securities Research

Total DBU Loans

Total DBU loans increased 1.5% m-m, 17.9% y-y to S\$479.4 billion. Consumer loans grew 1.8% m-m, which is faster than Business loans at 1.3% m-m. 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 marginally, and move towards the 12% - 15% y-y growth level.

Fig 2: Singapore DBU Book loan data

Loan Data (S\$ mil)	Oct-12	Oct-11	Sep-12	Y-Y	M-M
Business					
Agriculture	2,135	1,867	1,874	14.3%	13.9%
Manufacturing	28,122	17,676	27,717	59.1%	1.5%
Building and construction	75,563	63,402	74,319	19.2%	1.7%
General commerce	54,695	49,275	55,978	11.0%	-2.3%
Transport	13,226	11,048	13,386	19.7%	-1.2%
Business Services	4,594	4,076	4,448	12.7%	3.3%
Financial institutions	65,092	52,730	62,645	23.4%	3.9%
Professional and private (business)	6,102	3,631	6,145	68.1%	-0.7%
Others	28,537	29,690	27,999	-3.9%	1.9%
Total Business Loans	278,063	233,393	274,511	19.1%	1.3%

Loan Data (S\$ mil)	Oct-12	Oct-11	Sep-12	Y-Y	M-M
Consumer					
Housing	147,382	128,159	145,025	15.0%	1.6%
Car loans	12,582	11,388	12,595	10.5%	-0.1%
Credit Card	8,451	7,413	8,440	14.0%	0.1%
Share financing	1,057	895	1,076	18.1%	-1.7%
Others	31,885	25,331	30,645	25.9%	4.0%
Total Consumer Loans	201,358	173,186	197,781	16.3%	1.8%

Source: MAS, Phillip Securities Research

Business Loans

Business loans grew 1.3% m-m in Oct 2012 to S\$278.1 billion. This marked an improvement compared to the 0.3% m-m growth in Sep 2012. Year to date, Business loans registered growth of 15.4%. Loans to Financial Institutions was the main growth driver, registering 3.9% m-m growth to S\$65.1 billion. Manufacturing loans and Building & Construction loans registered healthy positive growth. General commerce loans however contracted 2.3% m-m, possibly from non-renewal or reduction of trade finance loans, due to the weaker economy. Growth of Business loans may continue to face a drag due to the weak, below-trend, Singapore GDP growth forecast.

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

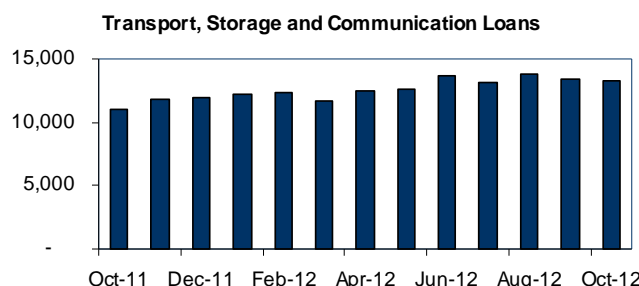
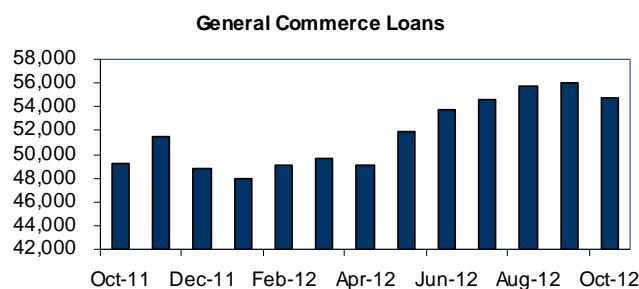
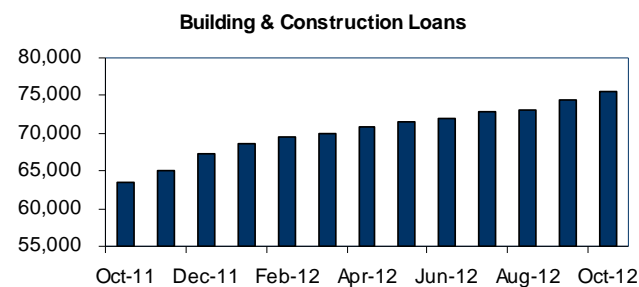
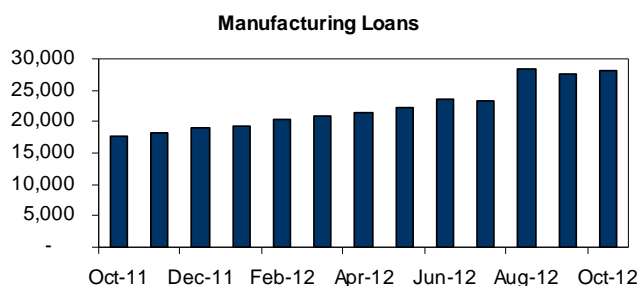
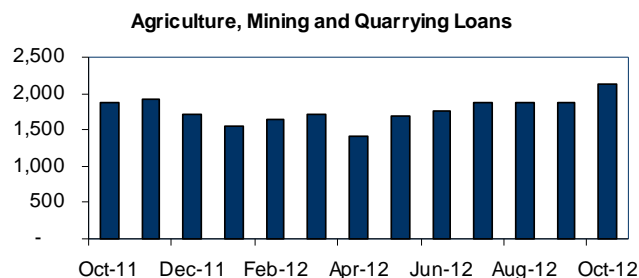
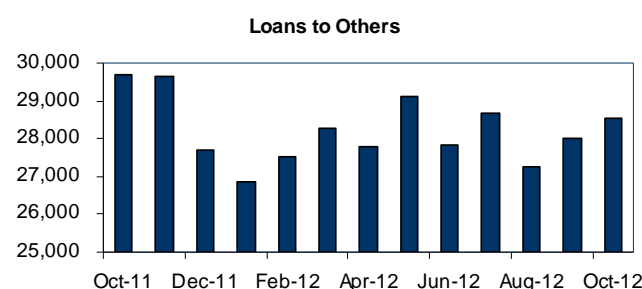
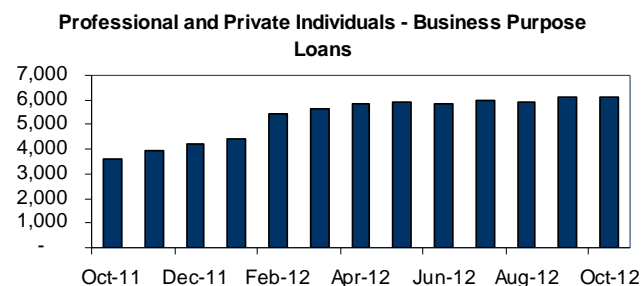
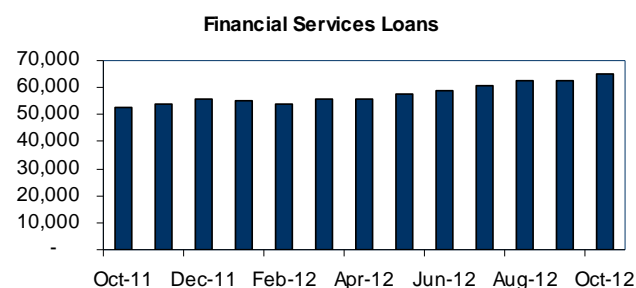
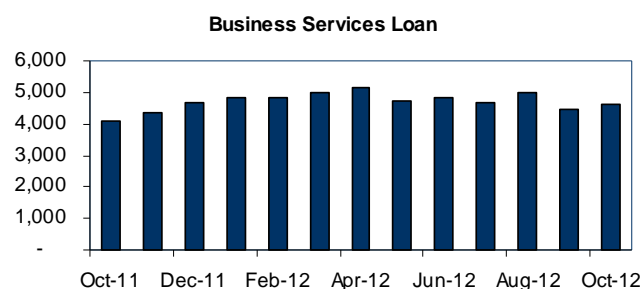


Fig 3: Business Loans in various Segments (in S\$ millions) (Continued)

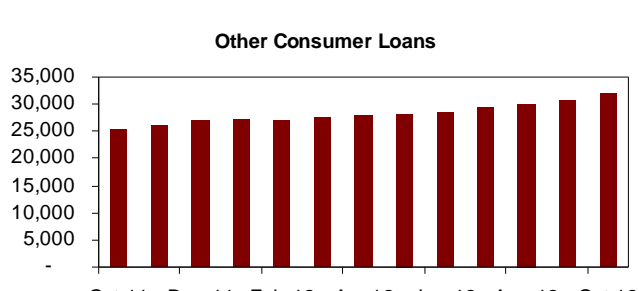
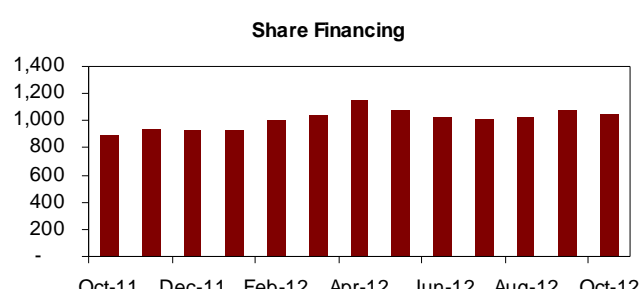
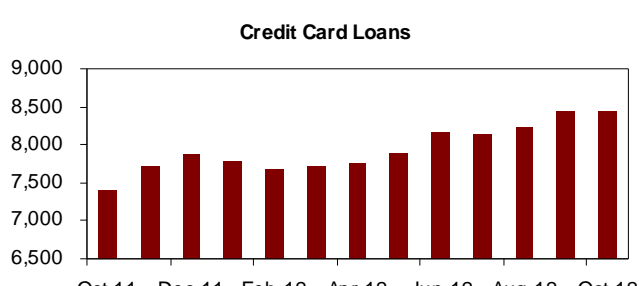
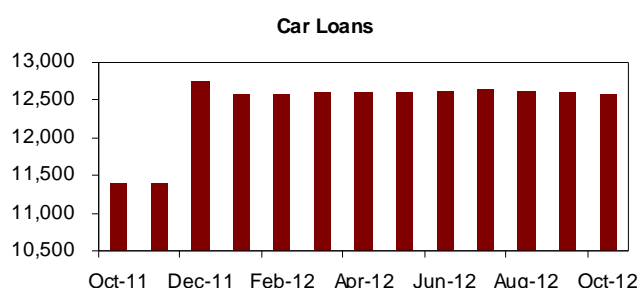
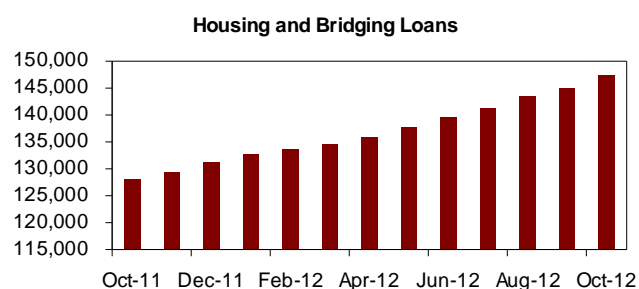


Source: MAS, Phillip Securities Research

Consumer Loans

Consumer loans grew 1.8% m-m to S\$201.4 billion. Growth continues to be 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. Other consumer loans also registered strong growth of 4.0% m-m, 18.6% ytd, to S\$31.9 billion in Oct 12.

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)	Oct-12	Oct-11	Sep-12
Demand deposits	122,906	119,763	121,855
Fixed deposits	209,369	196,788	207,402
Savings and other deposits	172,730	161,768	174,699
Total Deposits	505,005	478,318	503,955
Total Loans	479,421	406,580	472,293
LDR	94.9%	85.0%	93.7%

Deposits Data (S\$ million)	Y-Y	M-M	% of total deposits
Demand deposits	2.6%	0.9%	24.3%
Fixed deposits	6.4%	0.9%	41.5%
Savings and other deposits	6.8%	-1.1%	34.2%
Total Deposits	5.6%	0.2%	100.0%
Total Loans	17.9%	1.5%	
LDR	11.7%	1.3%	

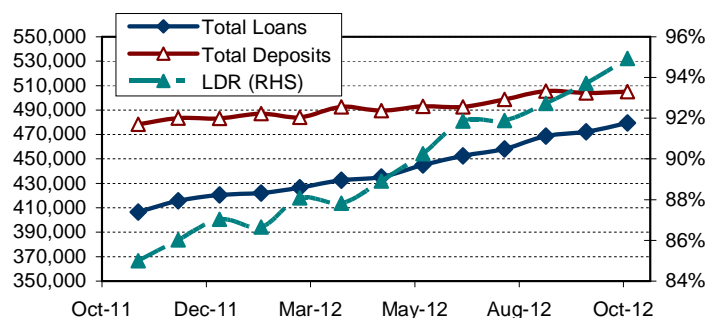
Source: MAS, Phillip Securities Research

Deposits

Deposits grew marginally at 0.2% m-m to S\$505.0 billion. With the weak growth of deposits coupled with stronger loans growth, LDR increased further to 94.9%. Comparing y-y changes to deposits by types of non-bank customers over the last two years, we note that the lower deposit growth is largely due to a decline in deposits of non-bank financial institutions. Y-y, these contracted by 4.5% in Oct 12 to S\$64.2 billion, compared to 26.6% y-y growth registered in Oct 11 to S\$67.3 billion. The decline in deposits is in-line with the high ytd loans growth to non-bank Financial Institutions, as FIs use existing cash flows to reduce borrowing costs.

Growth of deposits of other residents in Singapore, which is the most significant component of deposits by types of non-bank customers, grew at a relatively resilient rate of 7.5% y-y in Oct 12 to S\$371.2 billion, compared to 8.0% in Oct 11.

Fig 6: Total Loans vs Total Deposits



Source: MAS, Phillip Securities Research

Fig 7: Singapore ACU Book loan data

Loan Data (S\$ mil)	Oct-12	Oct-11	Sep-12	Y-Y	M-M
Business					
Agriculture	19,810	16,676	19,768	18.8%	0.2%
Manufacturing	49,059	46,922	49,452	4.6%	-0.8%
Building and construction	14,471	13,101	14,614	10.5%	-1.0%
General commerce	56,663	47,432	55,602	19.5%	1.9%
Transport	64,798	66,511	64,185	-2.6%	1.0%
Business Services	4,828	6,575	5,033	-26.6%	-4.1%
Financial institutions	85,597	80,868	85,315	5.8%	0.3%
Professional and private (business)	2,557	1,009	2,462	153.5%	3.9%
Others	48,386	48,482	48,954	-0.2%	-1.2%
Total Business Loans	346,169	327,575	345,385	5.7%	0.2%

Loan Data (S\$ mil)	Oct-12	Oct-11	Sep-12	Y-Y	M-M
Consumer					
Housing	4,029	3,292	4,322	22.4%	-6.8%
Share financing	36	483	24	-92.6%	49.6%
Others	31,203	25,868	30,932	20.6%	0.9%
Total Consumer Loans	35,268	29,642	35,279	19.0%	0.0%

Source: MAS, Phillip Securities Research

Total ACU Loans

ACU loans grew marginally at 0.2% m-m to S\$381.4 billion. Growth of Business loans was 0.2% m-m, while Consumer loans growth was flat m-m. Growth in General Commerce loans was most significant at 1.9% m-m to S\$56.7 billion. YTD, ACU loans grew 1.4%, much lower compared to the 14.0% growth of DBU loans.

Singapore Banking Sector Outlook

A detailed outlook of the Singapore banks and our 3Q12 results takeaway will be presented in our upcoming Singapore Banking Sector report.

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