Bank loans grow at slower pace in July

Business lending expands less with weaker economic outlook

By Emilyn Yap

BANK lending expanded at a slower pace in July as business loan growth continued to slide amid weakening economic sentiments.

According to preliminary figures from the Monetary Authority of Singapore, domestic banking unit (DBU) loans rose 1.3 per cent over the month to $458.3 billion at the end of July – below June’s 1.7 per cent growth.

Over the year, loans expanded by 20 per cent, also down from June’s 20.9 per cent climb.

Poor economic news has done little for market confidence, which affects companies’ plans to expand and borrow.

For instance, the latest BT-UniSIM Business Climate Survey found a sharp downturn in business sentiment in the second quarter, with half of the 120 firms polled saying that they expect prospects in the next six months to worsen.

In such an environment, the deceleration in loan growth is not surprising, said Nomura head of South-east Asian banks research Anand Pathmakanthan.

“Everyone’s been downgrading GDP growth numbers across the region, so loan numbers should reflect that, especially business loans.”

Loans to businesses at end-July reached $265.7 billion, up 1.2 per cent from the previous month and 23.6 per cent from the previous year.

The rise was smaller seen against June’s, when business loans increased by 2 per cent from the previous month and 25.4 per cent from the previous year. June’s performance was itself weaker than May’s.

Contributing to the slowdown in July, loans to firms in the manufacturing, business services, and transport, storage and communications sectors shrank month on month.

But lending to the building and construction sector – the biggest business-loan category – rose 1.1 per cent from the previous month to $72.9 billion.

General commerce loans also increased by 1.4 per cent to $54.6 billion.

Consumer loans displayed slightly more stability in growth. They reached $192.6 billion at end-July, rising 1.3 per cent over the month and 15.4 per cent over the year.

In June, they had expanded 1.4 per cent month on month and 15.2 per cent year on year.

Housing and bridging loans – the biggest consumer-loan category – grew 1.2 per cent over the month to $141.3 billion.

Car loans also grew in that period, while credit card loans shrank.

Industry watchers are expecting loan growth this year to be markedly below last year’s as Singapore’s economy slows.

Economists have warned of a possible technical recession ahead, with manufacturing output in July falling sharply from June, and GDP in the second quarter contracting from the first quarter.

Going by earlier predictions by the chief executives of local banks, loan growth this year may not cross 10 per cent.

Phillip Securities Research analyst Ken Ang expects DBU loan growth to remain healthy ahead, though it is likely to be lower than in the first half of the year.

In the consumer-loan seg-