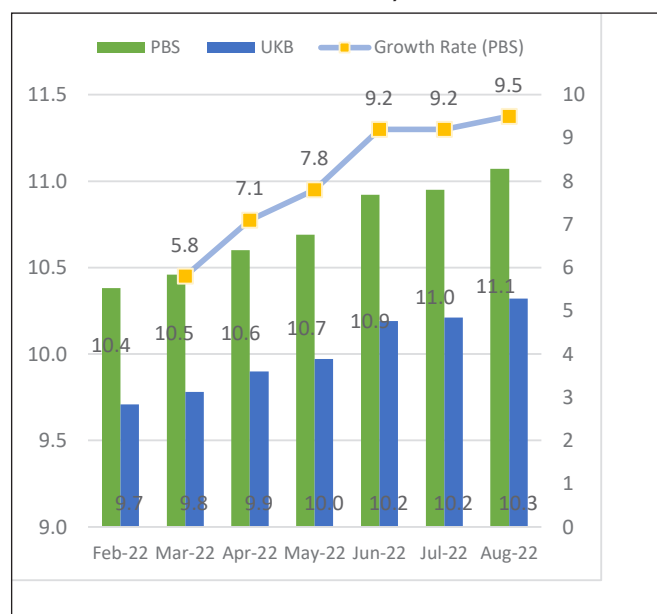


OUTSTANDING LOANS OF THE PHILIPPINE BANKING SECTOR

August 2022 data show that outstanding loans of the Philippine Banking System (PBS), net of reverse repurchase (RRP) placements with the Bangko Sentral ng Pilipinas (BSP), increased by 9.5% year-on-year compared with 9.2% of the previous month. Bank lending has gained traction as the country continues to recover from the effects of the pandemic, supporting further the expansion in economic activity.

FIGURE 1. LOANS OUTSTANDING OF UNIVERSAL AND COMMERCIAL BANKS, TOTAL PHILIPPINE BANKING SYSTEM (AMOUNT IN TRILLIONS PHP, Y-O-Y GROWTH RATE IN %)



Note: Outstanding Loans net of BSP Reverse Repurchase (RRP) Agreements
Source: BSP

Meanwhile, loans outstanding from universal and commercial banks (UKBs), which accounted for 92.8% of the total outstanding loans of the Philippine banking system, grew by 12.2% year-on-year in August 2022, a slight increase from 12.0% in July 2022 (Figure 1). Loans from UKBs rose to P10.3 trillion in August 2022, from P9.2 trillion a year earlier.

Loans for Production. Outstanding loans for production activities grew by 8.9% in August 2022 or a total of P9.5 trillion compared to P8.7 trillion a year ago (Table 1). The increase is driven mainly by the rise in loans to information and communication (28.0%); water supply, sewerage, waste management and remediation activities (21.5%); administrative and support service activities (18.4%); manufacturing (15.3%); construction (14.2%); public administration and defense; and compulsory social security (11.8%). However, loans contracted in the following production activities: education (-6.2%); accommodation and

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food service activities (-6.4%); and professional, scientific, and technical activities (-42.3%).

TABLE 1. LOANS OUTSTANDING FOR PRODUCTION BY ECONOMIC ACTIVITY (AMOUNTS IN BN PHP, SHARE IN %)

Production by Economic Activity	August 2021	August 2022	Growth Rate (%)	Share (%)
Agriculture, Forestry and Fishing	236.3	244.6	3.5	2.6
Mining and Quarrying	40.7	41.1	1.1	0.4
Manufacturing	1,065.6	1,229.0	15.3	13.0
Electricity, Gas, Steam and Air-Conditioning Supply	1,039.2	1,131.4	8.9	11.9
Water supply, Sewerage, Waste management and Remediation Activities	109.2	132.7	21.5	1.4
Construction	383.1	437.7	14.2	4.6
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,188.1	1,292.2	8.8	13.6
Accommodation and Food Service Activities	165.6	155.1	(6.4)	1.6
Transportation and Storage	342.1	349.3	2.1	3.7
Information and Communication	447.8	573.2	28.0	6.0
Financial and Insurance Activities	906.2	988.5	9.1	10.4
Real Estate Activities	2,100.7	2,206.7	5.1	23.3
Professional, Scientific and Technical Activities	65.4	37.7	(42.3)	0.4
Administrative and Support Service Activities	32.0	37.9	18.4	0.4
Public Administration and Defense; Compulsory Social Security	146.7	164.1	11.8	1.7
Education	40.3	37.8	(6.2)	0.4
Human Health and Social Work Activities	96.4	100.0	3.7	1.1
Arts, Entertainment and Recreation	153.9	168.4	9.4	1.8
Other Service Activities	82.6	89.4	8.3	0.9
Activities of Households as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use	71.7	73.3	2.3	0.8
Activities of Extra-Territorial Organizations and Bodies	0.0	0.0	0.0	0
Total	8,713.5	9,490.2	8.9	100

Source: BSP

Meanwhile, the following sectors recorded single-digit increase in growth: arts, entertainment and recreation (9.4%); financial and insurance activities (9.1%); electricity, gas, steam and air-conditioning

supply (8.9%); wholesale and retail trade, repair of motor vehicles, motorcycles (8.8%); other service activities (8.3%); real estate activities (5.1%); human health and social work activities (3.7%); agriculture, forestry and fishing (3.5%); activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use (2.3%); transportation and storage (2.1%) and mining and quarrying (1.1%) (Table 1).

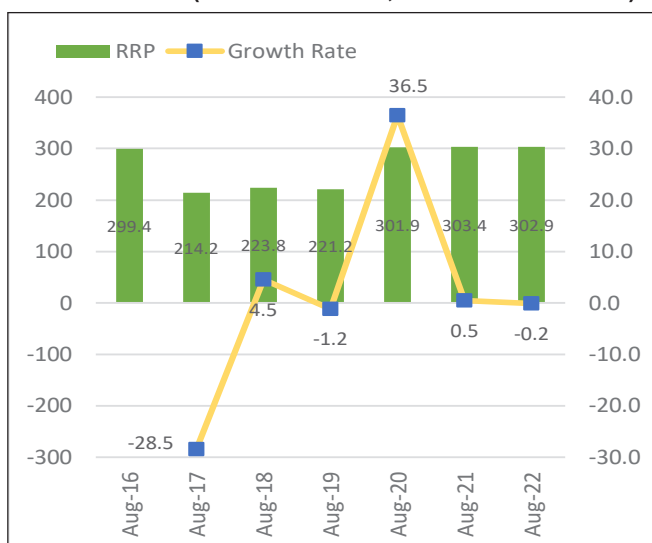
TABLE 2. LOANS FOR HOUSEHOLD CONSUMPTION (AMOUNTS IN BILLIONS PHP, GROWTH AND SHARE IN %)

Household Consumption	Aug-'21	Aug-'22	Growth Rate (%)	Share (%)
Credit Cards	402.2	497.7	23.7	39.0
Motor Vehicle Loans	486.6	440.7	-9.4	34.5
Auto Loans	453.2	405.0	-10.6	31.7
Motorcycle Loans	33.4	35.7	7.0	2.8
Salary-Based General-Purpose Consumption Loans	213.9	310.0	44.9	24.3
Others	27.7	28.3	2.3	2.2
Total	1,130.4	1,276.8	13.0	100.0

Source: BSP

The expansion in outstanding consumer loans to residents accelerated by 13% with P1,276.8 billion in August 2022 compared to P1,130.4 billion in 2021 (Table 2). The growth is traced to credit card loans (23.7%); salary-based general-purpose consumption loans (44.9%) and others (2.3%) while motor vehicle loans declined (-9.4%). At the same time, BSP data show outstanding loans to non-residents grew by 16.3% in August 2022 versus the previous year.

FIGURE 2. BSP REVERSE REPURCHASE (RRP) AGREEMENTS (IN BILLIONS PHP, GROWTH RATE IN %)

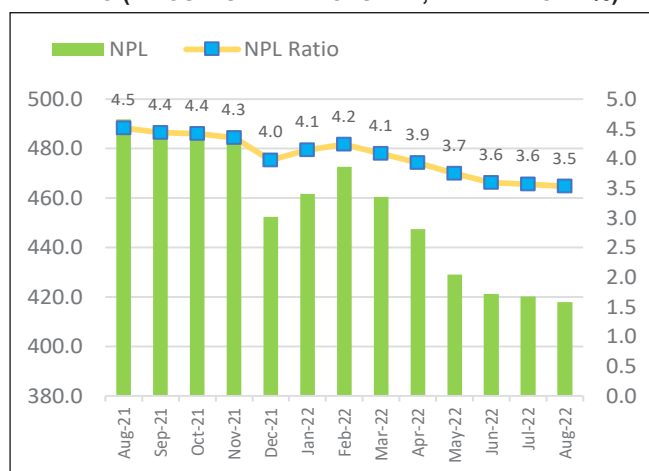


Source: BSP Outstanding loans: Philippine Banking System

Reverse Repurchase (RRP) Agreements. Loans under the BSP's Reverse Repurchase Agreements (RRP) was recorded at P302.9 billion in August 2022, slightly lower than the P303.4 billion in August 2021 (Figure 2). In an RRP operation, the BSP acts as the

seller of government securities to banks with an agreement to buy them back later (ranging from one to 364 days) at a given interest rate.

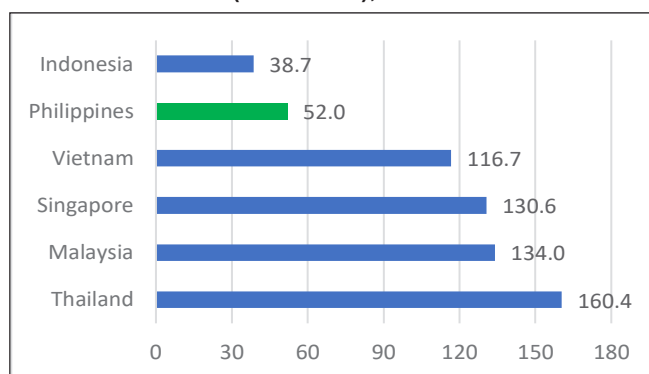
FIGURE 3. NON-PERFORMING LOANS (NPLs) AND NPL RATIO (AMOUNTS IN BILLIONS PHP, NPL RATIO IN %)



Source: BSP, Selected Performance Indicators

Non-performing loans (NPL) ratio. NPL Ratio is recorded at 3.5% as of end-August 2022 from 3.6% of the previous month and 4.5% in August 2021 (Figure 3). Non-performing loans (NPLs) for PBS or those loan accounts whose principal and/or interest are unpaid for at least 90 days after due date, dropped by 15% year-on-year from P491.9 billion in August 2021 to P418.0 billion in August 2022. This is the sixth straight month that NPLs fell since March of 2022.

FIGURE 4. DOMESTIC CREDIT TO PRIVATE SECTOR (% OF GDP), 2020



Source: World Development Indicators, World Bank

Domestic Credit to GDP Ratio. A high domestic credit to GDP ratio implies higher market access to credit which in turn supports economic activity and output growth. For the Philippines, credit to GDP ratio has been continuously increasing in previous years from 42.9% in 2016 to 52.0% in 2020. However, it remains a laggard compared to other ASEAN member states, such as Thailand (160.4%), Singapore (130.6%), Malaysia (134.0%), and Vietnam (116.7%) (Figure 4). The Philippines' domestic credit to GDP ratio in 2020 is the second lowest next to Indonesia's 38.7% according to the World Bank.