

## Likas-Philippines - Rise in bank lending boosts consumer, business sentiments—BSP

Written by Michelle Remo/Philippine Daily Inquirer  
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MANILA, Philippines – Bank lending rose by 12.5 percent in August from a year ago, registering its fastest pace in over a year, as improved consumer and business sentiments drove demand for credit and prompted banks to lend more.

The Bangko Sentral ng Pilipinas reported on Wednesday that outstanding loans from universal and commercial banks amounted to P2.18 trillion as of the end of August, up 12.5 percent from P1.94 trillion as of the same period in 2009.

Data from the BSP showed that the latest growth in bank lending was the fastest since July 2009.

The accelerated increase in bank lending was posted both for individual and corporate loans. Regulators said better outlook on the economy gave consumers the confidence to borrow from banks and use the money for purchase of big-ticket items, such as automobiles and residential properties.

Similarly, corporate entities are more upbeat about business prospects, thus borrowing more from banks to finance expansion and other investment initiatives.

According to official data, outstanding loans extended to consumers as of the end of August amounted to P185.2 billion, up 15.4 percent from P160.49 billion as of the same period in 2009.

On the other hand, outstanding loans to businesses stood at P1.96 trillion of the total, up 12.7 percent from P1.79 trillion. Loans extended to non-Filipino individuals or entities accounted for the balance, the BSP said.

Central bank officials said that besides higher demand, banks also exhibited more appetite for lending so far this year from last year. The domestic economy is poised to grow much faster this year than last year, benefiting partly from recovery of the world economy from last year's global recession.

"The upturn in the credit cycle remains consistent with the robust pickup in domestic demand and the rebound in global trade," BSP Deputy Governor Nestor Espenilla Jr, who currently serves as officer-in-charge of the BSP, said in a statement.

The fact that interest rates have remained low likewise boosted demand for loans, officials said.

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The overnight borrowing and lending rates of the central bank, which influences commercial banks lending rates, stand at historic lows of 4 and 6 percent.

Sectors that benefited the most from the increase in bank lending as of August were the following: real estate , services, agriculture, utilities, wholesale and retail trade, financial intermediation, and construction.

Meanwhile, the BSP likewise reported that money supply, which the BSP measures in terms of M3, grew by 8.6 percent in August, partly aided by the rise in bank lending.

The BSP said M3 as of August stood at P3.92 trillion compared with the P3.55 billion as of the same month last year.

"Credits extended to the private sector continued to increase, indicative of the growing confidence in the country's growth prospects," said BSP Deputy Governor Nestor Espenilla, who currently serves as officer-in-charge of the BSP.

M3 is a broad and the most commonly used measure of money within an economy. It includes currency in circulation, demand deposits, time and other savings deposits, mutual funds, and repurchase agreements, among others.

The narrower measures of money are M1, which covers currencies in circulation and deposits, and M2, which includes M1 and some money market funds

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