

## India

### EXECUTIVE SUMMARY

#### **Economic growth and demographic trends drive consumer lending**

Consumer lending has grown at a healthy pace in India; and this trend is expected to continue in the forecast period. The country's growing economy, rising disposable incomes and changing lifestyles have resulted in higher disbursements of auto and durables loans. This is particularly the case among young adults, who earn more than previous generations and spend more on non-discretionary items. This includes spending on the latest automobiles and consumer durable goods, for which loans are used. Moreover, the increasing demand for quality education has expanded banks' education loan portfolios.

#### **Alternative finance providers increase their share of consumer loans**

Alternative finance providers, such as non-banking finance companies (NBFCs), have been playing an increasingly important role in providing consumer loans. These financial institutions are more popular for loan disbursements in regions that are not serviced adequately by banks. Moreover, business loans form a significant proportion of banks' loan books and NBFCs have been stepping into retail loans to fill in the gap. Their share in total outstanding consumer loans is expected to continue to increase over the forecast period. In particular, NBFCs have expanded their lending portfolios in consumer durables and personal loans.

#### **New government policies in 2015 boost mortgages/housing**

Mortgages/housing registered strong current value growth in the review period, supported by the increasing demand from the urban middle classes to own homes as well as favourable government policies. For instance, the government's Pradhan Mantri Awas Yojna (PMAY) low-cost housing policy, rolled-out in 2015, was formulated to facilitate universal home ownership. This has driven the construction of new homes in both urban and rural areas. Banks have to meet their priority lending targets, which include low-cost housing. A number of alternative finance providers, such as housing finance companies (HFCs), which have been growing their housing loan portfolios though commercial banks, continue to dominate in this lending area. These factors are expected to combine to drive further growth for mortgages/housing over the forecast period.

#### **Indian consumers demonstrate sound loan repayment record**

Low non-performing loans (NPAs) across consumer lending categories demonstrate that Indian consumers are debt-averse and exhibit good loan repayment records. For instance, the share of credit card and non-card non-performing loans (NPAs) remained low in 2018. Indians have traditionally been averse to taking on excessive credit, although the credit culture is gradually changing among young adults. Strict banking regulation, documentation and the monitoring of credit histories are expected to ensure low loan default rates in the forecast period.

#### **Aspirational consumer class fuels consumer lending**

The key trends in consumer lending are expected to continue in the forecast period. Consumer credit outstanding balance is expected to see strong value growth at constant 2018 prices over the forecast period. With rising income levels, especially among the aspirational consumer class in smaller cities, disbursements of auto and other consumer loans are set to continue to rise. The quick approval of loans by NBFCs is also expected to translate into healthy growth in consumer lending. Meanwhile, mortgages/housing is predicted

to continue to benefit from the government's low-cost housing programme and the growth of mid-level properties in large cities.

## MARKET DATA

**Table Consumer Lending: Outstanding Balance by Category: Value 2013-2018**

INR bn	2013	2014	2015	2016	2017	2018
Consumer Credit	4,493.9	5,269.1	5,922.6	6,796.1	8,694.1	10,336.3
Mortgages/Housing	6,344.0	7,625.0	9,139.2	10,988.9	12,975.3	14,864.4
Consumer Lending	10,837.9	12,894.1	15,061.8	17,784.9	21,669.4	25,200.7

**Table Consumer Lending: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	18.1	130.0
Mortgages/Housing	18.6	134.3
Consumer Lending	18.4	132.5

**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

INR bn	2013	2014	2015	2016	2017	2018
Consumer Credit	2,033.6	2,507.9	2,914.2	3,534.6	5,099.7	5,926.5
Mortgages/Housing	1,391.6	1,625.6	1,772.7	2,142.2	2,317.9	2,804.1
Consumer Lending	3,425.2	4,133.5	4,686.9	5,676.8	7,417.6	8,730.6

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	23.9	191.4
Mortgages/Housing	15.0	101.5
Consumer Lending	20.6	154.9

**Table Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	1.8	1.8	1.7	1.8	2.0	2.1

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	1.4	1.4	1.4	1.3	1.5	1.5

**Table Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.4	2.4	2.3	2.6	2.8	3.0

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	5.1	5.0	4.5	3.7	2.7	2.5

**Table Forecast Consumer Lending: Outstanding Balance by Category: Value 2018-2023**

INR bn	2017	2018	2019	2020	2021	2022
Consumer Credit	8,694.1	10,336.3	12,172.2	14,079.8	16,199.1	18,267.7
Mortgages/Housing	12,975.3	14,864.4	16,954.1	19,034.5	21,456.3	23,824.9
Consumer Lending	21,669.4	25,200.7	29,126.3	33,114.4	37,655.4	42,092.6

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	16.0	110.1
Mortgages/Housing	12.9	83.6
Consumer Lending	14.2	94.2

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

INR bn	2017	2018	2019	2020	2021	2022
Consumer Credit	5,099.7	5,926.5	7,221.9	8,363.0	9,688.0	11,027.6
Mortgages/Housing	2,317.9	2,804.1	3,165.6	3,414.9	3,760.7	4,092.3
Consumer Lending	7,417.6	8,730.6	10,387.5	11,777.9	13,448.7	15,119.9

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	16.7	116.2
Mortgages/Housing	12.0	76.6
Consumer Lending	15.3	103.8

## 2. Australia

### EXECUTIVE SUMMARY

#### Growth in overall consumer lending

Consumer lending in Australia continued in 2017 to record a positive performance. This was primarily driven by the unrelenting demand for housing that led to double-digit growth for mortgages/housing. Such strong growth was primarily driven by the strong influx of foreign investors and a limited housing supply, which boosted demand and pushed prices upwards.

#### Tipping point in housing growth

The housing market in key cities across Australia in 2017 saw strong growth that pushed house prices to rise at low double-digit annual rates; however, tightening of investor loan requirements resulted in a decline in foreign demand, an increasing number of house completions and the imposition of stricter regulations on interest-only loans by regulator APRA, which led to a softening of the housing market. Many analysts revised down their forecasts in these key cities and are expecting a pullback in the housing market.

#### The arrival of technology-driven payment solutions

Technology-driven payment solutions, such as Afterpay and zipPay, grew in popularity over the review period. These payment solutions, which have strong appeal among millennials, allow consumers to gain ownership of consumer goods without having to pay the full cost immediately. This quasi-loan service is interest-free and only incurs a charge if payments are not subsequently met. In an era where status-determined consumption expresses one's personality, such a payment solution resonated well with cash-strapped consumers who still intended to purchase their desired goods.

#### Low wage growth holds back consumer spending

Low wage growth, significant mortgage loans and rising costs meant that households found it challenging to meet mortgage repayments from their current income and had to cut back in other areas such as auto, durables and home lending. Reserve Bank of Australia is concerned that elevated levels of household debt may limit consumption growth. This will likely further inhibit non-card lending in Australia.

#### Mortgages/housing set to heavily influence the performance over the forecast period

Mortgages/housing, which accounted for close to half of total gross lending in 2017, is expected to influence the performance of consumer lending over the forecast period. The housing market in Australia was one of the most-talked-about subjects over the review period and the performance of the housing market will heavily influence the performance of consumer lending in Australia. As mortgages/housing is expected to post low growth at constant 2017 prices over the forecast period, this will likely lead to a muted overall performance.

### MARKET DATA

Table 1 Consumer Lending: Outstanding Balance by Category: Value 2012-2017

AUD bn	2012	2013	2014	2015	2016	2017
Consumer Credit	273.4	430.5	452.2	528.4	593.8	558.7
Mortgages/Housing	1,304.8	1,090.3	1,181.6	1,224.2	1,276.1	1,349.2
Consumer Lending	1,578.2	1,520.9	1,633.8	1,752.6	1,869.9	1,907.8

**Table 2 Consumer Lending: Outstanding Balance by Category: % Value Growth 2012-2017**

% current value growth	2012-17 CAGR	2012/17 Total
Consumer Credit	15.4	104.3
Mortgages/Housing	0.7	3.4
Consumer Lending	3.9	20.9

**Table 3 Consumer Lending: Gross Lending by Category: Value 2012-2017**

AUD bn	2012	2013	2014	2015	2016	2017
Consumer Credit	296.9	312.0	334.1	362.5	386.4	382.1
Mortgages/Housing	203.2	246.7	290.1	310.5	303.9	334.7
Consumer Lending	500.0	558.8	624.2	673.0	690.3	716.8

**Table 4 Consumer Lending: Gross Lending by Category: % Value Growth 2012-2017**

% current value growth	2012-17 CAGR	2012/17 Total
Consumer Credit	5.2	28.7
Mortgages/Housing	10.5	64.7
Consumer Lending	7.5	43.4

**Table 5 Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	1.1	0.9	0.9	0.9	0.8	0.7

**Table 6 Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	1.0	0.7	0.6	0.6	0.5	0.4

**Table 7 Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	1.4	1.5	1.6	1.5	1.5	1.4

**Table 8 Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	0.9	1.0	0.9	0.9	0.8	0.8

**Table 9 Forecast Consumer Lending: Outstanding Balance by Category: Value 2017-2022**

AUD bn	2017	2018	2019	2020	2021	2022
Consumer Credit	558.7	578.8	600.6	621.8	642.2	663.0
Mortgages/Housing	1,349.2	1,380.0	1,409.4	1,438.5	1,467.7	1,496.2
Consumer Lending	1,907.8	1,958.8	2,010.0	2,060.3	2,109.9	2,159.2

**Table 10 Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2017-2022**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	3.5	18.7
Mortgages/Housing	2.1	10.9
Consumer Lending	2.5	13.2

**Table 11 Forecast Consumer Lending: Gross Lending by Category: Value 2017-2022**

AUD bn	2017	2018	2019	2020	2021	2022
Consumer Credit	382.1	384.9	388.2	391.2	394.1	397.5
Mortgages/Housing	334.7	339.5	343.6	347.7	351.7	354.1

AUD bn	2017	2018	2019	2020	2021	2022
Consumer Lending	716.8	724.4	731.9	738.9	745.7	751.5

**Table 12 Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2017-2022**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	0.8	4.0
Mortgages/Housing	1.1	5.8
Consumer Lending	0.9	4.8

### 3. Singapore

#### EXECUTIVE SUMMARY

##### **Debt races ahead of consumer loans, calling for greater prudence**

Consumer lending continued to grow in 2018, predominantly because of the growth in card lending, auto lending, other personal lending, and mortgages. After the loan curbs placed by the government on auto lending some years ago, the recent easing of car loan rules was received happily by consumers, who took out bigger car loans. Mortgage loans remained popular, stemming from the societal pressure to own a house in Singapore, while the growth in personal loans was due to their convenience in terms of immediacy and the lack of demanding collateral.

Debt also increased in 2018, due partly to high interest rates on credit cards, and especially on personal loans because consumers relied increasingly on these alternative sources of finance. This is a cause for concern for the Singapore government, and increasingly so because while loans to consumers are projected to rise over the forecast period, the outstanding balance is predicted to be even higher, calling for tighter governmental regulations on borrowing, as well as greater prudence on the part of consumers in the years to come.

##### **Poor economic conditions spur non-performing loans, but nothing majorly concerning**

Amidst difficult times for the Singaporean and the regional economy in general, coupled with persistently low oil prices, non-performing loans increased in Singapore in 2018, which dragged down bank profits. Naturally, banks take on more risk by lending to consumers when they most need it during economic lows, and this causes non-performing loans to grow. All three local banks – DBS, UOB and OCBC – saw increases in numbers of non-performing loans in recent times.

This trend however was not out of control in 2018, nor is it predicted to continue in the long term; the economy is expected to slowly revive, and with rising consumer disposable incomes, non-performing loans will be put in check. Moreover, since Singapore's banking sector is strong and healthy enough to weather these economic shocks, and due to the central bank's stringent limits on unsecured borrowing by consumers, the non-performing loans in the country are not a cause for concern.

##### **Navigating the lending landscape in Singapore growing more difficult**

Even as consumers increasingly look to alternative sources of finance such as personal loans and other non-credit options in Singapore, it is hard for them to look for many alternative financial services providers because of the tight regulatory framework in the country. The majority of Singapore's alternative financial services providers comprise licensed moneylenders, with the government making as little room as possible for unlicensed ones. Licensed lenders are screened thoroughly and strictly restricted from charging exorbitantly high interest rates; and in line with the recent regulations they must obtain credit reports from the Credit Bureau prior to granting loans. With new loan curbs to follow later in 2018, the aim remains to prevent consumers from over-borrowing; however, there is concern that this will cause desperate borrowers to resort to unlicensed operators charging higher interest rates. Although the penalties for unlicensed moneylending are expected to remain unchanged in the short run due to their existing stringency, given Singapore's standards, these rules could be expected to become tighter in the long run, ensuring barely any legroom for alternative financial services providers.

##### **Personal loans still contribute the most to non-card loans and debts**

Personal loans, usually used for leisure, vacations or weddings in Singapore, remain popular because of the benefits they offer to consumers compared to other types of loans. These include the lack of restrictions on what they could be used for, less documentation required for processing, and the lack of any requirement for collateral, all reducing the processing time to get quick cash.

Moreover, a personal loan interest rate war was fuelled in 2018 – major banks lowered their interest rates for personal loans, which boosted demand. However, as is the case usually, these low interest rates are not expected to continue indefinitely so demand may not sustain; consequently, personal loans gross **lending** and outstanding balance are expected to contribute less to non-card loans and debts over the coming years.

### Pressure to own houses remains, but mortgage loans will see declining growth rate

In spite of high housing prices in the country, Singaporeans take pride in owning houses, and consider it to be a status symbol, which contributed to growth in mortgage loans gross **lending** and outstanding balances in 2018 and will continue to do so over the forecast period. Although the Housing & Development Board (HDB) is the major player in allocating housing to Singaporeans, over the years banks started to compete in the housing market by typically offering lower interest rates than the HDB and enticing consumers to take mortgage loans from them.

However, low interest rates do not usually continue indefinitely and hike up with higher demand, a trend witnessed in Singapore in 2018. Local players such as DBS, OCBC and UOB raised their interest rates for home loans in 2018, and the expected interest rate hikes by the US Federal Reserve over the forecast period are likely to result in declining growth rates for mortgage loans and outstanding balances.

## MARKET DATA

**Table Consumer Lending: Outstanding Balance by Category: Value 2013-2018**

SGD million	2013	2014	2015	2016	2017	2018
Consumer Credit	94,942.0	100,835.9	98,188.9	96,988.3	96,368.8	97,685.3
Mortgages/Housing	203,590.5	212,723.7	220,734.0	228,998.0	237,012.9	245,000.0
Consumer Lending	298,532.5	313,559.6	318,922.9	325,986.2	333,381.7	342,685.3

**Table Consumer Lending: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	0.6	2.9
Mortgages/Housing	3.8	20.3
Consumer Lending	2.8	14.8

**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

SGD million	2013	2014	2015	2016	2017	2018
Consumer Credit	71,282.4	76,910.9	78,084.7	79,434.5	81,067.1	82,364.6
Mortgages/Housing	22,306.3	23,867.8	25,021.0	26,249.0	27,692.7	29,188.1
Consumer Lending	93,588.7	100,778.7	103,105.7	105,683.5	108,759.8	111,552.7

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
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% current value growth	2013-18 CAGR	2013/18 Total
<b>Consumer Credit</b>	2.9	15.5
Mortgages/Housing	5.5	30.9
<b>Consumer Lending</b>	3.6	19.2

**Table **Consumer Lending**: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	1.6	1.6	1.8	1.8	1.8	1.8

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	1.4	1.4	1.5	1.5	1.5	1.5

**Table **Consumer Credit**: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.2	2.2	2.5	2.5	2.5	2.5

**Table Card **Lending**: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	5.2	5.6	6.8	7.1	7.4	8.0

**Table Forecast **Consumer Lending**: Outstanding Balance by Category: Value 2018-2023**

SGD million	2017	2018	2019	2020	2021	2022
<b>Consumer Credit</b>	96,368.8	97,685.3	96,494.8	94,964.8	93,202.0	91,383.9
Mortgages/Housing	237,012.9	245,000.0	248,917.7	252,301.5	254,824.5	257,062.5
<b>Consumer Lending</b>	333,381.7	342,685.3	345,412.5	347,266.3	348,026.6	348,446.4

**Table Forecast **Consumer Lending**: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
<b>Consumer Credit</b>	-1.1	-5.2
Mortgages/Housing	1.6	8.5
<b>Consumer Lending</b>	0.9	4.5

**Table Forecast **Consumer Lending**: Gross **Lending** by Category: Value 2018-2023**

SGD million	2017	2018	2019	2020	2021	2022
<b>Consumer Credit</b>	81,067.1	82,364.6	83,829.5	85,230.4	86,342.3	87,245.4
Mortgages/Housing	27,692.7	29,188.1	30,243.9	31,249.7	32,159.7	33,041.2
<b>Consumer Lending</b>	108,759.8	111,552.7	114,073.4	116,480.1	118,502.1	120,286.6

**Table Forecast **Consumer Lending**: Gross **Lending** by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
<b>Consumer Credit</b>	1.5	7.6
Mortgages/Housing	3.6	19.3
<b>Consumer Lending</b>	2.0	10.6

## 4. Malaysia

### EXECUTIVE SUMMARY

#### Increased cautiousness tempers expansion of consumer lending

2018 saw Malaysians become more cautious in their borrowing habits despite a healthy economy. This was due to fears of a possible economic downturn arising from the 1MDB scandal, the weakening of the ringgit currency and the continuous rise in living costs. Increased caution caused gross lending in most consumer lending categories to slow or decline in current value terms. Education lending was not as negatively affected as other categories due to strong demand among high-income households. Besides education, it is expected that consumer expenditure will be focused on travel and communications over 2018-2030. One reason for this is that the number of single-person households in Malaysia increased by 27% between 2012 and 2017. Moreover, this was accompanied by a significant increase in the number of single female consumers and a decline in gender pay gap. According to a recent report from the Malaysia Retail Chain Association (MRCA), single women now represent a key consumer group due to their increased purchasing power and tendency to “buy for themselves”. These changes have implications in terms of consumer lending preferences, as single people, particularly single women, are less inclined to borrow for asset-based investments such as housing and transport. This is likely to restrict demand in auto lending and mortgages/housing over the forecast period, though both categories should continue to develop positively overall.

#### Positive outlook for mortgages/housing despite property bubble fears

Profit expectations fuelled strong demand for high-end properties in Malaysia over the review period, which caused prices to skyrocket and resulted in a shortage of affordable housing. According to the Institute for Democracy and Economic Affairs (IDEAS), supportive credit conditions helped to prevent the bursting of the property bubble, albeit only temporarily. Signs of a slowdown were increasingly evident over 2016-2017, with property transactions dipping as supply overtook demand. In early 2018, the Valuation and Property Services Department reported a 67% year-on-year increase in residential units left unsold. These conditions increased the potential for consumers to default on mortgages/housing loans. However, the mortgages/housing category performed positively in 2018, and looks set to remain buoyant over the forecast period. The government has committed to providing one million new affordable homes via the PR1MA scheme. By early 2018 a total of 139,338 houses had been built under this scheme, with an additional 311,281 under construction and the remainder in the pre-approval process. In contrast to mortgages/housing, home lending declined in current value terms in 2018, and looks set to continue performing negatively over the forecast period. A recent article on themalaymailonline.com quoted property expert James Wong as saying that due to their lifestyles and income levels, millennials have limited capacity to buy houses. Instead of saving to buy a home, such consumers are more likely to focus on “lifestyle purchases”.

#### Low-income families struggle despite drop in household debt

According to reports by Moody's Investors Service, household debt in Malaysia dropped from 88.3% to 84.3% of GDP over 2016-2017. While limited interest in property ownership and high GDP growth contributed to this drop, many lower-income households in the country continued to struggle due to the rising cost of living. According to a 2017 article on the website themalaysianinsight.com, families earning

below MYR3,000, who comprise almost 40% of Malaysian households, still struggle to pay off their debts while being squeezed by higher living costs. However, it is expected that economic growth will help to increase discretionary spending on education and travel by middle-income consumers over the forecast period. The PR1MA affordable housing scheme was created to cater to this particular group.

#### Other personal **lending** slows as credit card usage increases

Despite the willingness of many Malaysians to increase spending on education, travel and communications, the development of the other personal **lending** category slowed significantly over the latter half of the review period. This was due to the growing tendency of consumers to use credit cards rather than personal loans to finance discretionary purchases. Aside from the convenience factor, this shift was driven by the expansion of credit card services to include instalment and Flexipay plans, which are often interest free or offer lower interest rates. Moreover, promotional partnerships between card issuers and companies in the travel and communications industries created additional incentives for consumers to use credit cards to pay for certain types of goods and services.

#### Investment in education takes precedence over durable goods spending

Many Malaysians, particularly more affluent parents, place a high value on getting a good education for their children. This ensured that education **lending** continued to perform well in 2018. A 2017 survey by HSBC found that 57% of Malaysian parents were still giving financial support to children over 18 years old, and that education was the area where most of these parents (69%) were providing support. The same survey showed that Malaysian parents spent an average of MYR109,470 on education per child, with Malaysia ranking eighth out of 15 countries in this regard. The survey also reported that 97% of parents in Malaysia contribute towards their child's primary school education, while 93% contribute to their university or college education. Together with rising disposable incomes and the launch of new education loan products by banks, these factors should continue to support the positive development of education **lending** over the forecast period. In contrast, durables **lending** looks set to perform negatively, maintaining the downward trend observed over the review period. This is partly because rising prices, slow salary growth and the Goods and Services Tax will continue to discourage spending on durables among many consumers. Demand for durable goods will be further restricted by the fact that many Malaysians have switched to longer lasting and more energy efficient appliances in recent years. Moreover, consumers aged 15-34 years are less inclined to purchase durable goods, preferring instead to spend their money on communications and leisure activities.

### MARKET DATA

**Table **Consumer Lending**: Outstanding Balance by Category: Value 2013-2018**

MYR million	2013	2014	2015	2016	2017	2018
<b>Consumer</b> Credit	246,247.3	252,818.5	259,688.4	264,406.8	264,511.2	260,940.7
Mortgages/Housing	344,041.6	389,813.6	436,358.2	477,256.0	519,582.0	568,549.0
<b>Consumer Lending</b>	590,288.8	642,632.0	696,046.6	741,662.8	784,093.2	829,489.7

**Table **Consumer Lending**: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
<b>Consumer</b> Credit	1.2	6.0
Mortgages/Housing	10.6	65.3
<b>Consumer Lending</b>	7.0	40.5

**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

MYR million	2013	2014	2015	2016	2017	2018
Consumer Credit	172,330.8	174,256.8	182,829.0	185,441.0	193,756.8	198,452.1
Mortgages/Housing	79,910.0	87,386.5	91,241.3	103,547.0	87,565.0	101,523.0
Consumer Lending	252,240.8	261,643.3	274,070.3	288,988.0	281,321.8	299,975.1

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	2.9	15.2
Mortgages/Housing	4.9	27.0
Consumer Lending	3.5	18.9

**Table Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	3.8	3.4	3.1	3.0	2.8	2.7

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	1.5	1.3	1.2	1.1	1.0	1.0

**Table Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	7.0	6.6	6.4	6.3	6.3	6.4

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.0	1.7	1.6	1.6	1.6	1.6

**Table Forecast Consumer Lending: Outstanding Balance by Category: Value 2018-2023**

MYR million	2017	2018	2019	2020	2021	2022
Consumer Credit	264,511.2	260,940.7	251,957.2	244,705.5	238,450.8	233,064.8
Mortgages/Housing	519,582.0	568,549.0	607,722.3	646,746.3	684,629.7	720,691.1
Consumer Lending	784,093.2	829,489.7	859,679.6	891,451.8	923,080.5	953,755.9

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	-2.5	-11.9
Mortgages/Housing	6.8	38.7
Consumer Lending	4.0	21.6

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

MYR million	2017	2018	2019	2020	2021	2022
Consumer Credit	193,756.8	198,452.1	195,965.0	193,755.6	191,440.4	188,975.2
Mortgages/Housing	87,565.0	101,523.0	109,901.6	115,565.2	118,951.9	120,459.4
Consumer Lending	281,321.8	299,975.1	305,866.6	309,320.8	310,392.4	309,434.6

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	-0.5	-2.5
Mortgages/Housing	6.6	37.6
Consumer Lending	1.9	10.0

## 5. Thailand

### EXECUTIVE SUMMARY

#### Improving economy driving consumer lending

Thailand's economy continued to register growth, which raised consumer confidence and encouraged higher spending on goods and services. The high level of household spending benefited consumer lending, especially credit cards, personal loans, hire purchase agreements and mortgages. While mortgage loans continued to account for the largest proportion of consumer lending, auto lending registered the strongest growth in 2018. Non-performing loans (NPLs) performed better, but continued to increase due to the drive of mortgage loans and credit cards.

#### Generation Y remains the biggest segment in consumer lending

Generation Y comprises individuals born between 1981 and 1997 (around ages 20 to 37), ie those born in the age of technology and fast-moving innovation. Many of these consumers have busy lifestyles and are tech savvy. This generation tends to spend a lower average amount of money per transaction than older generations but the spending happens more often and faster. Thus, in 2018 Gen Y had the highest total amount of debt compared to other generations. Gen Y accounted for the largest proportion of debt across all consumer loan types, especially credit cards – over half of total credit card debt outstanding. Moreover, the amount of credit card debt of consumers below the age of 25 tends to be higher. This means that consumers tend to begin to accumulate debt at a younger age or as soon as they begin working.

#### Motorcycle loans the most delinquent debt

Since automobile sales this increased significantly in 2018, motorcycle loans became the debt most outstanding in consumer lending. The market remained highly competitive, especially in auto lending and credit cards. Many non-banks had a higher ratio of delinquent loans than commercial banks. Such lenders sought to compete with the big commercial banks by offering special deals with less stringent lending criteria, which contributed to the low quality of borrowers with higher loan-to-value (LTV) levels and in turn bad debts. Even though the number of delinquent loans in the motorcycle segment peaked, the total value was still lower than those in the housing segment, since the average motorcycle loan per borrower was small when compared to housing loans.

#### Digital lending technology launched

Mobile banking continued to gain popularity and many financial businesses sought innovation to increase the appeal of their consumer lending offers available through mobile banking. The channel allows lenders to respond to consumer needs quickly and efficiently, and provides an opportunity to gain share in consumer lending. Siam Commercial Bank (SCB) launched "SCB Easy" digital lending on its mobile application, which offered five types of consumer loan –Speedy Loan, Speedy Cash, Credit Cards, Auto Loans and Housing Loans. Customers can apply for these loans by filling in personal information on the application. The application system is programmed to learn the consumers' profile and make calculations for the credit analysis process. As such, customers get a decision shortly after applying. The innovation makes the credit process shorter and faster, and as a result gross consumer lending, especially micro loans, tends to flourish.

#### Consumer lending to continue growing

In spite of the Bank of Thailand's recent introduction of new regulations to control the level of household debt, gross lending and outstanding balance will continue to grow in the forecast period in Thailand.

However, growth of gross **lending** for non-card **lending** will outpace that of card **lending**. Auto **lending** will continue to be the most dynamic type of gross **lending**. In terms of outstanding balance, the opposite will be true, with card **lending** seeing faster growth rates than non-card **lending** over the forecast period.

## MARKET DATA

**Table Consumer Lending: Outstanding Balance by Category: Value 2013-2018**

THB bn	2013	2014	2015	2016	2017	2018
Consumer Credit	1,975.9	1,995.3	2,059.8	2,111.4	2,191.3	2,311.1
Mortgages/Housing	2,560.2	2,847.4	3,095.8	3,323.5	3,494.6	3,699.8
Consumer Lending	4,536.2	4,842.7	5,155.5	5,434.9	5,685.9	6,010.9

**Table Consumer Lending: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	3.2	17.0
Mortgages/Housing	7.6	44.5
Consumer Lending	5.8	32.5

**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

THB bn	2013	2014	2015	2016	2017	2018
Consumer Credit	2,336.9	2,353.0	2,425.9	2,535.6	2,585.4	2,689.3
Mortgages/Housing	534.7	575.6	577.8	586.1	593.5	603.4
Consumer Lending	2,871.6	2,928.6	3,003.7	3,121.6	3,179.0	3,292.7

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	2.8	15.1
Mortgages/Housing	2.4	12.9
Consumer Lending	2.8	14.7

**Table Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.3	2.3	2.6	2.8	3.1	3.2

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.3	2.2	2.4	2.8	3.2	3.4

**Table Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.3	2.5	2.8	2.9	2.8	2.8

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.6	3.2	4.0	3.7	3.3	3.2

**Table Forecast Consumer Lending: Outstanding Balance by Category: Value 2018-2023**

THB bn	2017	2018	2019	2020	2021	2022
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THB bn	2017	2018	2019	2020	2021	2022
Consumer Credit	2,191.3	2,311.1	2,395.4	2,486.4	2,586.9	2,697.2
Mortgages/Housing	3,494.6	3,699.8	3,895.2	4,080.4	4,255.0	4,418.9
Consumer Lending	5,685.9	6,010.9	6,290.6	6,566.8	6,841.9	7,116.1

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	4.2	23.1
Mortgages/Housing	4.8	26.4
Consumer Lending	4.6	25.2

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

THB bn	2017	2018	2019	2020	2021	2022
Consumer Credit	2,585.4	2,689.3	2,767.3	2,843.8	2,920.3	2,997.5
Mortgages/Housing	593.5	603.4	612.9	622.1	631.0	639.5
Consumer Lending	3,179.0	3,292.7	3,380.2	3,465.9	3,551.3	3,637.0

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	3.0	15.9
Mortgages/Housing	1.5	7.7
Consumer Lending	2.7	14.4



## 6. Indonesia

### EXECUTIVE SUMMARY

#### **Government support in related policies and a recovering economy account for the healthy growth in consumer credit**

The strengthening of consumer lending growth is supported by a more flexible credit-channelling policy, especially in regard to lower lending rates and cheaper credit approval costs. During the review period, banks also indicated strong optimism for loan growth. The optimism has been supported by better-than-expected economic conditions in 2018, which have been positively affected by overall global economic growth in the year compared with the previous year. Additionally, lower lending rates and lower credit risk count as factors in the optimism held for consumer lending, which accounts for the performance of consumer credit being greater in 2018 than in 2017.

#### **Adapting to consumer needs is the key to consumer credit growth**

Apart from the interest rate, there are three factors that can determine if banks can excel in consumer credit products. The first factor is the completeness of the product, Indonesia currently being the country with the fourth-largest population in the world and having the largest Muslim population with a total of around 220 million people. This country, therefore, has high potential for consumer credit. This is especially so with the government's announcement of promoting a Syariah economy in the nation. Customers now seek not only the conventional products but also products that follow the Syariah concept. Syariah banking has grown healthily over the past three years, so providing Syariah-related products such as consumer credit based on Syariah's principles is potentially one of the ways of further driving growth. For example, Syariah mortgages/housing loans are growing at twice the rate of the regular property credit loans, which shows that Syariah property loans are starting to be popular among the population and have much potential to grow. Other than Syariah products, the completeness of products also means that there is a variety of interest and instalment options available for consumers to choose from.

The second factor is fast process. Consumers who are seeking consumer credit options usually require quick funding for some purchases that they are already interested in. If banks take a long time for the registration or the approval process, consumers may turn to other banks or other financial institutes for funding options. The last factor is product benefits. Product benefits may vary from one bank to another. They may also depend on the amount of credit needed by the consumer. As Indonesia is known for being a price-sensitive population, local consumers will choose the safest option that they are given. For example, a bank can provide a low interest rate for consumers who have a certain amount of savings in the bank. This can be a win-win strategy for both the credit issuer and the consumer.

#### **Consumer credit and economic growth are very much interrelated**

Indonesia's banking industry has a relatively high Capital Adequacy Ratio (CAR) at 23%. This means that Indonesia's banks have a lot of capacity for lending. It is said that the safety line of CAR is 12%. Anything above 12% is still considered safe for banks to take the risks. The government has been urging banks to be more aggressive in terms of providing credit lending to consumers even though it will mean that the banks will be exposed to a higher risk of non-performing loans as well as lower CAR. The government has been doing this because providing consumer lending will spur growth in the nation's economic activities and, therefore, eventually lead to overall economic growth. However, banks are seeking borrowers with low credit risks. With stable economic growth and a low inflation rate, Indonesia is performing better at the

moment. Companies and businesses are in a financially more stable position, which means that they carry lower credit risks as debtors.

#### **Mortgages/housing, card lending and auto lending offer potential**

Some of the consumer loan products with growth potential include auto lending and card lending. This is based on the business credit risks still being quite low for these two categories. In addition, mortgages/housing is especially attractive due to the high demand for property loans; in Indonesia, apart from the need of having a place to stay, owning a property is often seen by the population as a form of investment that will yield big returns. Furthermore, people in Indonesia are increasingly getting married at an earlier age, and owning a property is rather challenging for these young couples due to the high price of property now. Because of these factors, mortgages/housing loans are in high demand.

#### **The forecast period has a healthy outlook**

With the government continuing to provide beneficial banking policies as well as encourage the banking industry to improve consumer lending growth, aiming to bolster economic growth within the nation, the outlook of Indonesia's consumer lending market will thrive in the forecast period along with the economy growth plan. In addition, with the millennial population increasing, a higher consumer confidence level is being seen. This will in turn drive higher demand for consumer credit due to the better living conditions demanded. Moreover, with the country transitioning from a cash-based to a cashless society, fintech companies are innovating and offering new products such as digital credit lending, which will serve the financial needs of the nation's unbanked population.

### **MARKET DATA**

**Table Consumer Lending: Outstanding Balance by Category: Value 2013-2018**

IDR tn	2013	2014	2015	2016	2017	2018
Consumer Credit	967.8	1,125.5	1,213.5	1,289.1	1,377.1	1,465.3
Mortgages/Housing	284.3	319.7	337.4	353.6	387.3	419.3
Consumer Lending	1,252.1	1,445.2	1,550.9	1,642.7	1,764.3	1,884.6

**Table Consumer Lending: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	8.7	51.4
Mortgages/Housing	8.1	47.5
Consumer Lending	8.5	50.5

**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

IDR tn	2013	2014	2015	2016	2017	2018
Consumer Credit	757.6	856.7	946.0	1,003.2	1,065.8	1,142.3
Mortgages/Housing	46.9	52.4	54.8	59.1	64.5	69.5
Consumer Lending	804.5	909.1	1,000.8	1,062.3	1,130.2	1,211.7

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	8.6	50.8
Mortgages/Housing	8.2	48.1
Consumer Lending	8.5	50.6

**Table Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.2	2.3	2.6	2.7	2.8	2.9

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.6	2.5	2.7	2.8	2.9	3.0

**Table Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	2.0	2.3	2.5	2.6	2.7	2.8

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	3.0	2.1	2.8	3.0	3.2	3.4

**Table Forecast Consumer Lending: Outstanding Balance by Category: Value 2018-2023**

IDR tn	2017	2018	2019	2020	2021	2022
Consumer Credit	1,377.1	1,465.3	1,511.3	1,565.5	1,628.6	1,701.6
Mortgages/Housing	387.3	419.3	436.1	451.3	464.9	476.5
Consumer Lending	1,764.3	1,884.6	1,947.4	2,016.8	2,093.5	2,178.1

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	4.3	23.6
Mortgages/Housing	4.2	23.0
Consumer Lending	4.3	23.5

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

IDR tn	2017	2018	2019	2020	2021	2022
Consumer Credit	1,065.8	1,142.3	1,191.0	1,247.1	1,311.2	1,384.2
Mortgages/Housing	64.5	69.5	71.9	74.1	75.9	77.4
Consumer Lending	1,130.2	1,211.7	1,262.9	1,321.1	1,387.1	1,461.6

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	5.4	29.9
Mortgages/Housing	3.7	20.1
Consumer Lending	5.3	29.3

## 7. Philippines

### Bank **lending** eases but small ticket loans increase

After enjoying significant growth in 2017 thanks to the favourable economic background, in 2018 **consumer lending** in the Philippines showed signs of stabilisation amidst regulatory changes. While banks and non-financial institutions continued to improve their **consumer lending** offers, the willingness of consumers to take up such offers was tempered by a drastic change in the income tax regime and the adjustment of several excise tax rates. The automotive industry was among those most affected by these changes, facing price hikes due to new tax regulations. However, smaller ticket and short-term loans were boosted as **lending** institutions increasingly moved to cater to specific basic needs. This trend was strengthened by the entry of more fintech (financial technology) players aggressively offering loans in a wide range of sizes. These players show full support for the government's vision of greater financial inclusion by directly targeting the unbanked population. Many fintech companies offer loan products that are customised to meet the needs of this population and easy to apply for via online and mobile applications. The main challenge these players face is the sustainability of their business model, which needs stronger support from regulatory bodies to protect lenders and vulnerable borrowers alike.

### Tax reform has significant impact on **consumer lending**

The Tax Reform for Acceleration and Inclusion (TRAIN) law was officially implemented in the Philippines in January 2018. The disruptive changes that resulted from this law led to increased caution among lenders, consumers and businesses across all industries. The automotive industry immediately recorded a decline in the first few months of the year as tax changes caused prices to increase. This caused auto **lending** to slow significantly in current value terms, and also led banks to become more conservative in the promotion of their auto loan products. The real estate market was also affected by tax reforms, albeit not as drastically due to **consumer** demand and competitive pricing. The TRAIN law aims to simplify and encourage tax compliance among real estate owners. This law has also increased the selling price of brand new properties worth PHP1.5 million (for vacant lots) and PHP2.5 million (for houses, lots and condominiums) by making them subject to VAT.

### CIC aims to strengthen **consumer lending** practices in the Philippines

The establishment of the Credit Information Corporation (CIC) contributed to an upgrade for the Philippines in the 2018 Banking Industry Country Risk Assessment. The CIC is responsible for creating and managing a centralised database that consolidates a wide range of information about the credit history of borrowers from sources such as insurance companies, rural banks, microfinance companies and cooperatives. This type of database has historically been lacking in the country, hence the CIC should help **lending** institutions to improve transparency, mitigate credit risk and reduce their share of non-performing loans over the long term. The establishment of the CIC is seen as timely in the context of the tax reforms that came into effect at the start of 2018, which have affected the behaviour of both consumers and lenders.

### Attractive offers from fintech start-ups set to boost small ticket loans

Fintech players such as AsiaKredit's pera247 mobile app, Cashalo and GCash's GCredit provide loans of as little as PHP5,000 (USD95) that are repayable in up to 45 days and subject to interest of less than 3%. Similarly, one of the top loan products offered by Home Credit is for gadgets like smartphones. Such offers are very attractive to consumers who would otherwise borrow from informal lenders for short-term basic needs. In particular, they appeal to consumers without credit cards seeking loans with favourable terms for

small ticket purchases. Indeed, most fintech players directly target the unbanked population in the Philippines. Unbanked consumers represent approximately 66% of the total population, equivalent to around 47 million Filipinos.

### Emerging players targeting unbanked Filipinos expected to perform well

Lenders actively targeting the unbanked population in the Philippines with easily accessible loans that offer attractive terms have the potential to perform strongly over the forecast period. This is especially true of those utilising mobile apps and online platforms, as Filipino consumers tend to be quite tech-savvy. However, several barriers still need to be overcome in order to ensure the sustainability and maximise the returns of this business model. These include the need for infrastructure that can accept and efficiently run technology-based **lending** platforms, and for network signals that are sufficiently reliable to operate such platforms on a wider scale. There is also a need for a physical ecosystem, as loans accessed via online or mobile platforms are often disbursed via partner payment centres, especially in cases where the borrower is unbanked. Regulations may also have to be updated to cover non-bank institutions and provide better protection not only for borrowers but also for lenders. There is also a need to study factors like credit scoring and financial capacity more carefully when evaluating loan applications so as to minimise credit risk. Finally, financial literacy should be a priority to ensure that Filipinos fully understand the repercussions of obtaining loans from both banks and non-bank financial companies.

### MARKET DATA

**Table Consumer Lending: Outstanding Balance by Category: Value 2013-2018**

PHP bn	2013	2014	2015	2016	2017	2018
Consumer Credit	804.3	877.6	989.3	1,124.8	1,291.3	1,482.5
Mortgages/Housing	704.8	803.5	924.0	1,081.9	1,249.5	1,461.0
Consumer Lending	1,509.1	1,681.1	1,913.4	2,206.7	2,540.8	2,943.4

**Table Consumer Lending: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	13.0	84.3
Mortgages/Housing	15.7	107.3
Consumer Lending	14.3	95.0

**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

PHP bn	2013	2014	2015	2016	2017	2018
Consumer Credit	779.8	889.0	997.4	1,118.3	1,309.4	1,521.4
Mortgages/Housing	104.4	123.2	147.8	169.3	189.6	220.2
Consumer Lending	884.2	1,012.2	1,145.3	1,287.6	1,499.0	1,741.6

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	14.3	95.1
Mortgages/Housing	16.1	110.9
Consumer Lending	14.5	97.0

**Table Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
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Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	8.5	8.3	8.1	7.9	8.1	8.3

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	9.5	9.0	8.5	8.3	8.5	8.6

**Table Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	7.6	7.7	7.7	7.5	7.8	8.0

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	15.1	15.0	14.8	14.5	14.1	14.2

**Table Forecast Consumer Lending: Outstanding Balance by Category: Value 2018-2023**

PHP bn	2017	2018	2019	2020	2021	2022
Consumer Credit	1,291.3	1,482.5	1,597.1	1,694.9	1,781.6	1,867.7
Mortgages/Housing	1,249.5	1,461.0	1,713.1	2,014.7	2,376.4	2,811.7
Consumer Lending	2,540.8	2,943.4	3,310.3	3,709.6	4,158.1	4,679.4

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	7.7	44.6
Mortgages/Housing	17.6	125.0
Consumer Lending	13.0	84.2

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

PHP bn	2017	2018	2019	2020	2021	2022
Consumer Credit	1,309.4	1,521.4	1,706.8	1,836.2	1,917.4	1,991.7
Mortgages/Housing	189.6	220.2	256.3	284.4	305.2	320.1
Consumer Lending	1,499.0	1,741.6	1,963.1	2,120.7	2,222.6	2,311.7

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	8.8	52.1
Mortgages/Housing	11.0	68.8
Consumer Lending	9.1	54.2

## 8. Taiwan

### EXECUTIVE SUMMARY

#### **Consumer lending partly driven by the economic situation**

The majority of workers in Taiwan have seen their incomes stagnate over the past decade, while inflation reached its highest point in five years in 2018. The wealth gap in the country has continued to widen, with most of those in the middle-income bracket now considerably poorer than they were in the past. These conditions have been the main driving force behind the healthy growth of consumer lending. Indeed, many Taiwanese view consumer lending as a way to achieve a better life or maintain much of the lifestyle they had been accustomed to prior to the decline in purchasing power. This, combined with increasingly easy access to lending, has driven demand for spending on travel, shopping and eating out in particular.

#### **Card lending buoyed by prevailing conditions**

Gross card lending continued to record healthy growth in 2018, making it once again the most utilised consumer lending product. A number of existing and more recent factors have contributed to this increase. In line with its long-stated direction towards becoming a cashless society, the Taiwanese government has allowed online applications for credit cards. This has made the process much simpler and faster for both card issuers and potential customers. The prevailing economic situation has also created ripe conditions for card usage, with consumers earlier on primarily concerned about using cards as a tool to manage cash flow. Increasingly, card rewards have become an entrenched part of the service, with all card issuers providing attractive cashback offers as well as periodic special deals. No card issuer would be willing at this stage to step back from offering a competitive rewards structure for its card lending products. For consumers, such rewards have helped stimulate purchases.

Finally, as credit cards are often linked to public transportation pre-paid cards, card lending has also benefited from the major adoption of these cards across the nation, both for transport and micro payments. Consumers will often link their cards to take advantage of double rewards offered by both card issuers.

#### **Technological developments also having a significant impact on consumer lending**

Fintech has contributed significantly to growth in recent years, especially in the areas of P2P lending and micro loans. The adoption of new technologies, such as AI, has enabled banks to handle smaller loan requests and those from non-traditional applicants due to increased efficiencies, ultimately making these customers more profitable. Customers, in turn, have benefited from greater convenience and easier access to loans.

This trend towards the wider uptake of such technologies is expected to accelerate over the forecast period as it helps reduce costs, improve efficiency and simplify the process for potential customers. Such a direction has also been supported by the government.

#### **Lenders explore collaboration with other businesses**

Intense competition in consumer lending has pushed more companies to look beyond their area of business for new avenues of growth. Collaboration is increasingly being seen as a way to improve services for customers by both non-card and card lenders alike. Within non-card lending, increased collaboration is viewed as a way to expand reach as well as to simply help consumers through improved convenience, ease and access. One recent example has involved Chailease Finance. The company partnered Yahoo shopping so as to allow shoppers to make purchases without the need for a credit card. This group are offered the

option to pay through instalments as part of a service provided by Chailase. The lender benefits from promoting its service through one of Taiwan's leading online shopping platforms.

Two notable examples in card **lending** involve Cathay Financial Holding and Chinatrust Financial Holding. Cathay obtained the rights to issue the sole Costco credit card, a co-branded product with a highly regarded mega retailer. The card is the only credit card accepted in Costco stores and has grown within its six years to have the largest cardholder base. More recently, Chinatrust partnered LINE Pay to offer a series of co-branded products. The bank secured the rights to what has been a very successful co-branded credit card with LINE Pay in 2016. The card is on track to achieving the largest cardholder base in well under two years since its launch. Partnering a brand such as LINE has been strategically beneficial due to LINE's large and frequently used messaging app member base - in excess of 18.5 million accounts.

### Moves to improve convenience and flexibility

The government's policy of encouraging the wider uptake of digital delivery of services and becoming a cashless society, coupled with the impact of recent changes, will likely further create an environment for change. The potential for pure internet banking is on the horizon. Government inertia appears to be diminishing and successful messaging app and financial cards player LINE Pay has announced plans to roll out its LINE Financial pure online lender as part of a service targeting younger consumers through easier money management.

These steps are likely to support a move towards an easier and more flexible borrowing environment, ensuring more Taiwanese have access to **lending**. Such a transformation is expected to also be supported by the ongoing economic climate over the short to medium term, which is unlikely to lead to any change in income security for low to mid-income earners.

### MARKET DATA

**Table Consumer Lending: Outstanding Balance by Category: Value 2013-2018**

TWD bn	2013	2014	2015	2016	2017	2018
<b>Consumer</b> Credit	2,135.1	2,139.0	2,170.5	2,196.0	2,242.1	2,327.7
Mortgages/Housing	6,655.7	7,021.8	7,246.5	7,463.8	7,747.5	8,096.1
<b>Consumer</b> Lending	8,790.8	9,160.8	9,416.9	9,659.9	9,989.6	10,423.8

**Table Consumer Lending: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
<b>Consumer</b> Credit	1.7	9.0
Mortgages/Housing	4.0	21.6
<b>Consumer</b> Lending	3.5	18.6

**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

TWD bn	2013	2014	2015	2016	2017	2018
<b>Consumer</b> Credit	3,045.7	3,178.0	3,330.7	3,474.0	3,731.9	4,013.8
Mortgages/Housing	1,773.0	1,648.9	1,484.0	1,409.8	1,473.3	1,535.1
<b>Consumer</b> Lending	4,818.7	4,826.9	4,814.7	4,883.8	5,205.2	5,548.9

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
<b>Consumer</b> Credit	5.7	31.8



% current value growth	2013-18 CAGR	2013/18 Total
Mortgages/Housing	-2.8	-13.4
Consumer Lending	2.9	15.2

**Table Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.6	0.4	0.4	0.5	0.5	0.5

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.6	0.3	0.3	0.4	0.4	0.4

**Table Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.9	0.8	0.8	0.8	0.8	0.8

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	3.3	3.1	4.0	4.2	4.2	4.0

**Table Forecast Consumer Lending: Outstanding Balance by Category: Value 2018-2023**

TWD bn	2017	2018	2019	2020	2021	2022
Consumer Credit	2,242.1	2,327.7	2,400.5	2,476.2	2,554.5	2,632.5
Mortgages/Housing	7,747.5	8,096.1	8,339.0	8,572.5	8,795.4	8,997.7
Consumer Lending	9,989.6	10,423.8	10,739.5	11,048.7	11,349.8	11,630.2

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	3.3	17.4
Mortgages/Housing	3.0	16.1
Consumer Lending	3.1	16.4

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

TWD bn	2017	2018	2019	2020	2021	2022
Consumer Credit	3,731.9	4,013.8	4,231.2	4,449.2	4,663.4	4,873.5
Mortgages/Housing	1,473.3	1,535.1	1,573.5	1,609.7	1,641.9	1,669.8
Consumer Lending	5,205.2	5,548.9	5,804.7	6,058.9	6,305.3	6,543.3

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	5.5	30.6
Mortgages/Housing	2.5	13.3
Consumer Lending	4.7	25.7

## 9. South Korea

### EXECUTIVE SUMMARY

#### **Outstanding balance and gross lending sees continuing growth**

After **consumer** lending grew strongly in 2017 due to favourable regulation to boost the domestic economy and property market in South Korea, **consumer** lending outstanding balance and gross lending saw further growth in current value terms in 2018, with card lending, auto lending and other personal lending performing particularly well. However, government and financial institutions are trying to reinforce policies to make it harder to obtain loans from banks as household debt is reaching serious levels, so the growth is expected to slow down.

#### **Government regulation to stabilise real estate prices**

The government has continued to keep the benchmark interest rate at 1.5% since November 2017 to boost the domestic economy and **consumer** consumption, whilst the US increased its benchmark interest rate to 2.25%. The government also seems to have concerns that the serious household debt, including mortgage loans that have already been taken out, might cause an economic crisis if the interest rate rises. Hence government regulation of loans is become stricter. Particularly as the price of property in Seoul is increasing very quickly, the government has legislated that consumers can have only have a mortgage loan up to a set limit when they buy property within certain areas if they already have other properties.

Since **consumer** lending is highly affected by government regulation, the growth rate of increasing household debt is expected to become slower.

#### **Card companies are focusing on various loan products**

Credit card companies are actively developing various types of loan products to seek other revenue sources in case the South Korean government keeps pressuring them to lower the fees charged to merchants. With their mobile applications, it is becoming much easier for consumers to have options of instalment payment plans, lease contracts and cash advance services offered by card companies. Card companies are even offering long-term instalment payment plans for consumers to buy automobiles as the regulation of auto loans is less strict than it is for other loans such as mortgages/housing.

#### **Digital-only banks plan to expand **consumer** lending**

Digital-only banks such as K-Bank and KakaoBank with no physical branches started to operate in South Korea in 2017. They are still restricted to issuing debit cards and providing some credit loans but are not yet allowed to issue credit cards and mortgages. However, they are trying to expand their business scope to include all kinds of loans, just like other commercial banks can; hence they might become a significant threat for the bank-based lenders that currently exist in South Korea.

#### **Continuous growth is expected in **consumer** lending over the forecast period**

Although growth will likely be slower than it was over the review period due to the government's stricter regulations on **consumer** lending, **consumer** lending is nevertheless expected to see growth over the forecast period. The newly revised regulations on **consumer** lending should help it to become stable and prevent lenders from increasing interest on loans. However, commercial bank-based lenders and credit card-based lenders will continue to attract more consumers by offering favourable benefits and easier

access to various products with mobile application platforms. All of this is expected to result in continual growth of overall **consumer** lending.

## MARKET DATA

**Table **Consumer** Lending: Outstanding Balance by Category: Value 2013-2018**

KRW tn	2013	2014	2015	2016	2017	2018
<b>Consumer</b> Credit	652.2	694.6	765.8	855.4	929.9	994.7
Mortgages/Housing	194.4	204.0	205.7	218.3	231.3	244.0
<b>Consumer</b> Lending	846.7	898.7	971.4	1,073.8	1,161.2	1,238.7

**Table **Consumer** Lending: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
<b>Consumer</b> Credit	8.8	52.5
Mortgages/Housing	4.6	25.5
<b>Consumer</b> Lending	7.9	46.3

**Table **Consumer** Lending: Gross Lending by Category: Value 2013-2018**

KRW tn	2013	2014	2015	2016	2017	2018
<b>Consumer</b> Credit	565.8	590.0	616.9	664.0	716.7	770.6
Mortgages/Housing	45.0	46.8	47.0	49.8	52.4	54.8
<b>Consumer</b> Lending	610.7	636.8	663.9	713.9	769.1	825.4

**Table **Consumer** Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
<b>Consumer</b> Credit	6.4	36.2
Mortgages/Housing	4.0	21.8
<b>Consumer</b> Lending	6.2	35.2

**Table **Consumer** Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	1.1	1.1	1.0	1.0	1.0	1.0

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.4	0.4	0.4	0.3	0.3	0.3

**Table **Consumer** Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	1.3	1.3	1.2	1.2	1.2	1.2

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	3.1	3.2	3.2	3.3	3.3	3.3

**Table Forecast **Consumer** Lending: Outstanding Balance by Category: Value 2018-2023**

KRW tn	2017	2018	2019	2020	2021	2022
<b>Consumer</b> Credit	929.9	994.7	1,051.7	1,098.8	1,135.4	1,163.9

KRW tn	2017	2018	2019	2020	2021	2022
Mortgages/Housing	231.3	244.0	253.7	262.6	270.5	277.2
Consumer Lending	1,161.2	1,238.7	1,305.4	1,361.4	1,405.8	1,441.1

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	4.6	25.2
Mortgages/Housing	3.7	19.9
Consumer Lending	4.4	24.1

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

KRW tn	2017	2018	2019	2020	2021	2022
Consumer Credit	716.7	770.6	812.7	854.3	895.9	934.6
Mortgages/Housing	52.4	54.8	56.7	58.4	60.0	61.6
Consumer Lending	769.1	825.4	869.4	912.7	956.0	996.2

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	5.5	30.4
Mortgages/Housing	3.3	17.5
Consumer Lending	5.3	29.5

## 10. Japan

### EXECUTIVE SUMMARY

#### The Japanese consumer's notion of borrowing

Consumers are not familiar with borrowing money in Japan in general. Although a turning point in the card environment is set to be witnessed, the ratio of cash to GDP in Japan remains at 19.4%, which is 11 times larger than Sweden. In addition, the vast majority of consumers who use credit cards for shopping pay their bills in full within one month, which demonstrates the Japanese attitude towards borrowing. However some credit card companies are focusing their business more on revolving credit, shifting from cash because of the regulations set out in the Amendment to Money Lending Business Act and therefore accomplish higher profitability.

#### Regulations stimulate banks and lending specialists

The Amendment to Money Lending Business Act, designed to prevent consumers from heavy indebtedness by toughening the regulations on money lending specialists and credit card companies, continues to impact banks, money lending specialists and credit card companies. As banks are not covered by the regulations, instead of a sharp decline in the shares of lending specialists, an increasing number of cash advance products such as card loans provided by banks was observed. The Japan Federation of Bar Associations formulated a proposal to prevent over-lending by banks in September 2016. In response, the Japanese Bankers Association recommended to draw up plans to prevent over-lending. One of the megabanks began to reduce TV advertisements and also adopted stricter tests to prevent excessive lending. On the other hand, some are anxious about the possibility of an increase in illegal lending.

#### Government policy impacts consumer lending

Although a VAT hike from the current 8% to 10% was initially planned for April 2017, a postponement was announced due to the lack of any economic justification for the hike. Prime Minister Shinzo Abe announced that the hike will take place in October 2019. It is expected that a last minute surge in spending will take place, as a previous VAT increase led consumers to purchase prior to the hike, especially large-ticket items which normally utilise credit card and/or non-card lending.

#### Negative interest weakens mortgages/housing lending

After the Bank of Japan first implemented its negative interest policy in January 2016, a negative interest rate on government bonds for the next ten years was announced. This negatively affected mortgages/housing lending as the interest rates on ten-year domestic debt are a benchmark for fixed-interest rates on mortgages. The low fixed-interest rate on mortgages led to a switch to new fixed-rate products in previous years to reduce payments. In addition, due to easier fund raising for individual investors, the number of newly built dwellings for rent is increasing.

#### The government implements a mortgage support policy

Japan is facing an unprecedented aging society with lower birth rates. The independent administrative institution, Japan Housing Finance Agency, announced a range of support policies such as offering fixed interest rates for a maximum of 35 years, to a rate of 0.25% for households with children and implementing a nonrecourse loan in the form of a reverse mortgage facility for seniors in April 2017. Although the reverse mortgage was first introduced in 1982, the system had not been used to any great extent. However after the entrance of Sumitomo Mitsui Bank to the market in March 2015, all three megabanks are making efforts to expand the market.

## MARKET DATA

**Table 1 Consumer Lending: Outstanding Balance by Category: Value 2012-2017**

JPY billion	2012	2013	2014	2015	2016	2017
Consumer Credit	54,947.9	55,091.9	56,942.9	58,415.6	59,411.9	60,191.8
Mortgages/Housing	182,108.7	184,111.9	183,559.5	183,376.0	186,750.1	186,491.2
Consumer Lending	237,056.5	239,203.8	240,502.4	241,791.6	246,162.0	246,683.0

**Table 2 Consumer Lending: Outstanding Balance by Category: % Value Growth 2012-2017**

% current value growth	2012-17 CAGR	2012/17 Total
Consumer Credit	1.8	9.5
Mortgages/Housing	0.5	2.4
Consumer Lending	0.8	4.1

**Table 3 Consumer Lending: Gross Lending by Category: Value 2012-2017**

JPY billion	2012	2013	2014	2015	2016	2017
Consumer Credit	67,418.2	69,808.9	74,324.4	78,227.3	82,348.4	86,770.2
Mortgages/Housing	20,595.2	21,089.5	19,655.4	20,756.1	24,720.5	25,239.6
Consumer Lending	88,013.4	90,898.3	93,979.8	98,983.4	107,068.9	112,009.8

**Table 4 Consumer Lending: Gross Lending by Category: % Value Growth 2012-2017**

% current value growth	2012-17 CAGR	2012/17 Total
Consumer Credit	5.2	28.7
Mortgages/Housing	4.2	22.6
Consumer Lending	4.9	27.3

**Table 5 Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	1.5	1.6	1.5	1.5	1.4	1.4

**Table 6 Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	0.8	0.9	0.9	0.8	0.8	0.8

**Table 7 Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	3.8	3.7	3.5	3.4	3.3	3.3

**Table 8 Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2012-2017**

Outstanding balance, % breakdown	2012	2013	2014	2015	2016	2017
Non-Performing	2.6	2.7	2.6	2.5	2.5	2.5

**Table 9 Forecast Consumer Lending: Outstanding Balance by Category: Value 2017-2022**

JPY billion	2017	2018	2019	2020	2021	2022
Consumer Credit	60,191.8	61,214.2	62,162.7	63,099.1	63,995.1	64,782.2
Mortgages/Housing	186,491.2	185,745.2	185,188.0	184,817.6	184,632.8	184,577.4
Consumer Lending	246,683.0	246,959.5	247,350.6	247,916.7	248,627.9	249,359.6

**Table 10 Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2017-2022**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	1.5	7.6
Mortgages/Housing	-0.2	-1.0
Consumer Lending	0.2	1.1

**Table 11 Forecast Consumer Lending: Gross Lending by Category: Value 2017-2022**

JPY billion	2017	2018	2019	2020	2021	2022
Consumer Credit	86,770.2	91,103.1	95,447.5	99,756.9	103,974.9	107,969.4
Mortgages/Housing	25,239.6	24,608.6	24,042.6	23,537.8	23,090.5	22,721.1
Consumer Lending	112,009.8	115,711.7	119,490.1	123,294.7	127,065.4	130,690.5

**Table 12 Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2017-2022**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	4.5	24.4
Mortgages/Housing	-2.1	-10.0
Consumer Lending	3.1	16.7

## 11. Hong Kong

### EXECUTIVE SUMMARY

#### Consumers are more open to credit

According to reliable sources, risk profiles of Hong Kong loan takers are leaning towards risk adverse, with **consumer** credit being an instrument that consumers actively avoid using. The Hong Kong Monetary Authority initiated a series of **consumer** education programmes between 2016-2018 with the aim to educate consumers and highlight the benefits and risks of different financial products. The result of the programme was that loan takers were more aware of the risks involved with **consumer** credit and were much more open to using credit products, thus fuelling growth of **consumer** credit.

#### US-China economic tension

One of the main reasons for consumers taking out loans in Hong Kong is for the purpose of investment. With the increased uncertainty surrounding the trade relationship between China and the US, this introduced fluctuation to the financial markets worldwide. It is expected that those taking out loans for investment purposes will gradually leave the market and take a more wealth-preservation strategy. This phenomenon could slow down growth of both outstanding balance and gross **lending** of **consumer** credit.

#### Rising interest rates in Hong Kong

As Hong Kong entered into a rate hike cycle, borrowing costs increased. Loan takers took the opportunity to take out fixed rate loans before the interest rate increased further. With the expectation of a hawkish interest rate environment, demand for **consumer** credit is expected to grow at a milder pace. In addition, vacancy tax on empty homes was expected to be introduced in 2018 to cool the overheated property market; thus, modest growth of mortgage **lending** is expected.

#### Virtual bank initiative

The Hong Kong Monetary Authority was welcoming applications for virtual bank licences, a move that would introduce competition to **consumer lending**. The initiative was part of the movement to introduce a smarter banking environment in Hong Kong, and it is expected that the **consumerlending** process will be streamlined. According to reliable sources, applicants with different backgrounds had already shown interest in applying.

### MARKET DATA

**Table **Consumer Lending**: Outstanding Balance by Category: Value 2013-2018**

HKD bn	2013	2014	2015	2016	2017	2018
<b>Consumer</b> Credit	366.1	439.9	485.5	515.1	618.3	679.4
Mortgages/Housing	904.6	984.5	1,073.6	1,121.6	1,205.8	1,294.2
<b>Consumer Lending</b>	1,270.6	1,424.4	1,559.2	1,636.7	1,824.2	1,973.6

**Table **Consumer Lending**: Outstanding Balance by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
<b>Consumer</b> Credit	13.2	85.6
Mortgages/Housing	7.4	43.1
<b>Consumer Lending</b>	9.2	55.3



**Table Consumer Lending: Gross Lending by Category: Value 2013-2018**

HKD bn	2013	2014	2015	2016	2017	2018
Consumer Credit	676.7	693.9	746.7	776.1	848.6	883.2
Mortgages/Housing	196.0	279.0	286.0	298.7	396.4	452.6
Consumer Lending	872.7	972.9	1,032.7	1,074.8	1,245.0	1,335.8

**Table Consumer Lending: Gross Lending by Category: % Value Growth 2013-2018**

% current value growth	2013-18 CAGR	2013/18 Total
Consumer Credit	5.5	30.5
Mortgages/Housing	18.2	130.9
Consumer Lending	8.9	53.1

**Table Consumer Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.1	0.1	0.1	0.1	0.1	0.1

**Table Mortgages/Housing: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.0	0.0	0.0	0.0	0.0	0.0

**Table Consumer Credit: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.2	0.2	0.2	0.3	0.3	0.3

**Table Card Lending: Non-performing vs Other Loans Outstanding Balance: % Value 2013-2018**

Outstanding balance, % breakdown	2013	2014	2015	2016	2017	2018
Non-Performing	0.2	0.2	0.3	0.3	0.2	0.2

**Table Forecast Consumer Lending: Outstanding Balance by Category: Value 2018-2023**

HKD bn	2017	2018	2019	2020	2021	2022
Consumer Credit	618.3	679.4	725.5	759.5	789.9	818.4
Mortgages/Housing	1,205.8	1,294.2	1,383.3	1,440.4	1,495.3	1,545.4
Consumer Lending	1,824.2	1,973.6	2,108.7	2,199.9	2,285.1	2,363.8

**Table Forecast Consumer Lending: Outstanding Balance by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	5.8	32.4
Mortgages/Housing	5.1	28.2
Consumer Lending	5.3	29.6

**Table Forecast Consumer Lending: Gross Lending by Category: Value 2018-2023**

HKD bn	2017	2018	2019	2020	2021	2022
Consumer Credit	848.6	883.2	913.2	937.9	962.2	985.4
Mortgages/Housing	396.4	452.6	490.3	527.9	567.6	609.2
Consumer Lending	1,245.0	1,335.8	1,403.5	1,465.8	1,529.9	1,594.7

**Table Forecast Consumer Lending: Gross Lending by Category: % Value Growth 2018-2023**

% constant value growth	2017-22 CAGR	2017/22 Total
Consumer Credit	3.0	16.1
Mortgages/Housing	9.0	53.7
Consumer Lending	5.1	28.1