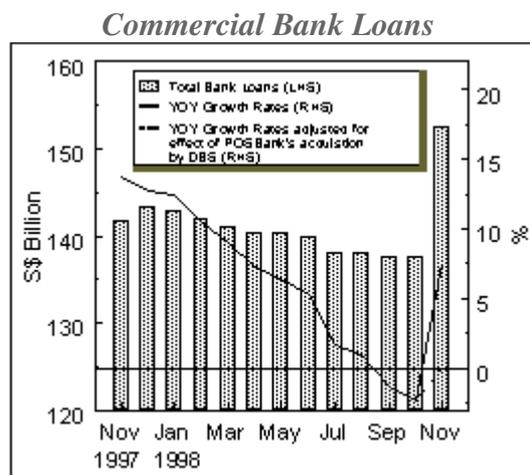
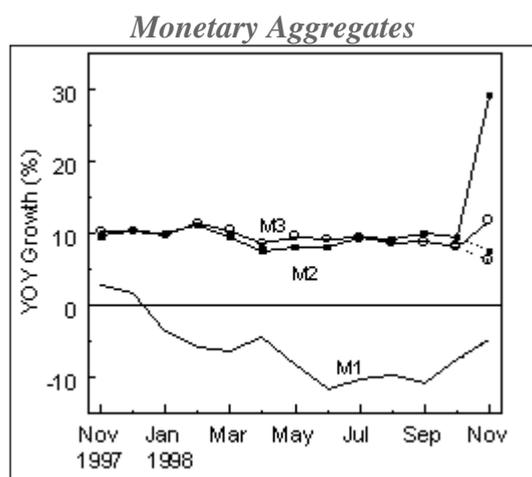


## MONETARY AND FINANCIAL DEVELOPMENTS

### MONEY SUPPLY

Narrow money, M1, contracted by 4.8% in November. Broad money M2 and M3, on the other hand, saw growth of 29.2% and 11.7% respectively. However, this reflected the full incorporation of POSBank's data in the domestic banking system following its acquisition by DBS on 16th November. Adjusted for the effect of the acquisition <sup>1</sup>, M1 would have contracted by 5.0% in November 1998, while M2 and M3 would have expanded by a lower 7.5% and 6.2% respectively. (See dotted lines in left chart below.)



### COMMERCIAL BANKS

Likewise, the size of the domestic banking sector was enlarged by DBS's acquisition of POSBank. At the end of November 1998, total assets of domestic banking units surged by \$28.7 billion, reflecting largely the inclusion of POSBank's assets.

The bulk of the increase in bank assets was due to the boost to loans and advances to non-bank customers, and domestic interbank loans. Most of POSBank's loans were extended to the housing sector, non-bank financial institutions, and the building & construction sector, as well as to statutory boards. POSBank's loans to non-bank customers boosted total growth of such loans to 7.5% in November, compared with contractions in the previous 2 months.

Adjusted for the effect of the acquisition, total non-bank loans recorded growth of 0.1%, compared with a contraction of 2.3% in October. (See dotted line in right chart above.)

## The Impact of the Acquisition of POSBank On Monetary Aggregates

*Why does POSBank's acquisition affect the computation of the monetary aggregates?*

In the computation of the monetary aggregates, cash and deposits of banks are treated differently from those of non-bank financial institutions that also accept deposits i.e. finance companies and, formerly, POSBank. With DBS's acquisition of POSBank, the latter was absorbed into the banking system. As such, its cash holdings and deposits have now to be classified like those of banks. This re-classification affects all three measures of money.

*How are the various aggregates affected?*

### Impact on narrow money measure, M1:

- Cash held by POSBank was deducted from gross currency in circulation to derive cash in active circulation (CIAC)
- Current account deposits at POSBank were added to demand deposits, while POSBank's demand deposits with other banks were removed, as these are now considered interbank transactions

### Impact on quasi-money:

- Gross savings account deposits were added to those of other banks
- Deposits of POSBank with other banks were deducted from their gross deposits

### Impact on net deposits of non-bank financial institutions (NBFI)

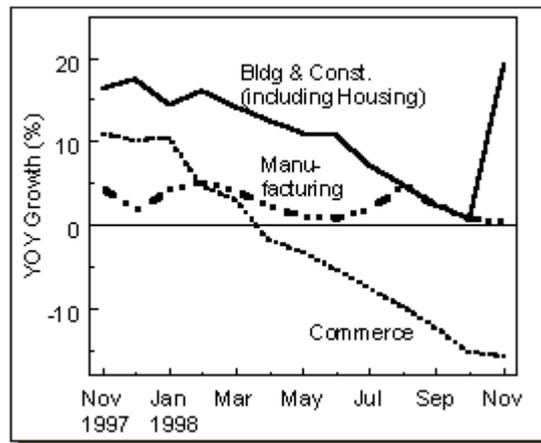
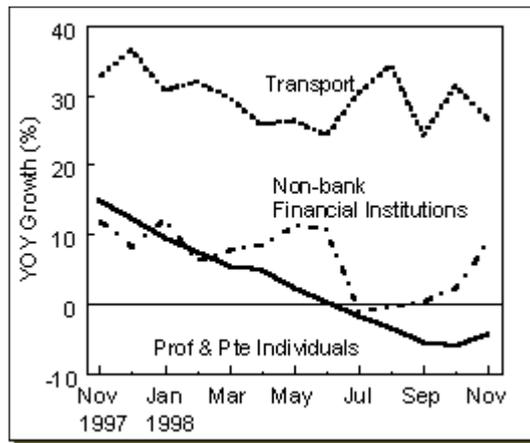
- Net deposits of POSBank were removed

The table below shows the adjustments to Nov 97 data for calculating monetary growth:

	CIAC	Demand Dep	M1	Quasi money	M2	Net Dep with NBFI	M3
Nov 97 (\$ mil)	10,442.3	16,808.9	<b>27,251.2</b>	94,341.1	<b>121,592.3</b>	30,577.6	<b>152,169.9</b>
Nov 97 incl. POSBank (\$ mil)	10,349.2	16,956.6	<b>27,305.8</b>	118,808.7	<b>146,114.5</b>	14,028.8	<b>160,143.3</b>
Nov 98 incl. POSBank (\$ mil)	9,991.3	15,959.1	<b>25,950.4</b>	131,166.3	<b>157,116.7</b>	12,883.8	<b>170,000.5</b>

*Does this re-classification have an impact on the real economy?*

The changes to the monetary aggregates, per se, do not affect the real economy. However, the employment of POSBank assets for commercial purposes may result in some impact on the economy in the future.



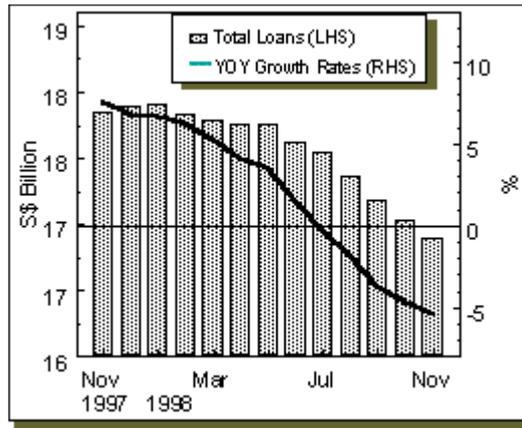
Total housing loans and other miscellaneous loans (the latter includes loans to statutory boards) recorded growth of more than 40% each in November, reflecting the inclusion of POSBank's loans. Loans to non-bank financial institutions also grew faster at 8.8%. On the other hand, credit extended to the commerce sector and professional and private individuals continued to contract, while that to the manufacturing sector grew marginally. Lending to the transport sector, which was largely unaffected by the inclusion of POSBank loans, saw further double-digit growth.

## FINANCE COMPANIES

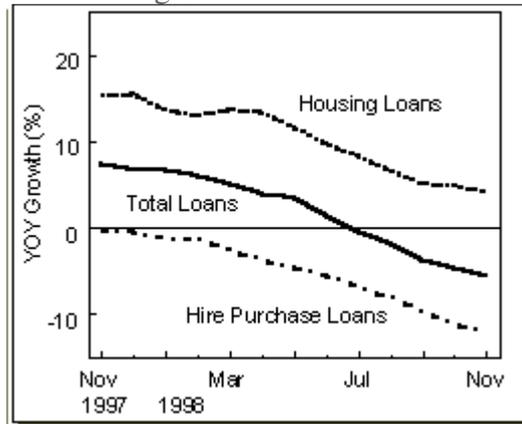
Credit extended by finance companies continued its slide in November. From a decline of 4.6% in the previous month, overall lending fell by a larger 5.4% in November.

Besides housing loans, all other categories of finance companies' credit showed larger contractions. In particular, the decline in hire-purchase financing worsened to 12.1%, from 11.1% in October. Housing loans still grew on an annual basis, but the rate of growth slowed further to 4.1% in November, from 4.9% in the previous month.

### Finance Company Loans Total Loans



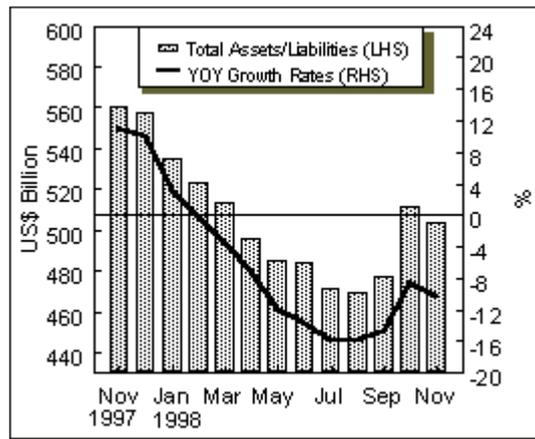
### Housing & Hire-Purchase Loans



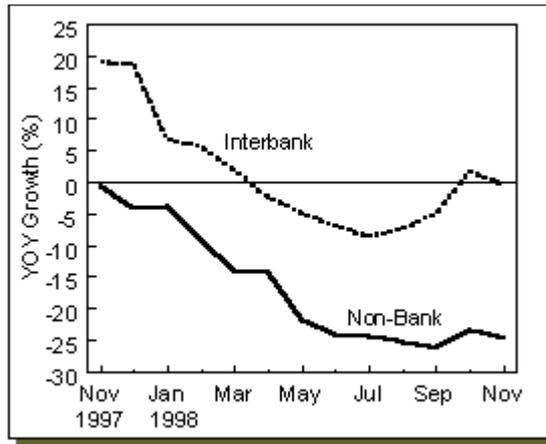
## ASIAN DOLLAR MARKET

Activity in the Asian Dollar Market moderated in November compared with the significant pick-up in October. This reflected reduced non-bank lending and other miscellaneous assets. Total assets/liabilities fell to US\$503.2 billion in November from US\$511.6 billion in October. This implied a contraction of 10.2% on a YOY basis in November. While non-bank lending contracted by 24.6%, interbank lending fell by 0.4% compared to the previous year.

### Asian Dollar Market Total Assets/Liabilities



### Interbank and Non-Bank Customers Loans



---

<sup>1</sup> We have adjusted for the effect of DBS' acquisition of POSBank by also incorporating the full POSBank data in the year-ago base period.