



Banking Executive Index (BEI)

Newsletter

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September Highlights

BEI Market Index Recovered but Remained Conservative

The BEI Market Index recovered from August, but bankers turned negative on Taiwan's stock market, as the US imposed 10% tariffs on a further US\$ 2 billion worth of imports on China (to be increased to 25% at year's end). China also countered with tariffs on US\$ 60 billion worth of American commodities. For interest rates, due to international uncertainties and stabilizing domestic prices, the central bank is taking a wait-and-see attitude towards rates this year; for forex, risk aversion has cooled, and views on the NTD recovered slightly but remained cool; for housing markets, the rate for new mortgages of the top 5 banks in August was only 1.626%. New housing supply has increased, but demand has not, and the overall view is still negative.

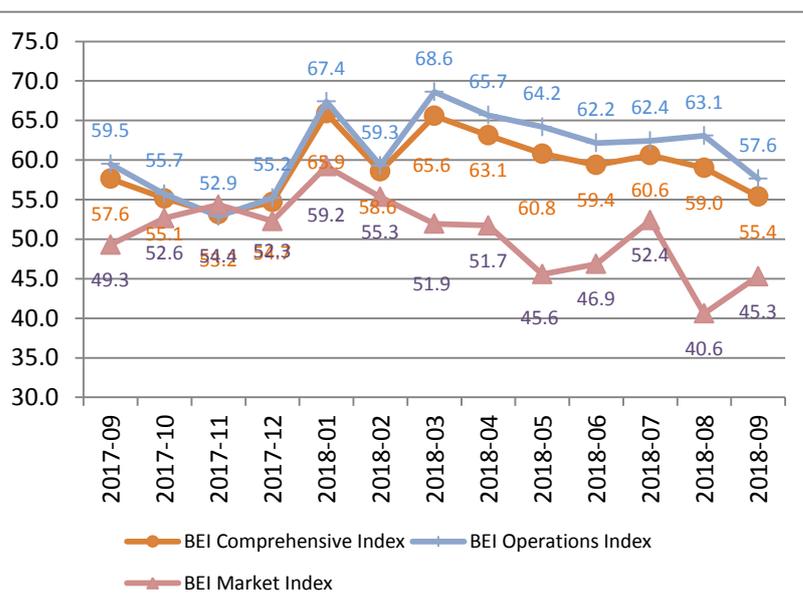
BEI Operations Index Fell; Banks were Pessimistic about Transaction Revenue and Operational Efficiency

As the third round of the US-China trade war commenced, and Chinese stock markets and the RMB fell, bankers turned pessimistic about transaction revenue and operating efficiency. Bankers paid close attention to overseas risk exposure from the US and China (including lending and investment). Banks are leaning conservative for the next quarter, although corporate and consumer client credit risk perceptions rebounded to over 50, remaining essentially flat.

Banks watched the trade war, Chinese debt, P2P platforms, Asian currencies, and ranked evaluation of FIs

The BEI Index shows the domestic and international situation for the next 3 months: **1. The trade war is heating up again, with tariffs imposed on US\$ 200 billion worth of products; 2. Negotiations remain at a stalemate, which may persist; 3. China's P2P lending platforms have collapsed; 4. China's stock market and RMB volatility, affecting willingness to hold RMB deposits; 5. A crisis caused by deterioration in Chinese debt; 6. A depreciation in Asian currencies caused by emerging markets; and 7. Ranked evaluation of financial institutions.**

BEI Trends

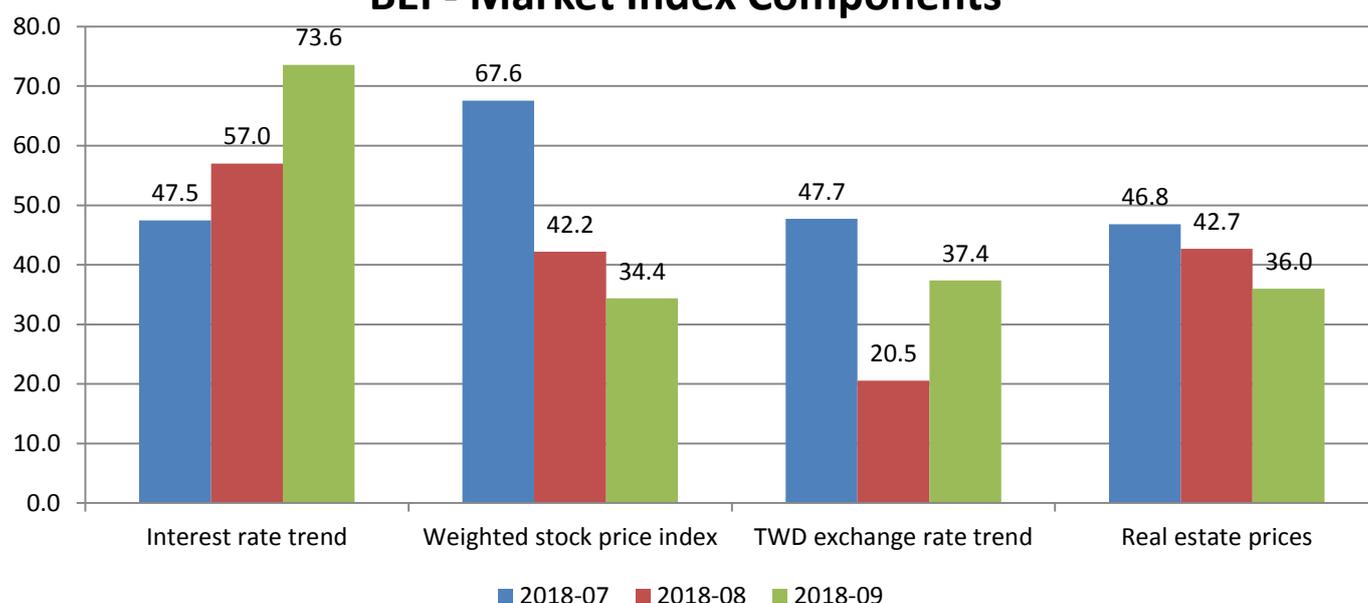


Data source: TABF

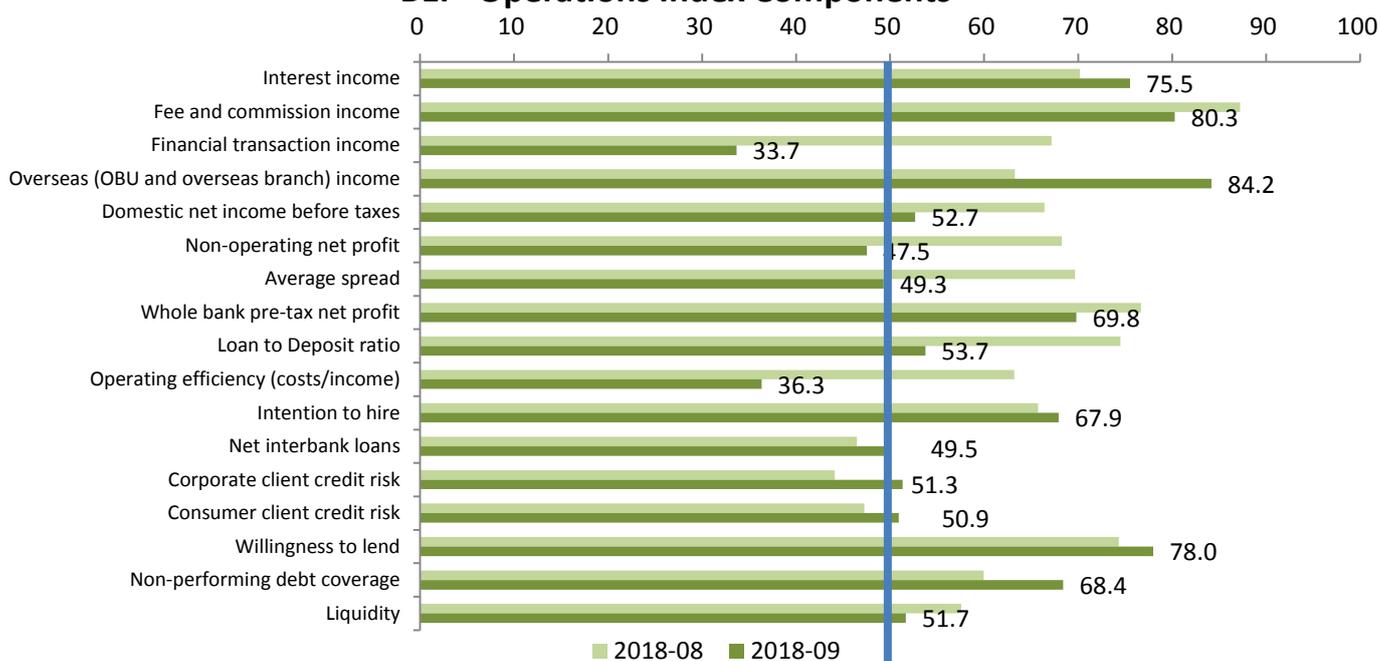
The latest BEI Comprehensive index in September 2018 was 55.4, 6.10% lower than August's 59.0, still optimistic overall. The Operations Index was 57.6, 8.72% lower than 63.1 in August. In particular, transaction income, operational efficiency, non-operating profit, and average spread turned negative; views on corporate and consumer client credit risk recovered to over 50.

The BEI Market Index was 45.3, 11.58% higher than in August, at 40.6. Interest rates had a score of 73.6: banks expect them to rise, but due to international uncertainty and domestic price moderation and stability, the interest environment is still uncertain. Taiwanese stocks were hit by new tariffs between the US and China, and the score fell to 34.4. For the NTD, market risk aversion has cooled. Industry views on NTD depreciation reached 37.4. For real estate, although regulators relaxed the 30% construction financing ceiling of the *Banking Law*, new housing has caused market oversupply. Overall views on housing continued to decline to 36, making it a point to watch.

BEI - Market Index Components



BEI - Operations Index Components



Changes since last month

Rank	Best performing indicators	Worst performing indicators
1	Overseas (OBU and overseas branch) income	Financial transaction income
2	Corporate client credit risk	Operating efficiency (costs/income)
3	Non-performing debt coverage	Non-operating net profit
4	Consumer client credit risk	Average spread
5	Interest income	Loan-to-Deposit ratio

Data source: TABF