The Money Market – Loans

Domestic banks' loans	Nominal amounts, SIT billion		Real loan growth, %	
	31. Dec 2002[1]	31. Aug 2003	30. Sept 03/31. Aug 03	30. Sept 03/30. Sept 02
Total tolar loans	1,672.0	1,778.6	1.3	2.9
Tolar loans to comp. and OFO*	977.5	1,022.1	1.0	2.4
Short-term, overdrafts, advances	529.7	545.1	1.2	-3.4
Long-term	447.8	477.0	0.7	9.9
Foreign currency loans to comp., OFO	448.7	574.9	2.1	36.4
Household tolar loans	573.1	618.6	1.1	3.8
Short-term, overdrafts, advances	118.5	123.2	1.5	1.8
Long-term	454.6	495.4	0.9	4.3
Government tolar loans	121.4	138.0	5.0	3.1
Short-term, overdrafts, advances	27.6	42.3	14.7	0.7
Long-term	93.8	95.7	1.2	4.2

Source of data: the BS, calculations by the IMAD. *Notes:* *OFO – other financial organisations, [1]data were corrected in April this year because of the transfer of DARS' loans from the government to the corporate sector.

The **volume of domestic banks' tolar lending to enterprises and other financial organisations (OFO), households, and the government** rose again in **September** after edging down in August. In the first nine months, lending rose by 2.3% in real terms, while it fell by 1.8% in the same period last year. **Net flows** of tolar loans amounted to SIT 102.5 billion in the first nine months of this year, up 54.1% from the same period last year in real terms.

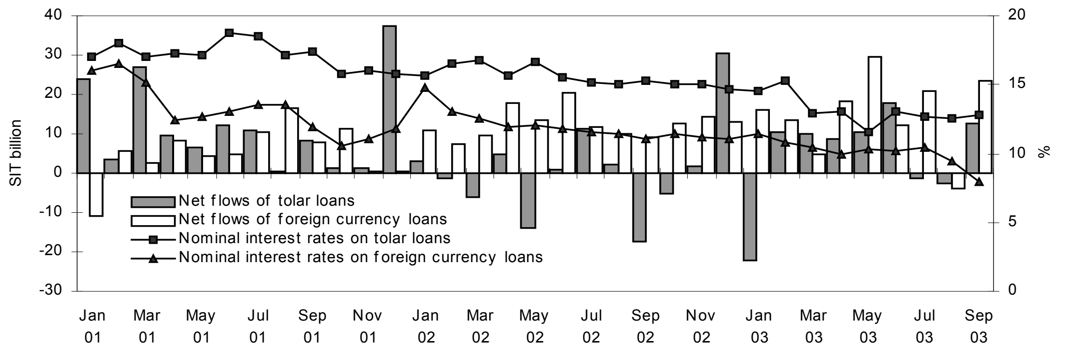
Tolar loans extended to **enterprises and OFO** added 0.6 of a percentage point to September's 1.3% real loan growth. In the first nine months, they climbed by just 0.6% in real terms owing to January's fall of 3.2%, while the same period last year saw a real drop of 6.5%. **Foreign currency loans** continued to rise strongly because they are cheaper than tolar loans. They rose by 27.5% in real terms this year, or by an average monthly rate of 2.7%. **Net flows** of foreign currency loans amounted to SIT 135.3 billion in the first nine months and were 38.2% higher than in the same period last year in real terms. At the end of October, the Bank of Slovenia lifted restrictions on foreign currency lending from domestic banks, which is likely to further boost this type of corporate borrowing. After seeing above-average growth in June and July, net corporate borrowing **abroad** totalled SIT 8.3 billion in August. In the first eight months, net disbursements of foreign loans totalled SIT 74.9 billion, 3% more than in the same period last year in real terms.

Lending to **households** strengthened for the third month running in September. It climbed by 3.8% in real terms in the first nine months, slightly more than in the last three years, but significantly less than in the period before 2000. **Net flows** of household tolar loans also suggest slightly stronger loan growth than in the last few years as the total amount of SIT 42.6 billion seen in the first nine months was 25.9% higher than in the same period last year in real terms. Household indebtedness measured as a ratio of loans to deposits climbed to 0.3 in September, the highest level this year, which was due to growth in household loans as well as falls in savings.

Unlike enterprises and households, the **government** borrowed less than last year. In the first nine months, it borrowed a net amount of SIT 16.3 billion in tolar loans, as much as 60.6% less than a year ago in real terms, and repaid foreign currency loans in a net amount of SIT 6.9 billion.

In November, **short-term lending interest rates** on corporate loans stayed the same at 10.1%, while interest rates on household loans dropped by 0.1 of a percentage point to 9.7%. Interest rates on **long-term loans** remained unchanged for households (9.3%), while those for enterprises dropped by 0.5 of a percentage point to 10.7%. Long-term deposit and lending interest rates, which are still largely shaped by past inflation, have been falling at similar rates this year, while short-term interest rates, which are shaped by anticipated inflation, recorded faster falls on savings than on loans.

Graph: **Net flows of tolar and foreign currency lending to enterprises and OFO & interest rates**



Source of data: BS.