

The Money Market – Loans

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Domestic banks' loans	Nominal amounts, SIT billion		Real loan growth, %	
	31. Dec 2002 ¹	31. Aug 2003	30. Aug 03/31. July 03	31. Aug 03/31. Aug 02
Total tolar loans	1,672.0	1,750.5	-0.1	1.9
Tolar loans to comp. and OFO*	977.5	1,009.2	0.1	-1.2
Short-term, overdrafts, advances	529.7	536.9	-0.9	-4.5
Long-term	447.8	472.3	1.3	3.0
Foreign currency loans to comp., OFO	448.7	562.9	1.3	37.2
Household tolar loans	573.1	610.3	1.4	3.0
Short-term, overdrafts, advances	118.5	121.0	3.0	1.7
Long-term	454.6	489.3	1.0	3.3
Government tolar loans	121.4	131.0	-8.4	26.3
Short-term, overdrafts, advances	27.6	36.7	-10.0	3.6
Long-term	93.8	94.3	-7.7	38.2

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

After rising continuously for five months, the volume of tolar lending to enterprises and OFO, households and the government edged down 0.1% in real terms in August over July, despite August's 0.4% deflation. As a result, this volume was just 1% higher than at end-December 2002 in real terms. The same period last year saw a fall of 2.2%. These movements were underpinned by the government's repayment of tolar loans, amounting to SIT 12.6 billion. Net flows of tolar loans totalled SIT 74.8 billion in the first eight months, 54.4% more than a year ago in real terms.

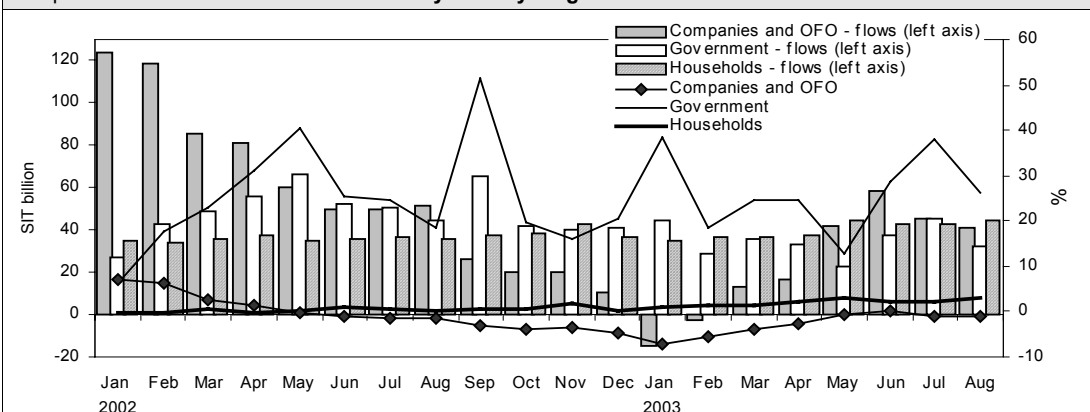
The volume of tolar lending to enterprises and OFO dropped by 0.4% in real terms in August over December (the same period last year saw a fall of 4.1%), mainly as a result of the 3.5% drop in short-term loans. The highest growth was seen in overdrafts and advances, up 40.8% in real terms, but they represented just 2.3% of all corporate and OFO loans. Long-term loans increased by 1.8% in real terms. Enterprises and OFO raised loans in a net amount of SIT 30.9 billion in the first eight months, 3.2 times more than a year ago in real terms. Foreign currency borrowing continued to be strong because it is cheaper than tolar borrowing; the volume of foreign currency loans climbed by 24.8% in real terms, 2.3 percentage points more than in the first eight months of last year. Net flows of foreign currency loans amounted to SIT 111.6 billion and were 25.8% higher than in the same period last year in real terms. In June and July, corporate borrowing abroad totalled SIT 30.1 billion, which represented 46.8% of the total net flows of foreign corporate loans in the first seven months. These flows amounted to SIT 64.4 billion, twice as much as in the same period last year in real terms.

Households tend to borrow more in summer because of holidays and the coming school term, so the volume of household tolar borrowing climbed by 2.3% in real terms in July and August. In the first eight months, household loans increased by 2.7% in real terms (by 0.1% in the same period last year) mainly as a result of growth in long-term loans. They were up 3.8% in real terms, 2.5 percentage points more than a year ago. Net flows of household loans amounted to SIT 34.5 billion and were 22.4% higher than in the first eight months of last year in real terms. Household indebtedness measured as a ratio of loans to deposits remained at the level of 0.29.

The volume of government loans fell by as much as 8.4% in real terms in August over July, recording the biggest fall since the end of 2001. Net flows of government loans amounted to SIT 9.4 billion in the first eight months and were 11.4% lower than in the same period last year in real terms.

Long-term nominal interest rates on household and corporate loans climbed by 0.2 of a percentage point to 11% and 12.8%, respectively, owing to September's higher tolar indexation clause (TOM). Interest rates on top of the TOM were unchanged at 4.5% and 6.4%. Short-term interest rates on household loans fell by 0.2 of a percentage point to 9.8%, while those on corporate loans dropped by 0.1 of a percentage point to 10.2%.

Graph: 12-month flows of tolar loans and year-on-year growth in loan stock



Source of data: BS, calculations by the IMAD.