

<b>The Money Market – Loans</b>	Slovenian Economic Mirror	IMAD
	No. 4/2004	p. 10

Domestic banks' loans	Nominal amounts, SIT billion		Real loan growth, %	
	31 Dec 2003	31 Mar 2004	31 Mar 04/29 Feb 04	31 Mar 04/31 Mar 03
<b>Total tolar loans</b>	1,831.3	1,873.0	0.2	7.3
<b>Tolar loans to comp. and OFO*</b>	1,063.1	1,070.8	-1.1	5.9
Short-term, overdrafts, advances	553.4	563.7	-0.8	2.6
Long-term	509.7	507.1	-1.4	9.9
<b>Foreign currency loans to comp., OFO</b>	621.3	699.5	5.6	44.9
<b>Household tolar loans</b>	637.6	656.9	1.5	9.3
Short-term, overdrafts, advances	127.7	127.6	0.7	6.2
Long-term	509.9	529.3	1.6	10.1
<b>Government tolar loans</b>	130.6	145.3	3.7	9.0
Short-term, overdrafts, advances	23.2	30.4	-7.9	60.2
Long-term	107.4	115.0	7.3	0.5

Source of data: the BS, calculations by the IMAD. Notes: \*OFO – other financial organisations.

Domestic banks' tolar lending to enterprises and other financial organisations, households, and the government continued to rise in **March**, going up by 1.2% in real terms from the end of 2003 (down 1.4% in the same period last year). This rise was mainly fuelled by the 10.1% increase in lending to the government, adding 0.7 of a percentage point to total loan growth and, as far as maturity is concerned, long-term loans, adding 0.6 of a percentage point.

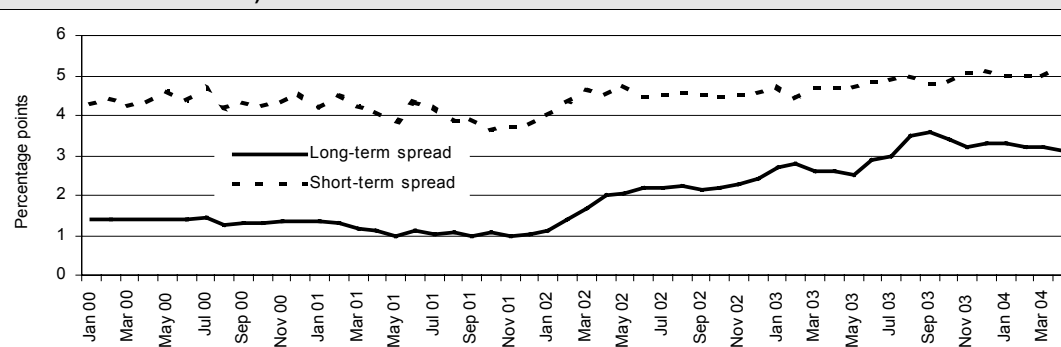
After rising continuously for seven months, lending to **enterprises and OFO** dropped by 1.1% in real terms in March. The real value of loans fell by 0.4% in the first quarter (down 2.3% in the same period last year). This fall was due to the net repayment of long-term loans, whose volume dropped by 1.6% in real terms over December. The biggest rise was seen in overdrafts and advances, going up by 18.5% in real terms in the first quarter, however, they held back the fall in tolar lending by just 0.3 of a percentage point due to their small share (1.9% of all tolar loans to enterprises and OFO). **Foreign currency loans**, which are cheaper than tolar loans and are the most important source of corporate financing, continued to rise strongly. March saw the strongest monthly growth after June 1999, while growth over December was 12% in real terms, 4.7 percentage points more than in the same period last year. Foreign currency loans represented as much as 39.5% of all domestic banks' loans to enterprises and OFO. According to figures from the Bank of Slovenia, corporate borrowing **abroad** more than halved in the first two months compared to the same period last year, with enterprises borrowing a net of SIT 11.5 billion in foreign loans (SIT 28.2 billion in the same period last year).

While **household loans** fell in January, they rose for the second month running in March, going up by over 1% in real terms. They rose by 1.9% in real terms in the first quarter (down 1% in real terms in the same period last year). Household borrowing through long-term loans was relatively strong as these loans increased by 2.7% in real terms in the first quarter and contributed 2.1 percentage points to total growth.

The first quarter saw the biggest rise in lending to the **government**. Growth was mainly underpinned by long-term loans, which increased by 5.9% in real terms and contributed 4.8 percentage points to growth. They represented as much as 82.2% of all tolar loans to the government. The government repaid foreign currency loans in net terms so their volume shrank by about one-quarter.

In **April**, **short-term lending interest rates** fell by 0.3 of a percentage point to 9% on corporate loans and by 0.4 of a percentage point to 9.1% on household loans. **Long-term interest rates** rose by 0.1 of a percentage point to 8.9% and 7.7%, respectively, owing to the higher tolar indexation clause (TOM), which totalled 3.7%. Even though the spread between lending and deposit interest rates continued to be wide (see graph), the interest margin measured as a ratio of net interest income to total assets fell chiefly due to the downward trend in the value of the TOM.

Graph: **Short- and long-term interest spread (average deposit interest rates and lending interest rates on household loans)**



Source of data: BS, calculations by the IMAD.