

The Money Market – Loans

Domestic banks' loans	Nominal amounts, SIT billion		Real loan growth, %	
	31. Dec 2002 ¹	31. June 2003	30. June 03/31. May 03	30. June 03/30. June 02
Total tolar loans	1,672.0	1,750.5	1.7	2.8
Tolar loans to comp. and OFO*	977.5	1,013.3	1.5	0.2
Short-term, overdrafts, advances	529.7	544.8	2.1	-1.6
Long-term	447.8	468.5	0.8	2.4
Foreign currency loans to comp., OFO	448.7	530.2	4.4	39.7
Household tolar loans	573.1	596.8	-0.3	2.5
Short-term, overdrafts, advances	118.5	115.4	-3.6	0.0
Long-term	454.6	481.4	0.6	3.2
Government tolar loans	121.4	140.5	12.9	28.4
Short-term, overdrafts, advances	27.6	36.5	30.0	-6.6
Long-term	93.8	104.0	7.9	47.8

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

Falls in lending interest rates have boosted slightly the lending activity of domestic banks. **Domestic banks' tolar lending to enterprises and OFO, households and the government** rose by 1.7% in June over May, following a four-month sustained growth; this was the highest rate of increase since November 1999. This growth was underpinned by a rise in short- and long-term loans, representing 94.2% of all tolar loans; the former were up by 3.1% and the latter by 1.3% in real terms. The volume of overdrafts and advances shrank by 2.2% in real terms. Both corporate, OFO and government loans contributed 0.9 of a percentage point to tolar loan growth, while household loans reduced growth by 0.1 of a percentage point. Compared to December, tolar loans increased by 1.1% in real terms (the same period last year saw a fall of 2.9%). **Net flows** of tolar loans totalled SIT 76.6 billion in the first six months, close to 3% more than a year ago in real terms.

In June, the volume of tolar lending to **enterprises and OFO** increased for the fifth month in a row, however, this volume was 0.1% below December's level because of the real falls seen early in the year (it was 5% lower in the same period last year). This subdued growth was due to a 1.6% real fall in short-term loans in the first six months, representing 51.7% of total corporate and OFO loans; this reduced loan growth by 0.8 of a percentage point. In the first six months, the strongest growth was seen in overdrafts and advances, up 29.1% in real terms, while long-term loans climbed by 1% in real terms. Enterprises and OFO raised tolar loans in a net amount of SIT 35.2 billion (they repaid a net amount of SIT 5.1 billion in the first six months of last year). **Foreign currency borrowing** continued to be strong because it is cheaper than tolar borrowing; the volume of foreign currency loans climbed by 19.2% in real terms, 4.4 percentage points more than a year ago. **Net flows** of foreign currency loans amounted to SIT 94.6 billion in the first six months and were 41.8% higher than in the same period last year in real terms. **External borrowing** remained high; in the first five months, enterprises borrowed a net amount of SIT 32.8 billion, almost twice as much as in the same period last year.

After rising by 1.2% in real terms in May, the **volume of household tolar loans** edged down in June; the volume was still 0.6 of a percentage point higher than at the end of 2002 (1.5% lower in the same period last year in real terms). A real rise was only seen in long-term loans, up 2.3% in the first six months, while overdrafts and advances and short-term loans dropped by 8.1% and 1.9% in real terms, respectively. Net flows of household loans amounted to SIT 22.6 billion in the first six months and were 45% higher than in the same period last year in real terms.

There was strong net **government** borrowing in June, amounting to SIT 16.4 billion and representing as much as 87% of this year's total net flow of government tolar loans. In the first six months, the volume of government tolar loans climbed by 11.7% in real terms, 5.4 percentage points of which came from long-term loans (representing 74% of all government tolar loans) and 4 percentage points from overdrafts and advances (5%), which surged by 228.8% in real terms.

Long-term nominal interest rates on household and corporate loans dropped by 0.3 of a percentage point to 10.8% and 12.7%, respectively, owing to July's lower tolar indexation clause (TOM). Interest rates on top of the TOM stayed the same. **Short-term interest rates** on household loans fell by 0.1 of a percentage point to 10.3%, while those on corporate loans dropped by 0.3 of a percentage point to 10.5%.

Graph: 12-month flows of tolar loans and year-on-year growth rates

