

# The Money Market – Loans

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Domestic banks' loans	Nominal amounts, SIT billion		Real loan growth, %	
	31 Dec 2003	31 Jan 2004	31 Jan 04/31 Dec 03	31 Jan 04/31 Jan 03
<b>Total tolar loans</b>	1,831.3	1,842.7	0.2	7.4
<b>Tolar loans to comp. and OFO*</b>	1,063.1	1,069.0	0.2	7.5
Short-term, overdrafts, advances	553.4	559.3	0.6	2.8
Long-term	509.7	509.7	-0.4	13.1
<b>Foreign currency loans to comp., OFO</b>	621.3	633.7	2.3	38.2
<b>Household tolar loans</b>	637.6	634.5	-0.9	6.7
Short-term, overdrafts, advances	127.7	123.6	-3.6	4.5
Long-term	509.9	510.8	-0.2	7.3
<b>Government tolar loans</b>	130.6	139.3	6.2	9.5
Short-term, overdrafts, advances	23.2	32.6	40.0	25.3
Long-term	107.4	106.7	-1.0	5.4

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

In **January**, the volume of domestic banks' tolar lending to enterprises and other financial organisations, households, and the government rose for the fifth month running. Unlike in 2003, growth was underpinned by government borrowing, which contributed about 0.4 of a percentage point to total loan growth, while the borrowing of enterprises, and households in particular, slowed down slightly compared to the previous months. There were also some changes in the maturity structure: short-term loans, rising by 1.4% in real terms, fully underpinned total loan growth, while overdrafts and advances and long-term loans fell by 0.2% and 0.4% in real terms, respectively. **Net flows** of tolar loans amounted to SIT 11 billion, while tolar loans were repaid in a total net amount of SIT 24.1 billion in the same period last year.

Lending to **enterprises and OFO** consisted of both short-term loans, rising by 0.4%, and overdrafts and advances, going up by 8.3%. Short-term loans were mainly raised by OFO, while overdrafts and advances were largely taken out by enterprises. After rising strongly in the second half of 2003, long-term loans remained at the same level as at the end of 2003 in nominal terms. The year-on-year growth in tolar loans accelerated by 3.6 percentage points compared to December because of the 3.2% real fall seen in January last year. **Foreign currency loans**, which are cheaper than tolar loans and are the most important source of corporate financing, continued to rise strongly. Even though their year-on-year growth declined by 0.7 of a percentage point in January, growth remained high. **International borrowing** of enterprises fell slightly in December compared to the previous few months: enterprises raised SIT 2.1 billion in foreign loans in net terms, while net flows totalled SIT 122.4 billion in 2003, 4.3% more than in 2002 in real terms.

After rising steadily in the second half of 2003, **household loans** fell slightly in January. This was mainly due to the 5.3% real fall in overdrafts and advances (contributing 0.7 of a percentage point), which only represented 12.8% of total household loans, while the rest came from the real fall in long-term loans. Households repaid loans in a net amount of SIT 3.5 billion. Year-on-year growth continued to strengthen slightly and reached the highest level after May 2000.

**Household indebtedness** measured as a ratio of loans to deposits remained at a level of 0.30 for the fifth month running.

**Government loans** recorded the strongest growth in January as a result of increased borrowing in the form of overdrafts and advances and short-term loans, surging by 177.8% and 30.5%, respectively. **Net flows** of government loans totalled SIT 9.4 billion, compared to the net repayment of SIT 2.6 billion seen in the same period last year.

Like deposit interest rates, short-term **lending interest rates** remained the same in February over January. Long-term interest rates on corporate and household loans moved in line with the tolar indexation clause (TOM). They dropped by 1.6 percentage points to 8.8% and 7.6%, respectively, recording the lowest level so far and falling below the level of short-term interest rates. Short-term interest rates are expected to follow falls in long-term interest rates in the upcoming months.

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

