

<b>The Money Market – Loans</b>	Slovenian Economic Mirror	IMAD
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Domestic banks' loans	Nominal amounts, SIT billion		Real loan growth, %		
	31 December 2003	30 June 2004	30 June 2004/ 31 May 2004	30 June 2004/ 31 Dec 2003	30 June 2003/ 31 Dec 2002
<b>Total tolar loans</b>	1,831.0	1,912.7	0.6	1.6	1.1
<b>Tolar loans to comp. and OFO*</b>	1,062.9	1,083.3	-0.1	-0.9	0.1
Short-term, overdrafts, advances	553.3	581.6	0.0	2.2	-0.6
Long-term	509.6	501.6	-0.3	-4.3	0.9
<b>Foreign currency loans to comp., OFO</b>	625.7	769.4	3.1	21.4	19.2
<b>Household tolar loans</b>	637.5	685.4	1.0	4.6	0.4
Short-term, overdrafts, advances	127.6	124.9	-2.0	-4.9	-4.2
Long-term	509.8	560.5	1.7	6.9	2.3
<b>Government tolar loans</b>	130.7	144.0	4.3	7.2	11.9
Short-term, overdrafts, advances	23.3	30.6	14.8	27.9	28.7
Long-term	107.4	113.4	1.8	2.7	7.0

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

After falling in April and May, the **total volume of tolar lending rose in June in real terms**. In the first six months, the real rise in tolar lending was half a percentage point higher than in the same period last year. June's growth was mostly underpinned by lending to households, which saw a real fall only once in the first six months, while enterprises and OFOs continued to borrow using foreign currency loans. Net flows of all tolar loans amounted to SIT 81.6 billion in the first six months and were just 1% higher than in the same period last year in real terms.

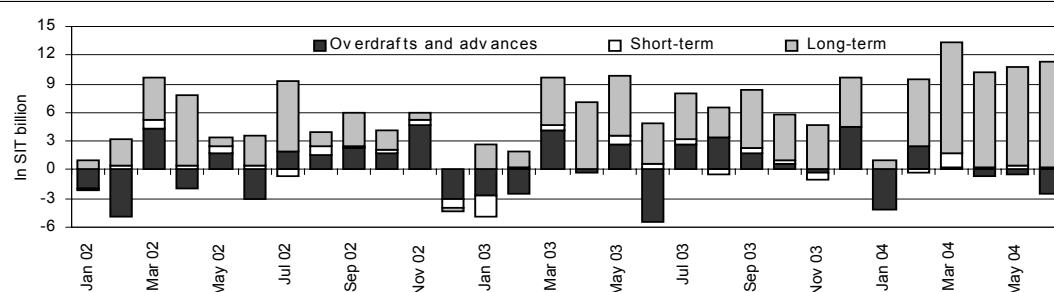
The **volume of tolar lending to enterprises and OFOs** fell in real terms in the first six months chiefly due to the net repayment of long-term loans (SIT 7.9 billion). The biggest rise of 18.2% was seen in overdrafts and advances, representing about 2% of all tolar lending to enterprises and OFOs, while short-term loans edged up 1.6% in real terms. Net flows of tolar loans amounted to SIT 20.4 billion, 44.7% less than in the same period last year in real terms. **Foreign currency loans** continued to rise strongly, recording an average rise of 3.3% in real terms in the first six months. They represented as much as 41.5% of all loans to enterprises and OFOs, 4.5 percentage points more than at the end of 2003. Net flows of foreign currency loans amounted to SIT 143.7 billion in the first six months and were close to three-quarters higher than in the same period last year in real terms. Net **external corporate borrowing** totalled SIT 36.8 billion in the first five months, 13.7% less than a year ago in real terms.

Growth in the **volume of tolar lending to households** gained more than 4 percentage points in the first six months over the year before; this was the biggest growth seen since 1999 when it came in at 29.7% mainly owing to the introduction of VAT. Growth was largely underpinned by the rise in long-term loans, while overdrafts and advances shrank by 8.5% in real terms, which reduced total loan growth by a good one percentage point. Net flows of all household tolar loans amounted to SIT 47.9 billion and were twice as high as in the same period last year in real terms.

The first six months saw the biggest increase in **lending to the government**, chiefly due to June's borrowing in overdrafts and advances, which leapt by 47.6% in real terms over May. This was most likely the result of lower general government revenue collected in June (see p. 12).

**Lending interest rates** continued to fall in July. Since the end of 2003, interest rates on housing loans have fallen the most, going down 1.7 percentage points to 7.3%, while interest rates on short-term household loans have fallen the least, going down by 1.1 percentage points to 8.5%. Short- and long-term interest rates on corporate loans dropped by 1.6 percentage points to 8.3% and 8.7%, respectively. Most of these falls were due to a drop in the inflation rate and the resulting decrease in the tolar indexation clause (TOM), while real interest rates (deflated by the TOM) edged down by an average of just 0.3 of a percentage point.

Graph: Net monthly household borrowing



Source of data: BS, calculations by the IMAD.