

## Banco de Portugal publishes Monetary and Financial Institutions (MFI)<sup>1</sup> balance sheet statistics for the year 2012

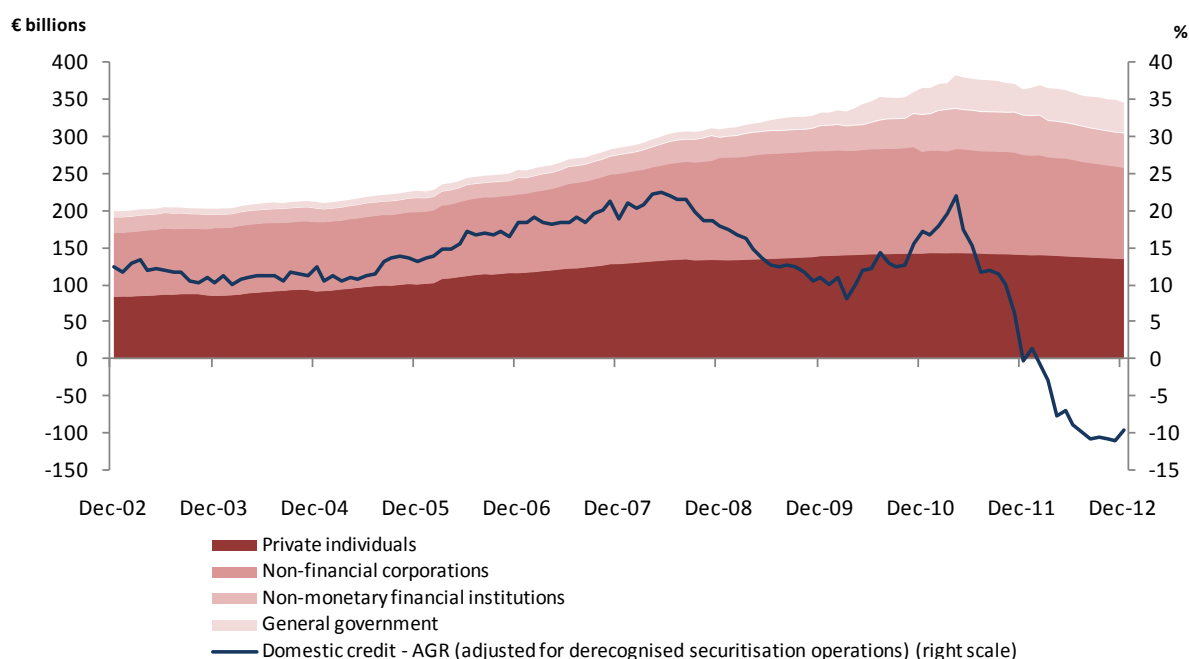
### Assets: credit to the domestic economy and net external assets

#### Credit to the domestic economy

In 2012, the domestic credit granted by the banking sector maintained the downward trend began by mid-2011.

At the end of 2012, after 10 consecutive months of decline, the outstanding amount of domestic credit was 344.8 billion euro, corresponding to an year-on-year decrease of 17.7 billion euro (chart 1). Such behaviour led to annual growth rates systematically negative during the year, reaching -9.6 per cent in December, with a decrease of 9.3 percentage points (p.p.) compared to -0.3 per cent in December 2011.

Chart 1 – Domestic credit



The majority of the sectors have contributed to this credit contraction trend, with the credit to non-financial corporations, non-monetary financial institutions and private individuals reducing respectively 12.0, 6.4 and 5.6 billion euro. The reduction in credit to non-financial corporations was mainly driven by the loans, which registered in December 2012 an annual growth rate of -6.5 per cent (-2.7 per cent in December 2011). However, during the year 2012 the banks continued to perform sales of loans

<sup>1</sup> Includes *BdP* and banks.

portfolios and therefore the annual growth rate adjusted for those sales was -4.4 per cent at the end of 2012 (-1.9 per cent at the end 2011).

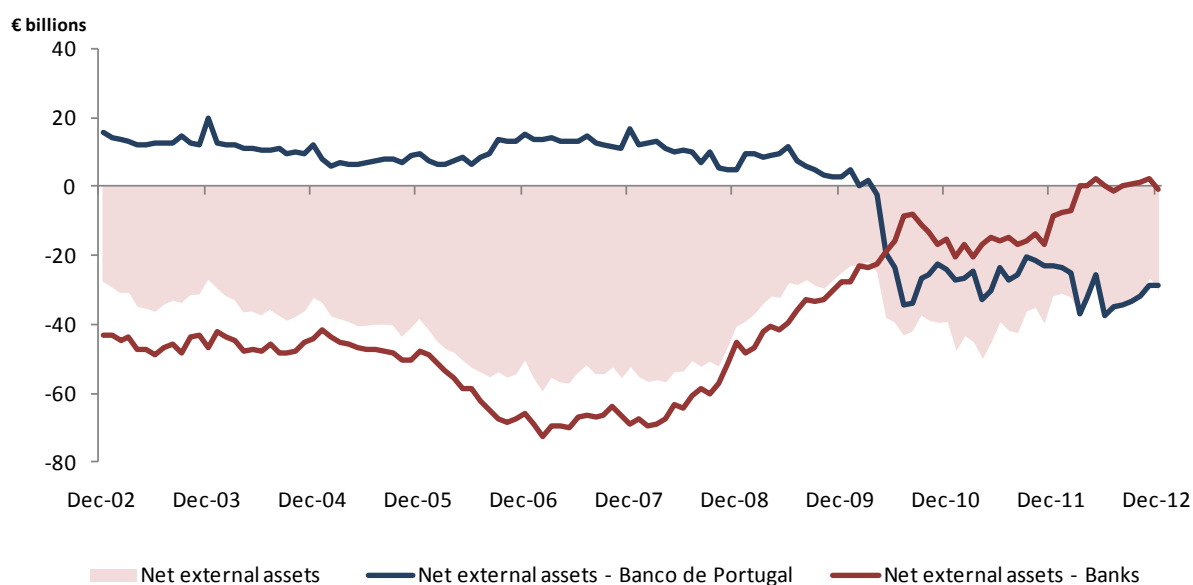
Conversely, credit to general government increased by 6.3 billion euro in 2012, amounting to 40.1 billion euros at the end of the year.

The *Banco de Portugal (BdP)* publishes in section A.11 of the Statistical Bulletin a set of indicators on loans granted by the resident financial sector. Loans to non-financial corporations present an year-on-year rate of change of -7.2 percent in December 2012 (-3.4 per cent in December 2011), being worthy to mention the loans to exporting companies which increased by 5.4 per cent (1.1 percent in December 2011).

### Net external assets

In 2012, the net external assets (i.e. deducted of liabilities) increased by 1.7 billion euro. Nevertheless, the net external position of the monetary sector remained negative, amounting to -30.0 billion euro in December 2012 (chart 2). This development is justified by different behaviours of the *Banco de Portugal* and of the other monetary financial institutions (OMFI).

**Chart 2 – Net external assets**



The OMFI increased their net external assets by 7.5 billion euro, as a result of the reduction of funding from the non-resident sector. In the opposite direction, the *Banco de Portugal* reduced its net external assets by 5.8 billion euro.

Taking into account debt securities issued by banks and held by non residents, the change in net external assets amounts to 12.9 billion euro, with a disinvestment of approximately 11 billion euro in the securities held by non residents (slightly above the reduction of about 9 billion euros observed in 2011).

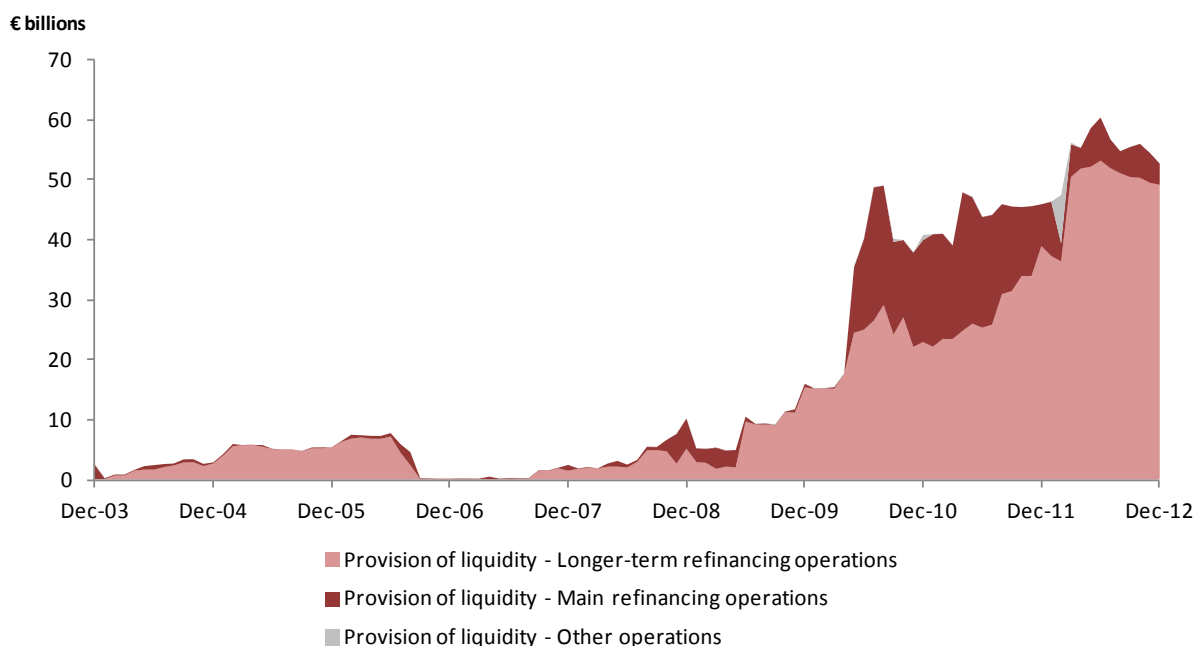
## Liabilities: Eurosystem financing, deposits and securities issued

### Eurosystem financing

In 2012, the amounts obtained by the Portuguese banks from the Eurosystem in the context of monetary policy operations increased, due to the non-conventional monetary policy measures adopted by the ECB during the year (namely the longer-term refinancing operations, with maturities larger than 3 years) and the changes in the eligibility criteria on collateral.

At the end of 2012, the total amount of funds obtained by the Portuguese banks from the Eurosystem in the context of monetary policy operations reached 52.8 billion euro, after an year-on-year increase of 6.8 billion euro (chart 3). The value of the Eurosystem financing to Portuguese banks reached its maximum (60.5 billion euro) in June 2012.

**Chart 3 – Eurosystem financing to banks in Portugal**

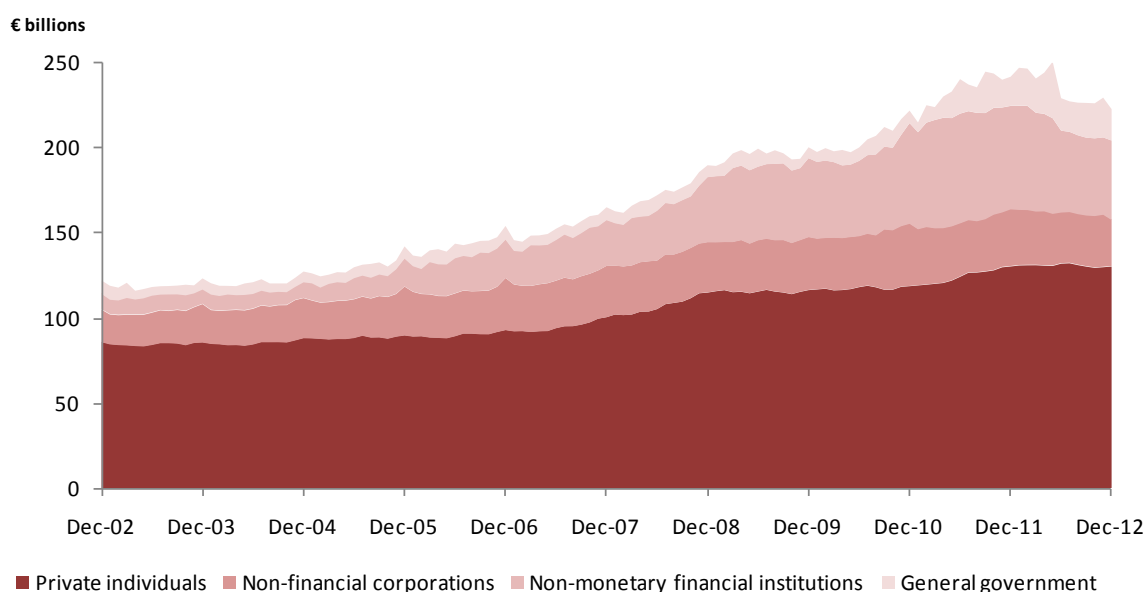


### Deposits

In 2012, the non-monetary sector deposits amounted to 223.1 billion euro, which represents a reduction of 19.0 billion euro compared to the end of 2011.

This result reversed the upward trend of the two previous years. In 2010 and 2011, the non-monetary sector deposits have registered increases of 21.5 and 19.5 billion euro, respectively (chart 4).

**Chart 4 – Domestic deposits**

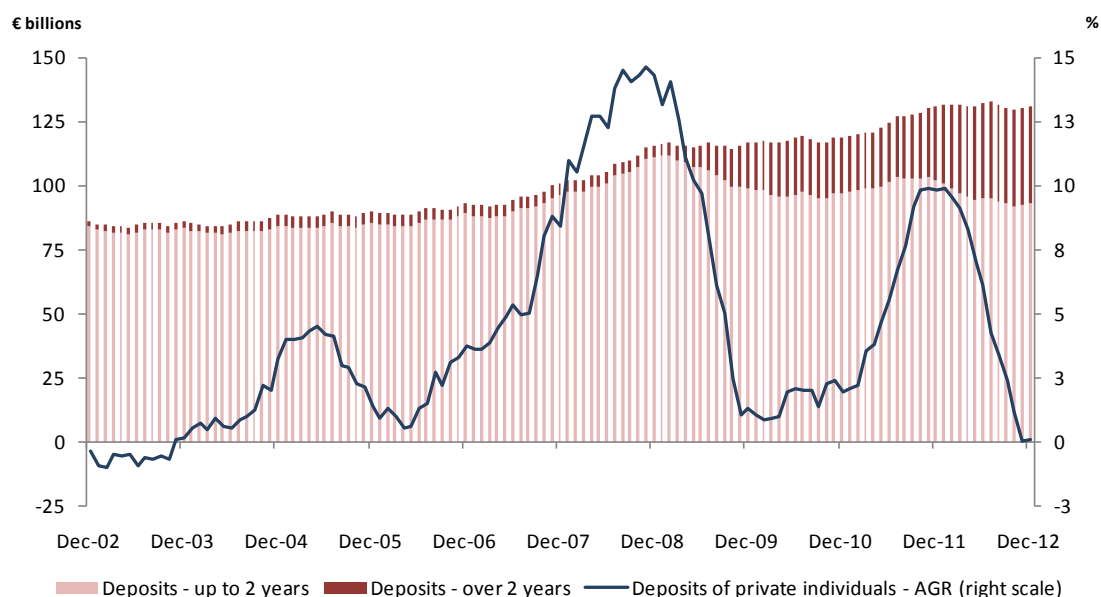


The decrease in the non-monetary sector deposits was mainly due to non-monetary financial institutions and non-financial corporations that decreased deposits by 14.1 and 6.3 billion euro, respectively. The annual growth rate of deposits of non-financial corporations decreased from -8.7 per cent in December 2011 to -18.7 per cent in December 2012. Nevertheless, excluding deposits in banks' branches located in Madeira and Azores off-shores, the annual growth rate increased from -14.2 per cent in late 2011 to -10.2 per cent at the end of 2012.

On the other hand, the General Government deposits have increased by 1.4 billion euro, of which 0.5 billion euro in *Banco de Portugal* corresponded to the funds received and not yet withdrawn, at 31<sup>st</sup> December 2012, in the framework of the financial assistance programme to Portugal.

Regarding the deposits of private individuals, the change was virtually null. Nevertheless, there has been a change in the maturity of the deposits of this sector with a reduction of about 9 billion euro in deposits with maturity up to 2 years and an increase of similar amount in deposits with longer maturities. Given the increase of 11.6 billion euros in the deposits of this sector in 2011, the slowdown in 2012 resulted in a reduction of the annual growth rate, which was 0.1 percent at the end of the year, 9.7 p.p. below the annual growth rate at the end of 2011 (chart 5).

**Chart 5 – Deposits of private individuals, by maturity**

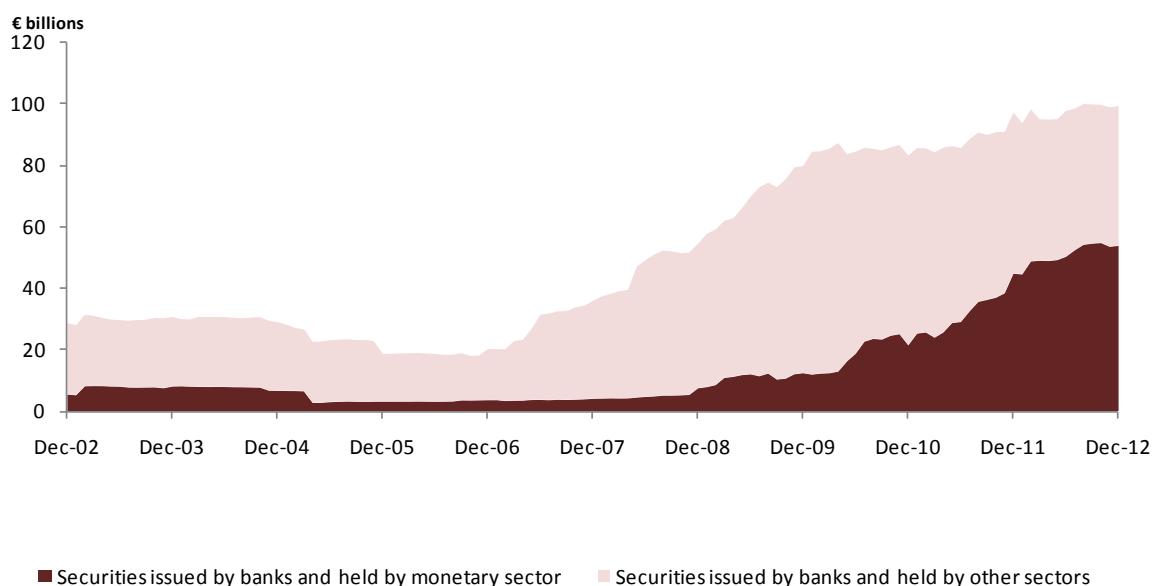


### Securities issued

In 2012, the debt securities issued by the resident banks maintained an upward trend, amounting to 99.3 billion euro at the end of the year, with a raise of 2.1 billion euro compared to the end of 2011 (chart 6).

In December 2012, about 54 percent of the securities issued by banks were held by the monetary sector, corresponding to an increase of approximately 8 p.p. compared to December 2011. The other resident sectors also invested in securities issued by banks, being worthy to mention the total acquisition by the general government of contingent capital instruments. These instruments qualify as equity for the purposes of calculation of the Core Tier 1 ratio and were issued in connection with the recapitalization of the banks. The increased investment by residents was offset by a disinvestment of non-residents.

**Chart 6 – Securities issued by banks**

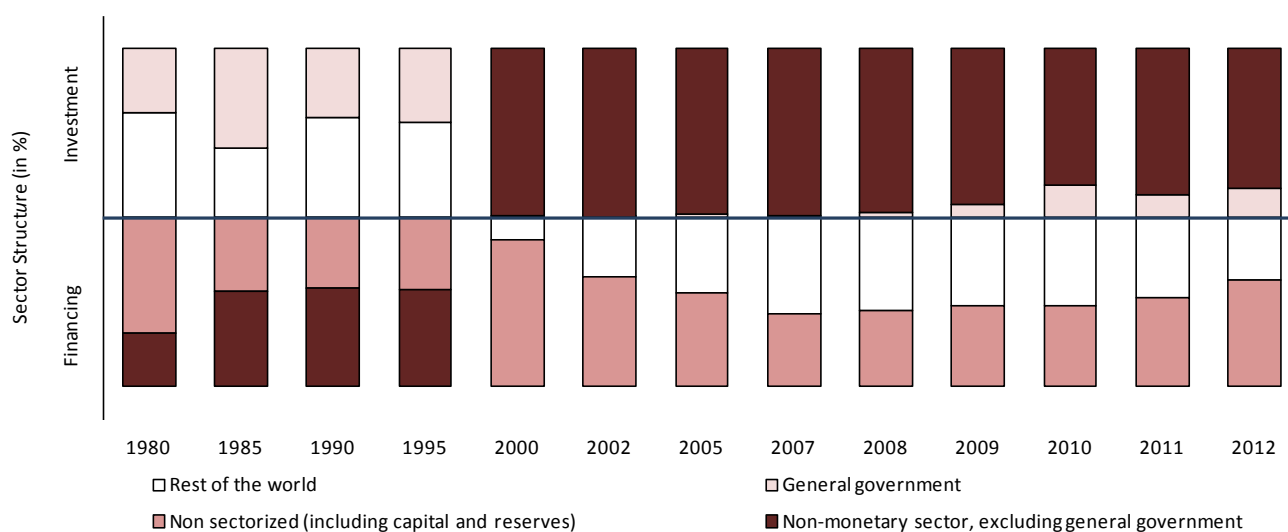


### Investment and funding of the monetary sector

In 2012, the relative weight of the rest of the world (RoW) in financing the resident monetary sector continued to decrease. In contrast to what occurred during the first decade of 2000, when the RoW increased its relative weight in the funds obtained by the MFI sector, in the last two years, the RoW's relative weight has decreased by 4.3 and 10.9 p.p., reaching 48.1 and 37.2 percent, respectively in 2011 and 2012 (chart 7).

This reduction was offset mainly by the use of own funds, with the increased weight of capital and reserves.

**Chart 7 – Investment and funding of the monetary sector**



**Note:** Since 2006, the rest of the world incorporates an estimate for the securities issued by banks and held by non-residents, which, for earlier periods, was included in the non-monetary sector.