

# STATISTICAL PRESS RELEASE



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## *Banco de Portugal* publishes statistics on banks' balance sheet and interest rates for 2014

*Banco de Portugal* publishes today, in the Statistical Bulletin, the statistics on balance sheet and interest rates of banks for December 2014.

These statistics were compiled in accordance with the new methodological guidelines of the European Central Bank<sup>1</sup>, which, in line with the European System of National and Regional Accounts - ESA 2010, change the sectoral classification of the entities that are counterparties in the banks' transactions.

The main changes in balance sheet and interest rates statistics of monetary financial institutions (MFIs)<sup>2</sup> were:

- i) Several public institutional units, which were previously classified as financial corporations or non-financial corporations, were integrated in the general government sector;
- ii) The universe of non-financial corporations was reduced, following the reclassification of entities under financial corporations and general government;
- iii) A substantial number of holding companies and special purpose entities (SPEs), which were previously classified as non-financial corporations, are now included in the financial corporations sector.

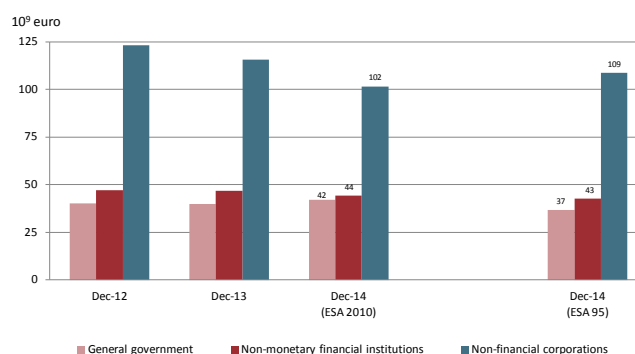
This statistical press release presents the positions at the end of December 2014, compiled in accordance with ESA 2010. A series break was registered in December positions; the effect of changes in sector classification was registered as a reclassification in that month and therefore had no influence in the monthly transactions and in the annual growth rates<sup>3</sup>.

Charts 1 and 2 illustrate the impacts of those changes in the main indicators of banking credits and deposits vis-à-vis institutional counterpart sectors.

Chart 1

### Domestic credit ESA 95 vs. ESA 2010

End-of-period positions



<sup>1</sup> Regulations No 1071/2013 (ECB/2013/33) and No 1072/2013 (ECB/2013/34) of the European Central Bank, transposed into the Instruction No 25/2014 of *Banco de Portugal*. This new legislation introduced, among other changes, the standardization of these statistics with the new European System of National and Regional Accounts of the European Union - SEC 2010. More information on these changes can be found on *Banco de Portugal* website, at <http://www.bportugal.pt/en-US/Estatisticas/MetodologiasE NomenclaturasEstatisticas/AlteracoesMetodologicasSEC2010BPM6/Pages/AlteracoesMetodologicasSEC2010BPM6.aspx>

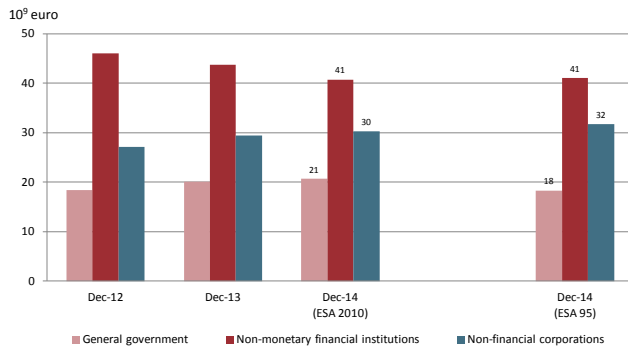
<sup>2</sup> Includes information from *Banco de Portugal*, the other banks and money market funds, which corresponds to the concept of Monetary Financial Institutions.

<sup>3</sup> For more information on the calculation of the annual growth rate (agr) see the Explanatory Notes of the Statistical Bulletin, available at <http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/BolEstatistico/Publicacoes/notas-exp-be.pdf>

Chart 2

## Deposits ESA 95 vs. ESA 2010

End-of-period positions



For interest rate statistics, the impact of the introduction of the new regulation and the ESA 2010 classification was negligible.

Balance sheet statistics<sup>4</sup>

## Assets

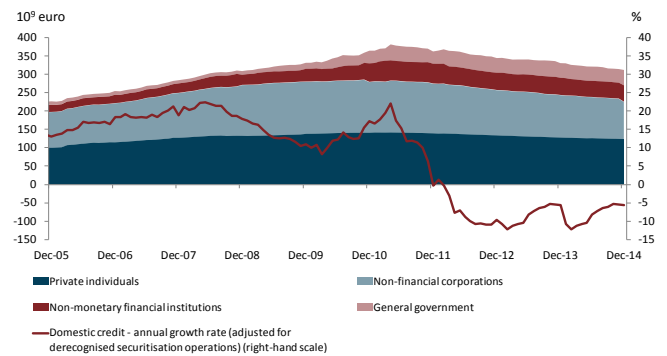
## Domestic credit

In 2014, for the fourth consecutive year, the domestic credit granted by the banking sector decreased.

At the end of 2014, the outstanding amount of domestic credit was 312 billion euro, corresponding to a year-on-year decrease of 18.7 billion euro (chart 3). Such behaviour led to annual growth rates systematically negative throughout the year 2014, even though an upward trend was observed since April 2014. In December, the annual growth rate reached -5.6 per cent, in line with the value recorded in the same period of the previous year.

Chart 3

## Domestic credit



The majority of the sectors have contributed to the credit reduction, with the exception of the general government. The credit granted to non-financial corporations, non-monetary financial institutions and private individuals decreased by 14.1, 2.5 and 4.2 billion euro, respectively. The credit to the general government increased by 2.1 billion euro in 2014, when compared to the end of 2013.

As in previous years, the decrease in credit to non-financial corporations was mainly driven by loans, which have diminished 13.1 billion euro since the end of 2013. The credit component related to debt securities and shares and other equity has decreased 1 billion euro. In December 2014, the annual growth rate of credit to non-financial corporations was -7.8 per cent, showing a reduction of 3.1 p.p. with respect to 2013. Adjusted for the impact of loans portfolios' sales, this rate was set at -7.1 per cent at the end of 2014 (-2.9 per cent at the end of 2013).

Credit to private individuals maintained the downward trend in all purposes, in particular in the housing segment, which presented a decrease of 3.9 billion euro with respect to December 2013. This evolution implied the maintenance of negative annual growth rates, not only in the housing segment (-3.8 per cent), but also in the case of consumption and other purposes (-2.2 and -2.9 per cent, respectively).

The annual growth rate of loans, both to private individuals and non-financial corporations, has remained at negative values since June 2011.

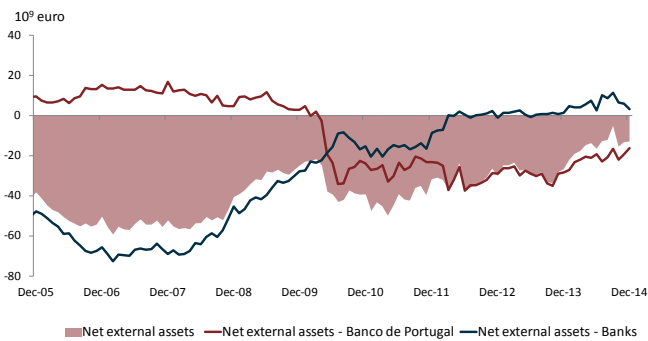
<sup>4</sup> Includes *Banco de Portugal*, other banks and money market funds. Data available in tables A.8, A.9 and B.1.1 to B.1.3 of the Statistical Bulletin, and in BPstat | Statistics online in the time series and multidimensional analysis.

### Net external assets of the monetary sector

In 2014, the net external assets (i.e. deducted of liabilities) of the monetary sector increased by 13.8 billion euro, with the contributions of *Banco de Portugal* and the other banks, with increases of 12.0 and 1.8 billion euro, respectively. Despite this development, the net external position of the monetary sector remained negative, amounting to -13 billion euro in December 2014 (chart 4), reflecting essentially the negative net external assets of *Banco de Portugal*.

Chart 4

#### Net external assets of the monetary sector



Banks maintained the upward trend of their net external assets, presenting throughout 2014 positive net external positions every month, reaching 3.2 billion euro at the end of the year.

In contrast, and despite the increase in its net external assets (reflecting the reduction of the Eurosystem financing to resident banks), *Banco de Portugal* continued to present a negative net external position, as it has been occurring since mid-2010. At the end of 2014, the net external position of *Banco de Portugal* amounted to -16.2 billion euro.

## Liabilities

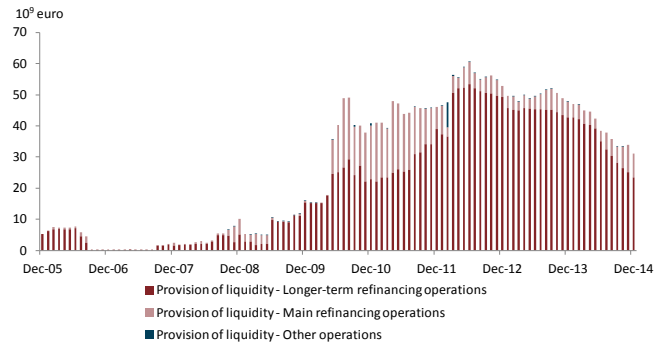
### Eurosystem financing

During 2014 the Eurosystem financing to the Portuguese banks presented a decrease of 16.7 billion euro, in particular in the longer-term refinancing operations

(chart 5). At the end of 2014, the total amount of the provision of liquidity operations was 31.2 billion euro.

Chart 5

#### Eurosystem financing to banks in Portugal

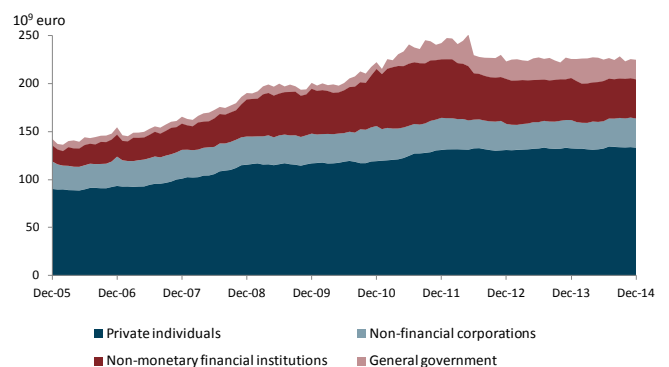


## Deposits

In 2014, the deposits of the non-monetary sector amounted to 224.7 billion euro, which represents a decrease of 0.8 billion euro with respect to 2013 (chart 6).

Chart 6

#### Domestic deposits



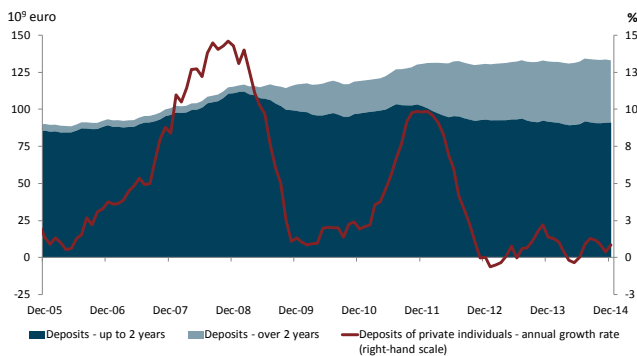
The deposits of the non-monetary private sector reduced by 1.4 billion euro, as a result of both the decrease of the deposits of non-monetary financial institutions (-3.0 billion euro) and the increase of the deposits of non-financial corporations and private individuals (0.9 and 0.7 billion euro, respectively). On the other hand, there was an increase in the general government deposits by 0.6 billion euro.

The increase in the deposits of private individuals led to an annual growth rate of 0.8 per cent at the end of 2014, still below the 1.4 per cent observed at the end of 2013.

The increasing trend of the private individuals' deposits with maturities over two years, observed in the preceding years, has continued in 2014 (chart 7). These deposits represented 31.5 per cent of the total deposits of the sector at the end of 2014 (which compares to 30.8 per cent in December 2013).

Chart 7

Deposits of private individuals, by maturity

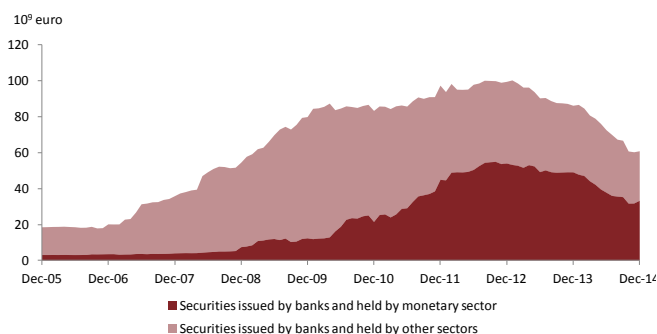


### Securities issued

In 2014, debt securities issued by the resident banks decreased for the second consecutive year (25.3 billion euro). At the end of the year, debt securities amounted to 60.7 billion euro (chart 8) and around 55 per cent of those were held by the monetary sector itself.

Chart 8

Securities issued by banks

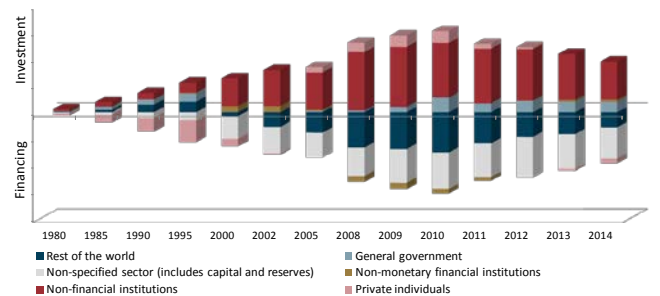


## Investment and funding of the monetary sector

In 2014, for the fourth consecutive year, there was a reduction of the activity of the MFI sector (chart 9).

Chart 9

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.

The main drivers for this evolution were both the decrease in credit granted to non-financial corporations – which results in a decrease of this sector's relevance in terms of investment in the monetary sector – and the decrease in credit granted to private individuals – which, for the second consecutive year, were a financing sector of the monetary sector, representing 4 per cent of the funds obtained by the banks.

The Rest of the World, once more, decreased its relative weight in the funds obtained by the resident MFI sector. At the end of the year, the external sector represented 29.5 per cent of the total funding obtained by the resident monetary sector, 7.8 p.p. less than in the previous year.

However, the monetary sector used more own funds and, as it had occurred in 2013, the relative weight of capital and reserves in the financing of the sector increased.

# Interest rates<sup>5</sup>

## Interest rates on new loans

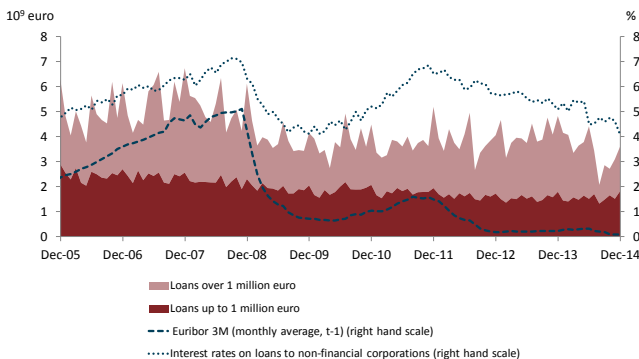
In 2014, as it had happened in 2013, the interest rates on new loans decreased.

The reduction in the interest rates was more significant in new loans granted to non-financial corporations, where the average interest rate for December 2014 was 4.09 per cent, representing a decrease of 99 basis points (b.p.), compared to December 2013 (chart 10).

In 2014, the monthly average volume of new loans granted to non-financial corporations was 3.4 billion euro, which corresponds to a 0.7 billion euro decrease compared to 2013. This development was essentially justified by the decrease in new loans over 1 million euro.

Chart 10

### New loans to non-financial corporations



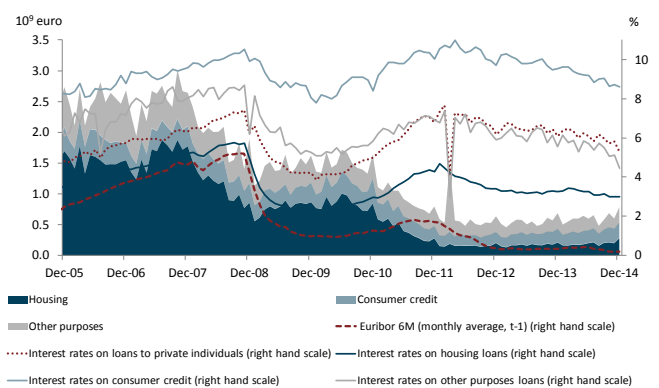
The interest rate on new loans granted to private individuals was 5.30 per cent in December 2014, which represents a decrease of 80 b.p. compared to December 2013 (chart 11).

The reduction in the interest rate was observed in housing, consumer credit and other purposes, being more evident in the last two segments.

In 2014 and reversing the trend observed in the past three years, the monthly average volume of new loans granted to private individuals increased, amounting to 0.6 billion euro. The main contribution to this development was given by consumer credit.

Chart 11

### New loans to private individuals

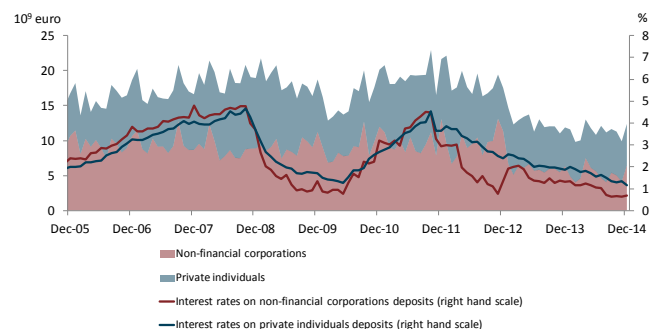


## Interest rates on new deposits

In 2014 and like in the previous year, the interest rates on new deposits decreased. In December 2014, the interest rates on new deposits of non-financial corporations and private individuals were 0.70 and 1.16 per cent, respectively (chart 12).

Chart 12

### New deposits



<sup>5</sup> Includes banks (except *Banco de Portugal*). Data available in tables A.10, B.7.0 and B.7.1.1 to B.7.1.4 of the Statistical Bulletin, and in BPstat | Statistics online in the time series and multidimensional analysis.

The monthly average volume of new deposits amounted to 11.3 billion euro in 2014, which represents a decrease of 1.2 billion euro. Both non-financial corporations and private individuals recorded reductions, with the monthly average volumes reaching 5.2 and 6.1 billion euro, respectively.

From the second half of 2014, the Euribor interest rates decreased, and in December stood at about 20 b.p. below the values observed in the same period of the previous year; the ECB reference rate was reduced by 10 b.p., both in June and September, decreasing from 0.25 per cent in the beginning of 2014 to 0.05 per cent in December.