

Financial Systems Flash

Madrid,
November 28, 2013
Economic Analysis

Financial Systems Unit

In October, deposits held by households and Spanish businesses declined €1bn due to seasonal reasons

The fall in October (down €1bn) is divided asymmetrically between households (down €1.9bn) and businesses (up €0.9bn) resident in Spain. This month the surprise comes from business deposits, which have grown when they were expected to fall; household deposits conform to expectations. In seasonally adjusted terms, the total for households and companies has risen by €7bn.

- **Total deposits (including all agents and geographical areas) have dropped by €37bn.** This decline is widespread over all the geographical regions, although it is more intense in the deposits of national agents -down €30bn- compared to international deposits (Eurozone and rest of the world), which are down €7bn.
- **This adjustment seen in international deposits (down €7bn) is distributed equally between residents of the Eurozone and residents of the rest of the world.** The agents reducing their deposits in Spanish credit institutions are the EMU's International Monetary Financial Institutions (MFI) (down €4bn) and the other resident sectors in the rest of the world, primarily instrumentalized by repos (down €6bn).
- **In October deposits by national agents fell by €30bn.** A breakdown by agents reveals a greater adjustment in the deposits received from MFI (down €12bn) and non-monetary financial institutions (NMFIs, down €15bn). The reduction observed in the latter is mostly due to the repayment of ECB funds (gross loans fell by €7bn). The lower volume of the NMFIs is due mainly to the fall in deposits from securitization companies (down €10bn), and to the fall observed in the national central counterparties (down €6bn) and other NMFIs (down €4bn), partly offset by the deposits from mutual funds (up €4bn).
- **The total deposits for households and national businesses is up when adjusted for seasonality due to the positive surprise observed in business deposits**
 - Deposits for households and businesses fell by €1bn, but adjusted for seasonality, show an increase of €7bn. The growth of almost €1bn seen in business deposits compared to the expected drop (due to payment of VAT and the second corporate tax installment) underpins the increase in the seasonally adjusted figure. Households in October reduced their deposits by €2bn (adjusted for seasonality +€2bn), in line with expectations.
 - In the last 12 months deposits by households and businesses have increased by €64bn (7.24% year-on-year).

Table 1
Deposits

October 2013		Outstanding balance		Month-on-month change October-2013		Year-on-Year change October-2013	
		Sep-13	Oct-13	(bn€)	%	(bn€)	%
Bank of Spain	Total Deposits (a)+(b)+(c)	2,262	2,225	-37	-2	-251	-10
	Total deposits, Spain (a)	1,942	1,913	-30	-2	-198	-9
	Credit institutions	430	418	-12	-3	-177	-30
	Public administrations	50	47	-3	-6	6	15
	Other resident sectors, Spain (1)	1,462	1,448	-15	-1	-27	-2
	NMFIs	430	414	-16	-4	-98	-19
	Insurance companies	52	52	0	-1	3	5
	Other public administrations	29	32	2	8	4	14
	Non-financial companies (4)	200	201	1	0	26	15
	Households (5)	751	749	-2	0	38	5
	Total deposits, euro zone (b)	178	175	-3	-2	0	0
	Credit institutions	140	135	-4	-3	-8	-6
	Public administrations	0	2	2	977	0	-2
	Other resident sectors, euro zone (2)	38	38	0	-1	8	26
Total deposits, rest of the world (c)	141	137	-4	-3	-53	-28	
Credit institutions	95	96	1	1	-39	-29	
Public administrations	0	0	0	-54	0	-21	
Other resident sectors, RoW (3)	46	41	-5	-11	-14	-26	
ECB	Euro zone ORS Deposits (1)+(2)	1,500	1,485	-15	-1	-19	-1

Source: BBVA Research based on Bank of Spain

DISCLAIMER

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.