

# Flash Financial Systems

## Increase in aggregate deposits and promissory notes of households and businesses in October

Although total deposits at Spanish financial institutions fell (by €25bn) in October, this was due partly to declines in deposits by other banks (€14bn) and public administrations (€8bn). Deposits and promissory notes held by households and businesses –which are the key variables for assessing potential deposits outflows- were higher (by €3bn). Deposits by households and businesses were down by €3bn in the month, but were up by €4bn on a seasonally-adjusted basis.

- **The breakdown of deposits received by Spanish credit institutions by agent was released today.** The Bank of Spain has published chapter 8 of its Statistical Bulletin, which includes the breakdown of financial statements harmonised at euro area level used by the ECB in its series.
- **Total deposits fell €25bn in October**, with declines of €22bn for Spanish residents, €1bn for euro area residents and €2bn for the rest of the world. The best way to assess potential deposits outflows is to analyse the trend marked by domestic households and businesses. It is also important to distinguish between instruments, as the repo market – largely interbank – is fairly volatile from one month to the next.
- **Domestic deposits were €22bn lower in October, but the breakdown showed mixed performances:** deposits from monetary financial institutions (MFIs) and public administrations were down €14bn and €6bn, respectively, and from households and businesses by €3bn, while the outstanding balance of non-monetary financial institutions (NMFIs) and insurance companies was unchanged. Deposits from MFIs, NMFIs and public administrations are more volatile than other deposits and depend on treasury or other types of conditions which are not relevant for an assessment of potential deposits outflows in Spain.  
  
NMFIs include deposits from Spanish central counterparty institutions –repos related to interbank funding- which decreased by €1.5bn.
- **Aggregate deposits and promissory notes of Spanish household and businesses deposits increased by €3bn in the month**, with a €6bn fall in business deposits, but a €3bn increase in household deposits and a €6bn increase in promissory notes in the hands of households and businesses.
  - According to our estimates, the outstanding balance of promissory notes increased by €6bn in October after declining by €16bn in September. The net impact between September and October is negative due to the elimination of the extra contribution by high-yield deposits to the Deposit Guarantee Fund (DGF). With these deposits no longer penalised, the growth of promissory notes is likely to lose steam.
  - Deposits from households and businesses fell €3bn, but were up €4bn on a seasonally-adjusted basis, mostly due to the seasonality of deposits from businesses.
  - The year-on-year decline of €37bn in October implies a fall of 4%, consistent with prevailing economic conditions and the ongoing deleveraging process. Including promissory notes, total household and business funds have remained broadly stable over the past year.

Table 1

## Deposits

	Outstanding balance		Month-on-month change		Year-on-year change	
	Sep-12	Oct-12	October 2012 (€bn)	%	October 2012 (€bn)	%
<b>September 2012</b>						
<b>Total deposits (a)+(b)+(c)</b>	2,502	2,477	-25	-1	-4	0
Total deposits Spain (a)	2,133	2,111	-22	-1	157	8
Credit institutions	610	596	-14	-2	281	89
Public administrations	49	41	-8	-15	1	1
Other Resident sectors - Spain (1)	1,475	1,474	-1	0	-155	-8
<b>Bank of Spain</b>						
NMFIs	511	512	1	0	-86	-14
Insurance companies	50	49	-1	-1	-2	-5
Other public administrations	26	28	2	7	1	6
<b>Non-financial companies (4)</b>	180	174	-6	-3	-22	-11
<b>Households (5)</b>	708	711	3	0	-14	-2
<b>Total deposits – eurozone (b)</b>	175	174	-1	-1	-94	-35
Credit institutions	142	142	-1	0	-34	-19
Public administrations	2	2	0	-1	2	799
Other resident sectors - eurozone (2)	30	30	0	-1	-63	-68
<b>Total deposits - RoW (c)</b>	194	192	-2	-1	-67	-26
Credit institutions	134	137	3	2	-15	-10
Public administrations	0	0	-0	-18	-1	-82
Other resident sectors – RoW (3)	60	55	-5	-9	-52	-48
<b>BBVA: Promissory notes - households and businesses (6)</b>	49	55	6	13	37	213
<b>ECB: Deposits – Other resident sectors – eurozone (1)+(2)</b>	1,505	1,544	-1	0	-187	-11
<b>Promemoria:</b>						
<b>Deposits and promissory note – households and businesses (4)+(5)+(6)</b>	937	940	3	0	1	0

Source: BBVA Research based on Bank of Spain data

## Financial Systems



Pº Castellana 81, 7 floor, 28046 Madrid | Tel.: +34 91 374 60 00 | www.bbvaesearch.com

## DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the “financial promotion order”), (ii) are persons falling within article 49(2) (a) to (d) (“high net worth companies, unincorporated associations, etc.”) Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**“BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance”.**

**BBVA is a bank supervised by the Bank of Spain and by Spain’s Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**