

# Financial Systems Flash

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Economic Analysis

Financial Systems Unit

## Aggregate household and domestic corporate deposits fell EUR7bn in February, seasonally adjusted

In February household and domestic corporate deposits fell more than expected, by EUR10bn, or EUR7bn seasonally adjusted. This drop is partly due to the change in savers' preferences, who are switching out of deposits into other higher-yielding products.

- **Total deposits (including all agents and geographies) fell by EUR16bn**

The fall was mainly due to the drop in domestic deposits (-EUR12bn). Meanwhile, EMU deposits rose EUR1bn, due to the increase in deposits from other resident sectors (ORS) in Europe; while those from the rest of the world went down by EUR5bn, reflecting deposit flows from banks outside the EMU.

- **Deposits from Spanish residents fell by EUR12bn this month**

Disaggregating by agents, we see that Financial Monetary Institutions (FMI) dropped again (EUR12bn) after the exceptional behaviour in January. In addition, the government as a whole (central government and other public-sector bodies) increased its deposits by nearly EUR13bn. Most of this increase has been in the form of repos. Meanwhile, other resident sectors in Spain declined by EUR13bn, with this variation unevenly spread between components. So, while the clearing houses increased their deposits by EUR6bn, asset securitisation funds continued the downward trend seen since the middle of 2012 and fell EUR4bn; collective investment institutions (CII) reduced theirs by EUR3bn; and the aggregate of households and companies went down by nearly EUR10bn.

- **Aggregate household and domestic corporate deposits (the two most important factors in determining deposit growth) contracted by EUR10bn in February**

Corporate deposits surprised to the downside, falling by more than EUR8bn; while households' contracted by EUR2bn. These falls are due in part to a change in preferences on the part of savers, switching out of deposits into higher-yielding products, confirmed by net inflows to investment funds. In addition, this may also be due to increased consumption, with the corresponding drop in precautionary savings. Seasonally adjusted, the aggregate of households and companies has declined by EUR7bn, and compared to the same month last year the rise was EUR23bn.

Table 1  
**Deposits**

February 2014		Outstanding balance		MoM change Feb-2014		YoY change Feb-2014	
		Jan-14	Feb-14	(EUR bn)	%	(EUR bn)	%
<b>Bank of Spain</b>	<b>Total deposits (a)+(b)+(c)</b>	2,179	2,162	-16	-1	-245	-10
	<b>Total deposits, Spain (a)</b>	1,868	1,856	-12	-1	-187	-9
	Credit institutions	384	373	-12	-3	-131	-26
	Public administrations	33	41	8	25	-14	-26
	Other resident sectors, Spain (1)	1,451	1,443	-8	-1	-41	-3
	NMFIs	408	406	-2	0	-70	-15
	Insurance companies	54	53	-1	-1	0	1
	Other public administrations	29	33	5	16	4	15
	<b>Non-financial corporations (4)</b>	205	197	-8	-4	5	3
	<b>Households (5)</b>	756	754	-2	0	19	3
	<b>Total eurozone deposits (b)</b>	181	182	1	1	4	2
	Credit institutions	142	138	-4	-3	-1	-1
	Public administrations	1	5	4	466	5	1.863
	Other resident sectors, eurozone (2)	38	39	1	2	0	-1
	<b>Total deposits, RoW (c)</b>	130	124	-5	-4	-62	-33
Credit institutions	88	83	-5	-6	-50	-38	
Public administrations	0	0	0	63	0	44	
Other resident sectors, RoW (3)	41	41	0	-1	-12	-22	
<b>ECB</b>	<b>Other eurozone resident sector deposits (1)+(2)</b>	1,489	1,482	-7	0	-42	-3

Source: BBVA Research based on Bank of Spain

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