

Flash Financial Systems

Deposits of households and businesses residents in Spain increase slightly in August

- **The total of deposits received by Spanish credit institutions has decreased significantly in August (-€40bn).** Part of this fall corresponds to repurchase agreements (or repos -€14bn) and to deposits from non-residents (-€24bn). Deposits from Spanish households and non-financial corporations, which are the ones that matter in order to analyse a potential deposit run, increase slightly month-on-month and decrease slightly year-on-year. The outstanding value of promissory notes (*pagarés*) in the hands of households and non-financial-corporations is estimated to have remained constant in August, so that the sum of deposits and promissory notes remains constant.
- **The statistics on the deposits of Spanish credit institutions, including the detail by agent.** The Bank of Spain has published today the chapter 8 of the statistical bulletin, which includes the harmonized series used by the ECB in their statistics. For the first time, both institutions have published their statistics the same day, which increases the transparency of the process.
- **The decrease of deposits in August has been of -€40bn,** which can be Split between residents in Spain (-€16bn), in EMU (-€14bn) and the rest of the world (-€10bn). As we are interested in analysing a potential deposit run, the important statistic is that of the deposits from Spanish residents. Besides, we have to distinguish by instrument, as the repo market – mainly interbank lending – justifies part of those falls (-€14bn).
- **In August deposits from national agents decreased by -€16bn, being the month-on-month decrease limited (-0.8%, or an increase of +0.4% after a seasonality adjustment).**
- **We have to take into account that about 40% of the outstanding value is attributable to agents who are not non-financial corporations or households.** Deposits from credit institutions, non-monetary financial institutions and public administrations are more volatile, and their evolution is caused by funding decisions or other considerations, so they cannot be used to analyse a potential deposit run. In August, these series explain the bulk of the change of the total outstanding value:
 - **The main reason behind the fall of -€15bn in the deposits of the non-monetary financial institutions (which include the issuers of securitizations) lies in the new funding strategy of credit institutions.** There has been an increase in redemptions of securitizations, mainly for reasons of collateral management. Therefore, the corresponding “mirror deposit” at the liabilities side of the bank’s balance-sheet is also cancelled, for an amount of around €8bn. Credit institutions have issued covered bonds to compensate for this, in an amount of €11bn, as this product can be pledged at the ECB, usually gets a better rating and has therefore a lower ECB haircut.
 - Deposits from investment funds and central counterparties have also been reduced in €2bn and €5bn, respectively. Deposits from central counterparties are repos used by banks as funding. As they are becoming more expensive, they are being substituted by ECB funding.
 - Finally, there are deposits from the issuers of preference shares and other marketable securities, which are usually bank branches. Redemptions of these securities, mainly preference shares, have also increased.
- **In a nutshell, Spanish households and non-financial corporations have increased their deposits slightly by €1bn.** According to our estimating, the outstanding value of the promissory notes acquired by these agents has remained constant in €64bn. This is because August is a month of limited commercial activity and possibly because credit institutions are taking precautionary steps in light of the expected removal of the penalty in the contribution of high-remunerated deposits to the Deposit Guarantee

Fund. The outstanding value of promissory notes has decreased € 9bn in the last year, so a -1%€ year-on-year growth. This is in line with current economic conditions and the current deleveraging process of the Spanish economy.

Table 1
Deposits

	August 2012	Outstanding amounts		Change mom August 2012		Change yoy August 2012	
		Jul-12	Aug-12	(bn€)	%	(bn€)	%
Bank of Spain	Total (a)+(b)+(c)	2.535	2.494	-	40	-	2
	Total in Spain (a)	2.147	2.131	-	16	-	1
	Credit Institutions	637	641	-	4	-	1
	Public Administrations	36	31	-	5	-	14
	Other Resident Sectors (1)	1.474	1.459	-	15	-	1
	Non-Monetary Financial Instit.	514	500	-	15	-	3
	Insurance	49	49	-	0	-	0
	Other Public Administrations	26	24	-	1	-	6
	Non-Financial Corporations (4)	176	179	-	3	-	2
	Households (5)	709	707	-	2	-	0
	Total in EMU (b)	190	176	-	14	-	7
	Credit Institutions	152	142	-	10	-	7
	Public Administrations	2	1	-	1	-	58
	Other Resident Sectors (2)	35	33	-	2	-	6
BBVA	Total in rest of World (c)	198	187	-	10	-	5
	Credit Institutions	140	131	-	9	-	7
	Public Administrations	0	0	-	0	-	18
	Other Resident Sectors (3)	58	57	-	1	-	2
ECB	Promissory notes: Non-F Corp & Households (6)	65	64	-	0	-	1
	Other Resident Sectors in EMU (1)+(2)	1.509	1.492	-	17	-	1
Promemoria:							
Deposits and promissory notes: Spanish Non-F Corp & Households (4)+(5)+(6)		950	950	1	0	-	9

Source: BBVA Research based on Bank of Spain

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