

# 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	
September 2012		Sep-12	Oct-12	October 2012		October 2012	
				(€bn)	%	(€bn)	%
Bank of Spain	<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
	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
BBVA	Credit institutions	134	137	3	2	-15	-10
	Public administrations	0	0	-0	-18	-1	-82
ECB	Other resident sectors – RoW (3)	60	55	-5	-9	-52	-48
	<b>Promissory notes - households and businesses (6)</b>	49	55	6	13	37	213
ECB	<b>Deposits – Other resident sectors – eurozone (1)+(2)</b>	1,505	1,544	-1	0	-187	-11
	<b>Promemoria:</b>						
ECB	<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

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