

DYNAMICS OF LOANS AND DEPOSITS IN BULGARIA AND THE EURO AREA IN THE PERIOD 2007–2017

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Abstract: *In this paper, the change of loans and deposits has been examined in Bulgaria and the euro area during the period 2007–2017. A comparative analysis has been carried out of the dynamics of the financial indicators in Bulgaria and the euro area. The major trends have been outlined in the dynamics of loans and deposits. Reasons for change of the financial indicators have been pointed out.*

Key words: *Loans, deposits, interest rates, banks, Bulgaria, euro area*

The study of the dynamics of loans and deposits in Bulgaria and the euro area is focused on some key indicators of the bank activities. Examination has been carried out of the absolute values of loans and deposits, their change on annual basis, the currency structure of loans and deposits in Bulgaria, interest rates on loans and deposits in the euro area. Analysis has been made of loans to non-financial corporations and loans to households – loans for consumption and loans for house purchase, deposits by the non-financial corporations and households. The period of examination is 2007 – 2017. In this study, official statistical data of the Bulgarian National Bank and the European Central Bank have been used.

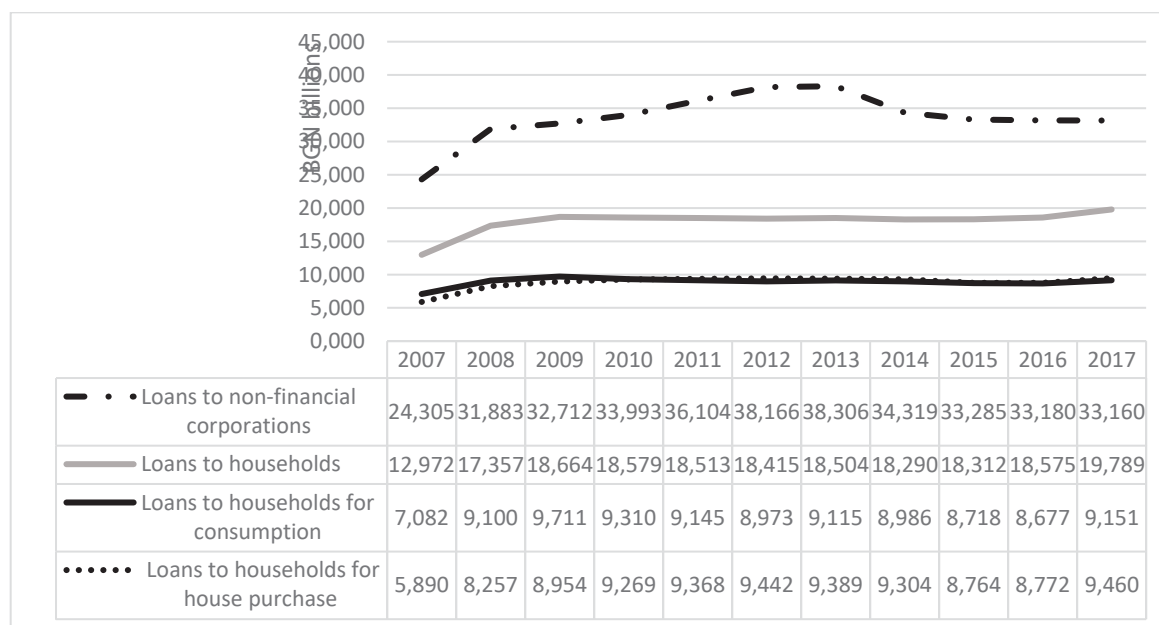


Figure 1: Loans to sectors non-financial corporations and households of the banking system in Bulgaria in the period 2007–2017 (BGN billion)

Source: BNB

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As seen from Figure 1, in the period 2007–2017 the loans to the non-financial corporations of the Bulgarian banks were at highest value, and in 2017 they amounted to BGN 33,160 billion. They grew significantly in 2008, their increase continuing until 2013, but at a slower rate. From 2014 until the end of the period, the indicator continuously decreased. The loans to households increased their value in 2008 and 2009, after which they stood at close values until 2017 when a climb was registered. It is noted that the loans for consumption and the loans for house purchase changed largely in parallel. By 2010 the loans for consumption in Bulgaria exceeded in value the loans for house purchase, while from 2011 until the end of the reviewed period, the loans for house purchase were at higher values.

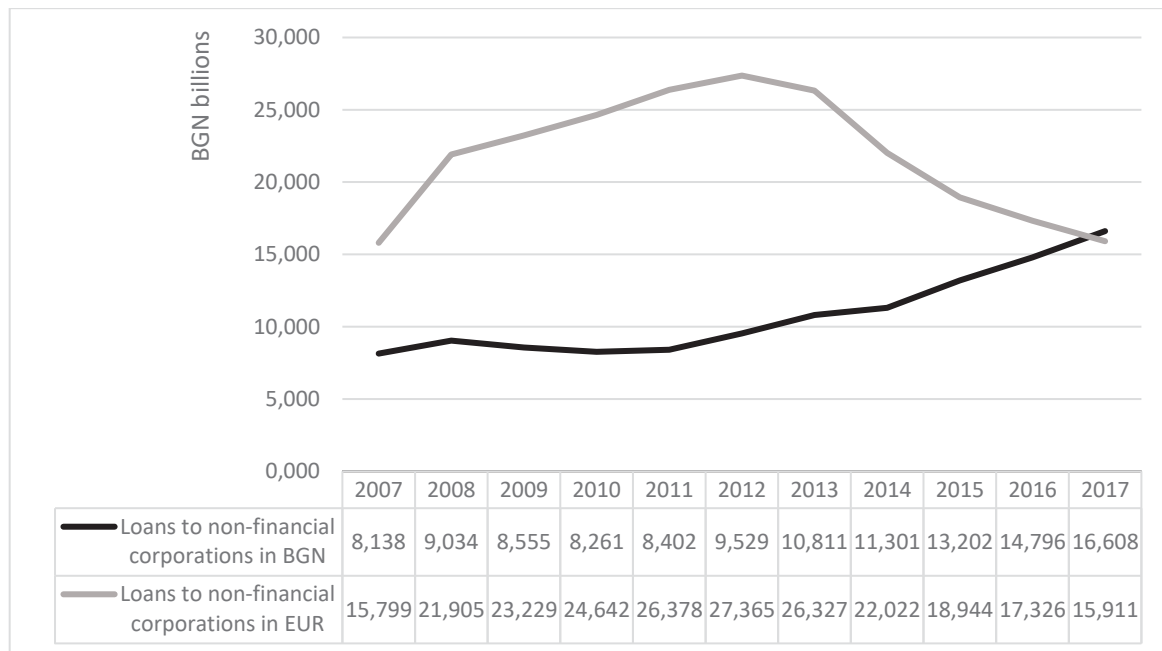


Figure 2: Loans to non-financial corporations of the banking system in Bulgaria in the period 2007–2017 in BGN and EUR (BGN billion)

Source: BNB

In the period 2007–2016, the loans to non-financial corporations of the banking system in Bulgaria in EUR exceeded the loans in BGN. In 2017, the trend reversed and the loans in BGN predominated. At the beginning of the reviewed period, the loans to non-financial corporations in EUR exceeded twofold the loans granted in BGN in Bulgaria, that difference increasing over the next years and in the period 2010–2012 the loans in EUR already exceeded three times the loans in BGN. After that, until the period-end, that difference had continuously declined. Loans to non-financial corporations in BGN went up slightly in 2008, after which they dropped until 2011, and after that until the period-end a surge up was recorded. Loans to non-financial corporations in Euro in Bulgaria grew in the period 2007–2012, after which they declined until the end of the period.

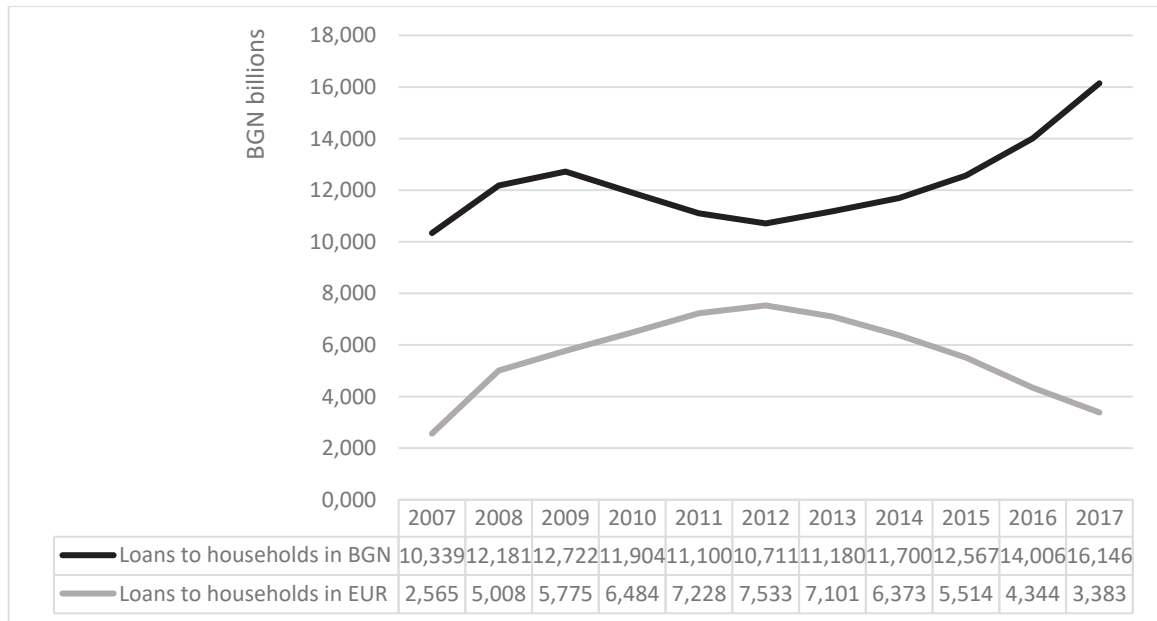


Figure 3: Loans to households of the banking system in Bulgaria in the period 2007–2017 in BGN and EUR (BGN billion)

Source: BNB

During the analyzed period, the loans to households in BGN in Bulgaria exceeded significantly the loans granted by the banks in EUR. The difference decreased until 2012 when it was smallest, after which it increased until period-end. The loans to household in BGN increased their value in 2008 and 2009, after which a reduction was observed until 2013, after that by the end of the period a climb was registered. The loans to households in Euro of the Bulgarian banks went up until 2012, after which until 2017 they declined.

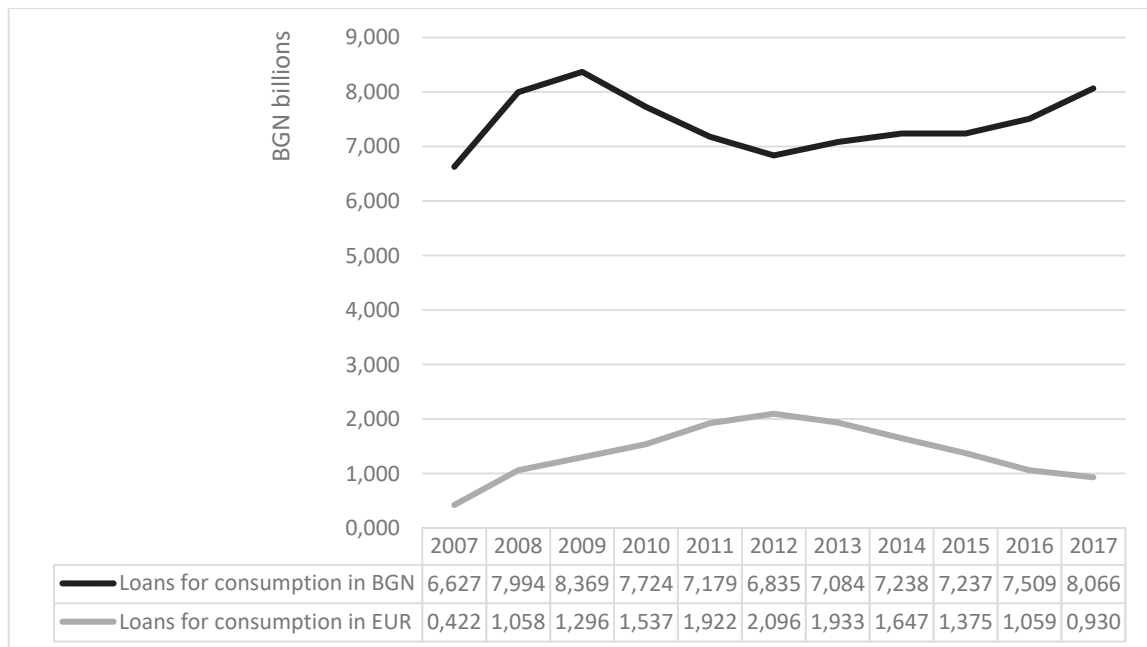


Figure 4: Loans for consumption to households of the banking system in Bulgaria in the period 2007–2017 in BGN and EUR (BGN billion)

Source: BNB

It can be seen in Figure 4 that the loans to household for consumption of the banking system in Bulgaria in the period 2007–2017 in BGN exceeded multifold the loans granted in Euro. The loans for consumption in Euro increased almost five times by 2012, after which until 2017 a continuous decline of the indicator was observed. In the loans to households for consumption in BGN in Bulgaria, a rise was recorded in 2008 and 2009, followed by a reduction in the period 2010–2012, after that until the period-end an increase of the indicator was observed.

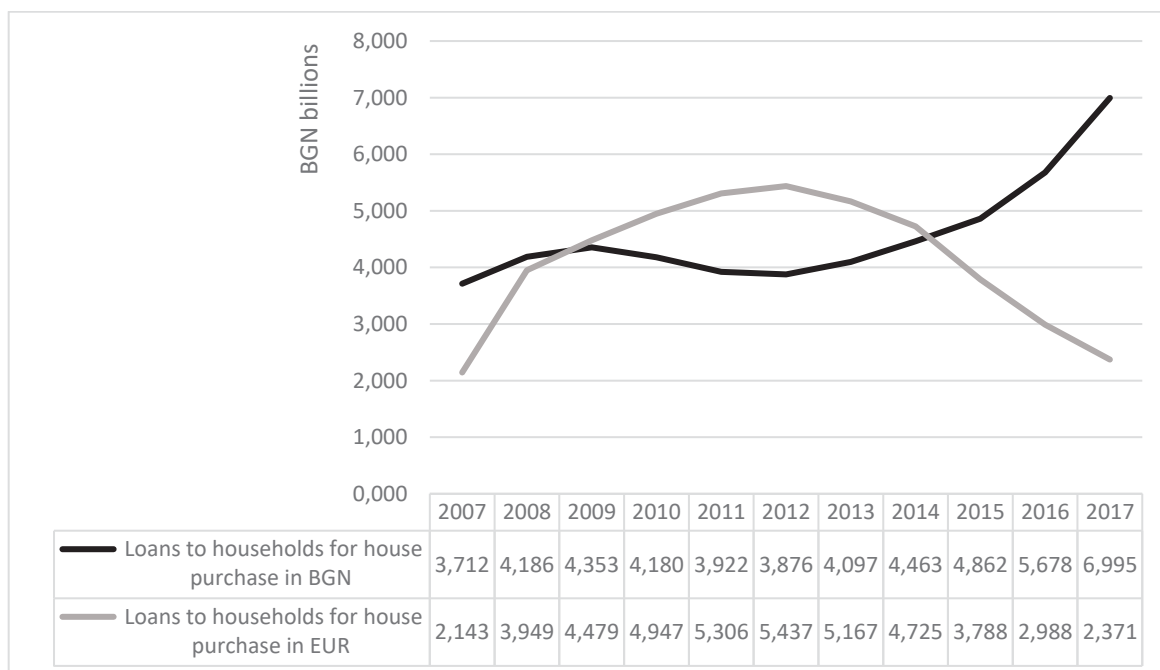


Figure 5: Loans to households for house purchase of the banking system in Bulgaria in the period 2007–2017 in BGN and EUR (BGN billion)

Source: BNB

As seen in Figure 5, at the beginning of the period under review, the loans to households for house purchase in Bulgaria were predominantly in BGN. From 2009 to 2014, the loans in EUR exceeded those in BGN, after which until the end of the period the trend reversed and the larger part of the loans was in BGN. Loans to households for house purchase in BGN of the Bulgarian banks increased their value in 2008 and 2009. In the period 2010–2012, they went down, after which until the end of the analyzed period a climb in the indicator's value was recorded. The loans for house purchase in EUR grew in the period 2007–2012 more than twice, after which a decrease was observed until 2017, when values close to those at the beginning of the period were reached.

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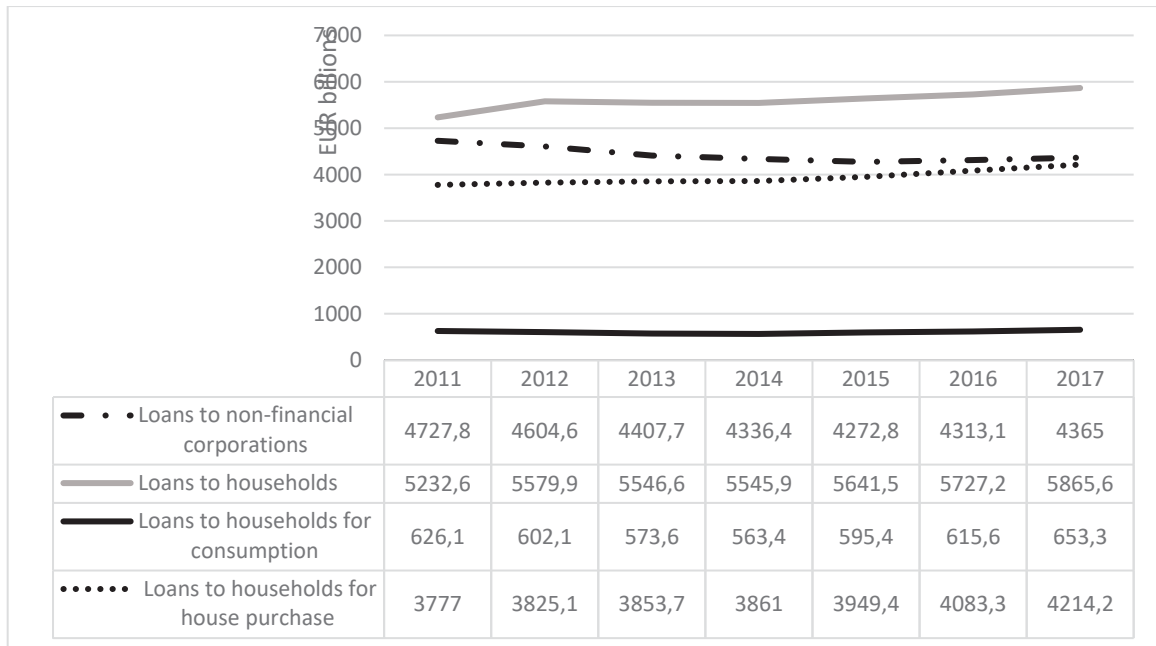


Figure 6: Loans to sectors non-financial corporations and households of the banks in the euro area in the period 2011–2017 (EUR billion)

Source: ECB

As a whole, no substantial change was observed in the values of the loans to sectors non-financial corporations and households of the banks in the euro area during the period 2011–2017. In contrast to Bulgaria, the loans to households exceeded the loans granted to non-financial corporations in the euro area. The loans to non-financial corporations declined towards the end of the period compared with its beginning. In loans to households in 2017, a rise was noted in comparison with 2011, and that was observed both in regard to loans for consumption and loans for house purchase. Within the loans to households, the loans for house purchase exceeded more than sixfold in values the loans for consumption.

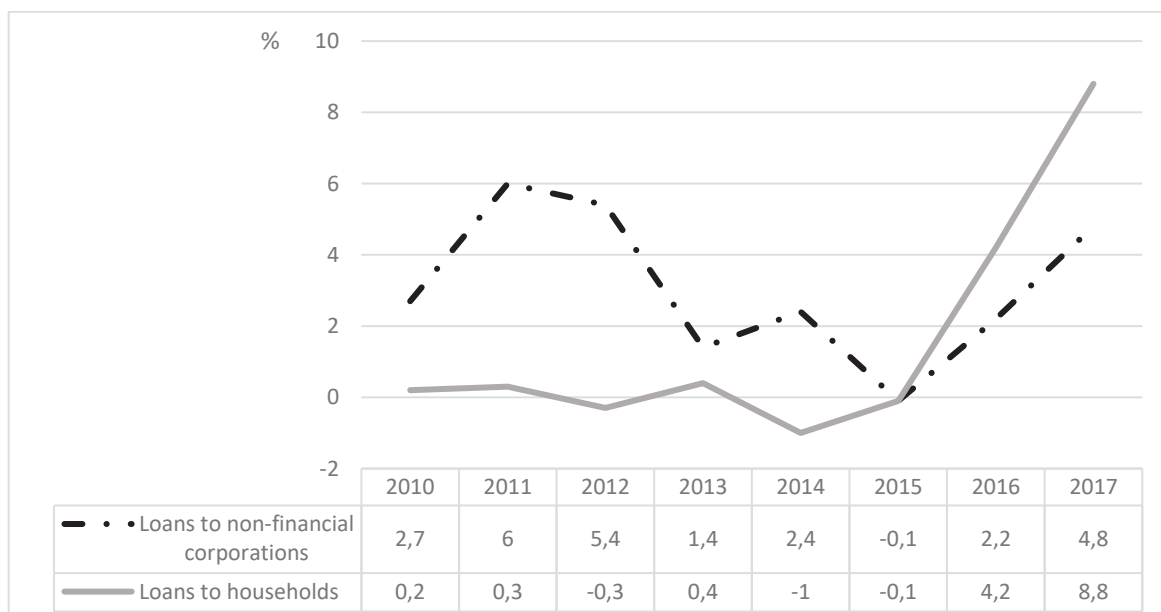


Figure 7: Annual growth rates of loans to sectors non-financial corporations and households of the banking system in Bulgaria in the period 2010–2017 (%)

Source: ECB

As it can be seen from Figure 7, the loans to sectors non-financial corporations and households in Bulgaria did not change in parallel until 2016, when in both types of loans a surge up was registered which continued in 2017 as well. The increase of the provided loans was largely due to the low interest rates. The loans to households grew to a much greater extent than those to the non-financial corporations. During the analyzed period, significant dynamics was also observed in both types of loans, which was more strongly expressed in loans to the non-financial corporations until 2015. In the loans to households, a decline was recorded in more years during the period, compared with the loans to non-financial corporations.

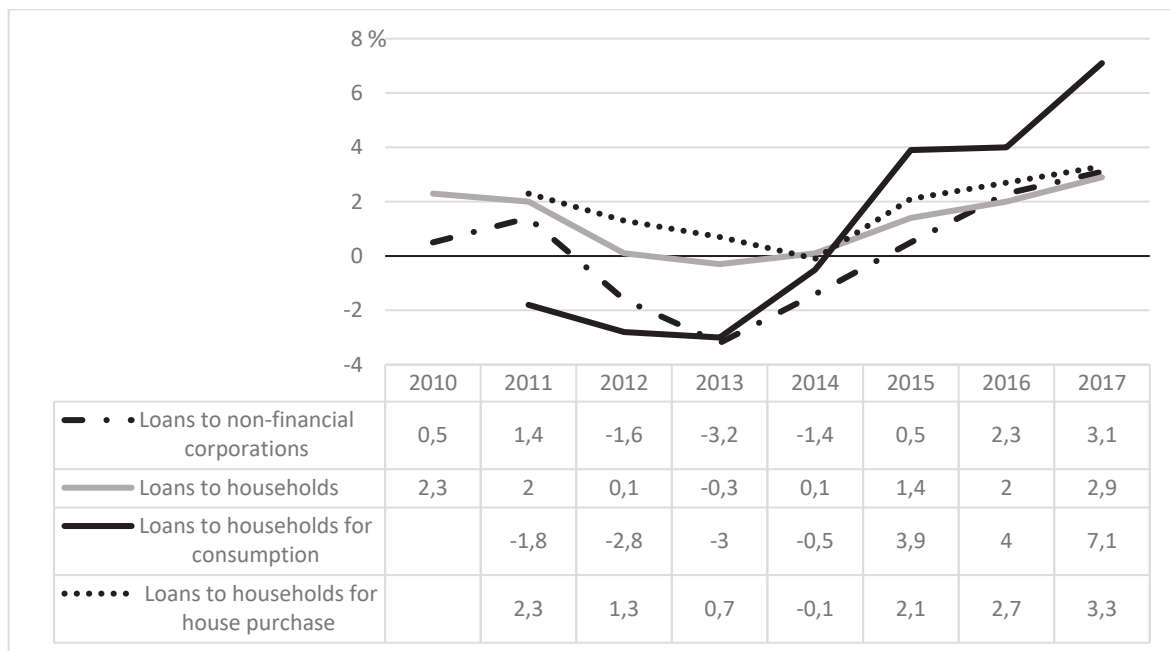


Figure 8: Annual growth rates of loans to non-financial corporations and households of the banks in the euro area member states in the period 2010–2017 (%)

Source: ECB

Most significant dynamics was observed in loans to non-financial corporations and loans to households for consumption in the euro area. The loans to non-financial corporations of the banks in the euro area declined during the period 2012–2014. The loans for consumption registered a decrease in the period 2011–2014. No parallel change was observed with the separate types of loans. Greatest reduction in loans to non-financial corporations, loans to households and loans for consumption was recorded in 2013.

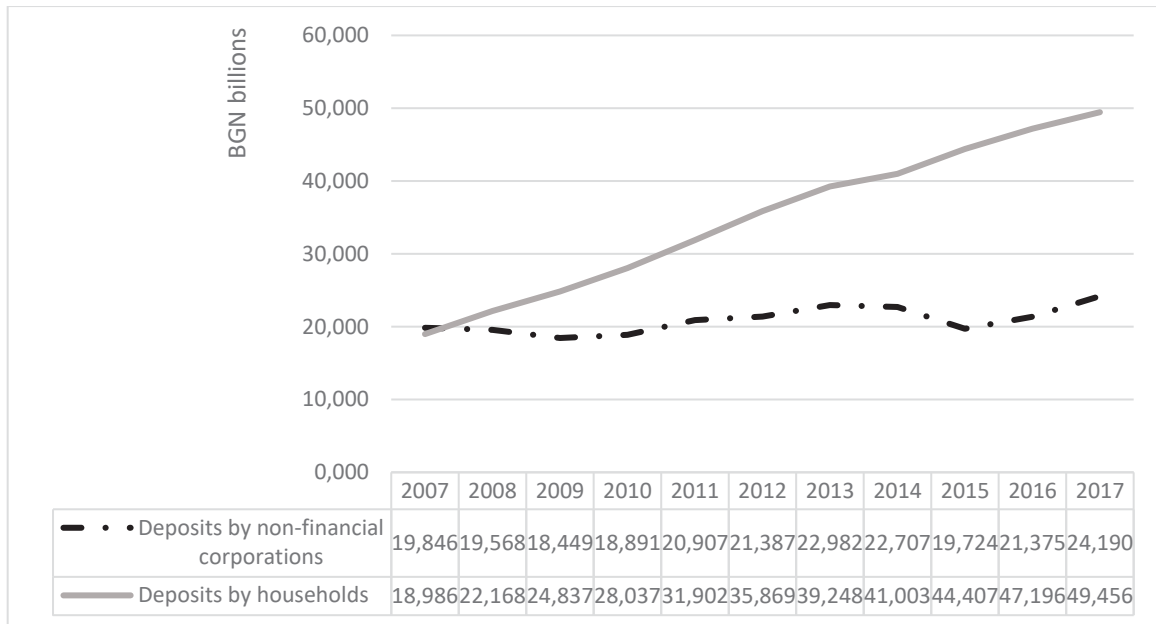


Figure 9: Deposits in sectors non-financial corporations and households in the Bulgarian banking system in the period 2007–2017 (BGN billion)

Source: BNB

During the analyzed period, with the exception of 2007, the deposits by households were at higher values than the deposits by non-financial corporations in Bulgaria. The deposits by the non-financial corporations in the Bulgarian banks retained close values until 2016 and marked a slight increase in 2017. The deposits of households grew continuously during the reviewed period and in 2017 they increased two and a half times, compared with 2007. The deposits of households in Bulgaria increased despite of the low interest rates on deposits. Thus, liquid funds of great value were accumulated in the Bulgarian banking system.

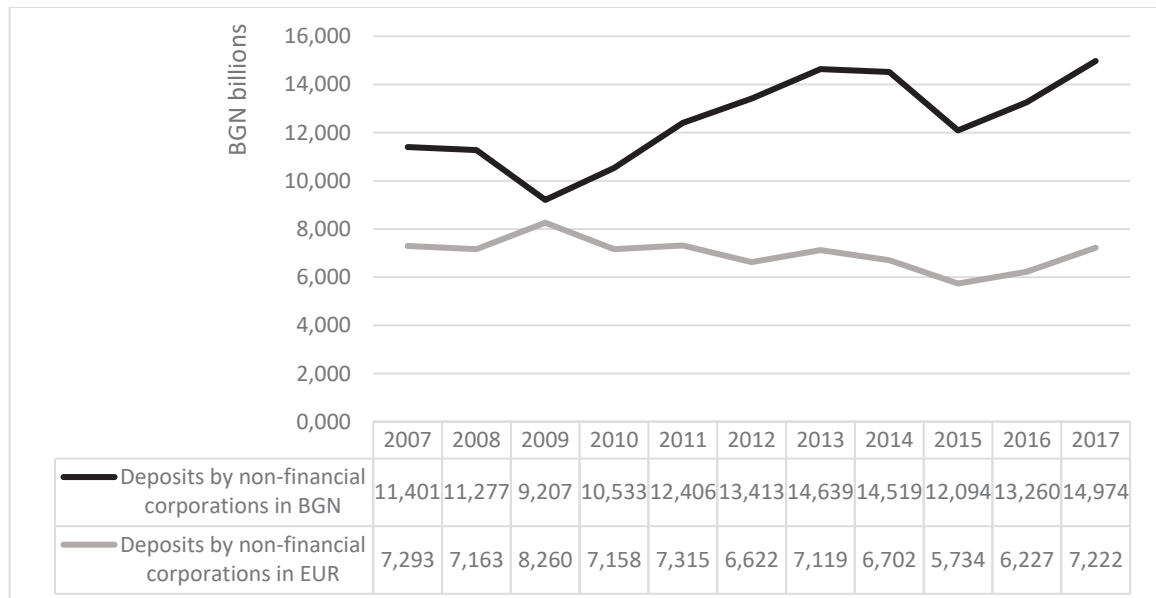


Figure 10: Deposits by non-financial corporations in the banking system in Bulgaria during the period 2007–2017 in BGN and in EUR (BGN billion)

Source: BNB

During the period 2007–2017, the deposits by non-financial corporations in the banking system in Bulgaria in BGN exceeded the deposits in EUR. Since 2013 the two types of deposits changed in parallel. It is noted that the lowest value of the nonfinancial corporations' deposits in BGN and the highest value of the non-financial corporations' deposits in EUR were recorded in 2009. That most likely was due to the impact of the global financial and economic crisis. The companies preferred to increase their deposits in EUR and to decrease those in BGN, but the deposits in BGN were predominant in that year as well. A drop in both types of deposits was registered in 2015.

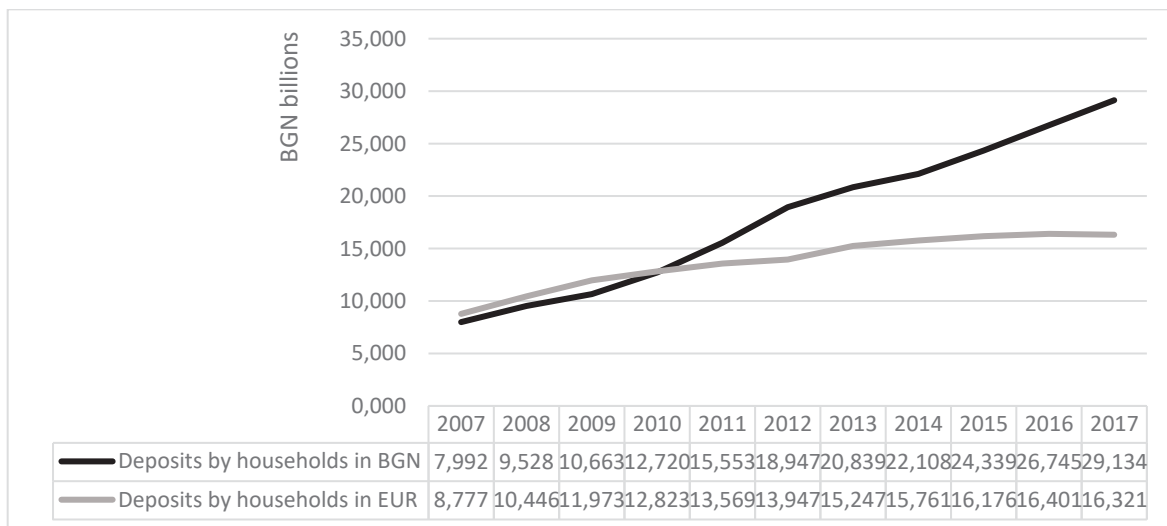


Figure 11: Deposits by households in the banking system in Bulgaria for the period 2007–2017 in BGN and EUR (BGN billion)

Source: BNB

Until 2010, the deposits by households in EUR in the banking system of Bulgaria exceeded in value the deposits in BGN, the two types of deposits being at near levels. Since 2011, the trend reversed and the larger portion of the households' deposits in Bulgarian banks was in BGN, that difference continuously deepening until the period-end. Both household's deposits in BGN and those in EUR continuously climbed during the analyzed period, the deposits in BGN increasing to a greater extent.

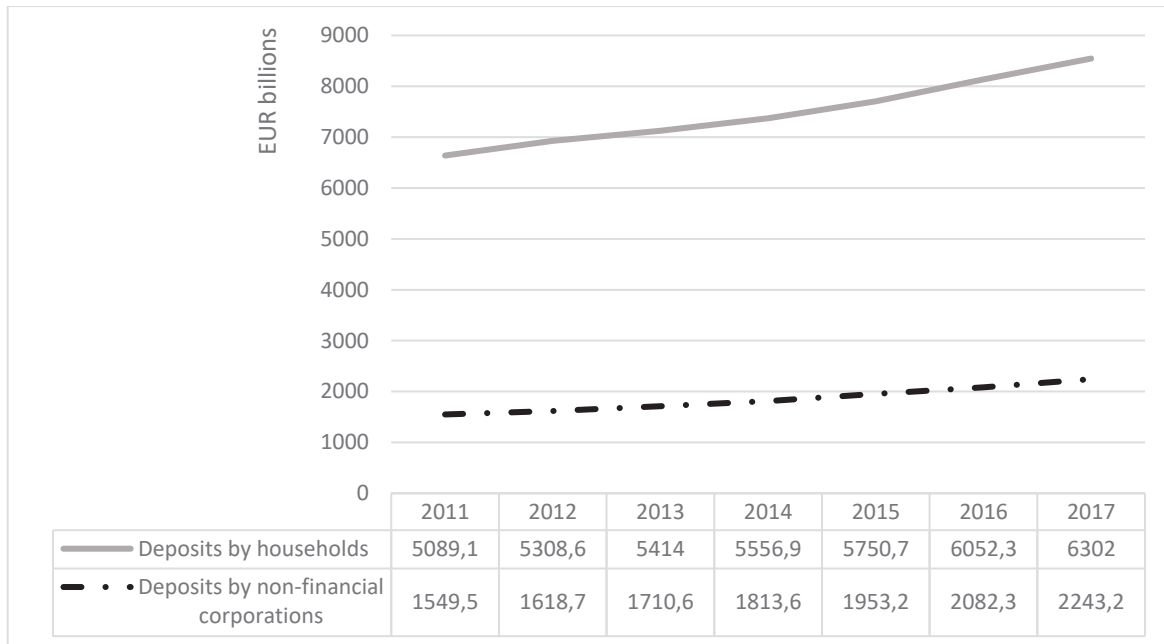


Figure 12: Deposits by sectors non-financial corporations and household with the banks in the euro area in the period 2011–2017 (EUR billion)

Source: ECB

Throughout the whole analyzed period, the deposits by households exceeded around three times the deposits by non-financial corporations in the euro area. In both types of deposits in 2017 there was an increase, compared with 2011.

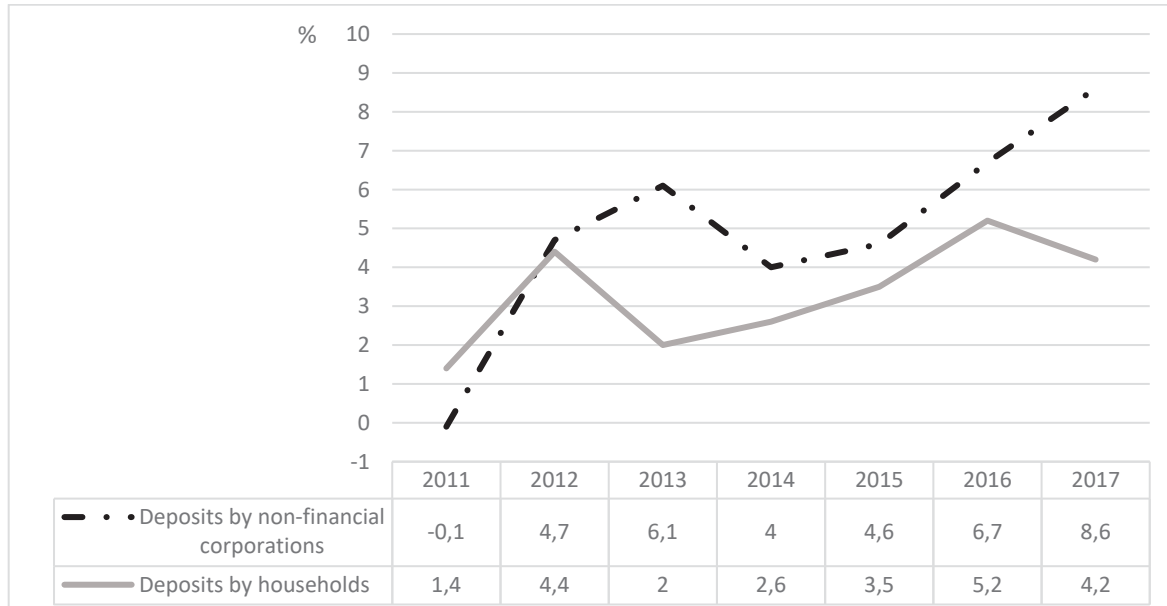


Figure 13: Annual growth rates of deposits by non-financial corporations and households of the banks in the euro area countries in the period 2011–2017 (%)

Source: ECB

High dynamics was observed in the deposits by non-financial corporations and households in the euro area countries during the period 2011–2017, it being more significant in deposits by non-financial corporations. No parallel change was observed of the two types of deposits.

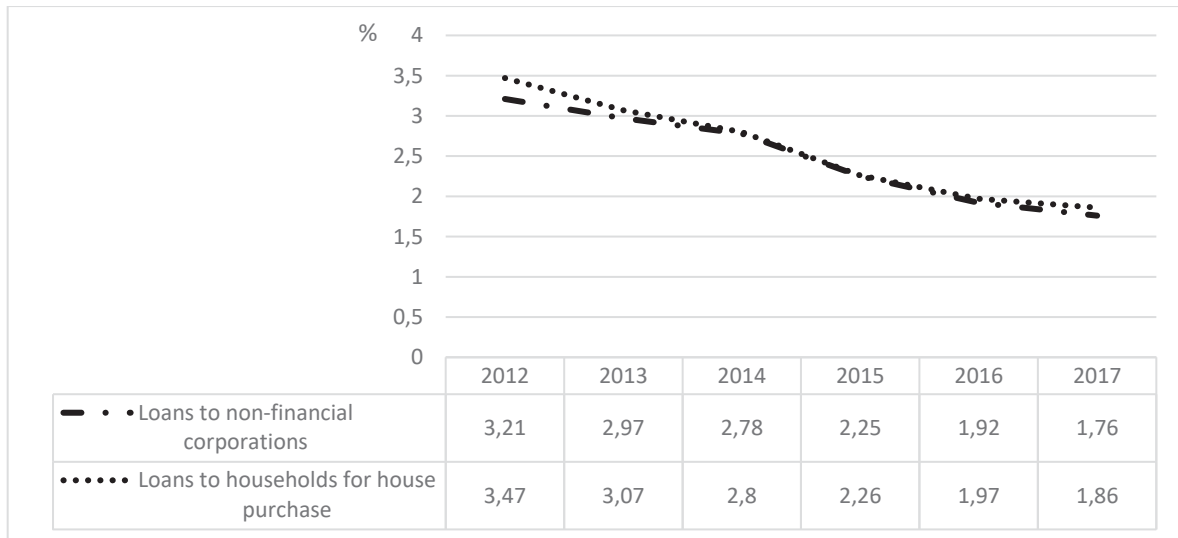


Figure 14: Interest rates for new business on loans to non-financial corporations and loans to households for house purchase of the banks in the euro area in the period 2012–2017 r. (%)
Source: ECB

Interest rates for new business on loans to non-financial corporations and loans to households for house purchase of the banks in the euro area in the period 2012–2017 were at near levels and changed in parallel. They fell continuously and substantially during the period under review.

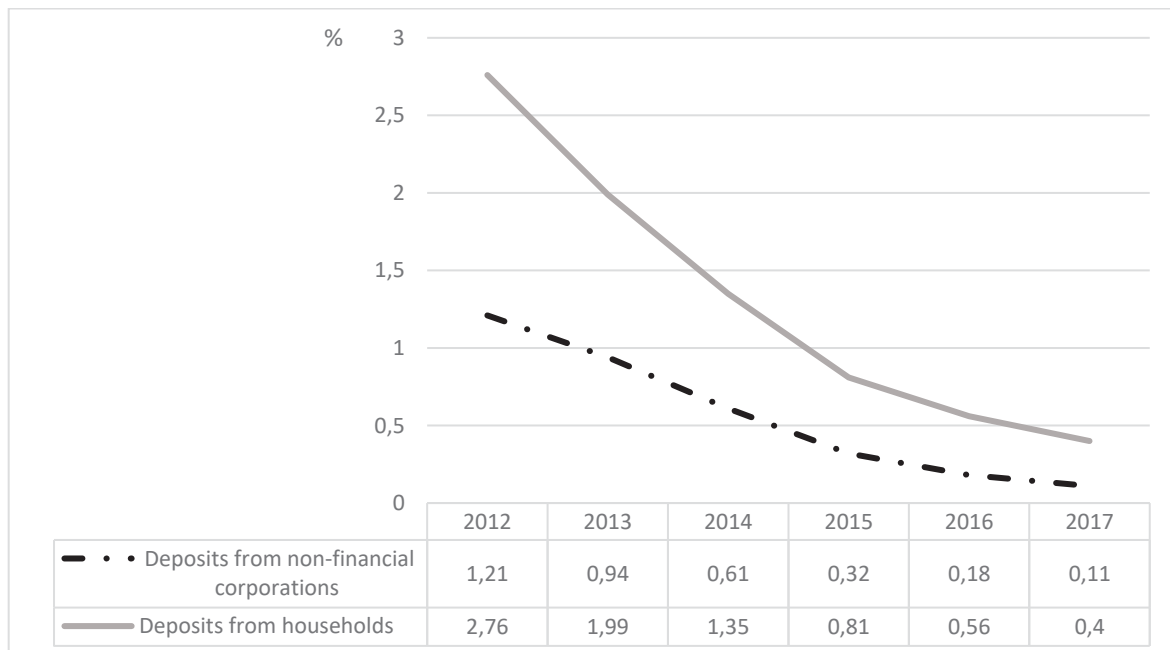


Figure 15: Interest rates for new business on deposits by sectors non-financial corporations and households of the banks in the euro area in the period 2012–2017 (%)
Source: ECB

The interest rates for new business on deposits by non-financial corporations were lower than the interest rates for new business on deposits by households of the banks in the euro area in the period 2012–2017. The interest rates for new business on deposits continuously decreased during the period. In 2017, the interest rates for new business on deposits by non-financial corporations dropped 11 times, compared with 2012, and in the interest rates for new business

on deposits by households the fall was nearly seven times. The interest rates on loans and deposits in the euro area and in Bulgaria depend to a large extent on the interest rates of ECB.

Conclusions which can be drawn from the analysis of the dynamics of loans and deposits in Bulgaria and the euro area in the period 2007–2017 are:

- the loans to non-financial corporations in Bulgaria were at highest value;
- the loans to households in BGN in Bulgaria considerably exceeded the loans in EUR during the period under review;
- the values of the loans to non-financial corporations and households in the euro area remained at near values during the analyzed period. In contrast to Bulgaria, in the euro area the households' loans exceeded the loans granted to non-financial corporations;
- during the analysed period, except for 2007, the deposits by households exceeded the deposits by non-financial corporations in the Bulgarian banks. While the deposits by non-financial corporations in Bulgaria remained at near values until 2016 and marked a slight climb in 2017, the deposits by households increased continuously during the period 2007–2017 and in 2017 they grew twice and a half times, compared with 2007. The households' deposits in Bulgaria increased despite of the low interest rates on deposits and considerable liquid resources were accumulated at the Bulgarian banks. The deposits of non-financial corporations in BGN marked their lowest value and the deposits of non-financial corporations in EUR their highest value in 2009. That most likely was due to the impact of the global financial and economic crisis. The companies increased their deposits in EUR and decreased the deposits in BGN. The deposits by households in BGN and the deposits by households in EUR continuously grew during the analysed period, while the increase of the deposits in BGN was more considerable;
- in the period 2011–2017, in the euro area the deposits by households had about three times higher values, compared with the deposits by the non-financial corporations. The deposits by households and the deposits by non-financial corporations in 2017 were at higher value than in 2011;
- the interest rates for new business on loans to non-financial corporations and to households for house purchase in the euro area were continuously and substantially decreasing in the period 2012–2017;
- the interest rates for new business on deposits in the euro area member states continuously and strongly declined during the analysed period. The interest rates on loans and deposits in the euro area and Bulgaria to a large extent depend on the interest rates of ECB.

REFERENCES

- [1] <http://sdw.ecb.europa.eu>
- [2] <http://www.bnb.bg/>