

LOANS TO HOUSEHOLDS AND ENTERPRISES

STATISTICALLY REPORTED AND ADJUSTED TIME SERIES

Rastislav Čársky, National Bank of Slovakia

In 2000 and 2001, the statistically reported volumes of loans to households and enterprises were affected by several operations and developments. In principle, the individual factors that affected the volume of loans, may be divided into two groups. The first group is connected with the restructuring of loan portfolios at commercial banks and the second with the cessation of operations at specific banking institutions.

Operations connected with the restructuring of selected commercial banks

a) Capitalisation of interest

At the end of 1999, the non-performing loans of selected banks were reclassified as standard loans to specialised institutions, in the amount of Sk 82 billion. Until December 1999, classified loans in this amount had generated a relatively marked capitalisation of interest on bad loans, which increased the volume of loans to households and enterprises, as well as the rate of growth. Such growth in loans was not of monetary nature and did not represent an inflow of funds into the economy. The transfer of a large part of classified loans and their reclassification as standard loans (to specialised institutions) reduced the rate of interest capitalisation considerably in 2000, which led to a slowdown in the rate of growth in bank lending. For that reason, the NBS extrapolated the rate of interest capitalisation which would have occurred if the bad loans of banks had not been restructured.

b) Reclassification of loans to non-residents as loans to residents

June 2000 saw the second stage of reclassification of the non-performing loans of selected banks as standard loans to specialised institutions. Within the scope of this operation, foreign-currency loans to non-residents were also transferred to the Slovak Consolidation Agency (Slovenská konsolidačná agentúra – SKA), in the amount Sk 4.1 billion. Within the monetary survey methodology these loans had been part of the foreign sources of the money supply until June 2000. With the transfer of these loans to SKA, they were reclassified as Slovak-crown loans to residents, which are included in the aggregate ‘loans to households and enterprises’. This operation led to a fall in foreign assets and an increase in loans to households and

enterprises. To ensure the comparability of time series, it was necessary to deduct this amount from the volume of loans reported statistically.

c) Partial write-off of claims

Within the second stage of restructuring in June 2000, restructured loans were not transferred to SKA in full amount, i.e. the fall in the volume of classified loans was not fully replaced with standard loans. For that reason, one of the banks suffered a loss from the transfer in the amount of Sk 3.3 billion, which was covered by loan-loss provisions. This operation led to a fall in the amount of loans to households and enterprises in the accounts. In analytical time series, the NBS added this amount to the statistically reported volume of loans.

d) Issue of restructuring bonds

In connection with loan portfolio restructuring, the most significant changes in the statistically reported volume of loans took place in January and March 2001. In those months, government bonds were issued for restructuring the loan portfolios of commercial banks, in the total amount of Sk 105 billion. In this way, loans in the portfolios of banks were replaced with government bonds. This operation caused the statistically reported volume of loans to households and enterprises to fall by Sk 72.3 billion in January 2001 and by Sk 21.3 billion in March 2001 (by a total of Sk 93.6 billion); the remaining bonds issued (up to Sk 105 billion) were used for the replacement of interbank loans, i.e. loans provided by selected banks to Konsolidačná banka (Consolidation Bank).

Changes resulting from the cessation of operations at certain banks

In 2000 and 2001, four banking entities were closed in Slovakia – AG banka (AG Bank); Slovenská kreditná banka (Slovak Credit Bank); Dopravná banka (Transport Bank); and Devín banka (Devín Bank). The cessation of operations at these banks led to the cessation of statistical reporting, as a result of which the volume of loans reported statistically fell by the amount of loans included in the balance sheets of the institutions. In connection with the cessation of operations at these banks, the recorded volu-



me of deposits also fell, but this fall 'returned' to recording through the refund of deposits via the Deposit Protection Fund. For this reason, the volume of deposits saw only temporary fluctuations, which did not require the creation of analytical time series. Unlike deposits, the loan portfolios of these banks 'disappeared' from statistical reporting. This fact necessitated a change in analytical time series as well, involving a total of Sk 13.9 billion.

In 2002, it was also necessary to make some adjustments to the time series in connection with the cessation of operations at Konsolidačná banka and its merger with Slovenská konsolidačná agentúra (SKA). On 31 January, Konsolidačná banka had loans in its portfolio (methodically included in the aggregate 'loans to households and enterprises') in the amount of Sk 31.5 billion. This means that the cessation of operations at the above bank reduced the statistically reported volume of loans by the same amount.

The overall cumulative volume of adjustments to loans for the needs of analytical time series had reached Sk 114.5 billion by January 2002 and increased to Sk 146.0

billion in February 2002. In 2000 and 2001, the National Bank of Slovakia published analytical (adjusted) time series of loans to households and enterprises, which were increased by the cumulative amount of individual adjustments compared with the statistically reported volume of loans. In the given period, such an increase in statistically reported time series (present figures) represented the only solution for ensuring the comparability of the dynamics of bank lending in 2000/2001 and in the preceding years.

If we assume that, in future, the volume of loans reported will not undergo marked changes due to extraordinary operations, such as loan portfolio restructuring (the banking sector has shown signs of recovery in the last two years), then the volume of loans reported in February 2002 will be comparable in calculating the dynamics of bank lending in the coming years. This means that the volume of loans reported in future, will be comparable with the figure for February 2002. For that reason, the maintenance of the up-to-now published adjusted time series, which will be increased by a constant amount (Sk 146.0 billion)

Statistically reported and adjusted volumes of loans to households and enterprises and the annual rates of growth

Period	Volumes in billions of Sk			Year-on-year growth in %		
	Time series reported	Adjustment ex ante (increase in current figures)	Adjustment ex post (decrease in past figures)	Time series reported	Adjustment ex ante (increase in current figures)	Adjustment ex post (decrease in past figures)
January 2000	398.7	399.0		3.9 %	4.0 %	
February 2000	399.5	400.2		4.1 %	4.3 %	
March 2000	399.2	400.2		3.5 %	3.7 %	
April 2000	401.3	402.6		2.9 %	3.2 %	
May 2000	395.7	401.3		1.2 %	2.6 %	
June 2000	401.3	406.3		2.2 %	3.5 %	
July 2000	403.2	413.6		2.8 %	5.5 %	
August 2000	404.5	415.3		2.3 %	5.1 %	
September 2000	400.1	412.3		1.2 %	4.3 %	
Oktober 2000	399.2	411.7		1.4 %	4.5 %	
November 2000	393.3	410.2		-0.3 %	4.0 %	
December 2000	396.1	413.3		-0.3 %	4.0 %	
January 2001	328.0	417.5	271.5	-17.7 %	4.6 %	7.3 %
February 2001	326.0	415.5	269.5	-18.4 %	3.8 %	6.0 %
March 2001	304.6	415.4	269.4	-23.7 %	3.8 %	6.0 %
April 2001	309.5	420.3	274.3	-22.9 %	4.4 %	6.9 %
May 2001	307.2	418.0	272.0	-22.4 %	4.2 %	6.6 %
June 2001	312.9	423.7	277.7	-22.0 %	4.3 %	6.7 %
July 2001	314.0	424.8	278.8	-22.2 %	2.7 %	4.2 %
August 2001	315.1	425.9	279.9	-22.1 %	2.6 %	3.9 %
September 2001	316.9	427.7	281.7	-20.9 %	3.7 %	5.8 %
Oktober 2001	318.0	432.5	286.5	-20.3 %	5.0 %	7.8 %
November 2001	322.9	437.4	291.4	-17.9 %	6.6 %	10.3 %
December 2001	321.7	436.2	290.2	-18.8 %	5.5 %	8.6 %
January 2002	323.7	438.2	292.2	-1.3 %	5.0 %	7.6 %
February 2002 *	295.3	441.3	295.3	-9.4 %	6.2 %	9.6 %

* Preliminary data.

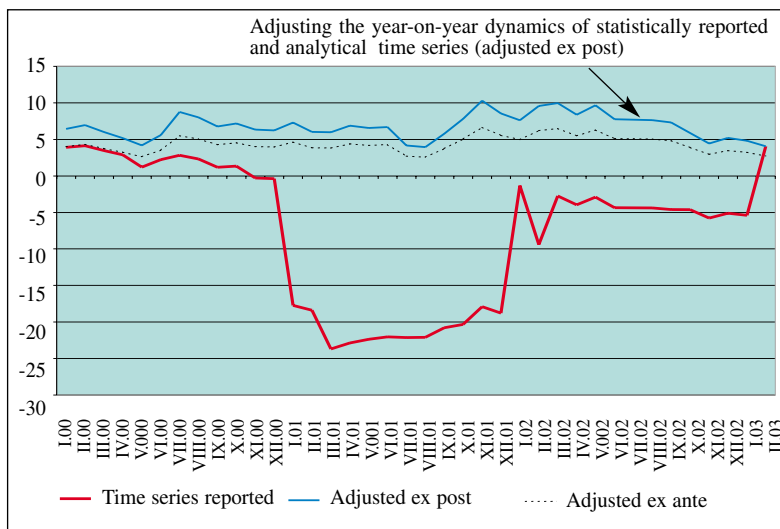
in comparison with the statistically reported volume of loans, seems to be relatively inappropriate and incorrect. The comparison of an analytical time series adjusted in that way with the statistically reported volume of loans, may be ambiguous after a certain period of time (e.g. 10 years).

For the conduct of monetary policy, it is important to know the trend of development in 2002, whether lending activities are on the increase, and what course they follow in general. However, it is not expected that the dynamics of bank lending be comparable with the previous years.

The following table shows the differences in the development of loans in officially reported time series, analytical time series published prior to 2002 (with the current figures increased), and the new analytical time series – from 2002 (with the past figures decreased).

Regarding the rate of year-on-year growth in loans, the rates of growth calculated from statistically reported and new analytical time series (adjustment ex post) will converge. This may be proven by extrapolating the development of loans until February 2003. The graph indicates

Year-on-year growth in loans



that, while the new analytical time series (adjustment ex post) becomes comparable with the time series reported statistically, the previously applied time series (adjustment ex ante) will continue to show differences.

With effect from February 2002, the NBS publishes loans to households and enterprises according to both methodologies.