

ABI MONTHLY REPORT¹ – December 2020

(Main evidence)

BANK LENDING PERFORMANCE

1. In December 2020, **loans to households and non-financial corporations were up yoy by +5.5%**. This result is derived from estimates based on data published by the Bank of Italy relating to loans to households and non-financial corporations (calculated including loans that have been securitised and net of variations unrelated to transactions, e.g. changes due to fluctuations in exchange rates, value adjustments or reclassification) (*cf. Table 1*).
2. In November 2020, **loans to non-financial corporations posted a 8,1% yoy increase. Loans to households were up yoy by 2.2%**.

LENDING INTEREST RATES

3. In December 2020, **interest rates on new loans fall further, at record lows**, and showed the following trends (*cf. Table 2*):
 - the **average rate on total loans** was **2.28%** (2.30% the previous month and 6.18% prior to the onset of the crisis, at the end of 2007);
 - **the average rate on new loans for house purchasing is at record lows, at 1.27%** (1.27% in November 2020 as well; 5.72% at the end of 2007);
 - **the average rate on new business loans** stood at **1.30%** (1.33% in the previous month; 5.48% at the end of 2007).

CREDIT QUALITY

4. **Net bad loans** (i.e. net of the write-downs and provisions already made by the banks with own resources) **in November 2020 stood at 23.6 billion euro, in decrease compared to 29.3 billion euro recorded in November 2019** (-5.8 billion euro equal to -19.6%), and **38.2 billion euro recorded in November 2018** (-14.6 billion euro equal to -38.3%) (*cf. Table 3*). Compared to the highest level of net bad loans reached in November 2015 (88.8 billion), **the decline is over 65 billion euro** (equal to -73.5%).
5. **The ratio of net bad loans to total loans stood at 1.35%** in November 2020 (it was 1.69% in November 2019, 2.22% in November 2018 and 4.89% in November 2015).

¹ The ABI monthly report makes available a series of quantitative information before any other survey regarding the same data. This is possible because the banks themselves have produced this information.

CUSTOMER FUNDING TREND

6. In Italy, in December 2020, **total funding** (deposits from resident customers and bonds) grew by **+7,8%** yoy. **Deposits** (current accounts, certificates of deposit, repurchase agreements) **increased** in December 2020, by **over 162 billion euro compared to the previous year** (an increase of +10,3%, yoy), while **medium and long term funding**, i.e. through bonds, **decreased by over 20 billion euro** in absolute terms, over the last 12 months (equal to -8.6%). (cf. Table 4).

INTEREST RATES ON DEPOSITS

7. In December 2020, the **average interest rate on total bank funding** from customers (the sum of deposits, bonds and repurchase agreements in euro from households and non-financial corporations) **in Italy stood at 0.50%** (0.50% in the previous month as well) as a result of:
- the **rate charged on deposits** (current accounts, savings deposits and certificates of deposit), equal to **0.33%** (0.33% in the previous month as well);
 - the **rate on repurchase agreements**, which stood at **0.88%** (0.92% the previous month as well);
 - the **outstanding bond yield, equal to 1.93%** (1.93% in November 2020 as well; cf. Table 5).

SPREAD BETWEEN THE LENDING RATE AND DEPOSIT RATE

8. The **spread** between the average lending rate and the average rate on household and non-financial corporations funding **in Italy is further reduced to particularly low levels, at 178 basis points**, in December 2020 (180 basis points in the previous month) showing a sharp decrease over the more than 300 basis points prior to the onset of the crisis (335 basis points at the end of 2007).

Table 1

Lending of the banks in Italy (except interbank) *						
	Total lending		Private sector *		<i>of which: to households and non-financial corporation</i>	
	Private sector and PA *					
	Billion €	yoy⁽¹⁾	Billion €	yoy⁽¹⁾	Billion €	yoy⁽¹⁾
Dec-15	1.824,7	-0,2	1.552,9	-0,4	1.413,0	0,0
Dec-16	1.802,6	0,4	1.540,5	1,1	1.400,0	1,0
Dec-17	1.762,5	1,5	1.501,9	1,8	1.355,8	1,4
Dec-18	1.719,8	1,9	1.455,1	2,0	1.304,7	1,9
Dec-19	1.665,5	-0,4	1.410,7	0,2	1.261,7	0,2
Jan-20	1.671,4	0,1	1.412,2	0,6	1.269,7	0,6
Feb-20	1.665,1	0,0	1.405,6	0,4	1.266,5	0,5
Mar-20	1.690,2	1,2	1.422,5	1,4	1.279,5	1,6
Apr-20	1.687,9	1,2	1.422,1	1,4	1.282,3	1,4
May-20	1.689,0	1,1	1.425,1	1,5	1.286,0	1,6
Jun-20	1.696,9	1,7	1.436,4	2,3	1.294,0	2,7
Jul-20	1.706,0	2,1	1.445,4	2,8	1.304,1	3,2
Aug-20	1.703,5	2,7	1.443,7	3,6	1.305,1	4,1
Sep-20	1.711,5	2,7	1.453,4	3,8	1.313,7	4,6
Oct-20	1.712,5	3,1	1.454,9	4,3	1.316,6	4,9
Nov-20	1.720,6	3,6	1.462,0	4,6	1.324,0	5,3
Dec-20	1.720,6	3,9	1.462,0	4,3	1.324,0	5,5

Notes: latest month of SI-ABI estimates.

* Including gross bad loans and reverse repurchase agreements. Private sector: non-financial corporations, consumer and producer households, non-profit entities, other financial institutions, insurance companies and pension funds. The data are netted against central counterparties' operations.

(1) Variations calculated to include loans not recognised in the bank balance sheets in that they were securitised and are net of variations not related to the transactions (e.g. variations resulting from exchange rate fluctuations, value adjustments or reclassifications).

Source: Data processed by the Ufficio Studi ABI on data of the Bank of Italy and SI-ABI.

Table 2

Italy: bank interest rates on lending and benchmark yields (Monthly average - % figures)									
	Bank interest rates on loans in euro to households and non-financial corporations in Italy			Benchmark rate ECB ²	Interbank rates for the Eurozone		3-Month interbank rates		
	Total ¹ (amounts)				3-Month Euribor	10-year IRS	USA	Japan	UK
	Of which: to non-financial corporations (new business)	Of which: to households for the purchase of houses (new business)							
Dec-15	3,25	1,92	2,50	0,05	-0,13	0,94	0,54	0,15	0,58
Dec-16	2,85	1,54	2,02	0,00	-0,32	0,73	0,98	0,06	0,37
Dec-17	2,69	1,50	1,90	0,00	-0,33	0,83	1,61	0,06	0,52
Dec-18	2,55	1,47	1,89	0,00	-0,31	0,85	2,79	0,05	0,90
Dec-19	2,48	1,37	1,44	0,00	-0,40	0,13	1,91	0,02	0,79
Jan-20	2,49	1,18	1,44	0,00	-0,39	0,10	1,82	0,02	0,74
Feb-20	2,47	1,25	1,40	0,00	-0,41	-0,06	1,68	0,02	0,75
Mar-20	2,46	1,05	1,38	0,00	-0,42	-0,07	1,10	0,01	0,53
Apr-20	2,43	1,06	1,40	0,00	-0,25	-0,01	1,10	0,00	0,65
May-20	2,40	1,21	1,33	0,00	-0,27	-0,12	0,40	-0,04	0,33
Jun-20	2,37	1,26	1,27	0,00	-0,38	-0,11	0,31	-0,05	0,19
Jul-20	2,32	1,19	1,26	0,00	-0,44	-0,18	0,27	-0,07	0,10
Aug-20	2,31	1,15	1,32	0,00	-0,48	-0,19	0,25	-0,07	0,07
Sep-20	2,29	1,29	1,27	0,00	-0,49	-0,21	0,24	-0,06	0,06
Oct-20	2,27	1,29	1,26	0,00	-0,51	-0,25	0,22	-0,06	0,05
Nov-20	2,30	1,33	1,27	0,00	-0,52	-0,24	0,22	-0,06	0,05
Dec-20	2,28	1,30	1,27	0,00	-0,54	-0,26	0,23	-0,06	0,03

Notes: for bank rates, latest month of SI-ABI estimates.

(1) Weighted average rate

(2) End of period data

Source: Data processed by the Ufficio Studi ABI on data of the Bank of Italy and SI-ABI

Table 3

Bad loans in the Italian banking sector			
	Net bad loans	Net bad loans on total lending¹	Net bad loans on capital and reserves
	M €	% figures	% figures
Nov-15	88.835	4,89	19,75
Nov-16	85.221	4,80	19,24
Nov-17	65.914	3,71	14,97
Nov-18	38.216	2,22	9,75
Nov-19	29.345	1,69	7,92
Dec-19	26.528	1,55	7,30
Jan-20	25.851	1,52	7,22
Feb-20	25.926	1,52	7,25
Mar-20	26.480	1,53	7,43
Apr-20	26.072	1,50	7,38
May-20	26.181	1,50	7,38
Jun-20	24.983	1,45	6,95
Jul-20	24.621	1,41	6,93
Aug-20	24.484	1,40	6,84
Sep-20	24.341	1,40	6,75
Oct-20	24.525	1,41	6,76
Nov-20	23.584	1,35	6,54

(1) The figure for lending includes existing loans and net bad loans.

Source: Data processed by the Ufficio Studi ABI on data of the Bank of Italy.

Table 4

Deposits and bonds from bank customers in Italy						
	Funding (deposits and bonds)		Resident customers' deposits¹		Bonds²	
	Billion €	yoy	Billion €	yoy	Billion €	yoy
Dec-15	1.736,5	-0,2	1.329,9	4,1	406,7	-11,9
Dec-16	1.728,0	-0,5	1.394,2	4,8	333,8	-17,9
Dec-17	1.728,0	0,0	1.450,8	4,1	277,2	-17,0
Dec-18	1.731,8	0,2	1.488,9	2,6	243,0	-12,3
Dec-19	1.813,3	4,7	1.574,8	5,8	238,5	-1,9
Jan-20	1.800,8	4,4	1.563,2	5,5	237,6	-2,1
Feb-20	1.820,5	5,3	1.584,3	6,4	236,2	-1,5
Mar-20	1.834,7	4,3	1.602,0	5,7	232,7	-4,1
Apr-20	1.851,4	5,2	1.620,5	6,7	231,0	-4,3
May-20	1.867,8	5,8	1.639,6	7,5	228,3	-4,7
Jun-20	1.861,5	4,4	1.635,7	6,0	225,8	-5,7
Jul-20	1.885,6	5,6	1.661,2	7,7	224,4	-7,8
Aug-20	1.897,8	5,2	1.672,0	7,0	225,9	-6,7
Sep-20	1.909,4	6,1	1.682,3	8,1	227,2	-6,3
Oct-20	1.942,7	7,5	1.722,3	10,0	220,3	-8,6
Nov-20	1.929,1	5,7	1.711,2	8,1	217,9	-9,7
Dec-20	1.954,9	7,8	1.736,9	10,3	218,0	-8,6

Notes: latest month of SI-ABI estimates.

(1) Deposits from ordinary private resident customers, excluding MFI and Central Public Authorities. It includes current accounts, preestablished term deposits, notice refundable deposits and repurchase agreements. The data are netted against operations with central counterparties, deposits with agreed maturity connected with receivables assignment transactions.

(2) Recorded at nominal value and expressed in euro, they include subordinated liabilities and do not include bonds purchased from banks. They refer to resident and non-resident customers.

Source: Data processed by the Ufficio Studi ABI on data of the Bank of Italy and SI-ABI.

Table 5

Italy: interest rates for investors (Monthly average - % figures)												
	Bank interest rates: households and non-financial corporations (ESCB harmonised statistics)					Gross yield of Government bonds in the secondary market				Yield at issue of postal deposits		
	Deposits in euro (amounts)	Deposits in CA in euro (amounts)	Repurchase agreements (amounts)	Bonds (amounts)	Funding (deposits, repos and bonds) (amounts) ¹	BOT	CCT	CTZ	BTP	Ordinary savings books	Average annual yield on 5 th year	Average annual yield on 20 th year
Dec-15	0,52	0,16	1,21	2,94	1,05	-0,06	0,32	0,01	1,51	0,15	0,30	2,50
Dec-16	0,41	0,09	0,56	2,74	0,83	-0,29	0,33	-0,11	1,73	0,01	0,15	0,60
Dec-17	0,38	0,06	0,71	2,60	0,72	-0,50	0,14	-0,32	1,66	0,05	0,40	2,50
Dec-18	0,36	0,05	1,66	2,39	0,63	0,12	1,70	0,46	2,67	0,25	0,65	2,85
Dec-19	0,37	0,04	0,40	2,15	0,58	-0,25	0,47	-0,07	1,39	0,05	0,05	0,90
Jan-20	0,37	0,04	0,59	2,10	0,58	-0,29	0,40	-0,12	1,32	0,05	0,05	0,90
Feb-20	0,36	0,04	0,66	2,08	0,57	-0,33	0,27	-0,20	1,06	0,05	0,05	0,90
Mar-20	0,36	0,04	0,34	2,14	0,57	0,05	0,90	0,38	1,59	0,05	0,05	0,90
Apr-20	0,36	0,03	1,25	2,13	0,56	0,25	1,15	0,64	1,86	0,05	0,31	1,25
May-20	0,35	0,03	1,22	2,11	0,55	0,05	1,13	0,40	1,84	0,05	0,31	1,25
Jun-20	0,35	0,03	1,03	2,11	0,55	-0,11	0,70	0,09	1,51	0,05	0,31	1,25
Jul-20	0,34	0,03	0,96	1,99	0,53	-0,23	0,59	-0,04	1,27	0,05	0,15	0,60
Aug-20	0,34	0,03	0,93	1,98	0,52	-0,30	0,45	-0,13	1,10	0,05	0,15	0,60
Sep-20	0,33	0,03	0,37	1,99	0,52	-0,35	0,41	-0,17	1,07	0,05	0,15	0,60
Oct-20	0,32	0,03	0,90	1,97	0,50	-0,46	0,16	-0,32	0,84	0,05	0,15	0,30
Nov-20	0,33	0,03	0,92	1,93	0,50	-0,50	0,02	-0,40	0,75	0,05	0,10	0,30
Dec-20	0,33	0,03	0,88	1,93	0,50	n.d.	n.d.	n.d.	n.d.	0,05	0,10	0,30

Note: for banking rates latest available month for SI-ABI estimates.

(1) Weighted average rate

Source: Data processed by the Ufficio Studi ABI on data of the Bank of Italy and SI-ABI