

ABI MONTHLY REPORT¹ – February 2024

(Main evidence)

The latest data, relating to the performance of the economy both in the euro area and in Italy, continue to show that the effects of the ECB's restrictive monetary policy are being manifested. The effects can also be seen also in the Italian banking sector. In the last months, the first signs of a decrease in interest rates compared to the maximum values are appearing.

MARKET RATES

1. **The BTP rate** in the first 14 days of February was on average **3.88%, down 111 points compared to the maximum recorded in October 2023.**
2. **The 10-year IRS rate** (widely used in mortgages) in the first 14 days of February was on average **2.69%, down 83 points** compared to the maximum recorded in October 2023.
3. **The six-month BOT rate** in the first 14 days of February was on average **3.66%, down 39 points** compared to the maximum recorded in October 2023.
4. **The 3-month Euribor rate** in the first 14 days of February was on average **3.91%, down 10 points** from the high recorded in October 2023.

LENDING INTEREST RATES

5. **In January 2024 interest rates on loans decreased:**

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.

- **the average rate on new loans for house purchasing decreased to 3.99%**, compared to 4.42% in December and 4.50% in November 2023;
- **the average rate on new business loans was 5.39%**, down from 5.46% in December 2023;
- **the average rate on total loans** (therefore agreed upon over the years) **was 4.76%**, same value of December and November 2023 (cf. Table 1).

INTEREST RATES ON FUNDING

6. The **interest rate on new deposits with agreed maturity** (i.e. certificates of deposit and time deposits) in January 2024 **increased to 3.83%**. In December this interest rate was higher than the euro area average (3.78% in Italy; 3.57% in euro area). **Compared to June 2022**, when the interest rate was 0.29% (the last month before the start of the official interest rate hikes) **the increase is equal to 354 basis points**.
7. **The yield on new fixed-rate bond issues in January 2024 was 4.66%** (1.31% in June 2022), with an increase of 335 basis points.
8. In January 2024, **the interest rate on total amounts of deposits** (current accounts, savings deposits and certificates of deposit), **increased to 0.99%** (0.32% in June 2022).
9. **The interest rate on current account deposits is increased to 0.55%**, taking into account that the current account allows the use of a multitude of services and does not have the function of investment (cf. Table 2).

SPREAD BETWEEN THE LENDING RATE AND DEPOSIT RATE

10. The **spread on new business** (calculated as the difference between the rates on new loans and new funding) with household and non-financial corporations **in Italy**, in January 2024, fell to **151 basis points** (208 b.p. in the previous month).

CUSTOMER FUNDING TREND

11. **Indirect funding**, i.e. investments in securities held by banks (both under management and held directly by customers) shows an **increase of over 226 billion between December 2022 and December 2023** (148.9 billion attributable to households, 24.8 to non-financial corporations and the remaining to other sectors, financial companies, insurance companies, public administration).
12. Consequently, **deposits** (current accounts, certificates of deposit, repurchase agreements) **decreased**, in the same month, **by 2%** yoy slowing decrease compared to December 2023 (-3.1%).
13. In January 2024 **medium- and long-term funding**, i.e. through bonds, increased over the last 12 months (**+22%** yoy; +18.2% in December 2023).
14. In January 2024, **total funding** (deposits from resident customers and bonds) **increased by 0.5%** yoy (-0.9% in December 2023; cf. *Table 3*).

BANK LENDING

15. The decline in credit volumes is consistent with the slowdown in economic growth which contributes to depressing the demand for loans: in January 2024, **loans to households and non-financial corporations were down by 2.9%** compared to a year earlier while in December 2023 they had recorded a decrease of 2.5% when loans to non-financial corporations were down yoy by 3.7% and those to households by 1.3% (cf. *Table 4*).

CREDIT QUALITY

16. **Net bad loans** (i.e. net of the write-downs and provisions already made by the banks with own resources) in December 2023 amounted at **16.6 billion euros** (17.7 billion in November). Compared to the highest level of net bad loans reached in November 2015 (88.8 billion), the decline is 72.2 billion euros.
17. **The ratio of net bad loans to total loans** is equal to **0.98%** in December 2023, (1.04% in November 2023; 4.89% in November 2015; cf. *Table 5*).

Table 1

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)							
Jan-19	2,58	1,47	1,95	0,00	-0,31	0,77	2,78	0,04	0,92
Jan-20	2,50	1,18	1,44	0,00	-0,39	0,10	1,82	0,02	0,74
Jan-21	2,26	1,17	1,27	0,00	-0,55	-0,22	0,22	-0,06	0,03
Jan-22	2,15	1,12	1,45	0,00	-0,56	0,38	0,25	-0,05	0,53
Jan-23	3,53	3,72	3,59	2,50	2,35	2,81	4,81	-0,01	4,01
Feb-23	3,65	3,55	3,76	3,00	2,64	2,97	4,89	-0,01	4,21
Mar-23	3,80	4,30	4,00	3,50	2,91	3,05	5,05	0,00	4,33
Apr-23	4,00	4,52	4,17	3,50	3,17	3,00	5,25	0,00	4,52
May-23	4,11	4,81	4,22	3,75	3,37	3,02	5,38	0,00	4,73
Jun-23	4,25	5,04	4,27	4,00	3,54	3,01	5,53	-0,02	5,09
Jul-23	4,43	5,09	4,19	4,00	3,67	3,11	5,58	0,00	5,49
Aug-23	4,49	5,01	4,29	4,25	3,78	3,17	5,64	0,00	5,53
Sep-23	4,61	5,35	4,21	4,50	3,88	3,24	5,66	0,00	5,52
Oct-23	4,71	5,46	4,35	4,50	3,97	3,41	5,66	0,02	5,40
Nov-23	4,76	5,59	4,50	4,50	3,97	3,10	5,64	-0,01	5,36
Dec-23	4,76	5,46	4,42	4,50	3,94	2,58	5,63	0,03	5,34
Jan-24	4,76	5,39	3,99	4,50	3,93	2,63	5,58	0,05	5,32

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 Analisi Economiche ABI on data of the Bank of Italy and SI-ABI

Table 2

Italy: interest rates for investors (Monthly average - % figures)													
	Bank interest rates: households and non-financial corporations							Gross yield of Government bonds in the secondary market			Yield at issue of postal funding		
	(ESCB harmonised statistics)							BOT	CCT	BTP	Deposits in euro	Average annual yield on 1 st year	Average annual yield on 5 th year
	Deposits in euro	Deposits in CA in euro	Bonds	Funding (deposits, repos and bonds) ¹	Deposits with agreed maturity	Bonds	Funding ²						
	(outstanding amounts)				new business								
Jan-19	0,36	0,04	2,39	0,63	0,83	1,13	0,84	0,01	1,47	2,52	-	0,25	0,65
Jan-20	0,37	0,04	2,10	0,58	0,86	0,79	0,56	-0,29	0,40	1,32	-	0,05	0,05
Jan-21	0,32	0,03	1,84	0,48	0,68	0,60	0,31	-0,48	-0,08	0,70	-	0,05	0,10
Jan-22	0,31	0,02	1,71	0,44	0,49	1,48	0,58	-0,59	-0,15	1,18	-	0,05	0,10
Jan-23	0,49	0,18	2,17	0,66	2,01	5,08	3,18	2,66	2,62	3,69	-	0,50	0,85
Feb-23	0,54	0,22	2,23	0,71	2,50	4,01	3,00	2,94	2,70	3,77	-	0,50	0,85
Mar-23	0,60	0,26	2,42	0,78	2,65	4,56	3,28	3,07	2,87	3,81	-	0,50	0,85
Apr-23	0,64	0,29	2,39	0,81	2,93	5,05	3,62	3,23	3,73	3,83	-	0,50	0,85
May-23	0,67	0,32	2,49	0,87	3,03	4,47	3,47	3,35	4,20	3,89	-	0,50	1,15
Jun-23	0,72	0,36	2,60	0,93	3,25	3,69	3,32	3,54	4,09	3,74	-	0,50	1,15
Jul-23	0,76	0,38	2,60	0,96	3,28	4,74	3,66	3,75	4,18	3,82	-	0,50	1,15
Aug-23	0,79	0,41	2,65	1,00	3,39	4,64	3,68	3,75	4,23	3,87	-	0,50	1,15
Sep-23	0,86	0,47	2,73	1,07	3,56	4,68	3,80	3,87	4,45	4,11	0,00	0,50	1,15
Oct-23	0,92	0,50	2,72	1,12	3,75	4,49	3,90	3,92	5,00	4,43	0,00	0,50	1,15
Nov-23	0,95	0,52	2,71	1,16	3,82	3,93	3,79	3,79	5,08	4,07	0,00	0,50	1,15
Dec-23	0,96	0,54	2,73	1,17	3,78	3,09	3,54	3,54	4,98	3,55	0,00	0,50	1,00
Jan-24	0,99	0,55	2,80	1,20	3,83	4,66	4,00	3,58	4,94	3,56	0,00	0,50	1,00

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

(1) Weighted average rate (2) are included: deposits in CA, Deposits with agreed maturity, Deposits redeemable at notice, Repos, bonds

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

Table 3

Deposits and bonds from bank customers in Italy						
	Funding (deposits and bonds)		Resident customers' deposits¹		Bonds²	
	Billion €	yoy	Billion €	yoy	Billion €	yoy
Jan-19	1.727,1	0,8	1.484,4	2,9	242,7	-10,1
Jan-20	1.800,5	4,2	1.562,8	5,3	237,6	-2,1
Jan-21	1.960,6	8,9	1.745,0	11,7	215,6	-9,3
Jan-22	2.032,3	3,7	1.828,4	4,8	203,9	-5,4
Jan-23	2.006,0	-1,3	1.798,6	-1,6	207,4	1,7
Feb-23	2.001,3	-1,4	1.787,7	-2,2	213,5	5,0
Mar-23	1.998,9	-1,8	1.781,1	-3,0	217,8	9,6
Apr-23	2.018,4	-2,1	1.802,4	-3,3	216,0	9,0
May-23	2.003,5	-2,5	1.780,2	-4,2	223,3	13,1
Jun-23	1.993,4	-2,4	1.762,0	-4,3	231,5	15,1
Jul-23	1.983,1	-4,3	1.751,1	-6,5	232,0	15,9
Aug-23	1.985,3	-3,3	1.751,9	-5,5	233,4	16,4
Sep-23	2.013,7	-1,5	1.775,8	-3,5	237,9	16,3
Oct-23	1.984,6	-2,8	1.744,9	-4,9	239,6	16,1
Nov-23	1.985,9	-1,7	1.739,3	-4,1	246,6	18,6
Dec-23	2.041,2	-0,9	1.794,0	-3,1	247,2	18,2
Jan-24	2.016,0	0,5	1.763,0	-2,0	253,0	22,0

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 Analisi Economiche ABI on data of the Bank of Italy and SI-ABI.

Table 4

Lending of the banks in Italy (except interbank) *						
	Total lending		Private sector *		of which: to households and non-financial corporation	
	Private sector and PA *					
	Billion €	yoy ⁽¹⁾	Billion €	yoy ⁽¹⁾	Billion €	yoy ⁽¹⁾
Jan-19	1.715,4	1,1	1.448,6	1,1	1.305,8	1,0
Jan-20	1.671,3	0,1	1.412,1	0,6	1.269,6	0,6
Jan-21	1.709,9	3,8	1.449,0	4,3	1.309,5	4,9
Jan-22	1.732,5	1,8	1.467,9	1,8	1.323,9	2,2
Jan-23	1.723,3	1,0	1.466,6	1,7	1.326,4	1,6
Feb-23	1.712,7	0,3	1.460,4	1,2	1.322,9	1,1
Mar-23	1.712,5	-0,3	1.461,2	0,4	1.322,0	0,5
Apr-23	1.696,3	-1,1	1.449,0	-0,4	1.313,3	-0,1
May-23	1.700,6	-1,4	1.448,9	-1,0	1.312,7	-0,9
Jun-23	1.697,2	-2,2	1.450,2	-1,6	1.311,3	-1,4
Jul-23	1.690,5	-2,7	1.445,3	-2,2	1.310,4	-2,0
Aug-23	1.675,5	-3,8	1.431,0	-3,4	1.297,9	-3,3
Sep-23	1.672,9	-3,9	1.428,1	-3,5	1.292,1	-3,7
Oct-23	1.664,9	-3,7	1.423,6	-3,1	1.291,9	-3,2
Nov-23	1.672,9	-3,5	1.430,8	-3,2	1.297,8	-3,0
Dec-23	1.676,9	-3,3	1.429,7	-2,8	1.288,3	-2,5
Jan-24	1.665,5	-2,8	1.420,0	-2,6	1.279,0	-2,9

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 Analisi Economiche ABI on data of the Bank of Italy and SI-ABI.

Table 5

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
Dec-18	31.873	1,85	8,38
Dec-19	27.007	1,58	7,45
Dec-20	20.900	1,21	6,01
Dec-21	15.152	0,87	4,45
Dec-22	14.232	0,81	4,16
Jan-23	15.362	0,88	4,46
Feb-23	15.504	0,89	4,47
Mar-23	15.164	0,88	4,35
Apr-23	15.213	0,88	4,38
May-23	15.286	0,89	4,42
Jun-23	16.538	0,96	4,80
Jul-23	16.438	0,96	4,73
Aug-23	17.852	1,06	5,07
Sep-23	17.708	1,05	4,99
Oct-23	17.510	1,04	4,89
Nov-23	17.677	1,04	4,91
Dec-23	16.600	0,98	4,60

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

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