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HOUSEHOLD LOANS PICK UP THE PACE. CORPORATE LOANS CONTINUE TO PUT

THE BRAKES ON GROWTH RATE.

Loans to households grew substantially in May. The increase in May was 5.26% y/y, the largest in the last year and a half. Thus, lending continues to grow after slowing down at the beginning of the year. The average year-over-year credit growth since the beginning of the year is 3.57%. Declining interest rates and the emergence of favorable credit products coupled with an increase in household incomes have led to a rebound in lending to individuals.

Within this type of lending, loans in national currency had the largest share of growth rate, with an average of 6.63% this year and of 8.86% in May compared to the same month last year. Lending in foreign currency continued its decline, reaching the largest decrease in recent years, -17.15% y/y. The more favorable market conditions for lending in national currency influenced these results.

Within the category of loans to individuals, the fastest growing component was consumer credit, which continues the rapid growth that has begun in recent months. In May, the growth rate was 11.52% compared to the same month last year (the highest growth rate in the last 5 years) and an average growth rate this year of 8.30%. Housing loans is also consolidating its growth after a period of consecutive declines, up 1.46% y/y in May and 0.70% on average since the beginning of the year. Here again, the lending component in RON increased, while the foreign currency component continued to decline.

Corporate loans grew by 4.69% in May compared to the same period last year but continues its downward momentum after strong growth at the end of last year. Still, it averages 6.04% growth this year. Here again, lending in RON has the main component with an increase of 6.12% y/y, marginally in the same growth values compared to last months. Lending in euro shows an increase of 2.66% y/y but down compared to the previous months. Lending in RON increased by an average of 6.27% in the first 5 months of the year. Meanwhile, the pace of growth of foreign currency credit has fallen to the minimum of the last 3 years, the opposite behavior compared to lending in RON.

The structure of deposits also reflects changes in the market. Household deposits have slowed slightly but remain high at 12.87% y/y with an average for this year of 12.55%. Term deposits are on a downward trend correlated with the decline in market interest rates. The increase in May compared to the same month last year is 22.11% but declining and at the lowest level in the last year. The average increase this year is 26.10%. The opposite of the downward trend in term deposits can be seen in overnight deposits, which increased by 3.79% in May y/y and 3% in April, coming back after a downward trend of one year and a half. Corporate deposits remain on a downward trend in terms of annual growth rate with a value of 9.63% y/y in May after strong growth at the end of last year.

The lending market has seen a significant resurgence in household loans, driven by lower interest rates and improved credit products. National currency loans led this growth, whereas loans in foreign currencies continued to decline. Consumer loans showed the most remarkable growth within household loans, highest in the last five years. Corporate loans also grew, although at a slower rate, with national currency loans maintaining a steady pace. The deposit market mirrored these trends, with household deposits remaining high but term deposits declining due to lower interest rates. Looking ahead, we can expect the lending market to continue its growth trajectory, particularly in national currency loans, while foreign currency loans might see further declines. Consumer and housing loans are likely to remain strong contributors to this growth. Additionally, the deposits may stabilize, with potential increases in overnight deposits as term deposits will slow down on decrease rate.



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” Consumer credit leads the way in lending market. National currency loans drive market growth as interest rate decreases. Deposit market trends shift from term to overnight deposits.