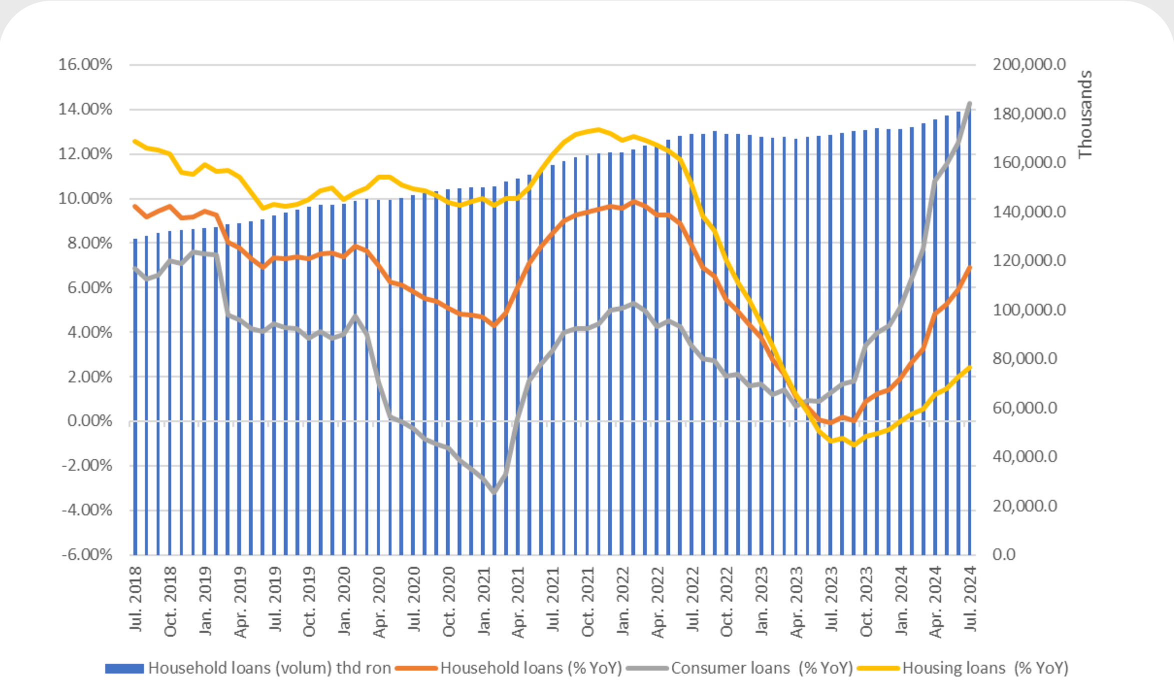
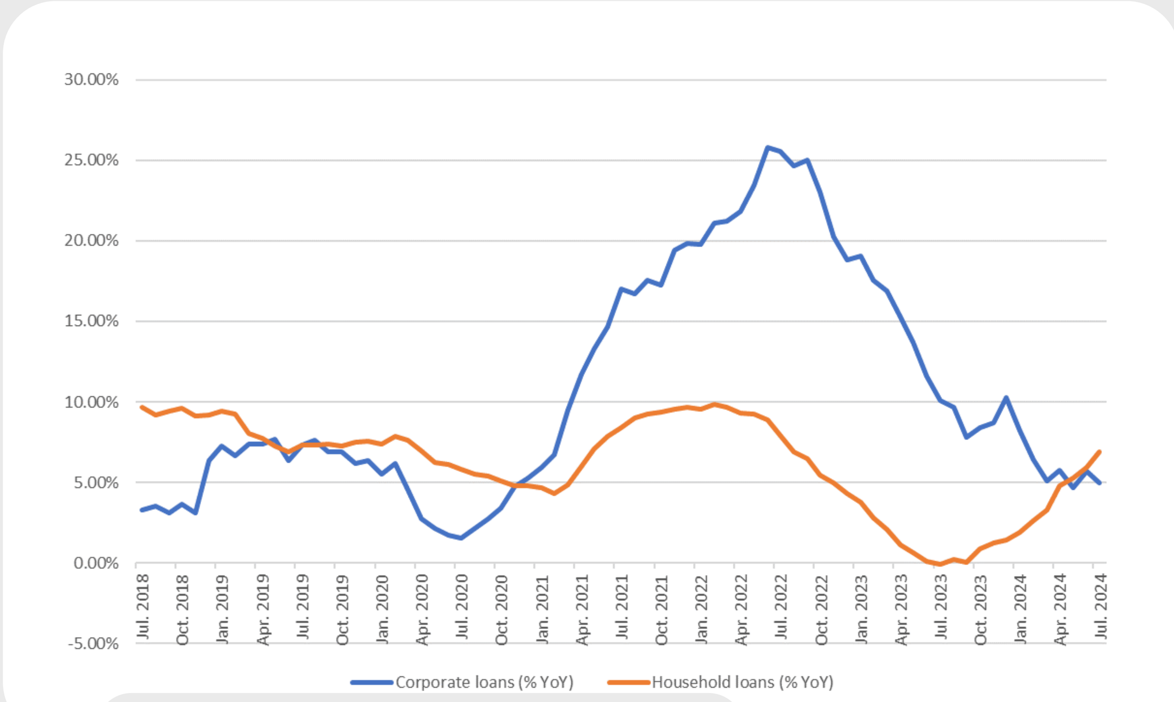
BT RESEARCH

BT NEXT IN THE MARKET



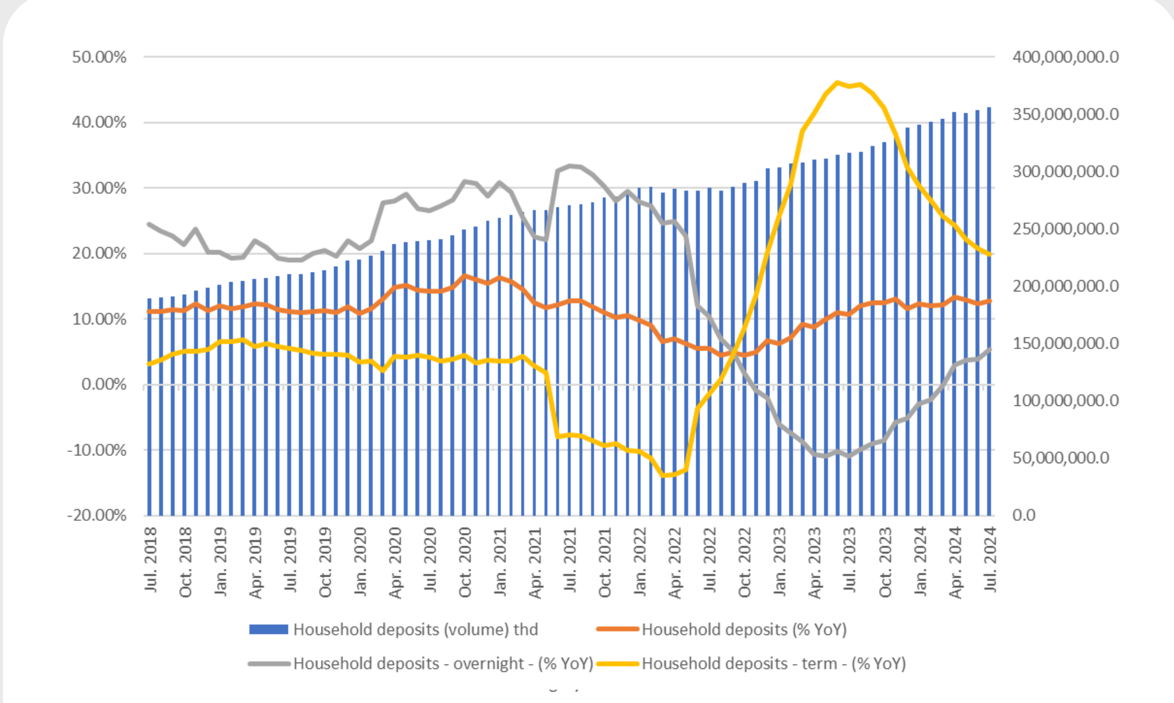
Household loans

Source: National Bank of Romania



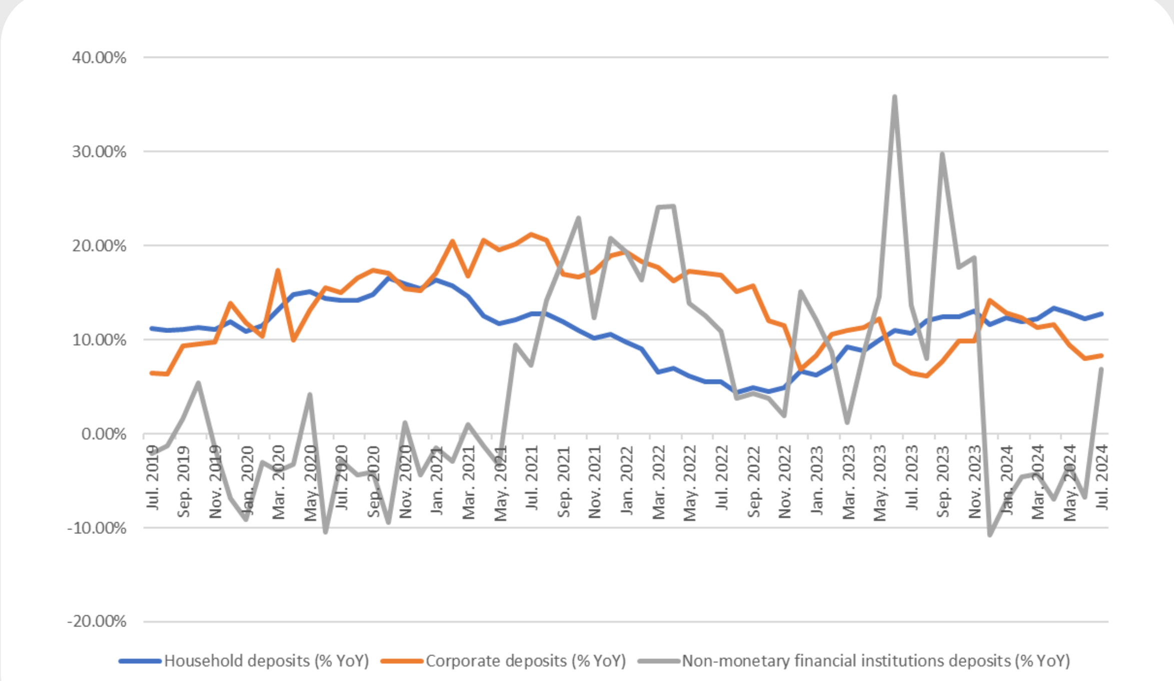
Corporate vs Household Loans

Source: National Bank of Romania



Household deposits

Source: National Bank of Romania



Deposits

Source: National Bank of Romania

TRENDS INTO HOUSEHOLD AND CORPORATE LENDING AND DEPOSITS

Loans to Households

The average month-over-month growth rate for total loans granted to households in the last three months is approximately 1.01%, recording the highest increase in the last 3 years this July with 1.25% m/m. This steady increase indicates a healthy level of borrowing activity. The year-over-year growth rate stands at 6.89%, which reflects a robust expansion in total credit over the past year.

Household confidence in accessing and utilizing loans indicates that economic conditions such as employment and income level have remained stable and improved. While the inflation rate was 5.4% in July (4.9% in June), wage income (June) was up 12.5%, showing a significant positive real increase that went into consumption. The sustained growth in this category is being supported by an accommodative credit environment, which is essential for driving consumption and overall economic activity. Also this month, the outlier were the consumer loans that continued to increase in volume and growth rates. The highest level so far was reached in July, with potential for increase in the following months as well. The year-over-year growth rate was 14.26%, which takes the annual average increase to 6.95%. This sharp rise reflects increased borrowing for consumption purposes, likely driven by demand and improved consumer sentiment.

Confidence in future income streams leads to higher consumption and, consequently, greater demand for loans. However, while the increase in consumer credit is a positive signal of economic activity, it also raises questions about the sustainability of this borrowing. If credit growth outpaces income growth, there could be risks related to debt servicing in the future. Given the strong growth observed in recent months, consumer credit is likely to continue its upward trajectory.
Housing loans have shown a more moderate growth pattern compared with the consumer loans, with an average MoM increase of 0.30% in the last three months, 0.39% in July. The YoY growth rate is 2.43%, highest in the last year, incentivized also by the demand by also by the decreasing interest rates and banking products. The housing market is expected to maintain its current stable growth pattern, with moderate increases in credit activity.

Loans to companies

Loans granted to corporations have experienced a consistent increase, with an average MoM growth rate of 0.86% over the last three months and 0.61% in July. The YoY growth rate is 4.95% in July, indicating a positive trend in business-related borrowing. The result was incentivized by the governmental IMM Invest program that supported medium- and small-sized companies for developing different sectoral activities.

As economic conditions stabilize and businesses adjust to new market realities, the projected growth rate could range between a YoY growth of 3.5% to 4%. Continued investment in infrastructure and technology by businesses as well as supportive government policies can be potential drivers for the following period.

Deposits

Household deposits show a consistent growth pattern over the past year, with an average MoM growth rate of 0.96% and a YoY growth rate of 12.45%. As interest rates decreased, the deposit trend consolidates its values around the yearly average. A breakdown of the components showcases a clear preference towards overnight deposits (5.42% YoY), new YoY high growth rates, while term deposits continue to decrease (19.92% YoY) again because of the decreasing interest rates.
Corporate deposits remained relatively the same as growth rates compared with last month with the same pattern of overnight deposits in an upward growth trend (8.71 YoY) and term deposits with a downward trend (7.62% YoY).
A look ahead for the deposits suggest a gradual decrease of the growth rates and a shift towards overnight deposit that will increase as opposed to term deposits growth rates.

Disclaimer

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"Significant growth rates for consumer loans. Household confidence remains strong. Shift in deposit patterns toward overnight deposits.