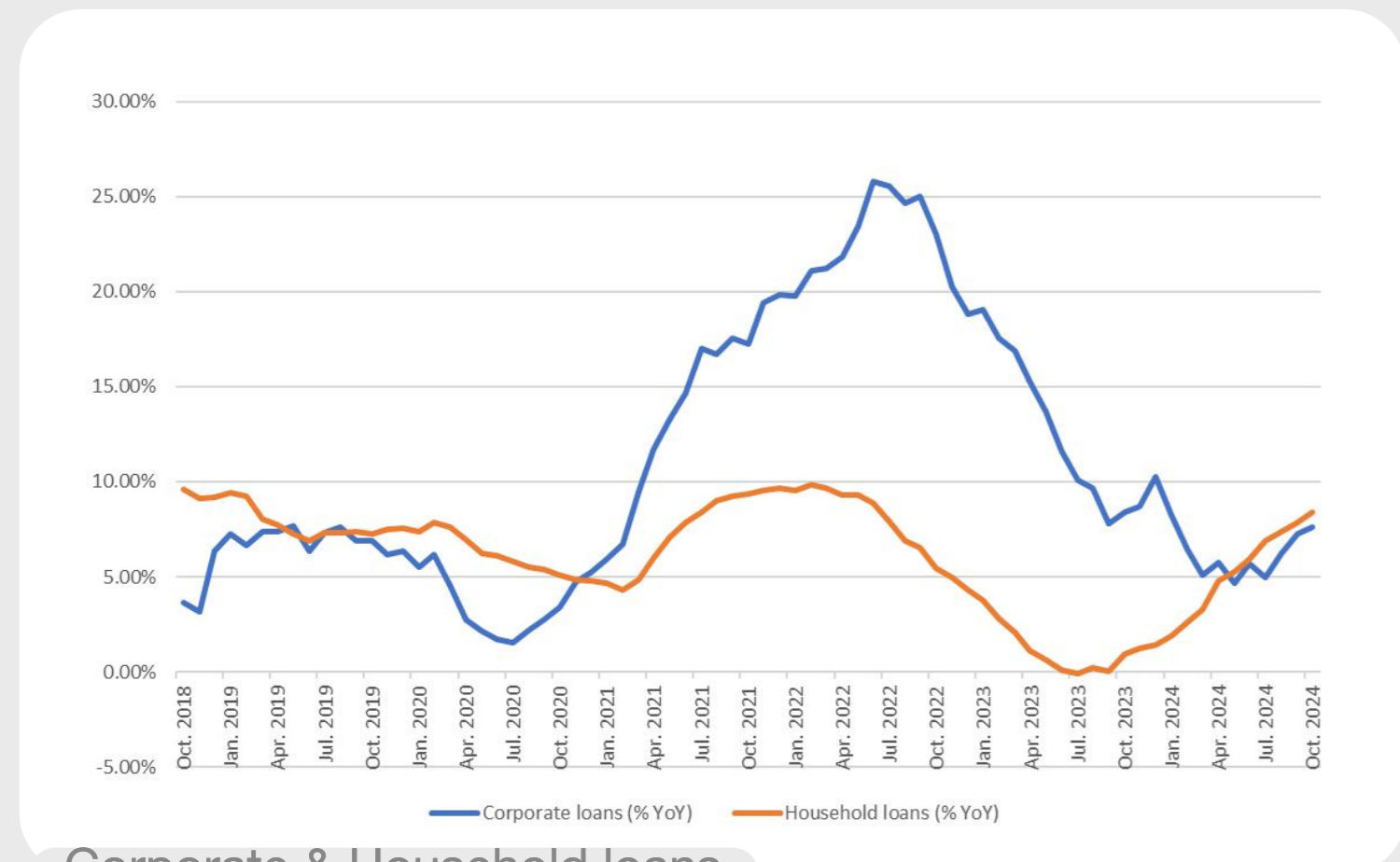


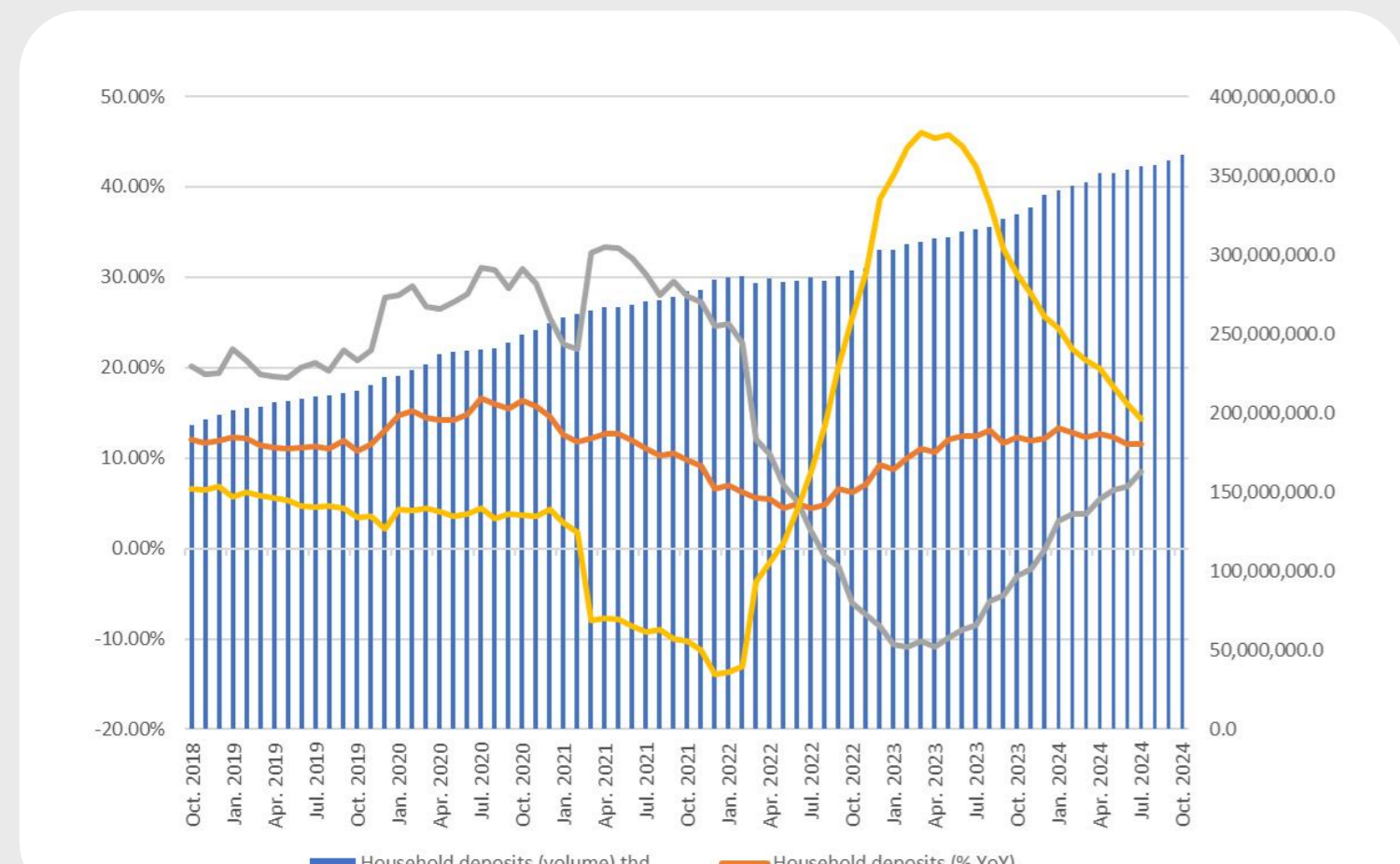
Household loans

Source: National Bank of Romania



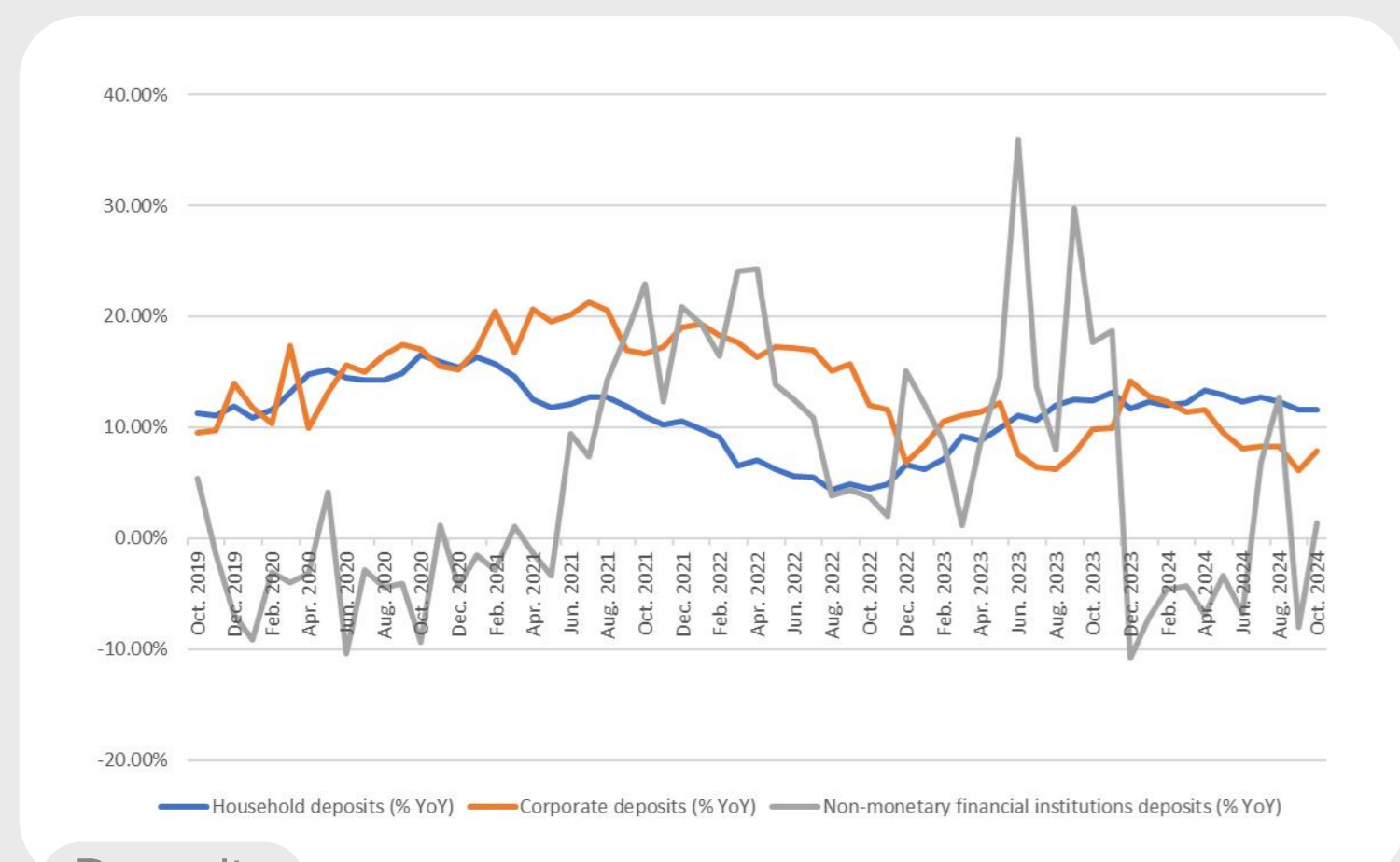
Corporate & Household loans

Source: National Bank of Romania



Household deposits

Source: National Bank of Romania



Deposits

Source: National Bank of Romania

LOANS AND DEPOSITS. DRIVERS, TRENDS AND PROJECTIONS.

Household loans

The total amount of loans granted to households continued to grow in October, reaching the highest year-on-year growth rate (8.38%) in the past two years, representing an increase of 4.74% on average for the past year, demonstrating a sustained demand for financing among the population.

A breakdown of these loans into consumer loans and house loans shows what we previously mentioned, i.e. that the consumer loans had captured most of the increase. With 16.35% YoY increase in October, it reaches the highest increase year-over-year and takes the yearly average to 10.32%. The consumer loans will continue to have a double digit increase in the following quarter fueled by an increase in consumption and a positive real increase of wage income. Improved access to these types of loans and more competitive interest rates have made consumer credit more accessible. Loans for durable goods and personal expenditure will likely drive growth. However, if inflation persists or interest rates rise, demand for consumer loans could moderate.

House loans also continued the increase, with a 3.5% YoY in October, a new high for this year. Thus, the yearly average increase reaches 1.35%. The decrease in the interest rates and the new banking products made these loans become more attractive. The housing market is expected to continue its growth pattern as the construction volume increases and interest rates become more attractive. Fixed interest rates for 3-5 years in house loan contracts have been a significant factor driving the increase, as well as the increasing urbanization and housing demand in cities. On the other hand, the escalating real estate prices can limit affordability for lower-income households.

Corporate loans

The data reveals a slowdown in the growth rates compared with the beginning of the year but an increase over the past months for corporate loans (7.63% YoY). The trend reflects the overall economic situation of the business environment, influenced by both internal business needs and external economic factors, particularly the European economy. Businesses are still maintaining a steady appetite for credit, supported also by favorable lending conditions. Latest business confidence indicators show a potential for a growing economy. This can lead to higher investments and, consequently, to greater demand for loans. Structural shifts in certain industries (energy transition, digital transformation) can lead to increased loan demand for investments in new technologies. Corporate loans are expected to continue growing, with an estimated increase of 6%-8% annually over the next year. This projection assumes a stable economic and monetary policy environment.

Sectors like energy, technology, and manufacturing are expected to drive loan demand, supported by investments. Conversely, traditional industries might see slower growth in borrowing. In conclusion, corporate loans exhibit a stable growth trajectory, reflecting a good economic environment and business confidence. While growth is expected to continue, external risks and potential monetary tightening could influence the pace of expansion.

Deposits

Household deposits consolidated the increase around the yearly averages just as we anticipated in a previous report. As interest rates decreased, the structure of the deposits had a different behavior. While overnight deposits increased as growth rates (+8.53% YoY in October), term deposits continued to decrease as growth rates (+14.38 YoY in October). This trend is likely to continue as interest rates decrease and households will tend to diversify in finding better returns for the savings. Corporate deposits had an increase in growth rates, reaching 7.85% in October and will likely continue to have an annual average increase of 7-8% increase.

Looking ahead

Both consumer loans and house loans show healthy growth trajectories, driven by economic conditions and household needs. However, they face distinct challenges and sensitivities. Consumer loans are likely to increase at a higher pace but carry higher risks of over-indebtedness, house loans will likely grow at a steadier pace, influenced by housing market dynamics, interest rate trends and banking products. Corporate loans are expected to continue growing as business conditions improve, assuming a stable economic and monetary policy environment.



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Chief Economist

Consumer loans and house loans show healthy growth trajectories. Overnight deposits increase, term deposits continue to decrease.

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