

15 – CREDIT

This section contains information gathered from publications produced and issued by the Bank of Italy, regarding the structure and credit activity of the banking sector in Sicily. In Sicily in 2008 there were 72 banks operating (7 fewer than in 2007), half of which had their head-offices in the Region (36, three fewer than in 2007). However, the number of branch-offices (1,818) increased over the previous year (+30), and accounted for 5.3% of the national total. Most of these branch offices (1,531, or 84.2%) belong to the group of joint-stock companies, which experienced a downturn in growth when compared to 2007, in the face of a more marked increase in the number of branch-offices of the other types of institute in the banking sector. In fact, the “popular” banks (*banche popolari*), which had become the least widespread group in 2007 (following the transformation of Banca Popolare di Lodi into a joint-stock company) started to proliferate throughout Sicily (+13 branch-offices), whilst the branch-offices of co-operative credit banks, which make up 3.9% of Italian branches of the same type, showed a marked 8.9% increase when compared to 2007.

By the end of 2008, the total amount of money deposited in Sicilian banks came to a figure of 35,130 million Euros, with a 4.2% increase (1,415 million Euros) over the previous year. This result is excellent if the slight variation (+0.5%) registered in 2007 is considered and could be ascribed principally to an increase in deposits on the part of “consumer families” (364 million, +5.4%), accompanied by similar increases in the number of deposits by non-financial companies (221 million Euros, + 8.3% over 2007), in this way compensating the marked fall in “producer families” (221 million, - 9.3% over the previous year) and public administration (118 million, -5.2%).

These trends probably reflect the unfavourable influence of the economic cycle; this factor emerged during the year and induced “consumer families” and non-financial companies (typically medium-sized and large public and private businesses) to postpone decisions to invest and pursue a policy of greater saving. At the same time this explains the difficulty encountered by “producer families” (i.e. the smaller businesses), which had to resort to their own financial resources in order to tackle existing requirements, resulting from the greater restrictions placed on the granting of credit.

By the end of 2008, loans made in Sicily amounted to 51,922 million Euros, with a slight 1.9% increase over 2007, concentrated principally among “consumer families” (+4.2%). The reduction in the amount of loans to “producer families” (-668 million Euros, i.e. -11.7%) mirrors their reduced deposits and is explained by the aforementioned business-related economic reasons. The increase in loans (+371 million Euros) to non-financial companies was relatively meagre when compared to 2007 (+1.7%), and represented the lowest increase in the last few years and reflecting a reduced propensity to invest on the part of these subjects. The loans granted to them do however represent a large portion (42.7%) of the total, whilst 3.3% is constituted by public administration funding and 43.5% by financing to “consumer families”. The incidence of these Regional aggregates compared to the corresponding national figure

shows family loans (both consumer and producer) to be leading the way, with 5.9% and 5.7% respectively, whilst non-financial company loans in Sicily account for only 2.6% of the analogous figure in the country as a whole.

The influence of the large credit institutes on bank deposits (20,513 million Euros) remains high, but has seen a fall both in absolute values (-595 million Euros) and the percentage impact on the total (58.4% against 62.6% in 2007). As regards loans, the sum of 23,856 million Euros handled by this category, represents an extraordinary reduction of 5,775 million Euros when compared to 2007 and covers 45.9% of the total (as compared to 58.2% in the previous year), testifying to a substantial recovery of market-share on the part of medium and small businesses in the Region.

With regard to the destination of these loans investment in building and purchase of real estate were once again in 2008 among the most important items propelling bank financing beyond the short term and accounting for 56.7% of total funding. However, funding for the purchase of real estate has for many years now registered slower growth (0.9%) because of reduced activity in this sector.

The overall picture delineated by the indicators, which quite clearly reflects several aspects of the ongoing economic crisis, takes on various forms around the island. The Provincial distribution of financial aggregates obviously sees the larger areas taking the lion's share. The branch-offices in 2008 seem to be concentrated in the more densely populated Provinces, although slightly more diffuse than previously; , they range from the 69 (67 in the previous year) in the Province of Enna to the 428 in the Province of Palermo. The branches of minor institutes reflect to some extent the size of the bank to which they belong, and seem to be concentrated in particular in the Province of Palermo (64 out of 229, accounting for 27.9% of the branch-offices in this class) and to a lesser extent in the Province of Ragusa (5, and accounting for 2.2% in this class).

At the same time, their distribution in terms of institutional groups again reveals a predominance of offices of co-operative credit banks in the Provinces of Palermo (37 out 159, and 23.3% of the total) although Agrigento and Caltanissetta are not far behind (26 branch-offices each and 16.4% of the total each), especially bearing in mind the lower population density in these two areas. The Province of Ragusa has most branch-offices in "popular" banks (36 out of 127, and 28.3% of the total), followed by Catania with 32 branches (25.2%).

With regard to bank funding beyond the short term, in 2008, pride of place in investment in construction went to Catania (1,427 million Euros and 25.2% of the Regional total), whereas Palermo was the Province boasting the greatest spending on machinery (728 million Euros) and Provincial real estate purchase (3,768 million Euros), as well as for "other purposes" (4,411 million Euros), totalling 32.4%, 27.7% and 32.4%, respectively, of the total Regional amount for the three different "destinations".

Glossary

Bank: Enterprise permitted to carry out banking activity; the latter consists in accumulating the public's savings in credit institutions. Apart from banking, banks are involved in every other kind of financial activity (in accordance with the individual structures of each of these), as well as other connected and instrumental activities. Banks are graded according to size (major, large, medium, small, minor) in proportion to the total amount of credit that can be granted to residents and non-residents.

Bank deposits: includes deposits and bonds, which, on the basis of their duration, can be distinguished as short, medium or long-term.

Branch office: a window at a denominated branch of a bank, in which funds can be deposited in savings accounts or current accounts.

Deposits: funds received by the bank from non-banking subjects, and collected in the form of free or term deposits, interest-bearing bonds, time certificates, free or fixed deposit accounts.

Facilitated financing: operations carried out at rates below those of the market, in virtue of legislation providing assistance in paying off interest and/or the utilisation of government funds or the funds of other public administration bodies.

Financing beyond the short term: total investment with an initial duration of over 18 months.

Institutional groups (of banks): grouping of banking institutions in homogenous categories. The banks operating in Italy can be divided into:

- Banks as joint-stock company
- Popular banks
- Co-operative credit banks
- Central (banking) institutes;
- Branches of foreign banks.

The first include public law credit institutes, national banks, savings banks and popular banks that have taken on the form of joint-stock companies, as well as all banks offering medium or long-term investment. The second ones are those that have not become joint-stock companies; the third are former agricultural and merchant banks; finally, there are banking organisations which also include institutes dealing mainly with refinancing.

Loans: the bank's financing of non-banking subjects.

Further reading

Publications

Statistics bulletin 2005-2009 Bank of Italy
Italian Statistical Yearbook– 2009 – ISTAT

Internet

<http://www.bancaditalia.it/>
Statistics bulletin

http://www.bancaditalia.it/pubblicazioni/econo/ecore/note/2008/sicilia/sicilia_2008.pdf
Regional economies - The economy in Sicily in 2008

<http://bip.bancaditalia.it/>
On-line public information base

<http://www.istat.it/>
Italian Statistical Yearbook 2009 – Chapter 20: “Credit”