

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 2009 there were 71 banks operating (1 fewer than in 2008), over half of which had their head-offices in the Region (37, one more than in 2007). The number of branch-offices (1,806) was also down over the previous year (-12 units), and accounted for 5.3% of the national total.

At the end of 2009, the total amount of money deposited in Sicilian banks came to a figure of 37,001 million Euros, with a 5.3% increase (1,871 million Euros) over the previous year. This result is similar to the variation recorded in the course of 2008 (+4.2%) and could be ascribed principally to an increase in deposits on the part of “consumer families” (2,185 million, +8.5%), accompanied by similar variations in the number of deposits by producer families (221 million Euros, + 8.3% over 2007), in this way compensating the marked fall in public administration deposits (18,529 million, - 24.4% when compared to the previous year) and the slight fall in non-financial companies (37 million and -0.8%). These trends probably reflect the unfavourable influence of the economic cycle, a factor that 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 fall back on their own financial resources in order to tackle their pressing commitments; this was exacerbated by the greater restrictions placed on the granting of credit. At the end of 2009, loans granted in Sicily amounted to 55,028 million Euros, with a 6% increase over 2008, concentrated principally among financial enterprises (+19%) and public administration (+14.3%). The increase in the amount of loans (+930

million Euros, +4.5%) to “non-financial companies” mirrored their reduced deposits and represented one of the lowest increases in the last few years, highlighting a lesser propensity towards investment that had also spread to these operators.

The loans that they contracted do however represent a large portion (41.2%) of the total, whilst 4.5% is made up of funding for the public administration and 43.4% 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 6.1% and 5.9% respectively, whilst non-financial company loans in Sicily account for only 2.7% of the analogous figure in the country as a whole.

The influence of the large credit institutes on bank deposits (20,672 million Euros) remains high, and has seen a rise in absolute values (+159 million Euros) and a percentage impact of 55.9% on the total. As regards loans, the sum of 24,757 million Euros handled by this category, represents an increase of 901 million Euros when compared to 2008 and covers 45% of the total (as compared to 45.9% in the previous year).

With regard to the recipients of these loans, investment in building and purchase of real estate were once again among the most important items in 2009 propelling bank financing beyond the short term and together accounted for 52.1% of total funding. However, of the two, funding for the purchase of real estate recorded the greater increase (+5.7%), showing renewed growth in this sector, when compared with previous years.

The overall picture delineated by the indicators, which quite clearly reflects several aspects of the ongoing economic crisis, takes on various forms around Sicily. The Provincial distribution of financial aggregates obviously sees the larger authorities 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 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 (63 out of 234, accounting for 26.9% of the branch-offices in this class) and to a lesser extent in the Province of Ragusa (5, and accounting for 2.1% 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 162, and 22.8% of the total) although Agrigento and Caltanissetta are not far behind (26 and 28 branch-offices respectively, and about 16.7% of the total), especially bearing in mind the lower population density in these two areas. The Province of Ragusa has most branch-offices in “popular” banks (19 out of 128, and 14.8% of the total), followed by Catania with 33 branches (25.8%).

With regard to typology of bank funding beyond the short term, in 2009, pride of place in investment in construction went to Catania (1,599 million Euros and

24.7% of the Regional total), whereas Palermo was the Province boasting the greatest spending on machinery (943 million Euros) and Provincial real estate purchase (3,883 million Euros), as well as for “other purposes” (4,843 million Euros), totalling 32.5%, 26.7% and 29.5%, 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 2006-2010 Bank of Italy
Italian Statistical Yearbook– 2010 – ISTAT

Internet

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

<http://www.bancaditalia.it/pubblicazioni/econo/ecore/sintesi/economieregional2010>
Regional economies – The Economy in the Italian Regions

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

<http://www.istat.it/>
Italian Statistical Yearbook 2010 – Chapter 20: “Credit, insurance, monetary and financial markets”