

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 2007 there were 79 banks operating (four more than in 2006), half of which had their head-offices in the Region (39, two more than in 2006, belonging to the category of co-operative credit banks). The number of branch-offices, which numbered 1,788, also increased over the previous year (+39), and accounted for 5.4% of the national total. Most of these branch offices (1,527, or 85.4%) belong to the group of joint-stock companies, which have seen a marked increase compared to 2006, thanks to the transformation of Banca Popolare di Lodi into a joint-stock company during the year. On the other hand, the popular banks (114 offices) become the least numerous group, whilst the 146 branch-offices of co-operative credit banks, which make up 3.7% of Italian branches of the same type, show a slight increase.

By the end of 2007, the total amount of money deposited in Sicilian banks came to a figure of 33.715 million Euros, with an increase over the previous year of 159 million Euros (+0.5). This result is less encouraging than the +2.5% variation registered in 2006, and was caused by the fall in deposits of “consumer families” (246 million, - 1.0%), which was however compensated for by an increase in the number of deposits of non-financial companies (80 million Euros, + 1.9% over the previous year), “producer families” (70 million, +3.0% over the previous year) and above all, public administration (241 million, +11.8%). The data for families probably reflects the unfavourable influence of the economic cycle on the propensity to saving on the part of the family, which does however maintain the majority share of total amount of credit (24,498 million, 72.7% of the total), in that it constitutes a typically “better off” sector among those possessing financial resources in the economy; it accounts for 5.4% of the corresponding national total.

By the end of 2007, loans made in Sicily amounted to 50,942 million Euros, with a 8.4% increase over 2006 and much higher than the figure for deposits. 42.8% of these represent loans to financial and non-financial companies; 3.9% represents allocations of money to the Public administration and the remaining 53.7% loans to families (both producers and consumers.) There was a considerable increase in loans to non-financial companies when compared to 2006 (13.2%), but this amount for Sicily represents a reduced share of the corresponding national figure (2.7%), whereas the corresponding Regional figures for the categories of “consumer families” (5.8%) and “producer families” (6.4%) bears witness to the relatively greater investment activity on the part of these subjects.

The role of the large credit institutes, with 21,108 million Euros, dominates 62.6% of all deposits, but has seen a 2.8% decrease since 2006. As regards loans, the sum of 29,631 million Euros handled by this category, represents 58.2% of the total. Investment in building and purchase of real estate were the most important items, in 2007, among operations geared towards the creation of fixed capital, together accounting for 55.1% of total bank funding beyond the short term.

The overall picture delineated by the indicators partially reflects a new slowing-down trend compared to the improvements registered in previous years. This is true, for example, for the trend in the previously mentioned deposits, but also for the growth of

bank-loans (+8.4% in 2007), which follow two years of more dynamic expansion (12% and 12 and 13.1% in 2005 and 2006 respectively). The financial structure set-up maintains its liveliness; the leading role played by the large banking groups is linked to the fresh presence of smaller credit institutions, as shown by the increasing amounts of deposits and loans handled by this type of company (31.1% and 29.6% respectively in 2007, compared to 29% and 25.9% in the previous year).

The Provincial distribution of financial aggregates obviously sees the larger areas possessing the lion's share. The branch-offices seem to be spread over a slightly broader area, ranging from the 67 in the Province of Enna (3.7%) to the 418 in the Province of Palermo (23.4%). 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 (53 out of 209, accounting for 25.3% of the branch-offices in this class) and to a lesser extent in the Province of Ragusa (5, and accounting for 2.4% in this class). At the same time, classification in terms of institutional groups again reveals a predominance of offices of co-operative credit banks in the Provinces of Palermo (29 out of 146, and 19.9% of the total) although Agrigento and Caltanissetta are not far behind (25 out of 146, and 17.1% of the total), whereas the Province of Ragusa has the fewest offices (4, and 2.7%) in this group.

With regard to bank funding beyond the short term, in 2007, pride of place in investment in construction went to Catania (1,258 million Euros), whereas Palermo was the Province boasting the highest expenditure on real estate purchase (3,632 million Euros) and the largest financing of equipment (601 million); the respective percentage figures for the three different sectors were 22.2%, 26.7% and 26.7%.

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 –2005-2006 – 2007 - 2008 Bank of Italy
Italian Statistical Yearbook– 2008 – ISTAT

Internet

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

<http://www.bancaditalia.it/>
Notes regarding the progress of the economy in Sicily in 2007

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

<http://www.istat.it/>
Italian Statistical Yearbook 2008 – Chapter 20: “Credit, insurance, the monetary and

financial markets”