

***ASSOFIN - CRIF - PROMETEIA* CALCOLO**

CONSUMER CREDIT SURVEY

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REGIONAL STATISTICS
TERRITORIAL BREAKDOWN OF THE CONSUMER CREDIT MARKET

Valle d'Aosta
Piemonte
Lombardia
Liguria
Trentino Alto Adige
Veneto
Friuli Venezia Giulia
Emilia Romagna
Toscana
Marche
Umbria
Lazio
Molise
Abruzzo
Campania
Basilicata
Puglia
Calabria
Sicilia
Sardegna

REPORT TOPICS

During the first six months of 2002 family credit demand has been influenced by the negative evolution of the main macroeconomic drivers. In particular the following has been registered:

- A small expansion of disposable income;
- A contraction of family real consumption, especially in durable goods, which registered a 3% reduction;
- A move towards the purchase of different durable goods, traditionally less covered by consumer credit, caused in part by the mobility crisis;
- An intensification in the uncertainty of income and the evolution of the general economic contest;
- A real estate market no longer on the rise.

However, the effect of the economic recession has been, in part, restrained by the structural evolution of the offer which registered a rise in effectiveness and efficiency (especially in families' easy access to financing), and by a very low credit cost level, both in nominal and real terms.

Starting with consumer credit, a slowdown in the consistency growth was registered in June (from 19% in June 2001 to 12% in June 2002), which however remains high in real terms and compared to other brokerage types. This 12% is actually a gross calculation of the securitization operations, which, estimating gives a total of around 860 million euro; if we make a net recalculation without the securitization operations the market growth was over 14%.

The growth slowdown was stronger for general banks (+8% in 2002 ,+19% in June 2001) than for financial institutions and specialised banks (in June 2002 growth rate was +14%, against the 19% in 2001).

As far as products are concerned, two different trends were highlighted, common to both types of financial brokers:

- An increase in non-purposive loans;
- A further credit growth connected to the use of credit cards¹;
- A drop of purposive lending in areas of mobility and electronics/household appliances.

In the family mortgage area the consistency growth was stable (+10.5% in June 2002 compared to +10.7% in June 2001). Consumer credit's growth was higher than that of mortgages, and higher still than that of other types of family loans, thus bringing around a reorganisation of the latter's deficit. With regards to only bank credit, consumer credit accounts for 13%, against the 70% for mortgages, 11% for bank account funding and around 6% for other financings.

We are not expecting, in the foreseeable future, a very strong contribution to the industry sector from the macroeconomic scenario. To summarise:

- Available income will continue to show little growth;
- Expenditure, even if a recovery is foreseen, should not register very good growth rates;
- Purchases of durable goods, even if likely to increase more than other goods purchased, will show a slower rise compared to the less recent past and a reorientation towards industries (such as furniture) where lower consumer credit is registered;
- A stabilisation or drop of real estate value is also foreseen.

The non favourable impact of the macroeconomic scenario on the consumer credit market, might, however, find a partial compensation in the growing family debt trend. The ratio between family bank debt and family available income grew from 19% in 1999 to 22% in 2001; this year a growth is still awaited, even if slower, while in 2004 a 24% increase is foreseen. As far as the offer is concerned a stronger penetration activity, in industries where currently there is little presence like the furniture one, is expected.

¹The information received at the end of 2001 regarding the number of credit cards in circulation shows a new increase with a 17.8% growth rate

Considering all the above factors, an increase of consistencies in the consumer credit market is expected, even if at a slower rate² (+7.6% in 2003 and +7.4 in 2004), especially for financial institutions and specialised banks.

As far as the mortgage market is concerned, the effects of a not very positive economic situation should be tempered by both the increase in family borrowing, already mentioned previously, and by the deep changes in the offer, increasing product flexibility and range. The latter effects, in particular, were considered as demand incentives, reducing the level of discouragement (understood as the number of people who would not request a loan sure not to obtain it).

The forecasts in this Survey imply a mortgage increase of 6% in 2003 and more than 7% in 2004 and also include the belief that over-15-year mortgage offers will keep on developing with a very high Loan To Value ratio.

In this edition the in depth essay is dedicated to the subprime lending clientele. This matter was chosen because of the ever growing interest financial brokers show in this new "business", as competition gets tougher, and risk evaluation techniques and credit processes improve.

The analysis shows how, in Italy, this subprime lending activity has not evolved through choice, but as the result of more aggressive commercial policies. This imposed evolution is confirmed further by the absence of financial brokers specialised in this segment of clientele, for which new procedures, skills and management techniques must be created in order to deal with this kind of market, completely different from that of the primary clientele. There is no sign that financial institutions are more interested than others in operating in this market: the interest in subprime lending is identical for both types of brokers present on the market.

In order to identify the clientele as secondary, the variables used are not the total income itself, but those based on income variability, thus regarding the expenses the family has to face, the family situation and the client credit history.

It is easy to understand why financial brokers prefer, for this type of clientele, borrowing tools with stronger guarantees and stronger client control.

NB - Please note that the official publication of the survey is only printed in Italian

² In order to evaluate the consistency growth rates we need to consider the statistical effect due to volume increase