

CHART OF THE WEEK

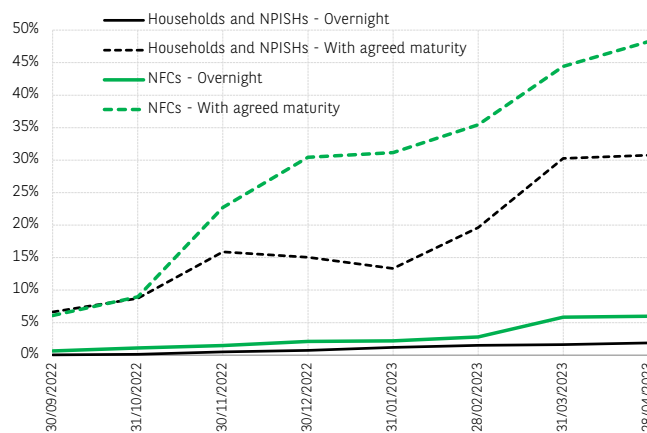


21 June 2023

SPAIN: BANK DEPOSIT RATES CONTINUE TO RISE

Thomas Humblot

Spain: pass-through* of interbank rates to NFC and household new deposit rates



*calculated at each date as the variation since 31 December 2021 of the deposit rate for new deposits compared to the variation since 31 December 2021 of the 12-month Euribor rate.

Source: Banco de Espana, Banque de France, BNP Paribas calculations

The transmission of higher interbank rates to bank deposit rates is still limited in Spain. For the record, the European Central Bank (ECB) raised, amongst other key interest rates, its rate on the deposit facility from -0.50% in July 2022 to 3.5% on 21 June 2023, the highest level since 2001. The 12-month Euribor rate has risen from -0.50% on 31 December 2021 to 4.05% on 21 June 2023.

In April 2023, the rate applied on new deposits with agreed maturity placed with Spanish monetary and financial institutions (MFI) was 2.56% for non-financial companies (NFCs)¹ and 1.41% for households². The transmission rate – calculated for each date as the variation of new deposit rates since 31 December 2021 and the change in the 12-month Euribor rate since 31 December 2021 – was 48% for NFC deposits with agreed maturity and 31% for household deposits with agreed maturity in April 2023.

Transmission rates were naturally lower for overnight deposits, with only 6% for NFCs and 2% for households, bringing the interest rate to 0.29% and 0.10%, respectively. This low rate is notably the counterpart for the liquidity service provided by banks. For example, between January 2005 and December 2007, the interest rate on overnight deposits averaged 1.21% for NFCs and 0.53% for households, while the 12-month Euribor rate was 3.40%. Lastly, unlike France, Spain does not have government-regulated saving accounts, and the cost of borrowing is significantly higher, especially for home loans.

The Bank of Spain estimates that these transmission rates are lower than those modelled empirically³, which confirms the absence of greater competition for deposits. However, transmission rates could rise in the months ahead. They could be driven up by the impact of depositors shifting their deposits towards other assets offering higher returns, and by the use of surplus savings built up during the Covid 19 pandemic, encouraged by a tangible easing of inflation (+3.2% in May), which should continue. The EUR 63.5 bn decline in outstanding amounts of household and NFC overnight deposits between December 2022 and April 2023 was only partially offset by an increase in deposits with agreed maturity (EUR 17.6 bn). The Eurosystem's ongoing reimbursement of targeted longer-term refinancing operations (TLTRO) will also force Spanish banks to find alternative sources of financing, which will necessarily be more costly.

1 Weighted average rate, narrowly defined effective rate.

2 As well as non-profit institutions serving households.

3 Bank of Spain, 2023, Financial Stability Report – Spring

thomas.humblot@bnpparibas.com

ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

ECOCONJONCTURE

Structural or thematic topics.

ECOEMERGING

Analyses and forecasts for a selection of emerging economies.

ECOPERSPECTIVES

Analyses and forecasts with a focus on developed countries.

ECOFLASH

Data releases, major economic events.

ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts.

ECOCHARTS

Easy-to-read monthly overview of inflation dynamics in the main developed economies.

ECOPULSE

Monthly barometer of key economic indicators of the main OECD countries.

MACROWAVES

Our economic podcast.

HOW TO RECEIVE OUR PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE
see the [Economic Research website](#)

&

FOLLOW US ON LINKEDIN
see the [Economic Research linkedin page](#)

OR TWITTER
see the [Economic Research Twitter page](#)



The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute an offer or solicitation to buy or sell any securities or other investment. It does not constitute investment advice, nor financial research or analysis. Information and opinions contained in the report are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient; they are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in any issuer or person mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or tender) within the last 12 months for any person referred to in this report. BNP Paribas may be a party to an agreement with any person relating to the production of this report. BNP Paribas, may to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this report. Any person mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy.

BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

Certain countries within the European Economic Area:

This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.

This report has been approved for publication in France by BNP Paribas SA. BNP Paribas SA is incorporated in France with limited liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF). Its head office is 16, boulevard des Italiens 75009 Paris, France.

This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. - Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States: This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

Japan: This report is being distributed in Japan by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Hong Kong: This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

Some or all the information reported in this document may already have been published on <https://globalmarkets.bnpparibas.com>

© BNP Paribas (2015). All rights reserved.

Published by BNP PARIBAS Economic Research
 Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34
 Internet: www.group.bnpparibas.com - www.economic-research.bnpparibas.com
 Head of publication : Jean Lemierre / Chief editor: William De Vijlder