

## Box 2

**PUBLICATION OF DATA ON MFI LOANS TO THE PRIVATE SECTOR ADJUSTED FOR SALES AND SECURITISATION**

In its press release on monetary developments for the reference month December 2008, the ECB published for the first time data on the flow of MFI loans to the private sector which were adjusted for the sale and securitisation of loans. This box briefly describes the construction and presentation of this adjusted series, which will be reported on a regular basis from now on and will be made available in the Statistical Data Warehouse on the ECB's website. With the publication of this series, the ECB is taking account of the increased relevance of the analysis of short-term developments as regards the origination of MFI loans and available private sector funding. Indeed, when assessing fundamental factors driving the supply of MFI loans or loan demand on the part of the private sector, short-term developments in the loan data that result from temporary factors such as specific loan securitisation transactions<sup>1</sup> conducted by euro area MFIs need to be singled out. The impact of such temporary factors has been analysed in the Monthly Bulletin on a regular basis.<sup>2</sup>

**The construction of loan flows adjusted for sales and securitisation**

In order to adjust MFI loan flows for sales and securitisation, the transactions reported in a given month (i.e. new loans minus redemptions and repayments) are augmented by the amount of loans removed from the MFI balance sheet (i.e. derecognised) owing to securitisation or outright sales to non-MFIs. The recording of such derecognition often depends on country-specific accounting standards, with the result that data on derecognition cannot easily be derived only from information on the issuance of securities generated through the process of securitisation. Where information is available, the adjustment also takes into consideration reintermediation effects – i.e. the loan flow is adjusted downwards where MFIs buy back loans from non-MFIs.<sup>3</sup> Moreover, the amounts redeemed and/or repaid by debtors following the disposal of those loans are in principle also considered in the construction of the adjusted flow. Finally, the information necessary in order to adjust the loan data for sales and securitisation is currently collected only for loans to the private sector as a whole. However, anecdotal evidence suggests that in recent years the majority of loan securitisation activities have concerned loans to households for house purchase. Further enhanced and more detailed statistics on the securitisation of MFI loans are currently being developed and are expected to become available by 2010.<sup>4</sup>

1 For a discussion of the origination and securitisation of loans, see the article entitled "Securitisation in the euro area" in the February 2008 issue of the Monthly Bulletin.

2 For previous assessments of the impact that traditional true-sale securitisation has on loan growth, see: Box 3, entitled "The impact of traditional true-sale securitisation on recent MFI loan developments", in the September 2008 issue of the Monthly Bulletin; Box 3, entitled "The importance of accounting standards for interpreting MFI loan statistics", in the March 2008 issue of the Monthly Bulletin; Box 2 in the article entitled "Securitisation in the euro area" in the February 2008 issue of the Monthly Bulletin; and Box 1, entitled "The impact of MFI loan securitisation on monetary analysis in the euro area", in the September 2005 issue of the Monthly Bulletin.

3 The information that the ECB uses to adjust MFIs' statistical balance sheet for loan disposals is generally thought to be of high quality. On the other hand, the coverage of loan buy-backs and redemption/repayment patterns for loans following their disposal is somewhat less reliable. For that reason, the ECB is not publishing series on outstanding amounts. However, despite this small caveat, it is considered that the new series will make a considerable contribution to the interpretation of these loan statistics.

4 The detailed reporting scheme for the information on loan securitisation which is to be collected from 2010 is laid down in Regulation (EC) No 25/2009 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (recast; ECB/2008/32), which is available at [http://www.ecb.europa.eu/ecb/legal/pdf/1\\_01520090120en00140062.pdf](http://www.ecb.europa.eu/ecb/legal/pdf/1_01520090120en00140062.pdf).

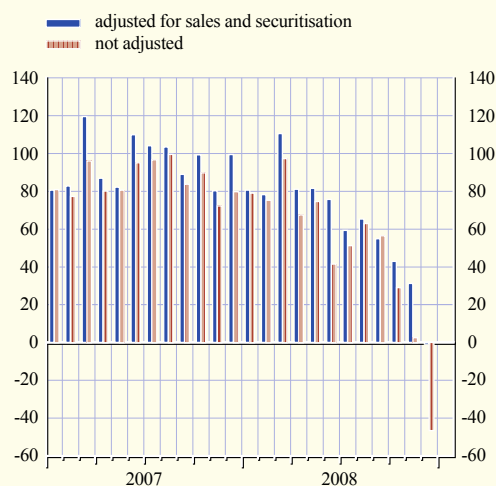
### Presentation of data on MFI loans adjusted for sales and securitisation

The MFI loan data adjusted for securitisation and sales are available as seasonally adjusted and non-seasonally adjusted monthly series in the form of flows (i.e. transactions during the relevant period), growth rates (including short-term growth rates for the seasonally adjusted version) and chain-linked indices.<sup>5</sup>

The chart shows the seasonally adjusted monthly flows of MFI loans to the private sector, both adjusted and unadjusted for sales and securitisation. This comparison shows the increasing downward impact that MFIs' loan securitisation has had on regular MFI loan flows in recent months. Indeed, whereas the average monthly downward impact between January 2006 and the start of the financial market turmoil in August 2007 was slightly more than €6 billion, the average monthly downward impact between October and December 2008 was more than four and a half times as much. At the same time, it is important to note that securities created through traditional true-sale securitisation activities in 2008 were largely purchased by the MFIs themselves, rather than being sold in the market or privately placed with investors, as was the case until 2007.

### Monthly flows of MFI loans to the private sector

(EUR billions; seasonally adjusted)



Source: ECB.

<sup>5</sup> For more details regarding the construction of the chain-linked index and the derivation of growth rates, please refer to equations e), f), g) and h) in the technical notes in the "Euro area statistics" section of this issue of the Monthly Bulletin.