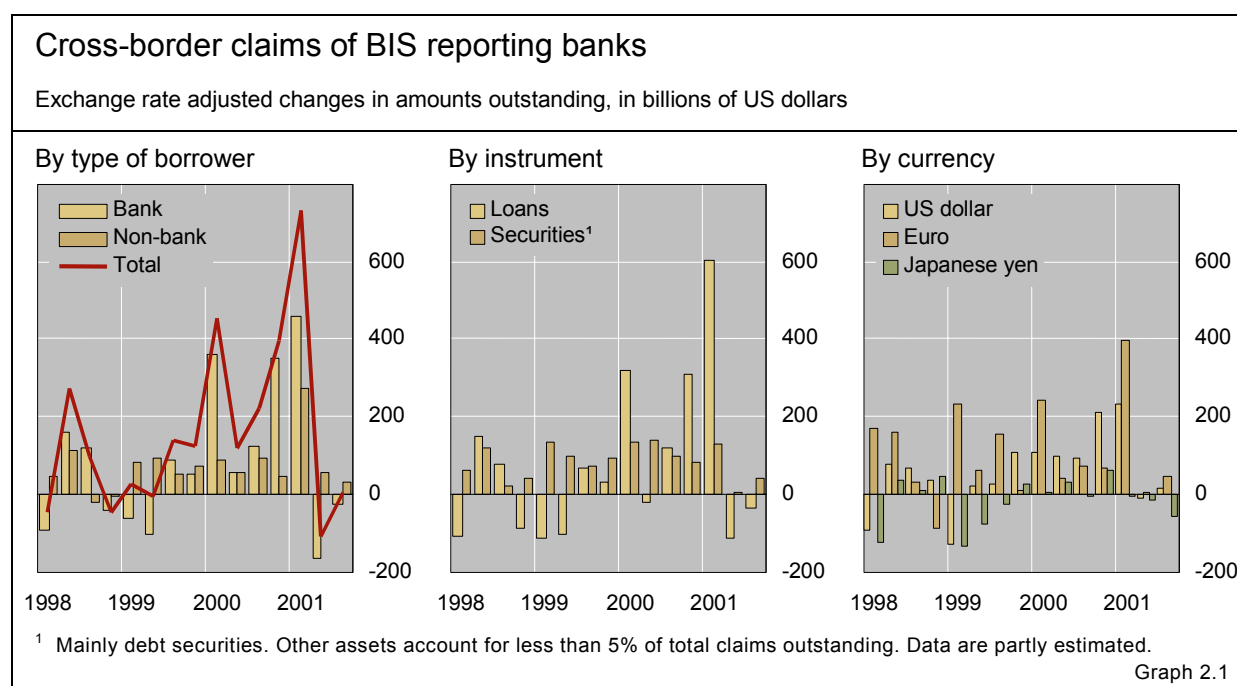


2. The international banking market

Activity in the international banking market remained weak in the third quarter of 2001. Following a sizeable contraction in the second quarter, the outstanding stock of cross-border bank claims was stable at \$11.3 trillion in the third after adjusting for movements in exchange rates. Cutbacks in yen lending by Japanese banks contributed to a \$26 billion decline in claims on banks, the second consecutive quarterly decline. Purchases of European government securities supported the continued growth of claims on non-bank borrowers, but at \$30 billion the increase was the smallest in nearly three years.

Net flows from banks in the BIS reporting area to emerging economies turned positive for the first time since 1999, equalling \$4 billion in the third quarter compared to -\$35 billion on average in the first half of 2001. The turnaround, however, did not reflect a pickup in bank lending; claims on some countries increased but in aggregate emerging economies continued to pay down their external bank debt. Instead, the turnaround reflected a withdrawal of deposits from banks abroad. Oil-exporting countries and East Asian



economies, which had previously placed large amounts with banks in the reporting area, began to withdraw them in the third quarter.

Japanese banks reduce their yen claims

The yen segment of the international banking market experienced a large contraction in the third quarter. Yen-denominated claims on all borrowers fell by \$54 billion or approximately 7% (Graph 2.1). The decline wholly reflected a reduction in interbank claims (Table 2.1). In particular, banks in Japan cut back funds placed with banks in Europe, especially banks in the United Kingdom.

Large repatriation
of yen funds to
Japan ...

The fall in yen claims in the third quarter of 2001 was the largest since the first half of 1999. At that time, the contraction of yen claims was driven by the closure or scaling-back of Japanese banks' operations abroad.¹ In the third quarter of 2001, Japanese banks were again behind the contraction of claims. However, it was their claims on unrelated banks that accounted for most of the

| Cross-border claims of BIS reporting banks vis-à-vis banks ¹ | | | | | | | | |
|--|---------|-------|-------|--------|--------|---------|------------------------------|---------|
| Exchange rate adjusted changes in amounts outstanding, in billions of US dollars | | | | | | | | |
| | 1999 | 2000 | | 2001 | | | Stocks at end-Sep 2001 | |
| | Year | Year | Q3 | Q4 | Q1 | Q2 | | Q3 |
| Total interbank claims | - 17.1 | 900.1 | 126.5 | 349.7 | 456.9 | - 166.2 | - 25.8 | 7,416.5 |
| Claims on own offices | 8.4 | 408.2 | 94.0 | 159.0 | 185.2 | - 65.5 | 92.8 | 3,633.5 |
| Loans and deposits | - 221.5 | 669.9 | 97.6 | 302.3 | 396.9 | - 155.3 | - 22.0 | 6,334.7 |
| Securities ² | 204.4 | 230.2 | 29.0 | 47.5 | 60.0 | - 10.9 | - 3.8 | 1,081.8 |
| Developed countries | 200.3 | 870.0 | 106.6 | 280.3 | 424.3 | - 118.6 | - 26.1 | 5,951.7 |
| Europe | 291.4 | 608.1 | 61.3 | 197.8 | 424.4 | - 79.8 | - 29.1 | 4,235.9 |
| Intra-euro area ³ | 154.6 | 88.4 | 10.9 | 15.7 | 63.8 | 25.7 | 0.2 | 833.5 |
| Japan | - 188.0 | 55.4 | - 4.8 | 72.9 | 5.5 | - 30.0 | - 13.5 | 406.7 |
| United States | 87.7 | 185.5 | 53.2 | - 7.1 | - 12.2 | 3.2 | 10.6 | 1,142.4 |
| Offshore centres | - 126.2 | 3.9 | 20.0 | 51.2 | 24.5 | - 33.8 | - 3.0 | 882.5 |
| Emerging economies | - 52.1 | 3.8 | - 9.1 | 8.0 | - 6.6 | - 13.2 | - 2.2 | 384.1 |
| Unallocated ⁴ | - 39.1 | 22.4 | 9.0 | 10.2 | 14.7 | - 0.6 | 5.5 | 198.2 |
| US dollar | - 108.3 | 387.7 | 69.0 | 152.6 | 93.4 | - 41.3 | 7.1 | 3,171.1 |
| Euro | 274.3 | 272.1 | 20.6 | 47.1 | 270.3 | 4.0 | 5.3 | 2,105.4 |
| Japanese yen | - 192.2 | 75.4 | 4.5 | 87.3 | - 12.1 | - 22.2 | - 56.9 | 510.2 |
| Other currencies ⁵ | 9.1 | 164.9 | 32.4 | 62.7 | 105.3 | - 106.7 | 18.7 | 1,629.8 |
| <i>Memo: Local claims⁶</i> | 1.5 | 53.9 | 27.5 | - 23.1 | 94.4 | - 28.1 | 0.9 | 865.3 |

¹ Including claims on own offices. ² Mainly debt securities. Other assets account for less than 5% of total claims outstanding. Data are partly estimated. ³ Euro-denominated cross-border claims of reporting banks domiciled in the euro area on residents of the euro area. ⁴ Including claims on international institutions. ⁵ Including unallocated currencies. ⁶ Foreign currency claims on residents of the country in which the reporting bank is domiciled. Table 2.1

¹ See R N McCauley and Y K Mo, "Recent developments in the international banking business of Hong Kong", in *BIS Quarterly Review*, June 1999, pp 13–14. See also H Nakaso, *The financial crisis in Japan during the 1990s: how the Bank of Japan responded and the lessons learnt*, *BIS Papers*, no 6, October 2001.

| Cross-border claims of BIS reporting banks vis-à-vis non-bank borrowers | | | | | | | | |
|--|--------|--------|--------|--------|-------|-------|--------|------------------------|
| Exchange rate adjusted changes in amounts outstanding, in billions of US dollars | | | | | | | | |
| | 1999 | 2000 | | | 2001 | | | Stocks at end-Sep 2001 |
| | Year | Year | Q3 | Q4 | Q1 | Q2 | Q3 | |
| Total claims on non-banks | 303.3 | 289.4 | 94.9 | 45.5 | 274.0 | 57.6 | 30.1 | 3,854.9 |
| Loans and deposits | 103.0 | 59.2 | 23.7 | 8.5 | 206.2 | 50.0 | - 11.6 | 2,262.3 |
| Securities ¹ | 200.3 | 230.2 | 71.3 | 37.0 | 67.8 | 7.7 | 41.7 | 1,592.5 |
| Developed countries | 275.4 | 258.2 | 81.5 | 47.7 | 236.3 | 46.5 | 27.2 | 2,894.7 |
| Europe | 259.0 | 198.3 | 67.3 | 31.6 | 99.6 | 23.9 | 31.4 | 1,615.9 |
| Intra-euro area ² | 147.8 | 55.2 | 10.2 | 4.8 | 53.5 | 6.1 | 13.3 | 616.3 |
| Japan | - 64.4 | - 67.5 | - 10.3 | - 33.5 | - 7.1 | 4.9 | - 10.9 | 106.3 |
| United States | 86.0 | 123.4 | 22.7 | 48.0 | 141.5 | 9.8 | 5.3 | 1,079.1 |
| Offshore centres | 24.6 | 47.0 | 7.2 | 16.0 | 25.5 | 7.0 | 11.0 | 384.5 |
| Emerging economies | - 15.9 | - 15.6 | 5.4 | - 13.8 | 9.2 | 4.8 | - 8.2 | 490.4 |
| Unallocated ³ | 19.1 | - 0.2 | 0.8 | - 4.5 | 3.0 | - 0.7 | 0.1 | 85.3 |
| US dollar | 141.5 | 124.4 | 26.7 | 57.7 | 137.7 | 30.2 | 8.7 | 1,732.9 |
| Euro | 185.1 | 157.4 | 52.6 | 21.3 | 128.2 | - 0.2 | 43.4 | 1,271.2 |
| Japanese yen | - 7.0 | 19.3 | - 8.6 | - 25.8 | 6.1 | 7.4 | 3.2 | 269.7 |
| Other currencies ⁴ | - 16.3 | - 11.7 | 24.2 | - 7.7 | 2.0 | 19.3 | - 25.2 | 581.1 |
| <i>Memo: Local claims⁵</i> | 27.1 | 144.6 | - 3.1 | 40.7 | 27.6 | - 3.6 | - 2.4 | 716.3 |

¹ Mainly debt securities. Other assets account for less than 5% of total claims outstanding. Data are partly estimated. ² Euro-denominated cross-border claims of reporting banks domiciled in the euro area on residents of the euro area. ³ Including claims on international institutions. ⁴ Including unallocated currencies. ⁵ Foreign currency claims on residents of the country in which the reporting bank is domiciled.

contraction, not claims on their own offices. Japanese banks' yen-denominated inter-office claims fell by only \$4 billion in the third quarter, compared to nearly \$120 billion in the first half of 1999. Although most of the funds were withdrawn from banks domiciled in London, the nationality of the banks affected was diverse: Dutch-, German-, Swiss-, UK- and US-headquartered banks all experienced a loss of yen funding.

Several factors lay behind the repatriation of yen funds to Japan. First, offshore bookings of yen loans to non-banks in Japan continued to be unwound. Cross-border lending to non-banks in Japan contracted by \$11 billion in the third quarter, and a portion of these funds were channelled through the interbank market back to Japan (Table 2.2). Second, some foreign banks shifted their yen positions from their offices abroad to their offices in Tokyo. Third, mergers among Japanese banks reportedly resulted in a reassessment of credit limits for monies placed with foreign banks and a consequent withdrawal of funds. In nearly all bank mergers, the credit limits established by the new entity are less than the sum of the credit limits of the participating banks (and, in a parallel fashion, counterparties typically reduce their credit limits on the merged entity).

Other possible explanations for the repatriation of yen funds include a decline in overseas demand for yen funding and the liquidity needs of

... owing partly to the unwinding of offshore loans

Japanese banks. However, these factors do not appear to have been important in the third quarter. While portfolio investment in Japan by non-residents slowed in the third quarter, yen-denominated loans by banks in the reporting area to residents of the countries in which the banks are domiciled remained more or less unchanged at \$89 billion. Furthermore, the interest rate at which banks could borrow from one another in the Tokyo market has been stable since the second quarter of 2001, suggesting that liquidity was not a problem.

Banks step up purchases of European government securities

Euro claims
continue to expand

In contrast to yen claims, euro-denominated claims of banks in the BIS reporting area continued to expand in the third quarter. Cross-border euro claims rose by \$49 billion or approximately 2% (Tables 2.1 and 2.2). As in previous quarters, flows between the United Kingdom and the euro area accounted for most of this activity.

Although euro-denominated claims on banks increased by only \$5 billion in the third quarter, the aggregate figure masks a sizeable change in interbank positions. Banks domiciled in the euro area increased their claims on banks in the United Kingdom and at the same time banks in the United Kingdom reduced their claims on banks in the euro area. On a net basis, therefore, there were large euro-denominated flows into the United Kingdom from banks in the euro area.

Whereas in past quarters flows from the euro area to the United Kingdom tended to be recycled in the London interbank market before being channelled back to banks in the euro area, in the third quarter the funds were onlent directly to non-banks. Banks domiciled in the United Kingdom lent \$15 billion in euros to non-bank residents of the United Kingdom, including banks' securities subsidiaries, and invested some \$20 billion in euro-denominated securities issued by non-bank residents of the euro area. A further \$12 billion was invested in euro area non-bank securities by banks domiciled in the euro area.

Banks turn from
corporate to
government
securities

Owing to such investments, flows to non-banks in Europe remained in line with the average of recent quarters. However, the ultimate recipients of these flows appear to have changed, with governments replacing corporate borrowers. Corporate demand for loans weakened along with the slowdown in economic growth in Europe and elsewhere. As discussed in the previous *BIS Quarterly Review*, new signings of syndicated credit facilities by European borrowers fell by 58% year-over-year in the third quarter. Banks do not appear to be cutting back on credit to corporate borrowers in Europe, but neither are they increasing their claims. The consolidated banking statistics suggest that instead, any new money is being invested in government securities. BIS reporting banks' claims on public sector borrowers in Europe were steady at 12% of international claims during the latter half of 2000 and first half of 2001, then rose to 13% in the third quarter. Claims on the German and Italian public sectors increased the most.

Lacklustre activity in the US dollar market

Activity in the US dollar segment of the international banking market remained lacklustre in the third quarter of 2001. Dollar-denominated claims of banks in the BIS reporting area rose by only \$16 billion in the third quarter – equivalent to less than ½% of the outstanding stock of claims – after contracting by a similarly negligible amount in the second. This represents a marked slowdown from earlier quarters, when activity topped \$100 billion (Graph 2.1).

The terrorist attacks in the United States on 11 September appear to have had little impact on cross-border interbank activity. Even though demand for dollar liquidity increased following the attacks, dollar interbank claims stayed more or less unchanged. The Federal Reserve injected an unusually large volume of liquidity into the US banking system during September, and US-owned banks channelled some of this liquidity to their own offices in Europe and offshore centres. However, these funds were not recycled through the international banking market. Foreign banks appear to have found other sources of dollar funding. Japanese banks channelled dollar funds from Japan to their subsidiaries in the United States. Swiss and several other European countries' banks unwound dollar positions vis-à-vis their own offices in the United States. Dollar inflows from residents of the countries in which the banks are domiciled also picked up, as maturing short-term dollar loans were not renewed.

Dollar interbank activity is weak despite 11 September

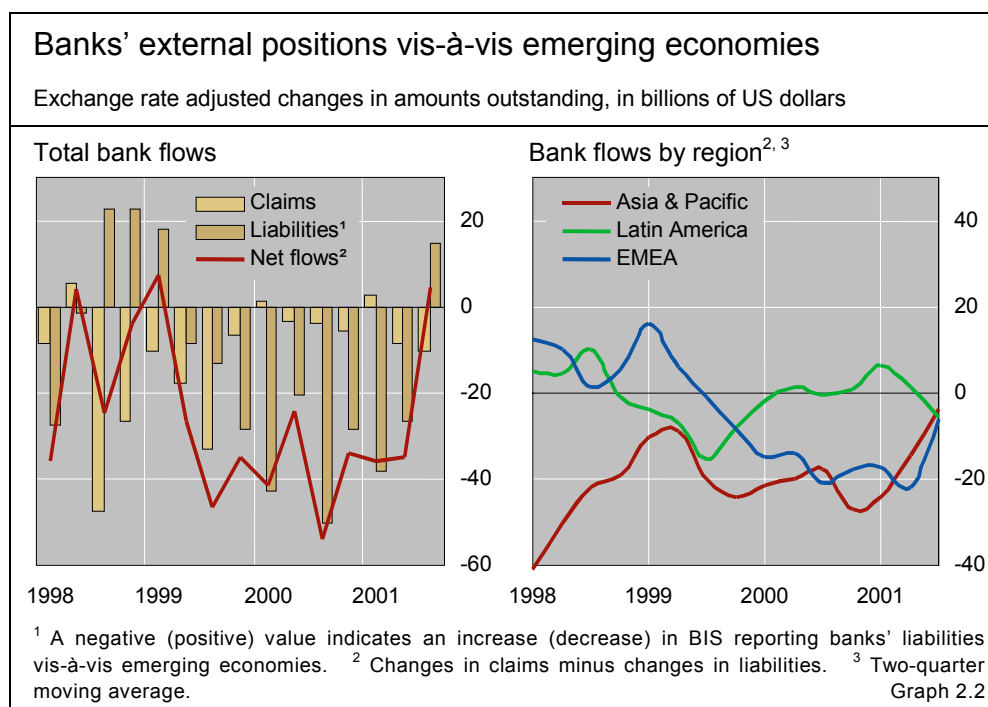
Another reason for the low level of activity in the dollar segment of the international banking market was the ongoing slowdown in flows to non-bank borrowers in the United States. Cross-border claims of BIS reporting banks on US non-banks increased by only \$5 billion in the third quarter, the smallest increase in several years (Table 2.2). In contrast to the situation in Europe, the composition of banks' claims on US non-banks is shifting away from government securities and towards private sector borrowers. Claims on the public sector fell to 12% of international claims on US borrowers in the third quarter from 14% at the end of 2000. Purchases of US agency securities, in particular bonds issued by Fannie Mae and Freddie Mac, appear to be behind this shift. Owing to the decline in the outstanding stock of US Treasury securities, a perceived deterioration in their liquidity and low government yields, agency securities are an increasingly attractive alternative to Treasuries.²

Claims on the US public sector fall

Flows to emerging economies turn positive

Net flows from banks in the reporting area to emerging economies turned positive for the first time in over two years (Graph 2.2). Residents of both the

² See Study group on fixed income markets, "The changing shape of fixed income markets", in *The changing shape of fixed income markets: a collection of studies by central bank economists*, BIS Papers, no 5, October 2001, p 18.



Asia-Pacific region and emerging Europe, the Middle East and Africa (EMEA) received more money from banks than they transferred to banks. Only in Latin America did flows from banks remain negative. However, the turnaround in flows did not reflect a renewed appetite for emerging market debt; in fact, bank claims continued to fall. The turnaround was instead driven by a withdrawal of deposits from banks in the reporting area.

Banks stepped up their lending to some emerging economies and slowed the pace of cutbacks in others (Table 2.3). Claims on countries in accession negotiations with the European Union rose by \$1.8 billion and claims on Taiwan, China by a similar amount. Repo transactions between Korean securities firms and US banks contributed to a \$1 billion increase in claims on Korea. The retrenchment of international banks from Turkey began to abate. Banks in the BIS reporting area continued to reduce short-term credit to Turkish banks, even while signing \$1.4 billion in new syndicated credit facilities for them. Cutbacks in interbank lending were partially offset by a rise in claims on corporate borrowers. Consequently, whereas claims on Turkey fell by several billion dollars in each of the first and second quarters, they fell by only \$0.9 billion in the third.

Nevertheless, overall claims on emerging economies fell by \$10 billion in the third quarter, the largest decline in two years. Claims on Thailand, mainland China and Indonesia fell by \$2 billion or more. Short-term credit to Argentine banks fell by \$1 billion, and claims on non-bank residents of Argentina by a further \$1 billion.³ Claims on Mexico, Chile and Brazil contracted by smaller

³ For a detailed discussion of changes in banks' exposure to Argentina, see "BIS international consolidated banking statistics for the third quarter of 2001", BIS Press Release 03/2002E, 28 January 2002.

Retrenchment from Turkey begins to abate ...

... but overall claims on emerging economies fall sharply

amounts.⁴ However, borrowers in these three countries raised relatively large amounts (by the standards of recent quarters) in the international syndicated credit market in the fourth quarter, suggesting that the contraction in claims in the third quarter may prove temporary (see “International syndicated credits: record activity in the energy sector” on page 24).

| Cross-border positions of BIS reporting banks vis-à-vis emerging economies | | | | | | | | | |
|--|------------------------------|-------|-------|------|------|------|------|-------|------------------------|
| Exchange rate adjusted changes in amounts outstanding, in billions of US dollars | | | | | | | | | |
| | Banks' position ¹ | 1999 | 2000 | | | 2001 | | | Stocks at end-Sep 2001 |
| | | Year | Year | Q3 | Q4 | Q1 | Q2 | Q3 | |
| Total | Claims | -68.0 | -11.9 | -3.7 | -5.5 | 2.5 | -8.3 | -10.4 | 874.5 |
| | Liabilities | 32.6 | 141.5 | 50.2 | 28.2 | 38.4 | 26.7 | -14.8 | 1,090.0 |
| Argentina | Claims | 0.7 | 1.2 | 2.3 | 0.3 | -1.7 | 1.5 | -2.0 | 44.8 |
| | Liabilities | 0.1 | 3.2 | 3.7 | -1.0 | -6.0 | 2.3 | -1.8 | 34.9 |
| Brazil | Claims | -8.9 | 9.5 | 3.3 | 4.6 | 4.0 | -0.0 | -0.2 | 98.9 |
| | Liabilities | 2.2 | -4.6 | 2.3 | 0.7 | -2.6 | 2.2 | 4.8 | 51.8 |
| Chile | Claims | -1.7 | 0.3 | 0.4 | -0.5 | 0.5 | 0.4 | -0.5 | 19.1 |
| | Liabilities | 2.7 | -1.4 | -0.4 | 0.4 | -0.3 | 0.2 | -0.5 | 15.1 |
| China | Claims | -17.1 | -5.4 | -1.6 | -0.4 | -1.8 | 1.5 | -2.7 | 56.1 |
| | Liabilities | -4.1 | 35.7 | 5.2 | 8.1 | 0.6 | 3.5 | -6.7 | 98.8 |
| Indonesia | Claims | -7.1 | -3.6 | -0.3 | -0.4 | -0.8 | -1.5 | -2.3 | 36.8 |
| | Liabilities | -0.5 | -1.0 | -0.5 | -0.4 | 1.5 | -0.7 | -0.4 | 12.9 |
| Korea | Claims | -5.0 | -4.8 | -1.8 | -9.3 | 3.3 | -2.6 | 1.0 | 65.3 |
| | Liabilities | -4.5 | -1.7 | -3.4 | -6.9 | 4.6 | -2.2 | -2.4 | 27.3 |
| Mexico | Claims | -4.0 | -1.0 | -2.3 | -3.8 | 4.9 | 0.4 | -1.3 | 61.9 |
| | Liabilities | 4.1 | 7.1 | 0.2 | -1.6 | 3.2 | 0.6 | 4.9 | 62.8 |
| Russia | Claims | -6.5 | -6.6 | -3.3 | -0.6 | -1.2 | 0.3 | 0.2 | 34.9 |
| | Liabilities | 3.8 | 7.2 | 3.2 | -1.8 | 3.8 | 2.6 | -2.8 | 26.9 |
| Saudi Arabia | Claims | 2.1 | 0.1 | 0.0 | 1.4 | -1.9 | 0.1 | -1.6 | 22.7 |
| | Liabilities | -17.9 | 10.9 | 7.3 | 4.9 | 4.7 | -1.4 | -5.8 | 57.3 |
| South Africa | Claims | -0.8 | 0.6 | 0.8 | 0.6 | 0.5 | -0.6 | 0.9 | 19.2 |
| | Liabilities | 2.1 | 0.4 | 1.8 | -1.0 | 1.2 | 0.6 | 1.1 | 13.7 |
| Thailand | Claims | -17.4 | -7.8 | -1.0 | -3.3 | -1.0 | -0.8 | -3.1 | 22.3 |
| | Liabilities | 0.0 | 1.9 | -0.7 | 1.8 | 0.3 | 1.0 | -0.5 | 14.8 |
| Turkey | Claims | 5.9 | 11.3 | 2.5 | 3.4 | -2.2 | -5.1 | -0.9 | 40.7 |
| | Liabilities | 3.3 | 2.3 | 0.3 | 2.6 | -1.2 | 0.4 | 0.8 | 20.6 |
| <i>Memo:</i> | | | | | | | | | |
| <i>EU accession countries²</i> | <i>Claims</i> | 5.2 | 5.2 | 2.5 | 2.9 | 3.4 | -0.5 | 1.8 | 70.1 |
| | <i>Liabilities</i> | 10.3 | 5.5 | 2.7 | 3.0 | 4.5 | -0.3 | 0.8 | 58.1 |
| <i>OPEC members</i> | <i>Claims</i> | -8.9 | -11.8 | -1.7 | -1.5 | -7.2 | -2.8 | -5.1 | 121.6 |
| | <i>Liabilities</i> | -19.4 | 37.8 | 17.2 | 7.6 | 13.2 | 2.0 | -9.9 | 238.6 |

¹ Liabilities comprise mainly deposits. Other liabilities account for less than 1% of the total outstanding. ² Countries in accession negotiations with the European Union, ie Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic and Slovenia.

Table 2.3

⁴ The merger of a foreign bank's non-bank subsidiary in Brazil with its bank subsidiary resulted in a \$4 billion decline in claims on non-banks in Brazil and an offsetting increase in claims on banks.

Whereas in past quarters residents of emerging economies had added to the outflow of funds to banks in the BIS reporting area by placing deposits with them, in the third quarter of 2001 residents withdrew some of these funds. Banks' liabilities vis-à-vis emerging economies fell by \$15 billion in aggregate, compared to average increases of \$29 billion between the second quarter of 1999 and the second quarter of 2001. Only in Latin America did residents continue to place deposits with banks in the reporting area; in the Asia-Pacific region and EMEA, funds were repatriated.

Large withdrawal of deposits from reporting banks ...

Liabilities vis-à-vis residents of East Asia fell the most. Residents of mainland China withdrew \$6.7 billion from banks in the reporting area, Korea \$2.4 billion and Malaysia \$1.5 billion. Members of OPEC also withdrew large sums. Saudi Arabia alone repatriated \$5.8 billion. In Latin America, residents of Mexico and Brazil continued to channel funds to banks abroad. So too did non-bank residents of Argentina, who deposited a relatively large \$1.4 billion with banks in the reporting area in the third quarter. However, these placements were more than offset by a \$3.2 billion drawdown of deposits by Argentine banks. At end-September 2001, non-bank residents of Argentina held \$18.6 billion with banks in the reporting area and Argentine banks \$16.3 billion, virtually all denominated in US dollars.

... as emerging economies' current account position deteriorates

The deterioration in emerging economies' current account position explains much of the turnaround in net flows from banks. Emerging economies' current account surplus halved to approximately 1% of GDP in 2001 and is expected to turn negative in 2002. Slower export growth undermined East Asia's surplus, while falling oil prices reduced that of the oil-exporting countries. Declining interest rates in the United States and Europe also contributed to the outflow from banks by reducing the relative attractiveness of foreign currency bank deposits.

International syndicated credits: record activity in the energy sector

Jesper Wormstrup

Syndicated lending activity amounted to \$322 billion in the fourth quarter of 2001, which constitutes a slight decline of 7% on a seasonally adjusted basis compared with the previous quarter. For 2001 as a whole, new signings of international syndicated credit facilities amounted to \$1.4 trillion – only 6% less than the record high in 2000 and well above the average levels for the latter part of the 1990s, when the global economic situation was considerably more favourable.

Borrowing by entities in industrialised countries came to \$297 billion. Firms in the energy sector were especially active and raised nearly one quarter of the total borrowing compared with a historical average of 12–13%. The Italian power company Enel (Ente Nazionale per l'Energia Elettrica) borrowed €5 billion, partly to refinance a facility arranged in November 2000. Italenergia, a consortium comprising Fiat and Electricité de France, borrowed €6.5 billion to support their bid for Montedison, an Italian conglomerate, and US energy provider First Energy Corp closed an acquisition-related facility for \$4 billion.

Boosted by the activity in the energy sector, lending to finance mergers and acquisitions (M&As) remained stable at \$35 billion in the fourth quarter in comparison with the previous quarter. However, with a total of \$140 billion for 2001 as a whole, M&A lending declined by 33% compared with 2000 in tandem with the underlying drop-off in M&A activity.

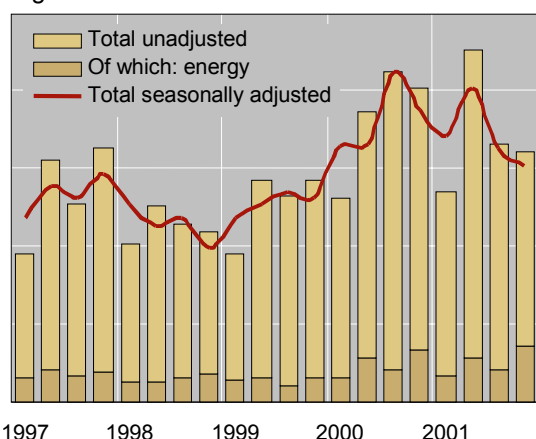
Activity in the telecommunications sector picked up in the fourth quarter, though to a large extent this involved the refinancing of facilities signed in 2000, when borrowing by telecoms peaked. The US firm AT&T closed a refinancing facility of \$8 billion, amending and restating a larger facility arranged in December 2000. Italian Wind Telecomunicazione SpA rolled over earlier facilities for €5.5 billion. The UK wireless telecommunications company mm02, formerly a subsidiary of British Telecommunications, arranged a £3.5 billion facility. Following a number of recent ratings downgrades, telecoms companies generally faced higher borrowing costs than the year before, in some instances as much as 100 basis points more.

Syndicated lending to emerging economies slowed modestly to \$20 billion in the fourth quarter. After an unusually low level of activity in the third quarter, Mexican borrowers – mainly phone companies and other conglomerates – were the most active, obtaining \$4 billion. Brazilian entities raised \$2.2 billion and South Korean ones \$1.4 billion. Argentine borrowers managed to raise \$0.5 billion despite the crisis there. More than half of this was accounted for by entities in the energy sector, and a large part of the remainder was for trade financing purposes. For 2001 as a whole, emerging economies raised \$70 billion or 26% less than in 2000.

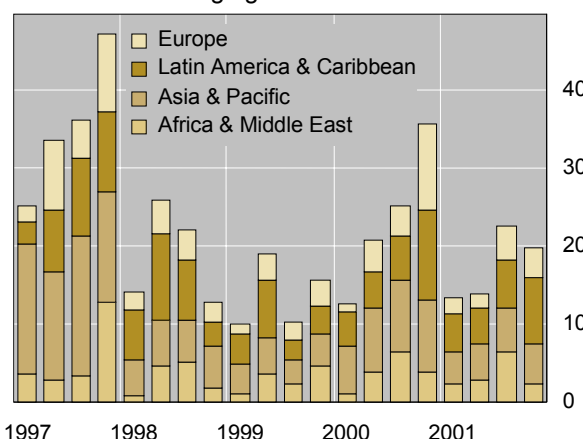
Activity in the international syndicated credit market

In billions of US dollars

Signed facilities



Facilities for emerging economies



Sources: Dealogic Loanware; BIS.