# Highlights of the BIS international statistics[1]

*The BIS, in cooperation with central banks and monetary authorities worldwide, compiles and disseminates several data sets on activity in international financial markets. This chapter summarises the latest data for the international banking market, available up to the first quarter of 2012. A box discusses developments in international debt securities markets in the second quarter of 2012.*

During the first quarter of 2012, the cross-border claims of BIS reporting banks expanded slightly, after a sharp fall in the previous quarter. Despite this increase, cross-border lending remained significantly below the levels recorded before the global financial crisis intensified in 2008. The latest expansion of cross-border claims was mainly driven by growth in lending to non-banks, which recorded the largest amount since early 2011. Cross-border interbank lending stabilised after the severe contraction in the previous quarter. Lending to banks in the euro area rose by the largest amount in four years, albeit with considerable differences across countries.

Cross-border lending to residents of developed countries expanded slightly ($50 billion or 0.2%). Claims on the euro area and Japan increased by $104 billion (1.2%) and $84 billion (9.3%), respectively, driven almost completely by growth in interbank lending. In contrast, claims on residents of the United States and Switzerland contracted by $101 billion (1.9%) and $51 billion (7.8%), respectively, again largely reflecting changes in cross-border interbank activity.

BIS reporting banks' cross-border claims on most emerging market borrowers increased. The overall growth of $86 billion (2.8%) in lending to residents of emerging markets was split roughly evenly between rises in claims on banks ($41 billion or 2.5%) and non-banks ($45 billion or 3.1%). Credit to Asia-Pacific in general and China in particular drove the expansion. Latin America and the Caribbean and Africa and the Middle East registered smaller increases. Only cross-border credit to emerging Europe continued to fall.

---

[1] This article was prepared by Adrian van Rixtel (adrian.vanrixtel@bis.org) for banking statistics and Masazumi Hattori (masazumi.hattori@bis.org) for international debt securities. Statistical support was provided by Stephan Binder, Pablo García-Luna, Branimir Gruić, Carlos Mallo and Denis Pêtre.

## The international banking market in the first quarter of 2012[2]

Aggregate cross-border claims increase

BIS reporting banks' aggregate cross-border claims increased during the first quarter of 2012, after falling sharply in the previous quarter. Notwithstanding this rise, cross-border bank lending remained subdued from a longer-term perspective, in line with the moderate activity observed during the past few years. This followed a phase marked by strong growth in cross-border lending during 2004–07 and a phase of severe contraction in 2008–09.

The growth in cross-border lending of $126 billion (0.4%) was driven by larger claims on non-banks of $154 billion (1.4%; Graph 1, top left-hand panel). By contrast, cross-border interbank claims declined by $28 billion (0.1%).

Claims denominated in euros increased by $175 billion (1.7%), while those in US dollars fell by $111 billion (0.9%; Graph 1, top right-hand panel). In relative terms, claims denominated in Swiss francs declined the most ($64 billion or 13%).

### *Claims on non-banks increase*[3]

Cross-border claims on non-banks expanded relatively evenly vis-à-vis residents in the main regions (Graph 1, bottom left-hand panel). Claims on non-banks in offshore centres, especially those located in the Caribbean, grew by $60 billion (4.1%). Claims on non-banks in developed countries also increased ($46 billion or 0.6%), driven largely by a rise in claims on non-banks in the United States ($55 billion or 2.2%). Lending to non-banks in the euro area increased slightly ($9 billion or 0.3%), as greater claims on Luxembourg and France ($39 billion or 10.4% and $30 billion or 6.1%, respectively) offset falling claims on Germany and Greece ($32 billion or 5.2% and $24 billion or 33%, respectively). Cross-border claims on non-banks in emerging market economies picked up markedly ($45 billion or 3.1%), driven by the Asia-Pacific region and Latin America (which in the BIS international banking statistics includes the Caribbean). For the latter region, it was the largest absolute increase since the start of the BIS international banking statistics.

### *Cross-border interbank lending stabilises*

Cross-border interbank lending stabilises

Cross-border interbank lending worldwide stabilised in the first quarter of 2012, following the severe contraction in the previous quarter.

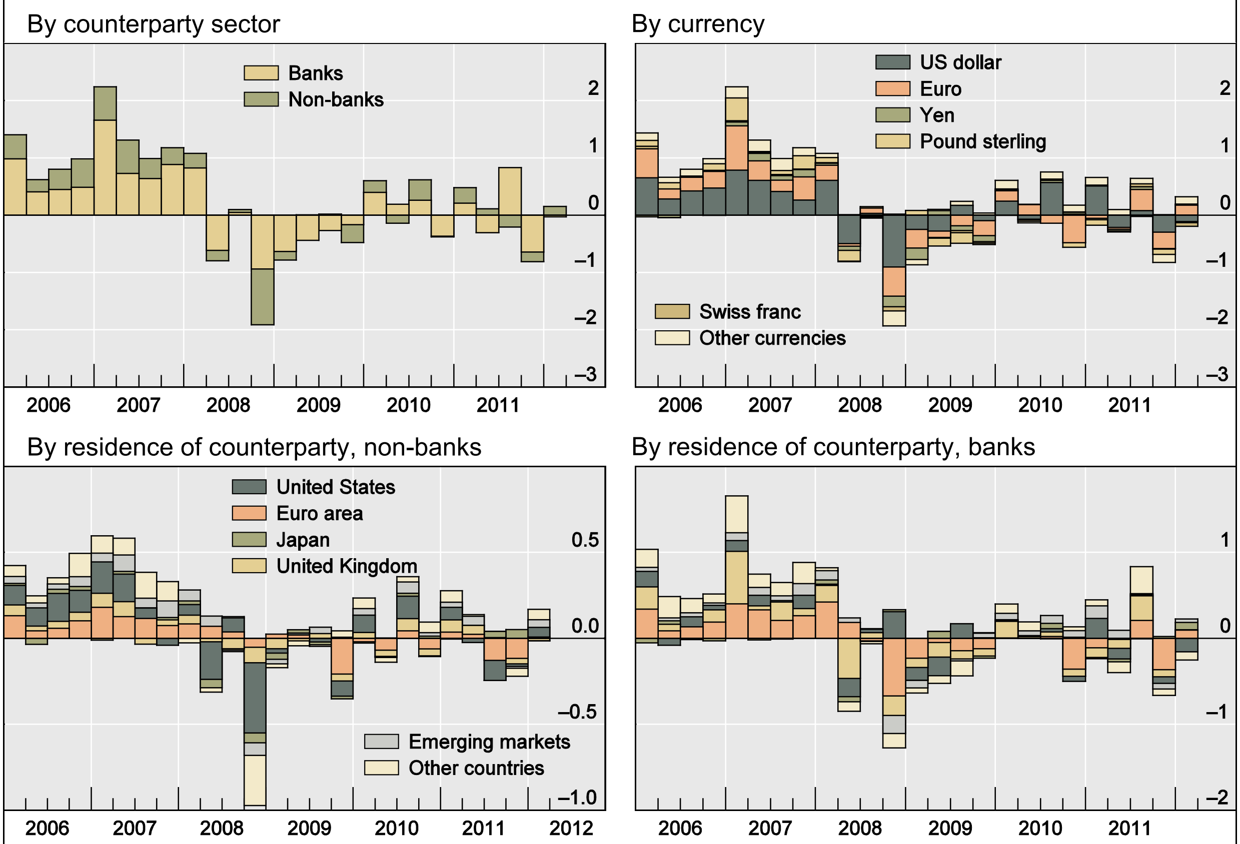
The key developments in interbank markets can be summarised as follows. Internationally active banks expanded their cross-border lending to banks in the euro area, after a large decline one quarter earlier. More specifically, claims on banks in the north of the euro area rose while those on

[2] The analysis in this section is based on the BIS locational banking statistics by residence, in which creditors and debtors are classified according to their residence (as in the balance of payments statistics), not according to their nationality. All reported flows in cross-border claims have been adjusted for exchange rate fluctuations and breaks in series.

[3] Non-banks are defined in the BIS international banking statistics as all entities (including individuals but excluding official monetary authorities) other than those defined as "banks". General government and public corporations are part of the non-bank sector. See www.bis.org/statistics/locbankstatsguide.pdf#page=31.

## Changes in gross cross-border claims[1]

In trillions of US dollars




[1] BIS reporting banks' cross-border claims include inter-office claims.

Source: BIS locational banking statistics by residence. Graph 1

banks in the south fell. Banks in the euro area also increased their cross-border interbank lending, which followed a similar regional pattern. Outside the euro area, cross-border claims on banks in Japan expanded, while those on banks in the United States and Switzerland contracted.

Cross-border interbank lending to banks in the euro area grows …

Cross-border interbank lending *to* banks in the euro area picked up by $95 billion during the period (1.7%). This may be attributed partly to returning market confidence in euro area banks following the ECB's three-year longer-term refinancing operations (LTROs), which helped to reopen wholesale bank funding markets. At the same time, there was a distinct north-south divergence in cross-border lending to euro area banks. On the one hand, cross-border claims on banks in Germany surged by $271 billion (26%), the highest quarterly growth rate in more than 20 years. Claims on banks in the Netherlands, Finland, Belgium and Austria also rose, albeit by lesser amounts. On the other hand, cross-border interbank lending to banks in Ireland, Italy, Spain, Portugal and Greece decreased.

… as does cross-border interbank lending by banks in the euro area

Cross-border interbank lending *by* banks located in the euro area increased by $35 billion (0.5%). This was driven mainly by banks in the Netherlands ($32 billion or 4.6%) and Spain ($32 billion or 11%). Banks in the United Kingdom were the main recipient of interbank financing provided by banks in the euro area, recording inflows of $100 billion (6.0%).

Interbank lending within the euro area also exhibited a north-south divide. Higher cross-border interbank claims on banks in Germany and the other four northern euro area countries (the Netherlands, Finland, Belgium and Austria) contrasted with lower claims on banks in the four southern euro area countries (Greece, Italy, Portugal and Spain) and Ireland.

The stabilisation of cross-border interbank lending in the period was concentrated in *interbank loans and deposits*.[4] These declined by a modest $40 billion (0.3%), compared with a very sharp fall of $536 billion (3.3%) in the previous quarter. Following a slight decline in the fourth quarter of 2011, internationally active banks' purchases of *debt securities* issued by other banks increased by $18 billion (1.0%), of which $12 billion was issued by euro area banks. The latter issuers were dominated by banks in the Netherlands, Germany, Belgium, France and Finland. By contrast, BIS reporting banks' cross-border holdings of debt securities issued by banks in Spain, Italy, Ireland and Portugal fell. *Other assets* registered a modest decline of $5 billion (0.3%).

### *Foreign bank exposures to southern Europe and Ireland contract further*[5]

Foreign claims on the euro area periphery continue to fall

During the first quarter of 2012, internationally active banks continued to report substantial declines in their foreign exposures to Greece, Ireland, Italy, Portugal and Spain (Graph 2). Adjusted for foreign exchange effects, foreign claims on residents of these countries contracted by $92 billion (4.7%).[6] Foreign claims on banks fell by $42 billion (11%) and those on the public sector by $17 billion (5.4%); in the previous quarter, those claims had fallen by $52 billion and $62 billion, respectively. Foreign exposures to the non-bank private sector declined by $33 billion (2.6%), a much larger drop than in the previous quarter. Overall, the figures suggest that the two three-year LTROs conducted by the ECB in 2011 and 2012 did not unlock new foreign financing to these countries.

The sectoral composition of the contraction in foreign claims varied considerably across countries. The decline in foreign exposures to Spain and Ireland ($33 billion or 5.6% and $11 billion or 2.8%, respectively) affected mainly their non-bank private sectors ($18 billion or 5.1% and $6.2 billion

---

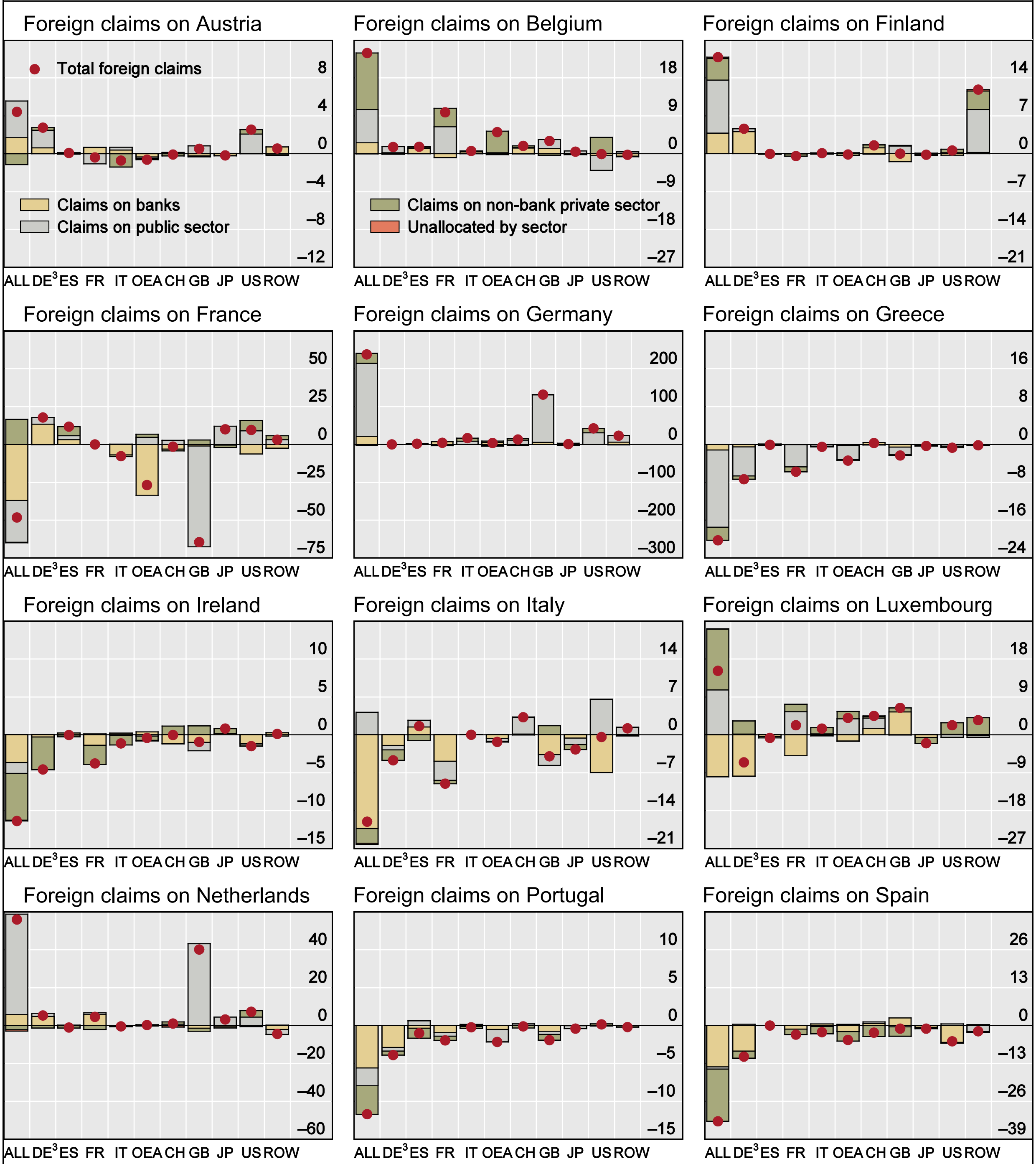
[4] BIS locational banking statistics by residence divide the cross-border claims of reporting banks into three instrument categories: *loans and deposits*, *debt securities* and *other assets*. The last category includes equity, participations, derivative instruments, working capital supplied by head offices to branches and residual on-balance sheet claims. For further details, see *Guidelines to the international locational banking statistics*, www.bis.org/statistics/locbankstatsguide.pdf.

[5] The analysis in this section is based on the BIS consolidated international banking statistics on an ultimate risk basis, which break down exposures according to where the ultimate debtor is headquartered. These exposures are classified according to the nationality of banks (ie according to the location of banks' headquarters), not according to the location of the office in which they are booked. In addition, the classification of counterparties takes into account risk transfers between countries and sectors (for a more detailed discussion and examples of risk transfers, see the box on pp 16–7 of the March 2011 *BIS Quarterly Review*).

[6] To adjust for the period's currency fluctuations, we assume that all foreign claims on residents of the euro area are denominated in euros.

**Estimated changes in foreign claims[1] on selected countries, Q1 2012**

By bank nationality at constant end-March 2012 exchange rates,[2] in billions of US dollars




ALL = all BIS reporting banks; CH = Switzerland; DE = Germany; ES = Spain; FR = France; GB = United Kingdom; IT = Italy; JP = Japan; OEA = other euro area; ROW = rest of the world; US = United States.

[1] Foreign claims consist of cross-border claims and of local claims of foreign affiliates; claims of locally headquartered banks are not included, as these are not foreign claims. [2] All claims are assumed to be denominated in euros. [3] Claims of German banks are on an immediate borrower basis, except for their claims on the Greek public sector, which are on an ultimate risk basis.

Source: BIS consolidated banking statistics (ultimate risk basis). Graph 2

or 1.9%, respectively). In contrast, the overall drop in foreign claims on Italy and Portugal ($16 billion or 2.3% and $12 billion or 6.9%, respectively) involved significant reductions in exposures to their banking systems ($17 billion or 16%

and $5.6 billion or 20%). Lower foreign claims on Greece ($20 billion or 21%) were driven by a large reduction in foreign exposures to its public sector ($16 billion or 72%). This may be related to the restructuring of Greek sovereign debt that was concluded in March 2012.

Foreign exposures increase only towards Italy's public sector

The only sector in the above countries that registered an expansion of foreign exposures in the first quarter of 2012 was Italy's public sector, of $4.1 billion (2.4%). The increase was supported mainly by US, Swiss and Spanish banks, while French, UK and Japanese banks reduced their exposures.

Euro area banks accounted for the bulk of the reduction in foreign claims on Greece, Ireland, Italy, Portugal and Spain ($71 billion or 5.1%; Graph 2). This was largely driven by German and French banks ($31 billion or 7.4% and $24 billion or 4.4%, respectively). In contrast, foreign claims of Swiss banks on these countries rose through larger public sector exposures ($3.7 billion or 73%) predominantly to Italy, with minor increases to Spain and Portugal.

### *Cross-border claims on emerging market economies increase*[7]

BIS reporting banks' cross-border claims on the residents of emerging market economies increased by $86 billion (2.8%), after a decline of $77 billion (2.4%) in the previous quarter. It was the first expansion in three quarters, a possible indication of how these economies benefited from improving market conditions in the first quarter of 2012. Cross-border claims increased both on banks ($41 billion or 2.5%) and on non-banks ($45 billion or 3.1%). The overall growth in cross-border credit to emerging market economies was driven by banks in Asian offshore centres and in the United Kingdom. Banks in the euro area held their cross-border credit fairly constant, following a sharp contraction in the previous quarter.

Cross-border lending to Asia-Pacific increases …

Cross-border credit to the Asia-Pacific region grew the most, accounting for 79% of the total rise in lending to emerging market economies (Graph 3, top left-hand panel). The $68 billion (5.4%) overall increase was due to a $40 billion (4.9%) expansion in interbank claims and a $28 billion (6.1%) rise in lending to non-banks. Banks in Asian offshore centres, eg in Hong Kong SAR and Singapore, accounted for more than half of the growth in cross-border claims on the region. Banks in the euro area expanded their cross-border claims on Asia-Pacific by $10 billion (6.8%), after a decline of $18 billion (10%) in the previous quarter.

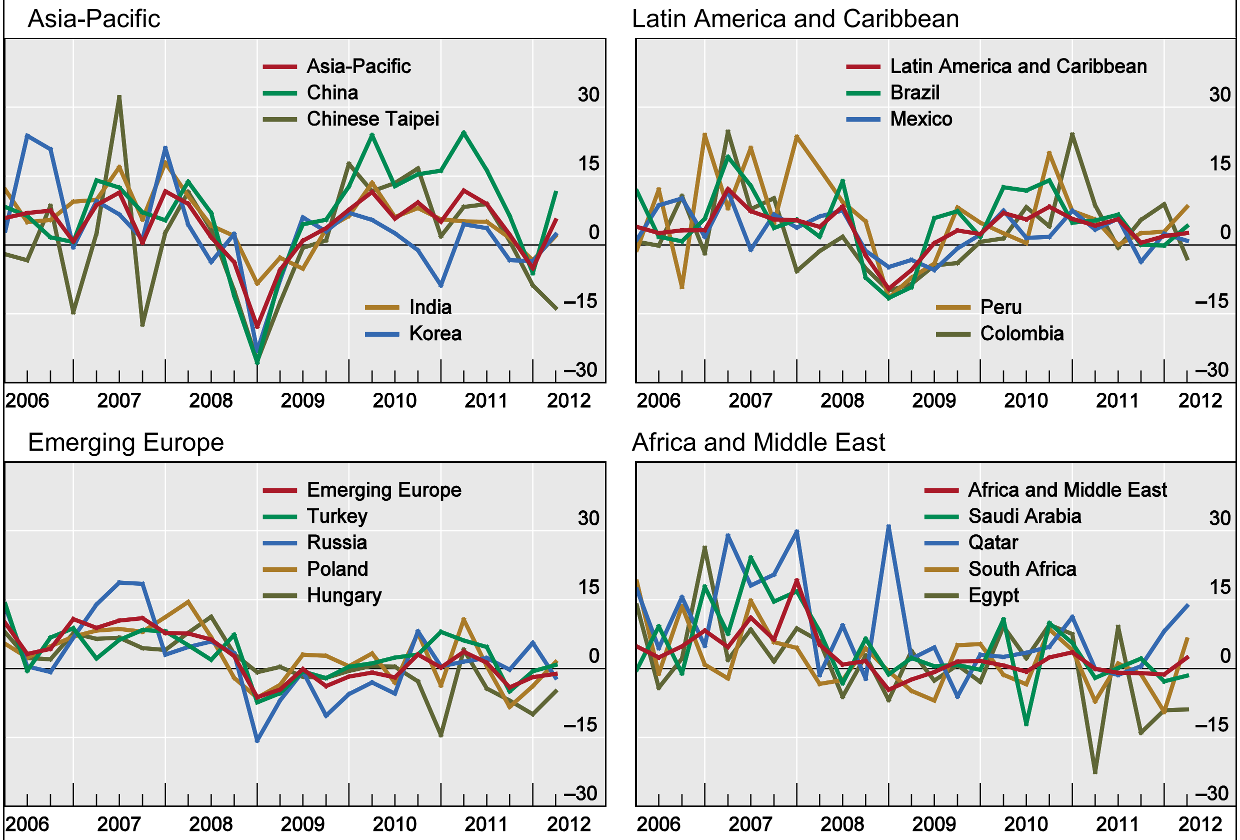
The main factor behind the growth in cross-border claims on the Asia-Pacific region was larger claims on China ($54 billion or 11%). The rise in claims on China was primarily driven by an expansion in cross-border interbank loans of $36 billion (14%); lending to non-banks in the country increased by $15 billion (11%). Cross-border credit also rose significantly in Thailand and Korea, where the changes were mainly driven by interbank lending and credit to the non-bank sector, respectively.

---

[7] The analysis in this section is based on the BIS locational banking statistics by residence. See footnote 2 for a description of this data set.

**Growth rates of cross-border claims on residents of emerging markets**[1]

By residence of counterparty, in per cent




¹ Quarterly growth rates of BIS reporting banks' cross-border claims (including inter-office claims) in all currencies.

Source: BIS locational banking statistics by residence. Graph 3

… and also to Latin America and the Caribbean, and Africa and the Middle East …

Cross-border lending to Latin America and the Caribbean and to Africa and the Middle East increased as well (Graph 3, right-hand panels). Claims on the former picked up by $16 billion (2.6%), due to large increases in cross-border lending to non-banks ($19 billion or 5.3%). The latter expansion – unprecedented in absolute terms – was driven by the high growth of credit to Brazil's and Mexico's non-bank sectors. Much of the rise in cross-border lending to both countries came from banks in the United Kingdom. Cross-border claims on Africa and the Middle East rose by $11 billion (2.4%), driven mainly by increased cross-border interbank lending to Qatar ($9.2 billion or 36%).

… while cross-border credit to emerging Europe contracts

Cross-border claims on emerging Europe contracted by $8.7 billion (1.2%) (Graph 3, bottom left-hand panel), with the largest declines in claims on residents of Russia ($3.1 billion or 2.0%) and Hungary ($3.0 billion or 5.0%). In the case of Russia, a large fall in cross-border credit to the non-bank sector was partly offset by higher cross-border interbank lending. Lower claims mainly by banks in France and the Netherlands led the decline in cross-border credit to Russia, while banks in the United Kingdom, Germany and Belgium drove lower lending to Hungary.

## International debt securities issuance in the second quarter of 2012

Issuance of international debt securities dropped in the second quarter of 2012. This was attributable mainly to a plunge in issuance by financial institutions, especially those headquartered in the euro area. The decline might reflect a front-loading of issuance to the first quarter as banks sought to exploit the improvement in funding conditions brought about by the ECB's three-year longer-term refinancing operations (LTROs). Moreover, funding conditions in global debt markets deteriorated in the second quarter on revived market tensions in the euro area, weaker than expected economic data in the United States, and worries about the growth outlook in emerging markets, especially China. Meanwhile, investors' appetite for yield in a generally low interest rate environment supported issuance by a few issuer categories, most notably US corporate issuers and, to a lesser extent, emerging market ones.

Global gross issuance of international debt securities amounted to $1,828 billion between April and June, a 30% decrease relative to the previous quarter (Graph A, left-hand panel). With repayments down by only 6%, to $1,765 billion, net issuance dropped by 92% quarter on quarter to $63 billion, the smallest amount since the second quarter of 1995.

Net issuance declined across the globe. Issuers headquartered in Europe made net repayments of $92 billion during the period. Net issuance by US nationals halved to $50 billion and that by emerging market borrowers fell by 40% to $75 billion. International institutions (mostly multilateral development banks) raised $28 billion net.

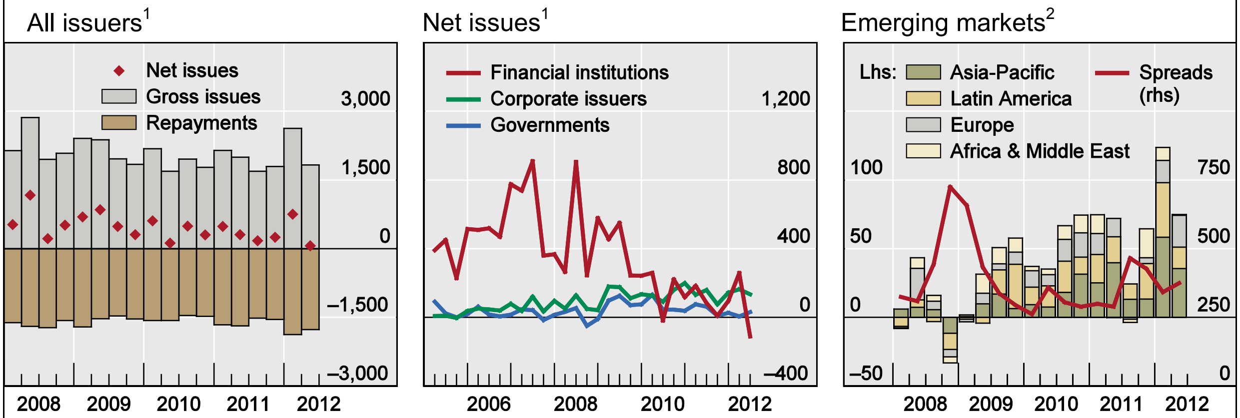
Financial institutions worldwide reduced their debt in the international market by $137 billion (Graph A, centre panel). This reflected net repayments of $110 billion by institutions in the euro area. Net repayments by US-headquartered institutions were relatively modest, at $38 billion.

Corporate issuers as a whole also reduced net issuance, by 10% quarter on quarter to $144 billion, but there was a contrast between entities headquartered in the United States and others. Notably, European issuers decreased issuance by 35% to $37 billion while US issuers increased it by 17% to $88 billion, taking advantage of low interest rates and investors' appetite for investment grade corporate bonds.

Net issuance by emerging market borrowers dropped significantly from the previous quarter's record (Graph A, right-hand panel), but it remained above the amounts raised in the same quarter of the previous year despite some widening in credit spreads. Borrowers from Asia and the Pacific tapped international debt markets to raise $35 billion. Issuers in emerging Europe increased their funding to $23 billion. Borrowing from issuers headquartered in Latin America amounted to $16 billion. Entities headquartered in China, Russia and Brazil comprised 66% of net issuance and 53% of completed issuance by emerging market borrowers.

Issuance activity in the high-yield bond market segment lost some of the momentum gained in the first quarter, when investors' risk appetite in global debt markets increased after the ECB's first three-year LTRO (Graph B, left-hand panel). Funding conditions for high-yield bond issuers became

### International debt securities issuance

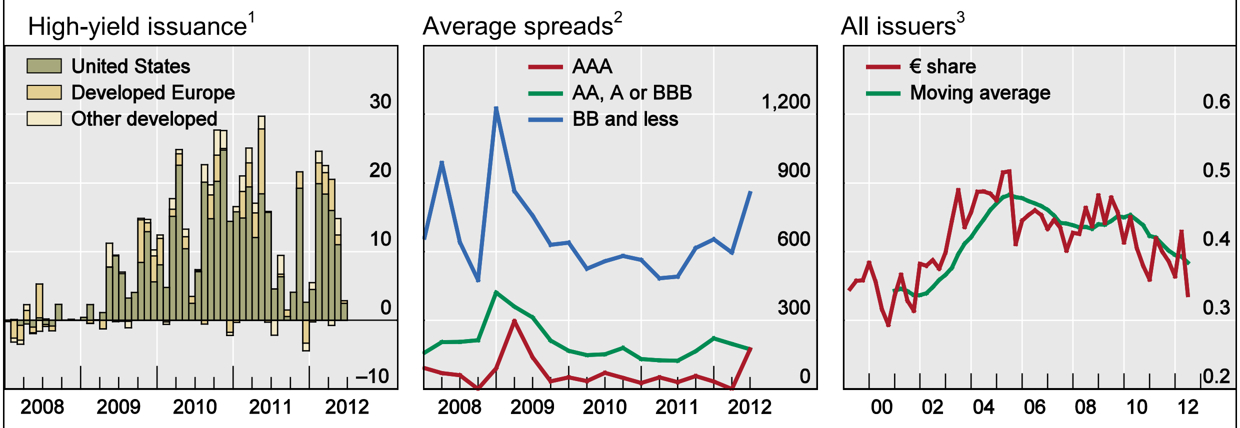



[1] In billions of US dollars. [2] Net issues, in billions of US dollars. Spreads are based on the Quarterly JPMorgan EMBI Global Composite index, in basis points.

Sources: Dealogic; Euroclear; Thomson Reuters; Xtrakter Ltd; BIS. Graph A unfavourable and spreads widened as optimism evaporated and high-yield exchange-traded funds in the United States saw substantial outflows (Graph B, centre panel).

The euro lost some ground as a funding currency in international debt securities markets (Graph B, right-hand panel). Only 34% of total completed issuance was denominated in the currency, the lowest amount since the third quarter of 2001. And net issuance of $181 billion in dollar-denominated debt contrasted with net repayments of $111 billion of debt in euros. As a consequence, the share of euro-denominated international debt securities in the total amount outstanding declined from nearly half in 2008 to 41% in the second quarter.

## International debt securities issuance




[1] Net issues by non-financial corporations headquartered in developed countries, in billions of US dollars. [2] Weighted average, rating at issue, in basis points. [3] Share of euro-denominated international debt securities in new issuance (quarterly and eight-quarter moving average).

Sources: Dealogic; Euroclear; Thomson Reuters; Xtrakter Ltd; BIS. Graph B