

Table 3 and 3a: Balance of Outstanding Credit – Explanations and Definitions

Table 3 presents comprehensive and detailed data on total credit in the economy, including the estimated composition of credit balances according to borrowing and lending sectors and types of credit.

- 1) **The borrowing sectors** include three local sectors (residents of Israel): The business sector (corporations and businesses registered in Israel, non-profit organizations and local authorities, excluding banks and institutional investors), households (individuals who are residents of Israel) and the government.
- 2) **The lending sectors** include: Foreign residents (foreign banks and others) and the financial sector, which includes banks (commercial and mortgage) and institutional investors (provident and advanced-study funds, pension funds and insurance companies). In addition, the credit to the government includes also holdings of private sector (households and corporations) in government bonds, and the credit to the business sector includes also holdings of private sector in corporate bonds, assumed that most of it is held by households, primarily by mutual funds and fund managers. (due to lack of data, we don't include credit to households given by business sector)
- 3) **The composition of credit:** Various types of loans, including mortgages, loans out of designated deposits made according to depositors' discretion ("directed credit" from the banking system), credit arising from credit card activity and deposits with the Accountant General (the data is taken from the financial reports of the financial institutions); and tradable and non-tradable bonds which were issued by borrowers in Israel or abroad (including bonds and deferred letters of guarantee issued by the banks). The data on credit include all types of currencies and of indexation (shekel and foreign currency) for all repayment periods. The data on bank credit is presented net of the balance of the loan-loss provision (general and specific).
- 4) **Valuation:** The credit in foreign currency (most of which is from foreign residents) is presented in shekels and includes exchange rate differentials while the CPI-indexed credit includes indexation differentials. The tradable bonds (government and private) are presented according to market value and, starting from 2005, the non-tradable bonds held by institutional investors are also presented according to fair value estimates based on market prices (following the instructions of the Ministry of Finance to revalue non-tradable assets in institutional investors portfolios on an ongoing basis). Implementing valuation according to fair value created a significant change in the data from 2005 onward and was reflected primarily through the increase in the value of the designated government bonds held by the pension funds (which was estimated at NIS 12 billion in 2005). Thus, changes in the volume of credit are influenced both by changes in quantities and changes in prices (changes in the exchange rate and the CPI and changes of bond prices at the market).
- 5) **Credit arising from credit card activity:** All credit arising from credit card activity refers to the banks' credit, though some of it is not recorded on the banks' balance sheets but as an off-balance sheet guarantee, and some is not recorded in the banks' reports, but only on the balance sheets of bank-owned credit card companies. All credit in credit cards is classified as credit to households, though small part from it was given to companies for business activity.
- 6) **Sources of the data:** Various departments at the Bank of Israel (the Supervisor of the Banks, the Foreign Exchange Activity Department and the Monetary

Department), the Capital Market, Insurance and Savings Division in the Ministry of Finance and the Tel-Aviv Stock Exchange. The processing of the data was done by the Financial Stability Area at the Bank of Israel.

For further information, please contact Roeel Levy in the Financial Stability Area in the Bank of Israel at roeel@boi.gov.il