

# ECONOMIC PULSE

## EUROZONE: COMPANIES ARE RESORTING TO BANK LOANS TO STAY AFLOAT RATHER THAN TO EXPAND BUSINESS

In the past, bank lending to companies and GDP have tended to move in unison, but with the Covid-19 crisis, these movements have become uncoupled in the eurozone. At a time when GDP growth has been contracting on a year-on-year basis – with a sharp contraction in Q2 2020 due to lockdown measures followed by an easing trend in Q3 after restrictions were lifted and a quarterly rebound – bank lending to the private sector has accelerated rapidly (+6.9% year-on-year in November 2020), buoyed by government measures to support corporate financing, like PGE state-backed loans in France, and the banks’ strong implication in lending. Whereas bank lending to non-financial companies usually finances capital formation and investment, today it is serving instead to limit the impact of the downturn in sales on cash flow, and in the more favourable situations, to halt their decline in the face of uncertainty.

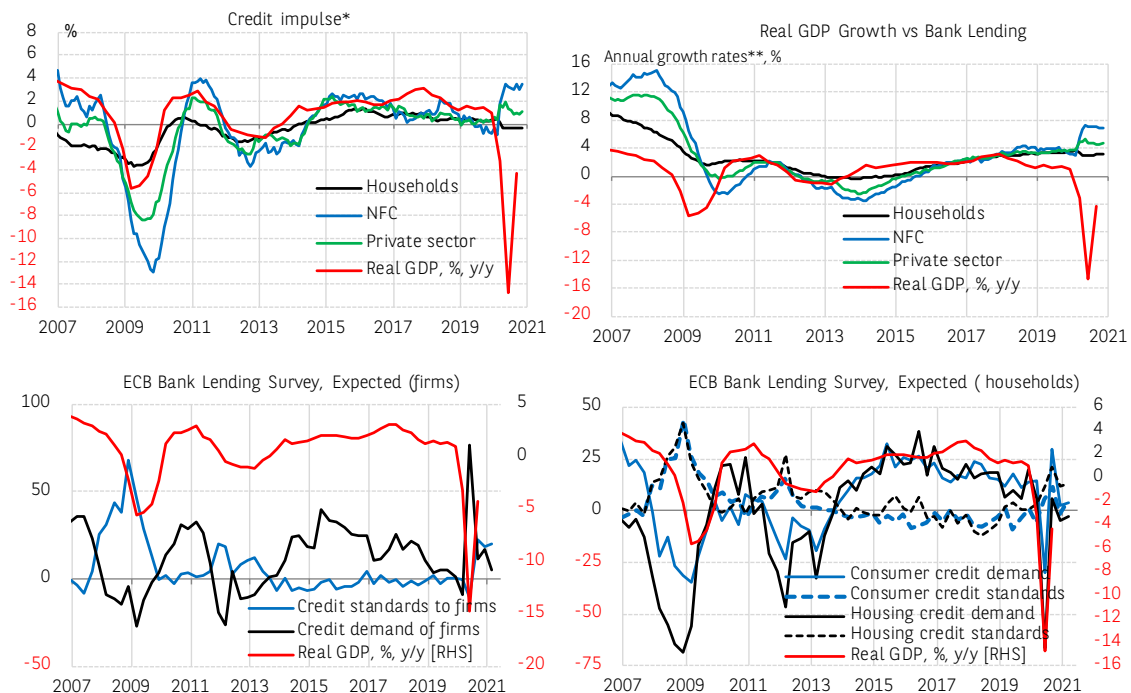
Regarding household loans outstanding, credit dynamics do not seem to be as removed from cyclical trends, although they have slowed somewhat (+3.1% year-on-year in November 2020).

Residential loans outstanding have accelerated (+4.7% year-on-year in November 2020), which contrasts with the decline in consumer loans outstanding (-1%). All in all, after rising sharply in spring 2020, the credit pulse is holding at levels unseen since 2011, and are unusually high with regard to the cyclical environment.

In Q1 2021, the banks surveyed in the ECB’s latest BLS survey anticipate a slight increase in demand for corporate financing, relatively stable demand for consumer lending and a slight easing of demand for residential loans. They also expect lending conditions to tighten slightly, especially for residential lending.

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### CREDIT IN THE EUROZONE



SOURCE: ECB SURVEY ON THE DISTRIBUTION OF CREDIT, BLS, BNP PARIBAS CALCULATIONS

\*Credit impulse is measured as the annual change of the annual growth rate of MFI loans

\*\* Adjusted for securitizations

