

## CONTINUED RECOVERY OF CREDIT IMPULSE IN THE EUROZONE AGAINST A BACKDROP OF FALLING INTEREST RATES

After becoming positive again in August 2024, the private sector credit impulse in the Eurozone continued to recover in September, hitting its highest level in nearly two years (November 2022). Among other factors, it contributed to the pleasant surprise in terms of the development of Eurozone GDP in the third quarter (+0.4% q/q after +0.3% in the first and +0.2% in the second). Credit impulse to non-financial corporations has recovered more quickly since dipping below credit impulse to households in autumn 2023, when the restrictive effects of monetary policy peaked. The impulse of lending to households remained slightly negative in September.

### Bank lending to the private sector and GDP rally in tandem in 2024

Real GDP and outstanding loans have been rallying simultaneously since the beginning of 2024. Activity resurged above expectations in the third quarter of 2024 (+0.9% year-on-year, after +0.5% in Q1 and +0.6% in Q2), due to the ultimately positive figure recorded in Germany, buoyed by consumption. At the same time, outstanding loans to the private sector continued the slight acceleration that had begun at the start of 2024 (+1.6% year-on-year in September compared to +0.4% in January). However, these developments were largely due to loans to the non-banking financial sector, with outstanding loans to households and non-financial corporates displaying more modest growth (+0.7% and +1.1% in September, respectively).

### Credit standards: unchanged for businesses, eased for home loans and tightened for consumer loans

The 156 banks surveyed by the ECB between 6 and 23 September as part of its Bank Lending Survey (BLS) ultimately kept the criteria for granting corporate loans unchanged in the third quarter of 2024, despite anticipating a slight tightening in the previous survey. At the same time, they relaxed the conditions for granting home loans more than they envisaged due to increased competition. The credit standards for granting consumer loans, on the other hand, were tightened due to the increased perceived risk.

### Business demand for financing rises for the first time in two years

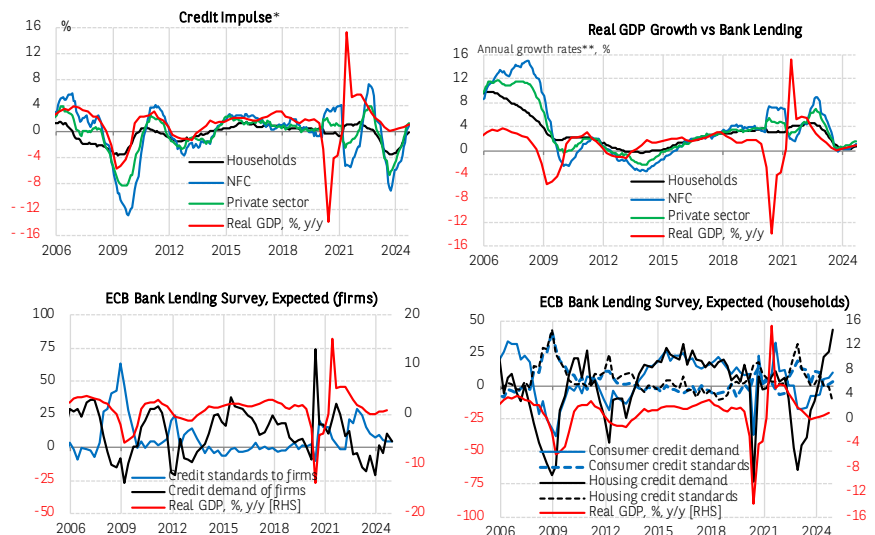
For the first time since the third quarter of 2022, demand for loans and drawdown lines from firms increased, albeit modestly. This recovery was encouraged by falling interest rates, while momentum no longer adversely affected demand, but did not become a supporting factor. On the household side, demand for home loans rebounded significantly, encouraged by lower interest rates and an improved outlook on the real estate market. Consumer credit demand, which has risen much more tentatively, has benefited from recovering household confidence and the purchase of sustainable goods.

### Credit impulse should remain positive in the fourth quarter due to the effects of lower interest rates

Finally, banks in the Eurozone highlighted the moderate improvement in retail banking funding in the third quarter, particularly in the short term. This trend can be viewed in relation to the drop in interest rates and the decrease in flows to better-paid savings accounts. Access to money markets and debt securities developed favourably. For the fourth quarter, credit institutions anticipate a stabilisation of access to resources in the above segments. In their view, the reduction in the Eurosystem's securities portfolio has had a slightly negative impact on their market financing conditions over the past six months, and this should be the same over the next six months. Banks, on the other hand, believe that Quantitative Tightening has only had a limited impact on the conditions applied to customers and believe that this will be the case again for the next six months. Beyond these results from the BLS survey, the continued fall in interest rates and the spread of its effects will be likely to support the credit impulse over the next quarter. This positive contribution to economic activity would come just at the right time: after a positive surprise in the third quarter, growth in the Eurozone could fall in line in the fourth quarter and see a quarterly growth more in line with its potential.

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## CREDIT IMPULSE IN THE EUROZONE



\*CREDIT IMPULSE IS MEASURED AS THE ANNUAL CHANGE OF THE ANNUAL GROWTH RATE OF MFI LOANS  
\*\* ADJUSTED FOR SECURITIZATIONS

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