

CREDIT IMPULSE: RISING INTEREST RATES CATCH UP ON BANK LENDING

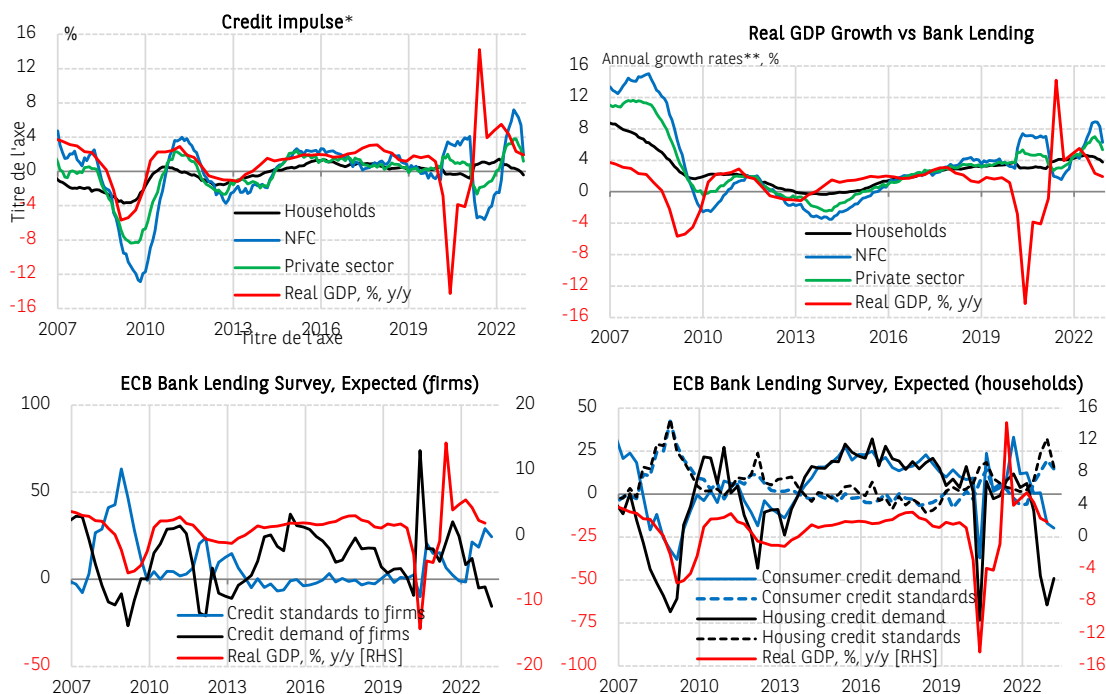
The ECB's policy tightening cycle that began in July 2022 is starting to have a negative effect on bank lending. Outstanding loans to the private sector slowed between September (+7.0% year-on-year) and December 2022 (+5.3%). Their continued sustained growth conceals a very sharp drop in the credit impulse between September and December 2022, which was unprecedented since spring 2009. The credit momentum fell more sharply for non-financial companies (NFCs) while remaining positive (+1.9 in December 2022), and more moderately for households, for which it is now negative (-0.1).

Banks surveyed by the ECB between 12 December 2022 and 10 January 2023 as part of its Bank Lending Survey (BLS, published on 31 January) report a tightening of the criteria for all loan categories in the fourth quarter of 2022. For companies, tightening is even the most pronounced since the sovereign debt crisis (2011). The demand for financing is declining due to rising borrowing costs and falling investment. With regard to households, the criteria were also significantly tightened in the fourth quarter, but slightly less than expected during the previous BLS. These changes, as well as the downturn in demand, concern both housing loans and consumer credit. The main explanatory factors are the higher cost of credit, weak household confidence and the deterioration of the real estate market outlook.

For the first quarter of 2023, the banks surveyed anticipate a further decline in demand for financing from both households and companies and envisage a further tightening of the approval criteria, in the same way as that reported in the fourth quarter of 2022.

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CREDIT IMPULSE



*Credit impulse is measured as the annual change of the annual growth rate of MFI loans ** Adjusted for securitizations

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

