

# ECONOMIC PULSE

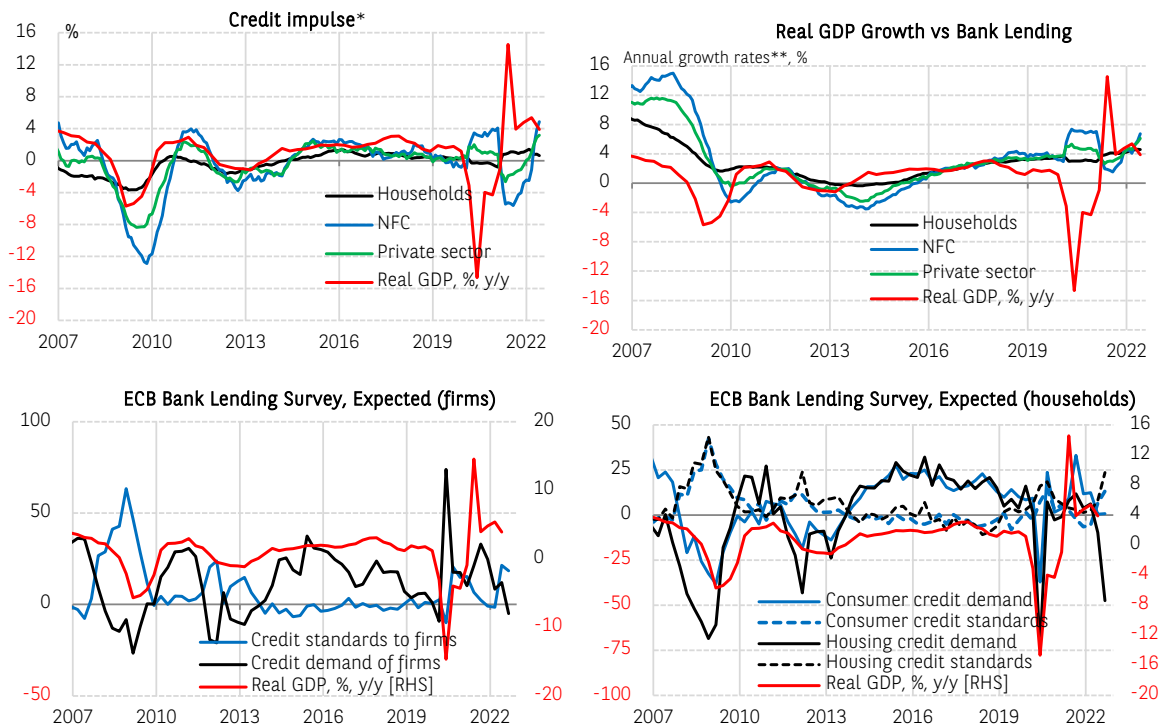
## CREDIT IMPULSE : SOFTER DEMAND AND TIGHTER CREDIT CONDITIONS EXPECTED

Negative between March and December 2021, the euro area credit impulse has been in positive territory since January 2022 and reached, in June 2022, its highest level since spring 2006 (+3.2 points), contributing to GDP resistance in volume terms (+0.7% Q/Q in Q2 after +0.4% Q/Q in Q1). With strong acceleration since spring 2021, bank loans to private sector outstanding recorded, in June, its highest annual increase since 2009 (+6.1% year-on-year in June 2022). Annual increase and credit impulse for non-financial companies (NFC) reached levels not seen since 2006 (+6.8% and +4.9%, respectively). According to the banks surveyed by the ECB in June as part of its Bank Lending Survey (published on 19 July), supply chain bottlenecks and the rise in commodity prices increased working capital requirements and strengthened demand for loans with a maturity of less than a year. Household credit impulse, which was more modest (+0.6 points in June), has been down since February (+1.4 points). Growth in bank loans outstanding remained robust (+4.6% year-on-year in June 2022, the highest pace seen in 14 years) but its acceleration was weaker. Since the summer of 2021, consumer credit outstanding has steadily accelerated (+3.5% in June 2022, compared with +0.6% in June 2021). Loans for housing purchase, on the other hand, slowed down, albeit very slightly (+5.3% vs. +5.7%). For the time being, the bank loans developments does not seem to have been affected by the weakness of household confidence (which is currently at its lowest level since 1985). Fears that the rise in housing loan rates would intensify over the coming months have, on the contrary, boosted demand. The banks surveyed stated that they had tightened the conditions for business loans and, more noticeably, for home loans in Q2. Such adjustment to conditions is in response to increased uncertainties and the rise in the cost of their own resources, which are beginning to be affected by the normalisation of monetary policy and tensions on the bond market.

Banks are envisaging a reduction in demand for corporate finance in Q3 2022. They are primarily expecting a much more pronounced drop in the demand for home loans compared to that of Q2. Finally, they plan to continue to tighten conditions for both companies and households.

Laurent Quignon

### CREDIT IMPULSE IN THE EUROZONE



\*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

