

ECONOMIC PULSE

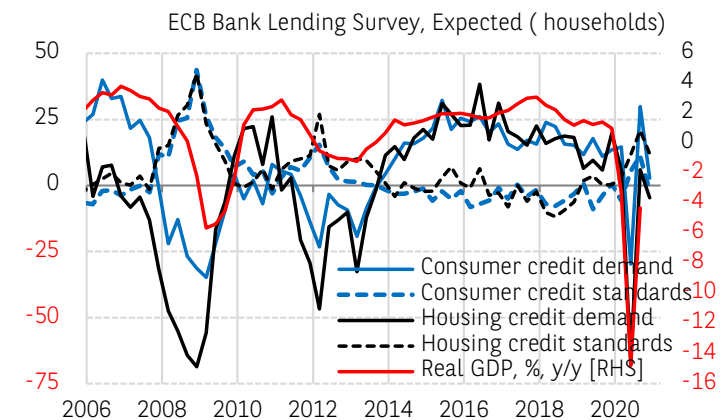
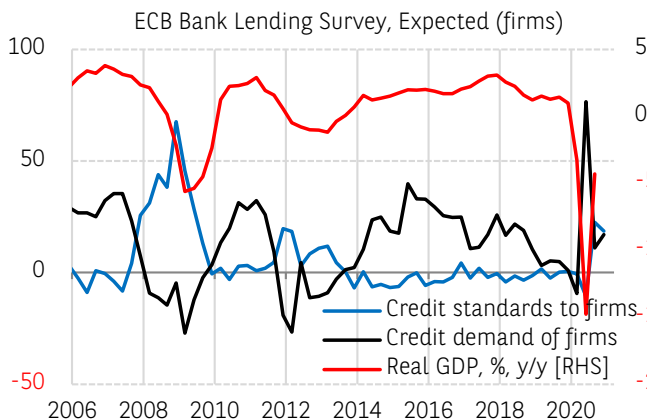
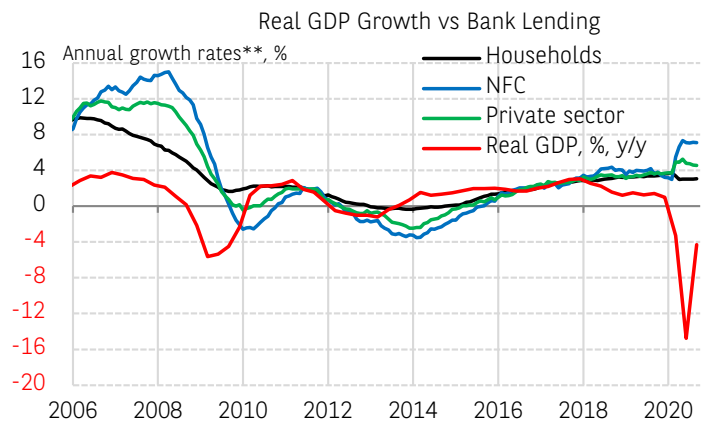
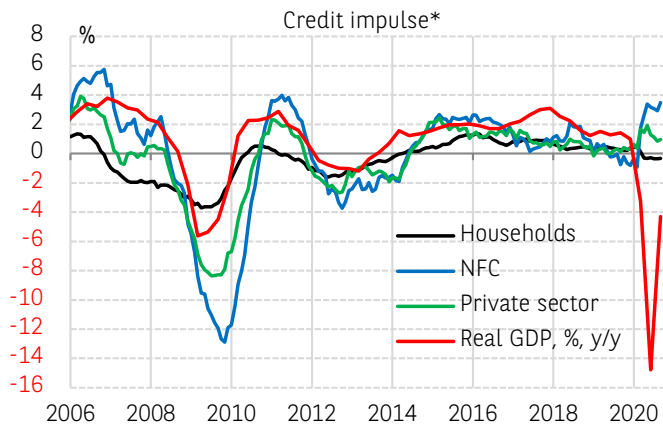
CREDIT IMPULSE IN THE EUROZONE: INCREASE IN LENDING FLOWS TO NON-FINANCIAL COMPANIES, SLIGHT CONTRACTION FOR HOUSEHOLDS

Despite a significant and higher than expected rebound in the third quarter (+12.7% q/q according to Eurostat, from -11.8% in Q2), the y/y contraction in GDP remains significant albeit lower (-4.3%, from -14.8% in Q2). In contrast to prevailing macroeconomic trends, credit impulse (defined as the annual change of the annual growth rate of bank loans) to the private sector increased very slightly in September 2020, following a decline from 1.9% in May 2020 to 0.8% in August 2020. However, given the stability of the year-on-year figure for growth in lending to the private sector in August and September (4.6%), this additional impulse came solely from the slight dip in year-on-year growth in September 2019 (from 3.8% in August 2019 to 3.6% in September 2019). At the beginning of this autumn, outstanding loans to companies continued to see much stronger growth than those to households as a result of the sharp rise in lending in the spring, stimulated by government schemes to support business finances and liquidity. Thus outstanding loans with a maturity of between 1 and 5 years, which form the core of the main schemes, have seen annual growth of between 16% and 18% since the second quarter. For households, although mortgage lending

has maintained its momentum (up 4.5% y/y in September), consumer lending has been more or less flat (up just 0.1%). After an easing in demand from companies in the third quarter, linked to a lessening of pressure on cash flows, the banks surveyed are expecting a modest uptick in demand for credit in the final quarter of the year, particularly from SMEs. Credit institutions are also expecting a drop in demand for mortgage lending, against a background of tougher lending conditions. Lastly, it should be noted that the Bank Lending Survey was conducted between 21 September and 6 October, and that although these anticipations do not seem to be called into question, they could be amplified by the return of the epidemic and the consequences of the fresh round of public health restrictions that have unfortunately become necessary.

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QUARTERLY CHANGES



*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

