

ECONOMIC PULSE

EUROZONE: DEMAND IS STILL ROBUST FOR CORPORATE LOANS BUT CONTINUES TO SLOW FOR HOUSEHOLD LOANS

The bank lending pulse picked up slightly in the Eurozone in May 2020 (+1.9%, after +1.5% in April and +1.7% in March) even as Eurozone GDP is expected to have entered a record-breaking decline in Q2 (-13.5% q/q vs. -3.6% q/q in Q1 2020), as national lockdown measures have a lasting impact on economic activity.

Bank lending to the private sector has accelerated rapidly since March (+5.3% in May, after +4.9% in April and +5% in March) after holding at a dynamic but relatively stable annual pace since summer 2018 (+3.5% on average). Lending to non-financial companies continued to grow at a rapid pace in May (+7.4% after +5.5% in March), offsetting the slowdown in household lending (+3%, after +3.4%). Faced with plummeting sales, many companies continued to draw on approved credit lines or take out new bank loans (often benefiting from state-backed guarantees introduced in response to the coronavirus crisis) to finance current expenditures and rebuild precautionary cash balances.

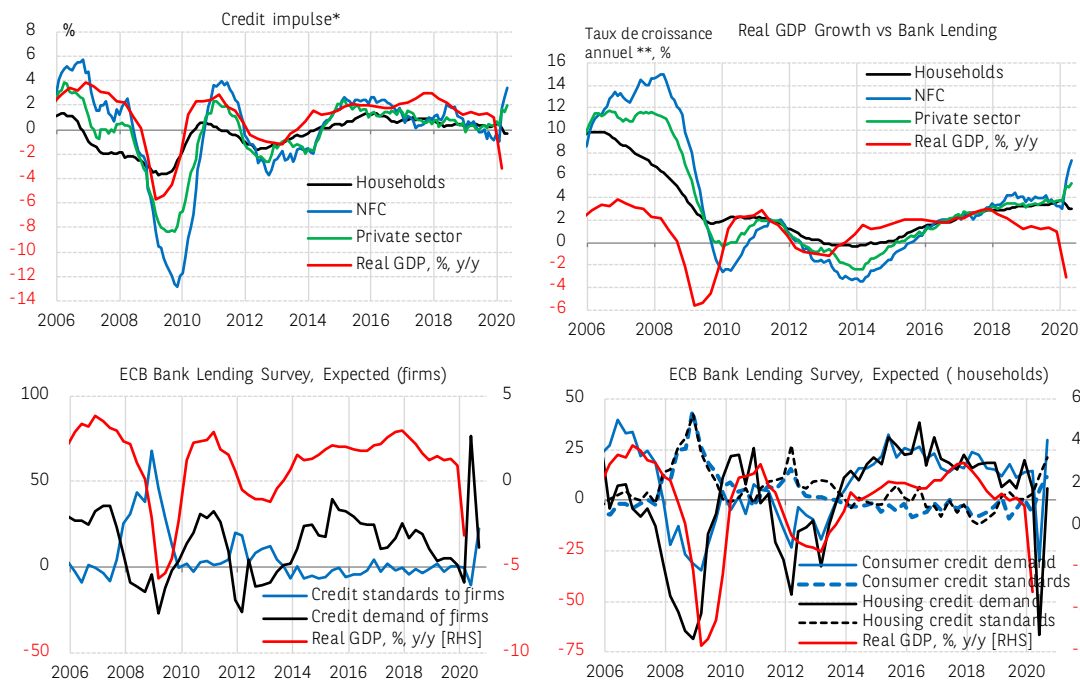
According to the last ECB's bank lending survey, demand for household loans, in contrast, has slowed in all of the largest Eurozone countries, for both housing loans (albeit less than in H2 2008) and consumer loans (which fell to the lowest level since the survey was launched in

2003). The erosion of household confidence following the downturn in the job market and the decline in demand for durable goods were heavy strains. Lastly, corporate lending conditions were eased in France, Italy and Spain, while they were tightened slightly in Germany (German companies did not resort to state-backed loans as much). Household lending conditions were tightened significantly in Spain, less so in France and Germany, and remained the same in Italy.

On average, the banks surveyed expect demand for corporate loans to increase less in Q3 2020, while demand for household loans could rebound strongly (bolstered by the easing of lockdown restrictions). Faced with a deteriorated and uncertain economic environment, the banks also expect lending conditions to tighten for both households and companies (related to the expected end of state guarantee schemes in some large Eurozone countries).

Céline Choulet

CREDIT PULSE IN THE EUROZONE



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

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

