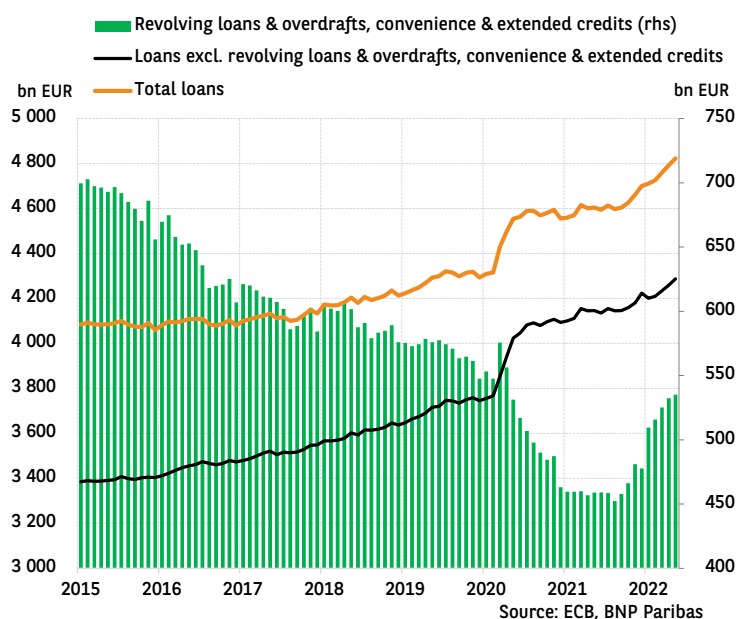


13 July 2022

EURO AREA: CORPORATION OVERDRAFTS RETURNING TO PRE-PANDEMIC LEVELS

Thomas Humblot

Euro area: outstanding amounts of banking loans to non-financial corporations



Outstanding amounts¹ of overdrafts, revolving loans, convenience and extended credits granted by banks to Non-Financial Corporations (NFCs)² in the euro area stood at EUR 535 bn as of May 2022 after five months of consecutive increases, a level comparable to May 2020. From their low point of EUR 452 bn in August 2021, NFCs' overdrafts have increased by 18.3%, following a fall of 35.6% which began in February 2015.

The fall in the outstanding amounts of NFC overdrafts became more marked in 2020, probably as a result of public support measures implemented in response to the emergence of the COVID-19 pandemic. More specifically, loans subject to public guarantee schemes allowed NFCs to access resources at exceptionally attractive conditions, reducing their recourse to overdrafts – as demonstrated by the significant increase in the outstanding amounts of loans excluding overdrafts from March 2020.

The gradual lifting of public support measures (especially moratoria on loan repayments and loan public guarantee schemes), as well as the marked deterioration of the macroeconomic and geopolitical environment, seem to have contributed to the increase in the outstanding amounts of NFC overdrafts since the beginning of 2022. Moreover, the increases in the prices of commodities and other inputs also contributed to the increase in working capital needs. Regarding households³, overdrafts remained, in May 2022, 7.9% below their level of December 2019. However, they had increased by 5.5% from their low point of May 2021, suggesting that financial constraints have tightened for some households due to the resurgence of inflation.

¹ The outstanding amounts coincide with new production, meaning the amounts borrowed are repaid in full from one period to the next.
² Monetary Financial Institutions (MFIs) excluding the European System of Central Banks (ESCB).
³ These include sole entrepreneurs and non-profit institutions serving households.

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