

# CHART OF THE WEEK

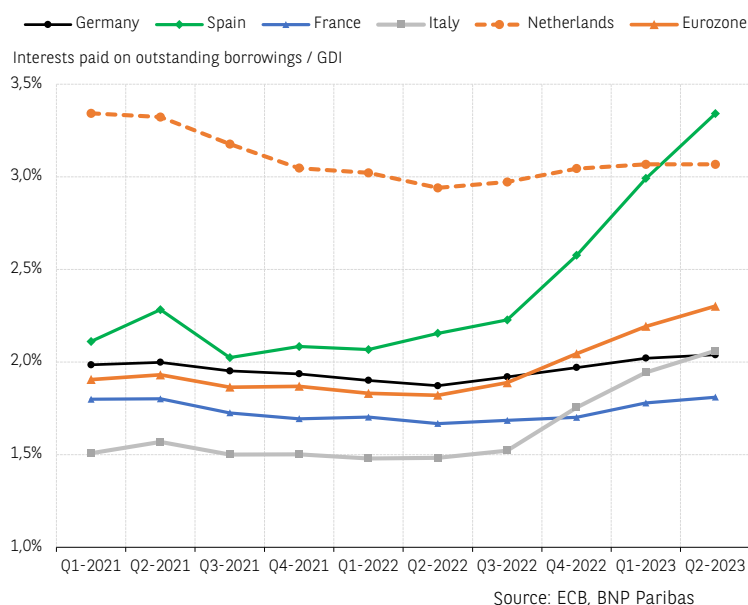


11 October 2023

## EUROZONE: FIXED RATES ARE PROTECTING BORROWERS FROM THE EFFECTS OF MONETARY POLICY TIGHTENING

Laurent Quignon & Thomas Humblot

### Changes in financial expenses in the euro zone



The impact on financial expenses of rising interest rates - the result of the European Central Bank tightening its monetary policy - is very mixed, depending on the euro zone country. The impact depends on the proportion of variable-rate loans in outstanding amounts, and also on levels and changes in the amounts borrowed. Compared to gross disposable income<sup>1</sup> (GDI), financial expenses provide a good measurement of the tightening of financial constraints borne by household borrowers, and its potential effects on their consumer spending and savings.

In France, the ratio of interest expenses to households' income therefore remained stable at 1.8% between Q1 2021 and Q2 2023. We have seen a greater increase in GDI (+14.8%) than in outstanding loans (+8.1%), while the average rate applied to the outstanding amounts of their loans, primarily at a fixed rate, only increased by 5 basis points (bps). In Spain, by contrast, the ratio of financial expenses to GDI rose from 2.1% in Q1 2021 to 3.3% in Q2 2023. The increase in the GDI of Spanish households, by 17.3% between Q1 2021 and Q2 2023, and the stability of outstanding loans were not enough to offset the increase of 198 bps in the average rate applied to the outstanding amounts of their loans, which are more generally made up of floating rate loans.

<sup>1</sup> In national accounts, interest paid by households is deducted from other income to calculate disposable income.

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