

## EUROZONE: THE BULK OF THE DECREASE IN BORROWING COSTS IS BEHIND US

Thomas HUMBLLOT

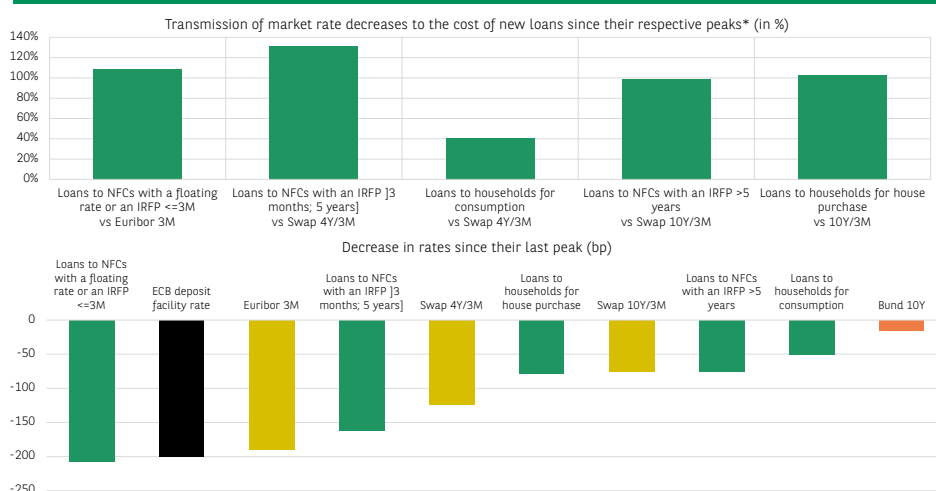
In August 2025, the decrease in market rates (Euribor, swap, etc.), which began in October 2023, had been passed on in full to the rates on new bank loans to corporations and households in the Eurozone.

Banks generally tend to adjust the pricing of new loans to the cost of their resources with comparable maturities. Swap rates are good reference rates in this respect, as they provide a reliable approximation of what the market considers to be the expected path of short-term rates for a wide range of horizons. The ECB's key interest rate cuts between June 2024 and June 2025 (which directly affect only – very short-term – money market rates via the interest rate channel) therefore had a modest impact on the pricing of long-term bank loans. This reference to swap rates also helps to explain why long-term lending rates have fallen more than the 10-year Bund rate (which even rose slightly between December 2023 and August 2025), which is the main benchmark rate of comparable maturity in the Eurozone.

The transmission of market rates is assessed by comparing the decrease in the rates of several categories of loans with that of a market rate of comparable maturity, from their most recent peak<sup>1</sup> to August 2025. For example, the average rate on new loans to households for house purchase<sup>2</sup> fell by 78 basis points between November 2023 and August 2025, to 3.36%, while the 10-year Bund rate versus 3-month swap rate fell by 76 basis points between September 2023 and August 2025 to 2.62%. The transmission rate is therefore 103%.

However, the cost of bank resources is not the only variable explaining credit pricing. Unlike the benchmark market rates used, bank lending rates are not risk-free rates. The bank interest margin includes a risk premium reflecting the risk associated with the borrower. Thus, the 2.1 pp increase between Q3 2023 and Q2 2025, to 11.7%, in the share of consumer loans that are under-performing but not yet non-performing (stage 2 according to IFRS 9) would help explain the less efficient transmission (41% according to our calculation) to this category of loans. While long-term rates are likely to remain on an upward trend, a further decline in short and long-term bank rates seems unlikely. Above all, household lending rates already appear to be on the rise again.

### EUROZONE: TRANSMISSION RATE FROM MARKET RATES TO BANK RATES



\* 09/2023 for swap rates, 10/2023 for Bunds and loans to NFCs with a maturity of more than 5 years, 11/2023 for loans to NFCs ]3 months; 5 years] and loans to households for house purchase, 01/2024 for loans to households for consumption and 03/2024 for the Euribor 3M and floating rate loans to NFCs, and 05/2025 for the ECB deposit facility.

**Reading of the chart:** The reference rate for new loans to NFCs with a floating rate or an IRFP ≤ 3M is the Euribor 3M. The Euribor 3M fell by 190 bp between March 2024 and August 2025. The rate on new loans to NFCs with a floating rate or an IRFP ≤ 3M fell by 207 bp between March 2024 and August 2025. The transmission rate is therefore 109%. Retaining the peaks allows the transmission lag to be incorporated and avoids overestimating the transmission rate.

SOURCE: ECB, BNP PARIBAS

thomas.humblot@bnpparibas.com

1 Using peak values allows us to take into account the time lag between the decrease in market rates and that in bank rates, and to avoid overestimating the transmission rate.  
2 Since the low-interest rate era began, floating rates have accounted for between 15% and 20% of new loans to households for house purchase in the Eurozone (compared with more than 40% before the low-interest rate era), with initial maturities generally ranging from 20 to 25 years.

# GROUP ECONOMIC RESEARCH

## ECOINSIGHT

Structural or thematic topics

## ECOPERSPECTIVES

Analyses and forecasts with a focus on developed and emerging economies.

## ECOFASH

Data releases, major economic events

## ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts

## ECOPULSE

Easy-to-read monthly overview of inflation dynamics

## ECOCHARTS

Monthly barometer of key economic indicators of the main OECD countries.

## ECOTV

What is the key event of the month?  
You will find the answer in our economy broadcast.

## CHART OF THE WEEK

Weekly charts highlighting points of interest in the world economy

## MACROWAVES

Our economic podcast

The information and opinions contained in this document have been obtained from, or are based on, public sources believed to be reliable, but there is no guarantee of the accuracy, completeness or fitness for any particular purpose of such information and such information may not have been independently verified by BNPP or by any person. None of BNPP, any of its subsidiary undertakings or affiliates or its members, directors, officers, agents or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy and completeness of the information or any opinions based thereon and contained in this document and it should not be relied upon as such. This document does not constitute research, as defined under MIFID II, or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on, in connection with any contract or investment decision. Information and opinions contained in this document are published for the information of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient, are subject to change without notice. In providing this document, BNPP does not offer investment, financial, legal, tax or any other type of advice to, nor has any fiduciary duties towards, recipients. Any reference to past performance is not indicative of future performance, which may be better or worse than prior results. Any hypothetical, past performance simulations are the result of estimates made by BNPP, as of a given moment, on the basis of parameters, market conditions, and historical data selected by BNPP, and should not be used as guidance, in any way, of future performance. To the fullest extent permitted by law, no BNPP group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this document even when advised of the possibility of such losses. All estimates and opinions included in this document are made as of the date of this document. Unless otherwise indicated in this document there is no intention to update this document. BNPP may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this document or derivatives thereon. Prices, yields and other similar information included in this document are included for information purposes however numerous factors will affect market pricing at any particular time, such information may be subject to rapid change and there is no certainty that transactions could be executed at any specified price. BNPP may have a financial interest in any issuer or person mentioned in this document, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNPP, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this document. BNPP may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this document. BNPP may be a party to an agreement with any person relating to the production of this document. BNPP may to the extent permitted by law, have acted upon or used the information contained herein or in the document, or the analysis on which it was based, before the document was published. BNPP may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this document. Any person mentioned in this document may have been provided with relevant sections of this document prior to its publication in order to verify its factual accuracy.

This document was produced by a BNPP group company. This document is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNPP. By accepting or accessing this document you agree to this.

BNP Paribas is a société anonyme incorporated in France, licensed and supervised as a credit institution by the European Central Bank (ECB) and as an investment services provider by the Autorité de contrôle prudentiel et de résolution (ACPR) and Autorité des marchés financiers (AMF), and having its registered office at 16, boulevard des Italiens, 75009 Paris, France.

Some or all of the information contained in this document may already have been published on <https://globalmarkets.bnpparibas.com>.

For country-specific disclaimers (United States, Canada, United Kingdom, Germany, Belgium, Ireland, Italy, Netherlands, Portugal, Spain, Switzerland, Brazil, Turkey, Israel, Bahrain, South Africa, Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam) please type the following URL to access the applicable legal notices: [https://globalmarkets.bnpparibas.com/gm/home/Markets\\_360\\_Country\\_Specific\\_Notices.pdf](https://globalmarkets.bnpparibas.com/gm/home/Markets_360_Country_Specific_Notices.pdf)

© BNP Paribas (2025). All rights reserved.

Subscribe to our publications:

**ECONOMIC RESEARCH**



HOW TO RECEIVE OUR PUBLICATIONS

**SUBSCRIBE ON OUR WEBSITE**  
see the **Economic Research website**

&

**FOLLOW US ON LINKEDIN**  
see the Economic Research linkedin page

**OR TWITTER**

see the Economic Research Twitter page



Published by BNP PARIBAS Economic Research

Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34

Internet: [www.group.bnpparibas](http://www.group.bnpparibas) - [www.economic-research.bnpparibas.com](http://www.economic-research.bnpparibas.com)

Head of publication : Jean Lemierre

Chief editor: Isabelle Mateos y Lago



**BNP PARIBAS**

La banque  
d'un monde  
qui change