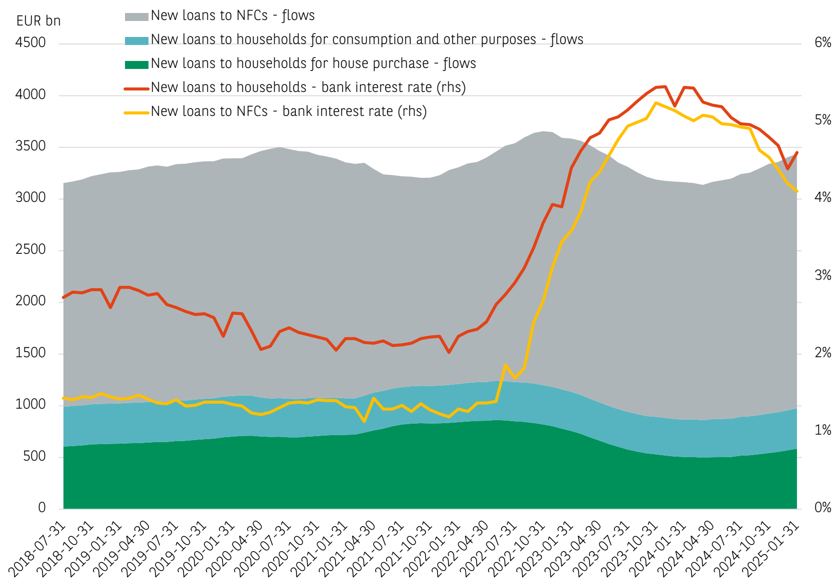
EUROZONE: STIMULATED BY LOWER INTEREST RATES, NEW LOANS TO HOUSEHOLDS AND BUSINESSES CONTINUED TO INCREASE IN JANUARY 2025

Against a backdrop of falling interest rates[1], new banking loans (excluding renegotiations) to households[2] and to non-financial corporations (NFCs) in the Eurozone continued to accelerate in January 2025. Cumulated over one year, new loans[3] to the non-financial private sector (NFPS) increased by 8.6% year-on-year, after 7.4% in December 2024, to EUR 3,437 bn.

This is the fifth consecutive month of increase, following sixteen months of decline between May 2023 and August 2024. This increase in new loans was largely driven by loans to households for house purchase, which rose by 15.7% year-on-year in January 2025 (compared with 7.9% for loans to households for consumption and other purposes and 7.2% for loans to NFCs). The high year-on-year rise in new loans for house purchase is due in particular to a favourable base effect, since they had fallen by 33.2% a year earlier and are now simply returning to their historical level. France and Croatia are the only two countries in the Eurozone[4] where the upturn in new monthly loans for house purchase has not yet been enough to halt the cumulated over one year decline (-8.3% and -4.3% respectively in January 2025).

Lower interest rates stimulated demand for loans across the entire Eurozone NFPS[5]. This was particularly the case for loans to households for house purchase, which probably benefited from a catch-up effect. It should be noted that the increase in the average rate of new loans to households for house purchase in the Eurozone[6], from 1.29% in December 2021 to 4.14% at its peak in November 2023, had a particularly restrictive effect on household demand (in line with the objective pursued by the ECB's monetary policy at the time). Conversely, it fell by 60 basis points between January 2024 and January 2025, averaging 3.36%. The impact of the fall in interest rates is much less marked for consumer loans to households and loans to NFCs, which are traditionally determined more by the economic outlook (more or less favourable to the projects being financed) than by interest rates.

EUROZONE: NEW BANKING LOANS CONTINUE THEIR RECOVERY*



*New loans cumulated over one year excluding renegotiations, revolving and overdrafts, convenience and extended credit card credit, annualised agreed rate/narrowly defined effective rate.

Sources: ECB, BNP Paribas

Eurozone banks surveyed between 10 December 2024 and 7 January 2025 as part of the Bank Lending Survey anticipated a slightly weaker demand for loans in Q1 2025. However, they still expected it to increase slightly, boosted by households. These anticipated trends are consistent with the stable business activity suggested by the level of the Eurozone composite PMI, which was stable at 50.2 in February 2025. Meanwhile, the European Commission's Consumer Confidence Indicator recovered slightly at the start of the year (-13.6 in February 2025, after -14.2 in January 2025).

The international geopolitical context is a risk factor weighing on our scenario of stabilising business activity. Its potential effects could be seen in long-term interest rates and bank lending in particular. Given the long-term nature of the factors underlying them (rise in bond issues in order to finance defence), pressures on bond yields seen at the beginning of the week alongside those on the Bund could persist and jeopardise the fall in fixed rates on housing loans, which has been the main driver of recovering demand up until now.

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1 The fall in interest rates on new loans for house purchase in December, followed by a slight increase in January, is a relatively seasonal phenomenon.
2 And non-profit institutions serving households.
3 Excluding revolving and overdrafts, convenience and extended credit card credit.
4 For which enough data is available.
5 ECB, 2025, Bank lending survey – January 2025.
6 Average of the annualised agreed rate/narrowly defined effective rate, weighted by new loan amounts.

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Internet: www.group.bnpparibas - www.economic-research.bnpparibas.com
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