

CHART OF THE WEEK

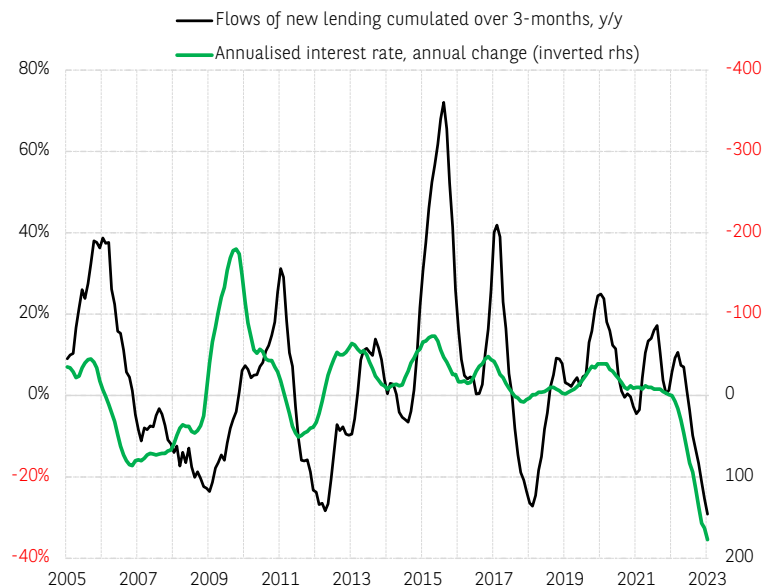
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22 March 2023

EUROZONE: AN UNPRECEDENTED DECLINE IN NEW LENDING FOR HOUSE PURCHASE

Thomas Humblot

Eurozone: interest rate and new lending for house purchase



Source: ECB, BNP Paribas

The interest rate^[1] applied to new lending for house purchase of eurozone households^[2] rose by an unprecedented 177bp year-on-year in January 2023. It stood at 3.1% compared with 1.3% in September 2021, its historically lowest level.

The effects on the production of new lending for house purchase of households are already clearly tangible. The cumulative three-month figure for these fell by 29.2% between January 2022 and January 2023. This year-on-year decline is much more pronounced than the maximum decline recorded in 2009 (-23.6%). It is also slightly more pronounced than the maximum falls observed in 2012 (-28.3%) and in 2018 (-27.2%). The maximum year-on-year increases in interest rates, recorded in previous months, were then much more measured (+46bp in 2008, +51bp in 2011 and only +8bp in 2017).

Although the time lag between the change in interest rates and the opposite change in the flow of new lending for house purchase to households is tending to shorten, the effects of the rise in interest rates are still being felt with some delay. The decline in new lending could therefore become more pronounced in the coming months, especially in view of the prospect of a continued rise in interest rates.

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[1] Average, excluding fees, of fixed and variable rates weighted by the amount of new lending.

[2] And non-profit institutions serving households.

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