

# ECONOMIC PULSE

## LENDING TRENDS IN THE EURO ZONE: THE CORONAVIRUS PANDEMIC HAS LED TO AN UNPRECEDENTED RISE IN DEMAND FOR CREDIT FROM COMPANIES, BUT HAS HIT DEMAND FROM HOUSEHOLDS

Lending momentum in the euro zone recovered strongly in March 2020, with an increase of 1.6% from a 0.4% fall in February. Against a background of negative GDP growth in the first quarter (-3.3% Q/Q-4 from +1.0% Q/Q-4 the fourth quarter of 2019), conditions in March were severely affected by the lockdown measures introduced by national governments over the month. Starting from a basis of strong and relatively stable year-on-year growth since the summer of 2018 (3.7% in February), outstanding bank lending to the private sector saw particularly strong acceleration in March (5.0%). Whereas loans to households had been growing more rapidly than those to companies since November 2019 (3.7% and 3.0% respectively in February 2020), this order was suddenly reversed in March, as a result of very strong growth in lending to non-financial companies (5.4% in March 2020, from 3.0% in February) and, to a lesser extent, slower growth in lending to households (3.4%, from 3.7%).

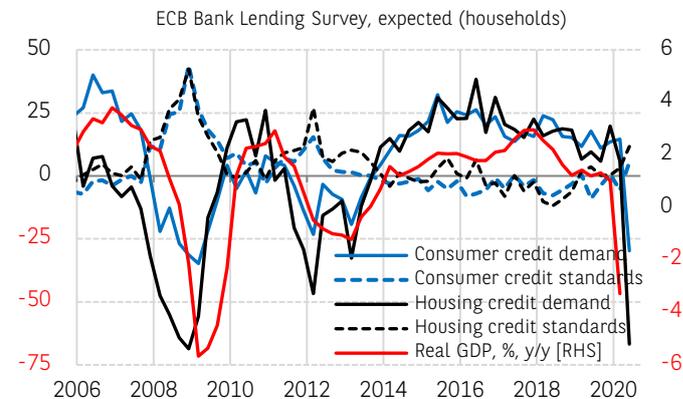
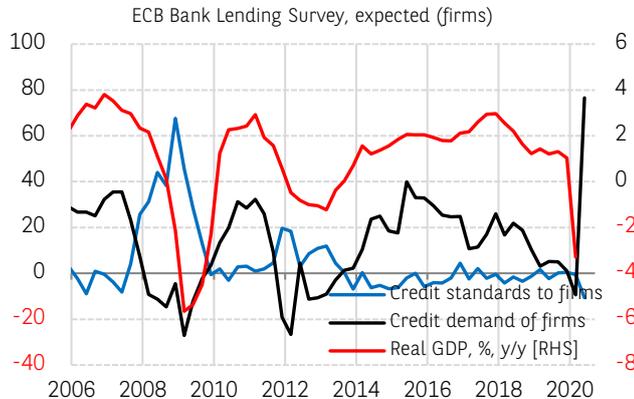
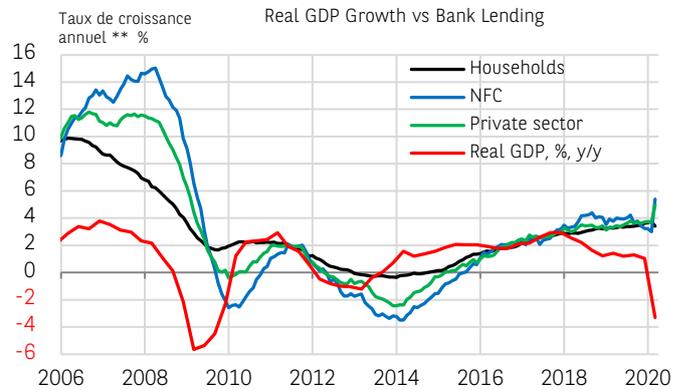
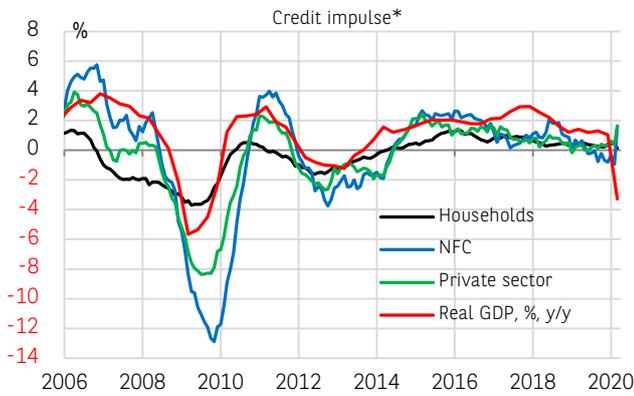
Faced with collapsing sales, a large number of companies have drawn against existing lines of credit and taken out new bank loans (in many cases taking advantage of government guarantees introduced

as part of the coronavirus response) in order to pay their day-to-day bills or even, in the most favourable cases, create a precautionary cash buffer. Conversely, lending to households fell. This was true in mortgage lending (particularly in Italy and Spain), although demand still remains above its long-term average. It was also true in consumer lending, where demand was hit by the collapse in consumer sentiment in response to worsening labour market conditions and the fall in demand for durable goods (with the notable exception of Germany). Lastly, lending conditions were tightened slightly for both consumers and companies.

Regarding demand for credit, the banks surveyed expect, on average and for the second quarter of 2020, a marked intensification of the trends already seen: strong growth for companies, moderation for households. They also expect that lending conditions for companies will be eased somewhat, but that conditions for households will be tightened further.

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SOURCE: ECB (SURVEY ON THE DISTRIBUTION OF CREDIT), CALCULATIONS BNP PARIBAS

\*CREDIT IMPULSE IS MEASURED AS THE ANNUAL CHANGE OF THE ANNUAL GROWTH RATE OF MFI LOANS \*\* ADJUSTED FOR SECURITIZATIONS



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