

ECONOMIC PULSE

CREDIT IMPULSE: PURELY TECHNICAL DECLINE IN MARCH 2021, REBOUND EXPECTED IN THE SECOND QUARTER

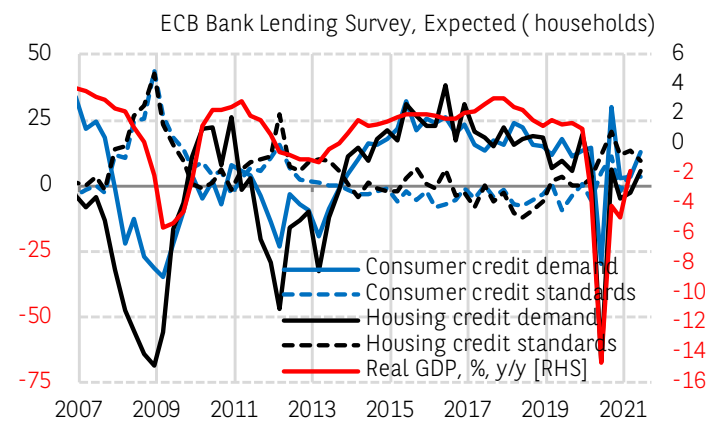
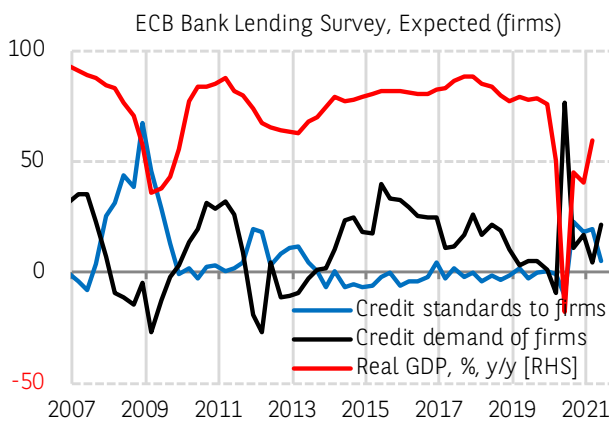
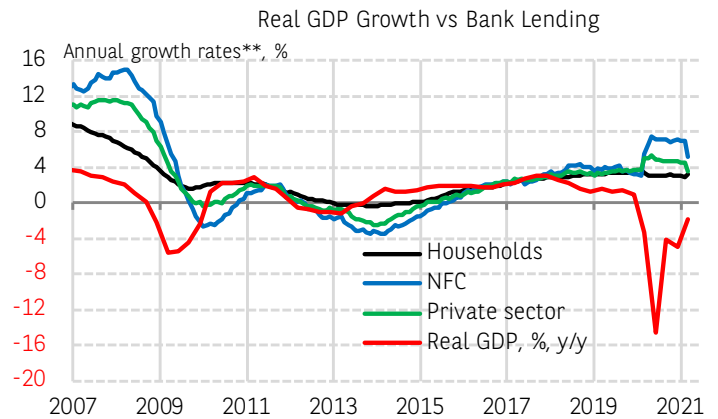
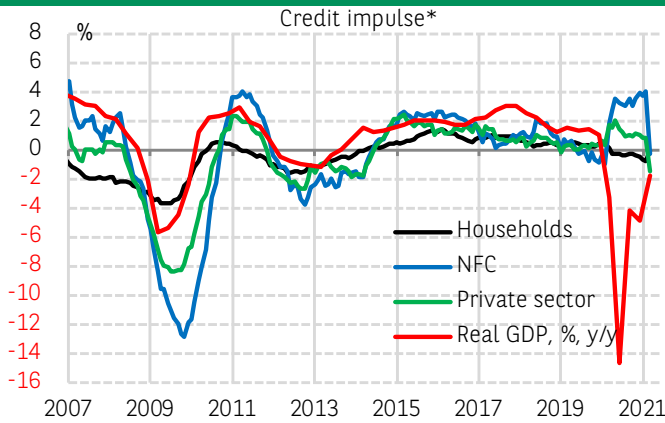
The credit impulse declined sharply in the eurozone in March 2021, reflecting the fall in the annual growth of bank loans outstanding, although this resulted from a high base for comparison and was therefore widely expected. Moves by eurozone governments to introduce support measures for companies' financing led to exceptionally strong growth in bank lending to non-financial corporations from March 2020 onwards. However, despite the high base for comparison, credit growth remained substantial in March 2021 at 5.2%, especially given the economic conditions. Putting the March 2020-February 2021 period to one side, we have to go back to the aftermath of the previous crisis to find such a high growth rate (5.5% in April 2009). Household loans outstanding saw weaker growth (3.3% year-on-year in March 2021), but the resulting credit impulse - which has been constantly negative since April 2020 and fell between December 2020 and February 2021 - recovered to -0.1% in March 2021. For the first time since the start of the pandemic, annual growth in household loans outstanding has therefore almost recovered to the level seen at the time the first Covid-related restrictions were introduced, which is a fairly encouraging sign.

While the euro area real GDP declined by 0,6% in the first quarter of 2020 according to Eurostat preliminary estimate released on 30 April, it was still 5,5% lower than it was in the fourth quarter of 2010. In this economic context, these movements in credit show the counter-cyclical role being played by bank lending, which is very unusual in an economic context such as this and very different, for example, to what happened in the 2008 crisis.

For the second quarter of 2021, in line with the expected upturn in economic output (and assuming that no economically damaging restrictions are imposed in order to control the pandemic), the banks taking part in the ECB's Bank Lending Survey (conducted between 11 and 26 March 2021, results published on 19 April) expected credit demand to accelerate among both companies and households. At the same time, credit institutions were planning to tighten their lending criteria moderately, but less than had been planned in the previous quarter, and the planned tightening was reduced more for business clients.

Laurent Quignon

CREDIT IMPULSE IN THE EUROZONE



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

*Credit impulse is measured as the annual change of the annual growth rate of MFI loans

** Adjusted for securitizations

