

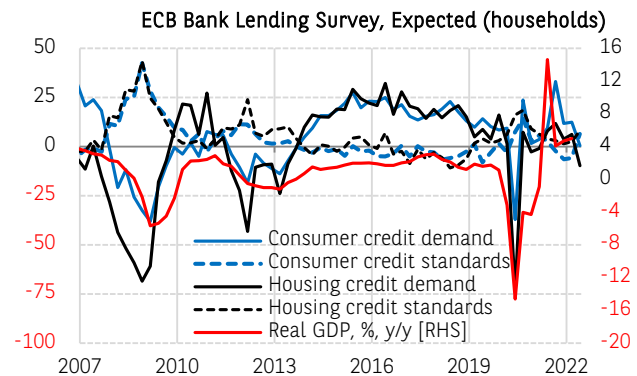
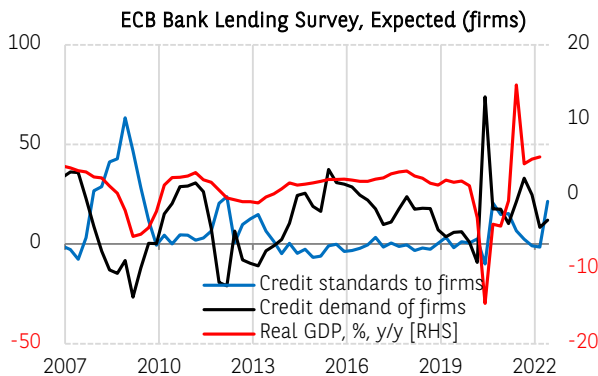
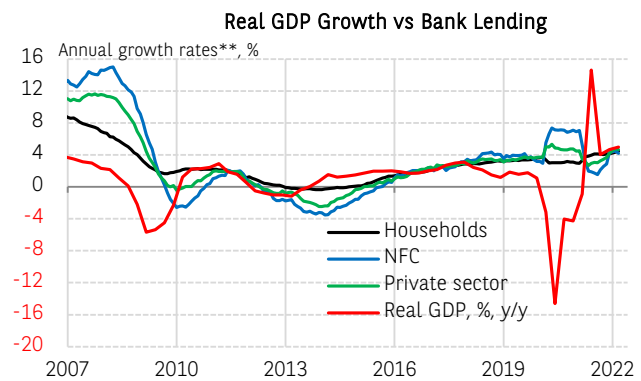
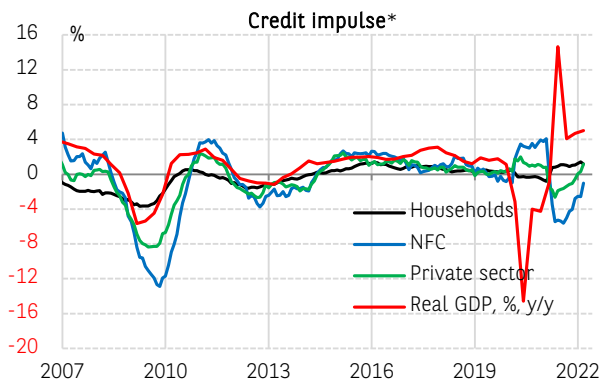
EUROZONE: THE WAR IN UKRAINE, A FACTOR IN THE TIGHTENING OF LENDING CONDITIONS FOR ENTERPRISES

Over and above the human drama, Russia’s attack on Ukraine has tarnished economic prospects, and in doing so, has affected conditions for access to bank credit to non-financial corporations (NFCs) and households in the Eurozone. Growth in outstanding bank loans to NFCs decelerated in March 2022 (4.2%, from 4.5% in February) for the first time since September 2021 (by way of comparison, real year-on-year GDP growth was 5% in Q1 2022, from 4.7% in Q4 2021 according to Eurostat’s preliminary estimate, masking a slowdown on a quarterly basis, +0,2% q/q in Q1 2022 against +0,3% q/q in Q4 2021). Because of a substantial comparison effect (between March and August 2021, the virtual cessation of new guaranteed loans to NFCs and a first wave of loan repayments put the brakes on growth in lending), the impulse of credit to NFCs (reflecting the change, over a year, of the annual growth in outstanding loans) continued to improve – whilst remaining negative – to -1.0% in March 2022, from -2.6% in February. The dynamic growth in loans to households persisted in Q1 2022 (4.5% y/y in March 2022), boosted both by exceptionally low interest rates and by the expectations that these will rise. The total credit impulse for NFCs and households together returned to positive territory in Q1 2022, reaching 1.2% in March 2022.

In the ECB’s Bank Lending Survey for Q1 2022 (conducted between 7 and 22 March 2022), the banks questioned are expecting a slowdown in household demand for credit in Q2 2022 (lower demand for house purchases, stabilisation of consumer credit), in a reflection of the decline in European consumer confidence since the end of February. They are also predicting a tightening of credit standards for all types of loans to households. However, the impacts of the war in Ukraine on economic activity and prices of inputs (energy, agricultural products, metals), the latest wave of Covid-19 infections in China, persistent supply chain problems, the repayment of government-guaranteed loans and the increase in interest rates that is taking shape all particularly threaten the financial position of NFCs. Banks surveyed by the ECB expect a marked tightening in credit standards for loans to enterprises in Q2 2022. Granted, the scale of the tightening predicted is smaller than during the financial crisis of 2008. It is however in line with that expected in the July 2020 survey, when fears were running high about the effects of the Covid-19 crisis on credit risks, or in January 2012 when the sovereign debt crisis pushed up European banks’ bond debt cost.

Céline Choulet

CREDIT IMPULSE IN THE EUROZONE



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

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

