United Kingdom: Private sector loans drive growth in bank balance sheets

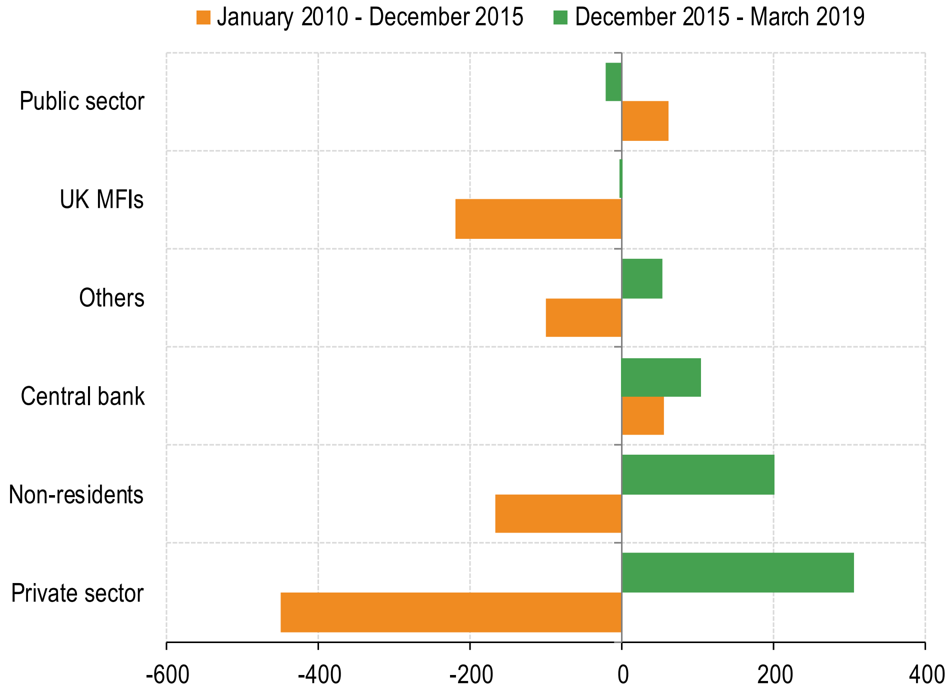
The Bank of England's (BoE) aggregate balance sheet statistics for the Monetary and Financial Institutions (MFIs) provide a macroeconomic picture of the UK banking system.

They illustrate the contraction of bank balance sheets until December 2015 (-19% compared to January 2010). This was mainly the result of the decline in outstanding loans to the resident non-financial private sector, whose debt was returning to more sustainable levels. Non-resident claims and interbank transactions also contributed to the decline in bank balance sheets.

The trend has reversed since 2016 (+ 19% between December 2015 and March 2019), but the balance sheet of the UK banking sector has not yet returned to its 2010 size in terms of value or as a percentage of GDP (GBP 4,122 bn or 195% of GDP in March 2019 vs. GBP 4,288 bn or 279% of GDP in January 2010). The recovery is driven by the recovery of outstanding vis-à-vis the resident non-financial private sector (+ 17% after -20% between 2010 and 2015), and for non-residents (+ 21% after - 15%). The interbank market remained at a low level, partly driven by the BoE's operations* (+ 68% after + 49%).

**such as quantitative easing or term funding scheme implemented by the BoE to inject liquidities*

Change in assets of UK banks (Bn GBP)



Source: BoE, BNP Paribas calculations