

ECONOMIC PULSE

EUROZONE: THE CREDIT IMPULSE REMAINED NEGATIVE IN Q3 DESPITE THE UPTURN IN DEMAND FOR FINANCING

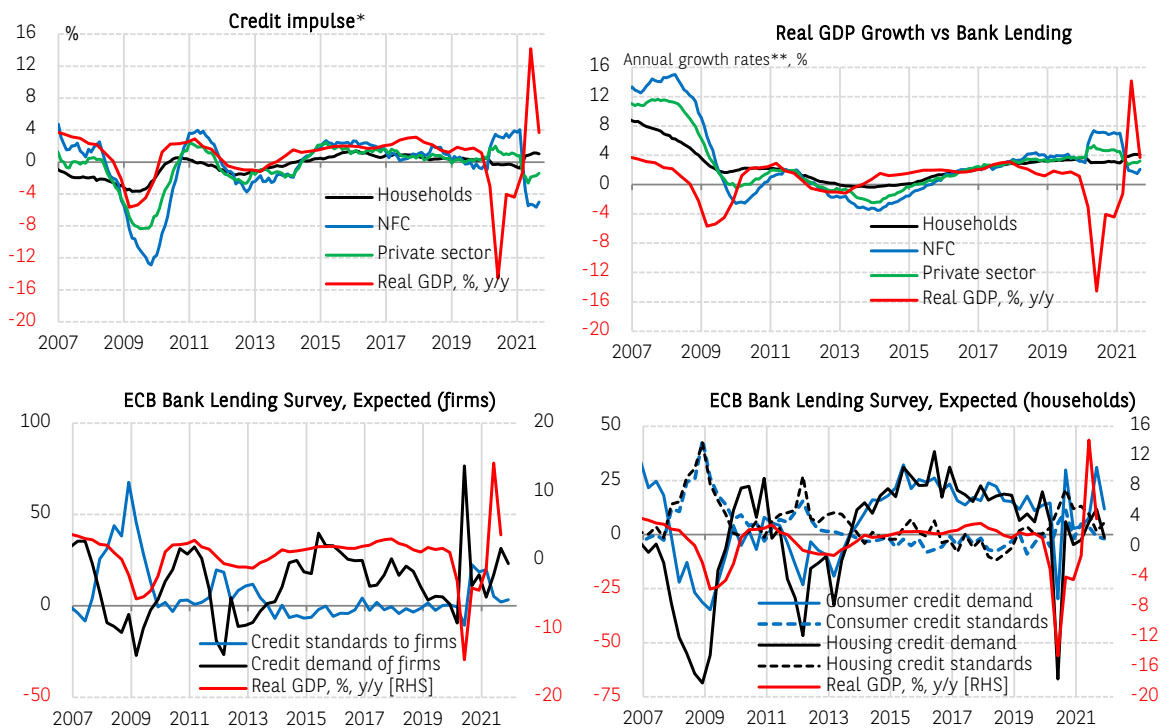
In September 2021 a slight acceleration in lending to eurozone non-financial companies (NFCs), which rose 2.1% y/y from 1.9% in June, interrupted the deterioration of the credit impulse (which reflects the year-on-year change in outstanding loans). However, this remained negative (-1.4% in September, from -1.9% in June) due to a high basis of comparison. In the spring of 2020, the introduction of measures to support company cash positions by governments across the Eurozone resulted in exceptionally strong growth in bank loans to NFCs. From March 2021, the virtual cessation of new guaranteed loans to NFCs, along with the initial wave of repayments, stemmed growth in outstanding loans, creating a net contraction in the credit impulse. In September, the annual growth rate of outstanding loans to NFCs was particularly strong in Germany (3.4%, from 1.7% in June), but slowed in France (2.8% from 3.5%) and Italy (0.8% from 3.8%), and was negative in Spain (-1.8% from -1.5%).

Strong growth in lending to households continued in September (4.1% y/y, from 4% in June). The exceptionally low level of interest rates continued to support mortgage lending (up 5.5% y/y), whilst consumer credit remained stable (up 0.4% y/y). Banks surveyed in the ECB's Bank Lending Survey (conducted between 20 September and 5 October 2021, with the results published on 26 October) reported that demand for housing loans firmed up in the Eurozone's four biggest economies in the third quarter. Demand for consumer credit was reported as growing in Germany, Spain and Italy and stable in France.

Due to the unusually countercyclical role played by bank lending in 2020, and in a continuation of the trends seen in the second and third quarters, the Eurozone's on-going economic recovery in the final quarter of 2021 (after a 14.2% y/y jump in real GDP in Q2 followed by 3.7% growth in Q3) is unlikely to be accompanied by an upturn in outstanding loans on the scale one might normally expect to see at this stage of the cycle. Looking ahead to the fourth quarter of 2021, the banks surveyed by the ECB expected to tighten, albeit slightly, their credit standards for loans to firms and housing loans. Credit institutions were also expecting an acceleration in the demand for financing from companies. These are encouraging projections, provided that any resurgence in the pandemic does not result in the introduction of restrictions on a scale that would damage economic activity in the short term.

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EUROZONE: CREDIT IMPULSE



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

