

ECONOMIC PULSE

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EUROZONE: THE CREDIT IMPULSE REMAINED NEGATIVE IN Q4 BUT CONTINUED ITS RECOVERY

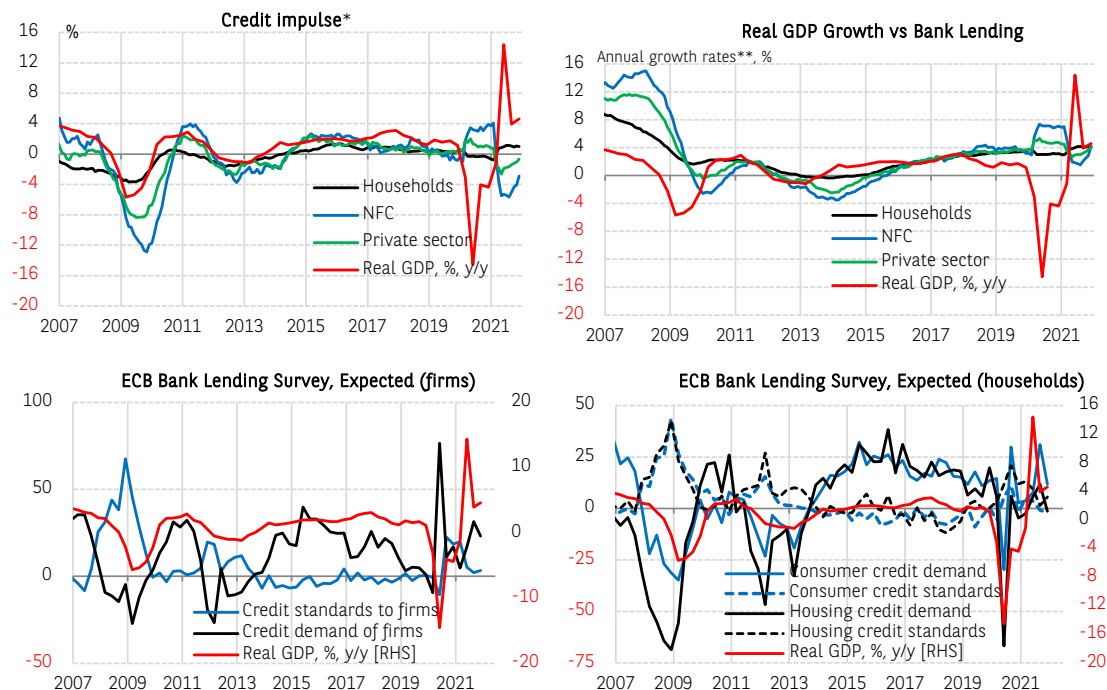
Against the background of economic recovery (real year-on-year GDP growth of 14.4% in Q2 2021, followed by 3.9% in Q3 and 4.6% in Q4 according to Eurostat's preliminary estimate), outstanding bank loans to non-financial companies (NFCs) and households continued to accelerate in the eurozone between May and December 2021. Although substantial comparison effects mean that the figure is still in negative territory, its impulse (measuring the variation in annual growth in outstanding loans over one year) improved to -0.6% in December 2021.

In responding to the ECB's Bank Lending Survey for Q4 2021 (conducted between 13 December 2021 and 11 January 2022), banks indicated an increase in business demand for credit on a scale not seen since the first half of 2020, the period during which the bulk of government-guaranteed loans were taken out. In December 2021, the annual growth in outstanding loans to NFCs, at 4.2%, was above its pre-pandemic average of 3.8% in 2018 and 2019. The impulse of lending to NFCs improved significantly as a result, climbing from -5% in September 2021 to -2.9% by December. The dynamic growth in outstanding loans to households continued through the second half of last year. In December 2021, the year-on-year increase was 4.1%. The exceptionally low level of interest rates continued to support housing loans (up 5.4% y/y), whilst consumer credit remained stable (up 0.3% y/y). Banks in Germany, Spain and Italy reported that households had increased demand for credit in all its forms. In France, by contrast, demand for housing loans was reported as unchanged and that for consumer credit weakened somewhat.

The banks surveyed expected that the overall picture for the first quarter of 2022 would be an increase in demand for financing from both businesses and households. Reflecting their predominantly positive view of economic prospects, despite the resurgence of Covid-19 and persistent supply chain difficulties, credit institutions described NFC credit risk as moderate. They are expecting to leave their credit standards for businesses unchanged, relax those for consumer credit but tighten those for housing loans. Faced with the risk of overheating in the German real estate market, the banking supervisor there has also announced on January 31 an increase in the countercyclical buffer to 0.75% (to be reached by 1 February 2023) and a likely tightening of capital requirements for housing loans.

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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



BNP PARIBAS

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