STATISTICS

Understanding Credit Markets for Europe

Lending to European households and non-financial corporations: Growth and trends

Key findings from the ECRI Statistical Package 2023

Niloofar Adel and Damir Gojsic, October 2023

SUMMARY

- In 2022, loans to EU households and non-financial corporations (NFCs) increased by 4.1 %.
- Household loans in the EU increased by 3.1 % and NFC loans increased by 5.6 % in 2022.
- Total household loans grew the most in Bulgaria (+17.1 %), Ireland (+14.2 %), Lithuania (+11.0 %), Slovakia (+10.3 %) and Malta (+9.5 %). In turn, contractions were registered in Cyprus (-5.9 %), Poland (-4.8 %), Sweden (-4.6 %), Greece (-3.7 %), Hungary (-2.0 %), Denmark (-0.3 %) and Spain (-0.2 %).
- NFC loans grew most in Croatia (+20.3 %), Romania (+18.8 %), Lithuania (+18.5 %), Estonia (+12.7 %), Slovenia (+12.4 %), and Slovakia (+12.0 %). In turn, reductions were registered in Cyprus (-17.2 %), Latvia (-4.5 %), Italy (-2.4 %), Spain (-0.7 %), and Portugal (-0.5 %).

ECRI Statistical Package

The ECRI Statistical Package 2023 provides data on outstanding credit granted by monetary-financial institutions (MFIs) to households and non-financial corporations (NFCs) for the period from 1995 to 2022. Credit volumes and annual growth rates are broken down by sector and credit type to enable detailed insights into credit market developments over time and across countries. It comprises 45 countries including the EU Member States, EU candidate states, and EFTA countries as well as the US, UK, Japan, Australia, Russia, Mexico, and Saudi Arabia.

To purchase the ECRI Statistical Package 2023, please contact Alice Orlandini at alice.orlandini@ceps.eu

For more information visit http://www.ecri.eu/statistics

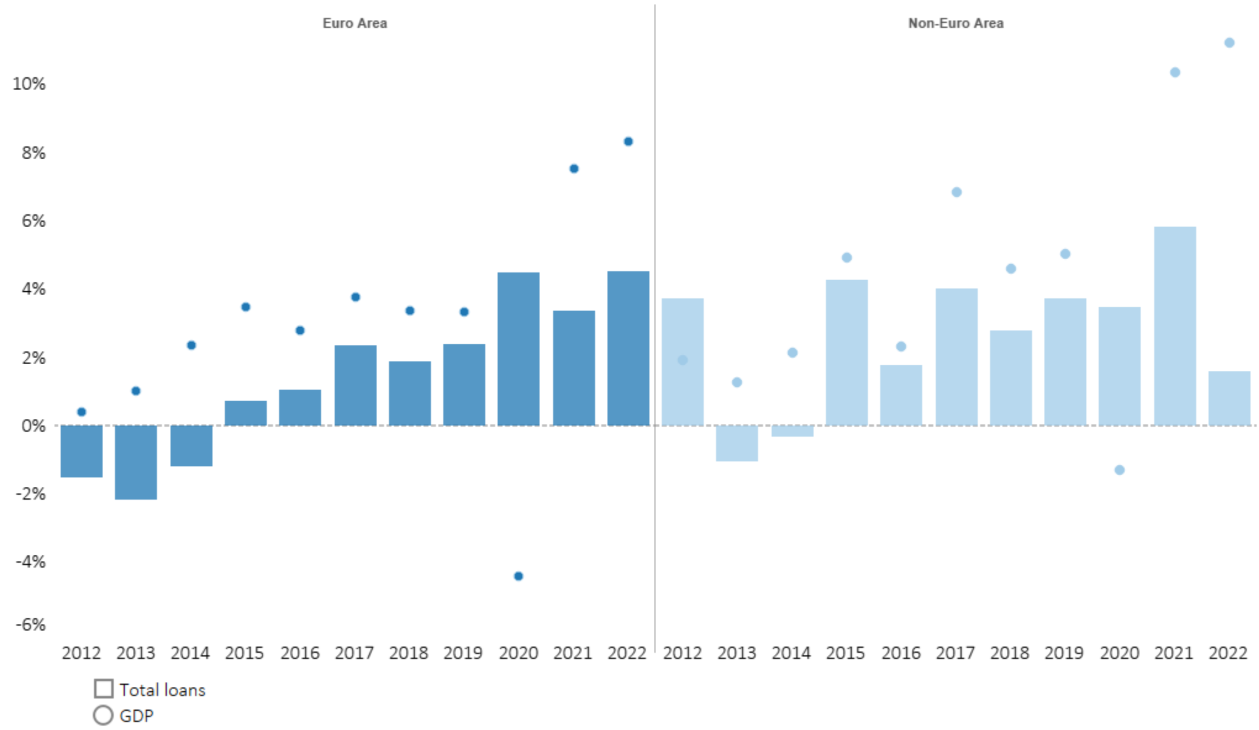
1. Total loans to households and non-financial corporations

In 2022, the volume of outstanding loans to households and non-financial corporations (NFCs) in the EU reached EUR 13 trillion, which is approximately 82 % of the EU's GDP. Compared to the previous year, loans increased by +4.1 %. 2022 was the eighth consecutive year of expansion in outstanding loans in nominal terms.

Overall, 86 % of EU loans originate from euro area countries[1] and the remaining 14 % from non-euro area countries[2]. Between 2021 and 2022, the total loan growth rate increased from +3.3 % to +4.5 % in the euro area, while in non-euro area countries loan growth decreased from +5.8 % to +1.6 % (see Figure 1).

Overall, about 66 % of the total outstanding amount of EU loans is held by the four major EU economies – Germany (24.4 %), France (22.3 %), Italy (10.2 %), and Spain (8.9 %). The same four countries held around the same amount of total loans in 2021.

Figure 1. Total loan growth and GDP growth (%)



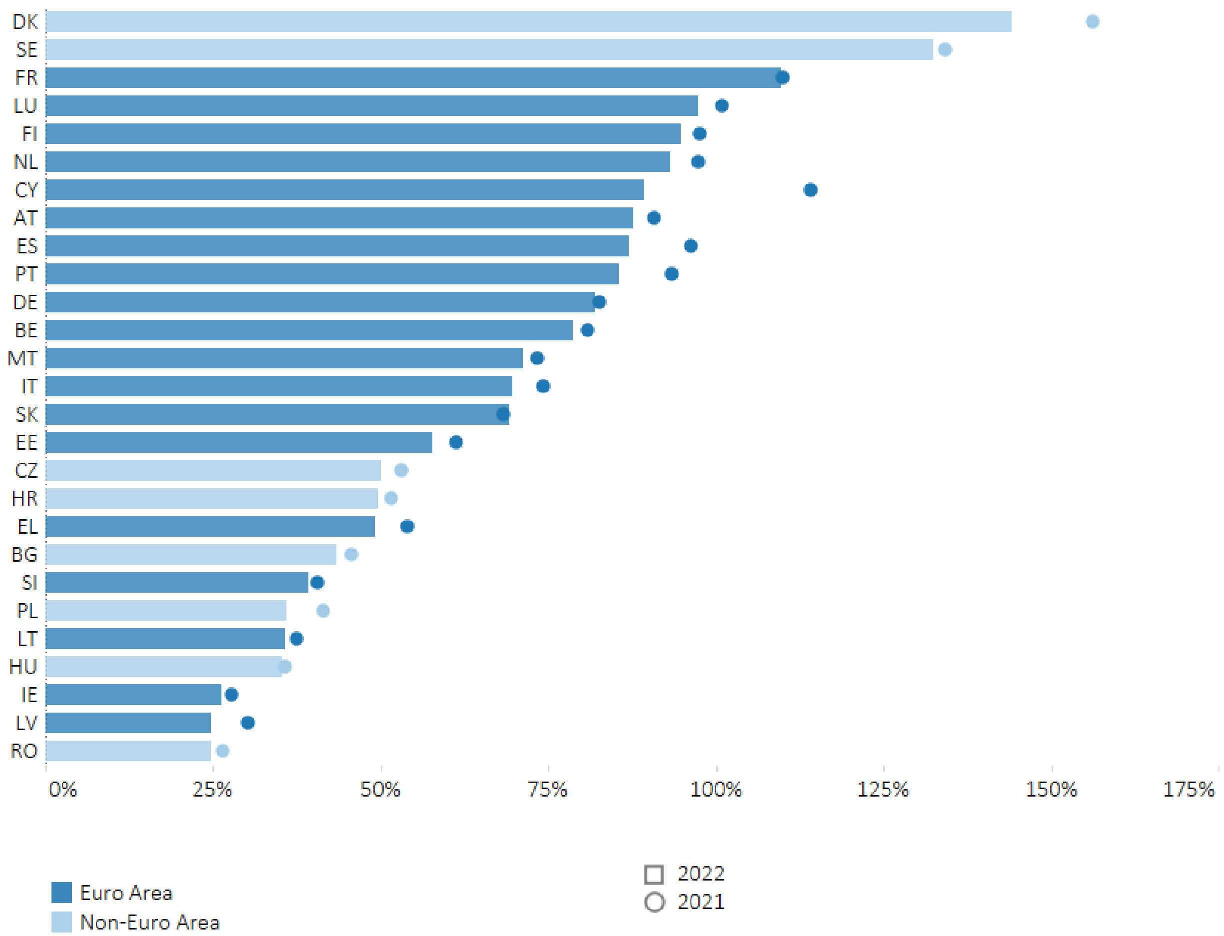
Source: ECRI Statistical Package 2023.

[1] The euro area covers 19 EU Member States that have adopted the euro as their official currency, namely: Austria (AT), Belgium (BE), Cyprus (CY), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (EL), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LI), Luxembourg (LU), Malta (MT), the Netherlands (NL), Portugal (PT), Slovakia (SK), Slovenia (SI) and Spain (ES).

[2] The non-euro area covers eight EU Member States that have not adopted the euro as their official currency: Bulgaria (BG), Croatia (HR), Czechia (CZ), Denmark (DK), Hungary (HU), Poland (PL), Romania (RO) and Sweden (SE).

Looking across Member States, indebtedness[3] decreased in the majority of countries in 2022. However, Slovakia stands out as an exception, with an increase of +0.9 % in its total loans as a percentage of GDP. Among the countries that witnessed a decrease in their outstanding loans, the most significant declines were observed in Cyprus (-25.0 %), Denmark (-12.0 %), Spain (-9.2 %), and Portugal (-8.0 %) (see Figure 2). Smaller drops were also observed in Poland (-5.6 %), Latvia (-5.4 %), Greece (-4.7 %), Italy (-4.6 %), and the Netherlands (-4.1 %).

Figure 2. Total loans as a percentage of GDP, 2021-22



Source: ECRI Statistical Package 2023.

[3] Total loans as % of GDP.

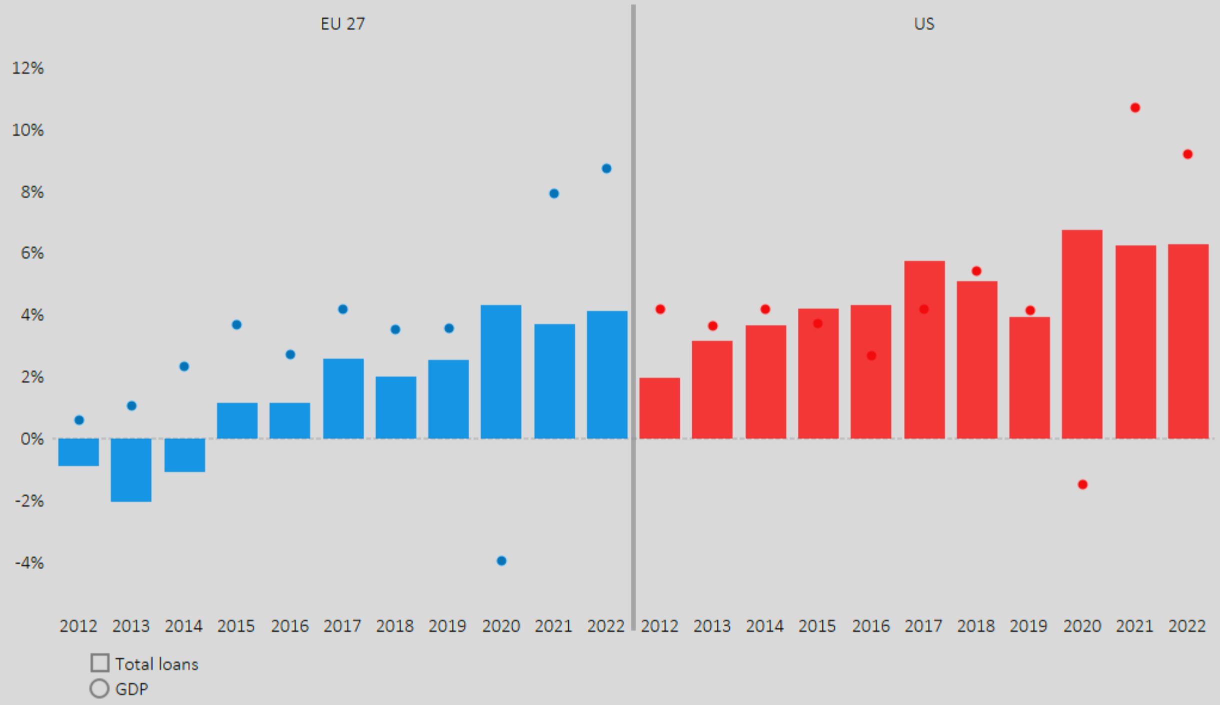
Box 1. Total outstanding loans - the EU vs the US

In 2022, total outstanding loans to households and NFCs amounted to EUR 13 trillion in the EU and EUR 38.2 trillion in the US, respectively the equivalent of 82.3 % and 160 % of GDP.

Between 2012 and 2022, the EU credit market was relatively volatile. It experienced three consecutive years of contraction (from 2012 to 2014), followed by eight years of expansion (2015 to 2022 - see Figure 3). Over the same period, the US credit market steadily increased.

Looking at GDP growth in 2022, following the recovery from the Covid-19 pandemic, the EU witnessed a consecutive second year of elevated GDP growth rates, whereas the US observed a decline in growth rates during the same period.

Figure 3. Total loans and GDP growth



Source: ECRI Statistical Package 2023.

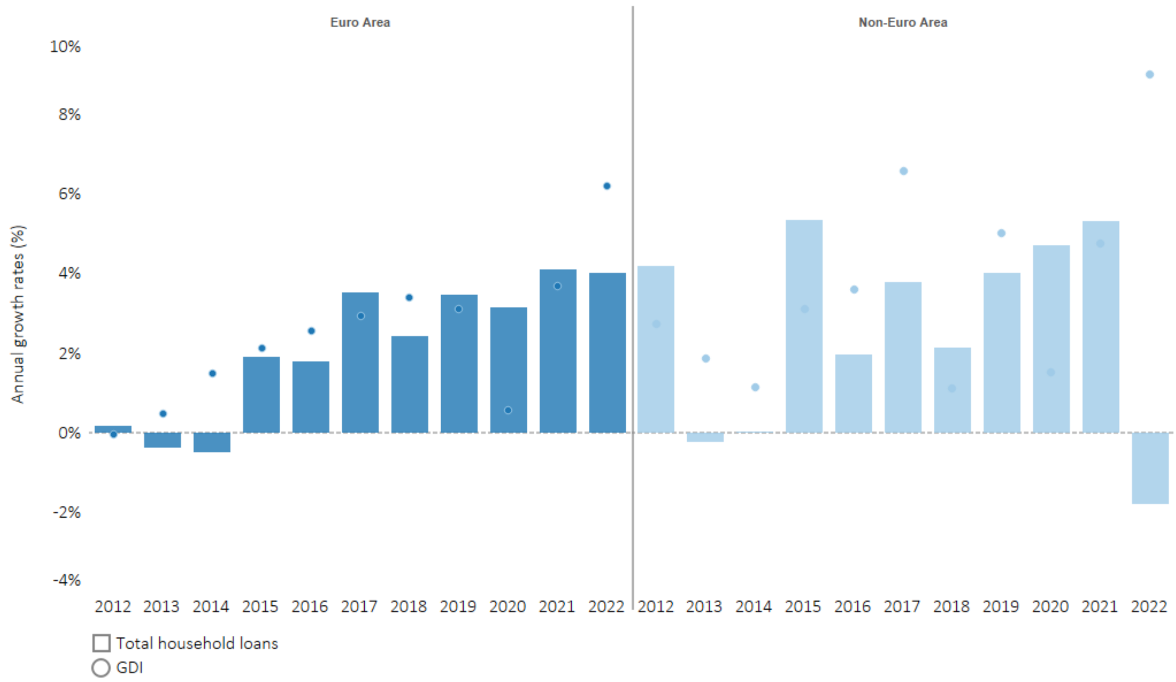
2. Total lending to households

In 2022, total lending to EU households amounted to EUR 7.7 trillion, which is equivalent to about 49 % of the EU's GDP. Compared to 2021, household loans in the EU increased by 3.1 % in 2022.

Unlike the past few years, household loan growth in 2022 was higher in euro area countries than in non-euro area countries. More specifically, the household loan growth rate slightly decreased in the euro area from 4.1 % in 2021 to 4.0 % in 2022 but it dropped significantly from +5.3 % to -1.8 % in non-euro countries during the same period (see Figure 4).

Regarding gross disposable income (GDI), although its growth rate has always been positive, it also notably fluctuated during a window of about a decade. GDI growth rates increased in both areas but more rapidly in non-euro area countries, from around 5.3 % in 2021 to 9.0 % in 2022.

Figure 4. Total loans to households and gross disposable income (GDI) growth, percent change, 2021-2022

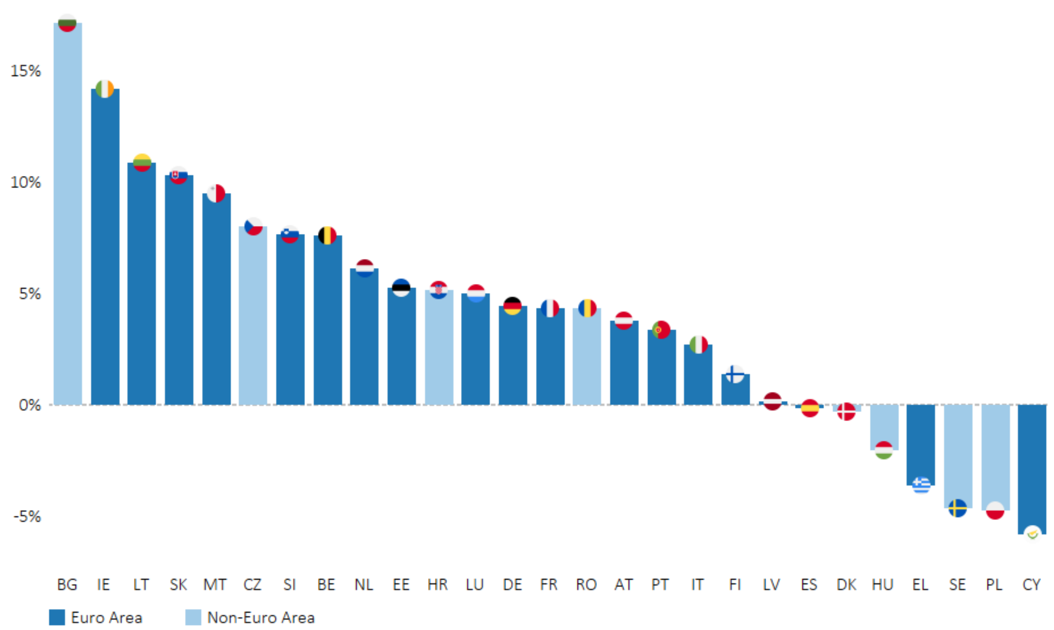


Source: ECRI Statistical Package 2023.

In 2022, total outstanding loans to households increased in 20 Member States: Bulgaria (+17.1 %), Ireland (+14.2 %), Lithuania (+11.0 %), Slovakia (+10.3 %) and Malta (+9.5 %) were the Member States with the highest growth rates.

In contrast, seven Member States saw a downturn in their outstanding household loans, including Cyprus (-5.9 %), Poland (-4.8 %), Sweden (-4.6 %), Greece (-3.7 %), Hungary (-2.0 %), Denmark (-0.3 %) and Spain (-0.2 %) (see Figure 5).

Figure 5. Total loans to households, percentage change, 2022

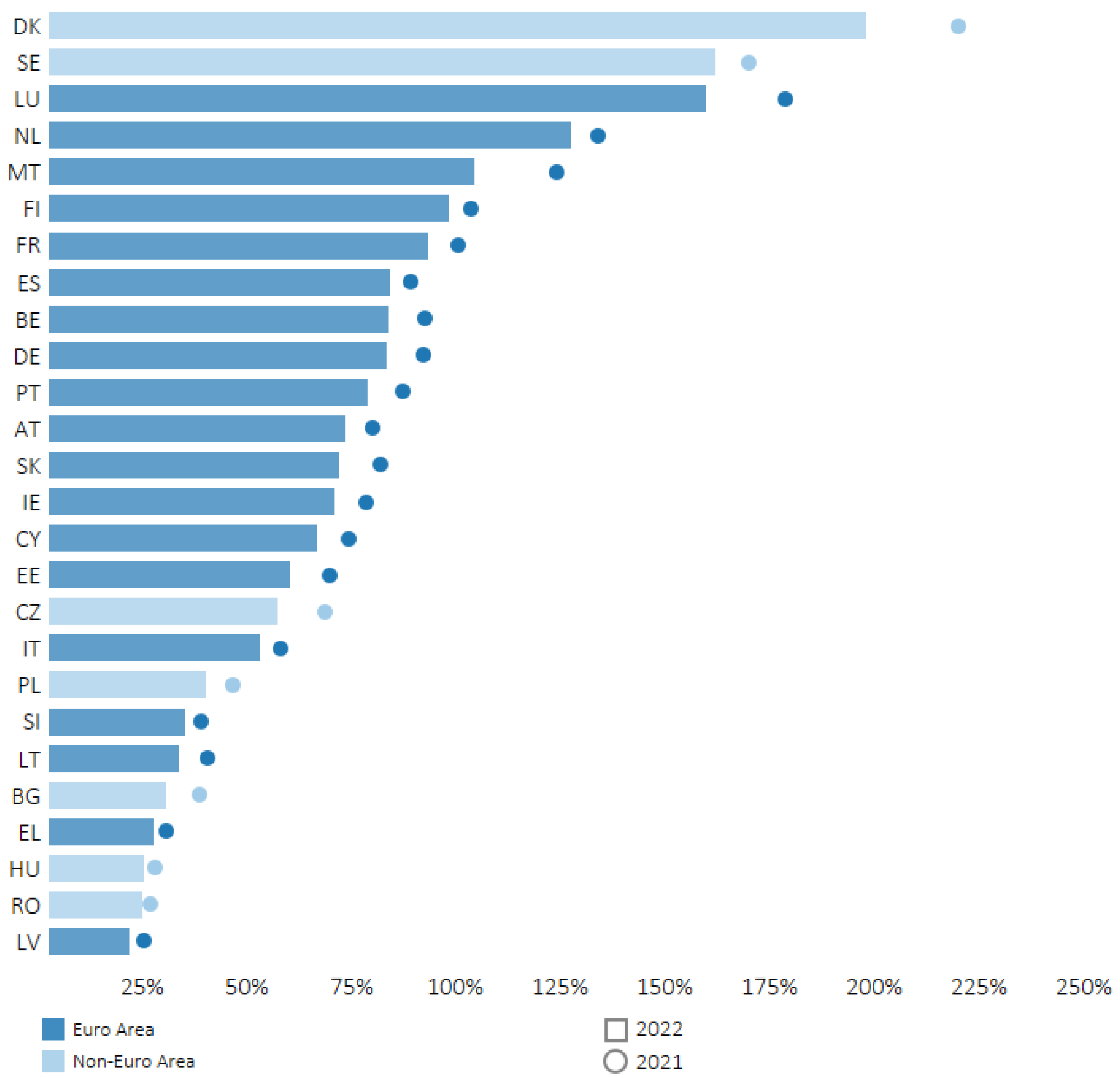


Source: ECRI Statistical Package 2023.

Turning to household indebtedness, in 2022 household loans accounted for 82 % and 87 % of their total GDI in the euro area and non-euro area countries respectively. Compared to 2021, household indebtedness dropped in both regions, but at a faster rate in non-euro countries.

Regarding Figure 6, reductions in household loans as a percentage of disposable income were registered in all Member States, with particularly significant cuts in Denmark (-16.8 %), Luxembourg (-14.7 %), Czechia (-9.8 %), Slovakia (-8.0 %) and Estonia (-7.8 %).

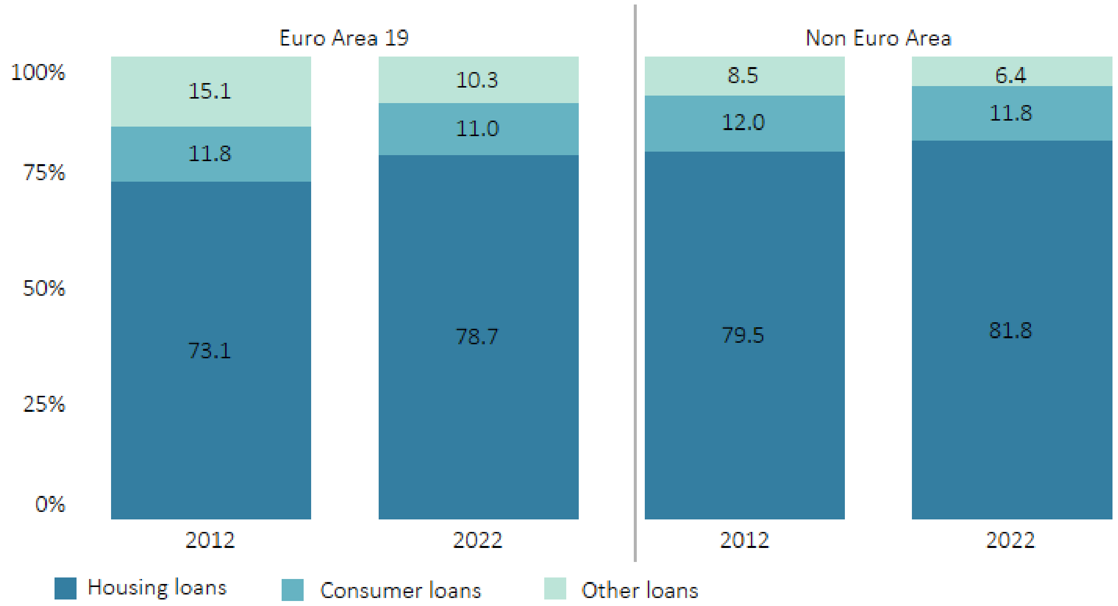
Figure 6. Total loans to households as a percentage of gross disposable income (GDI), 2021-2022



Note: For Malta and Bulgaria the figure reflects households' consumption instead of GDI.
Source: ECRI Statistical Package 2023.

The share of housing loans in the euro area gradually increased in the period between 2012 and 2022, at the cost of consumer loans and other loans (see Figure 7). In 2022, approximately 79 % of household loans in the EU were housing loans, while the remaining loans were divided almost equally between consumer loans and other loans. In relation to the euro area, the share of housing loans was slightly higher in non-euro area countries (82 %), while consumer loans accounted for about twice the share of other loans.

Figure 7. The composition of household loans in 2012 and 2022 as a share of the total amount of loans

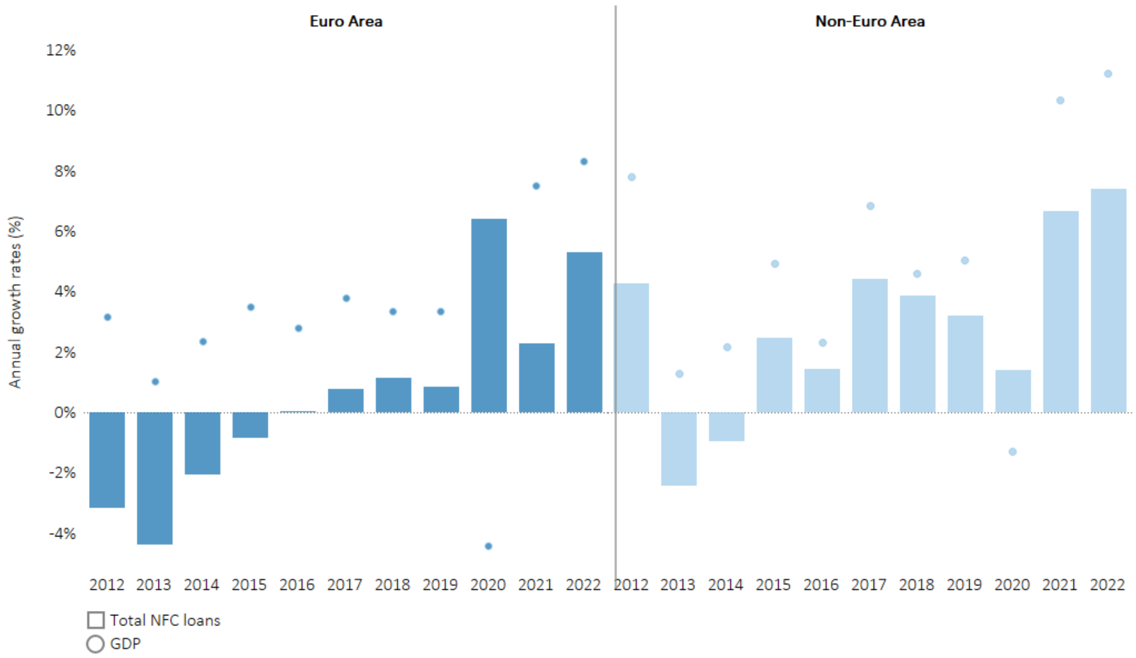


Source: ECRI Statistical Package 2023.

3. Total lending to non-financial corporations (NFCs)

In 2022, total lending to NFCs in the EU amounted to EUR 5.3 trillion, accounting for 41 % of total loans and equivalent to 34 % of the EU's GDP. Loans to NFCs in the EU have expanded since 2016, with a growth rate ranging in most years between 0.1 % and 6.4 %. In 2022, NFC loans grew significantly (+5.3 %). NFC loans in non-euro area countries have grown more than in the euro area in every single year between 2012 and 2022, excluding 2020 (see Figure 8).

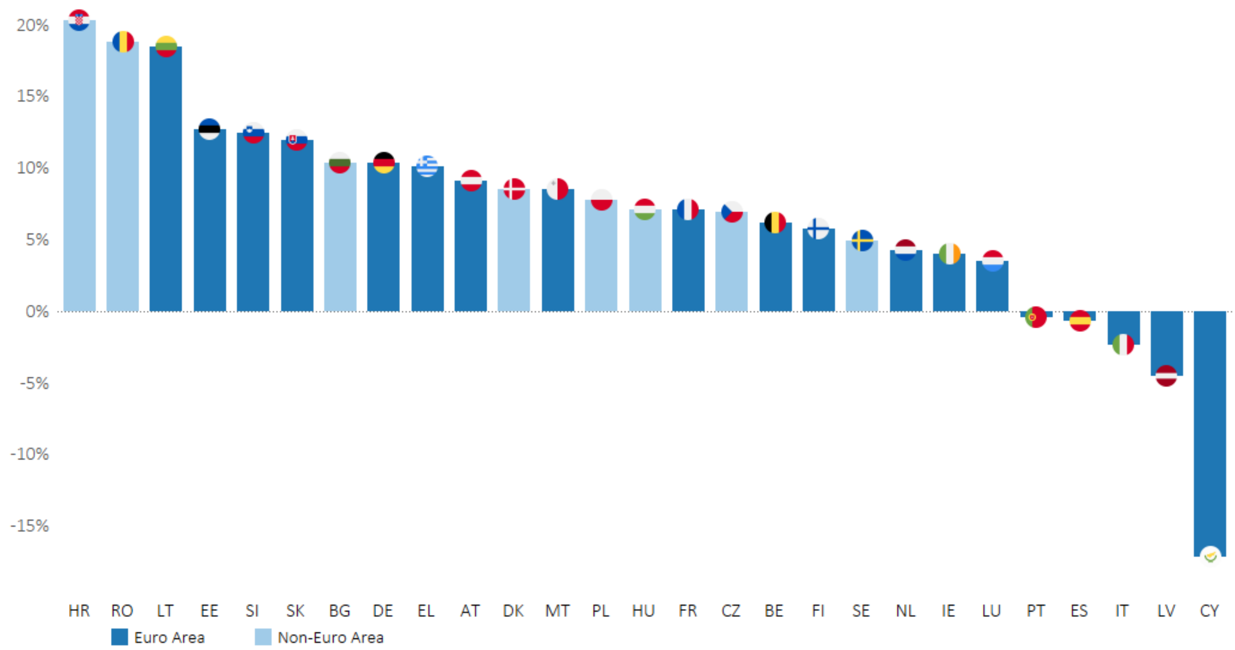
Figure 8. Loans to NFCs as a percentage of GDP



Source: ECRI Statistical Package 2023.

Between 2021 and 2022, NFC loans increased in 22 Member States and decreased in five Member States (see Figure 9). The highest growth rates were registered in Croatia (+20.3 %), Romania (+18.8 %), Lithuania (+18.5 %), Estonia (+12.7 %), Slovenia (+12.4 %), and Slovakia (+12.0 %). In turn, the decreases were registered in Cyprus (-17.2 %), Latvia (-4.5 %), Italy (-2.4 %), Spain (-0.7 %), and Portugal (-0.5 %).

Figure 9. Total loans to NFCs, percentage change in 2022



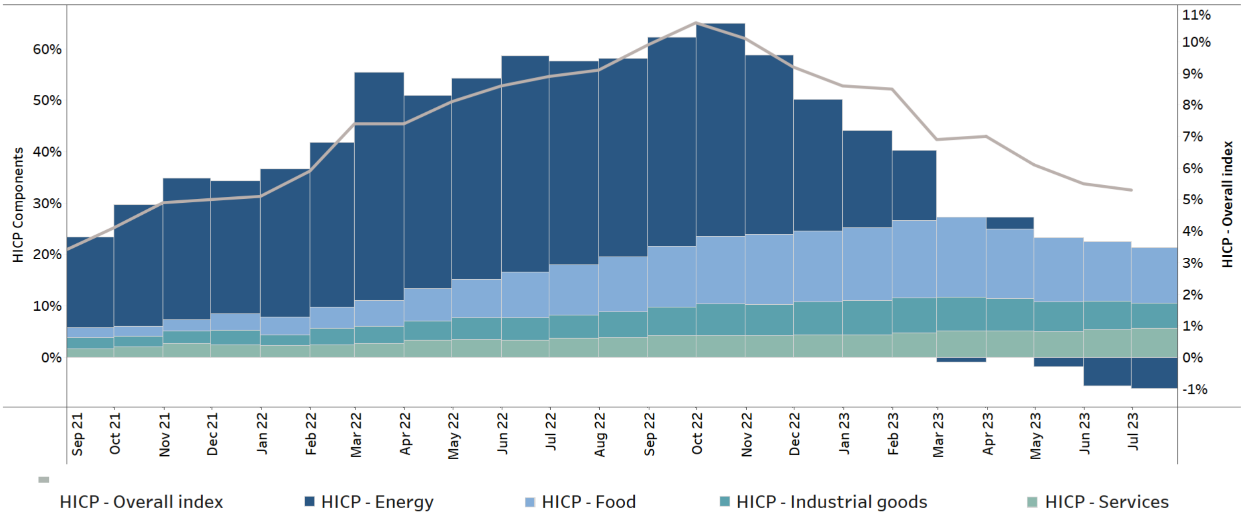
Source: ECRI Statistical Package 2023.

4. The impact of the Russia-Ukraine War

Russia's invasion of Ukraine in February 2022 triggered a series of economic shocks worldwide. The EU was particularly vulnerable to these shocks, as the economies of its Member States depended to a significant degree on the Russian and Ukrainian economies before the outbreak of the conflict. This was particularly noticeable in the areas of energy and food, leading to high rates of inflation across the EU. This section will therefore analyse the impact of the war with a view on different loan types and related metrics, such as the overall level of inflation and related interest rates. The data is presented from September 2021 onwards, so as to provide a comparison of metrics before and after the start of the war and to determine the conflict's impact (if any).

As mentioned above, the war had a strong impact on energy prices. This is evidenced by a 10 % spike in energy inflation rates in March 2022 (see Figure 10), coinciding with the outbreak of hostilities. Throughout 2022, this surge in energy inflation not only became the principal catalyst for the surge in the HICP (Harmonised Index of Consumer Prices) but also had a ripple effect on the prices of other components, given energy and fuel's pivotal role as the primary drivers of production for a wide range of goods and services. This upward trend continued until October 2022, when energy inflation (and thus the overall index) began to decrease.

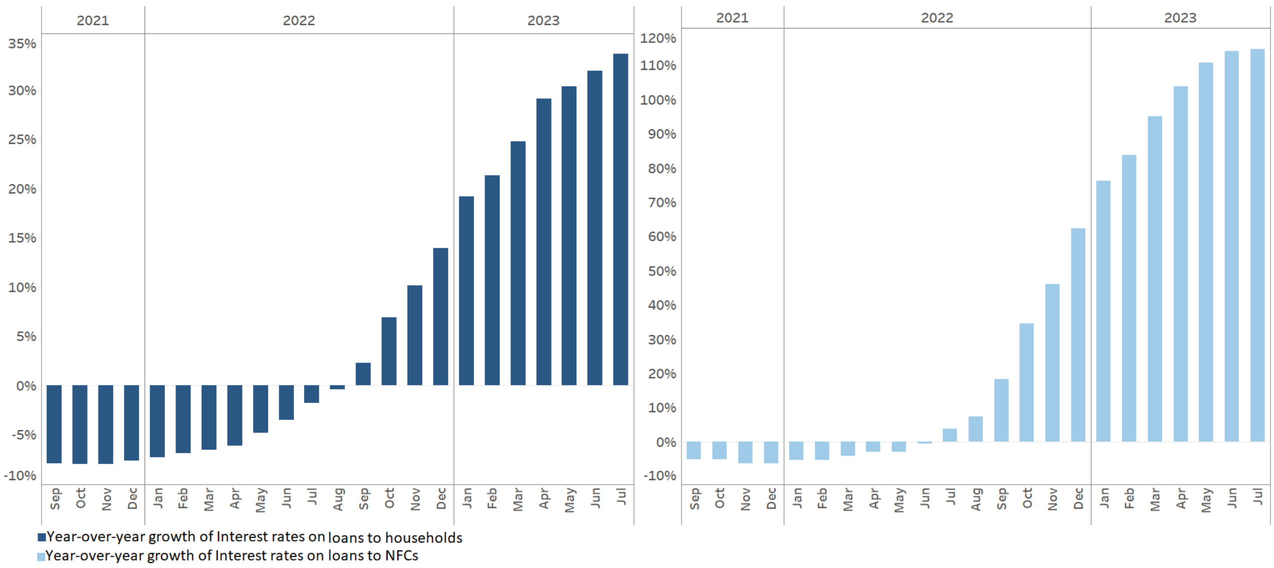
Figure 100. Year-on-year growth in HICP and its components



Source: ECRI Statistical Package 2023, ECB.

As interest rates directly impact the cost and accessibility of borrowing, it is crucial to factor them in when studying loan developments. The year-over-year growth of interest rates, which had been negative throughout 2021, at approximately -8 % for households and -5 % for NFCs, switched to being positive in the latter half of 2022, with significant increases. Within just one year, it surged to 115 % for NFCs and 34 % for households (see Figure 11). This dramatic upswing was primarily a consequence of the tightening of monetary policy across Europe, due to central bank interest rate rises. This move aimed to counter escalating inflation, which in turn had a cascading impact on the lending rates offered by banks, thus leading to stricter credit standards.

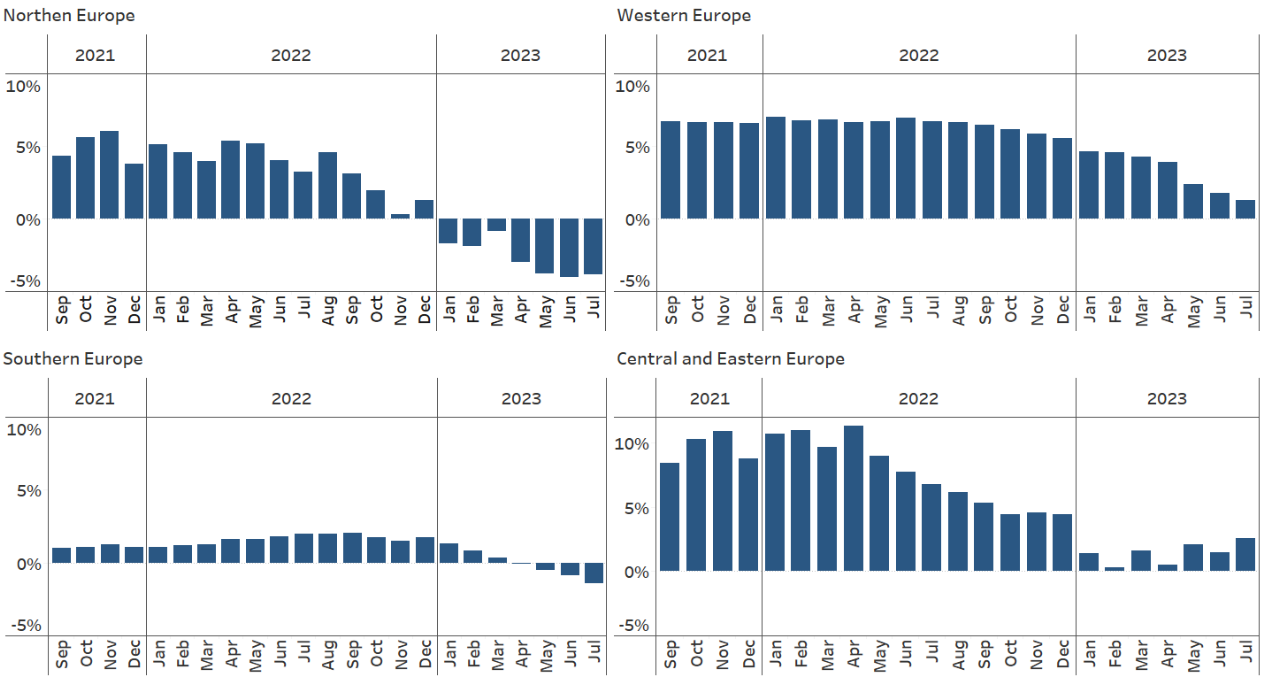
Figure 111. Year-on-year growth in interest rates on loans to households and NFCs



Source: ECRI Statistical Package 2023, ECB.

The year-over-year growth rate for housing loans appears to have been minimally impacted by the Russia-Ukraine conflict, primarily due to the prevalence of fixed-rate mortgages, particularly in western Europe. As a result, housing loan growth rates in northern[4], western[5] and central Europe[6] remained relatively stable around 5.0 %, 6.7 % and 10.0 % respectively (see Figure 12). Conversely, in regions where fixed-rate loans are less common, such as southern European countries[7], growth rates doubled in September 2022. Nevertheless, less favourable interest rates for new mortgages led to a decline in the demand for housing loans in 2023, mirroring the broader trend affecting all loan types.

Figure 122. Year-on-year growth in housing loans



Source: ECRI Statistical Package 2023, ECB.

The impact of the war on loans for consumption and other purposes became evident across all regions during the months of April and May 2022, sparked by the sudden surge in inflation, especially in energy and food prices. However, consumer credit and other forms of lending diverged across areas (see Figure 13). In both Northern and Southern European countries, loan growth rates displayed volatility but ultimately shifted towards a downward trend in 2023, stabilising at approximately -5 % and -1.5 % by July 2023.

Meanwhile, countries in central and western Europe followed contrasting patterns. In the western region, lending growth rates exhibited a consistent and gradual increase, ultimately reaching 1.4 % by October 2022. In contrast, in the central and eastern countries, following a one-time jump in March 2022, lending rates entered a downward trend that continued until October of that year. In both regions, the lending rates experienced a reversal, with their growth rates declining to 0.05 % in western countries and increasing to above 8.0 % in the central region of Europe.

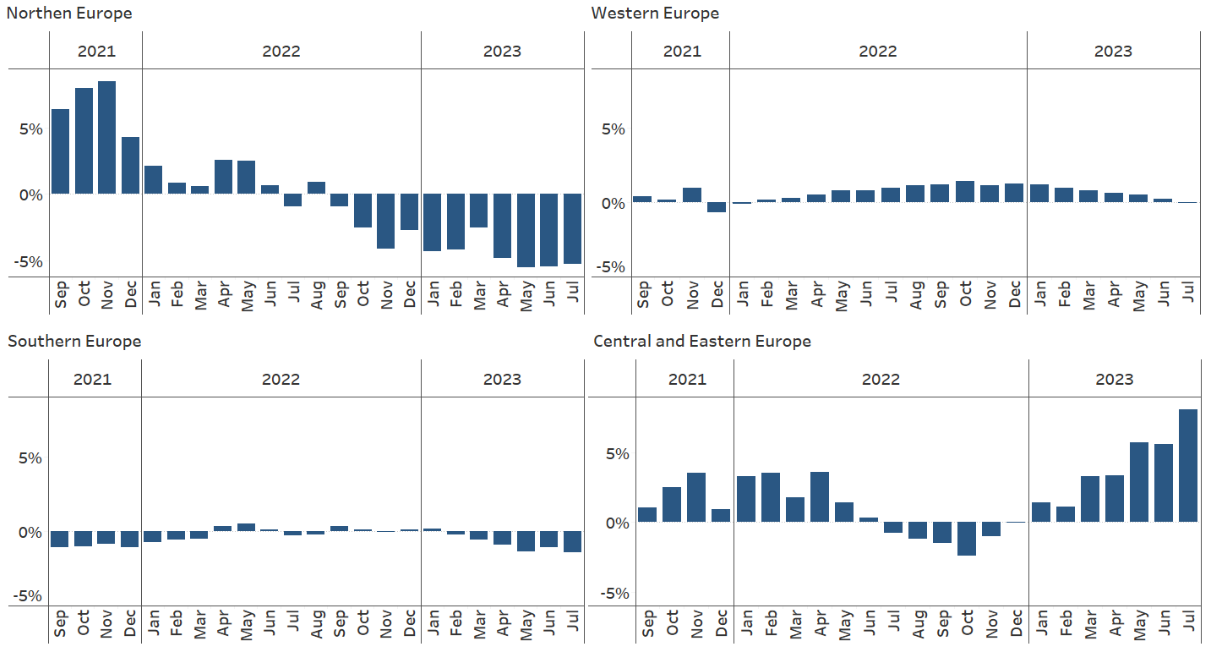
[4] Northern European countries include Denmark, Estonia, Ireland, Latvia, Lithuania, and Sweden.

[5] Western European countries include Austria, Belgium, France, Germany, Luxembourg, and the Netherlands.

[6] Central and Eastern European countries include Bulgaria, Croatia, Czechia, Hungary, Poland, Romania, Slovakia, and Slovenia.

[7] Southern European countries include Cyprus, Greece, Italy, Malta, Portugal, and Spain.

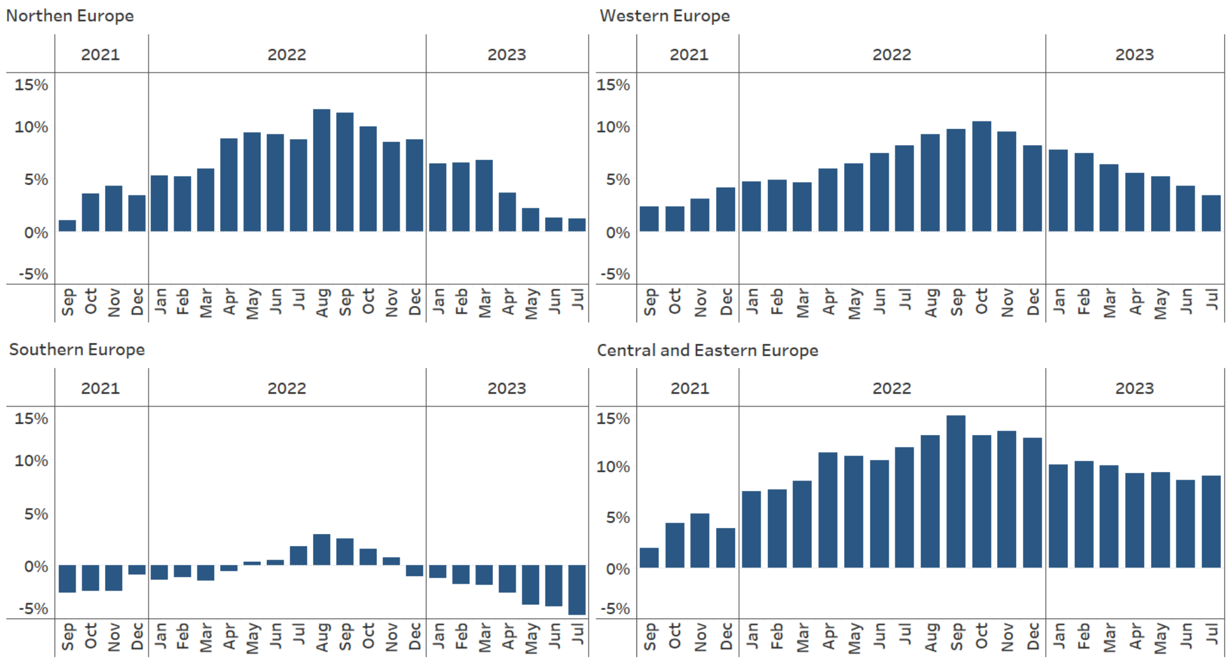
Figure 133. Year-on-year growth in consumer and other loans



Source: ECRI Statistical Package 2023, ECB.

In the case of NFCs, the conflict triggered an increase in loan demand growth rates during the second and third quarters of 2022 across all European regions (see Figure 14). NFC loan growth rates almost doubled in all regions, which was primarily driven by the escalating prices of firms' inputs. However, as central banks initiated interest rate hikes and as inflation began to recede in the fourth quarter of 2022, NFC loan growth rates started to slow in all regions. This was most pronounced in southern Europe, with a deceleration from 3.0 % to -4.7 %.

Figure 144. Year-on-year growth in NFCs loans



Source: ECRI Statistical Package 2023, ECB.

In conclusion, the outbreak of the war created a perplexing and dynamic landscape for borrowing throughout the EU. The surge in inflation and the adoption of hawkish policies as a direct result of the conflict had diverse impacts on different types of loans.

Loans for housing purposes, especially in areas that favoured fixed-rate mortgages, remained relatively steady, while other loan types saw varying levels of volatility and divergence across the different regions. Inflation in food and energy prices affected consumer credit and other loans differently across various EU regions, contributing to the diverse trajectories observed in lending growth rates, with borrowing growth rates fluctuating in some areas and gradually increasing in others. NFCs encountered growing demand for borrowing, primarily driven by rising input costs, but the situation has since shifted as interest rates have tightened and inflation diminished.

European Credit Research Institute

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