

Lending to European Households and Non-Financial Corporations: Growth and Trends

Key findings from the ECRI Statistical Package 2020

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SUMMARY

- In 2019, loans to EU households and non-financial corporations (NFC) increased by 2.5%.
- For the fifth year in a row, total loans in non-euro area countries grew more than loans in euro area countries.
- Compared to 2018, the growth rate of total loans in 2019 increased from 1.9% to 2.4% in the euro area, and in non-euro area countries the growth rate was from 2.8% to 3.7%.
- Between 2018 and 2019, household loans in EU increased by 3.5% and non-financial corporations (NFC) loans increased by 1.2%.
- Total household loans grew most in Bulgaria (+13.5%), Hungary (+12.3%), Malta (+10.0%), Poland (+8.1%), Slovakia (+8.0%) and Lithuania (+7.8%). The largest contractions were registered in Greece (-8.6%), Cyprus (-5.2%).
- Hungary (+8.1%), Austria (+6.7%), Luxembourg (+6.7%), Finland (+6.6%), Bulgaria (+5.9%) and Germany (+5.7%) were among the member states with the largest growth rates in NFC loans. Significant reductions were registered in Greece (-11.8%), Cyprus (-9.0%), Italy (-7.0%) and Ireland (-5.6%).
- Since the Covid-19 outbreak the transaction flows and outstanding amount of loans to non-financial corporations have increased significantly, while household loans transaction flows have fallen and loan growth stabilised.

ECRI Statistical Package

The ECRI Statistical Package 2020 provides data on outstanding credit granted by monetary-financial institutions (MFIs) to households and non-financial corporations (NFCs) for the period from 1995 to 2019. 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 and EFTA countries as well as the US, UK, Canada, Japan, Australia, Russia, Mexico and Saudi Arabia.

To purchase the ECRI Statistical Package 2020, please contact beatriz.pozo@ceps.eu

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

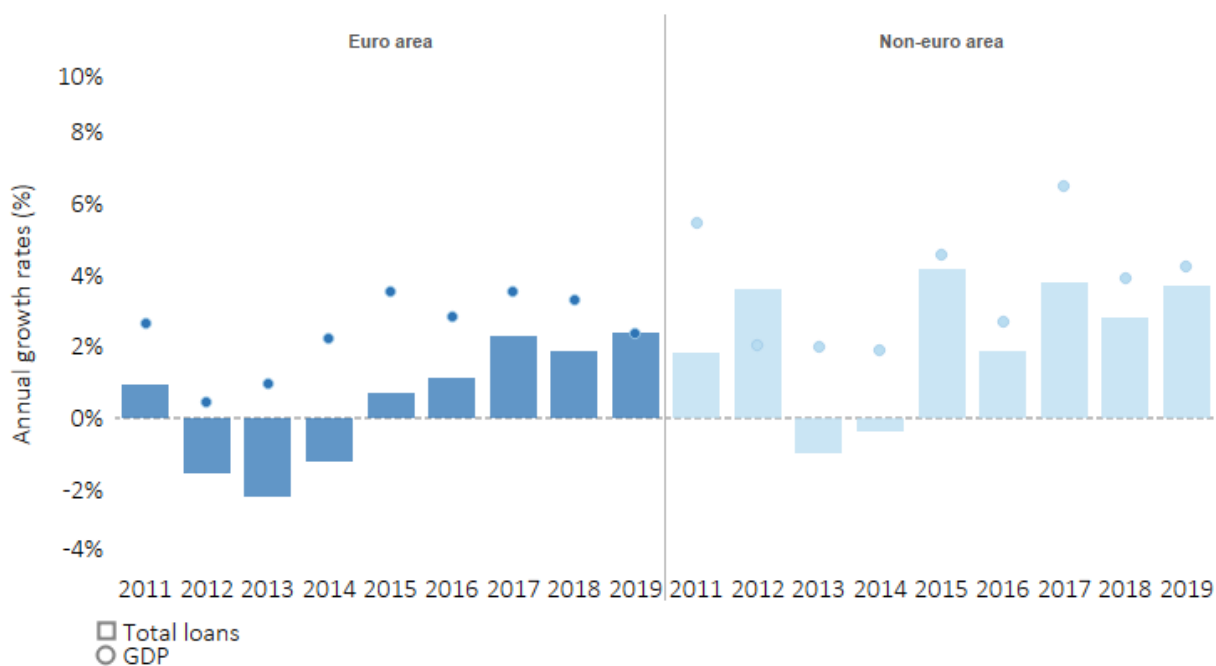
1. Total loans to households and non-financial corporations

In 2019, the volume of outstanding loans to households and non-financial corporations (NFCs) in the EU reached €11,600 bn, which is approximately 83.8% of EU GDP. Compared to the previous year, loans increased by 2.5%. 2019 was the fifth consecutive year of expansion in outstanding loans.

Overall, 86% of EU loans originate from euro area member states¹ and the remaining 14% from non-euro area member states.² Between 2018 and 2019, the total loans growth rate increased from 1.9% to 2.4% in the euro area, and in non-euro area countries it increased from 2.8% to 3.7% (see Figure 1). The trend registered in the credit market reflects the broader economic development in the euro area and non-euro area countries. The GDP growth rate decreased from 3.3% to 2.4% between 2018 and 2019 in the euro area and increased slightly from 3.9% to 4.2% in non-euro area countries.

Overall, about 64.9% of total outstanding amount of EU loans is held by the four major countries in the EU, namely, France (20.8%), Germany (23.3%), Italy (10.8%) and Spain (9.7%).

Figure 1. Total loans and GDP growth



Source: ECRI Statistical Package 2020.

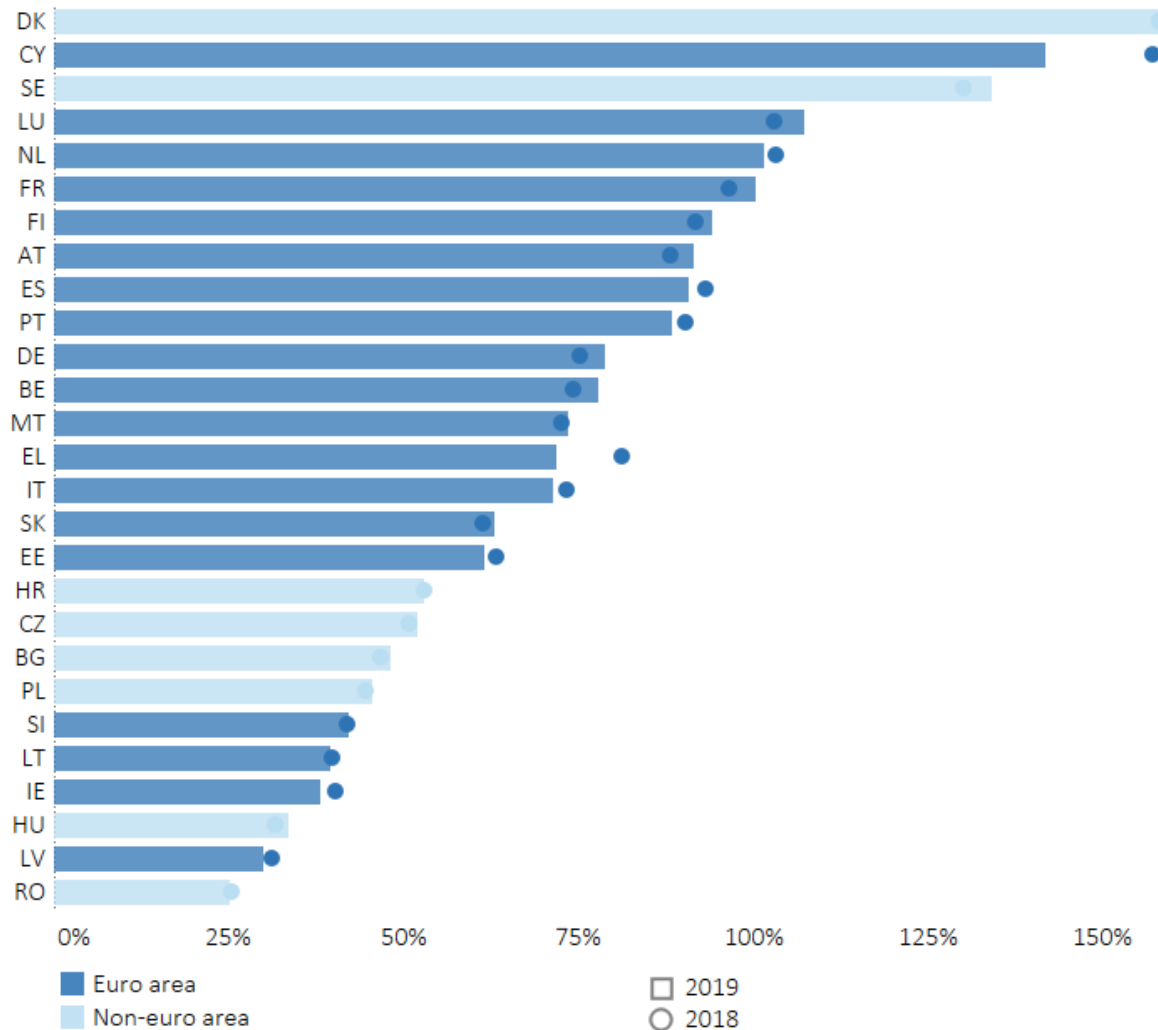
Looking across member states, indebtedness increased in 10 countries, remained almost the same in 2 and decreased in 15 member states between 2018 and 2019 (see Figure 2). The most significant year-on-

¹ The euro area covers the 19 European Union (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 Non-euro area member states include the eight EU member states that did not adopt the euro as their official currency: Bulgaria (BG), Croatia (HR), Czechia (CZ), Denmark (DK), Hungary (HU), Poland (PL), Romania (RO) and Sweden (SE).

year decreases in total outstanding loans to GDP are noted in Cyprus (-17.8%), Greece (-10.5%), Spain (-3.9%), Portugal (-3.4%), the Netherlands (-3.2%), Italy (-3%), IE (-2.7%) and EE (-2.6%). Luxembourg (+2.6%), Germany (+2.5%), France (+2.5%), Sweden (+2.2%), Austria (+2%), Finland (+1.1%) and Hungary (+1.3%) experienced a decline.

Figure 2. Total loans as percentage of GDP, 2018-19



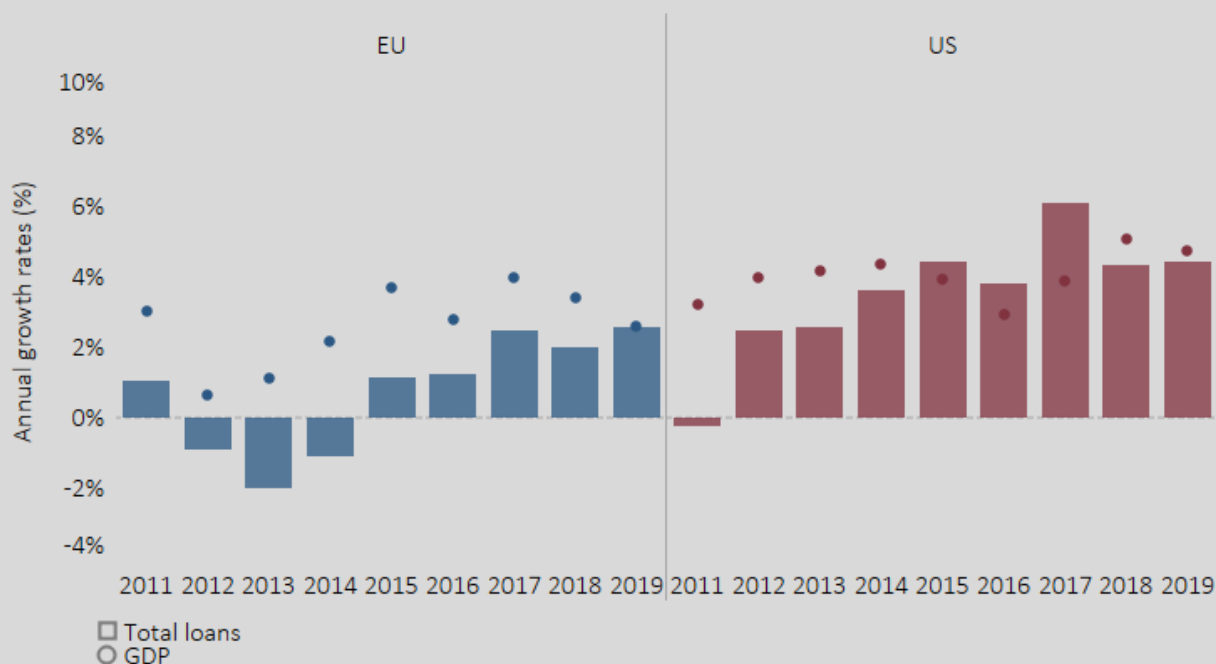
Source: ECRI Statistical Package 2020.

Box 1. Total outstanding loans, EU vs US

In 2019, total outstanding loans to households and NFCs amounted to €11,584 bn in the EU and to €29,824 bn in the US, which is equivalent to 83.6% and 156% of GDP respectively.

Between 2011 and 2019, the EU credit market was relatively volatile, with three years of contraction (from 2012 to 2014) followed by five years of expansion (see Figure 3). Over the same period, the US credit market increased steadily.

Figure 3. Total loans and GDP growth



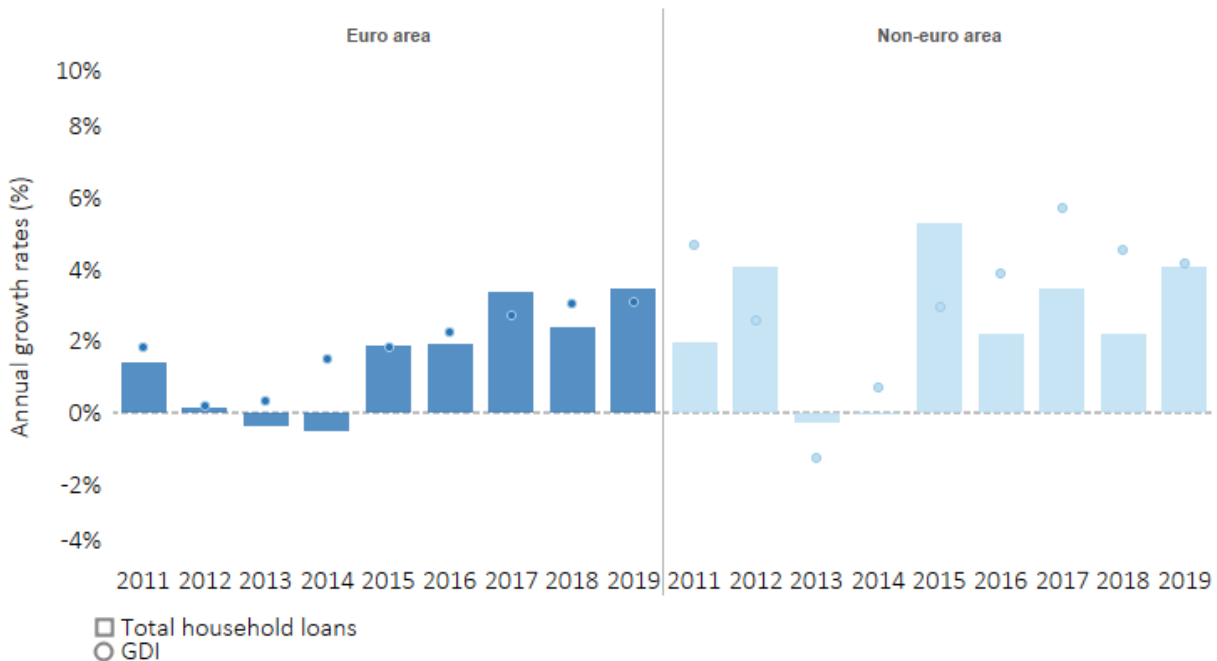
Source: ECRI Statistical Package 2020.

2. Total lending to households

In 2019, total lending to households in the EU amounted to €6,902 bn, which accounts for approximately 50% of EU GDP. Compared to 2018, household loans in the EU increased by 3.5% in 2019.

The household loans growth in 2019 was 3.5% in the euro area and 4.1% in the non-euro area. Both had a larger growth rate than in 2018. The household loan growth rate accelerated in the euro area from 2.4% in 2018 to 3.5% in 2019, while it increased during the same time from 2.2% to 4.1% in the non-euro area (see Figure 4). These differences do not follow the overall trend of gross disposable income in both the euro area and non-euro area.

Figure 4. Total loans to households and gross disposable income (GDI) growth

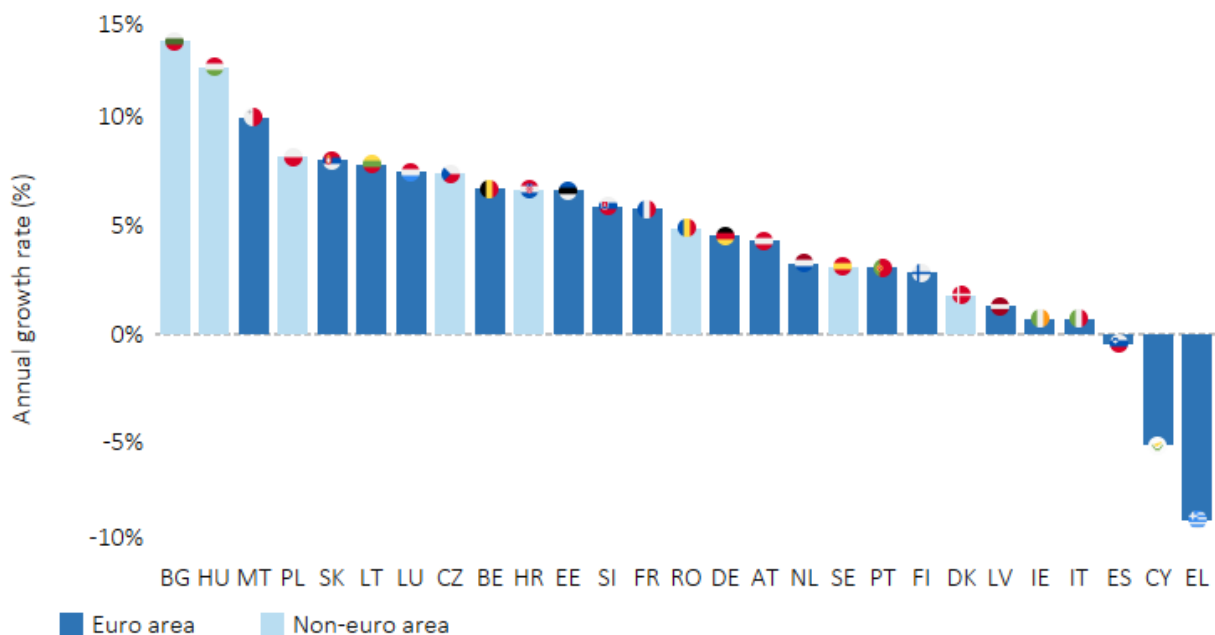


Source: ECRI Statistical Package 2020.

During the period 2016-19, household loans grew consistently in the euro area more than in the non-euro area. In 2016-19, growth rates followed roughly the same trend, registering a slowdown in 2018 and an acceleration in 2019.

Compared to 2018, total outstanding loans to households increased in 23 member states; Bulgaria (+13.5%), Hungary (+12.3%), Malta (+10.0%), Poland (+8.1%), Slovakia (+8.0%) and Lithuania (+7.8%) were the member states with the highest growth rate. By contrast, the largest decrease occurred in Greece (-8.6%), Cyprus (-5.2%) and Spain (-0.5%) (see Figure 55).

Figure 5. Total loans to households, percentage change 2018-19

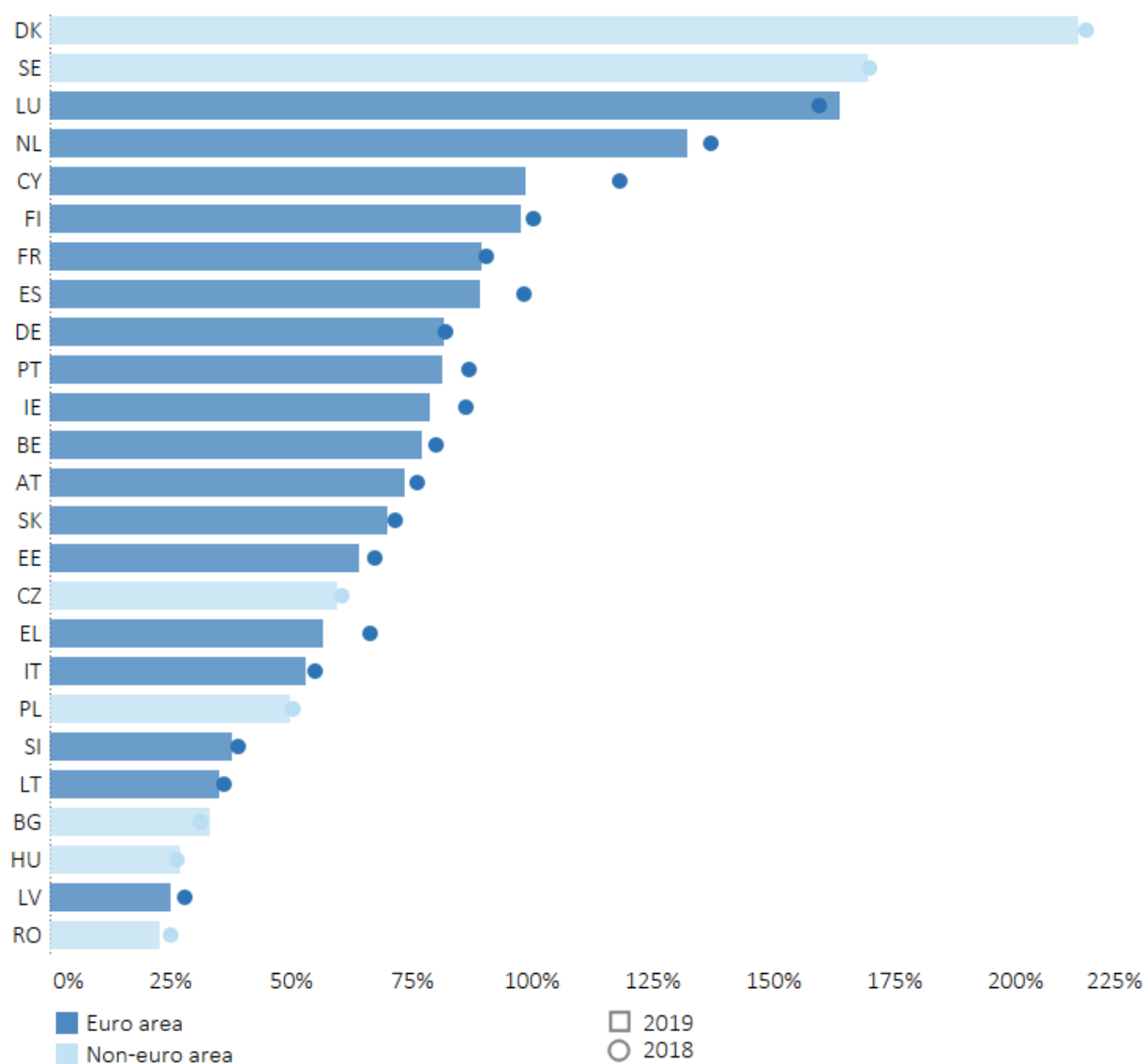


Source: ECRI Statistical Package 2020.

Turning to household indebtedness, in 2019 household loans accounted for 81% and 97% of their total gross disposable income in the euro area and non-euro area respectively.

Reductions in household loans as a percentage of disposable income were registered in Cyprus (-15.8%), Greece (-7.5%), Spain(-5.7%), Ireland (-4.8%), Portugal (-2.7%), Latvia (-2.2%), Romania (-1.6%) and Estonia (-1.1%). Conversely, as a percentage of disposable income, household indebtedness increased in Luxembourg (+9.3%), Denmark (+5.3%), Sweden (+5.1%), Bulgaria (+2.7%), Germany (+2.3%), France (+1.9%) and Hungary (+1.4%) but remained stable in Slovakia (+0.6%), Slovenia (-1.4%), Lithuania (+0.2%), Belgium (-0.1%) and Austria (-0.1%).

Figure 6. Total loans to households as percentage of gross disposable income (GDI), 2018-19



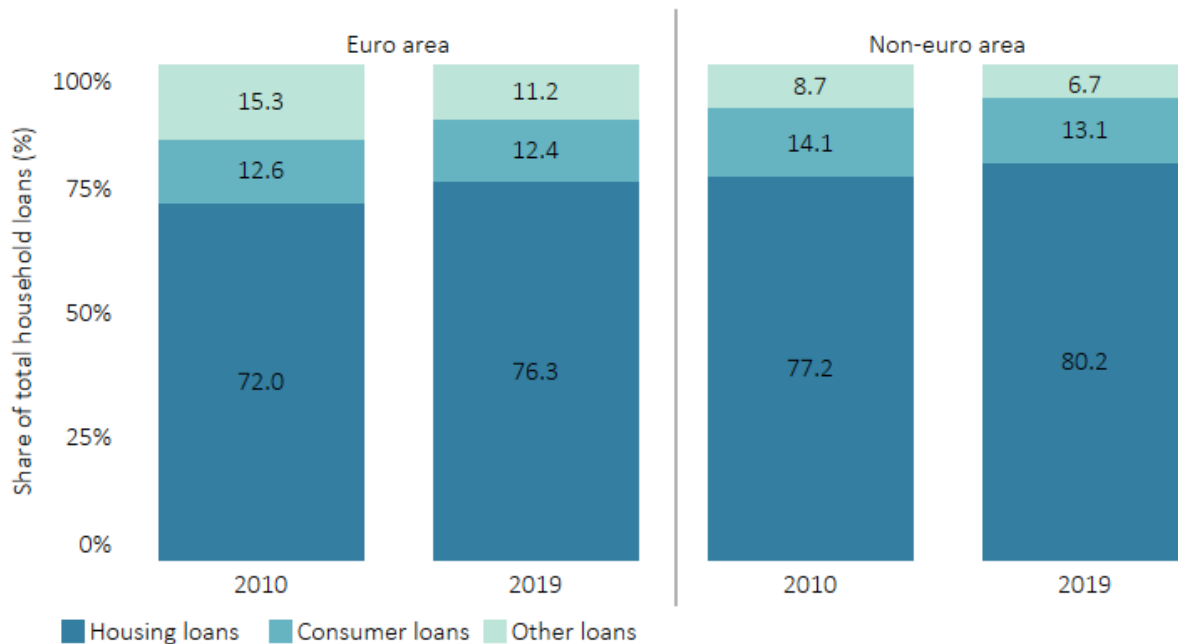
Note: For Malta and Croatia the final consumption of households is used instead of GDI.

Source: ECRI Statistical Package 2020.

In 2019, approximately 76.5% of the household loans in the euro area were housing loans, while the remaining loans were divided equally between consumer loans and other loans. The share of housing loans in the non-euro area is greater (at 80.2%), while consumer loans account for about twice the share of other loans.

During 2010 and 2019, the share of other loans decreased significantly while the share of housing loans increased (see Figure 7). Compared to 2010, the share of consumer loans declined slightly.

Figure 7. Composition of household loans in 2010 and 2019, share of total



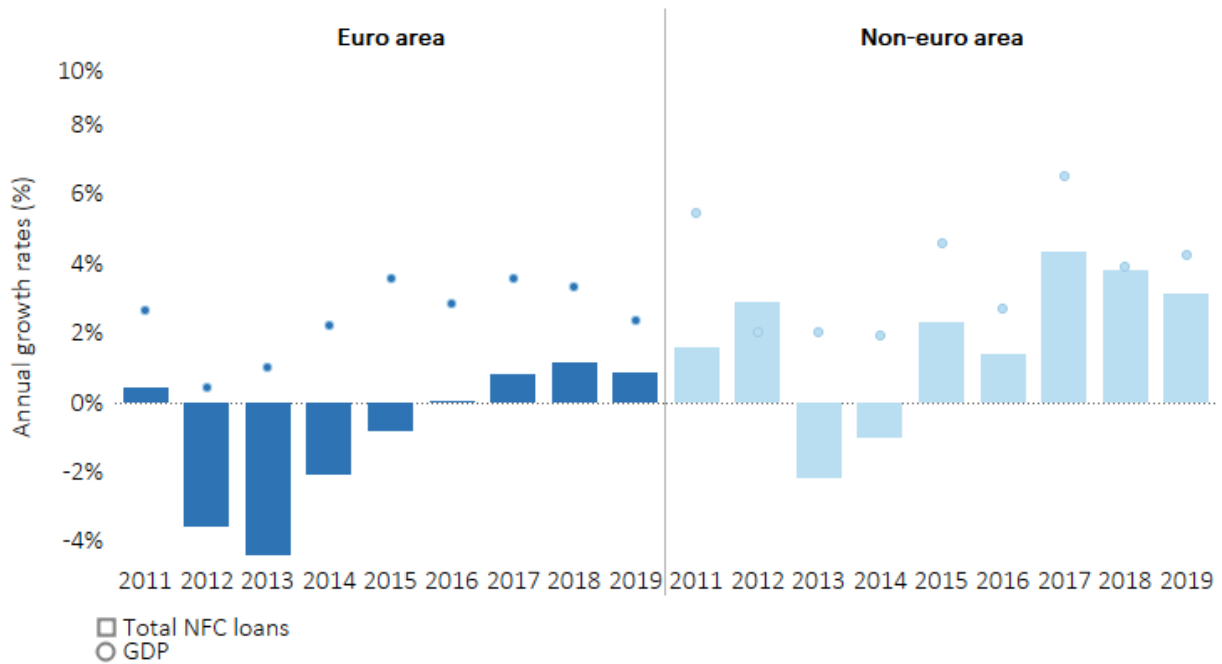
Source: ECRI Statistical Package 2020.

3. Total lending to non-financial corporations

In 2019, total lending to NFCs in the EU amounted to €4,681 bn, accounting for 40% of total loans and equivalent to 34% of EU GDP. Since 2016, loans to NFCs in the EU registered an expansion, with a growth rate ranging from 0.4% to 1.5%.

The NFC loans in the non-euro area have grown more than in the euro area every single year since 2011. Nevertheless, the NFC loans in the non-euro area decreased in 2019 for the second consecutive year, but remained well above the NFC loan growth in the euro area (see Figure 8). Between 2018 and 2019 the NFC loans growth rates in the euro area dropped from 1.2% to 0.9%. Over the same period, NFC loans growth rates in the non-euro area decreased from 3.8% to 3.1%.

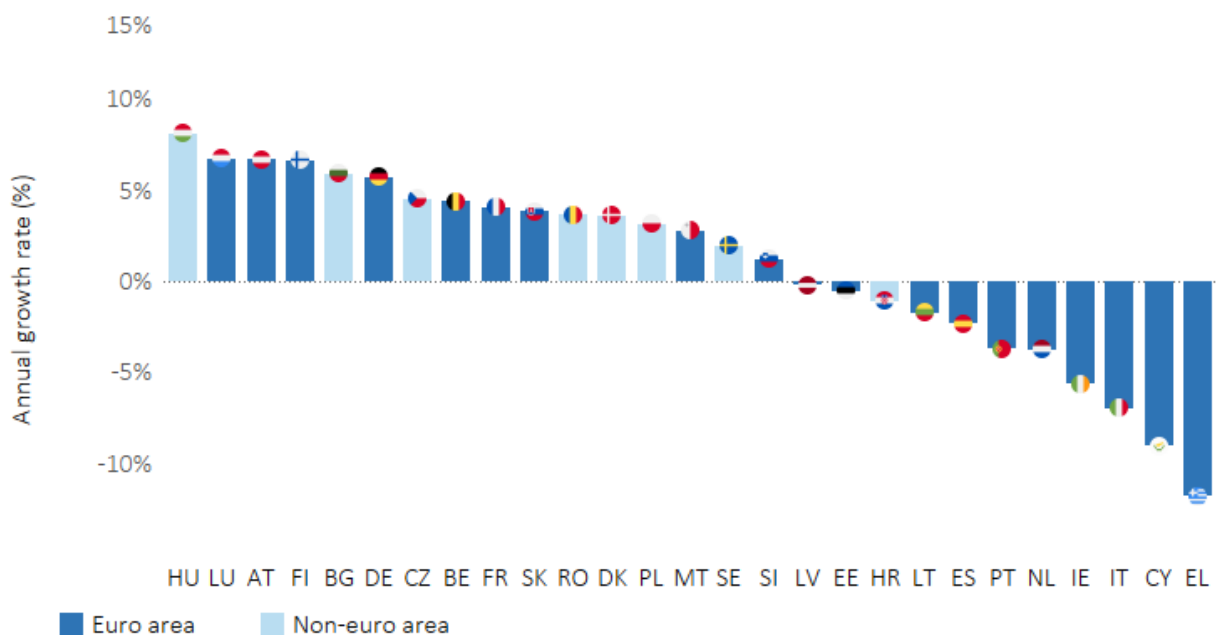
Figure 8. Loans to NFCs as a percentage of GDP



Source: ECRI Statistical Package 2020.

Between 2018 and 2019, NFC loans increased in 16 member states and decreased in 11 member states (see Figure 9). The highest growth rates were registered in Hungary (+8.1%), Austria (+6.7%), Luxembourg (+6.7%), Finland (+6.6%), Bulgaria (+5.9%) and Germany (+5.7%). Growth rates ranging between 1% and 5% were registered in Belgium, France, Sweden, Slovakia, Denmark, the Czech Republic, Malta, Romania and Slovenia. Limited decreases of between 1% and 2% were registered in Latvia (-0.2%), Estonia (-0.5%), Croatia (-1.0%) and Lithuania (-1.7%). However, significant reductions in NFC loans were registered in Greece (-11.8%), Cyprus (-9.0%), Italy (-7.0%), Ireland (-5.6%) and the Netherlands (-3.7%).

Figure 9. Total loans to non-financial corporations



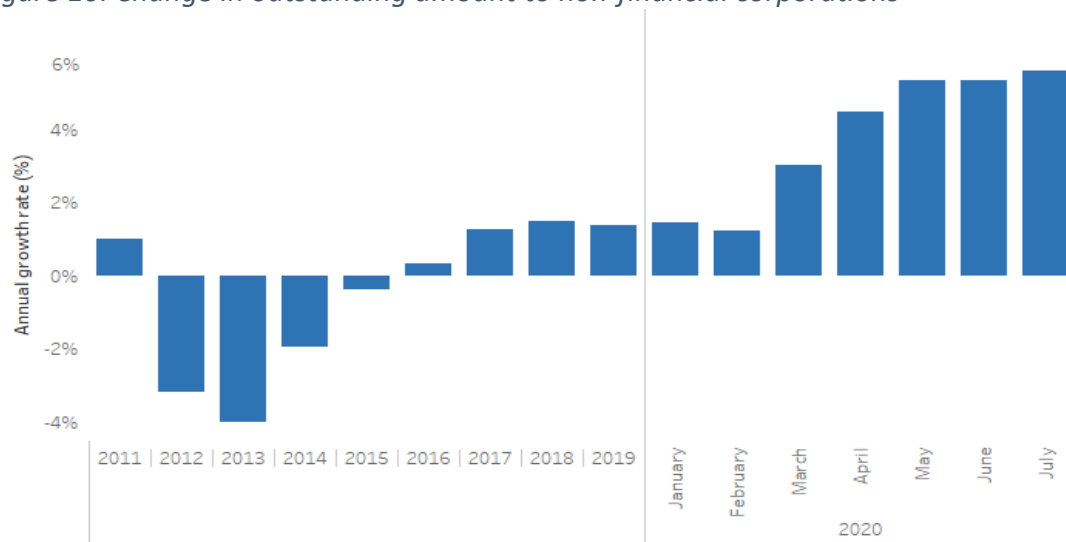
Source: ECRI Statistical Package 2020.

4. Impact of Covid-19

The Covid-19 pandemic and related lockdowns have had a huge impact on the lending to NFCs, while household lending transactions have fallen.

There has been a significant increase in the outstanding amount of loans to NFCs since March 2020 (year-on-year growth). The annual growth in outstanding amounts increased from 1.2% in February to 3.0% in March 2020. This growth was accompanied by a substantial increase in transaction flows.

Figure 10. Change in outstanding amount to non-financial corporations

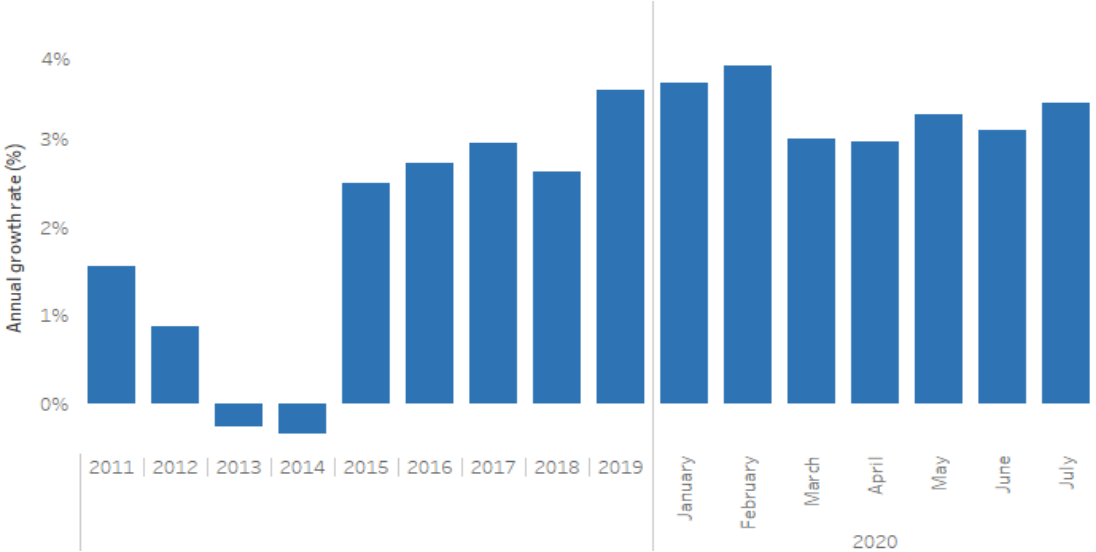


Note: The figure above shows the year-on-year annual growth of the outstanding amount to NFCs in the EU27 (excluding Greece).

Outstanding loan amounts to households decreased in response to Covid-19; namely from 3.8% in February to 3.0% in March 2020. The number of household loans decreased significantly with the introduction of lockdown measures.

The lending to both NFCs and households is affected by Covid-19 related measures from governments and the financial sector (e.g. credit guarantees, payment moratorium).

Figure 11. Change in outstanding amount to households



Note: The figure above shows the year-on-year annual growth of the outstanding amount to households in the EU27 (excluding Greece).

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