

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

Key findings from the ECRI Statistical Package 2021

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SUMMARY

- In 2020, loans to EU households and non-financial corporations (NFCs) increased by 3.8 %.
- For the first time in six years, total loans in euro area countries grew more than loans in non-euro area countries.
- Compared with 2019, the growth rate of total loans in 2020 rose from 2.4 % to 4.0 % in the euro area, and in non-euro area countries the growth rate fell from 3.7 % to 2.8 %.
- Between 2019 and 2020, household loans in the EU increased by 2.5 % and NFC loans increased by 5.8 %.
- Total household loans grew most in Sweden (+9.8 %), Luxembourg (+8.8 %), Belgium (+8.5 %), Lithuania (+6.3 %), Slovakia (+6.1 %) and France (+5.5 %). The largest contractions were registered in Greece (-12.7 %), Ireland (-5.6 %) and Cyprus (-5.1 %).
- France (+12.7 %), Portugal (+10.3 %), Malta (+9.0 %), Spain (+8.2 %) and Sweden (+7.5 %) were among the Member States with the largest growth rates in NFC loans. Significant reductions took place in Lithuania (-11.8 %), Poland (-11.2 %), Cyprus (-6.2 %), Ireland (-5.8 %) and Denmark (-5.6 %).
- Since the COVID-19 outbreak, the total outstanding amount of loans to NFCs has increased, whereas most of the household loan growth has stagnated or declined.

ECRI Statistical Package

The ECRI Statistical Package 2021 provides data on outstanding credit granted by monetary financial institutions to households and non-financial corporations for the period from 1995 to 2020. 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 EU Member States, EU candidates and European Free Trade Association countries as well as the US, UK, Japan, Australia, Russia, Mexico and Saudi Arabia.

To purchase the ECRI Statistical Package 2021, please contact beatriz.pozo@ceps.eu

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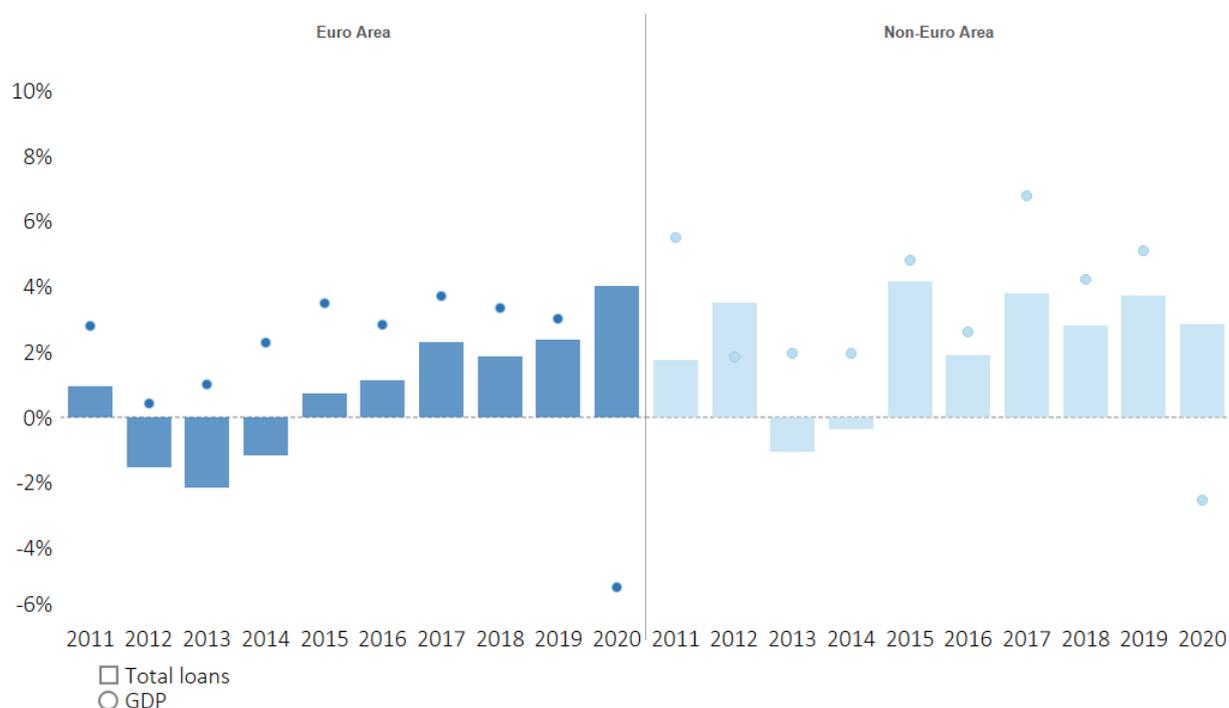
1. Total loans to households and non-financial corporations

In 2020, the volume of outstanding loans to households and non-financial corporations (NFCs) in the EU reached EUR 12.0 trillion, which is approximately 90 % of EU GDP. Compared with the previous year, loans increased by 3.8 %. Notably, 2020 was the sixth consecutive year of expansion in outstanding loans.

Overall, 86 % of EU loans originated from euro area Member States¹ and the remaining 14 % from non-euro area members.² Between 2019 and 2020, the total loan growth rate increased from 2.4 % to 4.0 % in the euro area, while in non-euro area countries it decreased from 3.7 % to 2.8 % (see Figure 1).

About 66 % of the total outstanding amount of EU loans was held by the four major countries in the EU, namely Germany (23 %), France (22 %), Italy (11 %) and Spain (10 %). The same countries held around 0.5 % less of total loans in the preceding year.

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



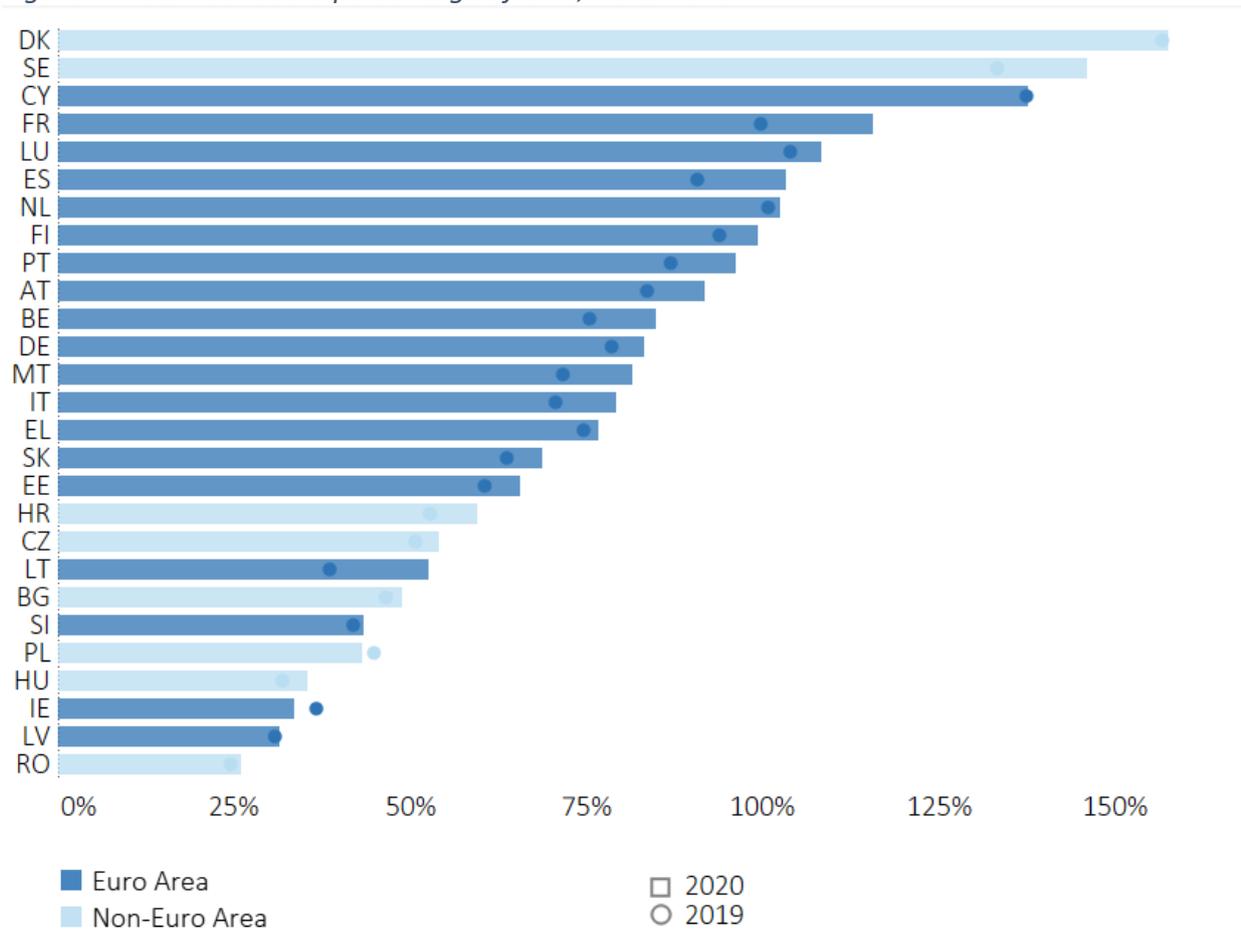
Source: ECRI Statistical Package 2021.

Looking across Member States, indebtedness increased in 2020 in 23 countries, remained almost the same in Cyprus and Latvia and decreased in Ireland (-3.1 %) and Poland (-1.6 %) (see Figure 2). The most significant increases could be found in France (+15.8 %), Lithuania (+13.8 %), Sweden (+12.7 %), Spain (+12.5 %) and Malta (+9.7 %).

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 members 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).

Figure 2. Total loans as a percentage of GDP, 2019-2020



Source: ECRI Statistical Package 2021.

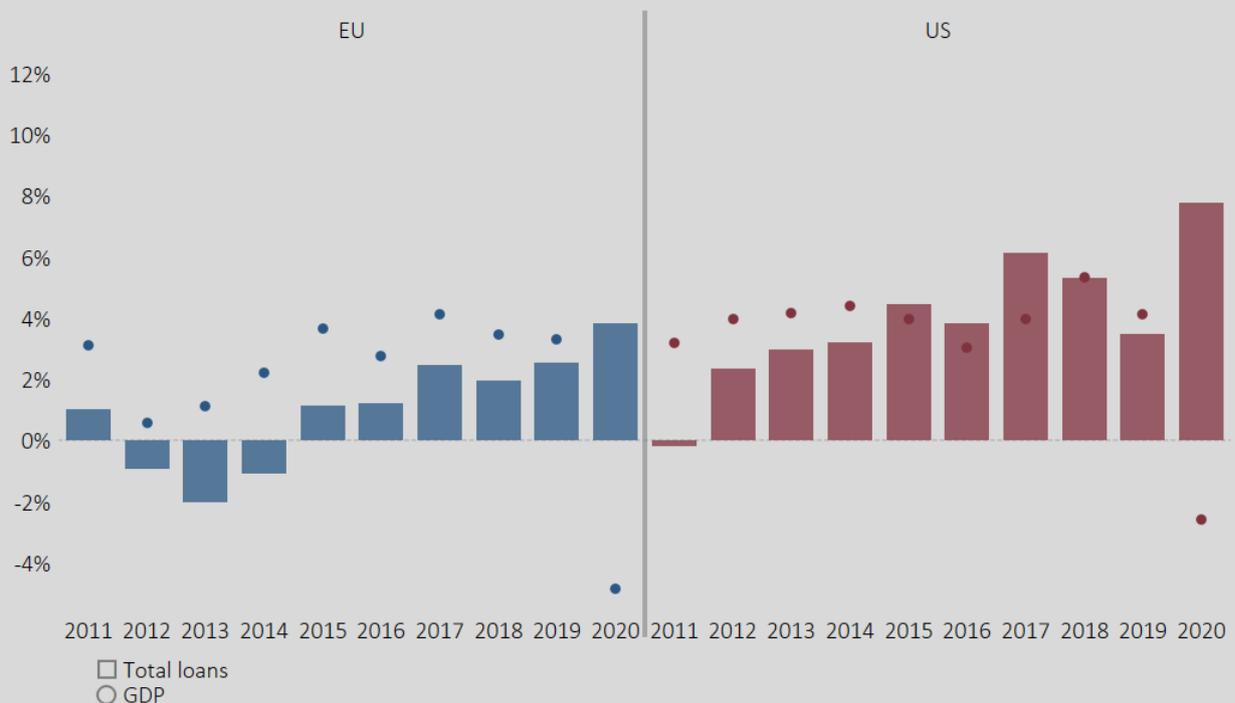
Box 1. Total outstanding loans, EU vs US

In 2020, total outstanding loans to households and NFCs amounted to EUR 12.0 trillion in the EU and to EUR 29.3 trillion in the US, which is equivalent to 91 % and 159 % of GDP respectively.

Between 2011 and 2020, the EU credit market was relatively volatile, with three years of contraction (from 2012 to 2014) followed by six years of expansion (see Figure 3). Over the same period, the US credit market increased steadily.

In 2020, both the EU and the US were confronted with an economic downturn after the outbreak of COVID-19; the GDP annual growth rate decreased by 8.1 percentage points and by 6.7 percentage points respectively.

Figure 3. Total loans and GDP growth (%)



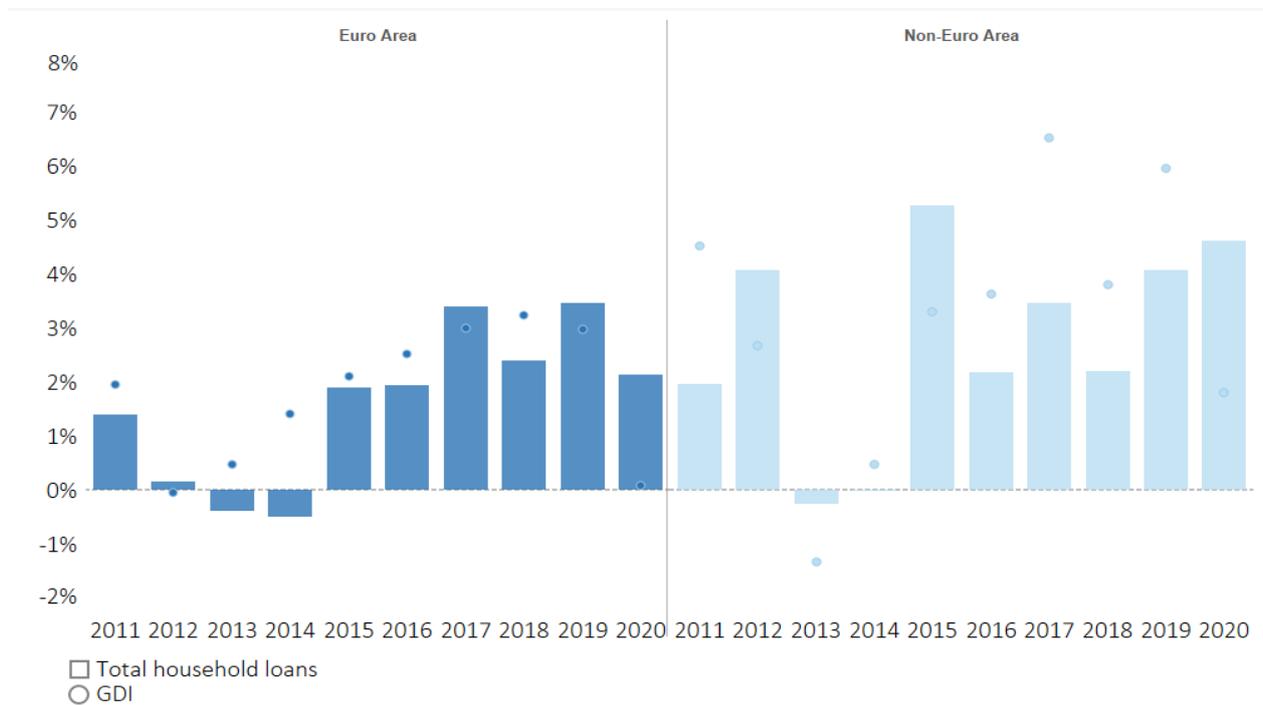
Source: ECRI Statistical Package 2021.

2. Total lending to households

In 2020, total lending to households in the EU amounted to EUR 7.1 trillion, which is equivalent to about 53 % of EU GDP. Compared with 2019, household loans in the EU increased by 2.5 % in 2020.

Household loan growth in 2020 was 2.2 % in euro area Member States and 4.6 % in non-euro area members. The household loan growth rate reduced in the euro area from 3.5 % in 2019 to 2.1 % in 2020, while it increased during the same period from 4.1 % to 4.6 % in the non-euro area (see Figure 4). The decrease in growth for euro area Member States broadly follows the trend of gross disposable income (GDI), though the decrease in GDI growth was significantly larger than the drop in loan growth in 2020. In the non-euro Member States, the larger growth in loans to households does not follow the trend of GDI growth. Hence, the loan growth increased, whereas the GDI decreased in 2020.

Figure 4. Total loans to households and GDI growth, per cent change, 2019-2020

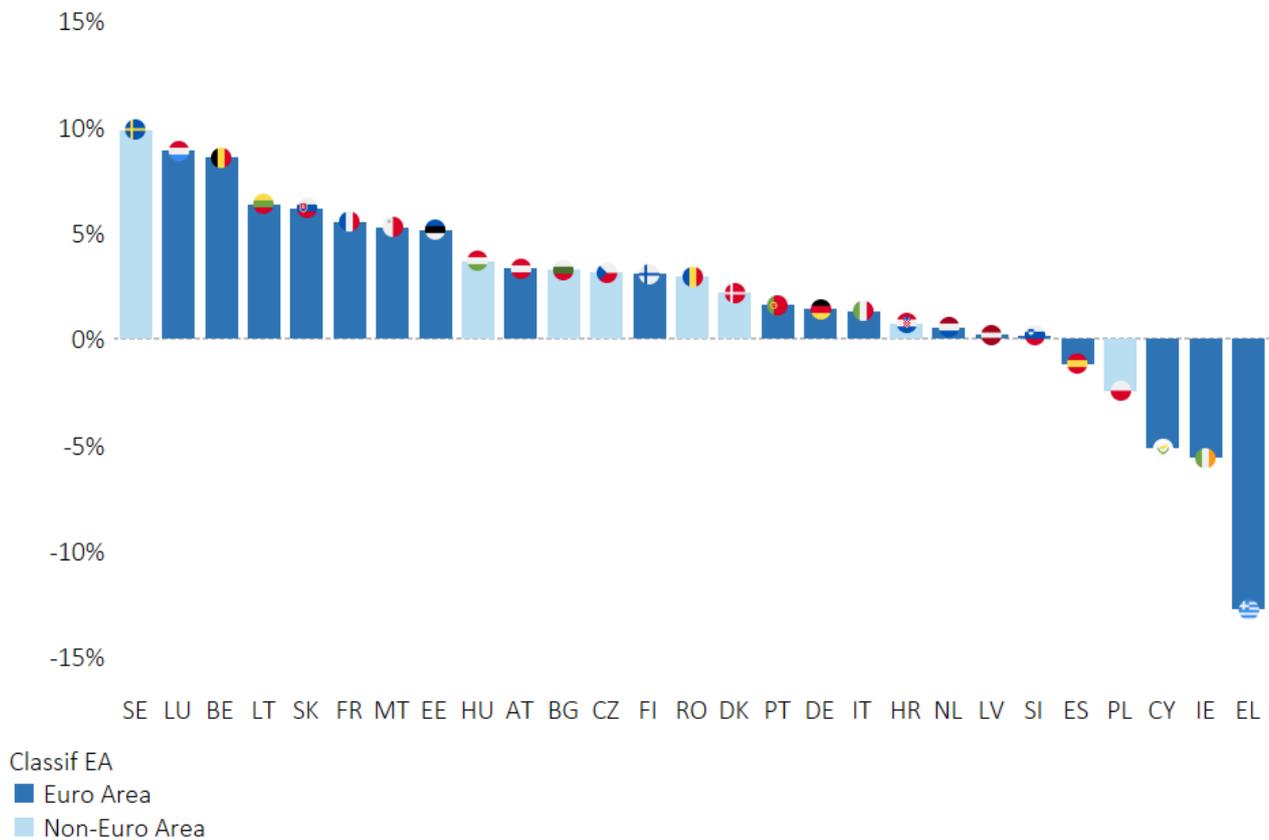


Source: ECRI Statistical Package 2021.

During the period 2016-2018, household loans grew consistently more in the euro area than in the non-euro area. In 2019 and especially in 2020, household loans grew much faster in the non-euro area than in the euro area.

Compared with 2019, total outstanding loans to households increased in 22 Member States. Sweden (+9.8%), Luxembourg (8.8%), Belgium (+8.5%), Lithuania (+6.3%) and Slovakia (+6.1%) had the highest growth rates. By contrast, five Member States noted a decrease in household loans, including Greece (-12.7%), Ireland (-5.6%), Cyprus (-5.1%), Poland (-2.4%) and Spain (-1.1%) (see Figure 5).

Figure 5. Total loans to households, percentage change, 2019-2020

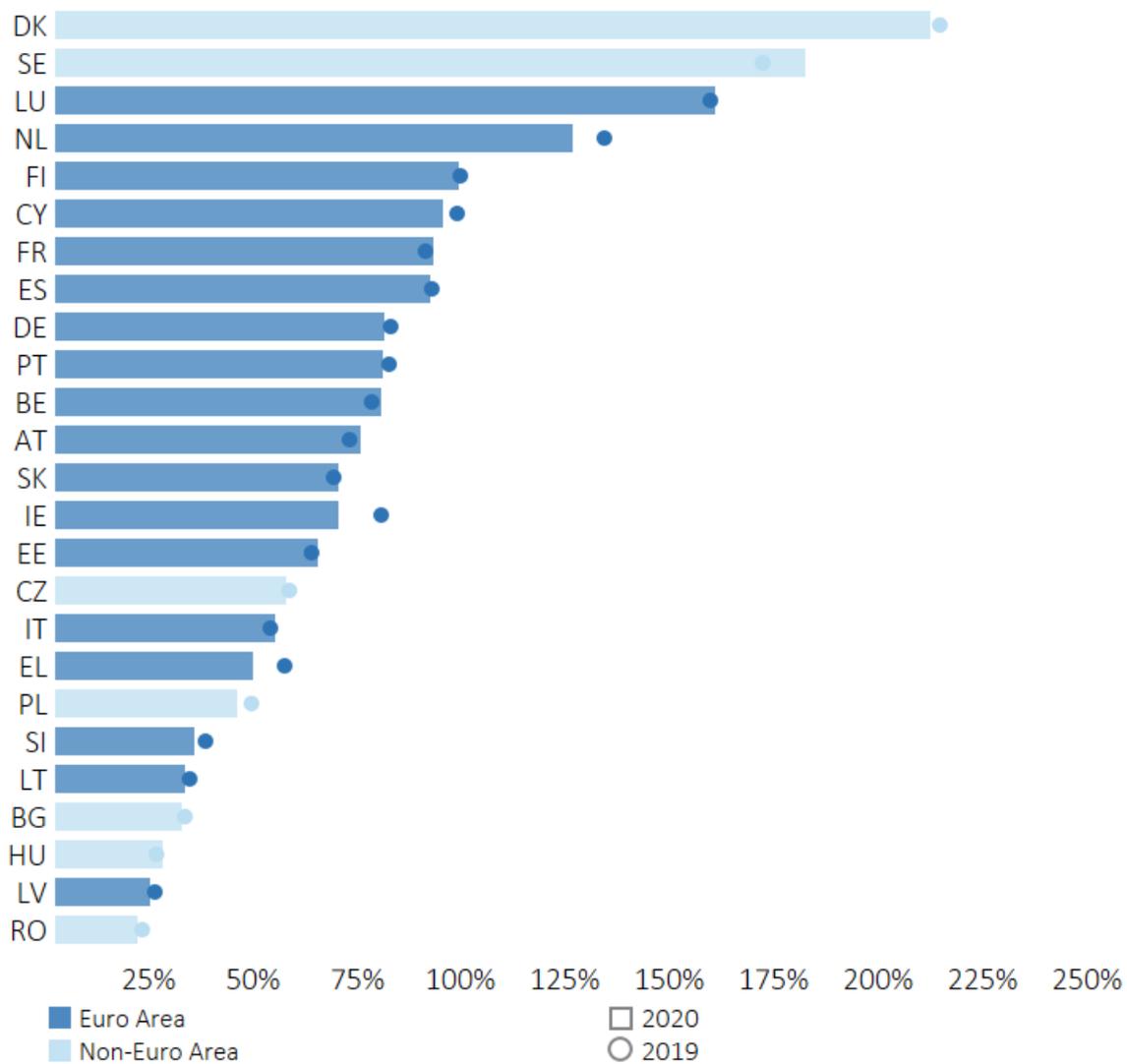


Source: ECRI Statistical Package 2021.

Turning to household indebtedness, in 2020 household loans accounted for 82 % and 98 % of their total GDI in the euro area and non-euro area respectively. This was 1 percentage point higher than in 2019.

Reductions in household loans as a percentage of disposable income were registered in Poland (-2.2 %), Slovenia (-1.7 %) and Cyprus (-1.1 %). Larger contractions could be detected in Ireland (-8.2 %) and Greece (-6.3 %) in loans as a percentage of disposable income. By contrast, there were increases in Sweden (+14.6 %), Belgium (+4.4 %) and Austria (+4.3 %). In Czechia (+0.5 %), Lithuania (-0.3 %), Denmark (+0.4 %) and Romania (-0.7 %), household loans as a percentage of GDI remained almost the same as in 2019.

Figure 6. Total loans to households as a percentage of GDI, 2019-2020



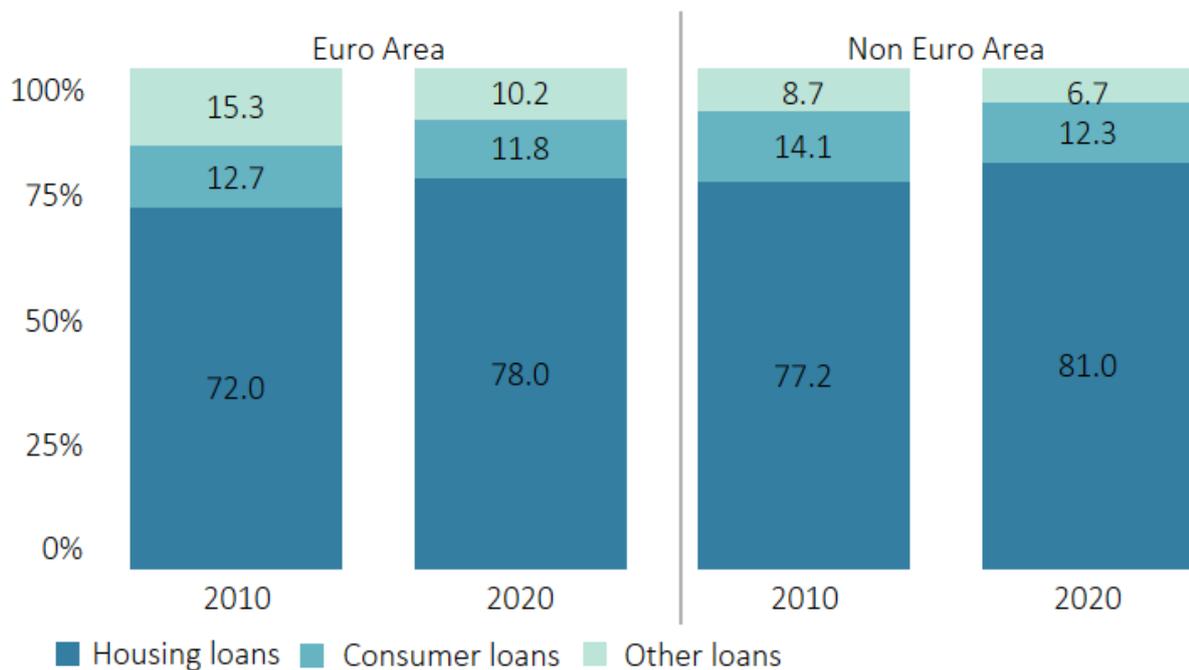
Note: For Malta and Croatia the final consumption of households is used instead of GDI.

Source: ECRI Statistical Package 2021.

In 2020, approximately 78 % of 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 was slightly higher (81 %), while consumer loans accounted for about twice the share of other loans.

Between 2010 and 2020, the share of housing loans increased, while the shares of consumer loans and other loans decreased (see Figure 7).

Figure 7. Composition of household loans in 2010 and 2020 (% share of total)



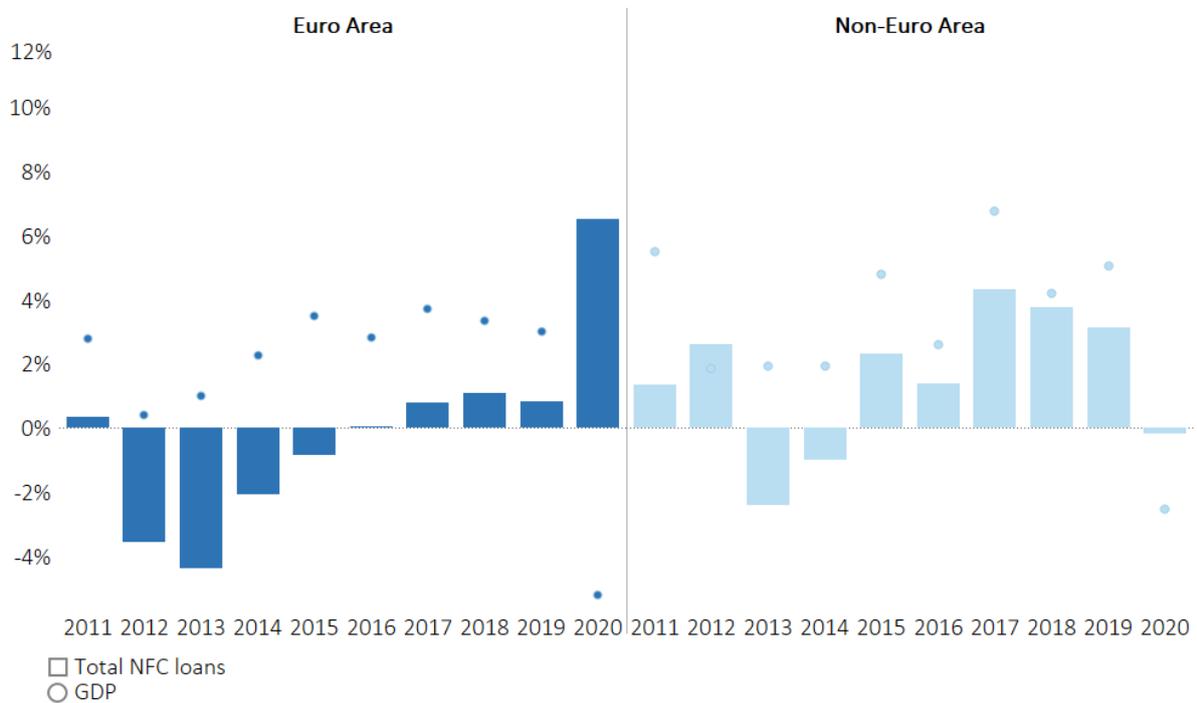
Source: ECRI Statistical Package 2021.

3. Total lending to non-financial corporations

In 2020, total lending to NFCs in the EU amounted to EUR 4.9 trillion, accounting for 41 % of total loans and equivalent to 37 % of EU GDP. Since 2016, loans to NFCs in the EU have expanded, with a growth rate ranging in most years between 0.4 % and 1.5 %. In 2020, the NFC loans grew significantly more (+6.5 %).

NFC loans in the non-euro area have grown more than in euro area Member States every single year from 2011 to 2019. This changed in 2020: for the first time in a decade, the NFC loan growth in the non-euro area Member States turned negative, while it increased significantly in the euro area (+6.5 %). It was the third consecutive year of a reduction in loan growth in the non-euro area (see Figure 8).

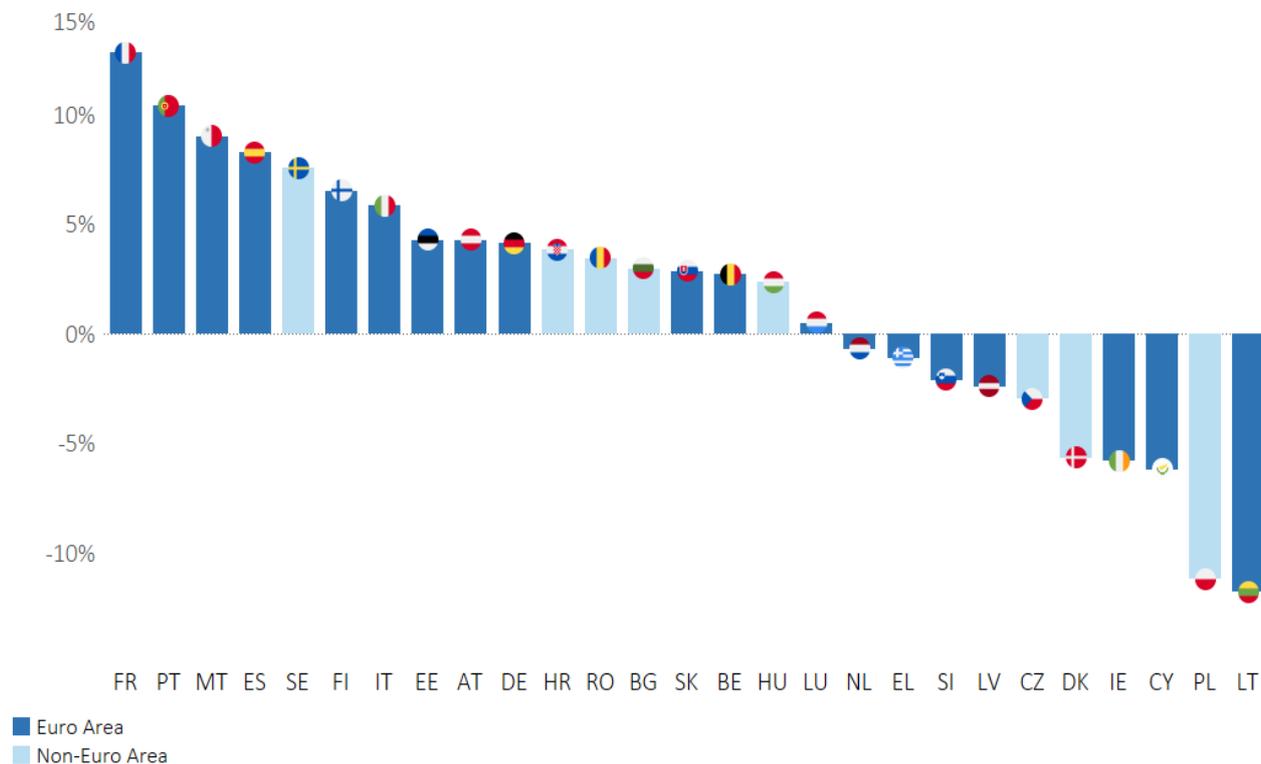
Figure 8. Loans to NFCs as a percentage of GDP



Source: ECRI Statistical Package 2021.

Between 2019 and 2020, NFC loans increased in 17 Member States and decreased in 10 (see Figure 9). The highest growth rates were registered in France (+12.7 %), Portugal (+10.3 %), Malta (+9.0 %), Spain (+8.2 %) and Sweden (+7.5 %). Growth rates ranging between 0.4 % and 4.2 % were seen in Estonia, Austria, Germany, Croatia, Romania, Bulgaria, Belgium and Luxembourg. Limited decreases of up to 3 % took place in the Netherlands (-0.7 %), Greece (-1.1 %), Slovenia (-2.1 %), Latvia (-2.4 %) and Czechia (-3.0 %). However, significant reductions in NFC loans occurred in Lithuania (-11.8 %), Poland (-11.2 %), Cyprus (-6.2 %), Ireland (-5.8 %) and Denmark (-5.6 %).

Figure 9. Total loans to NFCs, percentage change, 2019-2020



Source: ECRI Statistical Package 2021.

4. Impact of COVID-19

The COVID-19 pandemic has had a significant impact on outstanding loans in most European countries. The pandemic can be divided into broadly seven phases so far:

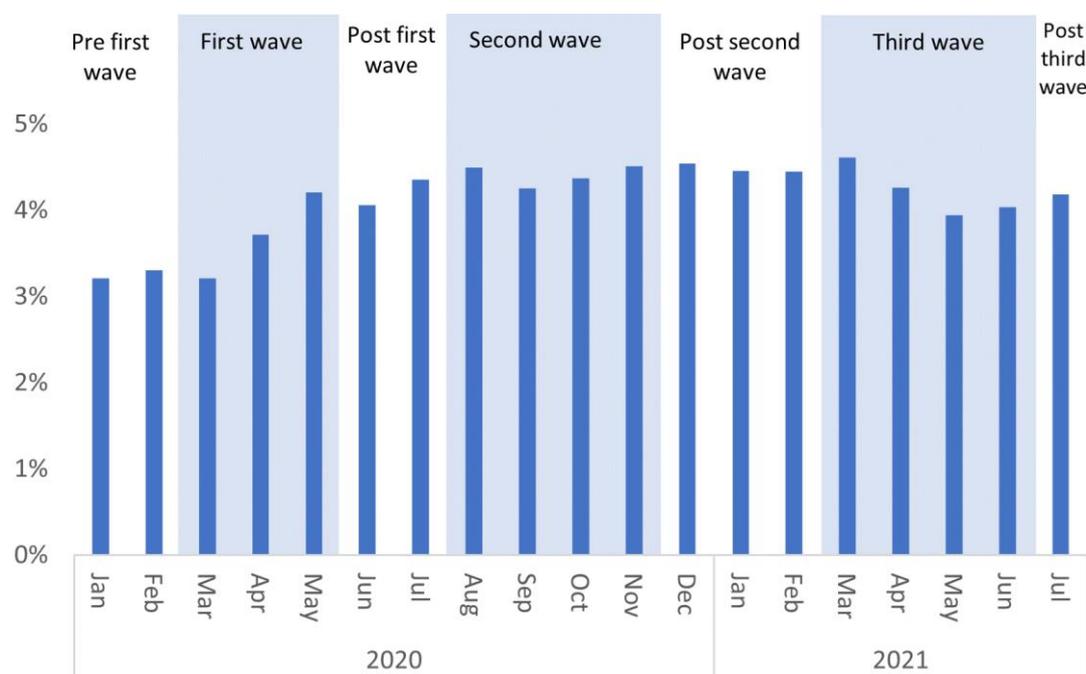
- *pre-first wave* indicates the start of 2020, just before the first measures related to COVID-19 were adopted in the EU;
- *first wave* covers the first period of many infections and restrictive measures from March to May 2020;
- *post-first wave* covers the first period of initial recovery between the first and second waves in June and July 2020;
- *second wave* covers the second period of many infections and restrictive measures from August to November 2020;
- *post-second wave* covers the relaxation and recovery runs from December 2020 to February 2021;
- *third wave* covers the third period of many infections and restrictive measures from March to June 2021; and,
- *post-third wave* covers the phase of recovery starting in July 2021.

The phases were mostly aligned with the enactment of restrictive measures against COVID-19 in the largest EU Member States. Nevertheless, there is some variation in the point at which EU Member States were confronted with COVID-19 waves, so the periods chosen for this section only serve as an approximation.

Overall, COVID-19 significantly increased the growth of total loans (NFC and household loans) during the first wave of the pandemic (see Figure 10). The loan growth rates increased markedly between March and

May 2020. The year-on-year loan growth remained stable afterwards. The loan growth decreased during the third wave of March to June 2021, which might be partially explained by loans maturing after 12 months.

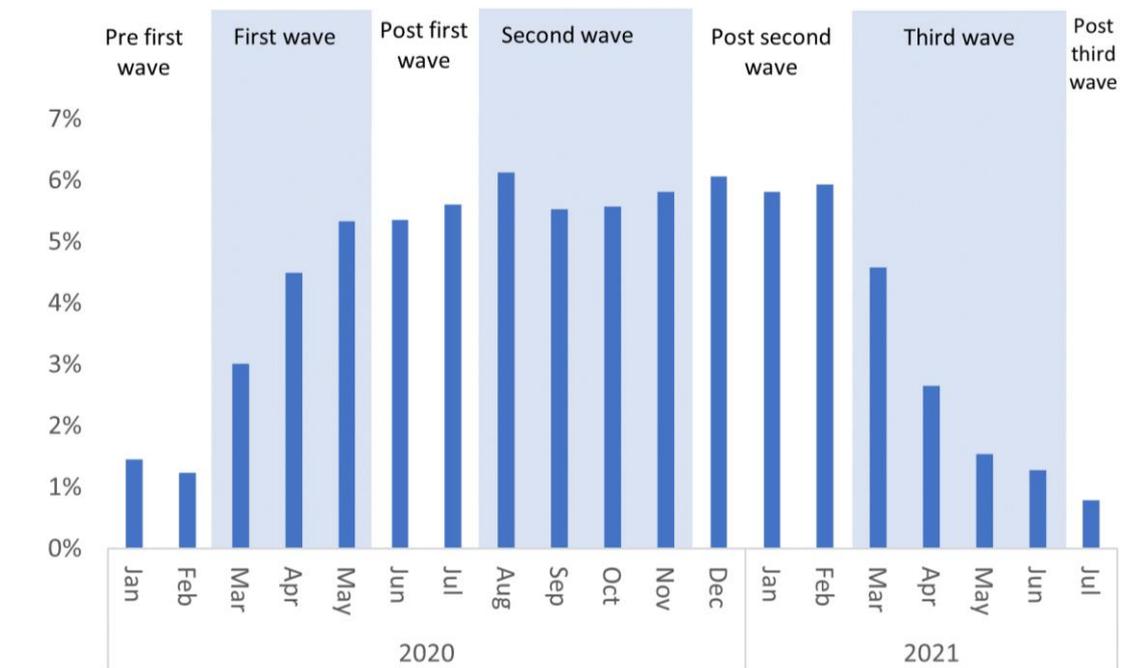
Figure 10. Year-on-year growth in outstanding total loans



Note: The figure above shows the year-on-year annual growth of the total outstanding amount of total NFC and household loans in the EU-27 (excluding Greece).

The COVID-19 pandemic had an impact on lending to NFCs (see Figure 11). There was a significant increase in the outstanding amount of NFC loans (year-on-year) during the first wave between March and May 2020. Hence, the year-on-year growth rate increased by almost 5 percentage points during this three-month period. Growth remained steadily high throughout the pandemic, only returning to pre-COVID levels during the third wave (March-June 2021), one year after the first wave.

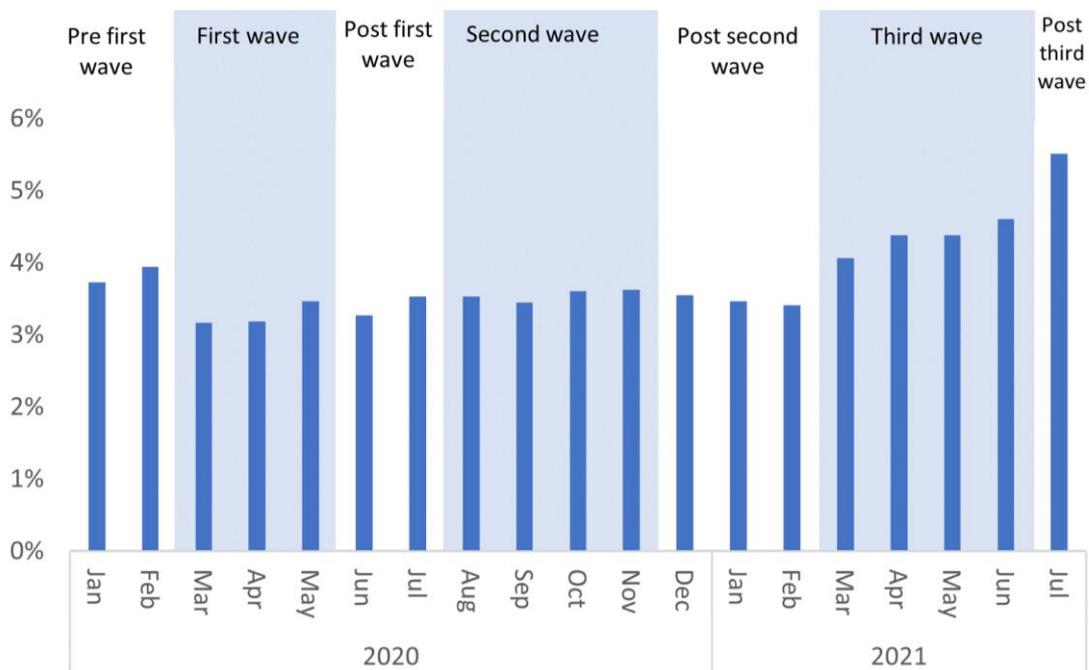
Figure 11. Year-on-year growth in outstanding NFC loans



Note: The figure above shows the year-on-year annual growth of the outstanding amount of loans to NFCs in the EU-27 (excluding Greece).

During the course of the pandemic, the growth rate of loans to households decreased slightly (see Figure 12). The year-on-year growth rate was less than 1 percentage point below the pre-COVID levels. Only at the start of the third wave did growth rates start increasing. The growth rates during the third wave and post-third wave surpassed pre-COVID rates by almost 2 percentage points.

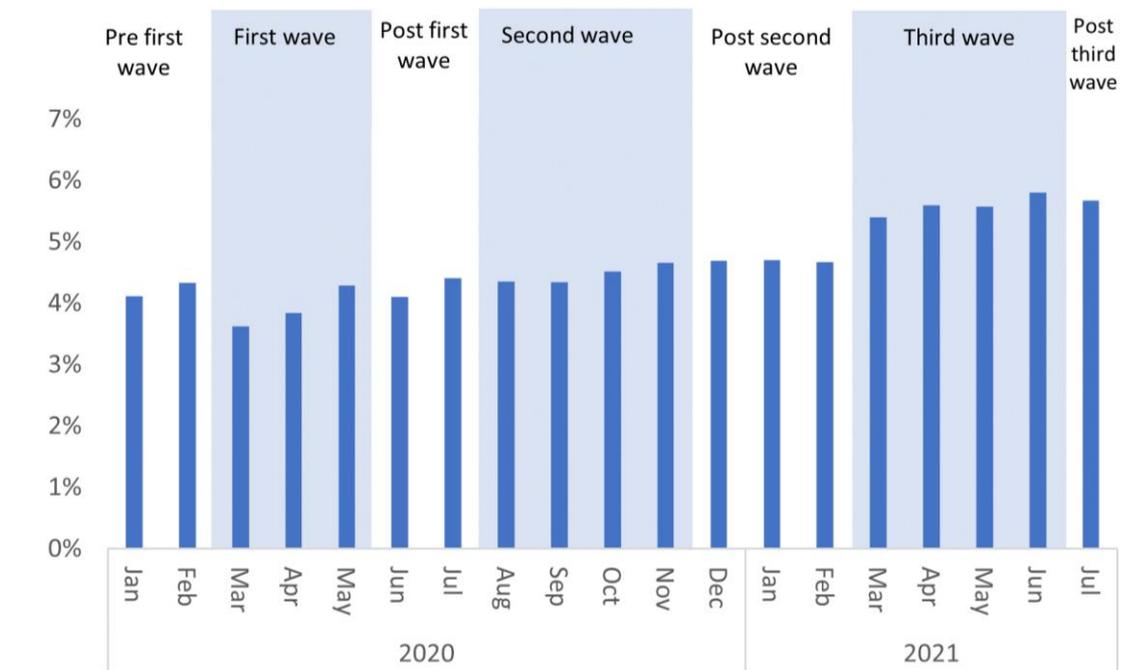
Figure 12. Year-on-year growth in outstanding household loans



Note: The figure above shows the year-on-year annual growth of the outstanding amount of household loans in the EU-27 (excluding Greece).

The developments in loans for housing purposes were somewhat similar to the overall household loan developments (see Figure 13). After a slight drop at the beginning of the pandemic, rates recovered throughout the first wave, post-first wave, second wave and post-second wave (March 2020 to February 2021) to pre-COVID levels. During the third wave and post-third wave (between March and July 2021) the year-on-year loan growth rates surpassed the pre-COVID level.

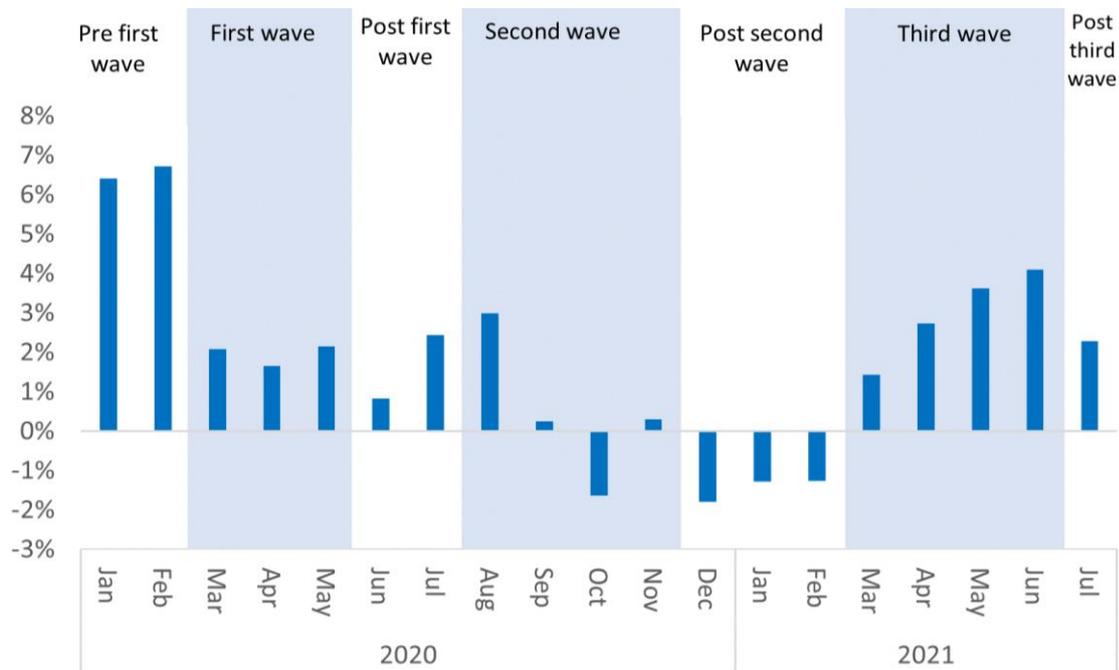
Figure 13. Year-on-year growth in outstanding housing loans



Note: The figure above shows the year-on-year annual growth of the loans with housing purpose in the EU-27 (excluding Greece).

The growth of consumer loans was heavily disrupted during the pandemic (see Figure 14). Year-on-year consumer loan growth dropped about 5 percentage points at the start of the first wave in February 2020 and remained constant at this lower level during the following months, becoming volatile in the post-first wave. During the second wave, there was an initial slight increase in loan growth, before turning to zero and even negative growth in October 2020. The loan growth turned negative for three consecutive months during the post-second wave (December 2020 to February 2021). Afterwards the loan growth increased gradually during the third wave and start of the post-third wave, but the consumer loan growth is still well below the pre-COVID pandemic levels.

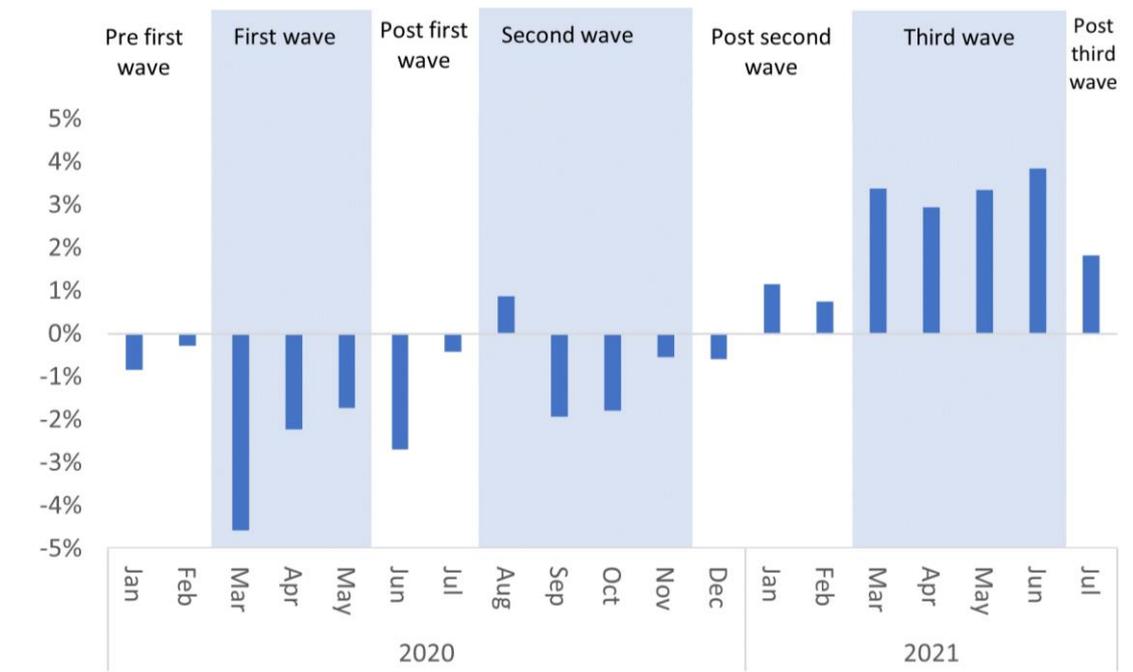
Figure 14. Year-on-year growth in outstanding consumer loans



Note: The figure above shows the year-on-year annual growth of the outstanding amount of consumer loans in the EU-27 (excluding Greece).

Other loans are granted for special purposes such as business needs, debt consolidation, purchase of securities, education and procurement of office equipment. These loans were already contracting before the pandemic (see Figure 15). At the start of the first wave, the decline accelerated. In March 2020, the growth rate decreased 4 percentage points to -4.5%. Afterwards, there was some recovery, but the growth rate of other loans remained negative in nearly all months up to the post-second wave. During this post-second wave period (December 2020 to February 2021), loan growth turned positive. During the following third wave and post-third wave, the year-on-year loan growth increased further to levels well exceeding the pre-COVID pandemic levels.

Figure 15. Year-on-year growth in outstanding other loans



Note: The figure above shows the year-on-year annual growth of the outstanding amount of other loans in the EU-27 (excluding Greece).

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