

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

Key findings from the ECRI Statistical Package 2019

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### SUMMARY

- In 2018, loans to EU households and non-financial corporations (NFC) increased by 2.7%, the second consecutive year of the expansion.
- For the fourth year in a row, total loans in New Member States (NMS) grew faster than in old Member States (EU-15).
- Compared to the previous year, the total loans growth rate in 2018 accelerated from 2.2% to 2.7% in EU-15, while it slowed from 5.9% to 3.5% in NMS.
- Between 2017 and 2018, household loans increased by 2.8% and non-financial corporations (NFC) loans increased by 2.6%.
- Total household loans grew most in Slovakia (+11%), Romania (+9%) and Lithuania (+8%), while the largest contractions were registered in Cyprus (-31%), Greece (-7%) and Latvia (-5%).
- Finland (+19%), Hungary (+19%) and Luxembourg (+11%) were amongst the Member States with the largest growth rates in NFC loans. In turn, significant reductions were registered in Cyprus (-12%), Greece (-7%) and Italy (-7%).

### ECRI Statistical Package

The ECRI Statistical Package 2019 provides data on outstanding credit granted by monetary-financial institutions (MFIs) to households and non-financial corporations (NFCs) for the period from 1995 to 2018. 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, Canada, Japan, Australia, Russia, Mexico and Saudi Arabia.

**To purchase the ECRI Statistical Package 2019, please get in touch with [beatriz.pozo@ceps.eu](mailto:beatriz.pozo@ceps.eu)**

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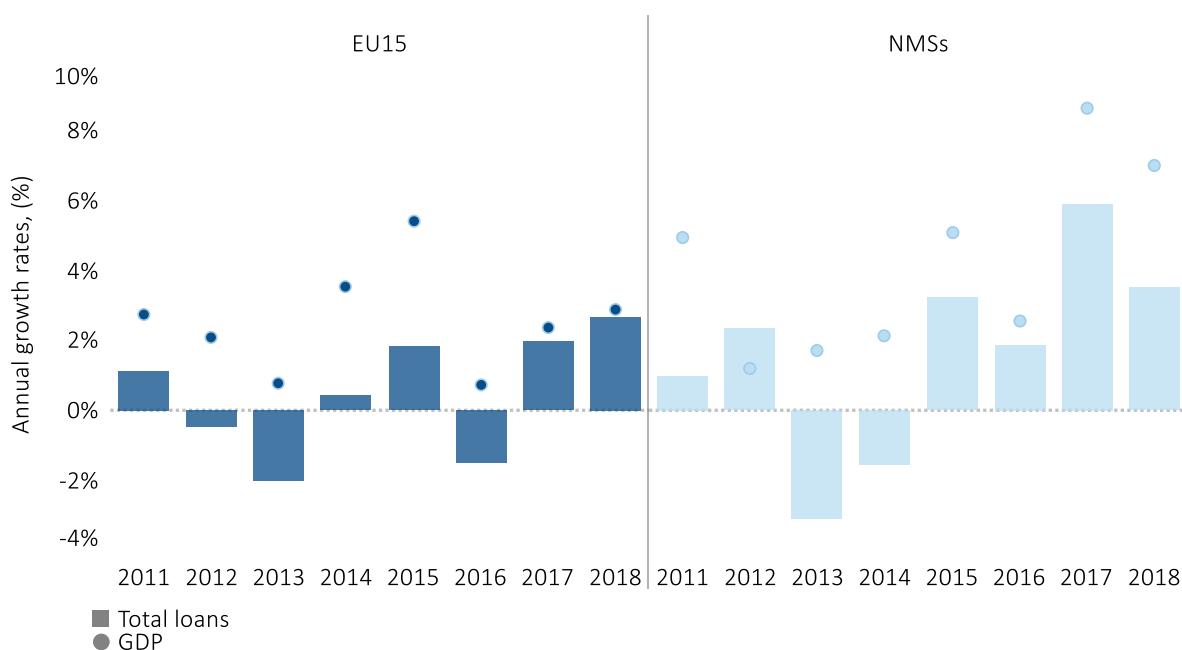
## 1. Total loans to households and non-financial corporations

In 2018, the volume of outstanding loans granted by resident monetary financial institutions (MFIs)<sup>1</sup> – excluding central banks – to households and non-financial corporations (NFCs) in EU reached EUR 13,760 bn, which is approximately 85% of EU GDP. Compared to the previous year, loans increased by 2.7%, the second consecutive year of the expansion.

Overall, 95% of EU loans originates from EU-15 Member States<sup>2</sup> and the remaining 5% from NMS<sup>3</sup>. Between 2017 and 2018, the total loans growth rate accelerated from 2.2% to 2.7% in EU-15, while it slowed from 5.9% to 3.5% in NMS (see Figure 1). The trend registered in the credit market reflects the broader economic development in the EU-15 and NMS. The GDP growth rate increased from 2.4% to 2.9% between 2017 and 2018 in the EU-15, and decreased from 8.6% to 7.0% in the NMS.

Overall, about 70% of total EU loans are held by the resident MFIs active in France, Germany, Italy, Spain and the UK.

Figure 1 Total loans and GDP



Source: ECRI Statistical Package 2019

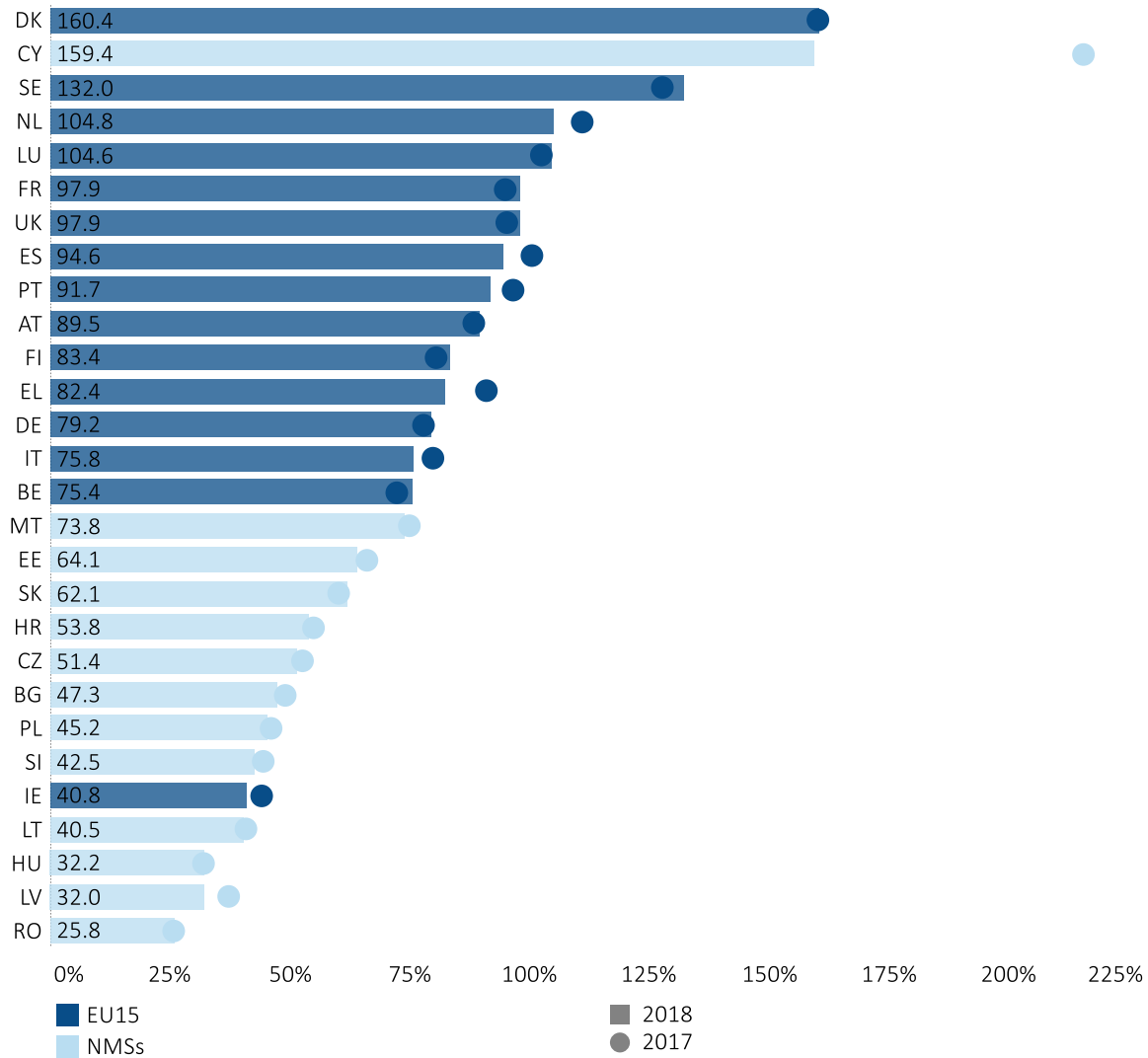
<sup>1</sup> In accordance with the ECB definition, MFIs include central banks, credit institutions, other deposit-taking corporations and money market funds. Resident institutions encompass both national institutions and branches of institutions whose headquarter is based abroad.

<sup>2</sup> EU-15 are the 15 countries that joined the EU before the 2004 enlargement: Austria (AT), Belgium (BE), Denmark (DK), Finland (FI), France (FR), Germany (DE), Greece (EL), Ireland (IE), Italy (IT), Luxembourg (LU), the Netherlands (NL), Portugal (PT), Spain (ES), Sweden (SE) and the United Kingdom (UK).

<sup>3</sup> New Member States (NMS) are the 13 countries that joined the EU as part of the 2004 enlargement and subsequently: Bulgaria (BG), Croatia (HR), Cyprus (CY), Czechia (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Malta (MT), Poland (PL), Romania (RO), Slovenia (SL), and Slovakia (SK).

Looking across Member States, indebtedness increased in 8 Member States, remained the same in 4 Member States and decreased in 15 Member States between 2017 and 2018 (see Figure 2). The indebtedness increased in Sweden (+4.2%), Belgium (+3.1%), France (+3%), Finland (+2.8%) and the UK (+2.7%). In turn, Italy (-4.1%), Portugal (-4.8%), Latvia (-5.2%), Spain (-6.1%), the Netherlands (-6.1%) and Greece (-8.6%) experienced substantial reductions. Total household and NFC loans by monetary-financial institutions (MFIs) decreased most in Cyprus (-56.3%), mainly due to the sale of a large amount of NPLs.

Figure 2 Total loans as percentage of GDP, 2017-2018



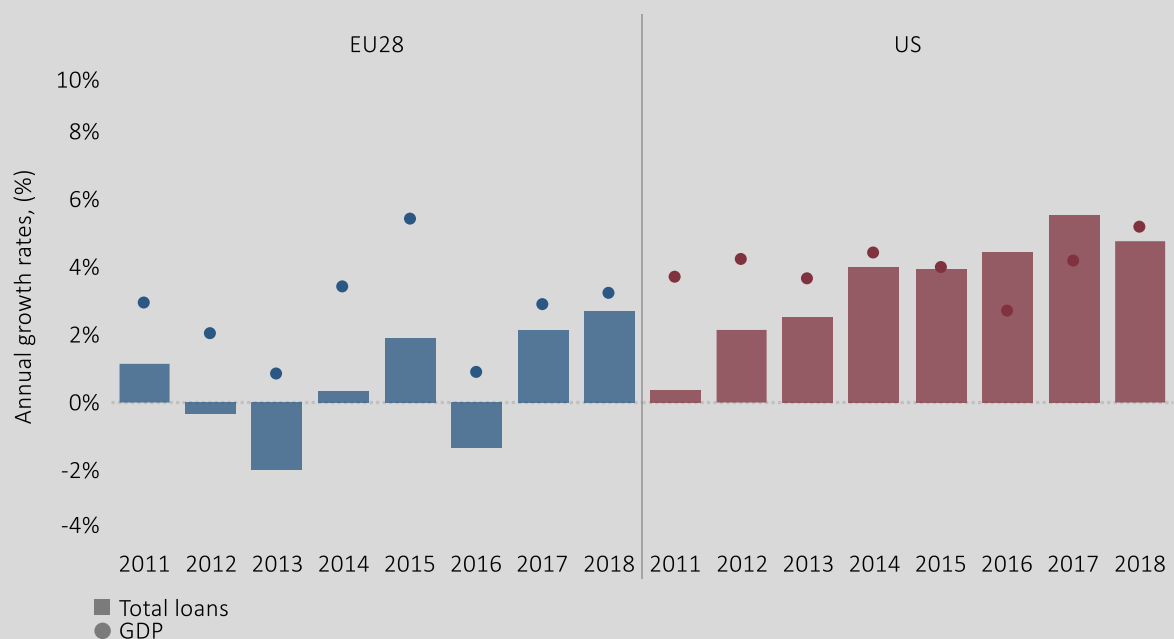
Source: ECRI Statistical Package 2019

### Box 1. Total outstanding loans EU vs US

In 2018, total outstanding loans to households and NFCs amounted to EUR 13,760 bn in the EU and to EUR 28,021 bn in the US, which is equivalent to 86% and 160% of GDP respectively.

Between 2011 and 2018, the EU credit market was relatively volatile, with three years of contraction and five years of expansion. Over the same period, the US credit market increased steadily, marking progressively higher growth rates (from 0.3% in 2011 to 4.7% in 2018). As a result, total loans increased by 4.6% in the EU and 31.1% in the US between 2011 and 2018.

Figure 3 Total loans and GDP



Source: ECRI Statistical Package 2019

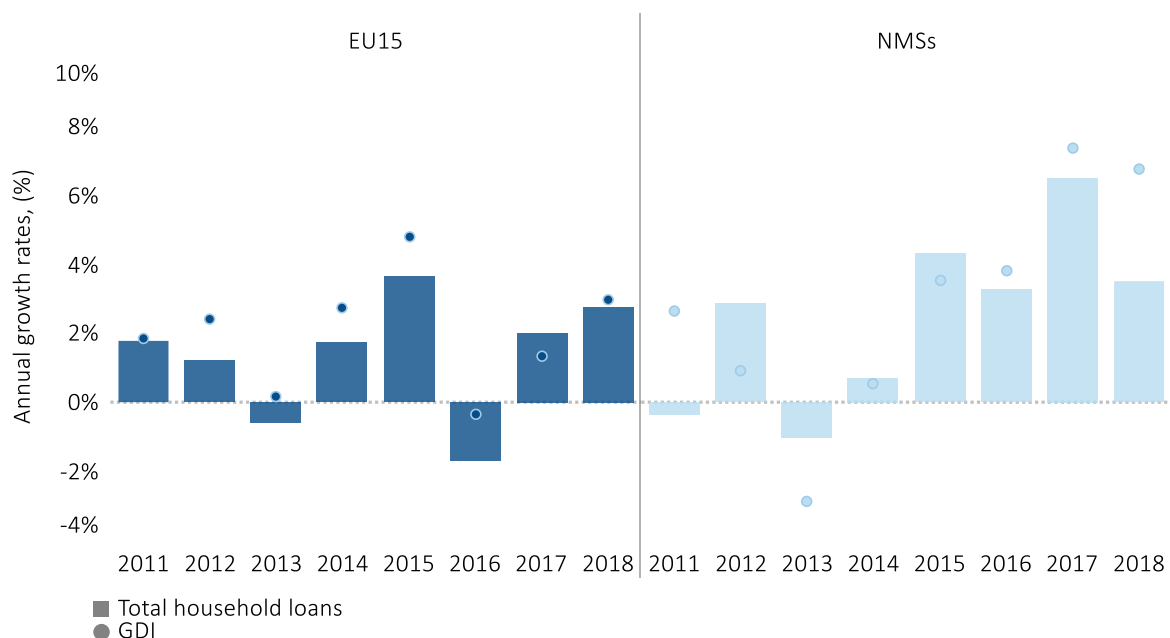
## 2. Total lending to households

In 2018, total lending to households in the EU amounted to EUR 8,604 bn, which accounts for approximately 63% of total loans and is equivalent to 54% of EU GDP. Compared to 2017, household loans in the EU increased by 2.8%, registering a second consecutive year of growth.

The household loans growth rate in 2018 stood at 3.5% for NMS and at 2.7% for EU-15, marking the fifth consecutive year of expansion for NMS and the second for the EU-15. Over the period 2011-2018, growth in household debt was accompanied by a continuous expansion of household income,<sup>4</sup> except for 2013 in NMS and 2016 in the EU-15.

The household loan growth rate accelerated from 2.0% to 2.7% between 2017 and 2018 in EU-15, while it slowed from 6.5% to 3.5% in NMS (see Figure 4). These differences follow the overall development of GDP and GDI in the both the EU-15 and NMS.

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



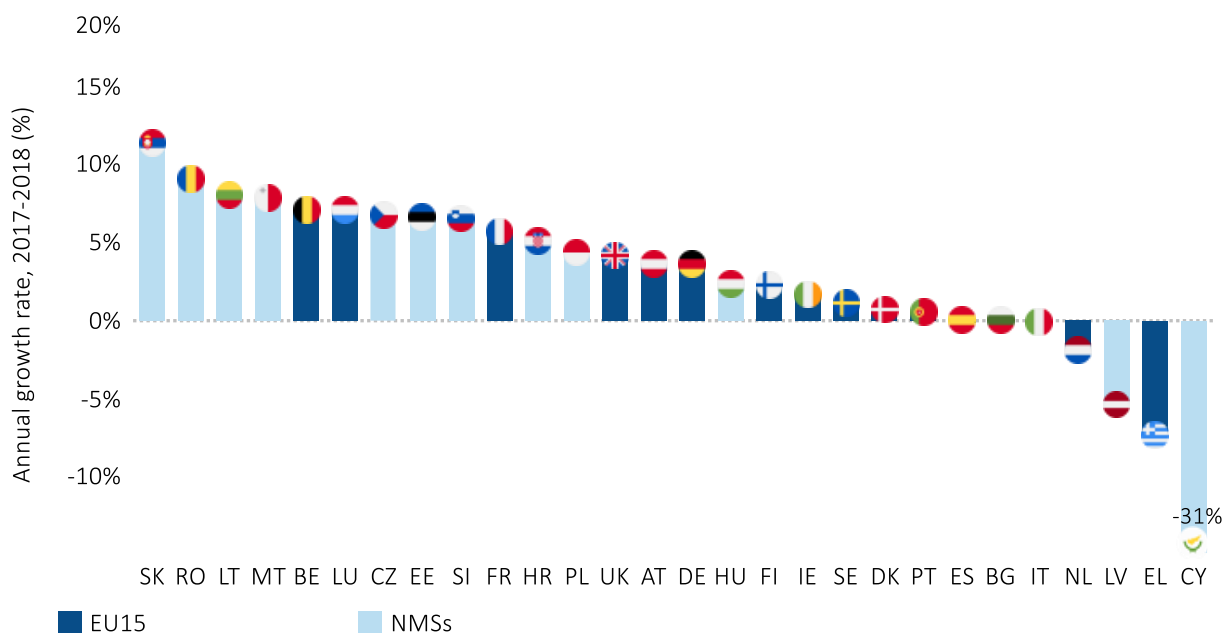
Source: ECRI Statistical Package 2019

During the period 2010-2015, household loans consistently grew faster in EU-15 than in NMS. Between 2013 and 2015, growth rates have roughly followed the same trend, registering a slowdown in 2013 and a rapid expansion in the two following years. 2016 marked a difference between the EU-15 and NMS, as household loans growth rates remained high in NMS, while slowing down in EU-15.

Compared to 2017, total lending to households increased in 21 Member States, Slovakia (+11%), Romania (+9%), Lithuania (+8%) and Malta (+8%) were the Member States with the highest growth rate. The rate remained unchanged in three Member States and decreased in the Netherlands (-2%), Latvia (-5%), Greece (-7%) and Cyprus (-31%) (see Figure 5).

<sup>4</sup> Measured as gross disposable income of households (GDI).

Figure 5 Total loans to households, percentage change 2017-18

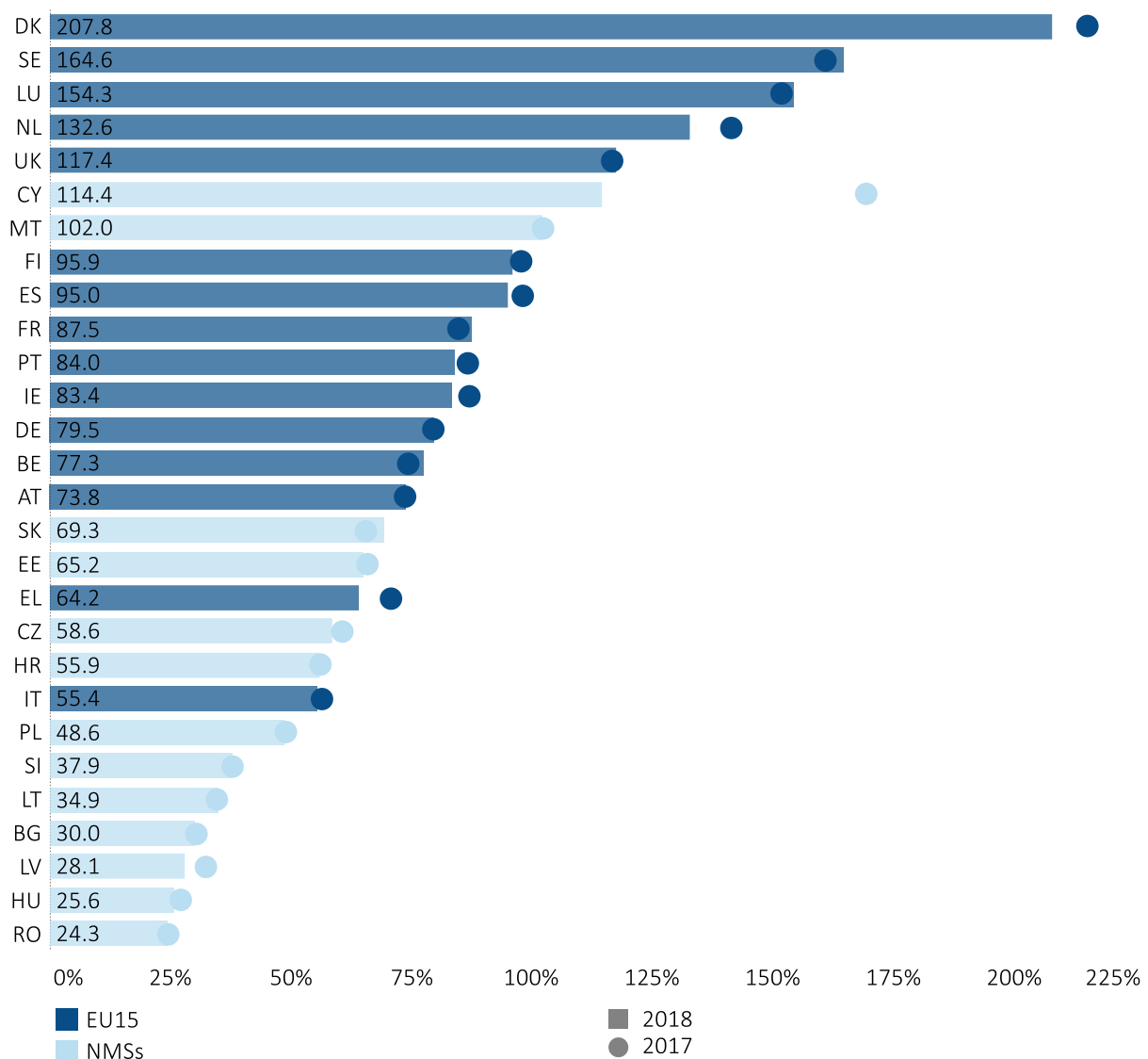


Source: ECRI Statistical Package 2019

Moving to household indebtedness, in 2018 household loans in EU-15 and in NMS accounted on average for 107% and 56% of their respective total disposable income.

Between 2017 and 2018, household indebtedness decreased in 12 Member States, remained stable in 11 Member States and increased in Sweden (+4%), Slovakia (+3%), Belgium(+3%), France(+3%) and Luxembourg (+2%) (see Figure 6). The largest drops in household loans as a percentage of disposable income were registered in Cyprus (-55%), the Netherlands (-9%), Denmark (-7%), Greece (-7%), Latvia (-4%) and Ireland (-4%). Reductions smaller than 3% compared to 2017 levels were registered in Spain, Portugal, Czechia, Finland, Hungary and Italy. On the contrary, household indebtedness increased in Sweden (+4%), Slovakia (+4%), Belgium (+3%), France (+3%) and Luxembourg (+2%).

Figure 6 Total loans to households as percentage of gross disposable income (GDI), 2017-2018



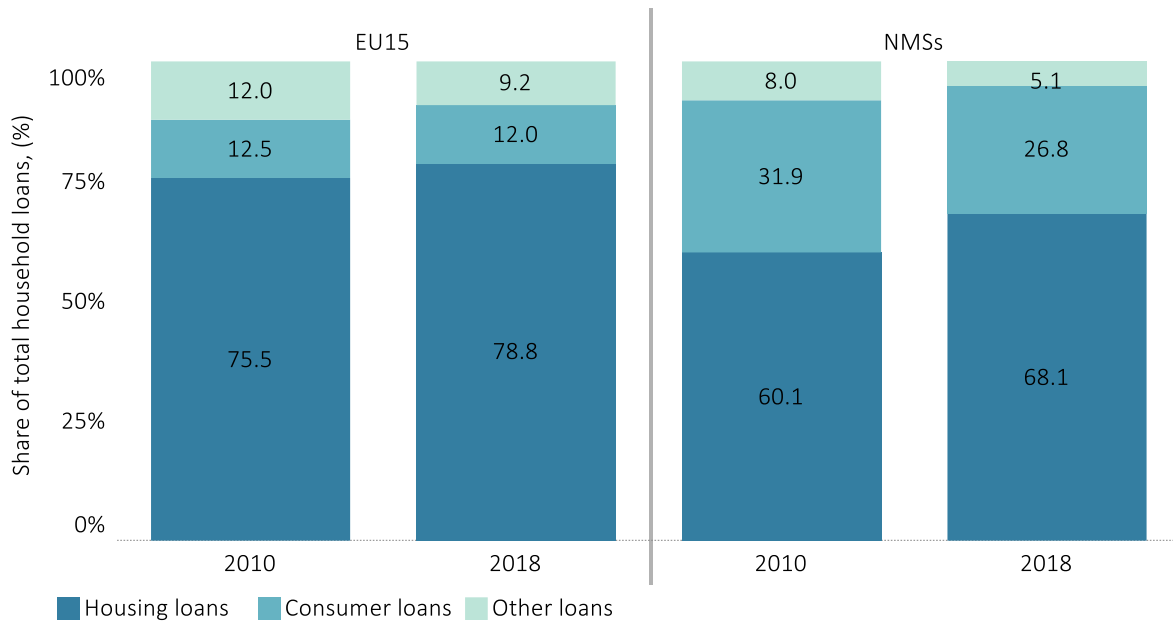
Source: ECRI Statistical Package 2019

Note: statistics on GDI for Malta and Croatia are not available. For these two countries, the share is calculated using final consumption of households.

Overall, approximately 80% of household loans in the EU are mortgages, while the remaining share is almost equally divided between consumer and other loans. Compared to the rest of the EU, the share of housing loans in NMS is smaller, while consumer loans account for almost one-third of household loans.

Between 2010 and 2018, the share of other loans and consumer loans has decreased progressively in favour of a higher share of housing loans (see Figure 7). This development has occurred in both the EU-15 and NMS. However, the magnitude of the changes is greater in the NMS than in the EU-15.

Figure 7 Composition of household loans, share of the total in 2010 and 2018



Source: ECRI Statistical Package 2019

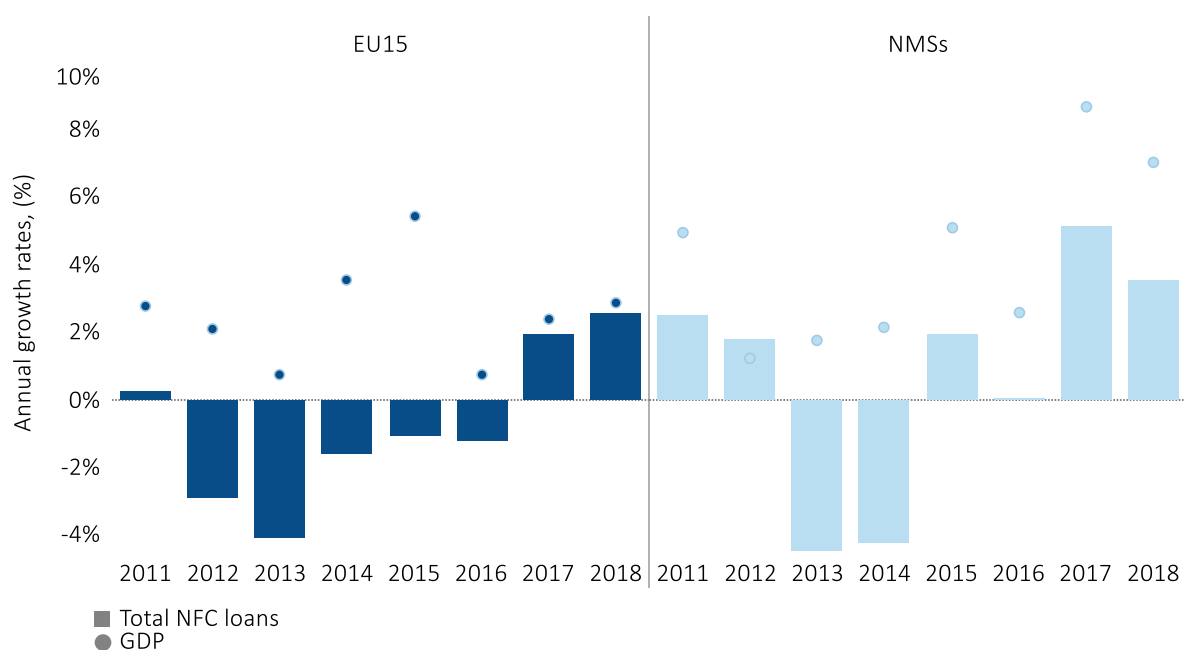


### 3. Total lending to non-financial corporations

In 2018, total lending to non-financial corporations (NFCs) in the EU amounted to EUR 5,156 bn, accounting for 37.5% of total loans and equivalent to 32.4% of EU GDP. For the second year in a row, loans to NFCs in the EU registered an expansion, growing by 2.6% compared to 2017 levels.

Following the same trend registered in the household sector, NFC-loan growth in 2018 gained further momentum in the EU-15 while registering a small slowdown in the NMS (see Figure 8). In the EU-15, NFC loans growth rates rose from 1.9% in 2017 to 2.6% in 2018. Over the same period, NFC loans growth rates in the NMS decreased from 5.1% to 3.5%.

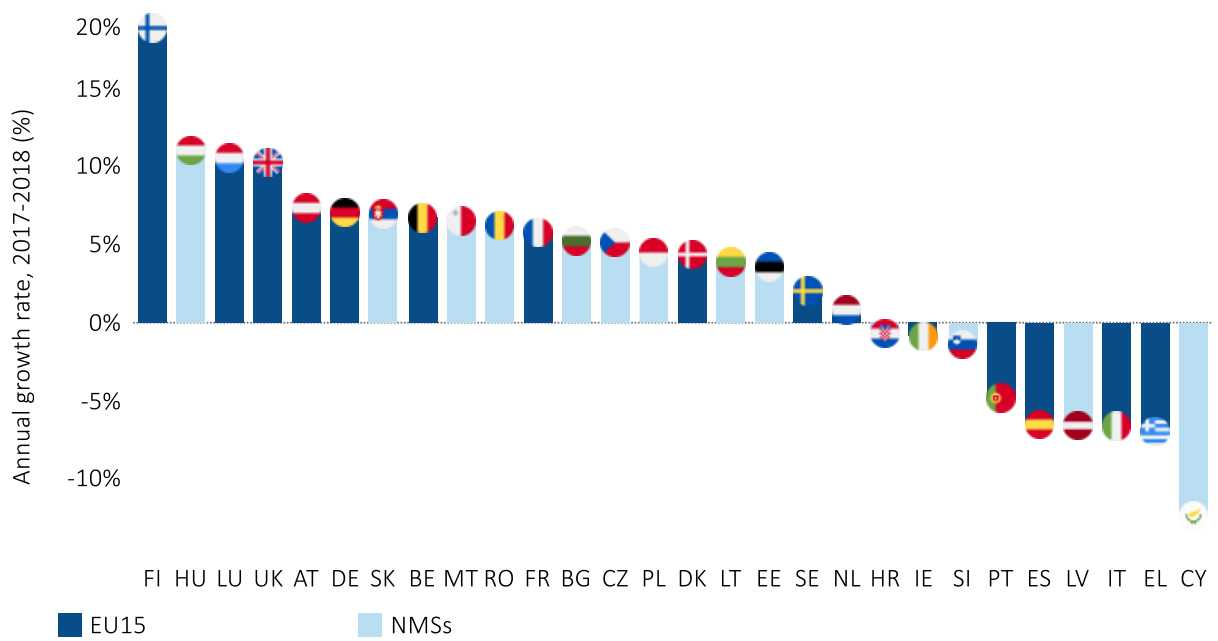
Figure 8 Loans to NFCs and GDP



Source: ECRI Statistical Package 2019

Between 2017 and 2018, NFC loans increased in 19 Member States and decreased in 9 Member States (see Figure 9). The highest growth rates in NFC loans were registered in Finland (+19%), Hungary (+19%), Luxembourg (+11%) and the UK (+10%). Growth rates ranging between 4% and 7% were registered in Austria, Germany, Slovakia, Belgium, Malta, Romania, France, Bulgaria, Czechia, Poland, Denmark, Lithuania and Estonia. In turn, significant reductions in NFC loans were registered in Cyprus (-12%), Greece, Italy (-7%), Lithuania (-7%), Spain (-7%) and Portugal (-5%).

Figure 9 Total loans to non-financial corporations



Source: ECRI Statistical Package 2019

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