

Real growth rates in the EU-27 retail credit market have risen for the first time since the financial crisis

The European Credit Research Institute (ECRI) has just published its 2011 Statistical Package, a comprehensive collection of data on lending to households, covering all European countries and other major global economies for the period 1995-2010.

The main findings of this year's Statistical Package are:

1. Early signs of recovery in credit growth

In 2010, the EU-27 retail credit market saw an increase in real growth for the first time since the financial crisis. Since this century's peak of 8.21% growth in 2005, the weighted average growth of EU-27 countries had been slowing, down to 0.86% in 2009. However, with a growth rate of 0.90% in 2010, this increase is still modest and well below the average compound annual growth rate of 4.25% for the first decade of this century. Furthermore, only 8 of the 27 member states saw a recovery in their real growth rate compared to the previous year, while negative growth rates persist in several Eurozone and Eastern European countries.

2. European households are not deleveraging

Relative indebtedness remained stable for EU-27 households, with a modest increase in 2010; total credit now represents roughly 65% of GDP. This level is still well below the 88% in the US, where the deleveraging of households persists. Total credit to US households as a % of its GDP dropped for the third consecutive year, whereas there was an increase in the relative indebtedness of EU-27 households for the second year in a row. This upward trend is also seen in relation to the disposable income of households.

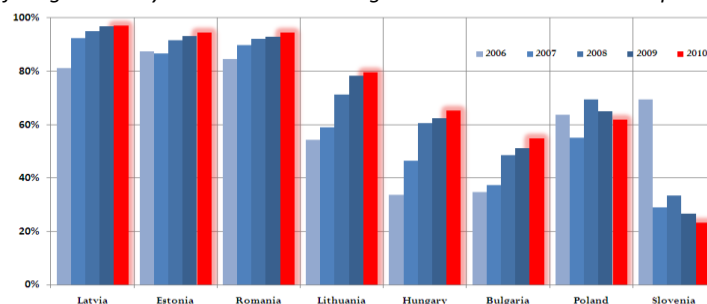
3. Different types of credit show different recovery trends

The break-down of total credit to households shows diverging patterns for different types of credit. While consumer credit decreased even more than in 2009 – by a staggering -4.10% in 2010, a slight upward trend emerged in the sector for housing and other loans. The crisis-resilience of the housing loans market varies among member states, however; with Ireland showing a strong decrease (-9.48%) while Italy, Poland and Slovenia experienced over 20% increases (+23.32%, +21.15% and +20.73%, respectively).

4. Continuing increase in foreign currency denominated loans

The share of foreign currency-denominated housing loans continued to increase in 2010 in certain Baltic and East European countries, with the share reaching almost 100% for Latvia, Estonia and Romania. While Estonia officially adopted the euro at the beginning of 2011, this move is not expected in Latvia, Romania, Lithuania, Hungary, Bulgaria and Poland anytime soon. The resulting exposure to currency risk still causes concern.

Share of foreign currency-denominated housing loans in Baltic and East European countries



The Statistical Package provides in-depth, annual analysis of various issues regarding lending to households,

- presenting absolute as well as relative measures,
- giving a thorough breakdown of credit data by maturity and currency,
- differentiating by type of credit and lender (for selected countries),
- stating figures in euro as well as national currency and
- allowing analysis of time series in nominal and real terms.

ECRI is an independent, non-profit research institute whose researchers and academic partners have developed a specialised body of knowledge on retail financial markets. It provides in-depth analysis of the structure, evolution and regulation of retail financial services markets in Europe. ECRI's operations and staff are managed by the Centre for European Policy Studies (CEPS).

CEPS is an independent, Brussels-based think tank dedicated to producing sound policy research leading to constructive solutions to the challenges facing Europe. For the last two years, it has been ranked among the top ten think tanks in the world.

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