The ECRI Statistical Package 2016, *Lending to Households and Non-Financial Corporations*, offers an extensive and detailed overview of the credit market in the EU, providing data on the total lending extended by monetary financial institutions (MFIs) to domestic households and non-financial corporations (NFIs) in EU countries over the 1995-2015 period. The 2016 edition also provides data on a selection of other developed and emerging economies, which this year has been expanded with the addition of Mexico and Saudi Arabia.

**Key Findings**

The ECRI Statistical Package 2016, *Lending to Households and Non-Financial Corporations*, reveals that total non-financial lending in the EU had increased in real terms at the end-of-2015, for the first time following six consecutive years of contraction. Nevertheless, despite the overall increase of the outstanding debt, the analysis of the data collected at the granular level discloses very heterogeneous trends both across country groups and lending sectors.

At the country level, in 2015, the total non-financial debt increased sharply in real terms in the so-called new member states (NMSs), while in the EU 15 countries it registered only a slight expansion. Moreover, different patterns arise when a cross-sectoral analysis of the European credit market is conducted. The total outstanding loans granted to households registered a meaningful expansion both in NMSs and EU15 countries, driven by the expansion in the consumer and housing sectors. Indeed, after the stabilisation in 2014, the total amount of housing loans increased significantly in real terms across the EU, with the exception of Greece, Spain, Croatia, Hungary, Ireland, Latvia, Portugal and Bulgaria. In the NMSs, housing credit registered a positive trend for the third consecutive year, after the severe contraction in 2012. Finally, consumer credit has witnessed a remarkable trend reversal, increasing homogenously across all EU countries.

By contrast, the total loans granted to NFCs decreased in real terms for the seventh consecutive year at EU level, reflecting the contraction registered in Ireland, Hungary, Slovenia, Greece, Malta, Portugal, Croatia, Spain, Germany, Italy, Latvia, UK, Bulgaria and Austria. Finally, business lending in NMSs reversed the negative trend registered over the period 2012-14, marking a significant increase.

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The European Private Credit Market reverses the trend

The analysis of the data collected in the 2016 edition of the ECRI Statistical Package reveals that 2015 represents a critical junction for the credit market in the EU28, as it marks a trend reversal after six consecutive years of contraction. Indeed, the total lending granted by monetary financial institutions (MFIs) to households and non-financial corporations (NFCs) in the EU28 started growing again at the end of 2015, increasing by 0.7% in real terms compared to 2014.

The combination of the global financial and European sovereign crisis has negatively impacted on the European monetary financial sector, producing a sharp deterioration of many credit institutions' balance sheets. As a result, between 2009 and 2014, the total outstanding lending in EU decreased by 12.4% in real terms, largely reflecting the negative trend registered in the credit markets of both EU15 economies and the euro area (EA). Over the same period, the total level of lending in the so-called new member states (NMSs) has remained substantially flat at the pre-crisis level, generating a significant slowdown of the convergence process started by NMSs towards the relative debt levels of EU15 economies.

Chart 1. Total outstanding lending extended to households and NFCs in EU28, EU15, NMSs and EA, 2007-15

Note: Sums are given in constant euros, with annual variation in %.
Source: Author’s computation based on data from ECRI Statistical Package 2016.

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1 EU28 or EU encompasses the 28 member states of the European Union as of 1 January 2015, namely Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

2 EU15 comprises the following member states: Austria, Belgium, Germany, Denmark, Greece, Spain, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Sweden and the UK.

3 The euro area comprises 19 member states as of 1 January 2015, namely Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovnia, Spain, Slovenia, Spain and Italy.

4 NMSs are the 13 countries that joined the EU either as part of 2004 enlargement or subsequently. The group consists of Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovenia and Slovakia.
The dramatic fall of the EU credit market between 2008 and 2014, registered consistently across lending sectors, contributed to a fall in private consumption, housing prices and business investments in the EU, weakening the post-crisis economic recovery. Between 2009 and 2014, final consumption of households in the EU remained substantially flat relative to the 2008 level, decreasing on average by 0.3% per year, while housing prices in the EU decreased by 13% between 2012 and 2015. Finally, non-financial corporation loans experienced the strongest contraction, decreasing by 23.4% between 2009 and 2014.

Leading from these considerations, the analysis of the annual growth rates of both credit market and GDP reveals a consistent positive correlation between the two variables both over time and across the country groups. This finding suggests that an efficient credit market is a necessary condition for sustainable economic growth in EU.

**Chart 2. Annual growth rate of total credit market and GDP by country group, 2002-15**

Source: Author’s computation based on data from ECRI Statistical Package 2016.

A combination of both push and pull factors may be at the core of the trend reversal registered by the European credit market by the end of 2015. On the supply side, most of the variation may be explained by the adoption of new conventional and unconventional monetary measures by the ECB. The decrease in interest rate and the launch of the Quantitative Easing (QE) programme influenced corporate funding strategies, contributed to reducing the volatility in the market and stabilised economic agents’ expectations throughout 2015. This effect has been captured by the economic
sentiment indicator, which registered a stable positive trend since the very first quarter of 2015. Considering the demand side, after three consecutive years of contraction, disposable income of households in 2015 increased by 2.8% compared to the 2013 level, fostering a remarkable recovery of lending for consumer purposes by the end-of 2015.

**Chart 3. Economic sentiment and disposable income of households in the EU, 2009-15**

![Chart illustrating economic sentiment and disposable income of households in the EU, 2009-15.](image)

*Note:* Quarterly variation, given in %.
*Source:* Author’s computation based on data from ECRI Statistical Package 2016.

**Lending to Households in Europe**

According to the European System of Accounts 1995, the total lending to households includes consumer credit, housing loans and other loans. Driven by severe contractions in consumer credit, households’ borrowing suffered significant variations between 2009 and 2014, shrinking by 4.7%. Over the same timeframe, household lending recorded the weakest performance in the EU15 countries, dropping by 5.2% compared to the 2008 level. In contrast, total lending to households continued to expand in NMSs at an average growth rate of 2% per year, registering a cumulative growth of 12.3%, despite the significant contraction in 2012.

Nevertheless, driven by the sharp expansion in consumer and housing loans, the total outstanding loans granted by MFIs to households in the EU increased by 1.7% in 2015, relative to the 2014 level. In NMSs, household lending expanded in a remarkable fashion, by 5.1%, while in both the EU15 and the euro area the total credit to households increased by 1.6% and 1.3% respectively.
Despite the continuous contraction of the credit market between 2008 and 2014, EU households were more indebted compared to the pre-crisis level, as the ratio of lending to disposable income surged from 88.8% in 2008 to 91.9% in 2014. In 2015, although the total loans started growing again, the burden of the debt decreased both in EU and in EU15 countries to 91.4 and 94.6% respectively. Conversely, the ratio of lending to disposable income increased to 48.5% in NMSs, as households’ disposable income only by 0.59% in NMS to the 2014 level.

Finally, in 2015, the total credit to households to GDP ratio at the EU level dropped to 56.6%, decreasing by 3.9% compared to the highest level registered in 2009. Similarly, the ratio of lending to households to GDP in the EU15 economies dropped from 62.9% in 2010 to 59.1% in 2015, while in NMSs it decreased to 29.1%, coming back to the 2009 level.
Consumer Credit

Accounting for 11.8% of the total lending to households, consumer credit (which encompasses credit card loans, car loans and other loans for durable consumption) is a vital element of the European credit market. In 2015, it covered 6.7% of the EU GDP and accounted for 10.7% of the total disposable income of EU households. Over the 2009-14 period, consumer credit recorded the second-largest contraction in the credit market, after business loans, decreasing by 23.2% in real terms.

Chart 6. Cumulative variation in consumer credit in EU, by country, 2009-14

With the notable exception of Slovakia, Sweden, Luxembourg, the Czech Republic and Poland, consumer credit in the rest of the EU28 experienced a remarkable contraction, decreasing on average by 31%% between 2009 and 2014. Over the same period, consumer credit in the EU15 economies dropped by 23.9%, while in NMSs it contracted by 14.6%. The Baltic countries recorded the most severe contraction, as consumer credit in Estonia, Latvia and Lithuania decreased on average by 63.1%. Amongst the Mediterranean countries, consumer credit in Spain registered the highest net variation, contracting by 63%, followed by Greece and Portugal, where lending for consumer purposes decreased respectively by 37.2% and 30.4%. By contrast, consumer credit in Italy registered the third-smallest contraction after Finland and Croatia, declining only by 8.2% between 2009 and 2014. Consumer credit in Ireland collapsed, shrinking by 57%, while in the UK, it decreased by 37.4% between 2009 and 2013, before expanding by 5.6% in 2014. Finally, over the period 2009-2014, consumer credit in continental economies decreased on average by 16.1%, with severe contractions in Austria (-34.6%), the Netherlands (-26.4%) and Belgium (-22%), while lending for consumer purposes in France and Germany decreased respectively only by 12.1% and 8.7%.

The year 2015 marked a critical turning point, however, as consumer credit in the European Union as a whole increased by 2.8%, fostered by 2.9% growth rate in the EU15 economies and 2.1% in the NMSs. At the country level, consumer credit in 2015 increased in Slovakia, Czech Republic, Poland, Spain, the UK, Lithuania, Estonia, Finland, Cyprus, Latvia, Italy, Sweden, France, Portugal and Bulgaria. In contrast, in 2015, consumer lending suffered a further contraction in Hungary, the Netherlands, Austria, Malta, Greece, Slovenia, Denmark, Ireland, Romania, Belgium, Sweden and Luxembourg, some of them recording a seventh consecutive year of contraction.
Housing Loans

Housing loans represent by far the greatest part of the total lending to households, accounting for 77.7% of the total household borrowing capacity and 48% of the total non-financial loans in the EU28. Despite meaningful exceptions, housing loans have been the most stable sector in the European credit market in the post-crisis period. Between 2009 and 2014, the total mortgages in the EU-28 decreased cumulatively by only 0.4%, mirroring the trend registered by the housing market in the euro area. Once again, after the stabilisation in 2014, housing loans recorded a remarkable expansion in 2015. Accordingly, MFI lending for housing increased by 2.1% at the EU level, growing both in the EU15 and in NMSs by 1.8% and 6.8%, respectively, relative to the 2014 level. Between 2008 and 2015, housing loans in NMSs increased by 68.8%, accounting for 18.5% of the total GDP in 2015. This increase is also reflected in the ratio of housing loans to disposable income, which surged from 19.3% in 2007 to 32.4% in 2015.

Chart 9. Total outstanding housing loans in the EU28, 2015

Note: Chart shows annual variation (in %).
Nevertheless, the aggregate figures mask a remarkable heterogeneity in the housing market across countries. Indeed, since the financial crisis, the housing sector has registered a strong contraction in Greece, Spain, Portugal, Hungary, Latvia and Ireland. Specific reasons may be adduced to explain these differences in trends. Regarding the Mediterranean countries, the housing markets in Greece, Spain and Portugal still suffer the consequences of the sovereign debt crisis, which has deeply affected the banking systems, due to the large presence of government debt in credit institutions’ balance sheets. In Hungary, the overexposure of the housing sector to foreign currency-denominated mortgages has required a sharp tightening of the lending conditions, provoking a significant slowdown of total borrow capacity for housing. It is worth noting that the same currency composition for housing loans is still present in Croatia, which so far has experienced only small fluctuations in the housing market. Furthermore, the data confirm that Latvia has been the hardest-hit by the explosion of the Baltic housing bubble, registering in 2015 its eighth consecutive year of contraction in housing loans, while Estonia and Lithuania managed to reverse the trend in 2014-15, expanding respectively by 6.3% and 5.1% relative to the 2013 level. Finally, the rise in unemployment and repossession rates in Ireland resulted in a significant tightening in lending standard (Bouyon, 2015). This may explain the collapse of the housing lending sector in Ireland, which registered a cumulative contraction of 46% compared to the level of 2007.

**Non-Financial Corporation Loans**

After the housing sector, business lending is the largest component of the credit market in the EU. In 2015, it accounted for 38% of the total outstanding loans in the EU, covering 34% of the total GDP of the European Union. Nevertheless, corporate lending has been the most affected sector since the financial crisis, registering a cumulative contraction of 23.4% during the 2009-14 period. In 2015, contrary to the trends registered in both consumer and housing loans, non-financial loans at the EU level registered the seventh consecutive year of decline, shrinking by 0.9%.

At the country level, business loans in 2015 decreased in EU15 economies by 1.1%, while it registered an expansion of 3.4% in the NMSs. Ireland achieved the weakest performance, registering a severe contraction of 22.3% in 2015, reducing the level of the business loans to one-third of the 2008 level. Sharp contractions in SME loans have been also registered in Hungary and Slovenia, -13% and -11.2% respectively. Although with a different magnitude, business loans slowed down in all the Mediterranean economies, in a range between 6.8% and 1.9%. Finally, loans granted to non-financial corporations in Germany have been consistently contracting in real terms since 2009, at an annual rate of 2.4% on average.
In Denmark, Estonia, Spain, Hungary, Ireland, Italy, Lithuania, Luxembourg, Poland, Romania, Sweden and Slovakia, more than one-half of the total outstanding loans to non-financial corporations have a maturity between 0 and 5 years. Conversely, data suggest a remarkable increase of investments in the rest of the EU countries, witnessed by the expansion of the share of business loans with maturity over 5 years.

Once again, the new measures introduced by the ECB are likely to have played an important role behind the overall decrease of business loans across the EU countries. Indeed, the artificial demand for investment-grade securities created by the ECB’s quantitative easing modified the availability of this asset class in the market, igniting a fall of corporate yields. Accordingly, for lower yields, medium and large corporates might have reoriented their funding strategy towards the financial market, producing a fall in demand for business loans. On the other hand, the fall in demand, indirectly generated by QE, pushed the European credit institutions to respond by increasing housing and consumer loans. Accordingly, in 2015, the rise in housing and consumer loans was accompanied by the increase in the number of listed companies, which registered the first expansion after six consecutive years of contraction.

**The Gradual Transformation of the Credit Market in the EU**

Between 2008 and 2014, the credit market in EU has undergone in gradual and deep transformation. In 2015, the total non-financial lending at the EU level accounted for 90.6% of GDP, which still represented a contraction of 8.6% to the 2007 level. At the country level, the unstable macroeconomic framework has slowed down the convergence process started by the NMSs towards the relative debt level of the EU15 countries. The housing sector has proven to be a stable and solid anchor for economic agents, despite meaningful exceptions, such as Ireland and Spain. The fall in households’ disposable income after the sovereign debt crisis led to an excessively rapid contraction of consumer credit in the EU, leading to a collapse. Nevertheless, consumer credit has proven to be largely resilient to exogenous...
shocks once the macroeconomic framework stabilises. Regarding business loans, the new equilibrium achieved between capital and credit markets is likely to change corporations’ funding strategies. From this perspective, in 2015, the European financial market showed remarkable signs of expansion, while the ratio of business loans to GDP dropped to 34% of the total GDP in the EU, recording a cumulative contraction of 7.3% relative to the 2007 level.

European Credit Research Institute

The European Credit Research Institute (ECRI) is an independent research institution devoted to the study of banking and credit. It focuses on institutional, economic and political aspects related to retail finance and credit reporting in Europe but also in non-European countries. ECRI provides expert analysis and academic research for a better understanding of the economic and social impact of credit. It monitors markets and regulatory changes as well as their impact on the national and international level. ECRI was founded in 1999 by the Centre for European Policy Studies (CEPS) together with a consortium of European credit institutions. The institute is a legal entity of CEPS and receives funds from different sources. For further information, visit the website: www.ecri.eu.

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ECRI Statistical Package

Since 2003, ECRI has published a highly authoritative, widely cited and comprehensive set of statistics on consumer credit in Europe. This valuable research tool allows users to make meaningful comparisons among all 27 EU member states and with a number of selected non-EU countries, including the US and Canada. For further information, visit the website: www.ecri.eu or contact info@ecri.eu.