Box 4
New data on loans to the private sector adjusted for sales and securitisation

Monitoring banks' financing of the economy is a key element of the ECB's monetary analysis. Bank lending is the main source of monetary expansion in the euro area and a key channel through which monetary policy conditions are transmitted to the real economy.

Statistical series on loans adjusted for sales and securitisation aim to provide measures of bank lending which are not affected by loan transfers off and onto banks' balance sheets. Banks' balance sheets are the basic source of the bank lending figures published by the ECB.[1] This implies that when a bank sells part of its loan portfolio to a non-bank and removes those loans from its balance sheet (for instance in the context of securitisation activities), a reduction in bank lending is reported, while the actual amount of financing received by the real economy remains unchanged. With the aim of providing a measure of bank lending which is not affected by this type of operation, the ECB has been publishing loan series adjusted for sales and securitisation since December 2008.

In September 2015 the ECB released new data on loans adjusted for sales and securitisation based on a refined method offering a more comprehensive view of all lending to the real economy originated by banks as well as better comparability across countries. The former method adjusted loan transactions for the one-off impact of the net transfer of loans off (or onto) balance sheets in the period in question. The new method continues to do so, but also takes into account the ongoing repayments of those loans that are no longer recorded on banks' balance sheets (derecognised loans), insofar as data are available.[2] It also considers the outstanding amounts of derecognised loans in the calculation of the adjusted growth rates. Therefore, to the extent that data on repayments of derecognised loans are available, the new method offers a comprehensive view of developments in loans granted by euro area banks, independently of whether or not the loans are recorded on banks' balance sheets at the time of the statistical reporting. In doing so, the method also improves the comparability of bank lending figures across countries, regardless of the accounting practices applicable to loan transfers.

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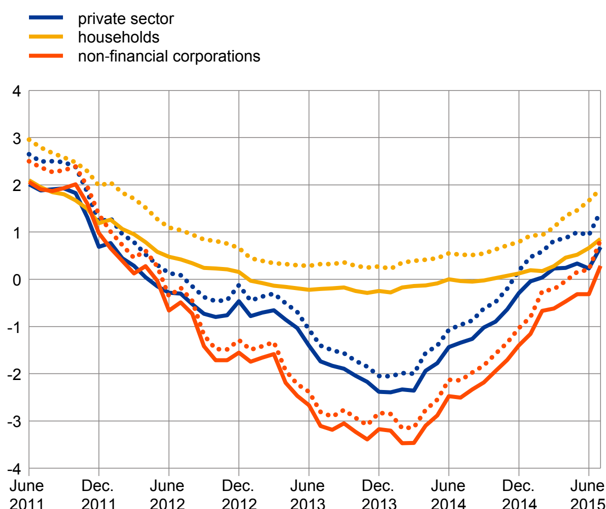
1 Details on the calculation of transactions and growth rates for monetary financial institution (MFI) loan series are provided in the Technical Notes to the ECB's Statistics Bulletin (Sections 2.1 to 2.6), at http://sdw.ecb.europa.eu/reports.do?node=10000022

2 Under Regulation ECB/2013/33 of 24 September 2013 concerning the balance sheet of the MFI sector, as of December 2014 MFIs report data on derecognised loans which have been securitised and continue to be serviced by MFIs. In addition, some national central banks also provide data, where available, on securitised loans not serviced by MFIs and loans transferred in a transaction other than a securitisation. Backdata on a comparable basis have also been compiled in order to provide greater consistency in statistical series on loans adjusted for sales and securisation over time (i.e. adjusted annual growth rates for loans to the private sector starting from September 1998, and for loans to households and non-financial corporations from January 2010).

Chart A

MFI loans to the euro area private sector adjusted for sales and securitisation

(annual growth rates; seasonally adjusted)



Source: ECB.
Note: The solid lines represent the new method and the dotted lines represent the former method. The latest observation is for July 2015.

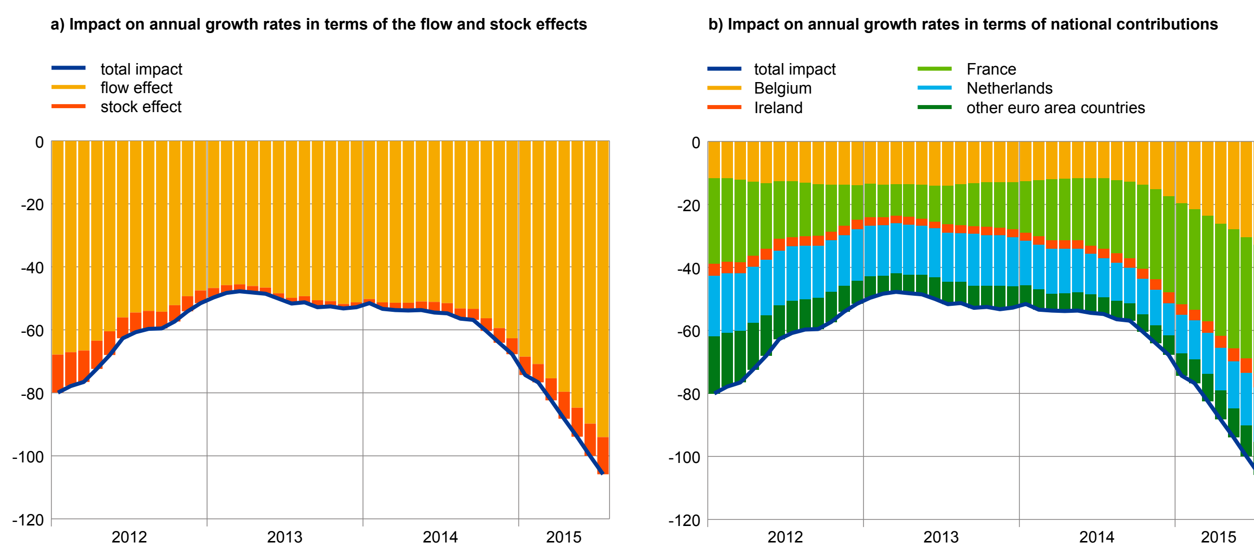
The new method of adjustment generally results in lower growth rates than the former method, but the trends remain basically unchanged (see Chart A). This difference is explained by flow and stock effects. First, the inclusion of repayments of derecognised loans results in somewhat lower adjusted flows of loans compared with the former method. Second, the inclusion of the stocks of derecognised loans increases the base on which the growth rates are computed, thereby reducing the growth rates in absolute value terms. In other words, the stock effect contributes to making positive growth rates lower, and negative growth rates less negative, under the new method than under the former method.[3]

The lower growth rates observed under the new adjustment method mainly result from the repayments of derecognised loans (flow effect). The stock of derecognised loans is small relative to the total outstanding amount of loans (derecognised loans to the euro area private sector amounted to €0.4 trillion in July 2015, compared with total loans on MFI balance sheets of €10.8 trillion). Therefore, the inclusion of the derecognised stocks typically has a small (upward or downward) impact on growth rates. However, the repayments of derecognised loans have a significant downward impact. Charts B and C show the impact of the new adjustment method on the annual growth rates for loans to

Chart B

MFI loans to euro area households: impact of the new adjustment method on annual growth rates

(difference in annual growth rates between the new and former adjustment methods; basis points; non-seasonally adjusted)



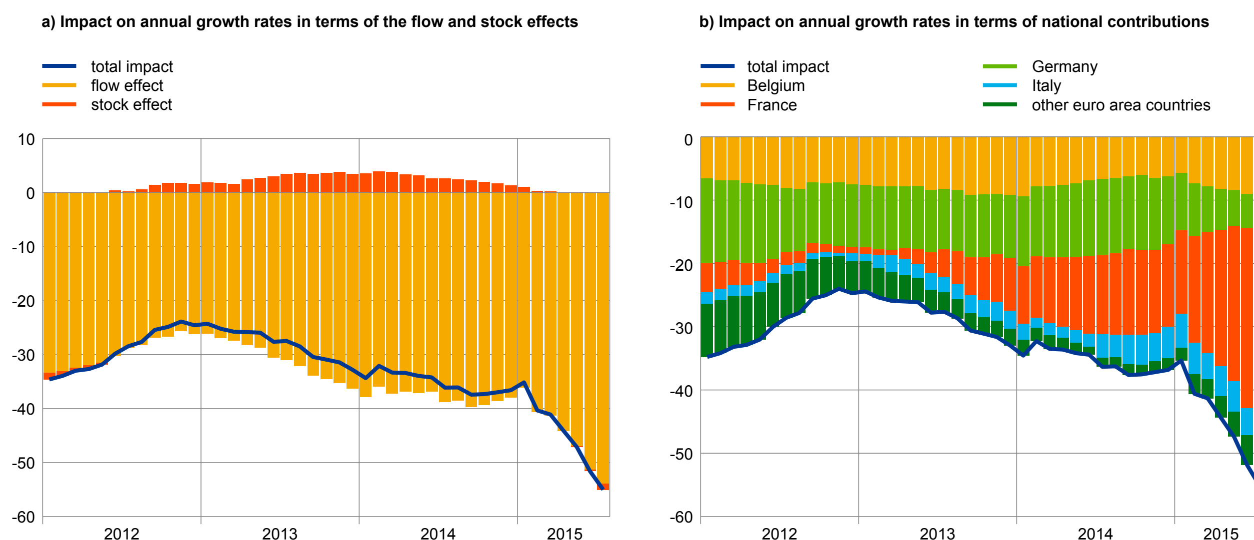
Sources: ECB and ECB calculations.
Note: The latest observation is for July 2015.

[3] Further details on the differences between the new and former adjustment methods are provided in an explanatory note on the ECB's website, at http://www.ecb.europa.eu/press/pr/date/2015/html/pr150921_explanatory_note_adjusted_loans.pdf

Chart C

MFI loans to euro area non-financial corporations: impact of the new adjustment method on annual growth rates

(difference in annual growth rates between the new and former adjustment methods; basis points; non-seasonally adjusted)



Sources: ECB and ECB calculations.
Note: The latest observation is for July 2015

households (Chart B) and loans to non-financial corporations (NFCs) (Chart C) due to flow and stock effects, as well as the four largest contributions by country.

For loans to households, the difference in growth rates comes from countries with a relatively large share of derecognised loans, which leads to larger loan repayments being included under the new method. This includes Belgium and France, which have 15% and 25% of euro area derecognised loans to households respectively and are thus the main national contributors to the overall impact of the new method (see Chart B). Ireland and the Netherlands, along with several other countries, have contributed to a lesser degree.

For loans to NFCs, the high rate of repayments of derecognised loans explains the difference in growth rates between the new and former methods. NFC loans tend to have shorter maturities, which results in repayments that are large relative to the outstanding amounts. Indeed, the main contribution comes from France (see Chart C), where repayments have recently increased owing to a rise in securitisations of short-term loans. Belgium and Germany have also consistently contributed to the lower NFC annual growth rates, while other countries have made a limited contribution.

Overall, the new method of adjustment enhances the analysis of loan growth rates at the euro area and the national level. The recent widening of the difference between the annual growth rates under the new and former methods also highlights the relevance of the adjustment method for interpreting trends in these series. The ECB and national central banks continue to carry out work on historical data with the aim of further supplementing the analysis of loans to euro area households and NFCs adjusted for sales and securitisation.