

Box I

Developments in the sectoral breakdown of MFI loans in the first quarter of 2000

Quarterly data on the breakdown of MFI loans granted to euro area residents by counterpart sector, type and original maturity are released in this issue of the ECB Monthly Bulletin up to the first quarter of 2000. While these data provide a reliable picture of the structure of the MFI loans at a certain point in time, it has to be taken into account that these data only allow annual growth rates to be calculated on the basis of changes in stocks outstanding. These annual growth rates are not directly comparable with those reported for the total of MFI loans in the main text, since the latter are corrected for reclassifications, revaluations and write-offs/write-downs of loans. Nonetheless, the analysis of changes in stocks should be seen as providing the best possible estimation of the sectoral dynamics of loans available.

The annual rate of growth of total loans to euro area residents calculated on the basis of changes in stocks reached 8.4% in the first quarter of 2000, following 8.1% in the final quarter of 1999. As shown in the table below, this increase masked differences in trends across sectors. On the one hand, there was a rise in the annual growth rate of loans to non-financial corporations (to 10.3% in the first quarter of 2000, up from 8.4% in the last quarter of 1999). On the other hand, the growth rate of loans to households fell slightly, from 10.0% in the last quarter of 1999 to 9.5% in the first quarter of 2000, while remaining at a very high level. The growth rate of loans to non-monetary financial corporations (insurance corporations and pension funds and other financial intermediaries) also fell, to 8.5% in the first quarter of 2000, down from 10.3% in the last quarter of 1999. Finally, the annual growth rate of loans to general government became negative in the first quarter of 2000, at -0.5%, following 0.7% in the fourth quarter of 1999.

As noted above, loans to non-financial corporations increased significantly in the first quarter of 2000. This development may be associated with the improvement in industrial confidence indicators and the strengthening of economic activity in the euro area. Moreover, it is likely that merger and acquisition transactions have continued to stimulate the demand for loans from non-financial corporations. The strong expansion in the first quarter of this year concerned both loans with an original maturity of up to one year (which increased on an annual basis by 9% in the first quarter of 2000, up from 7.2% in the fourth quarter of 1999) and loans with an original maturity of over five years (9.9% in the first quarter of 2000, compared with 8.1% in the last quarter of 1999). By contrast, loans with intermediate maturity (the share of which is small in relation to the total) showed stable annual growth rates at a high level (around 15%) over the same period. It is to be stressed that real lending rates were low by historical standards in the first quarter of 2000, especially for short-term loans. In the first quarter of 2000 the real lending rate for loans with a maturity of less than one year, calculated as the difference between the nominal interest rate and the HICP inflation rate, was 3 percentage points below the average real lending rates observed from January 1990 to March 2000. The corresponding real lending rate for loans with a maturity of more than one year was, in the first quarter of 2000, 0.7 percentage point below the average observed from January 1990 to March 2000.

Regarding loans to the household sector, while the overall growth rate declined slightly, the growth rate of consumer loans increased from 5.7% in the fourth quarter of 1999 to 6.5% in the first quarter of 2000. This increase could be linked to the further improvement in economic activity and consumer confidence observed since the last quarter of 1999. At the same time, the retail rates on consumer credit have risen only slightly over the past few quarters in nominal terms and have remained low in real terms. The annual growth rate of loans for house purchase remained unchanged at a high level (12.1%), in spite of the continuous rise in nominal lending rates between May 1999 and March 2000 (+130 basis points). This can partly be explained by the fact that the lending rates for house purchase remained, in real terms, relatively low by historical standards (the real lending rate on loans for house purchase in the first quarter of 2000, calculated using the HICP inflation rate, was about 1.5 percentage points below the average real lending rate observed from January 1990 to March 2000). Moreover, the dynamic pace of growth in loans for house purchase also seems to interact with buoyant housing markets in some countries.

Finally, the sectoral data show that the decline in the annual rate of change in loans to general government in the first quarter of 2000 was mainly related to a substantial fall in the rate of change in loans to central government (to -10.7%, from -0.8% in the fourth quarter of 1999). By contrast, the annual growth rates of loans to state government rose from 0.2% in the fourth quarter of 1999 to 4.3% in the first quarter of 2000 and the annual rate of change in loans to local government remained broadly unchanged, at slightly above 1%. The overall reduction in loans to general government reflects both lower borrowing requirements and also a continuation of the observed trend of a longer-term decrease in the share of loans in the total financing of general government.

MFI loans to the non-monetary sector by counterpart, type and original maturity ¹⁾

(amounts in EUR billions, not seasonally adjusted, end of period; annual growth rates in percentages)

Loans to households and non-profit institutions serving households

	Households												Non-profit institutions serving households	
	Consumer credit ²⁾			Lending for house purchase ²⁾			Other lending							
		Up to 1 year	Over 1 and up to 5 years	Over 5 years		Up to 1 year	Over 1 and up to 5 years	Over 5 years						Up to 1 year
Amounts outstanding³⁾ 2000 Q1	2,768.0	449.0	90.2	160.9	197.9	1,733.7	20.2	59.5	1,654.0	585.4	140.6	100.8	344.0	39.1
Annual growth rates 1999 Q4	10.0	5.7	4.3	9.5	3.9	12.1	18.4	-4.5	12.5	8.0	8.7	10.2	7.3	8.0
2000 Q1	9.5	6.5	4.3	9.0	5.7	12.1	31.2	-11.1	13.0	4.6	3.8	1.5	5.8	4.6

Loans to non-monetary corporations

	Non-financial corporations				Financial corporations									
		Up to 1 year	Over 1 and up to 5 years	Over 5 years		Insurance corporations and pension funds			Other financial corporations					
						Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years			
Amounts outstanding³⁾ 2000 Q1	2,492.3	892.6	389.8	1209.9	364.8	32.8	21.6	3.9	7.3	332.0	203.4	55.9	72.7	
Annual growth rates 1999 Q4	8.4	7.2	15.1	8.1	10.3	7.2	10.0	12.0	-4.8	10.7	15.3	-0.4	8.1	
2000 Q1	10.3	9.0	15.2	9.9	8.5	-8.6	-20.0	30.0	23.7	10.6	10.8	2.0	17.6	

Loans to general government

	General government										
	Central government	Other general government									Social security funds
		State government			Local government						
		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years				
Amounts outstanding³⁾ 2000 Q1	833.0	197.0	288.5	13.2	24.0	251.3	332.1	19.9	10.7	301.5	15.5
Annual growth rates 1999 Q4	0.7	-0.8	0.2	22.8	16.3	-1.7	1.3	5.3	8.3	14.0	20.0
2000 Q1	-0.5	-10.7	4.3	9.1	14.8	3.1	1.4	2.6	-14.4	2.0	25.0

Source: ECB.

1) Growth rates are calculated on the basis of changes in amounts outstanding, with the exception of one reclassification in Germany. Sectors correspond to ESA 95 definitions.

2) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

3) Differences between some sub-totals and their components are due to rounding.