

Box 1

NEW EURO AREA HISTORICAL SERIES ON MFI LOANS TO HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS

Historical time series play an important role in the analysis of economic and monetary developments as they allow current or projected developments to be assessed in the light of historical patterns and relationships. Long time series on MFI loans to households and non-financial corporations for the euro area have now become available for the period since 1980.¹ This box describes how these historical data were constructed, as well as their main stylised facts.²

Construction of the historical time series on MFI loans to households and non-financial corporations

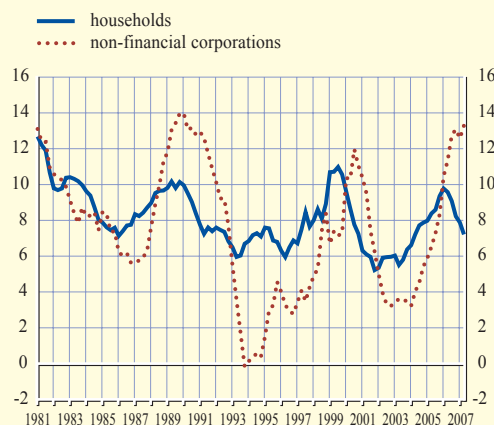
In accordance with Regulation ECB/2001/13, MFIs resident in the euro area have reported data on loans granted to households and non-financial corporations on a monthly basis since January 2003. On a quarterly basis, data had already been reported since the third quarter of 1997, based on an analogous statistical framework. The data collected include breakdowns by original

1 The series are available in the ECB's Statistical Data Warehouse (<http://sdw.ecb.europa.eu/>).

2 The article entitled "Long-term developments in MFI loans to households in the euro area: main patterns and determinants" in this issue of the Monthly Bulletin details the historical regularities that can be derived from such long time series.

Chart A MFI loans to households and non-financial corporations

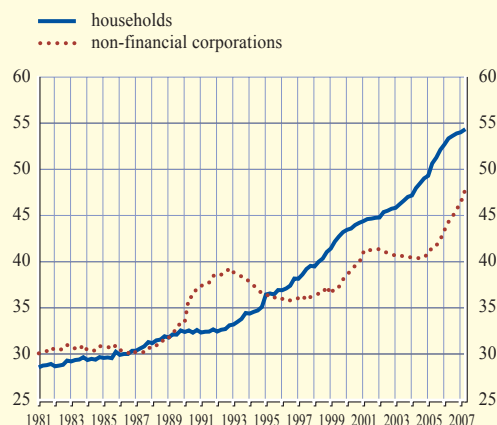
(annual percentage changes)



Source: ECB.

Chart B MFI loan-to-GDP ratios for households and non-financial corporations

(percentages)



Sources: ECB and Eurostat.

maturity for loans to non-financial corporations and by both original maturity and purpose for loans to households.

The ECB has now constructed quarterly euro area time series of loans to households and non-financial corporations going back to the first quarter of 1980. The historical series of loans to households are broken down further into consumer credit, loans for house purchase and other lending. The series for non-financial corporations are split between loans with an original maturity of up to one year and those with an original maturity of over one year. These historical euro area aggregates have been constructed on the basis of loan data that were collected by the NCBs of the Eurosystem before the harmonised framework of the ECB statistical regulations was established. There are some caveats to be aware of. In some cases, these national data were compiled on the basis of definitions of the borrower's sector and/or loan purpose which were not fully in line with those laid out in the subsequent ECB regulations. Consequently, when constructing the historical aggregates, the data available at the national level were reconciled as far as possible with the harmonised definitions, with recourse to estimations and assumptions wherever necessary.³ Moreover, in a few cases, NCBs did not collect data for the whole historical period back to the first quarter of 1980. In those cases, the available data were grossed up to a euro area aggregate using simple univariate time-series models to replace the missing national contributions.⁴

Stylised facts of longer-term developments in MFI loans to households and non-financial corporations

Chart A shows the annual growth rates of loans to households and non-financial corporations. The patterns of these growth rates are similar in the sense that there appear to have been three

³ For instance, in some countries loans granted to non-profit institutions serving households (NPISH) for investment in dwellings were not collected until 1995 and could therefore not be included within "loans for house purchase", as required by the ECB statistical framework. In order to derive a consistent euro area growth rate for the series before 1995, it was assumed that residential investment loans to NPISH had grown in line with loans to households for house purchase in those countries for which data on the former had not been collected before 1995.

⁴ The need to gross up should have little effect on the euro area figures obtained for the 1990s, as the missing national contributions represented only 4% of loans to the non-financial sectors in the euro area in 1997. Coverage for the 1980s was less complete, with actual NCB data representing between 80% and 85% of the total.

broad cyclical swings since 1980, with peaks in the late 1980s, in the late 1990s and in the mid-2000s. At present, however, it is not yet certain that the peak has been reached in the case of non-financial corporations. At the same time, the patterns differ somewhat in the sense that the amplitude of the cyclical movements has been clearly larger in the case of the growth in lending to non-financial corporations. This may to a large extent reflect the volatility of non-residential private investment compared with other components of aggregate demand. Another historical regularity discernable from the chart is that the turning points of the growth rate of loans to households have tended to lead those of loans to non-financial corporations.⁵

Chart A helps to put the recent strength in the growth of loans to the non-financial private sector into perspective. The increase in lending to non-financial corporations since the beginning of 2004 has led to a growth rate at the end of 2006 that was already higher than the previous peak in late 2000. Indeed, in mid-2007 the growth rate of lending to non-financial corporations reached levels that are only somewhat lower than that observed in the late 1980s.

This sustained growth of loans to both households and non-financial corporations – which has been positive over the past two and a half decades – has led to rising debt levels. Chart B shows that, in the case of households, the ratio of MFI loans to GDP has increased monotonically since the beginning of the 1980s. In the case of non-financial corporations, this ratio has been somewhat more cyclical, reflecting successive episodes of balance sheet leveraging and de-leveraging, albeit around an upward trend.

Overall, the new historical series on loans to euro area households and non-financial corporations provide the necessary statistical foundations for assessing current developments in the light of longer-term patterns. In this respect, they are an important addition to the information set from which the ECB's economic and monetary analyses draw.

⁵ This confirms findings derived earlier on the basis of preliminary ECB estimates for sectoral loans, as presented in Box 6, entitled "The cyclical pattern of loans to households and non-financial corporations in the euro area", in the June 2007 issue of the Monthly Bulletin.