

### DEVELOPMENTS IN MFI LOANS TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

As part of its monetary statistics, the ECB regularly publishes monthly aggregates for loans by monetary financial institutions (MFIs) to non-financial corporations (NFCs). In 2009, for the first time, the ECB has compiled quarterly euro area estimates with a breakdown of MFI loans to NFCs by branch of activity according to the NACE classification.<sup>1,2</sup> This new set of statistics helps to better understand developments in corporate loans in the euro area and to assess their monetary policy implications. In particular, the more detailed loan data can provide a picture of industry-specific credit developments.

Loans to NFCs are broken down into ten main industry groups as shown in Chart A. These statistics need to be interpreted with caution. While the ECB statistics on aggregated MFI loans to NFCs are harmonised across the euro area, the breakdown by industry is based on available data at the national level (e.g. credit registers or surveys) that are not fully harmonised and are in part estimated. Both the coverage and the level of detail may differ across countries.

Furthermore, NFCs by definition exclude unincorporated firms, such as small retailers or doctors. In addition, loans may be taken out by institutional units that often encompass many production units involved in various NACE activities. This implies that the new loan breakdowns are not directly comparable with other statistics that are genuinely based on the NACE classification, such as value added or employment by economic activity.

**Chart A Share of MFI loans to non-financial corporations across selected industries**

(percentage shares)



Source: ECB.

Notes: Outstanding amounts for the fourth quarter of 2007. Breakdown according to NACE Rev. 2. Agriculture, etc. includes forestry and fishing; electricity, etc. includes gas, steam and air conditioning supply, as well as water supply, sewerage, waste management and remediation activities; wholesale and retail trade includes repair of motor vehicles and motorcycles; real estate activities, etc. includes professional, scientific and technical activities, as well as administrative and support service activities; other refers to all remaining activities excluding financial and insurance activities, as well as public administration and defence.

1 NACE (Nomenclature statistique des activités économiques dans la Communauté européenne) Rev. 2 is the statistical classification of economic activities in the European Community. This standard is applied by all the Member States for various statistics. For more information, see [http://epp.eurostat.ec.europa.eu/portal/page/portal/nace\\_rev2/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/nace_rev2/introduction).

2 Data refer to end-quarter outstanding amounts and are available as from the first quarter of 2003.

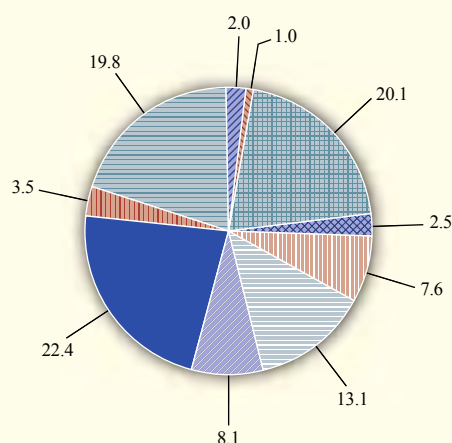
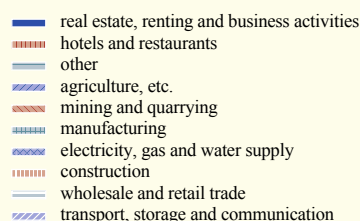
Chart A illustrates that in 2007<sup>3</sup> loans related to real estate activities (i.e. commercial property renting and such) made up the largest part of MFI lending to NFCs, followed by manufacturing, trade, construction and transport and information. A significant part of MFI lending to NFCs is also allocated to “other”.<sup>4</sup> Regarding the industry shares in gross value added, real estate and related activities and the construction industry carry a lower weight compared with their share in overall lending to NFCs, whereas for instance manufacturing has a relatively higher weight (see Chart B).

Since the start of the financial crisis, an overall fall in the annual growth rates of MFIs’ lending to NFCs can be observed for all industries, particularly after the crisis intensified in the latter part of 2008 (see Chart C). While annual growth rates of lending to NFCs had been sustained until the second half of 2008 for manufacturing as well as trade and transport, they were already falling in the first half of 2008 for the real estate and construction industries. The overall decline in annual growth rates of lending reflected an even stronger fall in the respective industries’ annual growth rate of value added (see Chart D). This points to a primarily demand-driven slowdown of corporate lending during the turmoil period.<sup>5</sup>

A few developments stand out in the run-up to the crisis. Particularly for the building-related industries (real estate services and construction), peaks in growth rates of lending in 2006 reflected the housing boom in selected euro area countries. Accordingly, the bursting of the housing bubble in these countries is not only mirrored in subdued mortgage lending to households, but also contributed to a significant slowdown in lending to real estate corporations. Nevertheless, while several industries like manufacturing, trade, transport and information and construction recorded reductions in lending volumes in the first half of 2009, annual growth rates of lending to NFCs in the real estate industry still remained positive.

Chart B Share in gross value added across selected industries

(percentage shares)



Source: Eurostat.

Notes: At current prices, 2007. Breakdown according to NACE Rev. 1.1. Real estate, renting and business activities corrected for imputed rent on owner-occupied housing (available only for a restricted number of countries). Agriculture, etc. includes hunting, forestry and fishing; wholesale and retail trade includes repair of motor vehicles, motorcycles and personal and household goods; other refers to all remaining sectors excluding financial and insurance activities, as well as public administration and defence.

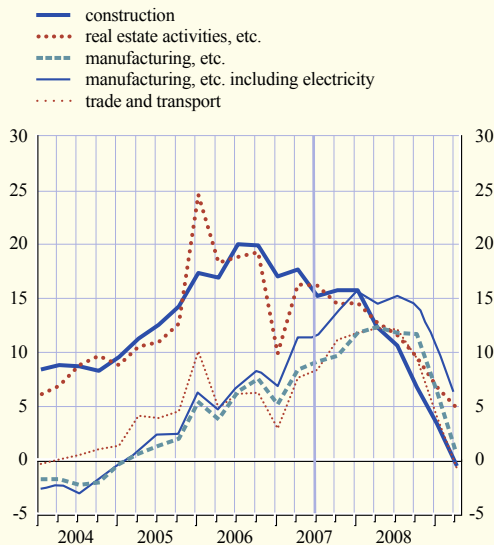
3 This is the latest year for which a detailed breakdown of gross value added by economic activity is available. Loan figures up to mid-2009 indicate similar industry shares to those in 2007.

4 This category includes all remaining activities except for financial and insurance activities, as well as public administration and defence, as generally these firms do not belong to the non-financial corporate sector.

5 For a more detailed analysis, see the box entitled “A comparison of the current recession in the euro area economy and its main branches with past periods of recession” in the April 2009 issue of the Monthly Bulletin.

**Chart C Growth of MFI loans to non-financial corporations across selected industries**

(annual percentage changes)

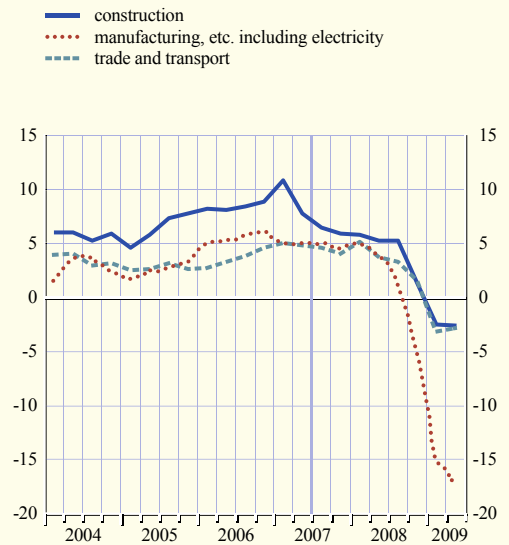


Source: ECB.

Notes: Breakdown according to NACE Rev. 2. Real estate activities, etc. includes professional, scientific and technical activities, as well as administrative and support service activities; manufacturing, etc. includes mining and quarrying; manufacturing, etc. including electricity additionally encompasses gas, steam and air conditioning supply, as well as water supply, sewerage, waste management and remediation activities; trade and transport includes wholesale and retail trade, repair of motor vehicles and motorcycles, as well as transport, storage, information and communication services. The vertical blue line marks the beginning of the turmoil period.

**Chart D Growth in value added across selected industries**

(annual percentage changes)



Source: Eurostat.

Notes: Breakdown according to NACE Rev. 1.1. At current prices. Manufacturing, etc. including electricity encompasses gas, steam and air conditioning supply, as well as water supply, sewerage, waste management and remediation activities; trade and transport includes wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, as well as transport, storage and communication. The vertical blue line marks the beginning of the turmoil period.