

2010 ECRI Statistical Package: Key Findings

Marc Rothemund, 13 August 2010

The European Credit Research Institute (ECRI) has just published the 2010 version of its annual Statistical Package, a comprehensive collection of data on lending to households, covering all European countries and other key global economies for the period 1995-2009. Its purpose is to allow users to make reliable comparisons of the retail credit market across countries, including consumer credit, housing loans and loans to non-financial corporations.

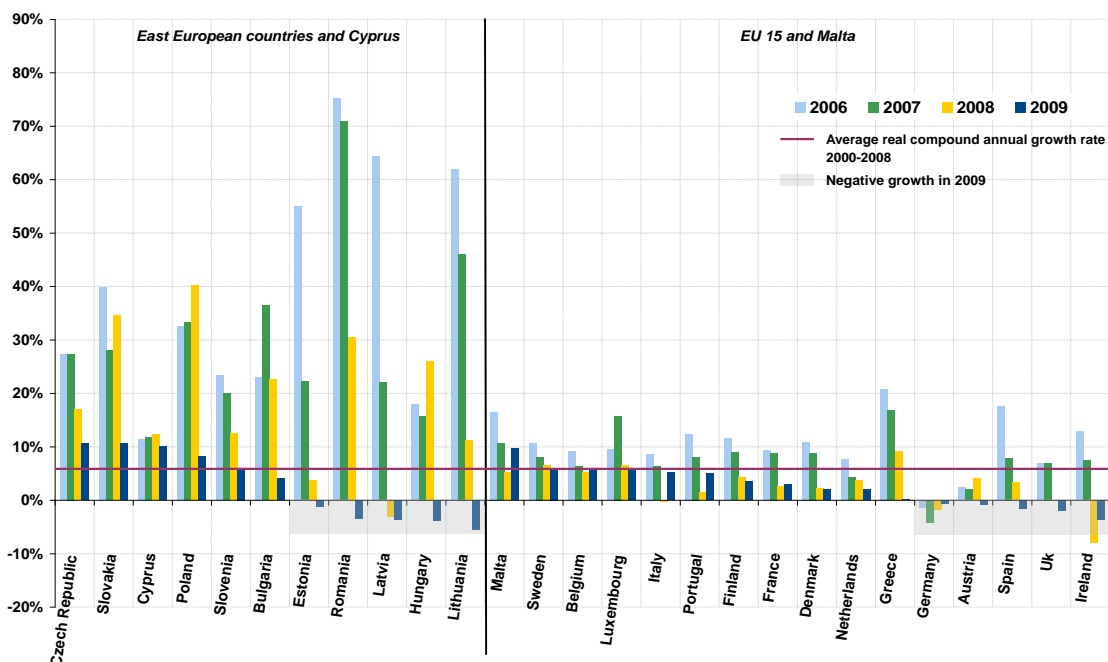
The data in this year's Statistical Package reveal the following key findings:

1. Real growth rates of the EU 27 retail credit market have dropped for the fourth consecutive year. The increase of 0.82% in 2009 is the smallest in the last 14 years and well below the average compound annual growth rate of 5.62% since 2000.

After a sharp decline in 2008, the aggregate figure for lending to households in the EU fell even further in 2009 – brought about by drops in 20 of the 27 European economies. While negative growth rates in this millennium seem to have been reserved exclusively for Germany (until last year's numbers revealed a shrinkage in four additional countries for the first time), this is now no longer the case as numbers for outstanding retail credit volumes at end-year decreased in more than one-third of the EU 27 last year.

Figure 1 presents these overall and country-specific developments and additionally illustrates that the financial crisis brought an end to years of high double-digit growth in many East European countries, with maximum numbers for 2009 of just over 10%. Markets reacted particularly pronounced in Romania and Hungary, plummeting 34 and 29 percentage points to real growth of -3.52% and -3.78% respectively.

Figure 1. Real annual growth rates of total credit to households in the EU 27 member states



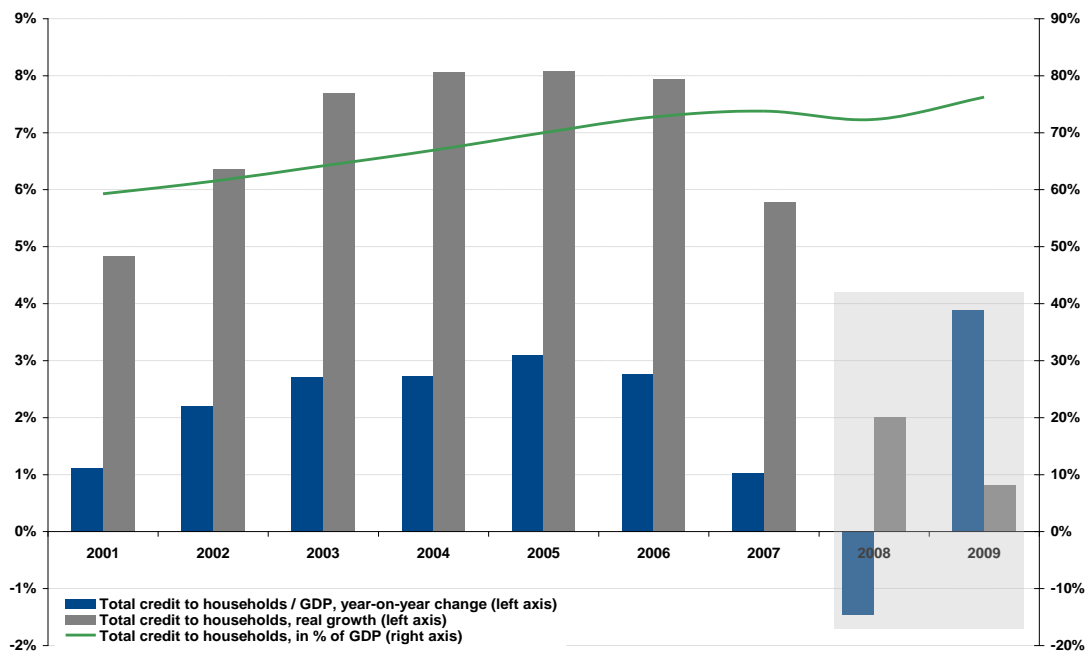
Source: *Lending to Households in Europe (1995-2009)*, ECRI Statistical Package 2010, ECRI, Brussels.

2. The ratio of total credit to households as a percentage of GDP for the EU 27 experienced its steepest increase in this millennium and rose to a previously unseen level of 76.22%. But the ostensible boost in relative indebtedness of European households is largely due to negative GDP growth rather than greater reliance on credit.

The 3.9 percentage point increase of the average credit penetration ratio in 2009 comes twelve months after the first negative development of the indebtedness indicator in ten years, when the figure dropped by 1.49 percentage points in 2008, despite declining GDP data. However, the 76.22% record level of the credit-to-GDP ratio in 2009 needs to be interpreted carefully as it was reached despite an historically low EU-average real credit growth of only 0.82% (see finding #1) and favored by the average real growth of EU 27 GDP for 2009 of -3.61%.

Figure 2 graphically showcases these points, but the developments are emphasized by a look at the country-specific level: in Austria, Germany, Estonia or the UK, for example, the ratio increased by more than in any of the 3 previous years – notwithstanding negative growth in figures for total credit to households. And even in Lithuania, Ireland and Hungary – where retail credit markets contracted more than in any other EU economy – households appear to have increased their relative indebtedness in a year-on-year comparison.

Figure 2. Lending to households in the EU 27



Source: *Lending to Households in Europe (1995-2009)*, ECRI Statistical Package 2010, ECRI, Brussels.

3. Following considerable drops in real growth rates from levels of over 10% over the past six years, figures for housing loans have proven more resilient in 2009 than credit for consumption and other purposes. While the EU 27 mortgage credit market grew by 1.39%, data for consumer loans depict real growth of -1.11%.

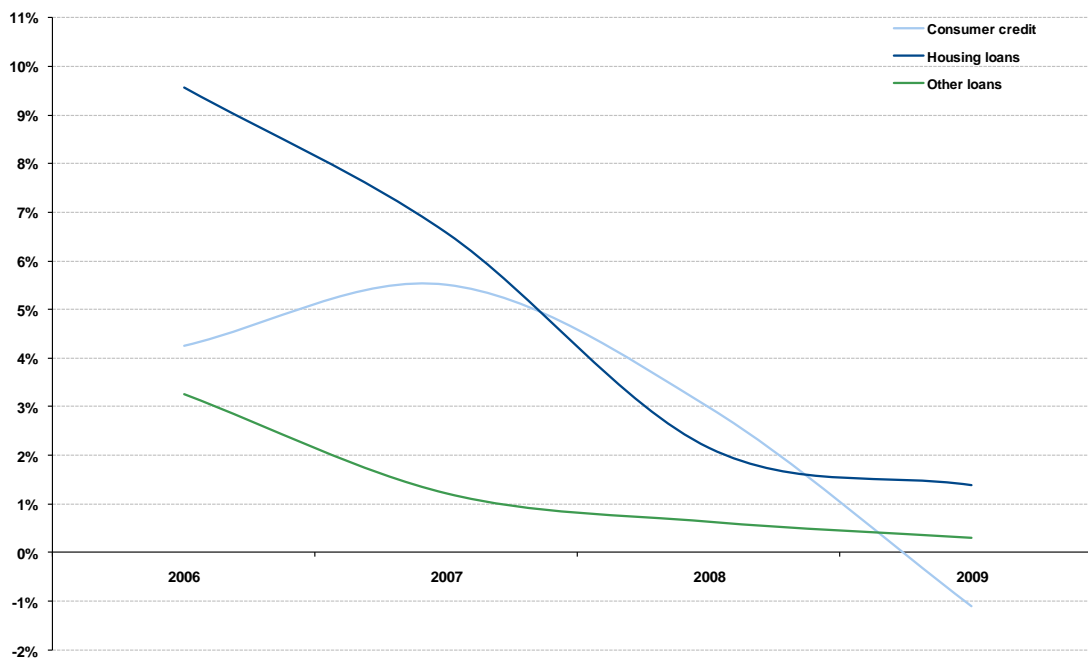
With double-digit declines of 19.80% and 13.88% respectively, the Lithuanian and Danish consumer credit markets witnessed resident households considerably cutting back their reliance on loans to finance their consumption – and are leading a list of 15 countries with negative growth in the consumer credit segment: Spain (-9.68%), Estonia (-9.29%) and the UK (-4.71%) are three further examples.

These numbers stand opposed to negative growth in the housing loan market in ‘only’ seven European economies, with East European countries Hungary (-3.93%), Latvia (-3.14%) and Lithuania (-1.63%)

registering the biggest contraction. Interestingly, the Slovenian (13.84%), Slovakian (10.91%), Romanian (10.81%) and the Czech (10.54%) housing markets top the list of real growth in 2009.

Figure 3 presents real growth rates for consumer credit and housing loans and visualizes the sharp drop in numbers for consumer credit, down 4.10 percentage points in 2009, on the one hand and the somewhat steadier development for housing (-0.77 pp) and other loans (-0.33 pp) on the other.

Figure 3. Real growth rates of consumer, housing and other loans, EU 27



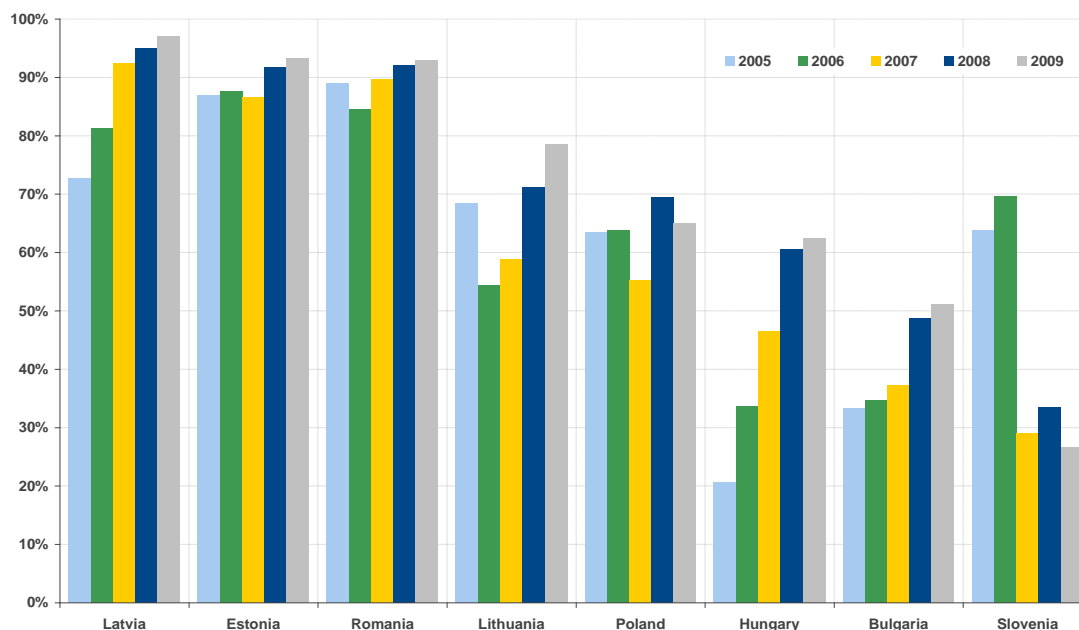
Source: *Lending to Households in Europe (1995-2009)*, ECRI Statistical Package 2010, ECRI, Brussels.

4. 2009 has seen households in East European countries continuing to increase their share of foreign currency-denominated loans in their mortgage portfolio. The decrease of the weighted average figure for foreign currency denominated housing loans in the surveyed countries to 68.79% is largely due the drop in the country sample's biggest market, Poland.

The share of foreign currency denominated housing loans (FX loans) in Poland has been fluctuating over the last seven years between 55.16% and an all time high of 69.45% in 2008. With a weight of more than 50% in a sample of East European countries (see Figure 4), a drop of the share of FX loans as witnessed in 2009 – down to 64.95% – considerably impacts the average figure and caused the drop in the numbers of last year.

However, Figure 4 reveals important country-specific differences and showcases that Poland and Slovenia (in the Eurozone since 2007) are in fact the only countries with a decreasing share of FX loans. With a rise of two percentage points in 2009, Latvia is approaching 100%, followed by Estonia with an increase to 93.94% and Romania to 92.97%. The continuation of a clear upward trend can be discerned in Lithuania, Hungary and Bulgaria, despite lower levels than in the aforementioned countries.

Figure 4. Share of foreign currency-denominated loans in housing loan portfolio in selected East European countries



Source: *Lending to Households in Europe (1995-2009)*, ECRI Statistical Package 2010, ECRI, Brussels.

The ECRI Statistical package is available in an Excel file in two versions:

Lending to Households in Europe (1995-2009)	€600 (excl. of VAT)
Consumer Credit in Europe (1995-2009)	€440 (excl. of VAT)

It may be purchased at <http://www.ceps.eu/books>