Economic News

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EURO ZONE

Credit is showing more and more signs of improvement

Bank credit to the private sector advanced in the euro zone in February with a monthly gain of 0.2%, as was seen in January and December. These increases come on the heels of years of decline or stagnation. Year-over-year growth is 0.6%, the strongest since March 2012. The acceleration is even more remarkable if we look at the annualized change over three months, where the gain is higher than 2%; this has not been seen since the summer of 2011.

Credit growth may also be seen in many parts of the euro zone. The annual gain in Germany was 1.3%, the highest since the summer of 2012. Keep in mind that credit in Germany was contracting in early 2014, while it did not decline in France (which boasted a gain of 3.7% in February, the highest among the major euro zone countries).

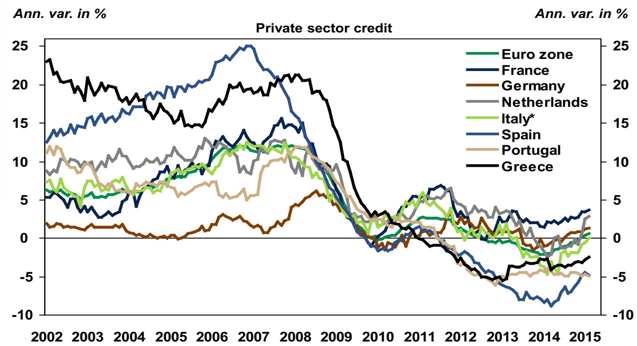
We also see improvements among the countries most affected by the crisis. In Italy, for example, credit has become stable in terms of annual change. A year ago, it was contracting by 4.7%. In Greece and in Spain the annual change in credit is still negative, but the slumps recently recorded are less severe than those observed in the past.

It is mainly business credit that is picking up. It posted an annual change of 3.8% in France, its best performance since March 2012. In Germany, business credit was up by 0.7%, whereas a year ago it was deteriorating by 1.6%.

The improvement in the euro zone's household credit is also significant. Growth in Germany is 1.7%, which is the best annual change observed since such data became available, in 2002. Growth in household credit in France is holding steady at around 3.5%.

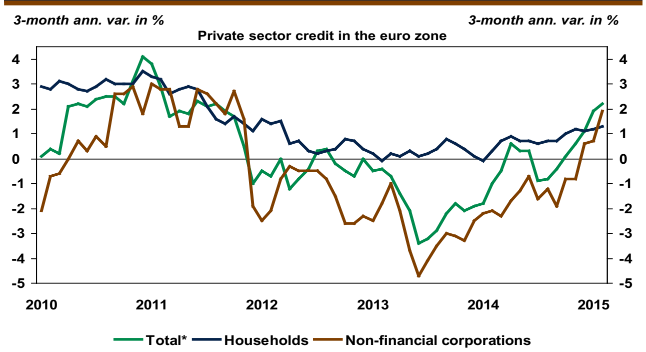
Implications: This improvement in credit got started even before the European Central Bank (ECB) introduced its bond purchase program, but it coincides with the beginning of other credit assistance measures that it carried out, and with the decline in interest rates. Financial institutions have been able to relax their lending conditions, and households and, to a greater degree, businesses have taken advantage of the situation. Continuing low interest rates should further support demand for loans, and the ECB's policies will promote credit supply. This will make it possible for economic growth to advance a little faster in the euro zone.

Credit growth is generally improving across the euro zone



* Data not adjusted for sales of loans or securitization.
Sources: European Central Bank, CM-CIC Securities and Desjardins, Economic Studies

The recent acceleration comes mainly from business credit



* Including financial institutions other than banking institutions.
Sources: European Central Bank and Desjardins, Economic Studies

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