

## LOAN GROWTH IN THE EURO AREA, FINLAND AND SWEDEN

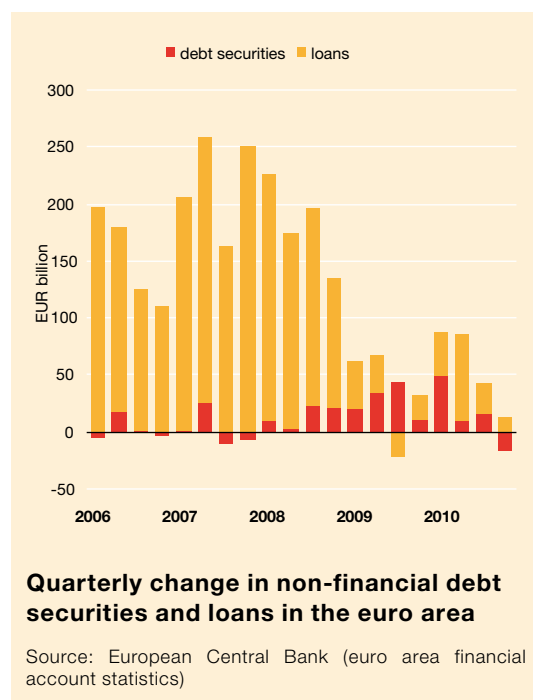
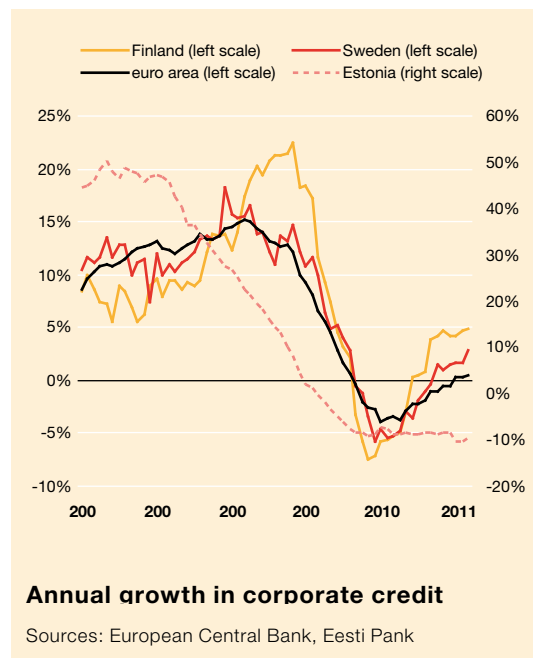
Global economy continues to recover from the recent recession and it has been possible to reduce dependence on national support mechanisms. However, the recovery varies across countries and regions.

The output has increased in the euro area since the third quarter of 2009. Real GDP growth posted 1.8% in the fourth quarter of 2010 and for 2011, the European Central Bank estimates euro area growth at 1.5–2.3%. Various indicators refer to increasingly positive developments in investments and private consumption. After over a year-long decline in the stock of loans given to companies, the year-on-year growth remained merely near 0% in the first months of 2011. In the Nordic countries, particularly in Finland, growth has recovered more rapidly.

The financing structure of euro area companies that changed drastically because of the crisis is recovering. The financial and economic decline that began at the end of 2008 aggravated the situation of banks in the euro area, and companies preferred to use existing resources to finance their operations and to issue bonds rather than take bank loans. In the first half of 2010, however, growth in the volume of bonds started to slow and in the last quarter the volume of bonds issued declined.

The stock of household loans has been increasing steadily over the last six months. The greatest contribution came from housing loans, as their growth picked up to 5% year-on-year at the end of March 2011. The year-on-year growth in consumer credit in the euro area has also been positive over the last three quarters. In Finland and Sweden the housing loan stock has grown more rapidly than in the euro area, although in Sweden the pace is slowing and the loan stock has been relatively stable there in recent months.

The rise in key interest rates that started in the second half of 2010 also affected the interest



rates for loans issued to the non-financial sector. The interest margins in the euro area have remained relatively stable in the last six months, and as a result the rise in interest rates has spread to the cost of financing for companies and households. A slight drop in interest margins could be perceived mostly in loans given to Finnish companies.

