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Recent developments in financing and bank lending to the non-financial private sector. Second half of 2022

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Rationale

To analyse, owing to their macroeconomic implications, the conditions and volume of funding raised by households and firms and to quantify the credit risk taken on by deposit institutions via loans to these two sectors.

Takeaways

- Financing conditions continued to tighten in the second half of 2022 and the transmission of market rate rises to the cost of lending accelerated. This has led to a decrease in the flow of new funding.
- The bank loan stock to the resident private sector in 2022 Q3 saw a slight decrease compared with the same quarter in recent years, mainly owing to trends in the stock of loans to business activities. Non-performing and Stage 2 loans continued to decline, except in some portfolios, such as those with ICO-backed loans.
- Exposures to the energy sector have a limited weight in the bank credit business in Spain, although their quality has worsened throughout 2022 and somewhat tighter credit standards have been observed.

Keywords

Financing, credit, households, non-financial corporations, deposit institutions, credit portfolios, non-performance, Stage 2 loans, monetary policy transmission, credit supply.

JEL classification

E44, E51, G21, G23, G28.

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Introduction

This article examines developments since June 2022 in funding raised by households and non-financial corporations (NFCs) from an aggregate standpoint and in resident deposit institutions (DIs)' credit exposure to these sectors.[1] The article also reviews the quality of credit on DIs' balance sheets and pays special attention to non-performing loans (NPLs) and Stage 2 loans by economic sector. Lastly, there is a box delving into recent developments regarding the extent and quality of bank credit exposures to energy sectors.

Funding raised by the non-financial private sector

In recent months, the Governing Council of the European Central Bank (ECB) has continued pressing forward with the normalisation of monetary conditions in order to combat inflationary pressures in the euro area. In July 2022, it decided to raise official interest rates by 50 basis points (bp) – the first increase in over a decade. In subsequent meetings, it agreed new official interest rate hikes, with a cumulative increase of 250 bp to date. In the latest meeting, held in December, the Governing Council stated that official interest rates will still have to rise significantly at a steady pace to reach levels that are sufficiently restrictive to ensure a timely return of inflation to the target. Furthermore, in recent months, the ECB has implemented other complementary measures to this end.[2]

These monetary policy measures led to new rises in markets' reference rates during the second half of 2022. In this same period, the 12-month EURIBOR rose by 225 bp to around 3.3%, while the 10-year overnight index swap, which is the reference value for the euro area long-term risk-free interest rate, rose by slightly more than 100 bp, to 2.9%.

Against this backdrop, borrowing costs in the private sector have continued to rise in recent months. Thus, long-term corporate borrowing costs through debt securities issuances rose by slightly more than 50 bp between June and December 2022 to stand at 4.4%.

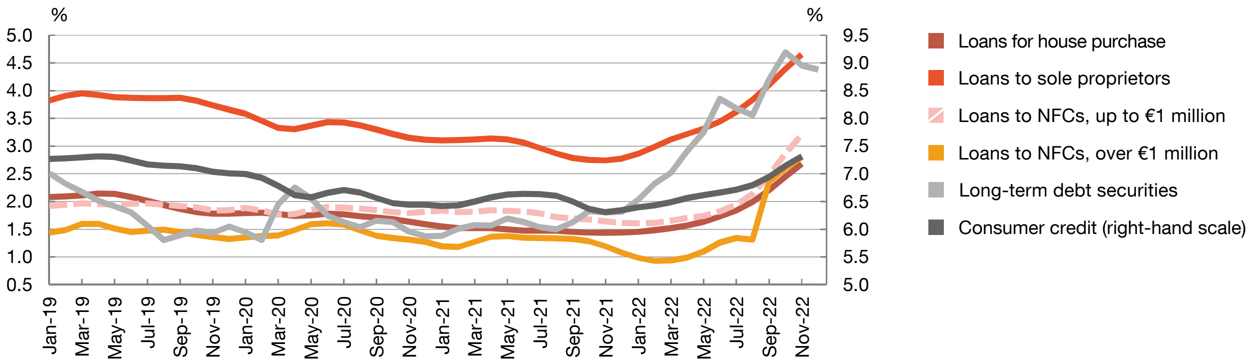
The interest rate on new bank loans for house purchase rose by 95 bp between June and November (latest available figure) and that of consumer credit by around 65 bp (see Chart 1.a). Cost increases

1 Developments in these areas may differ, since households and NFCs do not receive funding only from these financial intermediaries. Specifically, households may also obtain credit from specialised lending institutions (SLIs), especially consumer credit, while NFCs may tap capital markets by issuing corporate debt. For a detailed explanation of the differences between the two approaches and other statistical aspects, see Box 1, "Statistical information for the analysis of outstanding balances of financing and credit", Alves et al. (2019).

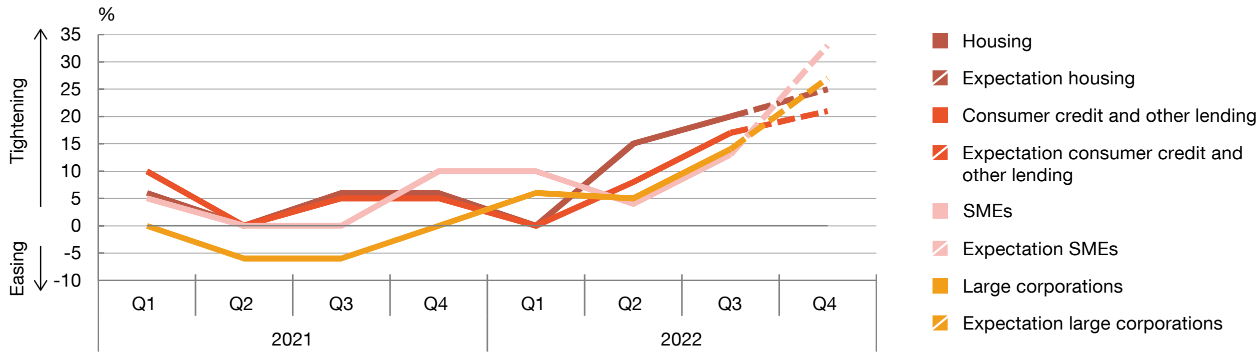
2 Specifically, the ECB adjusted the conditions of the third series of the targeted longer-term refinancing operations (TLTRO III), increasing their cost, and announced that it will reduce its asset purchase programme (APP) portfolio at an average rate of €15 billion per month from March 2023 to the end of 2023 Q2, with its subsequent pace to be determined over time.

Chart 1
The financing conditions for households and firms continued to tighten in the second half of 2022

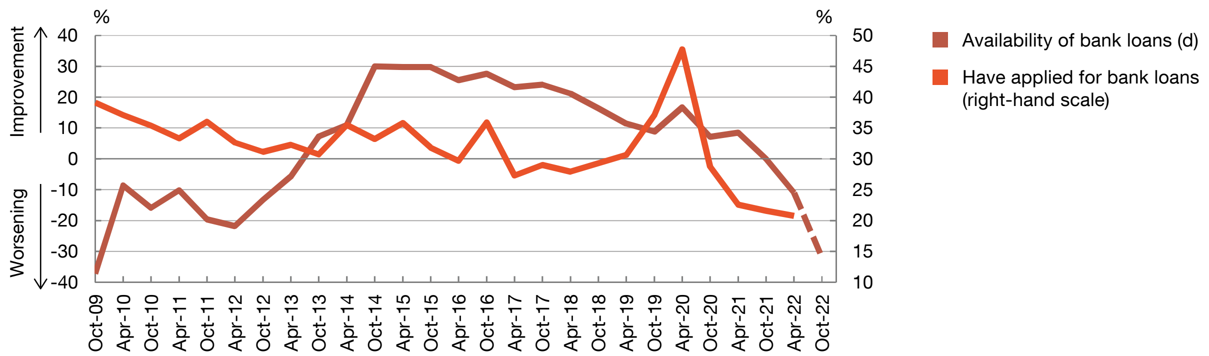
1.a Cost of financing: non-financial private sector (a) (b)



1.b BLS: change in credit standards (c)



1.c SAFE: SMEs' perception about the availability of loans and SMEs that have applied for loans



SOURCES: European Central Bank, Banco de España and Refinitiv Datastream.

a Bank financing series include financing granted by DIs and SLIs.
b Bank lending interest rates are narrowly defined effective rates (NDERs), i.e. they exclude related charges, such as repayment insurance premia and fees. They are also trend-cycle interest rates, i.e. they are adjusted for seasonal and irregular components (small changes in the series with no recognisable pattern in terms of periodicity or trend).
c Indicator = percentage of banks that have tightened their credit standards considerably × 1 + percentage of banks that have tightened their credit standards somewhat × 1/2 – percentage of banks that have eased their credit standards somewhat × 1/2 – percentage of banks that have eased their credit standards considerably × 1.
d Percentage of SMEs indicating an improvement less those indicating a worsening.

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of new bank lending to productive activities accelerated in this same period: between 120 bp in lending to sole proprietors and 155 bp in lending to NFCs for amounts over €1 million.

The results of the Bank Lending Survey[3] (BLS) show that credit standards appear to have tightened across the board during 2022 Q3, although this tightening was more acute in the case of lending to households, especially for loans for house purchase, which saw the sharpest contraction in supply since 2008 (see Chart 1.b). The increased risk perceived by lenders (particularly relating to the economic outlook and to certain sectors of activity) along with a lower risk tolerance, would explain this trend in the credit supply to the private sector. This appears to have been reflected in the higher percentage of rejected loan applications. Looking at 2022 Q4, institutions expected an escalation in this trend, which would be even more marked in the case of lending to firms.

This contraction in the supply of loans highlighted by the BLS seems to be consistent with the results of the latest round of the Survey on the Access to Finance of Enterprises in the euro area (SAFE), corresponding to the period April to September 2022.[4] Similarly, according to the SAFE, Spanish small and medium-sized enterprises (SMEs) saw a deterioration in their access to bank lending in this period, for the first time since 2013 (see Chart 1.c). Furthermore, they expected this deterioration to worsen between October 2022 and March 2023. In any case, the percentage of firms considering that the conditions of access to lending represent a substantial obstacle to their operations remains very low.

According to the BLS, the demand for bank lending seemed to fall during 2022 Q3, with the exception of loans granted to large firms, which held steady. The factors that appear to have contributed the most to this fall are (for households) the higher level of interest rates and decreased consumer confidence and (for SMEs) lower financing needs for fixed capital investment and debt restructuring. With regard to 2022 Q4, lenders expected that loan applications would fall across the board and more sharply, with applications by households dropping most. This trend would be in line with the results of the SAFE, which highlighted that, between April and September 2022, the percentage of SMEs that applied for credit was at its lowest level since 2009 (21%), the first year the survey was conducted (see Chart 1.c).

In this environment of tightening financing conditions and declining demand for loans perceived by banks, recent months saw a slowdown in the volumes of new funding raised by households and NFCs in most segments in terms of three-month cumulative seasonally adjusted flows. Similarly, the volume of new lending to households for house purchase declined slightly, more rapidly from October onwards (see Chart 2.a). The amount of new loans granted to households for purposes other than house purchase and consumer credit[5] also dropped. In contrast, new bank lending for consumer credit has continued to rise in recent months, although it was still 13% below pre-COVID-19 levels in November.

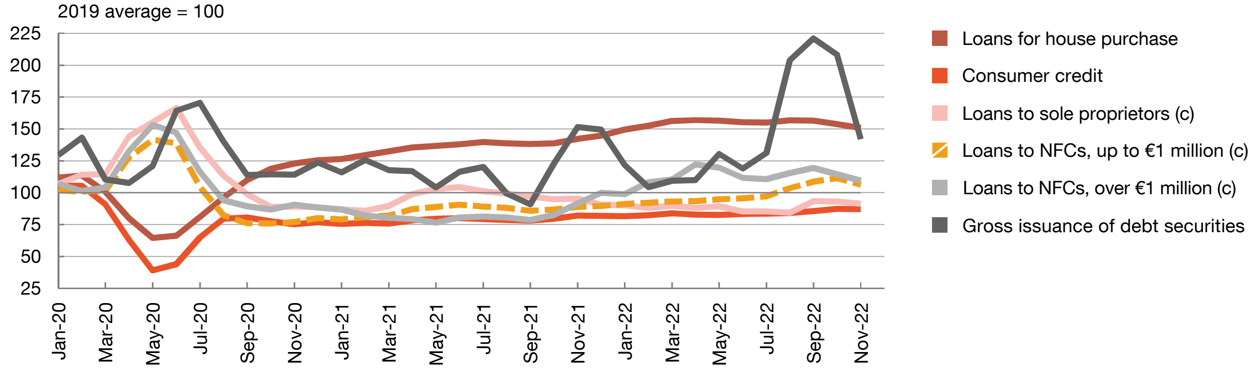
3 Menéndez and Mulino (2022).

4 Menéndez and Mulino (2023).

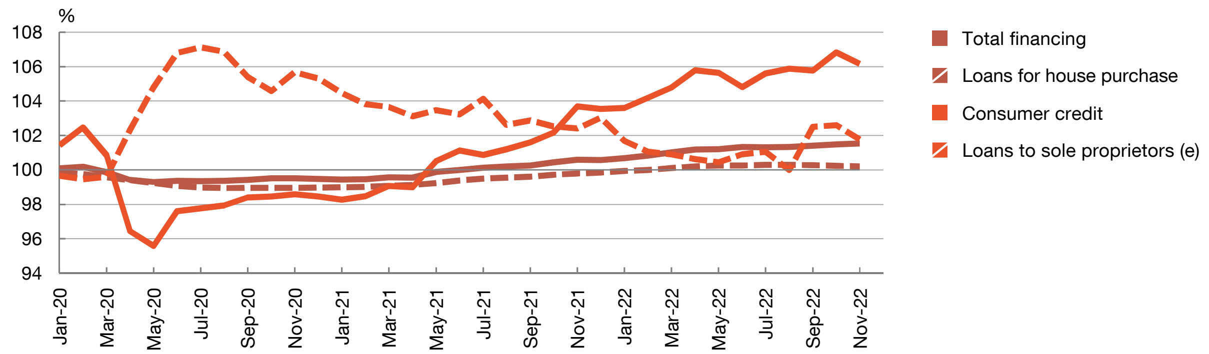
5 Excluding new lending to sole proprietors.

Chart 2
The flow of new funding raised by households and firms and their outstanding balance have begun to fall

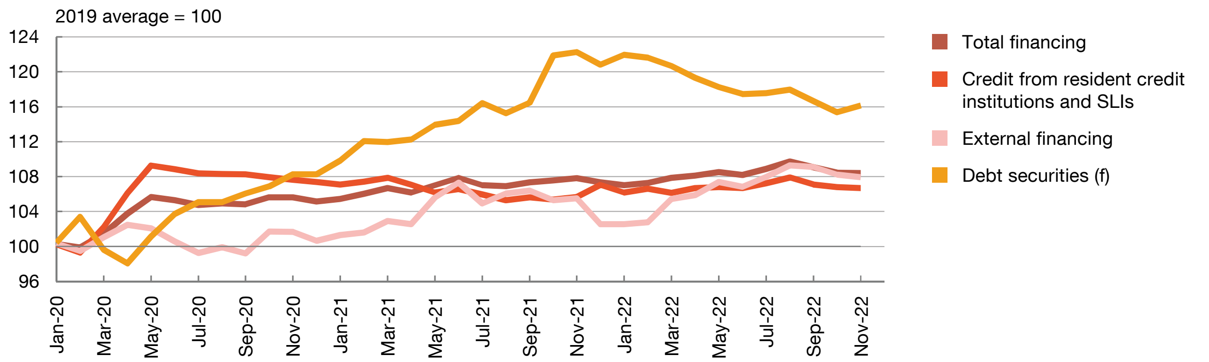
2.a New lending to households and NFCs (a) (b)



2.b Bank lending from DIs and SLIs to households (d)



2.c Financing to NFCs (a) (d)



SOURCE: Banco de España.

a Bank financing series include financing granted by DIs and SLIs.
b Three-month cumulative seasonally adjusted flows relative to the 2019 monthly average.
c Includes renegotiations of previous loans.
d Seasonally adjusted loan balance based on outstanding balance of December 2019 accumulating net flows.
e Excludes securitised lending.
f Includes issues by resident subsidiaries of NFCs.

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According to data available up to November 2022, new bank financing for productive activities shrunk across the board in the closing months of last year in terms of three-month cumulative seasonally adjusted flows (see Chart 2.a). In any case, there was a high level of funds raised on capital markets via the issuing of debt securities between June and November 2022, a trend that was governed by the burgeoning volume of short-term issuances.

Regarding outstanding balances, funding raised by households grew somewhat between June and November 2022 in seasonally adjusted terms. By segment, the loans for house purchase dropped slightly, while consumer credit and loans to sole proprietors rose, although the most recent data show a modest dip (see Chart 2.b). The debt stock of NFCs began to fall in August 2022, breaking the upward trend that had been seen more or less constantly since 2020 (see Chart 2.c). Breaking this down by instrument shows that the decline was widespread, although it was more severe in terms of funding raised through debt securities. This type of funding was influenced by the sizeable volume of repayments, linked to the dynamism of short-term issuances, which offset the robust growth of gross issuances. Finally, the stock of loans granted by resident financial institutions trended down from August 2022.

Lending by the resident banking sector

The outstanding amount of lending to the resident private sector in Spain[6] fell by 0.9% quarter-on-quarter to stand at €1,172 billion in September 2022 (see Chart 3.a). However, this decline was significantly lower than the standard average contraction observed in the third quarter of the year both in the years prior to the pandemic (1.6% in 2014-2019) and in those immediately after its onset (also 1.6% in 2020-2021). Thus, nominal year-on-year growth returned to positive (0.6%) after the year-on-year fall of 0.1% posted in June 2022. The data available for 2022 Q4 point to a correction of this expansion.

Between September 2021 and September 2022 new lending amounting to €580 billion[7] was extended to the whole of the resident private sector in Spain, 15.8% more than in the preceding 12 months. The share of new lending in this period as a proportion of total lending in September 2022 rose to 49.5% (up 6.5 percentage points (pp) on September 2021), which indicates a greater turnover in this lending stock.

By institutional sector, loans to households decreased by 1.6% in 2022 Q3, a fall 0.3 pp greater than in 2021 Q3 (see Chart 3.b). However, year-on-year growth in the balance of loans granted to this sector remained positive (0.6%), but was 0.8 pp lower than that recorded in September 2021.

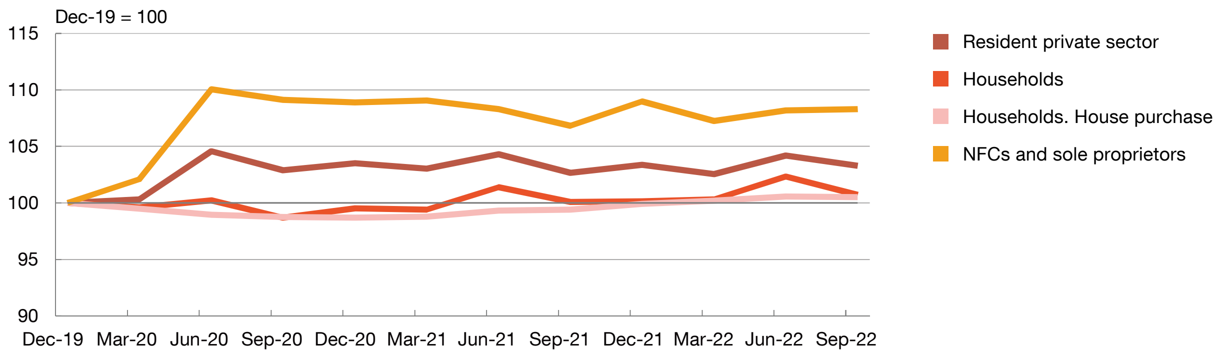
Loans for house purchase and renovation remained steady in 2022 Q3 (0.1%), but continued growing in year-on-year terms (by 1.1%, 0.4 pp more than a year earlier). The contraction of loans

6 This loan portfolio includes lending to households, non-financial corporations, sole proprietors and financial corporations other than credit institutions.

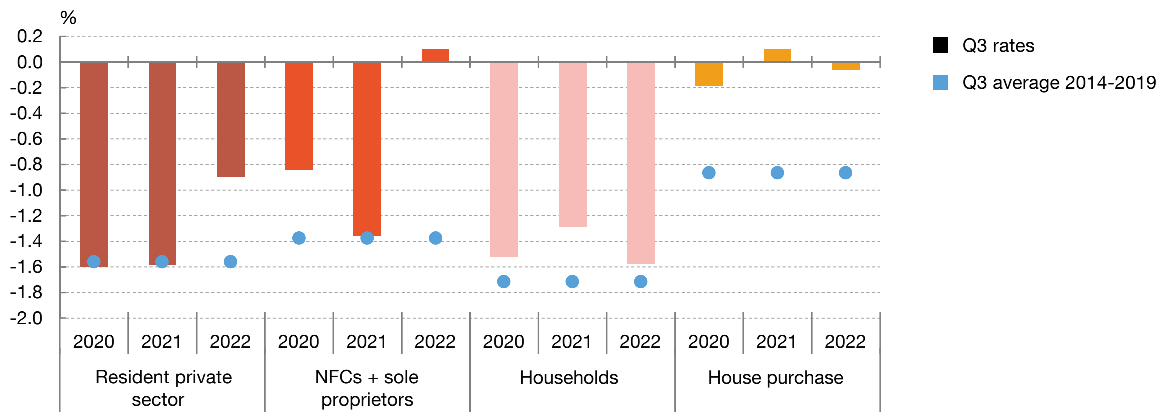
7 In this period 71 % of total new lending related to new loans and the remainder to greater drawdowns on pre-existing credit facilities.

Chart 3
Credit decreased in Q3 less than in recent years, owing to the greater buoyancy of lending to firms

3.a Lending to the resident private sector



3.b Q-on-q rate of change in lending in Q3



SOURCE: Banco de España.

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to households for other purposes, which does not differ much from standard behaviour in third quarters, explains most of the quarter-on-quarter decline in the sector.

Loans to non-financial corporations and sole proprietors held steady in 2022 Q3 (0.1%), with the year-on-year growth rate standing at 1.4%, compared with the year-on-year decrease of 2.1% recorded in September 2021. This is in contrast with prior third quarters, in which notable declines were observed (see Chart 3.b). Notably, in September 2022 total lending to non-financial corporations and sole proprietors remained below the level reached in June 2020 coinciding with the deployment of the bulk of the Official Credit Institute (ICO) guarantees[8] to combat the economic effects of COVID-19 (see Chart 3.a).

8 See Royal Decree-Law 8/2020, which establishes a guarantee scheme for a maximum amount of €100 billion. Additionally, Royal Decree-Law 25/2020 establishes a second guarantee facility to support business investment, for a maximum amount of €40 billion. According to the announcement of the Council of Ministers on 29 March, a new ICO guarantee facility amounting to €10 billion was set up to mitigate the increase in energy costs as part of the economic policy response to the outbreak of the war in Ukraine, and the extension of repayment periods and payment holidays for existing ICO loans was approved for sectors particularly affected by the outbreak of this conflict.

The dramatic impact of the current geopolitical crisis on global energy markets is particularly notable on energy-intensive firms, but also on electricity generation companies and distributors, although in this case the impact is uneven depending on their position in the value chain and may be positive in certain cases. Box 1 analyses in detail banks' exposure to the energy sector in their business in Spain and recent dynamics between lending and this sector.

Quality of bank lending

NPLs to the resident private sector continued to decline, standing in September 2022 at €43.4 billion, after falling 3.5% in Q3 and 13.2% cumulatively over the last 12 months (8.1 pp more than in September 2021). NPLs had also declined by 20% since December 2019 (see Chart 4.a). This development may be influenced by the economic policy support provided to mitigate the effects of the pandemic, which has contributed to improving borrower's ability to repay, and by banks' management of their NPLs (portfolio sales, impaired loan recovery processes, etc.). The data available for 2022 Q4 point to a continuation of this downward trend.

By institutional sector, NPLs declined in 2022 Q3 for households (4.2%) and for non-financial corporations and sole proprietors (3.1%). The year-on-year cumulative declines were 19% and 8.3%, respectively.

Stage 2 loans[9] decreased by 3.3% in 2022 Q3, accumulating a year-on-year decline of 13.1% (3.6 pp more than in June), to stand at €81.9 billion. Both households (-10.5%) and non-financial corporations and sole proprietors (-15.1%) contributed to this year-on-year decline. Despite this correction, the volume of Stage 2 loans is still 22.9% higher than that observed before the pandemic, which shows that latent risks to credit quality persist, despite the good performance of NPLs as a whole (see Chart 4.b).

The greatest relative impairment is observed in ICO-backed loans, with an NPL ratio of nearly 6% at September 2022, compared with 3.5% and 0.5% in December 2021 and December 2020, respectively. By contrast, total loans to non-financial corporations and sole proprietors recorded an NPL ratio of 5% in September 2022, following a decline of 0.4 pp since December 2021. For its part, 21.2% of ICO-backed loans were classified as Stage 2 loans in September 2022, 0.9 pp more than in December 2021 (see Chart 4.c). In comparison, the NPL ratio reached 10.4% for business lending as a whole at the end of Q3, a 2 pp decrease since December 2021. It should be noted that the end of most payment holidays for ICO-backed loans during 2022 Q2 may lead to further growth in their problem asset ratios in the future, although to date there is no evidence of this negative effect.[10] The sectors hardest hit by the pandemic continued to record in September 2022 a higher proportion of problem assets, although this sector shared the downward trend observed in other sectors (see Chart 4.c).

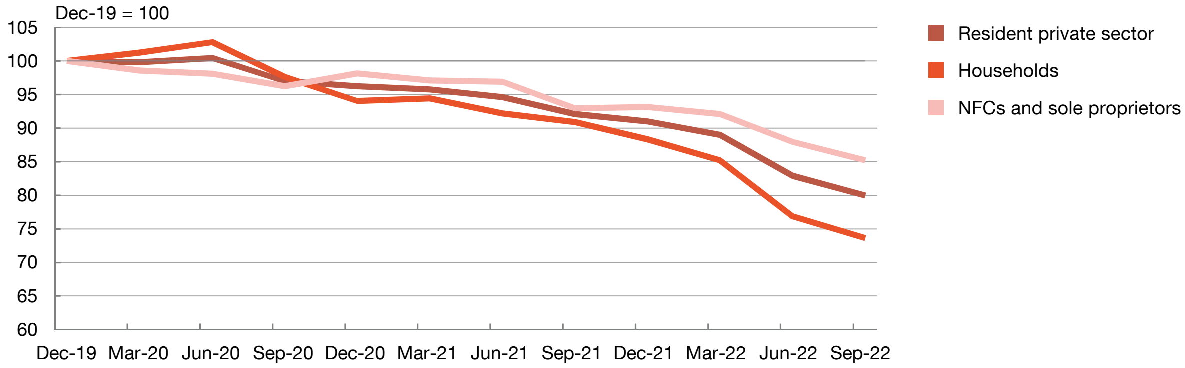
9 Pursuant to Circular 4/2017, a loan is classified as a Stage 2 exposure when credit risk has increased significantly since initial recognition, even though no event of default has occurred.

10 See Box 2.1 of the Banco de España's autumn 2022 Financial Stability Report.

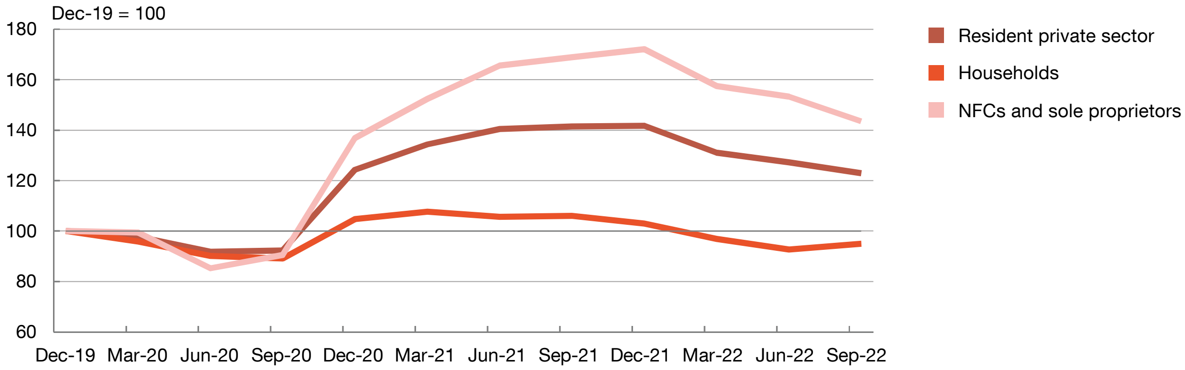
Chart 4

NPLs and Stage 2 loans continued to decline, although the latter still exceed pre-pandemic levels

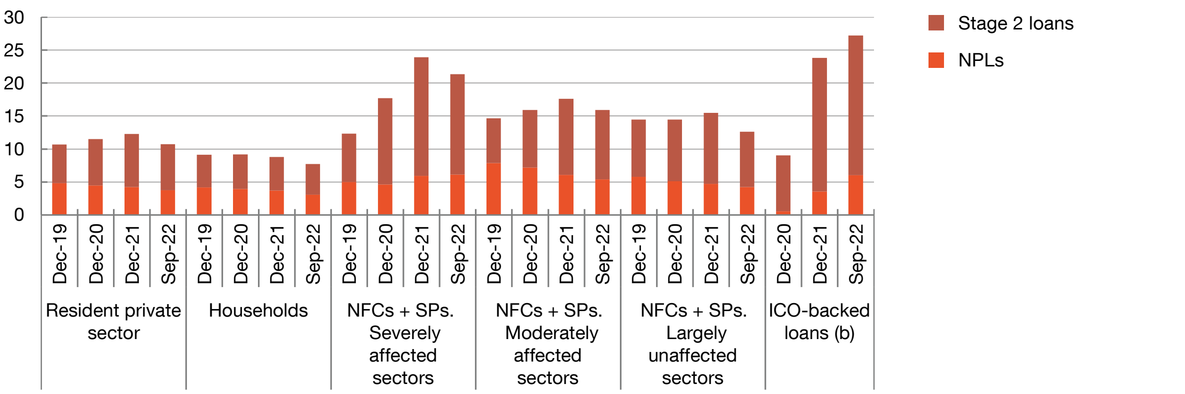
4.a NPLs, resident private sector



4.b Stage 2 loans, resident private sector



4.c Weight of NPLs and Stage 2 loans in total lending (a)



SOURCE: Banco de España.

a Lending to the most severely affected sectors is proxied by that for sectors with a fall in turnover of more than 15% in 2020 and identified in the FI-130 regulatory return. Specifically, the most severely affected sectors include hospitality (accommodation and food service activities), the manufacture of refined petroleum products, social services and entertainment, transport and storage, and the manufacture of transport machinery. Lending to moderately affected sectors is proxied by the following sectors in the FI-130 regulatory return: basic metals, the manufacture of machinery, other manufacturing, professional services, mining and quarrying, wholesale and retail trade, and repair of vehicles. The largely unaffected sectors comprise the group of other productive activities.

b Transaction-level analysis measuring the proportion of ICO-backed loans to firms and sole proprietors (SPs) that fall into the NPL or Stage 2 categories.

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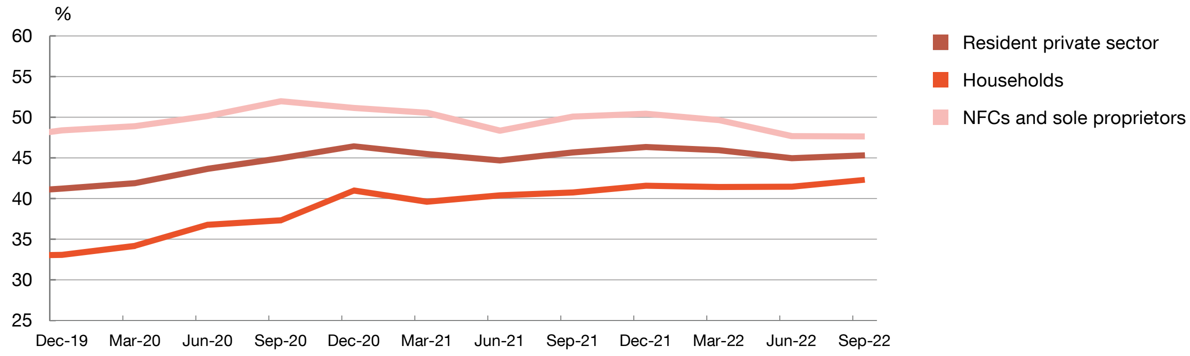
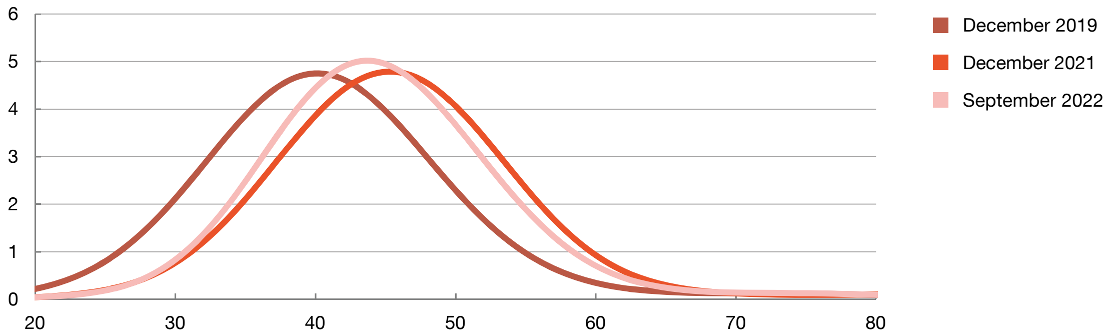
Chart 5
The coverage ratio rose slightly in 2022 Q3, owing to the performance of lending to households

5.a NPL coverage ratio. Resident private sector. Business in Spain. DI



5.b Distribution by bank of the coverage ratio for NPLs to the resident private sector (a). Business in Spain. DI



SOURCE: Banco de España.

a The chart shows the density function of the year-on-year rate of change of lending for house purchase by Spanish deposit institutions, weighted by the amount of lending for this purpose. This density function is approximated by a kernel estimate, which enables a non-parametric estimate to be made and provides a continuous and smoothed graphic representation of that function.

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At the end of 2022 Q3 the NPL ratio for the resident private sector as a whole stood at 3.7%, 0.1 pp less than in June and 0.6 pp less than in 2021 Q3. This decline was a result of the aforementioned fall in the ratio for non-financial corporations, but also of the behaviour of households, where the ratio fell by 0.8 pp year-on-year, to 3%. The weight of Stage 2 loans decreased by 0.2 pp in Q3 (1.1 pp year-on-year), to 7%. This rate rose for households (by 0.2 pp) and fell in business activities (0.7 pp) over the last three months.

Forborne loans, which also tend to be identified with higher risk (50.2% were classified as non-performing in September 2022), also declined in 2022 Q3 (by 3.6%, to €52.6 billion). This entails a year-on-year decrease of 12.4%, especially significant for households (20.2%), but also sizeable for non-financial corporations and sole proprietors (7.3%). These loans grew significantly in 2021 owing to the consequences of the health crisis. However, as mentioned earlier, they have since declined, to stand at September 2022 7.3% below the figure observed at December 2019.

Lastly, the coverage ratio – or ratio of loan loss provisions to NPLs – increased by 0.3 pp for the resident private sector as a whole in 2022 Q3, to stand at 45.3% of non-performing assets (see Chart 5.a). This increase was due to the performance of lending to households, whose coverage rose by 0.8 pp, since the ratio for non-financial corporations and sole proprietors remained steady, decreasing slightly since early 2022, leading to some convergence between the coverage ratios for households and firms, although they remain clearly higher in the latter case. These trends have been observed since the onset of the pandemic. Thus, since December 2019 coverage for households has increased by 9.2 pp and that for firms has decreased by 0.7 pp, ultimately resulting in a 4.1 pp increase for the resident private sector overall. This increase in the coverage ratio since the start of the pandemic, which has slowed in recent quarters, has been observed across the board among financial institutions (see Chart 5.b).

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Box 1
BANK LOANS TO THE ENERGY SECTOR

The rise of geopolitical risks during 2022 had a marked effect on energy markets, which saw sporadic moments of stress at the European level with relevance to financial stability, in particular for the energy derivatives market. Price rises and the high volatility of the energy markets since March 2022 triggered, towards the end of the year, large hikes in margin calls required on these derivatives markets, which in turn caused the liquidity risk to rise for their users, which include energy utilities.[1] In response to this, European banks contributed, within the limits set out in their risk policies, to providing financing to these firms, while various authorities put measures in place to support liquidity to these sectors.[2] Uncertainty still shrouds the impact of geopolitical and economic stress on firms linked to energy generation and distribution, although it will vary depending on their position along the value chain.

In addition, identifying credit exposures to the energy sector is useful for more than just their significance in the current situation. It also provides insight into the structural risks associated with climate change (specifically those linked to the transition to a new energy model). The potential severity of shocks to this sector must be studied in order to assess their importance for financial stability and the banking sector's exposure to them. This box focuses on the second point, looking at the Spanish banking business' credit exposure to different energy sectors and their natures.

First, the impact in Spain of these sectors on bank loans to NFCs and sole proprietors[3] is studied in terms of the drawn amount. As can be seen in Chart 1, their weight as at September 2022 is significant but limited relative to loans made to other economic activities, standing at 7.1% of total loans to business activities at that time.[4] Non-thermal power generation is notable, representing almost half of these exposures.[5] Exposures to non-residents represent a significant share of credit to energy sectors, alone accounting for 2.3% of total bank lending to business activity.[6, 7]

The share of exposures to these sectors grew from 2020 onwards, increasing by 1.7 pp, mainly owing to trends in exposures associated with electricity transportation, distribution and trade.[8] This segment has more than doubled its share of total corporate lending in the last two years, rising from 0.9% to 2.1%. Other energy sectors saw their share remain stable since 2020. Similarly, it can be seen that the drawn balance as a percentage of the total drawn balance plus available balance linked to loans and advances remained virtually unchanged between 2020 and 2022, rising from 82% to 84%. It can also be seen that the share of exposures to energy companies through debt securities (relative to total debt securities plus total loans and advances granted to the sector) remained stable and at a low percentage – around 0.6% between 2020 and 2022.

Chart 2 analyses the credit quality of exposures associated with these energy sectors, for which a slight year-on-year increase in problem assets (NPLs and Stage 2 loans) has been observed up to September 2022. More specifically, the weight of Stage 2 exposures increased by 1.3 pp in the twelve months to September 2022, to 3.5% (vis-à-vis the fall

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1 As firms see their need for liquidity grow, they can draw down further on credit facilities, which can result in increased credit and liquidity risks for the banking sector. O. Furtuna, et al. (2022). "Financial stability risks from energy derivatives markets". ECB Financial Stability Review, November.

2 For example, the United Kingdom (Bloomberg, 2022a) and some Nordic countries, such as Sweden and Finland (Bloomberg, 2022b, and Reuters, 2022a), created public funds (£40 billion for the UK and a combined amount in excess of €30 billion for Sweden and Finland) to bolster the liquidity of the energy firms. More recently, the United Kingdom committed to providing a £4.5 billion facility to help fund the private takeover of the energy firm Bulb, which, as a result of the rise in the price of natural gas, collapsed and was placed under a special administration regime in 2021 (Reuters, 2022b). Similarly, in Germany a €50 billion bailout was agreed for the energy firm Uniper, whose main areas of business are European energy generation, global energy trade and a broad section of the gas industry (Reuters, 2022c).

3 Loans and advances to companies that are linked to the energy industry according to the Spanish National Classification of Economic Activities and can be identified on the Central Credit Register are considered in these analyses.

4 In comparison, the impact of these sectors on gross value added (GVA) is relatively weak. If the GVA at current prices for the sum of all mining and quarrying and supply industries (excluding water) is taken as an upper limit, it reached 3.1% of the economy's total GVA at the reference date (latest data available for 2021).

5 Thermal electricity generation uses the combustion of fossil fuels (gas, oil and coal) to drive a thermodynamic steam cycle. Other ways of generating electricity include nuclear sources and hydroelectric and other renewable sources.

6 In September 2022, non-residents represented 62% of loans for gas generation and distribution, 55% for the manufacture of coke and refined petroleum products, 15% for thermal power generation, 42% for other electricity generation and 44% for electricity transportation, distribution and trade.

7 In September 2022, this sector represented a small percentage (0.7%) of all ICO loans in terms of credit drawn.

8 Within this segment, the business model of electricity retailers that are not vertically integrated faces greater liquidity pressures in an environment of higher electricity wholesale prices, which contributes to their demand for short-term financing.

of 2 pp and the level of 10.4% for loans to business activity as a whole). Non-performing loans increased more moderately – by 0.3 pp – to 1.8% (compared with the decline of 0.5 pp and the level of 5% for loans to business activity). There were widespread increases in the proportion of problem assets for the different energy sub-sectors, except for the gas sector, which remained steady, and electricity transport, distribution and trade, which decreased.[9] Loans to non-residents have a significant weight in problem exposures, accounting for 61% and 52%, respectively, of Stage 2 exposures and NPLs as at September 2022.[10]

The changes in lending conditions applied to new loans to the energy sectors analysed have been examined. To this end, both the interest rate applied at the start of the transaction (the narrowly defined effective rate (NDER)) and the maturity granted at the time of arrangement, have been monitored. The shift in the distribution of the NDER towards lower values in 2021 was interrupted from 2022 Q2, when it rebounded to significantly higher values (see Chart 3). This increase in the interest rates on new loans to energy firms is part of the overall increase observed in new loans to NFCs, prompted by monetary policy tightening. As noted for broader segments, monetary policy is being transmitted to loan rates at a slower pace than that observed for market interest rates. Thus, for instance, the increase in interest rates on loans to the energy sectors has, overall, been lower than the euro swap rates in the corresponding periods.

The analysis of loan maturities also reveals a tightening, as they have declined significantly in the months of 2022 for which there is information. Thus, the median maturity for loans granted over the last 12 months has dropped from 4.1 years in September 2020 to 2.1 years in September 2022.

Chart 1
Weight of exposures to energy sectors as a percentage of total bank lending to non-financial business activity (a) (b)

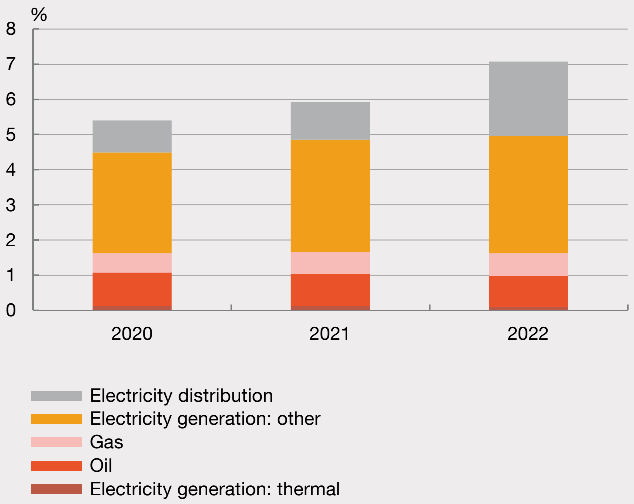
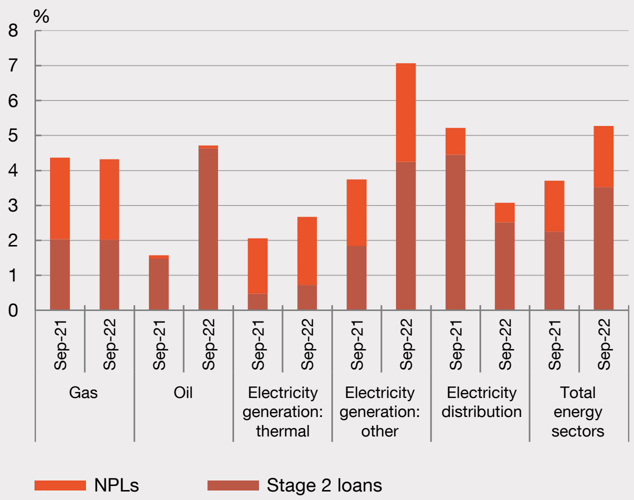


Chart 2
Credit quality of exposures to energy sectors (a) (c)



SOURCE: Banco de España.

a Loans and advances identified in the CCR from deposit institutions to NFCs and sole proprietors' economic activity, considering residents and non-residents, are included. The sectors defined are: (1) Gas: generation and distribution; (2) Oil: manufacture of coke and refined petroleum products; (3) Thermal electricity generation; (4) Other electricity generation: other non-thermal electricity generation; (5) Electricity distribution: transport, distribution and trade. Energy market shocks may also particularly affect other sectors, such as certain segments of the extraction industry whose weight in total bank financing is very low (0.3%) and have been excluded from the analysis.
b The percentages are represented in terms of drawdowns on the outstanding portfolio at each of the dates indicated.
c The percentages are calculated in terms of drawdowns on the outstanding portfolio at each of the observation dates for each of the sectors analysed.

9 In the electricity transport, trade and distribution sector, the NPL and Stage 2 loan ratios improved, although the volume of problem exposures increased in absolute terms. The growth of new originations in this segment in 2022 favours the increase in the denominator and the decrease in the ratios despite the greater volume, in absolute terms, of problem assets.

10 Particularly noteworthy is the weight of non-residents in the energy sectors for certain problem portfolios, specifically in the gas generation and distribution sectors, where non-residents account for 89% of NPL and Stage 2 loan drawdowns, and in the manufacture of coke and refined petroleum products, where 99% of Stage 2 drawdowns relate to non-residents.

In short, the analysis presented in this box shows that bank lending to non-financial corporate activity is not concentrated in the energy sectors relative to productive activities as a whole. However, its weight is significant and has been trending upwards since 2020. Nonetheless, over the past year the credit quality of these exposures has worsened somewhat and their conditions tightened in Q2 and Q3 against the backdrop of a less accommodative monetary policy implementation. For this reason (and also because it is expected that the impact of the energy-related uncertainty on different sub-sectors and firms will be uneven), it is advisable to continue monitoring these exposures on an ongoing and granular basis.

Chart 3
Distribution of the narrowly defined effective rate for loans and advances arranged (a) (b)

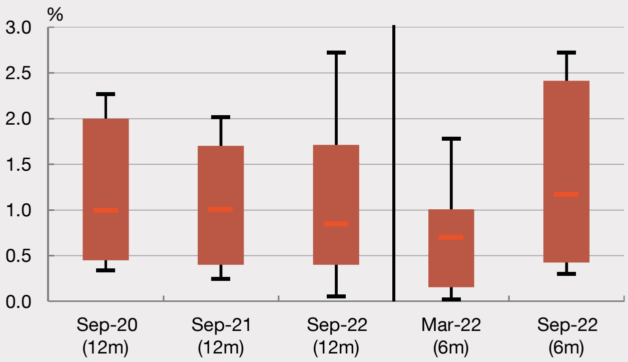
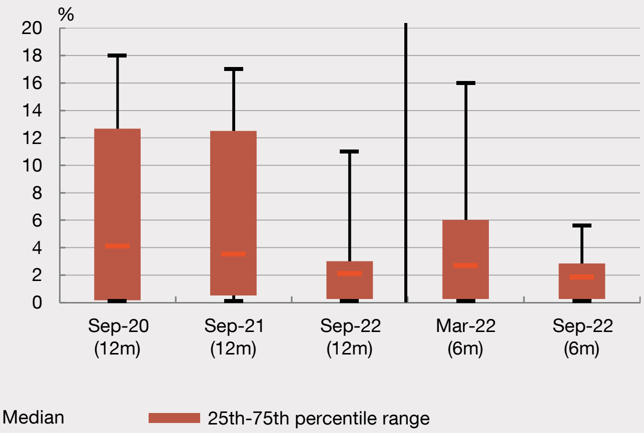


Chart 4
Distribution of maturities in the flow of loans and advances arranged (a) (b) (c)



SOURCE: Banco de España.

a Includes the arrangement of loans and advances from deposit institutions to NFCs and sole proprietors' economic activity, in the periods ending on the date indicated over the period noted within brackets. For example, the period defined as Sep-20 (12m) refers to the period starting on September 2019 and ending on September 2020.
b The distribution is obtained by the weighted sum of the amounts drawn down and available at the time of arrangement.
c The sample used excludes transactions not reporting the maturity date, most of which are transactions which, by their very nature, do not have a maturity date. On the last half-yearly date shown, this set represents a volume of 10.4% of the total drawn down.

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