

**BORROWERS SQUEEZED,
BANKS ENRICHED?**

**HOW THE ECB'S
RATE PATH
RESHAPED EURO-
AREA CREDIT,
HOUSING AND
BANK PROFITS**

10/2026

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What if the ECB's fight against inflation created an unintended redistribution of wealth — from borrowers to banks?

Between 2022 and 2023, the ECB raised its deposit facility rate by 450 basis points, triggering a sharp repricing of credit, a contraction in loan demand and a downturn in euro-area housing markets. Meanwhile, bank profitability surged to record levels. Yet as monetary easing offered relief, mortgage rates proved remarkably resistant to the reversal.

Was this simply the intended transmission of monetary policy—or did asymmetric repricing create a structural advantage for banks at the expense of households and businesses? With renewed rate hikes in 2026, recovering credit growth and persistent mortgage financing costs, the distributional consequences of the ECB's policy cycle deserve closer scrutiny.

This analysis examines the evolving relationship between policy rates, credit conditions, housing valuations and bank profitability—and asks a critical question for investors, policymakers and borrowers alike: when monetary policy changes direction, do the benefits and costs reverse with equal force?

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