

Europe's households after the rate shock: A windfall for some, a squeeze for others

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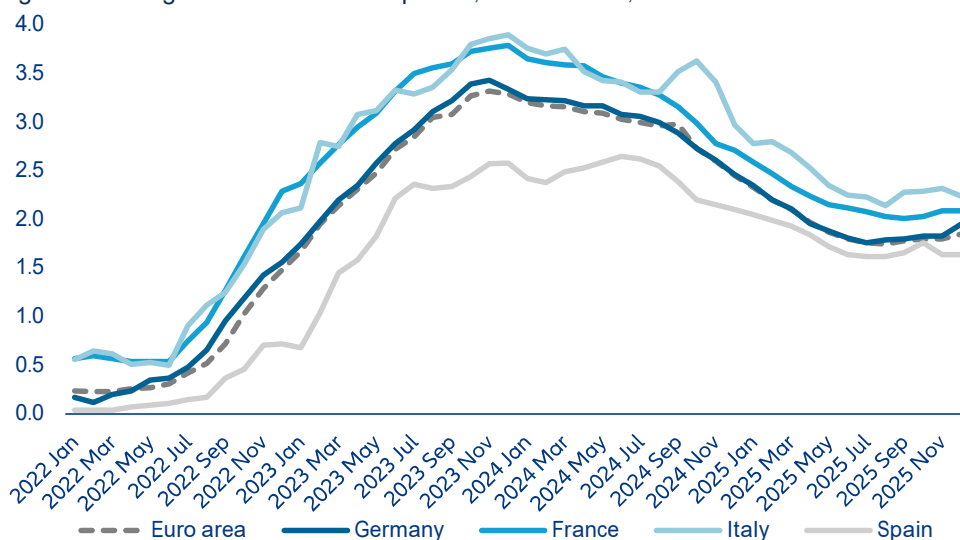
In Summary

- **When the European Central Bank began lifting interest rates in July 2022, it set off a quiet redistribution of wealth across the Eurozone's households.** Higher rates rewarded savers and punished borrowers as deposit rates on new business jumped +301bps to 3.32% by late-2023, faster than lending rates (+258bps). Households reacted swiftly, shifting out of sight deposits into term deposits, whose outstanding volume nearly doubled to almost EUR2trn by end-2024. Yet as the ECB began cutting again in June 2024, the balance of gains and losses started to shift once more.
- **In Germany and France, households were early winners.** Savings flowed into higher-yielding term deposits, lifting interest income. Meanwhile, the dominance of fixed-rate mortgages insulated borrowers from rising costs. As a result, household net interest payments fell sharply, with cumulative savings since mid-2022 reaching EUR28bn in Germany and EUR35bn in France.
- **In Italy and Spain, the story was less cheerful.** The dominance of variable-rate loans left households exposed as borrowing costs surged. Although term deposits also grew, smaller savings pools meant interest gains were modest. The result: Compared to mid-2022 households faced additional net interest payments of EUR15.9bn in Italy and EUR25.3bn in Spain.
- **This divergence will not last.** The ECB's tightening cycle delivered a short-lived windfall for some – and a longer-lasting squeeze for others. In northern Europe, fixed-rate loans will mature and require refinancing at higher rates, while deposit rates are already easing. As a result, in 2026 net interest payments are projected to rise by +24% in Germany and to more than double in France compared to last year, bringing cumulative savings since mid-2022 to just under EUR26bn (EUR310 on average per capita) and around EUR32bn (EUR470 per capita), respectively. In the south, high borrowing costs will linger: Net interest payments will increase further in Italy by +14% and in Spain by +7% bringing cumulative net interest costs since mid-2022 to nearly EUR25bn (EUR420 per capita) and almost EUR34bn (EUR690 per capita), respectively.

The ECB's rate shock rewarded savers before it caught up with borrowers

The ECB's rate pivot in July 2022, to combat increasing inflation led to a significant rise in the interest rates banks applied to loans and deposits. Across the Eurozone, deposit rates on new business with private households increased by an average of 301bps between end-June 2022 and their peak in November 2023 (3.32%). Between June 2024 and June 2025, the ECB lowered its deposit rate to 2.00% and maintained this level. As a result, average deposit rates on new business for private households in the Eurozone declined to 1.85% on average in December 2025 (see Figure 1).

Figure 1: Average interest rates on deposits*, new business, in %



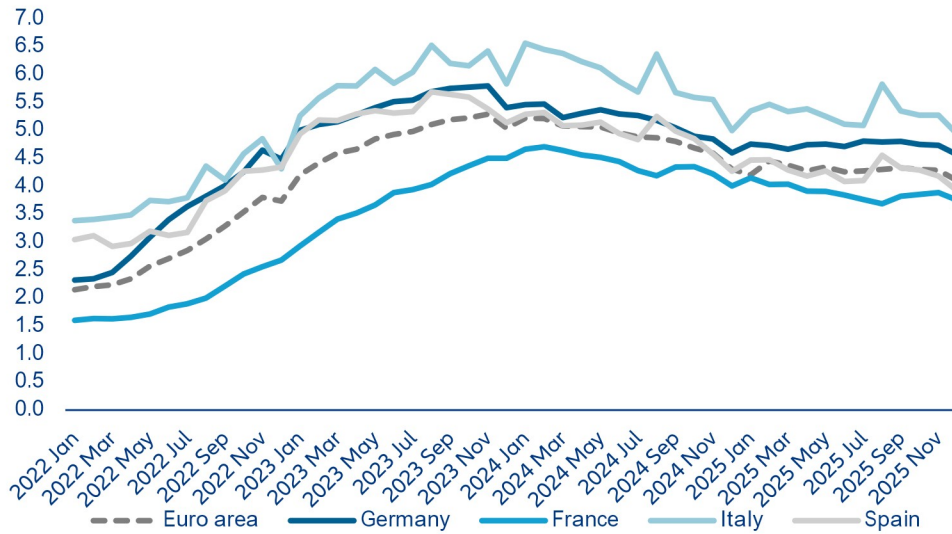
*Deposits with agreed maturity.

Sources: ECB, Allianz Research.

Private households across the Eurozone took advantage of the initial rise in interest rates by switching from non-interest-bearing sight deposits into deposits with an agreed maturity. Consequently, since end-June 2022, the share of overnight deposits in total bank deposits has fallen by 6.2pps on average to 55.6%, while the share of deposits with agreed maturity has increased from 11.6% to 19.0%. In absolute terms, the outstanding amount of these deposits almost doubled reaching a record high of almost EUR2trn (or EUR5,600 on average per capita) in December 2024. However, as interest rates on new business declined, particularly in the last quarter of 2024, there has been a slight shift back towards overnight deposits. By end-2025, total outstanding bank deposits in the Eurozone stood at almost EUR9.8trn, equivalent to an average of EUR27,900 per capita, an increase of +9.5% since June 2022.

Because of the longer maturity of loans, the rise in interest rates was transmitted less strongly to lending rates (+258bps) compared to deposit rates (+301bps) (see Figure 2). Nevertheless, the increase was sufficient to weigh on credit growth. Between January and April 2024, the average annual rate of change in outstanding loans turned negative in nominal terms, implying that repayments exceeded new borrowing. Subsequent rate cuts were likewise passed through less strongly to lending than to deposit rates, with the exception of Spain. Compared with November 2023, the weighted average lending rate on new business in the Eurozone fell by 119bps to 4.10% by December 2025, compared with a decline of 147bps on the deposits side. But this moderation proved enough to revive credit demand: Credit growth accelerated to 2.4% (y/y) in December 2025. Outstanding loans in the Eurozone amounted to nearly EUR6.9trn (EUR19,540 on average per capita), 4.6% higher than in June 2022.

Figure 2: Weighted average interest rates on loans*, new business, in %



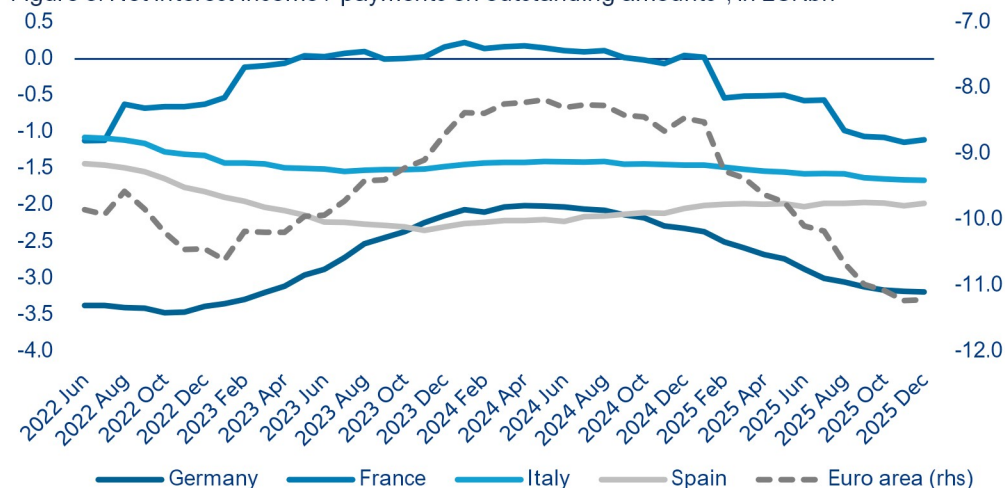
*Lending for house purchase, credit for consumption, other lending.
Sources: ECB, Allianz Research.

Winners and losers: Germany and France gained, Italy and Spain paid

Households in the four largest economies have felt the end of the zero-interest-environment in different ways: **In Germany and France, net interest payments have declined markedly** (see Figure 3). In Germany, net interest expenses amounted to EUR3.4bn in June 2022. They fell to a historical low of EUR2.0bn in April 2025 before rising again to EUR3.2bn by the end of the year – still well below the average of the past two decades (EUR3.7bn). In France, net interest expenses have been even lower, partly reflecting narrower bank margins. From February 2023 onwards, they hovered around zero and occasionally turned positive, before returning to a net expense of EUR1.1bn in December 2025, broadly similar to the level seen in June 2022. Relative to June 2022, cumulative monthly interest savings amount to around EUR28bn in Germany (EUR340 on average per capita) and EUR35bn (around EUR510 on average per capita) in France.

The picture differs in Italy and Spain, where the net interest burden has increased. Spanish households paid EUR1.4bn in net interest in June 2022. By November 2023, this figure had risen to EUR2.3bn and, despite some easing thereafter, still stood at EUR2.0bn at end-2025. In Italy, net interest payments increased from EUR1.1bn in June 2022 to EUR1.7bn in December 2025. Since June 2022, the cumulative additional interest burden amounts to EUR15.9bn (EUR260 on average per capita) in Italy and EUR25.3bn (EUR520 on average per capita) in Spain.

Figure 3: Net interest income / payments on outstanding amounts*, in EURbn



*Deposits: overnight deposits, deposits with agreed maturity, deposits redeemable at notice; loans: lending for house purchase, credit for consumption, other lending.

Sources: ECB, Allianz Research.

The gains for German households are mainly due to agile savers flocking to attractive offers en masse.

Outstanding deposits with agreed maturity rose by almost EUR420bn (+161%) compared with June 2022, equating to around EUR5,000 on average per capita, and their share of total deposits more than doubled to almost 23%. In France, however, the shift away from sight deposits towards higher-yielding deposits with an agreed maturity was less pronounced (+12%) partly because overnight deposits play a much smaller role in France to begin with. In June 2022, for example, less than 36% of all deposits were held in overnight deposits, compared to 69% in Germany, 73% in Italy and 93% in Spain. French households instead rely more heavily on regulated savings products such as the Livret A, which offer competitive tax-free returns up to a savings ceiling. These instruments help explain why total interest income in France exceeds that in other countries despite a smaller deposit base. Both Germany and France also benefit from a low share of variable-rate lending. At end-2025, variable-rate loans accounted for only 3.1% of new loans in France and 11.6% in Germany, broadly in line with long-term averages. In Italy and Spain, by contrast, variable-rate lending has historically been much more prevalent, with averages of 28.8% and 31.7% respectively between 2015 and 2025, although these shares have fallen sharply more recently.

At the same time, Italian and Spanish households benefited less on the asset side. Although deposits with agreed maturity (more than) doubled since June 2022 (+97% in Italy and +136% in Spain), the absolute increases remain modest: around EUR710 on average per capita in Italy and EUR1,950 in Spain. By December 2025, these deposits accounted for only 7% of total deposits in Italy and 15% in Spain. Moreover, deposit rates in Spain increased by only 246bps to November 2023, well below the Eurozone average.

The temporary windfall for savers is now coming to an end

Looking ahead, households in Spain and Italy are set to face a further rise in interest burdens. In 2026, we expect total net interest payments for Spanish households to increase by almost +7% compared with 2025, reaching more than EUR25bn. In Italy, the rise is likely to be even steeper at around +14%, bringing total net interest payments to an estimated EUR22bn. As a result, the cumulative additional interest burden since June 2022 is projected to increase further to EUR33.5bn in Spain and EUR24.5 in Italy by the end of 2026 (see Table 1).

Households in Germany and France are also likely to come under growing pressure. Fixed-rate loans will gradually be refinanced at higher interest rates; interest rates on new housing loans, for example – which account for nearly 80% of the total value of outstanding loans in the Eurozone – have stabilized at a comparatively high level and are expected to feel a slight upward pressure over the course of the year. At the same time, deposit rates continue to decline in line with ECB policy. Against this backdrop, we anticipate a noticeable increase in net interest payments in both countries. Over the course of the year, monthly net interest expenses for German and French households are expected to exceed the levels observed in mid-2022. In total, net interest payments in

Germany are expected to rise by +24% compared with 2025, reaching nearly EUR43bn, while in France they are projected to almost double to just over EUR16bn. Slowly but surely, the accumulated gains from previously lower interest expenses will melt away – in Germany they are estimated to come in at EUR25.9bn and in France at EUR32.1bn by the end of 2026. Overall, the phase in which differing adjustment speeds on the asset and liability sides generated windfall gains is drawing to a close.

Table 1: Net interest income / payments on outstanding amounts*, in EURbn

	Net interest expenses		Cumulative additional interest savings / burden			
	2025 in EURbn	2026f in EURbn	Jun2022-Dec2025 in EURbn	in EUR, per capita	Jun2022-Dec2026f in EURbn	in EUR, per capita
France	-8.5	-16.3	35.0	510	32.1	470
Germany	-34.4	-42.6	28.1	340	25.9	310
Italy	-18.8	-21.5	-15.9	-270	-24.5	-420
Spain	-23.8	-25.4	-25.3	-520	-33.5	-690

Sources: ECB, Allianz Research.

These assessments are, as always, subject to the disclaimer provided below.

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