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Answer given by Ms Albuquerque
on behalf of the European Commission
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Available evidence suggests that EU private credit (PC) markets do not pose immediate financial stability risks, while exposure to US PC markets needs to be monitored. The Commission is working with the European Supervisory Authorities (ESAs), European Systemic Risk Board (ESRB) and European Central Bank (ECB) to improve our understanding of the characteristics of PC markets, identify potential data gaps and enhance granular risk monitoring. This is essential to monitor interconnections and concentration and to properly assess leverage and valuation practices.

Private Credit enhances financial diversification and stability by increasingly becoming a source of funding for the economy in the EU. Non-bank credit to non-financial corporations (NFCs) reached 21% of total credit in the EU¹. Euro area (EA) NFCs receive around 70% of PC funding from non-EA PC funds². PC investments are limited to roughly 6% of EU alternative investment funds' assets under management, based on preliminary evidence (upper-bound estimate).

In a scenario of a shock originating from non-EU PC markets, impacts would vary across the EU financial system. Potential direct losses would be limited for EA banks, given limited direct exposures. Second-round market valuation effects could be larger. They could especially affect certain insurers due to concentrated and less senior private credit and equity exposures, and pension funds, though the latter have less exposure to PC and more equity holdings³. Notwithstanding those risks and noting this may differ at the individual level, EU banks, insurance companies and pension funds on aggregate are well positioned to absorb a severe shock⁴.

¹ 2025 ESRB Non-bank Financial Intermediation (NBFI) Monitor.

² ECB Financial Stability Review May 2026.

³ European Insurance and Occupational Pensions Authority (EIOPA) Financial Stability Report December 2025.

⁴ ECB Financial Stability Review May 2026.