

Eurozone loan growth disappoints in April

Loan growth to businesses and households has plateaued over recent months. With M1 edging down, monetary developments confirm the Eurozone economic outlook to be more modest



Outlook for business

Lending growth has plateaued in 2018 as loans to non-financial corporations adjusted for loan sales and securitisations was stuck at 3.3% annual growth. The January reading was 3.4% and loan growth has been more or less stable since. After a surge in lending in 2017, this means that the tailwind for the investment environment has been fading. This stands in contrast to the earlier published bank lending survey, which suggested continued increasing demand for lending and easing credit standards from banks. With capacity utilisation at high levels, stronger demand for lending seems logical, but with uncertainty returning to the Eurozone economy, it looks like businesses are postponing investment decisions to a certain degree.

Outlook for households

Lending to households has been stuck at growth rates of around 3% since December last year. The outlook for consumption continues to be supported by improving credit for consumption growth,

7.6% annual growth compared to 7.1% in March. Lending growth for house purchases has declined though, back to 2.9%.

Return of euro risk

The broad monetary aggregate grew by 3.9% in April, up from 3.7%, but the more narrow aggregate M1 fell again from 7.5% to 7%. This is considered to be a better leading indicator of the economy and adds to the clouding of the Eurozone economic outlook. Political tensions will add to this over the coming months, as the Italian political situation marks the return of euro risk. With likely new elections looming over Italy in the months ahead, possibly even as an implicit euro-referendum, uncertainty will weigh on the Eurozone economy over the summer months.

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