Bank lending survey strengthens ECB's 'lower for longer' plan

This means the first few paragraphs of Draghi's speech on Thursday should not be too difficult to write

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The arguments for ECB's tapering announcement timing seem pretty solid. The economy is performing well, the first signs of pipeline inflation pressures are beginning to show, and credit conditions continue to improve.

One strong argument for ECB's tapering plans is that the bank lending survey indicates QE has helped to ease credit conditions and negative rates have had a positive impact on the volumes of lending in the Eurozone. This provides supporting arguments for the ECB to continue QE for a longer period and keep the current sequencing message, the fact that rates will remain at present levels beyond the end of the QE horizon.

Credit standards for enterprises tightened marginally, which was mainly due to Spain and Italy while they eased in Germany. While conditions may have remained broadly unchanged for the Eurozone as a whole, actual loan contracts showed banks eased conditions to enterprises in the third quarter.

Demand for loans to enterprises increased in the third quarter, mainly because of low-interest rates and the demand for fixed investments. With credit conditions and demand for households also improving, this bodes well for GDP growth in the quarters ahead and adds to the picture of healthy Eurozone growth for the end of 2017.

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