

Snap | 24 October 2017

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



Source: Shutterstock

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.

Author

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.