

## ECB bank lending survey confirms sluggish investment environment ahead of meeting

The bank lending survey for the fourth quarter was a mixed bag. Credit standards for businesses tightened as concerns about global risks increase, but loan demand is still cautiously expanding. All in all, the moves are too small to expect a meaningful pickup in investment in the months ahead



ECB President Christine Lagarde

In the final quarter of 2024, the ECB bank lending survey reported promising signs of investment growth, with credit standards remaining stable after a prolonged period of tightening. Loan demand also improved somewhat for the first time since Q3 2022. This quarter, the ECB reports that concerns about risks in the global economy have increased among banks, which results in credit standards for businesses being tightened again. Banks did see continued cautious increases in loan demand from businesses according to the survey.

For mortgages, credit standards remained unchanged but demand continued to improve strongly. This means that the housing market, which had already shown signs of quick recovery, is expected

to recover further even though longer-term yields have increased since November.

For the ECB, it must be frustrating that recent cuts are not yet resulting in meaningful monetary easing through the lending channel. At the same time, current levels of interest rates are widely considered to still be restrictive and the ECB wants to move to neutral relatively quickly. With more easing to come, the ECB will expect further improvements in the lending channel to come through.

So far, the small improvements in loan demand will not yet translate into much stronger investment growth. Movements are too small for that, and current investment conditions are not too attractive. Low capacity utilisation rates in manufacturing and economic uncertainty therefore continue to weigh on the short-term investment potential in the eurozone.

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