

## ECB bank lending survey shows no immediate lending pickup

The bank lending survey for the eurozone shows continued muddling through, with credit standards easing slowly but demand for loans remaining slow. This means that investment is set to remain subdued in the months ahead and shows that tight monetary policy is still having a restrictive effect



View of the ECB Tower in Frankfurt am Main, Germany

The April bank lending survey shows that bank lending is set to continue to flatline in the current weak economy with high rates. Last quarter's survey showed a marked improvement in expectations of loan demand, which did not really materialise. The first quarter outcomes show that net loan demand remained negative, with low demand for fixed investment and high interest rates as the main drivers. The expectations for the second quarter have also moderated a bit, indicating that the bank lending environment is set to remain very subdued in the months ahead.

Credit standards continue to ease slowly, with large differences visible between the main countries. In Germany, standards have eased only slightly in recent quarters, while in France and Italy, the moves have been more notable.

Recently, it has become clear that the impact of the recent record rate hikes from the European

Central Bank has already faded when looking at the bank lending channel. The small declines in lending that were seen mid-2023 have been followed by a cautious recovery for both households and non-financial corporates. This indicates that the biggest impact of rate hikes on lending are behind us. Today's bank lending survey shows that there is no quick recovery in the making either, though. For the ECB, this means that easing rates will be relevant for an investment recovery in the second half of the year.

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