

## ECB bank lending survey shows no imminent private investment surge

Tighter credit conditions for businesses and stagnant demand for loans related to fixed investment indicate that the expected improvement in eurozone investment is still primarily driven by public spending



The ECB bank lending survey for the fourth quarter of 2025 suggests that continued moderate growth in bank lending is in the making despite a somewhat improving economic outlook for firms in both manufacturing and services. Banks tightened credit standards, which was in part due to the trade war and related uncertainty. This also worked the other way, as demand for loans by firms was also lower because of it.

Clearly, the global trade environment continues to negatively impact economic activity, although the drag is not strong enough to bring the eurozone close to recession either.

Loan demand by firms did increase somewhat, but mainly because of working capital and inventory needs. The sluggish demand for fixed investment loans suggests that any pickup in investment in the short run is likely to come more through public spending plans.

Demand for housing loans continues to increase for the moment, while low consumer confidence is reducing demand for consumer credit. At the same time, credit standards for mortgages eased slightly. This indicates that bank lending to households has more potential for acceleration in the short run.

For the ECB, today's data doesn't reveal a particularly strong direction for where the transmission of monetary policy to lending is headed. A neutral interest rate seems to be met by a neutral lending response. So once again, another good reason for the ECB to stay put when it comes to its rate decision on Thursday.

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