

## Eurozone bank lending continues to cautiously recover

The European Central Bank is on the verge of starting rate cuts and monetary developments are proving no hurdle to doing so. March data shows a subdued recovery in bank lending and money growth. With inflation expectations falling further, today's data is in line with a start to cautious rate cuts



The worst impact of rate hikes on bank lending is behind us. Financial conditions already eased somewhat in anticipation of possible future rate cuts, which has helped bank lending growth to turn slightly positive again in recent months. This is the case for both households and businesses. Still, the current pace of lending translates into a lacklustre investment outlook, making the case for cautious rate cuts from the ECB to allow the economy some breathing space for the quarters ahead.

Bank lending to non-financial corporates increased from 0.3% to 0.4% growth year-on-year, while household borrowing dipped from 0.3 to 0.2%. Overall, there was a slight acceleration in the pace of borrowing by the private sector.

Money growth (M3) picked up notably, from 0.4 to 0.9% year-on-year. The increase in money is

mainly coming from net external assets growing, due to the rapidly increasing eurozone trade surplus as energy prices have abated. Money growth still stands well below the growth rates of above 5% year-on-year seen in the period before the ECB started to hike though.

The ECB also released data on consumer expectations of inflation today, indicating that expectations for the coming 12 months have fallen further. All in all, today's data will not be a game-changer for the ECB, allowing a first cut at the next meeting.

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