

## Eurozone: bank lending growth declined at the start of the year

Decreasing bank lending growth indicates that the outlook for investment remains subdued amid high economic uncertainty at the start of the year



Annual growth in adjusted bank lending to the private sector declined from 4.7 to 4.5% in January. The annual numbers are very inflated due to the surge in emergency liquidity lending at the start of the first wave of the coronavirus, looking at month-on-month increases, the numbers are even smaller. Non-financial businesses saw borrowing grow by €4.3bn, down from €14.2bn in December. Households also borrowed less at €15.1bn in January, down from €19.4bn in December.

The subdued lending environment stands in contrast to the surging money growth figures presented over recent months. The increase in M3 fell back to levels close to 2019 readings, but after another very high reading in December, the annual growth rate only accelerated to from 12.4 to 12.5% in January. Given the weakness in bank lending, we can conclude that the increase in broad money is not yet resulting in stronger lending figures for the moment.

The economic outlook remains very uncertain for a sustained pickup in business lending to occur. This also means that the eurozone investment recovery continues to face headwinds in the short-

run.

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