

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.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.