

## Eurozone bank lending growth was steady before the war

Steady growth in bank lending in February says little about current developments, as the war in the Middle East is already resulting in tighter financial conditions. This puts downward pressure on our expectations for investment growth in 2026



In February, monetary developments were relatively steady according to the ECB. Bank lending to non-financial corporates ticked up, from 2.8% annual growth in January to 2.9% in February. For households, year-on-year growth remained at 3%. 2025 saw an acceleration in bank lending growth, but this has slowed towards the end of the year, and currently it looks like bank lending growth has plateaued a bit around the 3% level.

But the February data is backwards-looking. Since then, the war in the Middle East has upended the global economy. Bank lending conditions have changed, even though the conflict only started a month ago. With yields having increased significantly across the curve, this has made financial conditions less attractive. And with concerns about the economic impact of the conflict rising, borrowing for investment purposes could be dampened by the conflict.

At the same time, though, supply chain disruptions could increase the need for working capital,

which could increase borrowing temporarily, as we saw in 2022. So, while the conditions for investment are weakening for now, lending could see a temporary acceleration. After the steady environment that today's data release from the ECB depicts, conditions have clearly been changing thanks to the war. For eurozone investment, risks to the downside have clearly become more prominent.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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