

Eurozone bank lending growth still modest as economic uncertainty persists

Bank lending to the eurozone private sector remained unchanged in September; the pace remains modest. This doesn't provide much direction on monetary transmission, which so far doesn't seem to be hindered by large macro uncertainty



Despite a slow-growing economy and uncertainty around the medium-term outlook, bank lending growth has steadily continued to improve. The September data shows that private sector borrowing growth stabilised at 2.8% year-on-year, the same as in August. Loans to households increased from 2.5 to 2.6%, while loans to non-financial corporates dropped from 3 to 2.9%.

Overall, these growth rates are historically modest, still below those seen, for example, in the period 2017-2019. The acceleration since early 2024 has been relatively quick, though, as interest rates started to fall again. Today's data points to a slowing of the growth rate, but it's quite early to draw real conclusions from these numbers.

At the same time, money growth is easing further. In recent months, broad money growth (M3) has been on the decline again, as net external assets – an important source of M3 growth – have contributed less to it. This is correlated with a lower trade surplus and with export growth still under global pressure; that trend could well last a while longer.

Today's monetary developments don't give much direction for the ECB at Thursday's governing

council meeting. So yet another reason for the ECB to keep its powder dry. The coming months should give more direction on where the economy and monetary conditions are headed, which means that the December meeting should be more exciting.

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