

## Eurozone bank lending improves as corporates pick up the pace

The strongest growth in business borrowing since March is a boon for the investment growth outlook this winter. Mixed signals from money growth can probably be ignored, as they say little about growth expectations in the months ahead



After months of rather lacklustre borrowing from the non-financial corporate sector, corporates have now picked up the pace. Monthly growth in borrowing has trended cautiously upwards with monthly loans growing from 0.4 to 0.5% in October, while adjusted year-on-year rates jumped from 2.1 to 2.5%. This is a boon for business investment, which benefits from increased lending. This was to be expected as a better than expected economy, increased capacity utilisation and very low interest rates provide a favourable lending environment.

Households saw a small increase in borrowing rates as well in October, but the profile over the past few months has been rather stable with annual rates around 4.1%. Credit for consumption slightly increased while the growth rate for mortgages continues to trend down cautiously.

Broad money growth (M3) also saw a jump in November - from 7.5 to 7.7% YoY - but the more narrow estimate, M1, ticked down as overnight deposit growth dropped somewhat. These

indicators have been heavily influenced by swings in ECB asset purchases, muddying the picture for the outlook somewhat. More relevant now would just be to follow how the ECB intends to taper over the course of 2022.

All in all, these monetary developments show some improvement in borrowing, which will favourably impact investment in an economy that has been closing the output gap quickly. The fourth wave of the virus puts some of that positive momentum at risk, but the trend at the start of the fourth quarter was still quite positive.

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