

Snap | 25 June 2021

Eurozone bank lending remains subdued after the peak in March

Annual comparisons for both money growth and bank lending in the Eurozone are distorted by strong base effects, but recent developments provide little guidance for the economic recovery ahead



Source: Shutterstock

Declining annual growth rates for broad money growth - M3 and bank lending are driven mainly by base effects from last year.

There have been substantial drops in M3 growth from 9.2 to 8.4% in May, with bank lending growth dropping from 7.7 to 6.7%. This is all due to the large jumps in monetary support and emergency liquidity borrowing seen during the first wave of the pandemic.

Therefore, the monthly flows are much more relevant at the moment, which show modest relevance for the economic outlook.

Let's start with M3, which increased by 0.5% month-on-month in May. This is up from 0.2% in April and comparable to the pre-pandemic range seen in 2015-2019. This shows modest money growth after a year of strong expansion.

Bank lending growth has seen month-on-month increasing declines after a jump in March due to the TLTRO benchmark lending deadline. April was already weaker than March and May followed that trend with a growth of -0.2% compared to April. Bank lending to households remains very stable as it dropped from 0.4 to 0.3% month-on-month.

Overall, monetary developments remain relatively stable despite plunging headline figures due to base effects. The appetite for lending among businesses remains lukewarm at the moment, despite financial conditions remaining very loose and economic prospects dramatically improving.

This means the strong outlook for economic recovery is not getting much extra oomph from the lending side.

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 www.ing.com.