

Snap | 25 October 2023

## Eurozone bank lending remained weak in September

Bank lending maintained its trend of stagnation in September, confirming the view that the impact of higher rates on the economy has been significant. For the ECB, this is a sign that policy is working. On the back of weak economic and lending data, tomorrow's meeting will likely see more dovish impulses



For the European Central Bank, today's data confirms that the worst impact of higher rates on bank lending and money growth seems to be over

The year-on-year growth rates for bank lending in the eurozone looked dismal for September, with a decline from 0.7% to 0.2% for non-financial corporates and from 1.0% to 0.8% for households. A lot of this results from base effects though, as borrowing was still quite strong in September 2022. Month-on-month numbers have shown a roughly stagnant picture since the fourth quarter of last year, and September 2023 was no exception here.

There are no signs of a fast downturn in borrowing like we saw in 2008 for example, but the current borrowing environment has already driven down housing investments and is slowing other investments too at the moment. This is a clear sign that monetary policy is having its desired effect.

The European Central Bank (ECB) bank lending survey for the third quarter that was released yesterday showed that loan demand was weaker than expected and credit standards were tighter than expected. Expectations for the current quarter are showing that loan demand continues to weaken, which means that we can expect the current downward trend in loans to continue for the coming months.

For the ECB, this all but confirms that it is an excellent time to pause. The biggest impact from higher interest rates is expected – by the ECB itself – only to occur early next year and the economy has already slowed markedly. A recession is a clear risk at this point and inflation is moving in the right direction. There is no certainty around where inflation will land, but after more than a year of continuous rate hikes, it looks like it's time for the ECB to take a breather and see how recent hikes will affect an economy already weakening significantly.

## Author

### Bert Colijn

Chief Economist, Netherlands

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