

## Eurozone bank lending shows continued strength in the housing market

Consumers continue to borrow more for house purchases, while business borrowing remains underwhelming confirming the economic outlook will be mainly fuelled by consumer demand



Source: Shutterstock

In July, Eurozone private sector borrowing growth was steady at 3% and mainly driven by weaker corporate sector borrowing and strengthening household borrowing.

The weakness in corporate sector borrowing reflects the ample liquidity still held by businesses but also shows some reluctance to borrow for investment. The ECB bank lending survey had indicated an increasing appetite for borrowing for investment purposes, but we're only seeing weak evidence for that at the moment despite economic activity rebounding and businesses returning to historically high levels of capacity utilisation.

Borrowing for mortgages remains the strongest contributor to private sector borrowing.

It slightly increased from last month's annual rate and at 5.7% stands at the highest rate seen since 2008. In a market with rapidly rising prices, this sounds quite dramatic but keep in mind that this is still well below growth rates for mortgage borrowing seen in the 1999-2007 period. Back

then, annual growth in mortgage borrowing averaged 9.5%, compared to which current borrowing is still modest.

For the economic outlook, higher borrowing for house purchases is a sign of continued strength in housing market activity, which relates to further consumer demand growth for the quarters ahead.

Money growth dropped from 8.3 to 7.6%, which is mainly reflecting slower year-on-year growth in asset purchases by the ECB. This makes the movements in M3 less relevant for the economic outlook at the moment as this troubles the relation with GDP growth as has been the case for quite some time already.

## 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).