

Snap | 27 October 2020

## Eurozone: Bank lending stable in September

Eurozone money growth jumped in September, but don't expect that to result in a much improved outlook. Bank lending shows stabilisation, indicating that demand for investment-related borrowing remains weak amidst Covid-19 uncertainty



Source: istock

Annual growth in broad money supply (M3) increased from 9.5 to 10.4% in September, mainly as a result of changes in general government credit and deposits.

Even though the more narrow monetary aggregate M1 also increased from 13.2 to 13.8%, it isn't something to get excited about. Usually, a decent leading indicator of the eurozone economy, the impact of Covid-19 and its related effects have made it a somewhat less useful indicator to gauge GDP growth in the months ahead.

More relevant is the impact of bank lending on the economy. There, we see very subdued lending to both non-financial corporates and households. While the annual growth rate of corporate lending is still high thanks to high liquidity demand in the first wave, monthly net lending was negative for the first time since September last year. Household borrowing growth ticked up

slightly, from 3% to 3.1% YoY.

With new restrictive measures put in place that are having negative income effects on certain businesses, the need for emergency liquidity will probably rise again in the fourth quarter. For now, that effect is likely to be marginal, but more restrictive measures taken later in the quarter cannot be ruled out thanks to cases rising. That could lead to another cautious rise in bank lending, although we expect this to be a far smaller effect than what we saw in March.

For the economy, it is most relevant that investment-related lending is unlikely to pick up anytime soon. Liquidity related volatility, therefore, muddies the waters, but given the huge amounts of uncertainty at the moment, it is unlikely that a sustainable pickup in investment-related business lending will happen anytime soon.

## 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 <http://www.ing.com>.