

Snap | 27 September 2023

## Eurozone bank lending still under pressure from higher rates

Bank lending to businesses in the eurozone dropped sharply in August while household borrowing ticked up slightly. Overall, higher rates and weak economic activity will dampen investment in the quarters ahead, keeping economic activity sluggish at best



After months of declining bank lending to corporates at the end of last year, things broadly stabilised between January and July. August, however, saw a sharp drop in bank lending with growth of -0.4% on a month-on-month seasonally adjusted basis. That introduces an element of uncertainty around the pace of monetary transmission for the European Central Bank, which will be relieved to have another month of bank lending data a day before its October rate-setting meeting. If this trend continues, then monetary transmission has picked up considerably again.

Overall, it looks like the weak economic outlook and higher rates will put a lid on business investment in the coming quarters.

Household borrowing actually ticked up in August, with growth of 0.1% month-on-month after three months of small declines. Overall though, household borrowing – which is predominantly for mortgages – remains more or less stable at the moment, which is a significant slowdown when compared to the months before the rate hikes started.

This is not good news for the eurozone economy, which is already stagnating and showing increasing signs of weakness. We expect broad sluggishness to continue as a result of the impact of restrictive monetary policy on the economy. We expect this to happen over the coming quarters, adding to a very weak economic outlook through early 2024.

## Author

### Bert Colijn

Senior Economist, Eurozone

[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>.