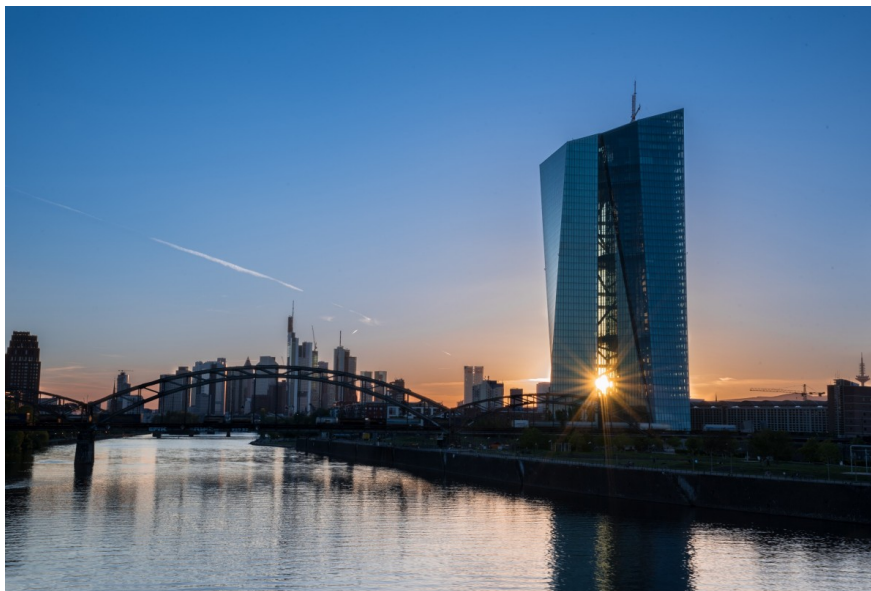


Eurozone bank lending survey confirms bleak outlook for investment

The bank lending survey shows tightening credit standards and lower demand for borrowing from both households and businesses. This confirms our view of a sluggish economy for most of 2023 and is a clear sign to the ECB that rate hikes are having a substantial impact already



European Central Bank building in Frankfurt, Germany

The quarterly bank lending survey released last October indicated weak borrowing ahead and today's January release is flashing red. For the ECB, it shows that the most important channels for monetary transmission are working (it also raises the question of whether the ECB is hiking rates too aggressively given the usual delay in monetary transmission to the economy).

The survey indicates that both credit standards from banks are tightening and demand for loans is declining. Both of these moves indicate weaker borrowing ahead and therefore investment. Banks indicated that investment plans are having a negative impact on demand for business borrowing at the moment, while working capital needs still contribute positively as supply chain problems fade.

For households, the ECB reported the sharpest decline in mortgage demand on record. The survey

suggests that this is mainly because of higher interest rates, low confidence in the economy, and weakening housing market expectations. This confirms our view that the steady decline in house prices is set to continue at the start of the year.

For the ECB, the decline in bank lending for December and the bank lending survey for January together indicate that we see transmission at work now, months ahead of its expected peak in the policy rate. For the doves on the governing council, this will be a key argument to keep further rate hikes limited from here on, while hawks will focus on stubbornly high core inflation. For Thursday [we expect](#) a 50 basis point hike.

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.