

Snap | 15 October 2024

Eurozone bank lending survey shows cautious improvements in lending climate

Demand for loans has improved among both households and corporates, while credit standards have stopped tightening after two years. This indicates that monetary easing – and the prospect of more easing to come – is resulting in cautiously improving investment expectations



We expect the ECB to lower interest rates again this week

The aggressive monetary tightening of recent years has not missed its effect. The lending channel has been severely affected as bank lending growth dropped quickly to around 0% – a level associated with recession. For now, we have seen only small improvements in household and corporate borrowing as high interest rates continue to deter investments in the economy.

Still, there are cautious signs of improvement and the European Central Bank's bank lending survey for October indicates that continued modest improvements in the lending climate are happening. This is in part thanks to ECB rate cuts.

Demand for bank lending is improving, especially when looking at house purchases. The survey

indicates that expectations of lower rates and better housing market prospects are causing households to return to the market. Also important is that banks report an easing in credit standards for house purchases, which means that the current lending environment seems supportive of a further housing market rebound.

For businesses, the environment is improving more cautiously. Credit standards did not tighten for the first time in more than two years but did not ease either. There was a pickup in demand for loans to be noted though, which indicates that some relief in investment could be under way.

For the ECB, as it decides on a possible next rate cut on Thursday, this shows that easing monetary conditions is influencing the investment climate in the eurozone positively. The impact so far is small though, and to achieve a turnaround in investment, there's still more to be done.

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.