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## 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.

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