

Snap | 20 July 2021

Eurozone bank lending survey shows increased borrowing appetite

Demand for borrowing from businesses shows early indications of an investment recovery, although credit standards remain tight for now



The European Central Bank's bank lending survey showed improved demand for borrowing among businesses and households and unchanged credit standards in the second quarter. Improved demand for borrowing among businesses makes sense at this time. New orders have come roaring back in the rebound period and capacity utilisation has shot up over the past months, leading to improved demand for loans. Businesses indicate that financing needs for fixed investment contributed positively to loan demand, which is a clear early indication of an investment rebound.

Favourable financing conditions are contributing to the improved borrowing appetite, but banks continue to be cautious. Credit standards and risk perceptions remained unchanged in 2Q after a considerable tightening of standards in 2020 and 1Q 2021. For the same period, an increase in risk perceptions was reported. The fact that there was no further tightening in standards reflects the improving economic situation, but this will still limit the extent to which borrowing will increase. Banks expect to see some slight further tightening in 3Q as well.

The survey also revealed that government support through guarantees has been incredibly supportive for business borrowing needs throughout the pandemic. Credit standards eased for

businesses with government loan guarantees, while they tightened for businesses without them. Looking ahead, businesses with government guarantees are not looking to borrow for liquidity reasons anymore, but want loans for fixed investment needs.

Today's bank lending survey won't be a game changer in this week's discussion between the ECB's doves and hawks on how to interpret the current economic and financial environment. Demand for borrowing is returning, which is positive from a recovery perspective, but banks remain cautious. The latter will likely dampen the lending recovery to some degree. All in all though, the bank lending survey supports a picture of an investment recovery for the months ahead, adding to the strong household consumption recovery.

Author

Bert Colijn

Senior Economist, Eurozone

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>.