

## Eurozone bank lending survey still signals moderate investment outlook

With credit standards set to tighten somewhat in the months ahead and modest demand for lending, the European Central Bank's lending survey confirms a moderate investment outlook for the winter months despite favourable financing conditions



Brussels' business district

Demand for loans among businesses slightly increased in the third quarter, practically unchanged from the second quarter. Fixed investment needs continue to contribute modestly to improving borrowing demand among firms, which was the case for the second straight quarter. Banks' credit conditions were more or less unchanged from the previous quarter.

While it is encouraging to see that funding needs for investment among corporates has increased again, the level is still very low compared to the pre-pandemic expansion. Given the sharp rebound in capacity utilisation and very favourable rates, this is a little underwhelming. While companies still have strong liquidity positions, which could be used for investment, the survey still signals that a recovery in investment in the coming months may disappoint.

Demand for loans from households continued to increase in the third quarter. For consumers, demand for mortgage lending and durable goods consumption contributed significantly to the increased demand thanks in part to improved consumer confidence and low interest rates. Banks

did tighten credit standards for mortgage lending in the third quarter though, so the question is how much borrowing was actually affected here.

For the months ahead, banks expect a moderate tightening of credit standards for firms and households, which is likely to have a dampening effect on bank lending growth for the winter. With demand still modest for fixed investment lending, this supports the view of a moderate investment recovery from corporates and is in line with our expectation of decreasing GDP growth in the months ahead.

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