

Eurozone: bank lending to businesses remained weak in October

Significant uncertainty around the economic outlook continues to keep non-financial corporate bank lending subdued. That also reflects an absence of emergency liquidity borrowing like in the first wave, but it may be too soon to tell



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Bank lending growth data continues to show a large difference between households and non-financial corporates. The household reading was stable, at 3.1% year-on-year in October, having been hovering around that level for quite some time already. But lending to non-financial corporates has been very volatile, reflecting emergency liquidity needs at the start of the crisis and dried-up appetite for investment. Growth stood at 6.8% YoY, down from 7.1% in September.

Money growth in the eurozone also continues to be volatile at the moment. Growth in broad money (M3) increased from 10.4% in September to 10.5% YoY in October. This does mask a monthly drop from the very strong increase in September.

The pickup in bank lending on a monthly basis to non-financial corporates has been very small and leaves the level more or less unchanged after September's large decline. This means that the

appetite for investment continued to be very weak in October, which reflects the acceleration of the second wave and huge uncertainty about 2021. It will be interesting to see whether November data has been influenced by an improved outlook related to the vaccine, but it is likely far too soon to see a pickup in investment loan demand on that back of that.

October was the month when lockdown measures became stricter again, which in some countries resulted in significant limitations on businesses. As opposed to March, there is no significant surge in demand for liquidity though, likely because of the more limited side of the economy that is severely impacted by the fall or perhaps October data has just come too soon for the second lockdown impact to materialise.

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