

## Eurozone bank lending to corporates shows modest rebound

Private sector borrowing increased from 3.2 to 3.4% year-on-year in September, mainly thanks to corporate borrowing. Yesterday's bank lending survey did show a modest growth outlook from here on though, clouding expectations about the investment recovery



ECB headquarters,  
Frankfurt

Yesterday's ECB bank lending survey indicated a pretty modest outlook for bank lending in the months ahead. With modest growth in demand for fixed investment borrowing and expected tightening of credit standards, it doesn't look like the current favourable financing conditions and strong economic recovery will also translate to a large surge in lending.

Today's release of monetary developments did show some recovery in bank lending to corporates though. An increase of 0.5% month-on-month in September is the fastest growth since March and is more or less in line with monthly growth seen prior to the pandemic. Loan growth to households was more or less stable in the eurozone.

The money supply continues to mainly reflect the developments in asset purchases which, at low-

interest rates, translates poorly into economic developments. Still, the decrease in M3 growth from 7.9 to 7.4% year-on-year does indicate that the biggest growth in monetary support is behind us as the ECB debates the end of its Pandemic Emergency Purchase Programme later in the week.

All of this is in line with an economy normalising and settling for a slower pace of growth after a strong reopening phase fuelled by stimulus. The big question is whether corporates will use available liquidity to fund investment growth or whether the investment recovery will be quite limited from here. That could result in a somewhat weaker outlook than currently expected for eurozone GDP in 2022.

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