

## Eurozone: Business lending growth continued to weaken in February

Before the coronavirus really hit the eurozone economy, loans to non-financial corporations were already on the decline



Source: Shutterstock

Adjusted loan growth to the non-financial corporate sector continued its downward trajectory in February as the coronavirus caused supply chain disruptions due to lockdowns in China. It dropped from 3.2 to 3% year-on-year. The main impact on the eurozone economy is not reflected in this of course, as the situation became more severe over the course of March here. The decline in lending growth has been a trend for a while now, as it already peaked in 2018. The manufacturing slump of 2019 has caused lending growth to be subdued. Credit to households continued to pick up slightly in February – from 3.7 to 3.8% YoY – but has largely plateaued.

Generally speaking, we look at monetary developments as a leading economic indicator. The narrow monetary aggregate M1 is generally considered to be one of the better ones for the eurozone economy. That seems silly at the moment though, as the exogenous shock caused by Covid-19 has created a sudden downturn in the economy. The increase in the growth rate of M3 and M1, from 5.2 to 5.5% and 7.9 to 8.1%, respectively, is therefore not really indicative of future economic activity. Over the coming months, monetary aggregates will likely increase substantially thanks to the newly announced European Central Bank asset purchases. This will be beneficial to

the eurozone economy once the recovery from the current economic fallout starts.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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>.