

Snap | 28 November 2017

Eurozone corporate lending reaches post-crisis high

While bank lending to Eurozone businesses powers ahead, lending to households appears to be taking a breather this autumn



Source: Shutterstock

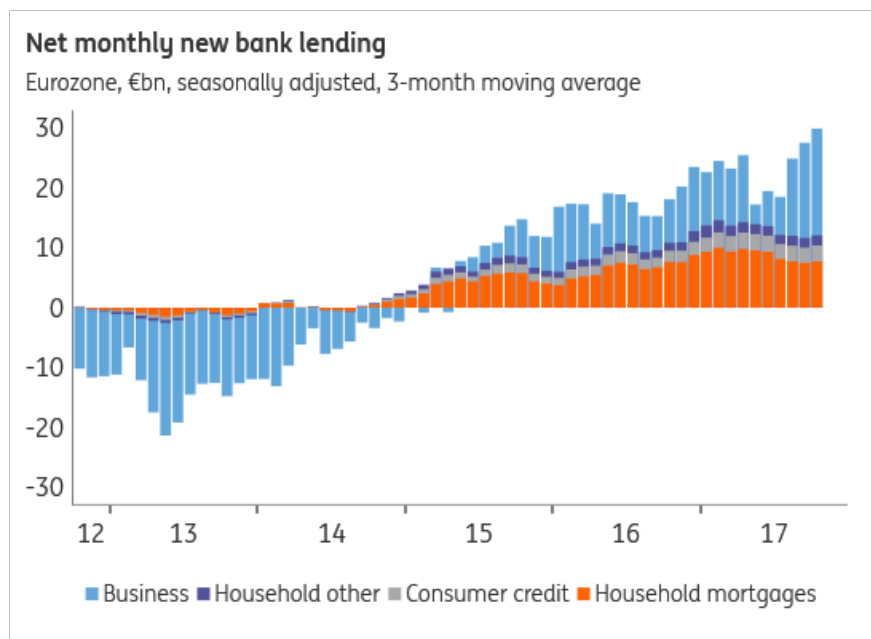
Bank lending to Eurozone households is cruising along at 2.7% year-on-year in October, as it has done for most of this year, but lending to businesses jumped to 2.9% from 2.4%.

Overall, bank lending to the private sector continues to recover gently, as it has been doing consecutively for the past three and half years. This might not be all coincidental as the ECB-president Draghi announced some unconventional policy measures, including a negative ECB deposit rate in mid-2014. However, two things stand out when looking at monthly net flows.

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Firstly, bank lending to businesses has recovered from a summer dip and is resuming the pre-summer upward trend. In fact, net lending in October reached a volume of €17.8bn, last seen in December 2008, when lending came crashing down as the financial crisis engulfed the Eurozone. The returning strength of businesses borrowing is encouraging for the near future and is in line with various other soft and hard indicators pointing towards solid economic growth.

Secondly, household mortgage borrowing peaked in spring this year, at around €9.5bn a month. It has now slowed down to around €7.5bn. As it happens, mortgage rates bottomed out at 1.78% in December last year, and have since nudged up to 1.89%. While this uptick barely registers on the scale, its concurrence with a slowdown in mortgage borrowing is striking.



Source: Macrobond

It will be interesting to watch this space in the months ahead, as mortgage rates are likely to creep up further. To be sure, a slowdown in mortgage borrowing is not necessarily a bad thing, as housing markets are running hot in various regions of the Eurozone.