

Eurozone credit demand continues to increase despite growth worries

The ECB bank lending survey indicates that credit standards have remained unchanged in 4Q and demand for loans has increased even as concerns around economic growth mount



Source: Shutterstock

Uncertainty around economic conditions has not yet impacted the appetite for borrowing in the eurozone, as banks experienced an increase in demand for loans from both businesses and consumers. The increase was slightly smaller than in the third quarter but supportive of investment growth nonetheless. Expectations are that demand for credit will grow somewhat slower in the first quarter, which would be in line with a more modest investment environment.

Bank credit standards remained roughly unchanged in 4Q, according to the survey. After several quarters of easing, this means that credit standards are still supportive of growth in loans. The exception here is Italy, which saw credit standards tighten in the fourth quarter for both housing loans and enterprises, which is a concerning sign from a growth perspective in times when the economy already contracted in 3Q.

Overall, investment continues to be supported by growing demand for credit, which is an important sign in times of concerns about eurozone growth. One-offs and weak external demand

have significantly slowed economic growth in recent quarters, which means that domestic demand becomes all the more important for continued growth. Global risk factors like Brexit, trade concerns and slowdown worries may have weakened credit demand growth, but it has not brought it to a halt. This helps to underpin continued albeit modest growth in the eurozone.

Author

Bert Colijn

Senior Economist, Eurozone

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>.