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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.

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