

Eurozone household deposits jump again in December

Money growth continued to accelerate at the end of 2020 while adjusted loan growth to the private sector was stable. Thanks to the second lockdown, deposit growth has increased too



Source: Shutterstock

The second lockdown is clearly not having the same effect as the first one did. Businesses are not drawing emergency liquidity lines as they did during the first wave.

While lending to non-financial corporations marginally increased in December from 6.9 to 7% year-on-year, it came nowhere close to the volumes seen in March, April and May. Money lending growth to households remained stable at 3.1% YoY. Households increased deposits at a faster pace, which is probably related to lockdowns across the eurozone.

The economic outlook is simply too uncertain for businesses to borrow for large investments at the moment

The modest lending environment places the increase in broad money growth (M3), from 11 to 12.3% in December in an important light. The increase is mainly related to asset purchases, which is bringing down interest rates across the eurozone but not (yet) resulting in a significant surge in lending.

The economic outlook is simply too uncertain for businesses to borrow for large investments at the moment.

That also means that the increasing inflation we're expecting over the course of 2021 is unlikely to be driven by the current acceleration in money growth but more by temporary factors like the reversal of the oil price effect, German VAT increase and social distancing related inflation when restrictions on the economy are eased.

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