

## Eurozone: It's not all bad news

After the weak PMI earlier this week, recession fears have intensified. But monetary developments are pointing in a different direction, easing these fears a little



The broad money supply (M3) increased from 5.1% year-on-year in July to 5.7% YoY in August and that improvement was mainly driven by an acceleration in the narrow money supply M1. The increase from 7.8% to 8.4% YoY is particularly noteworthy as real money supply is considered to be one of the best leading indicators for the eurozone economy. That said, the lag time is considerable, although this does provide a somewhat rosier view on the economy a few quarters ahead.

At the same time, private sector borrowing also improved. This is more of a coincident indicator, giving a good view of the current economic situation, and even though uncertainty has continued to be at very high levels, borrowing did continue to grow at a modest pace. While the credit impulse is not necessarily enough to boost GDP growth at the moment, it does show that loose financial conditions have helped to realise a small acceleration in lending growth over the summer.

The months ahead will continue to be uncertain with economic risks to the downside prevailing, but the European Central Bank will likely take this data as confirmation that expansionary policy is having some positive impact at a time of slowing growth.

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