

Snap | 26 September 2019

## 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.

## Author

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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 [www.ing.com](http://www.ing.com).