

## Eurozone lending growth to private sector inches up despite growth concerns

Growth in adjusted lending to the private sector increased from 3.3% to 3.4% in December, despite concerns about growth. The outlook is weakening somewhat as banks are expecting demand growth for loans to slow



Growth in new orders has slowed materially over the last months of 2018 and even declined this month according to the PMI, but businesses continue to borrow at a decent pace for now. Uncertainty about the outlook does not only trouble the ECB. Businesses are also unsure about whether the lower growth environment is because of one-off factors or whether this is a more permanent situation.

The broad monetary aggregate M3 grew faster than in November, up from 3.7% to 4.1%, but the better leading indicator M1 saw its annual growth rate decrease from 6.7% to 6.6%. A small decrease, but confirming uncertainty about the growth environment regardless. Despite that, the annual rate in loan growth is stable for the moment, but the question is whether that can hold.

According to the bank lending survey from the ECB, banks are expecting growth in demand for lending to slow further in the first quarter, meaning that the economy may not profit as much

from increased investment. Even though rates remain favourable and credit standards have eased in recent quarters, uncertainty is unlikely to make lending the engine of the growth recovery in the coming months. Lending growth is simply not providing the oomph that the eurozone needs to get out of its slow growth rut.

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