

Snap | 24 July 2019

Eurozone lending outlook fuels easing prospects

Loan growth in the eurozone remained stable in June, while the Bank lending survey indicates that credit conditions have tightened. If the ECB doves required another reason to provide further stimulus, here it is



Loan growth to both households and non-financial corporates remained stable in June at 3.3% YoY and 3.8% respectively. As increasing credit growth provides an impulse to GDP, acceleration would be needed for lending to provide a positive contribution to the growth recovery. In fact, the credit impulse for non-financial corporates is now negative, which means an acceleration in investment is not on the cards despite favourable financial conditions.

Consumers are more likely to keep GDP growth in the positive territory

The credit impulse to households remains stable, mainly thanks to increasing credit for

consumption, with credit for house purchases plateauing for the moment. That adds to the picture that consumers are more likely to keep GDP growth in the positive territory, while businesses continue to struggle, thanks to an uncertain global economic environment.

The chances of improvement are small, as yesterday's release of the Bank Lending Survey indicated. Credit conditions in the eurozone have actually tightened in the second quarter, which corresponds with the moderate lending growth.

For the third quarter, expectations are that credit standards will remain unchanged, which will not help improve the weak credit impulse already seen in Q2. That means investment outlook is likely to remain subdued, despite the favourable financial conditions. In any case, the ECB seems eager to act, whether that's tomorrow or in September.

Author

Bert Colijn

Chief Economist, Netherlands

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 <http://www.ing.com>.