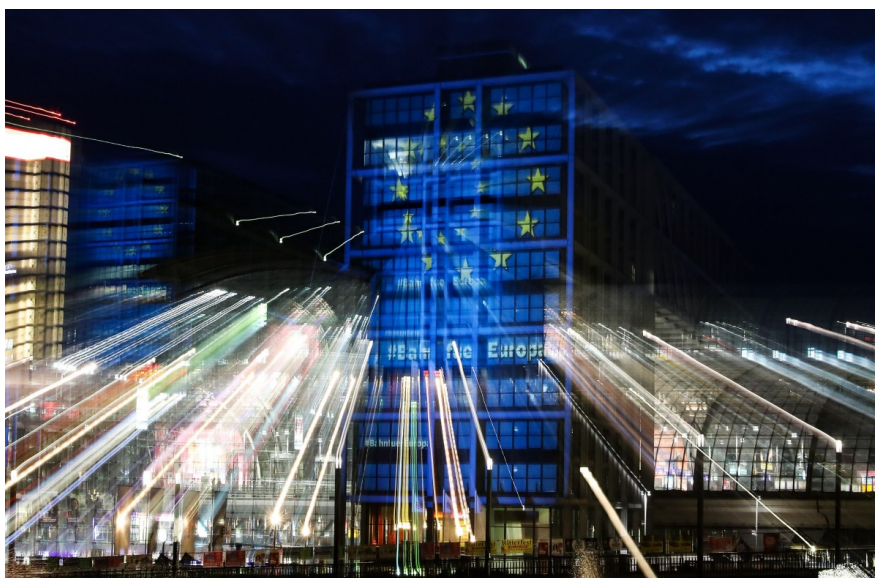


Eurozone lending outlook fuels easing prospects

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.

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