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## Eurozone lending remains sluggish ahead of September ECB meeting

Lending data for July indicates that high interest rates are still resulting in weak borrowing from both businesses and households



Eurozone bank lending remained muted in July as a small uptick in lending growth to households was offset by a small downtick in lending to non-financial corporates. Overall, both still show lending growth that is well below the historical average. Money growth – which had been recovering recently – was stable in July. Broad money (M3) grew by 2.3% again.

While the downward trend in lending growth has ended, there is not much of a recovery going on right now. The largest impact from the historic series of rate hikes in 2022 and 2023 is therefore behind us, but with rates still at a very restrictive level there is little relief to be noted from somewhat lower market rates at this point.

The European Central Bank lending survey shows that banks continue to tighten credit conditions for business borrowing, and demand for loans is also declining. This means that expectations for near-term lending remain muted. Investment has been weak for some time now and the weak lending environment is not contributing to a speedy recovery.

The somewhat lower rate environment will help to boost lending to some degree, but with a

steady pace of ECB rate cuts already priced in, it seems unlikely that there will be a significant boost to borrowing from the ECB gently taking its foot off the monetary brake.

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