

## Eurozone loan growth improves despite weaker confidence

Loan growth to both households and businesses increased in August, while growth in the money supply (M3) dropped from 4% to 3.5%. The improvement in lending remains too weak to support accelerating GDP growth in the months ahead



Loan growth to non-financial corporates improved from 4% to 4.2% year-on-year in August and loan growth to households also increased marginally from 3% to 3.1% YoY. After lending growth stagnated earlier in the year, a subdued acceleration has resumed, but given how marginal the pickup is, it is unlikely to prompt an acceleration in investment growth in the months ahead. The slowdown in M3 growth is related to the wind-down of quantitative easing. The more narrow measure of money supply, M1, also declined from 6.9% to 6.4%.

Conditions for bank lending remain quite favourable. The July bank lending survey by the ECB indicated easier lending conditions and banks expected credit conditions to continue to become more favourable in the months after. As capacity utilisation is currently above the historical average, concerns about future demand seem to be the main drag on loan growth at the moment. Brexit, the continued trade war, emerging market worries and concerns about the Italian budget are factors that have brought down confidence in the global economy and some of these factors

could fester in the months ahead. This curbs the credit impulse to the economy, for the moment.

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