

Snap | 27 September 2018

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.

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 www.ing.com.