

Snap | 28 August 2018

## Eurozone loan growth does not signal faster economic growth

While not bad on the surface, monetary developments in July disappointed a little after a strong June. Loan growth to both households and corporations stalled, providing only weak support to GDP growth in the months ahead



While the pace of loan growth to both households and non-financial corporates is the quickest since the crisis, the change in credit growth has slowed over the past year. July's growth of 4.1% year-on-year in loans to non-financial corporations was flat from last month, which was also the case for the 3% year-on-year growth in loans to households.

The pace of growth does support investments in the economy somewhat, but the credit impulse remains quite weak. While it is encouraging that recent global economic uncertainty has not translated into slower growth in lending, it does not suggest that the coming months will bring a substantial uptick in economic growth.

The faster growth in the monetary aggregates in June was also a temporary improvement, as July showed a decline from 4.5% to 4% growth in M3. The slowdown was not limited to the broad monetary indicator, also the more narrow M1 declined from 7.5% to 6.9%. This seems to

be in line with the developments in QE purchases, but as the latter is considered to be a leading indicator, this does not bode well for growth in the coming months. On the surface, monetary developments were not all bad, but they also do not provide the firepower needed for a strong end of the year.

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