

## Eurozone: Loan growth is picking up

Loan growth in the eurozone has been picking up in June, while the credit impulse to the economy stabilises at a low level. All of this suggests the ECB's monetary policy remains supportive and should keep the recovery going in the coming quarters



Former chairman of the Federal Reserve, Ben Bernanke, used to say that quantitative easing (QE) works in practice, but not in theory.

The ECB's monthly report on monetary developments is, therefore, an important release to assess whether the ECB's ultra-loose monetary policy is at least showing up in the monetary aggregates. The June data seems to suggest this is the case. The annual growth rate of M3 increased to 4.4% in June from 4.0% in May, while growth in the narrower aggregate M1 stood at 7.4% in June compared to 7.5% in May.

The annual growth rate of adjusted loans to the private sector increased to 3.5% in June from 3.3% in May. For households, loan growth amounted to 2.9% in June, unchanged from the previous month, while the annual growth rate of adjusted loans to non-financial corporations rose to 4.1% in June from 3.7% in May. This increase is supported by very favourable financing conditions and robust growth in business investment. The ECB's Bank Lending Survey showed that

eurozone banks not only relaxed credit standards in the second quarter, but also intend to ease them further in the third quarter, which should continue to support credit growth.

As for the impact on GDP growth, one has to bear in mind that credit growth affects GDP (which is a flow variable), whereas the change in credit growth, aka the credit impulse, impacts GDP growth. This credit impulse, which had been softening over the last year, is now stabilising, albeit at a low level.

All of this suggests that even though the pace of economic growth is not accelerating any longer, the ECB's monetary policy remains supportive and should keep the recovery going in the coming quarters.

## Author

### Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@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](http://www.ing.com).