

Snap | 28 March 2019

## Eurozone loan growth recovers but remains unsupportive of growth in February

While the recovery of bank lending growth does come as a relief, the credit impulse continues to be on a declining trend. This signals little support to a possible GDP growth recovery in the months ahead



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The February monetary developments came as a relief. After a sudden drop in bank lending growth to non-financial corporates in January, growth picked up from 3.4% to 3.7% year on year. Growth in consumer borrowing picked up slightly from 3.2% to 3.3% YoY too.

The broad monetary aggregate M3 jumped from 3.8% to 4.3% and M1 - a better leading indicator for the economy, increased to 6.6%.

Fears of lower business confidence causing a squeeze in borrowing, therefore, seem to be somewhat overdrawn, but the credit impulse does continue to slow as growth in bank lending has plateaued. This means that lending isn't supportive of a pickup in growth in the months ahead.

Earlier this month, the ECB seemed to jump the gun a little with the decision to lengthen their forward guidance and announce new targeted longer-term refinancing operations (TLTROs).

The ECB moved quickly to try and avoid a prolonged slowdown, but the jury is still out to whether the slowdown is just temporary or not. Today's monetary data is somewhat a mixed bag for the growth outlook, but at least brings some reassurances as January's lending growth deterioration halted in February.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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