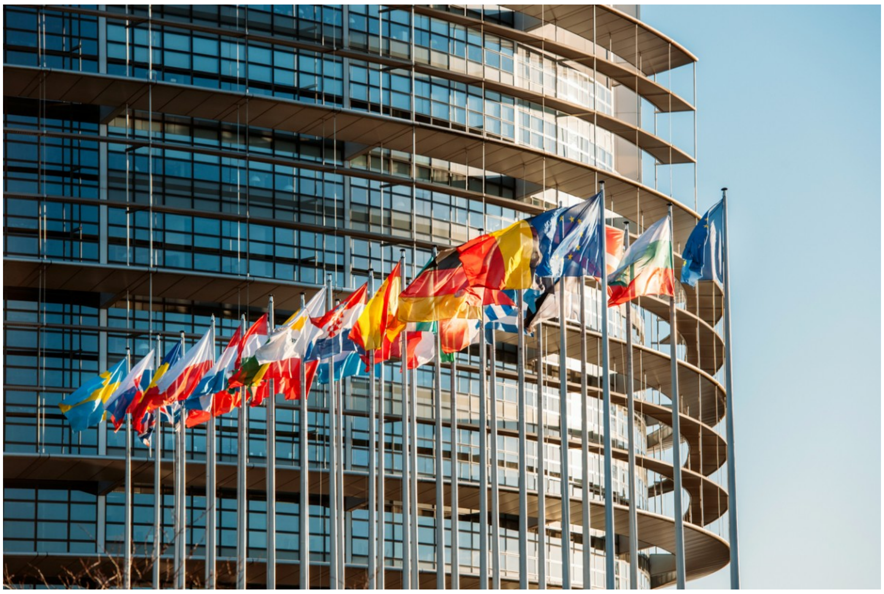
Eurozone loan growth weakens amid market turmoil and trade concerns

The growth of adjusted loans to non-financial corporates dropped from 3.4% YoY in January to 3.1% in February, and M3 grew by just 4.2%, down from 4.5%



Source: iStock

February saw confidence weaken substantially amid market turmoil and trade concerns, which is likely to have had an impact on bank lending.Future expectations of new orders weakened particularly, which may have dented the immediate appetite for business investment. Loans to households saw adjusted growth maintain a stable pace at 2.9% YoY, but loan growth for house purchases dropped further from 3.1% to 2.9%.

The broad monetary aggregate, M3, grew at 4.2% which was down from a revised 4.5% in January. The narrower aggregate of M1, which includes currency in circulation and deposits, is often considered to be a better predictor of economic growth and as it decreased from 8.8% to 8.4% in February, it was the main weakening contributor.

> Even though the monetary environment continues to support the Eurozone economy, this adds to the evidence that the current strong economic growth could moderate in the

summer. Some slowing in bank lending will not bother the ECB too much but could add to worries that the current stimulus package may not be enough to see inflation rise back to 2% in the medium-term.

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