

## Eurozone: monetary conditions favourable but don't show much upside

Even though monetary conditions remain favourable in the eurozone for the moment, the tick down in real M1 growth indicates that a growth recovery later in the year will only be shallow



Source: Shutterstock

Eurozone manufacturing PMI numbers yesterday were a rude awakening from any New Year's optimism, showing that the recession in industry is far from over. Today's data shows that monetary conditions are probably too accommodative for a recession in the broader economy to happen but still signal nothing more than a shallow growth recovery in the course of 2020.

Growth in broad money M3 and the narrower aggregate M1 both ticked down slightly in November. With inflation trending somewhat higher, this means that real M1, an important leading indicator, fell from 7.7 to 7.4%. This corresponds to a decent expansion, but the tick down indicates that any hopes of a faster growth recovery over the course of 2020 seem somewhat premature.

Lending growth rates in November paint a similar picture. Even though financing conditions remain favourable, annual growth in lending to non-financial corporates shows that the industrial recession and running down of inventories are having a negative impact on investment appetite.

Lending growth has been trending down since August and fell from 3.8% to 3.4% year-on-year from October to November. That is an important signal that a growth revival may not be around the corner just yet.

## Author

### Bert Colijn

Chief Economist, Netherlands

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