

## Eurozone monetary developments turn somewhat favourably

December saw bank lending to the private sector increase modestly again due to more borrowing from corporates. The overall lending environment is still very muted though, making us cautious about overinterpreting the December tick-up



Bank lending in December showed another increase from non-financial corporates. The month-on-month increase of 0.3% was not huge but still the strongest increase since October 2022, indicating that businesses are cautiously starting to borrow more again after about a year of stagnation. For households, borrowing was slightly negative again month-on-month, which indicates that stagnation in bank lending to households continues.

Overall, this means a small pick-up in private-sector bank lending, which is interesting given the fact that the European Central Bank's bank lending survey released earlier this week painted a more negative picture of the environment. Lending demand was, in fact, weaker in 4Q according to the survey, but the hard data published today shows a modest increase in actual borrowing over the quarter.

Money growth (M3) also continued to bottom out and returned to a positive annual growth rate,

from -0.9% in November to 0.1% in December. Don't read too much into that as broader developments muddy the relationship between money growth and the economy, but still it is interesting to see that monetary developments in general show some signs of cautious improvement.

Overall though, today's data shows that lending is still very muted and that the monetary transmission is clearly weighing on investment. The two months of small increases in bank lending to businesses are not yet a trend, and as the bank lending survey suggests that fixed investment needs are still weighing on loan demand, we are cautious about expecting stronger investment on the back of this.

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