

## Eurozone money growth and bank lending show cautious recovery

After some declines in 2023 on the back of tightening policy, both money growth and bank lending have started to increase again ever so slightly. For the European Central Bank, this shows that at the current pace of lending, investment will remain very muted



Broad money growth (M3) continues to increase year-on-year after declines in the second half of 2023. The recovery is very small for the moment, and mainly driven by net external assets contributing positively. This is caused by a fast recovery of the trade balance now that energy costs have moderated.

A small contribution to the increase in money growth comes from credit to the private sector. Bank lending to households has shown small increases month-on-month again as the housing market starts to recover in quite a few eurozone markets. Bank lending to non-financial corporates remains volatile right now. February saw a tick-up compared to January, which had been sharply down. Still though, corporate borrowing has grown in five out of the last six months.

Overall, the monetary environment shows some improvement compared to the second half of last year, indicating that the most significant impact of rate hikes on money growth and bank lending

is behind us. At the same time, we do see that at the current pace of lending, investment will remain muted for the foreseeable future thanks to the high interest rate environment.

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