

## Eurozone money growth slightly eases in June

Eurozone money growth only slightly declined in June, while credit growth to the private sector remained relatively strong



### Money growth eases, while credit growth to the private sector accelerates

Eurozone broad money (M3) supply grew 5.7% year-on-year in June 2022, from 5.8% in May. The annual growth rate of the narrower aggregate M1, comprising currency in circulation and overnight deposits, declined to 7.2% in June from 7.9% in May.

The year-on-year growth rate of loans to the private sector adjusted for loan sales, securitisation and notional cash pooling accelerated to 6.1% in June from 5.6% in May. Adjusted loans to households grew 4.6% in June, unchanged from the previous month, while the annual growth rate of adjusted loans to non-financial corporations increased to 6.8% in June from 5.8% in May. The still relatively healthy credit figures suggest that the second quarter probably still saw positive GDP growth.

As for inflation, we know that the link between money growth and inflation is not that straightforward anymore, because variation in velocity disturbs the correlation. That said, money

velocity has structurally declined over the last 20 years, meaning that a deceleration of money growth could still be seen as a harbinger of easing inflationary pressures further down the road. While money growth already decelerated from a peak of more than 12% at the start of 2021, today's figure shows that the downward movement continues only very gradually. This is a reason for the hawks within the ECB's Government Council to argue that the normalisation of monetary policy still has to go a bit further to get inflation back under control, notwithstanding the looming recession risk.

## Author

### **Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@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 <http://www.ing.com>.