

Eurozone loan growth shows signs of bottoming out

M3 growth accelerated to 2.2% in June in the eurozone. Loan growth to the private sector seems to be bottoming out, though the pace of growth remains a weak spot



Tiny improvement in loan growth

Broad money (M3) growth in the eurozone accelerated to 2.2% year-on-year in June 2024, from 1.5% in May. This reflected a stable annual growth rate of adjusted loans to households of 0.3%, while the annual growth rate of adjusted loans to non-financial corporations increased to 0.7% in June from 0.3% in May.

Overall, this still reflects rather tight credit conditions. According to the European Central Bank's latest bank lending survey, standards for lending to firms tightened slightly in the second quarter, while standards for mortgages eased moderately. In this context, banks are expecting a slight pick-up of loan demand in the second half of the year. So it seems that loan growth is now bottoming out. That said, we're still far from normality; before the ECB started its monetary tightening, loan growth hovered around 5%.

Monetary policy transmission is working

Over the last year, the ECB has emphasised numerous times that interest rate decisions will be based on the assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission. As for the latter, today's figures indicate that even though there are some glimmers of improvement, credit dynamics remain weak, suggesting that monetary transmission has been working. In combination with the recent weak sentiment data, this seems to keep hopes for a rate cut in September alive.

Author

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

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 www.ing.com.