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Eurozone bank lending growth accelerated in July

Despite economic uncertainty, bank lending growth to households and, in particular, corporates, increased in July. Continued moderate economic growth in the second half of the year is still in the making

Economic indicators for the eurozone continue to show robustness at the moment. GDP growth accelerated markedly in the second quarter, PMIs still show businesses upbeat about economic conditions in the third quarter, and today's bank lending data paints a similar story.

With growth in bank lending to households up from 3% annual growth in June to 3.1% in July, and with lending to non-financial corporates even up from 4% to 4.4%, there is no sign of uncertainty affecting the lending channel much right now.

For the ECB, this also indicates that the first rate hike is not yet slowing bank lending, an important transmission channel of their monetary policy. Perhaps to be expected as transmission usually has much longer lag times, but is still relevant in uncertain economic conditions.

With longer-term interest rates having risen again and the ECB set to raise rates by 25 basis points next month, financial conditions are getting tighter again. This could squeeze demand for loans in the second half of the year, especially with the Middle East war flaring up. But so far, growth has been very resilient, and we don't expect this to make a marked dent in the growth outlook either.

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