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## [The pressure from banks](#)

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In an otherwise muted morning session for currencies, the euro was nudged a little lower on the latest data from the ECB showing the on-going fall in lending to businesses and households. Compared to the same time a year ago lending is down 0.2% YoY and on this measure lending has contracted for a second consecutive month.

Back at the start of the year it was rising just over 1% YoY and earlier in 2010 by above 3.0%. Of course, the question being asked is whether this fall relates to tougher lending standards from bank or less demand for credit from both households and companies. The answer appears to be a bit of both, although these numbers are for the eurozone as a whole and there is naturally a great degree of variation between different countries. That said, the bank-lending survey released by the ECB yesterday did show an overall net tightening of lending standards, but the balance between the respondents was broadly the same as in the first quarter. In short, things have not been getting worse. It was also the case however that, according to the ECB, the big fall-off in demand for loans seen through last year remains in place.

The data offers further confirmation (not that it was needed) that, for the eurozone, the banks are central to the current crisis which is why the latest initiatives have been concentrated on breaking that link between the banks and their respective governments and also improving the eurozone-wide monitoring (which some see as the first steps towards the creation of a banking union). This is one of the inherent weaknesses that have been highlighted over the latest leg of the crisis. The US was able to deal with the banks in a fairly aggressive but also effective manner during the early part of the credit crisis. This is not the case for the eurozone, which is one reason why the euro is lagging in the bigger picture, together with the fact that Europe is more heavily reliant on banks compared to the US.