

European Banks Strategy

Signs of the volume turn

Industry Overview

The shock worked through

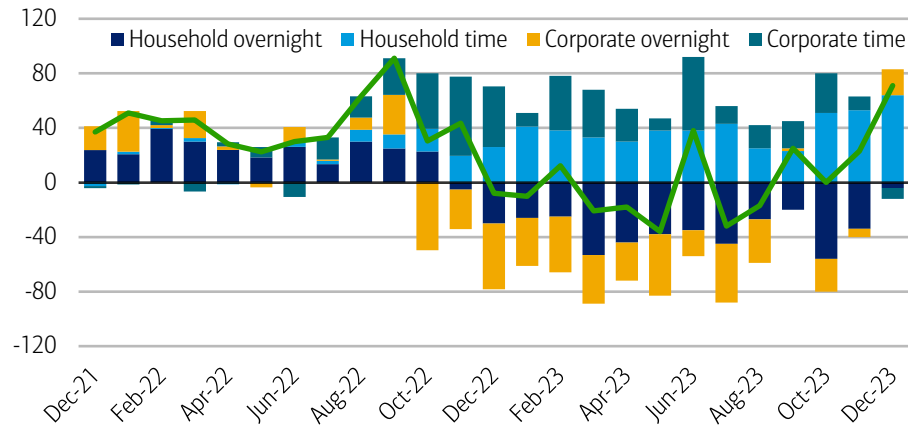
ECB data released on 26 January shows euro area bank deposits growing again (Exhibit 2). Even overnight deposits were back to positive after 14 months of declines (Exhibit 1). We believe this reflects the shift from high energy prices and negative real wage growth to the opposite, as discussed in [Cash gusher](#) and [Steady but sure: at 6.6x, four in a row ahead](#) (report links). We see continued deposit growth through 2024E.

Early signs of lending appetite

Loan growth has bottomed out at close to nil (Exhibit 3), but we think the recent ECB Bank Lending Survey even shows early signs of recovery. Credit standard tightening is done (Exhibit 4, Exhibit 6) and interest in borrowing from households and corporates stabilising (Exhibit 5, Exhibit 7). We believe that with residential property already back on the up and commercial real estate refinancing aided by tighter spreads (Exhibit 8), loan growth should return through 2024E. This underpins our view that bank revenues can prove resilient in a lower-rate world and, in turn, our positive view on the sector.

Exhibit 1: overnight deposits have stabilised, net deposit growth

Euro area monthly deposit flows (€ bn) 2021-23



Source: BofA Global Research estimates, ECB

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Equity
Europe
Banks-Multinational/Universal

Alastair Ryan >>
Research Analyst
MLI (UK)
+44 20 7996 4806
alastair.ryan@bofa.com

Rohith Chandra-Rajan >>
Research Analyst
MLI (UK)
+44 20 7996 8495

Tarik El Mejjad >>
Research Analyst
MLI (UK)
+44 20 7996 0014

Antonio Reale >>
Research Analyst
MLI (UK)
+44 20 7996 1763

Filippo Munari >>
Research Analyst
MLI (UK)
filippo.munari@bofa.com

Olga Veselova >>
Research Analyst
Merrill Lynch (DIFC)

David Taranto >>
Research Analyst
MLI (UK)
+44 20 7996 7510

Ilija Novosselsky >>
Research Analyst
MLI (UK)

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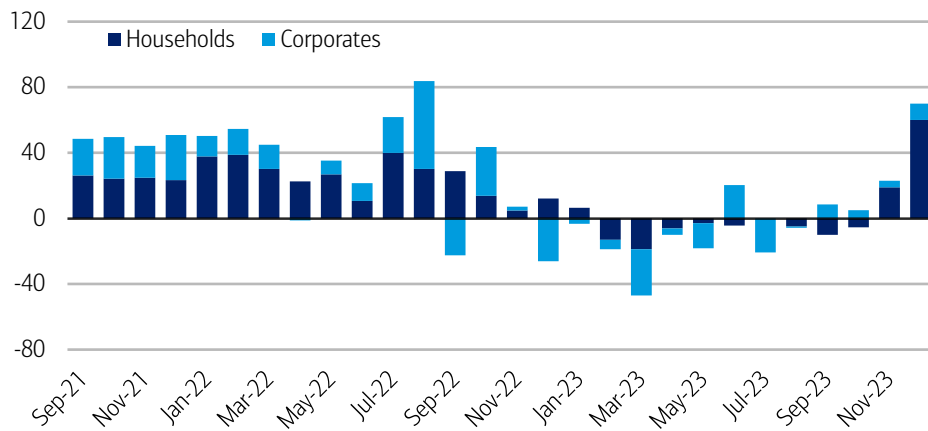
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Key charts

Exhibit 2: euro area deposits grew materially in December

Euro area monthly deposit growth (€ bn) 2021-23

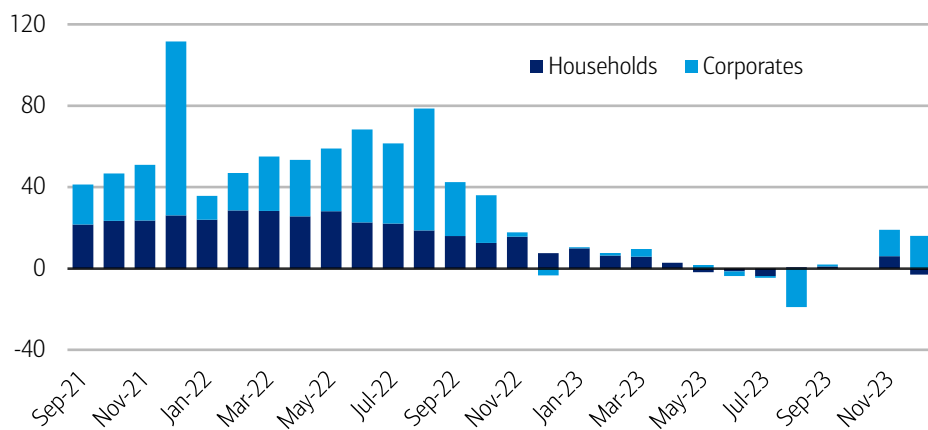


Source: BofA Global Research estimates, ECB

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Exhibit 3: loan growth slower sharply but has now stabilised

Euro area monthly loan growth (€ bn) 2021-23

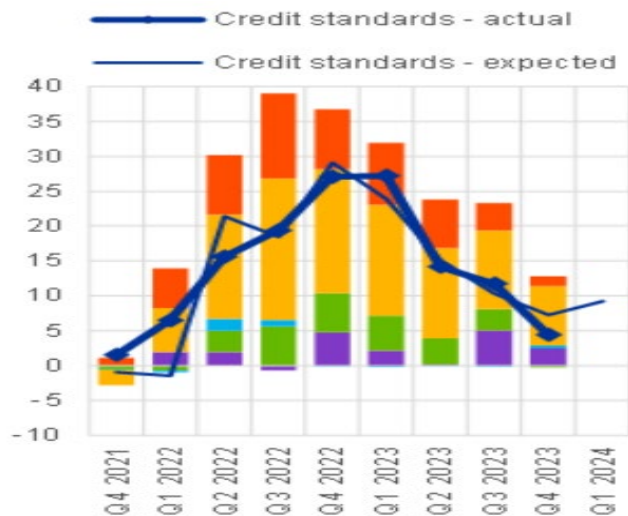


Source: ECB

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Exhibit 4: corporate credit standards barely tightened

Net percentage of banks tightening credit standards for corporates (%)

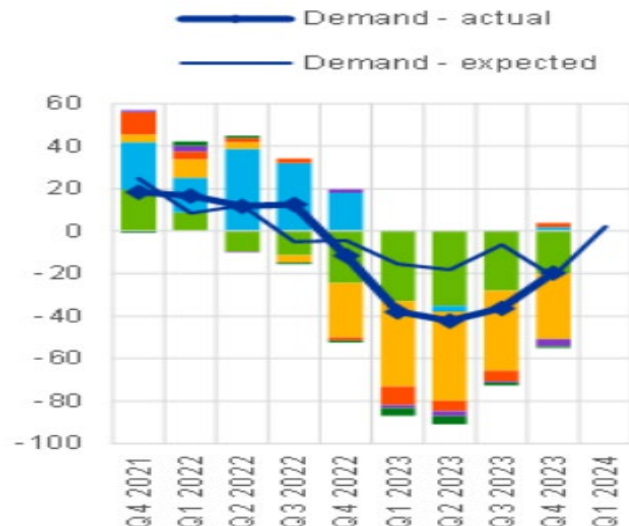


Source: ECB

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Exhibit 5: corporate credit demand set to turn positive

Net percentage of banks seeing higher corporate credit demand (%)

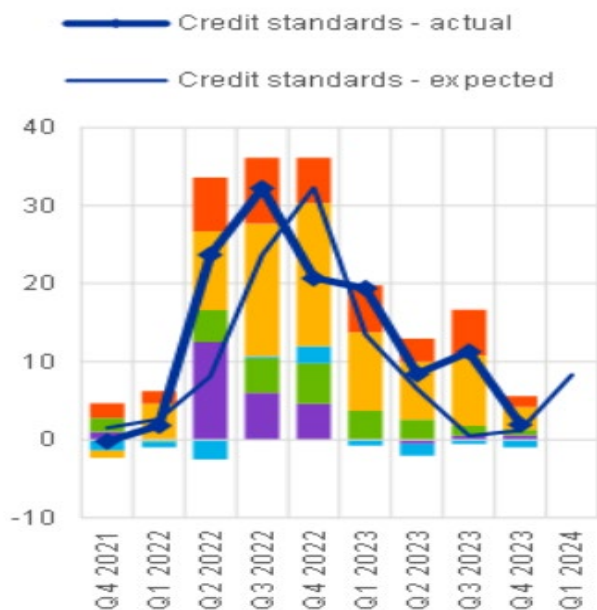


Source: ECB

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Exhibit 6: household secured credit standards returned close to flat

Net percentage of banks tightening credit standards for mortgages (%)

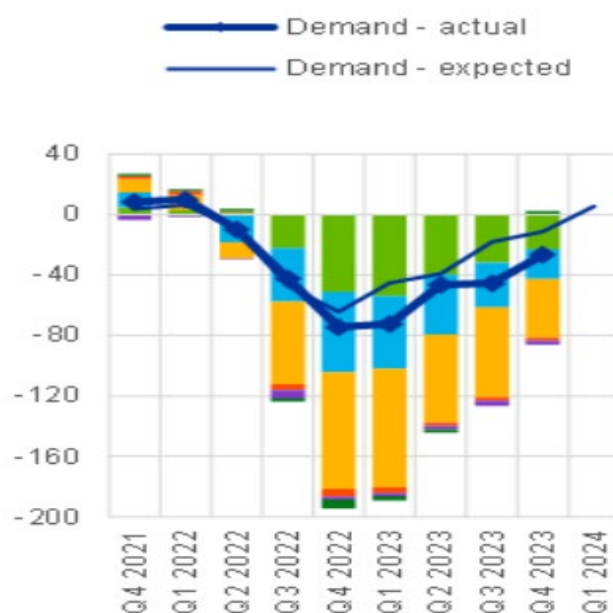


Source: ECB

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Exhibit 7: demand for mortgages returned close to zero

Net percentage of banks reporting rising household mortgage demand (%)



Source: ECB

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Exhibit 8: commercial real estate spreads have tightened significantly

CRE index spread (bp) 2022-24



Source: BofA Global Research, ICE Data Indices

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