

ECB NORMALIZES MONETARY POLICY

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In its press release, the ECB reports that bank credit

to euro-area residents grew at 5.9% in March.

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In a [press release on April 29th](#), the European Central Bank reported that euro-zone money supply growth continues to slow down:

The annual growth rate of the broad monetary aggregate M3 stood at 6.3% in March 2022, after 6.4% in February, averaging 6.4% in the three months up to March.

The M3 growth rate is half its rate of 12.5% from February 2021, the top rate during the COVID pandemic. The 6.3% rate is the lowest since February 2020, indicating a normalization of euro-zone monetary policy.

The narrower money-supply measure, M1, expanded at 8.8% in March, down from 9.1% in February and 9.2% in January. During the pandemic, M1 expansion peaked at 16.4% in January and February 2021. Similar to M3, the M1 growth rate in March 2022 was the lowest since February 2020, reinforcing the indication of normalized monetary expansion.

In its press release, the ECB also reports that bank credit to euro-area residents grew at 5.9% in March. The growth rate for household and business credit, which has remained stable at an average of 5.95% since June 2021, topped out at 9.8% in February 2021. The March 2022 rate is the highest since April 2020, and almost twice as high as the average growth rate for the five years 2015-2019.

Credit to government expanded at 9.9% in March, a reduction by more than half from February 2021 (23.8%) and the lowest rate since May 2020 (9.8%). It remains significantly

higher than the 5.8% average expansion in 2015-2019.