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Western European Indicators and Insights

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UK: Still weak monetary backdrop.

According to BoE-computed data, the number of mortgage approvals rose further in November, with the 52 854 reading not only above the recent average, but also the highest in 23 months. Admittedly, the value of overall approvals softened somewhat to £ 12.1 bln, while actual net mortgage lending halved to £ 0.6 bln, down the highest since January last year.

Meanwhile, and of some note, average mortgage rates were down slightly at 3.36%, matching the cycle-low seen in September. Otherwise, consumer credit grew 0.2% on a M/M basis, allowing Y/Y growth in the latter to pick up further to 2.3%.

Meanwhile, BoE numbers on underlying monetary dynamics showed more gloomy messages in November data. These aggregates, which exclude intermediate other financial companies, are the ones that the BoE has been using to help assess the health of bank lending and monetary conditions generally. They showed no further growth in underlying broad money supply, the first such lull in five months (having risen by 0.6% in October, thereby tempering the three-month annualized rate (possibly more closely watched by the BoE given the volatility in the numbers) to 3.7%.

On a more clear-cut downbeat note, the underlying lending numbers weakened afresh, actually showing a fall of 0.1% M/M, ie unwinding some of the 0.3% rise seen in the previous month, the latter having been the first positive reading since April. Continued weakness was therefore evident in the three-month annualized pace even though it turned much less negative (at -0.5%).

The still very soft lending data will cause no reverberations within the BoE, well aware (from its recent Credit Conditions Survey which will be updated tomorrow) of increased risks from the possibility that funding conditions may soon act to restrain lending. That same Credit Conditions Survey, however, did suggest that credit availability had not fallen of late, implying that the continued reports of a fall in lending most probably reflect weak demand.

Otherwise the data show resilience in the housing market, but policy makers will take little solace from this, aware that should the labor market deteriorate further, then distress selling could very well emerge to undermine house prices that are still far from on the cheap side.