

Are Spanish Banks About To Start Lending Again?

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Spanish News



In January the European Central Bank (ECB) announced that it was introducing a large scale programme of quantitative easing (QE). It plans to spend a staggering €60 billion a month until September 2016 at least.

The banks need to do something with the cash and the expectation is that they will start to lend to businesses and individuals, leading to increased spending to boost investment, asset prices and inflation.

What does this mean for Spain and its property market? Well, experience elsewhere tells us that QE weakens the host currency (the Euro), it boosts asset prices (property and equities) and increases investment, retail spending and inflation. A weaker currency will make Spanish property cheaper for foreign buyers using their domestic currencies.

At Asset Folio we predict a steady rise in prices of Spanish property over the next few years due to additional finance being made available by the banks for Spanish and overseas buyers, property becoming more affordable to overseas buyers and a general feeling of confidence as asset prices increase, employment starts to fall and government finances 'appear' more under control.