

The April 2019 Bank Lending Survey in Spain

Álvaro Menéndez Pujadas

Abstract

The results of the Bank Lending Survey show somewhat less expansionary behaviour of loan supply and demand in 2019 Q1, both in Spain and in the euro area. Thus credit standards for approving loans tightened in both areas in the two segments of lending to households and did not change in loans to enterprises. The terms and conditions for new loans held steady both in Spain and in the euro area, except those for consumer credit and other lending, which eased in Spain and tightened in the euro area. For the second quarter of 2019, the banks of both areas did not anticipate further tightening of credit standards save those for loans to households for house purchase in the euro area. Loan demand in Spain decreased both in that from enterprises and in that from households for consumer credit and other lending, while that from households for house purchase increased. By contrast, in the euro area, the demand for loans to households increased, although that for consumer credit and other lending slowed, and the demand for loans to enterprises stopped growing. According to banks in both areas, the conditions of access to financial markets remained unchanged or even improved, both in retail markets and in nearly all wholesale markets. The ECB expanded asset purchase programme continued having a positive effect on the liquidity and financing conditions of banks in the past six months, although it had a negative impact on their profitability. In addition, this programme continued to foster, in nearly all segments, an easing of loan terms and conditions and an increase in the volume of loans granted. The negative interest rate of the ECB deposit facility contributed, over the past six months, to a decrease in the net interest income of banks in the two areas and to an increase in credit volumes.

Keywords: funding, credit, supply of credit, demand for credit, credit standards for loans, terms and conditions for loans, financial markets.

JEL codes: E51, E52, G21.

THE APRIL 2019 BANK LENDING SURVEY IN SPAIN

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Main results

This article presents the results of the April 2019 bank lending survey (BLS), which provides information on credit supply and demand conditions in 2019 Q1, and on the outlook for the next three months. This edition includes ad hoc questions on the conditions of access to wholesale and retail market financing, the current level of tightness of credit standards compared with historical levels, the effects of the ECB expanded asset purchase programme, and the impact of the negative deposit facility rate.¹ This section discusses the main results obtained from the replies by the ten Spanish banks participating in the survey, comparing them with the results for the euro area as a whole, while the following sections review the results for Spain in more detail.²

The results of the survey in both Spain and the euro area point to generally somewhat less expansionary lending and borrowing conditions in 2019 Q1. Thus credit standards tightened slightly for loans to households, both for house purchase and for consumer credit and other lending (in Spain, for the second consecutive quarter in this latter segment), and remained appreciably unchanged in loans to enterprises (see Chart 1 and Table 1). Meanwhile, the overall terms and conditions for new loans held steady in both Spain and the euro area in loans to enterprises and in house purchase loans to households. In consumer credit and other lending to households they tightened slightly in the euro area as a whole, while in Spain they again eased slightly and thus prompted a narrowing of margins on average loans.

The demand for loans to enterprises decreased in Spain in 2019 Q1, and also for consumer credit and other lending to households (in this case for the first time since the end of 2016), while loans to households for house purchase rose slightly. By contrast, in the euro area, loan applications from enterprises stopped growing, while they started to grow again in the two segments of lending to households, although in consumer credit and other lending to households the increase was very slight and less than that in previous quarters.

The dispersion of Spanish banks' replies on credit standards for the latest period observed was zero in the case of loans to enterprises and low in the other two segments. In the case of demand, the dispersion was higher, albeit moderate, in all three segments.

For the present quarter, the responding Spanish banks anticipate a slight easing in credit standards for loans to enterprises, and no change in the two segments of lending to households. Banks in the euro area foresaw a slight easing in credit standards for loans to

1 The Banco de España has published these results on its website (<http://www.bde.es/webbde/en/estadis/infoest/epb.html>), in tandem with the publication of this article and with the ECB's publication of the results for the euro area. Also available at this address are the time series of the aggregate indicators by bank, relating to the regular questionnaire, along with additional information about the BLS. A more detailed analysis of the results for the euro area as a whole can be found in the ECB's regular notes on its website (<http://www.ecb.int/stats/money/lend/html/index.en.html>).

2 The analysis of the results reported in this article is based on the so-called "diffusion indices", which are calculated by using weights based on the degree of improvement/worsening or of easing/tightening reported by each bank in its replies, unlike indicators calculated in terms of net percentages, which do not apply such weighting.

	Credit standards	Overall terms and conditions on loans	Demand for loans
Spain			
Past three months			
Non-financial corporations	No change	No change	Decrease
Households for house purchase	Tightening	No change	Increase
Households for consumer credit and other lending	Tightening	Easing	Decrease
Forecast for next three months			
Non-financial corporations	Easing	(a)	Decrease
Households for house purchase	No change	(a)	Increase
Households for consumer credit and other lending	No change	(a)	Increase
Euro area			
Past three months			
Non-financial corporations	No change	No change	No change
Households for house purchase	Tightening	No change	Increase
Households for consumer credit and other lending	Tightening	Tightening	Increase
Forecast for next three months			
Non-financial corporations	Easing	(a)	Increase
Households for house purchase	Tightening	(a)	Increase
Households for consumer credit and other lending	Easing	(a)	Increase

SOURCES: Banco de España and ECB.

a The survey does not include questions on expected changes in loan terms and conditions.

enterprises and for consumer credit and other lending to households, and a slight tightening in loans to households for house purchase. Regarding demand, banks in the two areas expected across-the-board growth in loan applications, except for those from enterprises in Spain, which would continue to decrease.

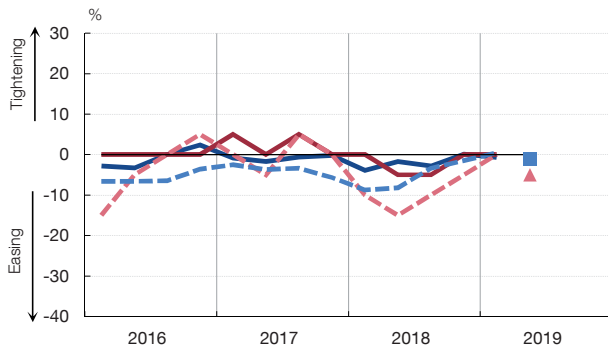
Turning to the ad-hoc questions included in the survey, in response to the first of them, banks in both areas reported that in 2019 Q1 they perceived a certain improvement in the conditions of access to almost all wholesale markets, except for the money market in Spain, in which they were seen to worsen slightly (see Chart A.1). Access to retail markets was also reported to improve slightly in the euro area, remaining unchanged in Spain. In response to the question on the level of credit standards, banks in both Spain and the euro area indicated that they were currently slightly tighter than those seen on average since 2003 in all segments (see Chart A.2). The current levels were reported to stand nearer to the average since 2010, although with certain differences depending on the segment and the area. Compared with the results a year earlier, there is a slight shift in the responses towards tighter levels in Spain, while the opposite occurs for the euro area as a whole. Turning to the ECB expanded asset purchase programme, banks in both areas indicated that over the past six months it helped to increase liquidity and improved their funding conditions, although it had an adverse impact on their profitability (see Chart A.3). According to banks' replies, the liquidity from this programme did not have any effect on credit standards, although it favoured a certain easing in the credit standards applied to most segments, and an increase in the volume of loans granted. Lastly, in response to the

STABILITY OR SLIGHT TIGHTENING IN CREDIT STANDARDS AND NO CHANGE IN CREDIT TERMS AND CONDITIONS. CHART 1 DEMAND ROSE ONLY IN LOANS FOR HOUSE PURCHASE

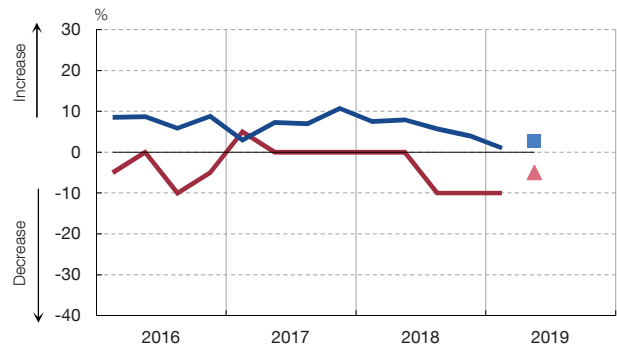
In 2019 Q1, both in Spain and the euro area, credit standards tightened slightly in the household segments and did not change in loans to enterprises. The terms and conditions of new loans held steady in both Spain and the euro area, except for those on consumer credit and other lending, which eased in Spain and tightened slightly in the euro area. Demand rose in the segment of households for house purchase and decelerated or decreased in the other segments.

1 LENDING TO NON-FINANCIAL CORPORATIONS

1.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)

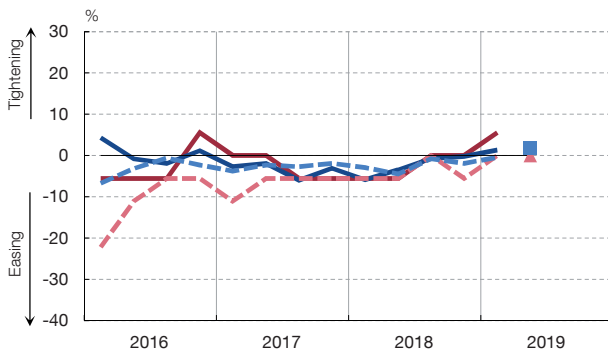


1.2 CHANGE IN DEMAND (b)

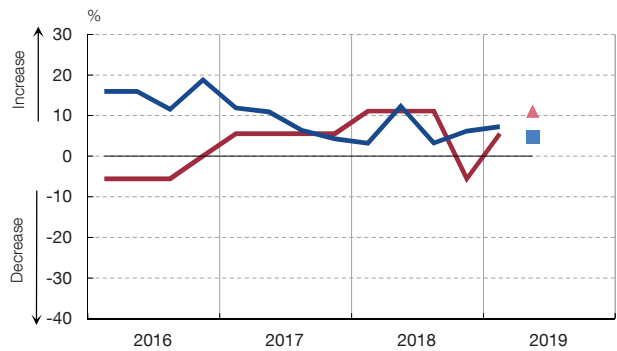


2 LOANS FOR HOUSE PURCHASE

2.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)

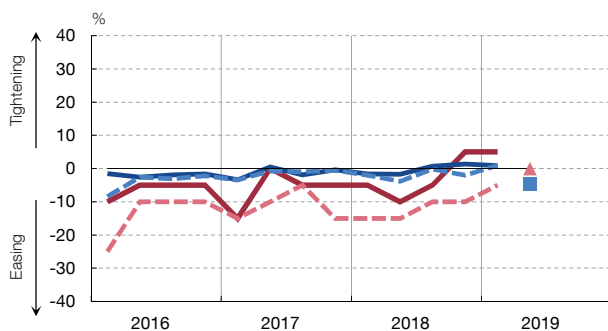


2.2 CHANGE IN DEMAND (b)

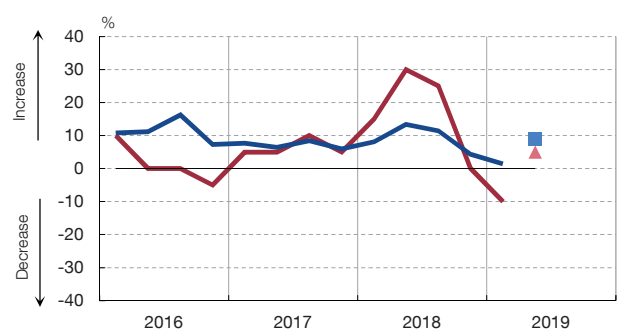


3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

3.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)



3.2 CHANGE IN DEMAND (b)



— CREDIT STANDARDS. SPAIN
— CREDIT STANDARDS. EURO AREA
-▲- FORECAST CREDIT STANDARDS. SPAIN
-■- FORECAST CREDIT STANDARDS. EURO AREA
- - - CONDITIONS. SPAIN
- - - CONDITIONS. EURO AREA

— SPAIN
— EURO AREA
▲ FORECAST. SPAIN
■ FORECAST. EURO AREA

SOURCES: ECB and Banco de España.

- a** Indicator = percentage of banks that have tightened their credit standards or conditions considerably × 1 + percentage of banks that have tightened their credit standards or conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or conditions considerably × 1.
- b** Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.



ad hoc question on the impact of the negative interest rate of the ECB deposit facility, banks in the two areas replied that this measure contributed in the past six months to a decrease in net interest income, this effect being much sharper in the euro area as a whole than in Spain. This measure was also conducive to a decrease in the interest rates and margins applied in all segments, and contributed to a moderate increase in the volumes granted, both in loans to enterprises and in those to households for house purchase (see Chart A.4).

Supply and demand conditions in Spain

Detailed analysis of the replies of Spanish banks to the regular questionnaire shows that, in the segment of lending to non-financial corporations, credit standards remained without significant changes in 2019 Q1, both in short-term loans and in longer-dated ones. The breakdown by size evidences a certain tightening of the criteria applied in loans extended to SMEs, while in the case of large enterprises standards eased slightly. Regarding the factors behind these developments, the greater competition, both among banks and in market financing, gave rise to an easing of credit standards, while the higher costs relating to the level of capital and a worsening of expectations about sectors and enterprises had the opposite effect; the other factors had no significant influence (see Chart 2).

The overall terms and conditions on new loans held unchanged in 2019 Q1, against a background in which no explanatory factor had a significant impact. The more detailed information shows that the margins on average loans held steady, while those on riskier loans tightened slightly, the other conditions holding steady (see Chart 2). The breakdown by size of enterprises shows that the overall conditions on new loans did not change in loans for SMEs, while those on new loans to large enterprises eased minimally. The percentage of rejected loan applications held steady in 2019 Q1.

According to the replies received, between January and March 2019 the overall demand for loans by enterprises decreased both in short-term loans and in longer-dated ones. The breakdown by size reveals stability in loan applications by SMEs and a decrease in those by large enterprises. The declining course of demand was chiefly due to lower fixed capital investment, but also to greater recourse to other sources of external financing, a decrease in corporate mergers, acquisitions and restructurings, and greater use of internal financing (see Chart 3).

According to the replies received, credit standards for loans to households for house purchase tightened slightly in 2019 Q1. Banks stressed that the worsening of the outlook, both for the general economic situation and for the housing market, prompted a tightening of criteria, partially offset by the higher pressure exerted by competition from other banks (see Chart 2). The overall terms and conditions applied in these loans held unchanged. More detailed analysis reveals that the margins on average loans and on riskier loans, as well as the other conditions, held steady. Lastly, the percentage of rejected loan applications grew slightly.

The demand for loans for house purchase increased slightly in 2019 Q1. According to the responding banks, the low general level of interest rates and the regulatory or fiscal changes in the market contributed to the increase in loan applications. These effects were partially offset by the increase in self-financing, greater recourse to other sources of external financing and a worse outlook for the housing market (see Chart 3).

Credit standards for consumer credit and other lending tightened slightly in 2019 Q1 for the second consecutive quarter. This was basically a result of the worsening of the overall

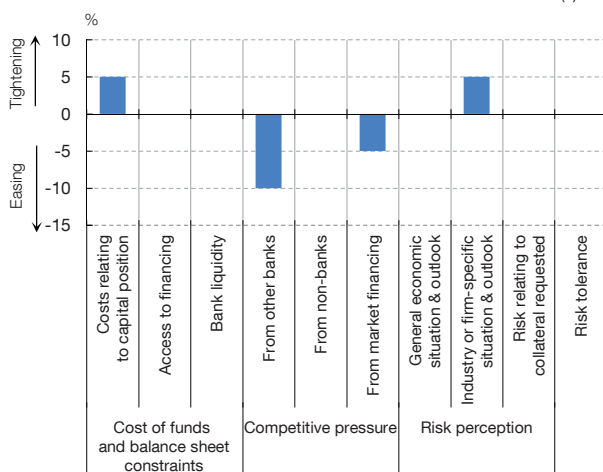
THE GREATER PRECEPTION OF RISK CONTRIBUTED TO THE TIGHTENING OF CREDIT STANDARDS, WHILE THE CONDITIONS APPLIED TO NEW LOANS CHANGED ONLY SLIGHTLY

CHART 2

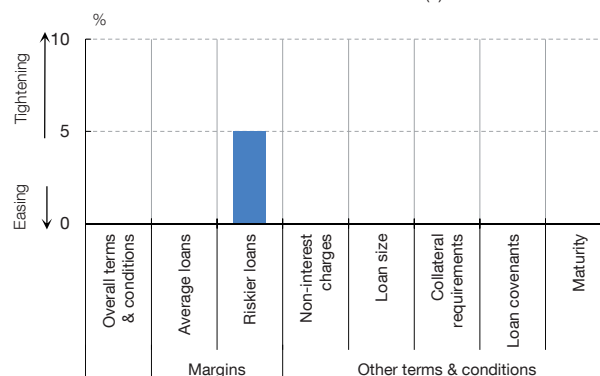
The slight tightening of credit standards in the two segments of loans to households was mainly due to a heightened perception of risk. The conditions applied were unchanged in loans to enterprises and to households for house purchase and eased somewhat in consumer credit and other lending, which gave rise, in this segment, to a certain narrowing of margins on average loans.

1 LOANS TO NON-FINANCIAL CORPORATIONS

1.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

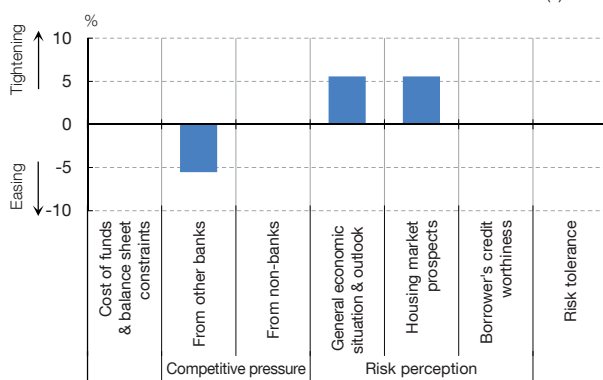


1.2 CHANGES IN TERMS AND CONDITIONS ON LOANS (b)

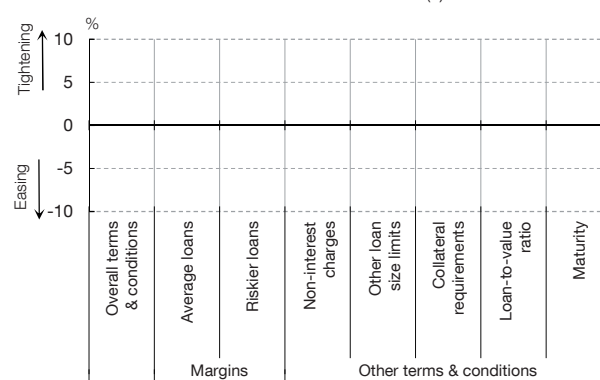


2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

2.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

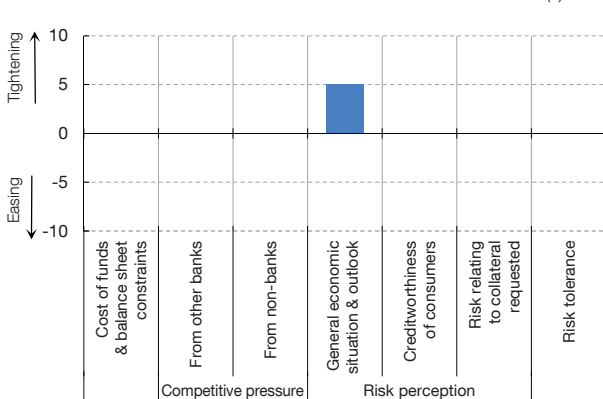


2.2 CHANGES IN TERMS AND CONDITIONS ON LOANS (b)

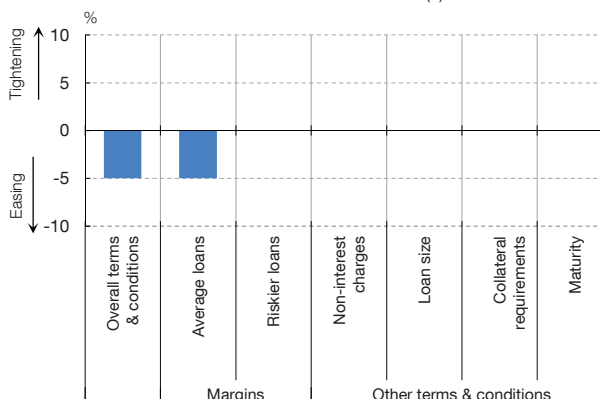


3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

3.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)



3.2 CHANGES IN TERMS AND CONDITIONS ON LOANS (b)



SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks reporting that the factor has contributed considerably to the tightening of credit standards x 1 + percentage of banks reporting that it has contributed somewhat to the tightening of credit standards x 1/2 – percentage of banks reporting that it has contributed somewhat to the easing of credit standards x 1/2 – percentage of banks reporting that it has contributed considerably to the easing of credit standards.
- b Indicator = percentage of banks that have tightened their conditions considerably x 1 + percentage of banks that have tightened their conditions somewhat x 1/2 – percentage of banks that have eased their conditions somewhat x 1/2 – percentage of banks that have eased their conditions considerably.

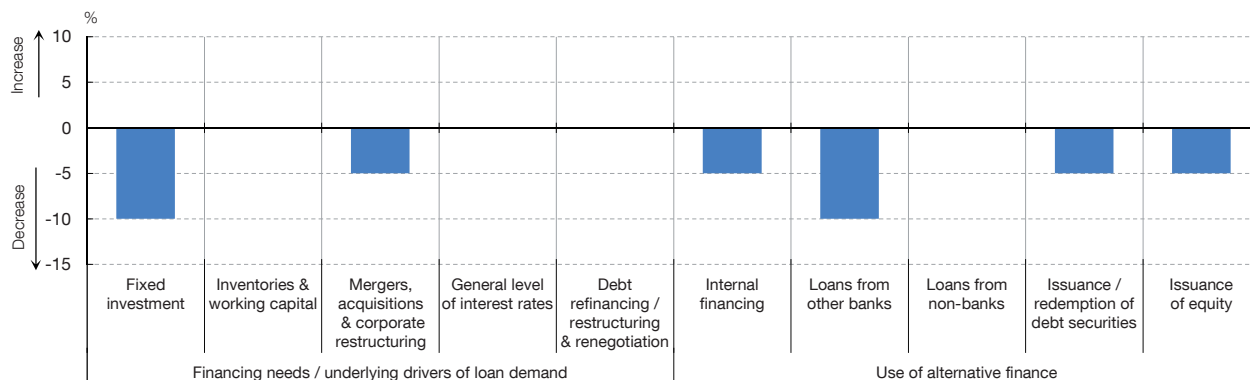


THE GREATER USE OF OTHER TYPES OF FINANCING WAS CONDUCTIVE TO A CONTRACTION IN LOAN DEMAND, OFFSET PARTLY BY THE LOW INTEREST RATES (a)

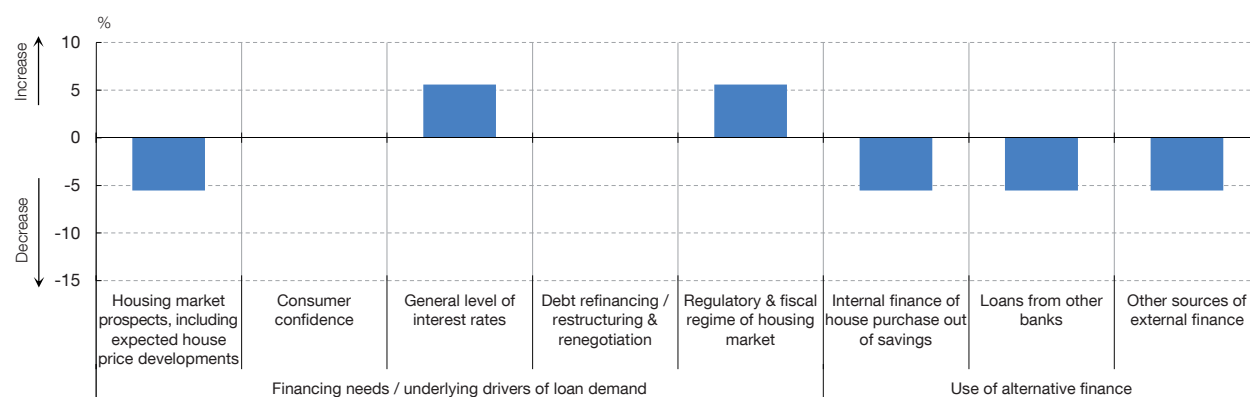
CHART 3

The low interest rates continued to fuel demand for loans, while the use of other sources of financing had the opposite effect. In addition to these factors, in the segment of loans to enterprises, demand was adversely affected by lower fixed capital investment and a smaller number of restructuring operations. In households, loan applications for house purchase were negatively affected by the housing market outlook, while in the segment of consumer credit and other lending, the weaker spending on consumer durables prompted a further decrease in demand.

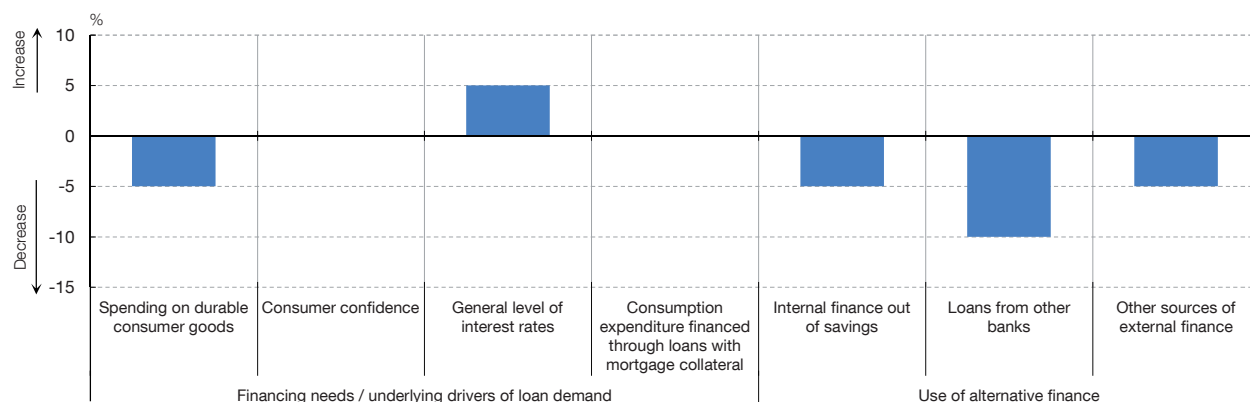
1 LOANS TO NON-FINANCIAL CORPORATIONS



2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE



3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting that the factor has contributed considerably to increasing demand × 1 + percentage of banks reporting that it has contributed somewhat to increasing demand × 1/2 – percentage of banks reporting that it has contributed somewhat to reducing demand × 1/2 – percentage of banks reporting that it has contributed considerably to reducing demand.

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economic outlook, since other factors did not have any effect (see Chart 2). Conversely, the overall terms and conditions on these types of loans eased once more, as a result of greater competition. In particular, the margins on average loans narrowed, while the margins on riskier loans and other conditions held stable. The percentage of rejected loan applications increased slightly.

The demand for consumer credit and other lending decreased in 2019 Q1. According to the replies received, this was the result of lower spending on consumer durables, an increase in internal financing via savings and greater use of loans from other banks and other external financing. As an opposing effect, the overall low level of interest rates continued to favour the growth of loan applications (see Chart 3).

Ad hoc questions

In their replies to the ad hoc question on conditions of access to retail and wholesale funding markets (see Chart A.1), Spanish banks reported that they perceived during 2019 Q1 some improvement in the conditions of access to wholesale markets (somewhat more markedly in the debt securities markets), except in the money markets, where they worsened slightly. The conditions of access to the retail markets held steady in this period.

In reply to the question on the strictness of credit standards, Spanish banks as a whole indicated that these are currently slightly tighter than those seen on average since 2003 for all types of loans (see Chart A.2). Meanwhile, compared with the average value observed since 2010 Q2, credit standards are now slightly laxer in loans to enterprises (except large enterprises, where they are a little tighter), while the standards applied in the household segment are somewhat tighter, especially in house purchase loans. The trend in these replies over the past two years evidences a progressive shift towards greater tightness in all segments.

The responding Spanish banks reported that over the past six months the ECB's expanded asset purchase programme prompted a slight increase in their total assets and an improvement of their liquidity and funding conditions, although it adversely affected their profitability (due to lower net interest income; see Chart A.3). Its influence on credit standards was nil, while it continued to help ease the terms and conditions of loans to enterprises and of consumer credit and other lending to households, and it had a positive effect on the volume of lending to enterprises and to households for house purchase.

Lastly, in the case of the ad hoc question about the impact of the ECB's negative deposit facility rate, the Spanish banks reported that over the last six months it contributed to a drop in net interest income (see Chart A.4). The impact on loan interest rates and the margins applied was negative in all segments. Finally, this measure contributed to raising somewhat the volume of loans to enterprises and to households for house purchase. In any event, the impact on loan terms and conditions and on loan volumes extended was lower than that reported six months earlier.

Outlook

As regards the current quarter, the responding Spanish banks anticipated that credit standards would ease slightly in the enterprises segment and remain steady in the households segment (see Chart 1). On the demand side, if their forecasts are borne out, loan applications would again decrease slightly in the enterprises segment and increase in that of households, both for house purchase and for consumer credit and other lending.

In the retail and wholesale funding markets, banks' outlook for 2019 Q2 was for a slight improvement in conditions of access to debt securities markets and to securitisation

markets, and for a slight deterioration in conditions of access to the money market at terms exceeding one week, with stability being expected in the conditions of access to the other wholesale and retail markets (see Chart A.1).

As regards the ECB's expanded asset purchase programme, the responding Spanish banks expected that over the next six months it would continue to be conducive to an increase in their assets, an improvement in their liquidity and financing conditions and a certain decrease in their profitability (see Chart A.3). However, they did not think this would lead to changes in their capital ratios. The banks expected the programme to continue to favour a slight easing of the terms and conditions on loans to households and enterprises, and an increase in the volume of loans granted in all segments.

Lastly, the Spanish banks foresaw that in the next six months the ECB's negative deposit facility rate would contribute to a further drop in their net interest income, to a decline in interest rates and margins on loans, and to an increase in the volume of loans granted (see Chart A.4).

9.4.2019.

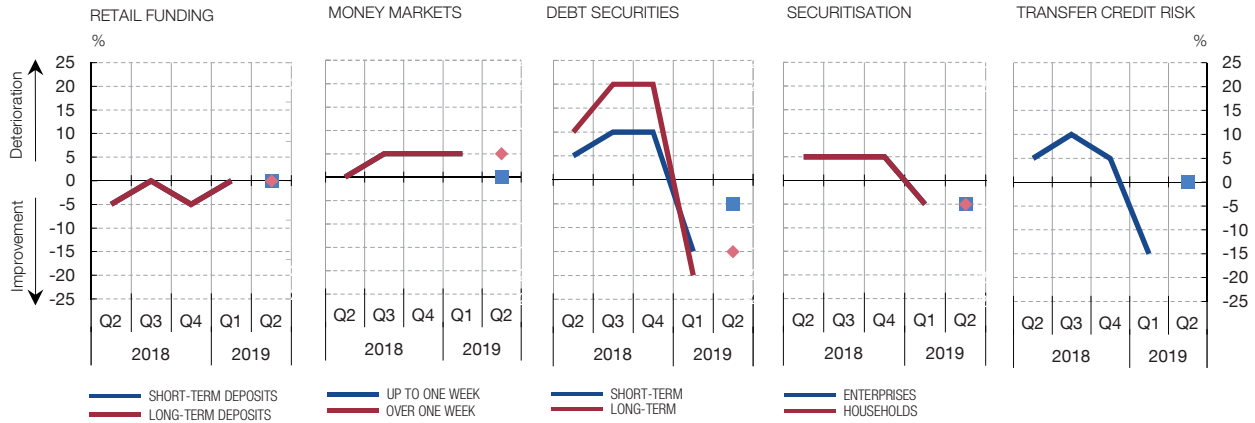
ANNEX WITH CHARTS OF MAIN RESULTS FOR THE AD HOC QUESTIONS

ACCESS TO THE WHOLESALE AND RETAIL MARKETS IMPROVED OR REMAINED STABLE IN NEARLY ALL CASES, BOTH IN SPAIN AND IN THE EURO AREA (a) (b)

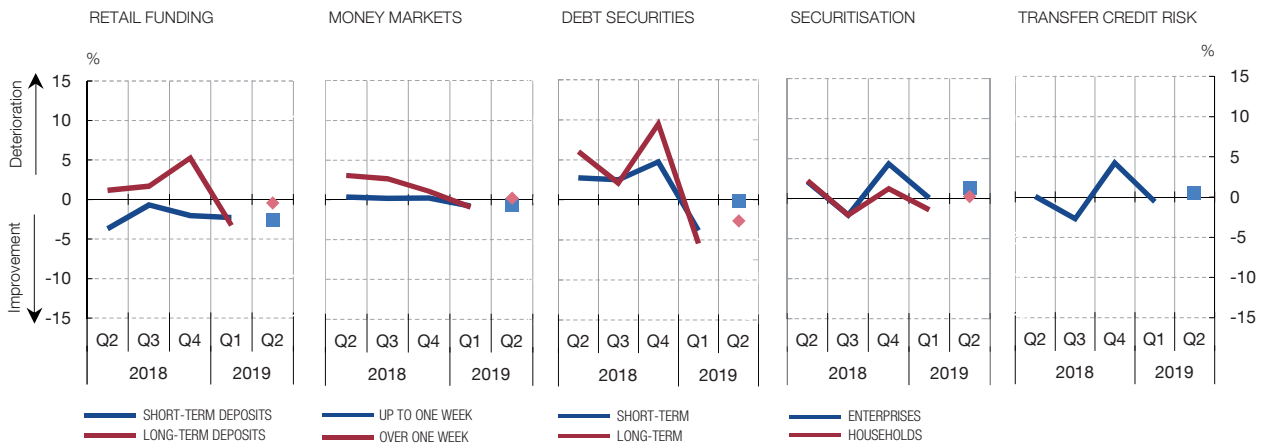
CHART A.1

In 2019 Q1 banks in the two areas perceived an across-the-board improvement in the conditions of access to wholesale markets (except money markets in Spain). In retail markets, an improvement was also observed in the euro area, while no appreciable change was noted in Spain.

1 ACCESS TO FUNDING. SPAIN



2 ACCESS TO FUNDING. EURO AREA



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks that have perceived a considerable deterioration in their market access × 1 + percentage of banks that have perceived some deterioration × 1/2 – percentage of banks that have perceived some improvement × 1/2 – percentage of banks that have perceived a considerable improvement × 1.

b ♦, ■ Forecast.



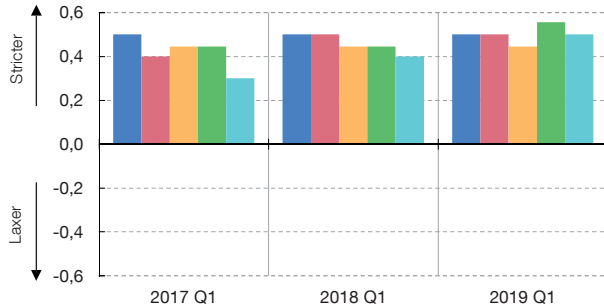
CREDIT STANDARDS ARE CURRENTLY TIGHTER THAN THOSE APPLIED ON AVERAGE SINCE 2003, BOTH IN SPAIN AND IN THE EURO AREA

CHART A.2

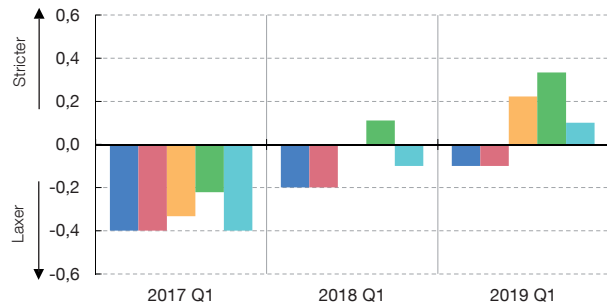
Credit standards in Spain and the euro area are currently tighter than those seen on average since 2003. Compared with the average levels since 2010, the current levels are closer, although there is some dispersion by geographical area and segment.

1 SPAIN

PERIOD BETWEEN 2003 Q1 AND THE PRESENT (a)

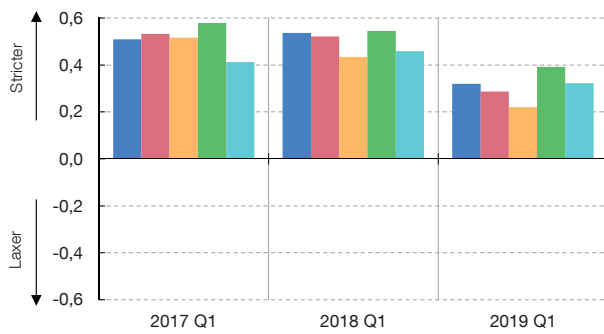


PERIOD BETWEEN 2010 Q2 AND THE PRESENT (a)

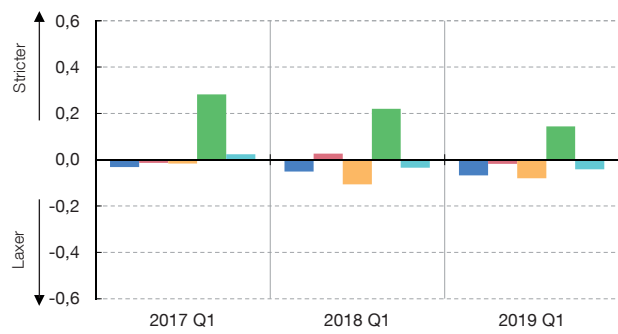


2 EURO AREA

PERIOD BETWEEN 2003 Q1 AND THE PRESENT (a)



PERIOD BETWEEN 2010 Q2 AND THE PRESENT (a)



■ GENERAL LOANS TO ENTERPRISES
 ■ TO SMEs
 ■ TO LARGE ENTERPRISES
■ TO HOUSEHOLDS FOR HOUSE PURCHASE
 ■ CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

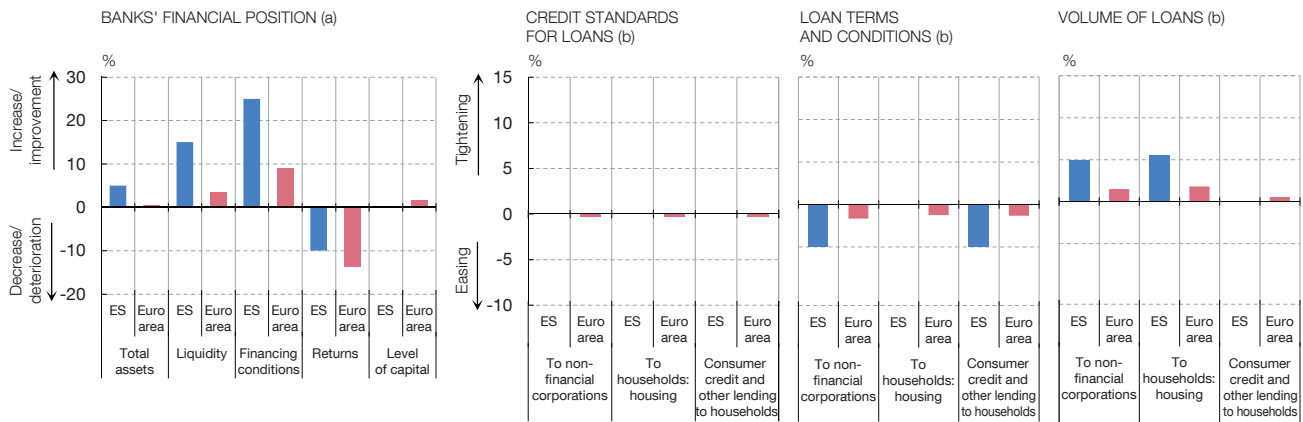
SOURCES: ECB and Banco de España.

a Average based on replies by participating banks. The following values are assigned to the replies: 3: the strictest level for the period; 2: considerably stricter than the average level for the period; 1: moderately stricter than the average level for the period; 0: practically equal to the average level for the period or without changes during the period; -1: moderately laxer than the average level for the period; -2: considerably laxer than the average level for the period; -3: the laxest level for the period. The average level of credit standards for new loans for the period is defined as the intermediate point between the maximum and minimum levels of strictness of credit standards during that period.

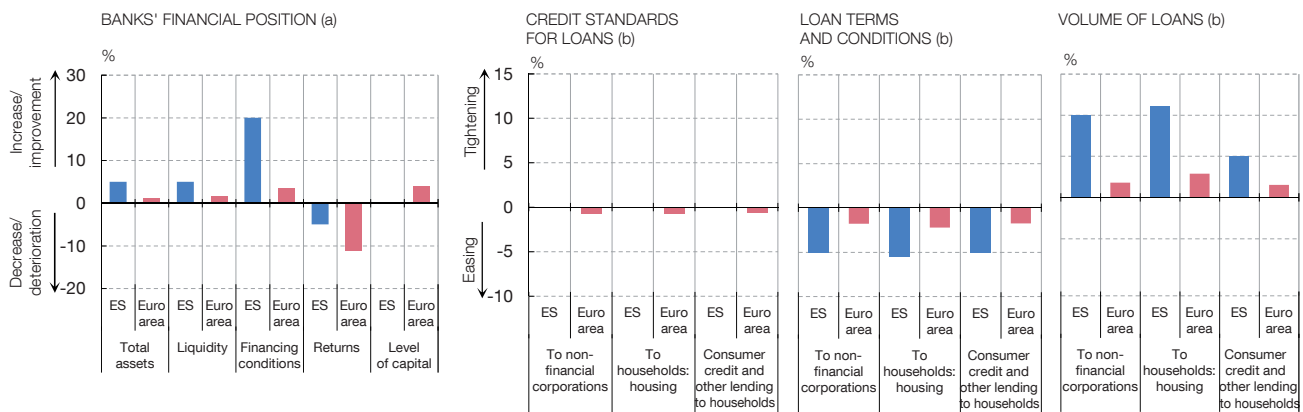


Over the past six months the programme contributed to improving banks' liquidity and funding conditions in both areas. By contrast, the impact on profitability was negative. In addition, this programme continued to foster, in nearly all segments, an easing of loan terms and conditions and an increase in the volume of loans granted. All these effects were generally more marked in Spain than in the euro area.

1 LAST SIX MONTHS' IMPACT



2 NEXT SIX MONTHS' IMPACT



SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks stating that the programme did or would contribute strongly to an increase or improvement × 1 + percentage of banks stating that it did or would contribute somewhat to an increase or improvement × 1/2 – percentage of banks stating that it did or would contribute somewhat to a decline or worsening × 1/2 – percentage of banks stating that it did or would contribute strongly to a decline or worsening.
- b Indicator = percentage of banks stating that the programme did or would contribute strongly to a tightening of credit standards or loan terms and conditions, or to an increase in the volume of loans × 1 + percentage of banks stating that it did or would contribute somewhat to a tightening or increase × 1/2 – percentage of banks stating that it did or would contribute somewhat to the easing of credit standards or loan terms and conditions or to a decrease in volume × 1/2 – percentage of banks stating that it did or would contribute strongly to an easing or decrease × 1.

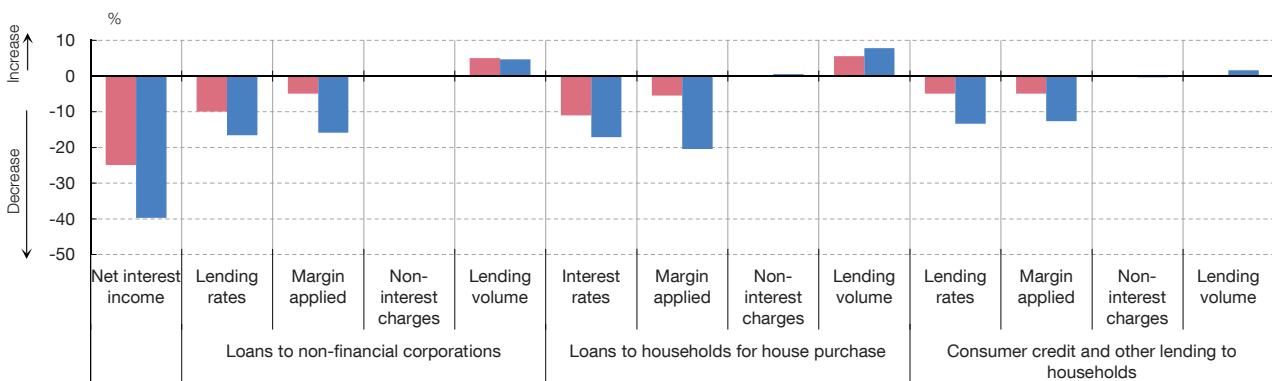


THE NEGATIVE DEPOSIT FACILITY RATE CONTINUED TO FOSTER AN EXPANSION OF LENDING, A DECREASE IN MARGINS AND A DECLINE IN NET INTEREST INCOME (a)

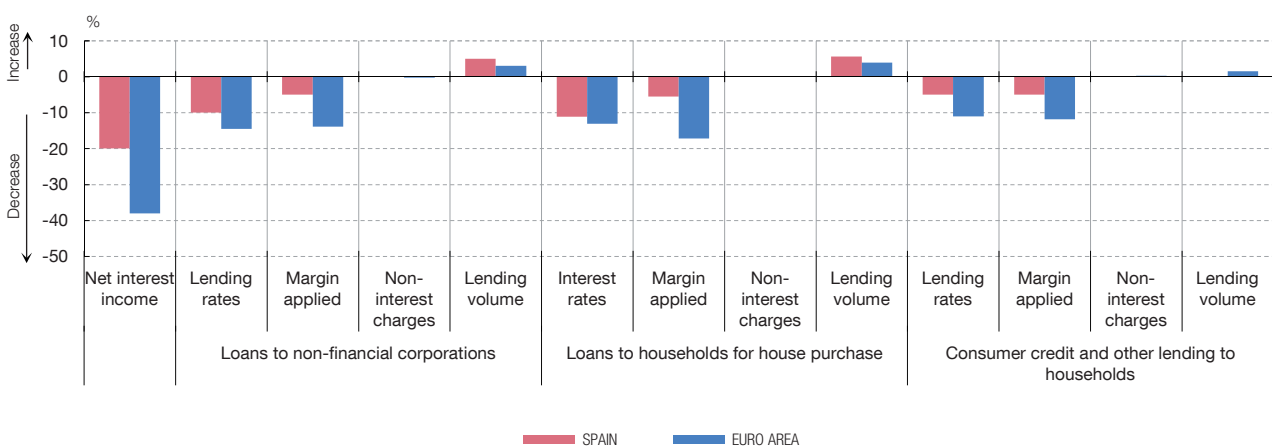
CHART A.4

Banks in both areas responded that over the past six months this measure contributed to a decrease in net interest income, a certain decline in the interest rates and margins applied and a slight increase in the volume of loans granted.

1 LAST SIX MONTHS' IMPACT



2 NEXT SIX MONTHS' IMPACT



SPAIN EURO AREA

SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting a slight increase × 1/2 – percentage of banks reporting a slight decrease × 1/2 + percentage of banks reporting a considerable decrease × 1.

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