

ANALYTICAL ARTICLES

Economic Bulletin

2/2022

BANCO DE **ESPAÑA**
Eurosistema

APRIL 2022 BANK LENDING SURVEY IN SPAIN

Álvaro Menéndez Pujadas and Maristela Mulino

ABSTRACT

According to the Bank Lending Survey, during 2022 Q1 credit standards in business lending tightened both in Spain and in the euro area as a whole, against a backdrop of greater concern for the risks associated with the impact of the energy crisis and, more recently, the war in Ukraine. There were no significant changes in credit standards in Spain in the two household lending segments. Loan applications continued to increase moderately in both areas, across almost all segments. For Q2, supply is expected to contract, more intensely in business lending, both in Spain and in the euro area, in a setting of greater uncertainty associated with the effects of the war in Ukraine. Lastly, as regards the non-standard monetary policy measures of the European Central Bank (ECB), banks expect the favourable effects on their financial position and lending policy to diminish over the coming months, reversing their sign in some cases, against a background of gradual monetary policy normalisation.

Keywords: funding, credit, loan supply, loan demand, credit standards, loan terms and conditions, financial markets.

JEL classification: E51, E52, G21.

The authors of this article are Álvaro Menéndez Pujadas and Maristela Mulino of the Directorate General Economics, Statistics and Research.

Main results

This article presents the results of the April 2022 Bank Lending Survey (BLS), which provides information on credit supply and demand conditions in 2022 Q1 and on the outlook for Q2.¹ This first section discusses the main results obtained from the replies by the ten Spanish banks participating in the survey and compares them with the results for the euro area overall. The subsequent sections present a somewhat more detailed analysis of the results for Spain.²

The survey shows that, in 2022 Q1, credit standards³ in business lending tightened in both Spain and the euro area, in a setting of greater uncertainty, shortage of some products and higher energy and other commodity prices. The main drivers of this tightening were financial intermediaries' greater risk perception and lower risk tolerance. Credit standards for loans granted by Spanish banks to households for both house purchase and consumer credit and other lending remained stable. By contrast, in the euro area, credit standards applied to loans to households for house purchase⁴ remained stable, while those for consumer credit and other lending eased somewhat. There was more dispersion in overall terms and conditions.⁵ Thus, while in Spain only those applied to loans to households for house purchase changed, easing somewhat, in the euro area they tightened both in the business lending segment and in loans to households for house purchase, and eased in consumer credit and other lending to households (see Table 1 and Chart 1). Loan demand has increased moderately in both areas in almost all market segments.

1 The survey was conducted between 7 and 22 March 2022. 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 on this website are the time series of the aggregate indicators by bank, relating to the standard 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 conducted in this article is based on "diffusion indices" which are calculated with a weighting based on the degree of improvement/deterioration or easing/tightening reported by each bank in its replies, unlike indicators calculated in terms of net percentages which do not factor in this weighting. This methodology is applied to the entire time series.

3 Credit standards refer to banks' internal guidelines or loan approval criteria.

4 However, when the changes are approximated by the net percentage rather than the diffusion index, a slight tightening of credit standards in loans to households for house purchase can be seen for the euro area as a whole.

5 Terms and conditions on loans mean banks' actual terms and conditions (interest rate, loan size, maturity, collateral requirements, etc.) agreed in the loan contract.

Table 1

BANK LENDING SURVEY**Main results. April 2022**

| | Credit standards | Overall conditions on new loans | Loan demand |
|---|------------------|---------------------------------|-------------|
| Spain | | | |
| Past three months | | | |
| Non-financial corporations | Tightening | Unchanged | Unchanged |
| Households for house purchase | Unchanged | Easing | Increase |
| Consumer credit and other lending to households | Unchanged | Unchanged | Increase |
| Expected for next three months | | | |
| Non-financial corporations | Tightening | (a) | Decrease |
| Households for house purchase | Tightening | (a) | Decrease |
| Consumer credit and other lending to households | Tightening | (a) | Decrease |
| Euro area | | | |
| Past three months | | | |
| Non-financial corporations | Tightening | Tightening | Increase |
| Households for house purchase | Unchanged | Tightening | Increase |
| Consumer credit and other lending to households | Easing | Easing | Increase |
| Expected for next three months | | | |
| Non-financial corporations | Tightening | (a) | Increase |
| Households for house purchase | Tightening | (a) | Decrease |
| Consumer credit and other lending to households | Tightening | (a) | Unchanged |

SOURCES: Banco de España and ECB.

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

For 2022 Q2, banks in the two areas expect a widespread contraction in the supply of credit, more pronounced in the business lending segment, probably as a reflection of the high uncertainty over the possible effect of the war in Ukraine on credit risk and of the expectations of a less accommodative monetary policy. On the demand side, Spanish banks anticipate an across-the-board decline, while banks in the euro area consider loan applications from firms will continue to increase, while applications from households for consumer credit and other lending will remain unchanged and applications from households for house purchase will decrease.

In response to the ad hoc questions included in the survey, banks in the two areas noted that in 2022 Q1 access to retail funding remained practically steady, except in long-term deposits where conditions deteriorated somewhat in Spain. As regards access to wholesale markets, banks in both areas perceived some deterioration across the board, which was slightly more pronounced in the long-term debt securities market (see Chart A.1).

The remaining ad hoc questions analyse the impact of the non-standard monetary policy measures adopted by the ECB in recent years (the asset purchase programmes,

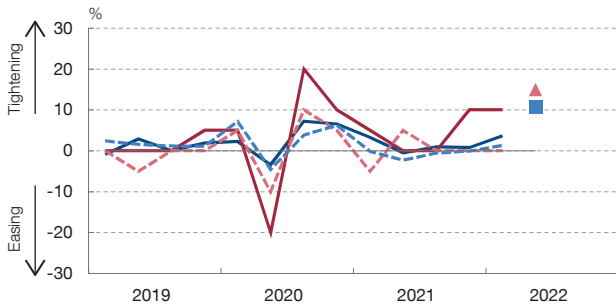
Chart 1

A WIDESPREAD CONTRACTION IN THE SUPPLY OF CREDIT IS EXPECTED FOR 2022 Q2 BOTH IN SPAIN AND IN THE EURO AREA, AGAINST A BACKDROP OF GREATER UNCERTAINTY

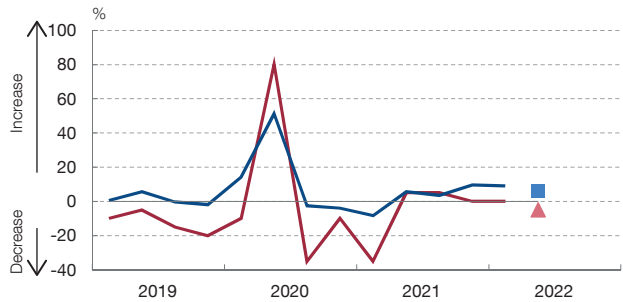
In 2022 Q1, credit standards in business lending tightened slightly in both Spain and the euro area. As regards loans to households, credit standards remained stable in Spain, while in the euro area they tightened slightly in loans for house purchase and eased somewhat in loans for consumer credit and other lending. There is more dispersion between the two areas in overall terms and conditions. Loan demand has continued to increase across almost all segments, in the two areas. For Q2, credit supply is expected to contract in Spain and the euro area and, in Spain, an across-the-board decline in demand is anticipated, in a setting of greater uncertainty associated with the economic effects of the war in Ukraine.

1 LENDING TO NON-FINANCIAL CORPORATIONS

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

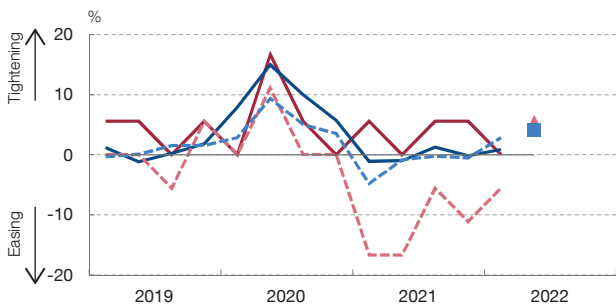


1.2 CHANGE IN DEMAND (b)

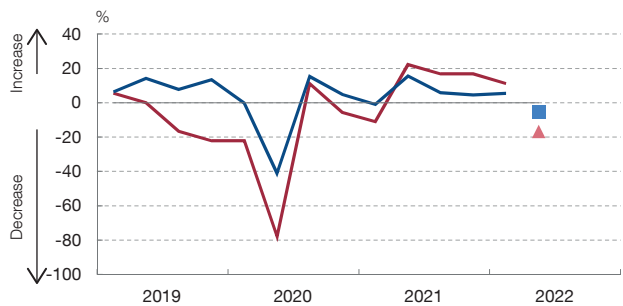


2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

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

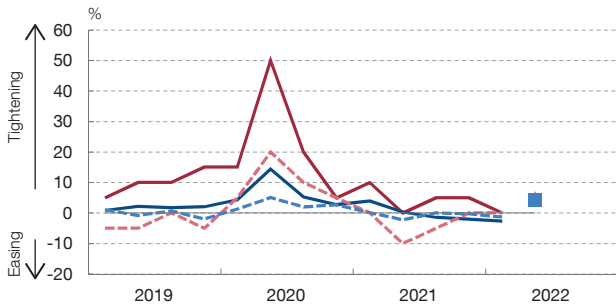


2.2 CHANGE IN DEMAND (b)

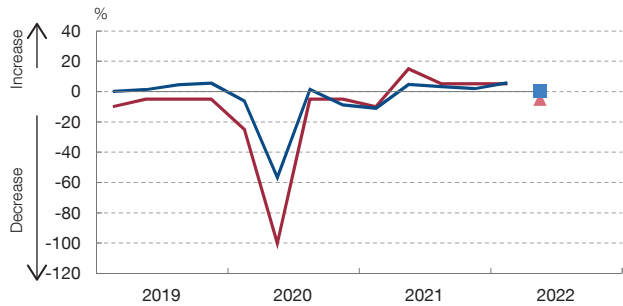


3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

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
▲ EXPECTED CREDIT STANDARDS. SPAIN ■ EXPECTED CREDIT STANDARDS. EURO AREA
- - - CONDITIONS. SPAIN - - - CONDITIONS. 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 a considerable decrease × 1.



the negative deposit facility rate and the targeted longer-term refinancing operations (TLTROs)). In general, in both areas the results show that, over the past six months, these measures have continued to contribute to improving credit institutions' financial position and financing conditions, as well as to some easing of the credit supply and to an increase in the volume of loans granted in some sectors. However, the impact of these measures is gradually declining. In particular, over the next six months, the purchase programmes are expected to have a negative effect on banks' financial position and to lead to some contraction in the loan supply and a decline in the volume of lending, linked to the conclusion of net asset acquisitions under the pandemic emergency purchase programme (PEPP), in March 2022, and to the scaling down of net purchases under the asset purchase programme (APP) over the coming months, against a backdrop of gradual monetary policy normalisation (see Charts A.2 to A.4).

Supply and demand conditions in Spain

Lending to non-financial corporations

According to the responses received, credit standards for lending to non-financial corporations tightened moderately in 2022 Q1 as a result of banks' higher risk perception and lower risk tolerance (see Chart 2), linked to a climate of greater uncertainty and to the negative impact that both supply bottlenecks and higher energy and other commodity prices have had on firms. The breakdown by firm size shows that credit standards tightened more markedly in loans to SMEs than in lending to larger corporations. In line with this more restrictive credit supply setting, the percentage of rejected loan applications increased slightly.

Overall terms and conditions on new loans remained unchanged between January and March, with margins (on both average loans and riskier loans) and the other conditions analysed remaining stable (see Chart 2), and without any factor having a significant effect on them.

Drawing on the responses received, demand from firms held steady in Q1. This stems from a combination of opposing effects. Thus, while the increase in mergers and corporate restructurings, and the greater financing needs for fixed capital investment, prompted a rise in loan applications, the use of internal financing led to a contraction in credit demand (see Chart 3).

For 2022 Q2, the Spanish banks surveyed anticipate a further tightening of credit standards and a slight fall in demand, largely influenced by the heightened uncertainty associated with the impact that the war in Ukraine may have on economic activity.

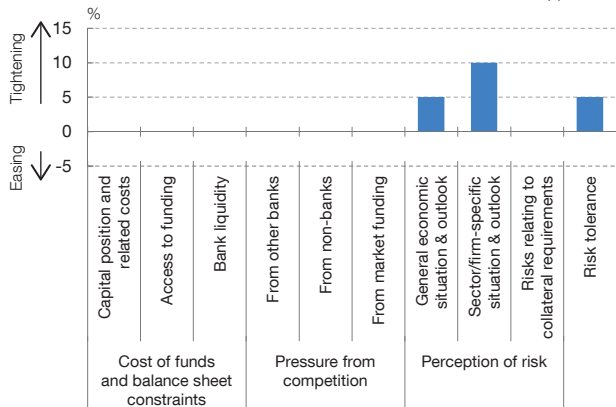
Chart 2

HIGHER RISK PERCEPTION AND LOWER RISK TOLERANCE LIE BEHIND THE SLIGHT TIGHTENING IN CREDIT STANDARDS IN LOANS TO BUSINESSES IN SPAIN IN 2022 Q1

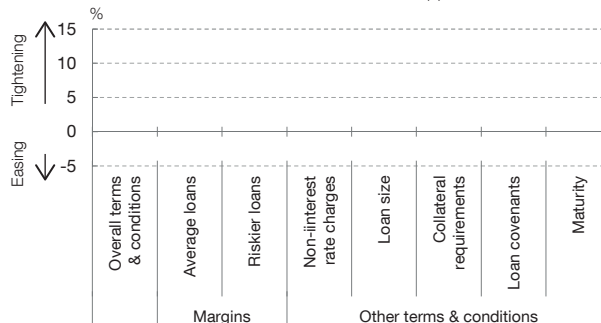
The tightening in credit standards in business loans in 2022 Q1 was attributable to banks' higher risk perception and lower risk tolerance. Terms and conditions applied to loans remained unchanged, except in the loans to households for house purchase segment, with margins on average loans declining slightly, amid strong competition.

1 LOANS TO NON-FINANCIAL CORPORATIONS, SPAIN, 2022 Q1

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

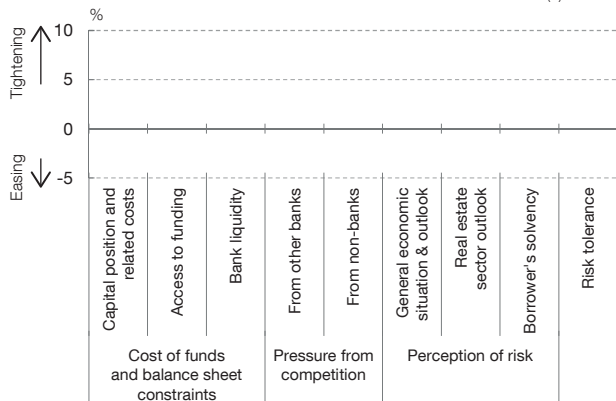


1.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)

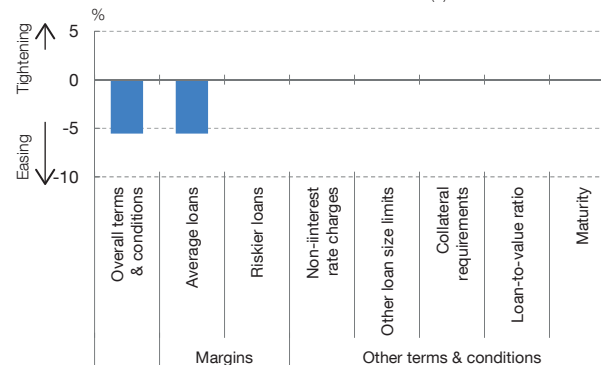


2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE, SPAIN, 2022 Q1

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

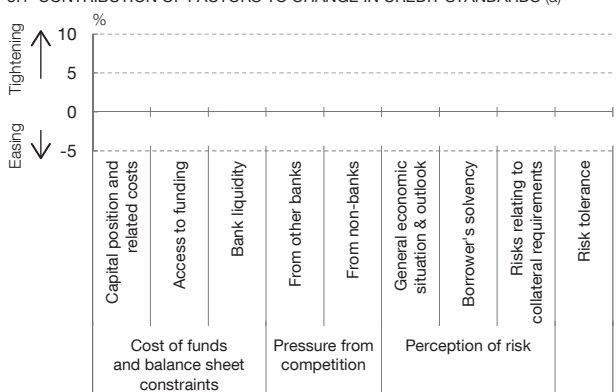


2.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)

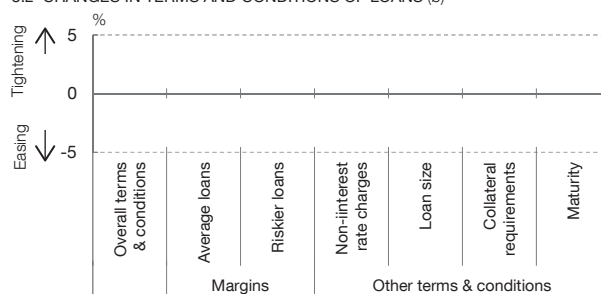


3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS, SPAIN, 2022 Q1

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



3.2 CHANGES IN TERMS AND CONDITIONS OF 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 × 1 + percentage of banks reporting that it has contributed somewhat to the tightening of credit standards × 1/2 – percentage of banks reporting that it has contributed somewhat to the easing of credit standards × 1/2 – percentage of banks reporting that it has contributed considerably to the easing of credit standards × 1.
- b Indicator = percentage of banks that have tightened their terms and conditions considerably × 1 + percentage of banks that have tightened their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions considerably × 1.



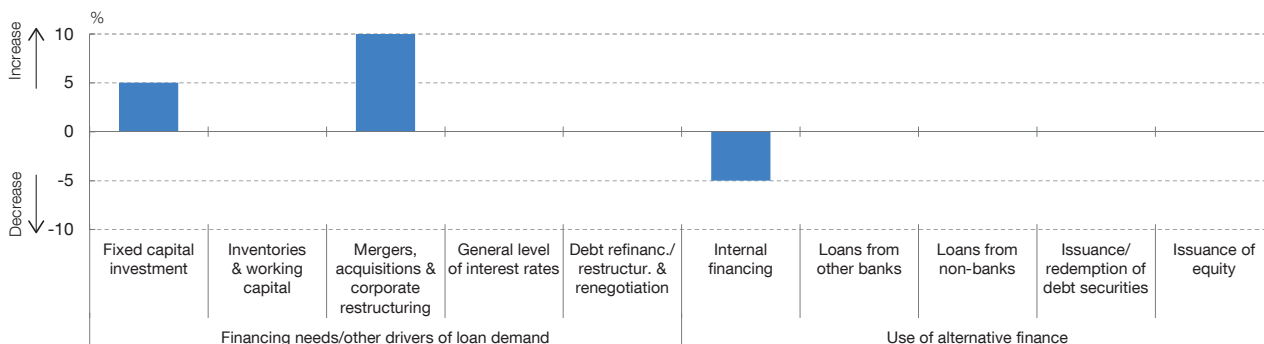
Chart 3

THE HIGHER LOAN DEMAND FROM HOUSEHOLDS IN 2022 Q1 IS MAINLY ATTRIBUTABLE TO HIGHER CONSUMER CONFIDENCE, SOUND HOUSING MARKET PROSPECTS AND INCREASED SPENDING ON CONSUMER DURABLES

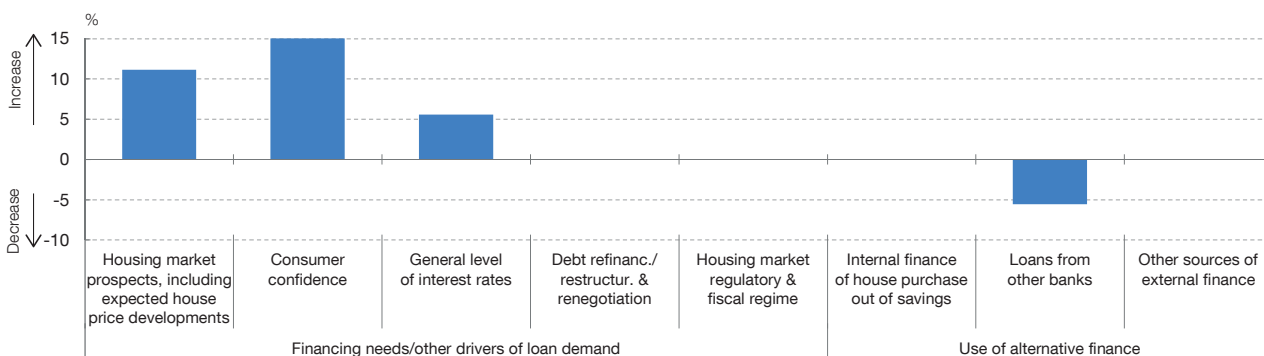
Demand for credit in the loans to firms segment remained unchanged, owing to counterbalancing factors which offset each other. Conversely, in the two household lending segments, loan applications continued to rise on account of higher consumer confidence, sound housing market prospects and increased spending on consumer durables, against a setting in which low interest rates continued contributing to this expansionary trend.

1 FACTORS AFFECTING DEMAND FOR LOANS. SPAIN. 2022 Q1 (a)

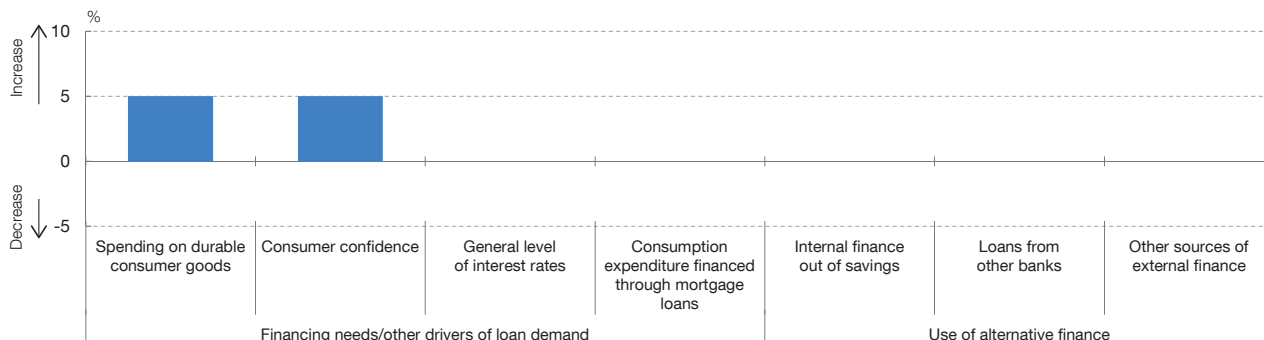
1.1 LOANS TO NON-FINANCIAL CORPORATIONS



1.2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE



1.3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS



SOURCES: Banco de España and ECB.

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 × 1.



Loans to households for house purchase

Credit standards for loans to households for house purchase held steady in Spain in 2022 Q1. Likewise, there was no significant change in the percentage of loan applications rejected compared with the previous quarter.

By contrast, the overall terms and conditions of these loans eased slightly, mainly as a result of the strong competition within this segment, prompting a narrowing of the margins on average loans (see Chart 2).

Banks perceived a fresh rise in the demand for loans for house purchase between January and March, essentially underpinned by higher consumer confidence and, to a lesser extent, by the bright housing market outlook and the low level of interest rates (see Chart 3). It seems, therefore, that the growing uncertainty observed in March, with the outbreak of the war in Ukraine, has not yet had a significant impact on applications for loans for house purchase, which refer to the full quarter.

However, banks expect credit standards to tighten somewhat in 2022 Q2. They also expect demand to decline, interrupting the upward pattern observed in this segment in the last four quarters.

Consumer credit and other lending to households

Credit standards for consumer credit and other lending to households were unchanged in 2022 Q1. Nevertheless, the percentage of loan applications rejected rose slightly in the period.

Overall terms and conditions in this segment also held steady, with no major changes and no change in margins (on average or riskier loans) or in the other conditions analysed (maturity, amount, collateral and non-interest rate charges; see Chart 2).

Based on the responses received, demand from households for consumer credit and other lending rose again in 2022 Q1, driven by higher spending on consumer durables and higher consumer confidence (see Chart 3).

In this segment, banks expect credit standards to tighten slightly and demand to fall back somewhat in 2022 Q2.

Ad hoc questions

To the question on market access in 2022 Q1, Spanish banks responded that they had perceived stability in the short-term retail deposit segment and some deterioration

in the long-term segment (see Chart A.1). In the case of access to wholesale markets, they perceived a widespread deterioration in conditions, which was most pronounced in the long-term debt securities market. Spanish banks expect market access to both retail and wholesale markets to deteriorate further in the second quarter.

In reply to the question on the impact of the ECB's asset purchase programmes, the responding Spanish banks indicated that between October 2021 and March 2022 these had prompted a small increase in liquidity, an improvement in financing conditions and, to a lesser extent, an increase in banks' profitability, total assets and capital (see Chart A.2.1). They had also triggered a slight easing of the terms and conditions on loans to firms and to households for house purchase. For the next six months, as net asset purchases are gradually scaled down, banks expect these programmes to have a slightly negative impact on their liquidity position, their financing conditions and their asset and capital levels, and a somewhat contractionary effect on the loan supply (in almost all segments) and on the volume of lending to firms (see Chart A.2.2).

In response to the question on the effects of the ECB's negative deposit facility rate, Spanish banks again indicated that, over the last six months, this measure had had no significant impact on either their financial situation or the terms and conditions applied to loans and deposits. Nor do they expect it to have a significant impact in the next six months.

Lastly, according to the responses to the ad hoc questions on the ECB's TLTRO III, none of the ten Spanish banks surveyed participated in the December 2021 tender, which was the last in the series. The funds obtained in the previous tenders have continued to be mainly used to substitute maturing debt securities and interbank lending, while the net drawdowns have been mainly used to grant loans to the non-financial private sector, hold liquidity with the Eurosystem and purchase domestic sovereign debt (see Chart A.3). As for the (direct and indirect) repercussions of these operations, banks considered that they helped improve their financial situation in terms of profitability and liquidity and create more favourable market financing conditions (see Chart A.4). They also indicated that the operations prompted a slight easing of the terms and conditions on loans in some segments and a modest increase in lending volumes across the board. Over the next six months, banks expect the funds obtained in these operations will continue to be mainly used to grant loans to the non-financial private sector and hold liquidity with the Eurosystem (see Chart A.3). As regards the (direct and indirect) repercussions, the responding banks do not expect these operations to have any further significant impact, neither on their financial situation nor on their lending policy (see Chart A.4).

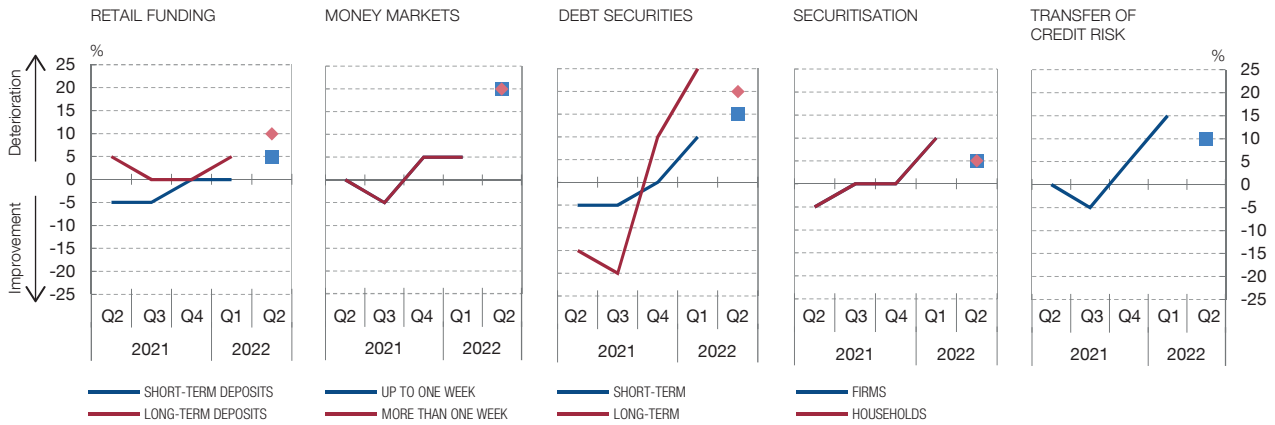
12.4.2022.

Chart A.1

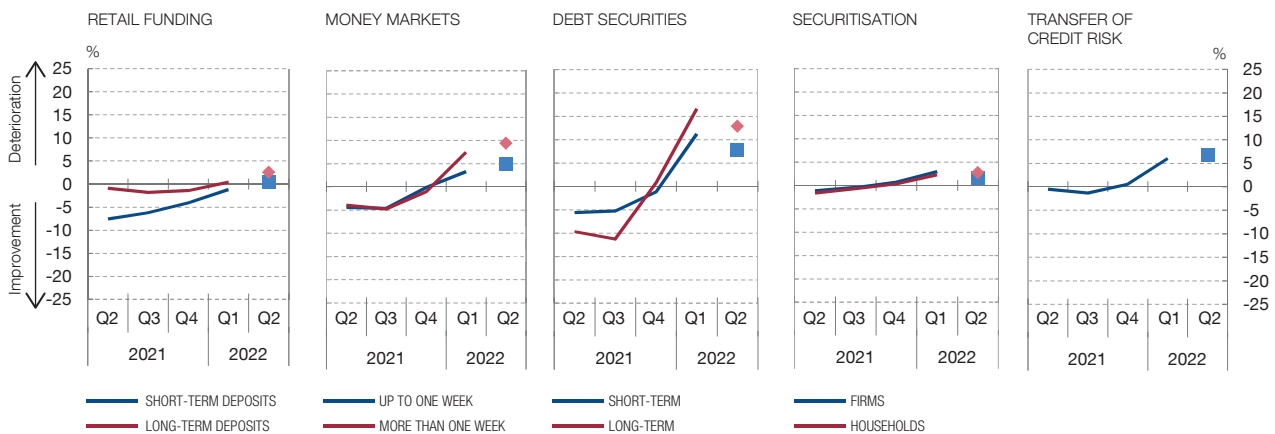
ACCESS TO WHOLESALE FUNDING MARKETS DETERIORATED SLIGHTLY IN ALMOST ALL MARKETS IN 2022 Q1, IN BOTH SPAIN AND THE EURO AREA

Access to retail funding markets remained virtually unchanged in 2022 Q1, in both Spain and the euro area, save in the case of long-term deposits where conditions deteriorated somewhat in Spain. As for access to wholesale funding markets, banks in both Spain and the euro area perceived some deterioration in general, albeit slightly more pronounced on the long-term debt securities market.

1 ACCESS TO FUNDING. SPAIN (a) (b)



2 ACCESS TO FUNDING. EURO AREA (a) (b)



SOURCES: Banco de España and ECB.

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

b ◆, ■ = expectation.

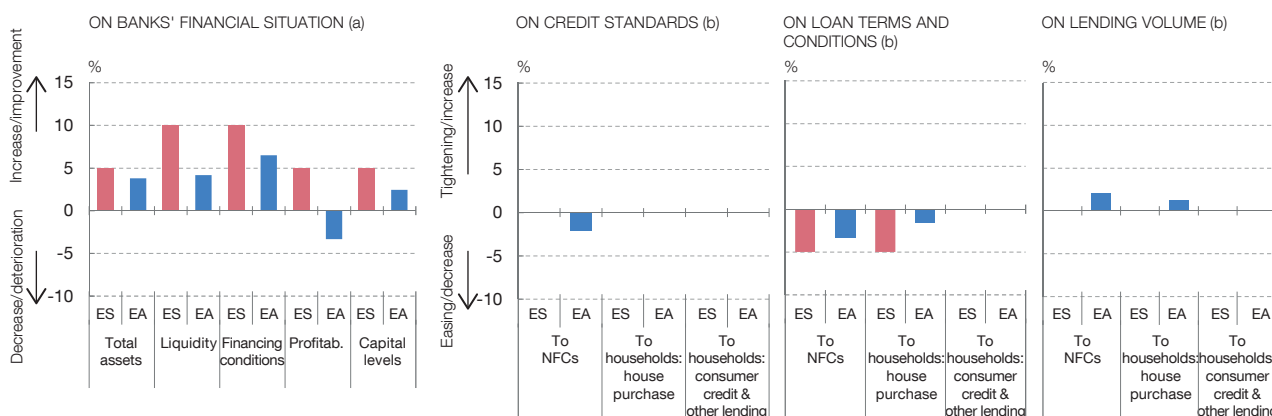


Chart A.2

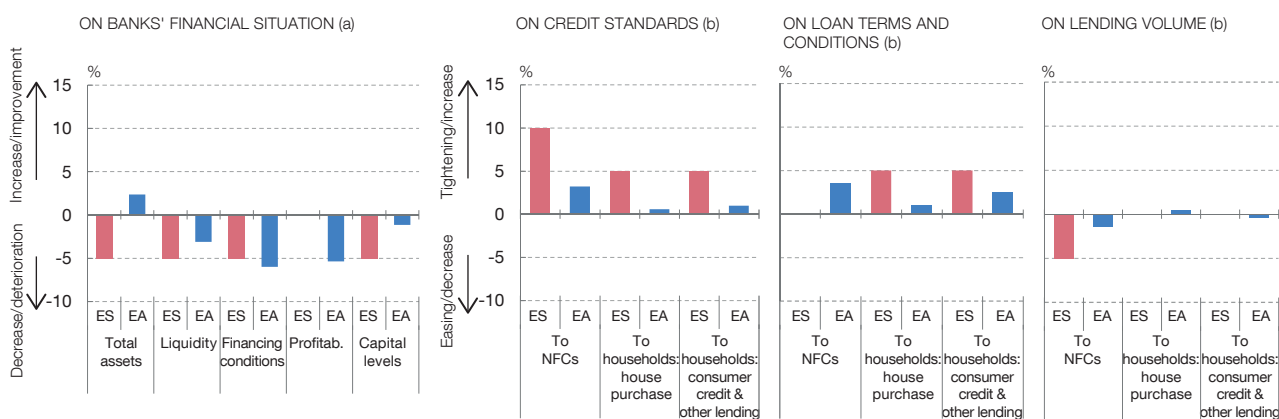
THE SCALING DOWN OF THE ASSET PURCHASE PROGRAMMES OVER THE NEXT SIX MONTHS IS EXPECTED TO HAVE A NEGATIVE IMPACT ON BANKS' FINANCIAL SITUATION AND TO PROMPT SOME TIGHTENING OF THE LOAN SUPPLY

Over the last six months the Eurosystem's purchase programmes prompted a small improvement in banks' liquidity position and financing conditions and a slight increase in their capital ratios, in both Spain and the euro area. In the euro area they also had a negative impact on banks' profitability. In addition, they prompted some expansion in the loan supply, both in Spain and in the euro area, and a small increase in lending volumes in the euro area. The scaling down of these programmes over the next six months is expected to have a slightly negative impact on banks' financial situation and to prompt some contraction of the loan supply.

1 IMPACT OF ASSET PURCHASE PROGRAMMES OVER LAST SIX MONTHS



2 IMPACT OF ASSET PURCHASE PROGRAMMES OVER NEXT SIX MONTHS



SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks reporting that the programme contributed or would contribute considerably to an increase or improvement × 1 + percentage of banks reporting that it contributed or would contribute somewhat to an increase or improvement × 1/2 – percentage of banks reporting that it contributed or would contribute somewhat to a decrease or deterioration × 1/2 – percentage of banks reporting that it contributed or would contribute considerably to a decrease or deterioration × 1.
- b Indicator = percentage of banks reporting that the programme contributed or would contribute considerably to a tightening of credit standards and terms and conditions or an increase in lending volume × 1 + percentage of banks reporting that it contributed or would contribute somewhat to a tightening or increase × 1/2 – percentage of banks reporting that it contributed or would contribute somewhat to an easing of credit standards and terms and conditions or a decrease in lending volume × 1/2 – percentage of banks reporting that it contributed or would contribute considerably to an easing or decrease × 1.



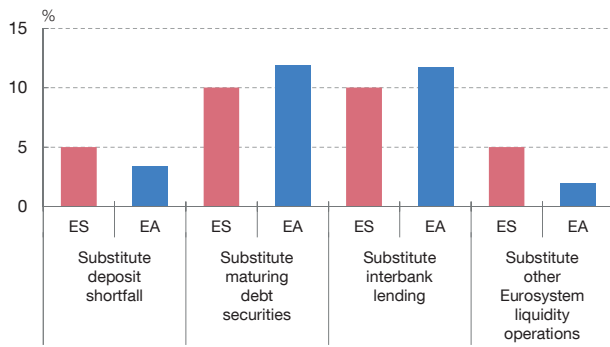
Chart A.3

THE FUNDS OBTAINED IN THE TLTRO III HAVE BEEN MAINLY USED TO HOLD LIQUIDITY WITH THE EUROSYSTEM AND GRANT LOANS TO THE NON-FINANCIAL SECTOR (a)

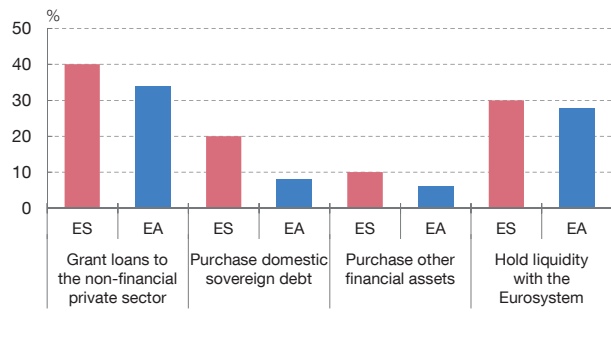
Over the last six months the liquidity obtained in these operations has been used in both Spain and the euro area mainly to substitute maturing debt securities and interbank lending, while the net drawdowns have been used to grant loans to the non-financial private sector, to hold liquidity with the Eurosystem and, to a lesser extent, to purchase other financial assets and domestic sovereign debt. Banks expected these trends to continue over the next six months, albeit with a somewhat smaller impact.

1 USE OF LIQUIDITY OBTAINED IN TLTRO III: LAST SIX MONTHS

1.1 FINANCING

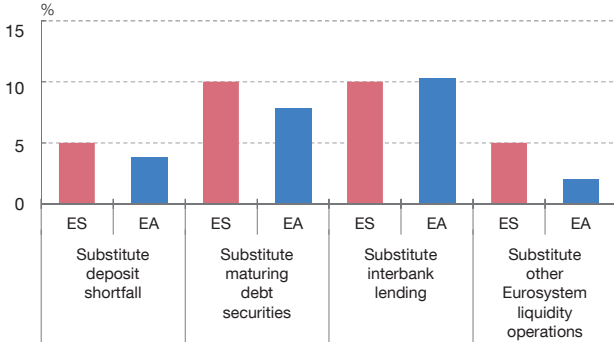


1.2 LENDING, ASSET PURCHASES AND HOLDING LIQUIDITY

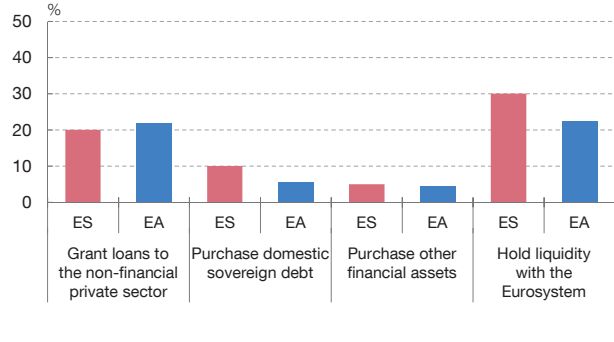


2 USE OF LIQUIDITY OBTAINED IN TLTRO III: NEXT SIX MONTHS

2.1 FINANCING



2.2 LENDING, ASSET PURCHASES AND HOLDING LIQUIDITY



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting that the funds obtained and/or expected to be obtained have contributed or would contribute considerably to this aim × 1 + percentage of banks reporting that they have contributed or would contribute somewhat × 1/2.



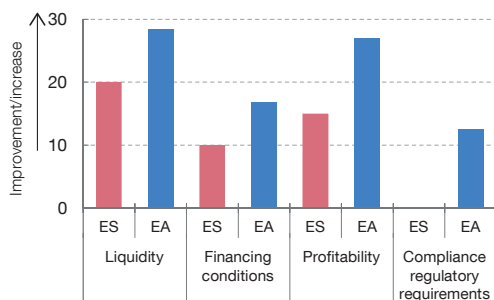
Chart A.4

THE TLTRO III HAVE HELPED IMPROVE BANKS' FINANCIAL SITUATION AND INCREASE THE LOAN SUPPLY AND THE VOLUME OF LENDING

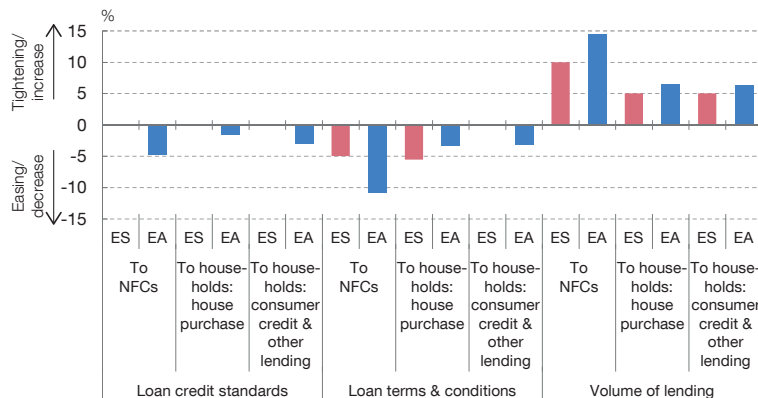
Over the last six months, the TLTRO III have helped improve banks' financial situation and financing conditions and, to a lesser extent, their compliance with regulatory requirements. They have also prompted an increase in the loan supply and broad growth in the volume of lending, in both Spain and the euro area. In the latter, these effects are expected to continue over the next six months, albeit more moderately, while in Spain banks do not expect the TLTRO III to have any further significant impact.

1 DIRECT AND INDIRECT REPERCUSSION OF TLTRO III OPERATIONS OVER LAST SIX MONTHS

1.1 ON BANKS' FINANCIAL SITUATION (a)

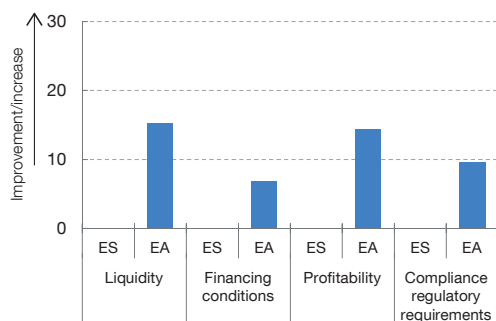


1.2 ON BANK LOANS (b)

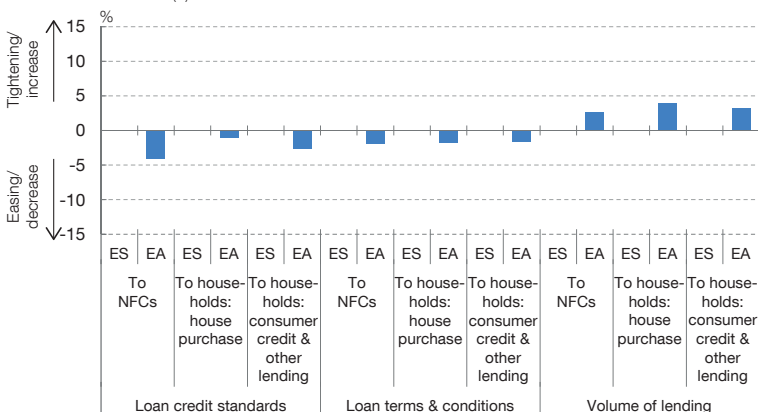


2 DIRECT AND INDIRECT REPERCUSSION OF TLTRO III OPERATIONS OVER NEXT SIX MONTHS

2.1 ON BANKS' FINANCIAL SITUATION (a)



2.2 ON BANK LOANS (b)



SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks reporting a considerable increase or improvement $\times 1$ + percentage of banks reporting some increase or improvement $\times 1/2$ - percentage of banks reporting some decrease or deterioration $\times 1/2$ - percentage of banks reporting a considerable decrease or deterioration $\times 1$.
- b Indicator = percentage of banks reporting a considerable increase or tightening $\times 1$ + percentage of banks reporting some increase or tightening $\times 1/2$ - percentage of banks reporting some decrease or easing $\times 1/2$ - percentage of banks reporting a considerable decrease or easing $\times 1$.

