

PRESS RELEASE

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Results of the April 2016 euro area bank lending survey

- Improving loan supply conditions for enterprises and the continued increase in loan demand across all loan categories are supporting the ongoing recovery in loan growth.
- Credit standards on loans to households for house purchase tightened.
- Further compression of lending rates for all loan categories.
- Banks mainly use the liquidity obtained from the ECB's expanded asset purchase programme for lending.
- The ECB's negative deposit facility rate is having a positive impact on lending volumes, while having a negative impact on banks' net interest income and loan margins.
- Euro area banks still assess their current level of credit standards on both loans to enterprises and housing loans as tighter compared with the historical range since 2003.

In response to the April 2016 bank lending survey (BLS), euro area banks reported a further net easing of credit standards on loans to enterprises in the first quarter of 2016 (a net percentage of -6%, compared with -4% in the previous quarter), which was slightly more pronounced than their expectations in the previous survey round. Competitive pressures remained the main factor behind this easing. By contrast, credit standards on loans to households for house purchase tightened (a net percentage of 4%, compared with -7% in the previous quarter), while banks had expected broadly unchanged standards in the previous survey.

The net easing of banks' overall terms and conditions on new loans continued for loans to enterprises and intensified for housing loans and consumer credit, mainly driven by a further narrowing of loan margins.

Net demand for loans continued to increase across all loan categories, especially for housing loans. The low general level of interest rates and favourable housing market prospects contributed most to the

increase in housing loan demand. For loans to enterprises, the rise in demand can be attributed to financing needs for working capital, the low level of interest rates, M&A activity and fixed investment.

Regarding euro area banks' access to retail and wholesale funding, access to debt securities markets deteriorated in the first quarter of 2016, while access to securitisation improved.

With respect to the impact of the ECB's expanded asset purchase programme (APP), banks have mainly used the additional liquidity related to the APP during the last quarter of 2015 and the first quarter of 2016 for lending. At the same time, euro area banks reported that the APP had a negative impact on their profitability. The net easing impact of the APP appears to be stronger for terms and conditions than for the credit standards of euro area banks.

Regarding the impact of the ECB's negative deposit facility rate, banks reported a positive impact on lending volumes, specifically for loans to households, but a negative impact on their net interest income and loan margins for the last quarter of 2015 and the first quarter of 2016.

Finally, euro area banks still assess their current level of credit standards for loans to enterprises and housing loans as tighter compared with the historical range since 2003. At the same time, euro area banks assess their current level of credit standards on loans to enterprises as broadly comparable with the shorter benchmark since the second quarter of 2010.

The BLS, which is conducted four times a year, was developed by the Eurosystem in order to enhance the understanding of banks' lending behaviour in the euro area. The results reported in the April 2016 survey relate to changes in the first quarter of 2016 and expectations of changes in the second quarter of 2016, unless otherwise indicated. The April 2016 BLS was conducted between 11 and 30 March 2016. With 141 banks participating in the survey, the response rate was 100%.

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Notes:

- The national and euro area data series are available on the ECB's website via the ECB's Statistical Data Warehouse. The survey report is available at <http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html>.
- Detailed data series for the aggregate euro area results are available on the ECB's website via the ECB's Statistical Data Warehouse (<http://sdw.ecb.europa.eu/browse.do?node=9484572>). National results as published by the respective national central banks can be obtained via <http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html#country>.

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