

# PRESS RELEASE

18 October 2016

## Results of the October 2016 euro area bank lending survey

- Loan demand continued to increase across all loan categories, while credit supply conditions remained unchanged for enterprises and improved for households
- The general low level of interest rates played an important role in contributing to demand for loans to enterprises and households
- Continued compression of lending rates on all loan categories
- Banks used the liquidity obtained from the ECB's expanded asset purchase programme (APP) for granting loans, for refinancing purposes and to a lesser extent for purchasing assets
- The ECB's negative deposit facility rate continued to have a positive impact on lending volumes, while having a negative impact on loan margins and banks' net interest income

Euro area banks reported unchanged credit standards on loans to enterprises in the third quarter of 2016 (a net percentage of 0%, compared with -7% in the previous quarter) in the October 2016 bank lending survey (BLS) conducted by the European Central Bank (ECB). This was in line with banks' expectations in the previous survey round. Competitive pressure continued to have an easing impact. Credit standards on loans to households for house purchase eased (a net percentage of -4%, compared with -2% in the previous quarter), in line with banks' expectations in the previous survey round.

The net easing of banks' overall terms and conditions on new loans continued for loans to enterprises and, broadly speaking, for loans to households, mainly driven by a narrowing of margins on average loans.

Net demand for loans continued to increase across all loan categories. The main contributing factors for net demand for loans to enterprises in the third quarter of 2016 were the general level of interest rates as

well as merger and acquisition activity. Net demand for housing loans continued to be driven by the low general level of interest rates, continued favourable housing market prospects and consumer confidence.

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

With respect to the impact of the ECB's expanded asset purchase programme, banks have used the additional liquidity related to the APP for granting loans, for refinancing purposes and to a lesser extent for purchasing assets. The net easing impact of the APP continued to be stronger for terms and conditions than for credit standards. At the same time, euro area banks reported a further negative impact from the APP on their profitability, owing to the effect on the net interest margin.

The ECB's negative deposit facility rate, while having a further positive impact on lending volumes and a negative impact on loan margins, is assessed by BLS reporting banks to have an overall negative impact on banks' net interest income.

The BLS, which is conducted four times a year, was developed by the Eurosystem in order to improve the understanding of banks' lending behaviour in the euro area. The results reported in the October 2016 survey relate to changes in the third quarter of 2016 and expectations of changes in the fourth quarter of 2016, unless otherwise indicated. The October 2016 BLS was conducted between 12 and 27 September 2016. With 141 banks participating in the survey, the response rate was 100%.

**For media enquiries, please contact Stefan Ruhkamp, tel.: +49 69 1344 5057.**

#### **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>.
- For more detailed information on the bank lending survey, see Köhler-Ulbrich, P., Hempell, H. and Scopel, S., "The euro area bank lending survey", *Occasional Paper Series*, No 179, ECB, 2016.