



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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Results of the January 2017 euro area bank lending survey

- Loan growth continues to be supported by increasing demand across all loan categories
- Credit standards for loans to enterprises broadly stabilising
- Continued easing of credit terms and conditions across all loan categories
- Easing impact of TLTROs on credit standards increased

According to the January 2017 bank lending survey (BLS), credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans to enterprises tightened somewhat in net terms in the fourth quarter of 2016 (a net percentage of 3%, compared with 0% in the previous quarter), driven mainly by developments in the Netherlands. This was the first net tightening since the fourth quarter of 2013 and was broadly in line with expectations in the previous survey round. Banks' lower willingness to tolerate risk was the main factor behind the slight net tightening of credit standards on loans to enterprises. Credit standards on loans to households for house purchase remained broadly unchanged (a net percentage of 1%, compared with -4% in the previous quarter). For the first quarter of 2017, banks expect a net easing of credit standards across all loan categories.

The net easing of banks' overall terms and conditions on new loans (i.e. the actual terms and conditions agreed in the loan contract) continued across all loan categories, mainly driven by a further narrowing of margins.

Net demand continued to increase across all loan categories. The low general level of interest rates, merger and acquisition activity and debt refinancing remained the main contributing factors to net demand for loans to enterprises in the fourth quarter of 2016. Net demand for housing loans was driven by the low general level of interest rates, continued favourable housing market prospects and consumer confidence.

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Euro area banks continued to adjust to ongoing regulatory and supervisory changes in the second half of 2016 by further strengthening their capital positions and reducing their risk-weighted assets. At the euro area level, banks reported a broadly neutral impact of regulatory or supervisory action on credit standards and credit margins.

Regarding the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem, 37% of the euro area BLS banks reported that they had participated in the third TLTRO-II operation. Participation was driven by profitability motives, reflecting the attractiveness of the TLTRO-II. Banks continued to indicate that the main effect of the past TLTROs on loan supply was an easing of terms and conditions, but the easing impact on credit standards also increased.

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 January 2017 survey relate to changes in the fourth quarter of 2016 and expectations of changes in the first quarter of 2017, unless otherwise indicated. The January 2017 BLS was conducted between 7 and 27 December 2016. With 139 banks (out of 141 sample banks) participating in the survey, the response rate was 99%.

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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>.
- 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 (<http://www.ecb.europa.eu/pub/pdf/scpops/ecbop179.en.pdf>).