

PRESS RELEASE

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Results of the January 2018 euro area bank lending survey

- Loan growth continued to be supported by increasing demand across all loan categories.
- Credit standards remained broadly unchanged for enterprises and consumer credit, while they continued to ease for housing loans.
- Credit terms and conditions eased for loans to enterprises and housing loans.
- Banks continued to strengthen capital positions in response to regulatory and supervisory actions.

According to the January 2018 bank lending survey (BLS), credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans to enterprises were unchanged in the fourth quarter of 2017 (net percentage of reporting banks at 0%, after -1% in the previous quarter), in line with expectations in the previous survey round. By contrast, credit standards on loans to households for house purchase continued to ease (net percentage of reporting banks at -6%, after -11% in the previous quarter), at a pace which was stronger than expected in the previous survey round. Credit standards on consumer credit and other lending to households were broadly unchanged (-1%, after -4%), despite easing expectations in the previous round. Across the three segments, competitive pressure and banks' risk perceptions had an easing impact on credit standards, while the effects of banks' risk tolerance and cost of funds and balance sheet constraints were broadly neutral. For the first quarter of 2018, banks expect a net easing of credit standards in all three segments (loans to enterprises: -4%; housing loans: -10%; consumer credit: -7%).

Banks' overall terms and conditions (i.e. banks' actual terms and conditions agreed in the loan contract) on new loans continued to ease for loans to enterprises and loans to households for house purchase, and continued to be driven by a narrowing of margins on average loans. Overall terms and conditions were broadly unchanged in consumer credit and other lending to households. In this segment, margins on average loans continued to narrow, while margins on riskier loans widened slightly.

Net demand continued to increase across all loan categories in the fourth quarter of 2017. The increase in demand for loans to enterprises was driven mainly by fixed investment, the general level of interest rates, inventories and working capital, and M&A activity. Net demand for housing loans continued to be driven mainly by the low general level of interest rates and favourable housing market prospects, as well as consumer confidence. Spending on durable goods, the low general level of interest rates and consumer confidence continued to contribute positively to net demand for consumer credit.

Euro area banks continued to adjust to regulatory and supervisory actions in the second half of 2017 by further strengthening their capital positions. At the euro area level, banks reported a broadly neutral impact on credit standards from regulatory and supervisory actions across all loan categories, with the exception of consumer credit and other lending to households, where they had a slightly tightening effect. Supervisory actions narrowed credit margins in loans to firms, had a broadly neutral impact on housing loans and widened margins in consumer credit.

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 2018 survey relate to changes in the fourth quarter of 2017 and expectations of changes in the first quarter of 2018, unless otherwise indicated. The January 2018 BLS was conducted between 1 December 2017 and 2 January 2018. With 143 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=9691151>). 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>.
- 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>).