



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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Results of the October 2018 euro area bank lending survey

- Credit standards ease further for loans to enterprises
- Firms and households demand more loans
- ECB's asset purchases continue to support bank lending volumes

Credit standards for loans to enterprises eased further in net terms in the third quarter of 2018, according to the October 2018 bank lending survey (BLS). The net easing of credit standards – i.e. banks' internal guidelines or loan approval criteria – for loans to enterprises (with a net percentage of -6%) in the third quarter follows a net percentage of -3% in the previous quarter, surpassing the expectations reported by banks in the previous survey round. In addition, credit standards for loans to households for house purchase also eased slightly (with a net percentage of -2%, compared with -8% in the previous round), and credit standards for consumer credit and other lending to households remained broadly unchanged (with a net percentage of 1%, compared with -3% in the previous round). Across the three loan segments, competitive pressures and lower risk perceptions were the main factors contributing to an easing of credit standards, while banks' cost of funds, balance sheet constraints and tolerance of risk were mostly neutral in terms of their contributions. For the fourth quarter of 2018, banks expect broadly unchanged credit standards for loans to enterprises and a net easing of credit standards for housing loans, consumer credit and other lending to households.

Banks' overall terms and conditions (i.e. the actual terms and conditions agreed in loan contracts) eased for new loans to enterprises and new housing loans in the third quarter of 2018, while they remained unchanged for consumer credit and other lending to households. Margins on average loans narrowed across all three loan segments.

Net demand continued to increase across all loan categories in the third quarter of 2018. The net increase in demand for loans to enterprises was driven by the low general level of interest rates, fixed investment, inventories and working capital, and merger and acquisition activity. Net demand for housing loans continued to be driven mainly by the low general level of interest rates, favourable housing market

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prospects and consumer confidence. Meanwhile, consumer confidence, spending on durable goods and the low general level of interest rates continued to contribute positively to net demand for consumer credit and other lending to households.

As regards the impact of the ECB's asset purchase programme (APP), the euro area banks that were surveyed reported that the APP had had a positive impact on their liquidity positions and market financing conditions over the past six months, but a negative impact on their profitability as a result of lower net interest margins. Meanwhile, the APP continued to contribute to the net easing of terms and conditions and had a positive impact on lending volumes. Although it had an adverse impact on banks' net interest income, the ECB's negative deposit facility rate was regarded by banks as having had a positive impact on lending volumes over the past six months.

The bank lending survey, which is conducted four times a year, was developed by the Eurosystem in order to improve its understanding of banks' lending behaviour in the euro area. The results reported in the October 2018 survey relate to changes observed in the third quarter of 2018 and expected changes in the fourth quarter of 2018, unless otherwise indicated. The October 2018 survey round was conducted between 14 September and 1 October 2018. A total of 147 banks were surveyed in this round, with a response rate of 100%.

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Notes:

- A report on this survey round is available at <http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html>. A copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys can also be found on that web page.
- The euro area and national data series are available on the ECB's website via the 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>).