



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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Results of the April 2018 euro area bank lending survey

- Loan growth continued to be supported by easing credit standards and increasing demand
- Credit standards eased considerably for loans to enterprises and housing loans
- ECB asset purchases and negative deposit facility rate have a positive impact on lending volumes

Credit standards for loans to enterprises eased considerably in net terms in the first quarter of 2018, according to the April 2018 bank lending survey (BLS). The net easing (-8%) of credit standards – i.e. banks' internal guidelines or loan approval criteria – follows on from unchanged credit standards (0%) for loans to enterprises in the previous quarter and was stronger than anticipated by banks in the previous survey round. In addition, credit standards on loans to households for house purchase eased further (net percentage of reporting banks at -11%, after -6%), and credit standards on consumer credit and other lending to households eased somewhat (-3%, after -1%). Across the three segments, competitive pressure, risk perceptions and banks' risk tolerance had an easing impact on credit standards, while banks' cost of funds and balance sheet constraints were broadly neutral. For the second quarter of 2018, banks expect a net easing of credit standards in all three segments.

Banks' overall terms and conditions (i.e. banks' actual terms and conditions agreed in the loan contract) on new loans eased across all loan categories in the first quarter of 2018, driven mainly by a narrowing of margins on average loans. In addition, margins on riskier loans eased for loans to enterprises and loans to households for house purchase.

Net demand continued to increase across all loan categories in the first quarter of 2018. The net increase in demand for loans to enterprises was attributable mainly to fixed investment, M&A activity and the general level of interest rates. Net demand for housing loans continued to be driven mainly by the low general level of interest rates, consumer confidence and, to a lesser extent than in the previous quarter, favourable housing market prospects. Spending on durable goods, the low general level of interest rates

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and consumer confidence continued to make a positive contribution to net demand for consumer credit and other lending to households.

With regard to the impact of the ECB's asset purchase programme (APP), the euro area banks surveyed reported that the APP had a positive impact on their assets, liquidity position and market financing conditions over the past six months, but a negative impact on their profitability as a result of lower net interest margins. The APP continued to have a net easing impact on terms and conditions and had a positive impact on lending volumes across loan categories. The ECB's negative deposit facility rate (DFR), while having an adverse impact on banks' net interest income, is assessed by banks to have had a positive impact on lending volumes. Finally, euro area banks consider their current level of credit standards to be tighter across all loan categories compared with the historical range of credit standards since 2003. At the same time, they assess their current level of credit standards on loans to enterprises and on consumer credit and other lending to households as broadly comparable with the shorter range since the second quarter of 2010.

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 April 2018 survey relate to changes in the first quarter of 2018 and expectations of changes in the second quarter of 2018, unless otherwise indicated. With the publication of the April 2018 BLS results, the aggregation of the BLS data across countries and questions has been improved and harmonised further. The enhanced aggregation method has been applied to all euro area and national BLS results in the current BLS questionnaire, including back data. The April 2018 BLS was conducted between 15 March and 3 April 2018. In this BLS round, the sample size of the survey was expanded from 143 to 149 banks, reflecting increases in a number of euro area countries with a view to making the sample even more representative. The response rate was 100%.

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Notes:

- The survey report is available at http://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/index.en.html. A copy of the questionnaire, a glossary of BLS terms and a BLS user guide can also be found on this website.
- The euro area and national data series 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/ecb_surveys/bank_lending_survey/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>).

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