

Press release

20 July 2021

July 2021 euro area bank lending survey

- Credit standards broadly unchanged following significant net tightening in 2020
- Loan demand by firms supported by fixed investment
- Bank lending conditions reflect continued support by monetary, fiscal and supervisory authorities

According to the July 2021 euro area bank lending survey (BLS), [credit standards – i.e. banks' internal guidelines or loan approval criteria – remained broadly unchanged for loans or credit lines to enterprises](#) (net percentage of banks standing at -1%, see Chart 1) in the second quarter of 2021. Credit standards were also broadly unchanged in net terms for [loans to households for house purchase](#) (net percentage of -1%) and for [consumer credit and other lending to households](#) (net percentage of 0%). These developments follow the significant net tightening of credit standards for loans to firms and households observed in 2020 and the moderate net tightening observed for firms in the first quarter of 2021. They reflect the overall improvement in the euro area economy as containment measures are lifted and the continued support provided by monetary, fiscal and supervisory authorities. The previous significant net tightening implied mainly by risk perceptions related to higher credit risks became smaller across loan categories: for loans to firms there was no further change to risk perceptions, while the previous net tightening of risk perceptions turned into a small net easing for housing loans. Competition from other banks also exerted a limited net easing impact on credit standards. Banks' cost of funds and balance sheet situation mostly had a neutral impact on credit standards, reflecting banks' solid capital ratios and favourable funding costs. In the third quarter of 2021, banks expect credit standards to tighten slightly for loans to firms and to remain broadly unchanged for households.

[Banks' overall terms and conditions](#) – i.e. the actual terms and conditions agreed in loan contracts – eased, on balance, for loans to firms and households in the second quarter of 2021. This was mainly on account of narrower margins for average loans. Meanwhile, banks reported broadly unchanged or wider margins for riskier loans in net terms.

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Banks reported, on balance, a moderate increase in [firms' demand for loans or drawing of credit lines](#) in the second quarter of 2021 (see Chart 2). For the first time since the third quarter of 2019, firms' financing needs for fixed investment contributed positively to loan demand, suggesting that firms may become less reluctant to invest. By contrast, their financing needs for working capital remained unchanged owing to firms' available liquidity buffers and the likely recovery in revenues given the improving economic situation. Banks reported a strong net increase in [demand for housing loans](#) in the second quarter of 2021. Higher consumer confidence, favourable housing market prospects and the low general level of interest rates all contributed to the net increase in demand. For [consumer credit and other lending to households](#), loan demand also increased in net terms, largely driven by higher consumer confidence and spending on durables. In the third quarter of 2021, banks expect net demand to increase further for loans to firms and households.

Euro area banks' access to retail and wholesale funding continued to improve in the second quarter of 2021, according to the banks surveyed. Banks also reported that non-performing loan (NPL) ratios had a moderate net tightening impact on their credit standards for loans to enterprises and a broadly neutral impact on credit standards for loans to households in the first half of 2021. In addition, banks indicated a moderate net tightening of credit standards for loans to firms across the main economic sectors in the first half of 2021, reflecting both the moderate net tightening of credit standards for loans to all firms in the first quarter and the broadly unchanged credit standards in the second quarter. Euro area banks also indicated a net increase in demand for loans or credit lines for most economic sectors. Finally, euro area banks reported that government guarantees related to the coronavirus (COVID-19) continued to support banks' lending conditions for loans to firms, while demand for loans with guarantees declined in net terms in the first half of 2021.

The euro area bank lending survey, which is conducted four times a year, was developed by the Eurosystem in order to improve its understanding of bank lending behaviour in the euro area. The results reported in the July 2021 survey relate to changes observed in the second quarter of 2021 and expected changes in the third quarter of 2021, unless otherwise indicated. The July 2021 survey round was conducted between 14 and 29 June 2021. A total of 142 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 on the ECB's website. A copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys can be found on the same web page.

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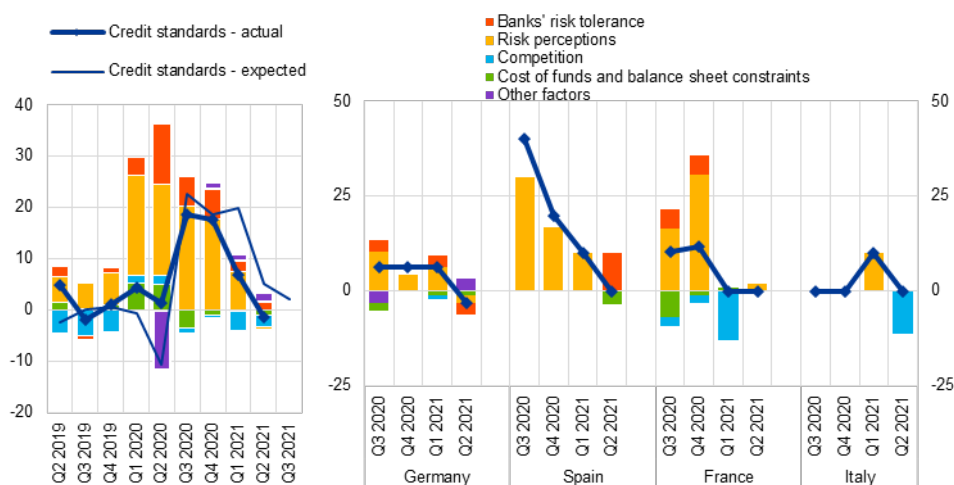
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- The euro area and national data series are available on the ECB's [Statistical Data Warehouse](#). [National results](#), as published by the respective national central banks, can be obtained via the ECB's website.
- For more detailed information 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.

Chart 1

Changes in credit standards for loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting a tightening of credit standards, and contributing factors)



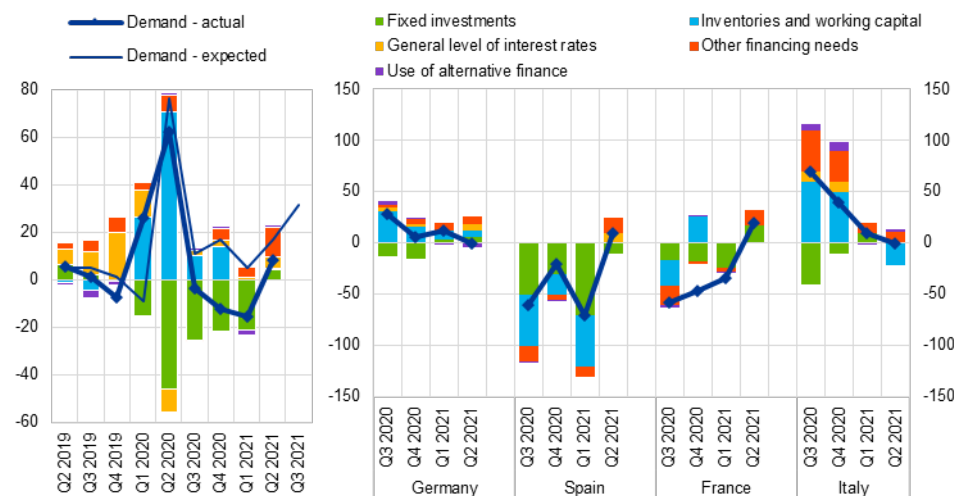
Source: ECB (BLS).

Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably".

Chart 2

Changes in demand for loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Source: ECB (BLS).

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Notes: Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably".

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