



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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Results of the July 2017 euro area bank lending survey

- Loan growth continues to be supported by increasing demand across all loan categories
- Easing credit standards on loans to enterprises and on loans to households for house purchase
- Continued easing of credit terms and conditions across all loan categories
- Easing impact from TLTROs on credit terms and conditions and on credit standards

Credit standards for loans to enterprises eased slightly in net terms in the second quarter of 2017, according to the July 2017 euro area bank lending survey (BLS). The net easing (-3%) of credit standards – i.e. banks' internal guidelines or loan approval criteria – followed a net easing of -2% in the previous quarter, despite expectations in the previous survey round that they would tighten slightly. Competitive pressure remained the main factor behind the net easing of credit standards on loans to enterprises. Credit standards on loans to households for house purchase also eased (a net percentage of -4%, compared with -5% in the previous quarter). For the third quarter of 2017, banks expect a net easing of credit standards on loans to enterprises (-2%), on housing loans (-6%) and on consumer credit (-4%).

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 on average loans.

Net demand increased across all loan categories. Merger and acquisition activity and fixed investment made an important and increasingly positive contribution to demand for loans to enterprises in the second quarter of 2017, and the general level of interest rates and inventories and working capital also continued to have a positive impact on demand. Net demand for housing loans continued to be driven mainly by the low general level of interest rates and favourable housing market prospects.

European Central Bank Directorate General Communications
Global Media Relations Division, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, e-mail: media@ecb.europa.eu, website: www.ecb.europa.eu

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Euro area banks continued to adjust to ongoing regulatory and supervisory changes in the first half of 2017 by further strengthening their capital positions and reducing their risk-weighted assets. At the euro area level, banks reported an easing impact of regulatory or supervisory action on credit standards and on credit margins, with the exception of house purchase loans where there was a tightening effect on margins and a broadly neutral effect on standards.

Regarding the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem, participation was again predominantly driven by profitability motives. The main reported effect of the TLTROs continued to be an easing of credit terms and conditions, but an increased share of banks also reported an easing impact on credit standards for loans to enterprises and consumer credit in the most recent survey.

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 July 2017 survey relate to changes in the second quarter of 2017 and expectations of changes in the third quarter of 2017, unless otherwise indicated. The July 2017 BLS was conducted between 12 and 27 June 2017. With 142 banks (out of the 143 sample banks) participating in the survey, the response rate was 99%.

For media enquiries, please contact Stefan Ruhkamp, tel.: +49 69 1344 5057.

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>).