

ANALYTICAL ARTICLES

Economic Bulletin

1/2022

BANCO DE **ESPAÑA**
Eurosistema

JANUARY 2022 BANK LENDING SURVEY IN SPAIN

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ABSTRACT

According to the Bank Lending Survey, during 2021 Q4 credit standards tightened slightly in Spain, while remaining virtually unchanged in most segments in the euro area. The terms and conditions applied to new loans did not change significantly in either of the two areas, the sole exception being those applied in Spain to the loans to households for house purchase segment, which eased slightly. Loan applications increased moderately in both Spain and the euro area, across almost all segments, in keeping with the recovery in economic activity.

Keywords: funding, credit, loan supply, loan demand, credit standards, terms and conditions for loans, financial markets.

JEL classification: E51, E52, G21.

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Main results

This article presents the results of the January 2022 Bank Lending Survey (BLS), which provides information on credit supply and demand conditions in 2021 Q4 and on the outlook for 2022 Q1.¹ This first section discusses the main results obtained from the replies by the ten Spanish banks participating in the survey and compares them with the results for the euro area overall. The subsequent sections present a somewhat more detailed analysis of the results for Spain.²

The survey shows that, in 2021 Q4, credit standards³ tightened slightly in Spain across the board, while remaining unchanged in almost all segments in the euro area, save for the consumer credit and other lending to households segment, where they eased slightly (see Table 1 and Chart 1).⁴ Overall terms and conditions⁵ remained unchanged, both in Spain and the euro area, the sole exception (in Spain) being those applied to loans to households for house purchase, which eased somewhat. Meanwhile, loan demand continued to rise in both areas across almost all segments (the only exception, in Spain, being loans to enterprises, which held steady), against a background of gradually recovering economic activity.

Spanish banks do not expect significant changes in the supply of credit in 2022 Q1, while euro area banks anticipate a slight tightening of credit standards on loans to households for house purchase and a slight easing on consumer credit and other lending to households. On the demand side, banks in both areas are expecting a moderate increase in the three segments.

1 The survey was conducted between 13 December 2021 and 11 January 2022. The Banco de España has published the results on its website (<http://www.bde.es/webbde/en/estadis/infoest/epb.html>), in tandem with the publication of this article and with the ECB's publication of the results for the euro area. Also available on this website are the time series of the aggregate indicators by bank, relating to the standard questionnaire, along with additional information about the BLS. A more detailed analysis of the results for the euro area as a whole can be found in the ECB's regular notes on its website (<http://www.ecb.int/stats/money/lend/html/index.en.html>).

2 The analysis conducted in this article is based on "diffusion indices" which are calculated with a weighting based on the degree of improvement/worsening or of easing/tightening reported by each bank in its replies, unlike indicators calculated in terms of net percentages, which do not factor in this weighting. This methodology is applied to the entire time series.

3 Credit standards refer to banks' internal guidelines or loan approval criteria.

4 However, when the changes are approximated by the net percentage rather than the diffusion index, a slight tightening of the credit standards in the loans to enterprises segment can be seen for the euro area as a whole.

5 Terms and conditions on loans mean banks' actual terms and conditions (interest rate, loan size, maturity, collateral requirements, etc.) agreed in the loan contract.

Table 1

BANK LENDING SURVEY
Main results. January 2022

	Credit standards	Overall conditions on new loans	Loan demand
Spain			
Past three months			
Non-financial corporations	Tightening	Unchanged	Unchanged
Households for house purchase	Tightening	Easing	Increase
Consumer credit and other lending to households	Tightening	Unchanged	Increase
Forecast for next three months			
Non-financial corporations	Unchanged	(a)	Increase
Households for house purchase	Unchanged	(a)	Increase
Consumer credit and other lending to households	Unchanged	(a)	Increase
Euro area			
Past three months			
Non-financial corporations	Unchanged	Unchanged	Increase
Households for house purchase	Unchanged	Unchanged	Increase
Consumer credit and other lending to households	Easing	Unchanged	Increase
Forecast for next three months			
Non-financial corporations	Unchanged	(a)	Increase
Households for house purchase	Tightening	(a)	Increase
Consumer credit and other lending to households	Easing	(a)	Increase

SOURCES: Banco de España and ECB.

a The survey does not include questions on expected changes in loan terms and conditions.

In response to the first of the ad hoc questions included in the survey, banks reported that in 2021 Q4 access to retail funding had improved slightly in the euro area, while remaining unchanged in Spain (see Chart A.1). Meanwhile, in wholesale markets, Spanish banks noted a slight deterioration in access to the money market and the long-term debt securities market and the ability to transfer credit risk off the balance sheet, while euro area banks pointed to a slight improvement in access to the money market at terms exceeding one week and the short-term debt securities market, with no significant variations elsewhere.

As regards the other ad hoc questions, it is worth noting first of all that the actual and expected changes in the NPL ratio contributed to a slight tightening of credit standards in both areas in 2021 H2 (see Chart A.2). Conversely, the impact on credit conditions was more moderate and, for the most part, in the opposite direction.

In the loans to enterprises segment, the sectoral breakdown shows that credit standards tightened slightly across most sectors in the two areas during 2021 H2. The terms and conditions applied also tightened somewhat in the euro area, in almost all sectors, while remaining broadly unchanged in Spain (see Chart A.3).

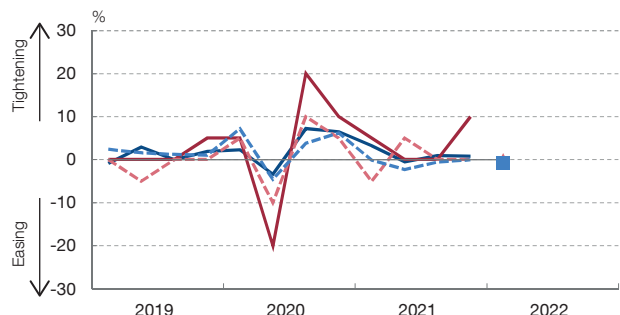
Chart 1

CREDIT STANDARDS TIGHTENED SLIGHTLY IN SPAIN IN 2021 Q4, AND DEMAND INCREASED MODERATELY PRACTICALLY ACROSS THE BOARD

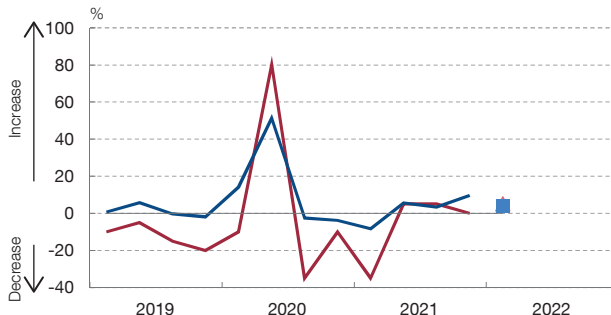
In 2021 Q4 credit standards tightened slightly across the board in Spain, whereas in the euro area they eased slightly in consumer credit and other lending to households and remained unchanged in the other segments. Overall conditions remained unchanged in both Spain and the euro area, the only exception being (in Spain) those applied to loans to households for house purchase, which eased somewhat. Meanwhile, loan demand continued to rise in the two household segments in both areas, while applications from enterprises increased in the euro area and remained stable in Spain.

1 LOANS TO NON-FINANCIAL CORPORATIONS

1.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)

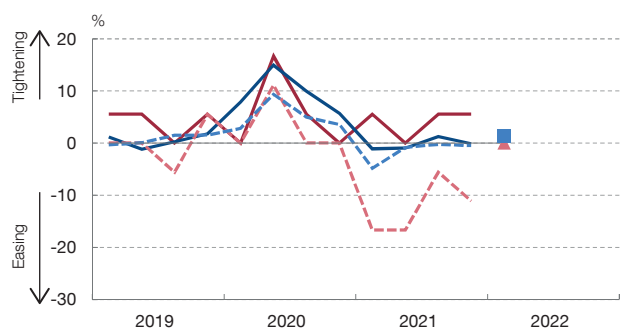


1.2 CHANGE IN DEMAND (b)

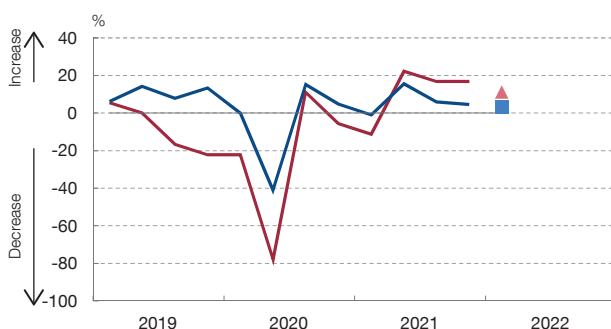


2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

2.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)

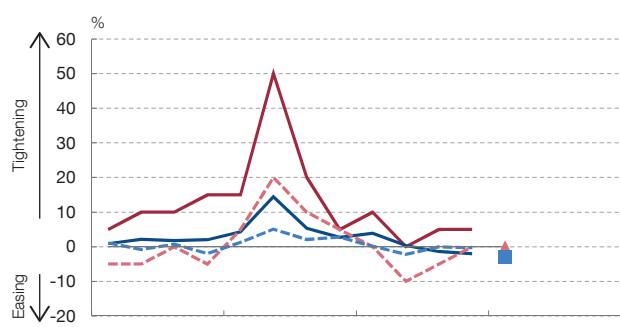


2.2 CHANGE IN DEMAND (b)



3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

3.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)



3.2 CHANGE IN DEMAND (b)



— CREDIT STANDARDS. SPAIN — CREDIT STANDARDS. EURO AREA
▲ FORECAST CREDIT STANDARDS. SPAIN ■ FORECAST CREDIT STANDARDS. EURO AREA
- - - CONDITIONS. SPAIN - - - CONDITIONS. EURO AREA

SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks that have tightened their credit standards or conditions considerably × 1 + percentage of banks that have tightened their credit standards or conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or conditions considerably × 1.
- b Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.



Meanwhile, the demand for credit from enterprises rose between July and December in both Spain, albeit only in certain sectors, and the euro area, where it grew across the board, albeit slowly.

Lastly, the loan supply conditions on government-guaranteed loans remained unchanged in Spain in 2021 H2, while easing slightly in the euro area (see Chart A.4). By contrast, the supply of loans without government guarantees contracted somewhat, affecting all enterprise sizes in the euro area and SMEs and the self-employed in particular in Spain. Finally, demand for government-guaranteed loans fell across the board in both areas (see Chart A.5).

Supply and demand conditions in Spain

Loans to non-financial corporations

In 2021 Q4, credit standards for lending to non-financial corporations tightened moderately as a result of banks' slightly higher risk perception and lower risk tolerance (see Chart 2). The breakdown by enterprise size shows that credit standards tightened for SMEs, yet remained unchanged for large firms. Despite these developments in the supply of credit to enterprises, the rejection rate for loans did not undergo significant changes.

Overall terms and conditions on new loans also remained unchanged in 2021 Q4, although a slight increase in the margins applied to riskier loans was observed (see Chart 2), due to some banks' lower risk tolerance.

According to the responses received, demand from non-financial corporations held steady between October and December, after the slight increase recorded in the previous two quarters. This stems from various counterbalancing factors. On the one hand, both the greater financing needs for fixed capital investment and the increase in corporate reorganisations and debt refinancing and restructuring spurred a rise in loan demand. On the other, lower financing needs for inventories and working capital brought about a decline in applications (see Chart 3).

Looking ahead to 2022 Q1, responding Spanish banks anticipate that credit standards will remain unchanged and that demand will grow, albeit at a very moderate pace.

Loans to households for house purchase

As in 2021 Q3, credit standards for loans to households for house purchase tightened slightly once again in 2021 Q4. This was mainly due to banks' lower risk tolerance. Nevertheless, the share of loan rejections held steady.

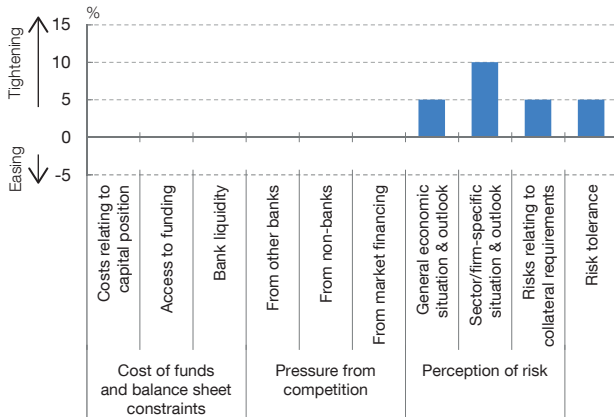
Chart 2

HIGHER RISK PERCEPTION AND LOWER RISK TOLERANCE LIE BEHIND THE SLIGHT TIGHTENING IN CREDIT STANDARDS IN SPAIN IN 2021 Q4

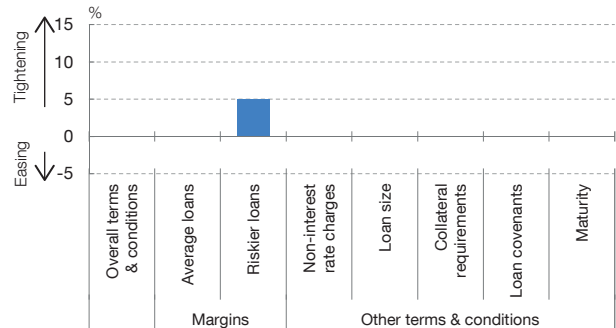
The slight tightening in credit standards in 2021 Q4 was attributable to the higher risk perception in the loans to enterprises segment and banks' lower risk tolerance vis-à-vis all segments. Further, margins on riskier loans to enterprises rose slightly, while those on average loans to households for house purchase eased somewhat, amid strong competition.

1 LOANS TO NON-FINANCIAL CORPORATIONS. SPAIN. 2021 Q4

1.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

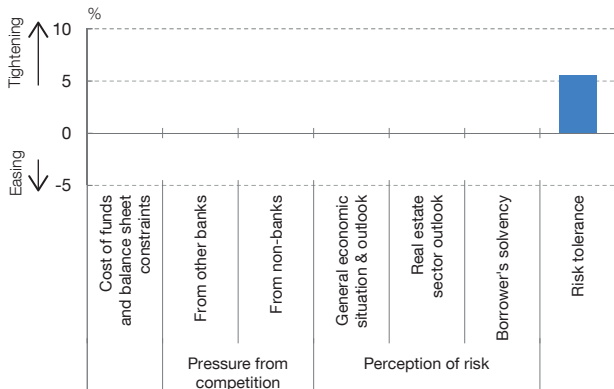


1.2 CHANGES IN TERMS AND CONDITIONS ON LOANS (b)

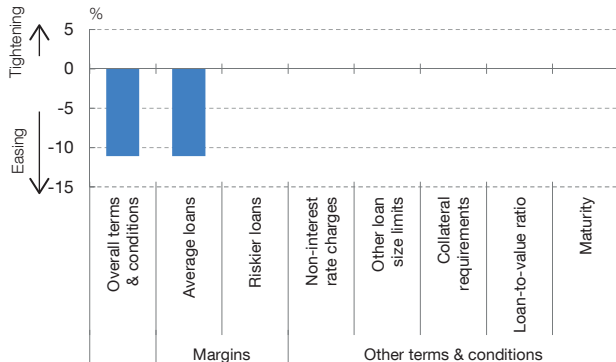


2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE. SPAIN. 2021 Q4

2.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

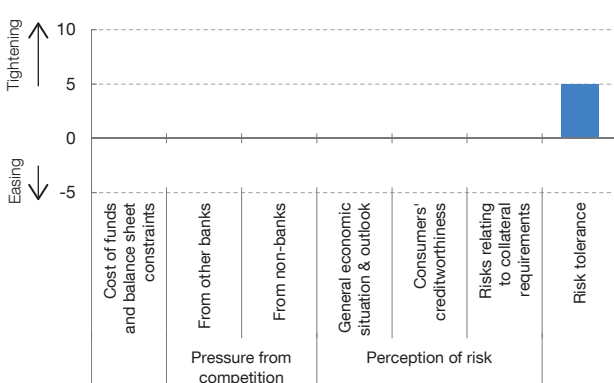


2.2 CHANGES IN TERMS AND CONDITIONS ON LOANS (b)

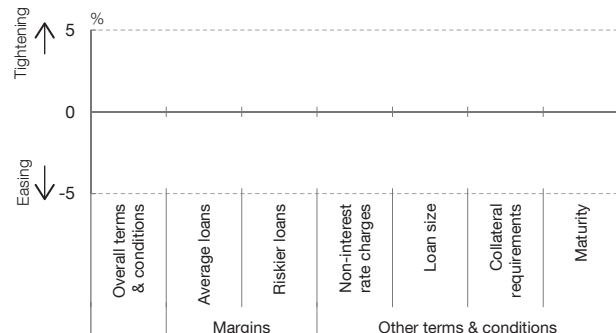


3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS. SPAIN. 2021 Q4

3.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)



3.2 CHANGES IN TERMS AND CONDITIONS ON LOANS (b)



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting that the factor has contributed considerably to the tightening of credit standards × 1 + percentage of banks reporting that it has contributed somewhat to the tightening of credit standards × 1/2 – percentage of banks reporting that it has contributed somewhat to the easing of credit standards × 1/2 – percentage of banks reporting that it has contributed considerably to the easing of credit standards × 1.

b Indicator = percentage of banks that have tightened their terms and conditions considerably × 1 + percentage of banks that have tightened their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions considerably × 1.



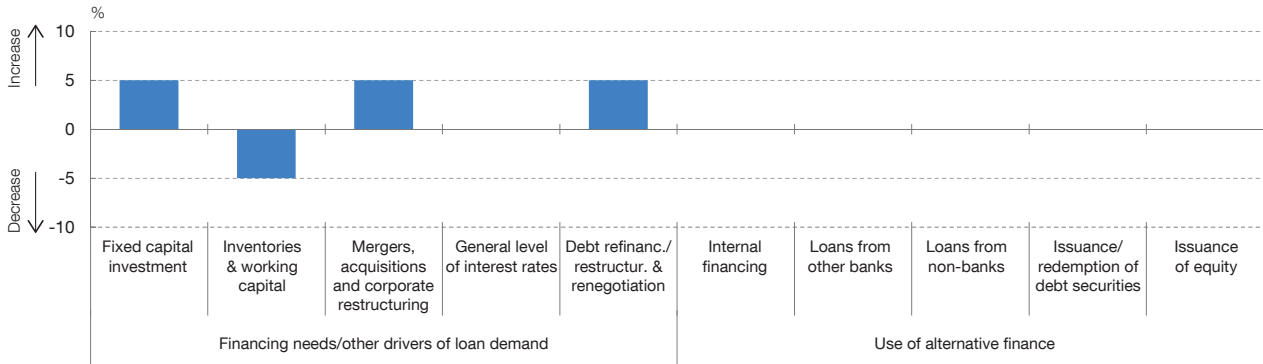
Chart 3

THE HIGHER LOAN DEMAND FROM HOUSEHOLDS IN 2021 Q4 IS ATTRIBUTABLE TO HIGHER CONSUMER CONFIDENCE, SOUND HOUSING MARKET PROSPECTS AND INCREASED SPENDING ON CONSUMER DURABLES

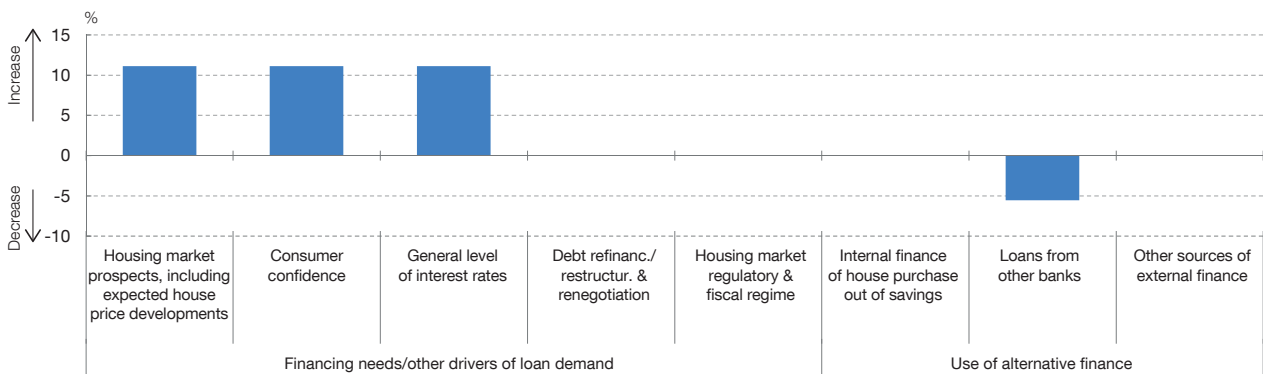
Demand for credit in the loans to enterprises segment remained unchanged, owing to counterbalancing factors which offset each other. Conversely, in the two household lending segments, loan applications continued to rise on account of higher consumer confidence, sound housing market prospects and increased spending on consumer durables, against a backdrop where the low interest rate level continued contributing to this expansionary trend.

1 FACTORS AFFECTING DEMAND FOR LOANS. SPAIN. 2021 Q4 (a)

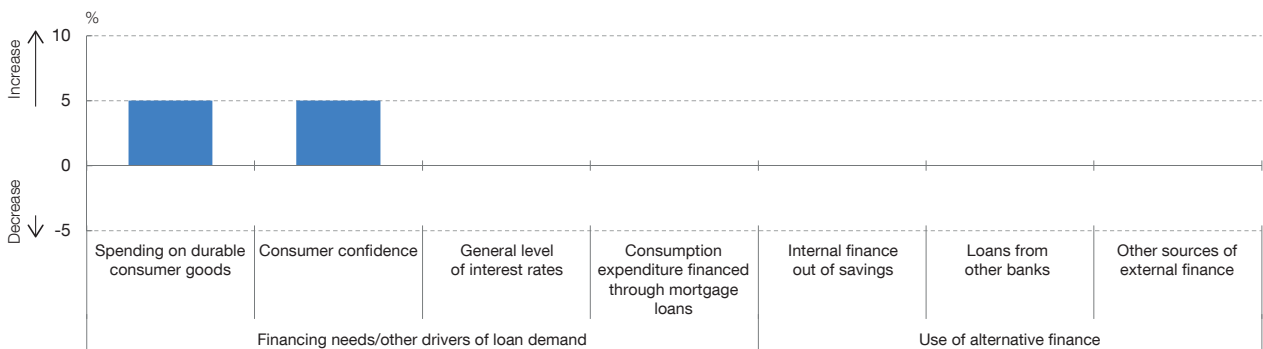
1.1 LOANS TO NON-FINANCIAL CORPORATIONS



1.2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE



1.3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS



SOURCES: Banco de España and ECB.

a Indicator = percentage of banks reporting that the factor has contributed considerably to increasing demand × 1 + percentage of banks reporting that it has contributed somewhat to increasing demand × 1/2 – percentage of banks reporting that it has contributed somewhat to reducing demand × 1/2 – percentage of banks reporting that it has contributed considerably to reducing demand × 1.



Conversely, these loans' overall terms and conditions eased slightly once again, mainly as a result of the strong competition within this segment and, to a lesser extent, banks' lower financing costs and the increased availability of funds. This easing resulted in a slight narrowing of the margins on average loans (see Chart 2).

Banks perceived a fresh rise in the demand for funds for house purchase between October and December, as a result of increased consumer confidence, the bright housing market outlook and the low level of interest rates (see Chart 3).

In 2022 Q1, banks do not anticipate significant changes in the credit standards for loans to households for house purchase, while they expect demand to continue to grow, albeit at a more moderate pace than that observed during 2021 H2.

Consumer credit and other lending to households

Credit standards for consumer credit and other lending to households tightened slightly once again in 2021 Q4. According to the responses received, this was due, as in the loans for house purchase segment, to banks' lower risk tolerance. This did not affect the rejection rate, which remained unchanged over the same period.

In turn, the overall terms and conditions on this type of loan did not undergo significant changes, such that both the margins and the other conditions remained largely unchanged. None of the factors analysed had a significant impact (see Chart 2).

Based on the responses received, demand from households for consumer credit and other lending rose slightly during 2021 Q4 on account of increased spending on consumer durables and higher consumer confidence (see Chart 3).

In 2022 Q1, banks do not expect credit standards to change significantly in this segment, but they do anticipate a further slight increase in demand.

Ad hoc questions

To the question on market access, Spanish banks responded that in 2021 Q4 they had not observed significant changes in the retail deposit segment or in short or long-term transactions (see Chart A.1). Turning to wholesale markets, access to securitisation and short-term debt securities markets remained unchanged, while access to the other wholesale markets deteriorated slightly. This worsening was somewhat more pronounced in the long-term debt securities market. Except for the long-term debt securities market, where they foresee a slight improvement in

conditions, and the ability to transfer credit risk off the balance sheet, which they believe will deteriorate slightly, banks expect access conditions to remain unchanged in 2022 Q1.

With respect to the new regulatory and supervisory actions on capital, leverage and liquidity, Spanish banks reported that in 2021 they had not observed any impact on the level of assets or capital, nor had they affected their financing conditions, credit standards or the margins on loans. Nor do they expect these actions to have a significant effect in 2022.

As regards the impact of the NPL ratio on lending policy, it should be noted that during 2021 H2 the actual and projected change in this ratio prompted some banks to slightly tighten credit standards across all segments. This was due both to the regulatory requirements and to these banks' higher risk perception and lower risk tolerance (see Chart A.2). At the same time, changes in the NPL ratio enabled a slight easing of the terms and conditions on new loans extended to non-financial corporations and new consumer credit and other lending to households, as other banks perceived fewer risks.⁶ Based on the responses received, in 2022 H1 the NPL ratio could prompt a slight tightening of credit standards for lending to non-financial corporations on account of some banks' lower risk tolerance.

To the question on loan supply and demand by sector, banks reported that in 2021 H2 credit standards for lending to the construction, services, trade and commercial real estate sectors had tightened slightly, while they had eased somewhat for lending to the residential real estate sector. The terms and conditions on loans had remained unchanged across practically all sectors, except for residential real estate activities, where they had eased slightly. Loan demand had increased in the trade and residential real estate sectors, remaining stable in the others. In 2022 H1, banks expect few changes in loan supply, just highlighting a slight easing of terms and conditions on lending to the manufacturing, services and trade sectors, while at the same time they expect a widespread but moderate increase in loan applications (see Chart A.3).

Lastly, banks reported that in 2021 H2 there were no changes in either the credit standards for, or the terms and conditions on, government-guaranteed loans to enterprises and the self-employed. The terms and conditions on loans without government guarantees had also remained unchanged. However, conversely, over the same period credit standards for loans had tightened slightly, which affected SMEs and the self-employed (see Chart A.4). Based on the responses received, demand for government-guaranteed loans declined between July and December 2021, mainly on account of fewer applications to cover urgent liquidity shortfalls, to

⁶ Chart A.2.2.1 depicts no change in "Risk perception" since the increase in risks perceived by some banks was offset by a decrease in risks perceived reported by others.

create precautionary liquidity buffers and to replace other outstanding loans, in addition to, albeit to a lesser degree, as a result of the drop in applications for government-guaranteed loans for fixed investment. Demand for loans without government guarantees remained unchanged over the same period (see Chart A.5).

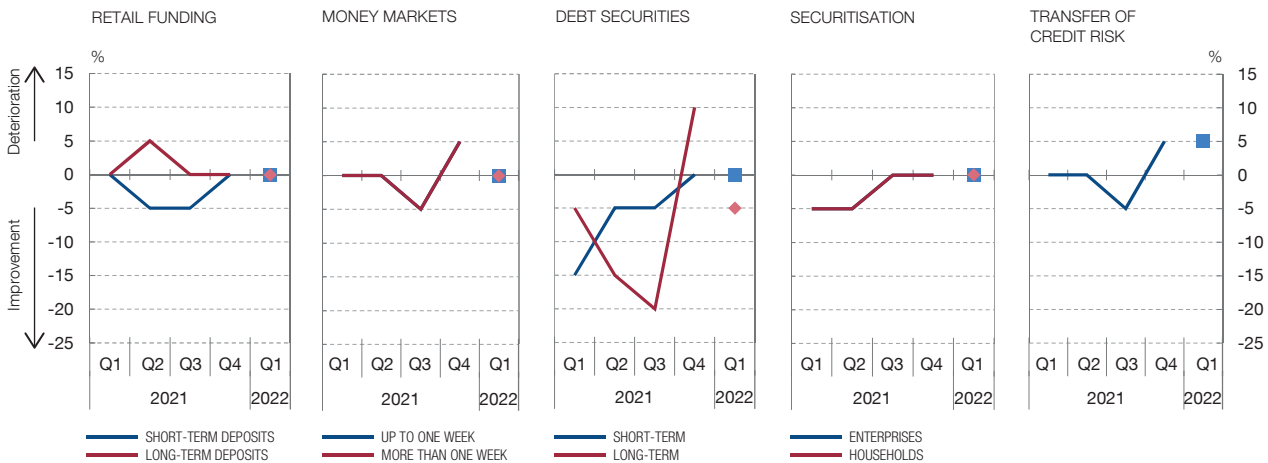
1.2.2022.

Chart A.1

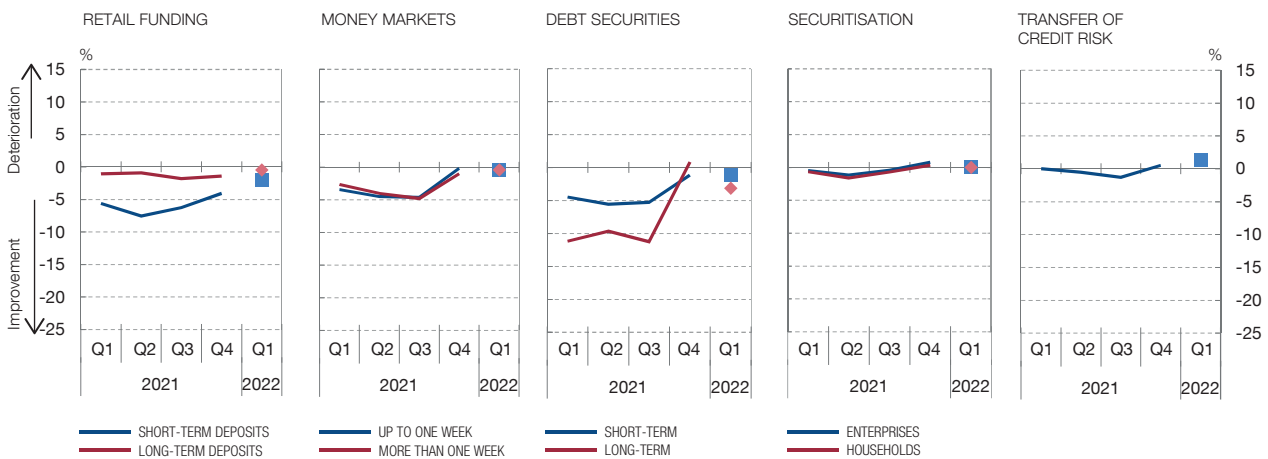
IN 2021 Q4 ACCESS TO FUNDING MARKETS REMAINED STABLE OR DETERIORATED SLIGHTLY IN SPAIN, BUT REMAINED STABLE OR IMPROVED SLIGHTLY IN THE EURO AREA

In 2021 Q4 access to retail funding improved slightly in the euro area and remained stable in Spain. Meanwhile, in the wholesale markets, Spanish banks perceived some deterioration in access to the money markets, the long-term debt securities market and the ability to transfer risk off the balance sheet, while euro area banks pointed to a slight improvement in access to the money market at terms exceeding one week and the short-term debt securities market, with no significant variations elsewhere.

1 ACCESS TO FUNDING. SPAIN (a) (b)



2 ACCESS TO FUNDING. EURO AREA (a) (b)



SOURCES: Banco de España and ECB.

- a Indicator = percentage of banks that perceived a considerable deterioration in market access × 1 + percentage of banks that perceived some deterioration × 1/2 – percentage of banks that perceived some improvement × 1/2 – percentage of banks that perceived a considerable improvement × 1.
- b ♦, ■ = forecast.



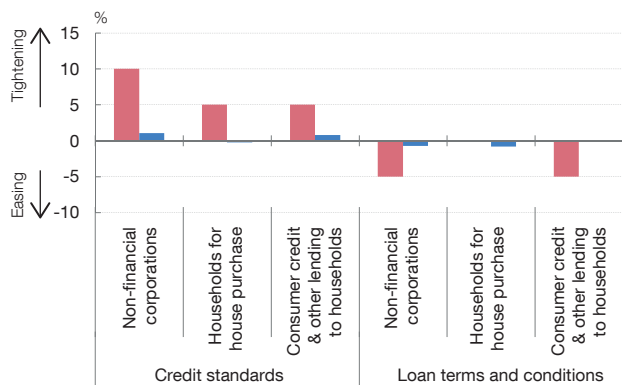
Chart A.2

THE NPL RATIO CONTRIBUTED TO SOME TIGHTENING IN CREDIT STANDARDS IN BOTH AREAS IN 2021 H2

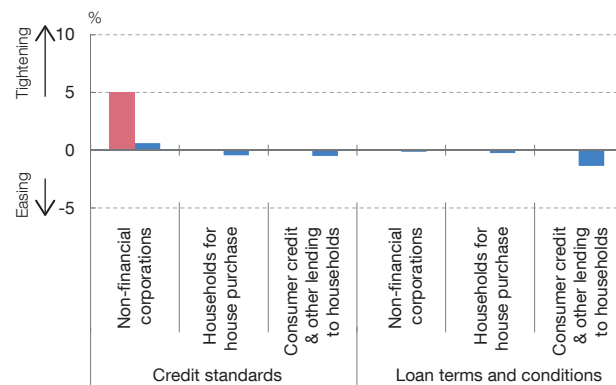
Banks in both areas reported that the NPL ratio in 2021 H2 contributed to a slight tightening in credit standards in nearly all segments (except for loans to households for house purchase in the euro area, where it had scarcely any effect). The impact on terms and conditions was in the opposite direction, albeit more moderate. Turning to 2022 H1, banks expect that this ratio could prompt a further tightening in credit standards in lending to enterprises in Spain, but that there will be no significant changes in the other segments.

1 IMPACT OF NPL RATIO ON LENDING POLICY

1.1 2021 H2

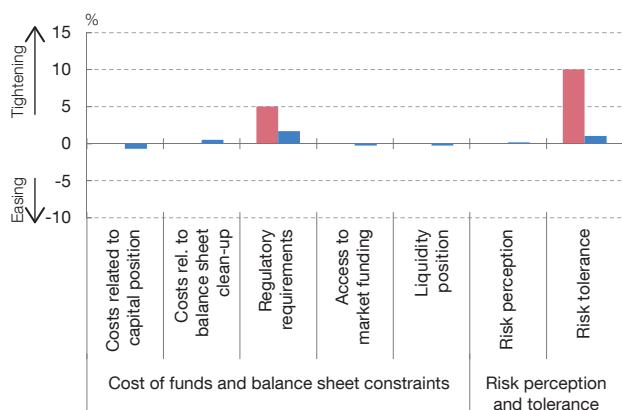


1.2 2022 H1

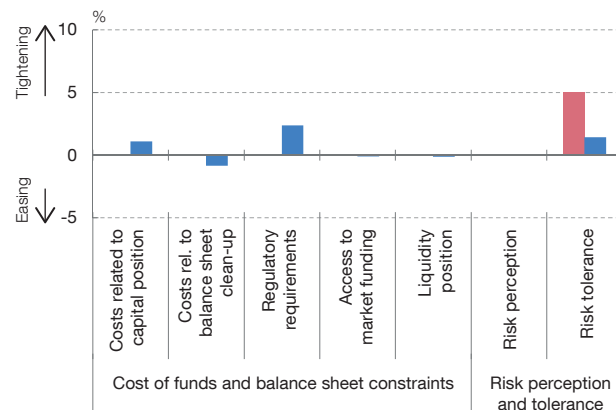


2 CONTRIBUTION OF FACTORS (a)

2.1 2021 H2



2.2 2022 H1



SPAIN EURO AREA

SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting that the factor has contributed considerably to the tightening of credit standards × 1 + percentage of banks reporting that it has contributed somewhat to the tightening × 1/2 – percentage of banks reporting that it has contributed somewhat to the easing of credit standards × 1/2 – percentage of banks reporting that it has contributed considerably to the easing × 1.



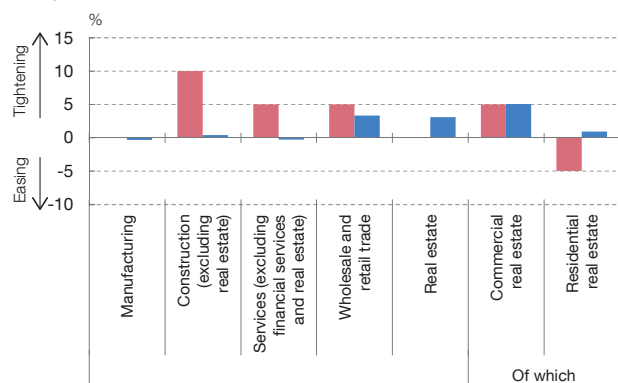
Chart A.3

CREDIT STANDARDS FOR MOST SECTORS TIGHTENED IN BOTH AREAS IN 2021 H2. DEMAND INCREASED ACROSS THE BOARD IN THE EURO AREA, BUT ONLY IN SOME ECONOMIC SECTORS IN SPAIN

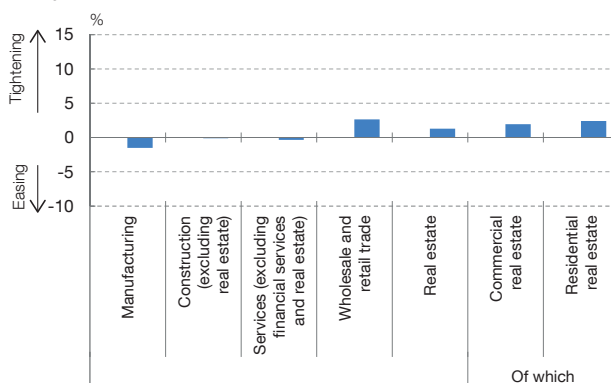
In 2021 H2, credit standards for lending to most sectors tightened somewhat in both areas. In Spain, the tightening was more acute in construction, services, trade and commercial real estate activities. Loan demand grew both in Spain, albeit only in some sectors, and in the euro area, which saw a broad-based increase.

1 CHANGE IN CREDIT STANDARDS BY ECONOMIC SECTOR (a)

1.1 2021 H2

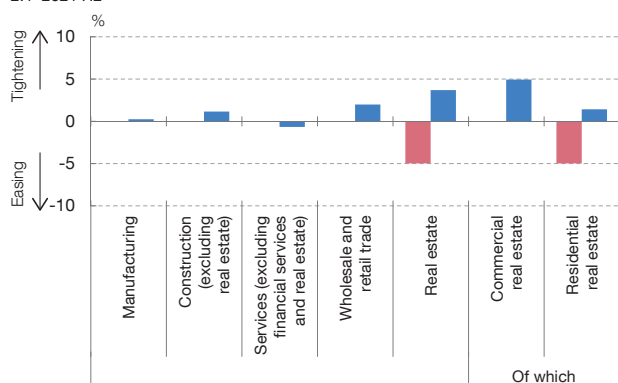


1.2 2022 H1

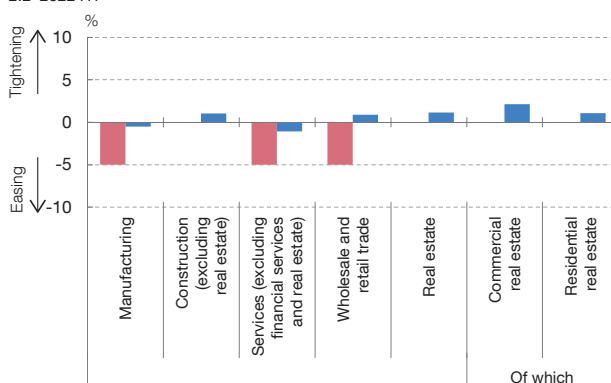


2 CHANGE IN LOAN TERMS AND CONDITIONS BY ECONOMIC SECTOR (a)

2.1 2021 H2

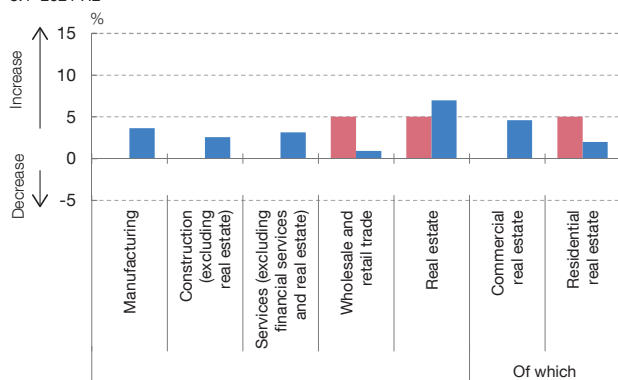


2.2 2022 H1

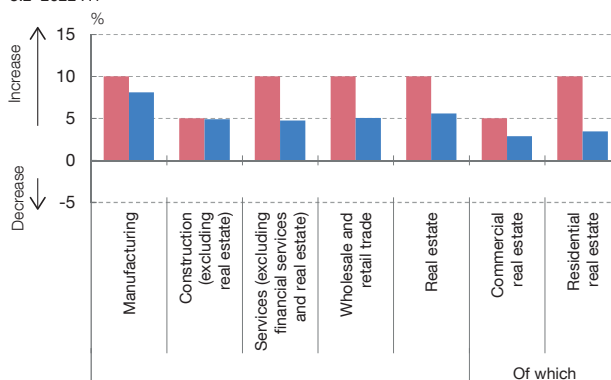


3 CHANGE IN LOAN DEMAND BY ECONOMIC SECTOR (b)

3.1 2021 H2



3.2 2022 H1



SPAIN EURO AREA

SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks reporting that they have tightened their credit standards or terms and conditions considerably × 1 + percentage of banks reporting that they have tightened their credit standards or terms and conditions somewhat × 1/2 – percentage of banks reporting that they have eased their credit standards or terms and conditions somewhat × 1/2 – percentage of banks reporting that they have eased their credit standards or terms and conditions considerably × 1.
- b Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.



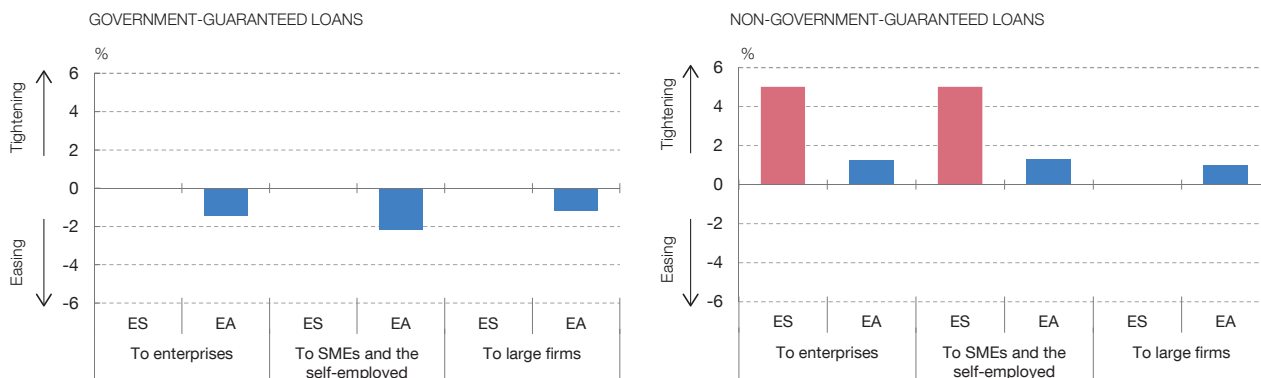
Chart A.4

THE SUPPLY OF GOVERNMENT-GUARANTEED LOANS CONTINUED TO EASE SOMEWHAT IN THE EURO AREA AND REMAINED UNCHANGED IN SPAIN IN 2021 H2

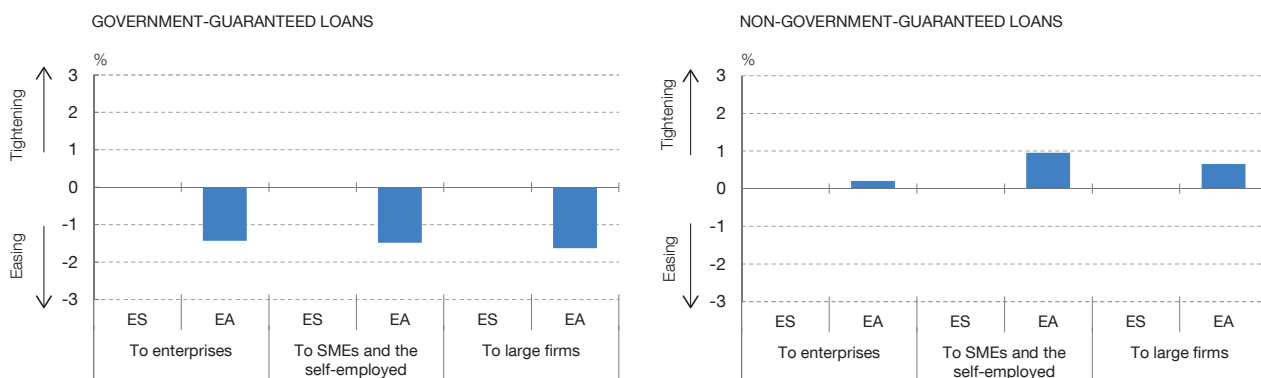
In 2021 H2, the supply of government-guaranteed loans remained unchanged in Spain, whereas in the euro area both the credit standards and the terms and conditions on such loans eased slightly. As regards loans without a guarantee, Spain saw a slight tightening of the credit standards for loans to SMEs and the self-employed, and stability in loans to large firms. In the euro area, the tightening of the supply of loans without a guarantee affected, albeit very slightly, all enterprise sizes.

1 LOANS TO ENTERPRISES WITH AND WITHOUT A COVID-19-RELATED GOVERNMENT GUARANTEE (a)

1.1 CHANGE IN CREDIT STANDARDS IN 2021 H2



1.2 CHANGE IN TERMS AND CONDITIONS ON LOANS IN 2021 H2



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks that have tightened their credit standards or terms and conditions considerably × 1 + percentage of banks that have tightened their credit standards or terms and conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or terms and conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or terms and conditions considerably × 1.



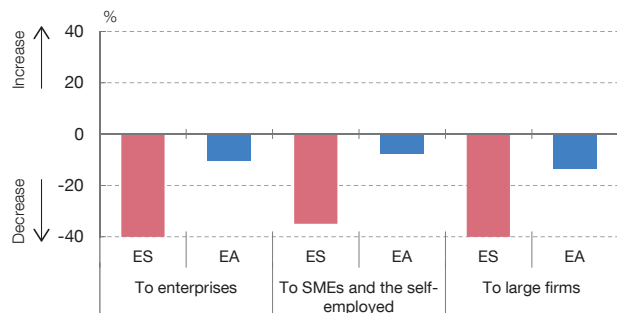
Chart A.5

DECREASE IN DEMAND FOR GOVERNMENT-GUARANTEED LOANS IN BOTH AREAS IN 2021 H2

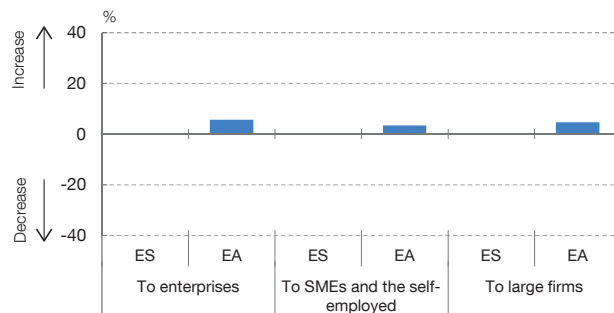
Demand for government-guaranteed loans fell in both areas between July and December 2021. The main factors behind the decline in applications in Spain are firms' lower urgent liquidity needs and the drop in demand for precautionary liquidity buffers.

1 CHANGE IN DEMAND FOR LOANS WITH AND WITHOUT A COVID-19-RELATED GOVERNMENT GUARANTEE IN 2021 H2 (a)

1.1 GOVERNMENT-GUARANTEED LOANS

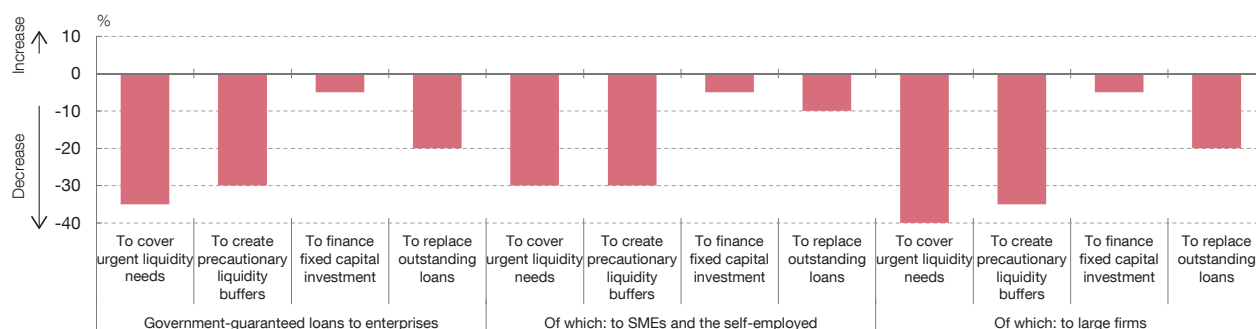


1.2 NON-GOVERNMENT-GUARANTEED LOANS

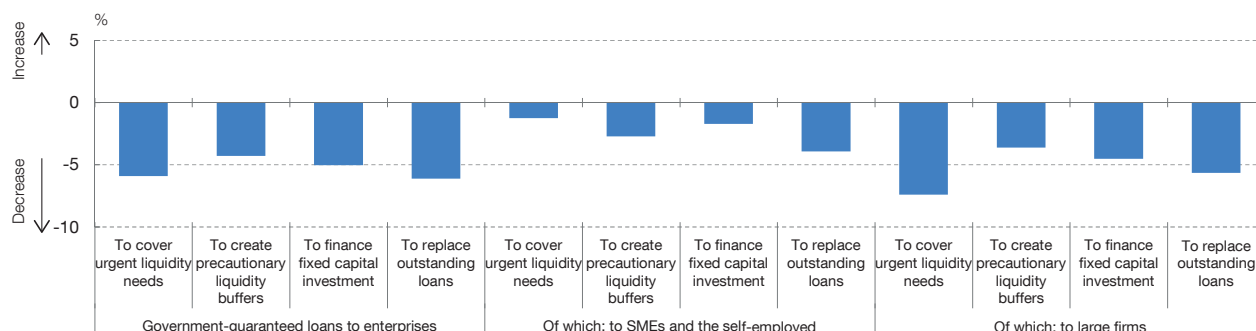


2 REASONS FOR APPLYING FOR A LOAN WITH A COVID-19-RELATED GOVERNMENT GUARANTEE IN 2021 H2 (b)

2.1 SPAIN



2.2 EURO AREA



SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.
- b Indicator = percentage of banks reporting that this reason had contributed considerably to increasing demand × 1 + percentage of banks reporting that it had contributed somewhat to increasing demand × 1/2 – percentage of banks reporting that it had contributed considerably to reducing demand × 1/2 – percentage of banks reporting that it had contributed considerably to reducing demand × 1.

