EUROPEAN CENTRAL BANK

EUROSYSTEM

Press release

15 October 2024

October 2024 euro area bank lending survey

- Credit standards remained unchanged for firms in the third quarter of 2024, after more than two years of consecutive tightening
- Credit standards eased for loans to households for house purchases but tightened for consumer credit
- Housing loan demand rebounded strongly on the back of expected interest rate cuts and improving housing market prospects
- Impact of policy rate decisions on bank net interest income turned negative for the first time since the end of 2022

According to the October 2024 bank lending survey (BLS), euro area banks reported unchanged credit standards – banks' internal guidelines or loan approval criteria – for loans or credit lines to enterprises in the third quarter of 2024 (net percentage of banks of 0%; Chart 1). Banks also reported a further net easing of their credit standards for loans to households for house purchase (net percentage of -3%), whereas credit standards for consumer credit and other lending to households tightened further (net percentage of 6%). For firms, the net percentage was lower than expected by banks in the previous survey round, although risk perceptions continued to have a small tightening effect. For households, credit standards eased somewhat more than expected for housing loans, primarily because of competition from other banks, and tightened more than expected for consumer credit, mainly owing to additional perceived risks. For the fourth quarter of 2024, banks expect a net tightening of credit standards for loans to firms and consumer credit and a net easing for housing loans.

Banks' overall terms and conditions – the actual terms and conditions agreed in loan contracts – eased strongly for housing loans and slightly for loans to firms, while moderately tightening for consumer credit. Lending rates and margins on average loans were the main drivers of the net easing for loans to firms and housing loans, whereas tighter consumer credit terms and conditions were mainly attributable to margins on both riskier and average loans.

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For the first time since the third quarter of 2022, banks reported a moderate net increase in demand from firms for loans or drawing of credit lines (Chart 2), while remaining weak overall. Net demand for housing loans rebounded strongly, while demand for consumer credit and other lending to households increased more moderately. Lower interest rates drove firms' loan demand, while fixed investment had a muted effect. For housing loans, the net increase in housing loan demand was mainly driven by declining interest rates and improving housing market prospects, whereas consumer confidence and spending on durables supported demand for consumer credit. In the fourth quarter of 2024 banks expect net demand to increase across all loan segments, especially for housing loans.

Euro area banks reported a moderate improvement in access to funding for retail funding, money markets and debt securities in the third quarter of 2024. Access to short-term retail funding improved, whereas access to long-term retail funding remained broadly unchanged. For the fourth quarter of 2024, banks expect access to funding to remain broadly unchanged across market segments.

The reduction in the ECB's monetary policy asset portfolio had a slightly negative impact on euro area banks' market financing conditions over the last six months, which banks expect to continue over the next six months. In addition, banks reported that the ECB's reduction of its monetary policy asset portfolio had an overall contained effect on their lending conditions, which they expect to continue in the coming six months, reflecting the gradual and predictable nature of the adjustment to the ECB's portfolio.

The phasing-out of TLTRO III continued to negatively affect bank liquidity positions. However, in light of the small remaining outstanding amounts of TLTRO III, banks reported a broadly neutral impact on their overall funding conditions and neutral effects on lending conditions and loan volumes.

Euro area banks reported the first negative impact of the ECB interest rate decisions on their net interest margins since the end of 2022, while the impact via volumes of interest-bearing assets and liabilities remained negative. Banks expect the negative net impact on margins associated with ECB rate policy to deepen and to result in a decline in overall profitability from the high levels reached during the 2022-2023 tightening cycle. Banks expect the impact of provisions and impairments on profitability to remain slightly negative.

The quarterly BLS was developed by the Eurosystem to improve its understanding of bank lending behaviour in the euro area. The results reported in the October 2024 survey relate to changes observed in the third quarter of 2024 and changes expected in the fourth quarter of 2024, unless otherwise indicated. The October 2024 survey round was conducted between 6 and 23 September 2024. A total of 156 banks were surveyed in this round, with a response rate of 99%.

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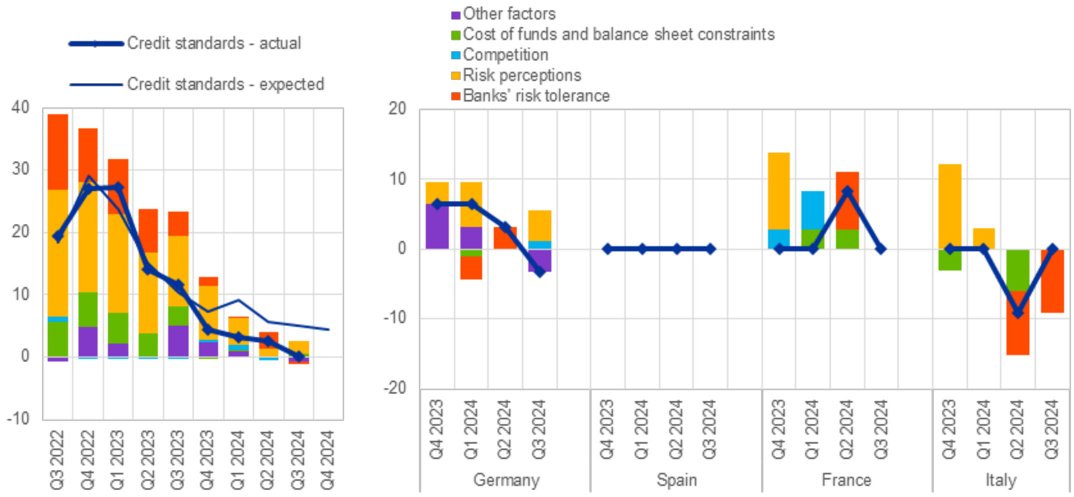
Chart 1

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)

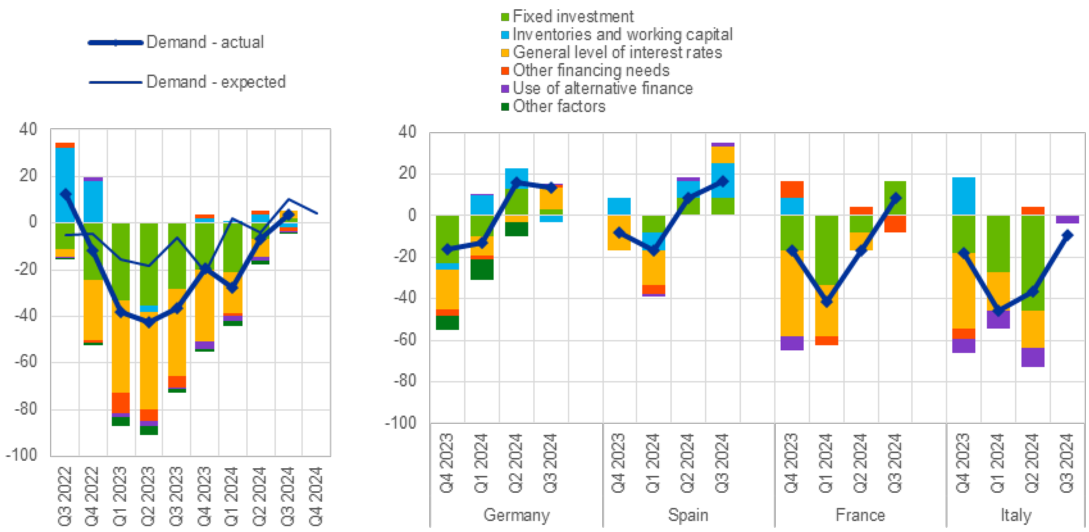


Source: ECB (BLS).
Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding “tightened considerably” and “tightened somewhat” and the sum of the percentages of banks responding “eased somewhat” and “eased considerably”. The net percentages for “Other factors” refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards.

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).
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”. The net percentages for “Other factors” refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand.

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Notes

- A report on this survey round is available on the ECB's website, along with a copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys.
- **The euro area and national data series** are available on the ECB's website via the ECB Data Portal. National results, as published by the respective national central banks, can be obtained via the ECB's website.
- **For more detailed information** on the BLS, see Köhler-Ulbrich, P., Dimou, M., Ferrante, L. and Parle, C., "Happy anniversary, BLS – 20 years of the euro area bank lending survey", *Economic Bulletin*, Issue 7, ECB, 2023; and Huennekes, F. and Köhler-Ulbrich, P., "What information does the euro area bank lending survey provide on future loan developments?", *Economic Bulletin*, Issue 8, ECB, 2022.

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