EUROPEAN CENTRAL BANK
EUROSYSTEM

Press release

21 July 2026

July 2026 euro area bank lending survey

- Credit standards tightened moderately for firms amid higher perceived risks
- Business loan demand rose slightly, while household loan demand decreased
- Credit standards tightened most in sectors such as the car industry and energy-intensive manufacturing

According to the July 2026 bank lending survey (BLS), euro area banks reported a moderate net tightening of credit standards – banks' internal guidelines or loan approval criteria – for loans or credit lines to enterprises in the second quarter of 2026 (net 7% of banks; Chart 1). Banks also reported a net tightening of credit standards for both loans to households for house purchase and consumer credit and other lending to households (net 9% and 12% respectively). For firms, the net tightening was lower than banks' expectations in the previous round (19%). Perceived risks to the economic outlook and banks' lower risk tolerance remained the main factors contributing to the tightening, as banks remain highly attentive to risks related to geopolitical and energy developments. Banks also reported a net tightening of credit standards for housing loans and consumer credit. In both cases, banks' lower risk tolerance and higher risk perceptions were the main drivers of the tightening. For the third quarter of 2026, banks expect credit standards to tighten further across all loan categories.

Banks' overall terms and conditions – the actual terms and conditions agreed in loan contracts – tightened for all loan segments, driven mainly by higher interest rates.

Banks reported a net increase in the share of rejected loan applications for all borrower groups. The net increase in the share was higher for consumer credit than for loans to firms and housing loans.

In the second quarter of 2026, euro area banks reported a slight net increase in demand for loans or credit lines to firms (net percentage of 3%; Chart 2), consistent with the previous modest net changes

European Central Bank
Directorate General Communications
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.ecb.europa.eu

seen since mid-2024. The net increase stood in contrast to banks' expectations in the previous survey of a pronounced decrease (-10%). Loan demand was supported by higher demand for inventories and working capital, demand for fixed investment from large firms and other financing needs related to debt refinancing and restructuring. Banks reported an increase in demand to meet liquidity needs but viewed the overall picture as still mixed and dependent on future geopolitical developments. Demand for housing loans declined markedly (net percentage of -15%), although somewhat less than banks had expected in the previous quarter (-20%). Deteriorating consumer confidence and changes in interest rates were the main drag on housing loan demand, with worsening housing market prospects also weighing negatively. Demand for consumer credit and other lending to households continued to soften (net percentage of -2%), in contrast to banks' expectations of a stronger decline (-9%). Lower consumer confidence was the main driver of the decline in demand for consumer credit, followed by subdued spending on durable goods and changes in interest rates. In the third quarter of 2026, banks expect further declines in demand for housing loans (-12%), whereas demand for consumer credit is expected to remain unchanged (0%).

Euro area banks' access to retail funding, debt securities and money markets deteriorated slightly in the second quarter of 2026 but remained broadly unchanged for securitisations. Both short-term and long-term funding contributed to the deterioration in access to overall retail funding. Over the next three months, banks expect access to debt securities, retail and money market funding to deteriorate further, but to remain unchanged for securitisations.

In the second quarter of 2026, euro area banks reported a net tightening impact of non-performing loan ratios and other credit quality indicators on their credit standards for loans to firms and for consumer credit, while credit standards for housing loans were broadly unaffected. Banks indicated that higher risk perceptions and lower risk tolerance contributed most to the net tightening impact on credit standards. In the third quarter of 2026, euro area banks expect a further tightening impact of credit quality indicators on their credit standards for loans to firms and for consumer credit.

In the first half of 2026, credit standards tightened in most economic sectors, except for services (excluding financial services and real estate). The tightening remained most pronounced in parts of the manufacturing sector especially exposed to energy-related and geopolitical developments, such as the car industry and energy-intensive manufacturing. For the second half of 2026, euro area banks expect a further net tightening of credit standards across most main economic sectors. Banks expect broadly unchanged credit standards for non-financial services and residential real estate. Banks reported lower or broadly unchanged loan demand across the main economic sectors, except for services (excluding financial services and real estate) where loan demand increased in the first half of

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2026. For the second half of 2026, euro area banks expect overall small or moderate changes in loan demand for the main economic sectors.

For loans to green firms and firms making progress in their green transition, euro area banks reported a net easing impact of climate change on credit standards and a positive impact on demand over the past 12 months, compared with a tightening impact on credit standards and a small net decrease in loan demand for high-emitting firms without credible climate transition plans. Physical risk continued to have the strongest climate-related net tightening impact on credit standards for firms, while firm-specific transition risk has also been an increasingly important tightening factor over the past 12 months. Climate-related fixed investment needs and corporate restructuring were by far the most important drivers of firms' climate-related loan demand, while financing needs associated with fulfilling the prevailing climate-related regulation and preferential bank lending rates for financing green projects or technologies were also important drivers. By contrast, uncertainty about future climate regulation dampened loan demand.

For buildings with current or targeted good or high energy performance, banks reported a climate-related net easing impact on credit standards and a positive impact on housing loan demand, while indicating tighter credit standards and a negative impact on loan demand for buildings with persistently low energy performance. Physical risk associated with real estate was, in net terms, the dominant climate-related tightening factor for credit standards on housing loans, while the current or targeted energy performance of buildings was a relevant net easing factor. Investment in the energy performance of buildings has remained the key factor supporting climate-related housing loan demand over the past 12 months, with lending rates for increasing sustainability and fiscal support also contributing positively, and uncertainty about future climate regulation contributing negatively.

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 July 2026 survey relate to changes observed in the second quarter of 2026 and changes expected in the third quarter of 2026, unless otherwise indicated. The July 2026 survey round was conducted between 15 June and 30 June 2026. A total of 159 banks were surveyed in this round, with a response rate of 100%.

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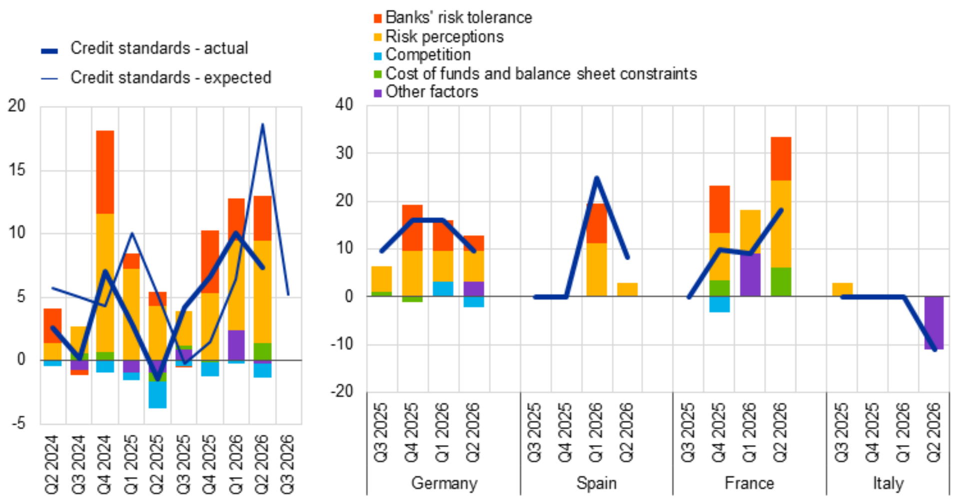
Chart 1

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)

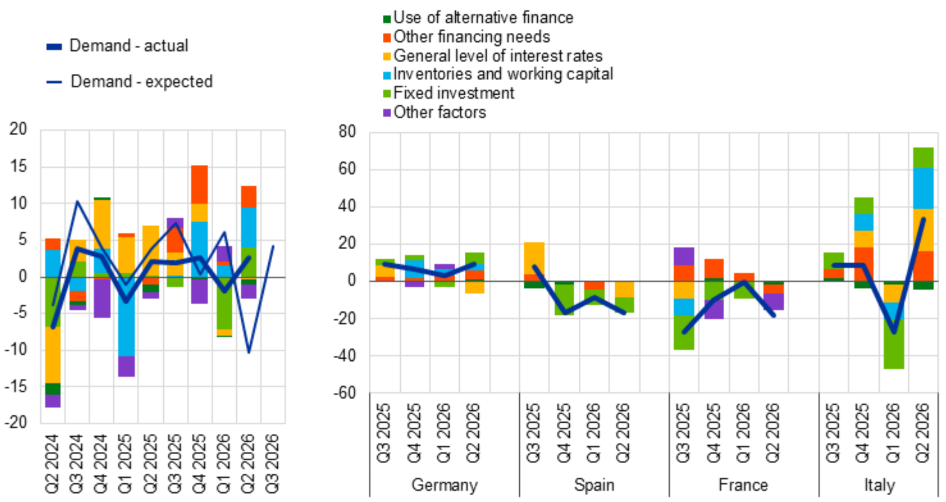


Source: ECB (BLS).
Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentages for "Other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

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. Data are **for the euro area** and **for the four largest euro area countries**.

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For media queries, please contact Benoit Deeg, tel.: +49 (0) 69 134495686.

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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