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Communication

PRESS RELEASE

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Bank Lending Survey. Data for 2024 Q3

Credit standards remained stable, while demand increased for the second consecutive quarter

- **Credit terms and conditions eased for all types of loans, especially mortgages**

- **Credit standards tightened for consumer credit and other lending to households**

The results of the Bank Lending Survey[1] reveal that in 2024 Q3 credit standards[2] remained unchanged in both lending to firms and loans to households for house purchase, but tightened slightly in consumer credit and other lending to households (see Chart 1.a).

The slight tightening in credit standards for consumer credit and other lending appears to have been driven by some banks' lower risk tolerance (see Chart 2.c).

Meanwhile, overall terms and conditions[3] on new loans were reported to have eased across all segments (see Chart 1.b). This was reflected in a decline in the interest rates applied and a narrowing of margins on average loans,[4] which was moderate in financing for firms and consumer credit and other lending to households and somewhat more pronounced in loans to households for house purchase (see Chart 2).

The percentage of rejected loan applications remained stable in the loans to firms and loans to households for house purchase segments, while it declined slightly for consumer credit and other lending.

[1] The survey was conducted between 6 September and 1 October 2024. The results for the euro area as a whole and for Spain were published by the European Central Bank (ECB) on 15 October. An analysis of the overall euro area results can be found here.

[2] Credit standards refer to banks' internal guidelines or loan approval criteria.

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

[4] For the purposes of this survey, margins are calculated as the spread between the interest rates applied to new loans and the relevant market reference rates.

Credit demand increased across the board

From July to September loan demand rose across all segments, albeit moderately, for the second consecutive quarter (see Chart 1.c).

As regards the factors behind this growth in loan demand, financial institutions reported that lower interest rates drove up applications in all segments (see Chart 3). In corporate financing, this growth appears to have also been driven by increased financing needs for fixed-asset investment, inventories and working capital and by a lesser use of internal funds.

In the case of households' loan applications for house purchase, this increase also owed to higher consumer confidence, which, along with increased spending on durable consumer goods, seems to have fuelled demand for consumer credit and other lending to households as well (see Chart 3).

Expectations regarding credit supply and demand developments in 2024 Q4

For the last quarter of the year, the surveyed banks anticipate that lending standards will remain unchanged in lending to enterprises and loans to households for house purchase and will ease slightly in consumer credit and other lending to households. On the demand side, they expect applications to continue increasing across all segments.

Banks' access to funding

According to the Spanish banks surveyed, in 2024 Q3 access to retail funding markets deteriorated slightly for both short-term and, particularly, long-term deposits (see Chart 4). In the wholesale markets, moderate improvements were seen in the money and debt securities markets (which were somewhat more pronounced for long-term securities), while access to other markets remained stable. For Q4 financial institutions expect access to wholesale and retail markets to improve slightly in most cases, except for the securitisation and risk transfer markets, where they will remain stable.

Impact of monetary policy on banks

The banks surveyed highlighted that the ECB's management of the asset portfolio held for monetary policy purposes had a slight negative impact on bank liquidity over the past six months, but that it also led to a moderate increase in both their profitability and level of equity, and had no impact on bank lending policies. For the coming six months, banks expect this to lead to a further decline in liquidity and an increase in the level of capital, which would be moderate in both cases (see Chart 5).

Moreover, the repayment of funds borrowed under the targeted longer-term refinancing operations (TLTRO III) does not seem to have had a significant impact over the past six months on banks' economic or financial situation, their lending policies or the volume of lending. The surveyed banks also do not anticipate significant effects related to these operations over the next six months.

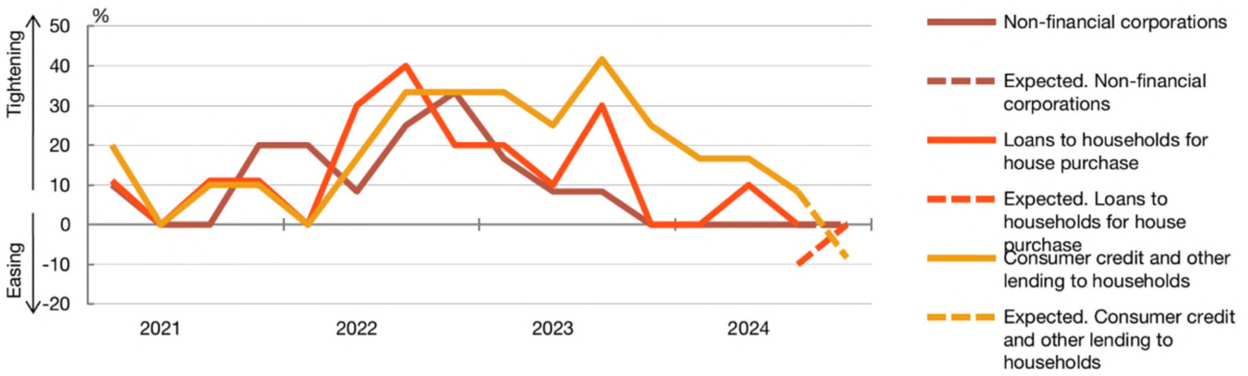
Lastly, ECB policy interest rate decisions appear to have led to a moderate decrease in Spanish financial institutions' profitability over the last six months, owing to the decline in net interest income associated with the narrowing of unit margins (see Chart 6). However, these decisions also seem to have favoured a slight increase in non-interest income, linked to higher fees and commissions. For the next six months, the surveyed banks expect policy rate decisions to lead to a sharper decline in profitability and net interest income, prompted by lower unit margins, even despite the positive impact on lending volumes. They also believe that these decisions will contribute to slightly reducing provisioning needs.

Additional information

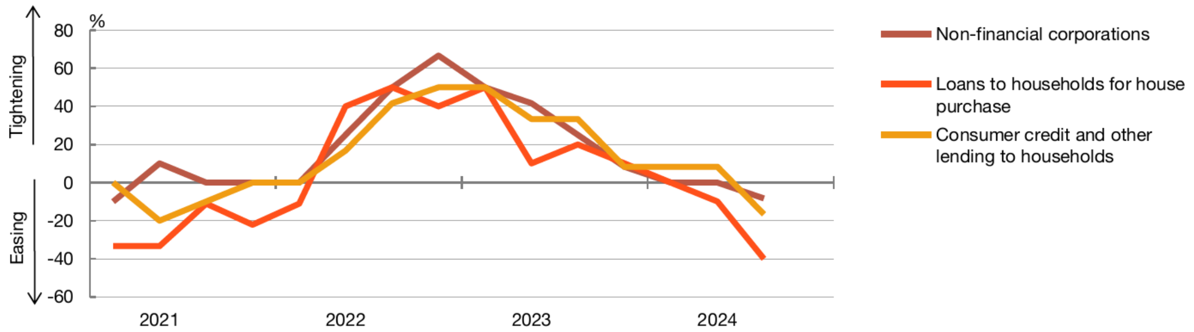
Publication of the results of the next round of the Bank Lending Survey, which refers to 2024 Q4, is planned for 21 January 2025.

Chart 1
Changes in credit standards, loan terms and conditions and bank loan demand. Spain

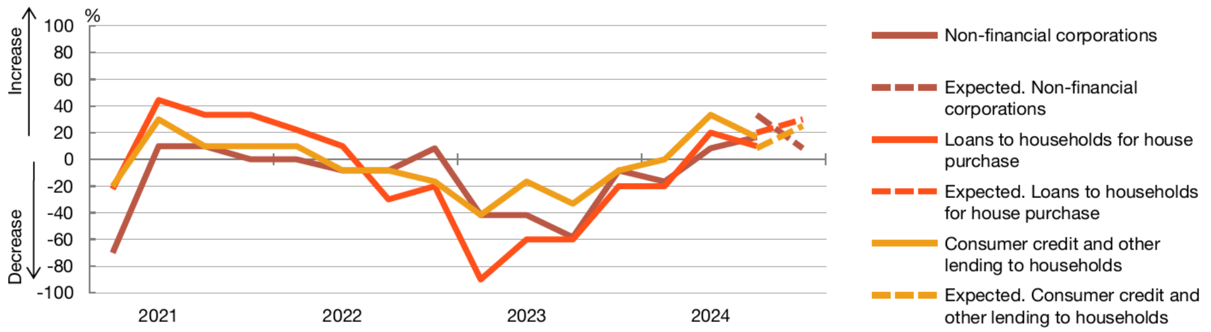
1.a Change in credit standards (a)



1.b Change in loan terms and conditions (a)



1.c Change in loan demand (b)



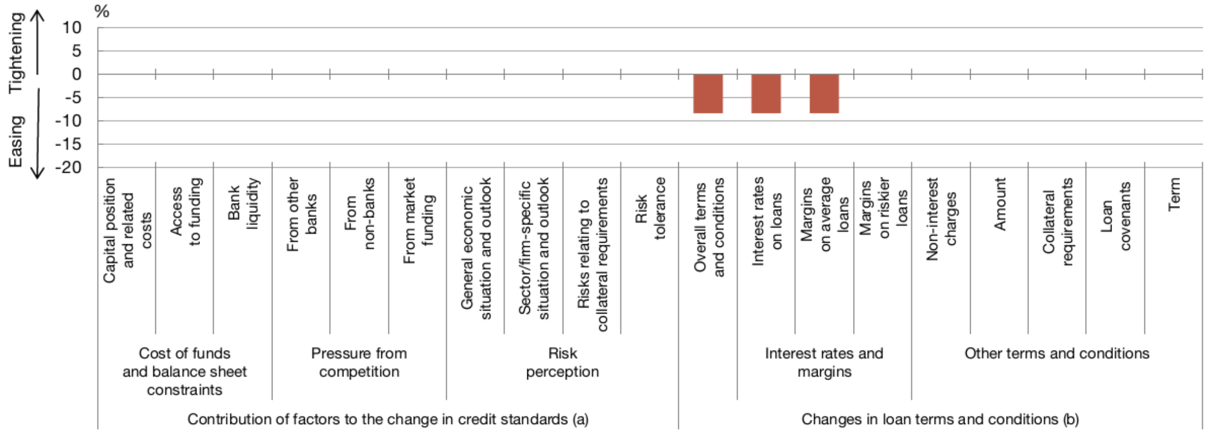
SOURCES: ECB and Banco de España.

a Percentage of banks that have tightened their credit standards or terms and conditions less percentage of banks that have eased their credit standards or terms and conditions.
b Percentage of banks reporting an increase less percentage of banks reporting a decrease.

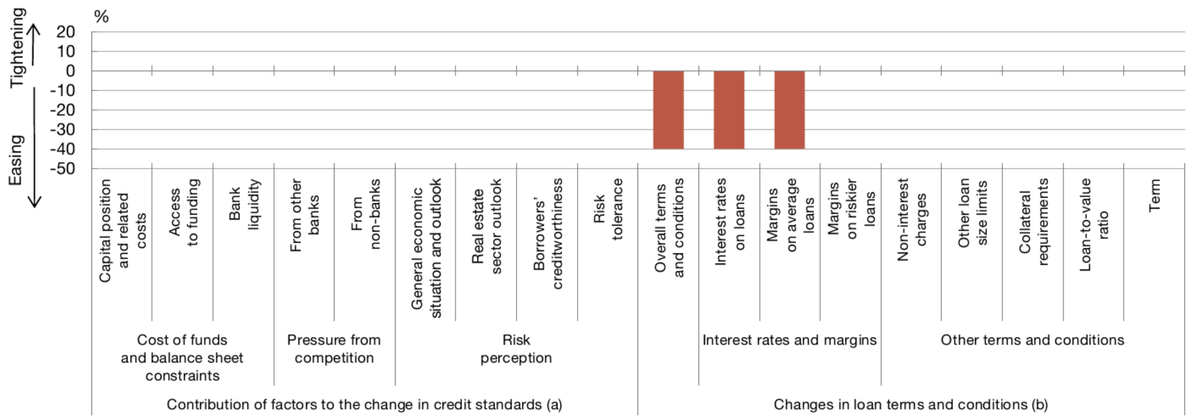
Chart 2
Contributing factors to changes in credit standards, and changes in loan terms and conditions. Spain

2024 Q3

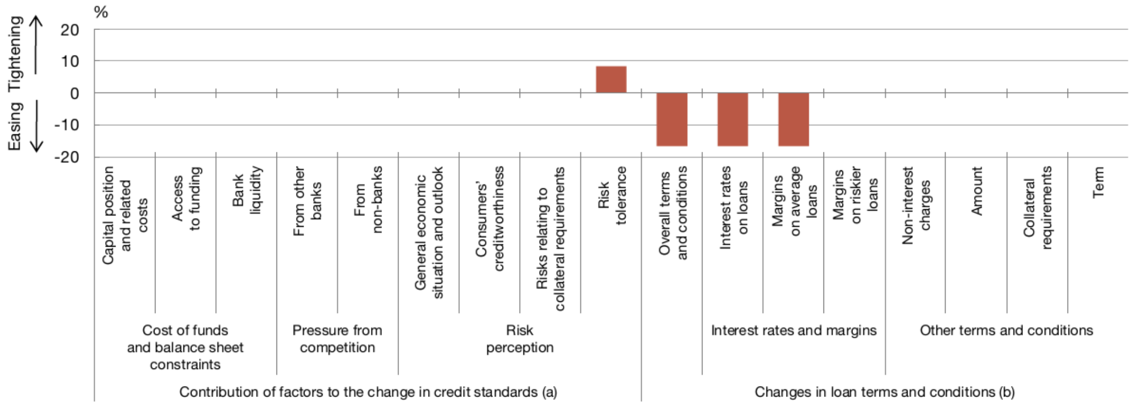
2.a Loans to non-financial corporations



2.b Loans to households for house purchase



2.c Consumer credit and other lending to households



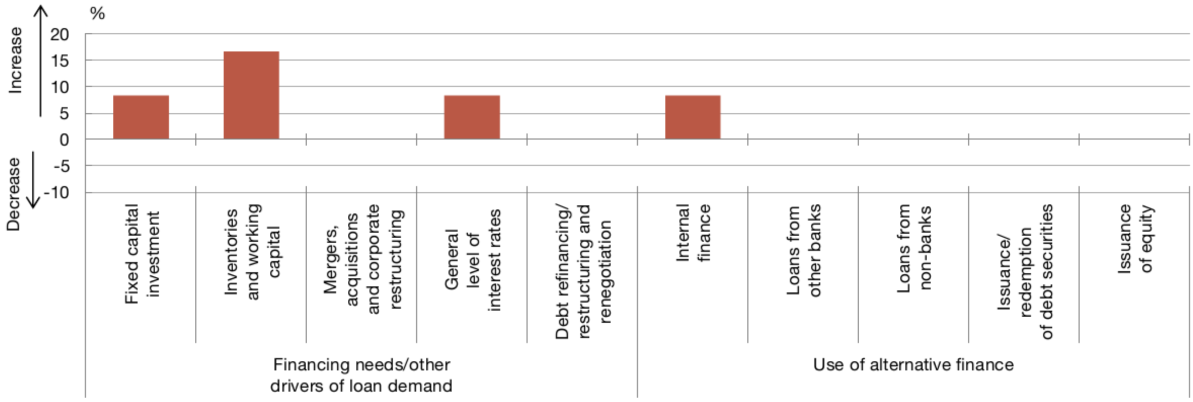
SOURCES: ECB and Banco de España.

a Percentage of banks reporting that the factor has contributed to tightening credit standards less percentage of banks reporting that it has contributed to easing them.
b Percentage of banks that have tightened their credit standards less percentage of banks that have eased them.

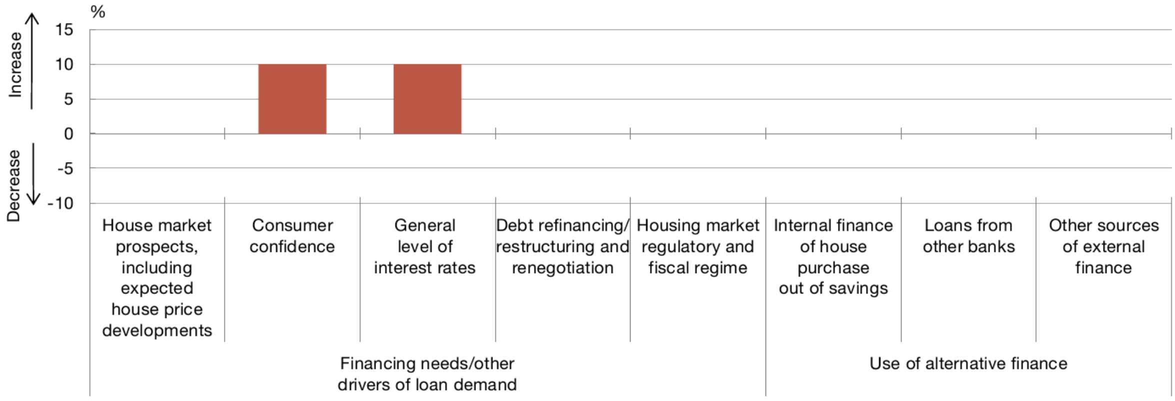
Chart 3
Changes in loan demand and contributing factors. Spain

2024 Q3

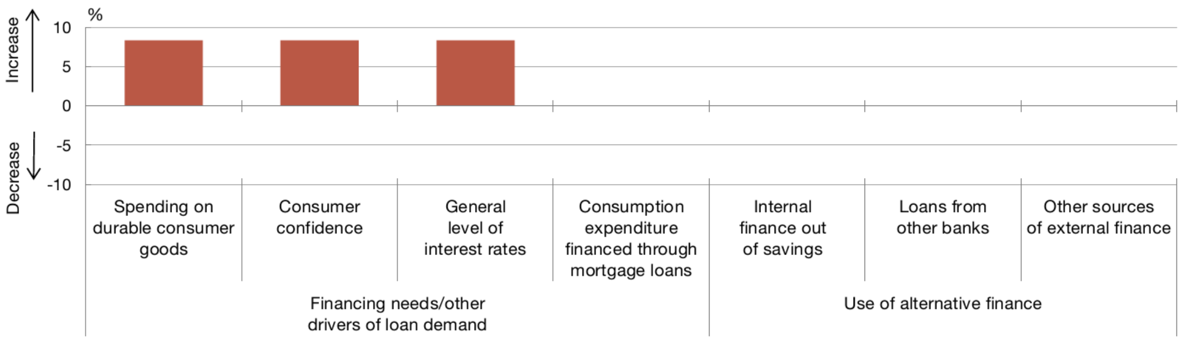
3.a Demand for loans to non-financial corporations (a)



3.b Demand for loans to households for house purchase (a)



3.c Demand for consumer credit and other lending to households (a)



SOURCES: Banco de España and ECB.

a Percentage of banks reporting that the factor has contributed to increasing demand less percentage of banks reporting that it has contributed to decreasing demand.

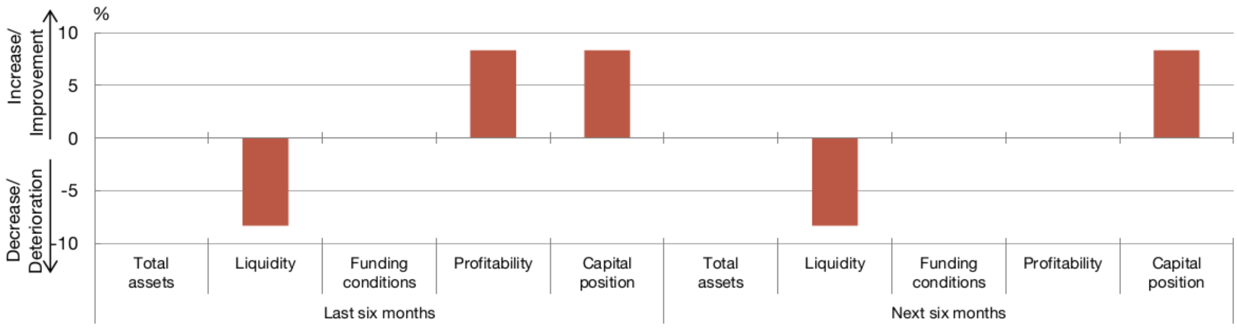
Chart 4
Banks' access to funding. Spain (a) (b)

SOURCES: Banco de España and ECB.

a Percentage of banks that perceived a deterioration in their market access less percentage of banks that perceived an improvement.
b ◆, ■ = expected.

Chart 5
Impact of the ECB asset portfolio held for monetary policy purposes. Spain

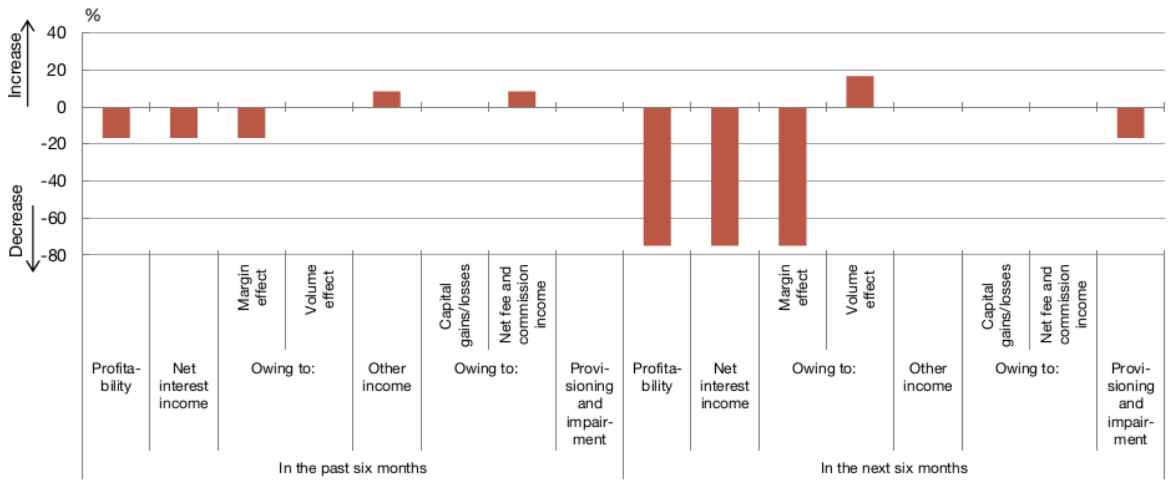
On the bank's financial situation (a)



SOURCES: ECB and Banco de España.

a. Percentage of banks reporting that management of this asset portfolio contributed or would contribute to an increase or improvement less percentage of banks reporting that it contributed or would contribute to a decrease or deterioration.

Chart 6
Effect of ECB policy interest rate decisions on Spanish banks' profitability (a)



SOURCES: ECB and Banco de España.

a Percentage of banks reporting an increase less percentage of banks reporting a decrease.