

October 20, 2015

ECB bank lending survey: strong demand across the board, supply outlook mixed



This morning, the European Central Bank (ECB) published the results of its quarterly bank lending survey (BLS) for Q3 2015, encompassing a sample of 140 banks in the Euro area.

Overall, the survey shows continued improvement in demand and a mixed supply outlook, boding well for loan volumes going forward, especially in the Eurozone periphery. Italy stands out for the strong supply outlook, as banks show renewed appetite for lending.

Demand remains strong, driven by low interest rates

As in the previous quarter, the survey continues to show a majority of banks reporting improved credit demand in Q3 across the board, in both corporate and household lending. Mortgage credit demand was reported to be especially strong, with the only exception of France, where survey respondents were more negative. Aside from that demand for both mortgages and business loans was strong, with Italian and Dutch banks reporting the highest demand.

With respect to the main drivers for demand of loans, the low level of interest rates featured prominently for both household and business loans – which also benefitted from higher demand related to firms' investment needs and working capital finance. Mortgage demand was boosted by improved consumer confidence and expectations of rising prices.

For the upcoming quarter, banks expect a continuation of improving loan demand across the board.

Mixed supply outlook, with Italy standing out

With respect to supply of bank credit, the picture was more mixed. Overall, there was a reported easing of credit standards for enterprises, although this was entirely driven by Italy. Credit standards were tightened in household mortgage lending, with the exception of Italy and Spain, where they were eased. This is in line with expectations reported in the previous bank lending survey.

Zooming in on the factors driving the easing of bank credit supply in Italy, the predominant driver for business loans was the lower cost of funds and balance sheet constraints (funding and capital) although lower risk perception and higher risk tolerance were also reported as contributing to the easing as was competitive pressure.

With respect to mortgage lending, pressure from competition was reported as the main factor contributing to the easing. In Spain, lower perception of risk and higher risk tolerance were also important factors contributing to easing.

Similar to the previous quarter, the surveyed banks reported, on average, lower margins on loans, although overall terms and conditions, which also include loan size limits, loan to value ratio, non interest charges and maturities were reportedly stable.

For Q4, banks continue to see easier terms for loans to enterprises and consumer credit, and a marginal tightening of standards on mortgages.

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Related research

[ECB bank lending survey shows strong credit demand in Q2 2015 - July 2015](#)

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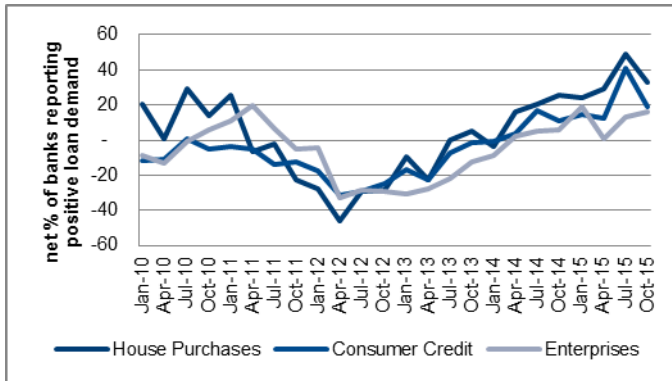
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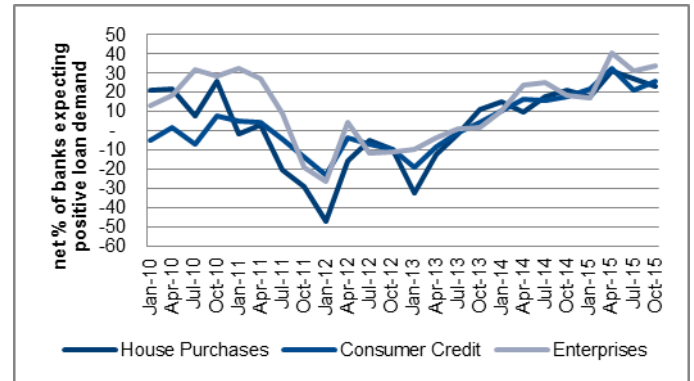
ECB BLS: Credit demand and outlook for the next three months

Figure 1a: Change in Loan Demand, last 3m



Source: ECB, Scope Ratings

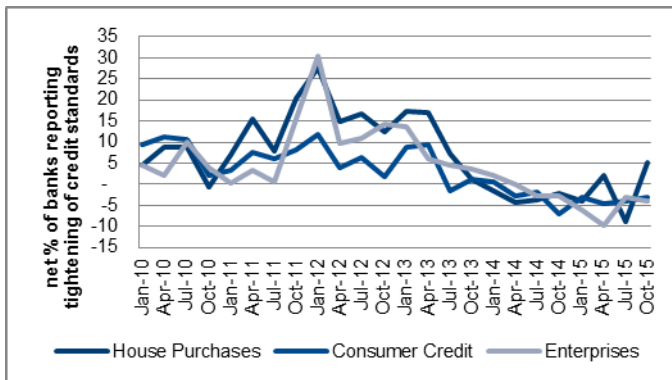
Figure 1b: Expected Change in Demand, next 3m



Source: ECB, Scope Ratings

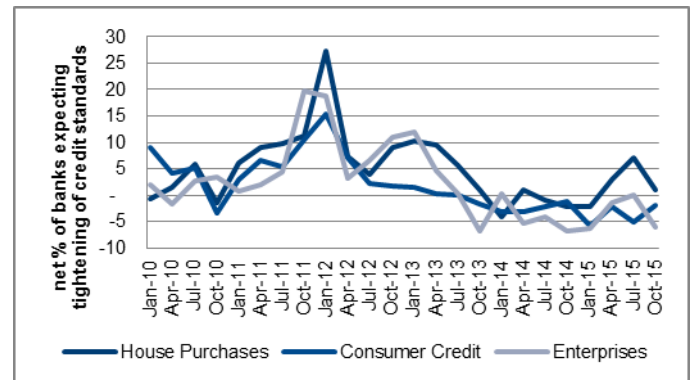
ECB BLS: Credit supply and outlook for the next three months

Chart 2a: Change in lending standards, last 3m



Source: ECB, Scope Ratings

Chart 2b: Expected Change in lending standards, next 3m



Source: ECB, Scope Ratings



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