

July 14, 2015

ECB bank lending survey shows strong credit demand in Q2 2015



This morning, the European Central Bank (ECB) published the results of its quarterly bank lending survey (BLS) for Q2 2015, encompassing a sample of 142 banks in the Euro area.

Overall, the survey shows continued improvement in demand and supply outlook, boding well for loan volumes going forward, especially in the Eurozone periphery. However, we stress that the survey responses were gathered between 9 and 24 June, i.e. before the escalation of the Greek crisis (the referendum was called on June 25), which may have subsequently dented confidence in the periphery.

Low interest rates driving high credit demand

In line with previous quarters, the ECB survey continues to show a majority of banks reporting improved credit demand in Q2 across the board, in both corporate and household lending. In particular, mortgage demand was strong in the past three months.

The stronger trend was broad-based in terms of countries and products, with almost all countries and segments showing improvements. Among the exceptions, we flag the weakening demand for corporate loans in France (but the strong reported mortgage demand) and the neutral outlook for mortgage demand in Spain (while demand for corporate loans was positive). Other than that, Italy stood out among the large countries for a strong and accelerating demand outlook in both household and corporate lending.

The low level of interest rates was the main factor boosting demand for mortgages, although positive prospects for housing markets and consumer confidence also contributed positively.

With respect to lending to enterprises, we note the positive contribution of capital expenditures needs in Italy, reflecting improved business confidence in recent months.

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

Competition driving increased supply and lower margins

The surveyed loan officers continued to report, on balance, easier credit standards for loans to enterprises and consumer credit and much easier standards on mortgages, despite last quarter expectations pointing to some tightening in the segment.

Credit standards eased significantly in Italy and more marginally in France, while they tightened slightly in Germany and remained unchanged in Spain.

Strong competition in the context of abundant liquidity and more comfortable capital positions contributed to the easing of credit supply for enterprises and households.

It is also worth highlighting that across the major countries, the surveyed banks reported, on average, better terms and conditions, and in particular lower margins on loans. Particularly significant are the results from Spain, where a net 80% of respondents reported lower margins on the average new business loan. Margins were also reportedly lower on mortgages, especially in the eurozone periphery.

For Q3, banks continue to see easier terms for loans to enterprises and consumer credit, while expecting to tighten standards on mortgage lending.

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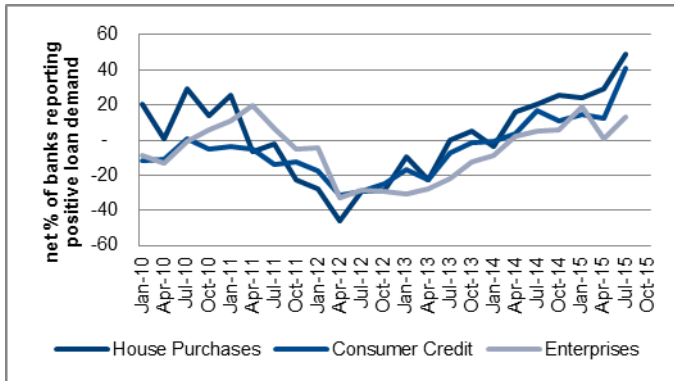
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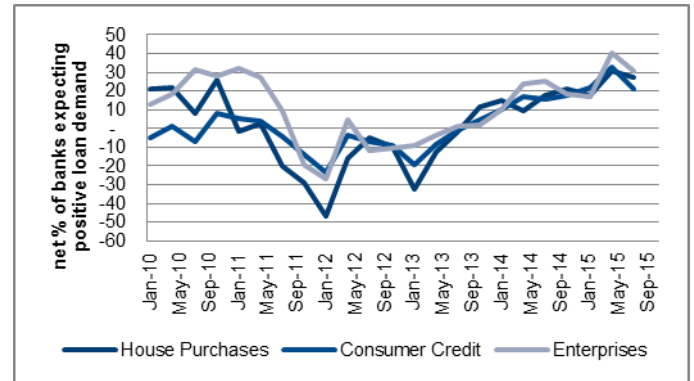
ECB BLS: Credit demand and outlook for the next three months

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



Source: ECB, Scope Ratings

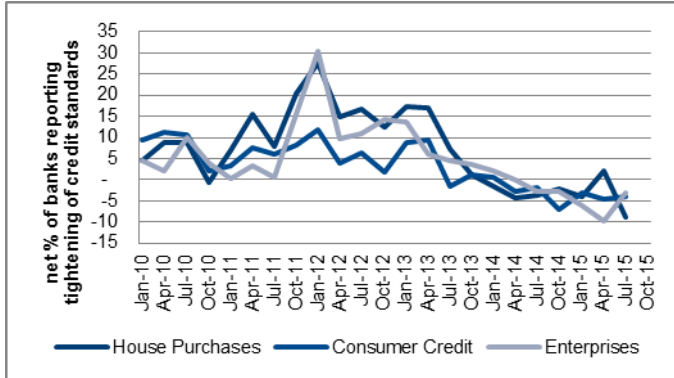
Figure 1b: Expected Change in Demand, next 3m



Source: ECB, Scope Ratings

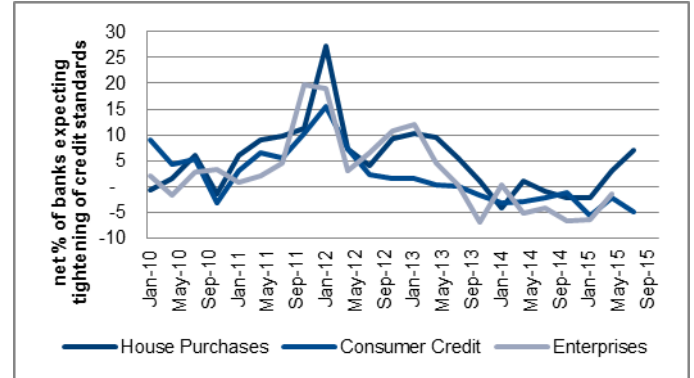
ECB BLS: Credit supply and outlook for the next three months

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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