



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Results of the October 2017 euro area bank lending survey

- Increasing demand and eased lending conditions support loan growth
- The ECB's APP facilitates an easing of credit terms and conditions
- Negative deposit facility rate has a positive impact on lending volumes

According to the October 2017 bank lending survey (BLS), credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans to enterprises remained broadly unchanged in the third quarter of 2017 (net percentage of reporting banks at -1%, after -3% in the previous quarter), despite expectations in the previous survey round that they would continue to ease. Competitive pressure, banks' risk perceptions, and cost of funds and balance sheet constraints had an easing impact on credit standards on loans to enterprises, while banks' risk tolerance had a tightening impact. Credit standards on loans to households for house purchase eased further (net percentage of reporting banks at -11%, after -4% in the previous quarter), which was stronger than expected in the previous survey round. Credit standards on consumer credit and other lending to households also eased (-4%, after 1%), in line with expectations. For the fourth quarter of 2017, banks expect credit standards on loans to enterprises to remain unchanged, while they anticipate a net easing for housing loans (-3%) and consumer credit (-2%).

The net easing of banks' overall terms and conditions on new loans (i.e. banks' actual terms and conditions agreed in the loan contract) continued for all loan categories, driven once more by a narrowing of margins on average loans.

Net demand continued to rise across all loan categories. The increase in fixed investment and the general level of interest rates were important factors boosting demand for loans to enterprises in the third quarter of 2017. Net demand for housing loans continued to be driven mainly by the low general level of interest rates and favourable housing market prospects. Spending on durable goods, the low general level of interest rates and consumer confidence again made a positive contribution to net demand for consumer credit.

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In terms of the impact of the ECB's expanded asset purchase programme (APP), euro area BLS banks continued to report a positive impact on their liquidity position and market financing conditions over the past six months, but a negative impact on their net interest margins. Responding banks indicated that they had mainly used the additional liquidity related to the APP to grant loans. The net easing impact of the APP continued to be stronger for terms and conditions than for credit standards.

The ECB's negative deposit facility rate, while having an adverse impact on banks' net interest income, is assessed by banks to have had a positive impact on their lending volumes.

The BLS, which is conducted four times a year, was developed by the Eurosystem in order to improve the understanding of banks' lending behaviour in the euro area. The results reported in the October 2017 survey relate to changes in the third quarter of 2017 and expectations of changes in the fourth quarter of 2017, unless otherwise indicated. The October 2017 BLS was conducted between 15 September and 2 October 2017. With 141 banks (out of 142 sample banks) participating in the survey, the response rate was 99%.

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Notes:

- The national and euro area data series are available on the ECB's website via the ECB's Statistical Data Warehouse. The survey report is available at <http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html>.
- Detailed data series for the aggregate euro area results are available on the ECB's website via the ECB's Statistical Data Warehouse (<http://sdw.ecb.europa.eu/browse.do?node=9484572>). National results as published by the respective national central banks can be obtained via <http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html#country>.
- For more detailed information on the bank lending survey, see Köhler-Ulbrich, P., Hempell, H. and Scopel, S., "The euro area bank lending survey", *Occasional Paper Series*, No 179, ECB, 2016 (<http://www.ecb.europa.eu/pub/pdf/scpops/ecbop179.en.pdf>).