EUROPEAN CENTRAL BANK

EUROSYSTEM

Press release

12 April 2022

April 2022 euro area bank lending survey

- Credit standards tightened for firms owing to perceptions of increased risk, with further tightening expected
- Loan demand from firms continued to increase, driven mainly by working capital needs
- ECB's monetary policy seen to continue to support lending, but less so than in previous survey rounds

According to the April 2022 euro area bank lending survey (BLS), credit standards – i.e. banks' internal guidelines or loan approval criteria – for loans or credit lines to enterprises tightened (net percentage of banks standing at 6%, see Chart 1) in the first quarter of 2022. Regarding loans to households for house purchase, euro area banks reported a slight net tightening of credit standards (net percentage of 2%), while credit standards for consumer credit and other lending to households continued to ease (net percentage of -5%). Banks referred to perceptions of increased risk and decreased risk tolerance, in the context of high uncertainty, supply chain disruptions and high energy and input prices, as factors behind the net tightening of credit standards for firms. For the second quarter of 2022, banks expect a considerably stronger net tightening of credit standards for loans to firms, likely reflecting the uncertain economic impact of the war in Ukraine and the anticipation of less accommodative monetary policy. In addition, banks expect a moderate net tightening of credit standards for housing loans and for consumer credit and other lending to households.

Banks' overall terms and conditions – i.e. the actual terms and conditions agreed in loan contracts – tightened moderately for loans to firms and loans to households for house purchase in the first quarter of 2022. For loans to firms, this was mainly due to a considerable widening of margins on riskier loans, while margins on average loans widened less. For consumer credit and other lending to households, overall terms and conditions eased slightly on account of narrower loan margins.

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Banks reported, on balance, a continued increase in firms' demand for loans or drawing of credit lines in the first quarter of 2022 (see Chart 2). Loan demand was driven by a strong positive impact of financing needs of firms for working capital, reflecting supply chain disruptions as well as precautionary inventories and liquidity holdings. Fixed investment continued to have a positive impact on loan demand, but less than in the previous quarter. In addition, the low general level of interest rates as well as other financing needs, including mergers and acquisitions activity and debt refinancing and restructuring, contributed positively to loan demand from firms. Demand for housing loans and for consumer credit and other lending to households increased further in net terms in the first quarter of 2022. The net increase in housing loan demand was mainly driven by the general level of interest rates. Demand for consumer credit was supported by spending on durable consumption goods and – to a lesser extent – by consumer confidence. For the second quarter of 2022, banks expect a continued net increase in firms' loan demand, but a net decrease in the demand for housing loans and broadly unchanged demand for consumer credit.

According to the banks surveyed, access to wholesale funding deteriorated in the first quarter of 2022, reflecting tighter financial market conditions for banks. Banks reported that the ECB's asset purchase programmes and the third series of targeted longer-term refinancing operations (TLTRO III) continued to have a positive impact on their liquidity position and market financing conditions. They expect this impact to become smaller in the case of TLTROs and negative for the ECB's asset purchase programmes over the next six months. Banks also indicated that the ECB's asset purchases programmes and the negative deposit facility rate (DFR) had a negative impact on their profitability, mainly via net interest income. This effect was mitigated by the ECB's two-tier system for remunerating excess liquidity holdings and by TLTRO III. The ECB's asset purchases, the negative DFR and TLTRO III had a continued net easing impact on lending conditions and a positive impact on lending volumes, but generally less than previously reported. Banks expect the impact of the ECB's asset purchase programmes to turn into a net tightening for lending conditions and a mostly negative impact for loan volumes over the next six months. For the negative DFR and TLTRO III, the net easing impact on bank lending conditions and the positive impact on lending volumes are generally expected to become weaker.

The euro area bank lending survey, which is conducted four times a year, was developed by the Eurosystem in order to improve its understanding of bank lending behaviour in the euro area. The results reported in the April 2022 survey relate to changes observed in the first quarter of 2022 and expected changes in the second quarter of 2022, unless otherwise indicated. The April 2022 survey round was conducted between 7 March and 22 March 2022. A total of 151 banks were surveyed in this round, with a response rate of 100%.

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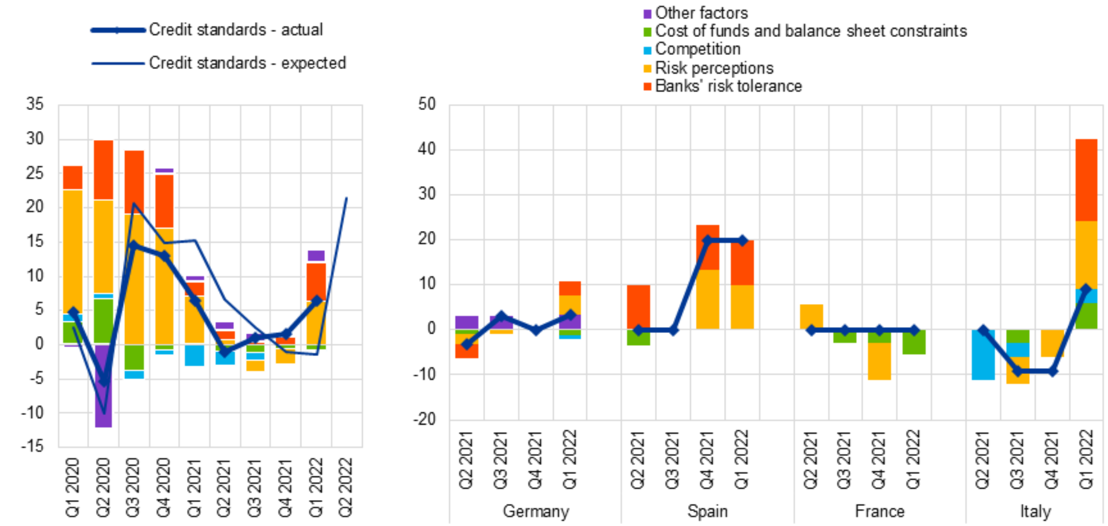
Notes

- **A report on this survey round** is available on the ECB's website. A copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys can be found on the same web page.
- **The euro area and national data series** are available on the ECB's website via the Statistical Data Warehouse. National results, as published by the respective national central banks, can be obtained via the ECB's website.
- **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.

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 further factors which were mentioned by banks as having contributed to changes in credit standards.

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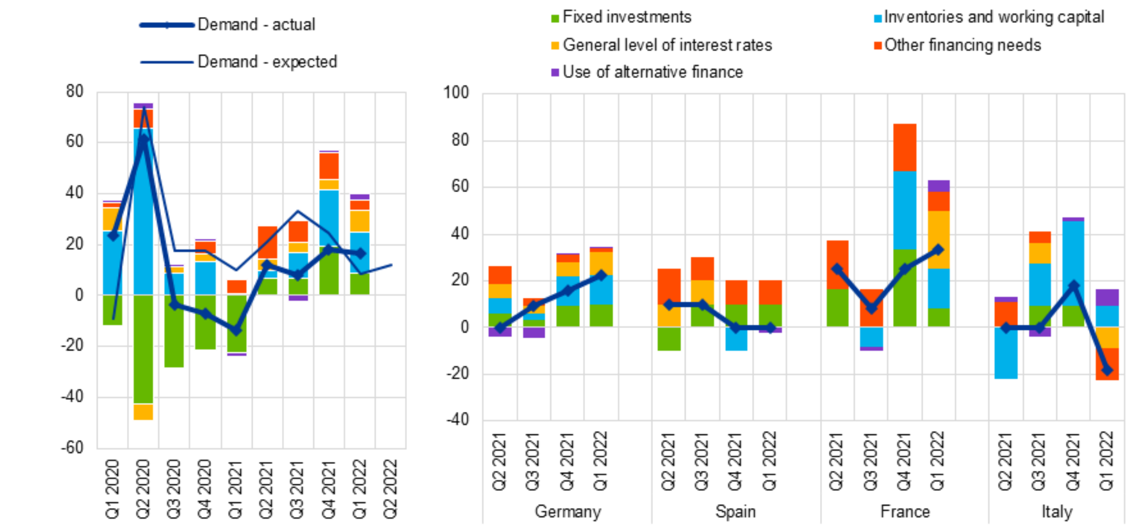
Chart 2

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”.

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