



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Results of the January 2015 euro area bank lending survey

- Further net easing of credit standards mainly driven by improving cost of funds and balance sheet conditions, as well as stronger competitive pressures. Credit standards, however, remain relatively tight in historical terms.
- Increase in demand for loans across loan categories with rise in firms' loan demand largely driven by financing needs for fixed investment.
- Impact of TLTROs on loan supply expected to be in particular a narrowing of lending margins, but first indications provided of an easing of credit standards.

According to the January 2015 bank lending survey (BLS), credit standards for all loan categories continued to ease in net terms in the fourth quarter of 2014. Euro area banks reported a net easing of credit standards on loans to non-financial corporations (specifically, a net percentage of -5%, after -2% in the previous quarter) which was in line with banks' expectations as expressed in the previous survey round. Banks continued to ease credit standards for loans to households in net terms with overall net easing supported by ongoing competitive pressures across all loan categories. Concerning terms and conditions, banks indicated a further considerable narrowing of margins on average loans, while reporting in net terms only a slight narrowing of margins on riskier loans suggesting a further intensification in banks' risk differentiation.

Rising net loan demand continued to be reported in particular for loans to non-financial corporations and for consumer credit, while the reported increase in net demand for housing loans stabilised at elevated levels. For loans to enterprises, financing needs related to fixed investment in particular contributed to the increase in net loan demand by euro area enterprises in the fourth quarter of 2014, recording the first significantly positive contribution since mid-2011.

In addition, euro area banks' access to funding further improved in net terms for all main market instruments and for short-term retail deposits. Banks also provided more indications that recent regulatory

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and supervisory actions are having a positive impact, such as improvements in banks' funding conditions and an easing in overall lending conditions.

In response to the additional ad hoc questions on the targeted longer-term refinancing operations (TLTROs), banks indicated that they would use these funds predominantly for granting loans as well as for substitution of other funding sources. The impact on loan supply is expected to largely translate into a narrowing of lending margins, but the January 2015 survey round also provided the first indications of an easing of credit standards.

The BLS, which is conducted four times a year, was developed by the Eurosystem in order to enhance the understanding of banks' lending behaviour in the euro area. The results reported in the January 2015 survey relate to changes in the fourth quarter of 2014 and to expectations of changes in the first quarter of 2015. The January 2015 BLS was conducted between 8 and 30 December 2014. With 137 banks participating in the survey, the response rate for the January BLS was 100%.

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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>.