



EUROPEAN CENTRAL BANK

EUROSYSTEM

# PRESS RELEASE

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## Results of the October 2019 euro area bank lending survey

- Credit standards eased slightly for loans to enterprises and housing loans
- Loan margins increased for riskier borrowers for both loans to enterprises and housing loans
- ECB's unconventional monetary policy continued to support lending volumes

Credit standards – i.e. banks' internal guidelines or loan approval criteria – for loans to enterprises and loans to households for house purchase eased slightly in the third quarter of 2019 (with a net percentage of -2% for both) according to the October 2019 bank lending survey (BLS), while banks had expected them to remain unchanged in the previous survey round. Credit standards for consumer credit and other lending to households tightened slightly and less than in the previous quarter. The slight net easing of credit standards on loans to enterprises was driven by the impact of competition (mainly from other banks), whereas risk perceptions (related to a deterioration in the general economic and firm-specific situation) continued to exert pressure in the opposite direction. For the fourth quarter of 2019, banks expect credit standards to remain broadly unchanged for all loan categories.

Banks' overall terms and conditions – i.e. the actual terms and conditions agreed in loan contracts – tightened in the third quarter of 2019 for new loans to enterprises and housing loans, while they remained broadly unchanged for consumer credit. The tightening effect for loans to enterprises and housing loans was mainly driven by a widening of margins on loans to riskier borrowers.

Net demand for loans to enterprises remained broadly unchanged in the third quarter of 2019, in spite of expectations of an increase in the previous round. It was mainly supported by the low general level of interest rates. There was a further reduction in the positive contribution of fixed investment. M&A activity also contributed positively to demand. By contrast, inventories and the recourse to working capital contributed negatively to loan demand. Net demand for housing loans continued to increase in the third quarter of 2019, driven mainly by the low general level of interest rates and, to a lesser extent, favourable housing market prospects, while consumer confidence contributed less than in the previous quarter. By

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contrast, the use of alternative sources of finance had a slightly negative effect on demand. For [consumer credit and other lending to households](#), net demand increased in the third quarter of 2019. Among the factors driving the demand at the euro area level, the low general level of interest rates and consumer confidence contributed positively, while spending on durable goods only contributed slightly after an extended period of making a strong positive contribution.

Banks reported in net terms that access to wholesale funding continued to improve in the third quarter of 2019 for debt securities and, to a smaller extent, also for money markets and securitisation. Banks also indicated broadly unchanged access to retail funding in the third quarter of 2019.

Euro area banks continued to report a positive impact of the ECB's asset purchase programme (APP) on their liquidity position and market financing conditions, and a negative impact on their profitability, over the past six months. Over the coming six months, banks expect a favourable impact of the APP on their credit terms and conditions and loan volumes, with the exception of loan volumes for enterprises where they expect them to remain unchanged.

Euro area banks reported that the ECB's negative deposit facility rate continued to contribute to an increase in lending volumes and a decrease in lending rates across all loan categories.

The bank lending survey, which is conducted four times a year, was developed by the Eurosystem in order to improve its understanding of banks' lending behaviour in the euro area. The results reported in the October 2019 survey relate to changes observed in the third quarter of 2019 and expected changes in the fourth quarter of 2019, unless otherwise indicated. The October 2019 survey round was conducted between 13 and 30 September 2019. A total of 144 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 at [https://www.ecb.europa.eu/stats/ecb\\_surveys/bank\\_lending\\_survey/html/index.en.html](https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/index.en.html). A copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys can also be found on that web page.
- The euro area and national data series are available on the ECB's website via the Statistical Data Warehouse (<http://sdw.ecb.europa.eu/browse.do?node=9691151>). National results, as published by the respective national central banks, can be obtained via [https://www.ecb.europa.eu/stats/ecb\\_surveys/bank\\_lending\\_survey/html/index.en.html](https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/index.en.html).
- 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>).

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