EUROPEAN CENTRAL BANK

EUROSYSTEM

Press release

16 July 2024

July 2024 euro area bank lending survey

- Credit standards were broadly unchanged at tight levels in the second quarter of 2024
- Loan demand continued to decline for firms, while recording the first increase for households since 2022
- Credit standards for firms displayed some heterogeneity across economic sectors, tightening strongly in commercial real estate

According to the July 2024 euro area bank lending survey (BLS) euro area banks reported a small further net tightening of their credit standards – i.e banks' internal guidelines or loan approval criteria – for loans or credit lines to enterprises in the second quarter of 2024 (net percentage of banks of 3%; Chart 1). Banks reported a moderate further net easing of their credit standards for loans to households for house purchase (net percentage of -6%), whereas credit standards for consumer credit and other lending to households tightened moderately further (net percentage of 6%). This was broadly in line with the trend over recent quarters and with banks' expectations. Banks' risk tolerance was the main driver behind the net tightening for loans to firms. Risk perceptions were less relevant than during the rate hiking cycle, but continued to exert tightening pressure across all loan categories. Competition contributed to an easing of credit standards for housing loans. For the third quarter of 2024 banks expect a moderate net tightening for loans to firms and unchanged credit standards for loans to households.

Banks' overall terms and conditions – i.e. the actual terms and conditions agreed in loan contracts – eased for housing loans and eased very slightly for loans to firms, while there was a small tightening for consumer credit. Lending rates were the main driver of the net easing in terms and conditions for housing and corporate loans, while margins on riskier loans largely drove the tightening in terms and conditions for consumer credit.

Banks reported a further decline in demand from firms for loans or drawing of credit lines (Chart 2), while demand for housing loans and demand for consumer credit and other lending to households increased

European Central Bank
Directorate General Communications
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.ecb.europa.eu

for the first time since 2022. Higher interest rates and lower fixed investment continued to exert dampening pressure on loan demand from firms. At the same time, improving housing market prospects, consumer confidence and spending on durables positively supported demand from households. Banks expect net demand to increase across all loan segments in the third quarter of 2024.

According to the banks surveyed, access to funding improved for debt securities and, to a lesser extent, for money markets. Access to retail funding remained broadly unchanged, except for short-term funding, which continued to deteriorate slightly in the second quarter of 2024. Over the third quarter of 2024 banks expect access to funding to deteriorate across all segments.

Perceived credit risk in banks' loan portfolios had a moderate tightening impact on bank lending conditions for loans to enterprises and consumer credit in the first half of 2024. The impact was neutral for housing loans. Banks expect the same for the remainder of the year.

Credit standards for firms tightened further in all economic sectors in the first half of 2024, ranging from a very small net tightening in services and manufacturing to a relatively large net tightening in commercial real estate. Banks also reported a net decrease in demand for loans or credit lines in most economic sectors, except services. In the second half of 2024 euro area banks expect a net tightening in lending conditions, combined with a moderate net increase in loan demand, in most economic sectors.

Climate risks of euro area firms and measures to cope with climate change continued to have a net tightening impact on credit standards for loans to brown firms over the past twelve months, although by less than expected. At the same time, they had a further net easing impact for loans to green firms and firms in transition. Physical risk was reported by banks as the main driver of the tightening impact. Over the next twelve months, euro area banks expect a slightly stronger net tightening impact on credit standards for loans to brown firms and a slightly stronger net easing impact for green firms and firms in transition.

Banks reported that the decline in excess liquidity held with the Eurosystem in the first half of 2024 had only a small tightening impact on bank lending conditions. They expect similar effects in the second half of 2024.

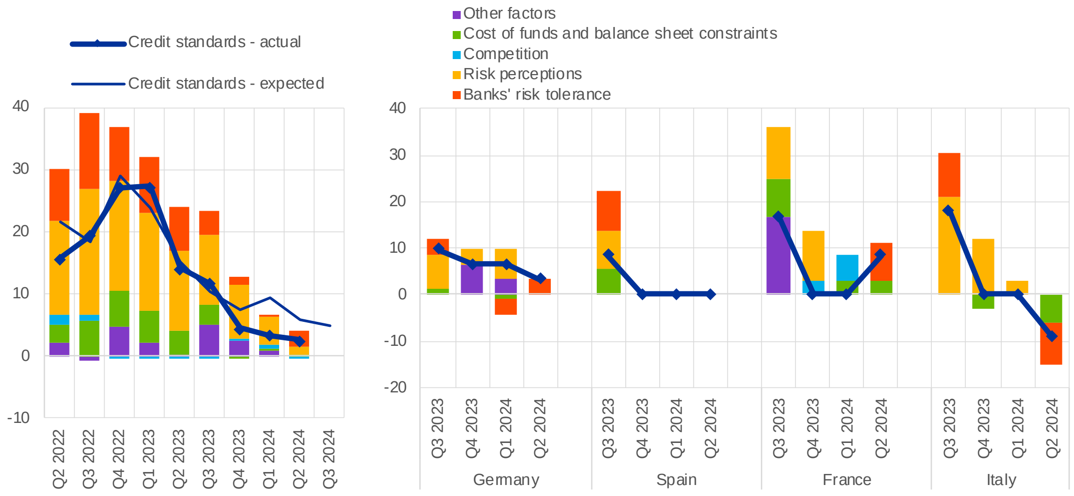
The euro area BLS, which is conducted four times a year, was developed by the Eurosystem to improve its understanding of bank lending behaviour in the euro area. The results reported in the July 2024 survey relate to changes observed in the second quarter of 2024 and changes expected in the third quarter of 2024, unless otherwise indicated. The July 2024 survey round was conducted between 10 and 25 June 2024. A total of 157 banks were surveyed in this round, with a response rate of 100%.

European Central Bank
Directorate General Communications
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.ecb.europa.eu

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)

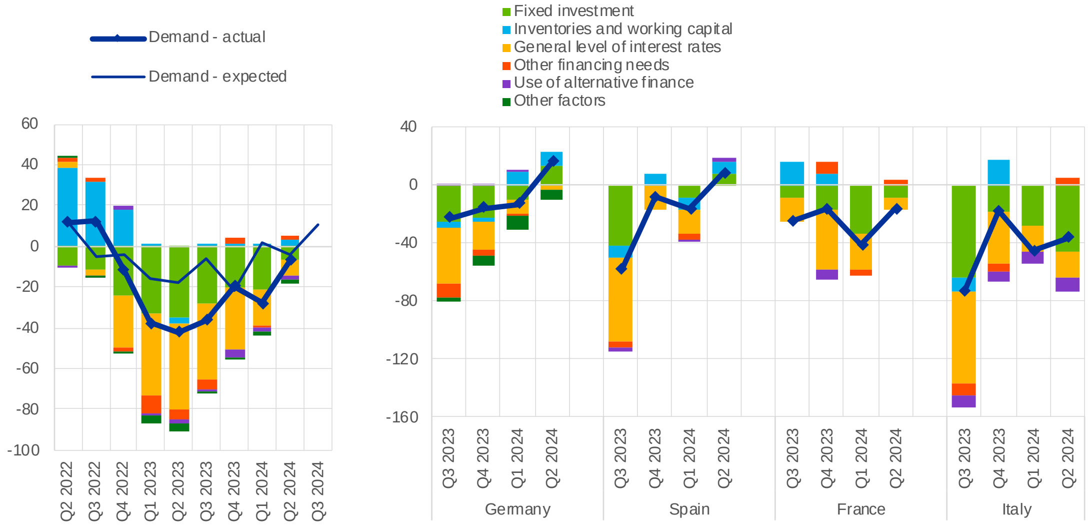


Source: ECB (BLS).
Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards.

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". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand.

European Central Bank
Directorate General Communications
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.ecb.europa.eu

For media queries, please contact Silvia Margiocco, tel.: +49 69 1344 6619.

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 there too.
- **The euro area and national data series** are available on the ECB's website via the ECB Data Portal. National results, as published by the respective national central banks, can be obtained via the ECB's website.
- **For more detailed information** on the BLS, see Köhler-Ulbrich, P., Dimou, M., Ferrante, L. and Parle, C., "Happy anniversary, BLS – 20 years of the euro area bank lending survey", *Economic Bulletin*, Issue 7, ECB, 2023; and Huennekes, F. and Köhler-Ulbrich, P., "What information does the euro area bank lending survey provide on future loan developments?", *Economic Bulletin*, Issue 8, ECB, 2022.

European Central Bank
Directorate General Communications
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.ecb.europa.eu