Bank Lending Survey

October 2021 Survey Results

Results Summary:

- Credit standards on loans to enterprises were unchanged for the third quarter in a row in Q3, and are expected to remain unchanged in Q4.
- Demand for loans from enterprises fell in Q3.
- Credit standards on loans to households for house purchase were tightened, but were eased for loans for consumer credit and other lending.
- The proportion of rejected applications for loans for house purchase increased marginally, and remained unchanged for consumer credit and other lending.
- Demand for house purchase loans fell and consumer credit and other lending increased.
- Banks recorded generally improved access to retail and wholesale funding, but a slight deterioration in the ability to transfer credit risk off the balance sheet.
- TLTROs have helped improve the liquidity positions of banks and encouraged lending to the non-financial private sector.

The October 2021 Bank Lending Survey (BLS) was conducted between 20th September and 5th October, and examined changes in credit market conditions during the third quarter of 2021 as well as expected changes in credit standards and loan demand during the fourth quarter of 2021.

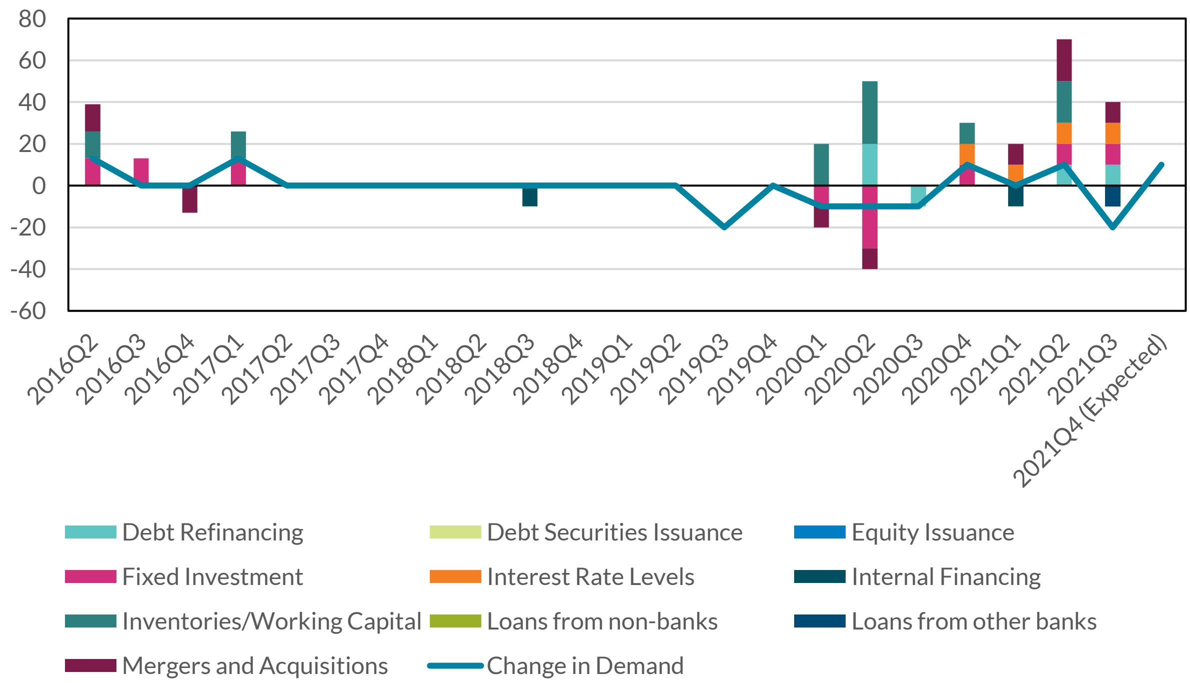
I. Enterprises

Credit standards on loans to enterprises remained unchanged across all forms of lending in 2021 Q3, marking three consecutive quarters of no change. In addition, no change in credit standards is expected in 2021 Q4.

There was no change in the proportion of loan applications that were rejected.

There was an overall decrease in demand for loans from enterprises, but a wide array of factors placed upward and downward pressure on demand (Figure 1). An additional fall in demand for short-term loans was noted. A small uptick in demand for loans from enterprises is expected in Q4.

Figure 1 – Change in demand for loans from enterprises



Notes: Chart shows a diffusion index on a scale from -100 to 100. -100 indicates the largest possible fall in demand, and +100 the largest possible increase in demand.

II. Households

Credit standards on loans to households for house purchase tightened marginally in Q3, driven by a change in risk tolerance. Credit standards on more general consumer credit and other lending were loosened marginally.

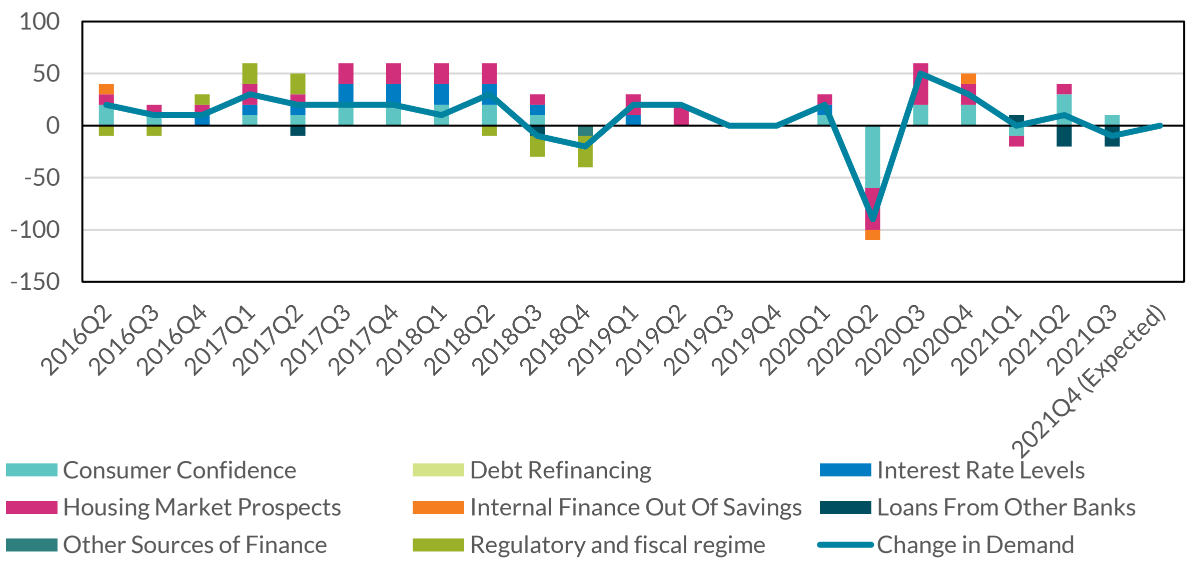
There was a slight increase in the proportion of loan application rejections for house purchase. There was no change on average in the proportion of loans for consumer credit and other lending that were rejected.

Demand for loans for house purchase fell on aggregate, with some banks noting a substitution towards other banks, while others noted upward pressure owing to increased consumer confidence.

In the case of consumer credit and other lending, an increase in demand was seen, driven by increased consumer confidence and spending on durables.

A slight tightening in credit standards is expected in Q4 across both categories of consumer lending. No change in demand for loans for house purchase is expected in Q4, while a fall in demand for consumer credit and other lending is expected.

Figure 2 – Change in demand for loans for house purchase



Notes: Chart shows a diffusion index on a scale from -100 to 100. -100 indicates the largest possible fall in demand, +100 the largest possible increase in demand.

III. Ad-Hoc Questions

The October round of the BLS contained additional questions on:

- Banks' access to retail and wholesale funding.
- The ECB's APP and PEPP programmes.
- The ECB's negative deposit facility rate and tiering.
- The ECB's TLTRO-III policy.

Banks noted an improved funding environment in Q3, with improved access to short-term deposits, medium to long-term debt securities and an improved securitisation environment. A slight deterioration in the ability to transfer credit risk off the balance sheet was noted.

Banks noted that the ECB's asset purchase programmes had improved bank profitability. Similarly banks reported that the negative deposit facility rate had led to lower profitability, but the tiering policy had improved profitability.

TLTRO funds were reportedly used for granting loans to the non-financial private sector, for purchasing domestic sovereign bonds and for holding liquidity with the Eurosystem. The net impact of such funding for those banks that have previously engaged in such operations were improved profitability, liquidity and an improved market financing environment, alongside increased lending volumes to all sectors.