



Results Summary:

- Demand for loans for house purchase fell for the first time since 2015Q2.
- Irish banks' credit standards on lending to households remained unchanged.
- Demand for consumer credit and other lending increased.
- Credit standards on, and demand for loans to enterprises remained unchanged. Credit standards are expected to tighten in Q4, while loan demand is expected to rise.
- The ECB's negative Deposit Facility Rate has impacted negatively on banks' net interest income.

The October 2018 Bank Lending Survey (BLS) was conducted between 11 September and 1 October and examined changes in credit market conditions during the third quarter of 2018 as well as expected changes in credit standards and loan demand during the fourth quarter of 2018.



I. Enterprises

Both credit standards on loans and demand for loans to enterprises were unchanged across all categories in 2018 Q3.

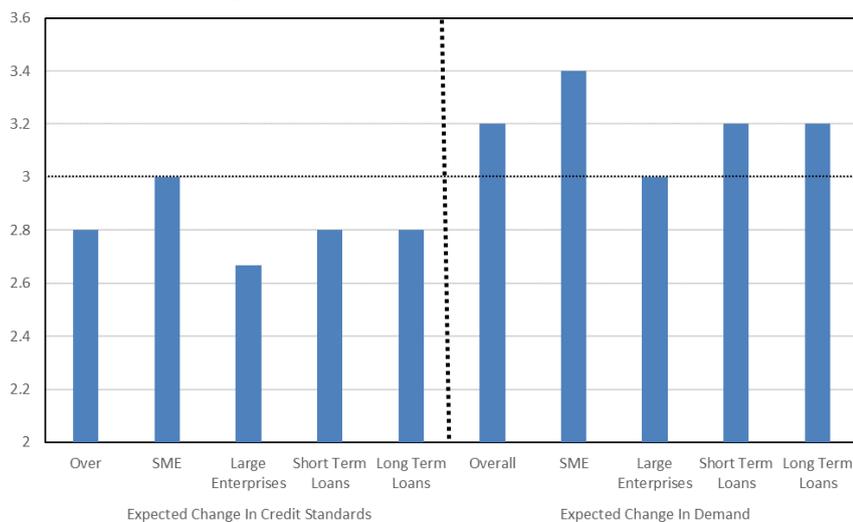
Credit standards are, however, expected to tighten this quarter across all categories except SME lending. Loan demand is expected to rise across all categories except loans to large enterprises (Figure 1).

Table 1: Changes in Credit Standards for enterprises.

		Q4 2017	Q1 2018	Q2 2018	Q3 2018
Enterprises:	Overall	3.25	3.00	3.00	3.00
	Small/medium enterprises	3.25	3.00	3.00	3.00
	Large enterprises	3.25	3.00	3.00	3.00
	Short-term loans	3.00	3.00	3.00	3.00
	Long-term loans	3.25	3.00	3.00	3.00

Key: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.

Figure 1: Expected changes in credit standards and loan demand for enterprises.



Key: A response less than 3 indicates that credit standards are expected to tighten/demand is expected to fall, while a response of greater than 3 suggests credit standards are expected to loosen/demand is expected to rise.



II. Households

Credit standards on loans to households for house purchase remained unchanged overall in 2018 Q3 and are expected to remain unchanged for both loans for house purchase and consumer credit.

Overall loan demand from households for house purchases fell in 2018 Q3 (Table 2), the first fall in demand since 2015 Q2.

Consumer confidence, housing market prospects and general levels of interest rates contributed to increased demand, but their effect was outweighed by the negative impact of regulatory conditions and competition from other banks (Figure 2).

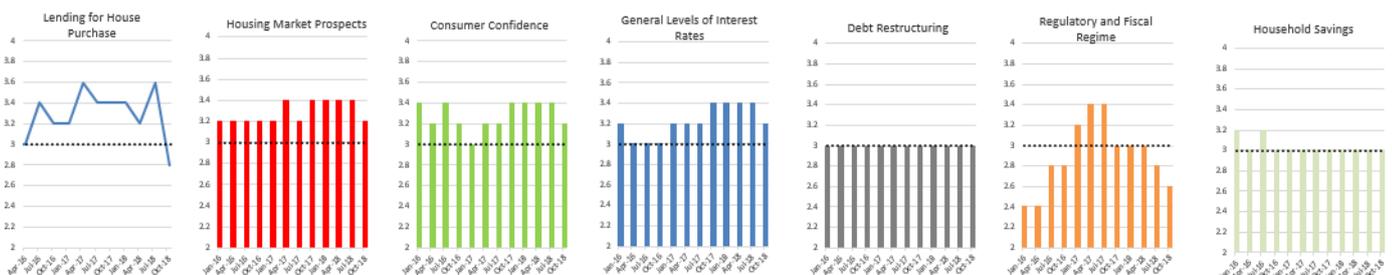
Demand for consumer credit increased in the first quarter (Table 2). This was driven by increased consumer confidence and spending on durable goods.

Table 2: Changes in Loan Demand from Households

	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Loans for House Purchases	3.40	3.20	3.60	2.80
Loans for Consumer Credit	3.20	3.40	3.40	3.20

Key: 1 = decreased considerably, 2 = decreased somewhat, 3 = remained basically unchanged, 4 = increased somewhat, 5 = increased considerably.

Figure 2: Change in Loan Demand for House Purchase and Factors affecting Loan Demand



Key: A response less than 3 indicates that a factor contributed to a reduction in demand while a response greater than 3 indicates that a factor contributed to increased demand.



III. Ad-Hoc Questions

The July round of the BLS included four ad-hoc questions examining:

- Banks access to retail and wholesale funding.
- The impact of the ECB's asset purchase programme on banks' assets.
- The impact of the ECB's asset purchase programme on lending policy and volumes.
- The impact of the ECB's negative deposit facility rate.

Access to retail and wholesale funding underwent some minor changes in Q2. Access to short term deposits eased somewhat, while access to medium and long term debt securities tightened slightly.

The ECB's expanded asset purchase programme has improved banks' capital ratios, while and improved Irish banks' market financing conditions through covered bonds and asset backed securities markets. No impact of the APP on lending was noted.

The ECB's negative Deposit Facility Rate had a negative impact on net interest incomes, lending rates, loan margins, non interest rate charges and lending volumes over the last six months.