EUROPEAN CENTRAL BANK

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THE EURO AREA BANK LENDING SURVEY

– APRIL 2003 –

1. INTRODUCTION

The European Central Bank (ECB) is for the first time publishing the results from its bank lending survey for the euro area which are presented below.

The main purpose of the survey, as stated in a press release dated 21 November 2002 and further explained in the April 2003 Monthly Bulletin article on "A bank lending survey for the euro area", is to enhance the understanding of bank lending behaviour in the euro area. The survey is addressed to senior loan officers of a representative sample of euro area banks.[1] The survey takes the form of a questionnaire containing 18 qualitative questions on past and expected future developments regarding lending policies. Questions distinguish between loans to enterprises and loans to households. For both sectors, the survey addresses issues such as credit standards for approving loans as well as credit terms and conditions. It also asks for an assessment of the conditions affecting credit demand. A copy of the questionnaire can be found at http://www.ecb.int/pub/period/bls/bls_questionnaire.pdf.

It is intended to conduct the survey four times a year. The first survey was carried out in January 2003, with a second survey cycle taking place in April 2003. This document reports on the results of both surveys. The cut-off dates for data collection from the banks were 16 January and 8 April respectively.

By publishing the survey results, the ECB is sharing with the public in a transparent manner the information which is available to the ECB's decision-making bodies. However, given that the survey has just started to be implemented, the results should be interpreted very cautiously. Some time and experience will be needed to assess the specific interpretation of these results and to judge the relationship between them and actual economic and financial developments.[2]

[1] The sample group of banks participating in the survey comprises around 90 banks from all euro area countries and takes into account the characteristics of their respective national banking structures.

[2] In interpreting these results it should be kept in mind that the questions are generally phrased in terms of changes over the past quarter, e.g. "how have credit standards changed?". It cannot be excluded, however, that – as in other surveys – the answers could be biased by the respondents' considerations as to the levels rather than the changes. If this were the case, the changes in the answers would be more informative than their absolute levels. More experience will be gained with regard to the interpretation of the results as more surveys are conducted, allowing the results of the survey to be compared to actual credit developments.

2. OVERVIEW OF THE RESULTS

Overall, the results of the April 2003 bank lending survey indicate a continued net tightening of credit standards over the past three months[3] (January to March 2003) by responding banks.[4] The net percentages indicating tightening are, however, generally lower than those reported in the January 2003 survey (which referred to the period October to December 2002).

As regards **enterprises**, in April 46% of all responding banks reported a net tightening of credit standards over the past three months, compared with a net 65% in January. The tightening applied more significantly to large enterprises than to small and medium-sized enterprises. Expectations regarding general economic activity were the most important contributing factor to the overall net tightening of credit standards over the three months prior to April 2003, followed by the industry or firm-specific outlook. The conditions and terms for approving loans or credit lines to enterprises that tended to be tightened the most were interest rate margins, loan covenants, collateral requirements and the size of the loan or credit line.

With regard to demand for loans or credit lines by enterprises over the three-month period ending in April 2003, banks continued to report a net overall decrease, particularly in the case of large enterprises.[5] Overall, a net 31% of respondents in April indicated that they had experienced weaker demand for loans or credit lines to enterprises over the past three months (the same percentage as in January). The main reasons given for this development were lower financing needs of corporations for fixed investments, and merger and acquisition activity or corporate restructuring.

In terms of expectations for the next three months covered in the April survey (i.e. the period April to June 2003), reporting banks expect a further overall net tightening of their credit standards applied to the approval of loans or credit lines to enterprises, although at a somewhat lower rate than expected in the January survey.

At the same time, banks generally expect a decrease in the net overall demand for loans or credit lines by enterprises over the period April to June 2003, reflecting expected declining demands from large enterprises in particular. In the January 2003 survey, banks expected broadly unchanged overall demand for loans or credit lines from enterprises over the period January to March 2003.

Turning to **households**, banks also reported on balance a continued tightening of credit standards in the three months, up to April 2003. However, compared with the January 2003 survey, the net percentages indicating further tightening fell. In April, 14 % of banks reported a net tightening of credit standards

[3] The questionnaire generally phrases questions referring to over the “past three months” and over the “next three months”. In the April survey, the “past three months” thus referred approximately to the first quarter of 2003, while the “next three months” broadly correspond to the second quarter of 2003.

[4] The results are generally presented on a net basis, i.e. in net percentages. The net percentage is here defined as the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat”, and the sum of the percentages for “eased somewhat” and “eased considerably”. Thus positive figures indicate a net tightening of credit standards, and negative figures a net easing of credit standards.

[5] The net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages for “increased considerably” and “increased somewhat” and the sum of the percentages for “decreased somewhat” and “decreased considerably”. Thus positive figures indicate a net increase in demand for loans and negative figures a net decrease in demand for loans.

applied to loans for house purchase compared with 20% in January. With regard to credit standards applied to consumer credit and other loans to households, 15% of respondents reported on balance a net tightening in April, compared with 22% in January.

The deterioration in expectations regarding general economic activity was the most important contributing factor to the tightening of credit standards over the past three months on loans to households for house purchase, and on consumer credit and other lending to households. This was followed in the case of loans for house purchase by deteriorating housing market prospects, and for consumer and other loans to households, by a worsening of consumer creditworthiness. The conditions and terms for approving loans to households for house purchase, consumer loans and other loans to households which tightened in particular were margins on riskier loans.

Turning to the demand for loans by households over the past three months, the April survey showed a net 19% of banks reporting an increase in the demand for loans for house purchase, compared with 29% in January. According to some banks, this increase can partly be linked to more favourable interest rate conditions. By contrast, the demand for consumer credit and other loans to households decreased slightly on a net basis in the April survey (a net percentage of 2%), although this decline was weaker than in the January survey. The April decline was predominantly related to a lower consumer confidence and a decline in consumer financing needs for securities purchases.

With regard to expectations for April to June 2003, reporting banks overall expect a further slight net tightening of credit standards as applied to the approval of loans to households. This mirrors the expectations reported in the January survey, albeit at lower percentages.

The reporting banks expect a decrease in demand for loans by households for house purchase over the period April to June 2003, and a small increase in demand for consumer credit and other lending to households. In the January survey, banks expected a (larger) decrease in the former type of loans, whereas they expected basically unchanged demand (on balance) for the latter category.

3. THE RESULTS FOR THE INDIVIDUAL QUESTIONS

3.1 Enterprises

QUESTION 1

Changes in credit standards applied to enterprises over the past three months

The April survey indicated that, during the period January to March 2003, 46% of all responding banks reported a tightening of credit standards applied to the approval of loans or credit lines to enterprises, compared with 65% in the January survey (see Table 1). A larger proportion of respondents reported basically unchanged credit standards in April than in January (54% and 35%, respectively). As in the January survey, not one bank reported an overall easing of credit standards. Thus, overall, the net percentage of respondents reporting a tightening of credit standards on loans to enterprises declined to 46 percent in April from 65 percent in January.

With regard to loans to large enterprises, a net 51% continued to tighten credit standards (compared with 67% in January). For loans to small and medium-sized enterprises, only 31% reported a further tightening of these standards, as opposed to 59% in January. Regarding the original maturity of loans, the net percentage for tightening were 43% for long-term loans and 32% for short-term loans (compared with 59% and 47% respectively in January).

Table 1. Euro area weighted results for all responding banks
Changes in credit standards applied to enterprises over the past three months (in %)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April	January	April	January	April	January	April	January	April	January
Tightened considerably	1	4	0	6	8	12	0	2	8	16
Tightened somewhat	45	61	34	54	43	55	32	44	35	43
Remained basically unchanged	54	35	64	39	49	32	68	53	57	41
Eased somewhat	0	0	3	1	0	1	0	0	0	1
Eased considerably	0	0	0	0	0	0	0	0	0	0
Total	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***
Net percentage	46	65	31	59	51	67	32	47	43	59
Number of banks responding	***83***	***76***	***80***	***77***	***80***	***76***	***83***	***77***	***83***	***79***

Note:

Net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

QUESTION 2

Factors affecting changes in credit standards applied to enterprises over the past three months

Expectations regarding general economic activity were the most frequently mentioned factor in the April survey contributing to the overall net tightening of credit standards applied to enterprises over the past three months, followed by the industry or firm-specific outlook (67% and 64% on a net basis respectively) (see Table 2). These two factors were also the two most important factors in the January survey in the tightening of credit standards (79% and 81% respectively).

Another important reason mentioned in the April survey by all responding banks for tightening their lending policies was the risk on collateral demanded (35%), compared to 57% in January.

By contrast, as in January, banks reported that pressures stemming from competition contributed to a slight net easing of credit standards on loans to enterprises.

Table 2. Euro area weighted results for all responding banks

Factors affecting changes in credit standards applied to enterprises over the past three months (in %)

	--	-	°	+	++	NA	NetP	
							April	January
A) Cost of funds and balance sheet constraints								
Costs related to your bank's capital position	3	19	67	3	0	8	19	39
Your bank's ability to access market financing	6	10	72	2	0	10	14	16
Your bank's liquidity position	4	3	79	6	0	8	1	11
B) Pressure from competition								
Competition from other banks	0	8	69	11	0	12	-3	3
Competition from non-banks	0	1	71	9	0	19	-8	-4
Competition from market financing	1	2	71	7	0	19	-3	4
C) Perception of risk								
Expectations regarding general economic activity	17	53	24	2	0	4	67	79
Industry or firm-specific outook	13	53	27	2	0	4	64	81
Risk on the collateral demanded	0	37	55	3	0	6	35	57

Note:

Column NetP (= Net percentage) is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening) and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing)."°" means contributed to basically unchanged credit standards.

QUESTION 3

Changes in conditions and terms for loans or credit lines to enterprises over the past three months

The results of the April survey indicate that, as in the January survey, banks tightened their conditions and terms for approving loans or credit lines to enterprises (see Table 3). Compared with January, generally a larger proportion of banks reported that their conditions and terms remained basically unchanged.

In the April survey, a net 70% of responding banks widened their margins on riskier loans, down from 87% in January. In similar fashion, the reported net percentage for margins on average loans fell from 65 percent to 47 percent in April.

A net 51% tightened loan covenants, compared with 41% in January. 48% imposed more stringent collateral requirements over the past three months (down from 54% in January). The size of loans or credit lines was tightened by a net 45% of respondents in April (compared with 44% in January).

Table 3. Euro area weighted results for all responding banks
Changes in conditions and terms for loans or credit lines to enterprises over the past three months (in %)

	--	-	°	+	++	NA	NetP April	NetP January
A) Price								
Your bank's margin on average loans	4	45	43	3	0	4	47	65
Your bank's margin on riskier loans	22	49	22	1	0	5	70	87
B) Other conditions and terms								
Non-interest rate charges	3	27	66	0	0	4	29	27
Size of the loan or credit line	4	41	51	0	0	4	45	44
Collateral requirements	4	44	47	0	0	4	48	54
Loans covenants	2	49	42	0	0	7	51	41
Maturity	2	36	57	0	0	5	38	40

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat) and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means remained basically unchanged.

QUESTION 4

Changes in demand for loans or credit lines to enterprises over the past three months

The results of the April survey show that 41% of all banks indicated that they had experienced weaker demand for loans or credit lines to enterprises over the past three months, down from 46% in January (see Table 4). By contrast, 48% reported that demand for loans or credit lines by enterprises remained basically unchanged, up from 39% in January. Finally, a small proportion of all banks responding to the April survey indicated an increase in loan demand (10%, compared with 15% in January). As a result, the net percentage of banks experiencing a decrease in loan demand by enterprises remained unchanged (31% in both January and April).

In April, large enterprises' net demand for loans or credit lines to enterprises decreased by 26% (compared with 24% in January). Net loan demand by small and medium-sized enterprises decreased by 19% in April (29% in January). The lower net demand for loans affected both long-term and short-term loans.

Table 4. Euro area weighted results for all responding banks
Changes in demand for loans or credit lines to enterprises over the past three months (in %)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April	January	April	January	April	January	April	January	April	January
Decreased considerably	0	5	2	9	7	11	0	5	1	15
Decreased somewhat	41	41	34	34	34	32	18	28	41	32
Remained basically unchanged	48	39	47	41	45	39	67	54	29	29
Increased somewhat	10	12	16	12	15	17	14	11	28	22
Increased considerably	0	3	0	3	0	1	0	3	0	3
Total	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***
Net percentage	-31	-31	-19	-29	-26	-24	-4	-19	-14	-22
Number of banks responding	***82***	***77***	***81***	***77***	***80***	***76***	***83***	***77***	***83***	***77***

Note:

The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably".

QUESTION 5

Factors affecting changes in demand for loans or credit lines to enterprises over the past three months

The factors contributing most frequently in the April survey to the overall net decrease in demand for loans or credit lines to enterprises over the past three months were lower financing needs related to fixed investments (52%), and merger and acquisition activity or corporate restructuring (11%) (see Table 5). These were also the most frequently mentioned factors by respondents in the January survey (49% and 20% respectively).

Additionally, debt restructuring was mentioned in April as an important factor contributing to higher demand for loans by enterprises over the past three months (a net 39%, compared with 24% in January).

Table 5. Euro area weighted results for all responding banks

Factors affecting changes in demand for loans or credit lines to enterprises over the past three months (in %)

	--	-	°	+	++	NA	NetP	
							April	January
A) Financing needs								
Fixed investment	14	43	30	5	0	8	-52	-49
Inventories and working capital	1	23	47	14	0	16	-9	-9
Mergers/acquisitions and corporate restructuring	5	19	47	13	0	17	-11	-20
Debt restructuring	0	5	41	43	1	10	39	24
B) Use of alternative finance								
Internal financing	0	10	65	12	0	13	2	0
Loans from other banks	0	7	65	15	2	11	10	17
Loans from non-banks	0	6	74	0	0	20	-6	-5
Issuance of debt securities	0	8	57	12	1	22	5	5
Issuance of equity	0	5	51	16	4	25	15	9

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "+ + " (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand) and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower demand). "°" means contributed to basically unchanged demand.

QUESTION 6

Expected changes in credit standards applied to enterprises over the next three months

The results of the April survey show that 39% of all responding banks expect to tighten their credit standards applied to the approval of loans or credit lines to enterprises over the next three months, which compares with 46% in the January survey (see Table 6). A larger proportion of respondents in April, compared with January, reported that they expect to keep their credit standards applied to enterprises basically unchanged over the next three months (61% compared with 54%). No bank expects to ease credit standards for enterprises in the second quarter of 2003. As a result, the net percentage of banks expecting a tightening of credit standards over the next three months declined from 46 percent in January to 39 percent in April.

The expected further net tightening of credit standards applied to loans or credit lines to enterprises over the next three months applies to both small and medium-sized and large enterprises. With regard to the maturity of loans, most respondents expect the continued net tightening of credit standards to affect long-term loans in particular, although the net expected tightening for these loans declined to 36% in April, down from 48% in January.

Table 6. Euro area weighted results for all responding banks
Expected changes in credit standards applied to enterprises over the next three months (in %)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April	January	April	January	April	January	April	January	April	January
Tighten considerably	2	2	2	2	4	9	3	2	4	9
Tighten somewhat	36	43	35	40	33	41	26	30	37	43
Remain basically unchanged	61	54	61	55	61	48	71	67	58	47
Ease somewhat	0	0	3	2	2	2	0	1	2	2
Ease considerably	0	0	0	0	0	0	0	0	0	0
Total	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***
Net percentage	39	46	35	40	36	48	29	31	39	50
Number of banks responding	***83***	***78***	***81***	***77***	***80***	***76***	***83***	***78***	***83***	***79***

Note:

The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat" and the sum of the percentages for "ease somewhat" and "ease considerably".

QUESTION 7

Expected changes in demand for loans or credit lines to enterprises over the next three months

Regarding developments over the next three months, 30% of reporting banks indicated in the April survey that they expect an overall decrease in demand for loans or credit lines by enterprises, compared with 24% in the January survey (see Table 7). By contrast, 49% of all responding banks reported that they expect demand for loans or credit lines by enterprises over the next three months to remain basically unchanged, around the same percentage as in January (51%). Finally, 21% of all banks responding in April indicated that they expected an increase in demand, compared with 25% in January. Overall, therefore, a net 9% of all banks in the April survey expected a decrease in loan demand by enterprises over the next three months, whereas in January a net 1% had expected instead an increase in loan demand.

As in January, demand for loans or credit lines to large enterprises was expected in April on balance to decrease slightly over the next three months, whereas loan demand by small and medium-sized enterprises is expected to increase marginally. As regards the maturity breakdown, the expected net decrease in demand for loans is related in particular to long-term loans: an expected net decrease of 17% was recorded in April (compared with basically unchanged expected demand in January).

Table 7. Euro area weighted results for all responding banks
Expected changes in demand for loans or credit lines to enterprises over the next three months (in %)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April	January	April	January	April	January	April	January	April	January
Decrease considerably	0	0	0	5	5	3	0	2	5	4
Decrease somewhat	30	24	29	17	28	25	19	10	34	25
Remain basically unchanged	49	51	39	45	44	54	54	62	39	42
Increase somewhat	21	25	29	33	23	19	27	26	22	29
Increase considerably	0	0	3	0	0	0	0	0	0	0
Total	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***
Net percentage	-9	1	3	12	-9	-9	8	13	-17	0
Number of banks responding	***82***	***76***	***80***	***77***	***79***	***76***	***82***	***77***	***82***	***79***

Note:

The net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat" and the sum of the percentages for "decrease somewhat" and "decrease considerably".

3.2 Households

QUESTION 8

Changes in credit standards applied to households over the past three months

The results of the April survey indicate that a majority of banks tightened their credit standards applied to the approval of loans to households, although at slightly lower percentages of tightening compared with January (see Table 8).

As regards loans for house purchase, 19% of responding banks reported that they tightened credit standards on these loans, compared with 26% in January. A larger proportion of the respondents in April reported that they kept credit standards on these loans basically unchanged than from January (77% compared with 69%). The same percentage of responding banks eased credit standards on loans for house purchase in both surveys (5%). Thus, the net percentage of banks reporting a tightening of credit standards applied to loans for house purchase was 14% in April, compared with 20% in January.

Turning to consumer credit and other lending to households, the April survey shows that 17% of banks tightened credit standards on these loans over the past three months, compared with 28% in January. Once again, a larger percentage of responding banks indicated in April that they kept credit standards on these loans basically unchanged from January (81% and 68% respectively). Only 2% of the respondents eased credit standards on consumer credit and other lending to households in April (compared with 5% in January). This resulted in a net percentage of banks reporting a tightening of credit standards applied to consumer credit and other loans to households of 15% in April, compared with 22% in January.

Table 8. Euro area weighted results for all responding banks
Changes in credit standards applied to households over the past three months (in %)

	Loans for house purchase		Consumer credit and other lending	
	April	January	April	January
Tightened considerably	0	4	0	1
Tightened somewhat	19	22	17	27
Remained basically unchanged	77	69	81	68
Eased somewhat	5	5	2	5
Eased considerably	0	0	0	0
Total	***100***	***100***	***100***	***100***
Net percentage	14	20	15	22
Number of banks responding	***80***	***77***	***77***	***76***

Note:

The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

QUESTION 9

Factors affecting changes in credit standards applied to loans to households for house purchase over the past three months

The results of the April survey show that the factor contributing most to the net tightening of credit standards on loans to households for house purchase over the past three months was the worsening of expectations regarding general economic activity (35%), a similar result to the January survey (36%) (see Table 9). This was followed by deteriorating housing market prospects (16% in April, compared with 30% in January). Competition from other banks contributed in both April and January to a net easing of credit standards on loans to households for house purchase (13% compared with 11%).

Table 9. Euro area weighted results for all responding banks
Factors affecting changes in credit standards applied to loans to households for house purchase over the past three months (in %)

	--	-	°	+	++	NA	NetP	
							April	January
A) Cost of funds and balances sheet constraints	0	7	77	0	0	15	7	7
B) Pressure from competition								
Competition from other banks	0	3	68	15	0	14	-13	-11
Competition from non-banks	0	2	78	2	0	18	0	1
C) Perception of risk								
Expectations regarding general economic activity	2	33	54	0	0	10	35	36
Housing market prospects	0	22	62	6	0	10	16	30

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening) and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means contributed to basically unchanged credit standards.

QUESTION 10

Changes in conditions and terms for loans to households for house purchase over the past three months

The results from the April survey indicate that most banks tightened their conditions and terms for approving loans to households for house purchase over the past three months, although less so than in January (see Table 10). Compared with January, in general a larger proportion of banks reported that their conditions and terms on these loans remained basically unchanged. On a net basis, the April survey shows that responding banks widened their margins on riskier loans and on average loans by 37% and 13% respectively over the past three months, down from 46 percent and 20% in January. Overall, banks eased on a net basis maturity conditions on loans to households for house purchase in April (6%), compared with basically unchanged maturity conditions in January.

Table 10. Euro area weighted results for all responding banks
Changes in conditions and terms for loans to households for house purchase over the past three months (in%)

	--	-	°	+	++	NA	NetP	
							April	January
A) Price								
Your bank's margin on average loans	2	22	56	11	0	8	13	20
Your bank's margin on riskier loans	9	30	49	2	0	10	37	46
B) Other conditions and terms								
Collateral requirements	0	12	76	3	0	9	9	18
Loan-to-value ratio	0	11	74	6	0	9	5	16
Maturity	1	0	84	7	0	8	-6	0
Non-interest rate charges	0	11	78	2	0	9	8	5

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat) and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means remained basically unchanged.

QUESTION 11

Factors affecting changes in credit standards applied to consumer credit and other lending to households over the past three months

The April survey shows that the most frequently mentioned factor contributing to the net tightening of credit standards on consumer credit and other lending to households over the past three months was the worsening of expectations regarding general economic activity (29%), which was lower than the net percentage reported in January (36%) (see Table 11). This was followed by a worsening of consumer creditworthiness (24%), which was also lower than the January net percentage (34%). Competition from other banks contributed in both April and January to a net easing of credit standards on consumer credit and other lending to households (6%, down from 9% in January).

Table 11. Euro area weighted results for all responding banks
Factors affecting changes in credit standards applied to consumer credit and other lending to households over the past three months (in %)

	--	-	°	+	++	NA	NetP April	NetP January
A) Cost of funds and balance sheet constraints	0	5	73	2	0	21	2	2
B) Pressure from competition								
Competition from other banks	0	1	76	7	0	16	-6	-9
Competition from non-banks	0	0	81	3	0	16	-3	-5
C) Perception of risk								
Expectations regarding general economic activity	2	27	56	0	0	15	29	36
Creditworthiness of consumers	2	22	62	0	0	14	24	34
Risk on the collateral demanded	0	14	67	0	0	20	14	14

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening) and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means contributed to basically unchanged credit standards.

QUESTION 12

Changes in conditions and terms for consumer credit and other lending to households over the past three months

The results from the April survey indicate that most banks tightened their conditions and terms for approving consumer credit and other lending to households over the past three months, less so than in January (see Table 12). Furthermore, in April, compared with January, a larger proportion of banks reported that their conditions and terms on these loans remained basically unchanged.

On a net basis, the April survey shows that over the past three months 30% of banks widened their margins on riskier loans, down from 40% in January.

Table 12. Euro area weighted results for all responding banks
Changes in conditions and terms for consumer credit and other lending to households over the past three months (in %)

	--	-	°	+	++	NA	NetP April	NetP January
A) Price								
Your bank's margin on average loans	0	12	67	10	0	12	2	15
Your bank's margin on riskier loans	1	31	54	1	0	13	30	40
B) Other conditions and terms								
Collateral requirements	1	5	76	1	0	17	4	13
Maturity	2	5	76	1	0	16	6	8
Non-interest rate charges	0	3	83	0	0	14	3	7

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat) and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means remained basically unchanged.

QUESTION 13

Changes in demand for loans to households over the past three months

The results of the April survey indicate that banks reported an increase in demand for loans to households for house purchase over the past three months, but observed a decrease in demand for consumer credit and other loans to households over the same period (see Table 13). This pattern was also observed in the January survey.

With respect to loans for house purchase, 23% of responding banks reported a decrease in demand, compared with 19% in January. The percentages indicating basically unchanged demand for housing loans were similar: 34% in January, and 35% in April. 42% of respondents reported an increase in demand for loans for house purchase, down from 48% in January. This resulted in a net percentage of banks reporting an increase in demand for loans for house purchase of 19%, compared with 29% in January.

Turning to consumer credit and other lending to households, in April 27% of banks reported a decrease in demand for these loans over the past three months, down from 32% in January. Basically unchanged demand for these loans remained similar at 47% in April, compared with 45%in January. An increase in demand for consumer credit and other lending to households was observed by 25% of the responding banks, around the same as in January (24%). Thus, the net percentage of banks reporting a decrease in demand for consumer credit and other loans to households over the past three months was 2% in April, compared with 8% in January.

Table 13. Euro area weighted results for all responding banks
Changes in demand for loans to households over the past three months (in %)

	Loans for house purchase		Consumer credit and other lending	
	April	January	April	January
Decreased considerably	5	3	3	1
Decreased somewhat	18	16	24	31
Remained basically unchanged	35	34	47	45
Increased somewhat	33	35	20	19
Increased considerably	9	13	5	5
Total	***100***	***100***	***100***	***100***
Net percentage	19	29	-2	-8
Number of banks responding	***80***	***77***	***78***	***75***

Note:

The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably".

QUESTION 14

Factors affecting changes in demand for loans to households for house purchase over the past three months

While in the April survey there was an overall net increase in demand for loans to households for house purchase over the past three months, no clear picture as to the factors behind this emerges from the responses. A net figure of only 1% referred to housing market prospects and household savings, compared with 7% and 6% respectively in January (see Table 14). By contrast, several factors were mentioned as contributing to a net decrease in demand for loans to households for house purchase over the past three months, most notably weak consumer confidence (32%) (similar to the January figure of 30%).

Table 14. Euro area weighted results for all responding banks

Factors affecting changes in demand for loans to households for house purchase over the past three months (in %)

	--	-	°	+	++	NA	NetP	
							April	January
A) Financing needs								
Housing market prospects	0	27	33	23	5	12	1	7
Consumer confidence	3	35	44	6	0	12	-32	-30
Non-housing related consumption expenditure	0	14	67	2	0	17	-12	-11
B) Use of alternative finance								
Household savings	0	10	66	11	0	13	1	6
Loans from other banks	1	6	78	1	0	15	-6	-3
Other sources of finance	0	5	72	4	0	20	-1	2

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "+ + " (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand) and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower demand). "°" means contributed to basically unchanged demand.

QUESTION 15

Factors affecting changes in demand for consumer credit and other lending to households over the past three months

According to the April survey, the factors that contributed the most to the slight net decrease in demand for consumer loans and other loans to households over the past three months were a decrease in consumer confidence (34%, compared with 36% in January) and a decline in financing needs for securities purchases (23%, compared with 26% in January) (see Table 15).

A larger proportion of banks in the April survey compared with the January survey responded that most factors contributed to basically unchanged credit standards.

Table 15. Euro area weighted results for all responding banks
Factors affecting changes in demand for consumer credit and other lending to households over the past three months (in %)

	--	-	°	+	++	NA	NetP April	NetP January
A) Financing needs								
Spending on durable consumer goods	0	22	47	16	0	15	-6	-14
Consumer confidence	5	30	49	1	0	15	-34	-36
Securities purchases	8	17	45	2	0	28	-23	-26
B) Use of alternative finance								
Household savings	0	11	66	7	0	17	-4	-5
Loans from other banks	0	3	78	0	2	17	-1	7
Other sources of finance	0	1	76	2	0	21	2	2

Note:

The NetP column (= net percentage) is defined as the difference between the sum of "+ + " (responsible for considerable increase) and "+" (responsible for increase) and the sum of "-" (responsible for decrease) and "- -" (responsible for considerable decrease). "°" means responsible for neither decrease nor increase.

QUESTION 16

Expected changes in credit standards applied to households over the next three months

The results of the April survey indicate that a large proportion of responding banks expects basically unchanged credit standards regarding the approval of loans to households: 71% of respondents in the case of loans for house purchase and 73% of responding banks in the case of consumer credit and other lending to households (see Table 16). These percentages were somewhat lower than the ones recorded for the January survey (79% and 75% respectively).

On balance, a majority of banks expects a further overall net tightening of credit standards applied to the approval of loans to households over the next three months (i.e. the second quarter of 2003), albeit in lower percentages than reported in the January survey. This expectation is overall somewhat more pronounced for consumer credit and other lending to households (14%) than for loans to households for house purchase (8%), which form a reporting pattern similar to the one indicated in January (when the totals were 23% and 12% respectively).

Table 16. Euro area weighted results for all responding banks
Expected changes in credit standards applied to households over the next three months (in %)

	Loans for house purchase		Consumer credit and other lending	
	April	January	April	January
Tighten considerably	2	2	1	3
Tighten somewhat	16	14	20	21
Remain basically unchanged	71	79	73	75
Ease somewhat	10	4	7	1
Ease considerably	0	0	0	0
Total	***100***	***100***	***100***	***100***
Net percentage	8	12	14	23
Number of banks responding	***80***	***77***	***78***	***75***

Note:

The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat" and the sum of the percentages for "ease somewhat" and "ease considerably".

QUESTION 17

Expected changes in demand for loans to households over the next three months

The April survey indicates that over the next three months banks expect a slight decrease in demand for loans to households for house purchase, and a small increase in demand for consumer credit and other lending to households (see Table 17). Compared with the results from January, banks seem to be somewhat more optimistic in the April survey.

With regard to demand for loans by households for house purchase over the next three months, 27% of the April survey respondents expect that this will decrease, down from 43% in January. 56% of all respondents expect that this demand will remain basically unchanged over the next three months, up from 44% in January. Finally, 17% of all responding banks expects an increase in demand for housing loans over the next three months, up from 13% in the January survey. Thus, the net percentage of banks that expects a net decrease in demand for housing loans by households during the second quarter of 2003 is 10%, down from 30% in January.

In the category of consumer credit and other lending to households, 26% of the April survey respondents expect that demand loans will decrease over the next three months, a similar percentage as in January (28%). In similar fashion, the 45% of respondents expect basically unchanged demand for these loans over the next three months, again basically unchanged from January while those indicating an expected increase in demand for consumer credit and other lending to households also remained constant (29% in April compared with 28% in January). This results in a net percentage of banks expecting a net increase in demand of 3%, slightly up from basically unchanged expected demand in the January survey.

Table 17. Euro area weighted results for all responding banks
Expected changes in demand for loans to households over the next three months (in %)

	Loans for house purchase		Consumer credit and other lending	
	April	January	April	January
Decrease considerably	0	4	0	0
Decrease somewhat	27	39	26	28
Remain basically unchanged	56	44	45	44
Increase somewhat	13	11	26	25
Increase considerably	4	2	3	3
Total	***100***	***100***	***100***	***100***
Net percentage	-10	-30	3	0
Number of banks responding	***80***	***77***	***78***	***75***

Note:

The net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat" and the sum of the percentages for "decrease somewhat" and "decrease considerably".

4. GLOSSARY OF PRINCIPAL TERMINOLOGY

In order to assist the banks participating in the survey to fill out the questionnaire, a compilation guide was developed containing the most important terms in the survey. The overview below shows the main terminologies used.

Capital

This is defined in accordance with the Basel capital adequacy requirements; it includes both tier 1 capital (core capital) and tier 2 capital (supplementary capital).

Collateral

The security given by a borrower to a lender as a pledge for the repayment of a loan. This could include certain financial securities, such as equity or debt securities, real estate or compensating balances. A compensating balance is the minimum amount of a loan that the borrower is required to keep in an account at the bank.

Covenant

A covenant is an agreement or stipulation expressed in loan contracts, particularly contracts with enterprises, by which the borrower either pledges to take certain action (an affirmative covenant) or to refrain from taking certain action (a negative covenant), and is consequently part of the terms and conditions of a loan.

Credit line

A credit line is a facility with a stated maximum amount which an enterprise is entitled to borrow from a bank at any given time. In the survey, developments regarding credit lines should be interpreted as changes in the net amount drawn under either an existing or a new credit line.

Credit standards

Credit standards are the internal guidelines or criteria which reflect a bank’s loan policy. They are the written and unwritten criteria, or other practices related to this policy, which define the types of loan a bank considers desirable and undesirable, the designated geographic priorities, the collateral deemed acceptable and unacceptable, etc. In the survey, changes in written loan policies should be considered together with changes in their application.

Credit terms and conditions

The terms and conditions of a loan refer to the specific obligations agreed upon by the lender and the borrower. In the context of the bank lending survey, they consist of the direct price or interest rate, the maximum size of the loan and the access conditions, and other terms and conditions in the form of non-interest rate charges (i.e. fees), collateral requirements (including compensating balances), loan covenants and maturity (short versus long-term).

Enterprises

Enterprises refer to non-financial corporations, i.e. all private and public institutional units, whatever their size and legal form, which are not principally engaged in financial intermediation but rather in the production of goods and non-financial services.

Enterprise size

The distinction between large and small and medium-sized enterprises is based on annual sales. A firm is considered large if its annual net turnover is more than €50 million.

Households

Households are individuals or groups of individuals acting as consumers or as producers of goods and non-financial services exclusively intended for their own final consumption and small-scale market producers.

Loans

The loans covered by the bank lending survey are those granted to euro area residents by domestic branches, including loans or credit lines to enterprises, loans to households for house purchase, and consumer credit and other lending to households.

Loan-to-value ratio

The ratio of the amount borrowed to the appraisal or market value of the underlying collateral, usually taken into consideration in relation to loans used for real estate financing.

Maturity

The concept of maturity used in the bank lending survey is original maturity, and only two different types are used, i.e. short-term and long-term. Short-term loans are loans with an original maturity of one year or less; long-term loans are consequently defined as loans that have an original maturity of more than one year.

Non-banks

In general these consist of non-monetary financial corporations. More specifically, they include insurance corporations and pension funds, financial auxiliaries and other financial intermediaries.

Non-interest rate charges

These are various kinds of fees which can be part of the pricing of a loan, such as commitment fees on revolving loans, administration fees (e.g. document preparation costs), and charges for enquiries, guarantees and credit insurance.