BANCA D'ITALIA
EUROSISTEMA

Rome April 30, 2014

THE EURO AREA BANK LENDING SURVEY

MAIN RESULTS FOR ITALIAN BANKS [1]

First quarter of 2014 and outlook for the second quarter of 2014

In the first quarter of 2014 the **supply conditions for loans to firms** remained slightly restrictive (Figure 1), affected by the perceived risk connected with the still uncertain outlook for economic activity in general and for specific sectors and firms. The restriction continued to apply to most terms and conditions. Banks do not expect significant changes in the present quarter.

Banks have relaxed the criteria for the **supply of loans to households for house purchase** following the reduction in funding costs and the increase in competition from other banks and other financial institutions. The easing of lending policies has translated above all into a reduction in the average interest rate margin and an increase in the loan-to-value ratio. The supply conditions are expected to remain unchanged in the present quarter.

According to banks' assessments, the **demand for loans** has shown signs of improving: the decline in the demand of firms has come to a halt and there has been an increase in that of households (Figure 2). It is expected that in the second quarter of this year there will be an increase in firms' applications for loans and a larger one in those of households for loans for house purchase.

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[1] The survey, which ended on 8 April, covered eight of the largest Italian banking groups. The results for the euro area are available on the ECB's website at www.ecb.int. A more extensive discussion of these results will be included in Bank of Italy, *Economic Bulletin*, No. 3, whose publication is scheduled for 18 July.

Figure 1

Changes in credit standards (1) for approving loans or credit lines and main contributing factors
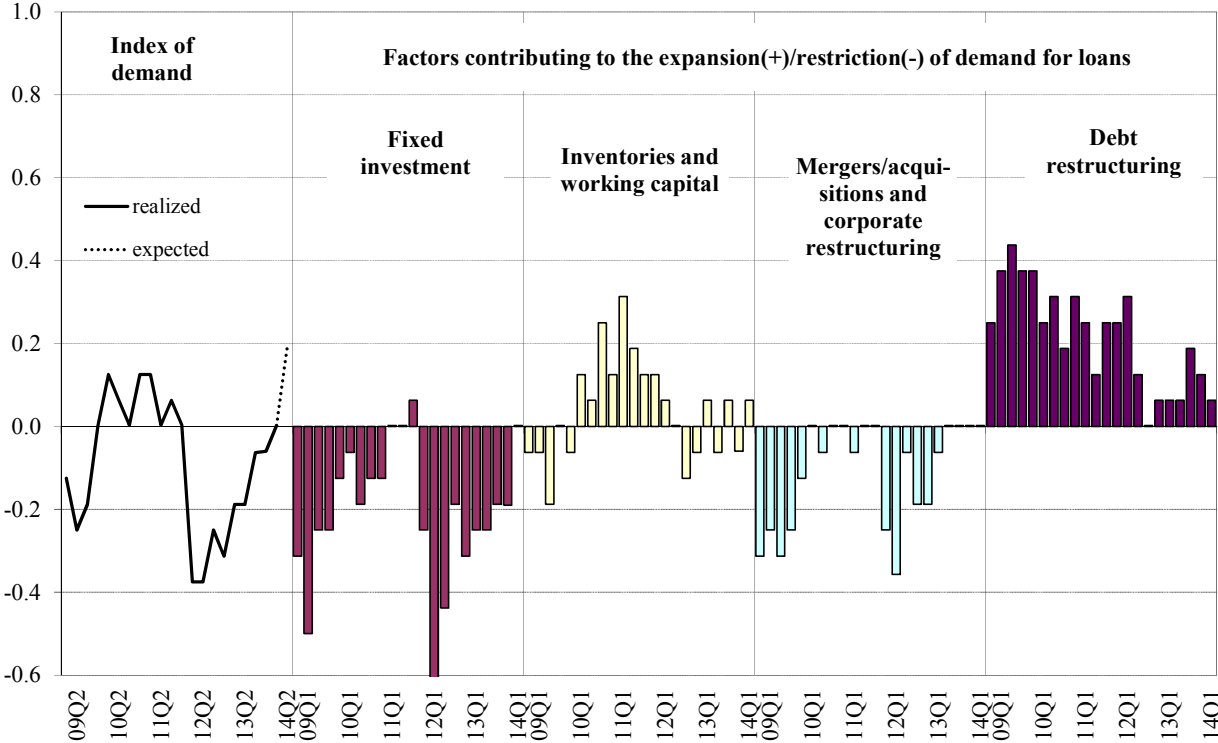
Firms

Households
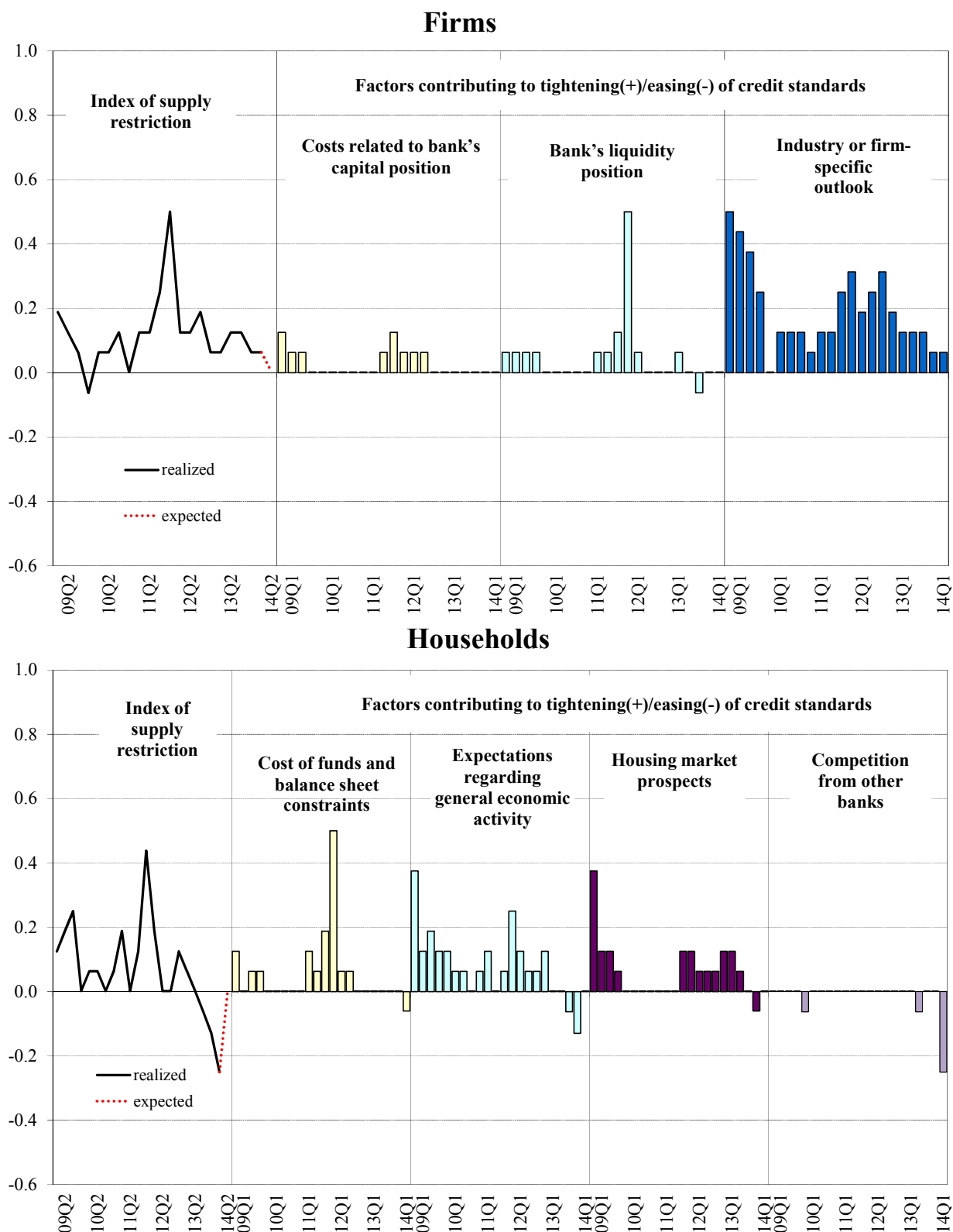
(1) Positive values indicate supply restriction compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: 1 = tightened considerably, 0.5 = tightened somewhat, 0 = basically unchanged, -0.5 = eased somewhat, -1 = eased considerably. The range of variation of the index is from -1 to 1.
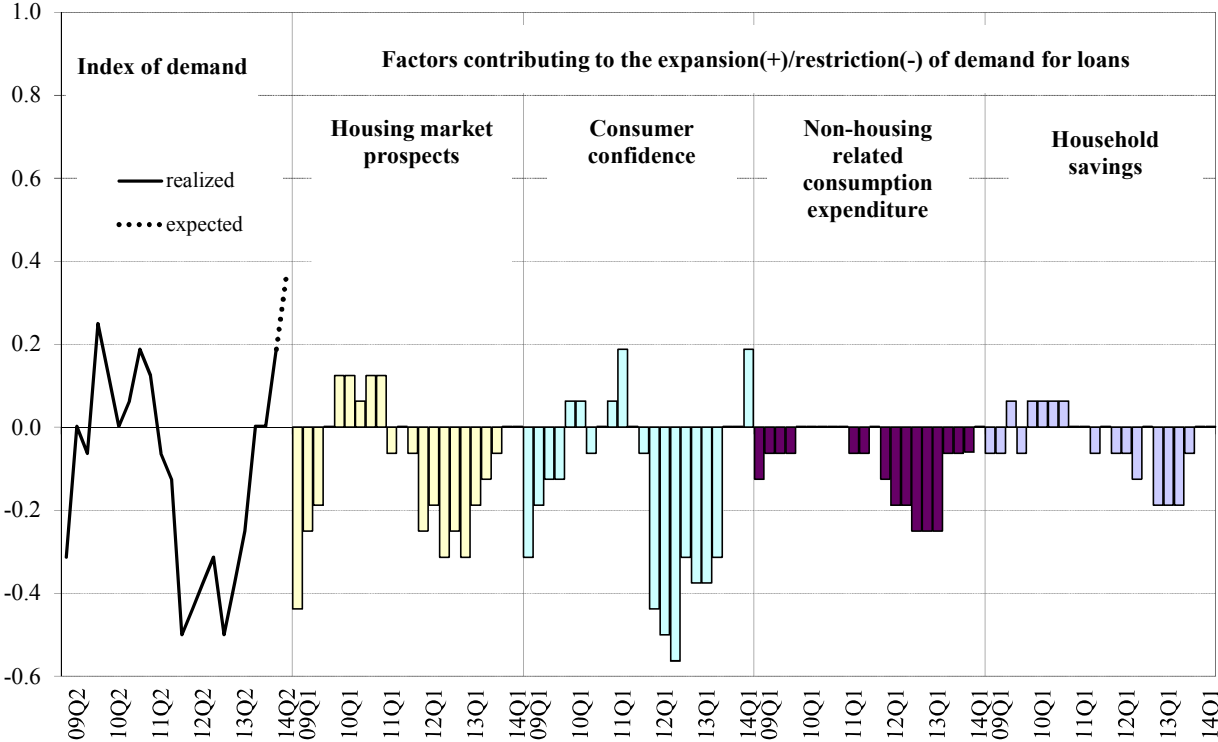
Figure 2

Trends in credit demand (1) and main contributing factors

Firms

Households

(1) Positive values indicate demand expansion compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: 1 = increased considerably, 0.5 = increased somewhat, 0 = basically unchanged, -0.5 = decreased somewhat, -1 = decreased considerably. The range of variation of the index is from -1 to 1