BANCA D'ITALIA
EUROSISTEMA

Rome, 19 April 2016

THE EURO AREA BANK LENDING SURVEY

MAIN RESULTS FOR ITALIAN BANKS[1]

Q1 2016 and outlook for Q2 2016

In the first quarter of 2016 **credit standards on loans to firms and households** continued to ease. The improvement reflected both the ongoing competitive pressure among banks and the lower perceived risk associated with the improved economic outlook (Figure 1).

The more favourable lending policies led mainly to a further narrowing of interest rate margins on average loans. For the present quarter, banks expect supply conditions to ease further, albeit slightly, for loans to businesses and households.

Demand for loans by firms and households increased further over the previous quarter; banks expect growth to continue in the present quarter (Figure 2).

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[1] Eight of the main Italian banking groups took part in the survey, which ended on 30 March 2016. 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 the Bank of Italy's *Economic Bulletin*, No. 3, 2016, to be published in July 2016.

Figure 1

Supply conditions and main contributing factors (1)

Firms

Households
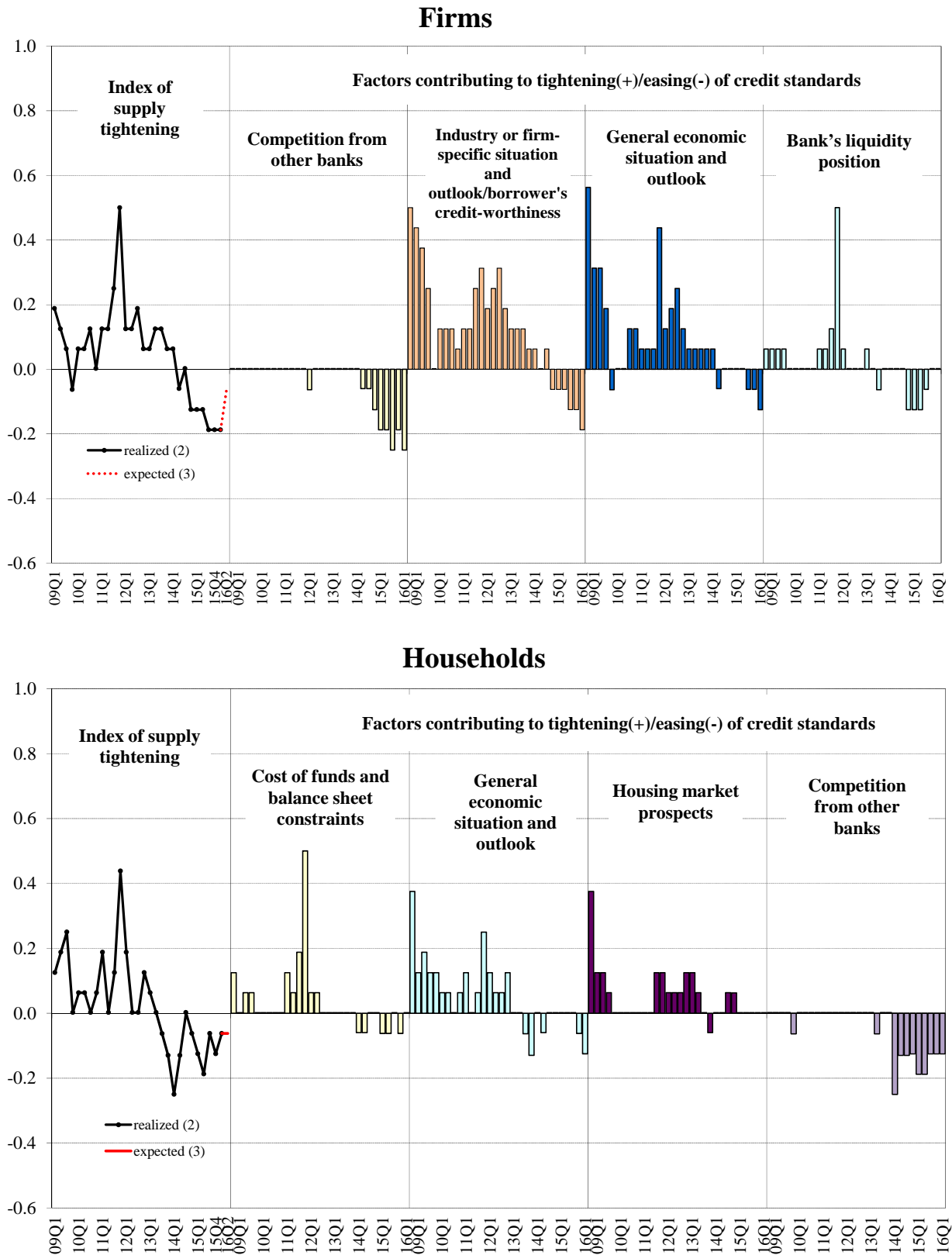
(1) Positive values indicate supply restriction compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: 1 = tightened considerably, 0.5 = tightened somewhat, 0 = basically unchanged, -0.5 = eased somewhat, -1 = eased considerably. The range of variation of the index is from -1 to 1. – (2) Refers to the quarter ending at the time of the survey. – (3) Forecasts made in the preceding quarter.

Figure 2

Trends in credit demand and main contributing factors (1)

Firms

Households
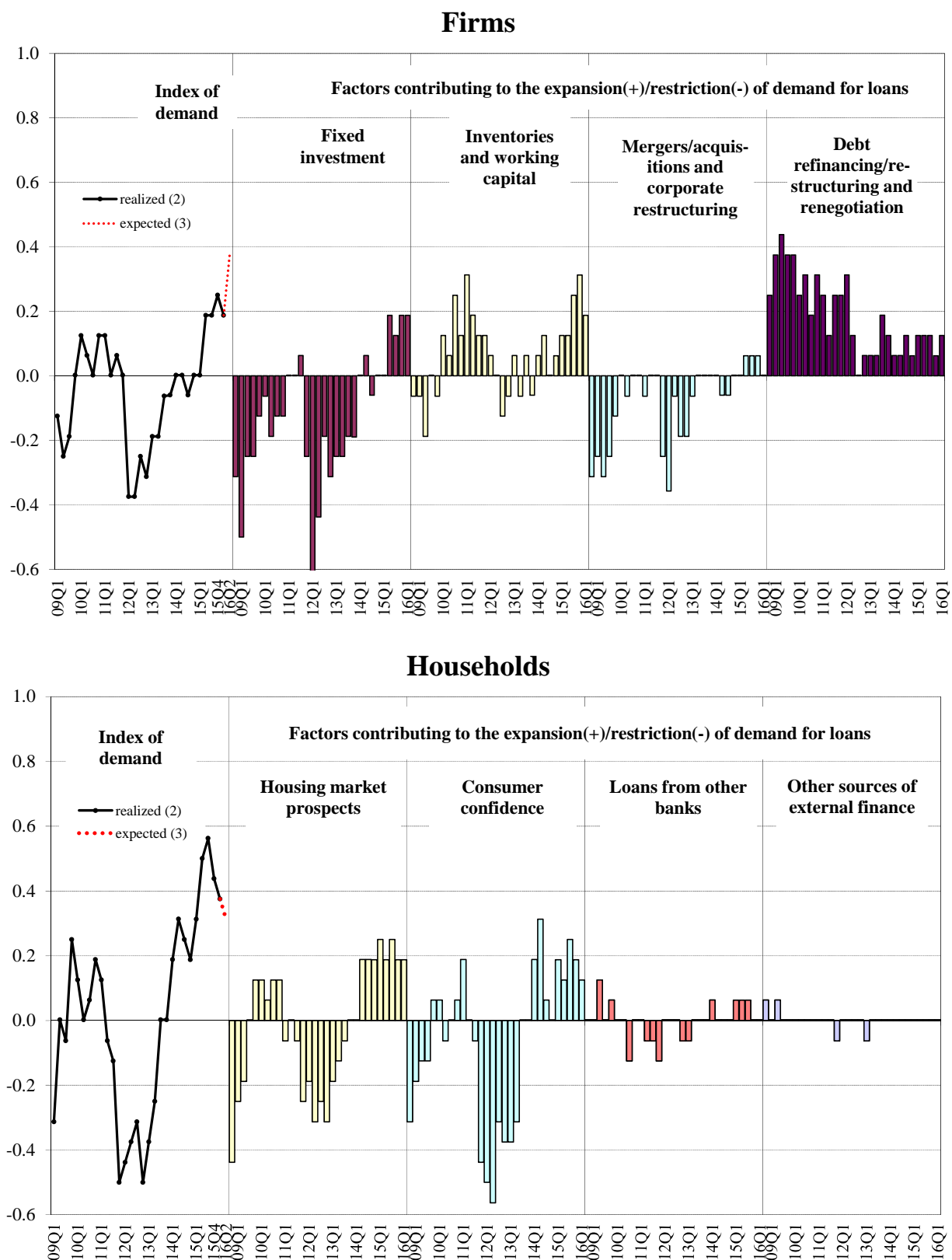
(1) Positive values indicate demand expansion compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: 1 = increased considerably, 0.5 = increased somewhat, 0 = basically unchanged, -0.5 = decreased somewhat, -1 = decreased considerably. The range of variation of the index is from -1 to 1. (2) Refers to the quarter ending at the time of the survey. – (3) Forecasts made in the preceding quarter.