BANCA D'ITALIA
EUROSISTEMA

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THE EURO-AREA BANK LENDING SURVEY

MAIN RESULTS FOR ITALIAN BANKS[1]

Second quarter of 2014 and outlook for the third quarter

In the second quarter of 2014 the **supply conditions for loans to firms** became slightly expansive, benefiting from the improvement in expectations about economic activity in general and the increase in competitive pressure from other banks and sources of funds (Figure 1).

Banks further relaxed the criteria for the **supply of loans to households for house purchase** following the reduction in their funding costs, the increase in competition from other banks and the improvement in expectations about economic activity in general.

The easing of lending policies translated, both for firms and for households, primarily into a reduction in the average interest rate margin on loans.

Supply conditions for firms are expected to remain unchanged in the present quarter, while a further slight easing in those for households is expected.

According to banks' assessments, **firms' demand for loans** remained weak, while that of **households** increased further (Figure 2). In the current quarter firms' applications for loans are expected to increase as are those of households for loans for house purchase.

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[1] The survey, which ended on 11 July, 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. 4, whose publication is scheduled for 15 October.

Figure 1

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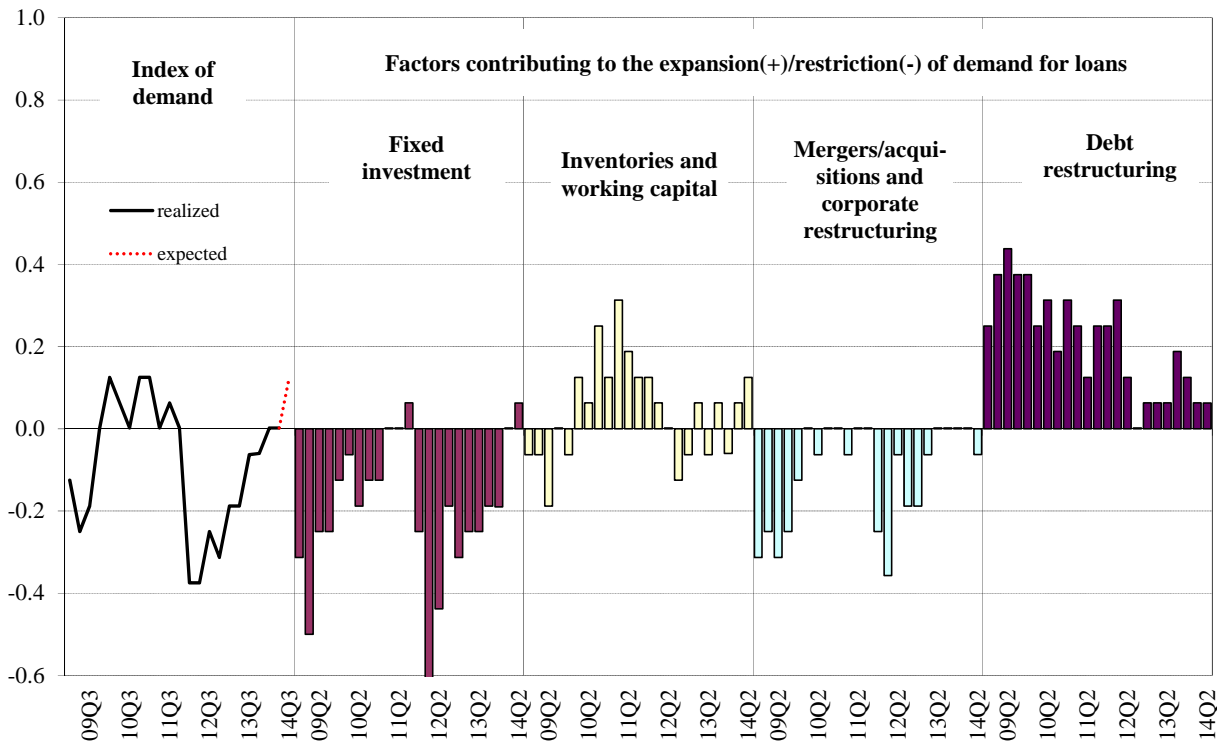
Firms

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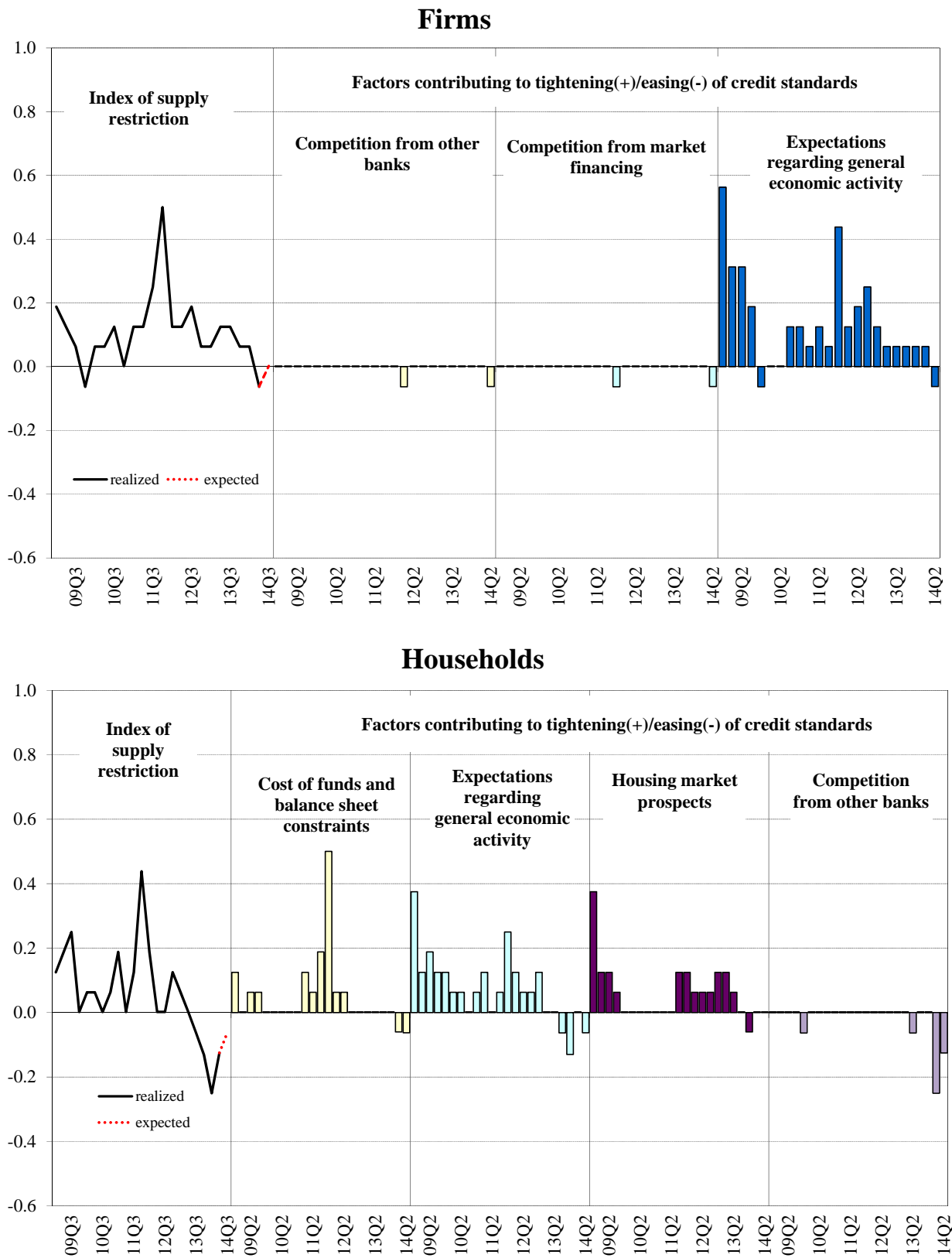
(1) Positive values indicate supply restriction compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: 1 = tightened considerably, 0.5 = tightened somewhat, 0 = basically unchanged, -0.5 = eased somewhat, -1 = eased considerably. The range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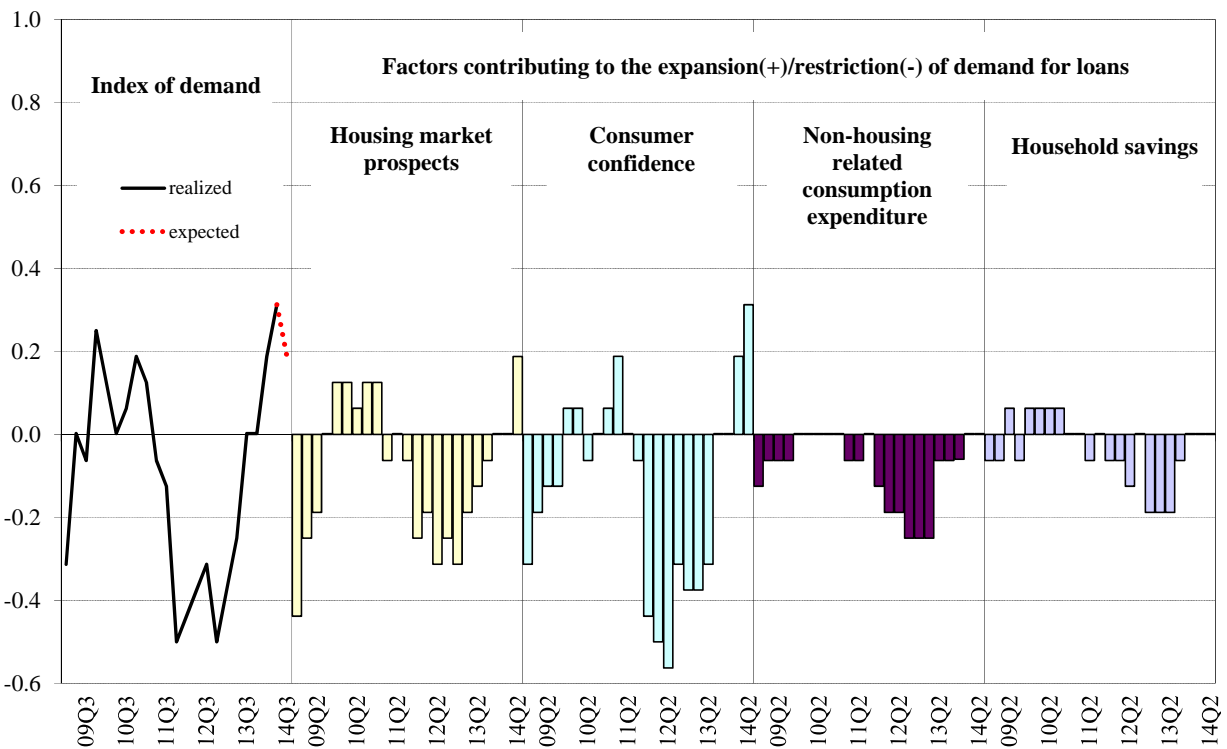
Figure 2

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