BANCA D'ITALIA
EUROSISTEMA

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**The Euro Area Bank Lending Survey**
**MAIN RESULTS FOR ITALIAN BANKS**[1]
Q1 2020 and outlook for Q2 2020

**Credit standards for new loans to firms** remained practically unchanged in the first quarter of 2020 (Figure 1.a). The increased risk stemming from the deterioration in the outlook for the general economy was offset by banks' higher risk tolerance. The **credit standards applied to new loans to households for house purchase** remained broadly stable. The **overall terms and conditions** were unchanged for loans to firms while they improved slightly for loans to households. For the current quarter, banks expect credit standards to ease for firms and to hold stable for households.

**Credit demand from firms** was broadly stable overall, despite the heterogeneity in banks' responses (Figure 1.b). Low interest rates appeared to have an expansionary effect, which was offset by the decline in fixed investment and in mergers and acquisitions. **Households' demand for mortgage loans** decreased, reflecting the worsening in the outlook for the residential property market and the decline in consumer confidence. For the second quarter of 2020, firms' demand for loans is expected to strengthen, that of households to weaken further.

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[1]  Ten of the main Italian banking groups took part in the survey, which ended on 3 April 2020. A more detailed analysis of these results will be included in the July 2020 issue of the Bank of Italy's Economic Bulletin.
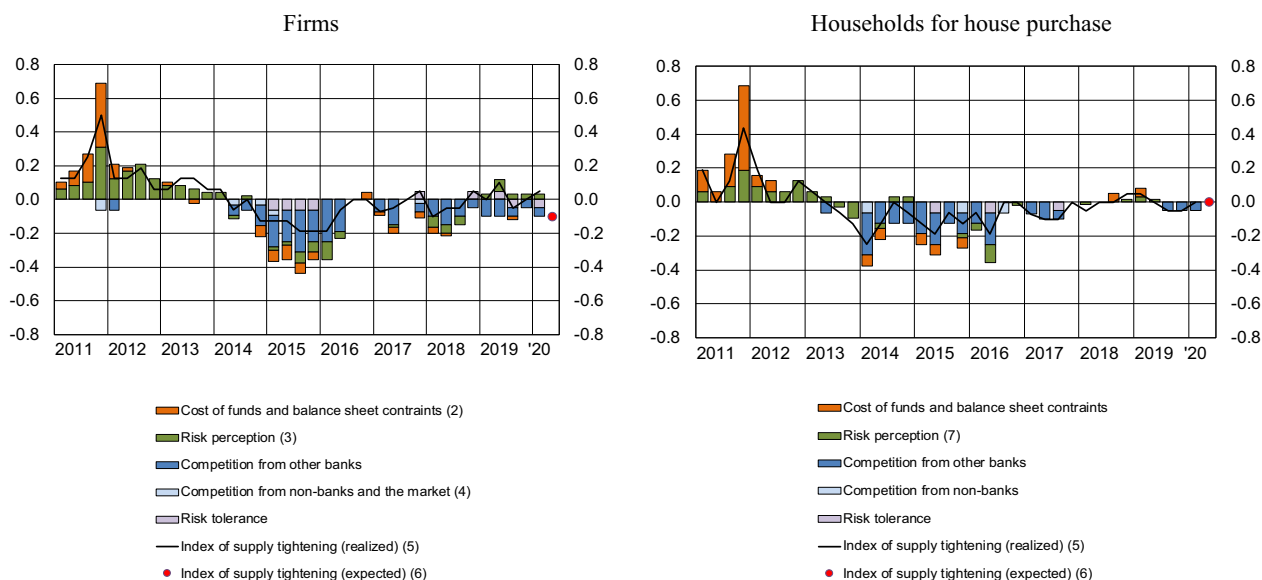
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

**Figure 1**

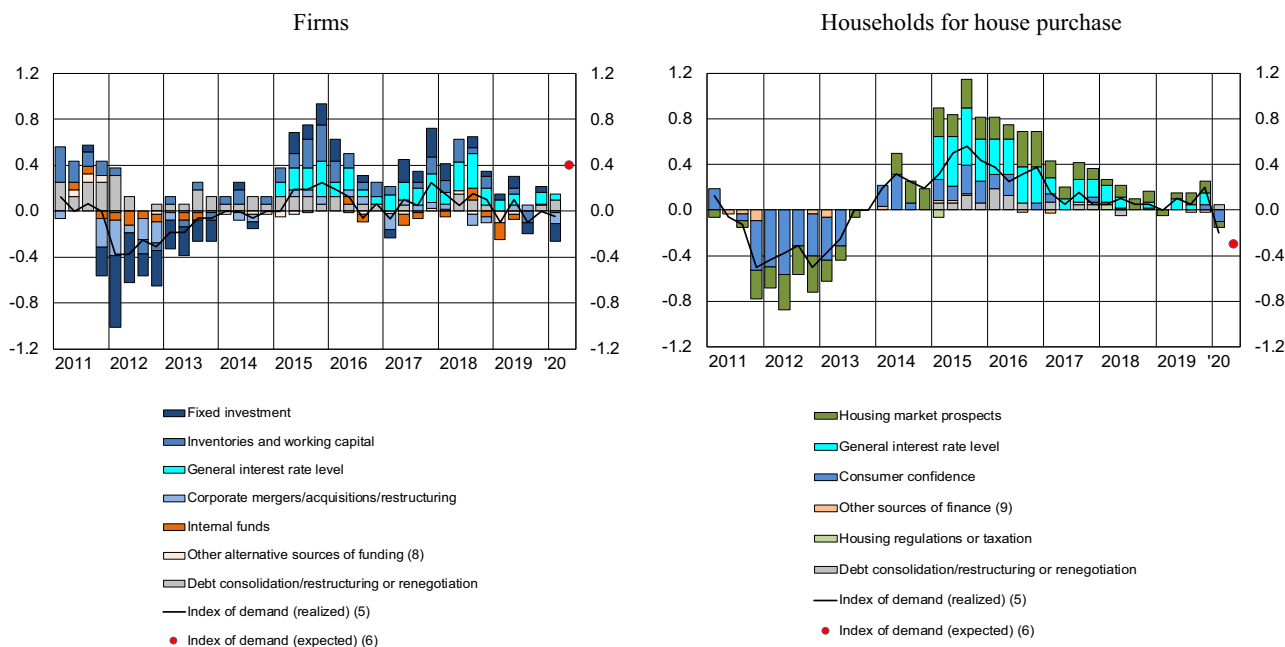# Supply conditions and trends in credit demand in Italy (1)

## (a) Credit supply

*Tightening (+)/easing (-)*

Firms

Households for house purchase



Cost of funds and balance sheet contraints (2)
Risk perception (3)
Competition from other banks
Competition from non-banks and the market (4)
Risk tolerance
— Index of supply tightening (realized) (5)
● Index of supply tightening (expected) (6)

Cost of funds and balance sheet contraints
Risk perception (7)
Competition from other banks
Competition from non-banks
Risk tolerance
— Index of supply tightening (realized) (5)
● Index of supply tightening (expected) (6)

## (b) Credit demand

*Expansion (+)/restriction (-)*

Firms

Households for house purchase



Fixed investment
Inventories and working capital
General interest rate level
Corporate mergers/acquisitions/restructuring
Internal funds
Other alternative sources of funding (8)
Debt consolidation/restructuring or renegotiation
— Index of demand (realized) (5)
● Index of demand (expected) (6)

Housing market prospects
General interest rate level
Consumer confidence
Other sources of finance (9)
Housing regulations or taxation
Debt consolidation/restructuring or renegotiation
— Index of demand (realized) (5)
● Index of demand (expected) (6)

Note: (1) For the general indices, positive values indicate supply restriction/demand expansion compared with the previous quarter; for the factors, positive values indicate a contribution to supply restriction/demand expansion compared with the previous quarter. The diffusion indices are constructed on the basis of the following weighting scheme: for supply conditions, 1=tightened considerably, 0.5=tightened somewhat, 0=basically unchanged, -0.5=decreased somewhat, -1=decreased considerably; for demand, 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) Average of the following factors: bank's capital position; bank's ability to access market financing; and bank's liquidity position. – (3) Average of the following factors: general economic situation and outlook; industry- or firm-specific situation and outlook; and risks associated with collateral. – (4) Average of the following factors: competition from non-banks and competition from other financing sources. – (5) Refers to the quarter ending at the time of the survey. – (6) Forecasts prepared in the previous quarter. – (7) Average of the following factors: general economic situation and outlook; housing market prospects; and borrowers' creditworthiness. – (8) Average of the following factors: loans granted by other banks; loans granted by non-banks; issues/redemptions of debt securities; and issues/redemptions of equity. – (9) Average of the following factors: self-financing of house purchase with savings; loans granted by other banks; and other sources of external funding.