Rome, 9 April 2024

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS[1]

Q1 2024 and outlook for Q2 2024

In the first quarter of 2024, credit standards for loans to firms remained unchanged. The overall terms and conditions for these loans were slightly tightened, mostly through higher interest rates; margins were widened on loans to borrowers perceived as riskier. **Credit standards for loans to households for house purchase remained unchanged**, as a slightly higher risk perception was offset by increased competitive pressure from other banks. The latter helped to ease terms and conditions. **Consumer credit supply conditions were tightened overall**. For the current quarter, banks expect credit standards for loans to non-financial corporations to ease somewhat and those for loans to households to remain unchanged.

Firms' demand for loans continued to decline for the fifth consecutive quarter, still reflecting greater use of internal financing, lower financing needs for fixed investment and high interest rates. **Households' demand for mortgages fell sharply, while consumer credit demand rose**. Banks expect loan demand from firms and consumer credit demand from households to remain unchanged in the current quarter, and loan demand from households for house purchase to increase slightly.

The conditions for banks to access funding improved, especially for debt securities and, to a lesser extent, for long-term deposits. Banks expect conditions to improve further during the current quarter.

In the six months ending in March 2024, the changes in the Eurosystem's monetary policy asset portfolio had a slightly negative impact on banks' total assets, funding conditions and liquidity; they did not significantly affect banks' credit standards or general terms and conditions, while they had a slightly negative impact on lending volumes.

Third-series longer-term refinancing operations (TLTRO III), which are currently in the process of being repaid, **contributed to the deterioration in banks' funding conditions**. This effect is expected to continue over the next six months. However, TLTRO III did not contribute to the changes in credit standards, terms and conditions and lending volumes.

The ECB's decisions on its key interest rates had a positive impact on banks' overall profitability as a result of higher net interest income. This impact is expected to turn negative over the next six months.

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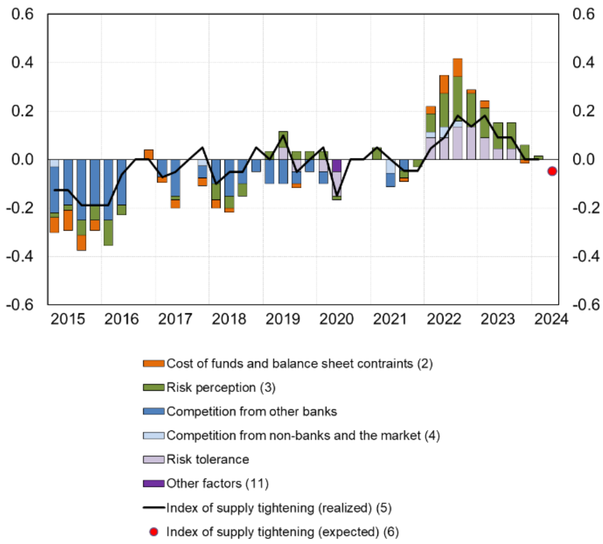
[1] Thirteen of the main Italian banking groups took part in the survey, which ended on 15 March. For a detailed description of the various items, see the questionnaire administered to banks.
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

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

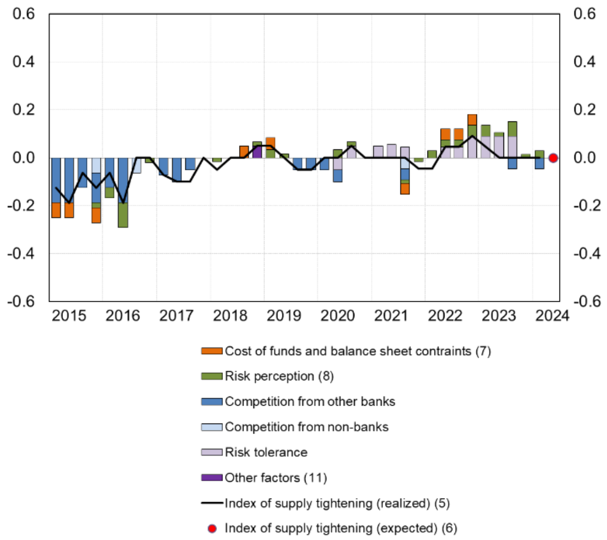
(a) Credit supply

Tightening (+)/easing (-)

Firms



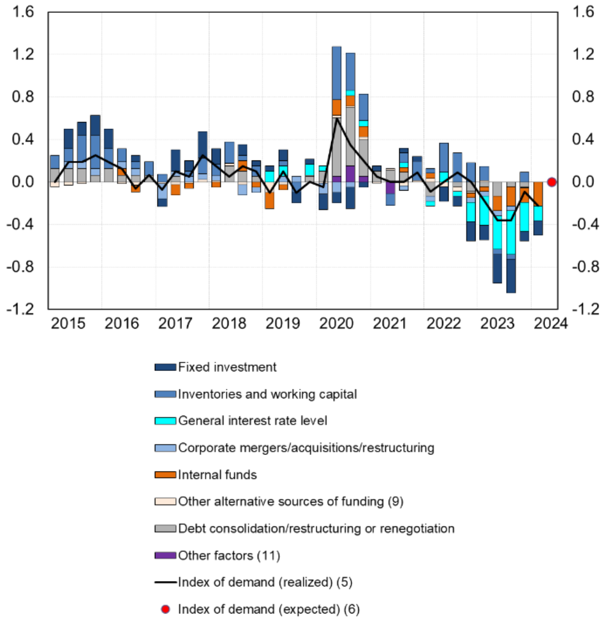
Households for house purchase



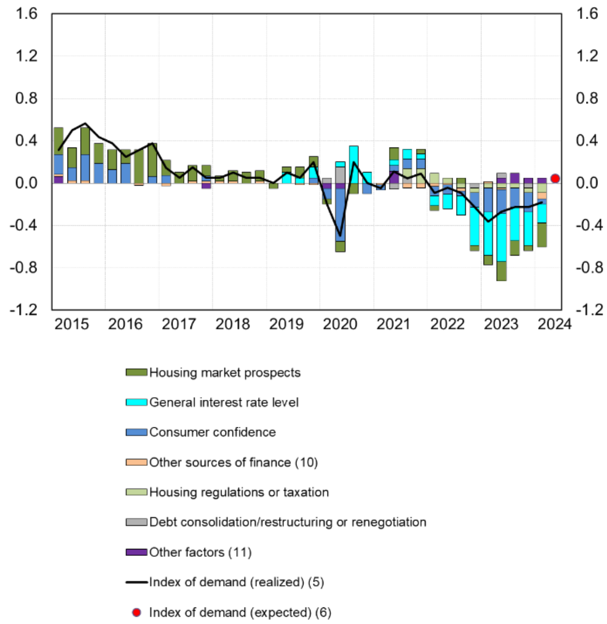
(b) Credit demand

Expansion (+)/restriction (-)

Firms



Households for house purchase



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) Since April 2022, average of the following factors: bank's capital position; bank's ability to access market financing; and bank's liquidity position. – (8) Average of the following factors: general economic situation and outlook; housing market prospects; and borrowers' creditworthiness. – (9) 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. – (10) Average of the following factors: self-financing of house purchase with savings; loans granted by other banks; and other sources of external funding. – (11) Average of additional factors contributing to changes in banks' credit standards or loan applications.