Rome, 15 April 2025

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS[1]

Q1 2025 and outlook for Q2 2025

In the first quarter of 2025, credit standards for loans to firms remained unchanged. Among the underlying factors, banks reported a slight tightening effect ascribable to the worsening of the general and industry- or firm-specific economic situation and outlook. **Credit standards on loans to households for house purchase and for consumer credit tightened slightly**. **The overall terms and conditions for loans to firms and to households for house purchase became more favourable** through a reduction in banks' lending rates, partly as a result of lower margins on less-risky loans. Those for consumer credit remained unchanged. For the current quarter, credit standards are expected to remain unchanged for loans to firms and for mortgages and to tighten slightly for consumer credit.

Firms' demand for loans was unchanged: the positive impact connected with higher financing needs for fixed investment and to the lower level of interest rates was offset by the negative impact of the lower financing needs for inventories and working capital and of greater reliance on internal financing. **Households' demand rose for both mortgage loans and consumer credit**. In the current quarter, demand for loans is expected to increase for firms and to remain largely unchanged for households.

The conditions for banks' access to funding improved, particularly for medium- to long-term debt securities and in terms of their ability to transfer credit risk off the balance sheet. In the current quarter, changes in the conditions for access to funding are expected to be limited overall, with a further improvement in banks' ability to transfer credit risk off the balance sheet.

In the six months to March 2025, changes in the Eurosystem's monetary policy asset portfolio had a slightly positive impact on banks' holdings of euro-area sovereign bonds, on capital gains and on capital ratios. By contrast, the impact on financing conditions and overall profitability was slightly negative. Banks expect similar effects over the next six months.

Over the last six months, the ECB's decisions on its key interest rates had a negative impact on banks' overall profitability. Banks expect a further negative impact over the next six months.

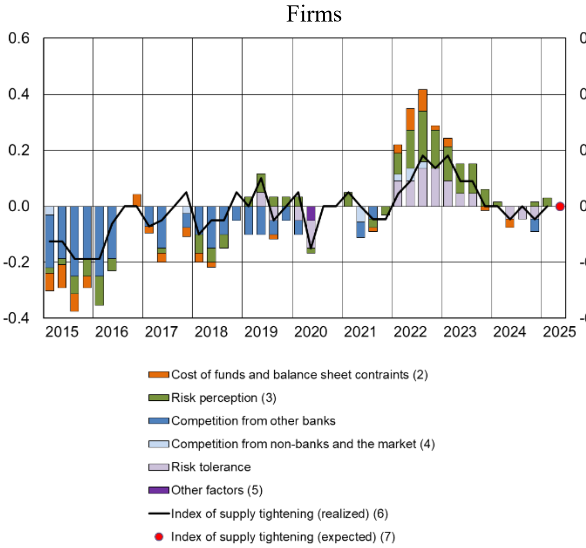
In the first quarter of 2025, the share of non-performing loans (NPLs) and other credit quality indicators had no impact on credit supply policies. Banks expect a slight tightening effect on credit standards on loans to households for consumer credit in the current quarter.

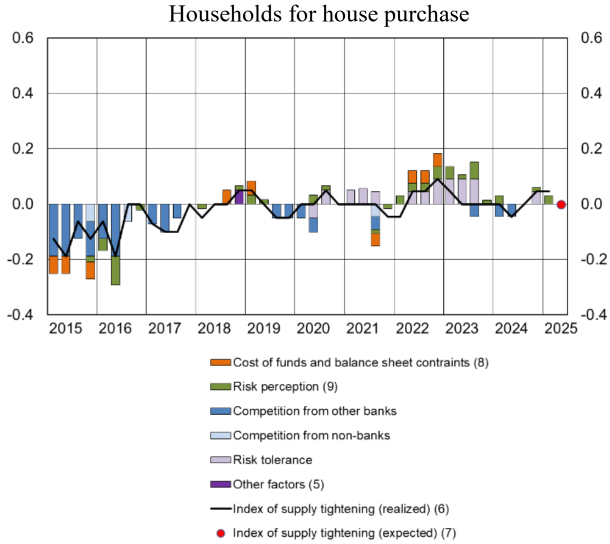
[1] Thirteen of the main Italian banking groups took part in the survey, which ended on 25 March. For a detailed description of the various items, see the questionnaire administered to banks.
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

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

(a) Credit supply

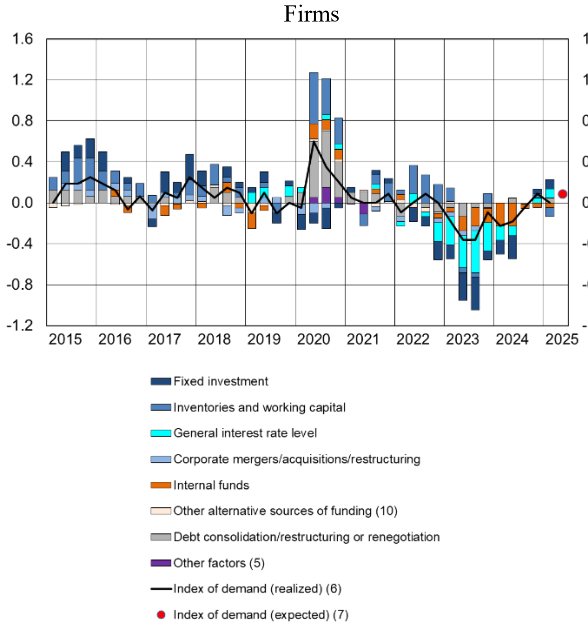
Tightening (+)/easing (-)

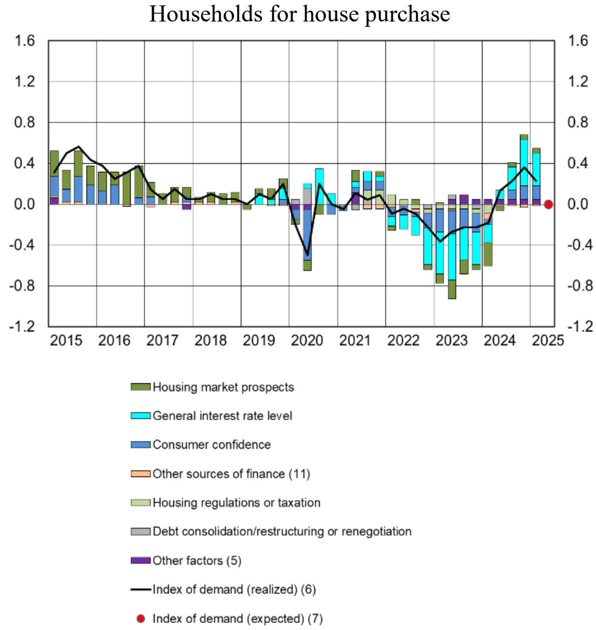




(b) Credit demand

Expansion (+)/restriction (-)





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) Average of additional factors contributing to changes in banks' credit standards or loan applications. – (6) Refers to the quarter ending at the time of the survey. – (7) Forecasts prepared in the previous quarter. – (8) Since April 2022, average of the following factors: bank's capital position; bank's ability to access market financing; and bank's liquidity position. – (9) Average of the following factors: general economic situation and outlook; housing market prospects; and borrowers' creditworthiness. – (10) 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. – (11) Average of the following factors: self-financing of house purchase with savings; loans granted by other banks; and other sources of external funding.