BANCA D'ITALIA
EUROSISTEMA

Rome, 19 January 2021

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS [1]

Q4 2020 and outlook for Q1 2021

In the fourth quarter of 2020, the **credit standards for loans to firms** remained once again unchanged, reflecting a substantial stability in the underlying factors (Figure 1.a). The **credit standards applied to loans to households for house purchase** were unchanged after the slight tightening recorded in the previous quarter. The **general terms and conditions** applied to business loans and to mortgage loans to households held stable. For the current quarter, banks expect credit standards to tighten moderately for loans to firms and to ease in equal measure for mortgage loans.

Credit demand from firms continued to increase (Figure 1.b), albeit at a slower pace compared with the previous two quarters. Demand dynamics continue to reflect a persistent shortage of inventories and working capital, greater refinancing needs, and a decline in internal funds. After the rebound reported in the previous quarter, **households' demand for mortgage loans** was unchanged. For the current quarter, banks expect a further, if smaller, increase in credit demand from firms. Households' demand for mortgage loans is expected to remain practically unchanged.

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1 Ten of the main Italian banking groups took part in the survey, which ended on 29 December 2020. A more extensive discussion of these results will be included in the Bank of Italy's Economic Bulletin, 2, 2021, due to be published in April 2021.

The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

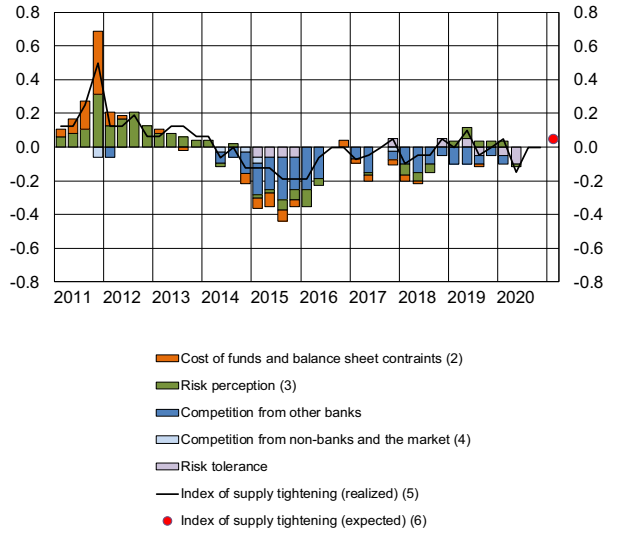
Figure 1

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

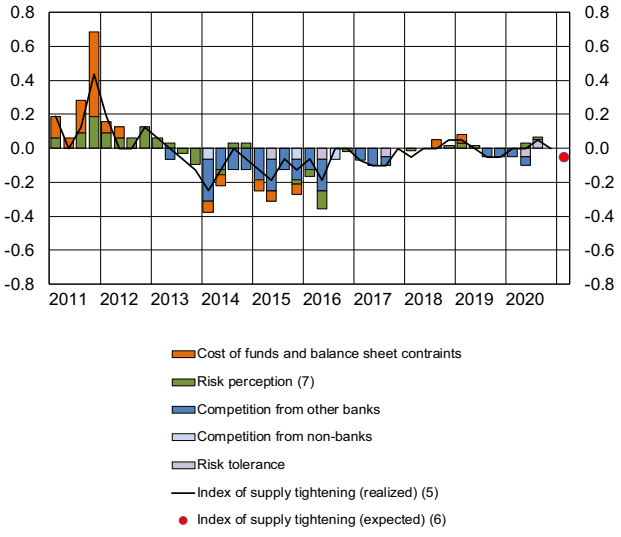
(a) Credit supply

Tightening (+)/easing (-)

Firms



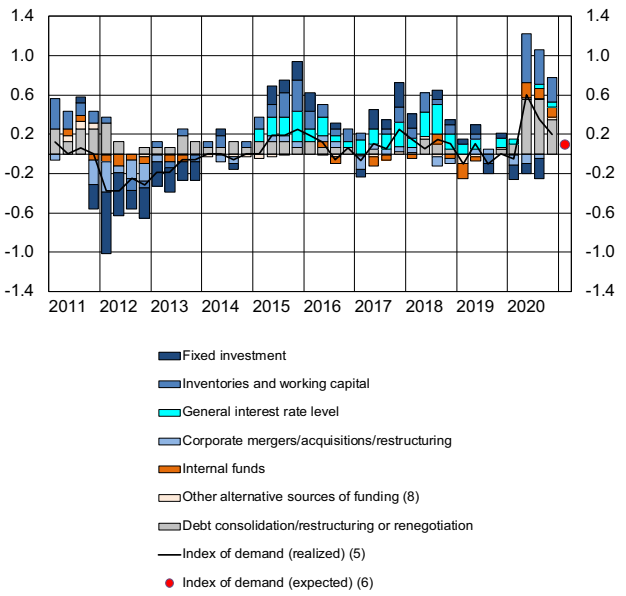
Households for house purchase



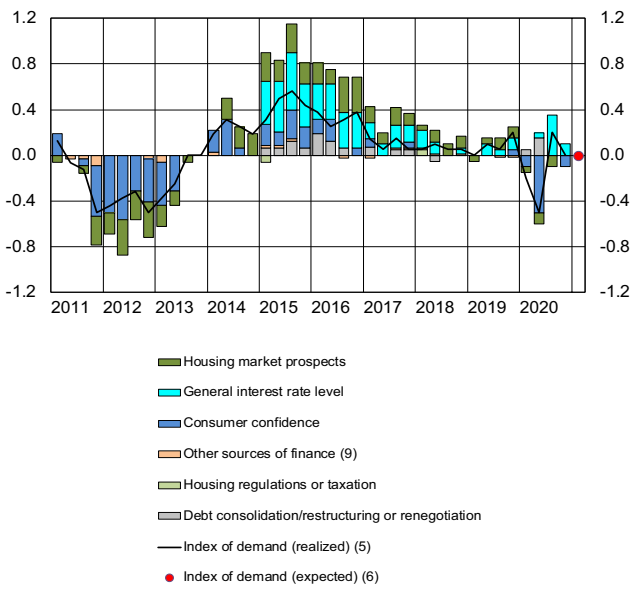
(b) Credit demand

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) 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.