Rome, 31 January 2023

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS[1]

Q4 2022 and outlook for Q1 2023

In the fourth quarter of 2022, credit standards for loans to firms tightened further, attributable to a greater perception of risk and a lower risk tolerance (Figure 1.a). **The general terms and conditions applied to loans were tightened**, by means of both a rise in interest rates, partly attributable to an increase in loan margins, and a reduction in the amount of loans granted. **Credit standards for loans to households became a little stricter for those for house purchase** and remained unchanged for consumer credit. **The terms and conditions were tightened for both kinds of loan**, reflecting higher market interest rates. For the current quarter, banks expect tighter credit standards both for loans to non-financial corporations and for loans to households for house purchase.

Demand for loans on the part of firms remained unchanged (Figure 1.b): the increase in applications for loans to meet the need for working capital requirements was offset by the decline in those for investment purposes. **Households' demand fell** for both mortgage loans and consumer credit. Banks expect loan applications from firms to remain unchanged in the current quarter, while those from households are expected to decrease further.

The funding conditions for banks worsened, especially for medium- to long-term deposits. Banks expect this worsening to extend to short-term deposits as well during the current quarter.

In 2022, the new regulatory and supervisory measures adopted likely contributed to a decline in risk-weighted assets. As regards supply policies, the effects seem to have been limited overall.

In the second half of 2022, the share of non-performing loans on banks' balance sheets had no significant impact on either the credit standards for loans or the terms and conditions applied to loans to firms and households.

In the six months ending in December 2022, credit standards were tightened above all for firms in the energy-intensive manufacturing and real estate sectors. For the current half year, banks expect tighter credit standards across all sectors, and more markedly so for firms in the trade sector.

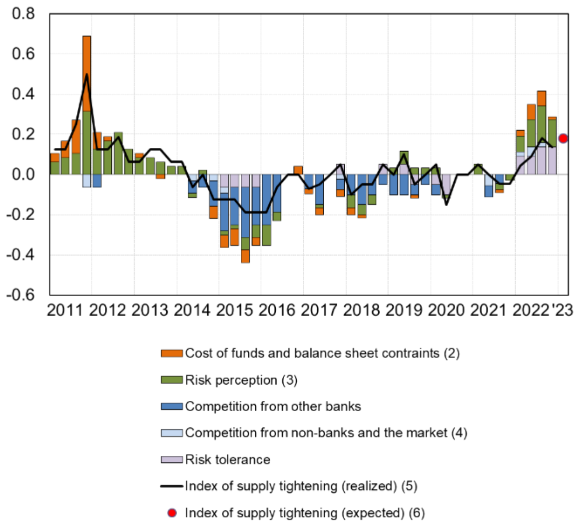
[1] Thirteen of the main Italian banking groups took part in the survey, which ended on 10 January. For a detailed description of the various items, see the questionnaire administered to banks.
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

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

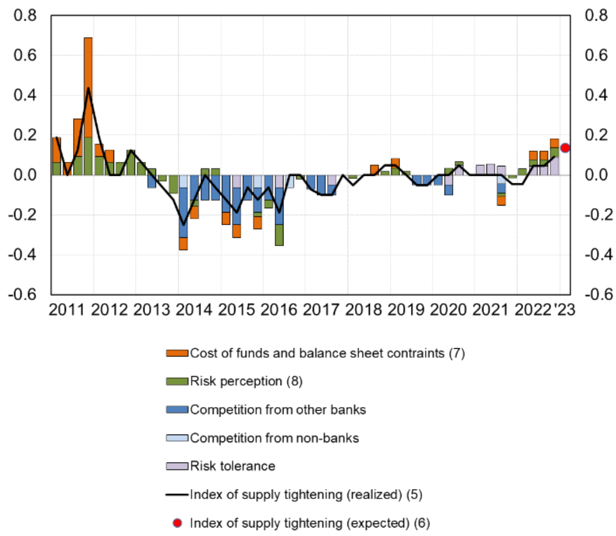
(a) Credit supply

Tightening (+)/easing (-)

Firms



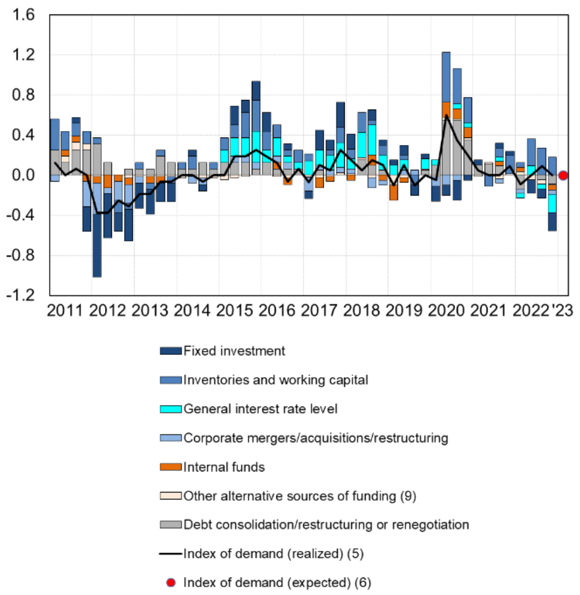
Households for house purchase



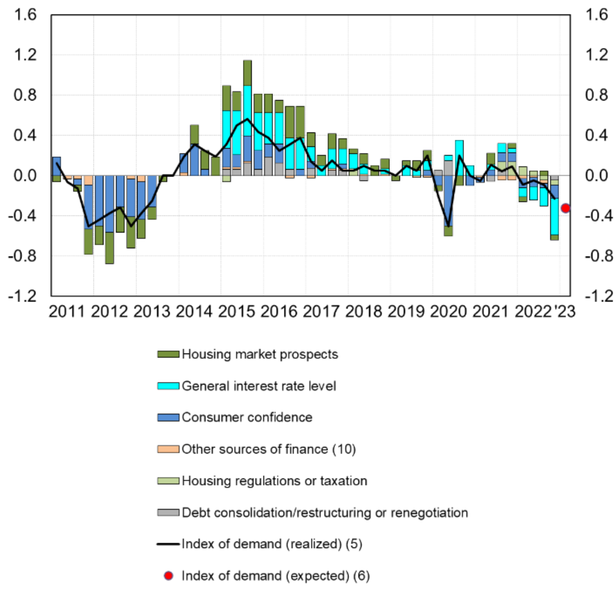
(b) Credit demand

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.