BANCA D'ITALIA
EUROSISTEMA

Rome, 23 January 2024

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS[1]

Q4 2023 and outlook for Q1 2024

In the fourth quarter of 2023, the credit standards for loans to firms remained stable, despite the increased perception of risk (Figure 1.a). **The overall terms and conditions were eased**, mainly by reducing banks' margins on less risky loans, as a result of increasing competitive pressures.

Credit standards on loans to households for house purchase remained unchanged, while terms and conditions were made more favourable, again owing to increased competitive pressures. Consumer credit supply conditions were tightened overall.

For the current quarter, banks expect credit standards for loans to non-financial corporations to ease and those for loans to households to tighten.

Firms' demand for loans declined for the fourth consecutive quarter, still reflecting higher interest rates, lower financing needs for fixed investment and greater use of internal financing (Figure 1.b). **Households' demand for loans has declined since the beginning of 2022, more markedly for house purchase;** banks expect demand on the part of firms to increase slightly in the current quarter, and that of households for house purchase to remain unchanged.

The conditions for banks to access funding improved, especially for long-term deposits, debt securities and the very short-term money market. Banks expect conditions to improve further during the current quarter.

In 2023, the new regulatory and supervisory measures contributed to an increase in risk-weighted assets. These measures are expected to slightly tighten credit standards this year.

Banks reported that in the second half of 2023 the share of non-performing loans (NPLs) and other loan quality indicators had a slightly restrictive impact on supply policies, while they are expected to have an accommodative effect in the current half-year.

In the second half of 2023, credit standards were tightened above all for firms in the construction, real estate and energy-intensive manufacturing sectors. In the current half-year period, banks expect a further tightening of credit standards in all sectors except in manufacturing.

Changes in banks' excess liquidity held with the Eurosystem **did not affect credit supply policies and volumes in the first half of 2023** and their impact is expected to be limited in the current quarter.

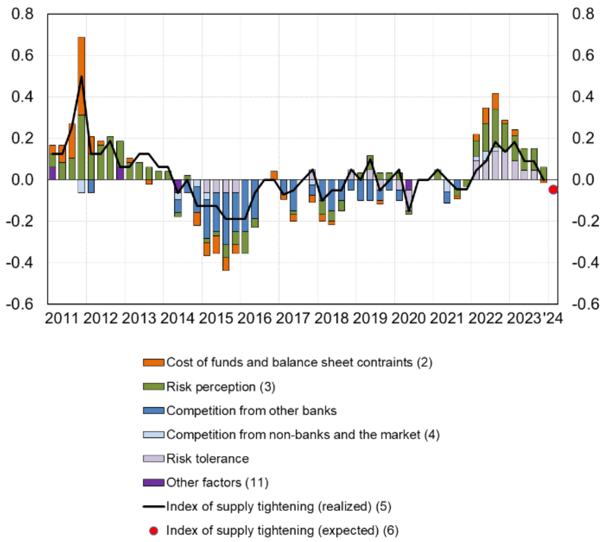
[1] Thirteen of the main Italian banking groups took part in the survey, which ended on 2 January. For a detailed description of the various items, see the questionnaire administered to banks.
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

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

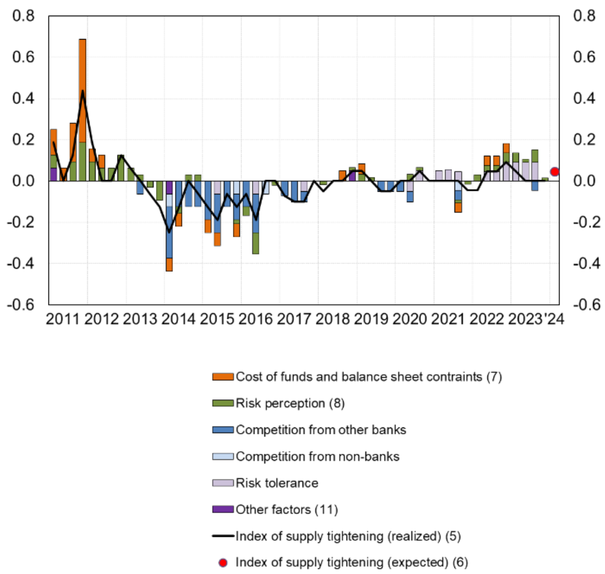
(a) Credit supply

Tightening (+)/easing (-)

Firms



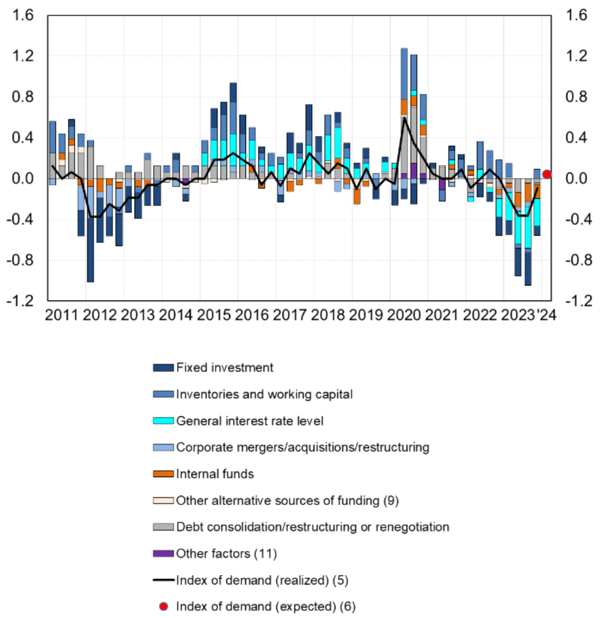
Households for house purchase



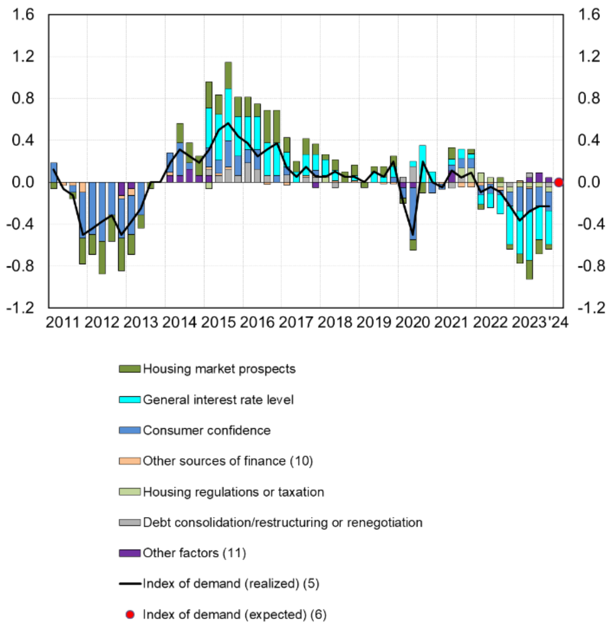
(b) Credit demand

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. - (11) Average of additional factors contributing to changes in banks' credit standards or loan applications.