Rome, 28 January 2025

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS[1]

Q4 2024 and outlook for Q1 2025

In the fourth quarter of 2024, credit standards for loans to firms eased slightly, as the positive effect of competitive pressure and of greater risk tolerance more than offset the negative impact of higher risk perception. **The overall terms and conditions for these loans became more favourable** through a reduction in lending rates, partly as a result of lower margins applied by banks. **Credit standards for loans to households for house purchase tightened slightly**, while those for consumer credit remained unchanged. For the current quarter, banks expect credit standards for loans to firms to ease somewhat and those for consumer loans to tighten slightly; credit standards for mortgages are expected to remain unchanged.

Firms' demand for loans rose for the first time since the third quarter of 2022, reflecting higher financing needs for fixed investment, inventories and working capital, as well as a lower level of interest rates. **Households' demand for loans for house purchase grew sharply again**, while consumer credit applications rose more moderately. In the current quarter, the demand for loans from both firms and households is expected to grow across all loan segments.

The conditions for banks to access funding improved, particularly for short- and long-term deposits and for medium- to long-term debt securities. In the current quarter, the conditions for access to funding are expected to remain broadly unchanged.

In 2024, the new regulatory and supervisory measures contributed to a slight increase in risk-weighted assets. In 2025, banks expect a further considerable increase in risk-weighted assets and a moderate capital increase through new issues.

In the six months to December 2024, the share of non-performing loans (NPLs) and other credit quality indicators had no impact on supply policies, with a still neutral effect expected in the current six-month period as well.

In the second half of 2024, credit standards were tightened above all for energy-intensive manufacturing firms. In the current half-year period, banks expect a further tightening of credit standards in this sector.

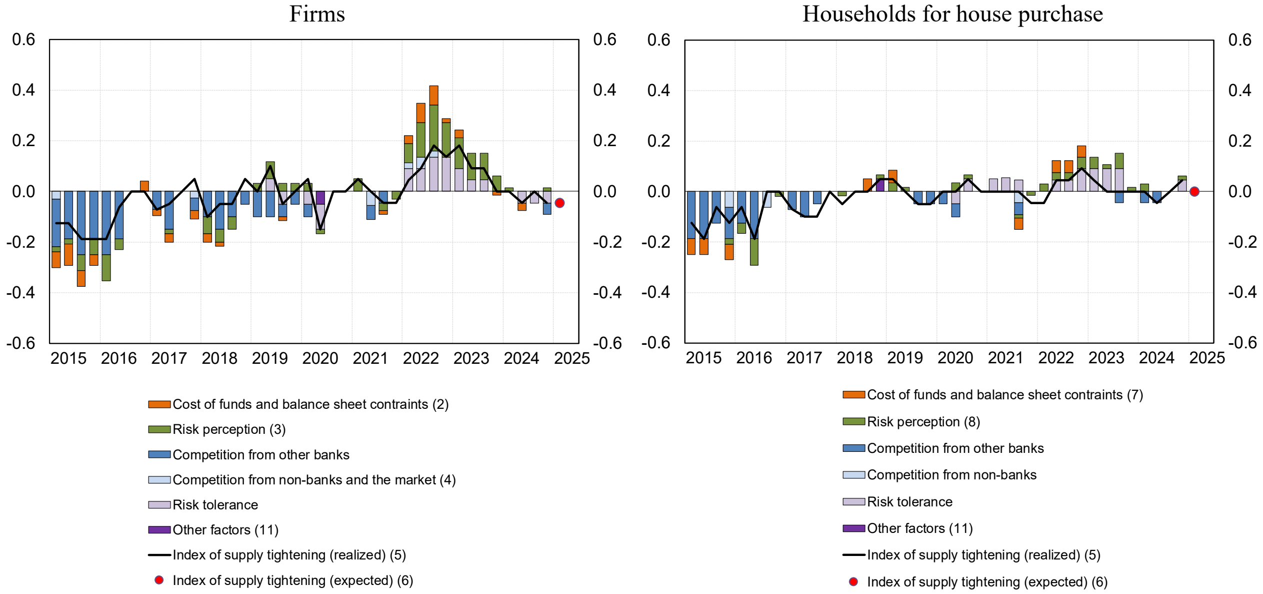
Over the past six months, changes in banks' excess liquidity vis-à-vis the Eurosystem had a slightly tightening effect on terms and conditions only; no impact is expected on supply policies or on lending volumes in the current half-year period.

1 Thirteen of the main Italian banking groups took part in the survey, which ended on 7 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)

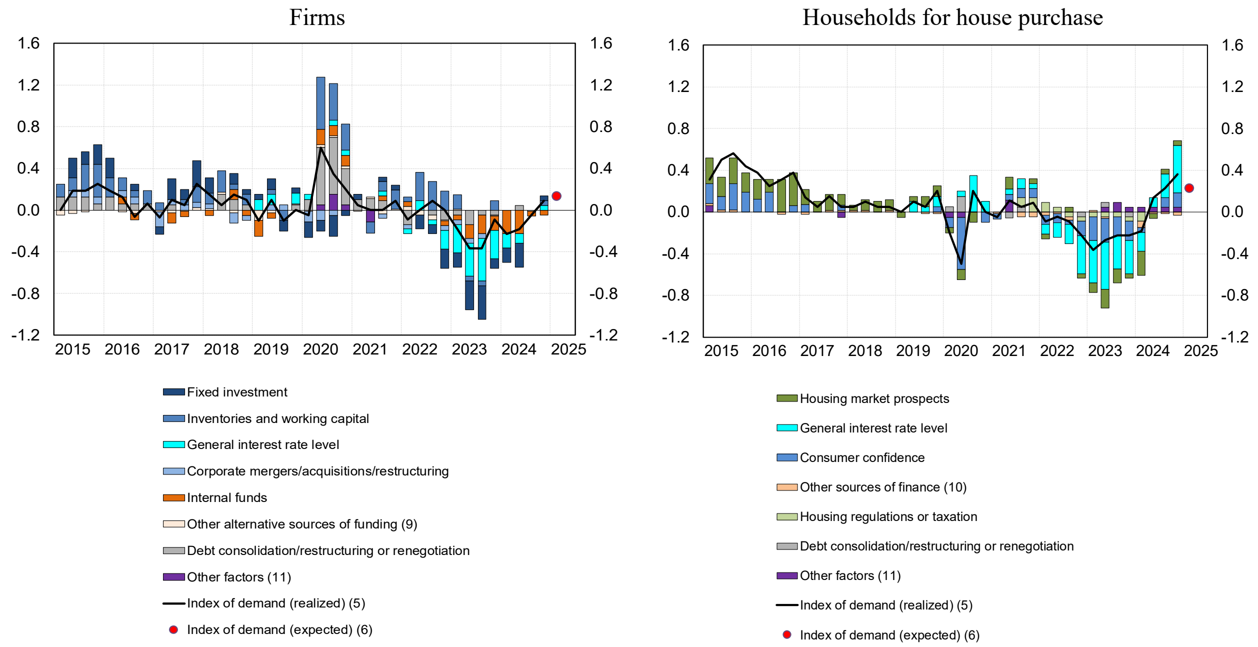
(a) Credit supply

Tightening (+)/easing (-)



(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) 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.