

Rome, 14 July 2020

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS¹

Q2 2020 and outlook for Q3 2020

In the second quarter of 2020, **credit standards for loans to firms** eased (Figure 1.a), mainly reflecting higher risk tolerance on the part of banks. The **credit standards applied to loans to households for house purchase** remained broadly stable. Banks eased slightly the **general terms and conditions** applied to loans for firms and to mortgage loans for households. For the current quarter, banks expect credit standards to ease slightly once more for firms and to remain unchanged for households.

Credit demand from firms increased markedly (Figure 1.b) owing to the substantial liquidity needs connected with the public health emergency. **Households' demand for mortgage loans** decreased further, reflecting the fall in consumer confidence and the worsening of the outlook for the housing market. For the current quarter, banks expect a further, albeit small, increase in credit demand from firms. Credit demand from households should also increase slightly.

¹ Ten of the main Italian banking groups took part in the survey, which ended on 23 June. A more extensive discussion of these results will be included in the Bank of Italy's Economic Bulletin, 4, 2020, due to be published in October 2020.

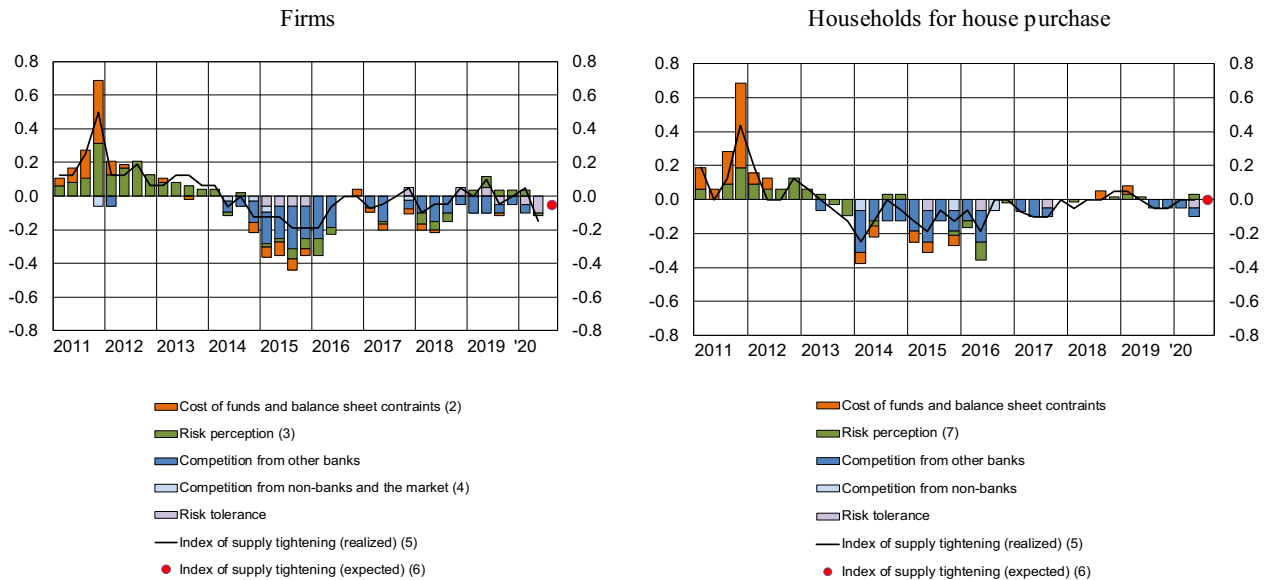
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

Figure 1

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

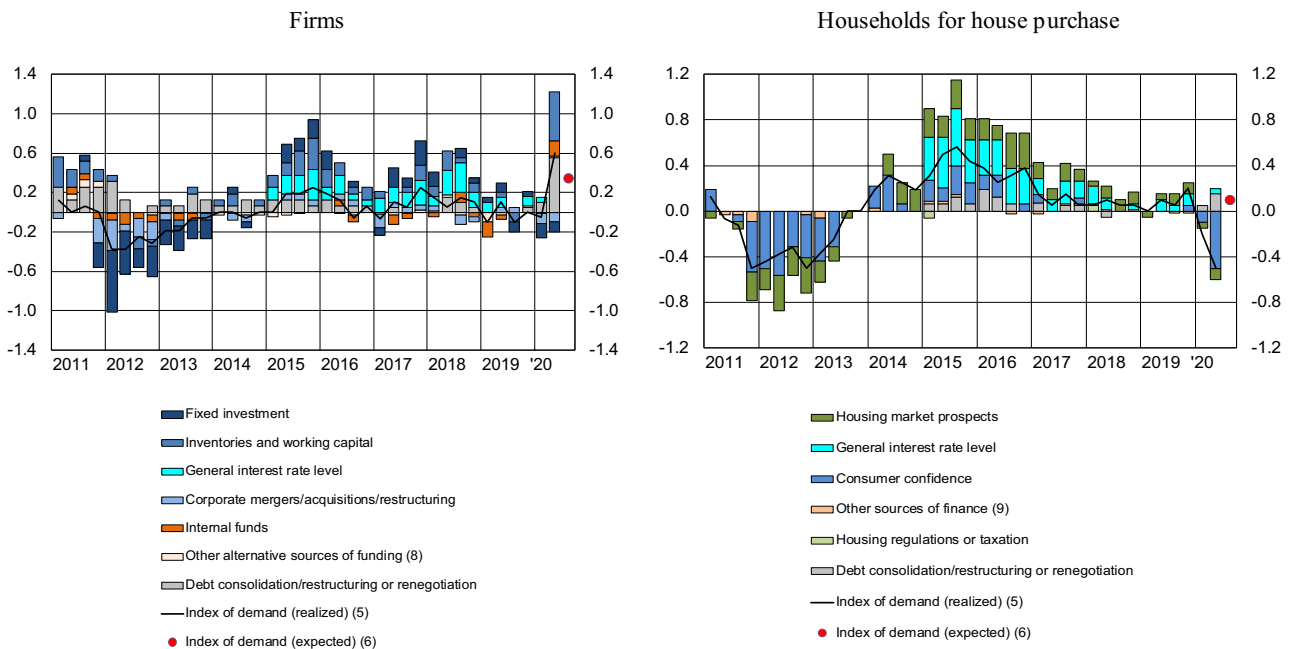
(a) Credit supply

Tightening (+)/easing (-)



(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) 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.