Rome, 25 July 2023

# The Euro Area Bank Lending Survey

## MAIN RESULTS FOR ITALIAN BANKS[1]

Q2 2023 and outlook for Q3 2023

**In the second quarter of 2023, credit standards on loans to firms tightened further,** though to a lesser extent than in the previous three quarters, still reflecting higher risk perception and lower risk tolerance (Figure 1.a). **Overall credit terms and conditions continued to tighten, albeit at a slightly slower pace**, while interest margins on riskier loans stopped widening. After gradually tightening since the second quarter of last year, **credit standards on loans to households for house purchase remained unchanged.** However, banks continued to report a reduction in their risk tolerance. **Overall terms and conditions held stable after a prolonged tightening period**, partly as a result of narrower margins on average loans and on riskier loans.

**Applications for business loans plunged again**, reflecting both the increase in the overall level of interest rates and the decline in fixed investment (Figure 1.b). The contraction in credit demand was broad-based across firms of different sizes, and was reported for short- and long-term loans alike. **Households' applications for home mortgages and for consumer credit declined as well**. In both cases, higher interest rates and deteriorating household confidence continued to make a negative contribution.

**The conditions for banks to access funding remained stable overall**, as a slight improvement in short-term deposits and in banks' ability to transfer risk off their balance sheets was offset by a deterioration in the markets for debt securities and longer-term deposits.

In the first half of 2023, **credit standards on loans to firms tightened also due to the share of non-performing loans** (NPLs).

Over the same period, there was **a broad-based tightening in credit standards and in terms and conditions for loans to firms across economic sectors.**

According to the banks taking part in the survey, **credit standards and terms and conditions eased for green and 'transition' firms** over the past 12 months, **while they tightened for brown firms**. Loan applications increased for all three types of firm.

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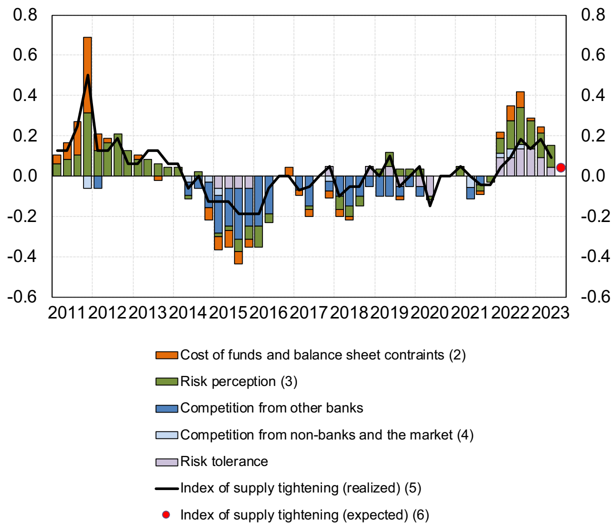
1 Thirteen of the main Italian banking groups took part in the survey, which ended on 4 July. For a detailed description of the various items, see the questionnaire administered to banks.
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

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

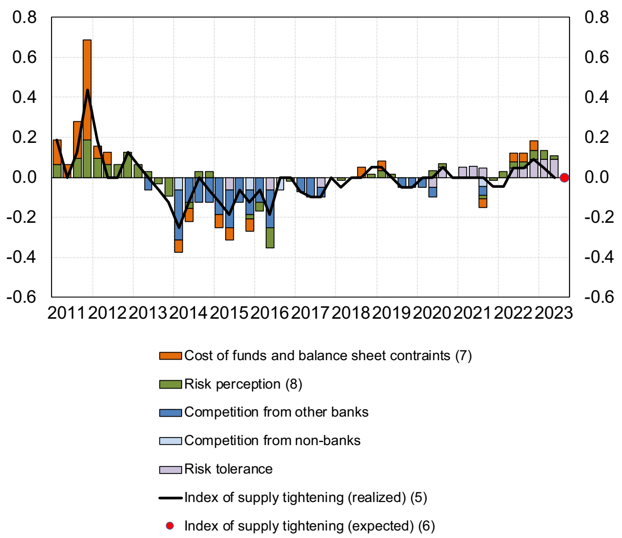
## (a) Credit supply

*Tightening (+)/easing (-)*

Firms



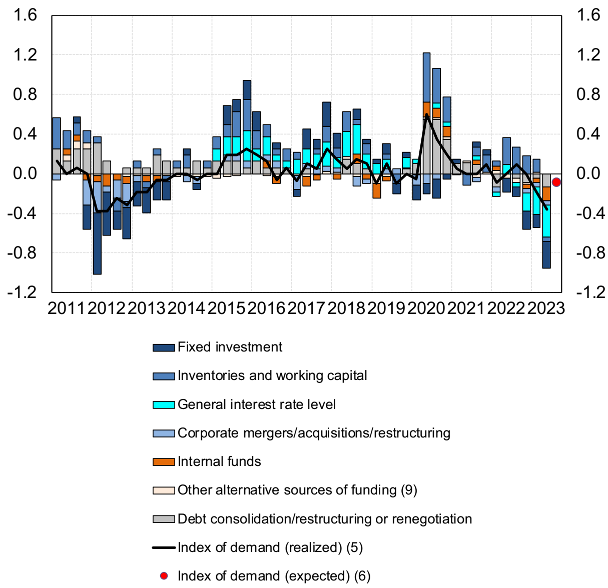

Households for house purchase



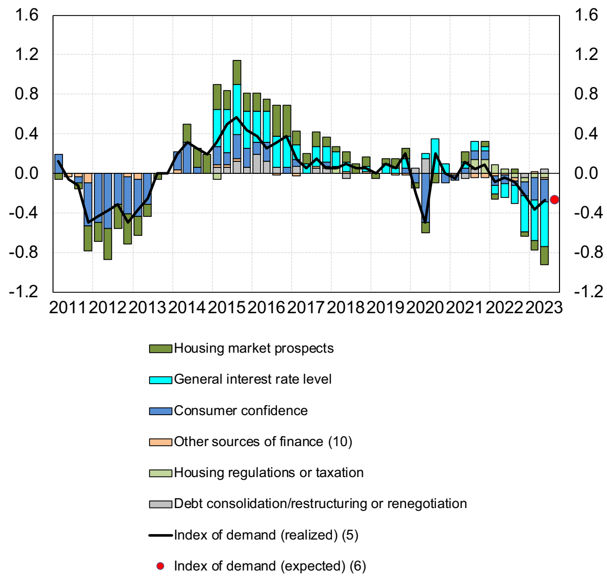

## (b) Credit demand

*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.