

Rome, 29 October 2014

## THE EURO AREA BANK LENDING SURVEY

### MAIN RESULTS FOR ITALIAN BANKS:<sup>1</sup>

Third quarter of 2014 and outlook for the fourth quarter

**Italian banks' standards for lending to firms** remained broadly unchanged in the third quarter of 2014 (Figure 1). Supply conditions benefited from sharpening competition between banks but were also affected by increasing perceived risk for some sectors and firms. The narrowing of the interest rate margin on average loans continued, but the margin on riskier loans widened. Banks expect a modest easing of conditions in the course of the fourth quarter.

The terms on **loans to households for house purchase** remained unchanged in the third quarter. The tendency towards easing due to heightened competitive pressure was countered by a worsening in the outlook for the residential property market. The margin on average loans continued to diminish. For the fourth quarter banks expect an easing of credit standards.

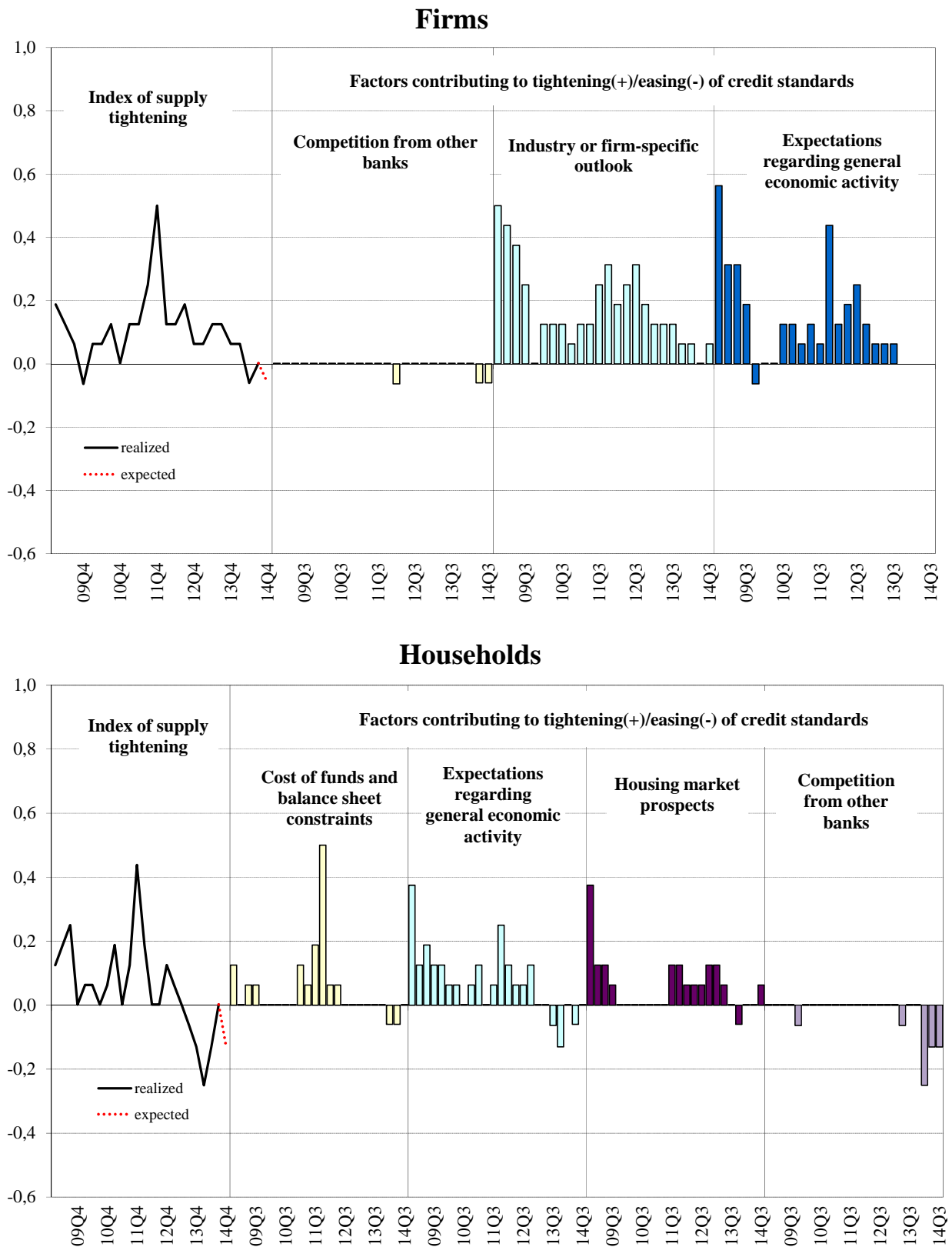
According to the banks surveyed, **firms' demand for credit** turned back downwards, while **households' mortgage demand** rose further (Figure 2). For the fourth quarter, the banks expect an increase in both firms' and households' demand for credit.

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<sup>1</sup> The survey, which ended on 9 October, covered eight of the largest Italian banking groups. The results for the euro area are available on the ECB's website at [www.ecb.int](http://www.ecb.int). A more extensive discussion of these results will be included in Bank of Italy, *Economic Bulletin*, No. 1, 2015, whose publication is scheduled for 16 January.

**Figure 1**

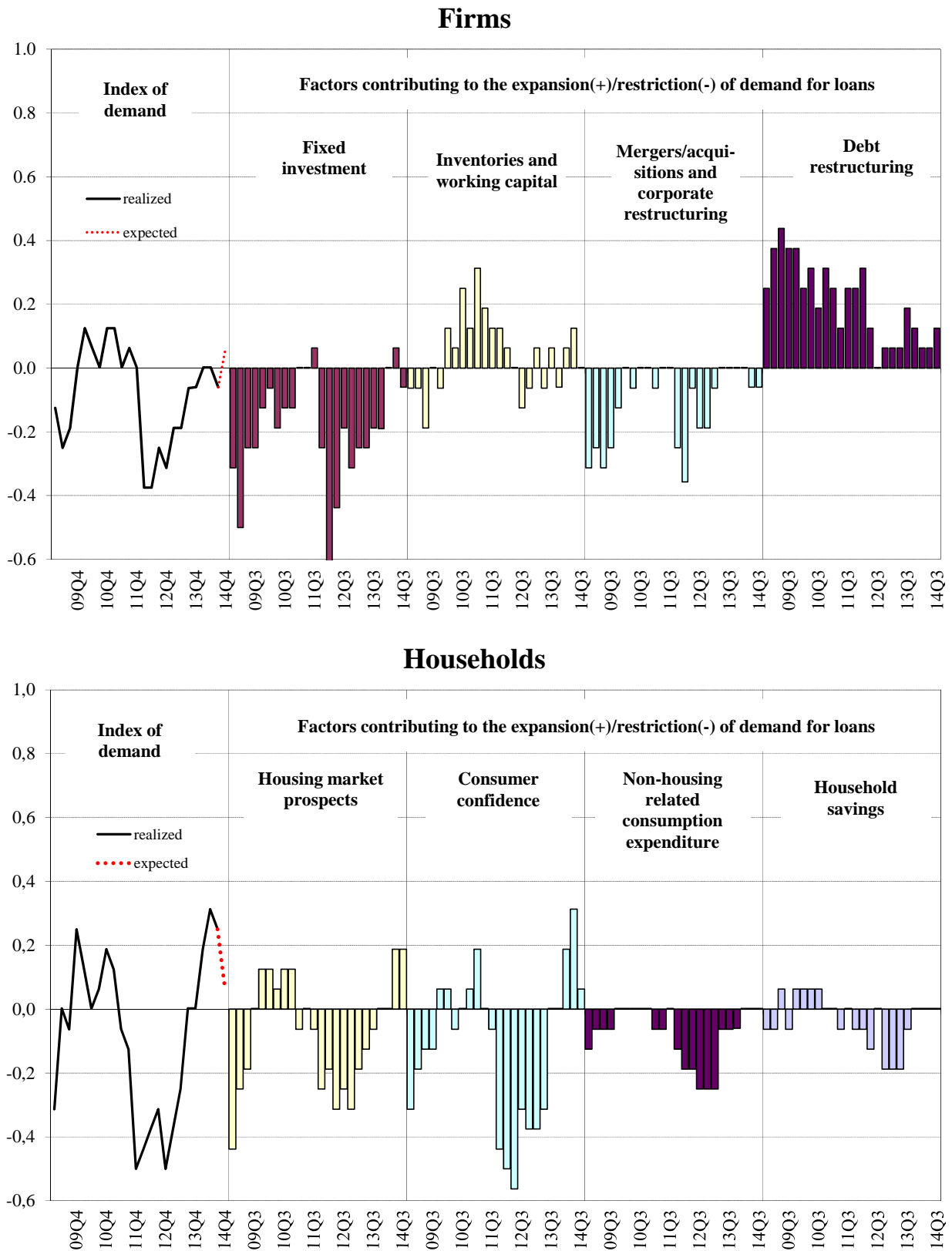
**Changes in credit standards (1) for approving loans or credit lines and main contributing factors**



(1) Positive values indicate supply restriction compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: 1 = tightened considerably, 0.5 = tightened somewhat, 0 = basically unchanged, -0.5 = eased somewhat, -1 = eased considerably. The range of variation of the index is from -1 to 1.

**Figure 2**

**Trends in credit demand (1) and main contributing factors**



(1) Positive values indicate demand expansion compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: 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