

Rome, 27 October 2020

## **The Euro Area Bank Lending Survey**

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

Q3 2020 and outlook for Q4 2020

In the third quarter of 2020, the **credit standards for loans to firms** remained unchanged, reflecting a substantial stability in the underlying factors (Figure 1.a). The **credit standards applied to loans to households for house purchase**, instead, tightened slightly in line with the deterioration in the general economic outlook and with a decrease in risk tolerance. Banks eased slightly the **general terms and conditions** applied to loans for firms, but those for households remained stable. For the current quarter, banks expect credit standards to remain unchanged for firms and to tighten slightly once again for households.

**Credit demand from firms** continued to increase (Figure 1.b), still reflecting the substantial liquidity needs connected with the public health emergency. **Households' demand for mortgage loans** rose, spurred by the decline in the general level of interest rates. For the current quarter, banks expect a further, albeit small, increase in credit demand from firms. Demand from households for mortgage loans should remain broadly unchanged.

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<sup>1</sup> Ten of Italy's top banking groups took part in the survey, which was completed on 6 October. A more thorough treatment of the results will be included in the Bank of Italy's Economic Bulletin, 1, 2021, which will be published in January 2021.

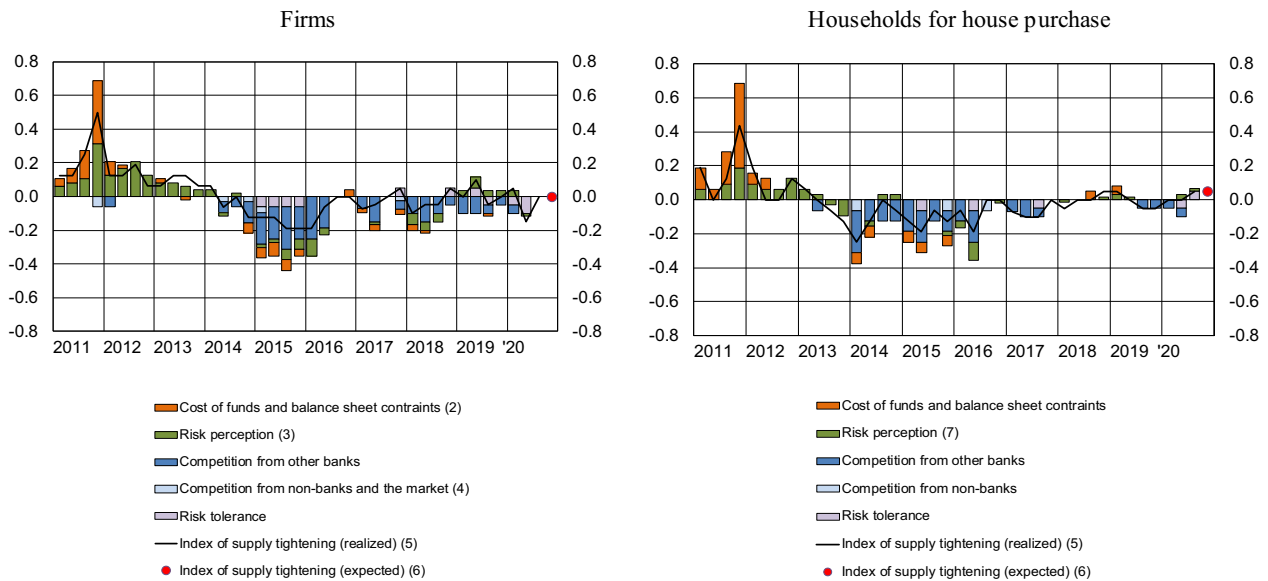
The results for the euro area are available on the ECB's website ([www.ecb.europa.eu](http://www.ecb.europa.eu)).

Figure 1

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

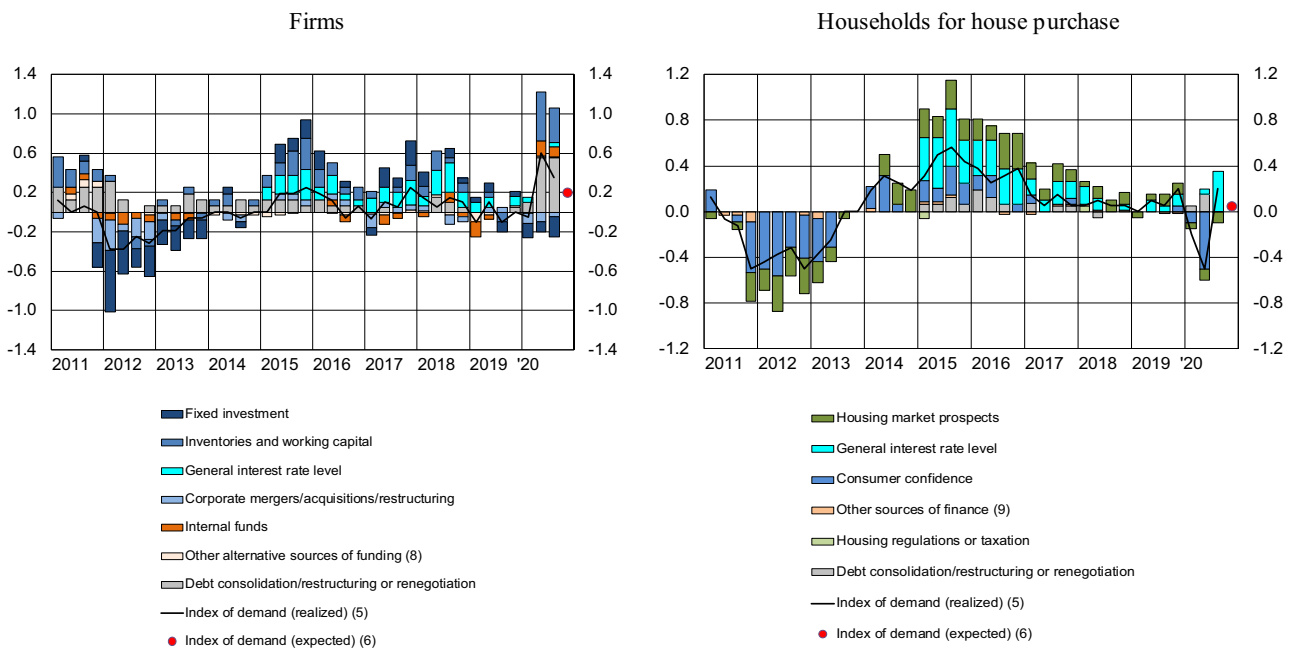
### (a) Credit supply

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.