Rome, 15 October 2024

The Euro Area Bank Lending Survey

MAIN RESULTS FOR ITALIAN BANKS[1]

Q3 2024 and outlook for Q4 2024

In the third quarter of 2024, credit standards for loans to firms remained unchanged. The overall terms and conditions became slightly more favourable, mainly thanks to lower lending rates, which, in turn, were also due to the reduced margins. This improvement reflected higher risk tolerance, competitive pressure and the general economic outlook. **Credit standards for loans to households for house purchase remained unchanged, while those for consumer credit were tightened slightly**, owing to banks' lower risk tolerance. For the current quarter, banks expect credit standards for loans to firms and to households for consumer credit to remain unchanged and those for house purchase mortgages to ease slightly.

Firms' demand for loans, which has been falling since the beginning of 2023, declined further, albeit slightly, reflecting greater use of internal financing and alternative finance. Households' demand for mortgages grew sharply again, while the increase in consumer credit demand was smaller. In the fourth quarter of 2024, the demand for loans from firms and households is expected to grow across all loan segments.

The conditions for banks to access funding improved, especially for medium- to long-term debt securities. Access to funding looks set to remain unchanged in the current quarter.

In the six months ending in September 2024, the changes in the Eurosystem's monetary policy asset portfolio did not affect banks' total assets, funding conditions, profitability, capital ratios, supply conditions and lending volumes; the impact will likely continue to be neutral for the current six-month period as well.

The third series of longer-term refinancing operations (TLTRO III), which are currently in the process of being repaid, **contributed to the deterioration in banks' overall liquidity position and funding conditions**. This effect is expected to continue over the next six months. However, TLTRO III did not contribute to the changes in credit standards, terms and conditions, and lending volumes.

The ECB's decisions on its key interest rates had a slightly positive impact on banks' overall profitability over the last six months, mainly as a result of higher fee income. Over the next six months, this impact is expected to turn negative owing to a significant drop in net interest income, stemming from expectations of a reduction in margins; the decline is likely to be only partly offset by an increase in non-interest income.

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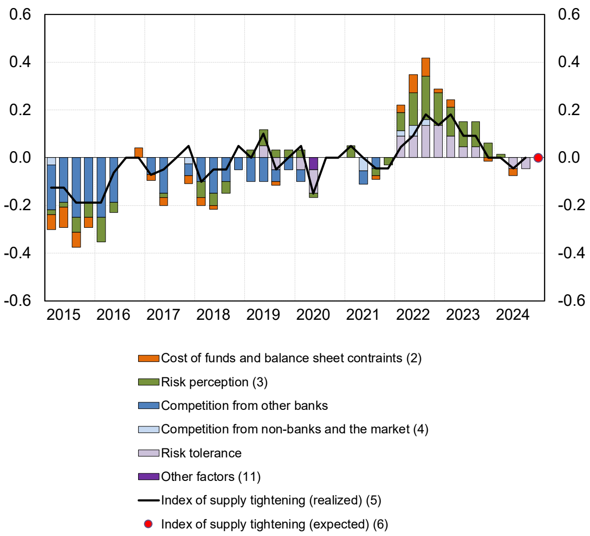
[1] Thirteen of the main Italian banking groups took part in the survey, which ended on 23 September. For a detailed description of the various items, see the questionnaire administered to banks.
The results for the euro area are available on the ECB's website (www.ecb.europa.eu).

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

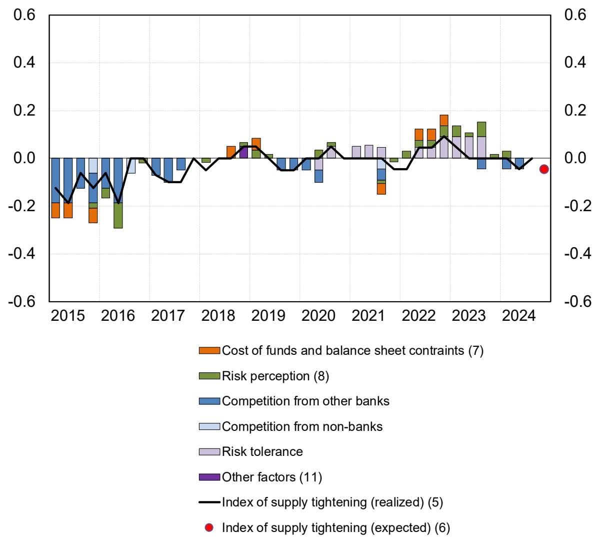
(a) Credit supply

Tightening (+)/easing (-)

Firms



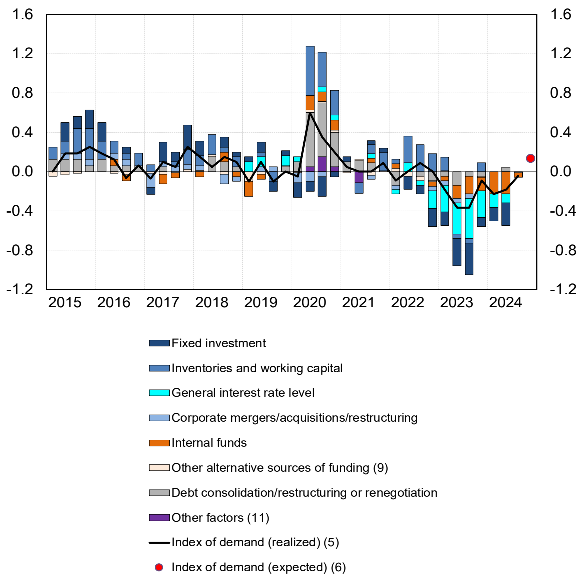
Households for house purchase



(b) Credit demand

Expansion (+)/restriction (-)

Firms



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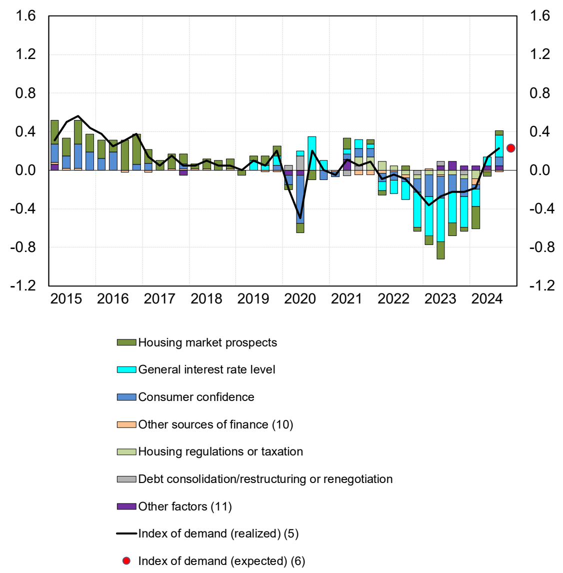

Footnotes: (1) For the general indices, positive values indicate supply restriction/demand expansion compared with the previous quarter; for the factors, positive values indicate a contribution to supply restriction/demand expansion compared with the previous quarter. The diffusion indices are constructed 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.