EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Steeve Briois
Ms Dominique Bilde
Ms Sophie Montel
Mr Florian Philippot
Mr Bernard Monot
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 17 February 2016

L/MD/16/87

Re: Your letter (QZ-004)

Honourable Members of the European Parliament, dear Mr Briois, Ms Bilde, Ms Montel, Mr Philippot and Mr Monot,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 20 January 2016.

Recent available information points to tangible improvements in the financing situation of non-financial corporations (NFCs) and, in particular, of small and medium-sized enterprises (SMEs) in the euro area. This is illustrated, for instance, by the fact that bank lending rates for very small loans have fallen more sharply than those for large loans to euro area NFCs, in particular in the vulnerable euro area countries. Moreover, recent data indicate that the overall cost of financing for NFCs has hit historical lows in the euro area in the last couple of months.[1]

Regarding credit supply conditions, the latest Survey on the Access to Finance of Enterprises (SAFE) shows a continuation of the trend towards better access to finance for euro area SMEs in the six months from April

[1] Key data on bank interest rates and on the cost of borrowing in the euro area are available on the ECB's dedicated website at: https://www.euro-area-statistics.org/

to September 2015.[2] For the second consecutive time since 2009, SMEs signalled an improvement in the availability of external sources of finance and more favourable terms and conditions applied by banks when granting new loans.

These improvements in the financing conditions for SMEs can to a large extent be attributed to the monetary policy decisions of the ECB. The package of credit easing measures taken by the ECB since June 2014 has contributed to lowering market interest rates and bank lending rates and to improving the flow of finance, with both financial markets and banks as the intermediaries.

In this context it is particularly important to note that the sharp fall in bank lending rates and the expansion in bank lending flows are benefiting SMEs, which are relatively more dependent on banks as financial intermediaries. The declining demand for bank credit from larger corporations with direct access to easier conditions in capital markets is also freeing up some space for banks to increase lending to SMEs.

Against this background of improving financing conditions in the non-financial private sector, it is important to note that a stable and resilient banking system is a precondition for the smooth functioning of the financial system and, more generally, of monetary union. This is why the regulatory changes implemented in response to the crisis and, notably, the Single Supervisory Mechanism are aimed at ensuring that euro area banks are well capitalised and able to accommodate the financing needs of the recovering euro area economy.

Yours sincerely,
[signed]

Mario Draghi

[2] The results are available on the ECB's website at: https://www.ecb.europa.eu/press/pr/date/2015/html/pr151202.en.html

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