

**Box 2****First results of the bank lending survey for the euro area**

As indicated in the article entitled “The bank lending survey for the euro area”, published in the April 2003 issue of the ECB’s Monthly Bulletin, a quarterly bank lending survey has been developed by the Eurosystem in order to enhance the understanding of bank lending behaviour in the euro area. The bank lending survey was carried out for the first time in January 2003, and was followed by a second survey cycle in April 2003. This box contains the main results of the first two surveys. A more extensive report is published on the ECB’s website.

The bank lending survey includes 18 regular questions on past and expected developments regarding credit markets. The former cover developments over the “past three months”, while the latter focus on developments over the “next three months”. Questions are classified according to loans to the two sectors that are the central focus of the survey, i.e. “enterprises” and “households”. The questions are addressed to senior credit officers, typically at or just below board level, from a sample group of banks in the euro area.

The results of the April 2003 bank lending survey indicate, on balance, a tightening of credit standards over the past three months by respondent banks. This is primarily the case for credit standards on loans or credit lines to enterprises, and to a lesser extent for those on loans to households. However, for both sectors, the percentages of banks reporting a tightening of credit standards fell between January and April.

As regards loans to enterprises, the April survey indicates that overall, for the euro area as a whole, the net percentage of respondents reporting a tightening of credit standards on loans to enterprises declined to 46% in April, from 65% in January (see Table A). The net tightening in April applied in particular to credit standards on loans to large enterprises (51% of respondents, compared with 67% in January). In April, 31% of banks tightened net credit standards on loans to small and medium-sized enterprises, which was significantly below the net figure of 59% recorded in the January survey. Focusing on original maturity of loans, the net tightening in April was more pronounced for long-term loans than for short-term loans (as was the case in January).

**Table A: Changes in credit standards applied to enterprises over the past three months**

(in percentages)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April	January	April	January	April	January	April	January	April	January
Tightened considerably	1	4	0	6	8	12	0	2	8	16
Tightened somewhat	45	61	34	54	43	55	32	44	35	43
Remained basically unchanged	54	35	64	39	49	32	68	53	57	41
Eased somewhat	0	0	3	1	0	1	0	0	0	1
Eased considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
<b>Net percentage<sup>1)</sup></b>	<b>46</b>	<b>65</b>	<b>31</b>	<b>59</b>	<b>51</b>	<b>67</b>	<b>32</b>	<b>47</b>	<b>43</b>	<b>59</b>
Number of banks responding	83	76	80	77	80	76	83	77	83	79

1) Refers to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”.

Responses to the survey suggest that the tightening of credit standards recorded in both April and January was primarily driven by increased perceptions of risk, in particular related to the general economic outlook. The tightening took place primarily through a widening of margins, although non-price conditions and terms were also tightened.

As regards loan demand by enterprises, the net percentage of banks experiencing a decrease over the previous three months remained unchanged in April from January (at 31%; see Table B). The net percentage indicating

a decrease in the demand for loans or credit lines to large enterprises was 26% in April (compared with 24% in January). The net percentage for decreasing demand for loans by small and medium-sized enterprises was 19% in April, down from 29% in January. The lower net demand for loans applied to long-term loans to a greater extent than to short-term loans.

**Table B: Changes in demand for loans or credit lines to enterprises over the past three months**

(in percentages)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April	January	April	January	April	January	April	January	April	January
Decreased considerably	0	5	2	9	7	11	0	5	1	15
Decreased somewhat	41	41	34	34	34	32	18	28	41	32
Remained basically unchanged	48	39	47	41	45	39	67	54	29	29
Increased somewhat	10	12	16	12	15	17	14	11	28	22
Increased considerably	0	3	0	3	0	1	0	3	0	3
Total	100	100	100	100	100	100	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>-31</b>	<b>-31</b>	<b>-19</b>	<b>-29</b>	<b>-26</b>	<b>-24</b>	<b>-4</b>	<b>-19</b>	<b>-14</b>	<b>-22</b>
Number of banks responding	82	77	81	77	80	76	83	77	83	77

1) The net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably".

With respect to expectations of credit standards over the next three months, the net percentage of banks expecting a tightening of credit standards declined to 39% in April, from 46% in January (see Table C). This expected further net tightening of credit standards applies more or less equally to small and medium-sized enterprises and to large enterprises.

**Table C: Expected changes in credit standards applied to enterprises over the next three months**

(in percentages)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April	January	April	January	April	January	April	January	April	January
Tighten considerably	2	2	2	2	4	9	3	2	4	9
Tighten somewhat	36	43	35	40	33	41	26	30	37	43
Remain basically unchanged	61	54	61	55	61	48	71	67	58	47
Ease somewhat	0	0	3	2	2	2	0	1	2	2
Ease considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>39</b>	<b>46</b>	<b>35</b>	<b>40</b>	<b>36</b>	<b>48</b>	<b>29</b>	<b>31</b>	<b>39</b>	<b>50</b>
Number of banks responding	83	78	81	77	80	76	83	78	83	79

1) See footnote in Table A.

Turning to loans to households, the results of the April survey indicate, on balance, a tightening of credit standards applied to the approval of loans to households (see Table D). However, the net percentage of banks reporting a tightening of credit standards applied to loans for house purchase declined to 14% in April, from 20% in January. As regards consumer credit and other loans to households, the net percentage of banks reporting a tightening of credit standards was 15% in April, compared with 23% in January.

**Table D: Changes in credit standards applied to households over the past three months**

(in percentages)

	Loans for house purchase		Consumer credit and other lending	
	April	January	April	January
Tightened considerably	0	4	0	1
Tightened somewhat	19	22	17	27
Remained basically unchanged	77	69	81	68
Eased somewhat	5	5	2	5
Eased considerably	0	0	0	0
Total	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>14</b>	<b>20</b>	<b>15</b>	<b>22</b>
Number of banks responding	80	77	77	76

1) See footnote in Table A.

**Table E: Changes in demand for loans to households over the past three months**

(in percentages)

	Loans for house purchase		Consumer credit and other lending	
	April	January	April	January
Decreased considerably	5	3	3	1
Decreased somewhat	18	16	24	31
Remained basically unchanged	35	34	47	45
Increased somewhat	33	35	20	19
Increased considerably	9	13	5	5
Total	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>19</b>	<b>29</b>	<b>-2</b>	<b>-8</b>
Number of banks responding	80	77	78	75

1) See footnote in Table B.

On the demand side, the results of the April survey indicate that banks recorded an increase in the demand for loans to households for house purchase over the past three months. The net percentage of banks reporting an increase in the demand for loans for house purchase was 19% in April, down from 29% in January (see Table E). Meanwhile, a slight decrease in the demand for consumer credit and other loans to households was observed over the same period. This pattern was also observed in the January survey. The net percentage of banks reporting a decrease in the demand for consumer credit and other loans to households over the past three months was 2% in April, compared with 8% in January.

Regarding expectations for the next three months of 2003, the results of the April survey indicate that, on balance, banks expect a further tightening of credit standards applied to the approval of loans to households, albeit to a lesser extent than in the January survey (see Table F). This expectation is, on balance, somewhat more pronounced for consumer credit and other lending to households (14%) than for loans to households for house purchase (8%), which is similar to the pattern indicated in January (23% and 12% respectively).

Given that the survey is in its early stages, the results need to be interpreted very cautiously. Further time and experience will be required before it is possible to make a precise assessment of the survey results and to judge the relation between them and actual economic and financial developments.

**Table F: Expected changes in credit standards applied to households over the next three months**

(in percentages)

	Loans for house purchase		Consumer credit and other lending	
	April	January	April	January
Tighten considerably	2	2	1	3
Tighten somewhat	16	14	20	21
Remain basically unchanged	71	79	73	75
Ease somewhat	10	4	7	1
Ease considerably	0	0	0	0
Total	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>8</b>	<b>12</b>	<b>14</b>	<b>23</b>
Number of banks responding	80	77	78	75

1) See footnote in Table A.