

**Box I****The results of the July 2003 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 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 survey is designed to complement existing statistics on bank retail interest rates and credit with information on demand and supply conditions in the euro area credit markets. The bank lending survey was implemented for the first time in January 2003 and for the second time in April 2003. In the May 2003 issue of the Monthly Bulletin, the main results of the first two surveys were presented. This box contains the main results obtained from the third survey and compares them with those of the previous surveys. A more extensive report is published on the ECB’s website.

The results of the July 2003 bank lending survey (which are based on the responses of all 86 banks in the sample) indicate that although banks have still reported, on balance, tightened credit standards to the approval of loans or credit lines to enterprises over the past three months, the net percentage of banks reporting a tightening has dropped significantly against the April survey. For loans to households, most banks reported unchanged credit standards in the July survey.

As regards loans to enterprises, the July 2003 survey indicated that the net percentage of banks reporting a net tightening of credit standards was 27% for the period from April to June (see Table A, upper panel). This figure was below both what banks had expected in April for that period (39%) and what had been reported for the period from January to March (46%) (see Chart, first section). There was a significant decline in the percentage of banks reporting a net tightening of credit standards on loans to large enterprises, while the percentage of banks reporting a net tightening of credit standards for small and medium-sized enterprises was broadly unchanged compared with the results of the April survey. Regarding the original maturity of loans, as in the April survey, the net tightening reported in the July survey was more pronounced for long-term loans than for short-term loans, although both dropped in comparison with the figures of the April survey.

As in the April survey, the factor cited as contributing most to the overall net tightening of credit standards over the period from April to June 2003 was risk perception, in particular that related to the industry or firm-specific

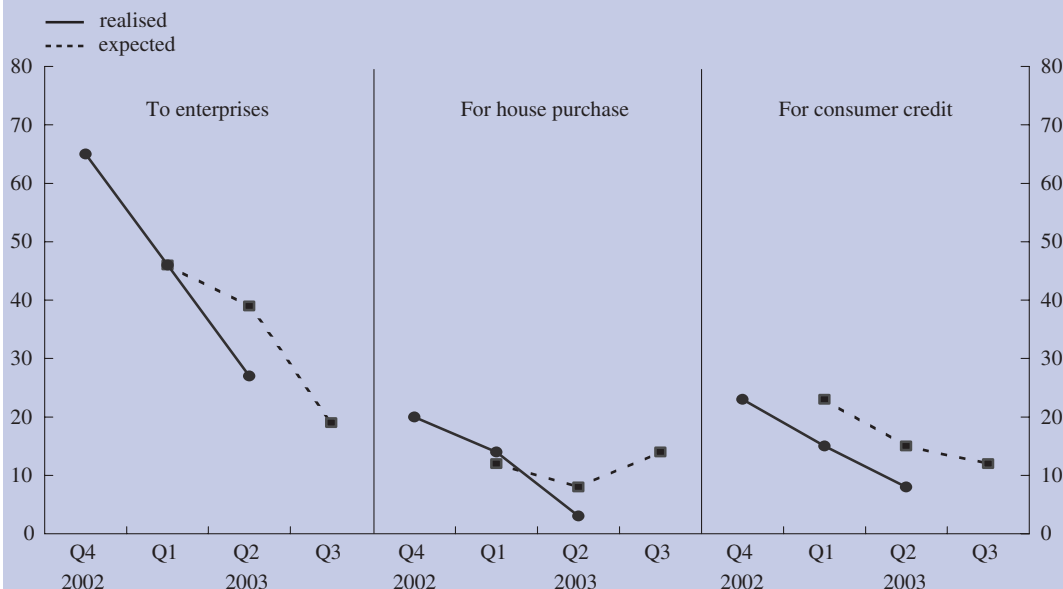
**Table A: Changes in credit standards applied to enterprises***(percentages)*

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July	April	July	April	July	April	July	April	July	April
<b>a) Over the past three months</b>										
Tightened considerably	0	1	0	0	0	8	0	0	2	8
Tightened somewhat	27	45	32	34	25	43	19	32	28	35
Remained basically unchanged	73	54	65	64	75	49	82	68	68	57
Eased somewhat	0	0	3	3	0	0	0	0	2	0
Eased considerably	0	0	0	0	0	0	0	0	0	0
<i>Net percentage</i> <sup>1)</sup>	<b>27</b>	<b>46</b>	<b>30</b>	<b>31</b>	<b>25</b>	<b>51</b>	<b>19</b>	<b>32</b>	<b>28</b>	<b>43</b>
Number of banks responding	83	83	81	80	80	80	82	83	83	83
<b>b) Over the next three months</b>										
Tighten considerably	0	2	0	2	2	4	0	3	2	4
Tighten somewhat	23	36	23	35	24	33	11	26	22	37
Remain basically unchanged	72	61	68	61	73	61	82	71	74	58
Ease somewhat	4	0	9	3	1	2	7	0	1	2
Ease considerably	0	0	0	0	0	0	0	0	2	0
<i>Net percentage</i> <sup>1)</sup>	<b>19</b>	<b>39</b>	<b>14</b>	<b>35</b>	<b>24</b>	<b>36</b>	<b>5</b>	<b>29</b>	<b>21</b>	<b>39</b>
Number of banks responding	83	83	81	81	80	80	81	83	82	83

1) *The net percentage 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”.*

## Credit standards applied to the approval of loans or credit lines

(net percentages of banks reporting tightening standards)



Notes: The net percentage 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”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the third quarter of 2003 were reported by banks in the April survey.

outlook, closely followed by expectations regarding the general economic outlook. The tightening took place, in particular, through a widening of margins, although non-price terms and conditions were reportedly also tightened.

With respect to expectations of credit standards for the third quarter of 2003, the net percentage of banks expecting a tightening of credit standards declined to 19% in the July survey, from 39% in the April survey (see Table A, lower panel). In particular, banks expect a lower degree of tightening for small and medium-sized enterprises.

As regards loan demand by enterprises, banks continued to report a net overall decrease, regardless of the size of the enterprise. Overall, 25% of the respondents (net) indicated in the July survey that they had experienced weaker demand for loans or credit lines to enterprises over the past three months, down from 31% in the April survey (see

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

(percentages)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July	April	July	April	July	April	July	April	July	April
Decreased considerably	2	0	2	2	4	7	2	0	3	1
Decreased somewhat	33	41	30	34	25	34	20	18	38	41
Remained basically unchanged	54	48	52	47	57	45	61	67	47	29
Increased somewhat	10	10	16	16	12	15	16	14	10	28
Increased considerably	0	0	0	0	2	0	0	0	2	0
Total	100	100	100	100	100	100	100	100	100	100
<b>Net percentage<sup>1)</sup></b>	<b>-25</b>	<b>-31</b>	<b>-17</b>	<b>-19</b>	<b>-15</b>	<b>-26</b>	<b>-6</b>	<b>-4</b>	<b>-30</b>	<b>-14</b>
Number of banks responding	83	82	81	81	80	80	81	83	82	83

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”.

Table B). The net percentage indicating a decrease in the demand for loans or credit lines fell particularly strongly in the case of large enterprises.

Turning to loans to households, the net percentage indicating a tightening of credit standards for loans for house purchase was only 3% in the July survey, down from 14% in the April survey (see Table C, upper panel), and was also below earlier expectations of 8% for the second quarter of 2003 (see Chart, second section). As regards consumer credit and other loans to households, the net percentage of banks reporting a tightening of credit standards fell to 8% in the July survey, from 15% in the April survey and below earlier expectations of 14% for the second quarter (see Chart, third section).

For those banks that continued to report a net tightening, the factor that contributed most to the tightening of the credit standards applied to loans to households over the past three months were weak expectations for general economic activity, followed – in the case of loans for house purchase – by an assessment of deteriorating housing market prospects and – with respect to consumer and other loans to households – by a deterioration of the creditworthiness of consumers. At the same time, the factor pointing to an easing of credit conditions mostly reported by banks was increased competition from other banks and financial intermediaries.

Regarding expectations for the third quarter of 2003, the results of the July 2003 survey indicate that, on balance, banks expect a further overall tightening of the credit standards applied to the approval of loans to households (see Table C, lower panel).

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

(percentages)

	Loans for house purchase		Consumer credit and other lending	
	July	April	July	April
Decreased considerably	0	5	1	3
Decreased somewhat	14	18	18	24
Remained basically unchanged	44	35	58	47
Increased somewhat	30	33	21	20
Increased considerably	12	9	2	5
Total	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>29</b>	<b>19</b>	<b>5</b>	<b>-2</b>
Number of banks responding	80	80	78	78

1) See footnote to Table B.

**Table C: Changes in credit standards applied to households**

(percentages)

	Loans for house purchase		Consumer credit and other lending	
	July	April	July	April
<b>a) Over the past three months</b>				
Tightened considerably	1	0	0	0
Tightened somewhat	12	19	13	17
Remained basically unchanged	77	77	82	81
Eased somewhat	8	5	5	2
Eased considerably	2	0	0	0
Total	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>3</b>	<b>14</b>	<b>8</b>	<b>15</b>
Number of banks responding	80	80	78	77
<b>b) Over the next three months</b>				
Tighten considerably	0	2	0	1
Tighten somewhat	14	16	16	20
Remain basically unchanged	85	71	80	73
Ease somewhat	1	10	4	7
Ease considerably	0	0	0	0
Total	100	100	100	100
<b>Net percentage <sup>1)</sup></b>	<b>14</b>	<b>8</b>	<b>12</b>	<b>14</b>
Number of banks responding	80	80	78	78

1) See footnote to Table A.

At the same time, on the demand side, the July 2003 survey showed a net percentage of banks reporting an increase in the demand for loans for house purchase of 29%, compared with 19% in the April survey (see Table D). Furthermore, banks for the first time observed a slight increase in net terms in the demand for consumer credit and other loans to households over the same period.

Overall, while these results point to a degree of stabilisation in credit conditions, the results should be interpreted with a high degree of caution in view of the novelty of the survey. It will take some time and experience to assess the specific interpretation of these results and to judge the relationship between them and actual economic and financial developments.