

Box 1

THE RESULTS OF THE JANUARY 2004 BANK LENDING SURVEY FOR THE EURO AREA

The Eurosystem conducted its fifth bank lending survey at the beginning of January 2004. The survey provides information on supply and demand conditions in the euro area credit markets and is designed to complement existing statistics on bank interest rates and credit. This box contains the main results for the fourth quarter of 2003 and expectations for the first quarter of 2004, and compares them with those of the October 2003 survey.¹ In this respect, it has to be kept in mind that the questions are phrased in terms of changes over the past three months and expectations of changes over the next three months. The answers to these questions are then generally analysed by focusing on the difference (“net percentage”) between the share of banks reporting, for instance, that credit standards have been tightened and the share of banks reporting that these standards have been eased. Attention is thus paid both to the level of these net percentages and to changes over time.

The results of the January 2004 bank lending survey, which are based on the responses of all 86 banks in the sample, indicate a continued fall in the net percentage of banks reporting a tightening of corporate credit standards in the fourth quarter of 2003. At the same time, the net

¹ A more extensive report is published on the ECB's website.

Table A Changes in credit standards applied to enterprises and in demand for loans or credit lines to enterprises

(net percentages)

	Overall			Loans to small and medium-sized enterprises			Loans to large enterprises			Short-term loans			Long-term loans		
	Credit standards		Loan demand	Credit standards		Loan demand	Credit standards		Loan demand	Credit standards		Loan demand	Credit standards		Loan demand
	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months
January 2003	65	46	-31	59	40	-29	67	48	-24	47	31	-19	59	50	-22
April 2003	46	39	-31	31	35	-19	51	36	-26	32	29	-4	43	39	-14
July 2003	27	19	-25	30	14	-17	25	24	-15	19	5	-6	28	21	-30
October 2003	23	13	-17	20	11	-9	17	16	-20	16	14	-13	25	19	-11
January 2004	17	22	3	20	12	12	15	26	-5	10	11	2	17	26	7

Notes: For credit standards 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”. For loan demand it refers to 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”.

The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

percentage of banks reporting a tightening of the credit standards applied to the approval of loans to households remained low.

Enterprises

Looking at lending to enterprises in more detail, the net percentage of banks reporting a tightening of corporate credit standards continued to decline, falling from 23% in October 2003 to 17% in January 2004 (see Table A). This was broadly in line with what banks expected in October 2003 for the fourth quarter (see chart, left panel). The decline in the net percentage of banks reporting in January 2004 a tightening of credit standards was observed for all loan categories, except for loans to small and medium-sized enterprises.

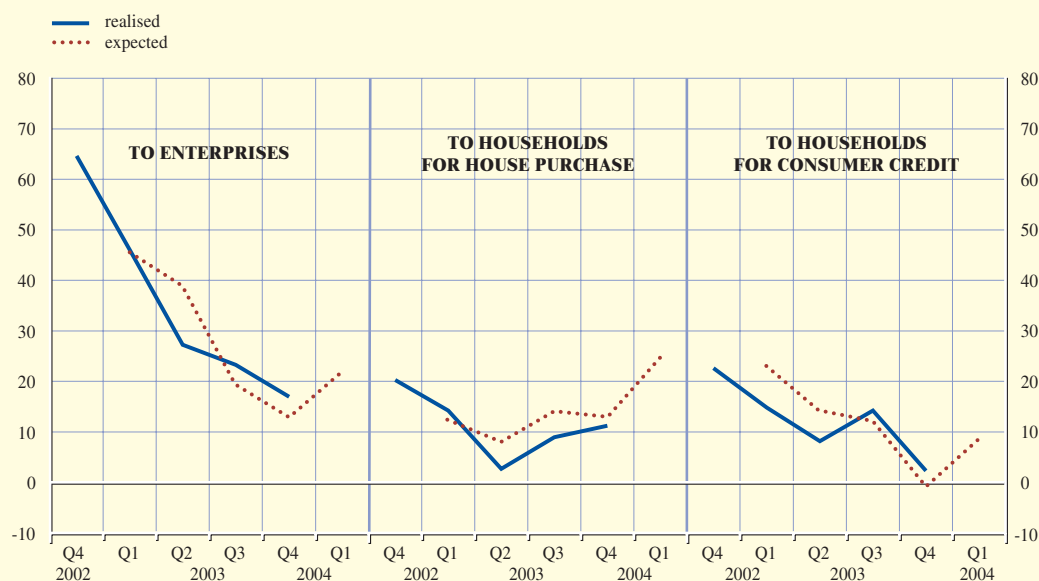
The factors cited as contributing most to the continued decrease in the net tightening of corporate credit standards in the fourth quarter of 2003 were significant falls in the risk perceptions related to general economic activity and to the industry or firm-specific outlook. The terms and conditions applying to the approval of loans or credit lines to enterprises that showed the sharpest fall in January 2004 compared with October 2003 were interest rate margins on both riskier as well as average loans and the size of the loan or credit line.

Turning to expectations about corporate credit standards for the first quarter of 2004, the net percentage of banks expecting a tightening of credit standards increased (see Table A). This result is somewhat surprising given the generally improving economic sentiment in the euro area.

As regards demand for loans or credit lines to enterprises, a net 3% of banks indicated in January 2004 that they had experienced stronger demand over the previous three months, whereas in October 2003 a net 17% of respondents had indicated weaker demand (see Table A). The main reasons given for the rise in corporate loan demand were financing needs related to

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

(net percentages)



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 first quarter of 2004 were reported by banks in the January 2004 survey.

The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

fixed investment, inventories and working capital, as well as to corporate restructuring and mergers and acquisitions. The rise in demand appeared particularly pronounced for small and medium-sized enterprises.

Households

With regard to households, a net 11% of banks reported a tightening of the credit standards applied to the approval of loans for house purchase in the fourth quarter of 2003 (see Table B). This is broadly unchanged from October 2003 and in line with expectations for the fourth quarter of 2003 as reported in the October survey (see chart, middle panel). Concerning the credit standards applied to consumer credit and other loans to households, on a net basis, 2% of the responding banks reported in January 2004 a tightening during the fourth quarter of 2003 (down from 14% in October 2003). This is in line with what was expected for the fourth quarter in the previous survey (see chart, right panel).

The broadly unchanged net tightening of credit standards on loans for house purchase in the fourth quarter of 2003 reflected on the one hand a slightly higher risk perception related to housing markets and on the other hand an improvement in expectations regarding general economic activity. In addition to the latter factor, a reported fall in risk perception related to the

Table B Changes in credit standards applied to households and in demand for loans to households

(net percentages)

	Loans for house purchase			Consumer credit and other lending		
	Credit standards		Loan demand	Credit standards		Loan demand
	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months
January 2003	20	12	29	22	23	-8
April 2003	14	8	19	15	14	-2
July 2003	3	14	29	8	12	5
October 2003	9	13	31	14	-1	-7
January 2004	11	25	23	2	8	-14

Notes: For credit standards 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”. For loan demand it refers to 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”.

The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

creditworthiness of consumers contributed to the decrease in the net tightening of consumer credit standards.

Looking at expectations for the first quarter of 2004, banks reported an anticipated slight increase in the net tightening of credit standards applied to loans for house purchase and consumer credit (see Table B).

As regards loan demand from households, the January 2004 survey showed that on a net basis less banks reported a slightly lower increase in the demand for loans for house purchase (23%, down from 31% in October 2003) (see Table B). The banks reported on a net basis a larger decrease in the demand for consumer credit and other loans to households in January 2004 than in October 2003.