

Box 1

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

This box describes the main results of the April 2004 bank lending survey for the euro area conducted by the Eurosystem. The survey, which is based on a sample of 85 banks, provides information on supply and demand conditions in the euro area credit markets. The survey questions are phrased in terms of changes over the past three months (in this case, the first quarter of 2004) or expectations of changes over the next three months (i.e. the second quarter of 2004). The answers to these questions are 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.

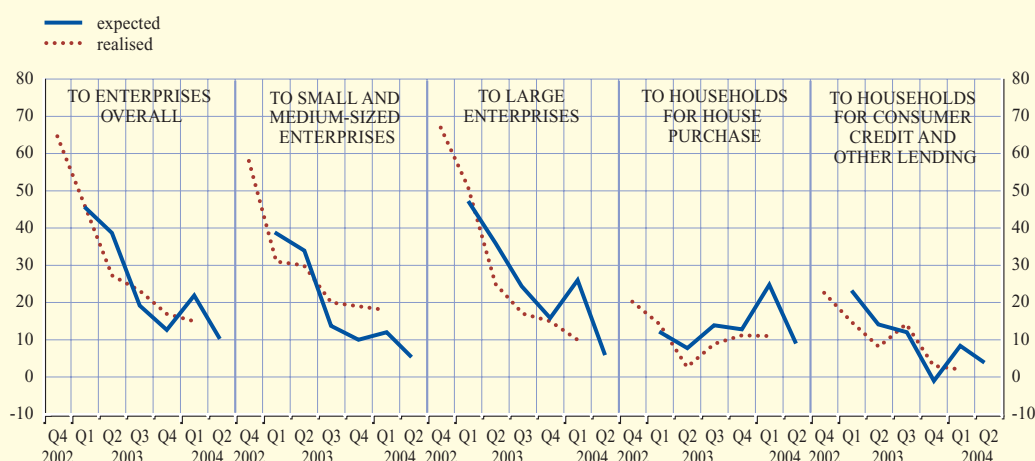
Overall, the results of the April 2004 survey show a stabilisation in the net percentages of banks indicating a tightening of credit standards over the past three months.

Loans or credit lines to enterprises

In net terms, 15% of the banks reported in April 2004 a tightening of credit standards for loans or credit lines to enterprises for the first quarter of 2004. This net percentage was lower than in the fourth quarter of 2003 (17%) and lower than what banks had expected in January 2004 for

Chart Changes in credit standards applied to the approval of loans or credit lines

(net percentage)



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 second quarter of 2004 were reported by banks in the April 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.

the first quarter of 2004 (22%) (see the chart above and Table A). In April the net percentage of reporting banks indicating a tightening remained slightly higher for loans to small and medium-sized enterprises than for loans to large enterprises. Banks reported that the factor contributing most to the continuing overall net tightening of credit standards in the first quarter of 2004 was the lack of further improvement in the macroeconomic outlook. The industry or firm-specific outlook, on the other hand, was regarded as contributing less to this net tightening.

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			
	Credit standards		Loan demand		Credit standards		Loan demand		Credit standards		Loan demand	
	Past three months	Next three months	Past three months	Next three months	Past three months	Next three months	Past three months	Next three months	Past three months	Next three months	Past three months	Next three months
April 2003	46	39	-31	-8	31	35	-19	3	51	36	-26	-9
July 2003	27	19	-25	-4	30	14	-17	-5	25	24	-15	-11
October 2003	23	13	-17	17	20	11	-9	23	17	16	-20	12
January 2004	17	22	3	33	20	12	12	39	15	26	-5	26
April 2004	15	10	-19	25	18	5	-9	34	10	6	-12	13

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.

As regards demand for loans or credit lines to enterprises, a net 19% of the banks reported in April a decrease over the past three months, which was significantly lower than the net 33% of banks that expected in January an increase for the first quarter of 2004. The fall in the net percentage for corporate loan demand between the fourth quarter of 2003 and the first quarter of 2004 was more pronounced for small and medium-sized enterprises than for large enterprises. The main reason given for the fall in corporate loan demand was the decline in financing needs related to debt restructuring (i.e. refinancing needs were smaller). The net percentage of banks reporting that financing needs related to fixed investment contributed to lower demand remained unchanged.

With regard to expectations for the second quarter of 2004, a lower net percentage of reporting banks relative to the outcome for the first quarter expected in April 2004 a further tightening of their credit standards applied to the approval of loans or credit lines to enterprises. At the same time, banks expected in April stronger overall corporate loan demand in the second quarter of 2004 than had been realised in the first quarter.

Loans to households for house purchase

On a net basis, 11% of banks reported a tightening of credit standards applied to the approval of housing loans in the first quarter of 2004. This net percentage was unchanged from the fourth quarter of 2003 and lower than had been expected for the first quarter of 2004 in the January 2004 survey (see the chart and Table B). The continued overall net tightening of credit standards applied to loans to households for house purchase reflected perceptions of risks related to housing market prospects and to general economic activity.

Looking at demand, the April 2004 survey showed that, in net terms, a lower percentage of banks reported an increase in the demand for loans for house purchase than in January 2004 (3% versus 23%). The fall in housing loan demand seems to be partly related to changes in housing subsidies in Germany. The fall was less pronounced than had been expected in January.

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	Next three months	Past three months	Next three months	Past three months	Next three months
April 2003	14	8	19	-10	15	14	-2	3
July 2003	3	14	29	-3	8	12	5	0
October 2003	9	13	31	16	14	-1	-7	19
January 2004	11	25	23	-21	2	8	-14	18
April 2004	11	9	3	1	2	3	10	13

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.

Turning to expectations for the second quarter of 2004, the net tightening of credit standards was expected to remain broadly unchanged for loans for house purchase (at 9%) compared with the tightening in net terms for the first quarter reported in April. The reporting banks also expected in April 2004 broadly unchanged demand for housing loans over the next three months compared with the realised net percentage in April.

Loans to households for consumer credit and other lending

In net terms, 2% of the responding banks reported a tightening of credit standards for loans to households for consumer credit and other lending in April 2004, unchanged from January and lower than had been expected for the first quarter in January 2004 (see the chart and Table B). Banks reported in April on a net basis that expectations about general economic activity contributed to a decrease in the tightening of credit standards, while a slight deterioration in their perception of the creditworthiness of consumers had the opposite effect.

On the demand side, the net percentage of banks reporting an increase in the demand for consumer credit and other lending to households rose sharply in April, to 10%, up from -14% in January. This increase seems to be related to an improved assessment regarding spending on durable goods and consumer confidence.

As regards expectations for the second quarter of 2004, the tightening of credit standards was expected to remain broadly unchanged for consumer credit (at 3% in net terms) compared with the realised net percentage for the first quarter of 2004 reported in April. In April 2004 the reporting banks also expected in net terms broadly unchanged increases in the demand for consumer credit over the next three months compared with the realised demand for the first quarter indicated in the April survey.