



EUROPEAN CENTRAL BANK

EUROSYSTEM

The euro area bank lending survey

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Introduction

The results reported in the January 2023 bank lending survey (BLS) relate to changes observed during the fourth quarter of 2022 and expectations for the first quarter of 2023. The survey was conducted between 12 December 2022 and 10 January 2023. A total of 151 banks were surveyed in this round, with a response rate of 99%. In addition to results for the euro area as a whole, this report also contains results for the four largest euro area countries.¹

A number of ad hoc questions were included in the January 2023 survey. They address the impact of the situation in financial markets on banks' access to retail and wholesale funding, the impact of regulatory and supervisory requirements on banks' lending policies, the impact of banks' non-performing loan (NPL) ratios on their lending policies and the change in bank lending conditions and loan demand across the main economic sectors.

¹ The four largest euro area countries in terms of GDP are Germany, France, Italy and Spain. From the April 2022 BLS onwards, banks are asked about additional factors having an impact on the terms and conditions for loans to firms and on credit standards for loans to households, as well as about the developments – across firm sizes – in the factors having an impact on loan demand and the share of rejected loan applications. In addition, since the January 2022 BLS onwards, the aggregation of banks' replies to the euro area results has been based on unweighted national results for all countries.

1 Overview of results

In the January 2023 BLS, euro area banks reported a substantial further tightening of credit standards for loans or credit lines to enterprises in the fourth quarter of 2022, i.e. the percentage of banks reporting a tightening of credit standards was substantially larger than the percentage of banks reporting an easing. Risks related to the economic outlook, industry or firm-specific situation and banks' risk tolerance continued to have a tightening impact on credit standards. Banks' cost of funds and balance sheet situation also continued to have a tightening impact on credit standards for loans to firms, which was somewhat smaller for costs related to capital and market financing and slightly larger for the liquidity position of banks than in the previous quarter. In the first quarter of 2023, euro area banks expect a net tightening of a similar magnitude to the current quarter.

Firms' net demand for loans declined, corresponding to the recently observed moderation in loan flows to non-financial corporations. The decline in net demand was stronger than expected by banks in the previous quarter. Banks indicated a significantly negative contribution of the rising general level of interest rates to loan demand. In addition, fixed investment had a stronger dampening impact while inventories and working capital needs had a smaller positive impact on loan demand, compared with the previous quarter. In the first quarter of 2023, banks expect a further net decline in demand for loans to firms.

Banks reported a strong net tightening of credit standards for housing loans and for consumer credit. The primary driver was higher risk perceptions and there was also a tightening contribution from the cost of funds and balance sheet constraints, and decreasing risk tolerance, alongside a slight tightening impact from competition for housing loans. The decrease in loan demand by households for house purchase was the strongest recorded since the beginning of the survey in 2003. Demand also decreased at a lesser but still strong pace in net terms for consumer credit. The general level of interest rates, lower consumer confidence and housing market prospects all contributed negatively to demand for loans for house purchase. The general level of interest rates and lower consumer confidence also contributed to a net decrease in consumer credit demand alongside an increasingly negative contribution from lower demand for durables. In the first quarter of 2023, banks expect another net tightening of credit standards for all lending to households and a strong net decrease in housing loan and consumer credit.

In more detail, euro area banks reported a substantial further tightening of their credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans or credit lines to enterprises in the fourth quarter of 2022 (net percentage of banks of 26%, after 19% in Q3 2022; see Overview table). The net tightening of credit standards was broadly in line with banks' expectations from the previous quarter. Looking at developments from a historical perspective, the net tightening of credit standards was the largest reported since the euro area sovereign debt crisis (net percentage of 35% reached in Q4 2011). Risks related to the economic outlook, industry or firm-

specific situation and banks' declining risk tolerance continued to have a tightening impact on credit standards of similar magnitudes to the previous quarter. Banks' cost of funds and balance sheet situation also continued to have a tightening impact on credit standards for loans to euro area firms. The tightening contribution in this quarter compared with the previous one was somewhat smaller for costs related to capital and market financing and slightly larger for the liquidity position of banks, which corresponds to the substantial early repayments of central bank liquidity made in the fourth quarter, following the recalibration of the conditions of the third series of targeted longer-term refinancing operations (TLTRO III). In the first quarter of 2023, euro area banks expect a net tightening of similar magnitudes to the current quarter (24%).

Euro area banks reported a strong net tightening of credit standards for housing loans (net percentage of banks of 21%, after 32% in Q3 2022; see Overview table), and a substantial but less pronounced net tightening for consumer credit and other lending to households (17%, after 21%). In both cases the tightening was smaller than anticipated in the previous quarter (net percentage of 32% and 20% respectively). The net tightening for housing loans was driven mainly by higher risk perceptions. Banks' cost of funds and balance sheet constraints as well as lower risk tolerance had a moderate tightening impact, while competition had a slight tightening impact. For consumer credit, increased risk perceptions mainly contributed to the net tightening, while decreased risk tolerance and the overall cost of funds and balance sheet constraints had a slight tightening impact. Banks expect credit standards to tighten for both housing loans (16%) and for consumer credit (15%) in the first quarter of 2023.

Banks' overall terms and conditions (i.e. actual terms and conditions agreed in the loan contract) for new loans to enterprises tightened substantially (net percentage of 39%, after 19%). The widening of margins on both average (net percentage of 21%) and riskier loans (net percentage of 20%) had a significant tightening effect, while collateral requirements and other terms and conditions had a more moderate contribution. Banks also reported a net tightening of overall terms and conditions for both housing loans (net percentage of 29%, after 24%), and consumer credit and other lending to households (20%, after 22%). In contrast to the previous quarter, when loan margins narrowed on both loans for house purchase and consumer credit (despite the net tightening of terms and conditions), loan margins widened across both categories of lending, pointing in part to a more pronounced pass-through of policy rate increases.

Banks reported a net increase in the share of rejected applications for loans to firms (net percentage of 12%, after 8%). For housing loans, banks reported a lower but still strong net increase in the share of rejected applications compared with the previous quarter (25%, after 31%). The share of rejected applications also increased in net terms for consumer credit (20%, after 13%).

Credit standards for loans to enterprises tightened in net terms in all four largest euro area countries in the fourth quarter of 2022 (see Overview table). Credit standards for housing loans also tightened across all four largest euro area countries, while

credit standards for consumer credit and other lending to households were unchanged in Italy and tightened in Germany, Spain and France.

Firms' net demand for loans decreased in the fourth quarter of 2022 (net percentage of -11%, after 13% in Q3 2022; see Overview table). This is the first decline in net demand since the beginning of 2021 and is more pronounced in comparison with banks' expectations from the previous quarter. The reported net decline is consistent with the lower realised loan flows to non-financial corporations observed in the latest available data for the fourth quarter of 2022. Banks indicated a significant negative contribution of the rising general level of interest rates to loan demand (net percentage of -26%). In addition, fixed investment had a further strong dampening impact on loan demand (net percentage of -25%). While sentiment indicators such as the Purchasing Managers' Index (PMI) showed some improvement in business activity for December, a slowdown in investment is still expected in the coming months. As firms continue to face elevated energy and production costs, banks also reported a positive impact of inventories and working capital needs (net percentage of 16%) on demand for loan to firms, although its contribution was smaller than in the previous two quarters, which likely reflects the gradual easing of supply bottlenecks. Loan demand decreased in net terms for small and medium-sized enterprises (SMEs) and large firms, and for long-term loans, while it remained broadly unchanged for short-term loans. In the first quarter of 2023, banks expect a further net decline in demand for loans to firms (net percentage of -15%), due to a significant decrease in demand for long-term loans, while the demand for short-term loans is expected to increase to a small extent.

Net demand by households for housing loans decreased at its largest rate on record (net percentage of -74%, after -42% in Q3 2022; see Overview table). Demand for consumer credit also decreased strongly, albeit to a lesser extent than for housing loans in net terms (net percentage of -29%, after -11%, see Overview table). The net decrease in housing loan demand was mainly driven by the general level of interest rates (net percentage of -77%), consumer confidence (-54%) and housing market prospects (-50%). This highlights a strong negative impact of recent interest rate increases on housing loan demand, coupled with declining consumer confidence. The net decrease in demand for consumer credit was also mainly driven by the general level of interest rates (net percentage of -37%) and lower consumer confidence (-34%), while consumption of durables had a more pronounced negative contribution compared with the previous quarter (-26% after -6%). For the first quarter of 2023, banks expect net declines in the demand for housing loans (-49%) and for consumer credit (-20%).

Banks reported on balance a net decrease in demand for loans to enterprises in Germany, while loan demand increased in Spain and France and was unchanged in Italy in the fourth quarter of 2022. Net demand for both housing loans and consumer credit decreased in all four largest euro area countries. In particular, banks in Germany and France reported a very large net decrease in demand for loans for house purchase (-93% and -90% respectively).

Overview table

Latest BLS results for the largest euro area countries

(net percentages of banks reporting a tightening of credit standards or an increase in loan demand)

Country	Enterprises						House purchase						Consumer credit					
	Credit standards			Demand			Credit standards			Demand			Credit standards			Demand		
	Q3 22	Q4 22	Avg.	Q3 22	Q4 22	Avg.	Q3 22	Q4 22	Avg.	Q3 22	Q4 22	Avg.	Q3 22	Q4 22	Avg.	Q3 22	Q4 22	Avg.
Euro area	19	26	8	13	-11	1	32	21	6	-42	-74	3	21	17	4	-11	-29	0
Germany	19	19	4	3	-32	7	39	29	3	-71	-93	8	37	25	0	-23	-46	8
Spain	25	33	9	-8	8	-5	40	20	14	-30	-20	-8	33	33	9	-8	-17	-7
France	8	42	5	50	8	-3	42	10	3	-17	-90	6	0	14	-2	7	-36	-1
Italy	36	27	11	9	0	7	9	18	1	-18	-45	12	8	0	4	-31	-31	11

Notes: "Avg." refers to historical averages, which are calculated over the period since the beginning of the survey, excluding the most recent round. Owing to the different sample sizes across countries, which broadly reflect the differences in the national shares in lending to the euro area non-financial private sector, the size and volatility of the net percentages cannot be directly compared across countries.

The January 2023 BLS also contained a number of ad hoc questions. Euro area banks reported that their access to retail funding and securitisation deteriorated moderately in the fourth quarter of 2022, while access to debt securities and money markets improved to a small extent. In the first quarter of 2023, banks expect a deterioration in access to all funding sources.

Euro area banks reported a strengthening of their capital position in 2022 in response to new regulatory or supervisory requirements, although to a smaller extent than in 2021. At the euro area level, supervisory or regulatory action had a net tightening impact on banks' credit standards across all loan categories in 2022, to a larger extent than previously reported. Looking ahead to 2023, euro area banks expect that regulatory or supervisory action will support their capital positions and will lead to a further tightening impact for credit standards and credit margins across all loan categories.

In the second half of 2022, euro area banks' NPL ratios had a broadly neutral impact on credit standards for loans to enterprises and households. They had a slight tightening impact on terms and conditions for loans to enterprises, and a broadly neutral impact on terms and conditions for loans to households. Over the next six months, euro area banks expect NPL ratios to have a tightening impact on credit standards and terms and conditions for loans to enterprises, housing loans and consumer credit, albeit to varying degrees of magnitude. Pressure related to supervisory or regulatory requirements, access to market financing and banks' liquidity positions contributed towards an easing impact of NPL ratios on lending conditions in the second half of 2022, although costs of capital and lower risk tolerance had a tightening impact through NPL ratios.

Euro area banks indicated a more pronounced net tightening of credit standards for new loans to enterprises across all the main economic sectors in the second half of 2022. These developments are in line with the substantial net tightening of credit standards for loans to firms in the third and fourth quarters of 2022. Over the next six months, euro area banks expect a net tightening of credit standards across all main

sectors of economic activity. Banks reported a net decrease in the demand for loans or credit lines across all main economic sectors, while in energy-intensive manufacturing there was a small increase in demand. Over the next six months, euro area banks expect a more pronounced decline in net demand in the real estate and construction sectors, while the decline is expected to be more moderate in manufacturing, services and retail and wholesale trade.

Box 1

General notes

The bank lending survey (BLS) is addressed to senior loan officers at a representative sample of euro area banks. In the current round, 151 banks were surveyed, representing all euro area countries and reflecting the characteristics of their respective national banking structures. The main purpose of the BLS is to enhance the Eurosystem's knowledge of bank lending conditions in the euro area.²

BLS questionnaire

The BLS questionnaire contains 22 standard questions on past and expected future developments: 18 backward-looking questions and four forward-looking questions. In addition, it contains one open-ended question. Those questions focus on developments in loans to euro area residents (i.e. domestic and euro area cross-border loans) and distinguish between three loan categories: loans or credit lines to enterprises; loans to households for house purchase; and consumer credit and other lending to households. For all three categories, questions are asked about the credit standards applied to the approval of loans, the terms and conditions of new loans, loan demand, the factors affecting loan supply and demand conditions, and the percentage of loan applications that are rejected. Survey questions are generally phrased in terms of changes over the past three months or expected changes over the next three months. Survey participants are asked to indicate in a qualitative way the strength of any tightening or easing or the strength of any decrease or increase, reporting changes using the following five-point scale: (1) tightened/decreased considerably, (2) tightened/decreased somewhat, (3) basically no change, (4) eased/increased somewhat, or (5) eased/increased considerably.

In addition to the standard questions, the BLS questionnaire may contain ad hoc questions on specific topics of interest. Whereas the standard questions cover a three-month time period, the ad hoc questions tend to refer to changes over a longer time period (e.g. over the past and next six months).

Aggregation of banks' replies to national and euro area BLS results

The responses of the individual banks participating in the BLS are aggregated in two steps to form the euro area results. In the first step, the responses of individual banks are aggregated to national results for the euro area countries. In the second step, the national BLS results are aggregated to euro area BLS results.

² For more detailed information on the bank lending survey, see the article entitled "A bank lending survey for the euro area", *Monthly Bulletin*, ECB, April 2003; Köhler-Ulbrich, P., Hempell, H. and Scopel, S., "The euro area bank lending survey", *Occasional Paper Series*, No 179, ECB, 2016; and Burlon, L., Dimou, M., Drahonsky, A. and Köhler-Ulbrich, P., "What does the bank lending survey tell us about credit conditions for euro area firms?", *Economic Bulletin*, Issue 8, ECB, December 2019.

In the first step, banks' replies are aggregated to national BLS results for all countries by applying equal weights to all banks in the sample.³ For two countries (Malta and Slovakia), national results are additionally aggregated by applying a weighting scheme based on the amounts outstanding of loans to non-financial corporations and households of the individual banks in the respective national samples.

In the second step, since the numbers of banks in the national samples differ considerably and do not always reflect those countries' respective shares in lending to euro area non-financial corporations and households, the unweighted national survey results of all countries are aggregated to euro area BLS results by applying a weighting scheme based on the national shares of outstanding loans to euro area non-financial corporations and households.

BLS indicators

Responses to questions relating to credit standards are analysed in this report by looking at the difference (the "net percentage") between the percentage of banks reporting that credit standards applied in the approval of loans have been tightened and the percentage of banks reporting that they have been eased. For all questions, the net percentage is determined on the basis of all participating banks that have business in or exposure to the respective loan categories (i.e. they are all included in the denominator when calculating the net percentage). This means that banks that specialise in certain loan categories (e.g. banks that only grant loans to enterprises) are only included in the aggregation for those categories. All other participating banks are included in the aggregation of all questions, even if a bank replies that a question is "not applicable" ("NA"). This harmonised aggregation method was introduced by the Eurosystem in the April 2018 BLS. It has been applied to all euro area and national BLS results in the current BLS questionnaire, including backdata.⁴ The resulting revisions for the standard BLS questions have generally been small, but revisions for some ad hoc questions have been larger owing to a higher number of "not applicable" replies by banks.

A positive net percentage indicates that a larger proportion of banks have tightened credit standards ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards ("net easing").

Likewise, the term "net demand" refers to the difference between the percentage of banks reporting an increase in loan demand (i.e. an increase in bank loan financing needs) and the percentage of banks reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks have reported a decline in loan demand.

In the assessment of survey balances for the euro area, net percentages between -1 and +1 are generally referred to as "broadly unchanged". For country results, net percentage changes are reported in a factual manner, as differing sample sizes across countries mean that the answers of individual banks have differing impacts on the magnitude of net percentage changes.

³ To ensure a good representation of national bank lending markets, the selected sample banks are generally of a similar size or have lending behaviour that is typical of a larger group of banks.

⁴ The non-harmonised historical data differ from the harmonised data mainly as a result of heterogeneous treatment of "NA" (Not Applicable) replies and specialised banks across questions and countries. Non-harmonised historical BLS data are published for discontinued BLS questions and ad hoc questions.

In addition to the “net percentage” indicator, the ECB also publishes an alternative measure of banks’ responses to questions relating to changes in credit standards and net demand. This measure is the weighted difference (“diffusion index”) between the percentage of banks reporting that credit standards have been tightened and the percentage of banks reporting that they have been eased. Likewise, as regards demand for loans, the diffusion index refers to the weighted difference between the percentage of banks reporting an increase in loan demand and the percentage of banks reporting a decline. The diffusion index is constructed in the following way: lenders who have answered “considerably” are given a weight (score of 1) which is twice as large as that given to lenders who have answered “somewhat” (score of 0.5). The interpretation of the diffusion indices follows the same logic as the interpretation of net percentages.

Detailed tables and charts based on the responses provided can be found in Annex 1 for the standard questions and Annex 2 for the ad hoc questions. In addition, BLS time series data are available on the ECB’s website via the Statistical Data Warehouse.

A copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys can all be found on the [ECB's website](#).

2 Developments in credit standards, terms and conditions, and net demand for loans in the euro area

2.1 Loans to enterprises

2.1.1 Credit standards for loans to enterprises tightened substantially

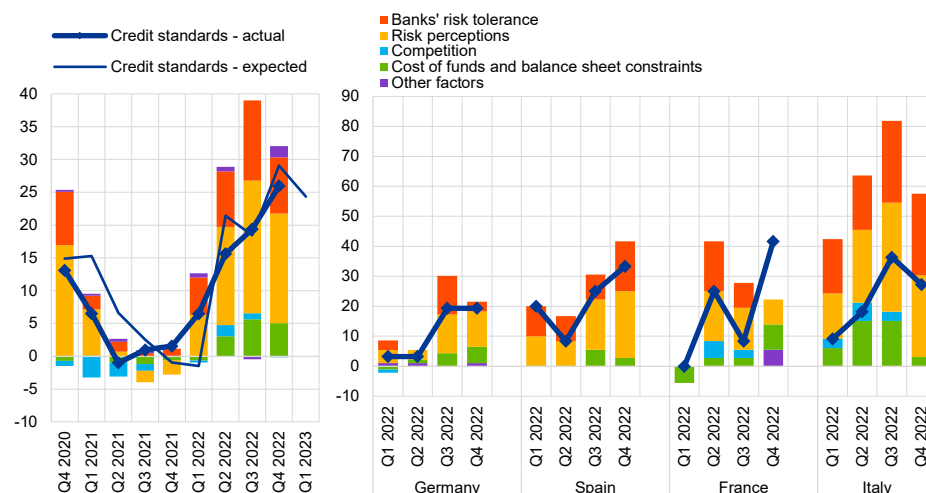
Euro area banks reported a substantial further tightening of credit standards for loans or credit lines to enterprises in the fourth quarter of 2022, i.e. the percentage of banks reporting a tightening of credit standards was substantially larger than the percentage of banks reporting an easing (net percentage of banks of 26%, after 19% in the third quarter of 2022; see Chart 1 and Overview table). The net tightening of credit standards was broadly in line with banks' expectations from the previous quarter. Looking at developments from a historical perspective, the net tightening of credit standards was the largest reported since the euro area sovereign debt crisis (net percentage of 35% reached in Q4 2011). Credit standards tightened to the same extent for loans to SMEs (21%, after 19%) and for loans to large firms (21%, after 17%; see Chart 2). At the same time, the tightening was stronger for long-term loans (26%, after 20%) than for short-term loans (18%, after 15%).

Risks related to the economic outlook, industry or firm-specific situation and banks' declining risk tolerance continued to have the largest tightening impact on credit standards (see Chart 1 and Table 1). In addition, risks related to the collateral demanded had a small tightening impact on credit standards for loans to enterprises. Banks' cost of funds and balance sheet conditions also had a tightening impact on credit standards for loans to euro area firms. Compared with the previous quarter, this was somewhat smaller for costs related to capital and market financing and slightly larger for the liquidity position of banks, which corresponds to substantial repayments of central bank liquidity in the fourth quarter, following the recalibration of the conditions of the third series of targeted longer-term refinancing operations (TLTRO III). Banks' cost of funds and balance sheet constraints had a tightening impact for loans to both SMEs and large firms.

Chart 1

Changes in credit standards applied to the approval of loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting a tightening of credit standards and contributing factors)

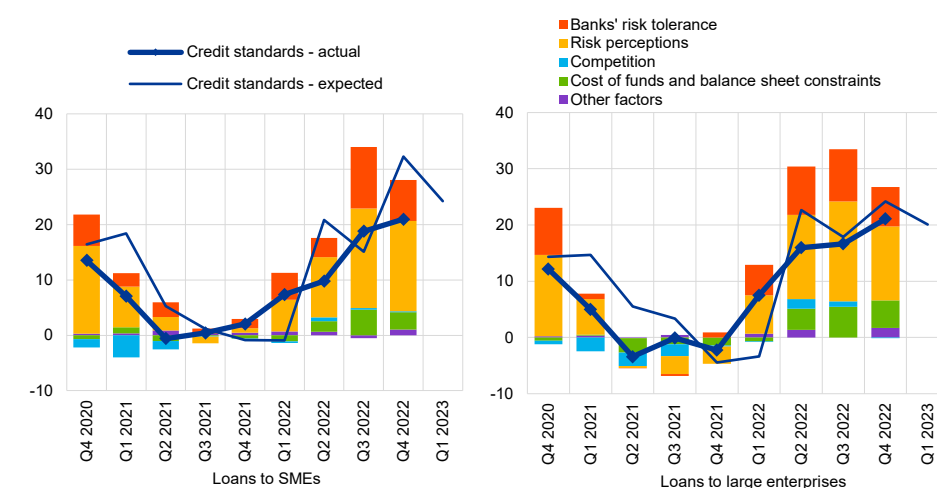


Notes: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentages for responses to questions related to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is the unweighted average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position"; "risk perceptions" is the unweighted average of "general economic situation and outlook", "industry or firm-specific situation and outlook/borrower's creditworthiness" and "risk related to the collateral demanded"; "competition" is the unweighted average of "competition from other banks", "competition from non-banks" and "competition from market financing". The net percentages for "other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards.

Chart 2

Changes in credit standards applied to the approval of loans or credit lines to SMEs and large enterprises, and contributing factors

(net percentages of banks reporting a tightening of credit standards and contributing factors)



Note: See the notes to Chart 1.

Credit standards for loans to enterprises tightened across all four largest euro area countries, driven mainly by banks' higher perceived risks. In addition, banks in Germany, Spain and Italy reported a tightening impact of their risk tolerance on credit

standards for loans to firms. Costs of funds and balance sheet conditions had a tightening impact across all four largest euro area countries, driven by banks' capital position in Germany and Italy, the ability to access market financing in Spain and banks' liquidity position in France.

In the first quarter of 2023, euro area banks expect a net tightening of credit standards for loans to firms of a similar magnitude to the current quarter (24%). Banks expect a net tightening both for loans to SMEs (net percentage of 24%) and large enterprises (net percentage of 20%).

Table 1
Factors contributing to changes in credit standards for loans or credit lines to enterprises

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	6	5	1	0	20	17	12	9
Germany	4	5	0	0	13	12	13	3
Spain	6	3	0	0	17	22	8	17
France	3	8	3	0	14	8	8	0
Italy	15	3	3	0	36	27	27	27

Note: See the notes to Chart 1.

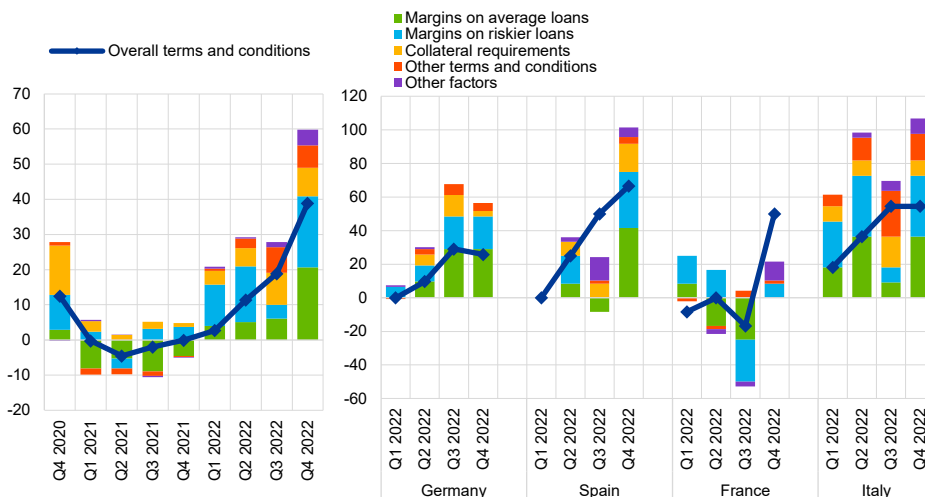
2.1.2 Terms and conditions on loans to enterprises tightened substantially

Banks' overall terms and conditions (i.e. the actual terms and conditions agreed in the loan contract) for new loans to enterprises tightened substantially in the fourth quarter of 2022 (net percentage of 39%, after 19%; see Chart 3 and Table 2). Tighter terms and conditions are confirmed by the steep rise in aggregate cost of borrowing for firms for the latest available data for the fourth quarter of 2022. The tightening in terms and conditions was mainly due to a widening of margins (defined as the spread over relevant market reference rates) on both average (net percentage of 21%) and riskier (net percentage of 20%) loans, which was much more pronounced than in the previous quarter. Collateral requirements (net percentage of 8%) and other terms and conditions also had a tightening impact on firms' overall terms and conditions. Banks reported a strong net tightening of overall terms and conditions both for loans to SMEs and large firms, owing mostly to the widening of margins on average and riskier loans (see Chart 4). Collateral requirements and other terms and conditions also had a tightening impact on overall terms and conditions across both loan categories.

Chart 3

Changes in terms and conditions on loans or credit lines to enterprises

(net percentages of banks reporting a tightening of terms and conditions)

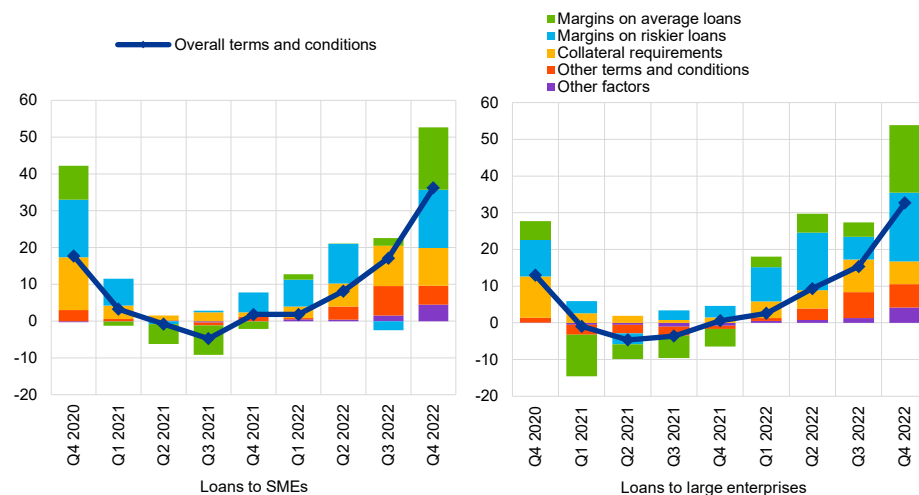


Notes: "Margins" are defined as the spread over relevant market reference rates. "Other terms and conditions" is the unweighted average of "non-interest rate charges", "size of the loan or credit line", "loan covenants" and "maturity". The net percentages for "other factors" refer to further factors which were mentioned by banks as having contributed to changes in terms and conditions.

Chart 4

Changes in terms and conditions on loans or credit lines to SMEs and large enterprises

(net percentages of banks reporting a tightening of terms and conditions)



Note: See the notes to Chart 3.

Banks' higher risk perceptions, decreased risk tolerance and increased funding costs and balance sheet constraints were the main drivers of the net tightening in overall terms and conditions for loans to firms in the fourth quarter of 2022 (see Table 3). Risk perceptions related to the economic outlook and the creditworthiness of firms had a large tightening impact on terms and conditions, whereas the impact of the collateral demanded was more moderate. Banks indicated a further tightening effect of cost of funds and balance sheet constraints related to access to market financing, their capital costs and their liquidity positions. Competition had a small tightening

impact on overall terms and conditions, related to competition from market financing and competition from non-banks.

Table 2
Changes in terms and conditions on loans or credit lines to enterprises

(net percentages of banks)

Country	Overall terms and conditions		Banks' margins on average loans		Banks' margins on riskier loans	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	19	39	6	21	4	20
Germany	29	26	29	29	19	19
Spain	50	67	-8	42	0	33
France	-17	50	-25	0	-25	8
Italy	55	55	9	36	9	36

Note: See the notes to Chart 3.

Table 3
Factors contributing to changes in overall terms and conditions on loans or credit lines to enterprises

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	11	13	-2	3	22	21	12	8
Germany	8	10	0	1	22	22	16	3
Spain	14	11	-6	-3	19	39	8	17
France	6	28	-6	11	11	6	8	0
Italy	24	15	0	3	39	27	18	18

Notes: The net percentages for these questions relating to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing. See the notes to Chart 1.

In all four largest euro area countries, overall terms and conditions tightened on loans or credit lines to enterprises. Costs of funds and risk perceptions had a tightening impact on overall terms and conditions across all four largest economies. At the same time, banks' risk tolerance had a tightening impact in Germany, Spain and Italy and a neutral impact in France. Competition related to market financing and non-banks had a tightening impact on overall terms and conditions in France and Italy. Banks in France indicated a widening of margins on average loans while margins were unchanged for riskier loans. Margins widened for both average and riskier loans in Germany, Spain and Italy.

2.1.3 Rejection rate for loans to enterprises increased

Euro area banks reported a net increase in the share of rejected applications for loans to firms (net percentage of 12%, after 8% in the previous quarter). This development is consistent with a further tightening of credit standards, which makes

banks more likely to reject loan applications. The net increase in the share of rejected loan applications was similar for loans to SMEs (net percentage of 11%, after 8%) and for loans to large firms (net percentage of 10%, after 9%).

Across the largest euro area countries, banks reported that in net terms the share of rejected loan applications increased in all four largest euro area countries. This was driven by an increase in the share of rejected applications both for SMEs and large firms in Germany and Spain, whereas in France and Italy the rejection rate increased for loans to large enterprises and remained unchanged for loans to SMEs.

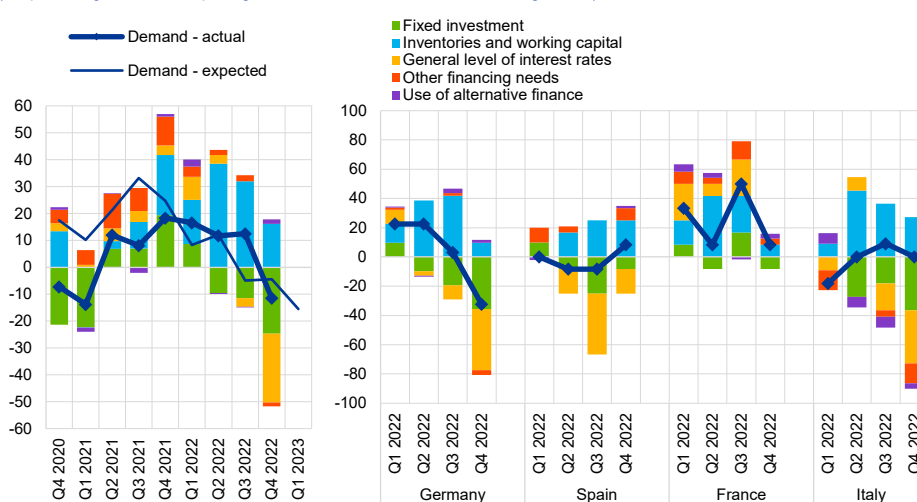
2.1.4 Net demand for loans to enterprises decreased

According to euro area banks, firms' net demand for loans decreased in the fourth quarter of 2022 (net percentage of -11%, after 13% in Q3 2022; see Chart 5). This is the first net decline in demand since the beginning of 2021 and is more pronounced compared with banks' expectations from the previous quarter. The reported net decline is consistent with the lower realised loan flows to non-financial corporations observed in the available data for the fourth quarter of 2022. Loan demand decreased in net terms for SMEs (net percentage of -17%, see Chart 6) and large firms (net percentage of -11%) as well as for long-term loans (net percentage of -19%), while it remained broadly unchanged for short-term loans (net percentage of -1%).

Chart 5

Changes in demand for loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)

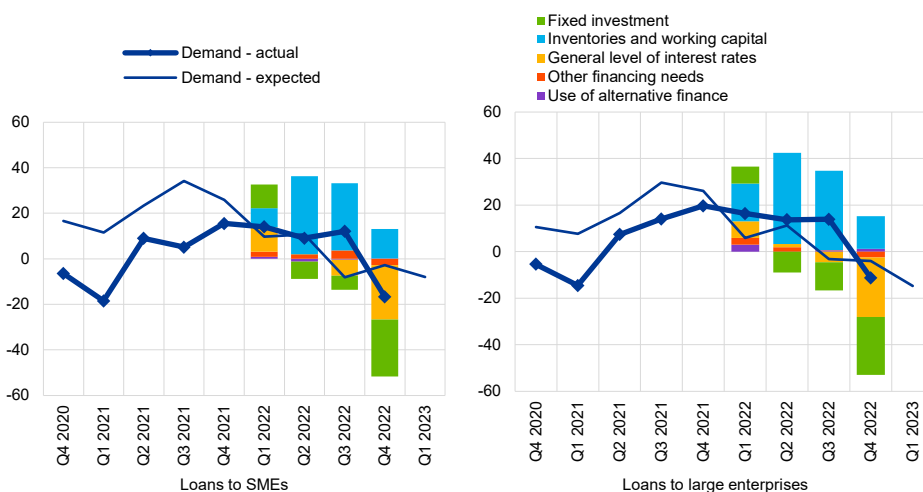


Notes: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". The net percentages for responses to questions relating to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to increasing demand and the percentage reporting that it contributed to decreasing demand. "Other financing needs" is the unweighted average of "mergers/acquisitions and corporate restructuring" and "debt refinancing/restructuring and renegotiation"; "use of alternative finance" is the unweighted average of "internal financing", "loans from other banks", "loans from non-banks", "issuance/redemption of debt securities" and "issuance/redemption of equity".

Chart 6

Changes in demand for loans or credit lines to SMEs and large enterprises, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Note: See the notes to Chart 5. Developments in the factors having an impact on loan demand across firm sizes were added in the April 2022 survey round.

Banks indicated a significant negative contribution of the rising general level of interest rates to loan demand (net percentage of -24%, see Chart 5 and Table 4). In addition, fixed investment had a further dampening impact on loan demand (net percentage -25%). While sentiment indicators such as the Purchasing Managers' Index (PMI) showed some improvement in business activity for December, a slowdown in investment is still expected in the coming months. As firms continue to face elevated energy and production costs, banks also reported a positive impact of inventories and working capital needs (net percentage of 16%) on demand for loan to firms. However, its contribution was smaller than in the previous two quarters, which likely reflects the gradual easing of supply bottlenecks in the last quarter of 2022, as captured by changes in the PMI delivery times indicator. The use of alternative financing related to debt security issuance and loans from non-banks had a positive impact (net percentage of 5% and 3% respectively) on loan demand, indicating that with the increase in market rates, banks substituted away from alternative sources of financing towards bank loans. In addition, other financing needs related to mergers and acquisitions (net percentage of -6%) had a dampening impact on demand, while debt restructuring (net percentage of 3%) supported loan demand to a small extent. For both SMEs and large firms, the general level of interest rates and firms' financing needs related to fixed investment had a dampening impact on demand, while inventories and working capital had a positive, but smaller contribution as compared with the previous quarter (see Chart 6). In addition, other financing needs related to mergers and acquisitions had a dampening impact on loan demand for both SMEs and large firms.

Table 4**Factors contributing to changes in demand for loans or credit lines to enterprises**

(net percentages of banks)

Country	Fixed investment		Inventories and working capital		Other financing needs		General level of interest rates		Use of alternative finance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	-11	-25	32	16	2	-1	-3	-26	0	2
Germany	-19	-35	42	10	2	-3	-10	-42	3	2
Spain	-25	-8	25	25	0	8	-42	-17	0	2
France	17	-8	25	8	13	4	25	0	-2	3
Italy	-18	-36	36	27	-5	-14	-18	-36	-7	-4

Note: See the notes to Chart 5.

In the largest euro area countries, banks reported a net decrease in demand for loans to firms in Germany, while loan demand increased in Spain and France and was unchanged in Italy. The general level of interest rates had a negative effect on loan demand in Germany, Spain and Italy, and a neutral effect in France. Financing needs related to fixed investment had a negative contribution to demand across all four large countries, while financing needs related to inventories and working capital had a positive impact on loan demand. Banks in France and Spain indicated that other financing needs related to debt refinancing and restructuring had a positive impact on loan demand, while other financing needs related to mergers and acquisitions (M&A) had a negative impact on loan demand in Germany and Italy. In Italy, other financing needs related to debt refinancing and restructuring also had a dampening impact on loan demand. In Germany, Spain and France, the positive impact of the alternative sources of financing on loan demand was related to debt security issuance. In addition, internal financing in Germany and loans from non-banks in France also had a positive impact on loan demand. In Italy, the negative impact of alternative financing was driven by internal financing and loans from non-banks.

In the first quarter of 2023, banks expect a further net decline in demand for loans to firms (net percentage of -15%), due to a significant decrease in demand for long-term loans (net percentage of -29%). At the same time, the demand for short-term loans is expected to increase to a small extent (net percentage of 5%). Net demand for loans to large firms is expected to decrease more significantly (net percentage of -15%) in comparison with the fall in net demand expected for loans to SMEs (net percentage of -8%).

2.2 Loans to households for house purchase

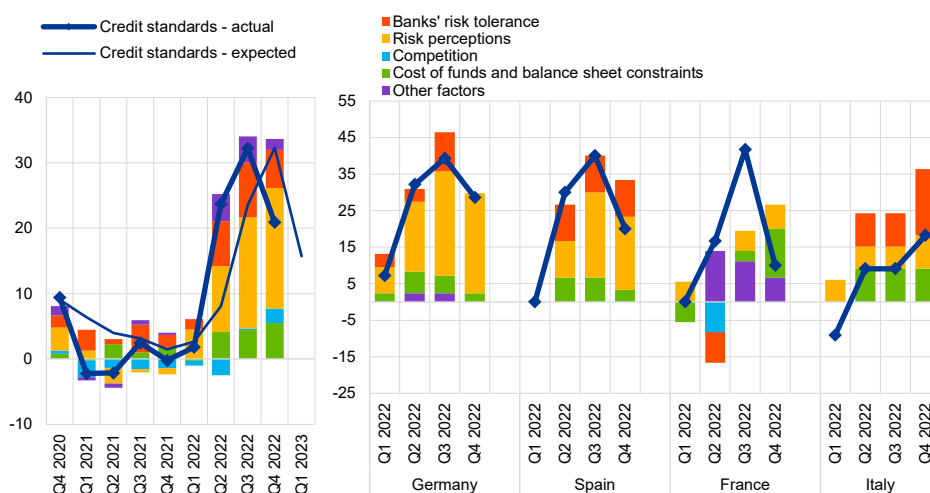
2.2.1 Credit standards for loans to households for house purchase tightened strongly

In the fourth quarter of 2022, euro area banks reported a strong net tightening of credit standards for loans to households for house purchase (net percentage of banks at 21%, after 32% in 2022 Q2; see Chart 7 and Overview table), which, however, was less pronounced than expected in the previous quarter (32%).

Chart 7

Changes in credit standards applied to the approval of loans to households for house purchase, and contributing factors

(net percentages of banks reporting a tightening of credit standards, and contributing factors)



Notes: See the notes to Chart 1. "Cost of funds and balance sheet constraints" is the unweighted average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position"; "Risk perceptions" is the unweighted average of "general economic situation and outlook", "housing market prospects, including expected house price developments" and "borrower's creditworthiness"; "competition" is the unweighted average of "competition from other banks" and "competition from non-banks". The net percentages for "other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards.

Banks' increased risk perceptions primarily drove the observed tightening, while lower risk tolerance and higher cost of funds and balance sheet constraints contributed moderately to the net tightening (see Chart 7 and Table 5). Banks reported a similar tightening impact from increased risk perceptions compared with the previous quarter, stemming from concerns regarding the general economic outlook, borrower creditworthiness and housing market prospects. This marks the fourth consecutive quarter of both risk perceptions and risk tolerance having a tightening impact. There was also a moderate tightening impact from banks' cost of funds and balance sheet constraints. Other country-specific factors also contributed

moderately to the net tightening.⁵ At the same time, pressure from competition from other banks had a slight tightening impact.

Across all four largest euro area countries, credit standards for loans to households for house purchase tightened in net terms. Some banks in France noted that the usury rate (a maximum interest rate on loans) had contributed towards a tightening.⁶ Across all four largest euro area countries, increased risk perceptions and banks' cost of funds and balance sheet constraints had a tightening impact, while competition had a neutral impact. Decreased risk tolerance had a tightening impact in Spain and Italy, but a neutral effect in Germany and France.

In the first quarter of 2023, euro area banks again expect a net tightening of credit standards on loans to households for house purchase (net percentage of 16%).

Table 5
Factors contributing to changes in credit standards for loans to households for house purchase

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	4	5	0	2	17	18	8	6
Germany	5	2	0	0	29	27	11	0
Spain	7	3	0	0	23	20	10	10
France	3	13	0	0	6	7	0	0
Italy	9	9	0	0	6	9	9	18

Note: See the notes to Chart 7.

2.2.2 Terms and conditions on loans to households for house purchase tightened strongly

Banks reported a strong net tightening of overall terms and conditions for housing loans in the fourth quarter of 2022, reflecting the substantial increase in euro area mortgage interest rates since the beginning of 2022 (net percentage of 29%, after 24% in the previous quarter; see Chart 8 and Table 6). The net tightening is primarily driven by widening margins on both average and riskier loans. This contrasts with previous quarters, in which loan margins narrowed due to relevant market reference rates rising faster than interest rates charged on housing loans. In addition, there was a net tightening of loan-to-value (LTV) ratios and a moderate net tightening of other loan size limits (part of other terms and conditions in Chart 8, left-hand side) alongside a slight moderate tightening contribution from increased collateral

⁵ In France, the usury rate (taux d'usure) was reported to be affecting credit standards. This is set quarterly by the Banque de France and is effective from the first day of a given quarter. It sets a legal limit on the level of interest that can be charged on a list of different categories of loans in order to protect borrowers from being charged excessive rates. The current list of usury rates can be found under this [link](#).

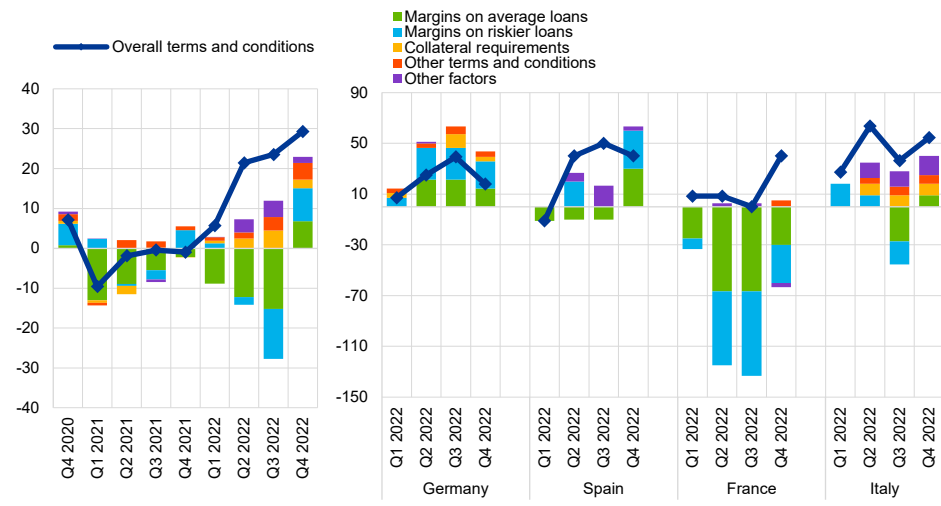
⁶ See footnote 5 above.

requirements and loan maturity limits. Non-interest rate charges were broadly unchanged.

Chart 8

Changes in terms and conditions on loans to households for house purchase

(net percentages of banks reporting a tightening of terms and conditions)



Notes: "Margins" are defined as the spread over relevant market reference rates. "Other terms and conditions" is the unweighted average of "loan-to-value ratio", "other loan size limits", "non-interest rate charges" and "maturity". The net percentages for "other factors" refer to further factors which were mentioned by banks as having contributed to changes in terms and conditions.

Table 6

Changes in terms and conditions on loans to households for house purchase

(net percentages of banks)

Country	Overall terms and conditions		Banks' margins on average loans		Banks' margins on riskier loans	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	24	29	-15	7	-13	8
Germany	39	18	21	14	25	21
Spain	50	40	-10	30	0	30
France	0	40	-67	-30	-67	-30
Italy	36	55	-27	9	-18	0

Note: See the notes to Chart 8.

Banks' higher cost of funds and balance sheet constraints as well as increased risk perceptions made the strongest contributions to the net tightening of overall terms and conditions, alongside a smaller contribution from decreasing risk tolerance (see Table 7). Higher market interest rates are feeding into banks' cost of funds, while increased risk perceptions and lower risk tolerance reflect broader economic risks. Competition had a broadly neutral impact on terms and conditions.

In all four largest euro area economies, overall terms and conditions for housing loans tightened in net terms. However, loan margins continued to contract in France on both average and riskier loans because the interest rate on loans had not risen as quickly as market reference rates, in part owing to the usury rate (see footnote 5). Loan margins widened for both average and riskier loans in Germany and Spain, while loan margins widened for average loans in Italy, but were unchanged for riskier

loans. German banks also reported a tightening of LTV ratios, loan maturities, non-interest rate charges and other loan size limits. French and Italian banks both reported tighter LTV ratios and other loan size limits, while Italian banks also reported tighter loan maturity limits. Banks in all four largest euro area countries reported that cost of funds and balance sheet constraints had a net tightening effect. Higher risk perceptions and a lower risk tolerance had a tightening impact in Germany, Italy and Spain and no impact in France, while pressure from competition had an easing impact in Spain, and no impact in the other three largest economies.

Table 7
Factors contributing to changes in overall terms and conditions on loans to households for house purchase

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	18	21	-3	1	16	15	8	8
Germany	11	7	4	0	32	14	14	4
Spain	40	30	-10	-10	10	30	0	20
France	17	40	-8	0	0	0	0	0
Italy	36	36	-9	0	27	27	18	18

Note: The net percentages for these questions relating to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing.

2.2.3 Rejection rate for housing loans increased markedly

In the fourth quarter of 2022, euro area banks reported a marked net increase in the share of rejected formal and informal applications for housing loans, which, however, was lower than in the previous quarter (25%, after 31%). This reflects the tightening of credit standards and the pressure on households' debt servicing capacity from the higher cost of living and rising interest rates. The share of rejected loan applications increased in all four largest euro area countries.

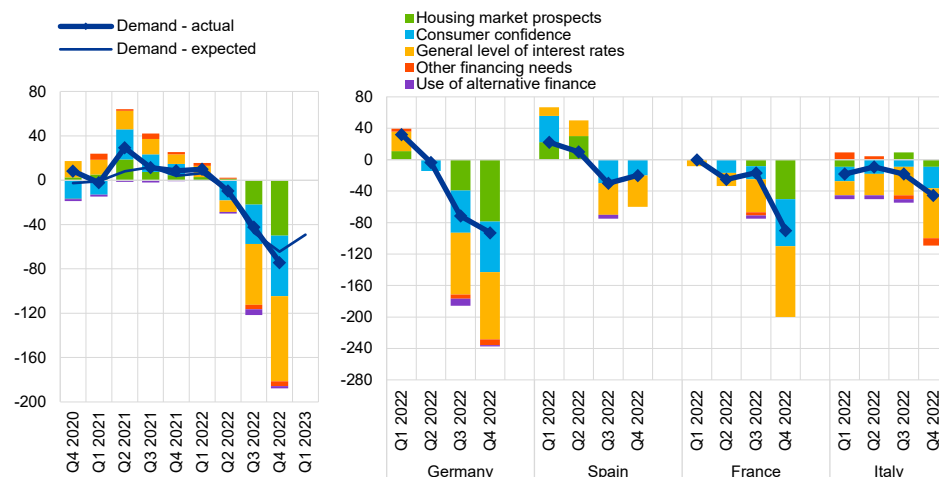
2.2.4 Net demand for housing loans decreased substantially

Banks reported a substantial decrease in net demand for housing loans (net percentage of banks of -74%, after -42% in the third quarter of 2022; see Chart 9 and Overview table), which is the largest recorded decrease since the beginning of the survey.

Chart 9

Changes in demand for loans to households for house purchase, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Notes: See the notes to Chart 5. "Other financing needs" is the unweighted average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets"; "use of alternative finance" is the unweighted average of "internal finance of house purchase out of savings/down payment", "loans from other banks" and "other sources of external finance".

Rising interest rates, declining consumer confidence and housing market prospects all contributed strongly towards this substantial fall in demand (see Chart 9 and Table 8). Together, these factors reflect the current environment of lower consumer confidence and economic slowdown, alongside increasing interest rates in response to high inflation. Additionally, this marks the second consecutive quarter in which housing market prospects contributed negatively to demand, for the first time since 2013. This is consistent with the recently observed slowdown in the rate of growth of house prices in the euro area. Other financing needs and the use of alternative finance also had a smaller negative contribution to demand.

Banks in all four largest euro area countries reported a net decrease in demand for housing loans. The fall was particularly pronounced in Germany and France, where the net percentage of banks reporting a decrease was 93% and 90% respectively. Declining consumer confidence and the general level of interest rates had a strong downward impact across all four countries. Housing market prospects had a noteworthy negative effect on demand in France and Germany, a smaller negative impact in Italy and no impact in Spain.

In the first quarter of 2023, banks expect another strong net decline in the demand for housing loans (net percentage of banks of -49%).

Table 8**Factors contributing to changes in demand for loans to households for house purchase**

(net percentages of banks)

Country	Housing market prospects		Consumer confidence		Other financing needs		General level of interest rates		Use of alternative finance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	-22	-50	-36	-54	-4	-4	-55	-77	-5	-2
Germany	-39	-79	-54	-64	-5	-7	-79	-86	-8	-1
Spain	0	0	-30	-20	0	0	-40	-40	-3	0
France	-8	-50	-17	-60	-4	0	-42	-90	-3	0
Italy	9	-9	-9	-27	-5	-9	-36	-64	-6	0

Note: See the notes to Chart 9.

2.3 Consumer credit and other lending to households

2.3.1 Credit standards for consumer credit and other lending to households tightened substantially

Banks reported a substantial net tightening of credit standards on consumer credit and other lending to households in the fourth quarter of 2022 (net percentage of 17% after 21% in 2022 Q3; see Chart 10 and Overview table). This is slightly less than expected in the previous quarter (20%).

Banks' increased risk perceptions mainly contributed to the net tightening of credit standards (see Chart 10 and Table 9). This was mostly related to perceptions regarding the economic outlook and the creditworthiness of consumers, although the risk related to the collateral demanded also had a moderate tightening effect. Decreased risk tolerance and banks' cost of funds and balance sheet conditions had a smaller tightening effect while competition had a broadly neutral effect.

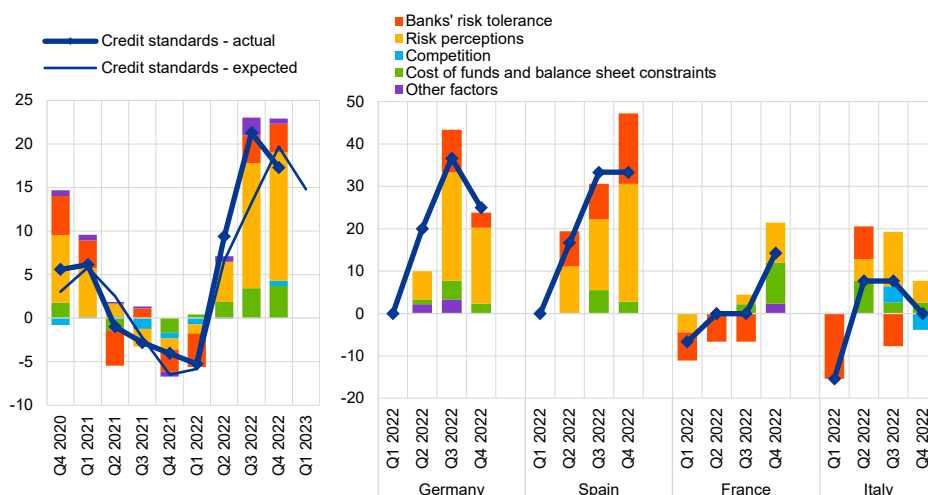
Across the largest euro area countries, credit standards for consumer credit and other lending to households tightened in net terms in Germany, Spain and France, and were unchanged on balance in Italy. Increased risk perceptions and the cost of funds and balance sheet constraints had a tightening impact in all the largest countries. Changes in risk tolerance contributed towards the tightening observed in Spain and Germany but had no impact in France and Italy. Italian banks reported a small easing effect owing to competition.

In the first quarter of 2023, euro area banks again expect a net tightening of credit standards for consumer credit and other lending to households (net percentage of 15%).

Chart 10

Changes in credit standards applied to the approval of consumer credit and other lending to households, and contributing factors

(net percentages of banks reporting a tightening of credit standards, and contributing factors)



Notes: See the notes to Chart 1. “Cost of funds and balance sheet constraints” is the unweighted average of “banks’ capital and the costs related to banks’ capital position”, “access to market financing” and “liquidity position”; “Risk perceptions” is the unweighted average of “general economic situation and outlook”, “creditworthiness of consumers” and “risk on the collateral demanded”; “competition” is the unweighted average of “competition from other banks” and “competition from non-banks”. The net percentages for “other factors” refer to further factors which were mentioned by banks as having contributed to changes in credit standards.

Table 9

Factors contributing to changes in credit standards for consumer credit and other lending to households

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	3	4	0	1	14	15	3	3
Germany	4	2	0	0	26	18	10	4
Spain	6	3	0	0	17	28	8	17
France	2	10	0	0	2	10	-7	0
Italy	3	3	4	-4	13	5	-8	0

Note: See the notes to Chart 10.

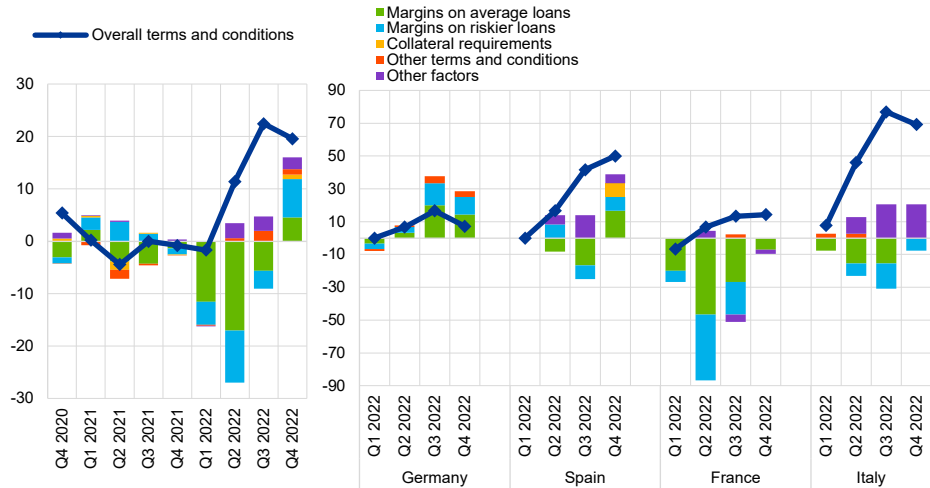
2.3.2 Terms and conditions on consumer credit and other lending to households tightened

Banks’ overall terms and conditions applied when granting consumer credit and other lending to households tightened in net terms (net percentage of 20%, after 22% in the previous quarter; see Chart 11 and Table 10). In contrast to the previous quarter, margins on both average and riskier loans widened.

Chart 11

Changes in terms and conditions on consumer credit and other lending to households

(net percentages of banks reporting a tightening of terms and conditions)



Notes: "Margins" are defined as the spread over a relevant market reference rate. "Other terms and conditions" is the unweighted average of "size of the loan", "non-interest rate charges" and "maturity". The net percentages for "other factors" refer to further factors which were mentioned by banks as having contributed to changes in terms and conditions.

Banks' cost of funds and balance sheet conditions contributed most to the net tightening of terms and conditions (net percentage of 17%, see Table 11). Increased risk perceptions and declining risk tolerance also had a tightening impact on overall terms and conditions, while competition had a slight easing impact.

Across all four largest euro area countries, overall terms and conditions for consumer credit and other lending to households tightened in net terms. Despite the tightening of overall terms and conditions, loan margins narrowed on average loans in France and on riskier loans in Italy, while loan margins widened in Germany and Spain for both average and riskier loans. Across all four countries, cost of funds and balance sheet conditions had a tightening impact, while increased risk perceptions had a tightening impact in Germany, Spain and France, but a neutral impact in Italy. Pressure from competition had an easing impact in Spain and Germany and a tightening impact in Italy. Banks' risk tolerance had a tightening impact in Germany and Spain but a neutral impact in France and Italy.

Table 10**Changes in terms and conditions on consumer credit and other lending to households**

(net percentages of banks)

Country	Overall terms and conditions		Banks' margins on average loans		Banks' margins on riskier loans	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	22	20	-6	5	-3	7
Germany	17	7	20	14	13	11
Spain	42	50	-17	17	-8	8
France	13	14	-27	-7	-20	0
Italy	77	69	-15	0	-15	-8

Note: See the notes to Chart 11.

Table 11**Factors contributing to changes in overall terms and conditions on consumer credit and other lending to households**

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	29	17	-2	-2	11	11	2	5
Germany	10	4	0	-7	17	14	10	7
Spain	42	33	-25	-17	0	33	0	17
France	33	21	0	0	13	7	-7	0
Italy	69	62	8	8	8	0	0	0

Note: The net percentages for these questions relating to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing.

2.3.3 Rejection rate for consumer credit and other lending to households increased

Euro area banks reported a net increase in the share of rejected formal and informal applications for consumer credit and other lending to households (20%, after 13% in the previous survey round). Across the largest euro area countries, the rejection rate increased on balance in Germany, France and Italy, but was unchanged in Spain.

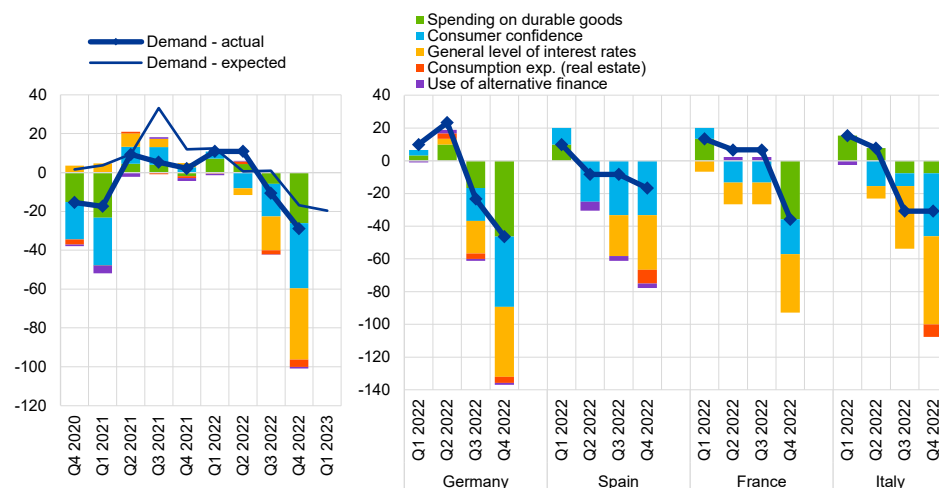
2.3.4 Net demand for consumer credit and other lending to households decreased strongly

In the fourth quarter of 2022, banks reported a strong net decrease in demand for consumer credit and other lending to households (net percentage of banks at -29%, after -11% in the previous quarter; see Chart 12 and Overview table). This decline was greater than prior expectations (-17%).

Chart 12

Changes in demand for consumer credit and other lending to households, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Notes: See the notes to Chart 5. “Use of alternative finance” is the unweighted average of “internal financing out of savings”, “loans from other banks” and “other sources of external finance”. “Consumption exp. (real estate)” denotes “consumption expenditure financed through real estate-guaranteed loans”.

The general level of interest rates, declining consumer confidence and lower consumption of durables primarily contributed towards this net fall in demand (see Chart 12 and Table 12). All three factors contributed more towards the fall in demand than in the previous quarter.

Across all four largest euro area countries, a net decrease in demand was reported. The general level of interest rates and lower consumer confidence contributed negatively towards demand in all four countries, while consumption of durables had a negative impact in Germany, France and Italy.

In the first quarter of 2023, banks expect demand for consumer credit and other lending to households to decrease (net percentage of -20%).

Table 12

Factors contributing to changes in demand for consumer credit and other lending to households

(net percentages of banks)

Country	Spending on durable goods		Consumer confidence		Consumption exp. (real estate)		General level of interest rates		Use of alternative finance	
	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022
Euro area	-6	-26	-17	-34	-2	-4	-17	-37	0	-1
Germany	-17	-46	-20	-43	-3	-4	-20	-43	-1	-1
Spain	0	0	-33	-33	0	-8	-25	-33	-3	-3
France	0	-36	-13	-21	0	0	-13	-36	2	0
Italy	-8	-8	-8	-38	0	-8	-38	-54	0	0

Note: See the notes to Chart 12.

3 Ad hoc questions

3.1 Banks' access to retail and wholesale funding

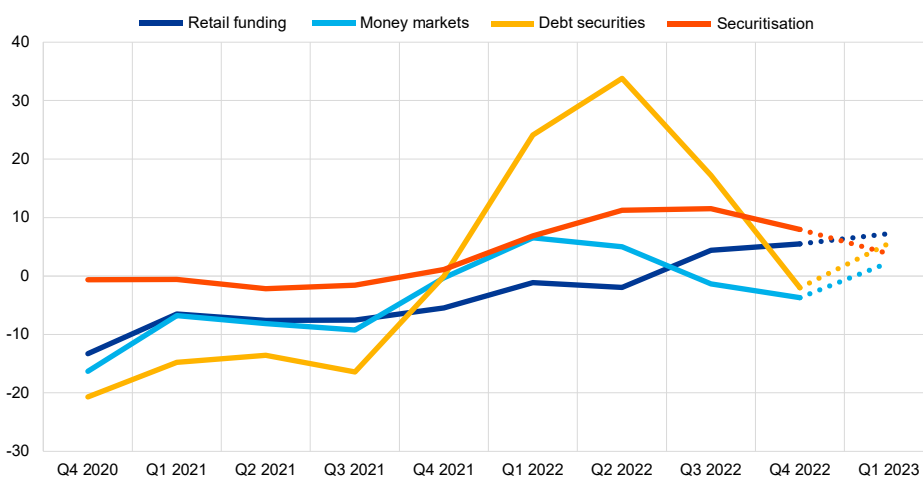
The January 2023 survey included a question asking banks to assess the extent to which the situation in financial markets affected their access to retail and wholesale funding.

In the fourth quarter of 2022, banks reported that their access to retail funding and securitisation deteriorated moderately (see Chart 13 and Table 13). The deterioration in access to retail funding is in line with the increase in deposit rates up to November (the last available data point). Access to debt securities and money markets improved to a small extent. For money markets, this was solely driven by a small improvement in access to very short-term money markets. For debt securities, access to short-term securities improved somewhat, while access to medium-to-long-term debt securities deteriorated slightly. In addition, this contrasts with the strong deterioration in access to debt securities reported in recent quarters.

Chart 13

Banks' assessment of funding conditions and the ability to transfer credit risk off the balance sheet

(net percentages of banks reporting a deterioration in market access)



Note: The net percentages are defined as the difference between the sum of the percentages of banks responding "deteriorated considerably" and "deteriorated somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The last period denotes expectations indicated by banks in the current round.

Table 13

Banks' assessment of funding conditions and the ability to transfer credit risk off the balance sheet

(net percentages of banks reporting a deterioration in market access)

	Retail funding	Interbank unsecured money market	Wholesale debt securities	Securitisation
Q3 2022	4	0	17	11
Q4 2022	5	-2	-2	8

Note: See the notes to Chart 13.

In the first quarter of 2023 euro area banks expect, on balance, a generally moderate deterioration in their access to both retail and market funding, reflecting expectations of further increases in the ECB's key policy interest rates.

3.2 Banks' adjustment to regulatory and supervisory action

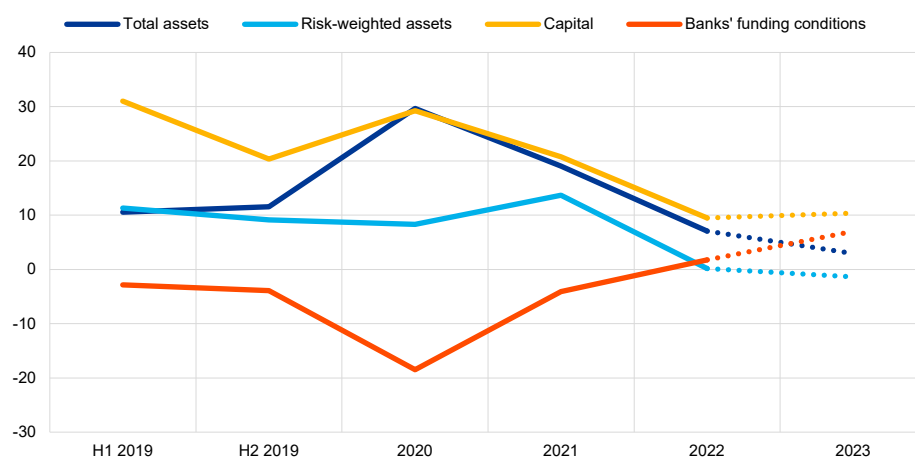
The January 2023 BLS questionnaire included an annual⁷ ad hoc question to assess the extent to which new regulatory or supervisory requirements affected banks' lending policies via the potential impact on their capital, leverage, liquidity position or provisioning and the credit conditions that they apply to loans. These new requirements cover regulatory or supervisory action that has been implemented recently or that is expected to be implemented in the near future. Furthermore, banks were also asked to indicate the effects on their funding conditions.

⁷ Until the January 2020 BLS, this question referred to the changes over the past/next six months. As of the January 2021 BLS, it refers to the changes over the past/next 12 months.

Chart 14

Impact of regulatory or supervisory action on banks' risk-weighted assets, capital and funding conditions

(net percentages of banks)



Notes: For "total assets", "risk-weighted assets" and "capital", the net percentages are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". For "banks' funding conditions", the net percentages are defined as the difference between the sum of the percentages of banks responding "experienced a considerable tightening" and "experienced a moderate tightening" and the sum of the percentages for "experienced a moderate easing" and "experienced a considerable easing". The last period denotes expectations indicated by banks in the current round.

Euro area banks reported a strengthening of their capital position in 2022 in response to new regulatory or supervisory requirements (see Chart 14 and Table 14), albeit to a lesser extent than in 2021. Developments in banks' capital position were driven more by retained earnings than by capital issuance. Banks indicated that regulatory or supervisory measures had a positive impact on banks' total assets, while liquid assets remained broadly unchanged. Risk-weighted assets remained broadly unchanged in the context of regulatory and supervisory requirements, explained by unchanged average loans. At the same time, banks indicated that regulatory or supervisory action had a small tightening impact on their funding conditions.

Table 14

Impact of regulatory or supervisory action on banks' risk-weighted assets, capital and funding conditions

(net percentages)

	Total assets		Risk-weighted assets			Capital			Impact on banks' funding conditions
	Total	Liquid assets	Total	Average loans	Riskier loans	Total	Retained earnings	Capital issuance	
2021	19	19	14	15	2	21	19	9	-4
2022	7	1	0	1	-4	9	10	2	2

Note: See the notes to Chart 14.

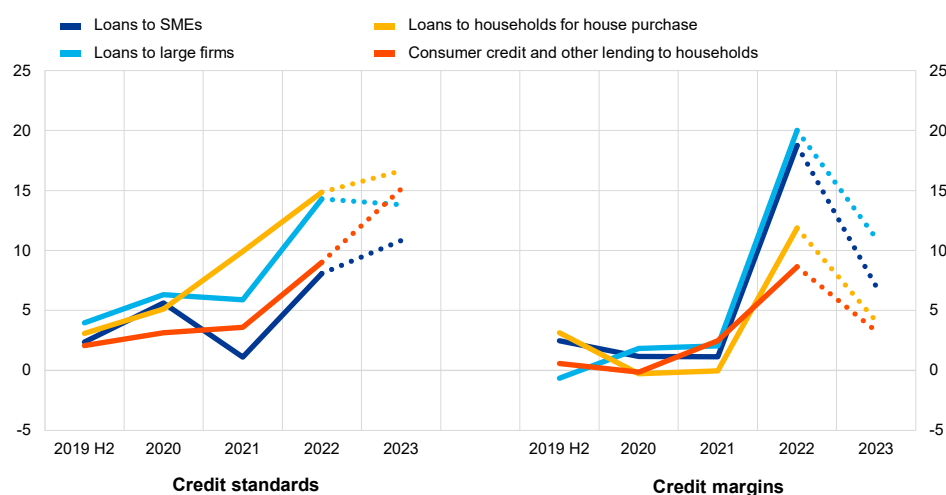
Supervisory or regulatory action had a net tightening impact on banks' credit standards and credit margins across all loan categories in 2022 (see Chart 15 and

Table 15). The net tightening impact was stronger across all loan categories than in the previous two years.

Chart 15

Contribution of regulatory or supervisory action to the tightening of banks' credit standards and margins

(net percentages of banks)



Notes: The net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The last period denotes expectations indicated by banks in the current round.

Looking ahead to 2023, euro area banks expect regulatory or supervisory action to support their capital positions and lead to a small increase in their total assets while they expect a broadly unchanged impact on their risk-weighted assets. In addition, for their funding conditions, banks expect a net tightening impact, stronger than the impact for 2022. Banks also expect regulatory or supervisory action will have a tightening impact for credit standards and credit margins across all loan categories.

Table 15

Contribution of regulatory or supervisory action to the tightening of banks' credit standards and margins

(net percentages)

	Impact of regulatory or supervisory action on the tightening of:			
	credit standards		credit margins	
	2021	2022	2021	2022
Impact on loans and credit lines to SMEs	1	8	1	19
Impact on loans and credit lines to large enterprises	6	14	2	20
Impact on loans to households for house purchase	10	15	0	12
Impact on consumer credit and other lending to households	4	9	2	9

Note: See the notes to Chart 15.

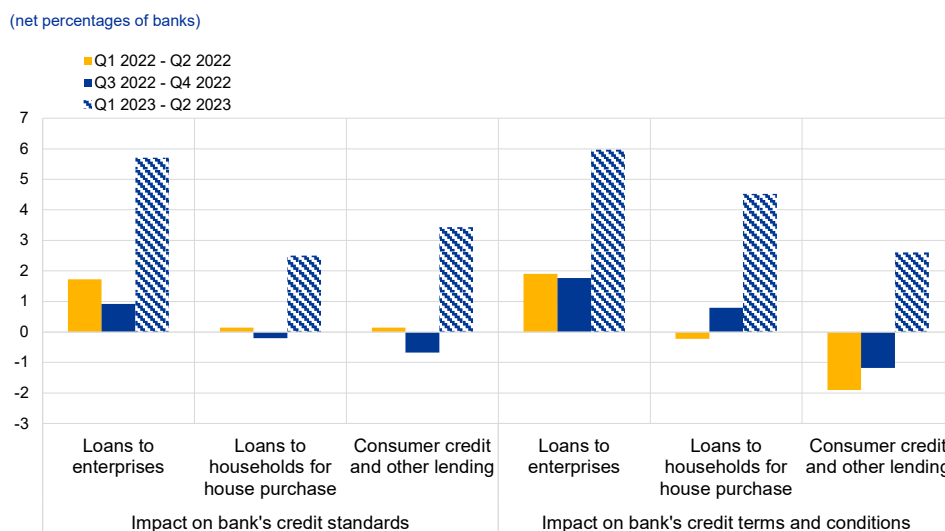
3.3 The impact of banks' NPL ratios on their lending policies

The January 2023 survey questionnaire included a biannual ad hoc question on the impact of banks' non-performing loan (NPL) ratios on changes in their lending policies and the factors through which NPL ratios contributed to changes in their lending policies. Banks were asked about the impact on loans to enterprises, loans to households for house purchase and on consumer credit and other lending to households over the past six months and over the next six months.

Euro area banks reported a broadly neutral impact of NPL ratios on credit standards for loans to enterprises in the second half of 2022 (net percentage of 1%, after 2% in the first half of 2022, see Chart 16), a neutral impact for loans to households for house purchase (0% after 0%) and a broadly neutral impact for consumer credit and other lending (-1% after -2%). Banks reported that NPL ratios had a slight tightening impact on terms and conditions for loans for enterprise (2%, see Chart 16) and a broadly neutral impact for housing loans and consumer credit (1% and -1% respectively).

Banks referred to supervisory requirements, access to market financing and their liquidity positions contributing to a slight net easing impact of NPL ratios on lending conditions in the second half of 2022 (see Chart 17). On the other hand, costs of capital and declining risk tolerance contributed to a slight tightening impact of NPL ratios on lending conditions.

Chart 16
Impact of banks' NPL ratios on credit standards and terms and conditions



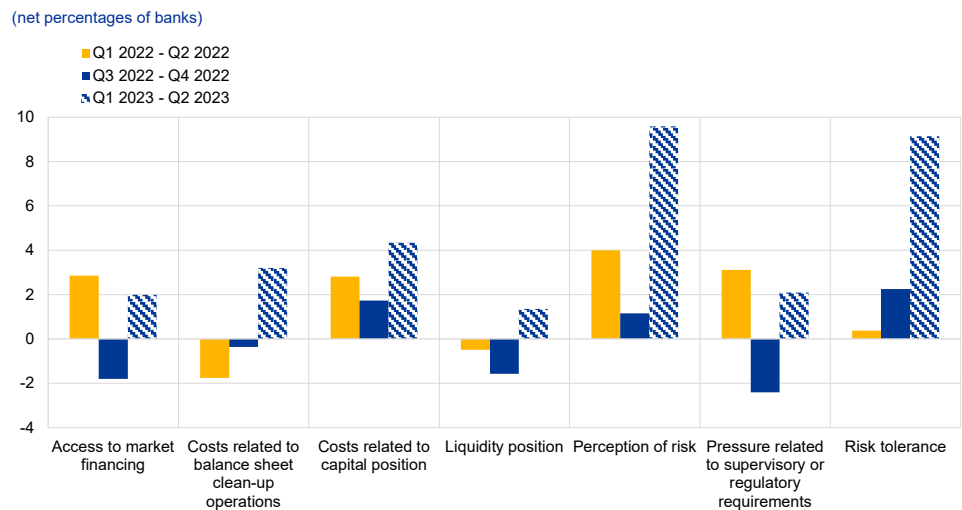
Notes: The NPL ratio is defined as the stock of gross NPLs on a bank's balance sheet as a percentage of the gross carrying amount of loans. Changes in credit standards and/or terms and conditions can be caused by changes to the NPL ratio or by changes to regulations or the bank's assessment of the level of the NPL ratio. Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". The dashed bars denote expectations indicated by banks in the current round.

Over the next six months, euro area banks expect NPL ratios to have a tightening impact on both credit standards and terms and conditions for all categories of loans. Increased risk perceptions and lower risk tolerance are the primary drivers of this

expected tightening through NPL ratios, while costs of capital, cost of balance sheet clean-up, pressure from supervisory requirements and access to market financing are expected to have relatively smaller tightening contributions through NPL ratios.

Chart 17

Contributions of factors through which NPL ratios affect banks' policies on lending to enterprises and households



Note: See the notes on Chart 16.

3.4 Bank lending conditions and loan demand across main sectors of economic activity

The January 2023 survey questionnaire included a biannual ad hoc question to collect information on changes in banks' credit standards, overall terms and conditions and loan demand across the main economic sectors over the past and next six months. Banks were asked to report information covering five sectors: manufacturing, construction (excluding real estate), services (excluding financial services and real estate), wholesale and retail trade, and real estate (including both real estate construction and real estate services). Starting from this survey round, a sub-category of the manufacturing sector – energy-intensive manufacturing – has been added.

Euro area banks indicated a more pronounced net tightening of credit standards for new loans to enterprises across all the main economic sectors in the second half of 2022 (see Chart 18). These developments are in line with the substantial net tightening of credit standards for loans to firms in the third and fourth quarters of 2022. Across the main sectors of economic activity, credit standards tightened in manufacturing (17%, after 2%), with the tightening being particularly strong for energy-intensive manufacturing (30%). In the second half of 2022, the tightening of credit standards was also more pronounced in commercial (25%, after 17%) and residential real estate (21%, after 16%), construction (16%, after 9%) and wholesale and retail trade (14%, after 8%) when compared with the first half of 2022. After no

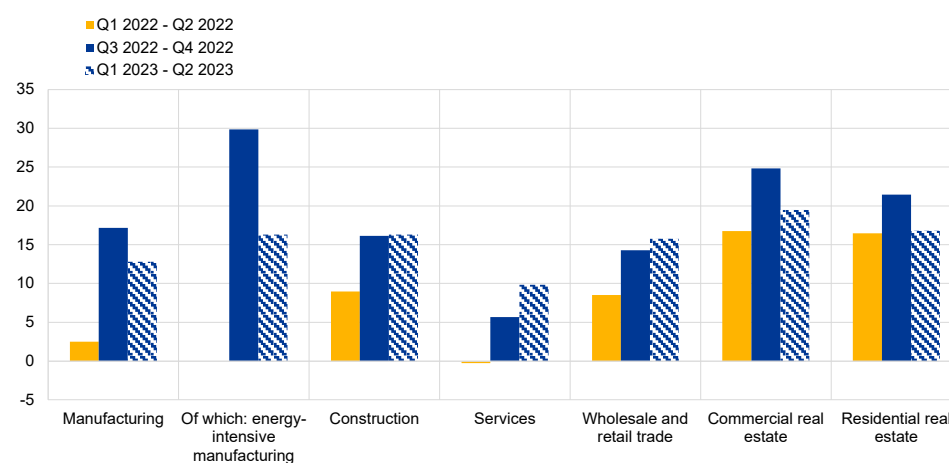
change in the credit standards for loans in the services sector had been reported in the first half of 2022, there was a moderate tightening (6%, after 0%) in the second half of 2022. Banks' overall terms and conditions tightened across all main sectors of economic activity, with the most pronounced tightening in the commercial real estate and energy-intensive manufacturing sectors (see Chart 19).

Over the next six months, euro area banks expect a net tightening of credit standards and terms and conditions for loans to firms across all main sectors of economic activity.

Chart 18

Changes in credit standards for new loans to enterprises across main economic sectors

(net percentages of banks; over the past six months and the next six months)



Notes: The net percentages refer to the difference between the sum of the percentages of banks responding "deteriorated considerably" and "deteriorated somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The dashed bars denote expectations indicated by banks in the current round.

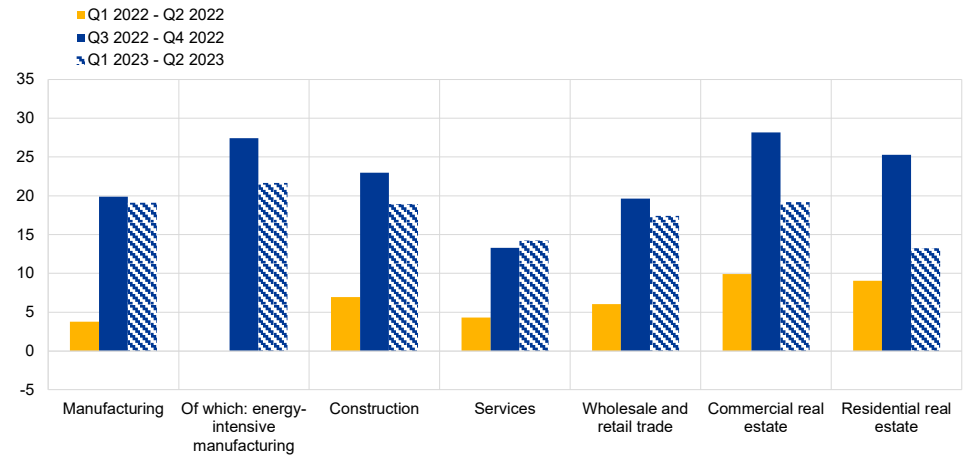
Banks reported a net decrease in the demand for loans or credit lines across all main economic sectors, while in energy-intensive manufacturing there was a small increase in demand, in the context of elevated energy prices (see Chart 20). This reflects the more recent developments in overall demand for loans to firms, which decreased in the last quarter of 2022. Demand for loans decreased the most in net terms in commercial and residential real estate and construction. These developments are in line with the expected contraction in housing investment as interest rates increase.

Over the next six months, euro area banks also expect a decline in net demand across the main economic sectors, which they expect to be most pronounced in real estate and construction sectors. Net demand is expected to be unchanged in energy-intensive manufacturing in the first half of 2023.

Chart 19

Changes in terms and conditions for new loans to enterprises across main economic sectors

(net percentages of banks; over the past six months and the next six months)

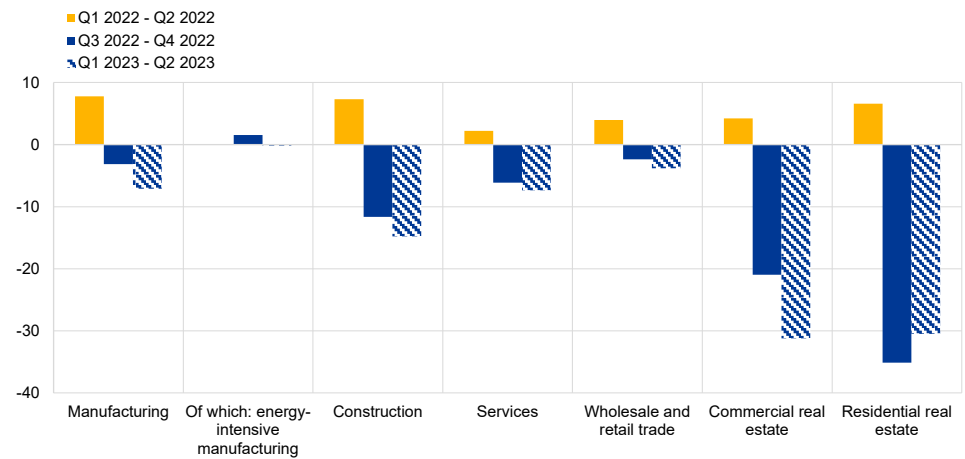


Note: See the notes on Chart 18.

Chart 20

Changes in demand for loans or credit lines to enterprises across main economic sectors

(net percentages of banks)



Notes: The net percentages refer to the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". The dashed bars denote expectations indicated by banks in the current round.

Annexes

See [more](#).

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