



EUROPEAN CENTRAL BANK

13 May 2004

THE EURO AREA BANK LENDING SURVEY

– APRIL 2004 –

1. General introduction

This report publishes the results obtained from the ECB's bank lending survey for the euro area conducted in April 2004. The survey started in January 2003 and is conducted four times a year, always in the first month of the quarter. This document reports on the results obtained from the sixth survey cycle. The cut-off date for receipt of data from the banks participating in the survey was 15 April 2004.

The survey is addressed to senior loan officers of a representative sample of euro area banks¹, and its main purpose is to enhance the understanding of bank lending behaviour in the euro area.² This report describes the answers to 17 qualitative questions over the past three months, i.e. the first quarter of 2004, as well as over the next three months, i.e. the second quarter of 2004. The responses are analysed by focusing on differences ("net percentages") between the share of banks reporting, for instance, that credit standards have been tightened, versus the share of banks reporting that these standards have been eased. The questions distinguish between loans or credit lines to enterprises, loans to households for house purchase, and loans to households for consumer credit and other lending. The survey addresses issues such as credit standards for approving loans, as well as credit terms and conditions. It also asks for an assessment of the conditions affecting credit demand.

A copy of the questionnaire can be found at http://www.ecb.int/pub/period/bls/bls_questionnaire.pdf.

¹ The sample group of banks participating in the survey comprises 86 banks from all euro area countries, and takes into account the characteristics of their respective national banking structures. Since the banks differ considerably in size, the survey results are weighted according to the national shares in the total amount outstanding of euro area lending to euro area residents. In the April 2004 survey, 85 of the 86 banks participated.

² See the ECB Press Release of 21 November 2002, *Bank lending survey for the euro area*, and the April 2003 Monthly Bulletin article on "A bank lending survey for the euro area".

2. Overview of the results

Overall, the results of the April 2004 survey show that the net percentages of banks indicating a tightening of credit standards over the past three months have stabilised. The reported values for the first quarter of 2004 were in general less pessimistic than those recorded three months ago covering this period.

Loans or credit lines to enterprises

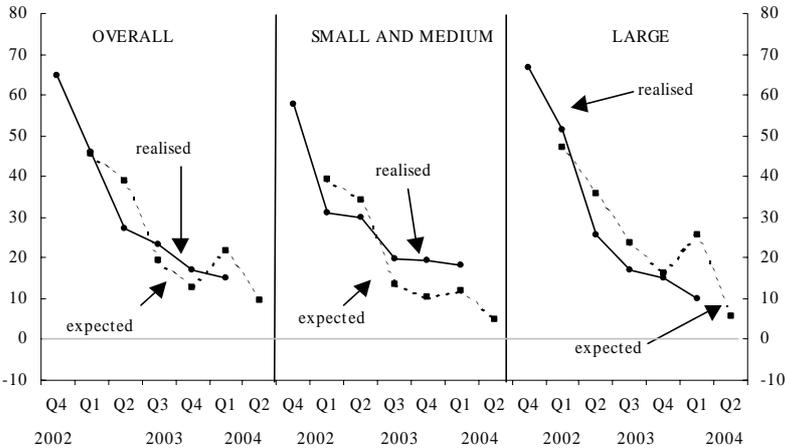
In April 2004, a net 15% of banks reported a tightening of credit standards for the first quarter of 2004. This net percentage was lower than that recorded in January (at 17%), and lower than the January 2004 expectations for the same period (at 22%) (see Chart 1, first panel). 7% of the responding banks eased somewhat their corporate credit standards, compared with none in the January survey. At the same time, more banks reported a tightening in April compared with January. The net percentage indicating tightening in April remained slightly higher for loans to small and medium-sized enterprises than for loans to large enterprises (see Chart 1, second and third panels). For small and medium-sized enterprises, the April net percentage was slightly higher than what was expected in January for the same period, while the opposite was the case for large enterprises.

The factors contributing the most to the continued overall net tightening of credit standards in the first quarter of 2004 continued to be risk perceptions related to the industry and firm-specific outlook, the risk on the collateral demanded, and the general economic outlook. Whereas the risks regarding the micro outlook and, to a lesser extent, the risk on the collateral continued to improve, the banks reported no further improvement in the macroeconomic outlook. The net percentage of responding banks that had widened their margins on both riskier and average loans declined significantly in April 2004.

In terms of demand, in April a net 19% of banks reported a decrease over the past three months, which was significantly lower than the net 33% of banks that expected an increase in January for the same period (see Chart 2, first panel). 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 (which turned from positive to negative) than for large enterprises, which remained negative (see Chart 2, second and third panels). The main reason given for the reduction in corporate loan demand was the decline in financing needs related to debt restructuring (i.e. there was less refinancing). The financing needs related to fixed investment remained unchanged on a net basis, contributing negatively to demand.

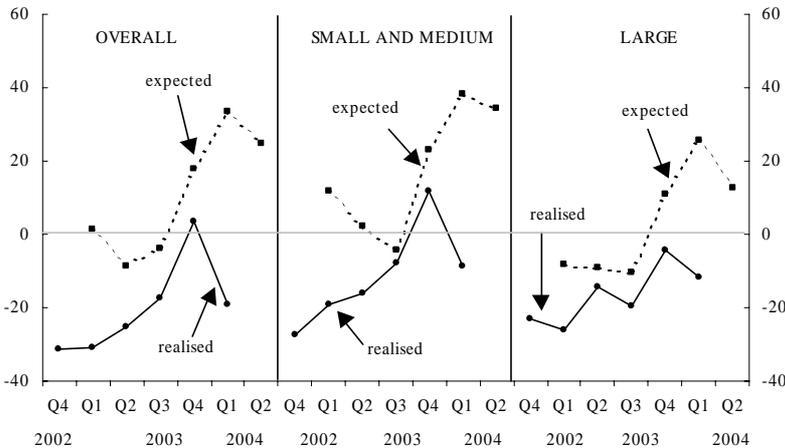
With regard to expectations for the second quarter of 2004, reporting banks expected in April 2004 a further net decline in the tightening of their credit standards applied to the approval of loans or credit lines to enterprises relative to the outcome for the first quarter (see Chart 1, first panel). At the same time, in April banks expected stronger overall corporate loan demand in the second quarter of 2004 than that realised in the first quarter (see Chart 2, first panel). This rise in expected loan demand is stronger for small and medium-sized enterprises than it is for large enterprises (see Chart 2, second and third panels).

Chart 1. Changes in credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)



Notes: The net percentage refers to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat”, and the sum of the percentages for “eased somewhat” and “eased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for 2004Q2 were reported in the April 2004 survey.

Chart 2. Changes in demand for loans or credit lines to enterprises
(net percentages of banks reporting an increase in demand)



Notes: The net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages for “increased considerably” and “increased somewhat”, and the sum of the percentages for “decreased somewhat” and “decreased considerably”. “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 2004Q2 were reported in the April 2004 survey.

Loans to households for house purchase

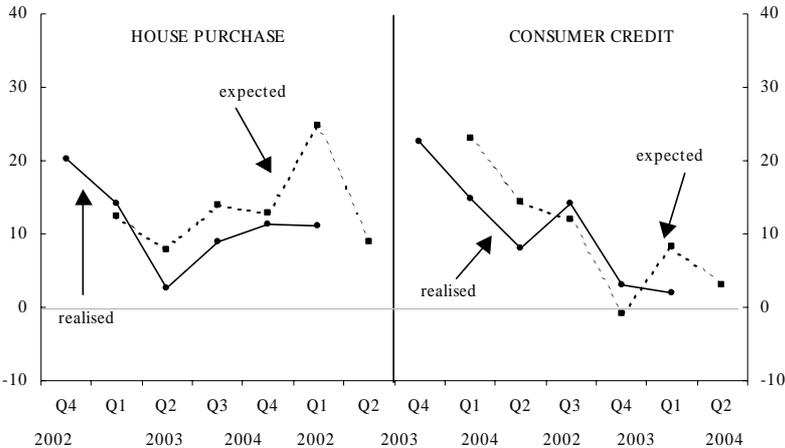
A net 11% of banks reported a tightening of credit standards applied to the approval of loans for house purchase in the first quarter of 2004. This percentage was unchanged from January, but was lower than expected for this period in the January survey (see Chart 3, first panel). The risks related to housing market prospects and to general economic activity continued to contribute to the net tightening.

Looking at demand, the April 2004 survey showed that a lower net percentage of banks reported an increase in the demand for loans for house purchase than in January (3% versus 23%) (see Chart 3, first panel). The fall in housing loan demand seems to be partly related to changes in housing subsidies in one

large country. The fall was less pronounced than had been expected by banks in January for the first quarter.

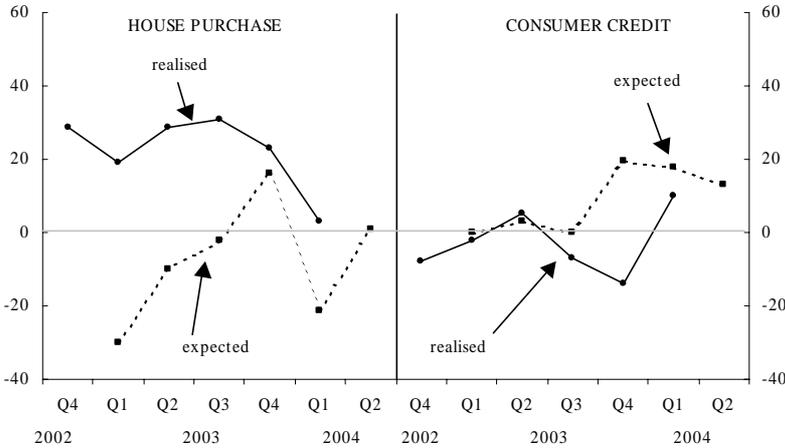
Turning to expectations for the second quarter of 2004, the net tightening was expected to remain broadly unchanged for loans for house purchase (at 9%), compared with the tightening in net terms for the first quarter reported in April (see Chart 3, first panel). In April the reporting banks also expected broadly unchanged demand for housing loans over the next three months compared with the previous three months (see Chart 4, first panel).

Chart 3. Changes in credit standards applied to the approval of loans to households
(net percentages of banks reporting tightening standards)



Notes: The net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages for “increased considerably” and “increased somewhat”, and the sum of the percentages for “decreased somewhat” and “decreased considerably”. “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 2004Q2 were reported in the April 2004 survey.

Chart 4. Changes in demand for loans to households
(net percentages of banks reporting an increase in demand)



Notes: The net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages for “increased considerably” and “increased somewhat”, and the sum of the percentages for “decreased somewhat” and “decreased considerably”. “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 2004Q2 were reported in the April 2004 survey.

Loans to households for consumer credit and other lending

A net 2% of responding banks reported a tightening of credit standards for loans to households for consumer credit and other lending in April 2004. This net percentage was unchanged from January and lower than what had been expected for the first quarter in January 2004 (see Chart 3, first panel). Banks reported in April on a net basis that expectations concerning general economic activity had contributed less to tightening, whereas a slight deterioration in the creditworthiness of consumers had led to further tightening.

On the demand side, the responding banks reported that the net percentage of demand for consumer credit and other lending to households increased sharply in April to 10%, up from -14% in January (see Chart 4, third panel). This increase was related to less negative contributions from spending on durable goods, consumer confidence and household savings.

Regarding expectations for the second quarter of 2004, the tightening was expected to remain broadly unchanged for consumer credit (at 3% in net terms), compared with the reported net tightening for the first quarter in April (see Chart 3, third panel). In April 2004, the reporting banks also expected a broadly unchanged net increase in demand for consumer credit over the next three months compared with the realised demand for the first quarter in the April survey (see Chart 4, third panel).

3. Results for the individual questions

I. Loans or credit lines to enterprises

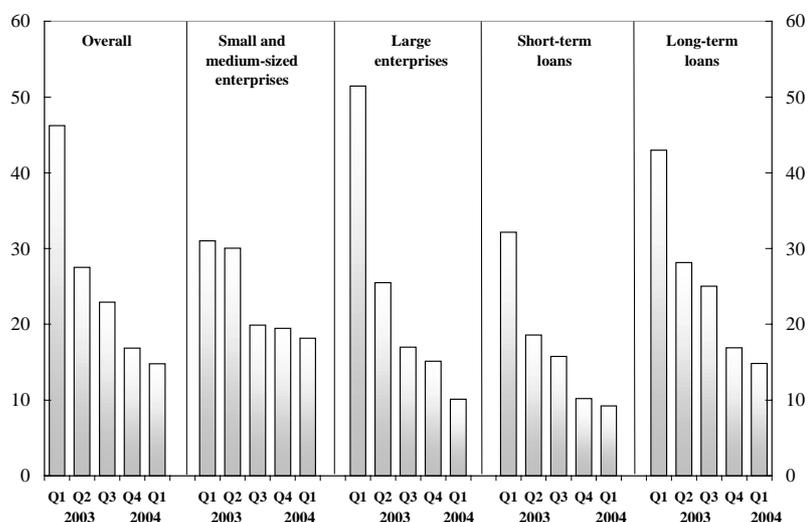
1. Over the past three months, how have your bank's credit standards as applied to the approval of loans or credit lines to enterprises changed?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004
Tightened considerably	2	3	2	3	2	2	2	3	2	3
Tightened somewhat	15	18	18	18	16	15	11	14	16	19
Remained basically unchanged	83	72	80	75	79	76	85	74	80	70
Eased somewhat	0	7	0	4	3	7	2	8	1	7
Eased considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	17	15	20	18	15	10	10	9	17	15
<i>Number of banks responding</i>	82	82	81	81	79	80	83	82	83	82

Note: The net percentage is defined as 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".

- The overall net percentages of banks reporting a tightening for credit standards as applied to the approval of loans or credit lines to enterprises declined slightly in April 2004. The majority of respondents continued to report basically unchanged credit standards in January. In contrast to the January survey, some banks eased somewhat their credit standards on a net basis.
- The net percentages indicating tightening remained higher for loans to small and medium-sized enterprises than for loans to large enterprises.
- Regarding the maturity of loans, the net percentages for tightening remained higher for long-term loans than for short-term ones.

Chart 5. Credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)



2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises?

	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Cost of funds and balance sheet constraints								
Costs related to your bank's capital position	0	8	83	0	0	9	13	8
Your bank's ability to access market financing	0	7	78	3	0	11	-1	4
Your bank's liquidity position	0	1	86	3	0	10	0	-2
B) Pressure from competition								
Competition from other banks	0	2	74	15	0	9	-13	-13
Competition from non-banks	0	2	82	2	0	14	-2	0
Competition from market financing	0	0	85	3	0	12	-1	-3
C) Perception of risk								
Expectations regarding general economic activity	1	18	66	8	0	6	4	11
Industry or firm-specific outlook	1	21	66	5	0	6	23	18
Risk on the collateral demanded	0	14	76	1	0	9	14	13

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "- -" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means contributed to basically unchanged credit standards.

- The overall net tightening remained mostly related to the perception of risks. Risks regarding the industry or firm-specific outlook contributed less to the net tightening than in the January survey. In addition, the assessment of the general economic activity continued to contribute to tightening, and even slightly deteriorated in April, in contrast to strong improvement in the January survey. At the same time, strong competitive pressures from other banks continued to contribute to a net easing in corporate credit standards.

Chart 6a. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)

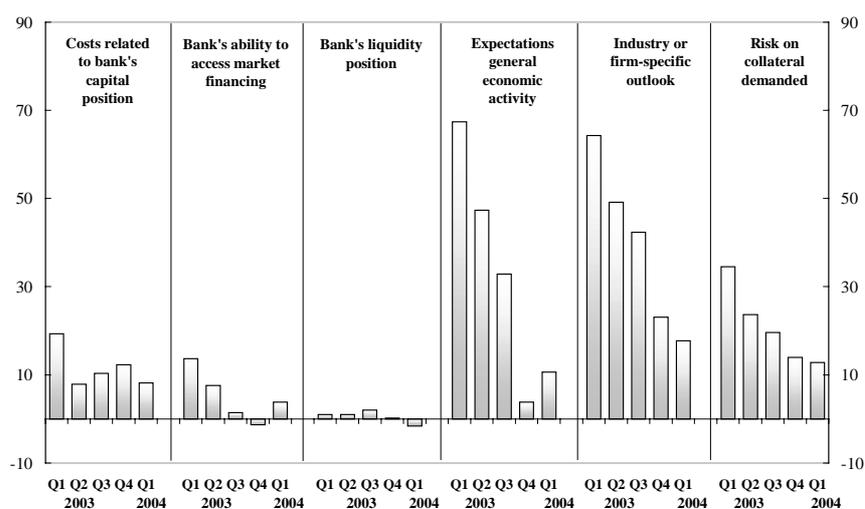
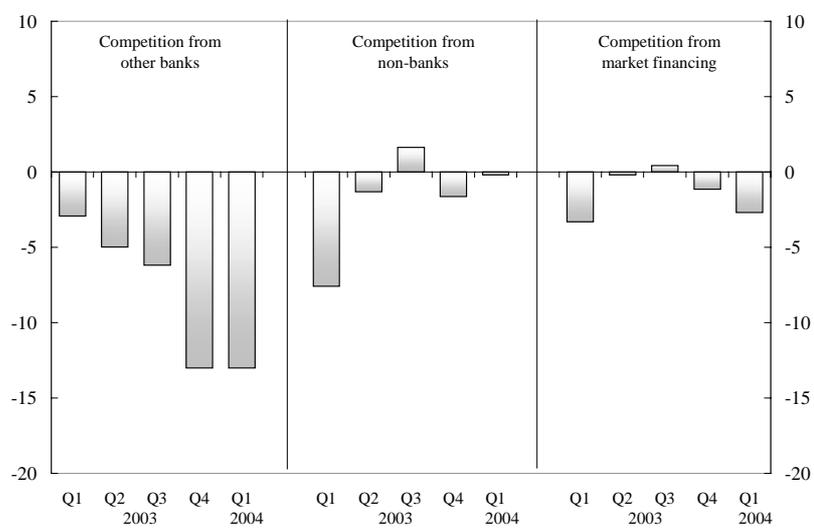


Chart 6b. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)



3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

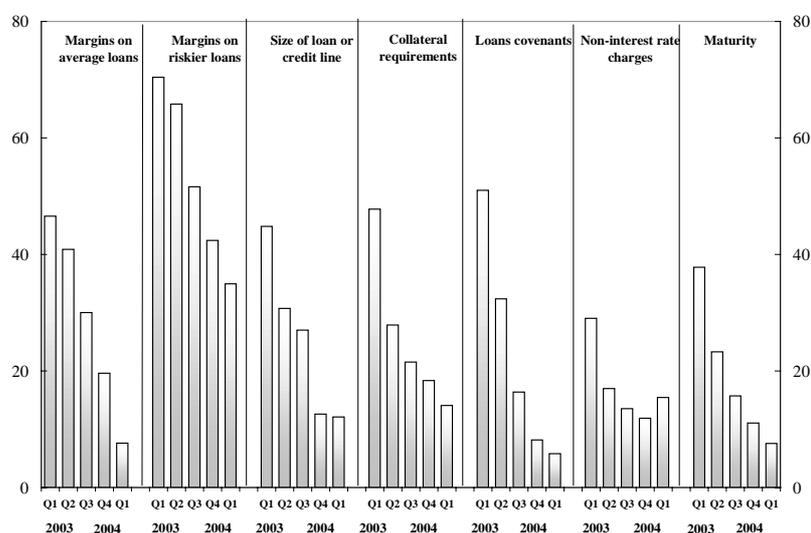
	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Price								
Your bank's margin on average loans	0	23	56	15	0	6	20	8
Your bank's margin on riskier loans	4	34	52	3	0	7	42	35
B) Other conditions and terms								
Non-interest rate charges	0	17	77	1	0	6	12	15
Size of the loan or credit line	0	15	77	3	0	6	12	12
Collateral requirements	0	16	76	2	0	6	18	14
Loans covenants	0	11	78	5	0	6	8	6
Maturity	0	14	73	6	0	7	11	8

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "°" means remained basically unchanged.

- The net percentage of responding banks that widened their margins on both riskier and average loans declined significantly in April 2004.
- The most important non-price factors contributing to the continued tightening in net terms in the April survey were non-interest rate charges, collateral requirements, and the size of the loan or credit line. Their contribution to the tightening in net terms remained broadly stable.

Chart 7. Conditions and terms for approving loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)



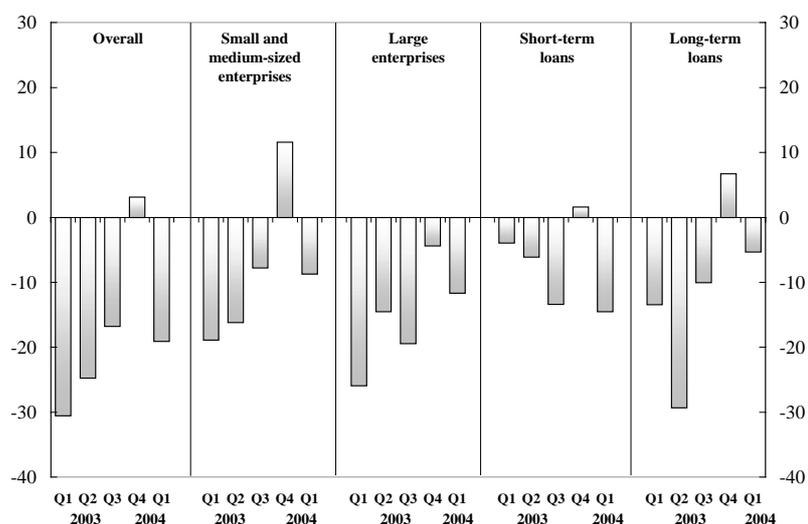
4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004
Decreased considerably	1	4	2	1	2	1	0	1	3	3
Decreased somewhat	11	27	9	23	11	23	12	23	13	24
Remained basically unchanged	72	57	68	60	79	64	74	65	62	53
Increased somewhat	16	12	22	15	8	12	14	8	22	21
Increased considerably	0	0	0	1	0	0	0	2	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	3	-19	12	-9	-5	-12	2	-15	7	-5
<i>Number of banks responding</i>	83	82	81	81	79	80	83	82	83	82

Note: The net percentage is defined as the difference between the sum of the percentages for “increased considerably” and “increased somewhat”, and the sum of the percentages for “decreased somewhat” and “decreased considerably”.

- In April, a net 19% of responding banks indicated that they had experienced a fall in demand for loans or credit lines to enterprises over the past three months, sharply down from the net 3% reporting an increase in January.
- This fall is most pronounced for loans to small and medium-sized enterprises and for short-term corporate loans.

Chart 8. Demand for loans and credit lines to enterprises
(net percentages of banks reporting an increase in demand)



5. Over the past three months, how have the following factors affected the demand for loans or credit lines to enterprises?

	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Financing needs								
Fixed investment	4	16	64	7	0	9	-13	-14
Inventories and working capital	0	11	68	10	0	11	1	-1
Mergers/acquisitions and corporate restructuring	2	8	54	21	0	16	9	12
Debt restructuring	1	3	64	22	0	11	30	18
B) Use of alternative finance								
Internal financing	1	3	81	3	0	13	0	0
Loans from other banks	0	6	80	4	0	10	8	-2
Loans from non-banks	1	4	79	0	0	17	-2	-4
Issuance of debt securities	0	7	66	5	0	22	-3	-2
Issuance of equity	1	2	71	3	0	24	2	1

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "+ + " (contributed considerably to higher demand) and "+ " (contributed somewhat to higher demand), and the sum of "- " (contributed somewhat to lower demand) and "- - " (contributed considerably to lower demand). "°" means contributed to basically unchanged demand.

- The main factor which appeared to have contributed to the decline in demand for loans to enterprises is lower financing needs for debt restructuring, for instance refinancing of outstanding debt positions. The net percentage of financing needs related to fixed investment remained negative, a result that was broadly unchanged from January.
- The net percentages regarding the use of other sources of finance slightly declined in April compared with January, suggesting that they had contributed somewhat to the decline in loan demand on a net basis.

Chart 9a. Factors affecting demand for loans and credit lines to enterprises
(net percentages of banks reporting an increase in demand)

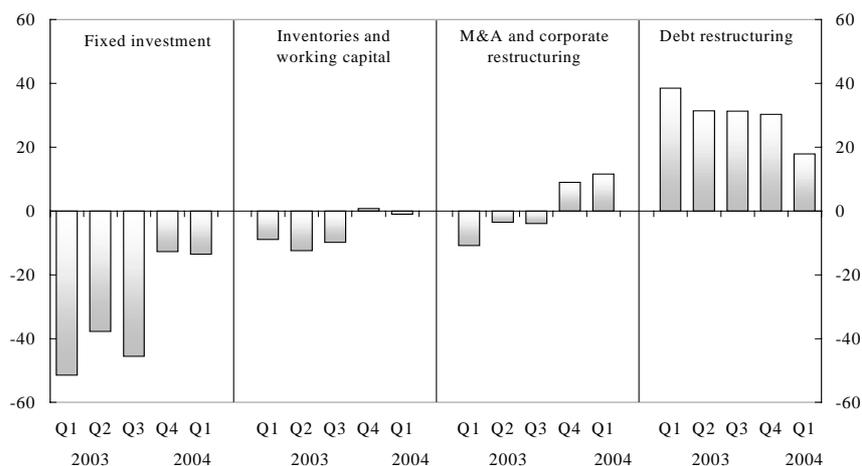
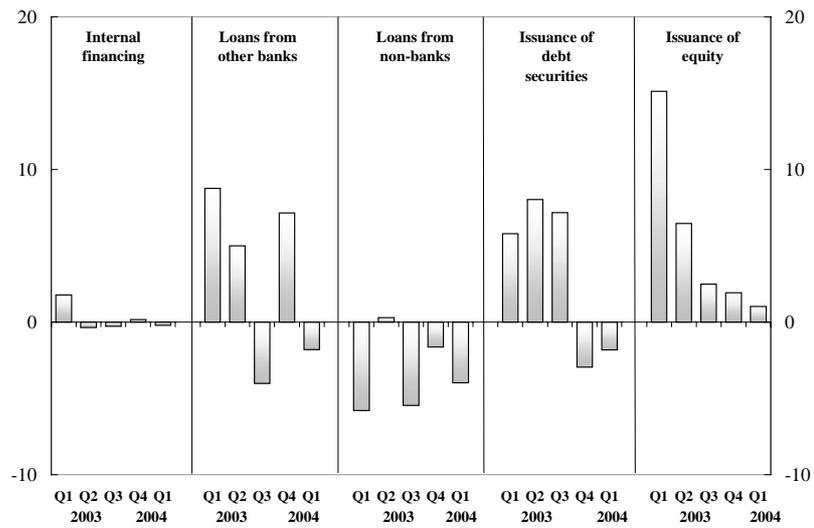


Chart 9b. Factors affecting demand for loans and credit lines to enterprises
(net percentages of banks reporting an increase in demand)



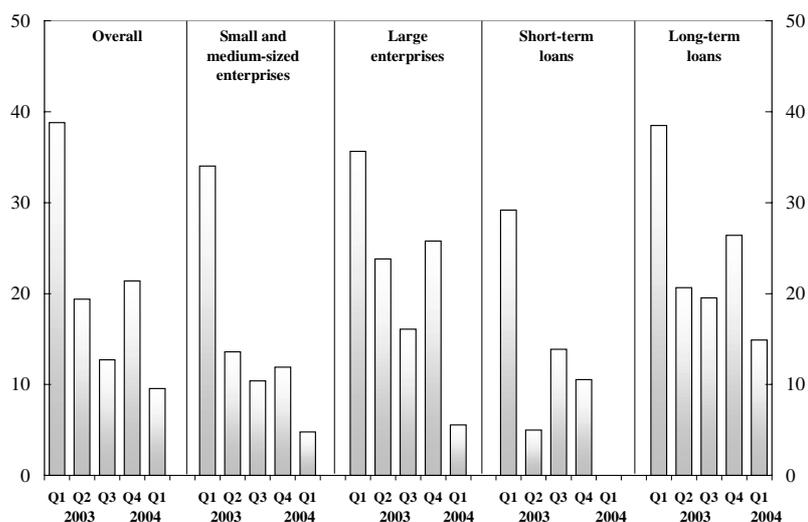
6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004
Tighten considerably	0	1	0	1	4	4	0	1	1	3
Tighten somewhat	24	16	17	9	26	12	17	11	26	18
Remain basically unchanged	75	75	79	84	66	74	76	75	71	73
Ease somewhat	2	8	5	5	4	10	7	13	1	6
Ease considerably	0	0	0	0	0	0	0	0	0	0
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Net percentage	22	10	12	5	26	6	11	0	26	15
<i>Number of banks responding</i>	<i>83</i>	<i>82</i>	<i>81</i>	<i>81</i>	<i>79</i>	<i>80</i>	<i>83</i>	<i>82</i>	<i>82</i>	<i>82</i>

Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably".

- In April 2004 the net percentage of banks expected a tightening of corporate credit standards over the next three months was lower than the net 15% reporting a tightening over the past three months (see Question 1).
- The April survey recorded an expected tightening of credit standards applied to loans or credit lines to enterprises over the next three months, which is, in net terms, similar for loans to small and medium-sized enterprises and to large enterprises.
- Banks continued to report in April significantly higher expected net percentages of tightening of credit standards over the next three months for long-term corporate loans than for short-term loans.

Chart 10. Expected credit standards for the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)



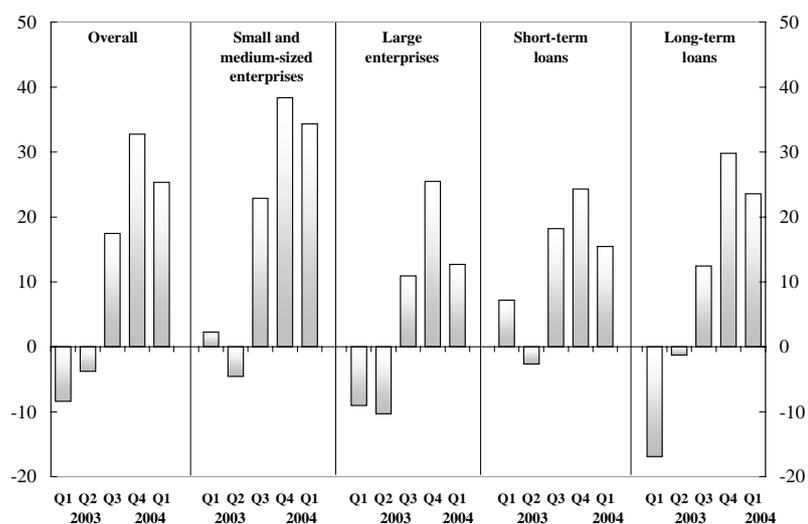
7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004	January 2004	April 2004
Decrease considerably	0	1	0	1	2	0	0	1	0	1
Decrease somewhat	3	5	4	2	3	11	7	4	4	5
Remain basically unchanged	61	61	54	59	65	66	63	75	61	64
Increase somewhat	36	32	41	37	30	24	29	20	34	30
Increase considerably	0	0	1	1	0	0	2	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	33	25	39	34	26	13	25	16	30	24
<i>Number of banks responding</i>	82	82	80	81	79	80	82	82	82	81

Note: The net percentage is defined as the difference between the sum of the percentages for “increase considerably” and “increase somewhat”, and the sum of the percentages for “decrease somewhat” and “decrease considerably”.

- In April a significantly higher net percentage of banks expected an increase in loan demand from enterprises over the next three months than the net 19% reporting a decrease in loan demand over the past three months (see Question 4).
- The expected increase in the demand for loans to enterprises over the next three months is significantly stronger for small and medium-sized enterprises than for large enterprises.

Chart 11. Expected demand for loans and credit lines to enterprises
(net percentages of banks reporting an increase in demand)



II. Loans to households

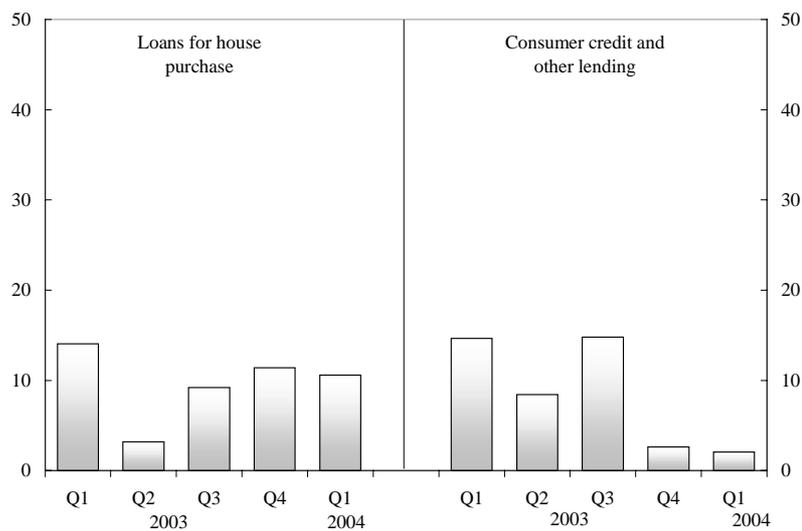
8. Over the past three months, how have your bank's credit standards as applied to the approval of loans to households changed?

	Loans for house purchase		Consumer credit and other lending	
	January 2004	April 2004	January 2004	April 2004
Tightened considerably	1	4	1	0
Tightened somewhat	13	14	8	10
Remained basically unchanged	83	76	85	82
Eased somewhat	3	7	7	8
Eased considerably	0	0	0	0
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Net percentage	11	11	2	2
<i>Number of banks responding</i>	<i>81</i>	<i>79</i>	<i>79</i>	<i>77</i>

Note: The net percentage is defined as 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".

- The results of the April 2004 survey indicated unchanged net percentages of banks reporting a tightening of credit standards applied to the approval of loans to households.
- With regard to consumer credit and other lending to households, the April survey shows an unchanged low net percentage of banks reporting a tightening.

Chart 12. Credit standards applied to the approval of loans to households
(net percentages of banks reporting tightening standards)



9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Cost of funds and balances sheet constraints	0	0	81	2	0	17	1	-2
B) Pressure from competition								
Competition from other banks	0	1	67	17	0	15	-8	-16
Competition from non-banks	0	2	77	2	0	19	0	0
C) Perception of risk								
Expectations regarding general economic activity	1	12	71	6	0	9	6	7
Housing market prospects	5	11	65	9	0	9	15	7

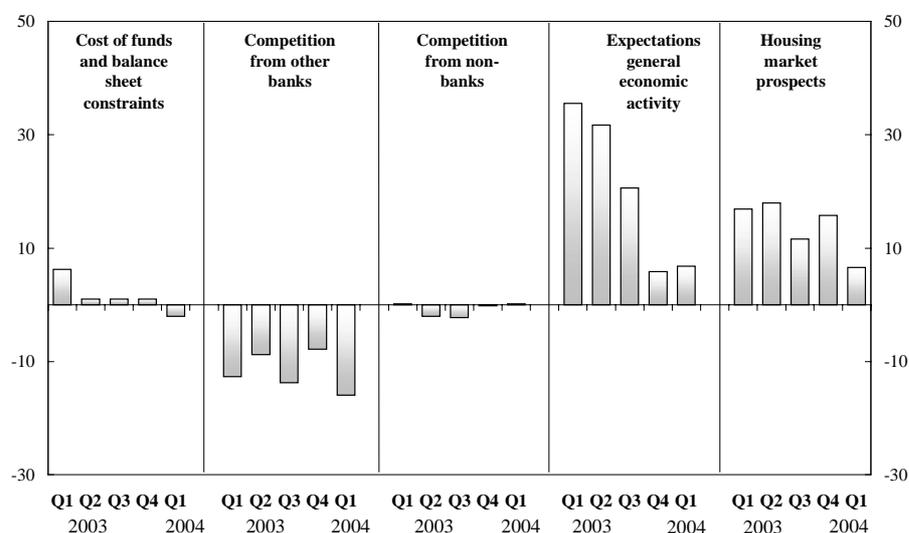
NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "++" (contributed considerably to easing). "°" means contributed to basically unchanged credit standards.

- The continued overall tightening of credit standards on loans to households for house purchase in net terms continued to reflect the perception of risks relating to housing market prospects, which decreased, and to general economic activity, which remained broadly unchanged.

Chart 13. Factors affecting credit standards applied to the approval of loans to households for house purchase

(net percentages of banks reporting tightening standards)



10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

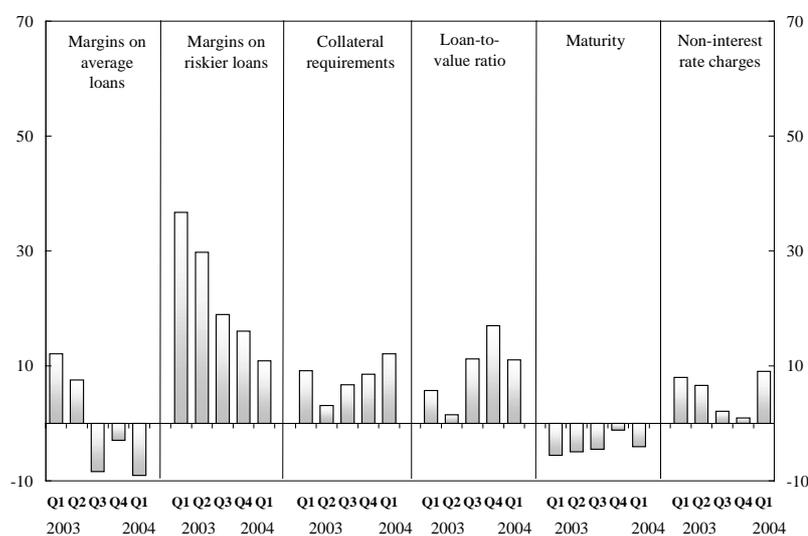
	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Price								
Your bank's margin on average loans	0	7	68	16	0	8	-3	-9
Your bank's margin on riskier loans	0	13	77	2	0	9	17	11
B) Other conditions and terms								
Collateral requirements	0	13	79	1	0	8	9	12
Loan-to-value ratio	3	15	66	7	1	8	17	11
Maturity	0	4	80	6	2	8	-1	-4
Non-interest rate charges	0	10	81	0	1	8	1	9

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "°" means remained basically unchanged.

- The margins on riskier loans, the loan-to-value ratio and collateral requirements continued to contribute to the overall tightening in net terms. The contribution of margins on average and riskier loans declined in net terms in April compared with January.

Chart 14. Conditions and terms for approving loans to households for house purchase
(net percentages of banks reporting tightening standards)



11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in Question 8)?

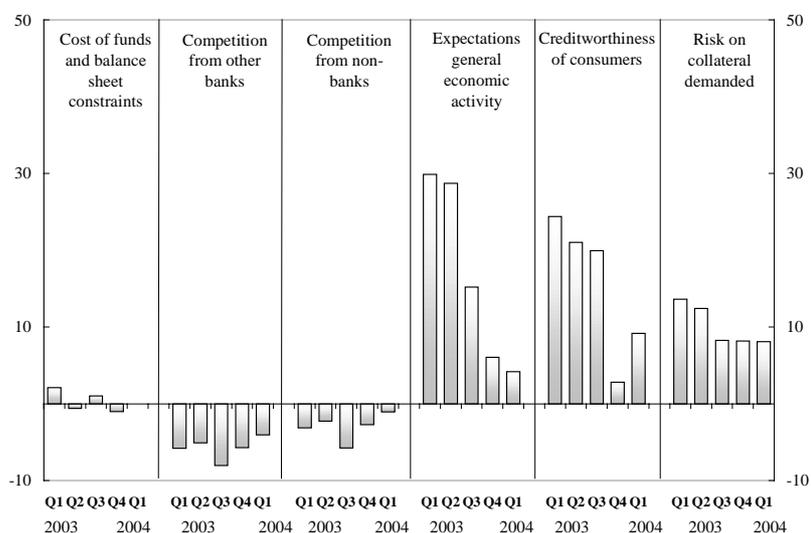
	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Cost of funds and balance sheet constraints	0	0	80	0	0	20	-1	0
B) Pressure from competition								
Competition from other banks	0	3	72	8	0	17	-6	-4
Competition from non-banks	2	0	75	3	0	20	-3	-1
C) Perception of risk								
Expectations regarding general economic activity	0	5	80	1	0	13	6	4
Creditworthiness of consumers	0	12	70	3	0	15	3	9
Risk on the collateral demanded	1	7	72	0	0	20	8	8

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "-" (contributed considerably to tightening) and "--" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "++" (contributed considerably to easing). "°" means contributed to basically unchanged credit standards.

- Turning to the perceptions of risk, expectations regarding general economic activity slightly improved in April, although slightly more concerns were expressed about the creditworthiness of consumers than in January.

Chart 15. Factors affecting credit standards applied to the approval of loans to households for consumer credit
(net percentages of banks reporting tightening standards)



12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

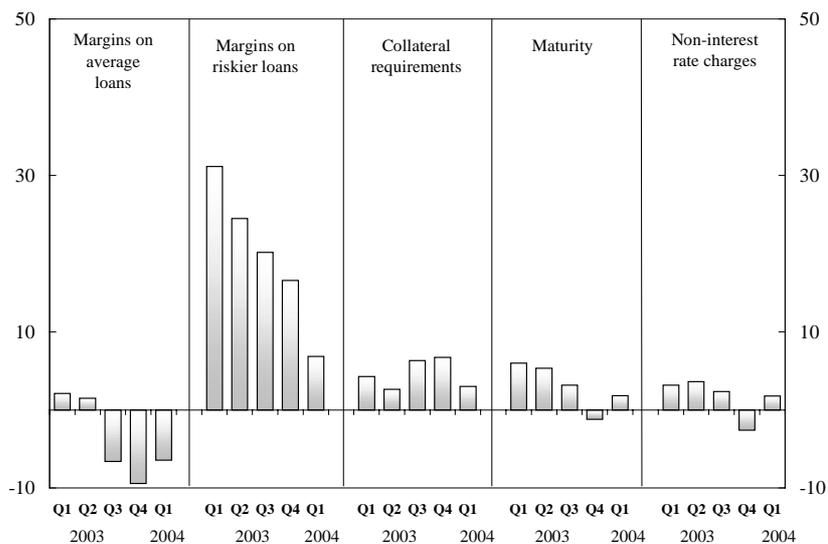
	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Price								
Your bank's margin on average loans	0	6	69	12	0	13	-10	-6
Your bank's margin on riskier loans	0	11	71	4	0	14	17	7
B) Other conditions and terms								
Collateral requirements	1	4	77	2	0	16	6	3
Maturity	0	2	83	0	0	15	-1	2
Non-interest rate charges	0	2	82	0	0	16	-3	2

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "°" means remained basically unchanged.

- There was a further significant fall in April in the percentage of responding banks that reported on a net basis that they have widened their margins on riskier loans for consumer credit.

Chart 16. Conditions and terms for approving loans to households for consumer credit
(net percentages of banks reporting tightening standards)



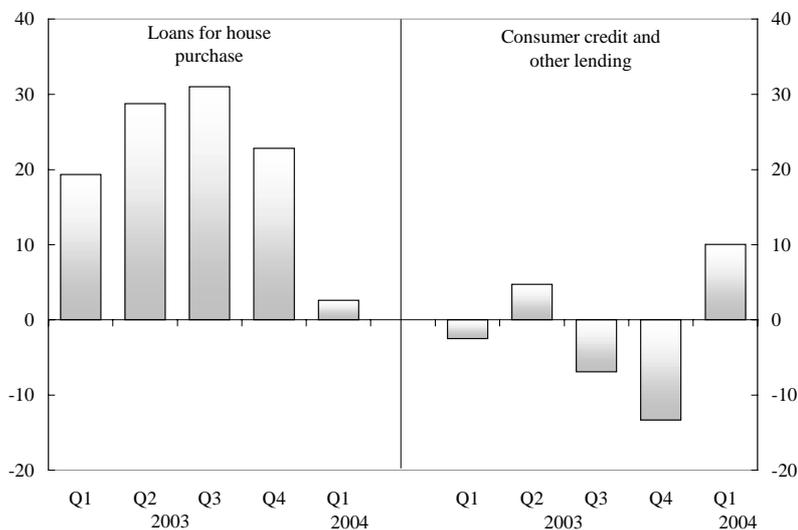
13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase		Consumer credit and other lending	
	January 2004	April 2004	January 2004	April 2004
Decreased considerably	1	8	5	2
Decreased somewhat	13	17	23	20
Remained basically unchanged	48	48	60	47
Increased somewhat	31	23	13	30
Increased considerably	7	5	0	2
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Net percentage	23	3	-14	10
<i>Number of banks responding</i>	<i>81</i>	<i>79</i>	<i>78</i>	<i>76</i>

Note: The net percentage is defined as the difference between the sum of the percentages for “increased considerably” and “increased somewhat”, and the sum of the percentages for “decreased somewhat” and “decreased considerably”.

- In April, the net demand for loans to households for house purchase increased significantly less than that recorded in January.
- At the same time, the demand for consumer credit increased on a net basis in April, after showing a decline in January.

Chart 17. Demand for loans to households
(net percentages of banks reporting an increase in demand)



14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in Question 13)?

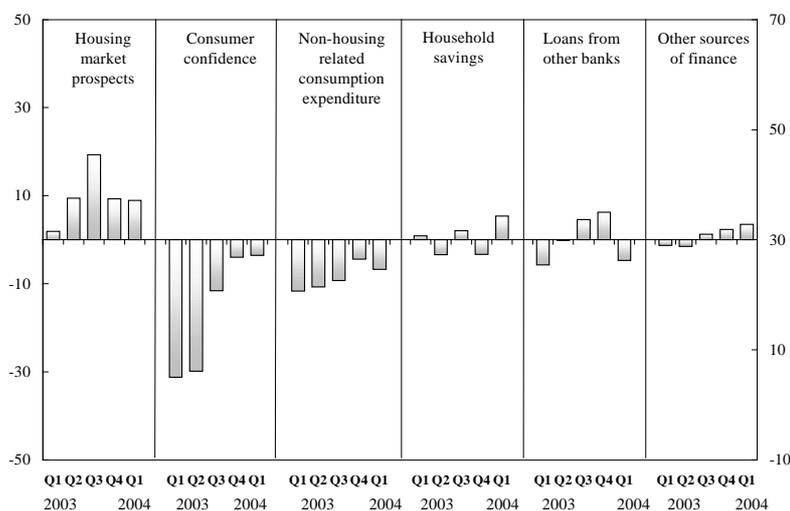
	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Financing needs								
Housing market prospects	1	8	64	17	1	8	9	9
Consumer confidence	2	13	67	11	0	8	-5	-4
Non-housing related consumption expenditure	0	8	82	1	0	10	-4	-7
B) Use of alternative finance								
Household savings	0	5	75	9	1	11	-4	5
Loans from other banks	0	8	80	3	0	10	6	-5
Other sources of finance	0	0	83	2	1	14	2	4

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "+ + " (contributed considerably to higher demand) and "+ " (contributed somewhat to higher demand), and the sum of "- " (contributed somewhat to lower demand) and "- - " (contributed considerably to lower demand). "°" means contributed to basically unchanged demand.

- The fall in housing loan demand seems to be partly related to changes in housing subsidies in one large euro area country. Two factors contributed to the significantly lower increase in demand for housing loans on a net basis in April compared with January: non-housing-related consumption expenditure, and loans from other banks.

Chart 18. Factors affecting demand for loans to households for house purchase
(net percentages of banks reporting an increase in demand)



15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in Question 13)?

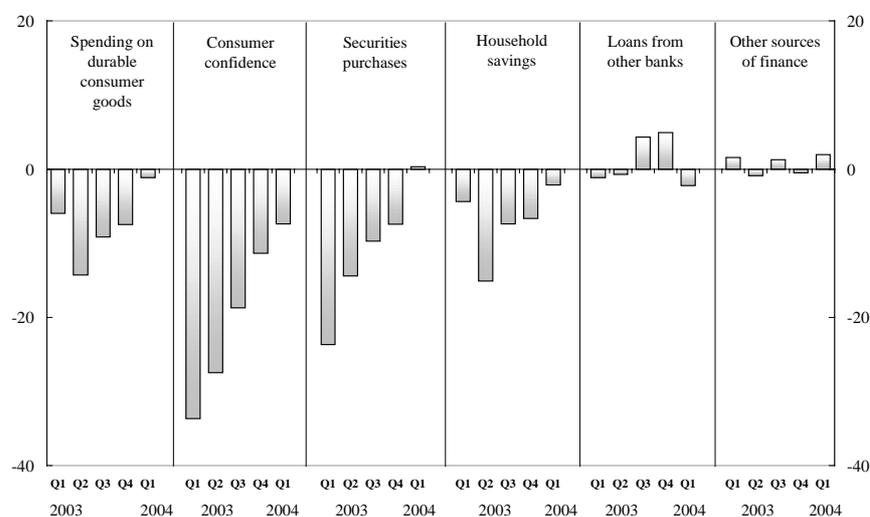
	--	-	°	+	++	NA	NetP	
							January 2004	April 2004
A) Financing needs								
Spending on durable consumer goods	3	14	55	14	1	14	-8	-1
Consumer confidence	3	13	63	8	0	14	-12	-7
Securities purchases	0	2	65	2	0	31	-7	0
B) Use of alternative finance								
Household savings	0	4	80	2	0	14	-7	-2
Loans from other banks	0	5	76	3	0	16	5	-2
Other sources of finance	0	0	74	2	0	24	-1	2

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "+ + " (responsible for considerable increase) and "+ " (responsible for increase), and the sum of "- " (responsible for decrease) and "- - " (responsible for considerable decrease). "°" means responsible for neither a decrease nor an increase.

- The net increase in demand for consumer credit seems to relate to less negative contributions from spending on durable consumer goods, consumer confidence, securities purchases, and household savings. Consumers also seem to have substituted other sources of finance with bank lending on a net basis.

Chart 19. Factors affecting demand for loans to households for consumer credit
(net percentages of banks reporting an increase in demand)



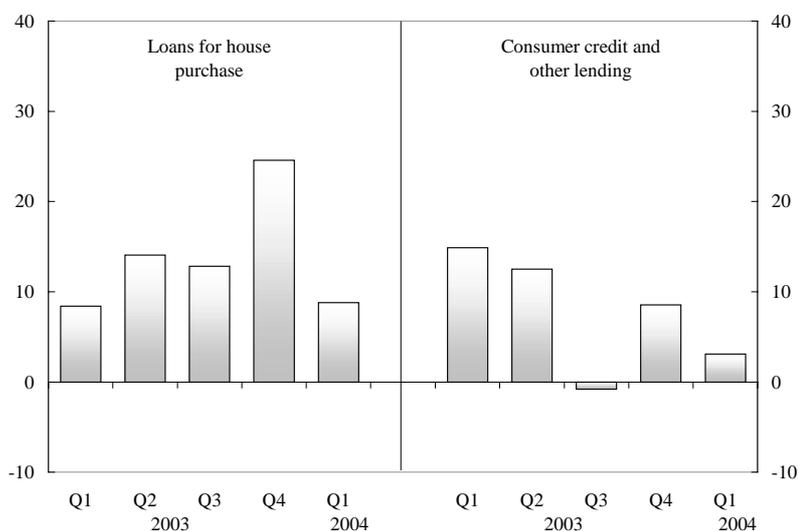
16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

	Loans for house purchase		Consumer credit and other lending	
	January 2004	April 2004	January 2004	April 2004
Tighten considerably	0	0	0	1
Tighten somewhat	25	15	14	15
Remain basically unchanged	75	79	81	71
Ease somewhat	0	6	5	13
Ease considerably	0	0	0	0
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Net percentage	25	9	8	3
<i>Number of banks responding</i>	<i>81</i>	<i>79</i>	<i>78</i>	<i>76</i>

Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably".

- In April, banks expected a broadly unchanged net tightening of credit standards applied to the approval of loans to households for house purchase over the second quarter of 2004, compared with a realised net 11% of credit tightening in the first quarter (see Question 8).
- A similar picture (i.e. broadly unchanged net tightening of credit standards) emerged for the expected credit standards applied to consumer credit and other lending to households over the second quarter of 2004.

Chart 20. Expected credit standards for loans to households
(net percentages of banks reporting tightening standards)



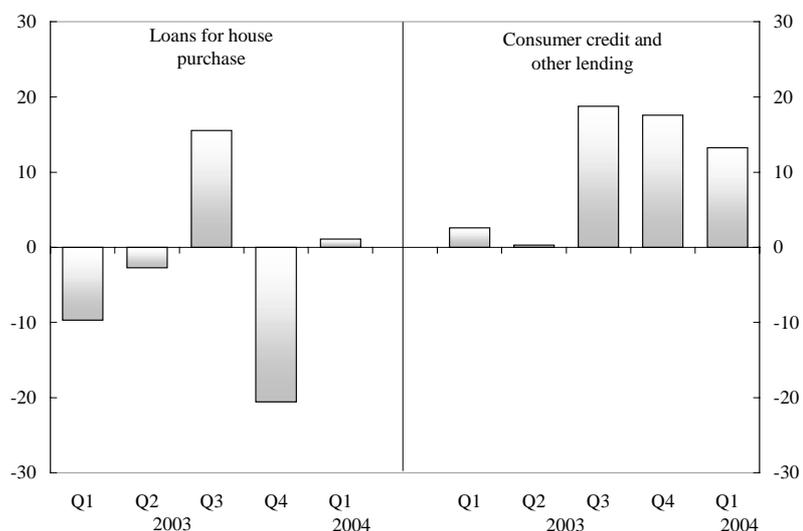
17. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase		Consumer credit and other lending	
	January 2004	April 2004	January 2004	April 2004
Decrease considerably	1	1	1	1
Decrease somewhat	35	19	9	11
Remain basically unchanged	49	58	64	62
Increase somewhat	15	22	27	26
Increase considerably	0	0	0	0
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Net percentage	-21	1	18	13
<i>Number of banks responding</i>	<i>81</i>	<i>78</i>	<i>78</i>	<i>75</i>

Note: The net percentage is defined as the difference between the sum of the percentages for “increase considerably” and “increase somewhat”, and the sum of the percentages for “decrease somewhat” and “decrease considerably”.

- A slightly lower percentage of responding banks expected in April 2004 a net increase in housing loan demand over the second quarter of 2004, compared with a realised net 3% for the first quarter (see Question 13).
- In April, banks expected a slightly higher net increase in the demand for consumer credit and other lending to households for the second quarter of 2004 than the 10% realised in the first quarter (see Question 13).

Chart 21. Expected demand for loans to households for house purchase
(net percentages of banks reporting an increase in demand)



Annex: Glossary used in the survey

In order to assist the banks participating in the survey to fill out the questionnaire, a compilation guide has been developed containing the most important terms in the survey. The overview below shows the main terminology used.

Capital

This is defined in accordance with the Basel capital adequacy requirements; it includes both tier 1 capital (core capital) and tier 2 capital (supplementary capital).

Collateral

The security given by a borrower to a lender as a pledge for the repayment of a loan. This could include certain financial securities, such as equity or debt securities, real estate or compensating balances. A compensating balance is the minimum amount of a loan that the borrower is required to keep in an account at the bank.

Covenant

A covenant is an agreement or stipulation expressed in loan contracts, particularly contracts with enterprises, by which the borrower either pledges to take certain action (an affirmative covenant) or to refrain from taking certain action (a negative covenant), and is consequently part of the terms and conditions of a loan.

Credit line

A credit line is a facility with a stated maximum amount that an enterprise is entitled to borrow from a bank at any given time. In the survey, developments regarding credit lines should be interpreted as changes in the net amount drawn under either an existing or a new credit line.

Credit standards

Credit standards are the internal guidelines or criteria which reflect a bank's loan policy. They are the written and unwritten criteria, or other practices related to this policy, which define the types of loan a bank considers desirable and undesirable, the designated geographic priorities, the collateral deemed

acceptable and unacceptable, etc. In the survey, changes in written loan policies should be considered together with changes in their application.

Credit terms and conditions

The terms and conditions of a loan refer to the specific obligations agreed upon by the lender and the borrower. In the context of the bank lending survey, they consist of the direct price or interest rate, the maximum size of the loan and the access conditions, and other terms and conditions in the form of non-interest rate charges (i.e. fees), collateral requirements (including compensating balances), loan covenants and maturity (short versus long-term).

Enterprises

Enterprises refer to non-financial corporations, i.e. all private and public institutional units, whatever their size and legal form, which are not principally engaged in financial intermediation but rather in the production of goods and non-financial services.

Enterprise size

The distinction between large enterprises and small and medium-sized enterprises is based on annual sales. A firm is considered large if its annual net turnover is more than €50 million.

Households

Households are individuals or groups of individuals acting as consumers or as producers of goods and non-financial services exclusively intended for their own final consumption, as well as small-scale market producers.

Loans

The loans covered by the bank lending survey are those granted to euro area residents by domestic branches, including loans or credit lines to enterprises, loans to households for house purchase, and consumer credit and other lending to households.

Loan-to-value ratio

The ratio of the amount borrowed to the appraisal or market value of the underlying collateral, usually taken into consideration in relation to loans used for real estate financing.

Maturity

The concept of maturity used in the bank lending survey is original maturity, and only two different types are used, i.e. short-term and long-term. Short-term loans are loans with an original maturity of one year or less; long-term loans are consequently defined as loans that have an original maturity of more than one year.

Net balance (or percentage)

The net percentage is defined as 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 questions related to demand for loans, the net percentage is defined as the difference between the sum of the percentages for “increase considerably” and “increase somewhat”, and the sum of the percentages for “decrease somewhat” and “decrease considerably”.

Non-banks

In general these consist of non-monetary financial corporations. More specifically, they include insurance corporations and pension funds, financial auxiliaries and other financial intermediaries.

Non-interest rate charges

These are various kinds of fees which can be part of the pricing of a loan, such as commitment fees on revolving loans, administration fees (e.g. document preparation costs), and charges for enquiries, guarantees and credit insurance.