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OCTOBER 2021 BANK LENDING SURVEY IN SPAIN

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ABSTRACT

According to the Bank Lending Survey, during 2021 Q3 credit standards held stable or tightened slightly, depending on the segment, in both Spain and the euro area. Terms and conditions on new loans appear to have eased slightly in Spain in the two household lending segments, whereas in the euro area they seem to have tightened in loans for house purchase, with no significant changes in the other categories. Loan applications are reported to have increased moderately in the two areas, across almost all segments, in keeping with the recovery in economic activity. Banks in both areas consider that non-standard monetary policy measures were generally conducive to some expansion in the supply of credit and to an increase in the volume of new lending.

Keywords: funding, credit, loan supply, loan demand, credit standards, terms and conditions for loans, financial markets.

JEL classification: E51, E52, G21.

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Main results

This article presents the results of the October 2021 Bank Lending Survey (BLS), which provides information on credit supply and demand conditions in 2021 Q3 and on the outlook for Q4.[1] This first section discusses the main results obtained from the replies by the ten Spanish banks participating in the survey and compares them with the results for the euro area overall. The subsequent sections present a somewhat more detailed analysis of the results for Spain.[2]

The survey shows that, in 2021 Q3 credit standards[3] in both Spain and the euro area held stable for firms, but tightened slightly in the case of financing to households (in the euro area this was the case only in loans for house purchase). Dispersion in terms of the overall terms and conditions[4] applied was somewhat greater, since in Spain they appear to have remained unchanged in loans to firms and to have eased slightly in the two household lending segments, while in the euro area they would have tightened marginally in loans to households for house purchase, with no significant changes in the other two categories[5] (see Table 1 and Chart 1). Loan demand would have increased moderately in both areas almost across the board, in line with the current context of economic recovery. However, in almost all segments, the increase in applications would have been somewhat more moderate than in Q2.

Spanish banks do not expect significant changes in the supply of credit for 2021 Q4, while those of the euro area anticipate a certain tightening of credit standards on

1 The Banco de España has published these results on its website (http://www.bde.es/webbde/en/estadis/infoest/epb.html), in tandem with the publication of this article and with the ECB's publication of the results for the euro area. Also available on this website are the time series of the aggregate indicators by bank, relating to the standard questionnaire, along with additional information about the BLS. A more detailed analysis of the results for the euro area as a whole can be found in the ECB's regular notes on its website (http://www.ecb.int/stats/money/lend/html/index.en.html).

2 The analysis conducted in this article is based on "diffusion indices" which are calculated with a weighting based on the degree of improvement/worsening or of easing/tightening reported by each bank in its replies, unlike indicators calculated in terms of net percentages, which do not factor in this weighting. This methodology is applied to the entire time series.

3 Credit standards refer to banks' internal guidelines or loan approval criteria.

4 Terms and conditions on loans mean banks' actual terms and conditions (interest rate, loan size, maturity, collateral requirements, etc.) agreed in the loan contract.

5 However, when the changes are approximated by the net percentage rather than the diffusion index, a slight easing of the terms and conditions in the business lending segment is seen for the euro area as a whole.

Table 1
BANK LENDING SURVEY
Main results. October 2021

	Credit standards	Overall conditions on new loans	Loan demand
Spain			
Past three months			
Non-financial corporations	Unchanged	Unchanged	Increase
Households for house purchase	Tightening	Easing	Increase
Consumer credit and other lending to households	Tightening	Easing	Increase
Forecast for next three months			
Non-financial corporations	Unchanged	(a)	Increase
Households for house purchase	Unchanged	(a)	Unchanged
Consumer credit and other lending to households	Unchanged	(a)	Increase
Euro area			
Past three months			
Non-financial corporations	Unchanged	Unchanged	Unchanged
Households for house purchase	Tightening	Tightening	Increase
Consumer credit and other lending to households	Unchanged	Unchanged	Increase
Forecast for next three months			
Non-financial corporations	Tightening	(a)	Increase
Households for house purchase	Tightening	(a)	Unchanged
Consumer credit and other lending to households	Unchanged	(a)	Increase

SOURCES: Banco de España and ECB.

a The survey does not include questions on expected changes in loan terms and conditions.

loans to households for house purchase and to firms. On the demand side, banks from both areas believe that demand from households for consumer credit and other lending and from non-financial corporations will increase slightly, with applications from households for loans for house purchase remaining stable.

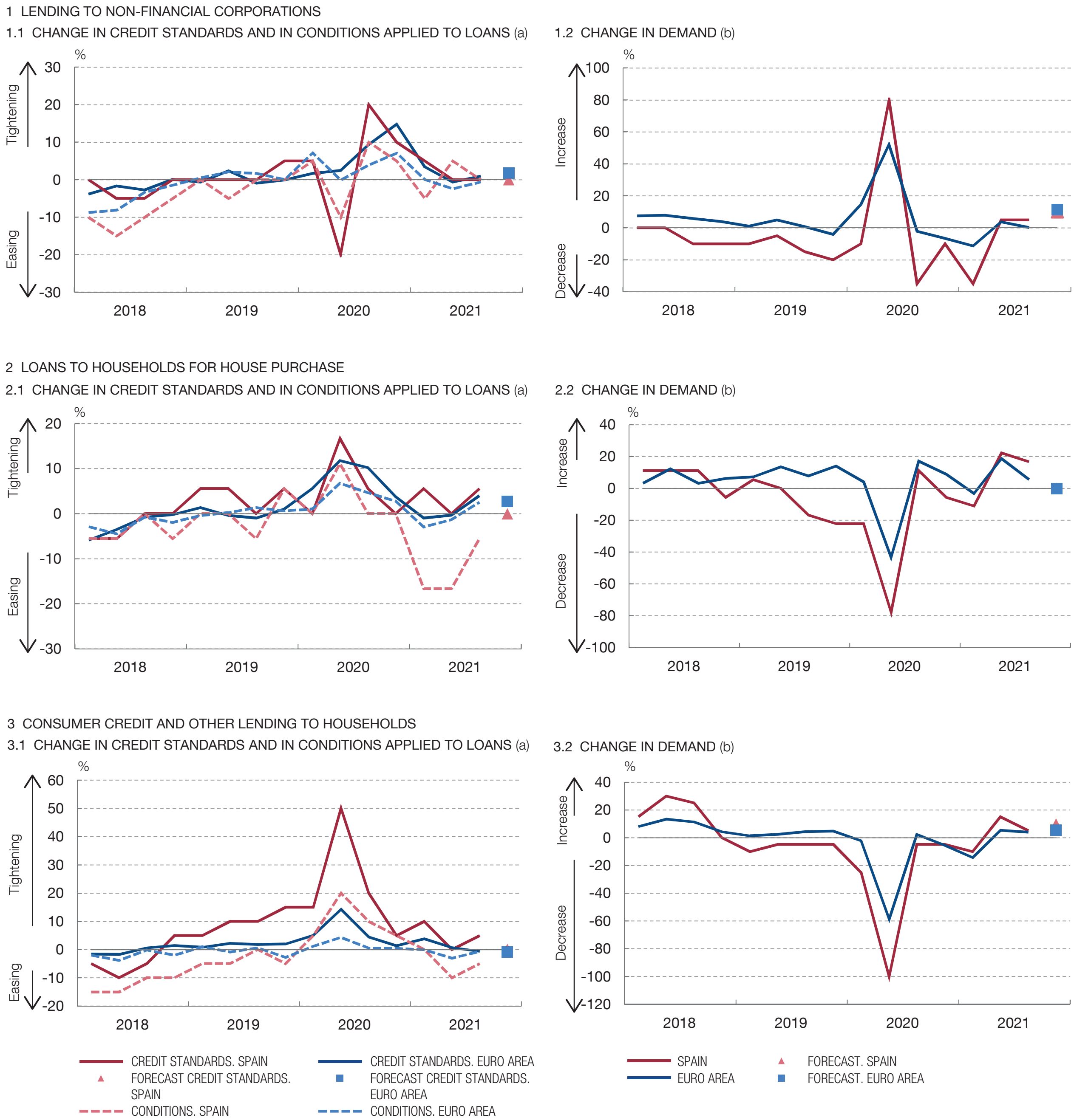
In response to the first ad hoc question included in the survey, banks in both areas indicated that in 2021 Q3 access conditions to retail and wholesale markets had held stable or improved, depending on the segment, with the strongest improvement seen in the long-term debt securities market (see Chart A.1).

The remaining ad hoc questions assess the impact of the non-standard monetary policy measures adopted by the ECB in recent years – the asset purchase programmes, the negative deposit facility rate and the targeted longer-term refinancing operations (TLTROs) – on banks' financial position and financing conditions and on their lending policy. In general, in both areas the results show that, over the past six months, these measures would have continued to contribute to improving credit institutions' financial position (with the exception of euro area

Chart 1

CREDIT STANDARDS HELD STABLE OR TIGHTENED AND DEMAND INCREASED MODERATELY PRACTICALLY ACROSS THE BOARD IN 2021 Q3

In 2021 Q3, credit standards appear to have remained unchanged or to have tightened slightly, depending on the segment, in both Spain and the euro area. Dispersion in terms of the overall terms and conditions applied was somewhat greater, since in Spain they appear to have remained unchanged in loans to firms and to have eased slightly in the two household lending segments, while in the euro area they would have tightened marginally in loans to households for house purchase, with no significant changes in the other two categories. Loan demand seems to have increased moderately in both areas almost across the board. Spanish banks do not expect significant changes in the supply of credit for 2021 Q4, while euro area banks anticipate a certain tightening in some segments. Demand is expected to grow or remain stable in both areas, depending on the segment.



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks that have tightened their credit standards or conditions considerably × 1 + percentage of banks that have tightened their credit standards or conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or conditions considerably × 1.

b Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.

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banks' profitability, which appears to have been adversely affected by some of these measures) and financing conditions. These measures would have also helped to ease the supply of credit somewhat and increase the volume of lending to certain segments (see Charts A.2 to A.6).

Supply and demand conditions in Spain

Lending to non-financial corporations

In 2021 Q3, credit standards for non-financial corporations held stable, with none of the factors included in the questionnaire having a significant impact in this period (see Chart 2). The breakdown by firm size shows that credit standards remained unchanged in loans to SMEs, but eased slightly in lending to larger corporations. Against this backdrop of somewhat more stable credit supply conditions, the percentage of rejected loan applications declined slightly.

Overall terms and conditions on new loans also appear to have remained unchanged between July and September, although a slight increase in the margins applied to riskier loans was observed (see Chart 2), due to banks' lower risk tolerance.

Based on the responses received, demand from firms rose slightly in 2021 Q3 for the second consecutive quarter, against the background of a gradual recovery in economic activity. The increase in the number of applications seems to be the result of the greater need for financing fixed capital investment and an increase in corporate reorganisation and debt refinancing operations, in a low interest rate environment that would have continued to drive growth in demand (see Chart 3).

Looking ahead to 2021 Q4, the responding Spanish banks expect lending standards to remain stable and demand to continue to rise at a pace similar to that between July and September.

Loans to households for house purchase

Credit standards for loans to households for house purchase would have tightened slightly in Spain over 2021 Q3, mainly owing to banks' lower risk tolerance. Despite this, the share of loan rejections appears to have declined slightly compared with the previous quarter, which could point to an improvement in the average quality of applicants for this type of loans.

By contrast, the overall terms and conditions on these loans are reported to have eased somewhat, mainly because of the strong competition in this segment; this would have translated into lower margins on average loans (see Chart 2).

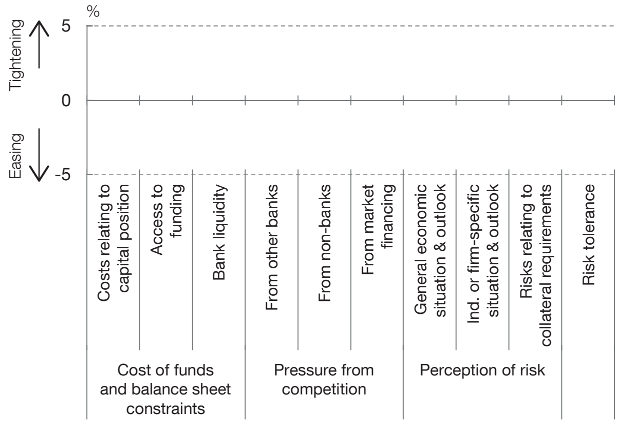
Chart 2

BANKS' LOWER RISK TOLERANCE WOULD LIE BEHIND THE SLIGHT TIGHTENING IN CREDIT STANDARDS FOR HOUSEHOLDS IN SPAIN DURING 2021 Q3

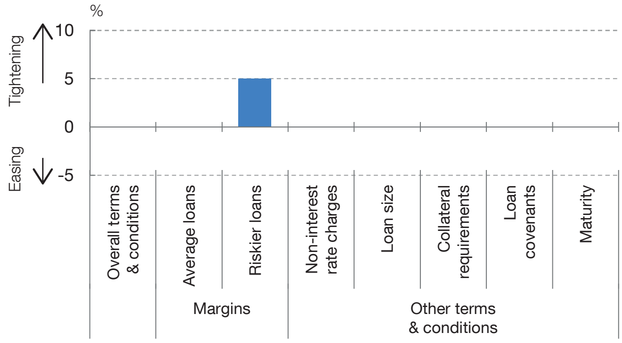
The slight tightening in credit standards in 2021 Q3, both in loans to households for house purchase and in consumer credit and other lending to households, would be due to banks' lower risk tolerance. Moreover, a moderate decline in margins on average loans was reported in these two segments. In corporate lending, margins on riskier loans appear to have risen slightly.

1 LOANS TO NON-FINANCIAL CORPORATIONS. SPAIN. 2021 Q3

1.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

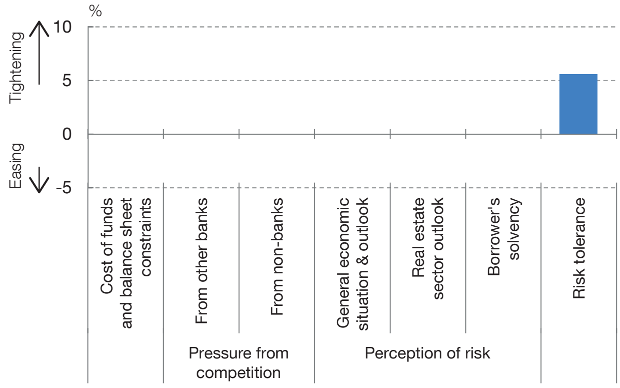


1.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)

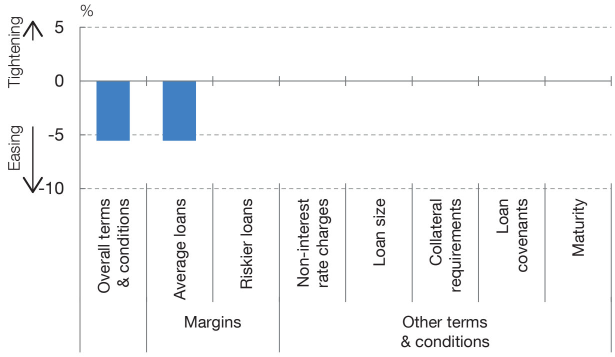


2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE. SPAIN. 2021 Q3

2.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

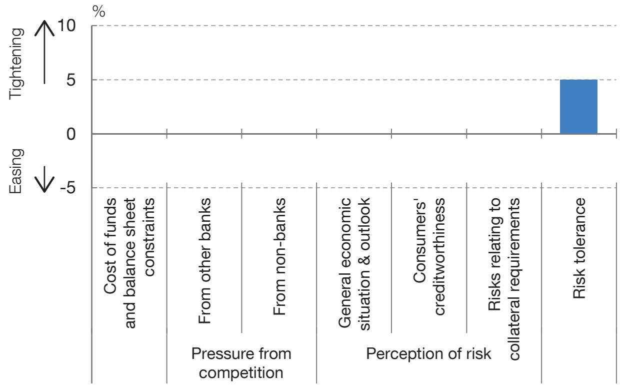


2.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)

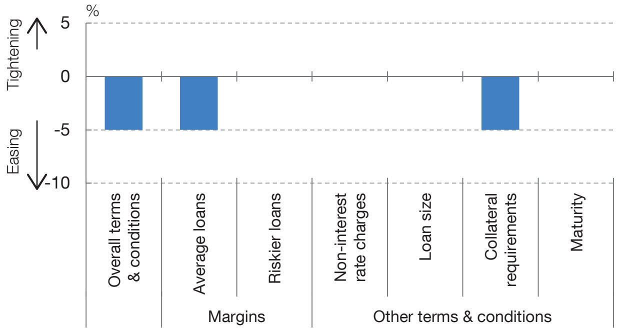


3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS. SPAIN. 2021 Q3

3.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)



3.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting that the factor has contributed considerably to the tightening of credit standards × 1 + percentage of banks reporting that it has contributed somewhat to the tightening of credit standards × 1/2 – percentage of banks reporting that it has contributed somewhat to the easing of credit standards × 1/2 – percentage of banks reporting that it has contributed considerably to the easing of credit standards x 1.

b Indicator = percentage of banks that have tightened their terms and conditions considerably × 1 + percentage of banks that have tightened their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions considerably x 1.

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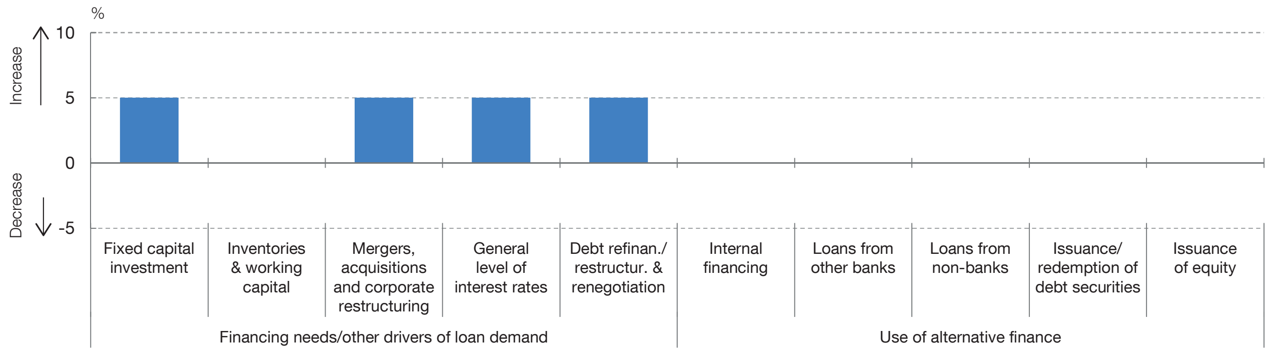
Chart 3

HIGHER LOAN DEMAND IN SPAIN DURING 2021 Q3 WOULD BE DUE TO AN INCREASE IN FIXED CAPITAL INVESTMENTS AND CORPORATE DEBT RESTRUCTURING AND REFINANCING, AND TO HIGHER CONSUMER CONFIDENCE

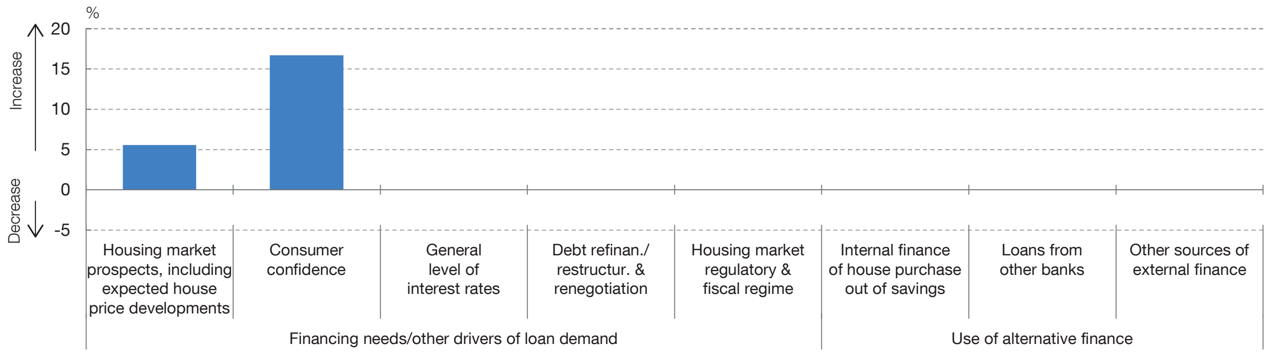
Loan demand continued to grow across the board in Spain during 2021 Q3. In the business lending segment, the increase in demand appears to have been driven by both higher fixed capital investment and an increase in corporate restructuring and refinancing, and to have been favoured also by the low interest rate levels. In the two household lending segments, the pick-up in credit applications would mainly be due to increased consumer confidence.

1 FACTORS AFFECTING DEMAND FOR LOANS. SPAIN. 2021 Q3 (a)

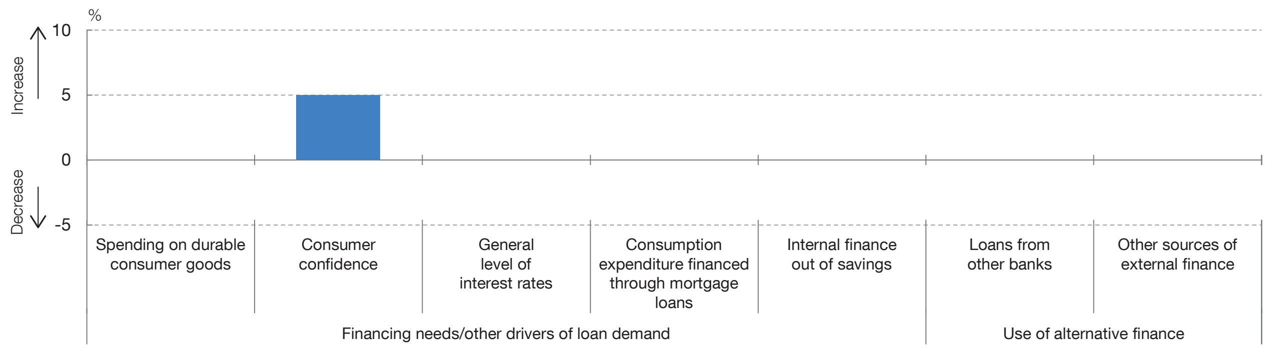
1.1 LOANS TO NON-FINANCIAL CORPORATIONS



1.2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE



1.3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS



SOURCES: Banco de España and ECB.

a Indicator = percentage of banks reporting that the factor has contributed considerably to increasing demand × 1 + percentage of banks reporting that it has contributed somewhat to increasing demand × 1/2 – percentage of banks reporting that it has contributed somewhat to reducing demand × 1/2 – percentage of banks reporting that it has contributed considerably to reducing demand × 1.

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Banks perceived a further rise in the demand for funds for house purchase between July and September, chiefly as a result of increased consumer confidence and, to a lesser extent, the bright housing market outlook (see Chart 3).

For 2021 Q4, banks do not expect significant changes in either credit standards or demand.

Consumer credit and other lending to households

In consumer credit and other lending to households, credit standards tightened slightly during 2021 Q3. According to the responses received, this was due, as in the loans for house purchase segment, to banks' lower risk tolerance. This does not appear to have affected the share of rejected loan applications, which would have remained unchanged over this period.

By contrast, the overall terms and conditions on this type of credit eased somewhat, with lower margins on average loans and less collateral requirements (see Chart 2). According to the responding banks, this is the result of increased competitive pressure and a decrease in perceived risks.

Based on the responses received, demand from households for consumer credit and other lending increased again during 2021 Q3, mainly on account of higher consumer confidence (see Chart 3).

In 2021 Q4, banks do not expect credit standards to change significantly in this segment, but they do anticipate a further increase in demand.

Ad hoc questions

In response to the question about access to funding during 2021 Q3, Spanish banks reported that they perceived some improvement in the short-term retail deposit segment and stability in the long-term deposit segment (see Chart A.1). In terms of access to wholesale funding, banks perceived stability in the securitisation market and improvement in the other markets, with the most favourable developments in the long-term securities market. In Q4, Spanish banks expect access conditions to hold stable or improve further, depending on the segment.

In reply to the question on the impact of the ECB's asset purchase programmes, the responding Spanish banks indicated that, between April and September, these had mainly contributed to increasing liquidity and improving financing conditions (see Chart A.2.1). They had also prompted a slight easing in the supply of credit and a modest increase in lending volumes in some segments. In the next six months, banks expect these programmes to continue to have a positive impact on their liquidity situation and financing conditions, and to keep having some expansionary effect on loan supply, slightly boosting the volume of lending to firms (see Chart A.2.2).

With regard to the question on the effects of the ECB's negative deposit facility rate, Spanish banks again indicated that, over the last six months, this measure had had no significant impact either on their financial situation or on the terms and conditions applied to loans and deposits (see Charts A.3.1.1 to A.3.1.3), nor do they expect it to have a significant impact in the next six months (see Charts A.3.1.1, A.3.1.2 and A.3.1.4). These results suggest that in Spain the effects of this measure have been fully passed through, which is consistent with the large share of assets and liabilities with short maturities or at variable interest rates.

Finally, according to the responses to the ad hoc questions on the ECB's TLTRO III, none of the ten responding Spanish banks participated in the June 2021 tender procedure, and only one of them did so in September, as it considered its conditions to be attractive (see Chart A.4). The funds obtained were mainly used to substitute maturing debt securities and interbank lending, while the net drawdowns were mainly used to grant loans to the non-financial private sector, to hold liquidity with the Eurosystem and to purchase domestic sovereign bonds (see Chart A.5). As for the direct and indirect repercussions of these operations, banks considered that they contributed to improving their financial situation in terms of profitability, liquidity and market funding conditions (see Chart A.6). They also prompted a slight easing in the supply of credit in some segments and a modest increase in lending volumes across the board. As regards the last tender procedure, scheduled for December, only one of the ten responding Spanish banks expressed its intention to participate, mainly because it considered that the conditions will remain attractive, while three others were undecided (see Chart A.4).[6]

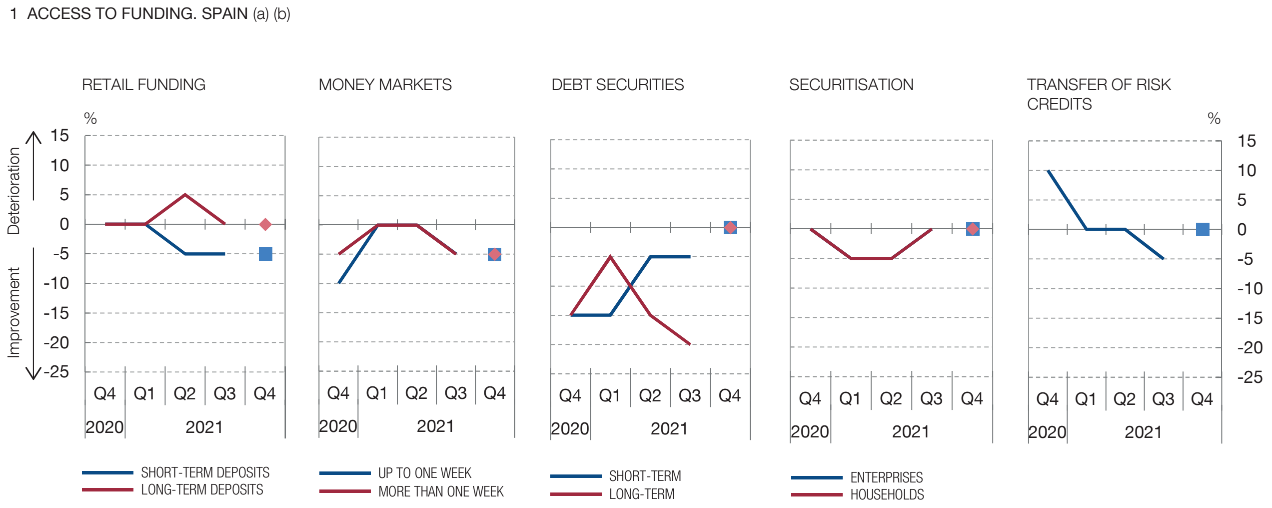
26.10.2021.

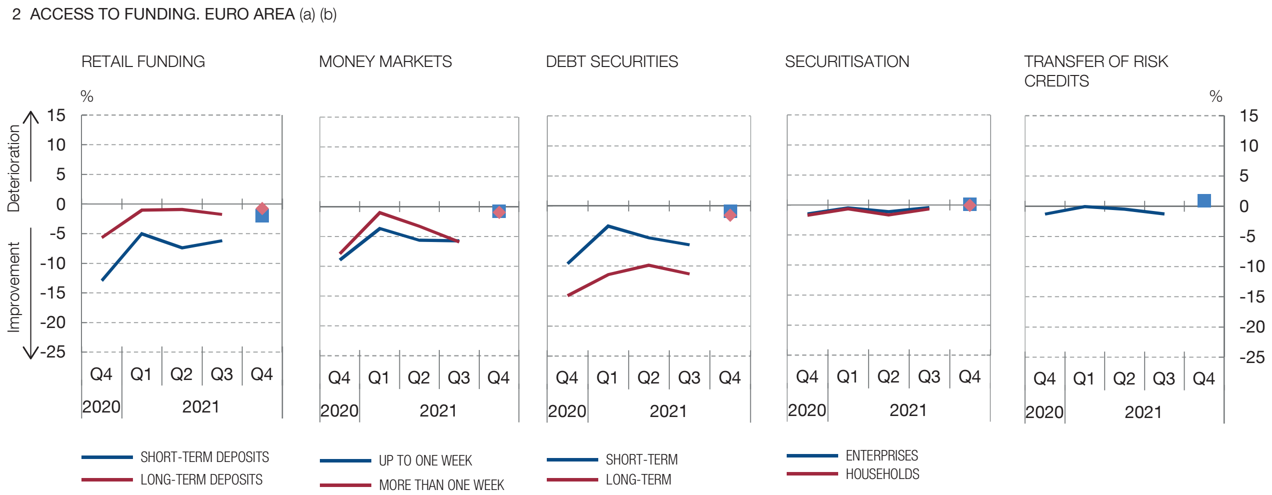
6 The funds raised would be used mainly for lending to the non-financial private sector (see Chart A.5). As for the direct and indirect repercussions, participating banks expected them to continue to have some positive impact over the next six months on their financial position and lending policy, but considered that these effects would generally be more moderate than those observed in the past (see Chart A.6).

Chart A.1

IN 2021 Q3, ACCESS TO FINANCING MARKETS REMAINED UNCHANGED OR IMPROVED ACROSS ALL SEGMENTS, IN BOTH SPAIN AND THE EURO AREA

In 2021 Q3 access to retail markets improved slightly in the euro area, while in Spain it improved for short-term deposits and remained unchanged for those with longer maturities. Banks in both areas perceived access to wholesale markets to be similar or more favourable, depending on the segment, with a somewhat stronger pick-up in long-term debt securities markets.





SOURCES: Banco de España and ECB.

a Indicator = percentage of banks that perceived a considerable deterioration in market access × 1 + percentage of banks that perceived some deterioration × 1/2 – percentage of banks that perceived some improvement × 1/2 – percentage of banks that perceived a considerable improvement × 1.

b ◆, ■ = forecast.

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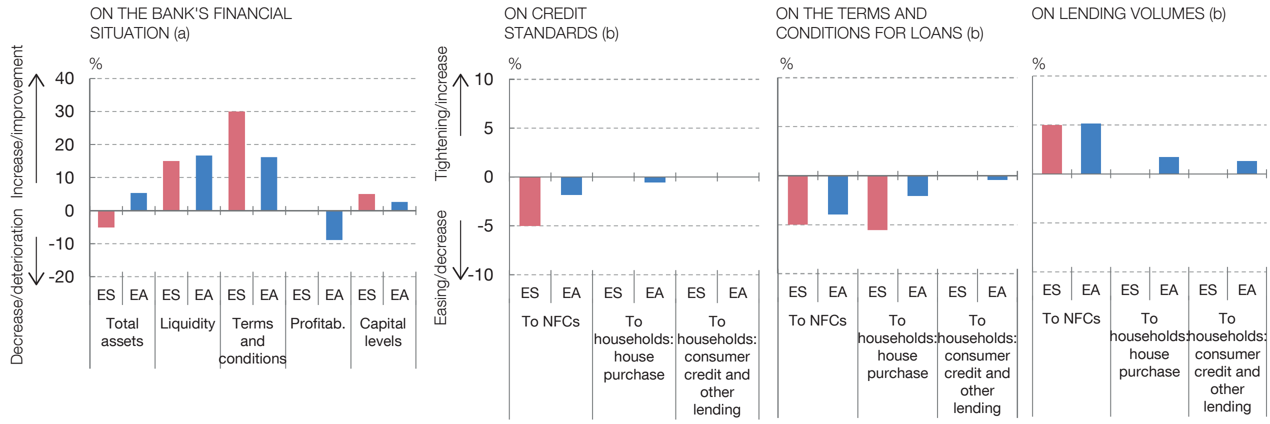
Chart A.2

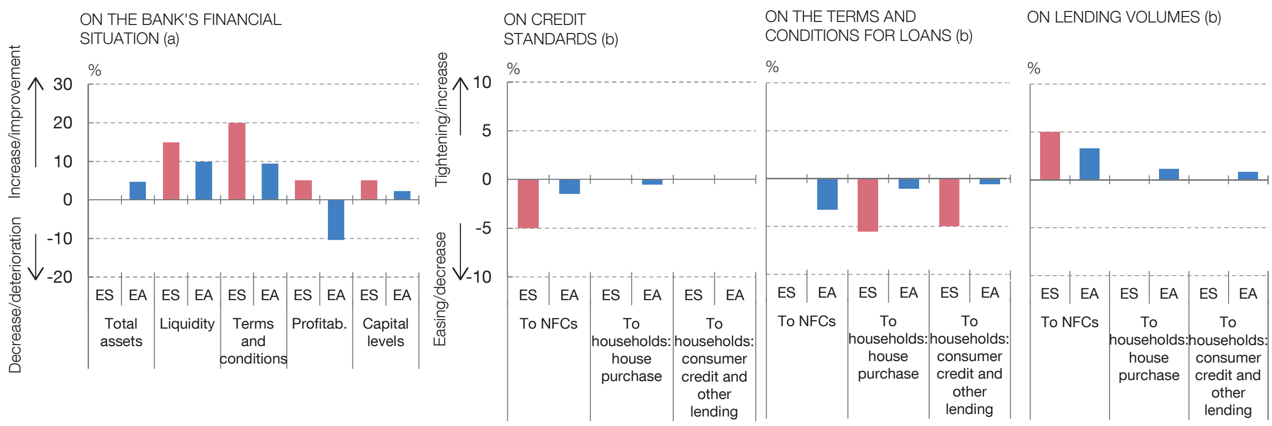
ASSET PURCHASE PROGRAMMES APPEAR TO HAVE HELPED TO EASE THE SUPPLY OF CREDIT AND TO INCREASE LENDING VOLUMES IN SOME SEGMENTS

Over the last six months, the programmes would have contributed to improving the liquidity situation and financing conditions of banks in both areas and to slightly increasing their capital ratios. They also appear to have had a negative impact on banks' profitability in the euro area. Additionally, they would have helped to ease the supply of credit and increase lending volumes, mainly in lending to non-financial corporations and loans to households for house purchase. Banks expected these trends to continue over the next six months.

1 IMPACT OF ASSET PURCHASE PROGRAMMES. LAST SIX MONTHS



2 IMPACT OF ASSET PURCHASE PROGRAMMES. NEXT SIX MONTHS



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting that the programme has contributed or would contribute considerably to an increase or improvement × 1 + percentage of banks reporting that it has contributed or would contribute somewhat to an increase or improvement × 1/2 – percentage of banks reporting that it has contributed or would contribute somewhat to a decrease or deterioration × 1/2 – percentage of banks reporting that it has contributed or would contribute considerably to a decrease or deterioration x 1.

b Indicator = percentage of banks reporting that the programme has contributed or would contribute considerably to tightening credit standards or terms and conditions or to increasing lending volumes × 1 + percentage of banks reporting that it has contributed or would contribute somewhat to this tightening or increase × 1/2 – percentage of banks reporting that it has contributed or would contribute somewhat to easing credit standards or terms and conditions or to decreasing lending volumes × 1/2 – percentage of banks reporting that it has contributed or would contribute considerably to this easing or decrease × 1.

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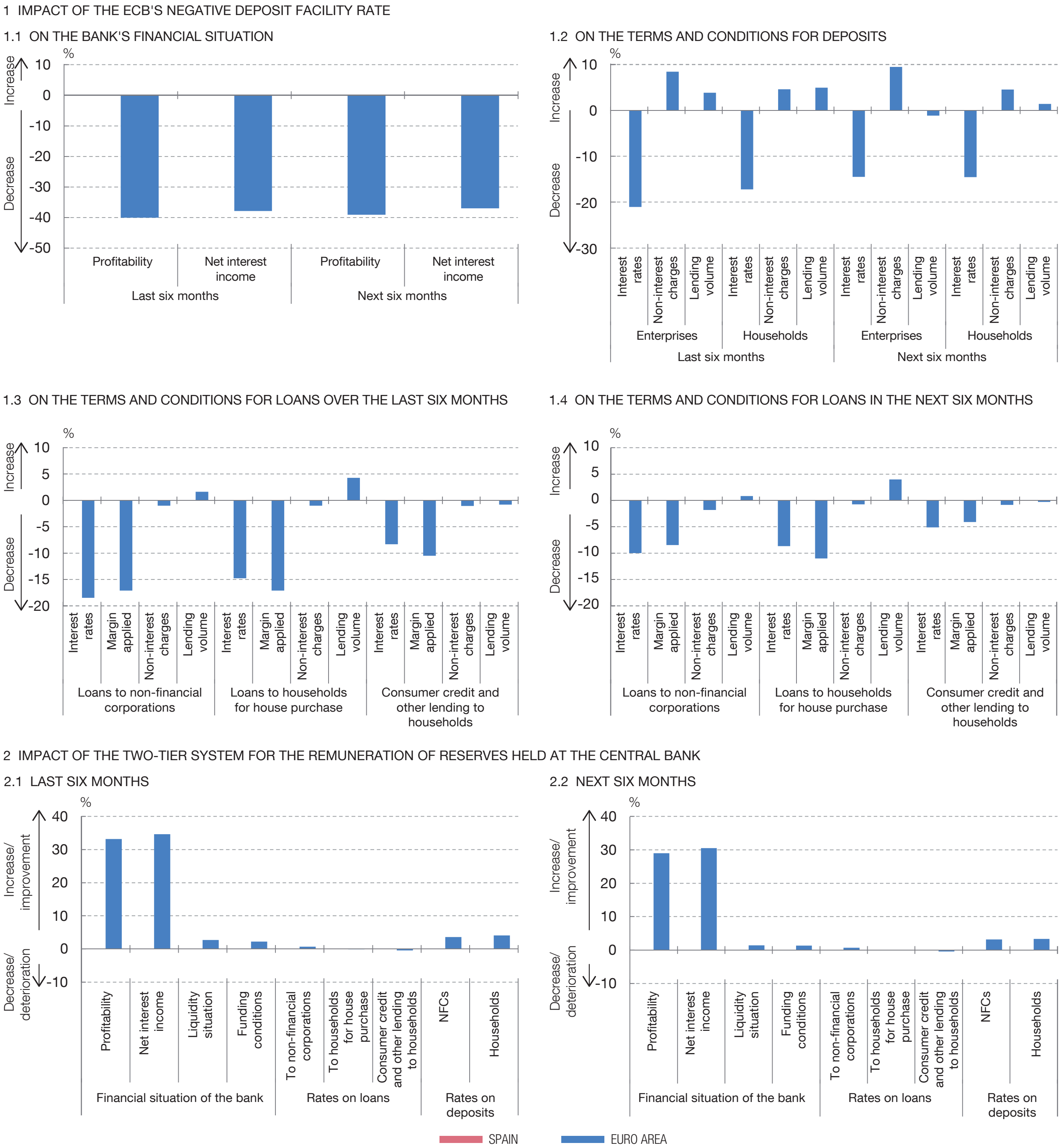
Chart A.3

THE NEGATIVE DEPOSIT FACILITY RATE WOULD HAVE HAD NO SIGNIFICANT IMPACT IN SPAIN OVER THE LAST SIX MONTHS (a)

In Spain, this measure does not appear to have had any significant impact over the last six months. In the euro area, by contrast, it would have led to a decline in banks' profitability and net interest income, along with a fall in deposit interest rates and a slight increase in other non-interest expenses and in the volume of funds raised. In the euro area, it also appears to have prompted a fall in the interest rates and margins applied to new loans. Lastly, the two-tier system for the remuneration of reserves held at the central bank would have had a positive effect on the financial position of euro area banks, but no significant impact for Spanish banks.



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting a considerable increase or improvement × 1 + percentage of banks reporting some increase or improvement × 1/2 – percentage of banks reporting some decrease or deterioration × 1/2 – percentage of banks reporting a considerable decrease or deterioration × 1.

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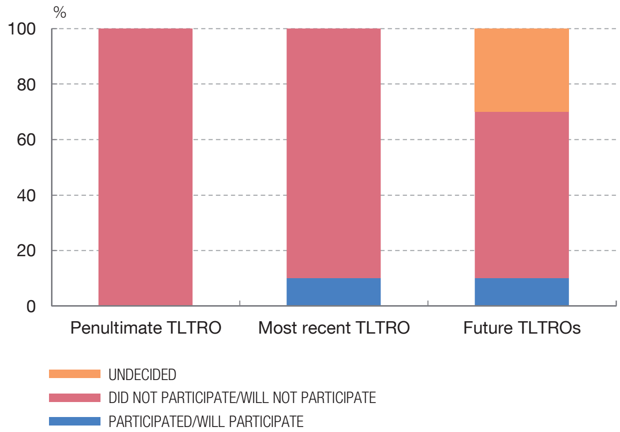
Chart A.4

GRADUAL DECLINE, BOTH IN PARTICIPATION IN THE TWO LATEST TLTRO III TENDER PROCEDURES AND IN THE INTENTION TO PARTICIPATE IN FUTURE PROCEDURES

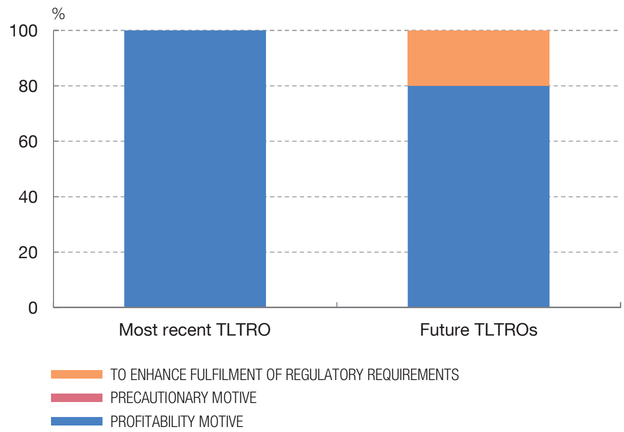
In Spain, none of the ten responding banks participated in the June tender procedure and only one of them did so in September. In the euro area, participation was 28% in June and fell to 16% in September. Both in Spain and in the euro area, the main reason reported for participating in these tender procedures was profitability, although precautionary motives and contributing to the fulfilment of regulatory requirements were also highlighted, albeit to a lesser extent. Only one Spanish bank and 12% of euro area banks intended to participate in the last tender procedure, which will take place in December.

1 SPAIN

1.1 TLTRO III PARTICIPATION (a)

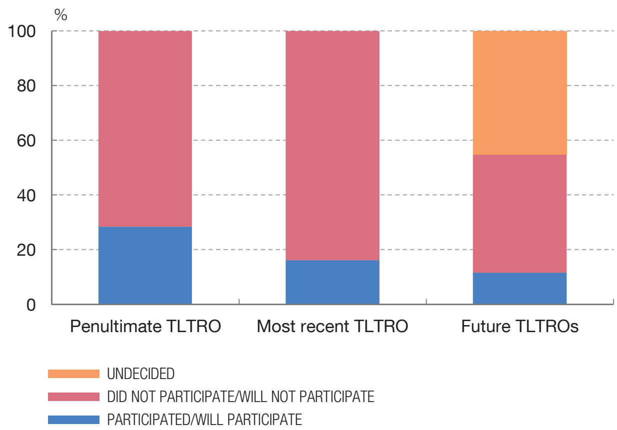


1.2 MAIN REASON FOR PARTICIPATING (b)

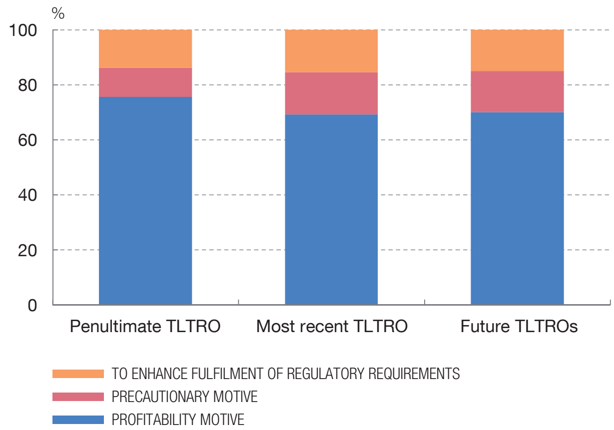


2 EURO AREA

2.1 TLTRO III PARTICIPATION (a)



2.2 MAIN REASON FOR PARTICIPATING (b)



SOURCES: ECB and Banco de España.

a Percentage of banks.
b Indicator = percentage of banks reporting that the reason has influenced or would influence considerably the decision to participate × 1 + percentage of banks reporting that it has influenced or would influence the decision somewhat × 1/2. The results were re-scaled to add up to 100.

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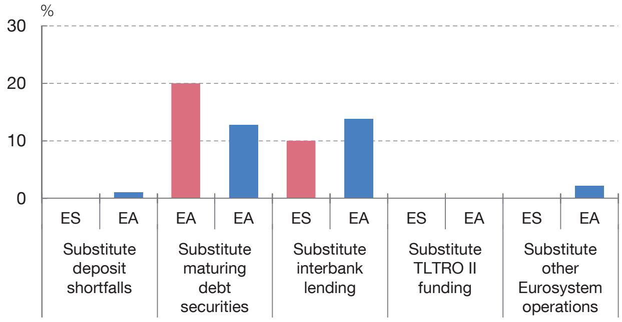
Chart A.5

FUNDS RAISED UNDER TLTRO III WERE USED MAINLY TO HOLD LIQUIDITY WITH THE EUROSYSTEM AND TO LEND TO THE PRIVATE SECTOR (a)

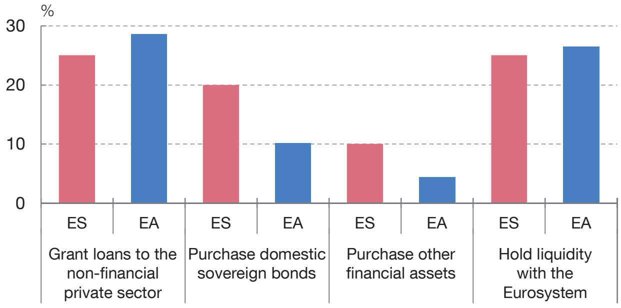
The liquidity raised in these operations over the last six months was mainly used in both areas to substitute maturing securities and interbank lending, while the net drawdowns were used to grant loans to the non-financial private sector, to hold liquidity with the Eurosystem and, to a lesser extent, to purchase other financial assets and domestic sovereign bonds. Banks expected these trends to continue over the next six months.

1 USE OF TLTRO III LIQUIDITY. LAST SIX MONTHS

1.1 REFINANCING

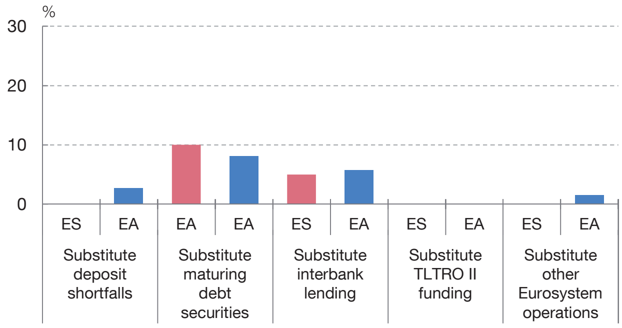


1.2 GRANTING LOANS, PURCHASING ASSETS AND HOLDING LIQUIDITY

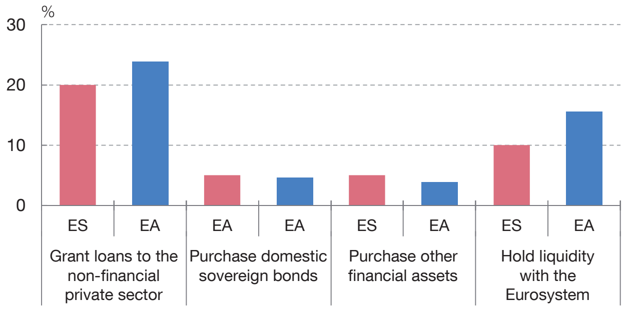


2 USE OF TLTRO III LIQUIDITY. NEXT SIX MONTHS

2.1 REFINANCING



2.2 GRANTING LOANS, PURCHASING ASSETS AND HOLDING LIQUIDITY



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting that the funds obtained and/or expected to be obtained have contributed or would contribute considerably to this aim × 1 + percentage of banks reporting that they have contributed or would contribute somewhat × 1/2.

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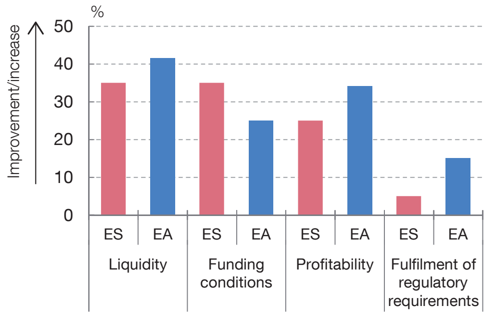
Chart A.6

TLTRO III WOULD HAVE CONTRIBUTED TO IMPROVING BANKS' FINANCIAL POSITION AND TO EXPANDING LOAN SUPPLY AND LENDING VOLUMES

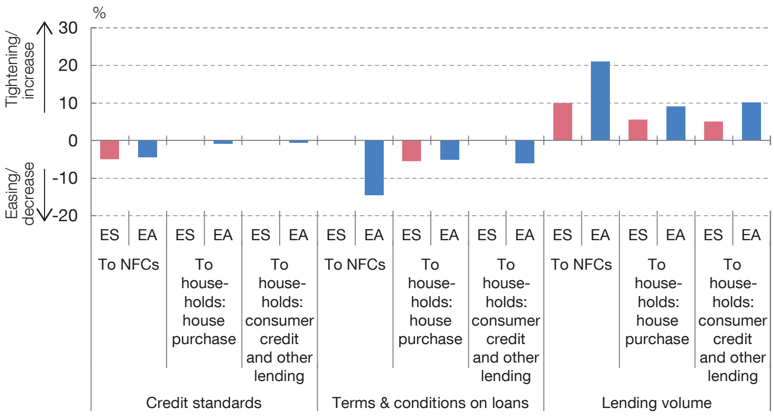
Over the last six months, TLTRO III would have contributed to improving banks' financial position and financing conditions and, to a lesser extent, would have enabled them to comply with regulatory requirements. Furthermore, in both areas, they appear to have prompted a slight easing of credit standards and the terms and conditions applied in certain segments, and a general increase in lending volumes. Banks expect these effects to continue over the next six months, albeit less intensely, especially in Spain.

1 DIRECT AND INDIRECT IMPACT OF TLTRO III. LAST SIX MONTHS

1.1 ON THE BANK'S FINANCIAL SITUATION (a)

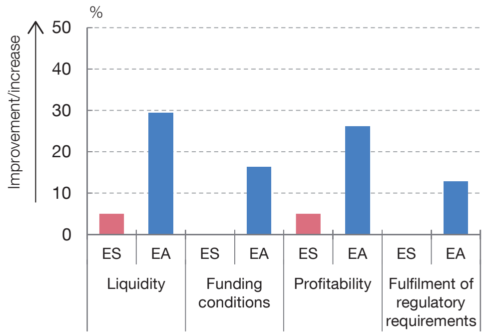


1.2 ON BANK LENDING (b)

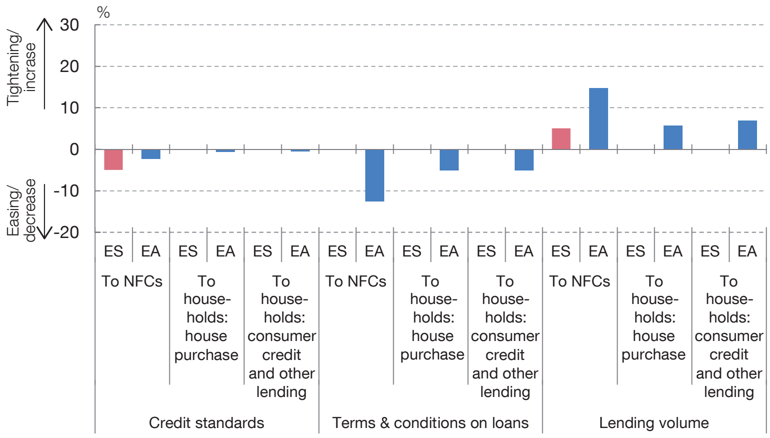


2 DIRECT AND INDIRECT IMPACT OF TLTRO III. NEXT SIX MONTHS

2.1 ON THE BANK'S FINANCIAL SITUATION (a)



2.1 ON BANK LENDING (b)



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting a considerable improvement or increase x 1 + percentage of banks reporting a slight improvement or increase x 1/2 – percentage of banks reporting a slight deterioration or decrease × 1/2 – percentage of banks reporting a considerable deterioration or decrease x 1.

b Indicator = percentage of banks reporting a considerable tightening or increase × 1 + percentage of banks reporting a slight tightening or increase × 1/2 – percentage of banks reporting a slight easing or decrease × 1/2 – percentage of banks reporting a considerable easing or decrease x 1.

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