



EUROPEAN CENTRAL BANK

12 February 2004

THE EURO AREA BANK LENDING SURVEY

– JANUARY 2004 –

1. General introduction

This report publishes the results obtained from the ECB's bank lending survey for the euro area conducted in January 2004.

The main purpose of the survey is to enhance the understanding of bank lending behaviour in the euro area.¹ The survey is addressed to senior loan officers of a representative sample of euro area banks², and takes the form of a questionnaire containing seventeen qualitative questions on past and expected future developments regarding lending policies, and one open-ended question covering any other issues of importance for bank lending behaviour. The questions distinguish between loans to enterprises and loans to households. For both sectors, 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.

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 fifth survey cycle. The cut-off date for receipt of data from the banks participating in the survey was 16 January 2004.

¹ 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 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.

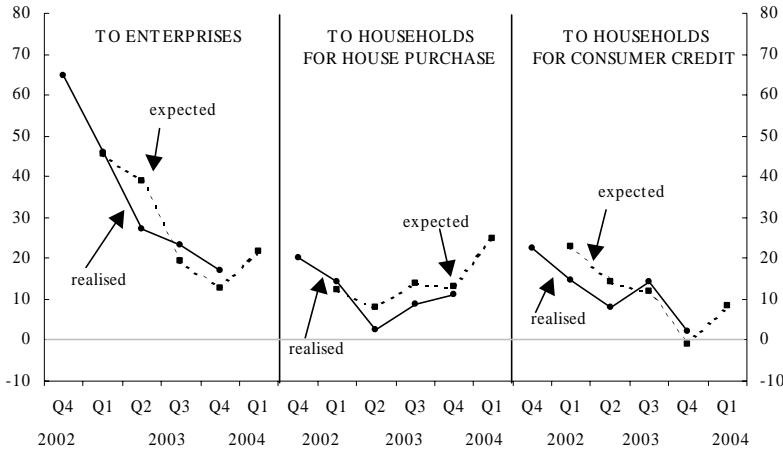
2. Overview of the results

Overall, the results of the January 2004 bank lending survey show a continued decrease in the net percentage of banks indicating a tightening of corporate credit standards over the past three months³. At the same time, the net percentage of banks reporting a tightening of credit standards applied to the approval of loans to households remained low.

Going more into detail with regard to enterprises, in January 2004 17% of banks reported a net tightening of credit standards for the fourth quarter of 2003. This is in line with what they expected in October 2003 for the same period (13%), but lower than what was reported in the third quarter of 2003 (23%) and in the quarters before (see Chart 1, first panel). No banks reported an overall easing of credit standards.

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

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

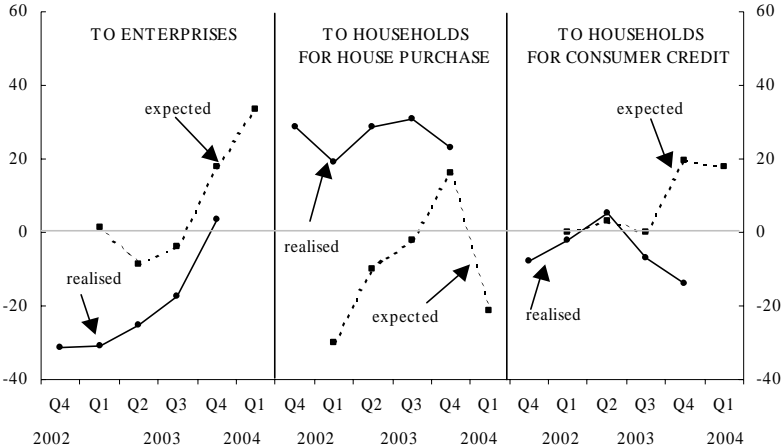


Notes: The net percentage refers to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected”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

³ It has to be kept in mind that the questions are generally phrased in terms of changes over the “past three months” and over “the next three months”. In the January 2004 survey, the “past three months” thus referred approximately to the fourth quarter of 2003 and the “next three months” to the first quarter of 2004. The answers to these questions are then generally analysed by focusing on the difference (“net percentage”) between the share of banks responding, for instance, that credit standards had tightened, and the share of banks responding that these standards had eased. Both the level of these net percentages and changes over time are hereby considered.

With regard to demand for loans or credit lines by enterprises in the fourth quarter of 2003, banks reported a net increase for the first time (see Chart 2, first panel). On net 3% of the respondents indicated in January 2004 that they had experienced stronger demand for loans or credit lines to enterprises over the past three months (compared with -17% in October 2003). The main reasons given for the continued rise in corporate loan demand were changes in financing needs related to fixed investment, to inventories and working capital, as well as to corporate restructuring and mergers and acquisitions.

Chart 2. Demand for loans or credit lines
(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 the first quarter of 2004 were reported in the January 2004 survey.

With regard to expectations for the next three months, i.e. the first quarter of 2004, reporting banks expected in January 2004 an increase in the net tightening of their credit standards applied to the approval of loans or credit lines to enterprises (see Chart 1, first panel). This result is somewhat surprising given the generally improving economic sentiment in the euro area. At the same time, banks expected a further sharp rise in the overall corporate loan demand in the first quarter of 2004 (see Chart 2, first panel).

Turning to households, 11% of banks reported a net tightening of credit standards applied to the approval of loans for house purchase in the fourth quarter of 2003, broadly unchanged from October 2003 (9%), and in line with expectations for the fourth quarter of 2003 as reported in the October 2003 survey (see Chart 1, second panel). The broadly unchanged balance of net tightening of credit standards on loans to households for house purchase in the fourth quarter of 2003 masks counteracting effects from slightly higher risk perceptions related to the housing market on the one hand, and the improved general economic outlook on the other.

Regarding credit standards applied to consumer credit and other loans to households, 2% of the responding banks reported a net tightening in January 2004 for the fourth quarter of 2003 (down from 14% in October), and in line with what was expected for the fourth quarter in October 2003 (see Chart 1, third panel). Apart from the improved economic outlook, a reported fall in risks related to the

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

Regarding the demand for loans to households, the January 2004 survey showed that on net 23% of banks reported an increase in the demand for loans for house purchase, compared with 31% in October 2003 (see Chart 2, second panel). The net percentage of the demand for consumer credit and other loans to households continued to fall in the January 2004 survey (-14%, down from -7% in October). This decline is in contrast to what had been expected in the October 2003 survey (see Chart 2, third panel).

With regard to expectations for the first quarter of 2004, the net tightening was expected to increase for loans to house purchase (to 25%) and, to a lesser extent, for consumer credit as well (to 8%) (see Chart 1, second and third panels). At the same time, the reporting banks expected a strong net decrease in the demand for loans to households for house purchase (-21%). This result at the euro area level seems to be attributable to tax changes in Germany effective in early 2004, which are expected to have led to some anticipations of German housing loan demand in 2003. Finally, the demand for consumer credit was expected to increase over the first quarter of 2004 by on net 18% of the reporting banks (see Chart 2, second and third panels).

3. Results for the individual questions

I. Loans or credit lines to enterprises

- 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	
	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004
Tightened considerably	2	2	2	2	2	2	2	2	2	2
Tightened somewhat	24	15	23	18	18	16	17	11	24	16
Remained basically unchanged	72	83	70	80	77	79	78	85	73	80
Eased somewhat	3	0	5	0	3	3	3	2	1	1
Eased considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
<i>Net percentage</i>	23	17	20	20	17	15	16	10	25	17
Number of banks responding	83	82	81	81	80	79	82	83	82	83

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 percentage of banks reporting a tightening for credit standards as applied to the approval of loans or credit lines to enterprises declined further in January 2004.
- The majority of respondents, 83%, continued to report basically unchanged credit standards in January. No banks reported an overall easing of credit standards.
- The net percentages indicating tightening remained unchanged for loans to small and medium-sized enterprises, although it declined somewhat for loans to large enterprises.
- Regarding the maturity of loans, the net percentages for tightening continued to decrease, amounting to 10% for short-term loans and 17% for long-term loans.

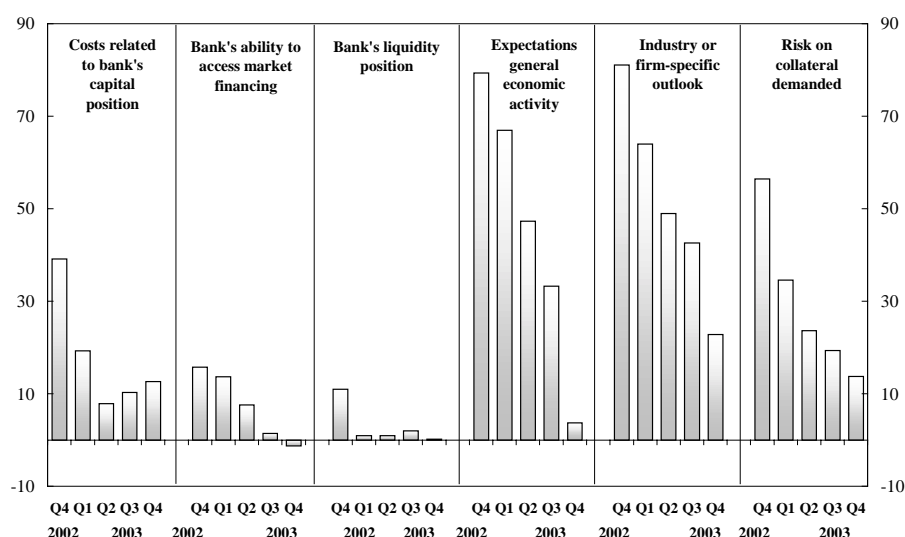
2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Cost of funds and balance sheet constraints								
Costs related to your bank's capital position	0	12	80	0	0	8	10	13
Your bank's ability to access market financing	0	4	81	5	0	11	2	-1
Your bank's liquidity position	0	1	89	1	0	9	2	0
B) Pressure from competition								
Competition from other banks	0	3	72	16	0	8	-6	-13
Competition from non-banks	0	0	83	2	0	15	2	-2
Competition from market financing	0	0	84	1	0	15	1	-1
C) Perception of risk								
Expectations regarding general economic activity	3	18	56	17	0	6	33	4
Industry or firm-specific outlook	3	27	59	6	0	6	43	23
Risk on the collateral demanded	0	14	80	0	0	7	19	14

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.

- The decline in overall net tightening seems to be mostly related to lower risk perceptions. The net percentage of expectations regarding general economic activity declined from 33% in October 2003 to 4% in January 2004, and the industry or firm-specific outlook from 43% in October 2003 to 23% in January 2004. Greater competitive pressures from other banks also seem to have played a role.

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



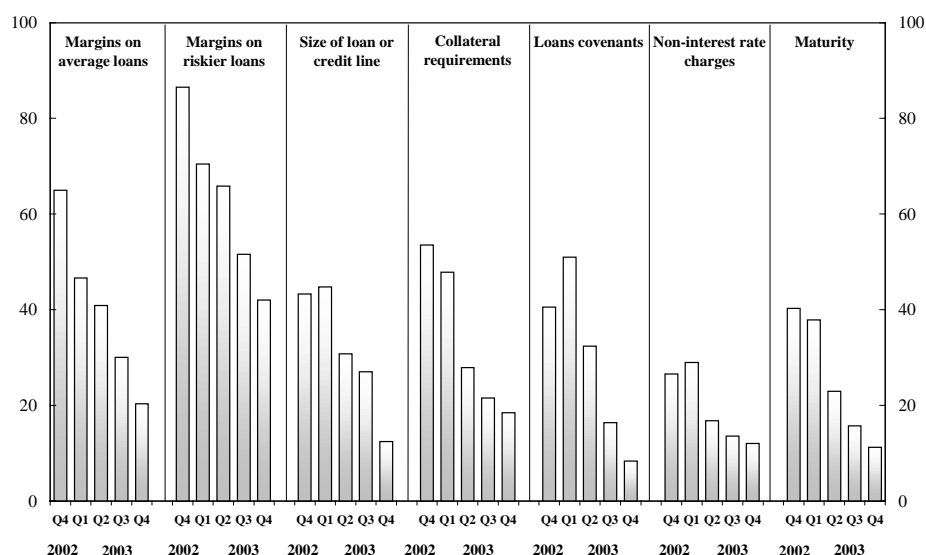
3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Price								
Your bank's margin on average loans	0	25	67	3	1	4	30	20
Your bank's margin on riskier loans	3	42	49	2	0	4	52	42
B) Other conditions and terms								
Non-interest rate charges	1	13	81	2	0	4	14	12
Size of the loan or credit line	0	14	80	2	0	4	27	12
Collateral requirements	1	18	77	0	0	4	22	18
Loans covenants	0	13	78	5	0	4	16	8
Maturity	2	10	80	1	0	7	16	11

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 tightening declined for both prices and other conditions and terms in January 2004 compared with October 2003.
- The net percentage of responding banks that tightened via margins on average loans declined to 20% in January 2004, down from 30% in October 2003.
- The net percentage of banks that tightened via the size of the loan or credit line decreased from 27% in October 2003 to 12% in January 2004.

Chart. 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	
	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004
Decreased considerably	1	1	2	2	2	2	1	0	2	3
Decreased somewhat	29	11	27	9	31	11	26	12	34	13
Remained basically unchanged	57	72	51	68	54	79	60	74	39	62
Increased somewhat	13	16	18	22	13	8	13	14	25	22
Increased considerably	0	0	3	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
<i>Net percentage</i>	-17	3	-9	12	-20	-5	-13	2	-11	7
Number of banks responding	83	83	81	81	80	79	82	83	83	83

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 January, on a net basis, 3% of all responding banks indicated that they had experienced stronger demand for loans or credit lines to enterprises over the past three months, up from –17% in October 2003.
- The increase in the net percentage of banks reporting an increase in corporate loan demand in January 2004 was broadly similar across borrowers and maturities.

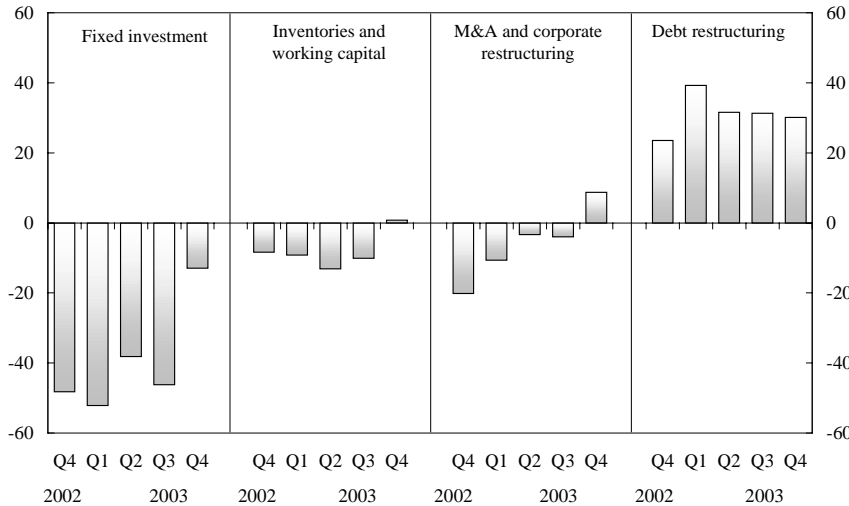
5. Over the past three months, how have the following factors affected the demand for loans or credit lines to enterprises?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Financing needs								
Fixed investment	1	22	59	11	0	7	-46	-13
Inventories and working capital	0	12	65	13	0	10	-10	1
Mergers/acquisitions and corporate restructuring	2	4	68	15	0	11	-4	9
Debt restructuring	0	1	59	29	2	8	31	30
B) Use of alternative finance								
Internal financing	0	3	82	4	0	11	0	0
Loans from other banks	0	4	75	10	2	9	-4	8
Loans from non-banks	0	1	83	0	0	16	-6	-2
Issuance of debt securities	1	10	61	8	0	20	7	-3
Issuance of equity	0	6	63	8	0	22	2	2

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.

- Financing needs related to fixed investment as well as to inventories and working capital rose substantially in the fourth quarter of 2003 and therefore contributed to the increase in the overall net percentage of corporate loan demand.
- In addition, there was a rise in demand for financing for corporate restructuring and mergers and acquisitions. Finally, financing needs for debt restructuring remained high.

Chart. 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	
	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004
Tighten considerably	0	0	0	0	2	4	2	0	1	1
Tighten somewhat	14	24	14	17	16	26	13	17	19	26
Remain basically unchanged	85	75	82	79	80	66	83	76	78	71
Ease somewhat	1	2	4	5	2	4	1	7	1	1
Ease considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
<i>Net percentage</i>	13	22	11	12	16	26	14	11	19	26
Number of banks responding	83	83	81	81	80	79	83	83	83	82

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".

- The net percentage of banks expecting a tightening of corporate credit standards over the next three months increased to 22% in January 2004, up from 13% in October 2003.
- The expected higher net tightening of credit standards related mostly to credit to large enterprises and long-term loans.
- For loans to small and medium-sized enterprises and short-term loans, the net percentage of expected tightening stabilised or slightly decreased in January 2004.

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	
	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004	October 2003	January 2004
Decrease considerably	0	0	0	0	2	2	0	0	0	0
Decrease somewhat	12	3	8	4	11	3	11	7	13	4
Remain basically unchanged	58	61	61	54	64	65	59	63	62	61
Increase somewhat	30	36	31	41	24	30	30	29	24	34
Increase considerably	0	0	0	1	0	0	0	2	2	0
Total	100	100	100	100	100	100	100	100	100	100
<i>Net percentage</i>	18	33	23	39	12	26	19	25	13	30
Number of banks responding	83	82	81	80	80	79	83	82	83	82

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”.

- 33% of all banks responding to the January 2004 survey expected a net increase in loan demand by enterprises over the next three months, up from 18% in October 2003.
- The expected increase in demand is reported for all categories of loans or credit lines, regardless of firm size or the maturity of the corporate loan.

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	
	October 2003	January 2004	October 2003	January 2004
Tightened considerably	0	1	0	1
Tightened somewhat	18	13	19	8
Remained basically unchanged	72	83	76	85
Eased somewhat	9	3	5	7
Eased considerably	0	0	0	0
Total	100	100	100	100
<i>Net percentage</i>	9	11	14	2
Number of banks responding	80	81	78	79

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 January 2004 survey indicate a broadly unchanged net percentage of banks reporting a tightening of credit standards applied to the approval of loans for house purchase, but a decrease in consumer credit and other lending.
- With regard to loans for house purchase, the net percentage of banks reporting a tightening of credit standards applied to loans for house purchase was 11% in January 2004 compared with 9% in October 2003.
- Regarding consumer credit and other lending to households, the January 2004 survey shows a net 2% of banks reporting a tightening of credit standards in January 2004, down from 14% in October 2003.

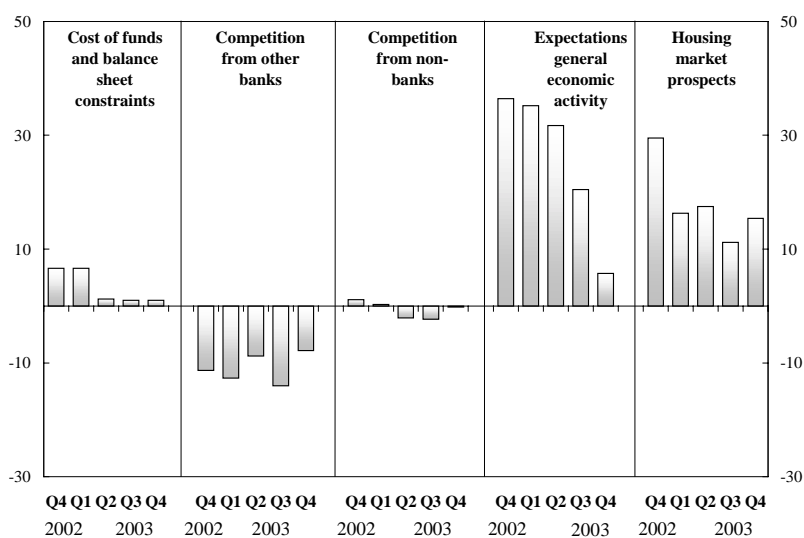
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Cost of funds and balances sheet constraints	0	1	85	0	0	15	1	1
B) Pressure from competition								
Competition from other banks	0	0	83	8	0	10	-14	-8
Competition from non-banks	0	0	85	0	0	15	-2	0
C) Perception of risk								
Expectations regarding general economic activity	2	9	78	5	0	6	20	6
Housing market prospects	3	17	69	5	0	6	11	15

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.

- The broadly unchanged net tightening of credit standards on loans to households for house purchase reflected a slight increase in risk perceptions related to the housing market which has been counteracted by an improvement in expectations regarding general economic activity.

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



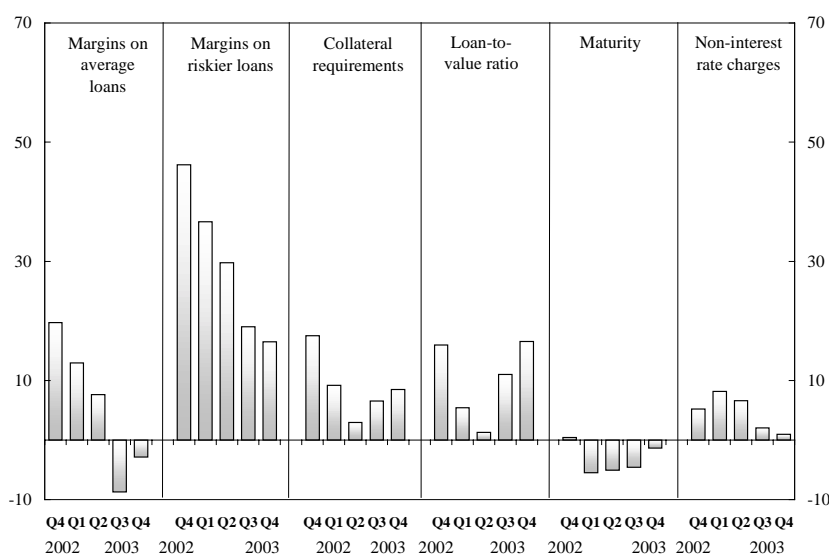
10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Price								
Your bank's margin on average loans	0	8	76	11	0	6	-9	-3
Your bank's margin on riskier loans	1	21	67	5	0	6	19	17
B) Other conditions and terms								
Collateral requirements	0	9	82	1	0	8	7	9
Loan-to-value ratio	1	18	70	3	0	7	11	17
Maturity	0	4	84	6	0	6	-5	-1
Non-interest rate charges	0	3	86	2	0	8	2	1

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.

- On a net basis, the January 2004 survey shows no uniform picture regarding the changes in the price conditions and terms for loans to households for house purchase in the last quarter of 2003. 17% of banks reported in January 2004 an overall net widening of their margins on riskier loans over the past three months, compared with 19% in October 2003. At the same time, only 3% of banks reported having reduced on net their margins on average loans, down from 9% in October 2003.
- The non-price conditions and terms have tightened somewhat in the last quarter of 2003 in net terms. The net percentage of banks reporting a tightening related to the loan-to-value ratio increased from 11% in October 2003 to 17% in January 2004, and related to collateral requirements, from 7% in October 2003 to 9% in January 2004.

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



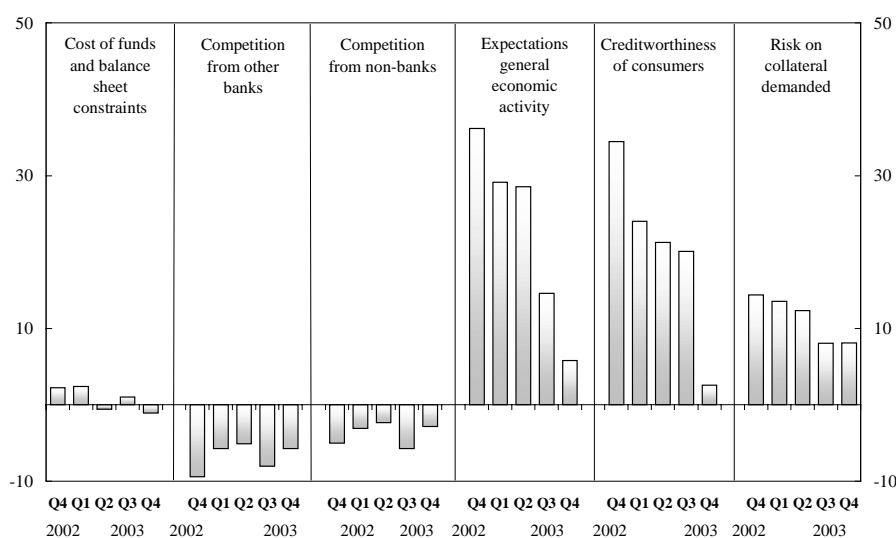
11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in question 8)?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Cost of funds and balance sheet constraints	0	1	75	2	0	22	1	-1
B) Pressure from competition								
Competition from other banks	0	1	80	7	0	12	-8	-6
Competition from non-banks	0	0	83	3	0	14	-6	-3
C) Perception of risk								
Expectations regarding general economic activity	1	10	75	4	0	10	15	6
Creditworthiness of consumers	1	10	72	8	0	10	20	3
Risk on the collateral demanded	1	9	73	2	0	15	8	8

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.

- The factor contributing the most to the lower net tightening of credit standards on consumer credit and other lending to households by responding banks over the past three months was that of lower risk perceptions. The net percentage of banks reporting tightening because of risks related to the creditworthiness of consumers declined from 20% in October 2003 to 3% in January 2004. In addition, the net percentage of banks tightening owing to expectations regarding general economic activity declined from 15% in October 2003 to 6% in January 2004.

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



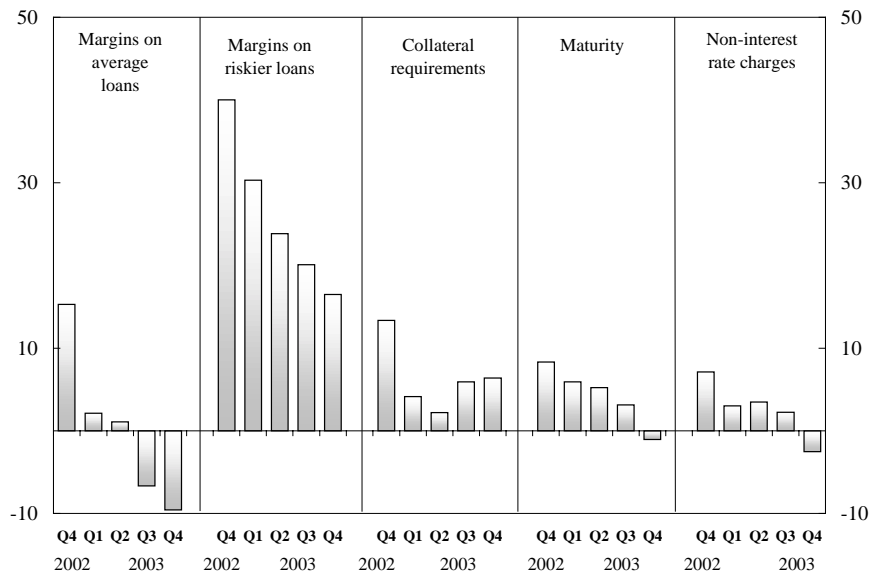
12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Price								
Your bank's margin on average loans	0	4	72	13	0	11	-7	-10
Your bank's margin on riskier loans	1	16	72	0	0	11	20	17
B) Other conditions and terms								
Collateral requirements	1	5	77	0	0	17	6	6
Maturity	0	3	81	4	0	11	3	-1
Non-interest rate charges	0	1	81	3	0	15	2	-3

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.

- 17% of the responding banks reported on a net basis that they have widened their margins on riskier loans for consumer credit. At the same time, banks overall reduced their margins on average loans (a net -10%). The margins on riskier and average loans slightly declined in January 2004 compared with October 2003.
- The net percentages of banks reporting a change in the non-price conditions and terms changed little and remained low.

Chart. 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	
	October 2003	January 2004	October 2003	January 2004
Decreased considerably	0	1	1	5
Decreased somewhat	7	13	22	23
Remained basically unchanged	56	48	61	60
Increased somewhat	28	31	14	13
Increased considerably	10	7	2	0
Total	100	100	100	100
<i>Net percentage</i>	31	23	-7	-14
Number of banks responding	80	81	78	78

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”.

- Banks reported on a net basis an increase in demand for loans to households for house purchase over the past three months (23%) and a decrease in demand for consumer credit and other loans to households (-14%). For both loan categories, on net, demand decreased somewhat in January 2004 compared with October 2003.

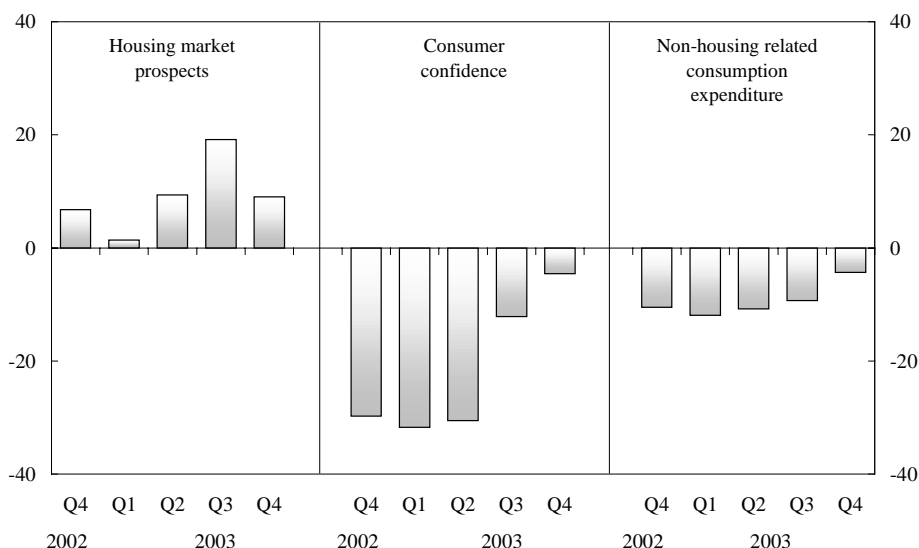
14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Financing needs								
Housing market prospects	1	11	61	20	1	6	19	9
Consumer confidence	0	14	71	9	0	6	-12	-5
Non-housing related consumption expenditure	0	5	84	1	0	11	-9	-4
B) Use of alternative finance								
Household savings	0	7	81	4	0	8	2	-4
Loans from other banks	0	2	80	7	1	10	5	6
Other sources of finance	0	0	84	2	0	14	1	2

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 most reported factors for lower housing loan demand were housing market prospects (9%, down from 19% in October 2003). In contrast, the net percentage of banks mentioning weak consumer confidence as a factor depressing demand for loans to households for house purchase fell.

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



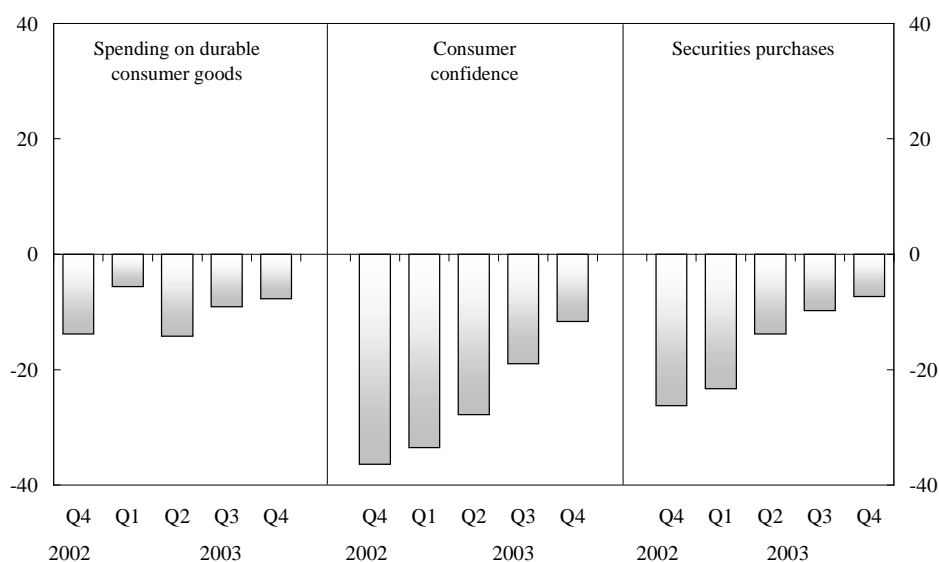
15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA	NetP	
							October 2003	January 2004
A) Financing needs								
Spending on durable consumer goods	2	14	65	8	0	11	-9	-8
Consumer confidence	4	12	69	4	0	11	-19	-12
Securities purchases	0	8	65	1	0	25	-10	-7
B) Use of alternative finance								
Household savings	0	12	72	5	0	12	-8	-7
Loans from other banks	0	0	82	5	0	13	4	5
Other sources of finance	0	2	81	2	0	15	1	-1

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 decrease nor increase.

- The answers from banks do not provide clear indications for the reasons behind the strong decline in consumer credit in the fourth quarter of 2003. By contrast, the reported factors, notably consumer confidence, show a positive impact on the change in consumer credit demand.

Chart. 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	
	October 2003	January 2004	October 2003	January 2004
Tighten considerably	0	0	0	0
Tighten somewhat	19	25	13	14
Remain basically unchanged	76	75	72	81
Ease somewhat	6	0	14	5
Ease considerably	0	0	0	0
Total	100	100	100	100
<i>Net percentage</i>	13	25	-1	8
Number of banks responding	80	81	78	78

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".

- 25% of banks expected in January 2004 a net overall tightening of credit standards applied to the approval of loans for house purchase over the first quarter of 2004, up from 13% in October 2003.
- With regard to the approval of loans for consumer credit and other lending to households, banks reported in January 2004 an expected net percentage of tightening of credit standards of 8%, up from -1% in October 2003.

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	
	October 2003	January 2004	October 2003	January 2004
Decrease considerably	0	1	1	1
Decrease somewhat	13	35	9	9
Remain basically unchanged	59	49	62	64
Increase somewhat	29	15	28	27
Increase considerably	0	0	0	0
Total	100	100	100	100
<i>Net percentage</i>	16	-21	20	18
Number of banks responding	80	81	78	78

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".

- On net 21% of all responding banks expected in January 2004 a decrease in housing loan demand over the first quarter of 2004. This stands in strong contrast to the expected net increase in loan demand of 16% as reported in the October 2003 survey. This reversal can to a large extent be explained by developments in Germany, where housing loan demand was strong in 2003 in anticipation of a tax reform which became operative in January 2004.
- In January 2004, banks expected a net increase in the demand for consumer credit and other lending to households of 18% over the next three months, which is close to the figure of 20% reported in October 2003.

Annex 1: 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.