BANCO DE ESPAÑA
Eurosistema

ECONOMIC BULLETIN
2023/Q1

January 2023 Bank Lending Survey in Spain

https://doi.org/10.53479/29552

Article 11
31/01/2023

Rationale

This article summarises the main results of the Bank Lending Survey for 2022 Q4 and the expectations for 2023 Q1. It also analyses matters related to funding market access and the impact of other factors on responding banks' lending policy.

Takeaways

- According to the Bank Lending Survey, in 2022 Q4 credit standards tightened across the board in Spain for the third consecutive quarter.
- Loan demand fell in the two household segments (house purchase and consumer credit and other lending), while demand from enterprises grew slightly, driven by their greater financing needs for working capital and inventories.
- For 2023 Q1, banks once again expect loan supply to contract and loan demand to fall across the board.

Keywords

Funding, credit, loan supply, loan demand, credit standards, terms and conditions for loans, financial markets.

JEL classification

E51, E52, G21.

Authors:

Álvaro Menéndez Pujadas
Macro-financial Analysis and Monetary Policy Department. Banco de España

Maristela Mulino
Macro-financial Analysis and Monetary Policy Department. Banco de España

Main results

This article presents the results of the January 2023 Bank Lending Survey (BLS), which provides information on loan supply and demand conditions in 2022 Q4 and on the outlook for 2023 Q1.[1] This first section discusses the information obtained from the replies by the 12 Spanish banks participating in the survey and compares it with the information for the euro area overall. The subsequent sections present a somewhat more detailed analysis of the results for Spain.[2]

The survey results reveal that, for the third consecutive quarter, credit standards[3] and the overall terms and conditions[4] for new loans in both Spain and the euro area tightened across the board in 2022 Q4 (see Table 1 and Charts 1 to 3). However, credit standards tightened more moderately than Spanish and euro area banks expected three months ago. The contraction in loan supply is attributable both to banks' higher risk perception, essentially linked to the deterioration in the macroeconomic outlook, and, to a lesser extent, to the increase in their cost of funds as a result of monetary policy normalisation. Terms and conditions for loans mainly tightened via an increase in the cost of borrowing, which also prompted a slight widening of margins across all segments.[5] Loan demand fell in both areas across the board, except for loan applications from non-financial corporations (NFCs) in Spain, which rose slightly. As in the case of credit standards, Spanish banks' expectations for loan demand three months ago proved somewhat more pessimistic than the actual results for 2022 Q4, while the opposite is true for the euro area. Weaker loan demand is attributable to the increase in borrowing costs and, in the case of households, also to lower consumer confidence.

For 2023 Q1, banks in the two areas expect a further across-the-board contraction in loan supply and demand as monetary policy normalisation is expected to continue amid a high level of uncertainty over the macroeconomic outlook.

With regard to the ad hoc questions included in the survey, banks in the two areas reported that access to retail funding continued to worsen in 2022 Q4. In the case of wholesale funding, Spanish

1 The survey was conducted between 12 December 2022 and 10 January 2023. This article is published simultaneously with the results for the euro area overall, in addition to those for Spain, published by the European Central Bank (ECB) here. The time series of the aggregate indicators, for both the standard questionnaire and the ad hoc questions, are available at that link. 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.

2 The analysis conducted in this article is based on "diffusion indices" which are calculated with a weighting based on the degree of improvement/deterioration or easing/tightening reported by each bank in its replies, unlike net percentage indicators 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 For the purposes of this survey, margins are calculated as the spread between the interest rates applied to new loans and the relevant market reference rates.

Table 1
Bank Lending Survey. Main results. January 2023

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

SOURCES: Banco de España and ECB.

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

banks perceived an across-the-board deterioration, while euro area banks reported a worsening in a majority of cases (see Chart A.1). For 2023 Q1, banks in both areas expect access to funding to continue to worsen.

Turning to the other ad hoc questions, it should be noted that regulatory and supervisory requirements helped boost both Spanish and euro area banks' assets and capital levels in 2022 and prompted a slight tightening of loan supply (see Chart A.2). The non-performing loans (NPL) ratio caused a slight tightening of loan supply in Spain, while in the euro area the impact was much smaller (see Chart A.3). Lastly, in the loans to enterprises segment, the sectoral breakdown shows that, in 2022 H2, credit standards and the terms and conditions on new loans tightened in both areas across practically all sectors (see Chart A.4). Loan demand fell in a majority of sectors in both Spain and the euro area. For 2023 H1, banks in the two areas expect a further across-the-board contraction in loan supply and demand to decline in the majority of sectors.

Supply and demand conditions in Spain

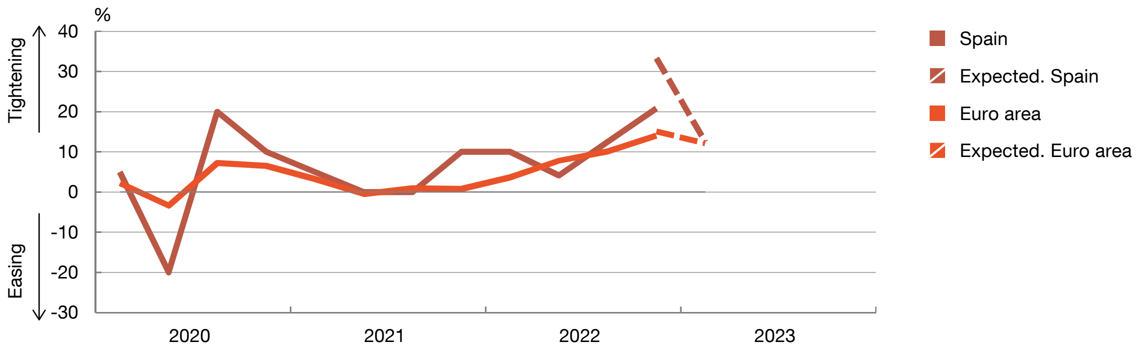
Loans to non-financial corporations

Credit standards for loans to NFCs tightened, for the fifth consecutive quarter, in 2022 Q4 and more sharply than in the previous quarter, albeit to a lesser extent than banks had expected

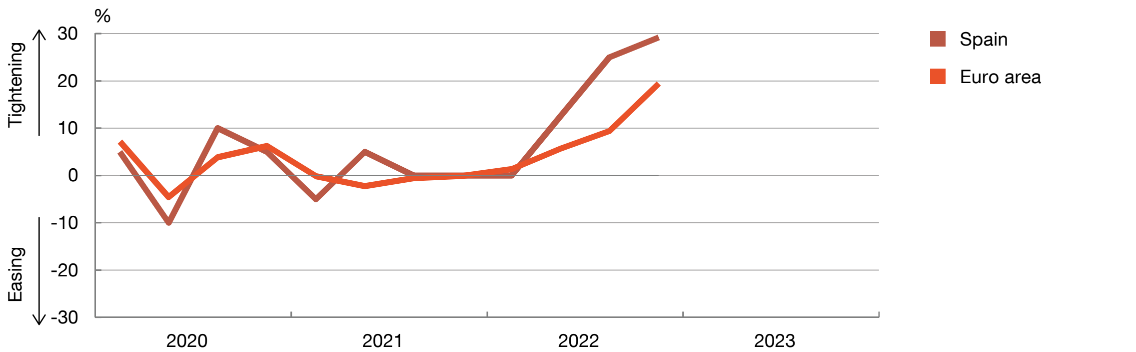
Chart 1

In 2022 Q4, loan supply to enterprises contracted in both Spain and the euro area. Loan demand increased slightly in Spain and decreased in the euro area

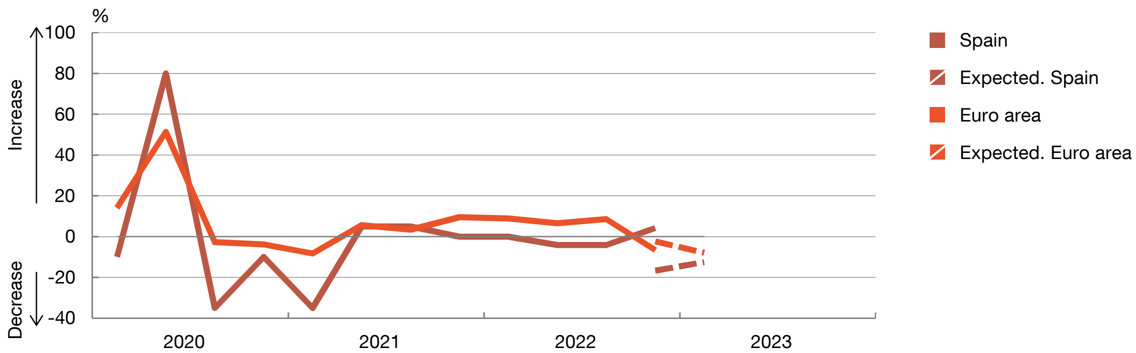
1.a Change in credit standards for loans to NFCs (a)



1.b Change in terms and conditions on loans to NFCs (a)



1.c Change in demand for loans to NFCs (b)



SOURCES: ECB and Banco de España.

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

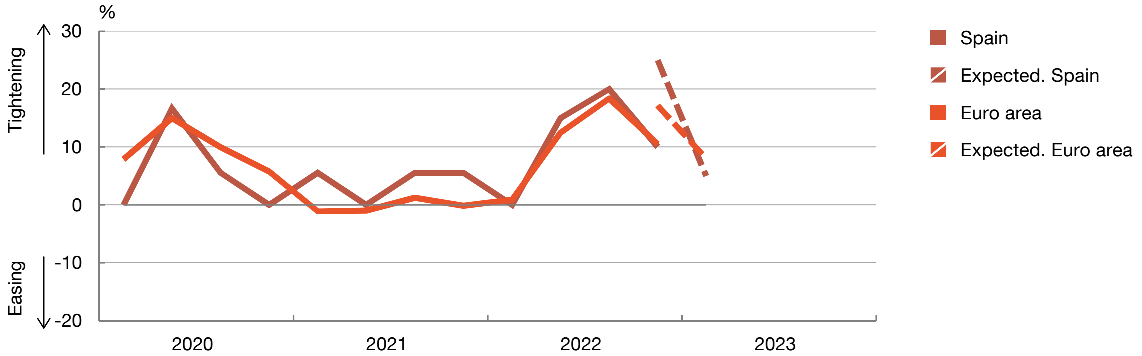
b Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.

+INFO DOWNLOAD

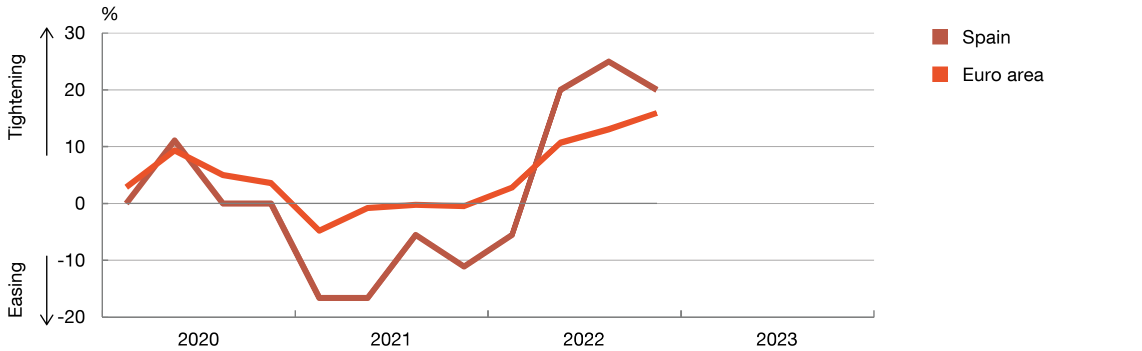
Chart 2

In 2022 Q4, in both Spain and the euro area loan supply to households for house purchase contracted and loan demand decreased

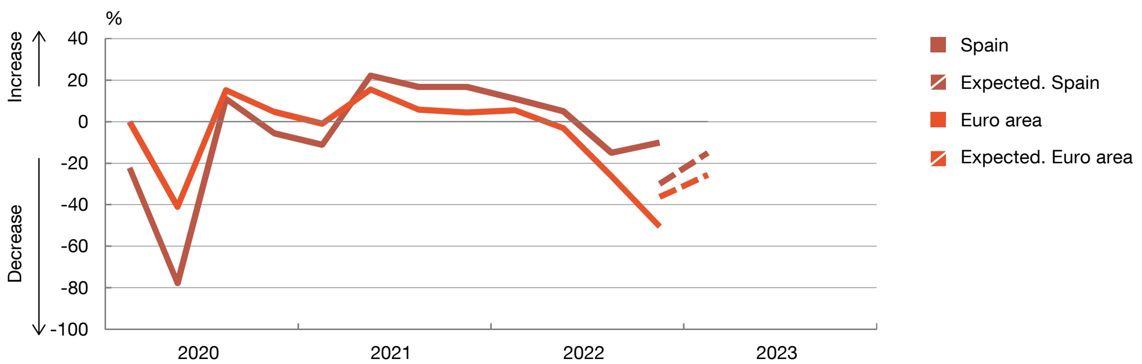
2.a Change in credit standards for loans to households for house purchase (a)



2.b Change in terms and conditions on loans to households for house purchase (a)



2.c Change in demand for loans to households for house purchase (b)



SOURCES: ECB and Banco de España.

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

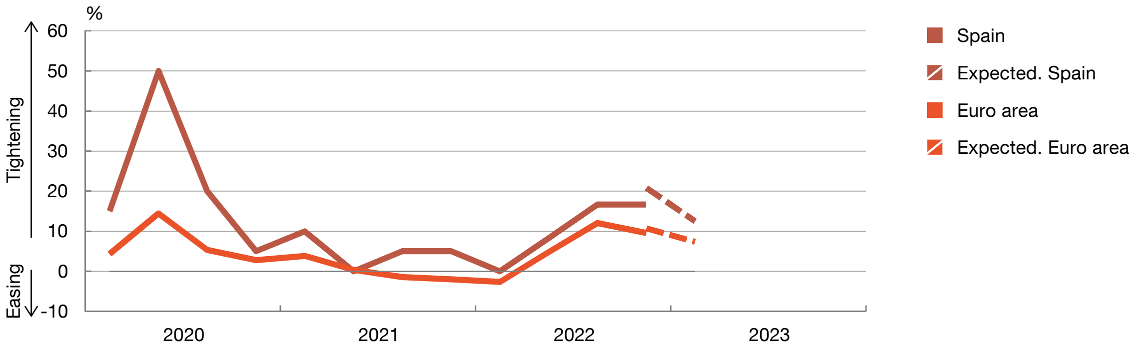
b Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.

+INFO DOWNLOAD

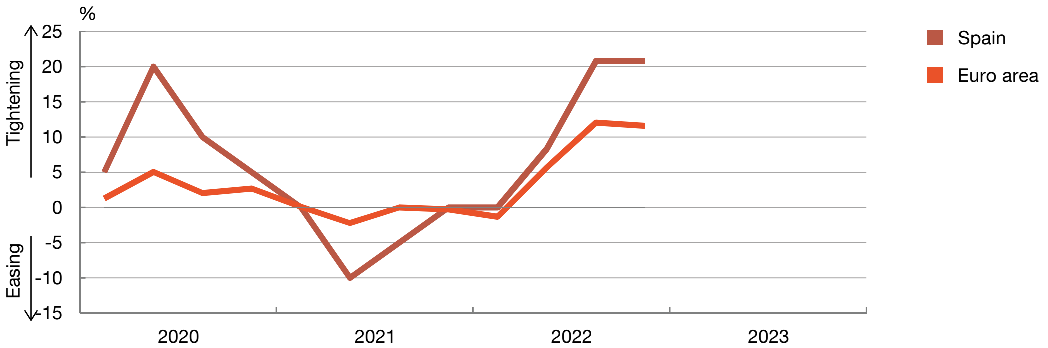
Chart 3

In 2022 Q4, in both Spain and the euro area the supply of consumer credit and other lending to households contracted and demand decreased

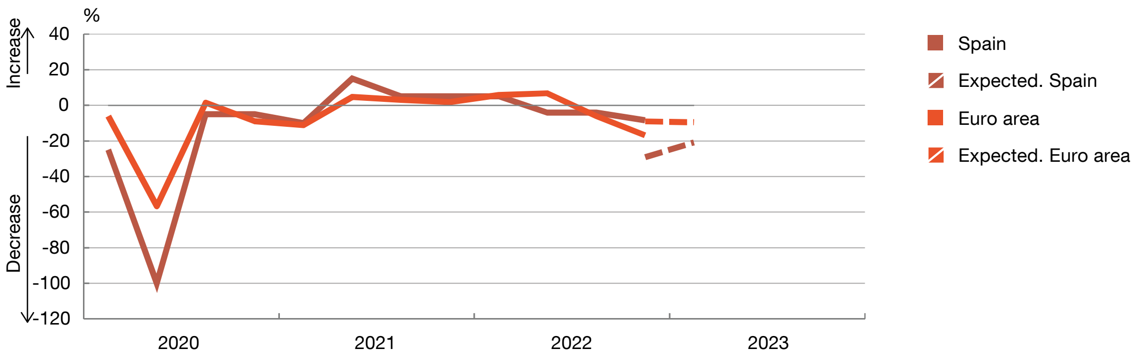
3.a Change in credit standards for consumer credit and other lending to households (a)



3.b Change in terms and conditions on consumer credit and other lending to households (a)



3.c Change in demand for consumer credit and other lending to households (b)



SOURCES: ECB and Banco de España.

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

+INFO DOWNLOAD

three months earlier (see Chart 1). The contraction in loan supply was mainly the result of banks' higher risk perception (linked to the deterioration in the economic outlook) and lower risk tolerance, although banks' increased cost of funds and balance sheet constraints also contributed, albeit less so (see Chart 4). The breakdown by enterprise size shows that credit standards tightened both in financing to small and medium-sized enterprises (SMEs) and in that to large firms, although in the latter case the tightening was slightly more moderate. In line with these developments, the share of loan rejections increased.

Overall terms and conditions on new loans also tightened between October and December. This mainly translated into higher interest rates on these loans,[6] amid the continuing rise in banks' costs of funds, and wider margins on average and riskier loans in the majority of cases. However, in some cases these developments were compatible with a slight narrowing of the margins on average loans, since the higher market reference rates were not fully passed through to the interest rates on those loans, due to strong pressure from competition. Also, collateral requirements increased slightly and loan sizes decreased moderately, as a result of some banks' higher risk perception and lower risk tolerance (see Chart 4).

According to the banks' responses, in 2022 Q4 firms' demand for loans grew very slightly in the sample overall, which contrasted with the decline anticipated in the previous round. This upward trend was shaped by opposing effects. On the one hand, certain factors were conducive to growth in loan applications, including the increase in applications to finance inventories and working capital – amid higher commodity costs –, the rise in debt refinancing operations and, in the case of large firms, the drop in financing raised through debt security issuance (see Chart 5). On the other hand, the increase in demand was partially offset by the negative impact associated with higher interest rates and lower financing needs for fixed asset investment.

Looking ahead to 2023 Q1, the responding banks expect credit standards to tighten further and loan applications to decline somewhat.

Loans to households for house purchase

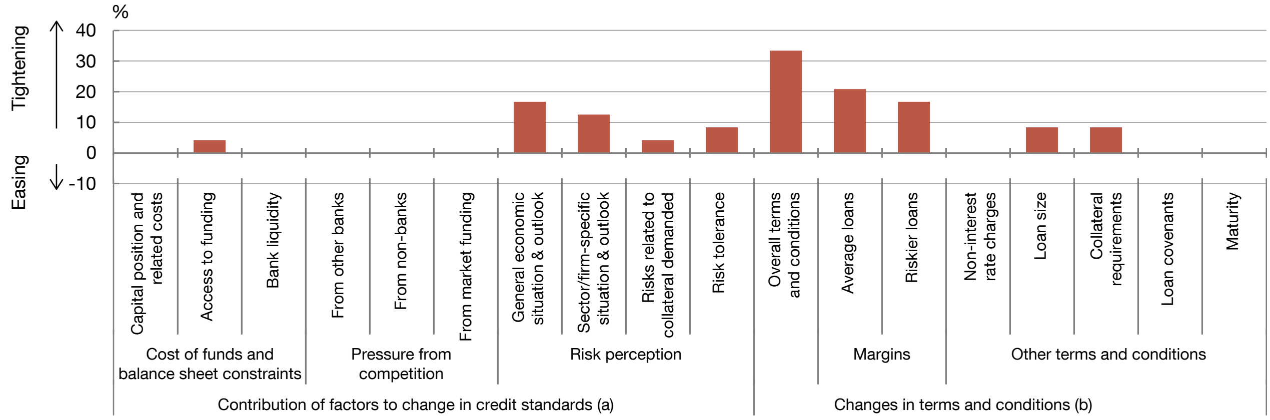
Credit standards for loans to households for house purchase tightened again in 2022 Q4, albeit more moderately than three months earlier and than banks expected in the previous quarter (see Chart 2). This tightening owed essentially to higher risk perception – linked to the deteriorating outlook for the general economy and for the housing market –, along with the worsening of borrowers' creditworthiness and, to a lesser extent, to banks' lower risk tolerance, higher cost of funds and tighter balance sheet constraints. In line with these supply-side changes, the rate of loan rejections increased slightly.

6 Interest rates are not referred to explicitly in the question on how terms and conditions have changed (mention is only made of margins, defined as the spread over relevant market reference rates). However, in this quarter some banks reported an increase in the rates applied in the "Other factors" section of this question, given that rates were raised yet margins remained unchanged or even narrowed (due to the greater increase in the relevant market reference rate).

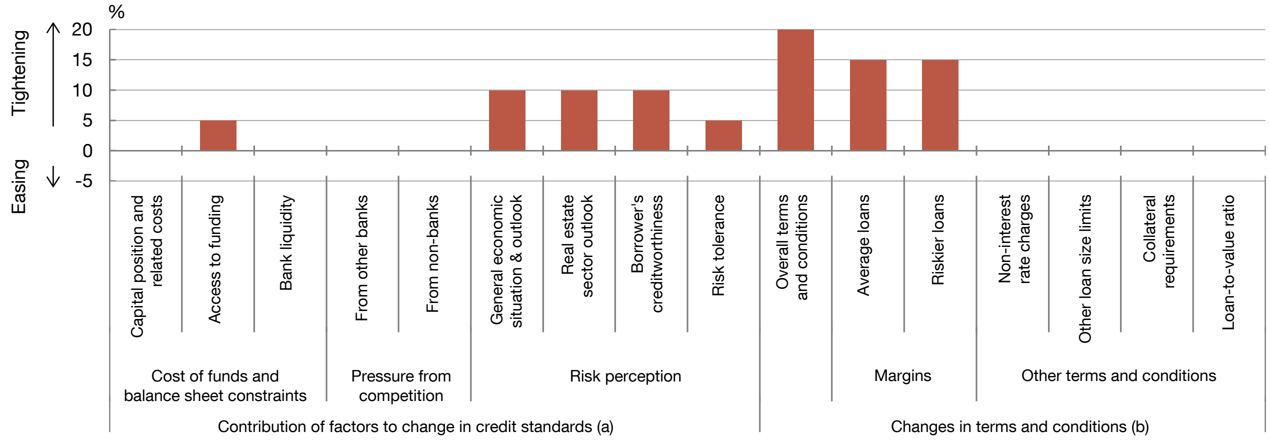
Chart 4

The contraction in loan supply in Spain in 2022 Q4 owed mainly to higher risk perception. The tightening of credit standards translated into higher interest rates and wider margins

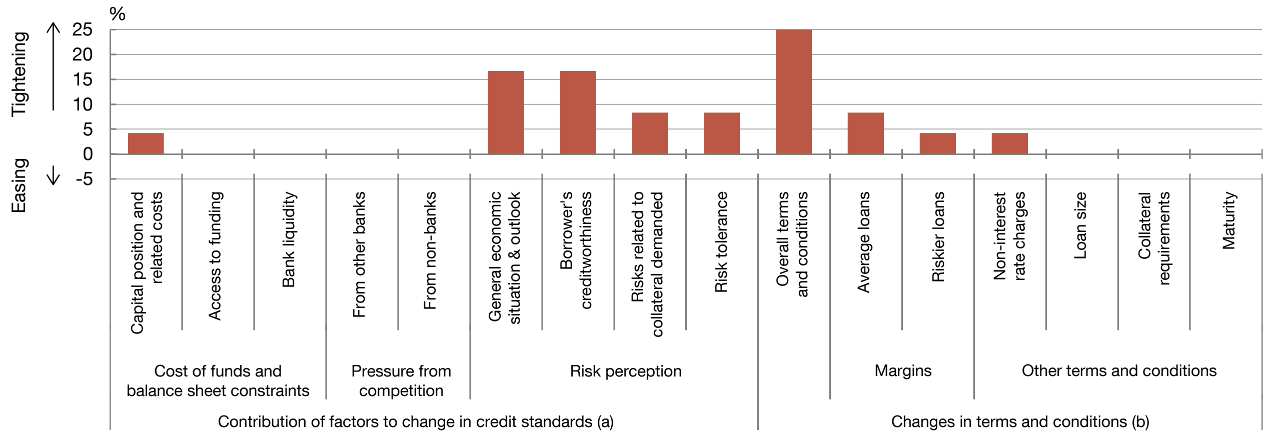
4.a Loan supply to NFCs. Spain. 2022 Q4



4.b Loan supply to households for house purchase. Spain. 2022 Q4



4.c Supply of consumer credit and other lending to households. Spain. 2022 Q4



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 × 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 × 1.

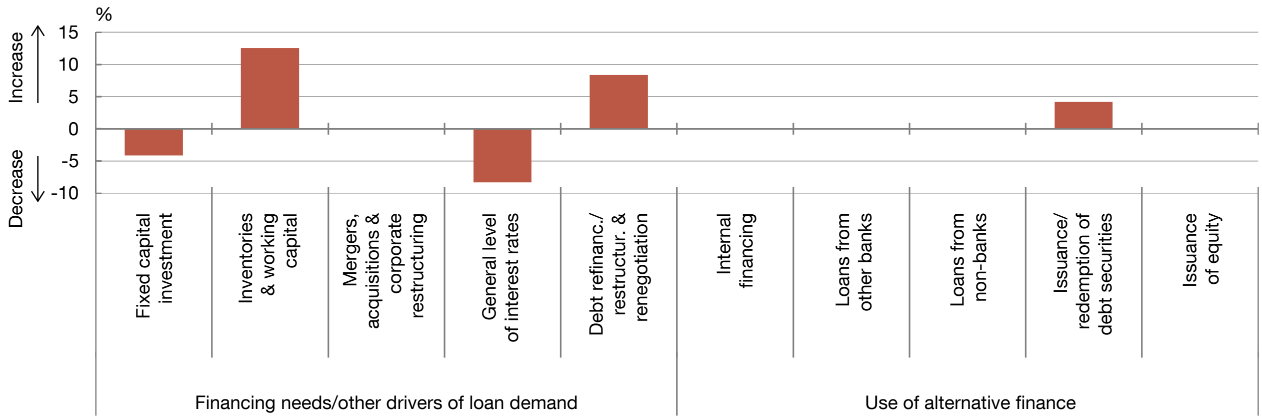
+INFO DOWNLOAD

Chart 5

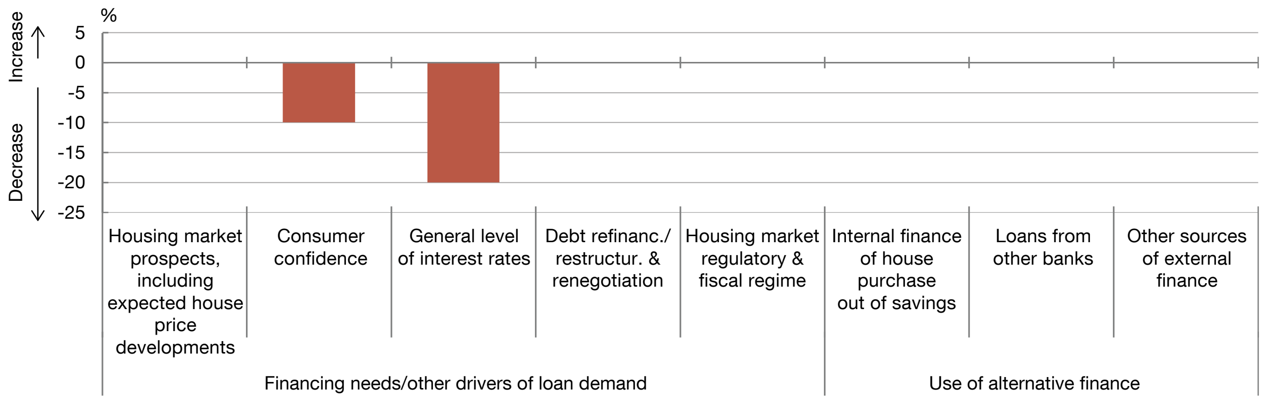
In 2022 Q4, loan demand from enterprises grew due to greater financing needs for working capital, while demand from households fell due to higher interest rates and lower consumer confidence

Factors affecting demand for loans. Spain. 2022 Q4 (a)

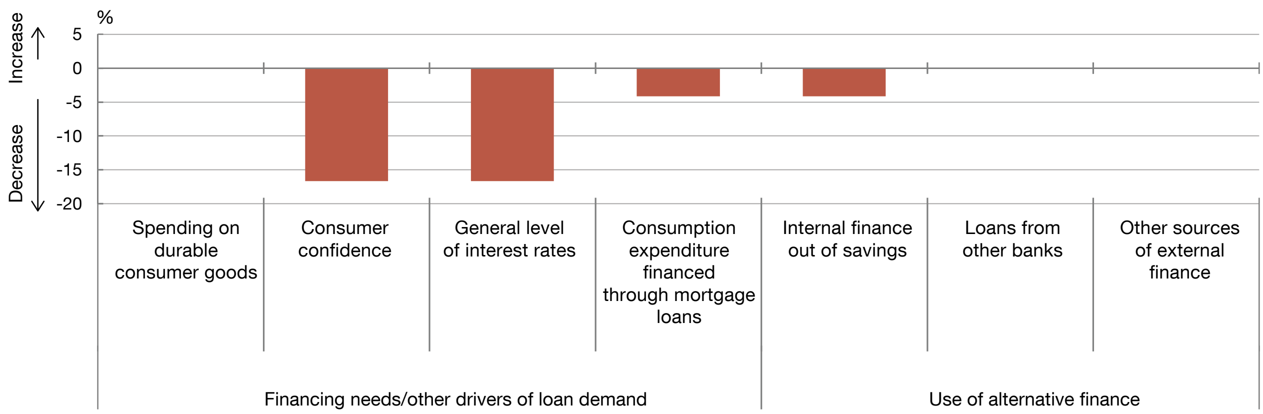
5.a Loans to non-financial corporations



5.b Loans to households for house purchase



5.c 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.

+INFO DOWNLOAD

The overall terms and conditions on these loans also tightened in 2022 Q4 (for the third consecutive quarter). This translated into higher interest rates on loans,[7] along with an overall widening of margins (both on average and riskier loans), chiefly as a result of banks' higher cost of funds, increased risk perception and, to a lesser extent, lower risk tolerance (see Chart 4). As was the case in the loans to enterprises segment, some banks reported margins narrowing somewhat due to higher market interest rates only partially being passed through to the cost of these loans, as a result of strong pressure from competition.

Banks perceived a further decline in demand for loans for house purchase in the last quarter of the year, albeit a more moderate drop than expected in the previous round. This decrease in demand mainly owed to the adverse impact associated with higher interest rates and, to a lesser extent, lower consumer confidence (see Chart 5).

For 2023 Q1, banks expect the supply of credit to tighten again, albeit more moderately, while demand continues to decline at a similar pace to that between October and December.

Consumer credit and other lending to households

Credit standards in this segment tightened again during 2022 Q4, and at a similar pace to the previous quarter, albeit more moderately than anticipated by banks in the last round (see Chart 3). As in the loans for house purchase segment, the tightening owed essentially to higher risk perception, linked above all to the worsening general economic outlook and the deterioration in borrowers' creditworthiness (see Chart 4). The tightening was also driven, albeit to a lesser extent, by banks' lower risk tolerance, higher risks related to the collateral demanded and increased funding costs. Despite this tighter loan supply, the rate of rejected loan applications held stable during the period.

Meanwhile, the overall terms and conditions on these loans also tightened. As was the case in the other segments, this translated into higher interest rates on new loans,[8] often coupled with wider margins on both average and riskier loans (see Chart 4). At the same time, some banks reported a slight narrowing of these margins due to higher market interest rates only partially being passed through to the cost of such loans, amid strong pressure from competition. There was also a slight increase in collateral requirements, in response to banks' increased risk perception and lower risk tolerance.

According to the responses given, demand for consumer credit and other lending to households decreased slightly in 2022 Q4, although more moderately than banks had expected three months earlier. This decrease was driven above all by lower consumer confidence, the adverse impact associated with higher interest rates and, albeit to a lesser degree, greater use of other sources of financing (see Chart 5).

---

7 See footnote 6.

8 See footnote 6.

For 2023 Q1, banks expect a further contraction in both the supply of and demand for consumer credit and other lending to households.

Ad hoc questions

Spanish banks perceived a worsening in access to both retail and wholesale market funding, against a background of rising interest rates in 2022 Q4 (see Chart A.1). Within wholesale markets, the deterioration was somewhat more pronounced in long-term debt securities. For 2023 Q1, Spanish banks expect further widespread deterioration in access to funding.

Likewise, Spanish banks reported that in 2022 the new regulatory and supervisory actions on capital, leverage and liquidity had prompted an increase in asset and capital levels, along with a slight tightening, across all segments, of credit standards and margins applied to loans (see Chart A.2). These trends are expected to continue in 2023.

Meanwhile, banks indicated that, in 2022 H2, NPL ratio developments induced a slight tightening of credit standards in consumer credit and other lending to households, and of the terms and conditions on new lending across all segments (see Chart A.3). This owes both to higher capital costs and to restructuring operations, along with the impact of regulatory requirements and some banks' higher risk perception and lower risk tolerance. For 2023 H1, banks expect NPL developments to again be conducive to some widespread tightening of loan supply.

Lastly, regarding loan supply and demand by sector, banks reported that credit standards and terms and conditions on loans to virtually all sectors had tightened in 2022 H2, and to a somewhat greater degree for the more energy-intensive industrial firms. Meanwhile, demand declined across nearly all sectors. For 2023 H1, banks expect supply to continue to contract across the board, while loan applications decline moderately in most sectors (see Chart A.4).

How to cite this document

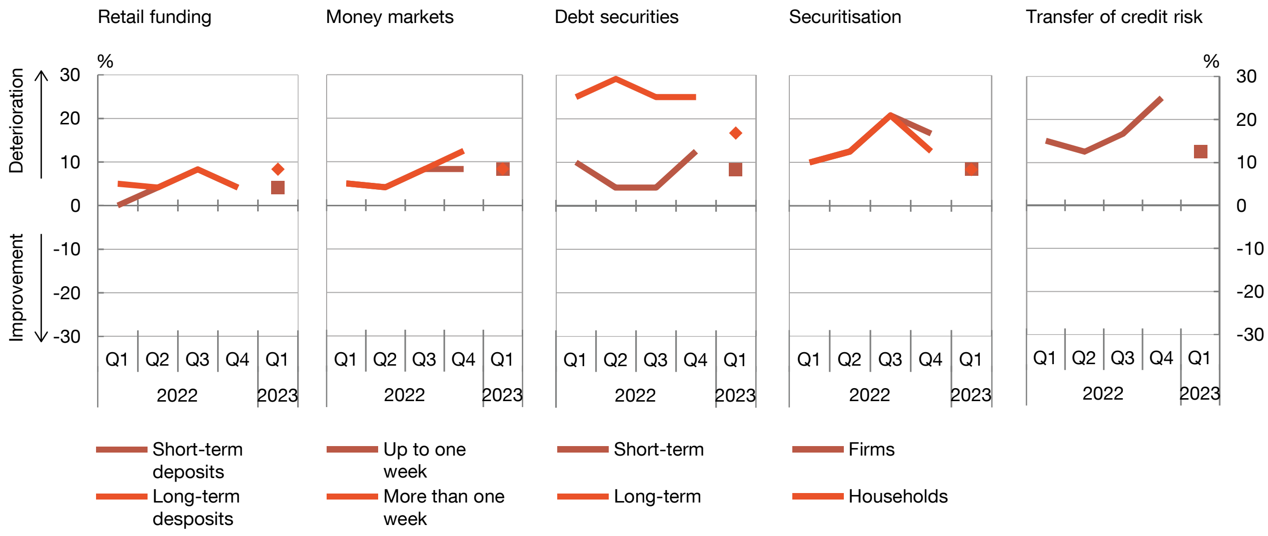
Menéndez Pujadas, Álvaro, and Maristela Mulino. (2023). "January 2023 Bank Lending Survey in Spain". *Economic Bulletin - Banco de España*, 2023/Q1, 11. https://doi.org/10.53479/29552

ISSN: 1695 - 9086 (online edition)

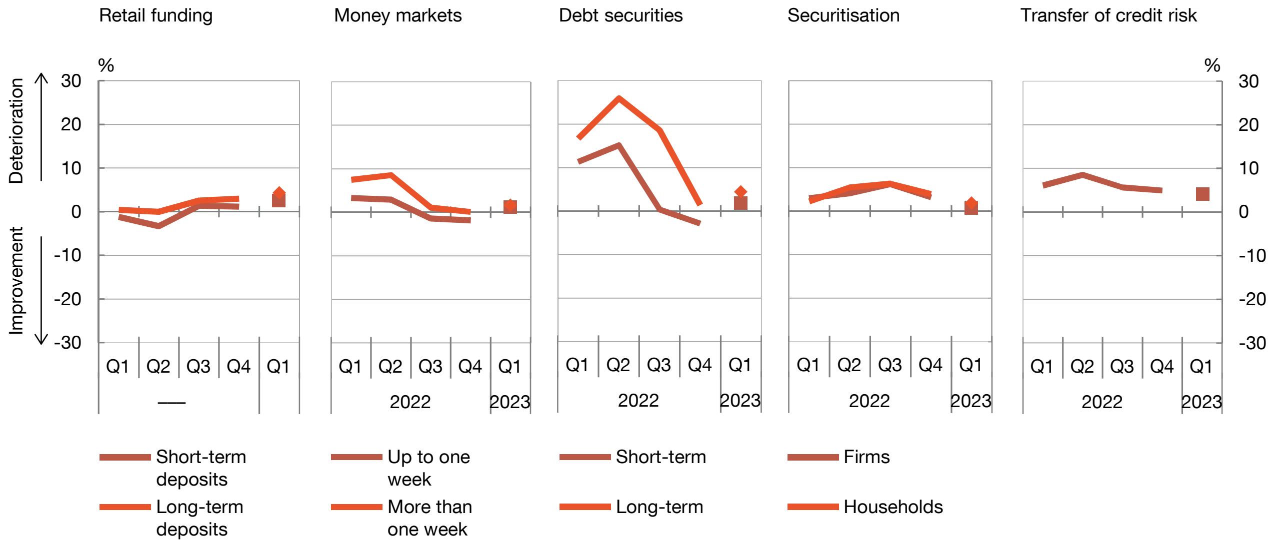
Annex

Chart A.1
In 2022 Q4, access to funding markets deteriorated in a majority of cases in both Spain and the euro area

A.1.a Access to funding. Spain (a) (b)



A.1.b Access to funding. Euro area (a) (b)



SOURCES: Banco de España and ECB.

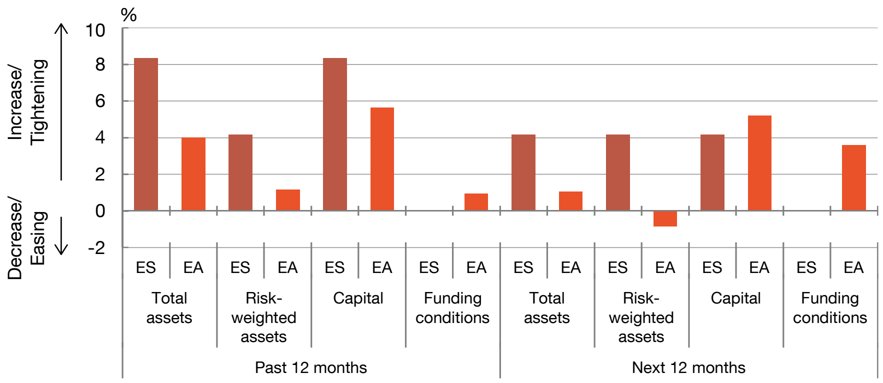
a Indicator = percentage of banks that perceived a considerable deterioration in market access × 1 + percentage of banks that perceived some deterioration × 1/2 – percentage of banks that perceived some improvement × 1/2 – percentage of banks that perceived a considerable improvement × 1.
b ◆, ■ = expectation.

+INFO DOWNLOAD

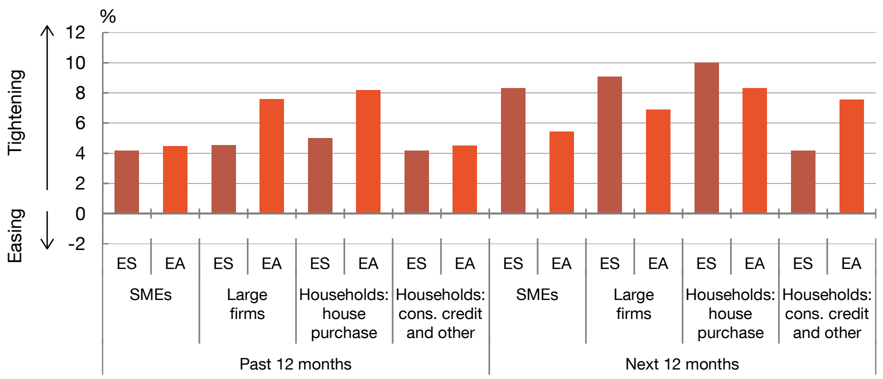
Chart A.2
In 2022, the regulatory and supervisory measures helped boost banks' assets and capital levels in both areas, and contributed to a slight tightening of loan supply (a)

Impact of new regulatory and supervisory requirements

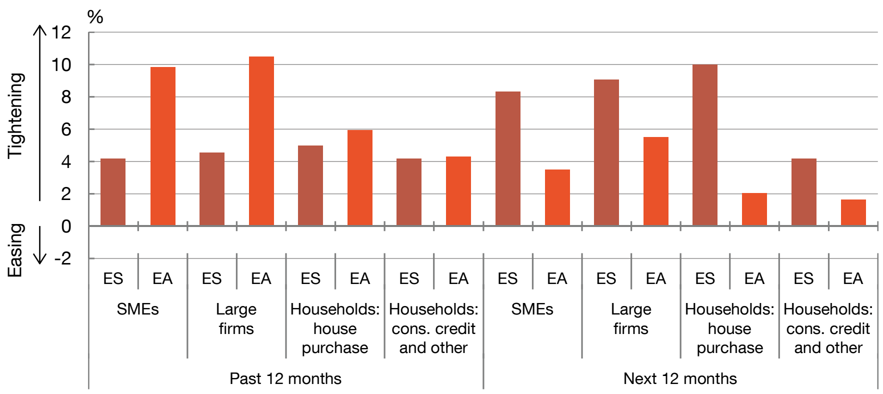
A.2.a Assets, capital and funding conditions



A.2.b Credit standards



A.2.c Margins on loans



SOURCES: ECB and Banco de España.

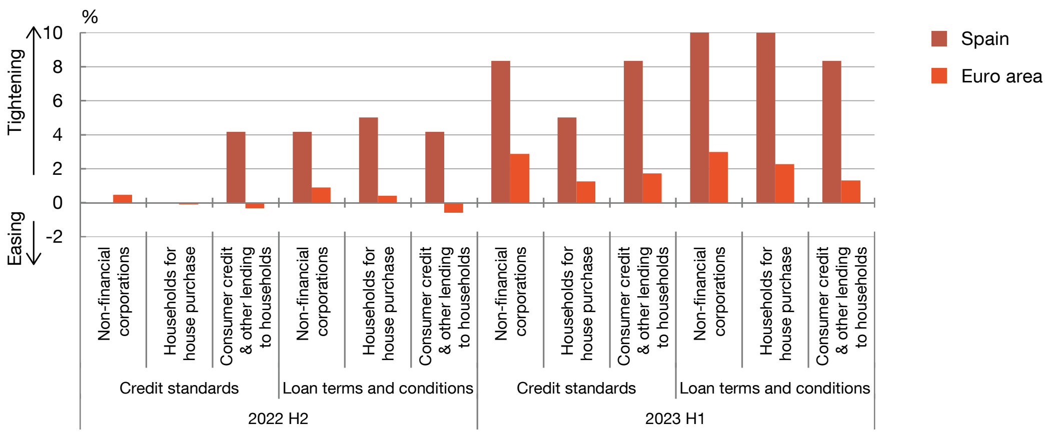
a Indicator = percentage of banks reporting an increase or tightening (as appropriate), less the percentage of banks reporting a decrease or easing (as appropriate), with considerable changes weighted by 1 and minor changes weighted by 1/2.

+INFO DOWNLOAD

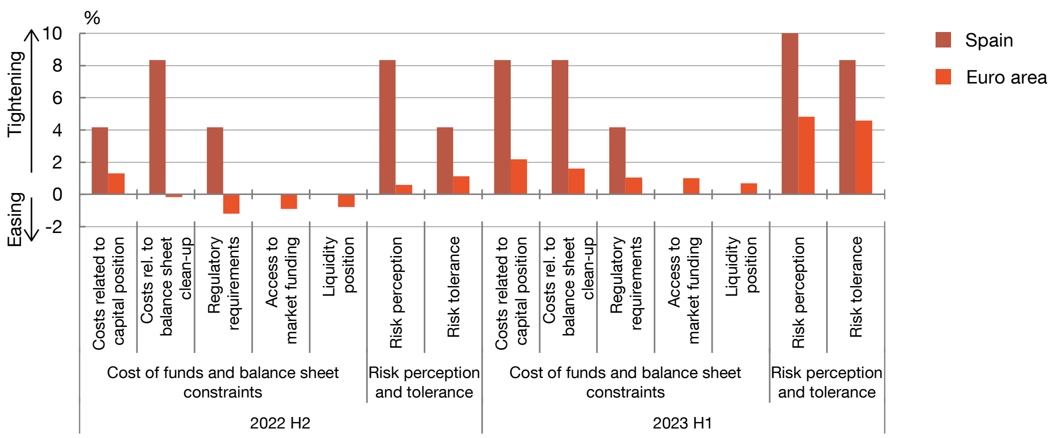
Chart A.3

Spanish banks reported that the NPL ratio contributed to a slight contraction in loan supply in 2022 H2

A.3.a Impact of NPL ratio on lending policy



A.3.b Contribution of factors (a)



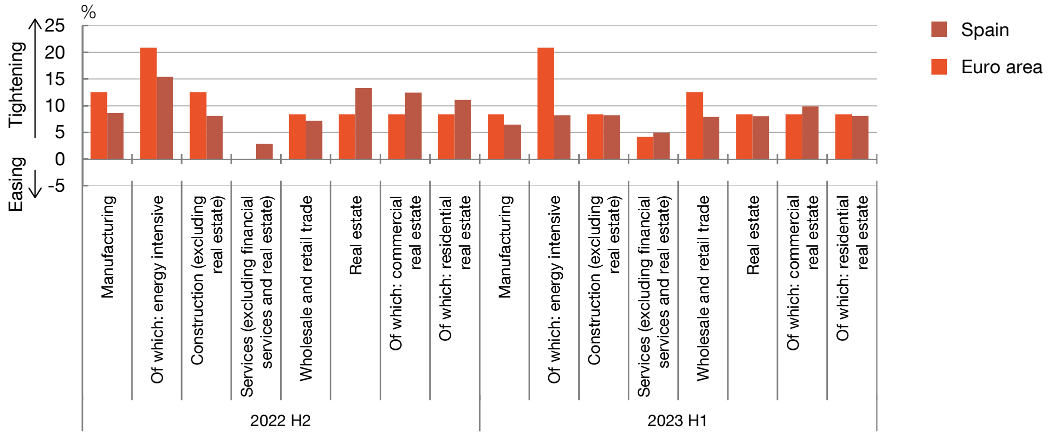
SOURCES: ECB and Banco de España.

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 × 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 × 1.

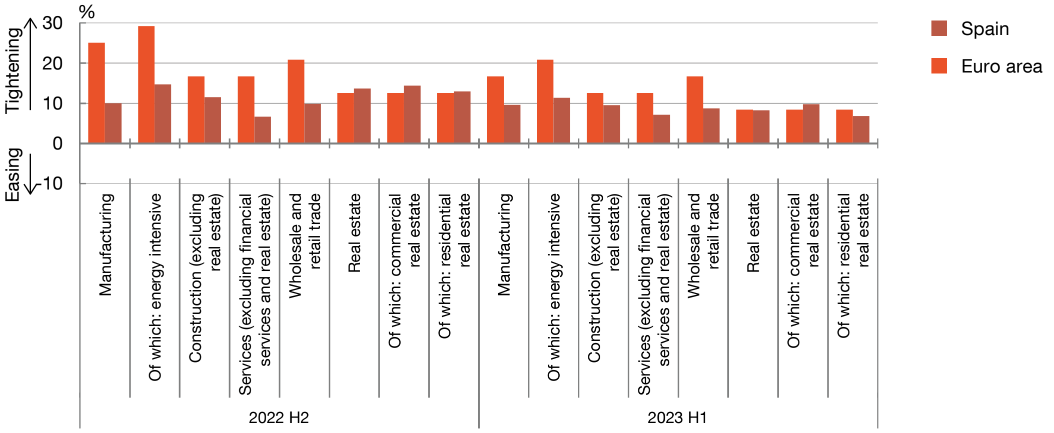
+INFO DOWNLOAD

Chart A.4
In 2022 H2, loan supply contracted and demand decreased across most sectors, in both Spain and the euro area

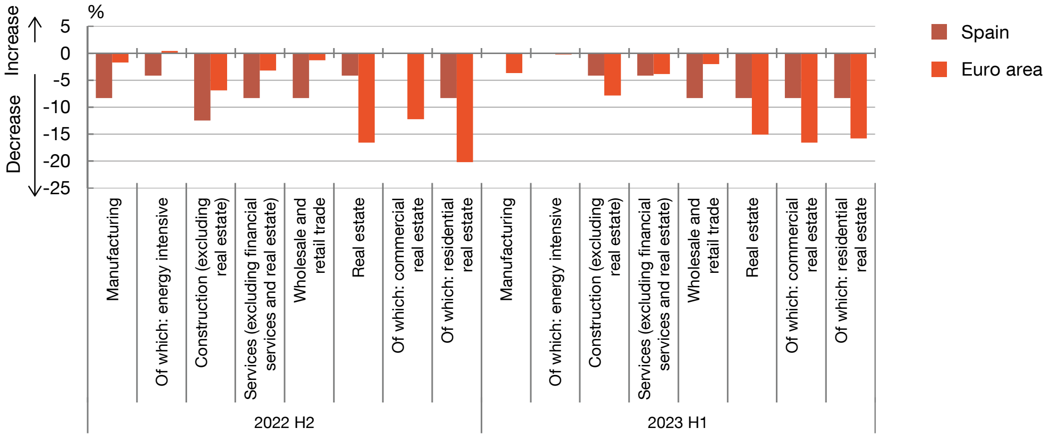
A.4.a Change in credit standards, by economic sector (a)



A.4.b Change in loan terms and conditions, by economic sector (a)



A.4.c Change in loan demand, by economic sector (b)



SOURCES: ECB and Banco de España.

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

+INFO DOWNLOAD