

## Eurozone bank lending survey supports ECB crisis response

The bank lending survey indicates that the Targeted Longer-Term Refinancing Operations, Asset Purchase Programme and Pandemic Emergency Purchase Programme are having a positive effect on financial conditions, although a tightening of credit standards is broad-based in times of lockdown



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The European Central Bank lending survey shows that credit standards have tightened across the eurozone amidst the lockdown of the economy. Of the four largest economies, only France did not see a tightening of standards, while this was the case for Italy, Germany and Spain. This has been true for both enterprises and households and the increased perception of risk has been the main driver of this. Banks expect standards to loosen again in the coming quarter as government and central bank support has started to kick in.

Demand for loans has increased significantly according to the survey, as the lockdown has resulted in increased liquidity needs by corporations, which can be seen as justification for the swift response from the ECB and governments across the eurozone. The demand for loans related to inventories and working capital was the main contributor to the increase in loan demand, while

the drop in borrowing demand for fixed investments is another confirmation of the fact that the economy is currently going through a severe downturn. Household borrowing demand decreased significantly for both housing and consumer credit.

The survey also indicates that the expanded APP, new PEPP and TLTRO III have had a positive impact on liquidity positions of banks and on financing conditions. As banks indicated that the programmes have had an easing impact on lending conditions and volumes, the ECB can be happy with the results of their own survey as the impact of the targeted measures seems to be as they intended. The question now, of course, is whether this will be enough to fight the economic fallout. On Thursday, we will see what the ECB thinks of that.

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