

BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

BANK LENDING SURVEY RESULTS 2010

BOX 2: BANK LENDING SURVEY RESULTS

The BLS provides an insight into the underlying drivers of banks' balance sheet and profitability dynamics by focusing on their lending policy stance, both current and prospective. Four banks, which account for more than 95% of the credit provided to the resident non-financial sector, participate in this euro area quarterly survey.

Credit standards across the euro area remained tight throughout 2010 but appear to have levelled off. Banks in Malta largely followed a similar stance although the tightening process was less protracted and pronounced (see Chart 1). The impact of lower risk appetite, induced by an uncertain economic outlook, particularly with regard to the construction sector, appears to have been dampened by higher competition between banks. Some banks widened their margins on riskier loans and increased non-interest charges, particularly for corporate and mortgage loans, better reflecting risk-sensitive pricing and, as a result, improving financial performance. Expectations for the first half of 2011 indicate stable credit standards.

Credit demand was rather subdued throughout the year, particularly by the corporate sector (see Chart 2). This contrasts somewhat with the pick-up in demand noted in the euro area from the second half of the year. The restraint in credit was largely demand-driven, instilled by generally lower investment activities, particularly as the construction sector continued to operate below potential against a background of oversupply in the real estate sector. Some downside impact could also reflect the intention of banks not to extend further credit to sectors where exposures are already high. Demand for consumer loans also remained subdued, probably reflecting pressures on households' disposable incomes. Respondent banks foresee stable demand from both households and corporate institutions for the first half of 2011.

Chart 1
CREDIT STANDARDS
(+ indicates net tightening / - indicates net easing)

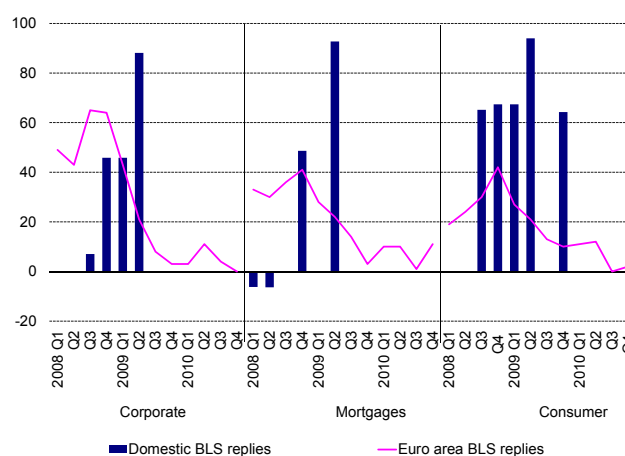


Chart 2
CREDIT DEMAND
(+ indicates increase / - indicates decrease)

