

BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA

# **BANK LENDING SURVEY RESULTS 2011**

## BOX 1: BANK LENDING SURVEY RESULTS<sup>1</sup>

### Credit Supply Conditions

According to the results of the Bank Lending Survey (BLS), in which four of the five core domestic banks participate, the majority of euro area banks continued to tighten their lending standards in 2011, particularly in the second half of the year (see Chart 1). In Malta, credit standards were tightened with respect to the corporate sector; however, in the case of households, they remained generally unchanged. In fact, while mortgage credit standards were stable, some easing was reported for consumer loans, reflecting increased competition for such loans. The tightening in corporate credit standards, on the other hand, was driven by continued uncertain prospects characterising the construction sector, although the downside risks to the general economic outlook also appeared to have had an impact. The restrictive measures mainly took the form of increased collateral requirements and stricter loan covenants. Survey results indicate that stronger competition also appeared to have led some banks to narrow their interest rate margins and to lengthen the maturity periods for loans offered to households. During the first quarter of 2012, credit standards were tightened further for the corporate sector; however, no changes in credit standards are anticipated in the next quarter.

### Credit Demand Conditions

Throughout 2011, credit demand remained generally subdued both in the euro area and in Malta (see Chart 2). On the domestic front, bank loan officers reported that demand for

**Chart 1**  
**CREDIT STANDARDS**

(+ indicates net tightening / - indicates net easing)

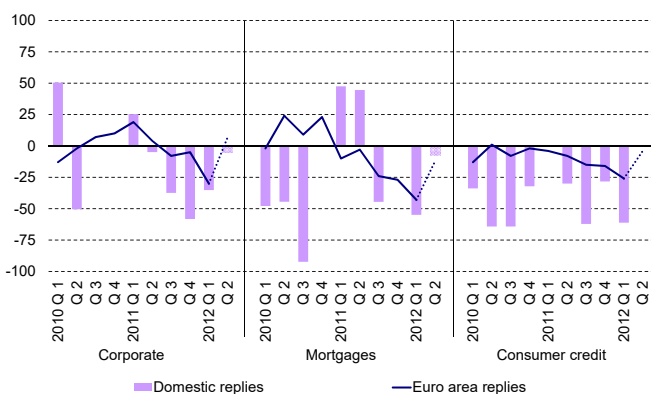


Note: Q2 information relate to expectations.  
Domestic mortgage credit standards were unchanged.

Sources: ECB and Central Bank of Malta calculations.

**Chart 2**  
**CREDIT DEMAND**

(+ indicates increase / - indicates decrease)



Note: Q2 information relate to expectations.

Sources: ECB and Central Bank of Malta calculations.

<sup>1</sup> The BLS is the Central Bank of Malta's contribution to the euro area's BLS conducted by the European Central Bank (ECB). The survey in which all National Central Banks (NCBs) of the euro area participate is designed to provide qualitative data on the euro bank loan market on a quarterly basis. Commercial banks providing information to the NCBs are expected to express their views on developments in credit conditions in the previous quarter and their expectations for the subsequent quarter.

consumer and corporate credit was generally weak. In the case of mortgage borrowing by households, the demand situation was not clear because quarterly data tended to fluctuate substantially. The banks attributed the weakness in corporate credit demand largely to delayed investments, while in the case of consumer credit this reflected negative consumer sentiment. During the first quarter of 2012, credit demand remained sluggish, with respondent banks not expecting a rebound during the second quarter.