

BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA

# **BANK LENDING SURVEY RESULTS 2012**

## BOX 2: BANK LENDING SURVEY RESULTS

### Credit Supply Conditions

Results of the Bank Lending Survey (BLS) show that banks have tightened their credit standards on corporate loans during the first quarter of 2012 while maintaining them unchanged throughout the rest of the year (see Chart 1).<sup>1</sup>

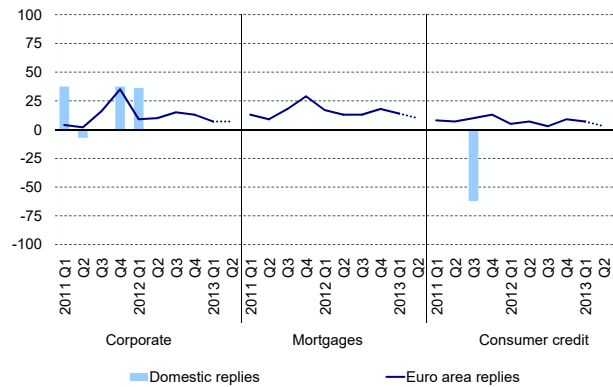
The tightening stance was prompted by adverse perceptions on the general economy and specifically the outlook on the construction sector, as well as subdued property prices. It was transmitted through stricter controls on the size of loans, collateral requirements and loan repayment periods.

In contrast with the euro area, credit standards in Malta were kept unchanged during the last three quarters of 2012. Negative economic and industry-specific perceptions led some banks to tighten their credit standards on all three loan categories (corporate, mortgage and consumer credit), but the impact of this tightening was offset by some easing of controls by certain banks as they faced competitive pressures from others. During the first quarter of 2013, credit standards were maintained stable across the three loan categories and no changes are anticipated for the second quarter of the year.

### Credit Demand Conditions

During 2012 credit demand in Malta remained generally subdued (see Chart 2).

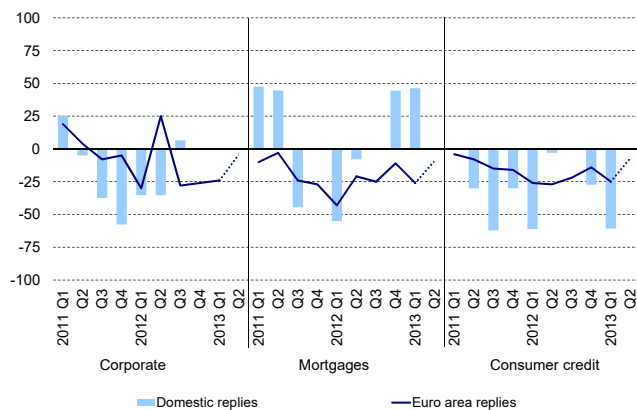
**Chart 1**  
**CREDIT STANDARDS**  
(+ indicates net tightening / - indicates net easing)



Note: 2013 Q2 information relate to expectations. Domestic mortgage and consumer credit standards were unchanged.

Sources: ECB and Central Bank of Malta calculations.

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



Sources: ECB and Central Bank of Malta calculations.

<sup>1</sup> The BLS is the Central Bank of Malta's contribution to the European Central Bank's euro area BLS. This quarterly survey in which all euro area national central banks participate is designed to provide qualitative data on bank lending behaviour in the euro area. Participating banks are asked to express their views on developments in credit conditions in the previous quarter and their expectations for the subsequent quarter. Four of the five core domestic banks in Malta participate in this survey.

In the first half of 2012, corporate credit demand declined, but stabilised towards the end of the year. This development reflected lower fixed investment, inventories and working capital. Higher competitive pressures from banks which do not participate in the BLS also contributed to the fall in credit demand of participating banks. On the other hand, lending in response to debt restructuring needs partly offset this decline. During the first quarter of 2013, corporate credit demand remained unchanged, with no changes being anticipated for the second quarter of the year.

In the case of mortgages, respondents reported lower demand during the early months of 2012, as competitive pressures, subdued housing market prospects and deteriorating consumer confidence had a negative impact on the mortgage credit market. However, a slight improvement in housing market prospects towards the end of the year led to higher demand. Meanwhile, demand for consumer credit, which is considered as sensitive to households' perceptions on economic conditions, remained sluggish throughout the year. Lower spending on durable goods, drops in consumer confidence and competitive pressures were downside factors affecting such demand. In the first quarter of 2013, banks reported some improvement in demand for home loans, whereas in the case of consumer credit, demand dropped further. Respondent banks expect demand to remain stable for both loan categories during the second quarter of 2013.