

BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

BANK LENDING SURVEY RESULTS 2013

BOX 3: BANK LENDING SURVEY RESULTS

The BLS is mainly designed to collect information on euro area banks' lending behaviour on a quarterly basis.¹ Through this survey, the ECB obtains detailed information on the Eurosystem's financing conditions and consequently supports the Governing Council in its policy-making process. In Malta, four of the five core domestic banks participate in this survey.²

Credit Supply Conditions

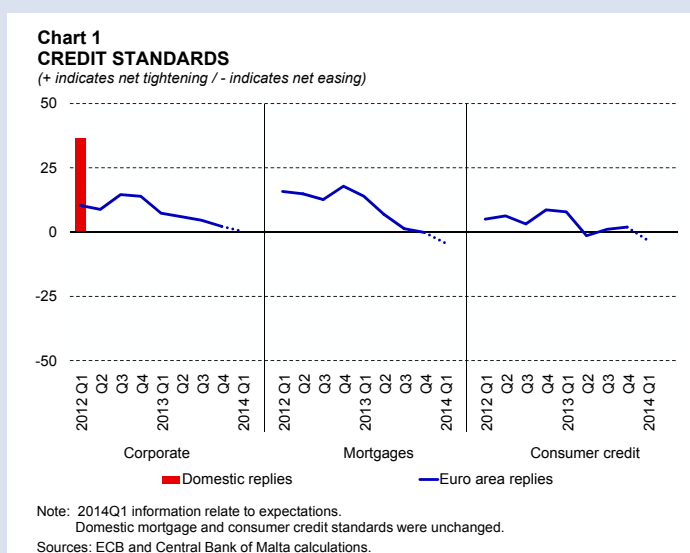
Following a tightening in corporate credit standards in early 2012, Maltese BLS banks maintained their credit standards relatively tight in 2013, mainly through wider margins applicable on riskier loans as well as stricter requirements set in loan covenants (see Chart 1). Conversely, in the euro area, the wave of tightening in 2012 levelled off throughout 2013. Furthermore, expectations for the euro area regarding the first quarter of 2014 indicate further easing of corporate credit standards.^{3,4}

Unlike the euro area, where a steady decline in net tightening for mortgage credit standards took place, mortgage credit standards in Malta were kept unchanged at tight levels throughout the course of 2013 (see Chart 1). In the euro area, improvements in the macroeconomic outlook, in housing market prospects and households' creditworthiness all exerted an easing influence on mortgage credit standards.

With regard to standards on consumer loans, Maltese BLS banks eased these standards in the last quarter of 2011 and since then, these have been kept generally unchanged. This trend diverges from what was reported by other euro area banks, which reported a lower level of net tightening compared with 2012 (see Chart 1). However, towards the latter half of 2013, euro area respondents tightened somewhat their standards owing to higher risk perceptions and balance sheet constraints. Nevertheless, during the first three months of 2014, euro area banks have been anticipating another round of easing in standards. In Malta, however, consumer credit standards have been anticipated to remain unchanged during the first quarter of 2014.

Credit Demand Conditions

Following a dip in the second quarter of 2013, Maltese BLS respondents reported an increase in corporate credit demand owing to higher fixed investment and greater debt restructuring



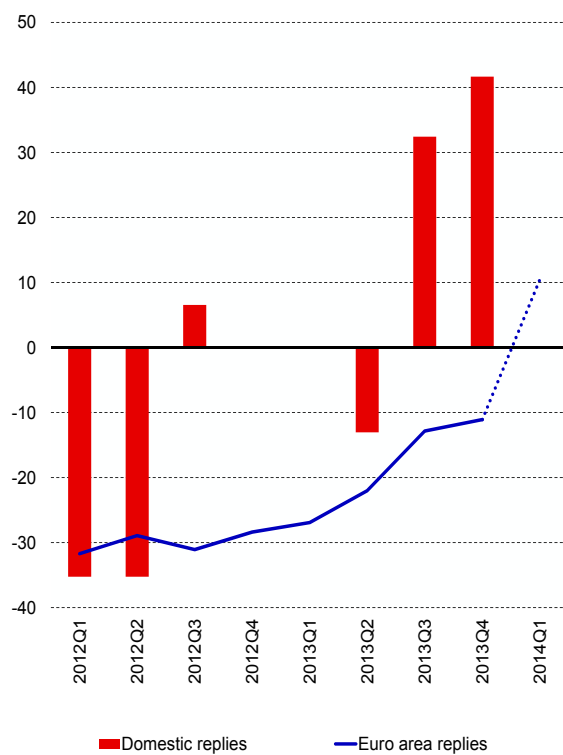
¹ The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks.

² Net percentages are used to analyse the trend estimates. Data is published on the ECB's Statistical Data Warehouse.

³ http://www.ecb.europa.eu/stats/pdf/blssurvey_201401.pdf?791a94b4cc3645e290f37435685dc46b

⁴ The sample represents all of the euro area countries, including Malta.

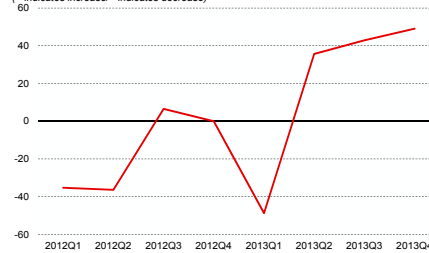
Chart 2
CORPORATE CREDIT DEMAND
(+ indicates increase/ - indicates decrease)



Sources: ECB and Central Bank of Malta calculations.

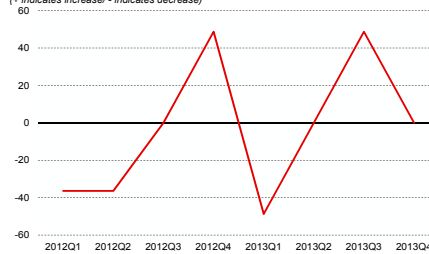
FIXED INVESTMENT

(+ indicates increase/ - indicates decrease)



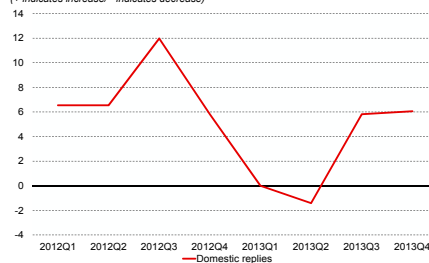
INVENTORIES AND WORKING CAPITAL

(+ indicates increase/ - indicates decrease)



DEBT RESTRUCTURING

(+ indicates increase/ - indicates decrease)



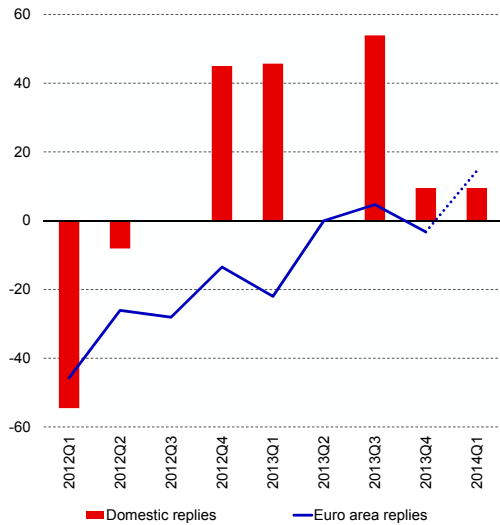
(see Chart 2). Looking forward, in the first three months of 2014, demand has been projected to remain positive and stable.

Despite some signs of recovery, corporate credit demand in the euro area remained subdued in 2013. Sluggish loan demand mainly reflected the lack of fixed investment undertaken by euro area enterprises. However, similar to Maltese banks, euro area respondents have been anticipating a pick-up in corporate loan demand for the first quarter of 2014.

Maltese banks have reported a positive boost in mortgage credit demand in 2013, particularly when compared with 2012 (see Chart 3). To this end, favourable housing market prospects, coupled with positive levels of consumer confidence, have encouraged home loan borrowing. Such positive prospects in mortgage demand are also expected to prevail in 2014 following specific measures to support first-time buyers. On the other hand, euro area home loan demand has predominantly remained negative. The recovery reported in the third quarter of 2013 was short-lived, as in the final three months of the year euro area banks reported a small net decline in demand for mortgages. Looking ahead, encouraging signs of a recovery in mortgage loan demand has been anticipated for the first quarter of 2014 by euro area banks.

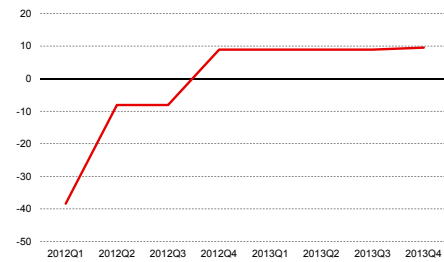
According to Maltese respondents, demand for consumer loans remained weak during 2013. Lower spending on consumer goods, coupled with a deterioration in consumer confidence, were the main

Chart 3
MORTGAGE CREDIT DEMAND
(+ indicates increase/ - indicates decrease)

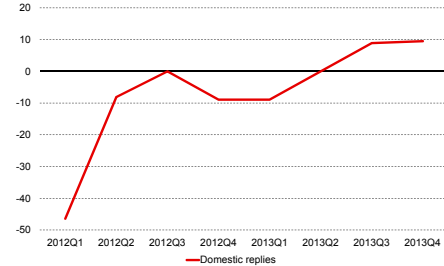


Sources: ECB and Central Bank of Malta calculations.

HOUSING MARKET PROSPECTS
(+ indicates increase/ - indicates decrease)

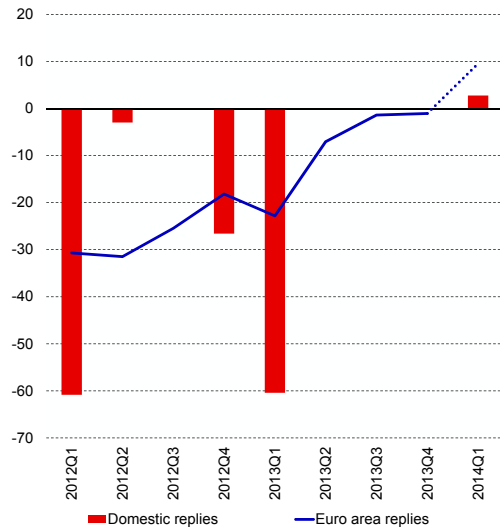


CONSUMER CONFIDENCE
(+ indicates increase/ - indicates decrease)



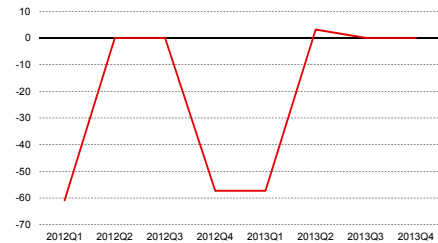
factors which impinged on consumer credit demand. In the euro area, demand for consumer loans in the first quarter of 2013 declined somewhat, though this showed signs of an incipient recovery owing to a smaller negative impact of household spending on durable goods and consumer confidence. During the third quarter of 2013, consumer credit improved but remained in the negative territory in the euro area. However, a pick-up is expected by both Maltese and euro area banks in the first quarter of 2014 (see Chart 4).

Chart 4
CONSUMER CREDIT DEMAND
(+ indicates increase/ - indicates decrease)



Sources: ECB and Central Bank of Malta calculations.

SPENDING ON DURABLE GOODS
(+ indicates increase/ - indicates decrease)



CONSUMER CONFIDENCE
(+ indicates increase/ - indicates decrease)

