Bank Lending Survey

April 2024 Survey Results

Results Summary[1]

Ireland

- In Q1 2024, Irish banks did not adjust their credit standards. Next quarter, banks expect to tighten credit standards moderately for SMEs.
- Banks reported that firms' aggregate loan demand increased marginally in Q1 2024, and a further increase is expected in Q2 2024.
- In Q1 2024, banks tightened credit standards for consumer loans, but left credit standards for mortgages unchanged. In Q2 2024, banks expect to tighten credit standards on mortgages, but to make no change to credit standards for consumer loans.
- Aggregate demand for consumer loans and mortgages decreased in Q1 2024. Banks expect demand for both types of loans to be unchanged in Q2 2024.
- Banks reported a positive effect on their overall profitability and in particular their net interest income (NII), driven by rising margins.

[1] The April Bank Lending Survey (BLS) was conducted between 28th February and 13th March and examined changes in credit market conditions during Q1 2024 as well as expected changes in credit standards and loan demand during Q2 2024.

Credit supply firms

Banks did not change credit standards on loans to firms in Q1 2024. Looking forward to Q2 2024, banks expect to tighten credit standards moderately for SMEs. **Banks also reported limited change to their terms and conditions in Q1 2024.** They reported that for large firms margins on riskier and average loans narrowed, while lending rate were lowered. In addition, the share of rejected firms' loans applications remained constant.

Credit supply – households

In Q1 2024, banks tightened credit standards for consumer loans somewhat. They highlighted the general economic situation and the creditworthiness of consumers as the drivers of their decisions. **In Q2 2024, banks do not expect to tightened credit standards for consumer loans.**

Banks reported that credit standards on mortgages were unchanged in Q1 2024. However, banks expect to tighten credit standards slightly for mortgages loans in Q2 2024.

In Q1 2024, banks made no change to the terms and conditions on the approval of mortgages or consumer loans. Over the last three months, the share of rejected mortgages remained unaltered, but increased slightly for consumer loans.

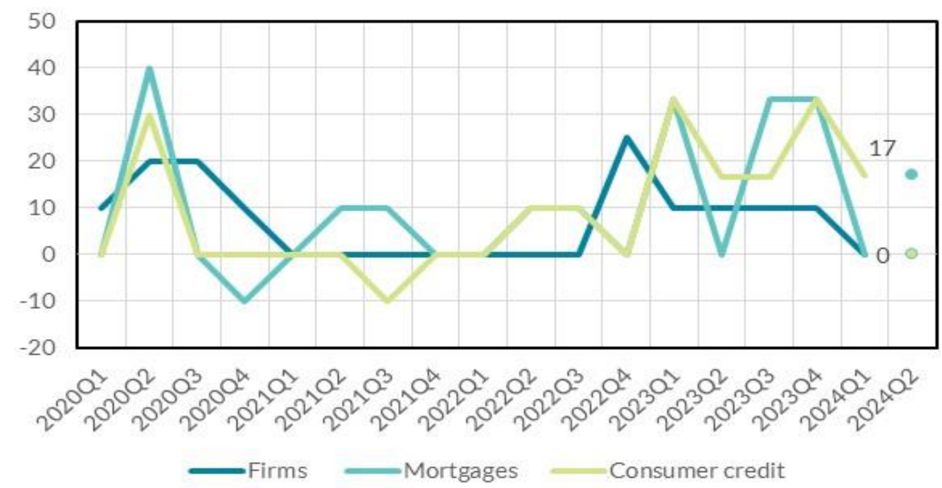
Credit demand – firms

In Q1 2024, demand for loans increased slightly for all firms except SMEs. The need for financing for mergers and acquisitions and the general level of interest rates were key factors driving these developments. **Next quarter, banks expect an increase in demand for loans across all firms, except SMEs.**

Credit demand - households

On aggregate, banks reported that demand for mortgages contracted slightly. Banks identified the general level of interest rate as the main driver of this decline. **Banks also reported that demand for consumer loans decreased slightly** driven by lower spending on durable consumer goods. **Looking forward, banks expect demand for mortgages and consumer credit to be unchanged in Q2 2024.**

Figure 1. Bank credit standards for firm and household lending, (Diffusion index).



Lines refer to backward looking changes to credit standards, circles refer to expected changes in credit standards next quarter. Firms and consumer loans have the same forward looking value (0), while mortgages lending has a value of 17. Values above zero refer to a net tightening of credit standards. The diffusion index gives responses which relate to "tighten (ease) credit standards somewhat" a lower weight than those which refer to a "tighten (ease) credit standards considerably".

Figure 2. Demand for firm and household lending, (Diffusion index).

Lines refer to backward looking changes to demand, circles refer to expected change in demand next quarter. Mortgages and consumer loans have the same forward looking value (0), while firm demand has a value of 10. Values above zero refer to an expansion in demand.

Ad-hoc questions

The ad-hoc questions in this round related to:

- Access to retail and wholesale funding
- The impact of ECB monetary policy asset portfolio
- The impact of TLTRO III
- The impact of ECB key interest rates decisions on bank profitability

On aggregate, Irish banks reported no change in their access to funding in the past 3 months, with no change expected in the next 3 months

The ECB monetary policy asset portfolio had a negative impact on Irish banks' liquidity positions over the past 6 months, but no impact on profitability, assets or the capital position. **Irish banks also expect a slight deterioration in their liquidity positions in the next 6 months.**

The ECB monetary policy asset portfolio had an impact on Irish banks' lending policies and lending volumes. Banks tightened credit standards and, terms and conditions for loans to firms. They also reported a decline in the quantity of loans to firms. Banks reported no effect on their household lending policies. **Irish banks do not expect the ECB's asset portfolio to affect their lending policies or volumes in the next 6 months.**

The TLTRO III operations did not have any impact on Irish banks in the last 6 months. In the following 6 months, Irish banks expect only a limited impact. Banks expect TLTRO III to negatively affect market financing conditions.

Overall, over the last 6 months Irish banks reported a positive impact on their profitability as a result of ECB key interest rate decisions. This was driven by increases in banks' net interest income, due to margin effects. Banks also reported improvements in their non-interest income, due to capital gains. Over the next 6 months. **Irish banks also expect a positive impact of the ECB's interest rates policy on profitability in the next 6 months,** although this is expected to be more muted than before.