BANK LENDING SURVEY

RESULTS FOR PORTUGAL

JULY 2025

BANCO DE PORTUGAL
EUROSYSTEM

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Contents

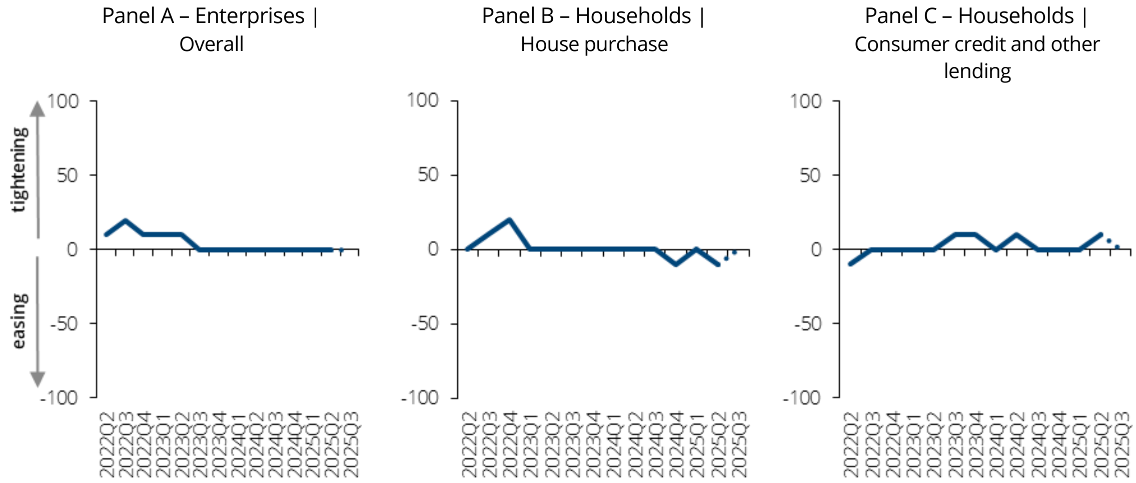
Presentation of the results

The questionnaire for this round of the survey was sent to the banks on June 12, 2025, and the responses were received by June 30. The assessment of supply and demand refers to the **2nd quarter of 2025** in comparison with the previous quarter. Expectations refer to the 3rd quarter of 2025.

Supply

- **Credit standards for loans:** unchanged in loans to firms, slightly easier in housing loans and slightly tighter in loans for consumer and other lending.
  - **Factors:** in SMEs, risks related to the general economic situation and outlook and to industry or firm-specific situation and outlook, as well as risk tolerance, contributed somewhat to increase the tightness, though with no impact in credit standards. In housing loans, the competition from other banks and borrowers' creditworthiness contributed slightly to easier credit standards. Conversely, this last factor contributed slightly to tighter credit standards in the consumer credit and other lending segment.
- **Terms and conditions:** in loans to firms, both SMEs and large firms, and housing loans, slight reduction in banks' lending rates and in the spread applied to average risk loans. No changes in loans for consumer and other lending.
  - **Factors:** in loans to firms, the competition from other banks contributed to easier terms and conditions and to reduce spreads, in particular applied to average risk loans. Conversely, risk tolerance contributed somewhat to tighter terms and conditions and to increase the spread in average risk loans. In housing loans, the perception of risks contributed slightly to easier terms and conditions and to reduce the spread applied to average risk loans; in the opposite direction, it contributed slightly to increase the tightness associated to the spread applied to riskier loans, though without impact.
- **Share of rejected loan applications:** unchanged in loans to firms and a slight increase in loans to households, in both segments.
- **Expectations:** slightly easier credit standards in loans for SMEs and no changes in loans to large firms and to households.

Chart 1 • Credit supply | Diffusion index

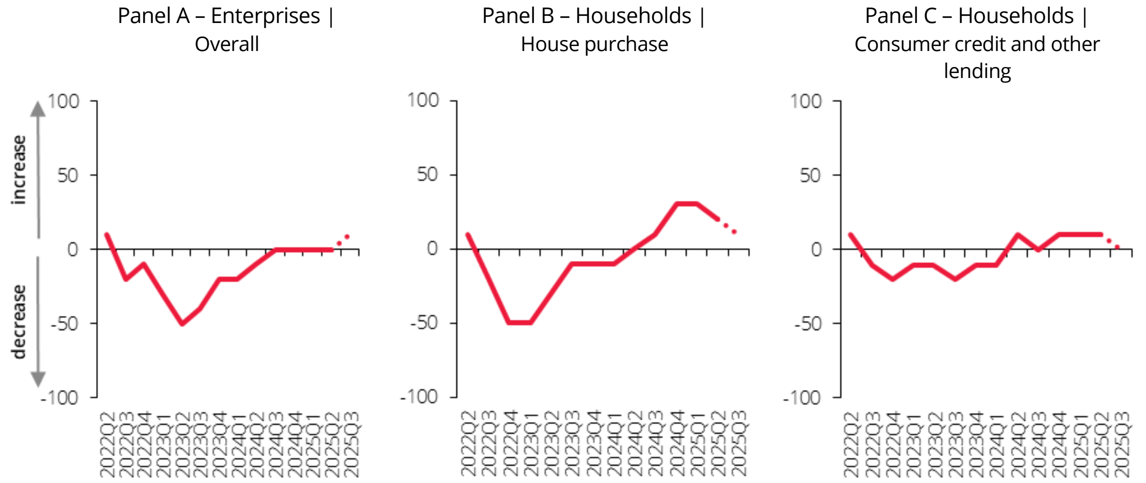


Notes: Credit supply corresponds to credit standards. The diffusion index varies between -100 and 100. Values below (above) zero correspond to an easing (a tightening) of credit standards. The zero value means basically unchanged. Figures for the last quarter are banks' expectations.

Demand

- **Demand for loans by firms:** slight increase by SMEs and for short-term loans and, in the opposite direction, slight decrease by large firms.
  - **Factors:** the general level of interest rates contributed slightly to increase demand and, conversely, the use of internal financing as an alternative source of financing contributed slightly to reduce demand. For SMEs, the need to finance inventories and working capital also contributed somewhat to increase loan demand by firms.
- **Demand for loans by households:** increased, especially for housing loans.
  - **Factors:** in the housing loans segment, the general level of interest rates and, to a lesser extent, consumer confidence and the regulatory and fiscal regime of the housing market contributed to increase demand. In the consumer and other lending segment, consumer confidence contributed slightly to increase loan demand.
- **Expectations:** slight increase in demand for loans by SMEs (across different loan maturities) and by households for housing.

Chart 2 • Credit demand | Diffusion index



Notes: The diffusion index varies between -100 and 100. Values below (above) zero correspond to a decrease (an increase) in credit demand. The zero value means basically unchanged. Figures for the last quarter are banks' expectations.

Ad hoc questions

This section presents the results for a set of additional questions of non-permanent nature.

On retail and wholesale funding

- **Past three months:** slight deterioration in the access to finance by issuance of medium to long-term debt securities and securitisation of loans to firms, as well as in the ability to transfer credit risk off-balance.
- **Next three months:** slight improvement in the access to finance by issuance of medium to long-term debt securities.

On the impact of banks' non-performing loan ratios and other indicators of credit quality

- **Past three months:** slight contribution to tighter credit standards in loans to consumer and other lending.
- **Next three months**: slight contribution of banks' risk perception and risk tolerance to a tighter lending policy, but without an aggregate impact on it.

On credit standards, terms and conditions on new loans and demand for loans across main sectors of economic activities

- **Past six months:** no changes in credit standards and terms and conditions in loans to firms in the main sectors of economic activities; slight increase in loan demand by firms in the energy-intensive industries, construction (excluding real estate), transport, accommodation and food, wholesale and retail trade, and commercial and residential real estate.
- **Next six months:** slightly tighter credit standards and terms and conditions in loans to firms in the energy-intensive industries, and no changes in the remaining sectors of activity; changes in the demand for loans alike to those reported for the last six months.

On the impact of climate change on banks' lending policy and demand for loans by firms

See Box 1 for a detailed analysis of Portuguese and euro area banks' responses to this *ad hoc* question.

On the impact of climate change on banks' lending policy and demand for loans by households for housing

See Box 1 for a detailed analysis of Portuguese and euro area banks' responses to this *ad hoc* question.

On the impact of changes in banks' excess liquidity with the Eurosystem

- **Past six months:** no impact on credit standards and terms and conditions, as well as on lending volumes.
- **Next six months**: expectation that it will continue to have no impact.

The complete set of the survey results is presented in the annex "Results for Portugal – Tables".

Box 1 • Impact of climate change on credit supply and demand by firms and by households for house purchase

The global nature of climate change and the subsequent mitigation, adaptation and transition measures, in addition to the efforts made by governments, firms and society as a whole, have increasingly involved national and supranational entities that work together to define and coordinate global policies, design legislative and regulatory initiatives, provide financing, promote research and development in the area of climate, and monitor agreed climate commitments. Central banks are part of this group of actors, as the challenges, impacts and risks associated with climate change affect all sectors of the economy, including the financial sector, and may exert pressure on price stability.[1]

This box analyses the impact of climate change on credit standards, overall terms and conditions, and loan demand by firms and by households for house purchase in Portugal and in the euro area. The analysis is based on the responses to two *ad hoc* questions in the Bank Lending Survey.[2] The questions refer to the overall impact of climate-related risks and measures taken to address climate change implemented by governments, monetary authorities, supervisory and regulatory authorities, and the banks themselves.

Over the past 12 months, lending policy to **firms**, both in Portugal and in the euro area as a whole, has tightened for "brown" firms and eased for "green" and "in transition" firms (Chart B1.1).[3] Portuguese banks mention a slight contribution of factors related to the industry or firm-specific situation and outlook to a tighter lending policy (Chart B1.1). In the euro area, banks also reported that factors such as the impact of physical risk on the value of borrowers' assets and the industry or firm-specific situation and outlook contributed to this tightening, albeit partially offset by fiscal support measures.

On the demand side, over the past 12 months, climate-related considerations led to an increase in demand for loans by firms "in transition" in Portugal, while demand from "brown" firms declined (Chart B1.1). In the euro area, demand rose mainly for loans by "green" firms and firms "in transition". In both Portugal and the euro area, bank lending rates for green projects or technologies contributed to increase demand, whereas uncertainty about future climate-related regulation contributed to reduce it. According to banks, fiscal support measures and financing needs related to fixed investment and corporate restructuring also supported loan demand in Portugal and in the euro area, respectively.

Over the next 12 months, Portuguese banks expect stronger impacts on the overall terms and conditions applied to loans for "green" and "brown" firms than those reported over the past 12 months, whereas euro area banks foresee relatively similar impacts (Chart B1.1). Portuguese banks also anticipate an increase in loan demand from "green" firms and firms "in transition", particularly in the case of the latter, compared with the past 12 months. Contributing to this expected

[1] For example, the *Network of Central Banks and Supervisors for Greening the Financial System* (NGFS) is a global network of central banks and financial supervisory authorities created in late 2017 to promote the management of environmental risks in the financial sector, particularly those associated with climate change. The network currently has 145 members, including the European Central Bank and Banco de Portugal. The ECB, in its most recent monetary policy strategy review, recognizes the importance of taking into account the effect of climate change on price stability (https://www.ecb.europa.eu/mopo/strategy/strategy-review/ecb.strategyreview202506_strategy_statement.en.html).

[2] The question related to the firms 'segment was introduced in the survey in July 2023 (see Box "Climate change: how do they affect the lending policy and demand for loans by firms?" in the July 2023 *Bank Lending Survey*), and the question on the segment of household for house purchase was introduced for the first time in this round.

[3] "Brown" firms correspond to firms with higher carbon emissions per unit produced that, to date, have not yet begun or have made little progress in reducing emissions; "green" firms correspond to firms with low carbon emissions per unit produced; and firms "in transition" are firms that are making efforts to reduce emissions.

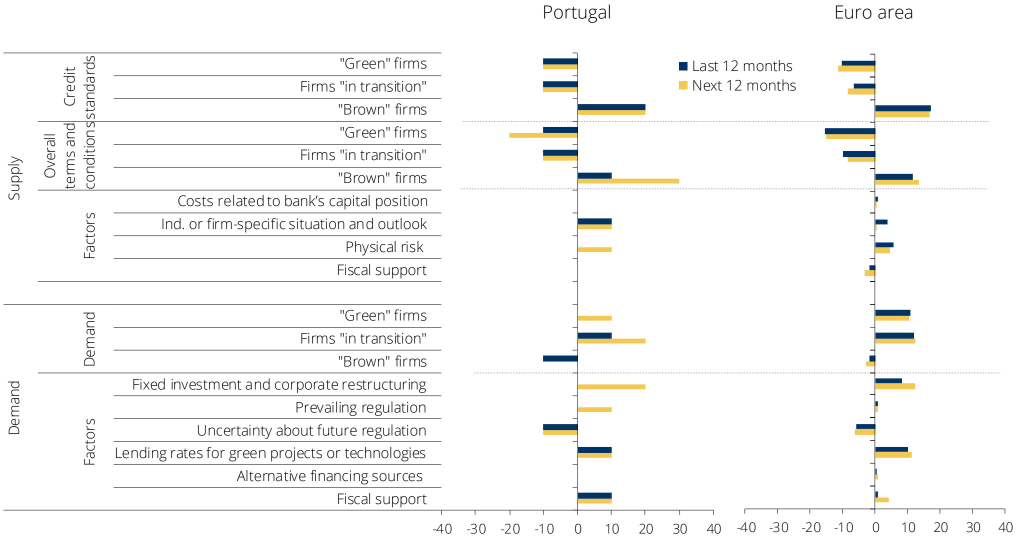
increase, in addition to the previously mentioned factors, are financing needs related to fixed investment and corporate restructuring and, to a lesser extent, prevailing climate-related regulation.

In loans to **households for house purchase**, climate-related impacts on credit supply and demand in Portugal are relatively contained, particularly in comparison with those in the euro area (Chart B1.2). Over the past 12 months, Portuguese banks reported a slight tightening of credit standards in loans associated with buildings with poor energy performance and, conversely, slightly easier terms and conditions in loans associated with buildings with high energy performance. In the same period, lending policy of euro area banks tightened significantly in loans associated with buildings with poor energy performance and eased for high energy performance buildings. The tightening of credit supply in the euro area is mainly related to the real estate physical risk.

On the demand side, over the past 12 months, climate-related considerations translated into higher demand for loans associated with buildings with high energy performance (Chart B1.2). In the euro area, this increase also extended to loans associated with buildings with reasonably good energy performance, while demand for loans associated with poor energy performance buildings declined. These developments were driven by financing needs for investment to improve energy performance of buildings and, in the euro area, also by bank lending rates applied to loans for increasing the sustainability of real estate and, to a lesser extent, by fiscal support measures.

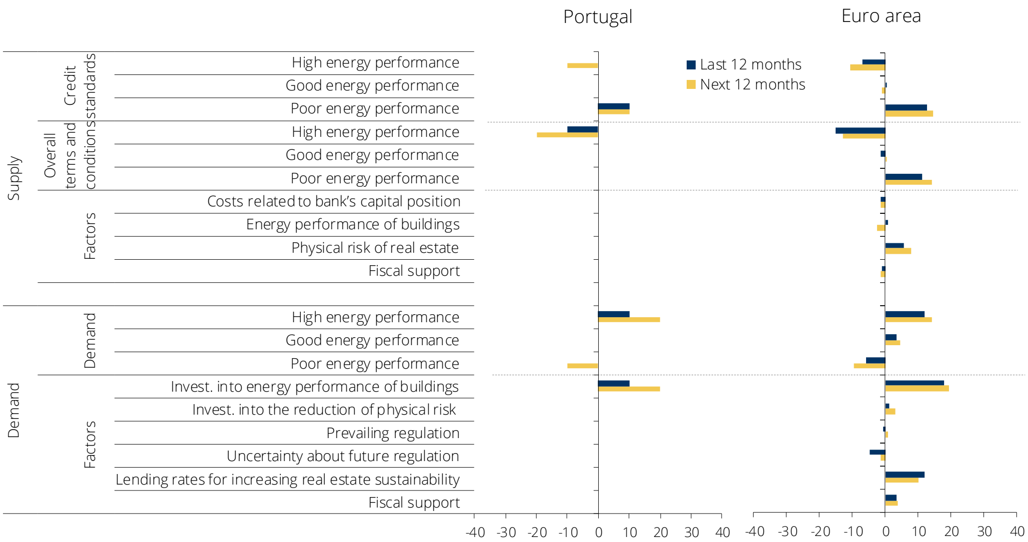
Over the next 12 months, Portuguese and euro area banks generally anticipate impacts on credit supply and loan demand similar to those reported over the past 12 months (Chart B1.2). On the supply side, Portuguese banks foresee slightly easier credit standards in loans related to buildings with high energy performance, and, on the demand side, they anticipate a slight decline in loan demand for buildings with poor energy performance.

Chart B1.1 • Impact of climate change on banks' lending policy and on loan demand to firms and main factors | Diffusion index



Sources: Banco de Portugal and ECB. | Notes: "Green" firms correspond to those with low carbon emissions per unit produced; firms "in transition" are firms that are making efforts to reduce emissions; and "brown" firms correspond to firms with higher carbon emissions per unit produced that, to date, have not yet begun or have made little progress in reducing emissions. The diffusion index varies between -100 to 100. In supply, values above (bellow) zero mean a tightening (an easing) of credit standards, terms and conditions or a contribution to a tightening (an easing) of the lending policy; in demand, values above (bellow) zero mean an increase (a decrease) in demand or a contribution to an increase (a decrease) in demand. The zero value means basically unchanged or has not had an impact. The fact that the diffusion index for the euro area results from the aggregation of the responses of several countries, with possibly different banking business models among themselves, may contribute to the smaller range in the diffusion index values for the euro area.

Chart B1.2 • Impact of climate change on banks' lending policy and on loan demand to households for house purchase and main factors | Diffusion index



Sources: Banco de Portugal and ECB. | Notes: The diffusion index varies between -100 to 100. In supply, values above (bellow) zero mean a tightening (an easing) of credit standards, terms and conditions or a contribution to a tightening (an easing) of the lending policy; in demand, values above (bellow) zero mean an increase (a decrease) in demand or a contribution to an increase (a decrease) in demand. The zero value means basically unchanged or has not had an impact. The fact that the diffusion index for the euro area results from the aggregation of the responses of several countries, with possibly different banking business models among themselves, may contribute to the smaller range in the diffusion index values for the euro area.