



BANK LENDING SURVEY | Portugal

| April 2015

Introduction

Monitoring developments in credit markets is very important to assess the functioning of an economy, as the conditions working in this market may affect the process of transmission of the monetary policy to economic activity. Aimed at obtaining more detailed information on credit markets in the euro area, thus improving the assessment on the role of credit in business cycles and in the transmission mechanism of monetary policy, the Eurosystem has launched, in early 2003, a survey on banks' lending, to be conducted quarterly – the Bank Lending Survey (BLS)¹.

The survey consists of a set of qualitative questions, which is addressed each quarter, to a predefined sample group of banks, located in the countries of the euro area. The aim of the survey is to extend available statistics on interest rates and banks' credit, providing additional information on non-interest rate conditions as well as on the factors affecting loan demand in the euro area. The results of the Survey support the assessment of the ECB Governing Council on monetary and economic developments in the euro area, corresponding to an important tool to monetary policy decision-making.

The first bank lending survey took place in January 2003. The Bank of Portugal has decided to disclose the results for the five Portuguese banking groups that participate in the sample group of the BLS. Thereby, the results for Portugal are available, on a quarterly basis, following the ECB release of the corresponding aggregated results for the euro area (available on the ECB's website, at www.ecb.int).

The questionnaire

The questionnaire is addressed to those responsible for the lending policy of the banks

– usually at the board level. The questions – all of a qualitative nature – are intended to remain broadly constant over time, thus keeping the reporting burden for the banks relatively low.

The initial survey included 18 questions on past and expected developments in the credit market while in the current version the questionnaire includes 23 questions. The questions are organized according to the two borrower sectors that are the central focus of the survey: non-financial corporations and households. The definitions and classifications used in the survey are consistent with other ECB statistics. For both sectors, the questionnaire covers loan demand and loan supply factors.

Among the factors affecting loan supply, special attention is given to credit standards and credit conditions and terms as applied to the approval of loans, as well as to the various factors potentially responsible for the changes². All in all 15 questions are about supply factors, of which seven focus on credit standards, six on terms and conditions and two other on the institutions' loans approval rates. Of the questions on credit standards and on terms and conditions, three from each group give banks the opportunity to point out specific factors that have an effect on their current credit standards and terms and conditions, as applied to the approval of loans to both enterprises and households.

Concerning loan demand, various factors that potentially affect it, namely related to financing needs and the use of alternative finance sources, are mentioned. Seven questions are explicitly targeted on loan demand, of which three focus on demand of enterprises and four on demand of households.

Overall, the questionnaire includes eighteen backward and four forward-looking questions, in order to capture both recent and expected developments. Concerning past developments,

the questions refer to the quarter before the reporting month while the questions on expected changes look at the next three months³.

The survey concludes with an open-ended question aimed at capturing any interesting development in the euro area credit markets that have not been covered by the other questions. In addition, the questionnaire includes some ad-hoc questions regarding topics of particular interests at the moment.

The sample group

In setting up the sample of banks to participate in the BLS, the Eurosystem take into consideration the qualitative nature of the information to be reported, the voluntary basis for participation and the need to adequately capture the specific features of the banking system in each country. Other crucial issue of concern is ensuring the confidentiality of information provided by the individual banks.

Given the differences in banking structures across individual countries in the euro area and given that small and specialised banks have an important role in some countries, the BLS could not be concentrated just on the largest banks in the euro area. Therefore, the sample group has been drawn up taking into account the specific characteristics of the national banking structures in order to ensure the best possible representation of the sector.

At present, the sample group is composed of 138 banks, five of them are located in Portugal.

Naturally, the group of banks participating in the survey is subject to adjustments, as a result of changes in either the credit markets or the characteristics of the individual banks (e.g. in case of mergers). The sample group is also influenced by the need to remain representative of bank lending markets and loan categories at the euro area level. In order to identify any changes that

make necessary an adjustment in the BLS sample, the Eurosystem and the National Central Banks (NCBs) will monitor attentively developments in the national banking sectors and credit markets.

Implementation procedures and aggregation of the results, at the euro area level

The Eurosystem has established a set of internal procedures to guarantee confidential treatment of the individual results, at each step of the process by which responses are transmitted from participating banks to the ECB. The NCBs are responsible for contact with the banks participating in the survey in their country and compiling the replies to the questionnaire. Then the NCBs transmit the responses to the ECB in such a way to protect their confidentiality and the anonymity of the banks. It is worth mentioning that the specific list of banks participating in the survey is confidential.

Quarterly, and after completing the final quality checks of the Survey, the ECB publish the aggregated results of the euro area. The national results are disclosed by the NCBs if wished, which Bank of Portugal has done since 2003.

Since the size of the sample differs from country to country depending on national banking structures, national results are aggregated at the euro area level using different country weights. These weights are the national shares in the total amount of the euro area outstanding lending to euro area residents, taking into account only the market segments considered in the survey – loans and credit lines to enterprises (non-financial corporations), lending to households for house purchase, consumer credit and other lending to households. In the aggregation of the January 2015 survey's results, the weight used for Portugal was 2.3 per cent.

Notes

1. See the article "*A bank lending survey for the euro area*", in the April 2003 issue of the ECB's Monthly Bulletin p.65-75.
2. Credit standards are the internal guidelines or criteria that guide a bank's loan policy. The terms and conditions of a loan refer to the specific obligations agreed upon by the lender and the borrower, such as the interest rate, collateral required and maturity.
3. The surveys take place, each quarter, at the beginning of January, April, July and October.