



Results Summary¹

Ireland

- In Q2 2024, Irish banks tightened credit standards for mortgages somewhat, while they expect to ease standards somewhat next quarter.
- In Q2 2024, demand for loans from SMEs increased slightly. Next quarter, the banks expect an increase in demand for loans across all categories.
- The Irish banks reported that demand for mortgages and consumer loans increased slightly in the second quarter of 2024.
- Looking forward to next quarter, banks expect demand for mortgages to increase, but demand for consumer credit to remain unchanged.
- Climate related risks, and measures to cope with climate change have impacted bank lending practices and demand for credit over the last year. Irish banks expect to make further changes to their lending over the next 12 months.

¹ The July Bank Lending Survey (BLS) was conducted between 5th June and 19th June and examined changes in credit market conditions during Q2 2024 as well as expected changes in credit standards and loan demand during Q3 2024.



Credit supply – firms

Irish banks did not make any change to credit standards on loans to firms in Q2 2024. Looking forward to Q3 2024, banks expect to make no change in credit standards on loans to firms. **Overall terms and conditions were virtually unchanged in 2024 Q2.** They reported a slight narrowing of margins on average loans for large firms due to competition from other banks and non-banks. In addition, the share of rejected firms' loans applications remained constant.

Credit supply – households

In Q2 2024, banks tightened credit standards for mortgages somewhat. They highlighted risk tolerance as the driver of their decisions. **In Q3 2024, banks expect to ease credit standards for mortgages.** Turning to consumer loans, banks made no change to credit standards in Q2 2024. They do not expect to make any change on credit standards on consumer loans in Q3 2024.

Banks reported no change in their overall terms and conditions for mortgages and consumer loans in Q2 2024. However, they reported interest rates and margins on both average and riskier mortgages tightened somewhat. Over the past three months, the share of rejected mortgage applications remained constant, but the share increased slightly for consumer loans.

Credit demand – firms

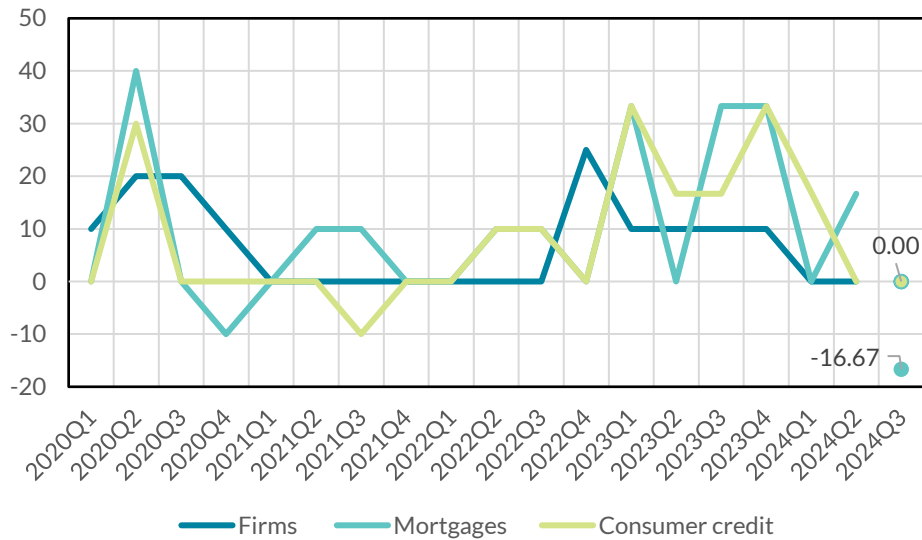
In Q2 2024, demand for loans increased somewhat for SMEs. It attributed the increase to financing needs for inventories and working capital. **Next quarter, banks expect an increase in demand for loans across all firms.**

Credit demand – households

On aggregate, banks reported that demand for mortgages increased slightly. Banks reported that mortgage demand rose somewhat due to the level of interest rates. **Banks also reported that demand for consumer loans increased slightly** due to higher spending on durable consumer goods. **Looking forward, banks expect demand for mortgages to increase in Q3 2024.** Banks expect demand for consumer credit to be unchanged in Q3 2024.

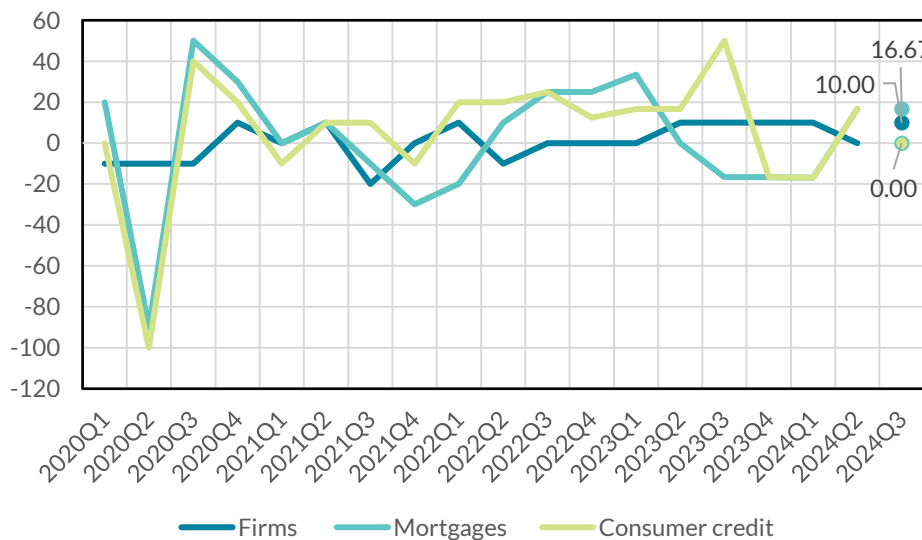


Figure 1. Bank credit standards for firm and household lending, (Diffusion index).



Lines refer to backward looking changes to credit standards, circles refer to expected change in credit standards next quarter. Firms and lending to consumer 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. Mortgage and lending to consumer 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 non-performing loans ratios and other indicators of credit quality on lending policies
- Bank lending conditions and loan demand across economic sectors
- The impact of climate change on bank lending
- The impact of changes in banks' excess liquidity with the Eurosystem on lending policies.

On aggregate, Irish banks reported no change in their access to funding in the past 3 months. Irish banks also do not expect any impact over the next 3 months.

Non-performing loans (NPL) ratio and other indicators of credit quality had a limited impact on bank's lending policy over the past 6 months. They reported NPL ratios, and other indicators of credit quality, have contributed somewhat to tightening in the bank's credit standards for consumer loans. **In the next 6 months, Irish banks expected no impact.**

Overall, banks reported no change on credit standards, terms and conditions on new loans, nor on demand for loans, for most of economic sectors. They reported that demand for loans by real estate decreased somewhat, driven by commercial real estate. In addition banks reported that their terms and conditions eased for the service sector in the past 3 months. **In the next 6 months, banks expect some change in demand for loans across the sectors.** They expected demand for loans by all sectors, except real estate, to increase over the next six months.

Over the past 12 months, climate-related risks, and measures to cope with climate change, have affected both credit supply and demand for bank loans to firms. They reported that climate change has contributed to a tightening of credit standards and banks' overall terms and conditions for loans to brown firms, while there had also been a decrease in demand for loans from brown firms. In addition, they reported that climate change has contributed to an increase in demand for loans to green firms, and to firms in transition. They reported that industry- or firm-specific situations, borrowers' creditworthiness and physical risk affecting the value of borrowers' asset and fiscal support related to climate change have contributed to changes in the banks' lending policy. They also reported that fiscal support and fixed investment and corporate restructuring related to climate change have contributed to change in demand for loans.



In the next 12 months, banks expect to loosen their credit standards and terms and conditions for green firms and firms in transition but to tighten them for brown firms. In addition, while banks expect demand for loans to green firms and firms in transition to increase, they expect demand for loans to brown firms to decrease. They expect fiscal support and fixed investment and corporate restructuring related to climate change to be driver of changes in lending policy and demand for loans.

Overall, over the last 6 months Irish banks reported no impact on their lending conditions and loan volume as a result of the change in banks' excess liquidity held with the Eurosystem. Irish banks do not expect any impact in the next 6 months.