

OeNB Report 2023/5: BANK LENDING SURVEY – AUSTRIAN RESULTS

Decline of corporate credit demand continued at faster pace in the third quarter of 2023

Results of the October 2023 euro area bank lending survey for Austria

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Corporate credit demand in Austria declined significantly in the third quarter of 2023, in particular demand for long-term loans and investment funding. Demand for corporate credit has been going down since the fourth quarter of 2022 and is expected to drop further in the fourth quarter of 2023. These developments have been driven by the economic downturn and above all by the related contraction of corporate investment in view of global economic and political turbulence and elevated interest levels.

The survey results have been indicating rising risk levels since 2022. In assessing their risks regarding the underlying economic conditions and corporate credit risks, banks have become increasingly pessimistic, which has prompted them to restrict the supply of credit. Since the second quarter of 2022, banks' lending standards for corporate loans have been tightened extensively.

Demand for housing loans continued to shrink somewhat in the third quarter of 2023, after having dropped sharply in the second half of 2022, albeit from record highs. The weak demand is mainly attributable to the rise in interest rates. Loans have become less affordable.

In terms of profits, Austrian banks have been benefiting from monetary tightening through rising interest income. On the flip side, financial challenges have arisen for banks from the tightening of monetary policies, which entailed not only higher interest rates but also the discontinuation of asset purchase programs and adjusted conditions for targeted longer-term refinancing operations. However, for the time being, these challenges are expected to remain moderate.

Note: The full report in German can be found at [OeNB Reports](#).

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