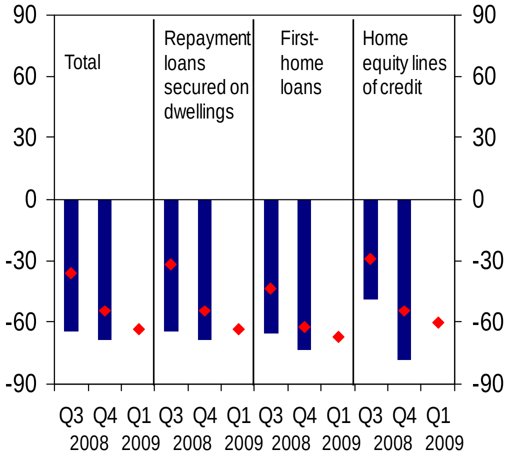
2008 Q4

Norges Bank's Survey of Bank Lending.

Tightening of credit standards

NORGES BANK

Chart 1 Household credit demand. Net percentage balances[1), 2)]

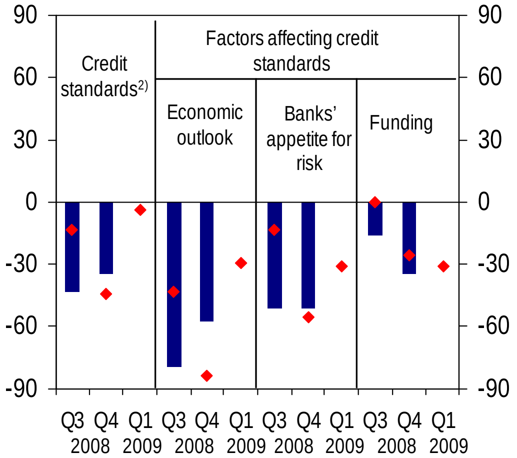


[1)] Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter

[2)] Negative net percentage balances indicate falling demand

Source: Norges Bank

Chart 2 Change in credit standards for approving loans to households. Factors affecting credit standards. Net percentage balances[1)]

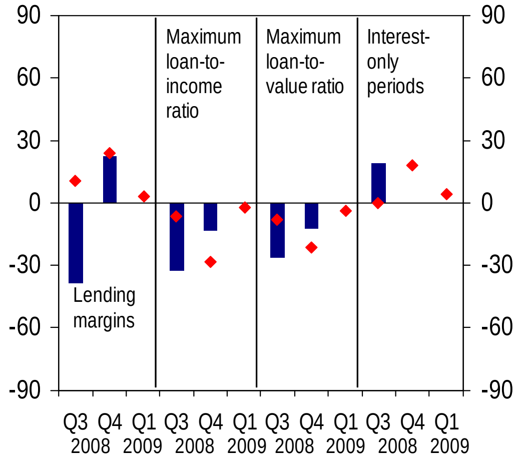


[1)] See footnote 1 in Chart 1

[2)] Negative net percentage balances indicate tighter credit standards

Source: Norges Bank

Chart 3 Change in loan conditions for households. Net percentage balances[1), 2)]



[1)] See footnote 1 in Chart 1

[2)] Positive net percentage balances for lending margins indicate higher lending margins and therefore tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods indicate tighter credit standards

Source: Norges Bank

Norges Bank's Survey of Bank Lending 2008 Q4

Banks report that demand for household and corporate loans has fallen in the past two quarters and is expected to fall further in 2009 Q1. Banks continued to tighten credit standards for corporate and household loans in 2008 Q4. In 2009 Q1, banks expect credit standards for enterprises to tighten further and to remain approximately unchanged for households.

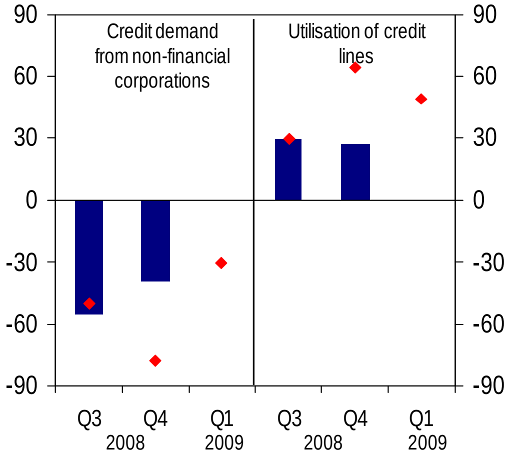
Norges Bank's Survey of Bank Lending for 2008 Q4 was conducted in the period 18 December 2008 - 10 January 2009. The respondents were asked to assess developments in credit standards and credit demand in 2008 Q4 compared with 2008 Q3 and expected developments in 2009 Q1 compared with 2008 Q4. As of the present survey, the factors affecting banks' credit standards have been expanded to include capital adequacy.

The banks in the survey use a scale of five alternative responses to indicate the degree of change in the above conditions. Banks that report that conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. Finally, the responses are weighted by the banks' shares of the change in lending to households and businesses respectively. The resulting net balances are scaled to lie between -100 % and 100 %. If all the banks in the sample report some tightening of credit standards, the net percentage balance will be -50 %. If some of the banks have tightened their credit standards a little without the other banks changing their credit standards, the net percentage balance will lie between 0 and -50 %. If all the banks in the sample have substantially tightened their credit standards, the net percentage balance will be -100 %.

Lending to households

Banks reported that total household credit demand slowed in 2008 Q4 compared with 2008 Q3 (see Chart 1). The fall in demand was somewhat sharper than expected. Banks expect household demand for loans to fall further in 2009 Q1 compared with 2008 Q4.

Chart 4 Credit demand from non-financial corporations and utilisation of credit lines. Net percentage balances[1), 2)]

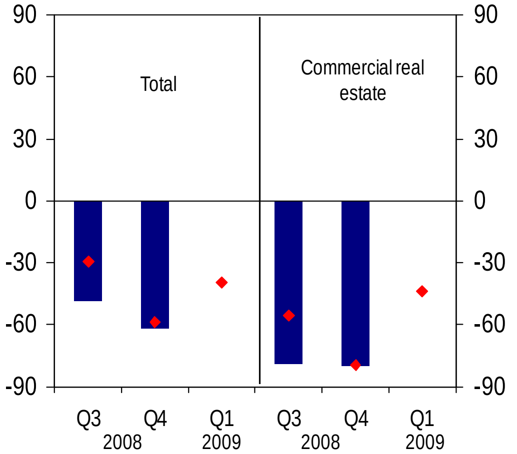


[1)] See footnote 1 in Chart 1

[2)] Positive net percentage balances indicate increased demand or increased utilisation of credit lines

Source: Norges Bank

Chart 5 Change in credit standards for approving loans to non-financial corporations. Net percentage balances[1), 2)]

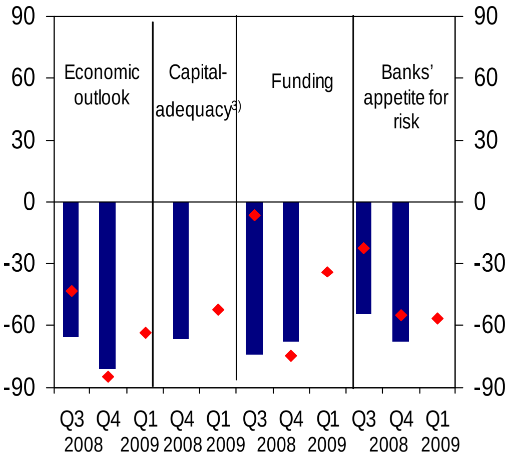


[1)] See footnote 1 in Chart 1

[2)] Negative net percentage balances indicate tighter credit standards

Source: Norges Bank

Chart 6 Factors affecting credit standards for approving loans to non-financial corporations. Net percentage balances[1), 2)]



[1)] See footnote 1 in Chart 1

[2)] Negative net percentage balances indicate that the factor has contributed to tighter credit standards

[3)] A new factor introduced in Q4 2008

Source: Norges Bank

Banks tightened credit standards for households in 2008 Q4 compared with 2008 Q3 (see Chart 2). The tightening in Q4 was somewhat less sharp than expected. The factors contributing most to the tightening of credit standards for households in Q4 were the economic outlook, banks' risk appetite, defaults and the funding situation. In 2009 Q1, most banks expect credit standards for households to remain unchanged.

Banks changed a number of conditions for loans to households in 2008 Q4 (see Chart 3). Banks increased lending margins and further reduced maximum loan-to-income and loan-to-value ratios. They also announced that new procedures would be introduced whereby high-risk customers would now be assessed at a higher level in the bank. Banks expect conditions to remain relatively unchanged ahead.

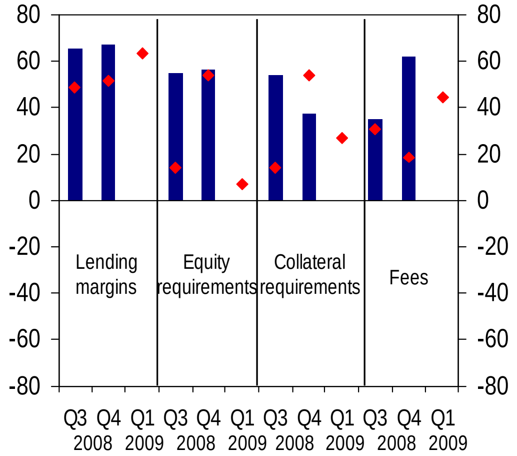
Lending to non-financial corporations

Banks reported that credit demand from non-financial corporations fell further in 2008 Q4 compared with 2008 Q3 (see Chart 4). The fall was less sharp than expected. Banks have experienced higher demand from some international segments, including shipping. The utilisation of credit lines increased further in 2008 Q4 compared with 2008 Q3. Banks expect lower credit demand from non-financial corporations in 2009 Q1 and increased drawdowns of credit lines.

Banks tightened credit standards for non-financial corporations further in 2008 Q4 compared with 2008 Q3 (see Chart 5). The tightening was as expected and was considerable for lending to the commercial real estate sector. Banks also reported that tightening was particularly sharp for housing cooperatives, the car industry and the building industry and for large new loans. Banks expect tightening of credit standards for non-financial corporations to continue in 2009 Q1 compared with 2008 Q4.

All the factors in the survey contributed to the tightening of credit standards for non-financial corporations in 2008 Q4 (see Chart 6). The economic outlook contributed most, followed by banks' risk appetite, the funding situation and the new factor, capital adequacy. Banks expect tightening of credit standards to continue ahead, particularly as a result of the economic prospects, banks' risk appetite and capital adequacy.

Chart 7 Change in loan conditions for non-financial corporations. Net percentage balances[1), 2)]



[1)] See footnote 1 in Chart 1

[2)] Positive net percentage balances for lending margins indicate higher lending margins. Positive net percentage balances for lending margins, equity requirements, collateral requirements and fees indicate tighter credit standards

Source: Norges Bank

Credit standards for non-financial corporations in 2008 Q4 were primarily tightened through an increase in banks' lending margins and fees (see Chart 7). Banks also raised equity and collateral requirements in 2008 Q4 compared with 2008 Q3. Banks expect to continue to increase lending margins and fees in 2009 Q1.