

NORGES BANK'S SURVEY OF BANK LENDING

Lower lending margins and increased household demand for fixed-rate loans

2018 Q1
PUBLISHED:
19 APRIL 2018

THE SURVEY WAS CONDUCTED IN THE PERIOD
23 MARCH 2018 – 11 APRIL 2018



NORGES BANK

Norges Bank's quarterly bank lending survey is a qualitative survey of banks' credit standards and their assessments of credit demand. The ten largest banks in the Norwegian credit market participate in the survey: DNB, Nordea, Danske Bank, Handelsbanken, Sparebank 1 SR-bank, Sparebank 1 Østlandet, Sparebank 1 SMN, Sparebank 1 Nord-Norge, Sparebanken Vest and Sparebanken Sør. The survey was conducted for the first time in 2007 Q4.

The questions distinguish between lending to households and lending to non-financial enterprises. Banks are asked to specify changes in credit demand, credit standards and conditions in the quarter preceding the quarter that has just come to an end. They are also asked to compare the quarter that has just come to an end with their expectations with regard to the next quarter. The questions are answered by ticking one of five responses: up a lot, up a little, same, down a little, down a lot. The responses are converted into a numerical scale ranging from +2 to -2 in the charts in this report. If all the banks in the survey have answered that credit demand is up a little, the resulting figure for credit demand will be 1. If all the banks report that credit demand is up a lot, the resulting figure will be 2. The responses are aggregated and weighted to reflect the size of each bank's average loan volume for the past couple of years.

Some changes have been made to the questions in the survey and the way the results are reported, effective from 2016 Q4. Changes are minor and have not led to a break in the data series. Norges Bank's Staff Memo 17/2016 "[Banks' reports of demand and credit standards since 2008: results from Norges Bank's Survey of Bank Lending](#)" provides an account of the insights gained from the lending survey.

Norges Bank's Survey of Bank Lending 2018 Q1

Overall credit demand from both households and enterprises was approximately unchanged in 2018 Q1. Household demand for fixed-rate loans increased somewhat. Banks expect household credit demand to increase slightly in Q2, particularly for fixed-rate loans. Credit standards for both households and enterprises were broadly unchanged and banks also expect credit standards to remain approximately unchanged ahead. Lending rates for households were reduced slightly, despite higher funding costs. Margins fell on household loans, while margins on corporate loans were virtually unchanged.

Lending to households

Overall household demand for residential mortgage loans was unchanged in Q1 (Chart 1). Looking ahead, banks expect a slight rise in overall credit demand. Demand for fixed-rate loans increased (Chart 3), which was not expected in 2017 Q4. Demand for fixed-rate loans is expected to increase further in Q2.

Banks reported unchanged credit standards for households in Q1 and do not expect any changes ahead (Charts 2 and 4). There were no substantial changes in the individual factors affecting credit standards and loan conditions were unchanged (Charts 5-8).

Banks reported slightly lower lending rates despite a rise in funding costs (Charts 9 and 10). Banks' lending margins declined. Somewhat stronger competition has pushed down on margins. Banks expect that lending margins can also decline slightly in the next quarter, but they do not expect a further decline in lending rates.

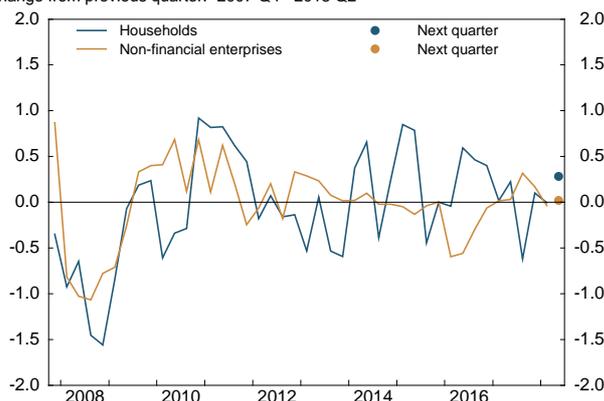
Lending to non-financial enterprises

Credit demand from non-financial enterprises was unchanged in Q1 and no changes are expected ahead (Charts 1 and 11).

Banks reported unchanged credit standards for enterprises in Q1 (Charts 2 and 12). There were no substantial changes in the individual factors affecting credit standards, and loan conditions were unchanged (Charts 13-16). Banks also expect credit standards to remain approximately unchanged ahead.

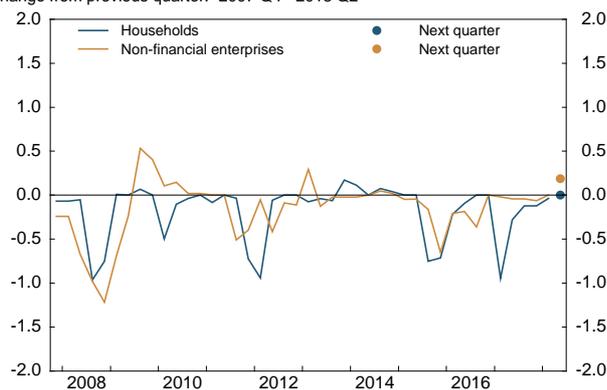
Banks report slightly higher corporate lending rates in Q1 and slightly higher funding costs (Charts 17 and 18). Lending margins were virtually unchanged. Slightly higher lending rates are expected ahead.

Chart 1 Credit demand from households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2018 Q2



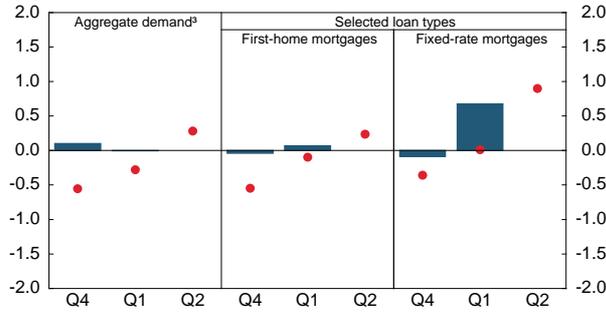
¹ Residential mortgages.
² Total credit to non-financial enterprises.
³ 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
 Source: Norges Bank

Chart 2 Credit standards for households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2018 Q2



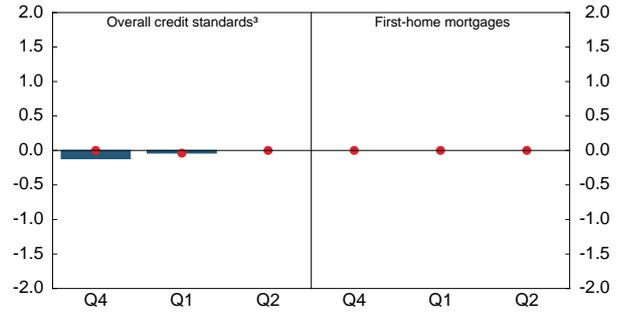
¹ Residential mortgages.
² Total credit to non-financial enterprises.
³ 2/1 = Much/Somewhat easier to obtain credit,
 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
 Source: Norges Bank

Chart 3 Household residential mortgage demand.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



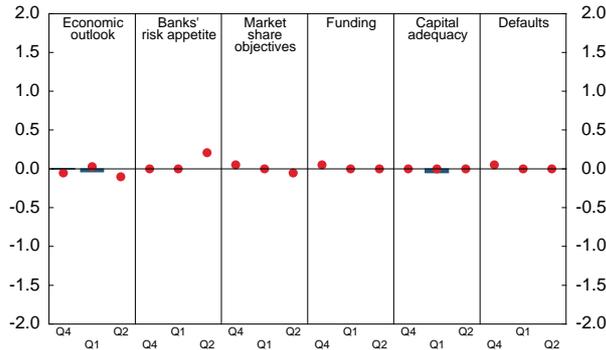
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ Aggregate demand refers to the sum of demand for first-home mortgages, fixed-rate mortgages and all other residential mortgages (the latter is the largest component).
Source: Norges Bank

Chart 4 Credit standards for households.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



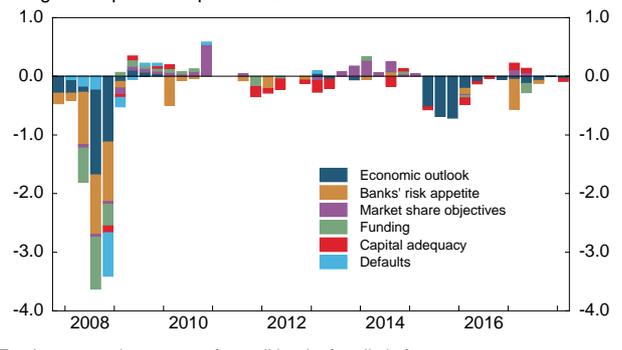
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
³ Overall credit standards refers to credit standards for first-home mortgages and all other residential mortgages (the latter is the largest component).
Source: Norges Bank

Chart 5 Factors affecting credit standards.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



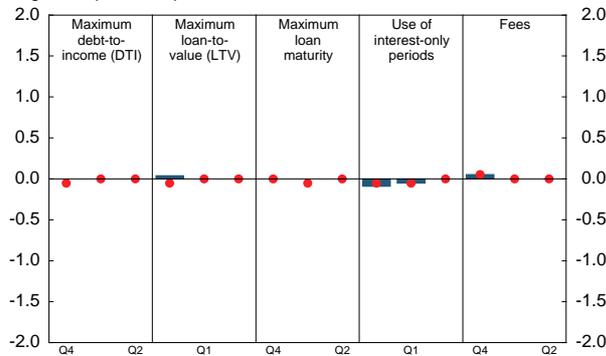
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 6 Factors affecting credit standards for households.¹
Change from previous quarter.² 2007 Q4 - 2018 Q1



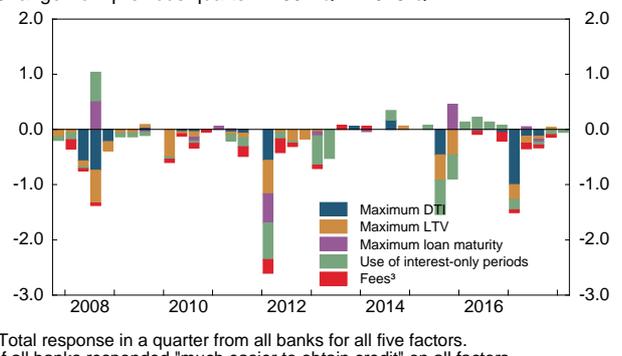
¹ Total response in a quarter from all banks for all six factors. If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 12.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 7 Loan conditions for households.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



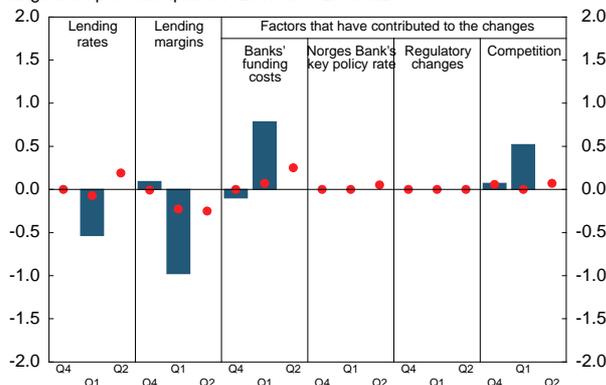
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 8 Loan conditions for households.¹
Change from previous quarter.² 2007 Q4 - 2018 Q1



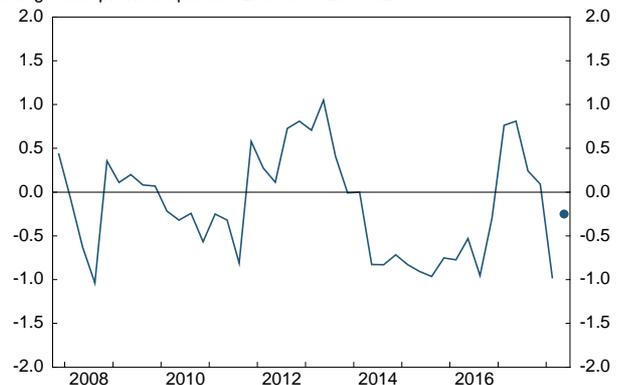
¹ Total response in a quarter from all banks for all five factors. If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As higher fees make it harder to obtain credit, the fee series has been negativised.
Source: Norges Bank

Chart 9 Lending rates and lending margins.¹ Lending to households.
Change from previous quarter.² 2017 Q4 - 2018 Q2



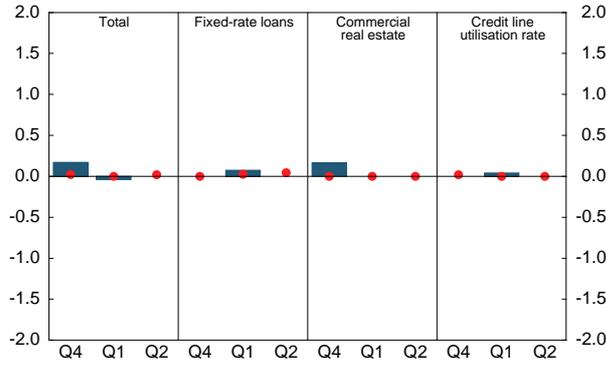
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 10 Margin on total residential mortgage loans to households.¹
Change from previous quarter.² 2007 Q4 - 2018 Q2



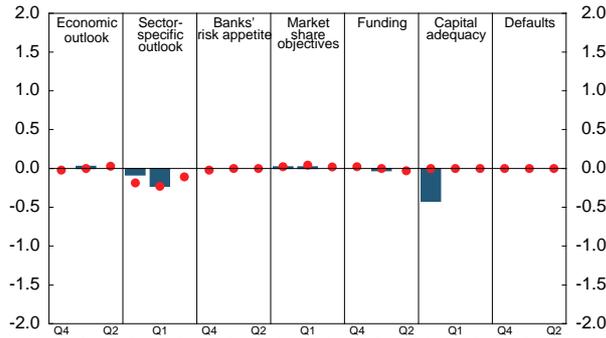
¹ The blue line shows reported developments in the relevant quarter. The blue dot shows expected developments for the next quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 11 Credit demand from non-financial enterprises.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



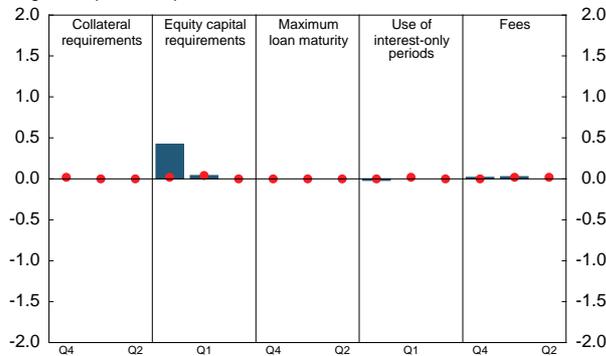
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 13 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



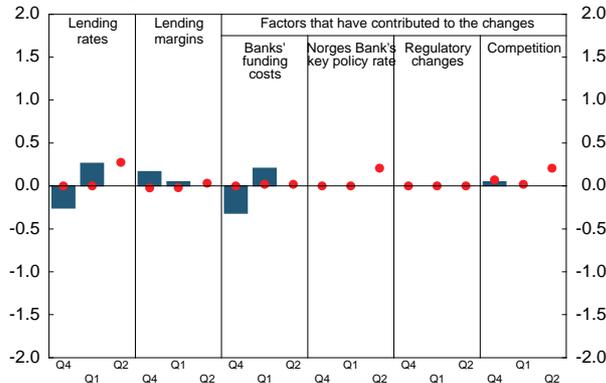
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 15 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



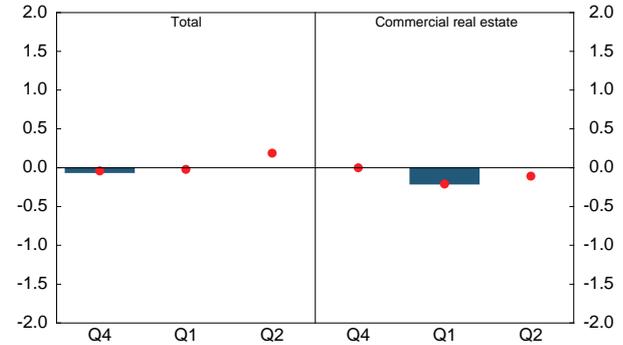
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 17 Lending rates and lending margins.¹ Loans to non-financial enterprises. Change from previous quarter.² 2017 Q4 - 2018 Q2



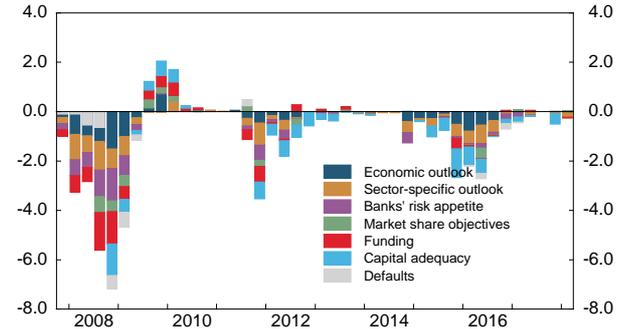
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 12 Credit standards for non-financial enterprises.¹
Change from previous quarter.² 2017 Q4 - 2018 Q2



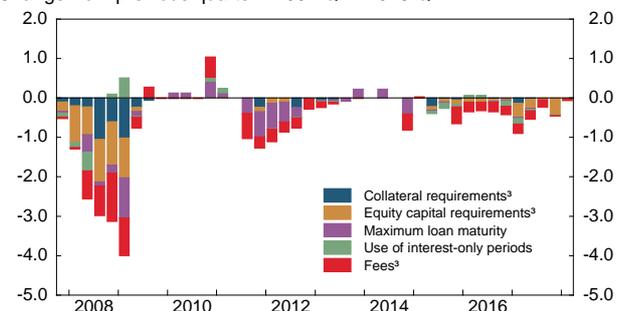
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 14 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q1



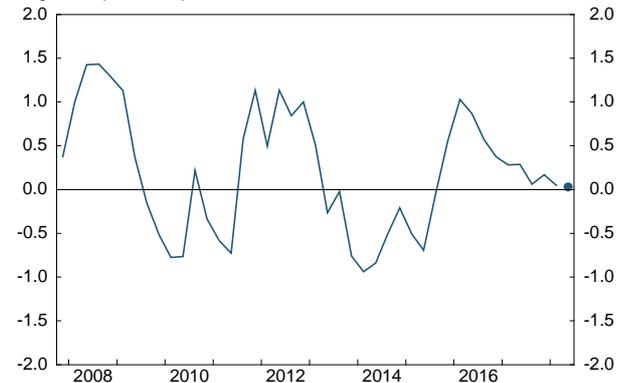
¹ Total response in a quarter from all banks for all seven factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 14.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 16 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q1



¹ Total response in a quarter from all banks for all five factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As an increase in the ³-series makes it harder to obtain credit, these series have been negativised.
Source: Norges Bank

Chart 18 Margin on total loans to non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q2



¹ The blue line shows reported developments in the relevant quarter.
The blue dot shows expected developments for the next quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank