

NORGES BANK'S SURVEY OF BANK LENDING

Higher household credit demand

2018 Q2
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THE SURVEY WAS CONDUCTED IN THE PERIOD
22 JUNE 2018 – 12 JULY 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 after 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 from the previous quarter to 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 survey. 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 Q3. 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 Q2

Credit demand from households rose in 2018 Q2, while credit demand from non-financial enterprises was unchanged. Credit standards for both households and enterprises were little changed and banks also expect credit standards to remain approximately unchanged in Q3. Margins on household loans fell somewhat, driven by higher funding costs. Margins on corporate loans were virtually unchanged.

Lending to households

Overall household demand for residential mortgage loans rose in Q2 (Chart 1). Banks reported increased demand for first-home mortgages, while demand for fixed-rate loans was little changed (Chart 3). Overall credit demand rose more than banks expected in Q1, while there was a substantially lower-than-expected increase in demand for fixed-rate loans. Banks expect little change in credit demand in Q3.

Banks reported unchanged credit standards for households in Q2 and expect credit standards to remain approximately unchanged in Q3 (Charts 2 and 4). There were no substantial changes in individual factors affecting credit standards, and loan conditions were broadly unchanged (Charts 5-8).

Banks reported reduced lending margins, driven by somewhat higher funding costs along with an approximately unchanged interest rate level (Charts 9 and 10). Slightly stronger competition has pushed down on margins. Banks expect a slight increase in Norges Bank's key policy rate in Q3. Banks reported that they expect only minor changes in lending margins, funding costs and lending rates. They also expect slightly stronger competition in Q3.

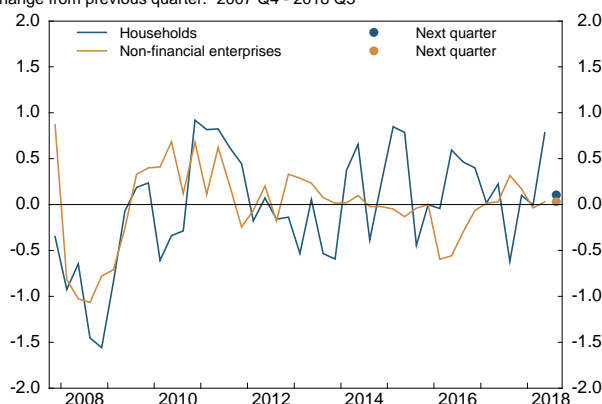
Lending to non-financial enterprises

Credit demand from non-financial enterprises was unchanged in Q2 and no changes are expected in Q3 (Charts 1 and 11).

Banks' credit standards for enterprises were approximately unchanged in Q2, in line with expectations in Q1 (Charts 2 and 12). There were no substantial changes in individual factors affecting credit standards, and loan conditions were virtually unchanged (Charts 13-16). Banks expect credit standards to remain broadly unchanged in Q3.

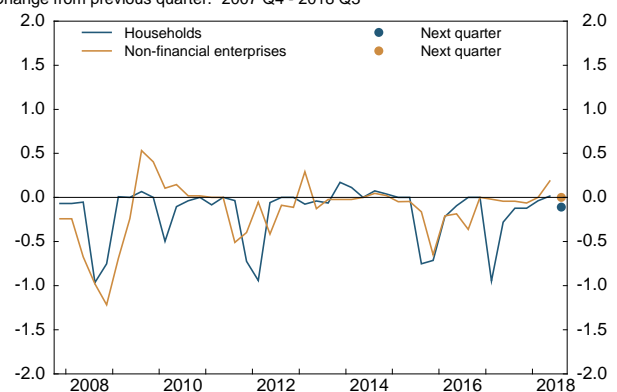
Banks reported slightly higher corporate lending rates in Q2, as expected in Q1 (Charts 17 and 18). Banks' lending margins were virtually unchanged. Banks reported slightly stronger competition. Banks expect some increase in the key policy rate in Q3, but do not expect any change in lending margins.

Chart 1 Credit demand from households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2018 Q3



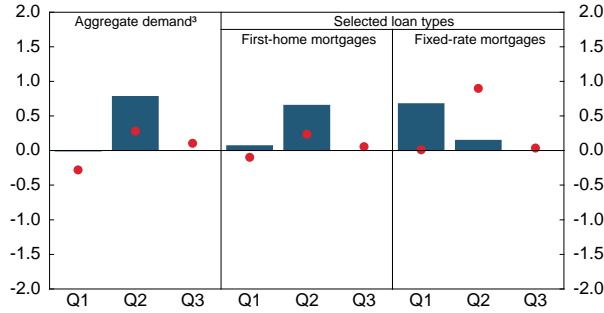
¹ Residential mortgages.
² Total credit to non-financial enterprises.
³ 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
 Source: Norges Bank

Chart 2 Credit standards for households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2018 Q3



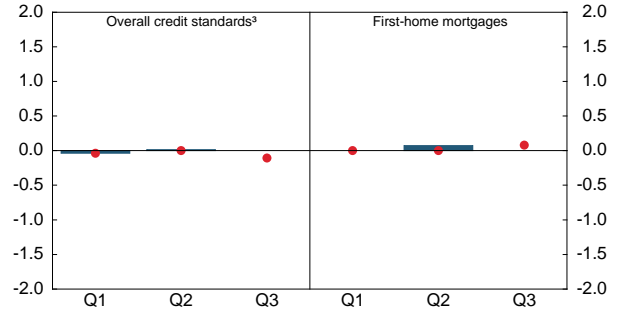
¹ Residential mortgages.
² Total credit to non-financial enterprises.
³ 2/1 = Much/Somewhat easier to obtain credit,
 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
 Source: Norges Bank

Chart 3 Household residential mortgage demand.¹
Change from previous quarter.² 2018 Q1 - 2018 Q3



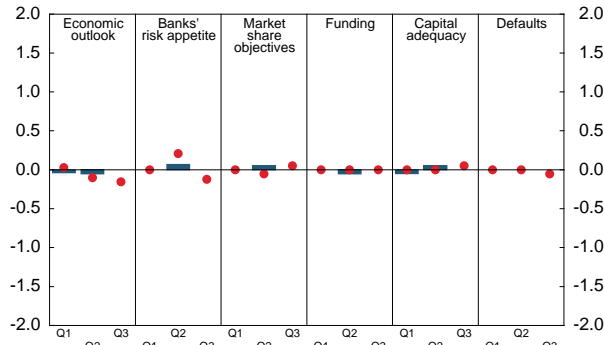
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ Aggregate demand refers to the sum of demand for first-home mortgages, fixed-rate mortgages 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 2018 Q1 - 2018 Q3



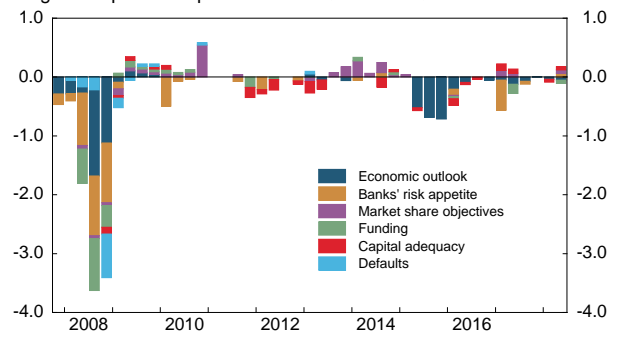
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit.
0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
³ Overall credit standards refers to credit standards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

Chart 5 Factors affecting credit standards for households.¹
Change from previous quarter.² 2018 Q1 - 2018 Q3



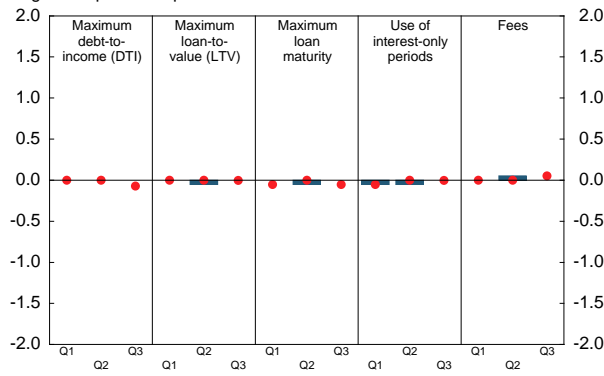
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit.
0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 6 Factors affecting credit standards for households.¹
Change from previous quarter.² 2007 Q4 - 2018 Q2



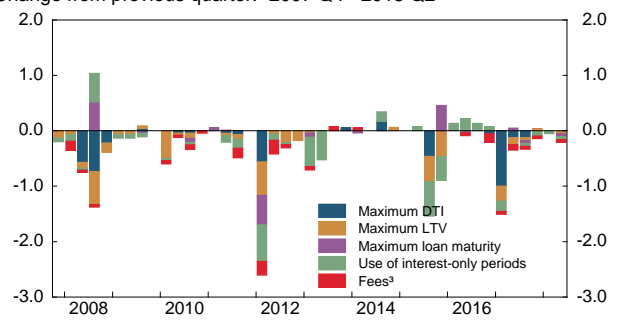
¹ Total response in a quarter from all banks for all six factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 12.
² 2/1 = Much/Somewhat easier to obtain credit.
0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges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

Chart 7 Loan conditions for households.¹
Change from previous quarter.² 2018 Q1 - 2018 Q3



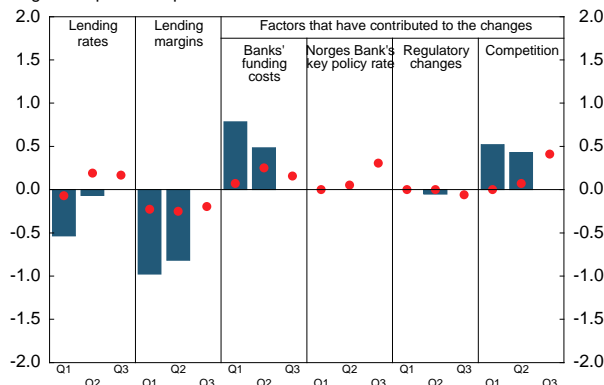
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 8 Loan conditions for households.¹
Change from previous quarter.² 2007 Q4 - 2018 Q2



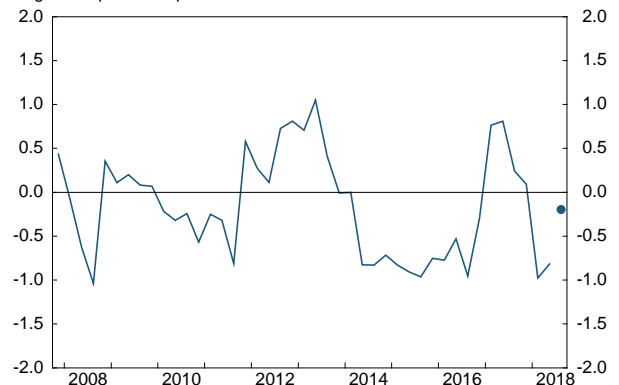
¹ Total response in a quarter from all banks for all five factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As higher fees make it harder to obtain credit, the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

Chart 9 Lending rates and lending margins.¹ Lending to households.
Change from previous quarter.² 2018 Q1 - 2018 Q3



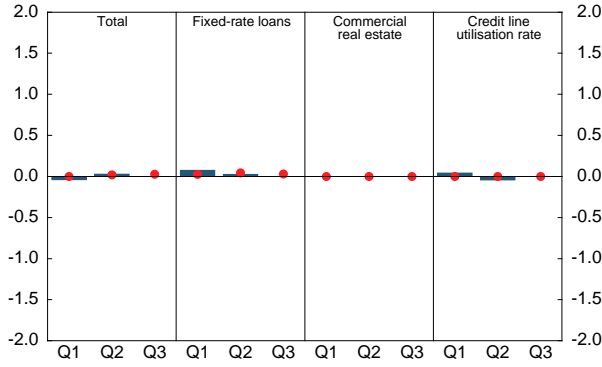
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 10 Margin on total residential mortgage loans to households.¹
Change from previous quarter.² 2007 Q4 - 2018 Q3



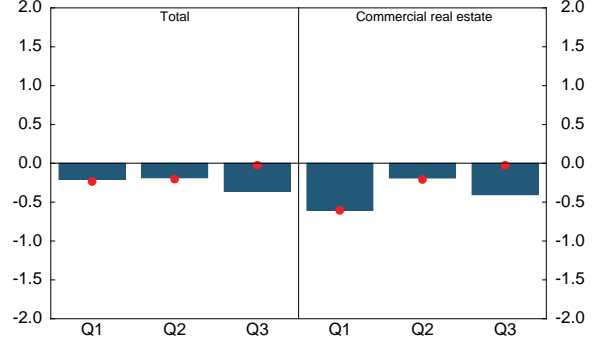
¹ The blue line shows reported developments in the relevant quarter.
The blue dot shows expected developments for the next quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 11 Credit demand from non-financial enterprises.¹
Change from previous quarter.² 2018 Q1 - 2018 Q3



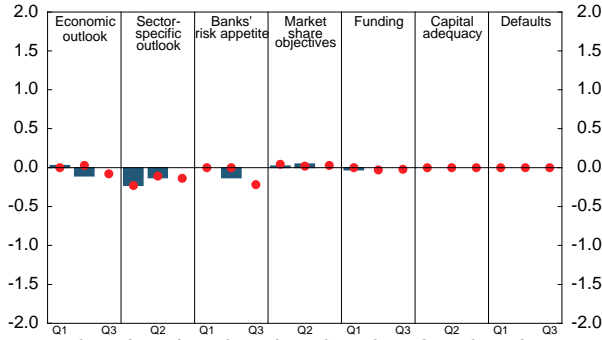
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 12 Credit standards for non-financial enterprises.¹
Change from previous quarter.² 2016 Q1 - 2016 Q3



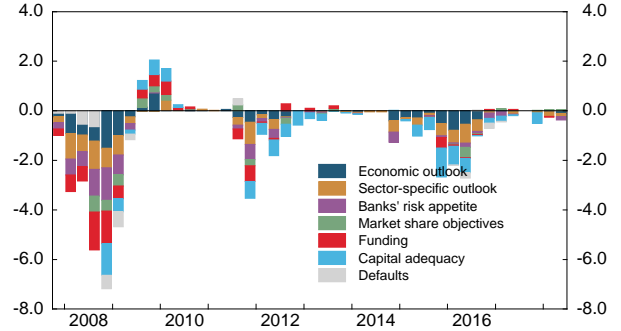
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2 = Much easier to get loans, 1 = Somewhat easier to get loans, 0 = Approx. unchanged, -1 = Somewhat tighter credit standards, -2 = Much tighter credit standards.
Source: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

Chart 13 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2018 Q1 - 2018 Q3



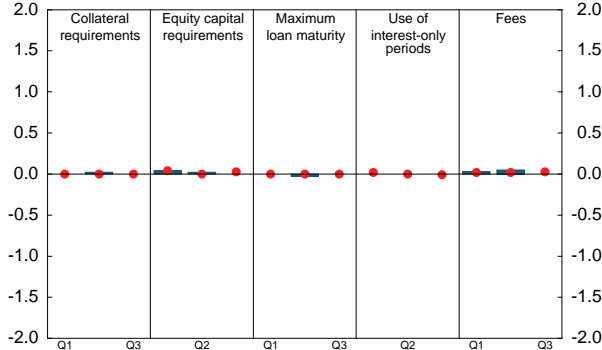
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 14 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q2



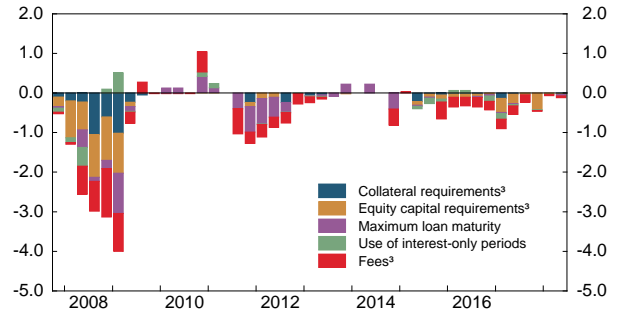
¹ Total response in a quarter from all banks for all seven factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 14.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges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

Chart 15 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2018 Q1 - 2018 Q3



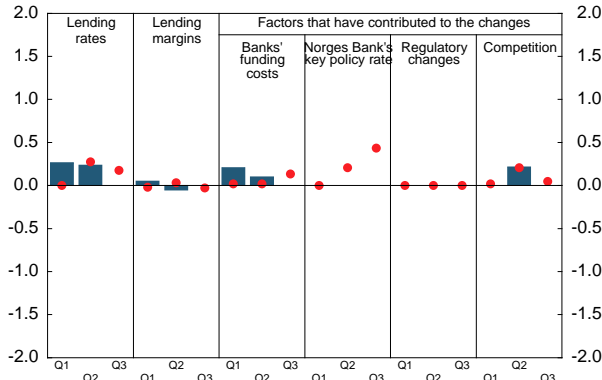
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 16 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q2



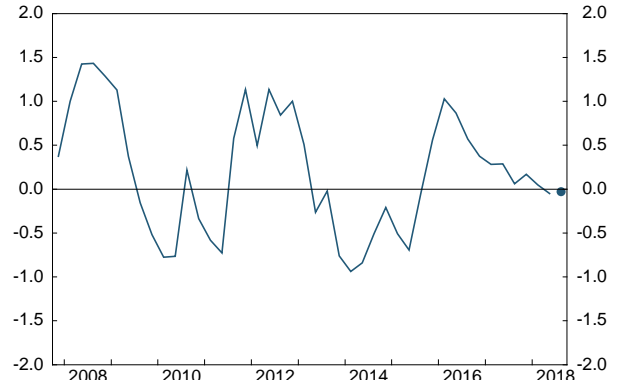
¹ Total response in a quarter from all banks for all five factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As an increase in the ³-series makes it harder to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

Chart 17 Lending rates and lending margins.¹ Loans to non-financial enterprises. Change from previous quarter.² 2018 Q1 - 2018 Q3



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 18 Margin on total loans to non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q3



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