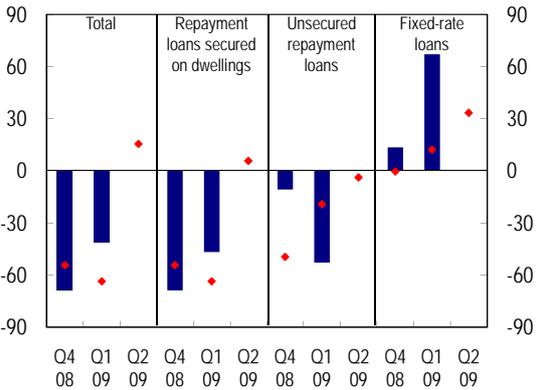


2009 Q1

# Norges Bank's Survey of Bank Lending

Credit standards tighter for corporate loans  
and unchanged for household loans

Chart 1 Household credit demand. Net percentage balances<sup>1), 2)</sup>



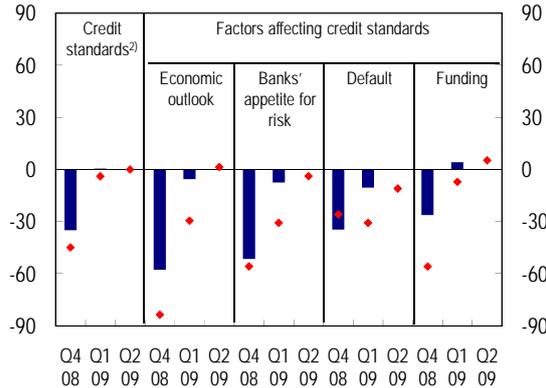
<sup>1)</sup> Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter.  
<sup>2)</sup> Negative net percentage balances indicate falling demand  
 Source: Norges Bank

## Norges Bank's Survey of Bank Lending 2009 Q1

Banks continued to tighten credit standards for corporate loans, while credit standards for household loans were approximately unchanged from 2008 Q4 to 2009 Q1. Banks expect credit standards for enterprises to tighten further in 2009 Q2 and to remain approximately unchanged for households. Banks report that household and corporate demand for loans fell from 2008 Q4 to 2009 Q1. Corporate demand for loans is expected to fall further in Q2. Banks expect household demand for loans to pick up ahead.

Norges Bank's Survey of Bank Lending for 2009 Q1 was conducted in the period 27 March 2009 - 10 April 2009. The respondents were asked to assess developments in credit standards and credit demand in 2009 Q1 compared with 2008 Q4 and expected developments in 2009 Q2 compared with 2009 Q1.

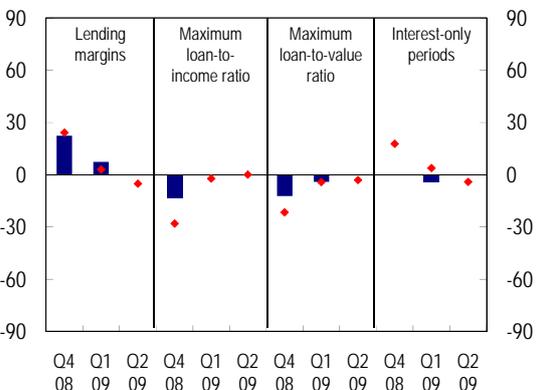
Chart 2 Change in credit standards for approving loans to households. Factors affecting credit standards. Net percentage balances<sup>1)</sup>



<sup>1)</sup> See footnote 1 in Chart 1  
<sup>2)</sup> Negative net percentage balances indicate tighter credit standards  
 Source: Norges Bank

The banks in the survey use a scale of five alternative responses to indicate the degree of change in credit standards, terms and conditions and demand. Banks that report that conditions have changed 'a lot' are assigned twice the score of those reporting that conditions have changed 'a little'. The responses are weighted by the banks' shares of the change in lending to households and to non-financial corporations 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%.

Chart 3 Change in loan conditions for households. Net percentage balances<sup>1), 2)</sup>

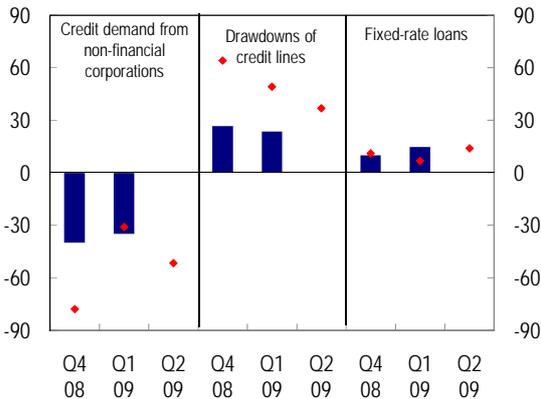


<sup>1)</sup> See footnote 1 in Chart 1  
<sup>2)</sup> Positive net percentage balances for lending margins indicate higher lending margins and therefore tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods indicate tighter credit standards  
 Source: Norges Bank

### Lending to households

Banks reported that total household credit demand slowed less sharply than expected in 2009 Q1 (see Chart 1). Household demand for fixed-rate loans rose from 2008 Q4 to 2009 Q1. Banks expect total household demand for loans to increase in 2009 Q2.

**Chart 4** Credit demand from non-financial corporations and drawdowns of credit lines. Net percentage balances<sup>1), 2)</sup>



<sup>1)</sup> See footnote 1 in Chart 1

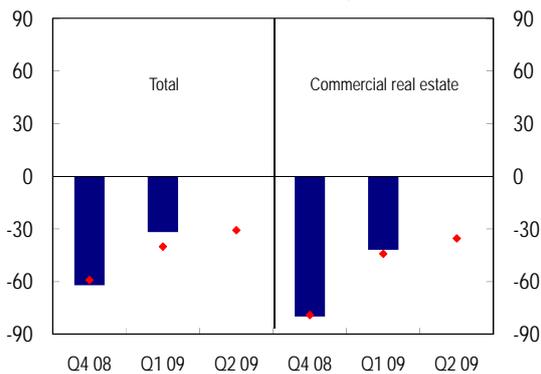
<sup>2)</sup> Positive net percentage balances indicate increased demand or increased drawdowns of credit lines

Source: Norges Bank

Banks' credit standards for loans to households were approximately unchanged in 2009 Q1 (see Chart 2). Most of the factors listed in the questionnaire, in particular defaults, banks' risk appetite and market share objectives, contributed to tighter credit standards. Improvements in the funding situation, however, pointed towards an easing in credit standards in 2009 Q1. The importance of the economic outlook for credit standard tightening declined considerably in 2009 Q1. In 2009 Q2, the banks expect credit standards for households to remain unchanged compared with 2009 Q1.

Loan conditions for households were approximately unchanged from 2008 Q4 (see Chart 3). Banks expect loan conditions to remain relatively unchanged ahead.

**Chart 5** Change in credit standards for approving loans to non-financial corporations. Net percentage balances<sup>1), 2)</sup>



<sup>1)</sup> See footnote 1 in Chart 1

<sup>2)</sup> Negative net percentage balances indicate tighter credit standards

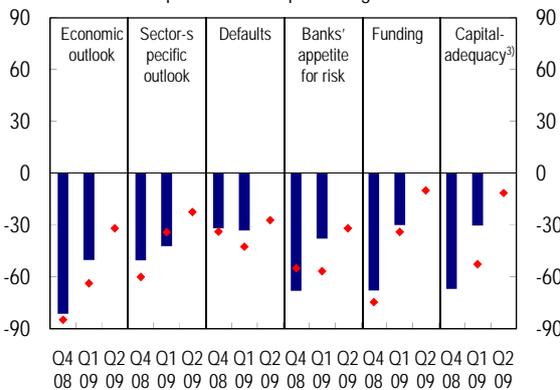
Source: Norges Bank

#### *Lending to non-financial corporations*

Banks reported that credit demand from non-financial corporations fell further in 2009 Q1 compared with 2008 Q4 (see Chart 4). The decline was as expected. The decline in credit demand from small and medium-sized enterprises is particularly pronounced. Demand for fixed-rate loans increased in 2009 Q1. Drawdowns of credit lines increased further in 2009 Q1 compared with 2008 Q4. Banks expect lower credit demand from non-financial corporations in 2009 Q2 and increased drawdowns of credit lines.

Banks tightened credit standards on loans to non-financial corporations further in 2009 Q1 (see Chart 5). The tightening was approximately in line with expectations. Banks expect tightening on loans to non-financial corporations to continue in 2009 Q2. If oil prices remain low, banks reported that credit standards will be tightened in particular for the offshore and shipping sectors in the period ahead.

**Chart 6** Factors affecting credit standards for approving loans to non-financial corporations. Net percentage balances<sup>1), 2)</sup>



Q4 08 Q1 09 Q2 09 Q4 08 Q1 09 Q2 09

<sup>1)</sup> See footnote 1 in Chart 1

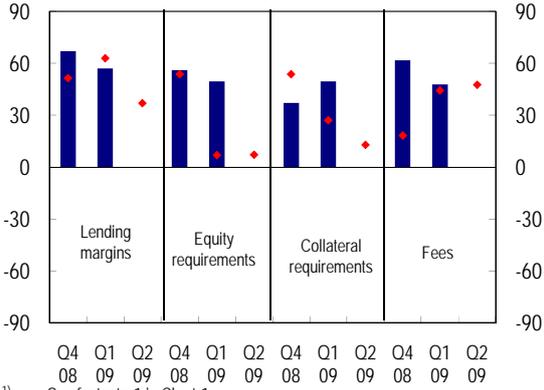
<sup>2)</sup> Negative net percentage balances indicate that the factor has contributed to tighter credit standards

<sup>3)</sup> A new factor introduced in Q4 2008

Source: Norges Bank

All the factors in the survey contributed to the tightening of credit standards for non-financial corporations in 2009 Q1 (see Chart 6). The economic and sector-specific outlook contributed most to credit standard tightening, followed by banks' risk appetite, defaults, capital adequacy and the funding situation. Banks expect tightening to continue ahead, particularly as a result of economic and sector-specific prospects, banks' risk appetite and defaults.

**Chart 7** Change in loan conditions for non-financial corporations. Net percentage balances<sup>1), 2)</sup>



Credit standards for non-financial corporations in 2009 Q1 were tightened through an increase in banks' lending margins, equity and collateral requirements and fees compared with 2008 Q4 (see Chart 7). Maximum loan repayment periods were also reduced. Banks expect to tighten credit standards in 2009 Q2 primarily by increasing fees and lending margins.

<sup>1)</sup> See footnote 1 in Chart 1

<sup>2)</sup> 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