NORGES BANK'S SURVEY OF BANK LENDING

Somewhat higher margins on loans to enterprises

2016 Q2
PUBLISHED:
28 JULY 2016

THE SURVEY WAS CONDUCTED IN THE PERIOD
23 JUNE 2016 – 14 JULY 2016

NORGES BANK

Norges Bank's Survey of Bank Lending is qualitative survey that provides information on changes in the demand for and supply of credit and on changes in banks' loan conditions. The nine largest banks operating in the Norwegian market participate in the survey

The banks in the survey are asked to assess the past quarter compared with the previous quarter. They are also asked to assess expectations over the next quarter compared with the past quarter.

In the survey, there is a scale of five alternative responses to indicate the degree of change in credit standards, loan 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 lending to households and to non-financial enterprises, respectively. The resulting net balances are scaled to lie between -100 and +100.

Example 1: If all the banks in the sample have tightened their credit standards somewhat, the net balance for credit standards will be -50. If all the banks in the sample have substantially tightened their credit standards, the net balance will be -100.

Example 2: If all of the banks in the sample have experienced somewhat higher credit demand, the net balance for demand will be 50. If all the banks in the sample have experienced substantially higher demand, the net balance will be 100.

Norges Bank's Survey of Bank Lending 2016 Q2

Banks report higher household credit demand and slightly lower credit demand from the corporate sector in Q2.

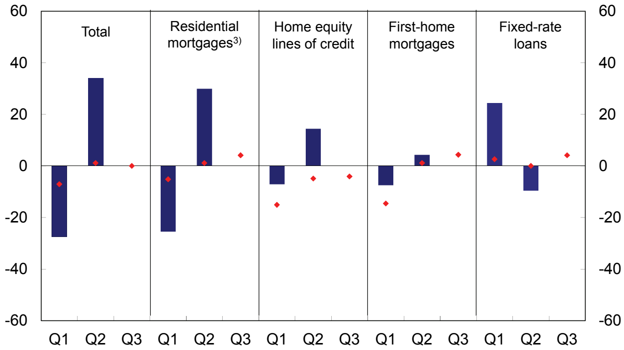
Margins on loans to households fell somewhat in Q2 and are expected to fall further in Q3. Margins on loans to enterprises edged up in Q2 and are expected to rise further in Q3.

Lending to households

Overall household credit demand rose somewhat in Q2, while broadly unchanged demand had been expected (Chart 1). Demand for standard residential mortgages rose in particular.

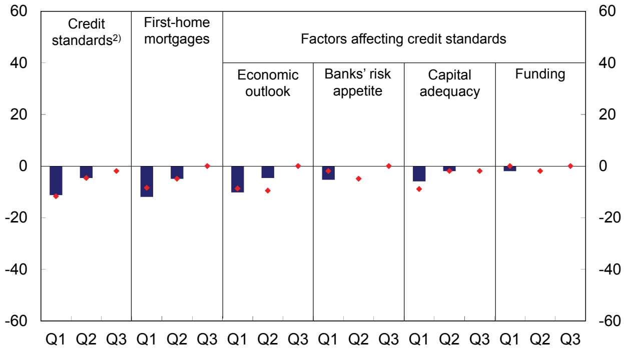
Banks reported unchanged credit standards for households in Q2 (Chart 2). Banks expect credit standards for households to remain unchanged in Q3. Banks reported lower margins on loans to households in Q2 with a further decrease expected in Q3 (Chart 3). Banks indicated no changes in other loan conditions.

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



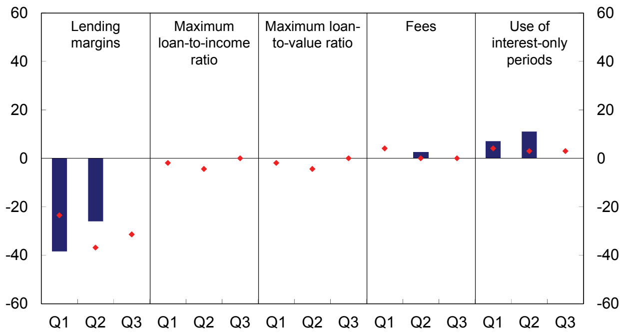
1) Net balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter. As from 2015 Q2, there are nine banks in the sample and the weights are based on market shares in 2014.
2) Negative net balances denote falling demand.
3) Repayment loans secured on dwellings.
Source: Norges Bank

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



1) See footnote 1 in Chart 1.
2) Negative net balances denote tighter credit standards.
Source: Norges Bank

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



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

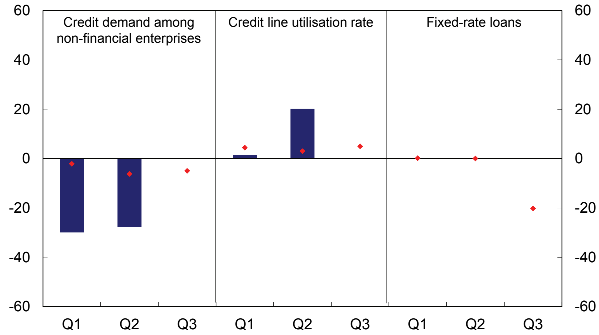
Lending to non-financial enterprises

Credit demand from non-financial enterprises edged down in Q2. Demand had been expected to remain unchanged. Banks reported a slight increase in credit line utilisation (Chart 4). Overall, banks expect approximately unchanged corporate credit demand in Q3.

Overall, banks reported broadly unchanged credit standards for enterprises in Q2 (Chart 5). Banks expect credit standards for enterprises to remain unchanged in Q3. The economic outlook, the sector-specific outlook and capital adequacy were the main factors driving the tightening of banks' credit standards (Chart 6). Some banks reported a continued tightening of credit standards for oil industry enterprises.

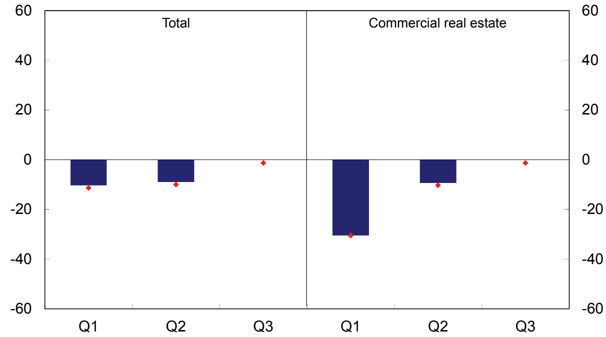
As expected, banks reported higher margins on loans to enterprises (Chart 7). Banks expect margins to continue to rise in Q3. Banks indicated no changes in other loan conditions.

Chart 4 Credit demand among non-financial enterprises and credit line utilisation rate. Net balances[1), 2)]



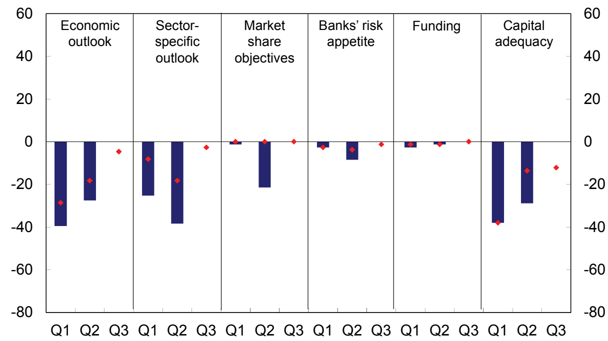
1) See footnote 1 in Chart 1.
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate.
Source: Norges Bank

Chart 5 Change in credit standards for non-financial enterprises. Net balances[1), 2)]



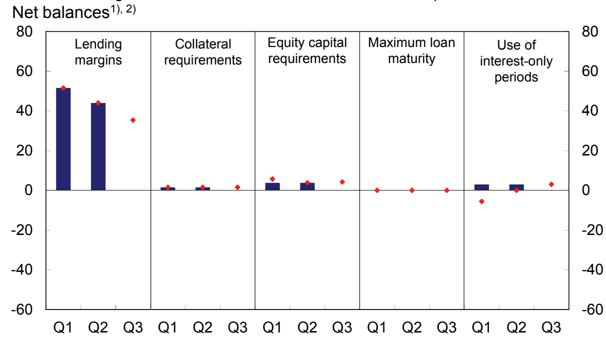
1) See footnote 1 in Chart 1.
2) Negative net balances denote tighter credit standards.
Source: Norges Bank

Chart 6 Factors affecting credit standards for non-financial enterprises. Net balances[1), 2)]



1) See footnote 1 in Chart 1.
2) Negative net balances denote tighter credit standards.
Source: Norges Bank

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



1) See footnote 1 in Chart 1.
2) Positive net balances for lending margins denote higher lending margins. Positive net balances for lending margins, collateral requirements, equity capital requirements and fees denote tighter credit standards. Negative net balances for maximum loan maturity denote tighter credit standards.
Source: Norges Bank