NORGES BANK'S SURVEY OF BANK LENDING

Lower margins on lending

2015 Q1
23 APRIL 2015

NORGES BANK

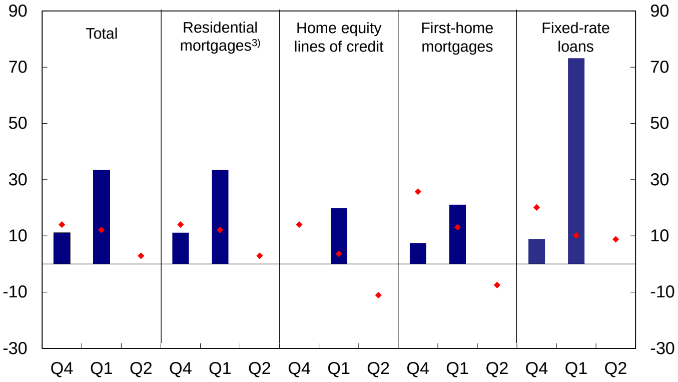
Norges Banks Survey of Bank Lending 2015 Q1[1]

Banks report increased household credit demand in 2015 Q1. Corporate credit demand was unchanged in Q1. No substantial changes in credit demand are expected in Q2.

Banks report lower margins on lending to both households and enterprises in Q1. Margins on lending to households are expected to fall further in Q2.

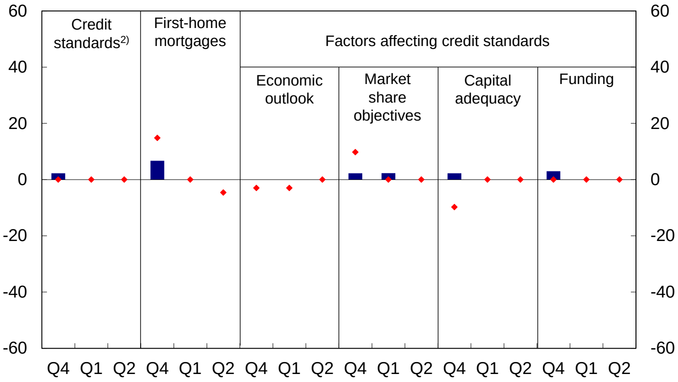
The charts are explained in the box on the last page.

Chart 1 Household credit demand. Net percentage balances1), 2)



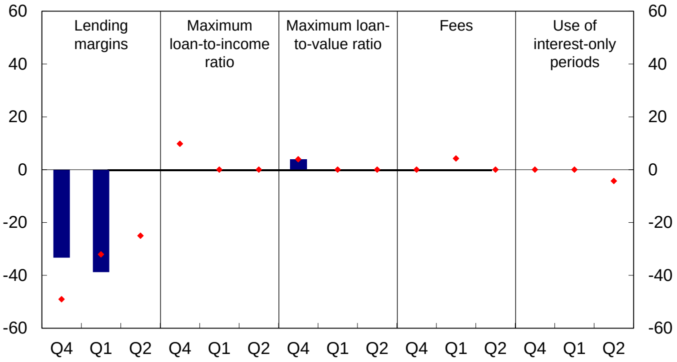
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter.
2) Negative net percentage balances denote falling demand.
3) Repayment loans secured on dwellings.
Source: Norges Bank

Chart 2 Change in credit standards for households. Factors affecting credit standards. Net percentage balances1)



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

Chart 3 Change in loan conditions for households. Net percentage balances1), 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 households

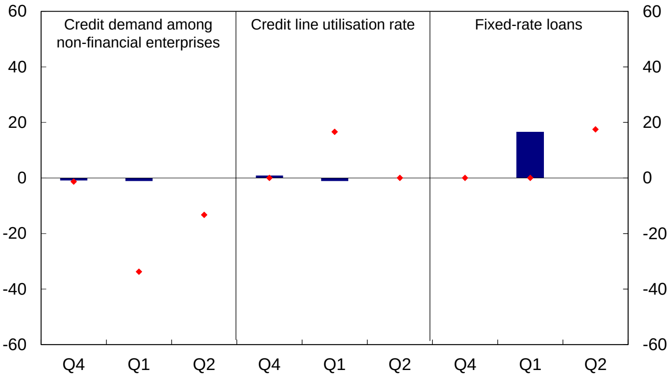
Overall household credit demand rose in Q1 and was somewhat higher than expected (see Chart 1). Demand for fixed-rate loans rose considerably. Banks expect that overall household credit demand will be unchanged in Q2.

Credit standards for households were unchanged in Q1 (see Chart 2). Banks expect no change in credit standards in Q2.

Banks report that margins on lending to households fell in Q1 (see Chart 3). Banks expect lending margins to fall further in Q2. No changes were reported in other credit conditions.

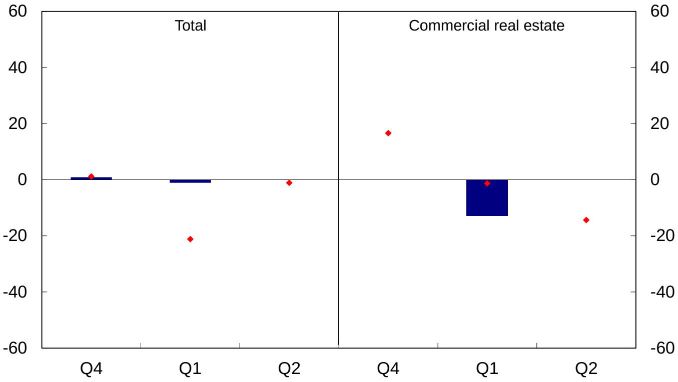
[1] The 2015 Q1 survey was conducted in the period 27 March 2015 – 14 April 2015.

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



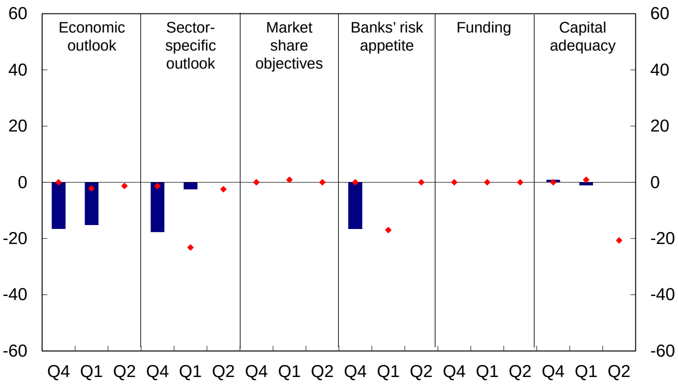
1) See footnote 1 in Chart 1.
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate.
Source: Norges Bank

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



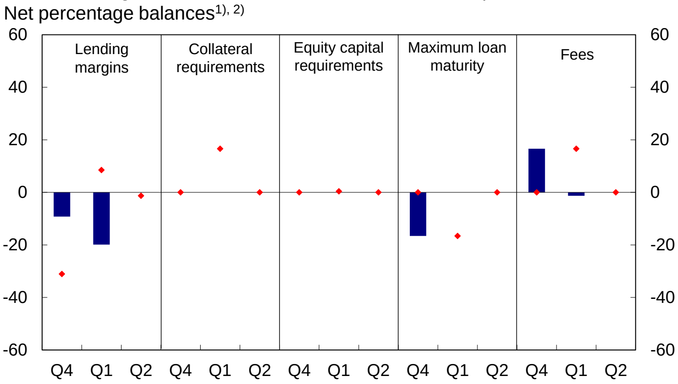
1) See footnote 1 in Chart 1.
2) Negative net percentage balances denote tighter credit standards.
Source: Norges Bank

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



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

Chart 7 Change in loan conditions for non-financial enterprises. Net percentage 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, collateral requirements, equity capital requirements and fees denote tighter credit standards. Negative net percentage balances for maximum loan maturity denote tighter credit standards.
Source: Norges Bank

Lending to non-financial enterprises

Corporate credit demand was unchanged in Q1, while lower demand had been expected (see Chart 4).

Banks report unchanged credit standards for non-financial enterprises overall in Q1, while they had expected some tightening (see Chart 5). For the commercial real estate sector, banks report slightly tighter credit standards in Q1. Banks indicate that the economic outlook was a factor that pointed towards tighter credit standards (see Chart 6). Banks expect unchanged credit standards for enterprises overall in Q2.

Banks report lower margins on lending to enterprises in Q1 (see Chart 7). No changes in lending margins are expected in Q2. No changes were reported in other credit conditions for enterprises.

The banks in the survey are asked to assess developments in credit standards and credit demand over 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, 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 enterprises 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 all the banks in the sample have substantially tightened their credit standards, the net percentage balance will be -100%.