NORGES BANK'S SURVEY OF BANK LENDING

Higher household credit demand

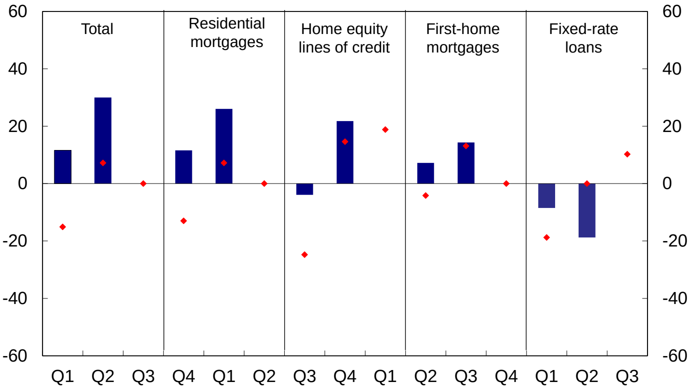
2014 Q2

17 JULY 2014

NORGES BANK

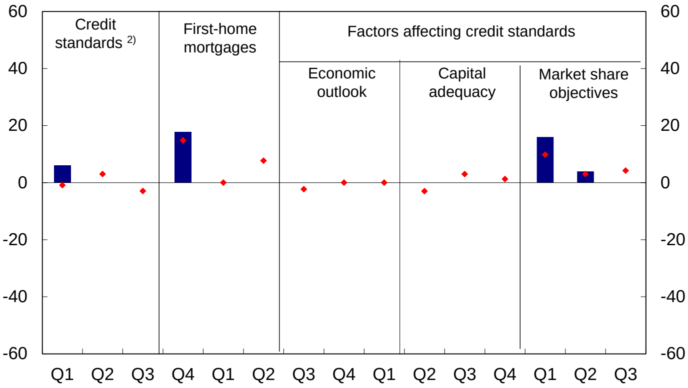
Norges Bank's Survey of Bank Lending 2014 Q2[1]

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



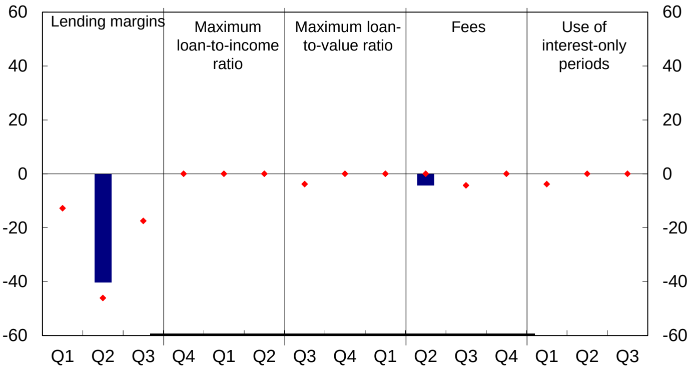
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter
2) Negative net percentage balances denote falling demand
Source: Norges Bank

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



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 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

Banks report higher household credit demand in 2014 Q2. Overall credit standards for both households and enterprises were approximately unchanged in Q2. Margins on lending to both households and enterprises fell.

Banks expect lower margins on lending to both households and enterprises in Q3.

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

Lending to households

Household credit demand increased in Q2 (see Chart 1). The increase was greater than expected by banks at the end of Q1. Demand for ordinary residential mortgages, home equity lines of credit and first-home mortgages rose, while demand for fixed-rate loans fell. Banks expect overall household credit demand to remain unchanged in Q3.

Credit standards for households are reported to have remained unchanged in Q2 (see Chart 2), in line with banks' expectations. Banks expect credit standards to remain approximately unchanged in Q3.

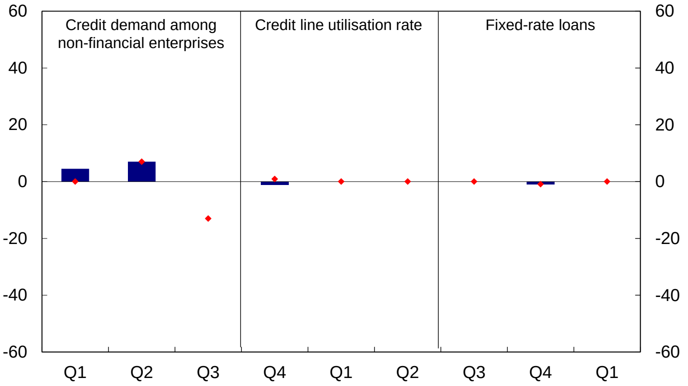
Banks' margins on lending to households fell in Q2 (see Chart 3). The decline was approximately as expected at the end of Q1. Banks expect lending margins to be somewhat lower in Q3 and that other credit conditions will remain approximately unchanged.

Lending to non-financial enterprises

Banks report a slight increase in corporate credit demand in Q2 (see Chart 4), in line with previous expectations. Credit line utilisation and demand for fixed-rate loans

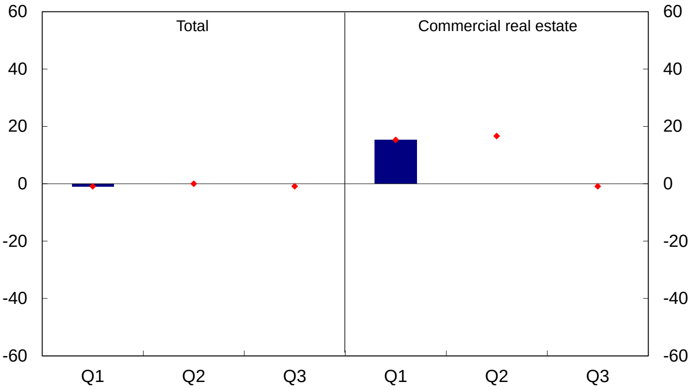
[1] The 2014 Q2 survey was conducted in the period 27 June – 10 July 2014

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



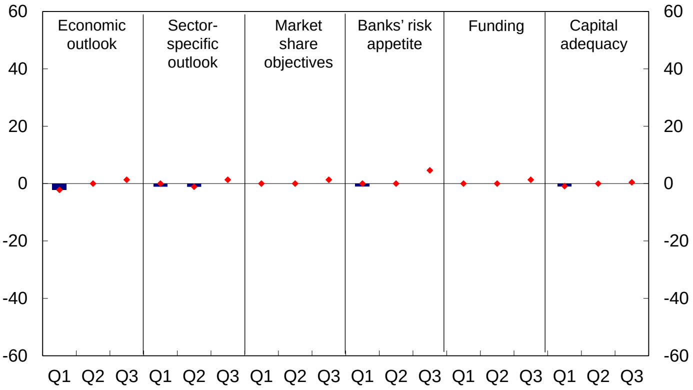
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate
Source: Norges Bank

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



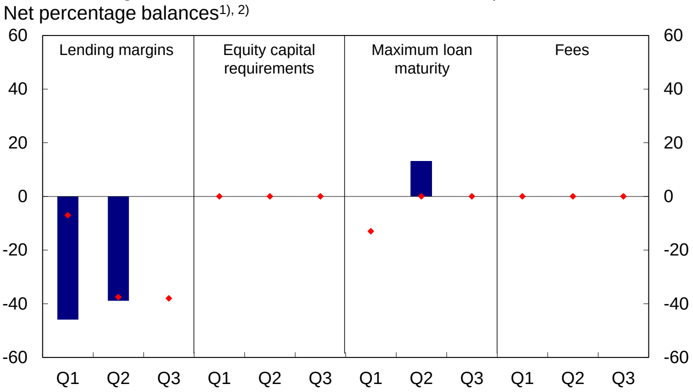
1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

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, equity capital requirements and fees denote tighter credit standards. Negative net percentage balances for maximum loan maturity denote tighter credit standards
Source: Norges Bank

were unchanged in Q2. Banks expect slightly lower corporate credit demand in Q3.

Banks report unchanged credit standards for enterprises overall in Q2 (see Charts 5 and 6). This was in line with previous expectations and banks expect credit standards to remain unchanged in Q3.

Banks report lower margins on lending to enterprises in Q2 (see Chart 7). The decline was in line with previous expectations. Banks expect lending margins to continue to fall in Q3. No changes are expected 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 nonfinancial 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 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%.