2012 Q4

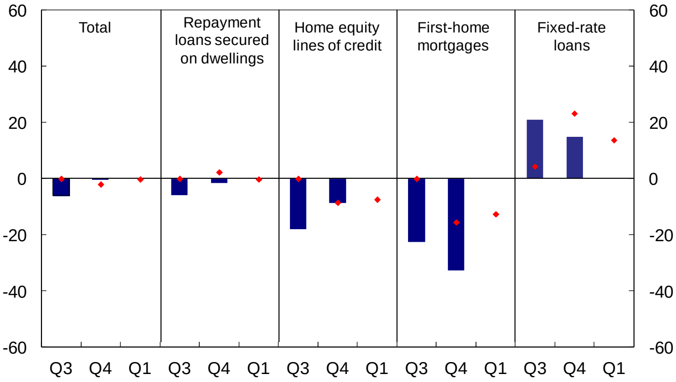
Norges Bank's Survey of Bank Lending

Further increase in lending margins

17 January 2013

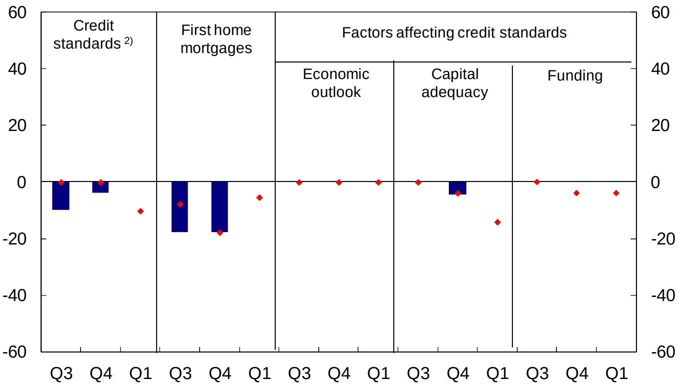
NORGES BANK

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



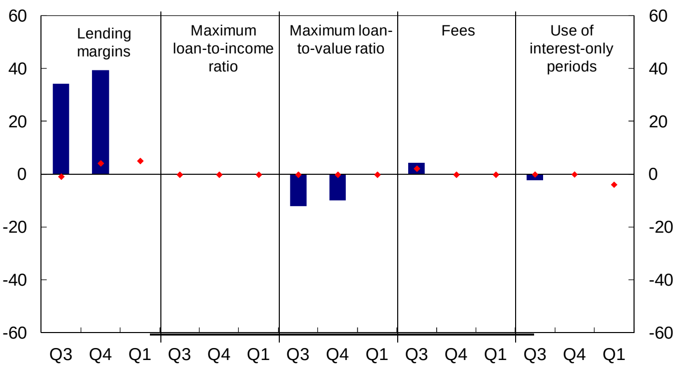
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter
2) Negative net percentage balances denote 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 indicate higher lending margins. Positive net percentage balances for maximum LTI ratio, maximum LTV ratio 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

Norges Bank's Survey of Bank Lending 2012 Q4[1]

Banks reported higher lending margins in 2012 Q4. Changes in banks' overall credit standards were small, both for households and enterprises. In 2013 Q1, banks still expect some tightening for households, and an easing of credit standards for enterprises. Household credit demand was unchanged from Q3 to Q4, while corporate credit demand increased somewhat. In Q1, banks expect broadly unchanged credit demand from households and enterprises.

For an explanation of how to interpret the charts, see the box on the last page.

Lending to households

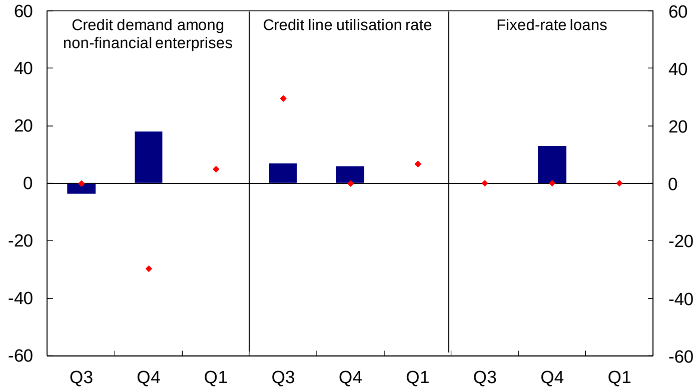
Banks reported unchanged overall household credit demand in 2012 Q4 (see Chart 1). In Q4, demand fell for first-home mortgages and home equity lines of credit, while demand increased for fixed-rate loans, a trend that was observed throughout 2012. The changes had been expected at the end of Q3, and are expected to continue in 2013 Q1. Overall, banks expect that household credit demand will remain unchanged.

Banks tightened their credit standards for households only slightly in 2012 Q4 (see Chart 2). Credit standards were tightened more for first-home mortgages than for lending overall. The reason for the tightening for first-home mortgages was Finanstilsynet's (the Financial Supervisory Authority of Norway) guidelines for prudent lending. In the period ahead, banks expect a slight tightening of both credit standards overall and credit standards for first-home mortgages.

Banks have kept lending rates broadly unchanged over a longer period, while borrowing costs have fallen. The result has been higher lending margins (see Chart 3). This

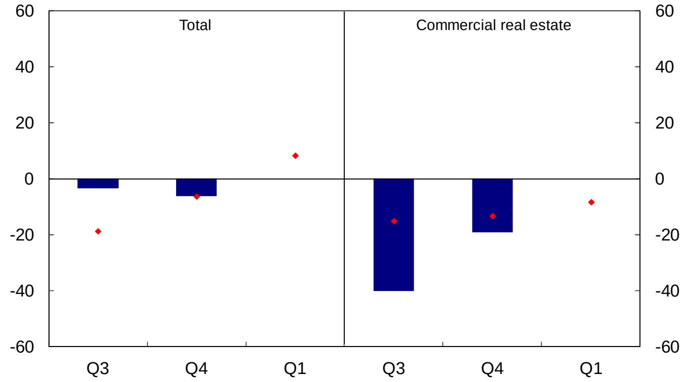
[1] The survey for 2012 Q4 was conducted in the period 21 December 2012 – 8 January 2013

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



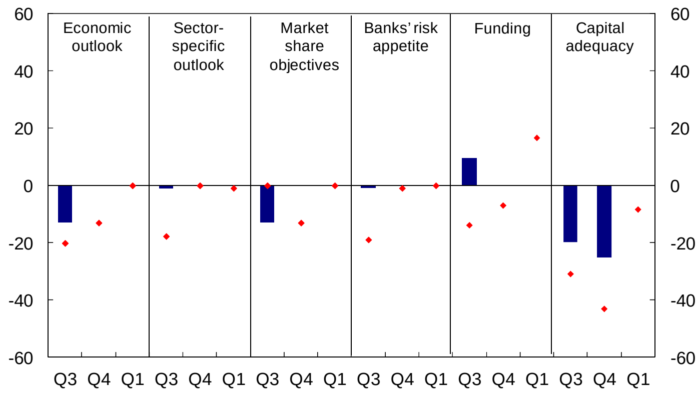
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate
Source: Norges Bank

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

increase was not expected in either Q3 or Q4. Nor is this expected to continue in 2013 Q1.

Banks have also tightened credit standards by setting stricter loan-to-value ratios. Other loan conditions for households are expected to be kept broadly unchanged in 2013 Q1.

Lending to non-financial enterprises

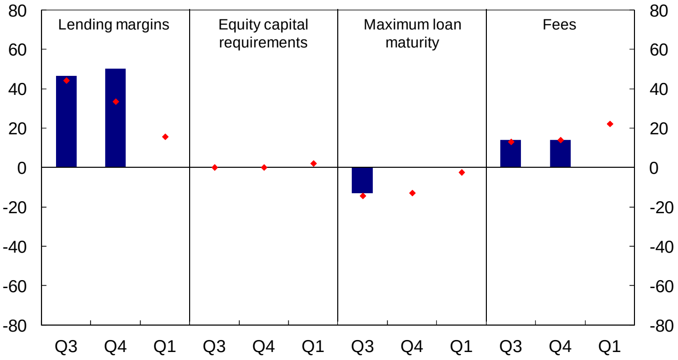
Banks reported that corporate credit demand rose in 2012 Q4 (see Chart 4). This is in contrast to the expectations at the end of Q3, when they expected a fall in demand. Both the demand for fixed-rate loans and the credit line utilisation rate increased somewhat. In 2013 Q1, banks expect broadly unchanged corporate credit demand.

As expected, banks tightened overall credit standards for enterprises slightly in 2012 Q4 (see Chart 5). In 2013 Q1, they expect easing in overall credit standards. The tightening of credit standards for the commercial real estate sector in Q4 was greater than for corporate credit overall, and is expected to continue in Q1.

Higher capital requirements contributed to tighter credit standards (see Chart 6). Capital adequacy requirements will be the sole contributor to tightening ahead. Improvements in banks' funding situation will contribute to easing in credit standards.

Banks also increased their lending margins on corporate loans in 2012 Q4 (see Chart 7), in line with expectations. Higher fees also contributed to tightening. Banks expect somewhat higher lending margins and fees in 2013 Q1.

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 indicate tighter credit standards
Source: Norges Bank

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 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%.