2009 Q3

Norges Bank's Survey of Bank Lending

Some easing of credit standards for enterprises

NORGES BANK

Norges Bank's Survey of Bank Lending 2009 Q3

Banks eased credit standards for enterprises somewhat, while credit standards for households remained virtually unchanged in 2009 Q3. In Q4 banks expect a further easing of credit standards for enterprises and approximately unchanged credit standards for households. Banks reported a rise in credit demand from both households and enterprises in Q3. Corporate credit demand is expected to increase further in Q4. Banks expect household credit demand to remain approximately unchanged ahead.

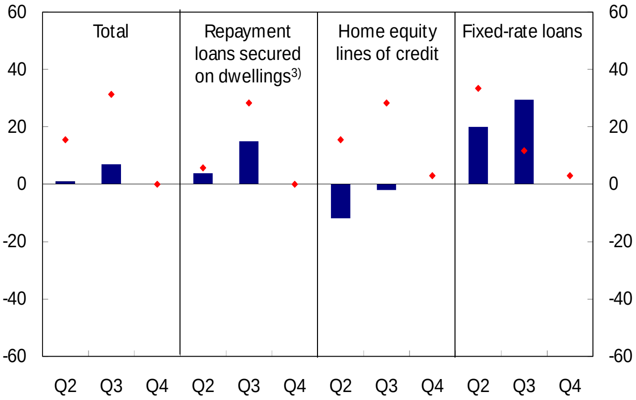
Norges Bank's bank lending survey for 2009 Q3 was conducted in the period 1 October - 9 October 2009. Participating banks were asked to assess developments in credit standards and credit demand in 2009 Q3 compared with 2009 Q2, and expected developments in 2009 Q4 compared with 2009 Q3.

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%.

Lending to households

Banks reported that total household demand picked up somewhat in 2009 Q3 (see Chart 1). The increase was less than banks expected in Q2 and primarily applied to demand for repayment loans secured on dwellings. Household demand for fixed-rate loans continued to rise. Banks expect household credit demand to remain unchanged in Q4.

Chart 1 Household credit demand in 2009. Net percentage balances.[1), 2)]

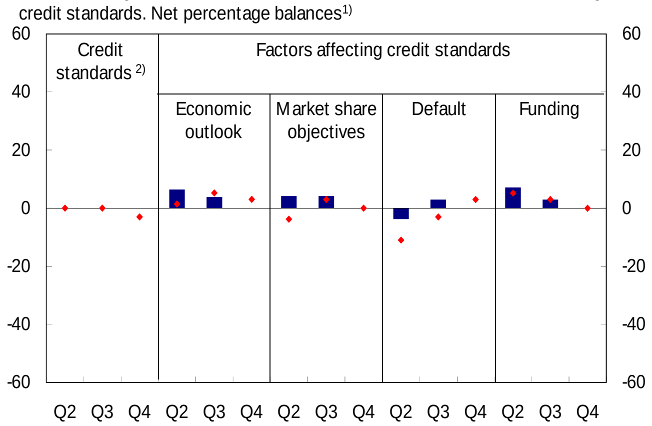


1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter

2) Negative net percentage balances denote falling demand

Source: Norges Bank

Chart 2 Change in credit standards for households in 2009. Factors affecting credit standards. Net percentage balances[1)]

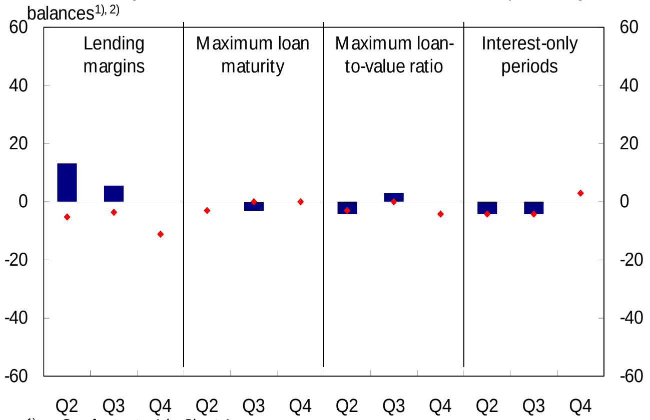


1) See footnote 1 in Chart 1

2) Negative net percentage balances denote tighter credit standards

Source: Norges Bank

Chart 3 Change in loan conditions for households in 2009. Net percentage balances[1), 2)]

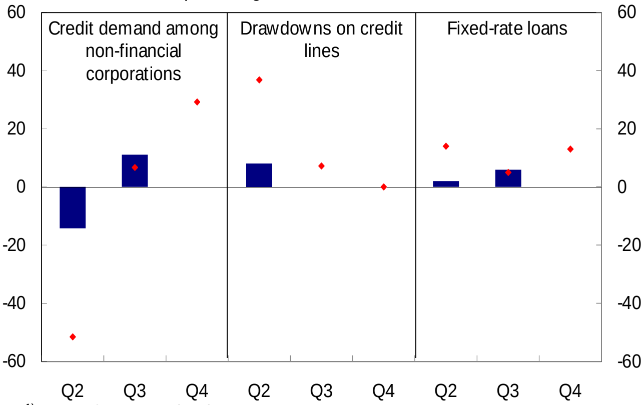


1) See footnote 1 in Chart 1

2) 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 denote tighter credit standards

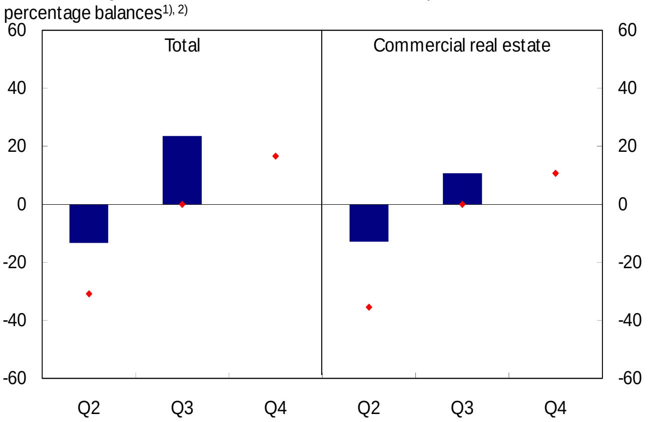
Source: Norges Bank

Chart 4 Credit demand among non-financial corporations and drawdowns on credit lines in 2009. Net percentage balances[1), 2)]



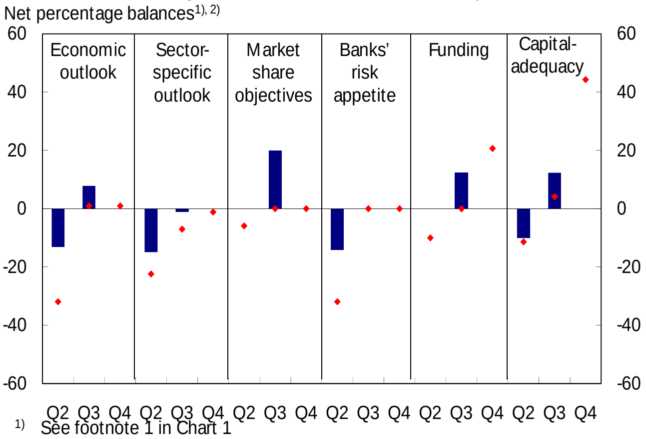
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased drawdowns on credit lines
Source: Norges Bank

Chart 5 Change in credit standards for non-financial corporations in 2009. Net percentage balances[1), 2)]



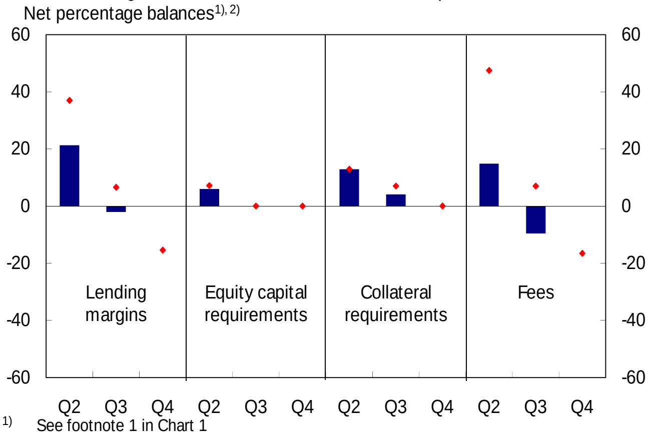
1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

Chart 6 Factors affecting credit standards for non-financial corporations in 2009. Net percentage balances[1), 2)]



1) See footnote 1 in Chart 1
2) Negative net percentage balances denote that the factor has contributed to tighter credit standards
Source: Norges Bank

Chart 7 Change in loan conditions for non-financial corporations in 2009. 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, collateral requirements and fees denote tighter credit standards
Source: Norges Bank

Banks' credit standards for households remained unchanged in 2009 Q3 for the third consecutive quarter (see Chart 2). Most of the banks reported no change in the factors affecting banks' credit standards in 2009 Q3. Banks expect credit standards for households to remain approximately unchanged ahead.

Loan conditions for households were approximately unchanged since 2009 Q2 (see Chart 3). Lending margins, however, increased further in 2009 Q3. Banks expect lending margins to decrease ahead. Other loan conditions are expected to remain relatively unchanged.

Lending to non-financial corporations

Banks reported an increase in credit demand from non-financial corporations in 2009 Q3, while drawdowns on credit lines remained unchanged (see Chart 4). Demand for fixed-rate loans picked up somewhat. Banks expect a further increase in enterprises' demand for credit ahead.

Banks eased credit standards somewhat for non-financial corporations in 2009 Q3 (see Chart 5). In the previous quarter, they had expected credit standards to remain unchanged ahead. Banks expect a further easing of credit standards for non-financial corporations ahead. Shipyards, shipping and building and construction may, however, experience tighter credit standards in Q4.

Market share objectives, the funding situation, capital adequacy considerations and the economic outlook were the primary factors contributing to the easing of credit standards for non-financial corporations in 2009 Q3 (see Chart 6). Looking ahead, capital adequacy considerations and the funding situation point towards an easing of credit standards.

The easing of credit standards for non-financial corporations was implemented by reducing fees and lending margins in 2009 Q3 compared with Q2 (see Chart 7). Banks expect to further reduce lending margins and fees ahead.