

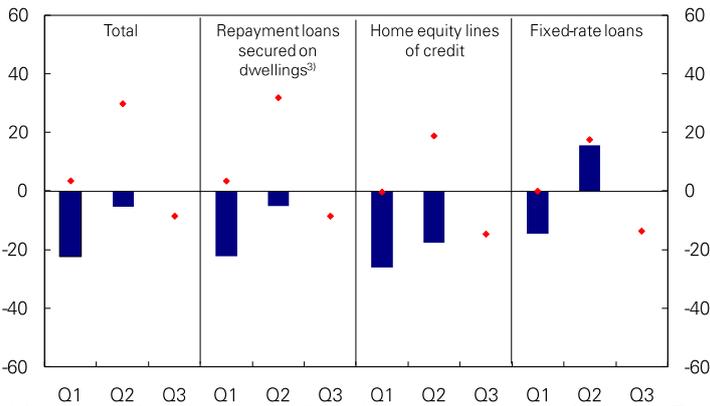
2010 Q2

Norges Bank's Survey of Bank Lending

Further increase in loan demand from non-financial corporations

Norges Bank's Survey of Bank Lending 2010 Q2

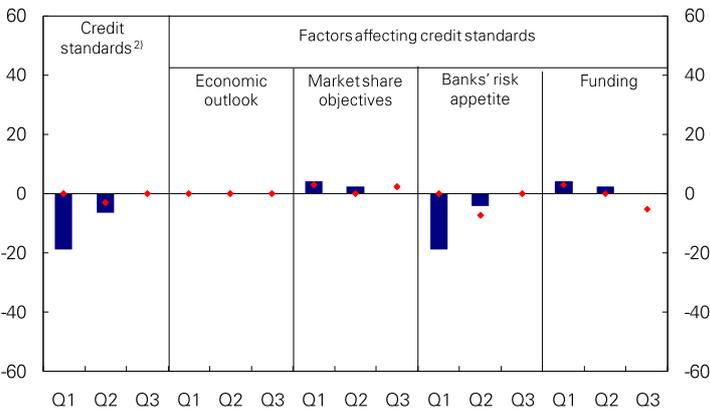
Chart 1 Household credit demand. Net percentage balances.^{1), 2)}



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

Banks reported a modest fall in household credit demand in 2010 Q2. Corporate credit demand increased according to the banks. Looking ahead, household credit demand is expected to continue to fall and corporate credit demand to continue to drift upwards. Credit standards for households were tightened marginally, while credit standards for enterprises were further eased in 2010 Q2. In the period ahead, banks expect broadly unchanged credit standards for both households and enterprises.

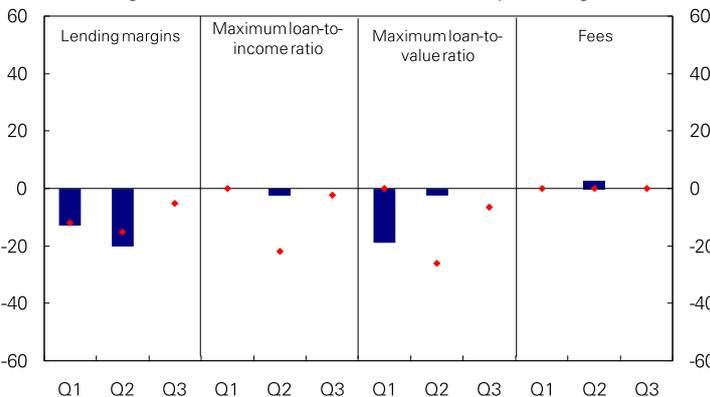
Chart 2 Change in credit standards for households. Factors affecting credit standards. Net percentage balances¹⁾



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

Norges Bank's bank lending survey for 2010 Q2 was conducted in the period 30 June 2010 – 9 July 2010. Participating banks were asked to assess developments in credit standards and loan demand in 2010 Q2 compared with 2010 Q1, and expected developments in 2010 Q3 compared with 2010 Q2.

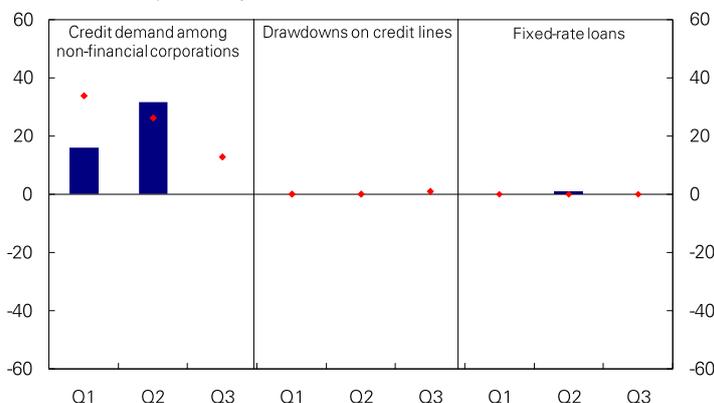
Chart 3 Change in loan conditions for households. Net percentage balances^{1), 2)}



1) See footnote 1 in Chart 1
2) Positive net percentage balances for lending margins indicate higher lending margins. Positive net percentage balances for lending margins and fees denote tighter credit standards. Negative net percentage balances for maximum LTV ratio and maximum LTV ratio denote tighter credit standards
Source: Norges Bank

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%.

Chart 4 Credit demand among non-financial corporations and drawdowns on credit lines. Net percentage balances^{1,2)}

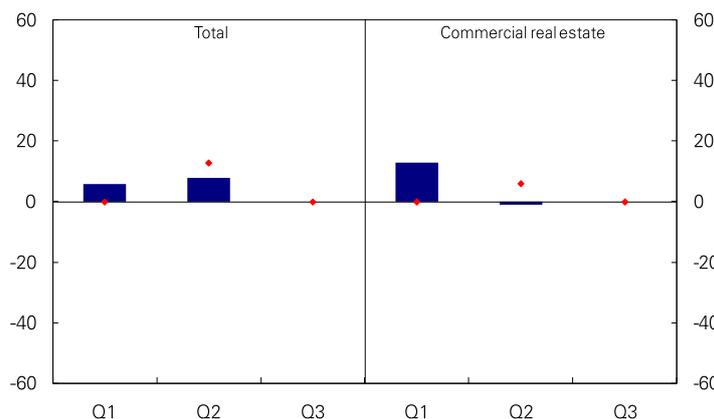


1) See footnote 1 in Chart 1

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. Net percentage balances^{1,2)}

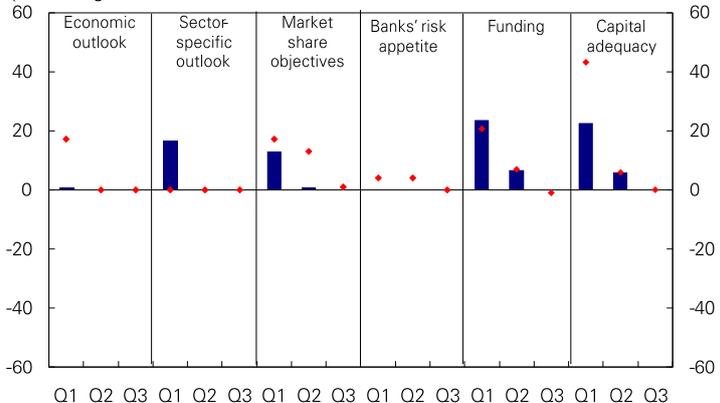


1) See footnote 1 in Chart 1

2) Negative net percentage balances denote tighter credit standards

Source: Norges Bank

Chart 6 Factors affecting credit standards for non-financial corporations. Net percentage balances^{1,2)}

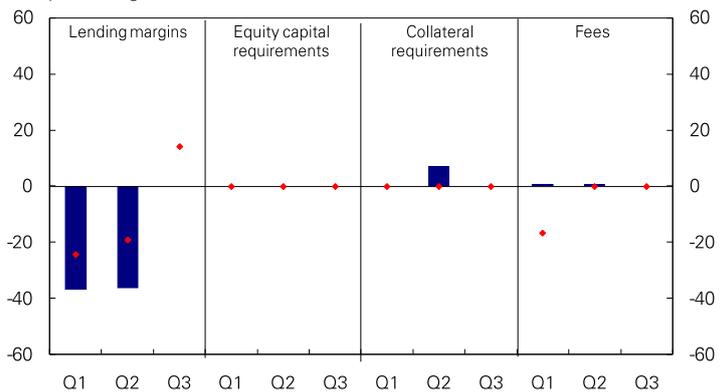


1) See footnote 1 in Chart 1

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. 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

Lending to households

Banks reported that total household credit demand fell slightly in 2010 Q2 (see Chart 1). There are wide differences among banks' reports. Some banks reported increased demand, while others reported falling demand. Demand for fixed-rate loans has increased since 2010 Q1. Banks expect household credit demand to continue downwards in the period ahead.

Credit standards for households were tightened somewhat in 2010 Q2 (see Chart 2). Banks reported that the guidelines for prudent mortgage lending issued by Finanstilsynet (Financial Supervisory Authority of Norway)¹ have resulted in some tightening of credit standards. Banks' risk appetite also contributed somewhat to the tightening. In the period ahead, banks expect credit standards for households to remain broadly unchanged.

Banks reported a fall in lending margins in 2010 Q2 (see Chart 3). Banks expect lending margins to remain broadly unchanged in 2010 Q3.

Lending to non-financial corporations

Banks reported a further increase in loan demand from non-financial corporations in 2010 Q2 (see Chart 4). The increase was approximately as expected. Drawdowns on credit lines and demand for fixed-rate loans were unchanged in 2010 Q2. Banks expect corporate credit demand to increase somewhat again in the period ahead.

Banks eased credit standards for non-financial corporations somewhat in 2010 Q2 (see Chart 5). Both the funding situation and capital adequacy favoured an easing of credit standards for non-financial corporations (see Chart 6). Banks expect unchanged credit standards for non-financial corporations in 2010 Q3. The easing of credit standards for non-financial corporations was primarily implemented by reducing lending margins (see Chart 7). Banks expect an increase in lending margins in the period ahead.

¹ See <http://www.finanstilsynet.no> for further information