NORGES BANK'S SURVEY OF BANK LENDING

Somewhat higher corporate lending margins

2016 Q1
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THE SURVEY WAS CONDUCTED IN THE PERIOD
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NORGES BANK

Norges Bank's Survey of Bank Lending is qualitative survey that provides information on changes in the demand for and supply of credit and on changes in banks' loan conditions. The nine largest banks operating in the Norwegian market participate in the survey

The banks in the survey are asked to assess 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, loan 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 lending to households and to non-financial enterprises, respectively. The resulting net balances are scaled to lie between -100 and +100.

Example 1: If all the banks in the sample have tightened their credit standards somewhat, the net balance for credit standards will be -50. If all the banks in the sample have substantially tightened their credit standards, the net balance will be -100.

Example 2: If all of the banks in the sample have experienced somewhat higher credit demand, the net balance for demand will be 50. If all the banks in the sample have experienced substantially higher demand, the net balance will be 100.

Norges Bank's Survey of Bank Lending 2016 Q1

Banks report that credit demand from households and non-financial enterprises was slightly lower in 2016 Q1.

Margins on lending to households continued to fall in Q1 and are expected to fall further in 2016 Q2. Corporate lending margins rose in Q1 and are expected to rise further in Q2.

Credit standards are approximately unchanged.

Lending to households

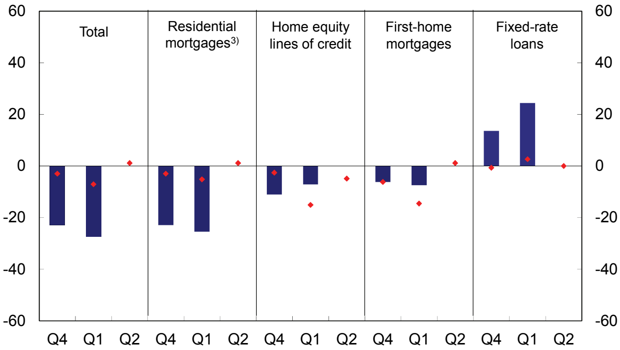
Overall household credit demand fell slightly in Q1, while broadly unchanged demand had been expected (Chart 1). Banks report slightly higher household demand for fixed-rate loans.

Banks report little change in credit standards for households in Q1, as expected (Chart 2), and no substantial changes are expected in Q2.

Banks report that margins on lending to households were lower in Q1, with a further decline expected in Q2 (Chart 3). Banks report that other loan conditions are broadly unchanged.

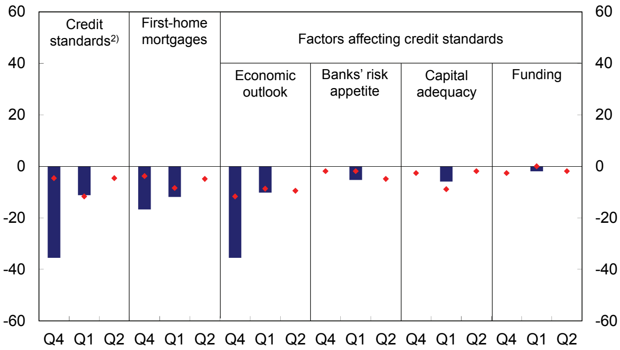
Several banks point to regional differences in both credit demand and credit standards. There are signs of slightly lower growth in demand and slightly tighter credit standards in areas where economic performance is weakest.

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



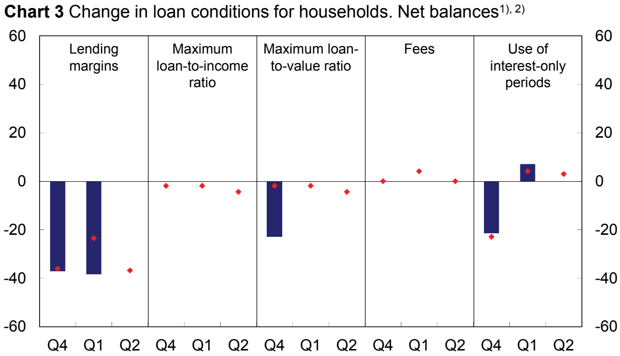
1) Net balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter. As from 2015 Q2, there are nine banks in the sample and the weights are based on market shares in 2014.
2) Negative net 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 balances[1)]



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

Chart 3 Change in loan conditions for households. Net 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

Lending to non-financial enterprises

Credit demand from non-financial enterprises declined somewhat in Q1 (Chart 4). Approximately unchanged demand had been expected. Banks expect unchanged corporate credit demand in Q2.

Banks report broadly unchanged credit standards for enterprises overall in Q1 (Chart 5). For commercial real estate enterprises, credit standards were tightened somewhat. Several banks also report tightening of credit standards for oil, gas and oil service enterprises.

Overall, banks expect no substantial changes in corporate credit standards in Q2.

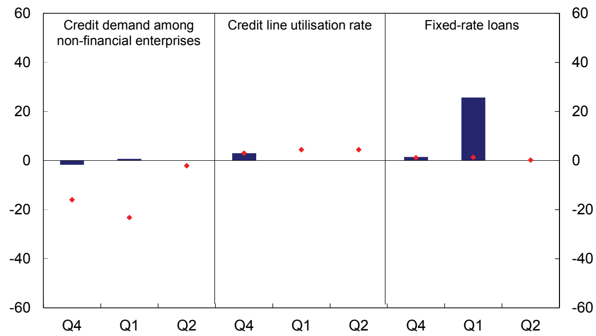
Banks indicate that one factor behind tighter credit standards was the economic outlook (Chart 6). Other contributing factors were reported to be capital adequacy, banks' funding situation, and the sector-specific outlook for the oil industry.

Banks report higher margins on corporate lending in Q1 (Chart 7). Some banks indicate that higher funding costs have contributed to the increase. Banks expect lending margins to continue to rise in Q2.

Banks report no substantial changes in other loan conditions for enterprises, but some banks report an increased use of interest-only periods on existing loans to oil industry enterprises.

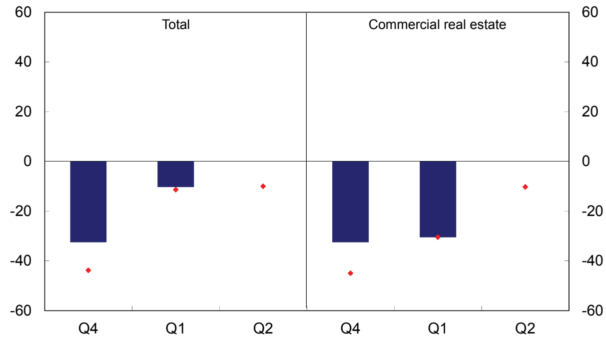
Some banks report somewhat more substantial changes in credit standards and lending margins for new customers than for existing customers.

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



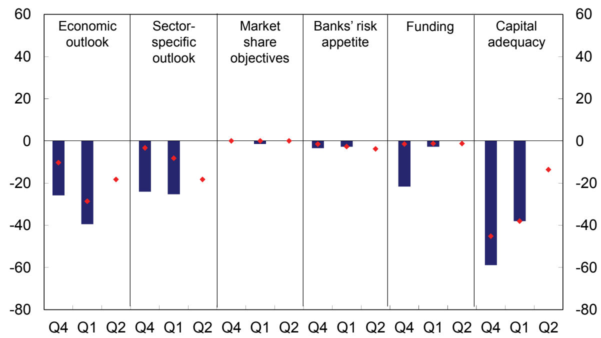
1) See footnote 1 in Chart 1.
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate.
Source: Norges Bank

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



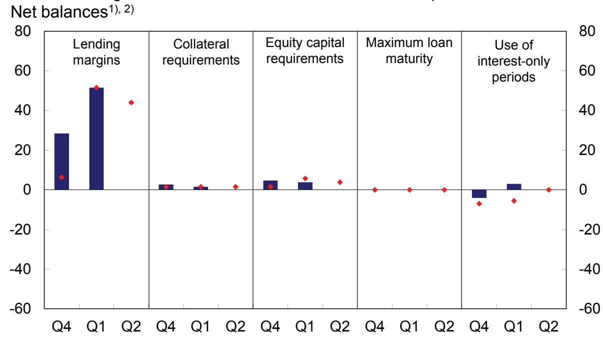
1) See footnote 1 in Chart 1.
2) Negative net balances denote tighter credit standards.
Source: Norges Bank

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



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

Chart 7 Change in loan conditions for non-financial enterprises. Net balances[1), 2)]



1) See footnote 1 in Chart 1.
2) Positive net balances for lending margins denote higher lending margins. Positive net balances for lending margins, collateral requirements, equity capital requirements and fees denote tighter credit standards. Negative net balances for maximum loan maturity denote tighter credit standards.
Source: Norges Bank