2013 Q1

Norges Bank's Survey of Bank Lending

Fall in household credit demand

18 April 2013

NORGES BANK

Norges Bank's Survey of Bank Lending 2013 Q1[1]

Banks report that household credit demand decreased in 2013 Q1, particularly demand for first-home mortgages. Corporate credit demand is reported to have increased, and banks expect demand to increase further in Q2. Credit standards for households are virtually unchanged, while banks have eased credit standards for enterprises. Overall credit standards are expected to remain approximately unchanged in Q2. Banks report that lending margins continue to rise.

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

Lending to households

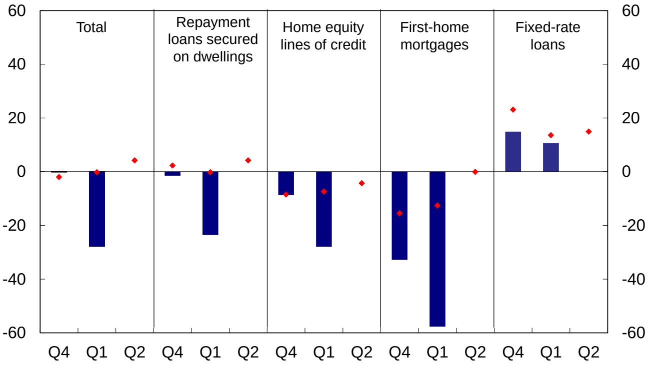
Banks report that credit demand from households decreased in 2013 Q1 (see Chart 1), particularly demand for first-home mortgages. Demand for fixed-rate loans increased somewhat. The fall in demand was not expected at the end of 2012 Q4. Banks expect approximately unchanged household demand in Q2.

Banks report a slight tightening of credit standards for households in Q1 (see Chart 2), primarily due to the need to increase capital adequacy ratios. For the first time since 2011 Q1, banks report unchanged credit standards for first-home mortgages. Changes in credit standards are not expected to be substantial in Q2, but banks still report a need to increase capital adequacy ratios.

Banks' lending margins increased in Q1 (see Chart 3). The increase was larger than expected at the end of 2012 Q4. Banks' current expectations that margins will rise further are probably related to announced increases in lending rates.

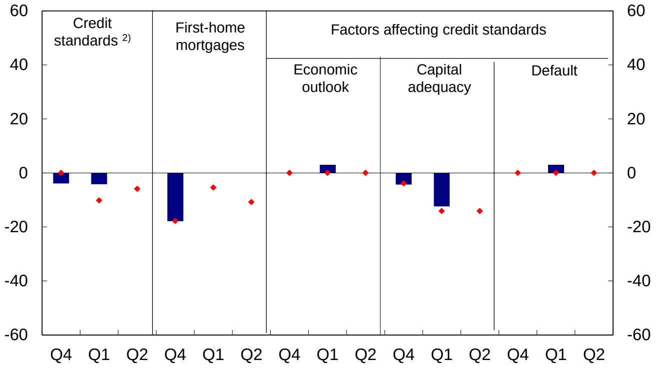
Banks report that the use of interest-only loans has been reduced and that loan conditions will be tightened further in Q2.

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



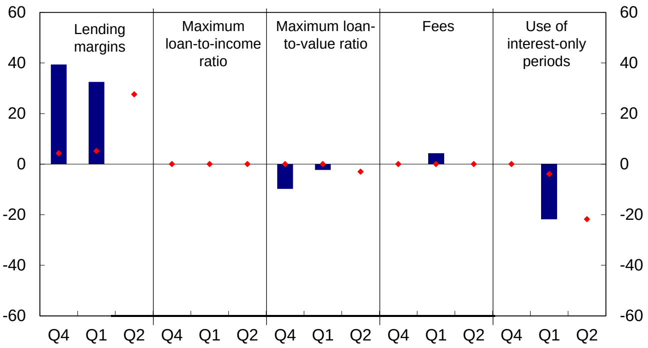
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter
2) Negative net percentage balances denote falling demand
Source: Norges Bank

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

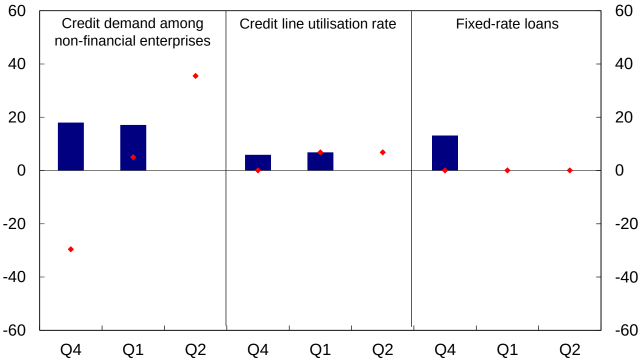
Chart 3 Change in loan conditions for households. Net percentage balances[1), 2)]



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

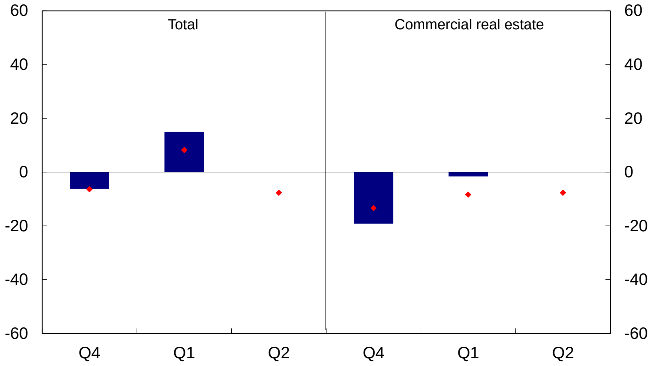
[1] The survey for 2013 Q1 was conducted in the period 22 March 2013 – 9 April 2013

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



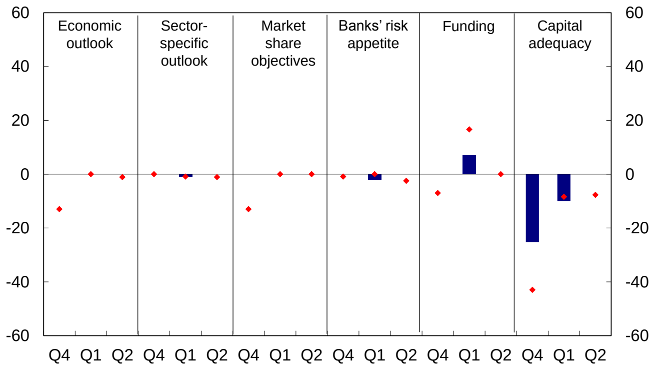
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate
Source: Norges Bank

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

Lending to non-financial enterprises

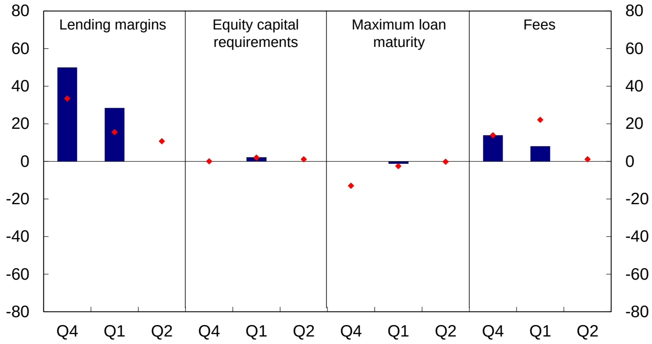
Banks report higher corporate credit demand and increased credit line utilisation (see Chart 4). Demand for fixed-rate loans is reported to be unchanged. In Q2, banks expect a further increase in credit demand from non-financial enterprises.

As expected, banks eased overall credit standards for enterprises somewhat in Q1 (see Chart 5). Credit standards for commercial property were approximately unchanged. Banks expect slightly tighter credit standards in Q2.

Banks report that the funding situation contributed to easing in credit standards, while the need for higher capital adequacy ratios contributed to tightening (see Chart 6). According to banks, capital adequacy will contribute to tighter credit standards in Q2.

Banks' lending margins on corporate loans also increased in Q1 (see Chart 7), as expected. Banks expect somewhat higher lending margins in Q2. Banks report that fees have been raised slightly, albeit to a lesser extent than expected at the end of 2012 Q4.

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

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%.