

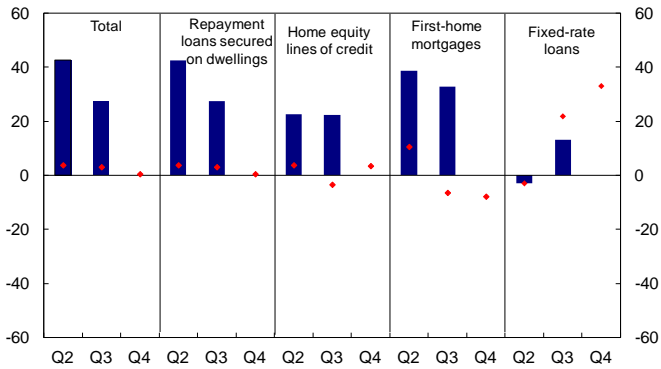
2011 Q3

# Norges Bank's Survey of Bank Lending

**Somewhat tighter credit standards for  
enterprises**

18 October 2011

**Chart 1 Household credit demand. Net percentage balances.<sup>1), 2)</sup>**

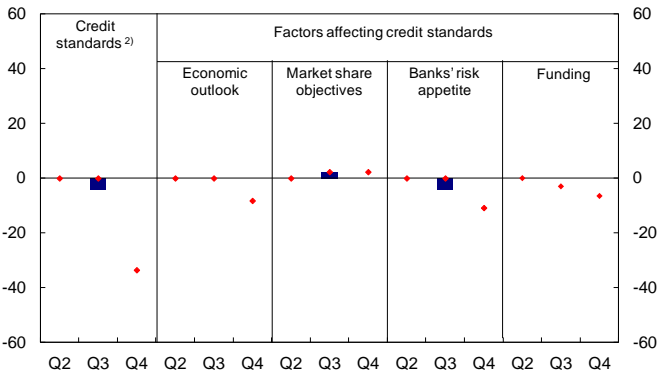


1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter  
 2) Negative net percentage balances denote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

## Norges Bank's Survey of Bank Lending 2011 Q3

*Household credit demand increased somewhat in 2011 Q3. Looking ahead, banks expect approximately unchanged household credit demand and somewhat lower corporate credit demand. Banks kept credit standards unchanged for households and tightened them somewhat for enterprises in 2011 Q3. Banks expect somewhat tighter credit standards for households and enterprises in 2011 Q4. Lending margins on household loans fell further, but rose somewhat on corporate loans in 2011 Q3. Looking ahead, banks expect lending margins on both household and corporate loans to rise somewhat.*

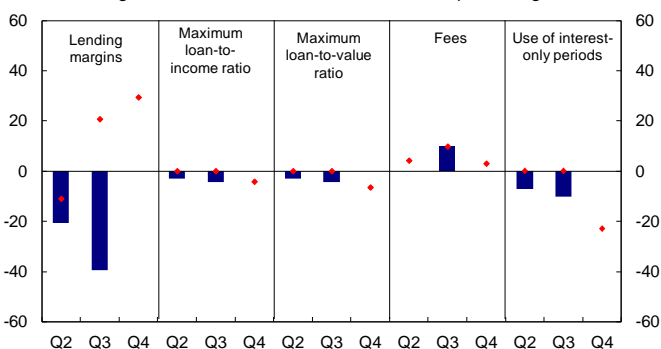
**Chart 2 Change in credit standards for households. Factors affecting credit standards. Net percentage balances<sup>1)</sup>**



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 2011 Q3 was conducted in the period 26 September – 10 October 2011. Participating banks were asked to assess developments in credit standards and credit demand in 2011 Q3 compared with 2011 Q2 and expected developments in 2011 Q4 compared with 2011 Q3.

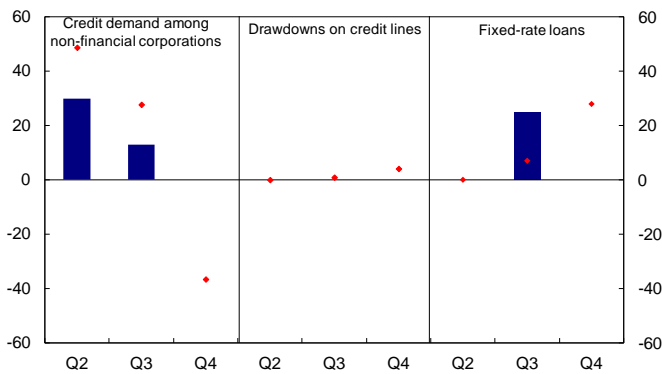
**Chart 3 Change in loan conditions for households. Net percentage balances<sup>1), 2)</sup>**



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 LTI ratio, maximum LTV ratio and use of interest-only periods 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<sup>1),2)</sup>

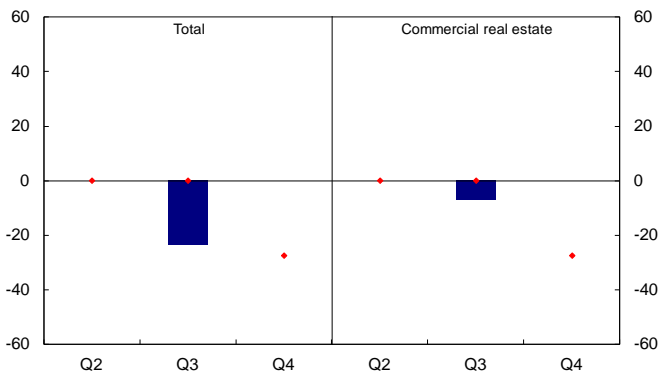


1) See footnote 1 in Chart 1  
 2) Positive net percentage balances denote increased demand or increased drawdowns on credit lines  
 Source: Norges Bank

## Lending to households

Banks reported somewhat higher total household credit demand in 2011 Q3 (see Chart 1). In the previous bank lending survey, banks expected unchanged credit demand for 2011 Q3. The higher demand comprised all types of loans secured on dwellings (repayment loans, home equity lines of credit and first-home mortgages). While demand for fixed-rate loans was unchanged over the past year, banks now reported somewhat higher demand for loans of this type. Unlike other types of loans, banks expect higher demand for fixed-rate loans also in the period ahead. Low interest rates on fixed-rate loans are probably the reason for this increase. Banks expect unchanged overall household credit demand in 2011 Q4.

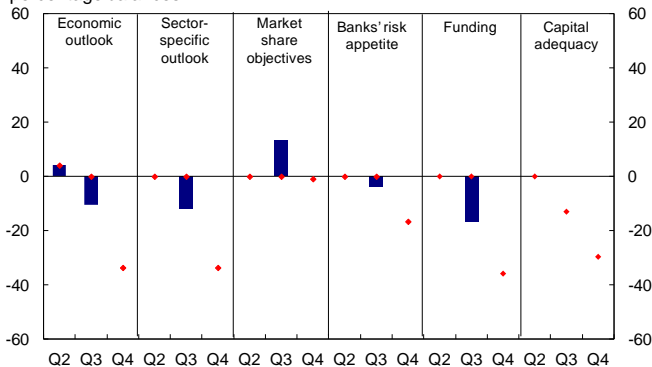
**Chart 5** Change in credit standards for non-financial corporations. Net percentage balances<sup>1),2)</sup>



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

Overall credit standards for households were virtually unchanged in 2011 Q3 (see Chart 2). Looking ahead, banks expect some tightening in their credit standards for households, especially as a consequence of the economic outlook and to some extent banks' appetite for risk and funding situation. One bank also expects that the new guidelines proposed by Finanstilsynet (Financial Supervisory Authority of Norway) will contribute to tighter credit standards for households ahead.

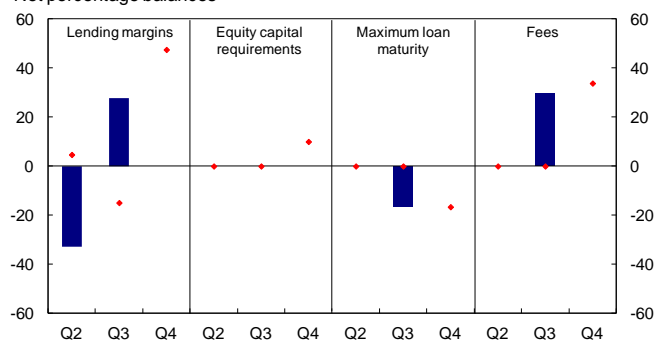
**Chart 6** Factors affecting credit standards for non-financial corporations. Net percentage balances<sup>1),2)</sup>



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

Banks reported falling lending markets on household loans in both 2011 Q2 and 2011 Q3, while the expectation in the previous bank lending survey was for slightly higher lending margins for 2011 Q3 (see Chart 3). Looking ahead, banks continue to expect higher lending margins on household loans. Banks also expect tightening for households' use of interest-only periods in 2011 Q4 (see Chart 3).

**Chart 7** Change in loan conditions for non-financial corporations.  
Net percentage balances<sup>1),2)</sup>



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

## Lending to enterprises<sup>1</sup>

Banks reported a slight increase in corporate credit demand in 2011 Q3 (See Chart 4). The increase was smaller than expected. Also for enterprises, banks report somewhat higher demand for fixed-rate loans. Banks also expect increased demand for fixed-rate loans from enterprises in 2011 Q4. Banks expect a decrease in overall corporate credit demand ahead.

Banks tightened their credit standards for enterprises somewhat in 2011 Q3 (see Chart 5). Banks' funding situation, the economic outlook and the sector-specific outlook contributed to this tightening to some degree. Looking ahead, banks expect further tightening for enterprises. The economic outlook, the sector-specific outlook, the funding situation and capital adequacy are all expected to contribute to tightening in 2011 Q4 (see Chart 6).

Banks reported somewhat higher lending margins on corporate loans in 2011 Q3 (see Chart 7). Lending margins are expected to increase further in 2011 Q4. This is consistent with banks' expectations of tightened credit standards for enterprises as shown in Chart 5.

<sup>1</sup> non-financial corporations