

NORGES BANK'S SURVEY OF BANK LENDING

**Tighter credit standards for
households ahead**

2016 Q4
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THE SURVEY WAS CONDUCTED IN THE PERIOD
21 DECEMBER 2016 – 12 JANUARY 2017



NORGES BANK

Norges Bank's quarterly bank lending survey is a qualitative survey of banks' assessment of credit demand and credit standards. The nine largest banks in the Norwegian credit market participate in the survey: DNB, Nordea, Danske Bank, Handelsbanken, Sparebank 1 SR-bank, Sparebanken Vest, Sparebank 1 SMN, Sparebank 1 Nord-Norge and Sparebanken Sør. The survey provides information on changes in credit demand, banks' credit standards, including loan conditions and prices, and the factors influencing banks' credit standards and prices. Banks fill out the survey questionnaires immediately after the end of a quarter. The survey was conducted for the first time after the end of 2007 Q4.

The survey distinguishes between lending to households and lending to non-financial enterprises. In each question, banks are asked to compare developments in the past quarter with the quarter that has just come to an end. They are also asked to compare the quarter that has just come to an end with their expectations with regard to the next quarter. The questions are answered by ticking one of five responses: up a lot, up a little, same, down a little, down a lot. The responses have been converted into a numerical scale ranging from +2 to -2 in the charts in this report. For example, if all the banks in the sample answer that credit demand is up a little, the resulting figure for credit demand will be 1. If all the banks report that credit demand is up a lot, the figure will be 2. Banks' responses are aggregated and weighted by loan volumes. The weights are updated every other year.

Some changes have been made to the questions in the survey and the way the results are reported, effective from 2016 Q3. The changes do not affect the content and have not led to a break in the data series. Norges Bank's *Staff Memo* 17/2016 "[Banks' reports of demand and credit standards since 2008: results from Norges Bank's Survey of Bank Lending](#)" provides an account of the Bank's experience of the lending survey.

Norges Bank's Survey of Bank Lending 2016 Q4

Household credit demand edged up in 2016 Q4, while credit demand from non-financial enterprises was approximately unchanged. Margins fell somewhat on loans to households, but rose slightly on loans to non-financial enterprises. Banks report that credit standards for households will be tightened in 2017 Q1 as a result of changes in the regulation on residential mortgage lending.

Lending to households

Overall household demand for mortgages continued to edge up in Q4 (Chart 1). Demand for first-home mortgages showed a slight rise, while demand for fixed-rate mortgages was approximately unchanged (Chart 3). The increase in overall demand in Q4 was stronger than had been expected in Q3.

Banks reported unchanged credit standards for households in Q4, but that tighter credit standards were expected in Q1 (Charts 2 and 4-6). Almost all the banks reported that the reason for the tightening was the changes in the regulation on residential mortgage lending that will apply from 2017 Q1. Maximum loan-to-income (LTI) and loan-to-value (LTV) ratios as well as the use of interest-only periods will be tightened in Q2 (Charts 7 and 8).

Banks reported that margins on loans to households edged down in Q4 (Charts 9 and 10). Banks expect higher lending margins and lending rates in Q1. Funding costs, the competitive situation and regulatory requirements were reported to be contributory factors.

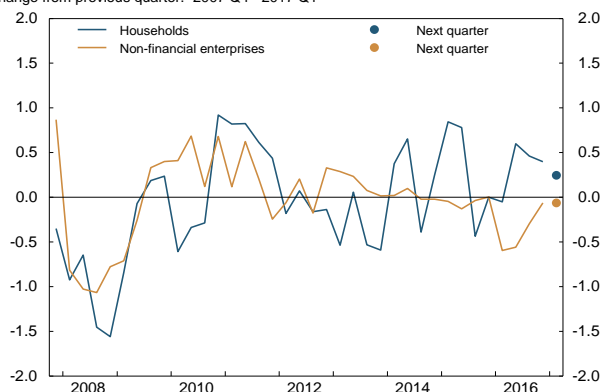
Lending to non-financial enterprises

Overall credit demand from non-financial enterprises was unchanged in Q4 after falling slightly in the preceding quarters (Chart 1). This was in line with banks' expectations in Q3 (Chart 11). Demand for fixed-rate loans increased slightly in Q4.

Credit standards for enterprises were reported to be unchanged in Q4 (Charts 2 and 12). Credit standards are expected to be unchanged in Q1. Some banks reported that developments in oil-related industries are pulling in the direction of tighter credit standards. No substantial changes in other factors contributing to tighter credit standards were reported (Charts 13 and 14). No substantial changes in loan conditions for non-financial enterprises were reported (Charts 15 and 16).

Margins on loans to enterprises and corporate lending rates were reported to be slightly higher in Q4, with a further increase expected in Q1 (Charts 17 and 18).

Chart 1 Credit demand from households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2017 Q1



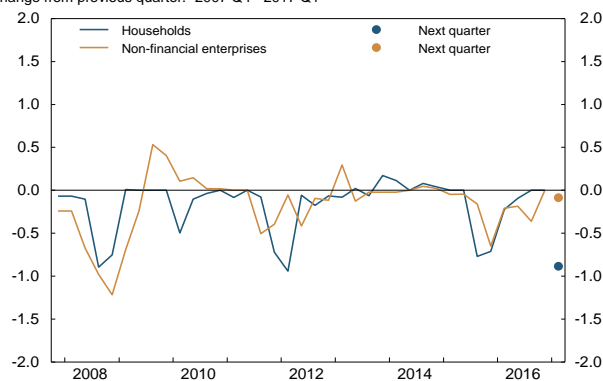
¹ Residential mortgages.

² Total credit to non-financial enterprises.

³ 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.

Source: Norges Bank

Chart 2 Credit standards for households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2017 Q1



¹ Residential mortgages.

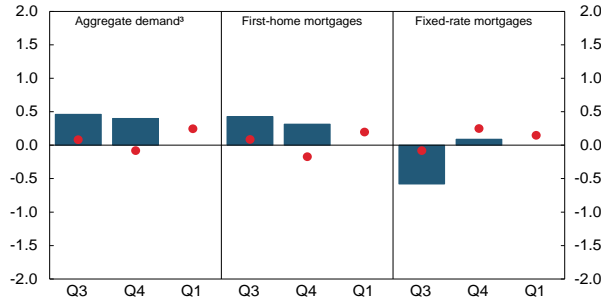
² Total credit to non-financial enterprises.

³ 2/1 = Much/Somewhat easier to obtain credit.

0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.

Source: Norges Bank

Chart 3 Household residential mortgage demand.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



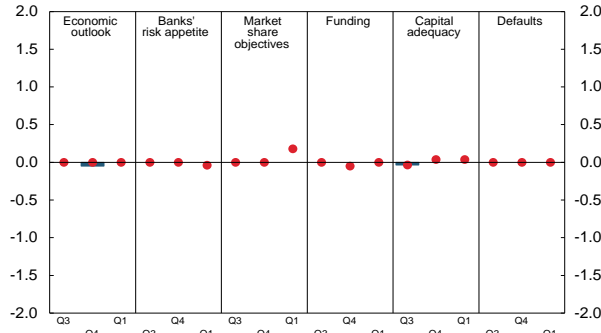
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ Aggregate demand refers to the sum of demand for first-home mortgages, fixed-rate mortgages and all other residential mortgages (the latter is the largest component).
Source: Norges Bank

Chart 4 Credit standards for households.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



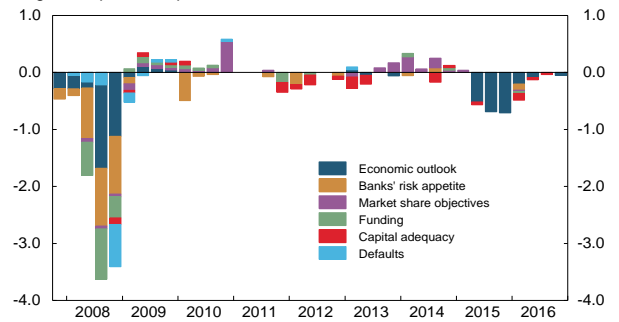
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
³ Overall credit standards refers to credit standards for first-home mortgages and all other residential mortgages (the latter is the largest component).
Source: Norges Bank

Chart 5 Factors affecting credit standards.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



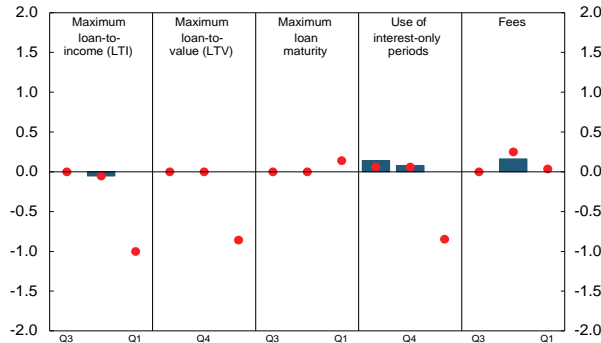
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 6 Factors affecting credit standards for households.¹
Change from previous quarter.² 2007 Q4 - 2016 Q4



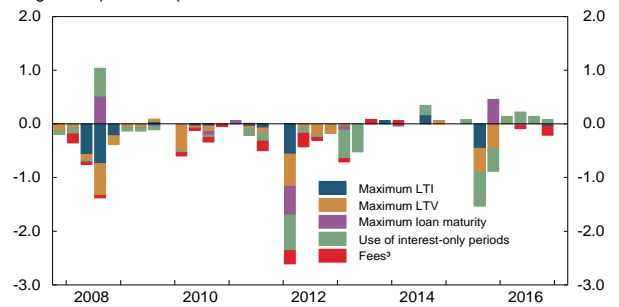
¹ Total response in a quarter from all banks for all six factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 12.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 7 Loan conditions for households.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



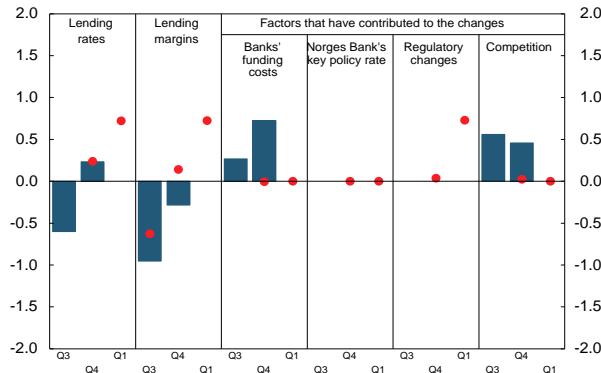
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 8 Loan conditions for households.¹
Change from previous quarter.² 2007 Q4 - 2016 Q4



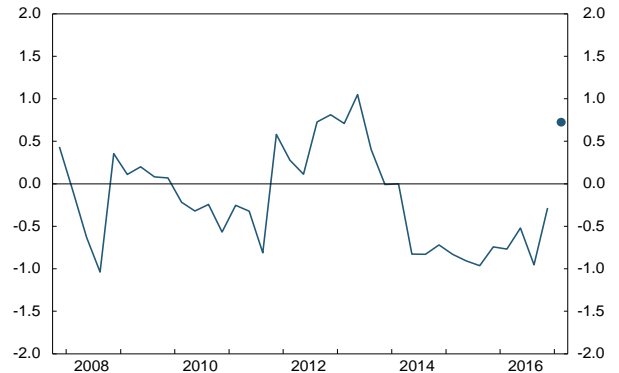
¹ Total response in a quarter from all banks for all six factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As higher fees make it harder to obtain credit, the fee series has been negativised.
Source: Norges Bank

Chart 9 Lending rates and lending margins.¹ Lending to households.
Change from previous quarter.² 2016 Q3 - 2017 Q1



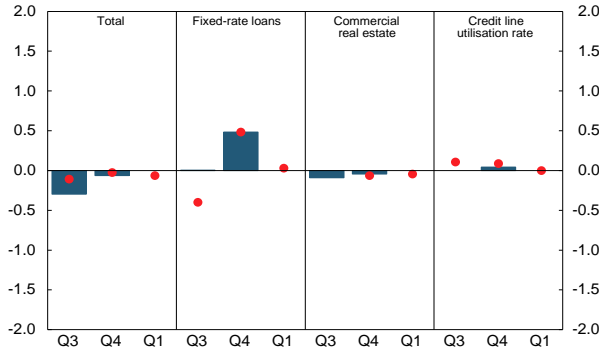
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 10 Margin on total residential mortgage loans to households.¹
Change from previous quarter.² 2007 Q4 - 2017 Q1



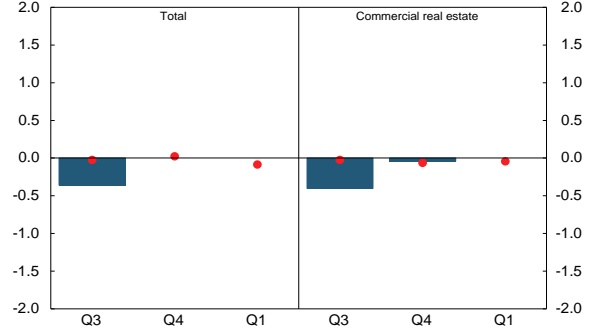
¹ The blue line shows reported developments in the relevant quarter.
The blue dot shows expected developments for the next quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 11 Credit demand from non-financial enterprises.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



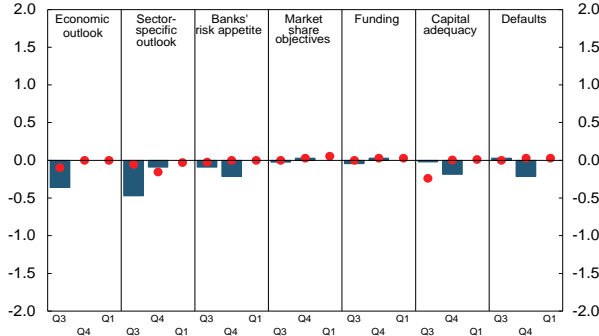
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 12 Credit standards for non-financial enterprises.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



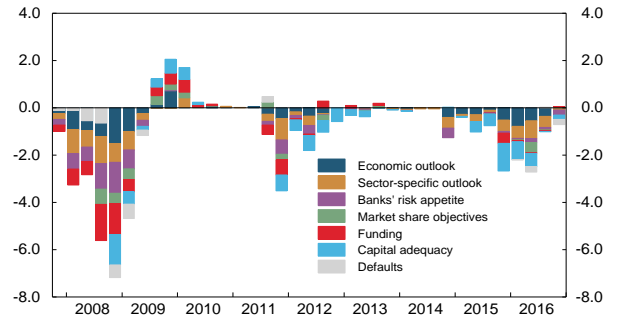
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2 = Much easier to get loans, 1 = Somewhat easier to get loans, 0 = Approx. unchanged, -1 = Somewhat tighter credit standards, -2 = Much tighter credit standards.
Source: Norges Bank

Chart 13 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



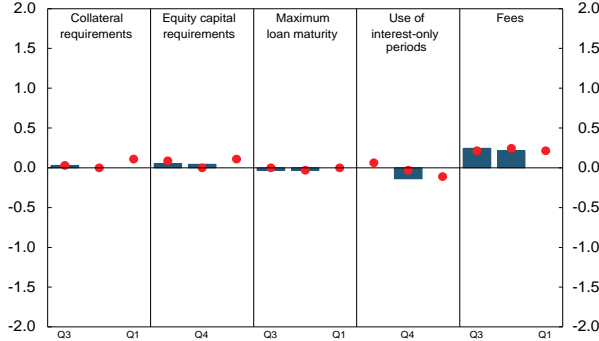
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 14 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2016 Q4



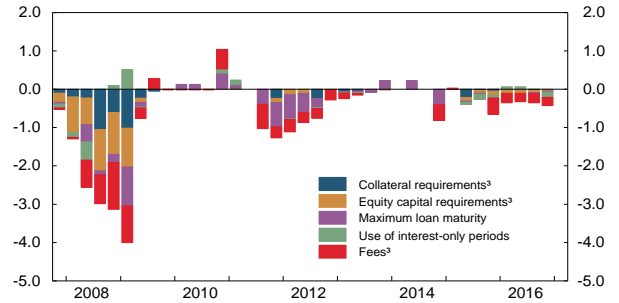
¹ Total response in a quarter from all banks for all six factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 14.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 15 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2016 Q3 - 2017 Q1



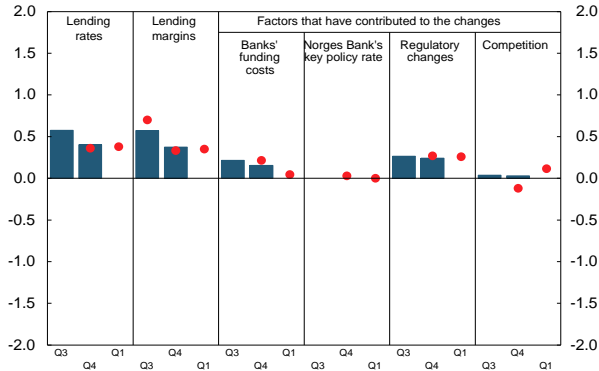
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 16 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2016 Q4



¹ Total response in a quarter from all banks for all five factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As an increase in the "-series make it harder to obtain credit, these series have been negativised.
Source: Norges Bank

Chart 17 Lending rates and lending margins.¹ Loans to non-financial enterprises.
Change from previous quarter.² 2016 Q3 - 2017 Q1



¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

