2013 Q2

Norges Bank's Survey of Bank Lending

Increased lending margins on household loans

18 July 2013

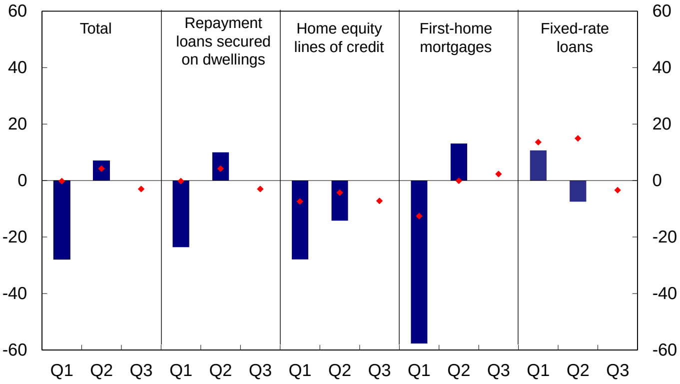
NORGES BANK

Norges Bank's Survey of Bank Lending 2013 Q2[1]

Banks report that lending margins on household loans increased in 2013 Q2. Credit demand from both households and enterprises is reported to have increased somewhat. Overall credit standards for households and enterprises were little changed in Q2 and banks are not expecting substantial changes in Q3.

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

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

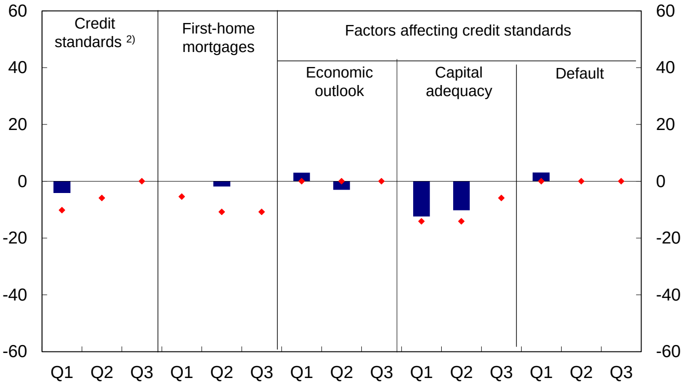


1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter
2) Negative net percentage balances denote falling demand
Source: Norges Bank

Lending to households

Banks report that household credit demand rose slightly in 2013 Q2 (see Chart 1), approximately in line with expectations at end-Q1. Demand for repayment loans secured on dwellings and first-home mortgages increased somewhat, while demand for home equity lines of credit and fixed-rate loans fell slightly. The fall in demand for fixed-rate loans was not expected at the end of Q1. Banks expect overall household credit demand to remain approximately unchanged in Q3.

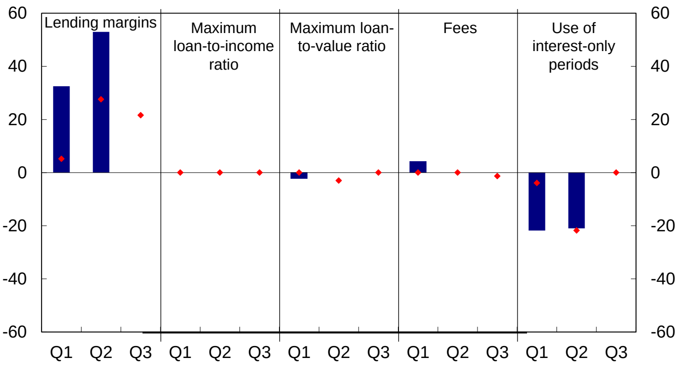
Chart 2 Change in credit standards for households. Factors affecting credit standards. Net percentage balances[1)]



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

Overall credit standards for households were approximately unchanged in Q2 (see Chart 2). Credit standards for first-home mortgages were also little changed. Changes in overall credit standards are not expected in Q3, but some tightening is expected for first-home mortgages. Banks report that the need to increase capital adequacy ratios is contributing to somewhat tighter credit standards.

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

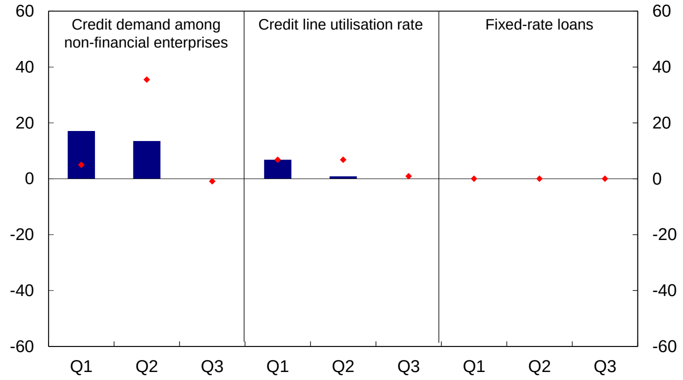


1) See footnote 1 in Chart 1
2) Positive net percentage balances for lending margins denote higher lending margins. Positive net percentage balances for lending margins and fees denote tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods denote tighter credit standards
Source: Norges Bank

Banks' lending margins increased in Q2 (see Chart 3). The increase was larger than banks expected at the end of Q1 and lending margins are expected to increase further in Q3. Banks report that the use of interest-only periods has been reduced, but that further tightening is not expected in Q3.

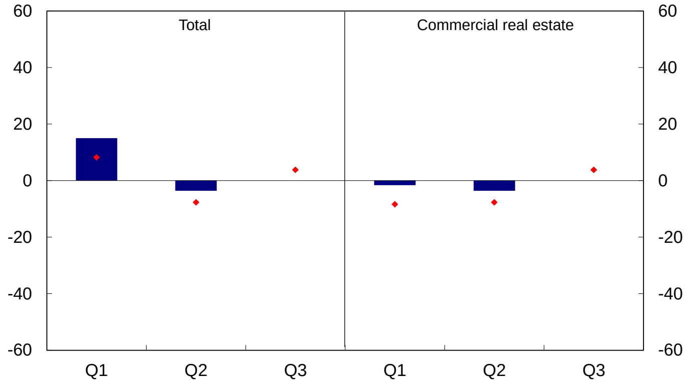
[1] The survey for 2013 Q2 was conducted in the period 28 June 2013 – 9 July 2013.

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



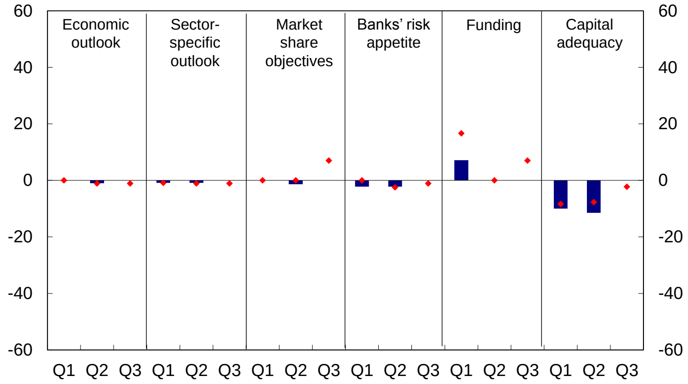
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate
Source: Norges Bank

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



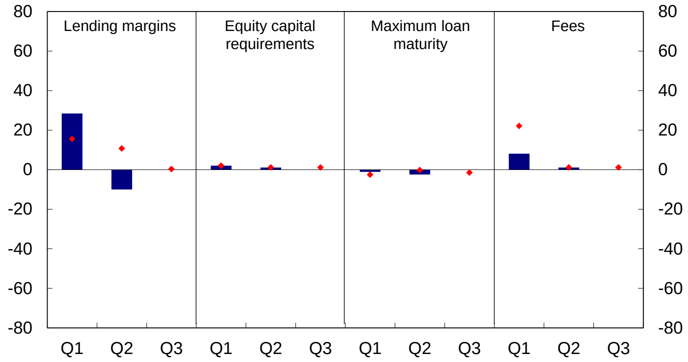
1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

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

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

Lending to non-financial enterprises

Banks report that corporate credit demand increased in Q2 (see Chart 4), albeit to a lesser extent than banks expected at end-Q1. Credit line utilisation and demand for fixed-rate loans are reported to have been approximately unchanged. Credit demand is expected to remain approximately unchanged in Q3.

Credit standards for enterprises were little changed in Q2 (see Chart 5). Credit standards for commercial property enterprises were also approximately unchanged. Substantial changes in credit standards are not expected in Q3. Banks report that the need for higher capital adequacy ratios contributed to some tightening of credit standards for enterprises in Q2 (see Chart 6). In Q3, banks expect market share objectives and the funding situation to contribute towards a slight easing of credit standards.

Banks report a slight reduction in lending margins on corporate loans in Q2 (see Chart 7). Lending margins and other loan conditions are expected to be kept broadly unchanged in Q3.

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%.