

# NORGES BANK'S SURVEY OF BANK LENDING

## Lower household credit demand

2017 Q3

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NORGES BANK

Norges Bank's quarterly bank lending survey is a qualitative survey of banks' assessment of credit demand and credit standards. The ten largest banks in the Norwegian credit market participate in the survey: DNB, Nordea, Danske Bank, Handelsbanken, Sparebank 1 SR-bank, Sparebank 1 Østlandet, Sparebank 1 SMN, Sparebank 1 Nord-Norge, Sparebanken Sør and Sparebanken Vest. 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 «[Bankenes etterspørsel og kredittpraksis siden 2008: Resultater fra Norges Banks utlånsundersøkelse](#) » provides an account of the Bank's experience of the lending survey.

## Norges Bank's Survey of Bank Lending 2017 Q3

Credit demand from households fell somewhat in 2017 Q3, while credit demand from non-financial enterprises edged up. Demand for fixed-rate loans fell in both segments. Credit standards for both households and non-financial enterprises were broadly unchanged. Margins on lending rose slightly in both segments and funding costs fell. Banks do not expect any changes in credit standards, loan conditions, lending rates, margins on loans or corporate credit demand in 2017 Q4. Household credit demand is expected to fall further in Q4.

### Lending to households

Overall household demand for residential mortgage loans fell slightly in Q3 (Chart 1). Demand for fixed-rate loans also fell somewhat while demand for first-home mortgages was unchanged (Chart 3). No changes had been expected in Q2. Looking ahead, banks continue to expect a fall in overall demand, and a fall in demand for first-home mortgages and fixed-rate loans.

Banks reported no substantial changes in credit standards for households in Q3 (Charts 2 and 4). There were no changes in the individual factors affecting credit standards and loan conditions were virtually unchanged (Charts 5-8). No changes are expected ahead. In this survey, banks were asked to report the relative importance of the different tightening measures in the residential mortgage lending requirements that were introduced in January. Of four tightening measures, the implementation of a DTI (debt-to-income) ratio limit was considered to have the greatest tightening effect, followed by a lowering of the LTV (loan-to-value) ratio limit for secondary home purchases in Oslo and a lower speed limit for mortgage lending in Oslo. The lowering of LTV ratio limits on home equity lines of credit was ranked lowest.

Banks reported that lending margins on loans to households increased slightly in Q3, reflecting a reduction in funding costs while the interest rate level remained unchanged (Charts 9 and 10). No changes are expected ahead.

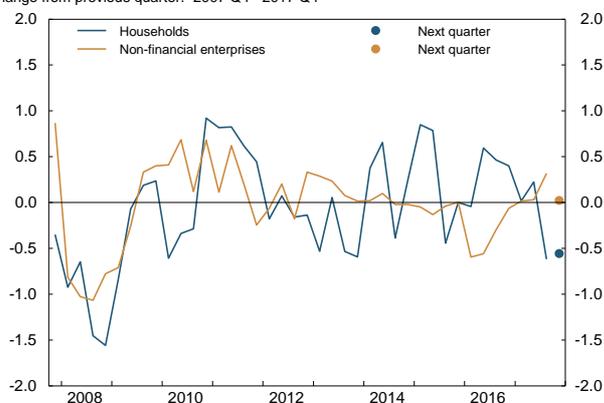
### Lending to non-financial enterprises

Overall credit demand from non-financial enterprises rose slightly in Q3 (Chart 1). Demand for fixed-rate loans fell slightly (Chart 11). No changes had been expected in Q2, and none are expected ahead.

Banks reported unchanged credit standards for enterprises in Q3 (Charts 2 and 12). There were no changes in the individual factors affecting credit standards and loan conditions were virtually unchanged (Charts 13-16). Only fees have increased slightly. No changes are expected ahead.

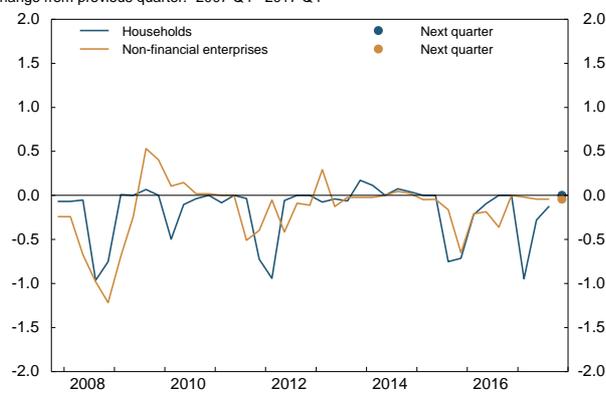
Banks reported slightly lower lending rates for loans to enterprises in Q3 and slightly lower funding costs (Charts 17 and 18). Lending margins were unchanged. No changes are expected ahead.

Chart 1 Credit demand from households<sup>1</sup> and non-financial enterprises<sup>2</sup>. Change from previous quarter.<sup>3</sup> 2007 Q4 - 2017 Q4



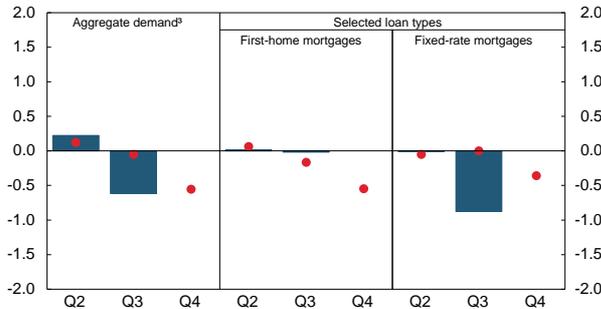
<sup>1</sup> Residential mortgages.  
<sup>2</sup> Total credit to non-financial enterprises.  
<sup>3</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
 Source: Norges Bank

Chart 2 Credit standards for households<sup>1</sup> and non-financial enterprises<sup>2</sup>. Change from previous quarter.<sup>3</sup> 2007 Q4 - 2017 Q4



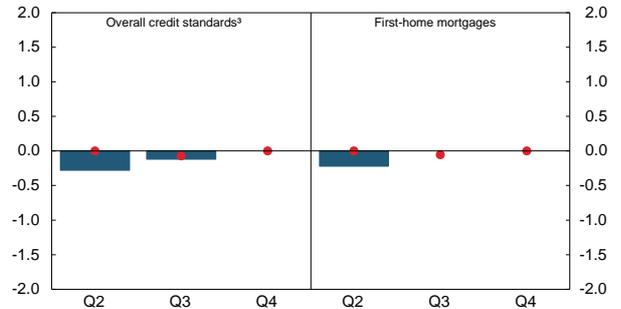
<sup>1</sup> Residential mortgages.  
<sup>2</sup> Total credit to non-financial enterprises.  
<sup>3</sup> 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.  
 Source: Norges Bank

Chart 3 Household residential mortgage demand.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



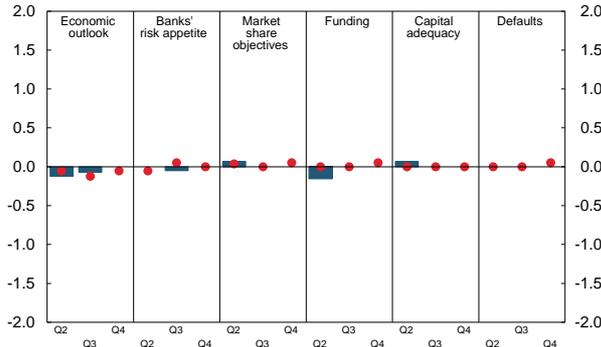
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
<sup>3</sup> Aggregate demand refers to the sum of demand for 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.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



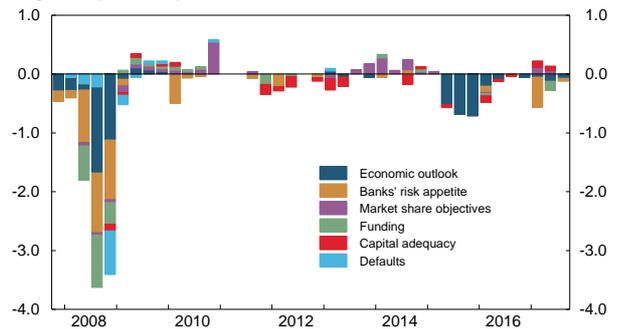
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.  
<sup>3</sup> Overall credit 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.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



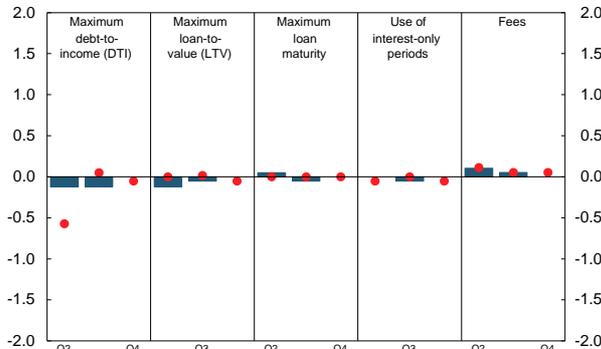
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.  
Source: Norges Bank

Chart 6 Factors affecting credit standards for households.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2007 Q4 - 2017 Q3



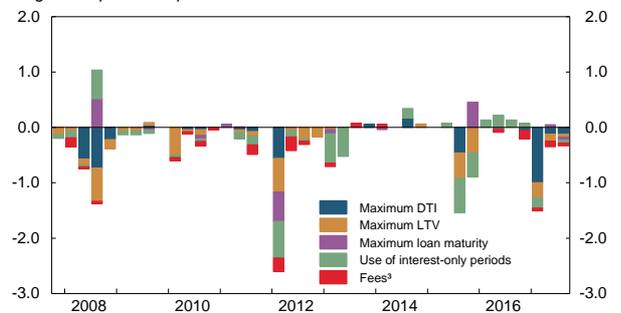
<sup>1</sup> Total response in a quarter from all banks for all six factors.  
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 12.  
<sup>2</sup> 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit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

Chart 7 Loan conditions for households.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



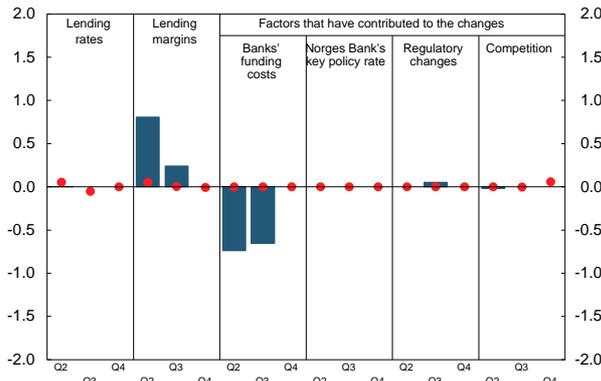
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
Source: Norges Bank

Chart 8 Loan conditions for households.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2007 Q4 - 2017 Q3



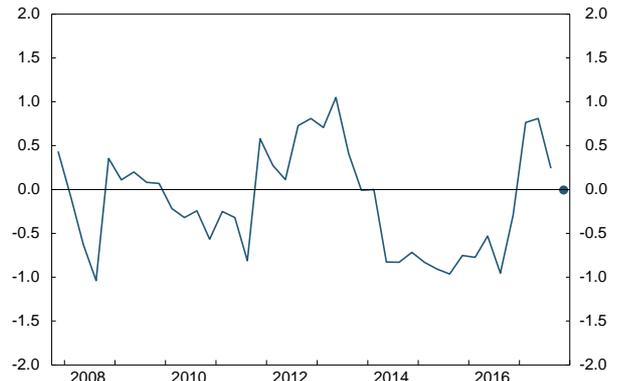
<sup>1</sup> Total response in a quarter from all banks for all six factors.  
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
<sup>3</sup> As higher fees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

Chart 9 Lending rates and lending margins.<sup>1</sup> Lending to households.  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



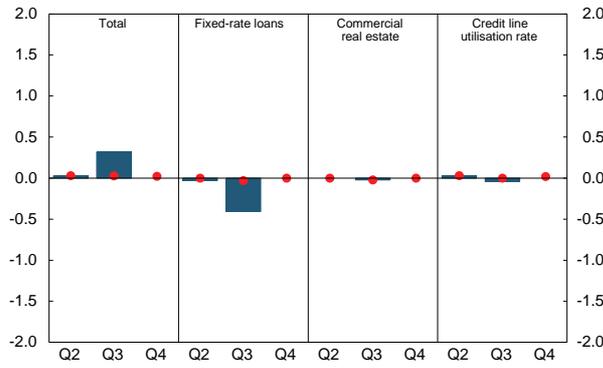
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
Source: Norges Bank

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



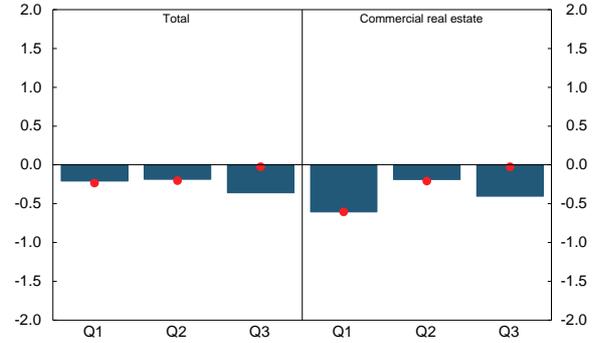
<sup>1</sup> The blue line shows reported developments in the relevant quarter.  
The blue dot shows expected developments for the next quarter.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
Source: Norges Bank

Chart 11 Credit demand from non-financial enterprises.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



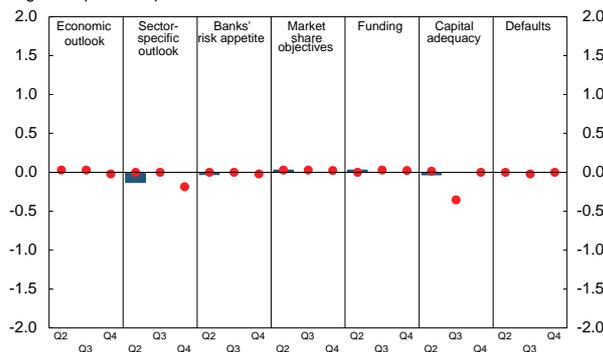
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
Source: Norges Bank

Chart 12 Credit standards for non-financial enterprises.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2016 Q1 - 2016 Q3



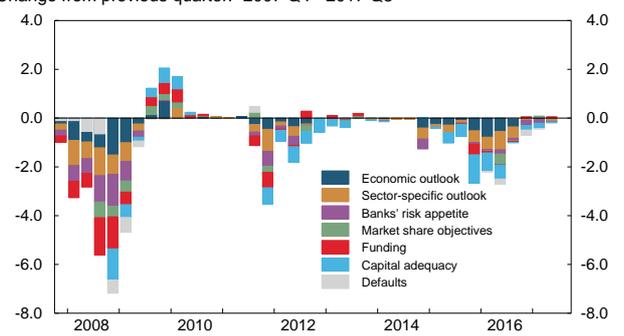
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2 = Much easier to get loans, 1 = Somewhat easier to get loans, 0 = Approx. unchanged, -1 = Somewhat tighter credit standards, -2 = Much tighter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

Chart 13 Factors affecting credit standards for non-financial enterprises.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



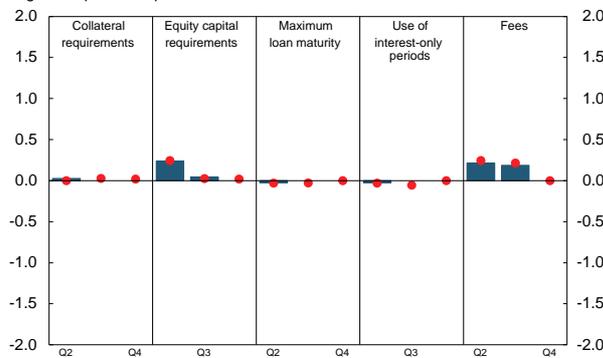
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.  
Source: Norges Bank

Chart 14 Factors affecting credit standards for non-financial enterprises.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2007 Q4 - 2017 Q3



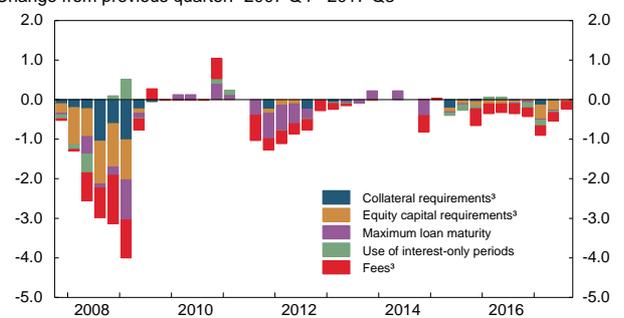
<sup>1</sup> Total response in a quarter from all banks for all six factors.  
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 14.  
<sup>2</sup> 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit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

Chart 15 Loan conditions for non-financial enterprises.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



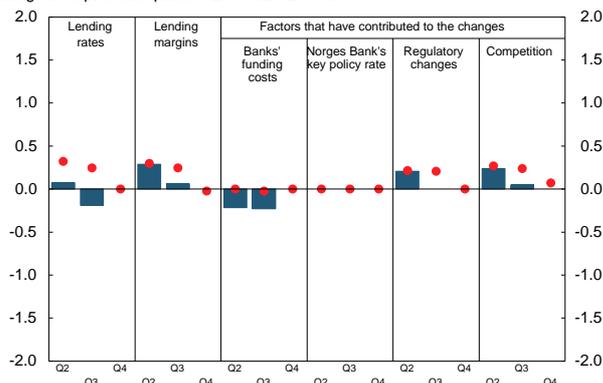
<sup>1</sup> Blue bars show reported developments for the relevant quarter.  
Red dots show expected developments, reported the previous quarter.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
Source: Norges Bank

Chart 16 Loan conditions for non-financial enterprises.<sup>1</sup>  
Change from previous quarter.<sup>2</sup> 2007 Q4 - 2017 Q3



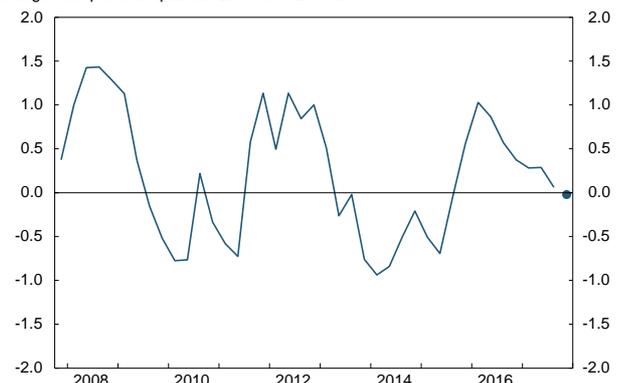
<sup>1</sup> Total response in a quarter from all banks for all six factors.  
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.  
<sup>2</sup> 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.  
<sup>3</sup> As an increase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

Chart 17 Lending rates and lending margins.<sup>1</sup> Loans to non-financial enterprises.  
Change from previous quarter.<sup>2</sup> 2017 Q2 - 2017 Q4



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

Chart 18 Margin on total loans to non-financial enterprises.<sup>1</sup>  
Change from previous quarter.<sup>3</sup> 2007 Q4 - 2017 Q4



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