2012 Q2

Norges Bank's Survey of Bank Lending

Somewhat tighter credit standards for enterprises

19 July 2012

NORGES BANK

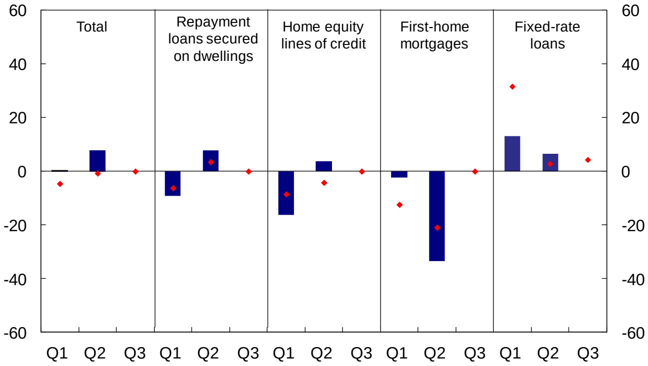
Norges Bank's Survey of Bank Lending 2012 Q2

Banks reported somewhat tighter credit standards for enterprises in 2012 Q2. For households, credit standards were tightened for first-home mortgages, while overall credit standards remained broadly unchanged. Banks expect further tightening for enterprises and broadly unchanged credit standards for households in 2012 Q3. Both household and corporate credit demand increased slightly in 2012 Q2. Banks expect household and corporate credit demand to remain unchanged ahead.

Norges Bank's bank lending survey for 2012 Q2 was conducted in the period 29 June–10 July 2012. Participating banks were asked to assess developments in credit standards and credit demand in 2012 Q2 compared with 2012 Q1 and expected developments in 2012 Q3 compared with 2012 Q2.

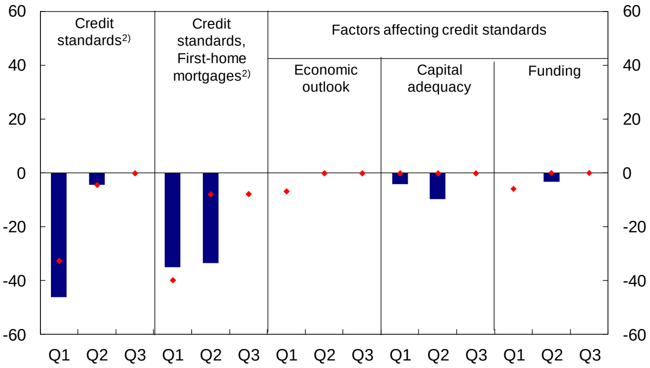
The banks in the survey use a scale of five alternative responses to indicate the degree of change in credit standards, terms and conditions and demand. Banks that report that conditions have changed 'a lot' are assigned twice the score of those reporting that conditions have changed 'a little'. The 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 1 Household credit demand. Net percentage balances.[1), 2)]



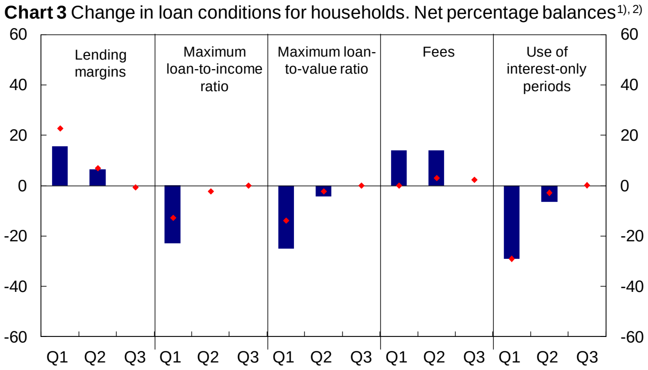
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past two quarters. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter
2) Negative net percentage balances denote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

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



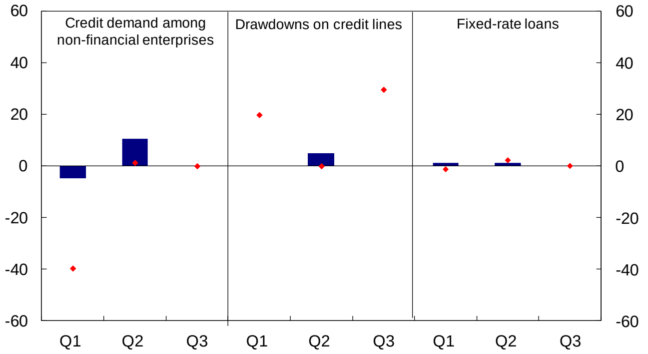
1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

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



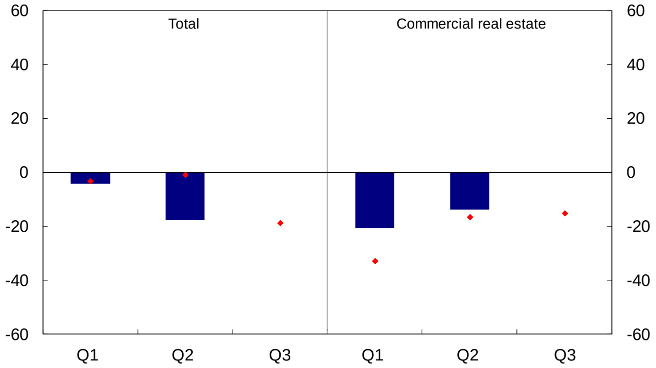
1) See footnote 1 in Chart 1
2) Positive net percentage balances for lending margins and fees denote tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods denote tighter credit standards
Source: Norges Bank

Chart 4 Credit demand among non-financial enterprises and drawdowns on credit lines. Net percentage balances1), 2)



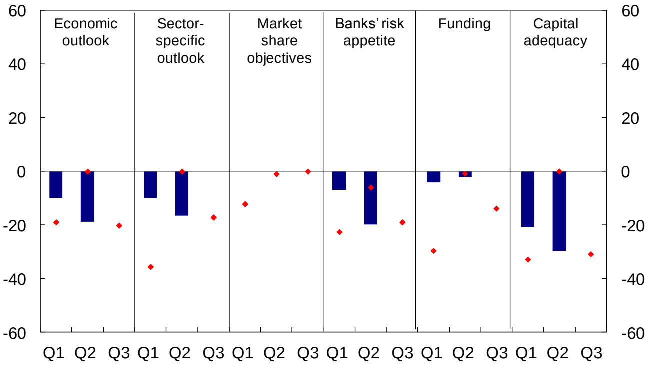
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased drawdowns on credit lines
Source: Norges Bank

Chart 5 Change in credit standards for non-financial enterprises. Net percentage balances1), 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 balances1), 2)



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

Lending to households

Banks reported a slight increase in overall household credit demand in 2012 Q2 (see Chart 1) with regard to ordinary residential mortgages, fixed-rate loans and home equity lines of credit. Demand for first-home mortgages fell and the decrease was more pronounced than expected. Banks expect household credit demand to remain broadly unchanged for all types of loan.

Overall bank credit standards for households were virtually unchanged in 2012 Q2 (see Chart 2). However, a number of banks reported that credit standards had been tightened for first-home mortgages. Capital adequacy and Finanstilsynet's guidelines for prudent residential mortgage lending were identified as factors affecting credit standards. Banks expect to keep credit standards for households broadly unchanged ahead.

A number of banks increased fees in 2012 Q2 (see Chart 3). There were only minor changes in other loan conditions. Loan conditions are expected to be kept broadly unchanged in 2012 Q3.

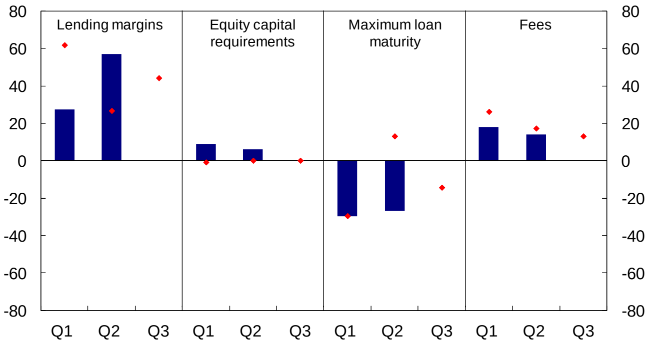
Lending to enterprises[1]

Banks reported a slight increase in corporate credit demand in 2012 Q2 (see Chart 4). There was also a marginal increase in the utilisation rate of credit lines, while demand for fixed-rate loans remained broadly unchanged. Banks expect overall corporate credit demand to remain unchanged in 2012 Q3, but the utilisation rate of credit lines is expected to increase.

Banks tightened credit standards for enterprises somewhat in 2012 Q2 (see Chart 5). In the previous quarter, they had expected credit standards to remain broadly unchanged ahead. Capital adequacy was the primary factor contributing to tighter credit standards, particularly for capital-intensive industries such as

[1] Non-financial enterprises

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, equity capital requirements and fees denote tighter credit standards. Negative net percentage balances for maximum loan maturity indicate tighter credit standards
Source: Norges Bank

commercial real estate and shipping. Other explanatory factors were banks' risk appetite and the economic and sector-specific outlook (see Chart 6). Banks expect corporate credit standards to be tightened further in 2012 Q3.

Banks tightened corporate credit standards in 2012 Q2 partly by increasing lending margins (see Chart 7). In addition, banks reported a reduction in maximum repayment periods and some increase in fees. Banks expect the above loan conditions to be tightened again somewhat in 2012 Q3.