

NORGES BANK'S SURVEY OF BANK LENDING

**Higher lending rates, unchanged
demand**

2018 Q4
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THE SURVEY WAS CONDUCTED IN THE PERIOD
17 DECEMBER 2018 – 10 JANUARY 2019



NORGES BANK

Norges Bank's quarterly bank lending survey is a qualitative survey of banks' credit standards and their assessments of credit demand. 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 Vest and Sparebanken Sør. The survey was conducted for the first time after 2007 Q4.

The questions distinguish between lending to households and lending to non-financial enterprises. Banks are asked to specify changes in credit demand, credit standards and conditions from the previous quarter to 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 are converted into a numerical scale ranging from +2 to -2 in the charts in this survey. If all the banks in the survey have answered 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 resulting figure will be 2. The responses are aggregated and weighted to reflect the size of each bank's average loan volume for the past couple of years.

Some changes have been made to the questions in the survey and the way the results are reported, effective from 2016 Q3. Changes are minor 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 insights gained from the lending survey.

Norges Bank's Survey of Bank Lending 2018 Q4

Credit demand from both households and non-financial enterprises was broadly unchanged in 2018 Q4. Banks reported no substantial changes in credit standards and expect to keep credit standards approximately unchanged also in 2019 Q1. Interest rates on both household and corporate loans increased somewhat in Q4, in line with expectations in Q3. Banks also reported somewhat higher funding costs and a slight fall in household and corporate lending margins.

Lending to households

Overall household demand for residential mortgages was broadly unchanged in 2018 Q4 (Charts 1 and 3), although marginally higher than expected in Q3. Demand for first-home mortgages and fixed-rate loans was also little changed. In Q3, banks expected demand for fixed-rate loans to rise slightly in Q4. Banks expect household credit demand to remain approximately unchanged in 2019 Q1.

Banks reported unchanged credit standards for households in Q4 (Charts 2 and 4). There were no substantial changes in the individual factors affecting credit standards, and loan conditions were virtually unchanged (Charts 5-8). Nor do banks expect any substantial changes in 2019 Q1.

Banks reported both higher lending rates and funding costs in Q4, in line with expectations in Q3 (Chart 9). Banks reported somewhat stronger competition and a slight fall in household lending margins (Charts 9 and 10). Banks expect some increase in both Norges Bank's policy rate and funding costs in Q1. Banks reported that only slight changes in household lending rates and unchanged lending margins are expected in Q1.

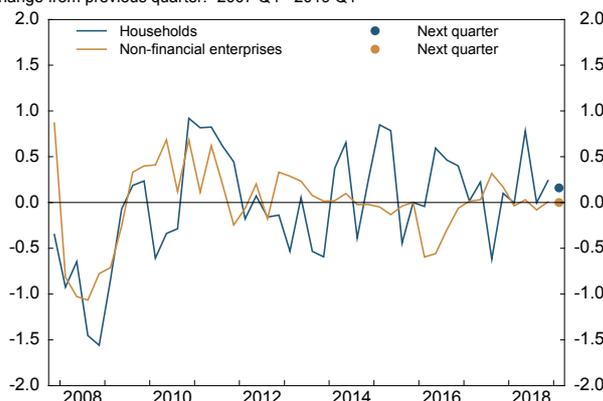
Lending to non-financial enterprises

Credit demand from non-financial enterprises was approximately unchanged in 2018 Q4 and is expected to remain unchanged in 2019 Q1 (Charts 1 and 11).

Banks reported unchanged credit standards for enterprises in Q4 (Charts 2 and 12). There were no substantial changes in the individual factors affecting credit standards, and loan conditions were virtually unchanged (Charts 13-16). Nor are any substantial changes expected in Q1.

Banks reported somewhat higher corporate lending rates and some increase in funding costs in Q4 (Chart 17). The increase in lending rates was as expected in Q3, while funding costs increased somewhat more than expected. Banks reported a slight fall in lending margins and slightly stronger competition in Q4. Banks expect both lending rates and funding costs to increase further in Q1, while lending margins are expected to remain stable.

Chart 1 Credit demand from households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2019 Q1



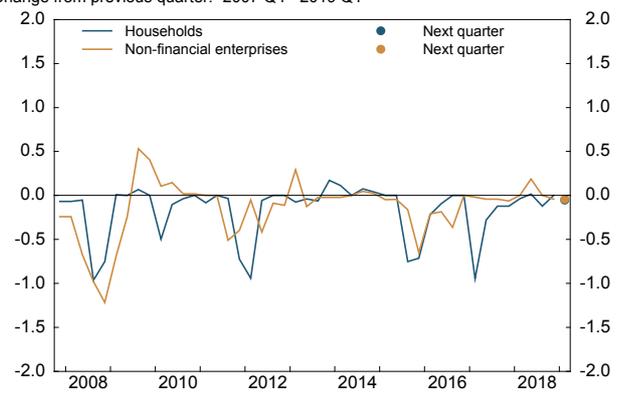
¹ Residential mortgages.

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 - 2019 Q1



¹ Residential mortgages.

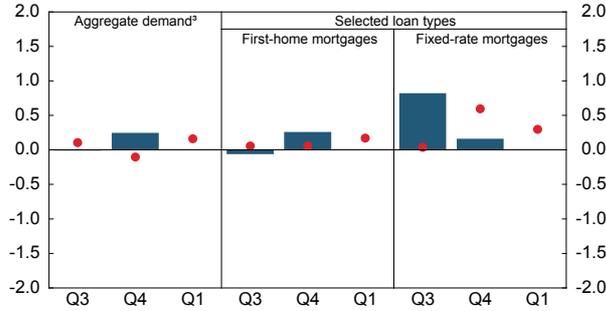
² Total credit to non-financial enterprises.

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

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

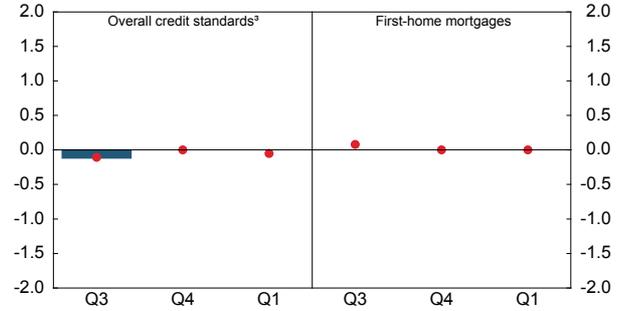
Source: Norges Bank

Chart 3 Household residential mortgage demand.¹ Change from previous quarter.² 2018 Q3 - 2019 Q1



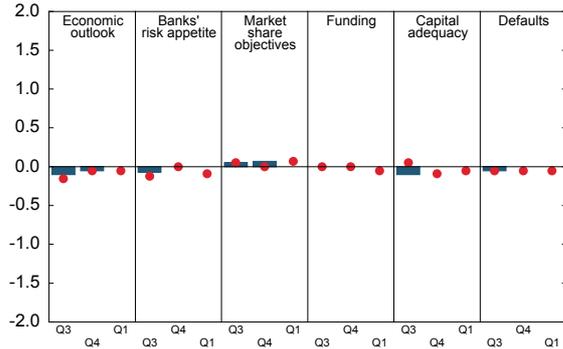
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ Aggregate demand refers to the sum of demand for first-home mortgages, fixed-rate mortgages 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 2018 Q3 - 2019 Q1



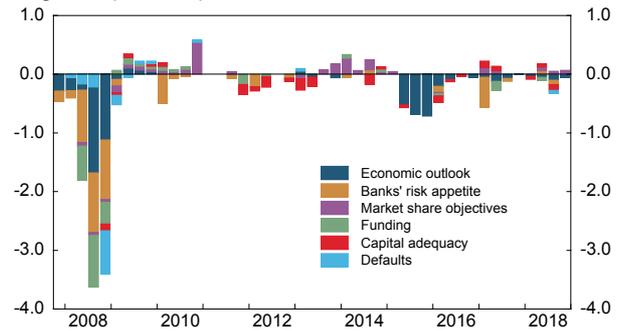
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
³ Overall credit standards refers to credit standards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

Chart 5 Factors affecting credit standards for households.¹ Change from previous quarter.² 2018 Q3 - 2019 Q1



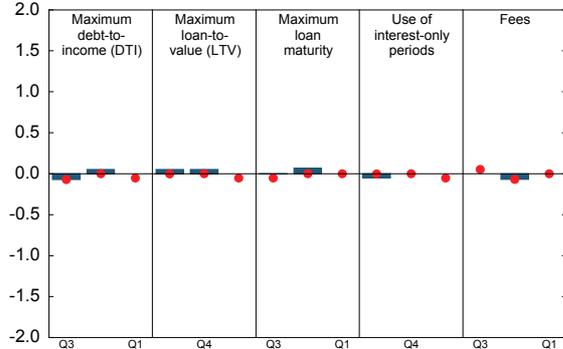
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
 Source: Norges Bank

Chart 6 Factors affecting credit standards for households.¹ Change from previous quarter.² 2007 Q4 - 2018 Q4



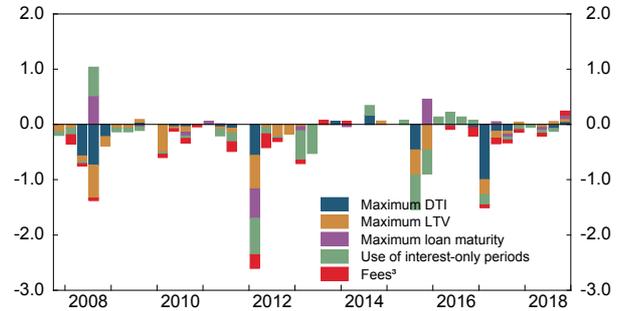
¹ Total response in a quarter from all banks for all six factors. If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 12.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
 Source: Norges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

Chart 7 Loan conditions for households.¹ Change from previous quarter.² 2018 Q3 - 2019 Q1



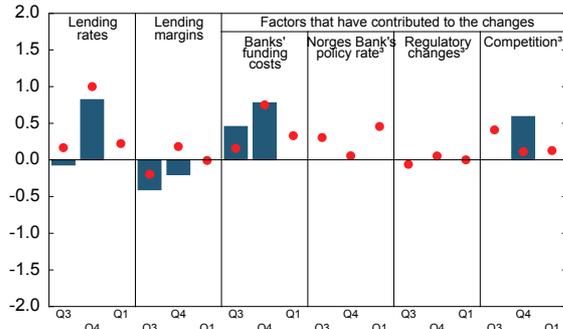
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
 Source: Norges Bank

Chart 8 Loan conditions for households.¹ Change from previous quarter.² 2007 Q4 - 2018 Q4



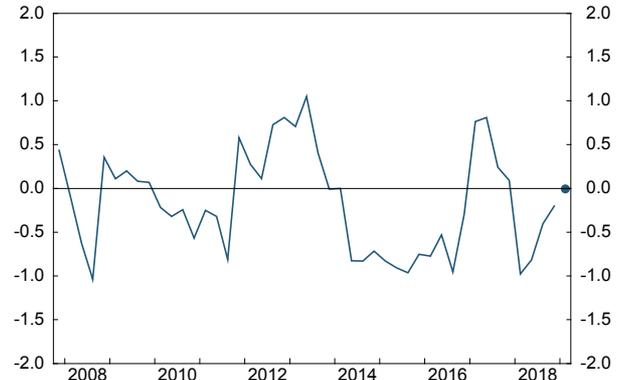
¹ Total response in a quarter from all banks for all five factors. If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As higher fees make it harder to obtain credit, the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

Chart 9 Lending rates and lending margins.¹ Lending to households. Change from previous quarter.² 2018 Q3 - 2019 Q1



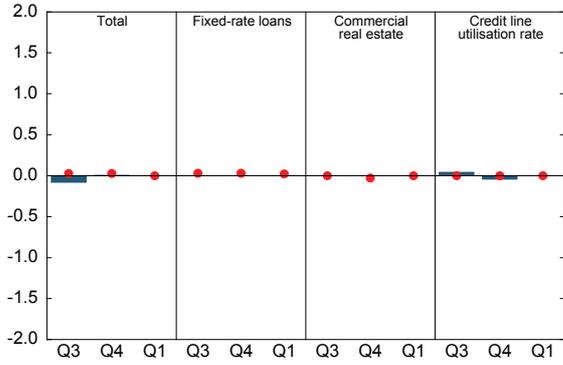
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ For Norges Bank's policy rate, expected developments only. Increase in Regulatory changes and Competition means stricter regulation and tougher competition, respectively.
 Source: Norges Bank

Chart 10 Margin on total residential mortgage loans to households.¹ Change from previous quarter.² 2007 Q4 - 2019 Q1



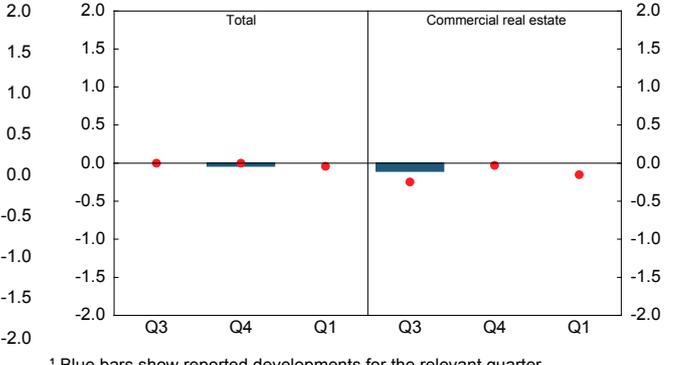
¹ The blue line shows reported developments in the relevant quarter. The blue dot shows expected developments for the next quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
 Source: Norges Bank

Chart 11 Credit demand from non-financial enterprises.¹
Change from previous quarter.² 2018 Q3 - 2019 Q1



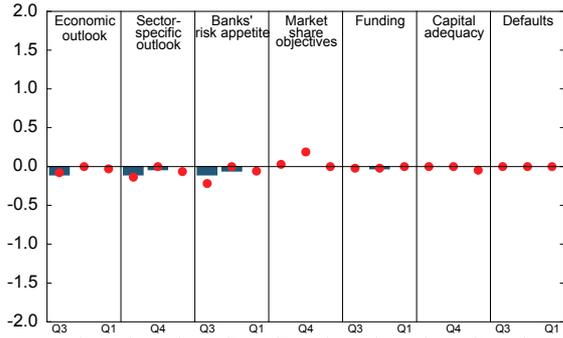
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 12 Credit standards for non-financial enterprises.¹
Change from previous quarter.² 2018 Q3 - 2019 Q1



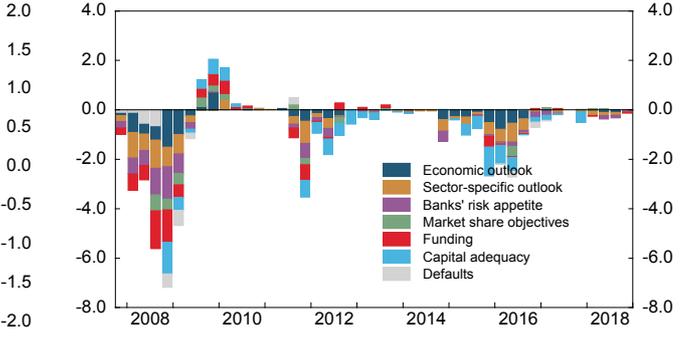
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit,
0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 13 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2018 Q3 - 2019 Q1



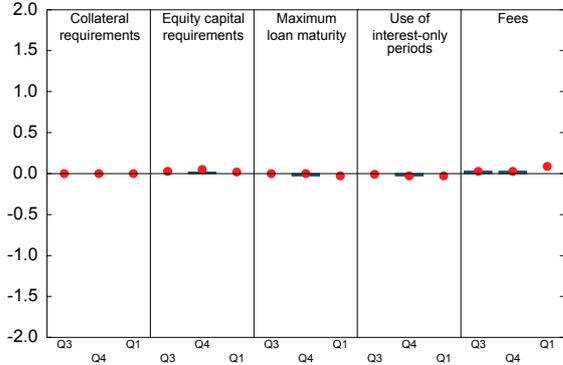
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged,
-1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 14 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q4



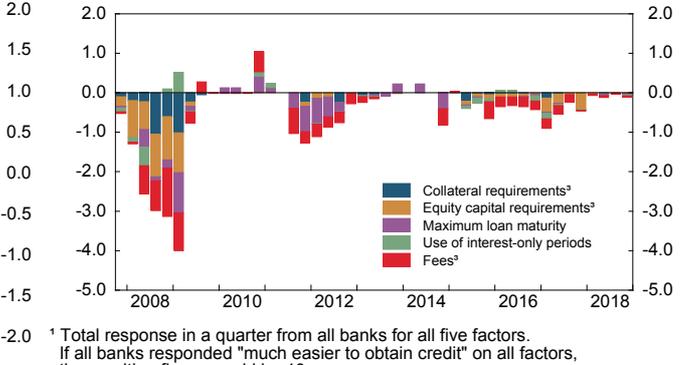
¹ Total response in a quarter from all banks for all seven factors.
If all banks responded "much easier to obtain credit" on all factors,
the resulting figure would be 14.
² 2/1 = Much/Somewhat easier to obtain credit,
0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges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

Chart 15 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2018 Q3 - 2019 Q1



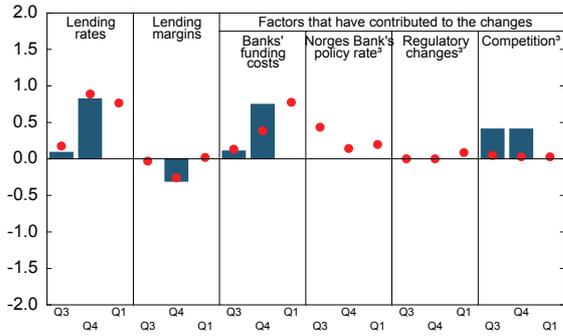
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 16 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q4



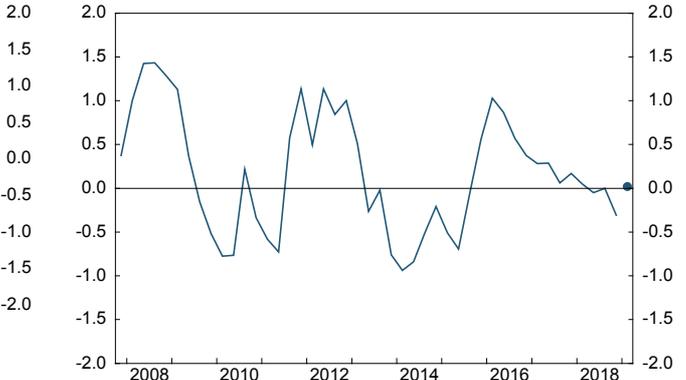
¹ Total response in a quarter from all banks for all five factors.
If all banks responded "much easier to obtain credit" on all factors,
the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As an increase in the ³-series makes it harder to 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 2018 Q3 - 2019 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 For Norges Bank's policy rate, expected developments only.
Increase in Regulatory changes and Competition means stricter regulation and tougher competition, respectively.
Source: Norges Bank

Chart 18 Margin on total loans to non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2019 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