

NORGES BANK'S SURVEY OF BANK LENDING

Increased household demand for fixed-rate loans

2018 Q3
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THE SURVEY WAS CONDUCTED IN THE PERIOD
24 SEPTEMBER 2018 – 11 OCTOBER 2018



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. The 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 Q3

Credit demand from both households and non-financial enterprises was broadly unchanged in 2018 Q3. Household demand for fixed-rate loans increased and is expected to increase somewhat in Q4. Banks reported little change in credit standards for households and enterprises and expect to keep credit standards unchanged in Q4. Margins on household loans fell as a result of higher funding costs. Banks reported that lending rates for both households and enterprises will rise somewhat in Q4 as a result of the increase in the key policy rate in September.

Lending to households

Overall household demand for residential mortgage loans was unchanged in Q3 and is expected to remain unchanged in Q4 (Chart 1). Demand for fixed-rate loans increased, which was not expected in Q2. Demand for fixed-rate loans is expected to rise somewhat further in Q4.

Banks reported little change in credit standards for households in Q3 and expect no changes in Q4 (Charts 2 and 4). There were no substantial changes in the individual factors affecting credit standards, and loan conditions were little changed (Charts 5-8).

Banks reported somewhat lower lending margins in Q3, driven by higher funding costs along with an approximately unchanged interest rate level (Charts 9 and 10). Banks reported that lending rates will increase somewhat in Q4. The rise in mortgage rates announced by banks following the increase in the key policy rate will become fully effective in Q4. Banks expect funding costs to increase somewhat and that lending margins will remain approximately unchanged in Q4.

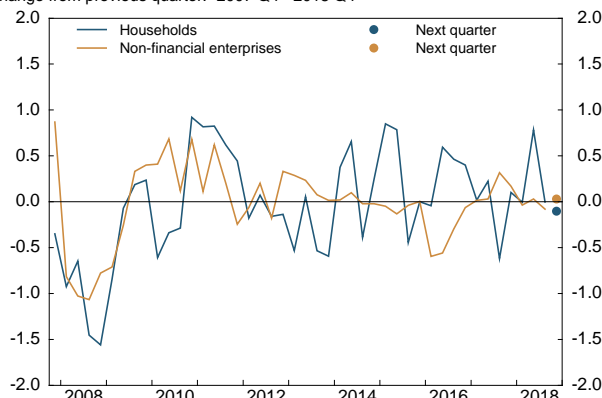
Lending to non-financial enterprises

Credit demand from non-financial enterprises was approximately unchanged in Q3 and no changes are expected in Q4 (Charts 1 and 11).

Banks' credit standards for enterprises were approximately unchanged in Q3 (Charts 2 and 12). There were no changes in the individual factors affecting credit standards, and loan conditions were approximately unchanged (Charts 13-16).

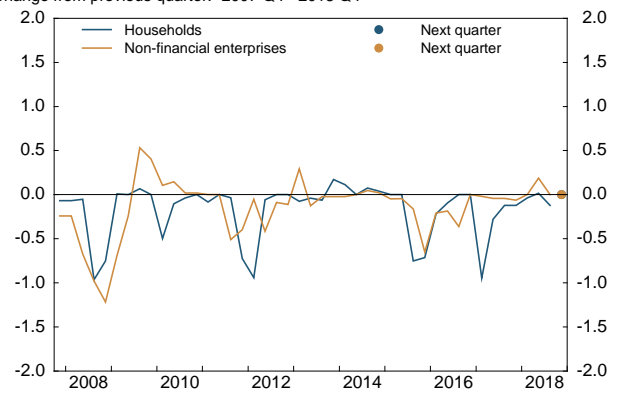
Lending margins were reported to be unchanged in Q3 (Charts 17 and 18). Lending rates and funding costs were little changed. Banks reported slightly stronger competition in Q3. Banks reported that lending rates will increase somewhat in Q4. Banks expect somewhat higher funding costs and that lending margins will fall slightly.

Chart 1 Credit demand from households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2018 Q4



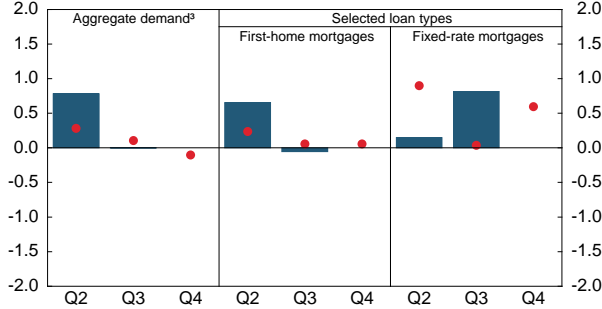
¹ Residential mortgages.
² Total credit to non-financial enterprises.
³ 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
 Source: Norges Bank

Chart 2 Credit standards for households¹ and non-financial enterprises². Change from previous quarter.³ 2007 Q4 - 2018 Q4



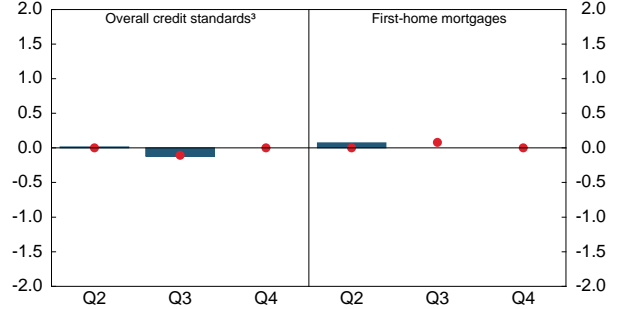
¹ Residential mortgages.
² Total credit to non-financial enterprises.
³ 2/1 = Much/Somewhat easier to obtain credit,
 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
 Source: Norges Bank

Chart 3 Household residential mortgage demand.¹ Change from previous quarter.² 2018 Q2 - 2018 Q4



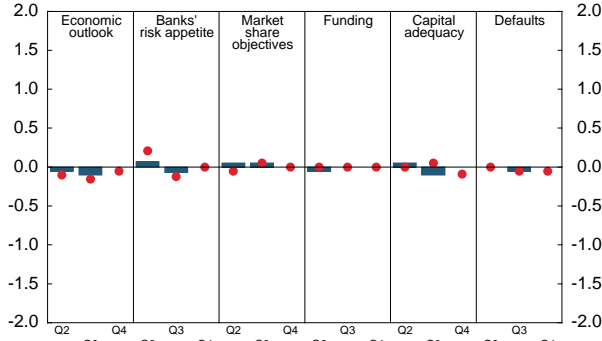
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ Aggregate demand refers to the sum of demand for first-home mortgages, fixed-rate mortgages 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 Q2 - 2018 Q4



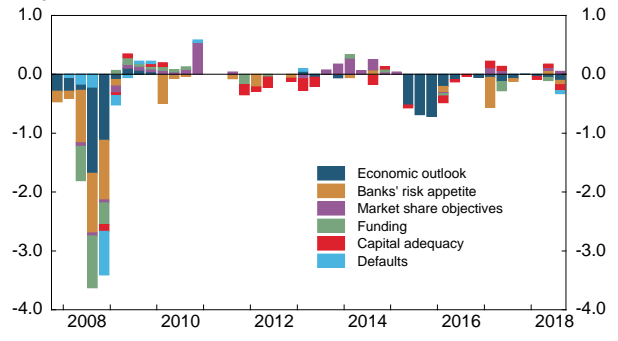
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
³ Overall credit standards refers to credit standards 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 Q2 - 2018 Q4



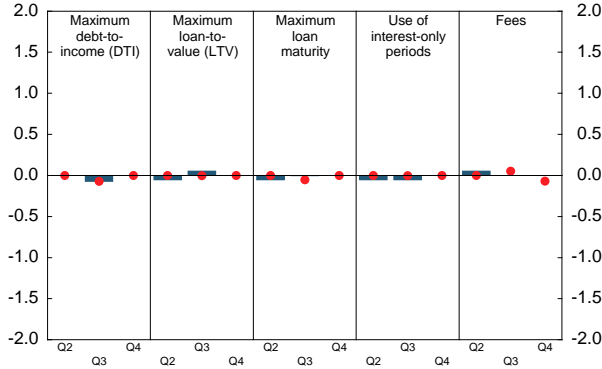
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
 Source: Norges Bank

Chart 6 Factors affecting credit standards for households.¹ Change from previous quarter.² 2007 Q4 - 2018 Q3



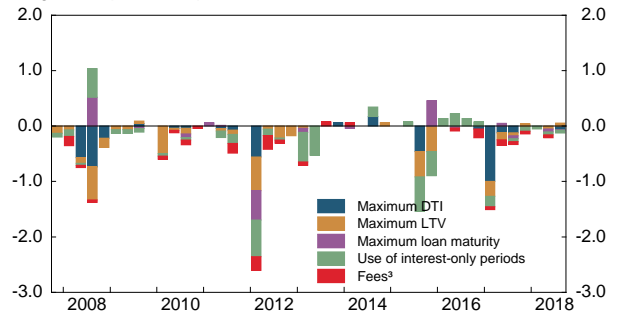
¹ Total response in a quarter from all banks for all six factors. If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 12.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
 Source: Norges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

Chart 7 Loan conditions for households.¹ Change from previous quarter.² 2018 Q2 - 2018 Q4



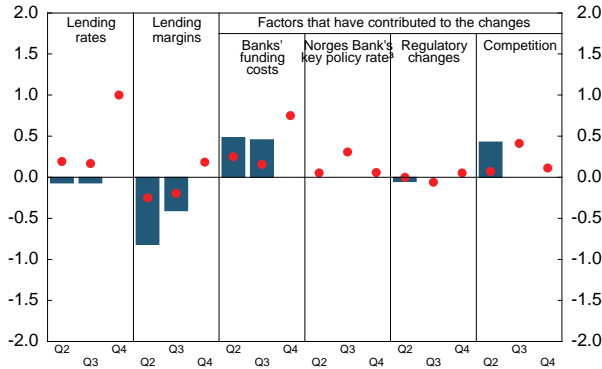
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As higher fees make it harder to obtain credit, the fee series has been negativised.
 Source: Norges Bank

Chart 8 Loan conditions for households.¹ Change from previous quarter.² 2007 Q4 - 2018 Q3



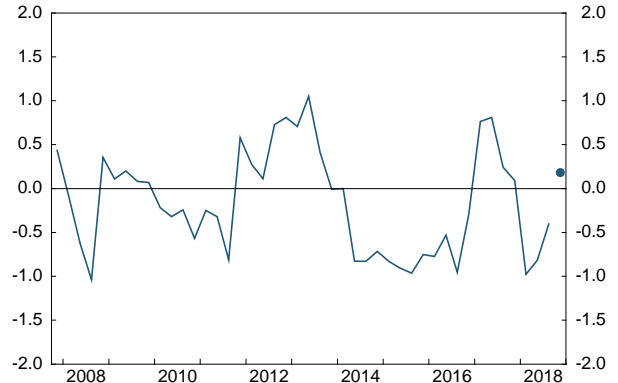
¹ Total response in a quarter from all banks for all five factors. If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As higher fees make it harder to obtain credit, the 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 Q2 - 2018 Q4



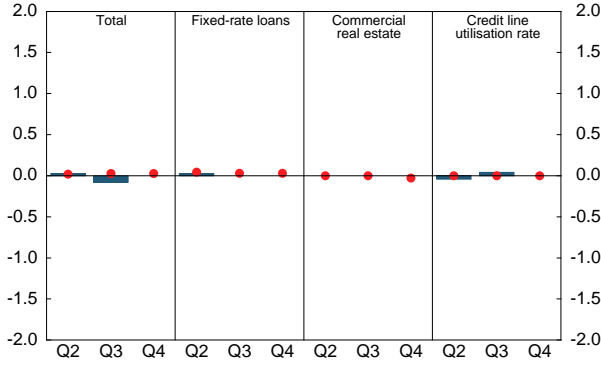
¹ Blue bars show reported developments for the relevant quarter. Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ Expected developments only, reported the previous quarter.
 Source: Norges Bank

Chart 10 Margin on total residential mortgage loans to households.¹ Change from previous quarter.² 2007 Q4 - 2018 Q4



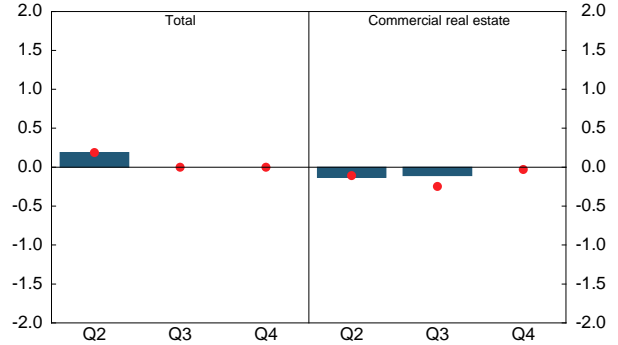
¹ The blue line shows reported developments in the relevant quarter. The blue dot shows expected developments for the next quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
 Source: Norges Bank

Chart 11 Credit demand from non-financial enterprises.¹
Change from previous quarter.² 2018 Q2 - 2018 Q4



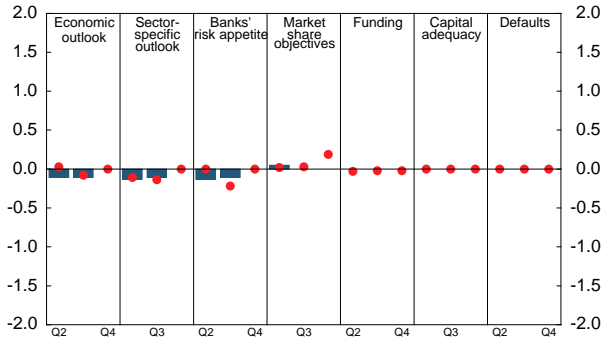
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 12 Credit standards for non-financial enterprises.¹
Change from previous quarter.² 2018 Q2 - 2018 Q4



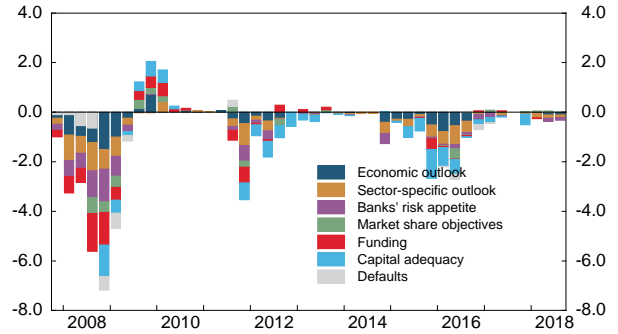
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 13 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2018 Q2 - 2018 Q4



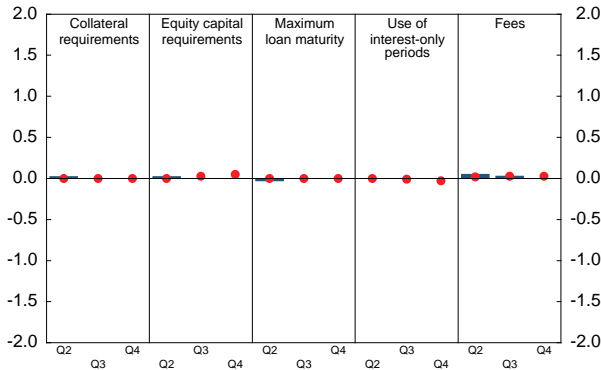
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges Bank

Chart 14 Factors affecting credit standards for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q3



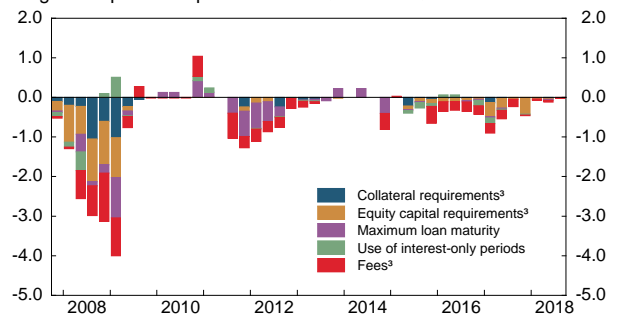
¹ Total response in a quarter from all banks for all seven factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 14.
² 2/1 = Much/Somewhat easier to obtain credit, 0 = Approx. unchanged, -1/-2 = Somewhat/Much tighter credit standards.
Source: Norges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

Chart 15 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2018 Q2 - 2018 Q4



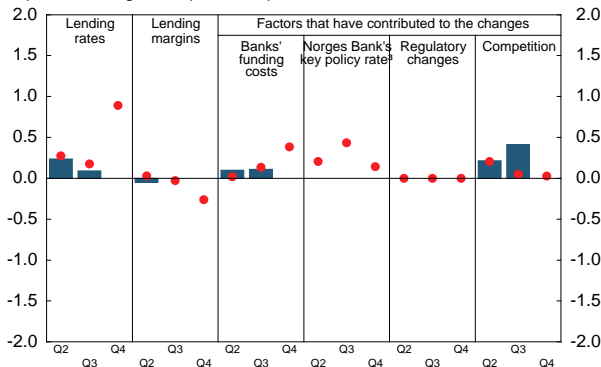
¹ Blue bars show reported developments for the relevant quarter.
Red dots show expected developments, reported the previous quarter.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
Source: Norges Bank

Chart 16 Loan conditions for non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q3



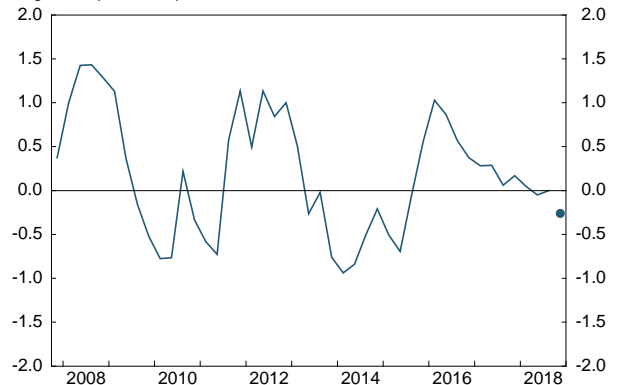
¹ Total response in a quarter from all banks for all five factors.
If all banks responded "much easier to obtain credit" on all factors, the resulting figure would be 10.
² 2/1 = Up a lot/a little, 0 = Approx. unchanged, -1/-2 = Down a little/a lot.
³ As an increase in the ³-series makes it harder to 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 Q2 - 2018 Q4



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 Expected developments only, reported the previous quarter.
Source: Norges Bank

Chart 18 Margin on total loans to non-financial enterprises.¹
Change from previous quarter.² 2007 Q4 - 2018 Q4



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