2011 Q4

Norges Bank's Survey of Bank Lending

Tighter credit standards

19 January 2012

NORGES BANK

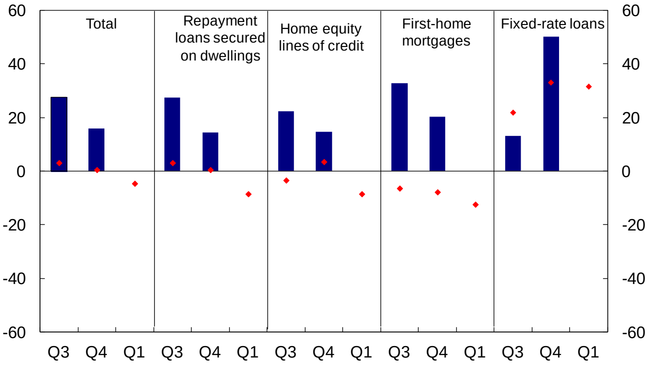
Norges Bank's Survey of Bank Lending 2011 Q4

Corporate credit demand decreased somewhat in 2011 Q4. At the same time, household credit demand increased somewhat. Looking ahead, banks expect broadly unchanged household credit demand and reduced corporate credit demand. Banks tightened credit standards for households and enterprises in 2011 Q4. Banks expect somewhat tighter credit standards for households and unchanged credit standards for enterprises in 2012 Q1. Lending margins rose on both household and corporate loans in 2011 Q4. Banks expect lending margins to continue to rise somewhat on both household and corporate loans ahead.

Norges Bank's bank lending survey for 2011 Q4 was conducted in the period 22 December 2011 – 9 January 2012. Participating banks were asked to assess developments in credit standards and credit demand in 2011 Q4 compared with 2011 Q3 and expected developments in 2012 Q1 compared with 2011 Q4.

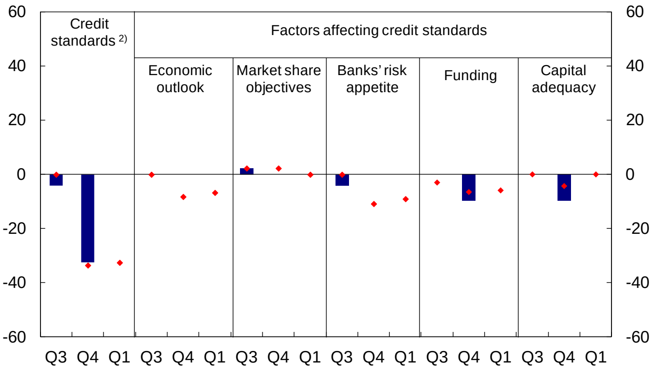
The banks in the survey use a scale of five alternative responses to indicate the degree of change in credit standards, terms and conditions and demand. Banks that report that conditions have changed 'a lot' are assigned twice the score of those reporting that conditions have changed 'a little'. The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



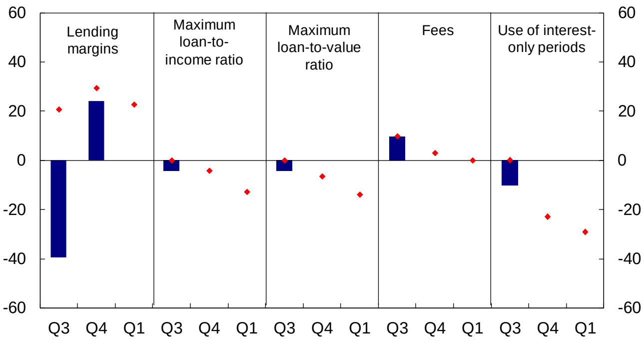
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter
2) Negative net percentage balances denote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

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



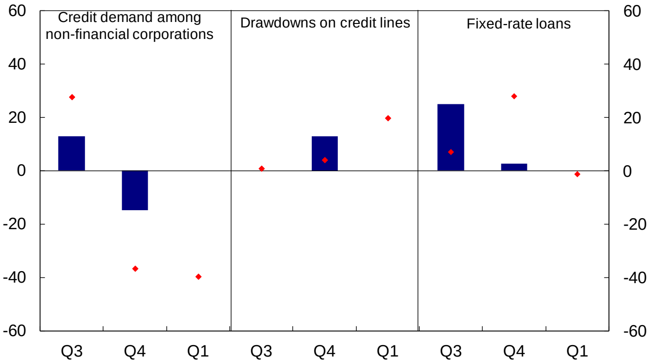
1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

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



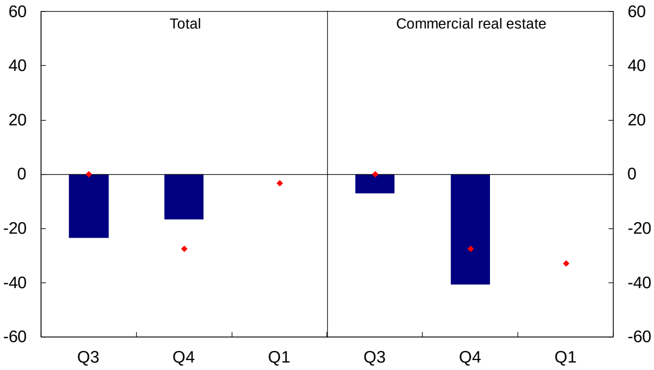
1) See footnote 1 in Chart 1
2) Positive net percentage balances for lending margins indicate higher lending margins. Positive net percentage balances for lending margins and fees denote tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only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

Chart 4 Credit demand among non-financial corporations and drawdowns on credit lines. Net percentage balances[1), 2)]



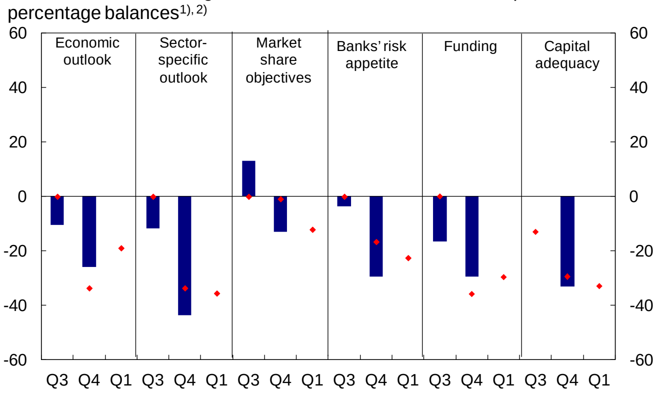
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased drawdowns on credit lines
Source: Norges Bank

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



1) See footnote 1 in Chart 1
2) Negative net percentage balances denote that the factor has contributed to tighter credit standards
Source: Norges Bank

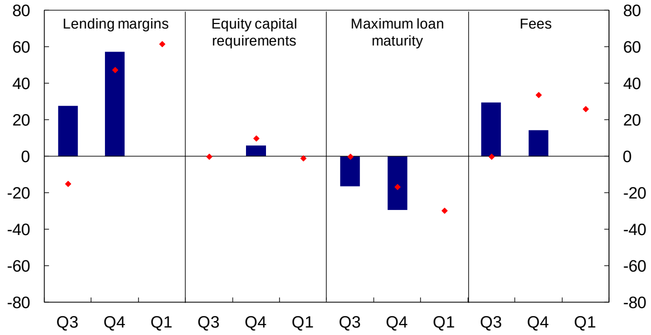
Lending to households

Banks reported somewhat higher total household credit demand in 2011 Q4 (see Chart 1). In the previous bank lending survey, banks expected unchanged credit demand for 2011 Q4. The higher demand comprised all types of loans secured on dwellings. Demand for fixed-rate loans increased further in 2011 Q4. Banks expect higher demand for fixed-rate loans also in the period ahead. Low interest rates on fixed-rate loans are probably the reason for the higher demand. Banks expect unchanged overall household credit demand in 2012 Q1.

Banks tightened their credit standards for households in 2011 Q4 (see Chart 2). Some banks reported that their funding situation and capital adequacy have contributed somewhat to this tightening. There are small changes in the factors affecting credit standards, despite a more substantial change in credit standards. This may indicate that the survey does not capture all factors that affect banks' credit standards for households.
In the period ahead, banks expect a further tightening of credit standards for households. One bank expects that new guidelines for prudent lending issued by Finanstilsynet (Financial Supervisory Authority of Norway) will contribute to tighter credit standards for households ahead.

Banks reported higher lending margins on household loans in 2011 Q4, but the rise was not as much as expected (see Chart 3). Looking ahead, banks continue to expect lending margins on household loans to rise further. Banks also expect some tightening for households' use of interest-only periods in 2012 Q1 (see Chart 3).

Chart 7 Change in loan conditions for non-financial corporations. 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 indicate tighter credit standards
Source: Norges Bank

Lending to enterprises[1]

Banks reported a slight decrease in corporate credit demand in 2011 Q4 (See Chart 4). The decrease was smaller than expected. Demand for fixed-rate loans from enterprises was broadly unchanged in 2011 Q4, and less than expected. Looking ahead, banks expect a further decrease in overall corporate credit demand (see Chart 4).

Banks tightened their credit standards for enterprises somewhat in 2011 Q4, especially for loans to the commercial real estate sector (see Chart 5). Banks' funding situation, capital adequacy and risk appetite, the economic outlook and the sector-specific outlook were reasons given for the tightening (see Chart 6). Banks expect broadly unchanged overall credit standards for enterprises, but some tightening on loans to the commercial real estate sector ahead. Several banks commented that the outlook in the commercial real estate market is contributing to tightening for this sector, but also banks' funding situation and capital adequacy are expected to lead to tightening in 2012 Q1 (see Chart 6).

Banks reported a further rise in lending margins on corporate loans in 2011 Q4 (see Chart 7). Lending margins are expected to be higher in 2012 Q1.

[1] non-financial corporations