NORGES BANK'S SURVEY OF BANK LENDING

Lower margins on lending

2014 Q4

15 JANUARY 2015

NORGES BANK

Norges Bank's Survey of Bank Lending 2014 Q4[1]

Banks report slight changes in credit demand and credit standards in 2014 Q4.

Banks report lower margins on lending in Q4. Margins on lending to households are expected to fall further in 2015 Q1.

For non-financial enterprises, banks expect lower credit demand and tighter credit standards in Q1.

The charts are explained in the box on the last page.

Lending to households

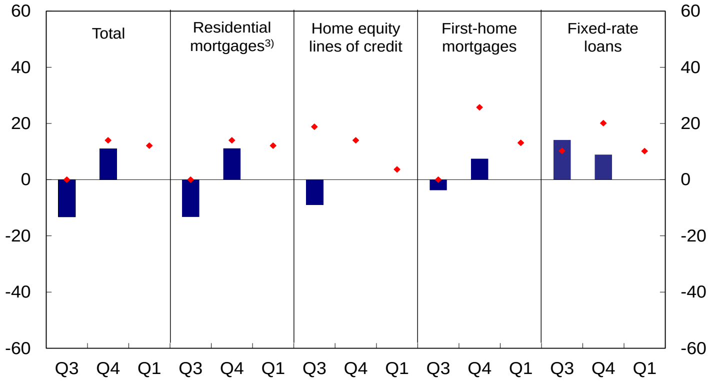
Overall household credit demand rose slightly in Q4, following a slight decline in Q3 (see Chart 1). Demand rose for residential mortgages, first-home mortgages and fixed-rate loans, while demand for home equity lines of credit was broadly unchanged in Q4. Banks expect that household credit demand will continue to increase slightly in 2015 Q1.

There was little change in overall credit standards for households in Q4 (see Chart 2). Banks report a slight easing in credit standards for first-home mortgages. Overall credit standards are expected to remain unchanged in Q1.

Banks report that margins on lending to households fell in Q4. The decline was slightly less pronounced than expected (see Chart 3). Banks expect lending margins to fall further in Q1. No substantial changes were reported in other credit conditions.

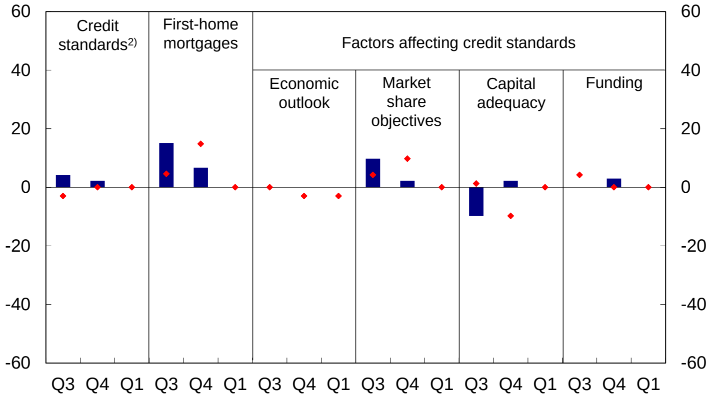
[1] The 2014 Q4 survey was conducted in the period 19 December 2014 – 8 January 2015.

Chart 1 Household credit demand. Net percentage balances[1), 2)]



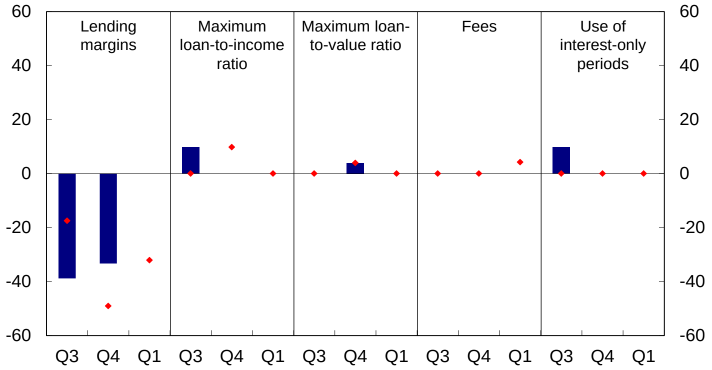
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter.
2) Negative net percentage balances denote falling demand.
3) Repayment loans secured on dwellings.
Source: Norges Bank

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



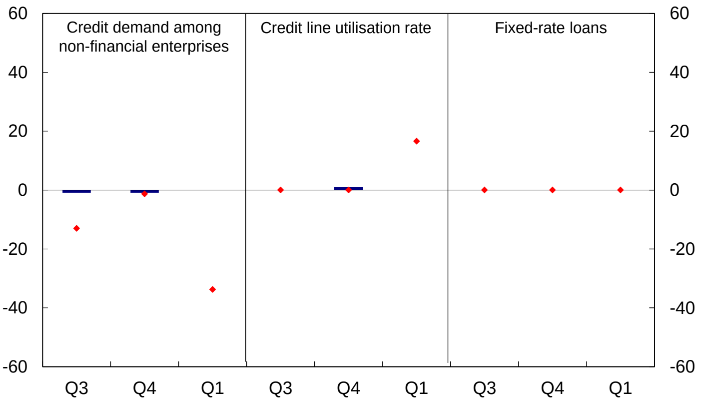
1) See footnote 1 in Chart 1.
2) Negative net percentage balances denote tighter credit standards.
Source: Norges Bank

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



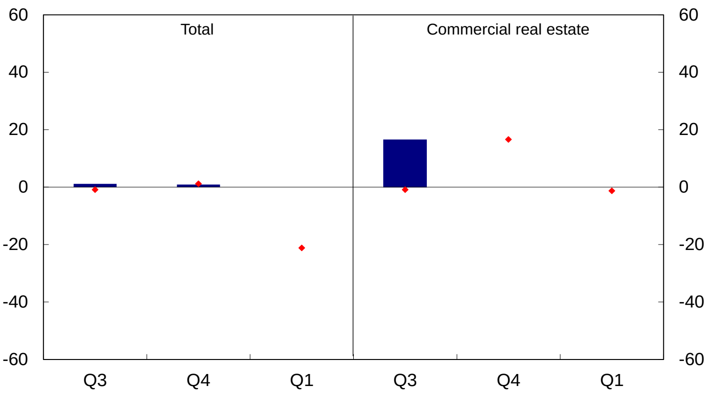
1) See footnote 1 in Chart 1.
2) Positive net percentage balances for lending margins denote higher lending margins. Positive net percentage balances for lending margins and fees denote tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only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

Chart 4 Credit demand among non-financial enterprises and credit line utilisation rate. Net percentage balances[1), 2)]



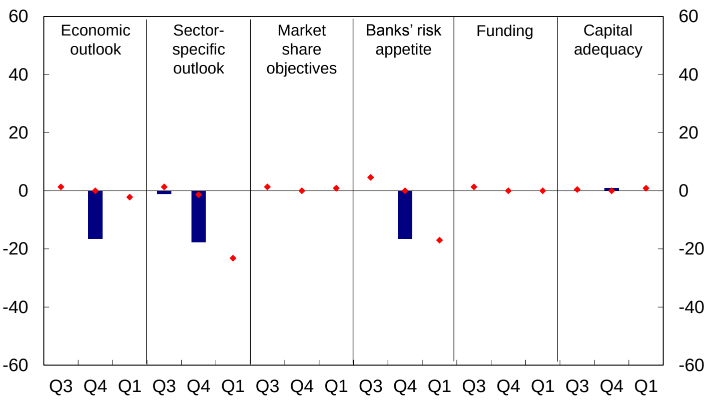
1) See footnote 1 in Chart 1.
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate.
Source: Norges Bank

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



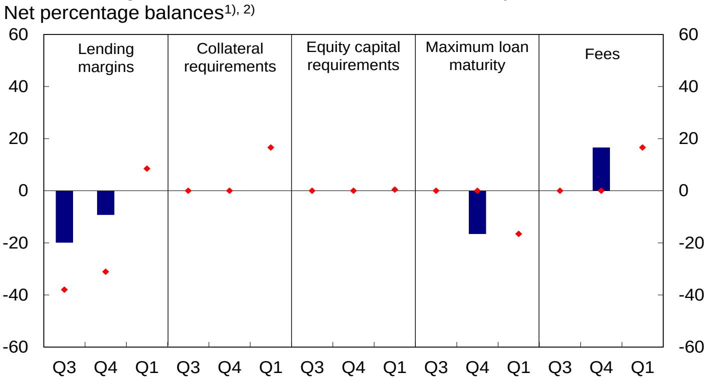
1) See footnote 1 in Chart 1.
2) Negative net percentage balances denote tighter credit standards.
Source: Norges Bank

Chart 6 Factors affecting credit standards for non-financial enterprises. 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 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 denote higher lending margins. Positive net percentage balances for lending margins, collateral requirements, equity capital requirements and fees denote tighter credit standards. Negative net percentage balances for maximum loan maturity denote tighter credit standards.
Source: Norges Bank

Lending to non-financial enterprises

Corporate credit demand was unchanged in Q4 (see Chart 4). Banks expect lower credit demand in 2015 Q1. Utilisation rates of existing credit lines are expected to increase somewhat.

Banks report unchanged credit standards for non-financial enterprises in Q4 (see Chart 5). Nevertheless, banks indicate that the economic outlook, sector-specific conditions and banks' risk appetite pointed towards tighter credit standards in Q4 (see Chart 6). Banks expect some tightening in credit standards in Q1.

Banks report slightly lower margins on lending to enterprises in Q4, but expect a slight increase in Q1 (see Chart 7). The decline in Q4 was less pronounced than previously expected. Banks report somewhat stricter maximum loan maturities and slightly higher fees. Slightly stricter collateral requirements for corporate loans are expected in Q1.

The banks in the survey are asked to assess developments in credit standards and credit demand over the past quarter, compared with the previous quarter. They are also asked to assess expectations over the next quarter, compared with the past quarter.

In the survey, there is 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 enterprises 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 all the banks in the sample have substantially tightened their credit standards, the net percentage balance will be -100%.