2013 Q3

Norges Bank's Survey of Bank Lending

Lower household credit demand

17 October 2013

NORGES BANK

Norges Bank's Survey of Bank Lending 2013 Q3[1]

There were minor changes in overall credit standards for households and enterprises in Q3. Household lending margins rose, but to a lesser extent than banks expected at end-Q2. Banks report lower household credit demand.

Banks expect some easing of corporate credit standards in Q4 and approximately unchanged credit standards for households. Banks expect narrower margins on lending to both households and enterprises. At the same time, they expect household and corporate demand for loans to fall somewhat.

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

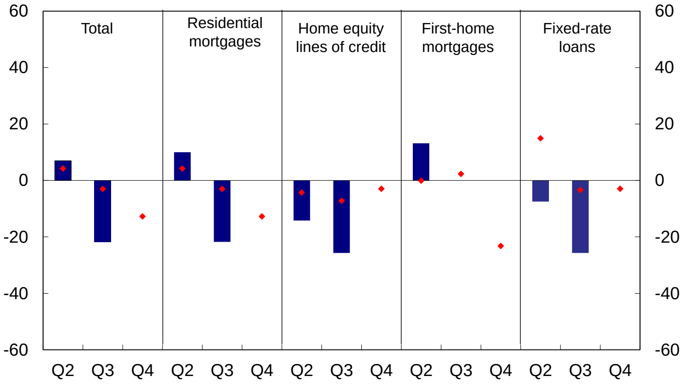
Lending to households

Banks report lower household credit demand in 2013 Q3 (see Chart 1). The decrease was larger than banks expected at end-Q2. Demand for residential mortgages, home equity lines of credit and fixed-rate loans fell, while demand for first-home mortgages was approximately unchanged. Banks expect household credit demand to decrease further in Q4.

Credit standards for households are reported to be approximately unchanged in Q3 (see Chart 2). In the survey for Q2, banks expected overall credit standards to remain unchanged, but with some tightening for first-home mortgages. Banks expect approximately unchanged credit standards in Q4. Tightened competition for market share suggests in isolation an easing of credit standards in Q4.

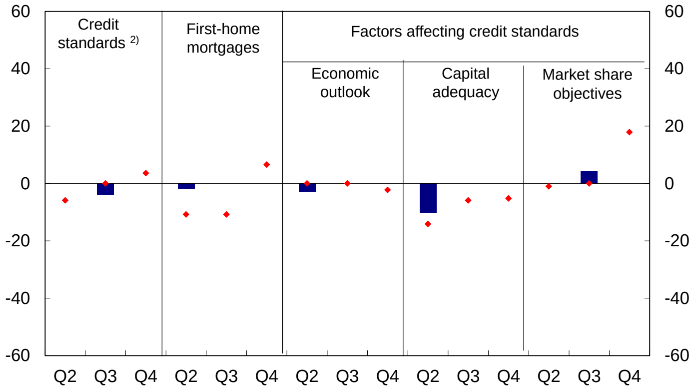
Banks' lending margins increased somewhat in Q3 (see Chart 3). The increase was smaller than banks had expected at end-Q2. Banks expect that household lending margins will be lower in Q4, but that other loan conditions will remain unchanged.

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



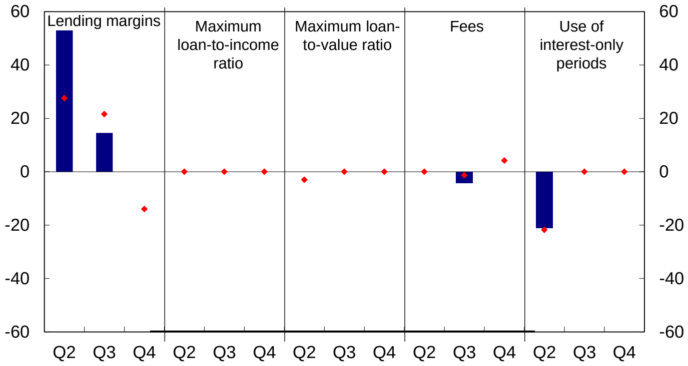
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter
2) Negative net percentage balances denote falling demand
Source: Norges Bank

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

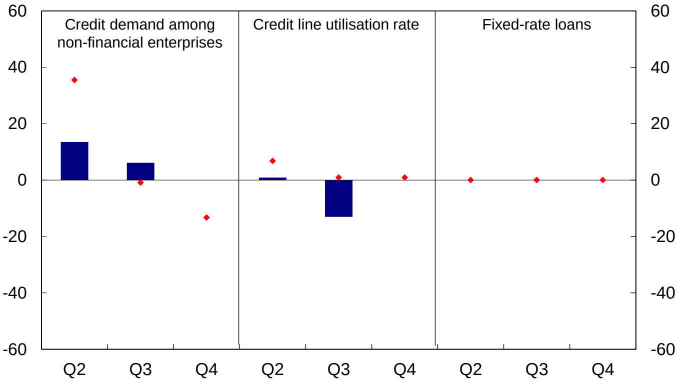
Chart 3 Change in loan conditions for households. Net percentage balances[1), 2)]



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

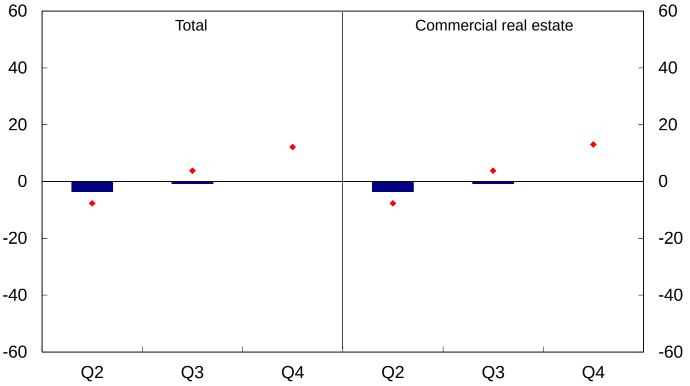
[1] The survey for 2013 Q3 was conducted in the period 27 September 2013 – 8 October 2013

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



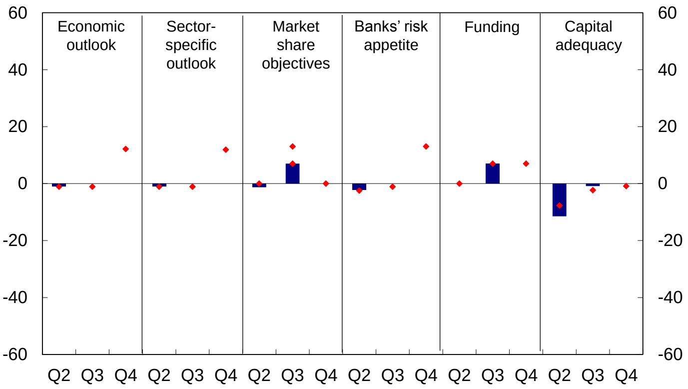
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate
Source: Norges Bank

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

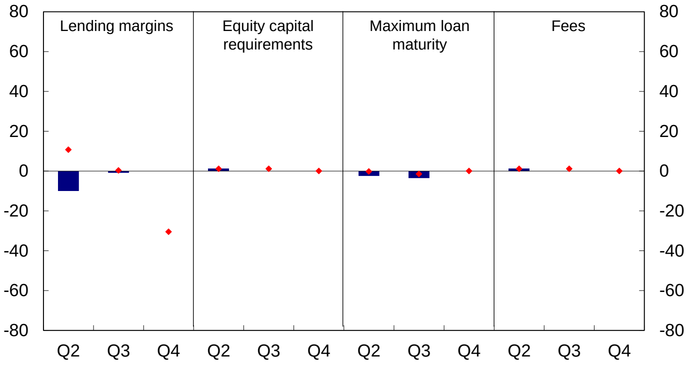
Lending to non-financial enterprises

Banks report a slight increase in corporate credit demand in Q3 (see Chart 4). At end-Q2, banks expected corporate credit demand to remain unchanged. The credit line utilisation rate fell in Q3. Some reduction in corporate credit demand is expected in Q4.

Credit standards for non-financial enterprises were approximately unchanged in Q3 (see Chart 5), as were credit standards for commercial property enterprises. Market share objectives and the funding situation have, in isolation, contributed to an easing of credit standards (see Chart 6). In Q4, banks expect to relax credit standards somewhat for both non-financial enterprises overall and commercial property enterprises. The reasons given by banks for the expected relaxation are the economic outlook, the funding situation, sector-specific conditions and risk appetite.

Banks report unchanged corporate lending margins in Q3 (see Chart 7). They expect that corporate lending margins will be lower in Q4, but that other loan conditions will remain unchanged.

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

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 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%.