NORGES BANK'S SURVEY OF BANK LENDING

Somewhat tighter credit standards for households

2015 Q3
15 OCTOBER 2015

NORGES BANK

Norges Bank's Survey of Bank Lending 2015 Q3[1]

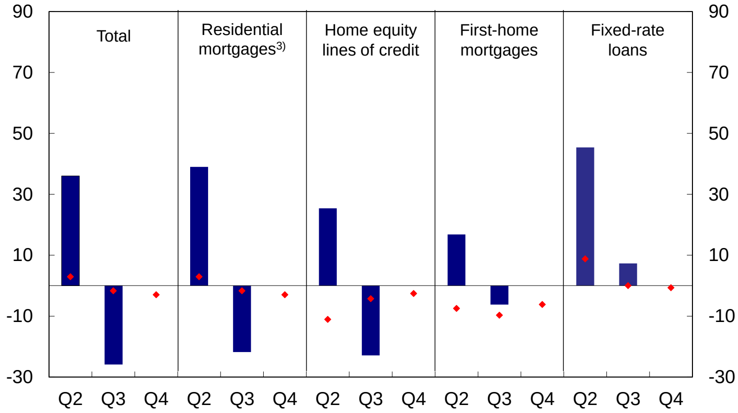
Banks reported slightly lower household credit demand in 2015 Q3. Corporate credit demand was approximately unchanged.

Banks reported somewhat tighter credit standards for households in Q3. Credit standards for enterprises were reported to be broadly unchanged.

Margins on lending to households have fallen further.

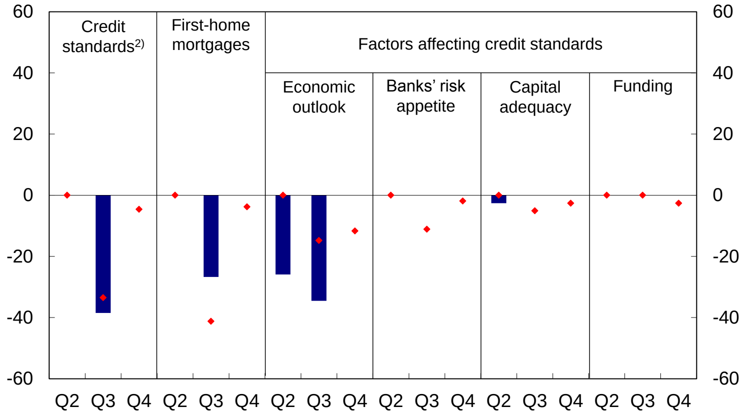
The charts are explained in a box on the last page.

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



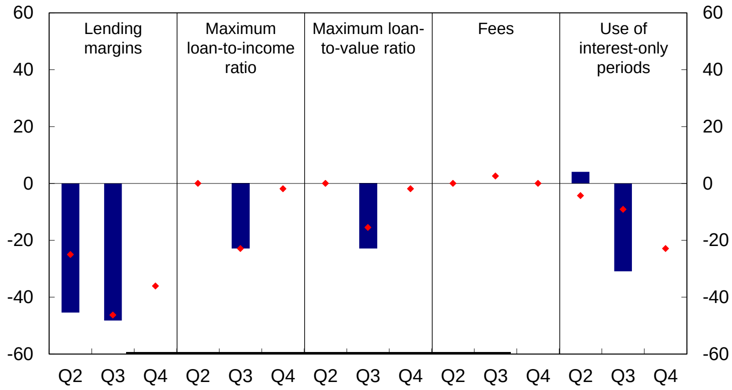
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter.
2) Negative net percentage balances denote falling demand.
3) Repayment loans secured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

Lending to households

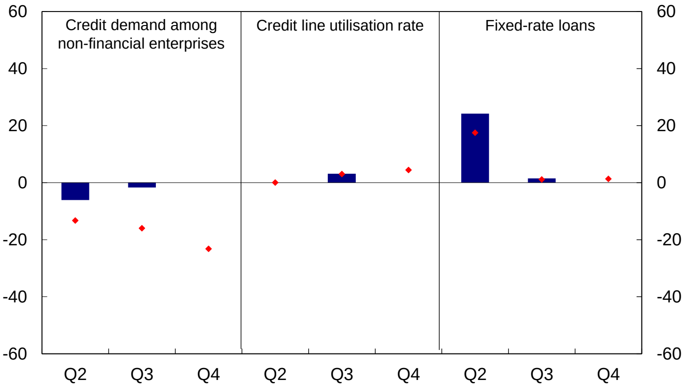
Overall household credit demand fell slightly in Q3, while broadly unchanged demand had been expected (Chart 1). Banks reported a slight decline in demand for residential mortgages and home equity lines of credit. Demand for fixed-rate loans, first-home mortgages and consumer loans was reported to be unchanged. Banks expect household credit demand to be unchanged in Q4.

Banks reported somewhat tighter credit standards for households in Q3, broadly in line with expectations in the previous survey (Chart 2). The economic outlook in particular has contributed to the tightening. Some banks also indicated that the regulation concerning lending requirements for new residential mortgages, effective from 1 July 2015, has been a contributing factor. Banks expect that credit standards will be unchanged in Q4.

Banks reported tighter loan conditions for maximum loan-to-income and loan-to-value ratios and for interest-only periods in Q3 (Chart 3). Banks reported lower margins on lending to households.

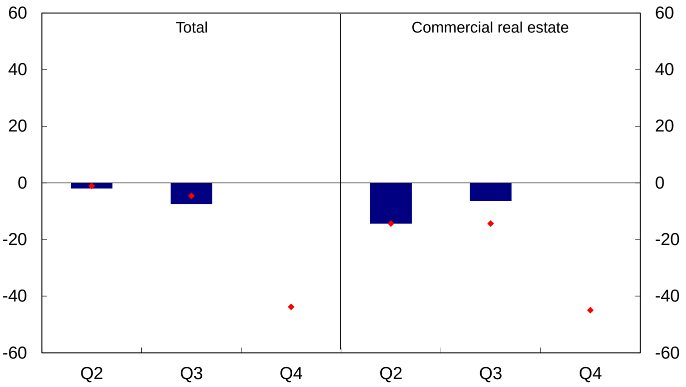
[1] The 2015 Q3 survey was conducted in the period 25 September 2015 – 6 October 2015

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



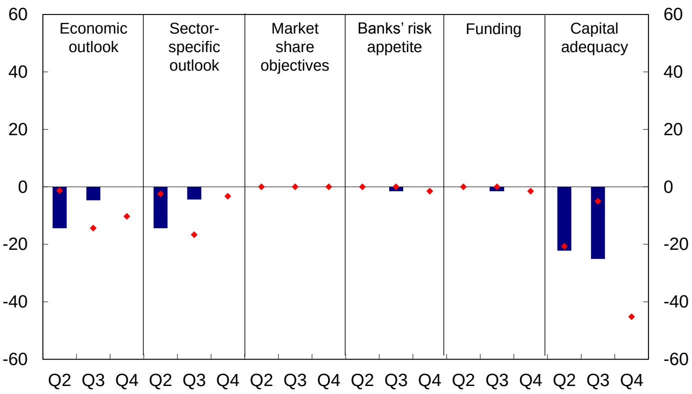
1) See footnote 1 in Chart 1.
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate.
Source: Norges Bank

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



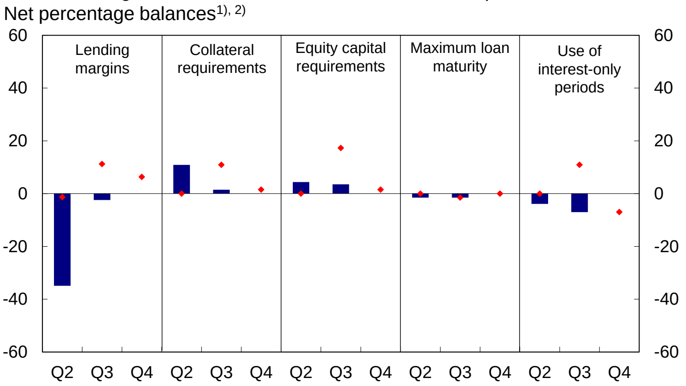
1) See footnote 1 in Chart 1.
2) Negative net percentage balances denote tighter credit standards.
Source: Norges Bank

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

Credit demand from non-financial enterprises was approximately unchanged in Q3 (Chart 4). Slightly lower demand had been expected. Banks expect slightly lower corporate credit demand in Q4.

Banks reported approximately unchanged credit standards for enterprises in Q3 (Chart 5). Tighter credit standards, both for enterprises as a whole and for commercial property enterprises in particular, are expected in Q4. Banks indicated that the main factor driving banks' tightening of credit standards was capital adequacy (Chart 6).

Banks reported broadly unchanged loan conditions for enterprises (Chart 7).

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%.