

# BANK LENDING SURVEY JANUARY

Financial Stability Department

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## I. INTRODUCTION AND SUMMARY

The Bank Lending Survey captures banks' opinions regarding the change in the supply of loans by means of credit standards and the terms and conditions for approving loans, and regarding the change in non-financial corporations' and households' demand for loans. This document summarises the results of the eleventh round of the survey, i.e. banks' views on the evolution of the standards and conditions in 2014 Q4 and their expectations in these areas for 2015 Q1. Eighteen banks, accounting for a major share of the bank credit market, took part in the survey, which was conducted between 27 November and 16 December 2014.<sup>1,2</sup>

*The survey reveals that banks eased their credit standards in all the monitored credit market segments in 2014 Q4. This was mainly due to strong competitive pressures and low financing costs. These circumstances made it possible to further ease the terms and conditions for approving loans, as average interest margins fell in all credit market segments. According to banks' perceptions, non-financial corporations' demand for loans rose further owing mainly to rising demand for loans to finance mergers and acquisitions, fixed investment and working capital and inventories. Banks also perceived an increase in households' demand for house purchase loans, which, in their opinion, reflected increasing consumer confidence combined with marketing campaigns. Demand for consumer credit did not change overall according to banks. Banks expect credit standards to ease further in all credit market segments in 2015 Q1. Demand is expected to remain unchanged for loans to non-financial corporations and loans to households for house purchase. Demand for consumer credit is expected to increase.*

## II. CREDIT STANDARDS AND DEMAND FOR LOANS

### II.1 NON-FINANCIAL CORPORATIONS

Banks' credit standards for approving **loans to non-financial corporations** were eased in 2014 Q4 (an NP of 35% of the market). Standards were eased to a greater extent for loans to large corporations. Banks identified competitive pressure in this segment and a generally favourable liquidity situation and – to a lesser extent – an expected improvement in the overall economic situation and lower risk perceptions associated with required collateral, as the most important factors. As regards the terms and conditions for approving corporate loans, all banks reduced their average interest margins and relaxed their loan size limits. A smaller part of the credit market decided to ease the conditions by reducing non-interest charges and relaxing various types of requirements (loan covenants, collateral and loan maturity).

Non-financial corporations' demand for loans as perceived by banks grew for the third consecutive quarter (an NP of 55% of the market). The biggest rise in demand was recorded for large corporations and long-term loans. By contrast, small and medium-sized enterprises

<sup>1</sup> Four large banks, four medium-sized banks, two small banks, three foreign bank branches and five building societies took part in the survey. Data in Excel files, along with the questionnaire, a glossary and methodological guidelines, are available on the CNB website: ([http://www.cnb.cz/en/bank\\_lending\\_survey/index.html](http://www.cnb.cz/en/bank_lending_survey/index.html)).

<sup>2</sup> The questionnaire contained 17 questions regarding banks' credit standards, terms and conditions for approving loans and demand for loans perceived by banks, including the relevant factors. In the text and charts, the responses to the questions are expressed in the form of net percentages (NP) on the aggregate level. Net percentages are calculated as the difference between the market share of loans provided in the given segment by banks reporting that standards/conditions have been tightened (or demand increased) and the market share of loans provided in the given segment by banks reporting that standards/conditions have been eased (or demand decreased). A positive (negative) net percentage indicates an overall tightening (easing) of standards/conditions or an overall increase (decrease) in demand.

(SMEs) showed an overall decrease in demand. The overall increase was due to continued growth in demand for loans to finance mergers and acquisitions, operating loans and loans for fixed investment. The use of alternative forms of corporate financing in the form of debt securities had a negative impact on demand.

Banks expect credit standards for approving all types of corporate loans to ease further in 2015 Q1 (an NP of 61% of the market). According to banks' expectations, total corporate demand for loans will remain unchanged. Growth in demand is expected only in the SME sector.

## II.2 HOUSEHOLDS

Banks' credit standards for approving **loans to households for house purchase** were relaxed in a small section of the market in Q4, with financing costs, competitive pressure and expectations regarding the future economic situation acting in this direction. Banks expect credit standards to be eased further in the following quarters. As regards the terms and conditions for approving loans, average interest margins decreased for the third quarter in a row, whereas banks' margins on riskier loans increased.

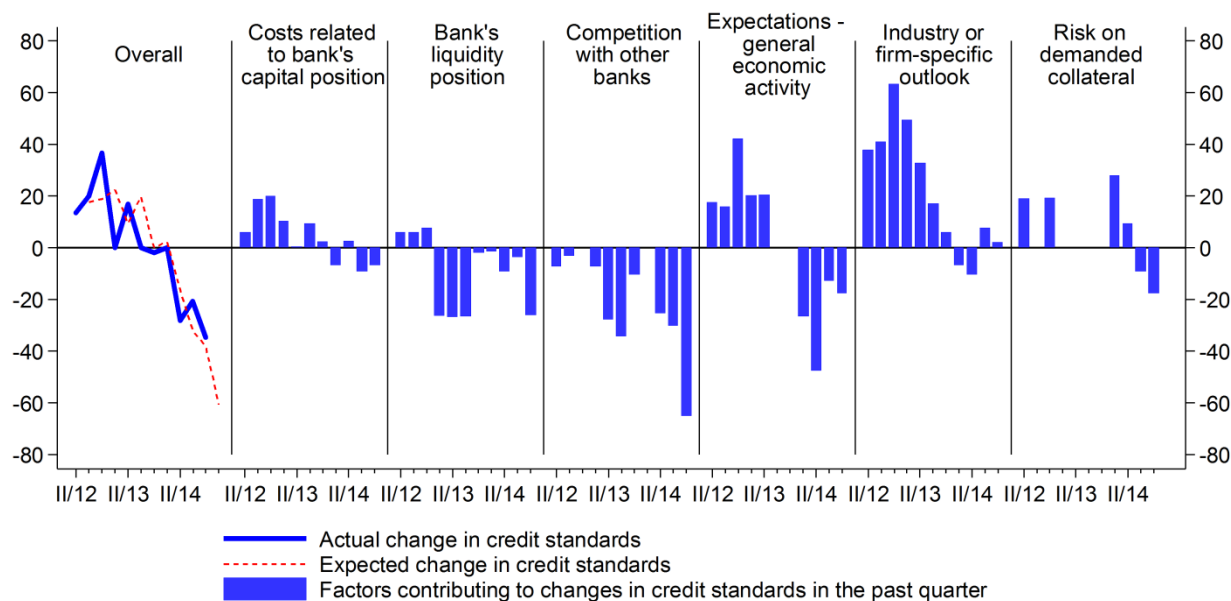
Household demand for loans for house purchase as perceived by banks increased in Q4 (an NP of 24%). Demand was favourably affected by rising consumer confidence and good outlooks for the residential property market and, in some banks, by successful marketing campaigns. No further changes in demand are expected in 2015 Q1.

Credit standards for **consumer credit** to households were relaxed in 2014 Q4 (an NP of 47%). This was chiefly due to competitive pressure from other banks and non-banks. As for the terms and conditions for approving loans, average interest margins and margins on riskier loans both decreased.

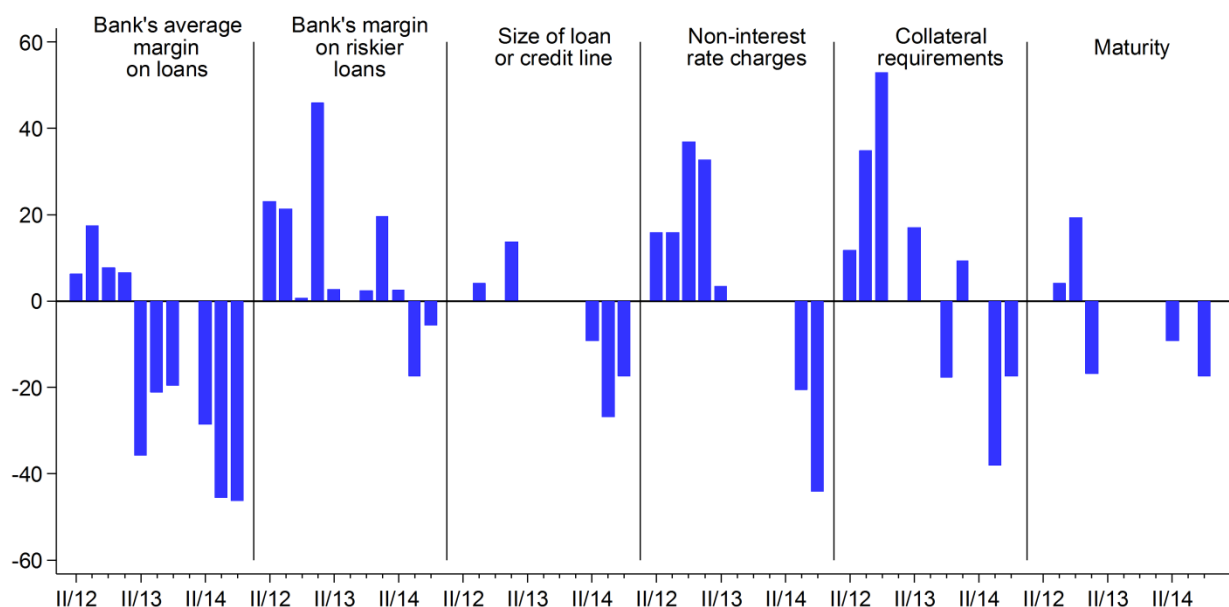
According to banks, household demand for consumer credit was flat overall. In this segment too, demand was positively affected by rising consumer confidence and, as in the previous quarter, the need to finance durable goods. A small section of the banking market expects demand to grow in 2015 Q1.

## SUPPLY AND DEMAND CONDITIONS FOR LOANS TO NON-FINANCIAL CORPORATIONS

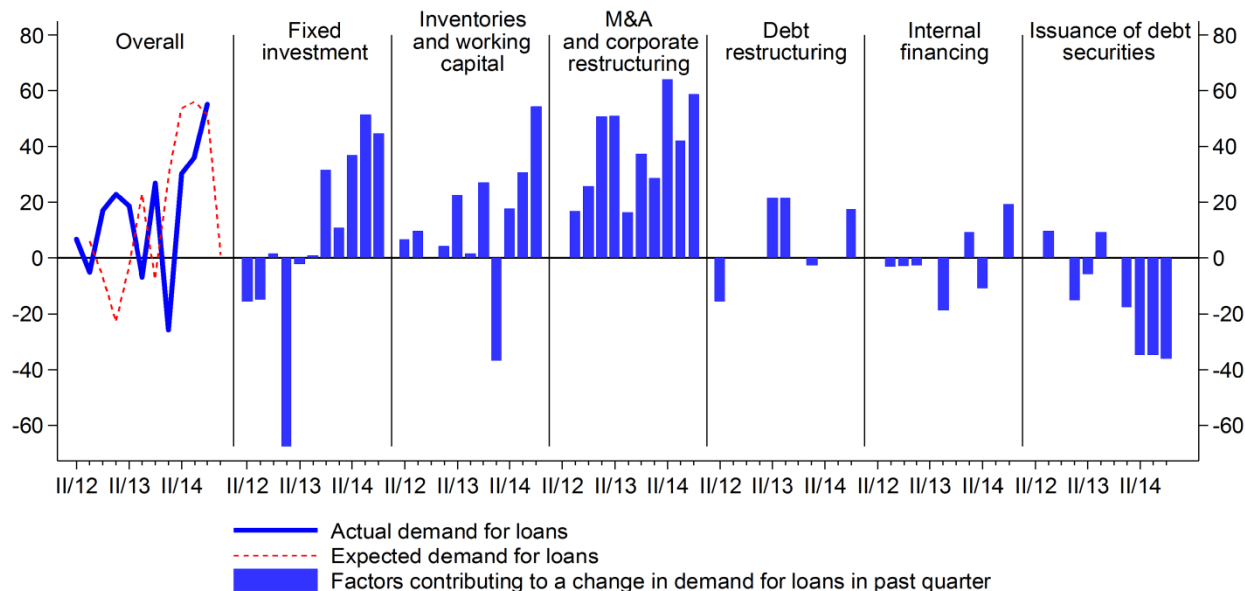
**Chart 1** Changes in credit standards applied to loans to non-financial corporations  
([questions 1, 2 and 6](#))  
(net percentages, positive value = tightening, negative value = easing)



**Chart 2** Changes in terms and conditions for approving loans to non-financial corporations  
([question 3](#))  
(net percentages, positive value = tightening, negative value = easing)

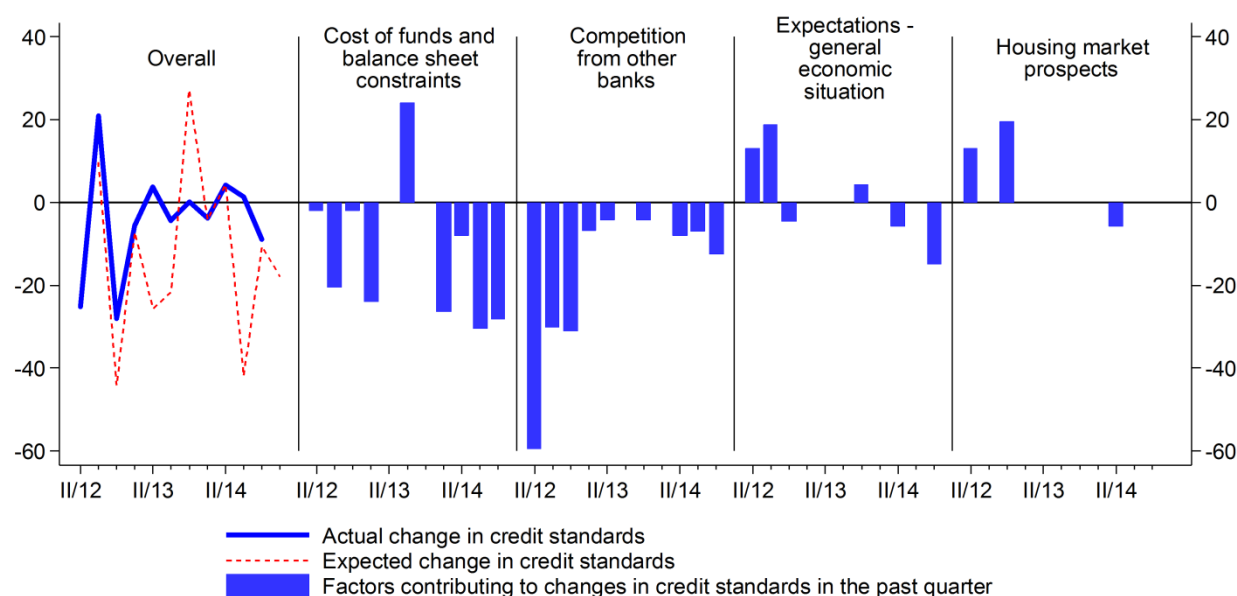


**Chart 3** Changes in non-financial corporations' demand for loans ([questions 4, 5 and 7](#))  
(net percentages, positive value = demand growth, negative value = demand decrease)

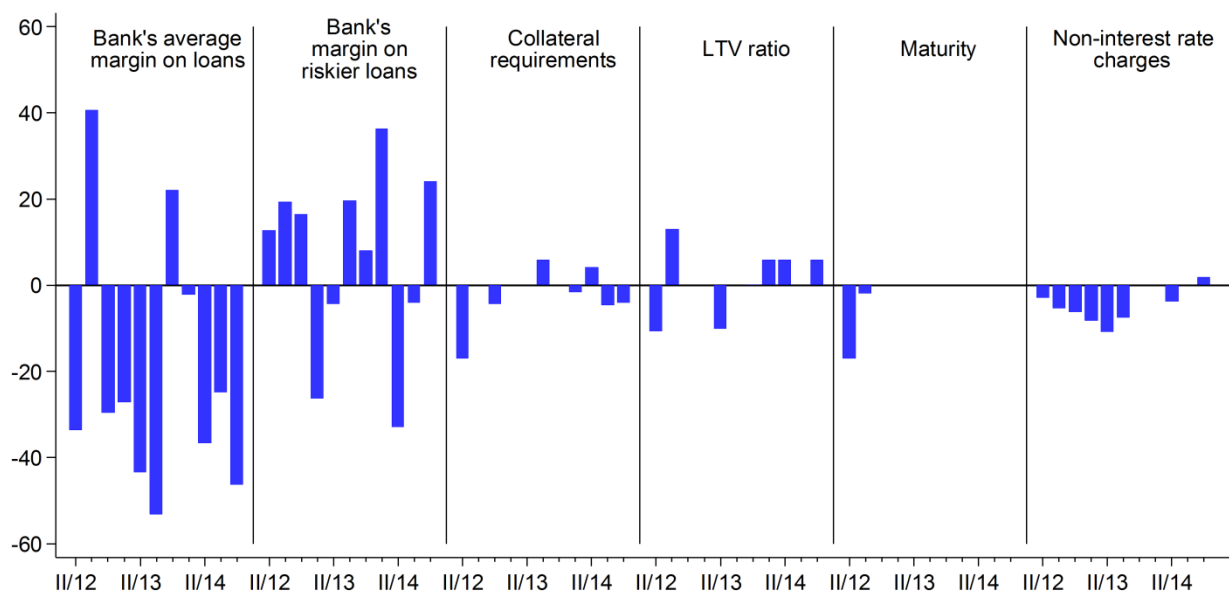


## SUPPLY AND DEMAND CONDITIONS FOR LOANS FOR HOUSE PURCHASE

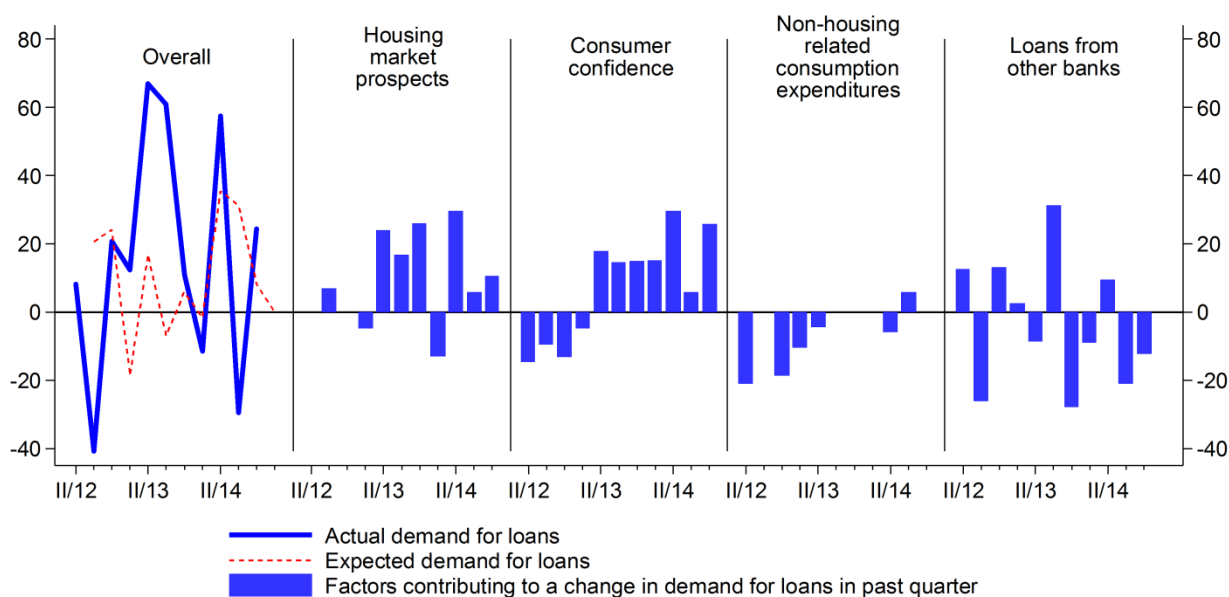
**Chart 4** Changes in credit standards applied to loans for house purchase ([questions 8, 9 and 16](#))  
(net percentages, positive value = tightening, negative value = easing)



**Chart 5** Changes in terms and conditions for approving loans for house purchase ([question 10](#))  
(net percentages, positive value = tightening, negative value = easing)

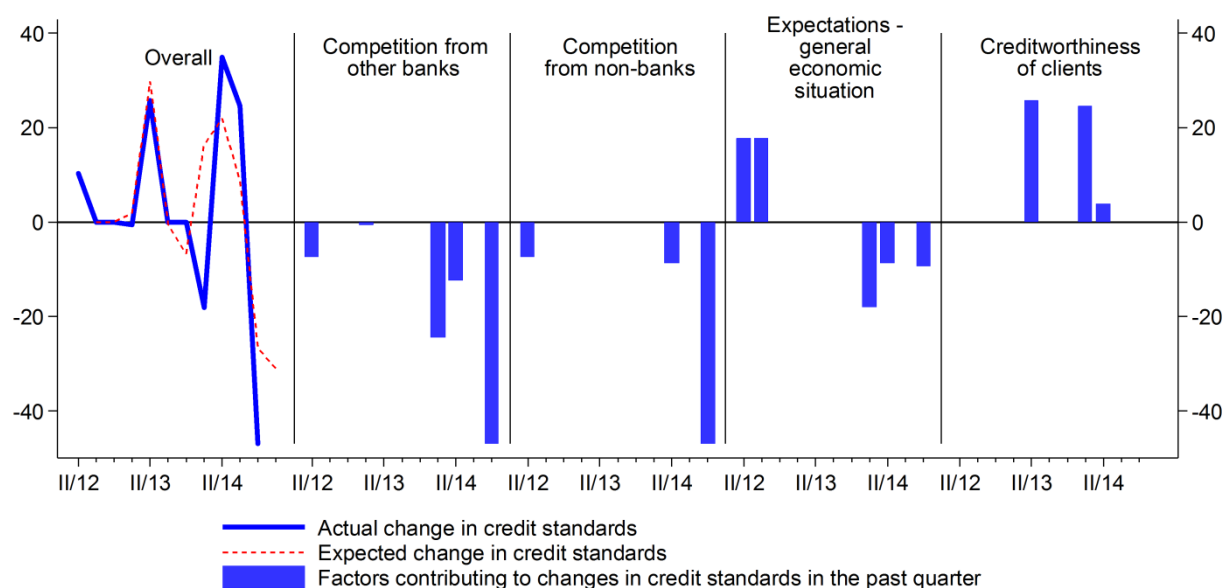


**Chart 6** Changes in households' demand for loans for house purchase ([questions 13, 14 and 17](#))  
(net percentages, positive value = demand growth, negative value = demand decrease)

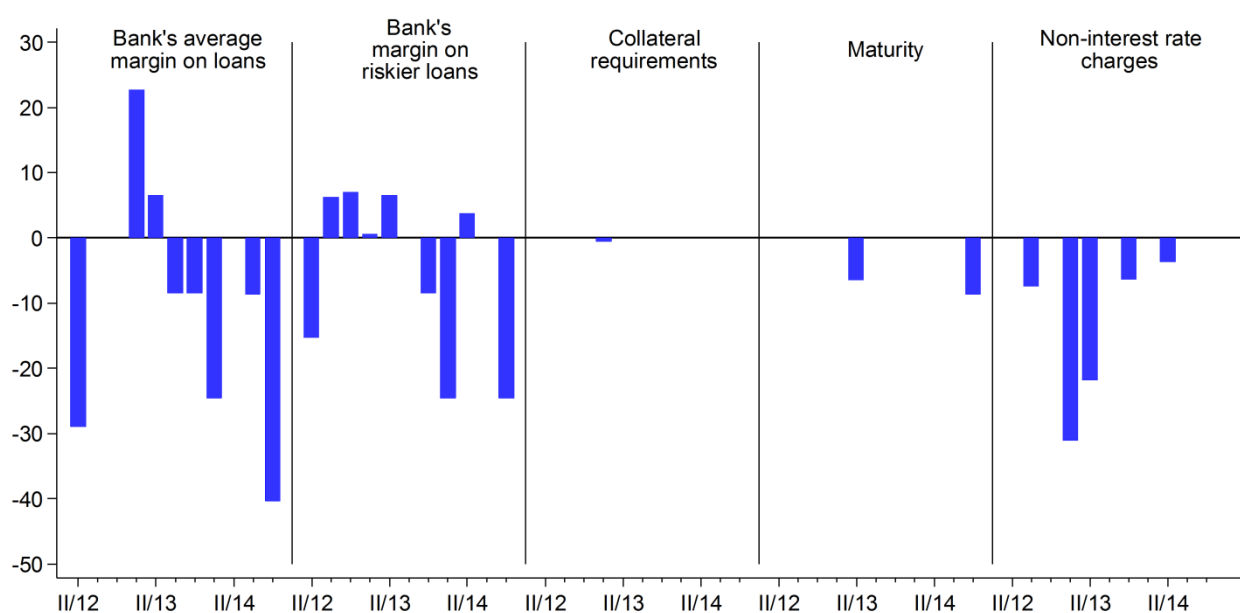


## SUPPLY AND DEMAND CONDITIONS FOR CONSUMER CREDIT

**Chart 7** Changes in credit standards applied to consumer credit ([questions 8, 11 and 16](#))  
(net percentages, positive value = tightening, negative value = easing)



**Chart 8** Changes in terms and conditions for approving consumer credit ([question 12](#))  
(net percentages, positive value = tightening, negative value = easing)



**Chart 9** Changes in households' demand for consumer credit ([questions 13, 15 and 17](#))  
(net percentages, positive value = demand growth,  
negative value = demand decrease)

