BANK LENDING SURVEY
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Financial Stability Department

Monetary Department
Monetary Policy and Fiscal Analyses Division

CNB CZECH NATIONAL BANK

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 terms and conditions, and regarding the change in non-financial corporations' and households' demand for loans. This document summarises the results of the thirtieth round of the survey for 2019 Q3 and banks' expectations in these areas for 2019 Q4. Twenty-one banks, accounting for a major share of the bank credit market, took part in the survey, which was conducted between 2 and 17 September 2019.[1]

According to the results of the October survey, credit standards for loans to non-financial corporations remained broadly unchanged in 2019 Q3. Banks' favourable liquidity situation and competition fostered an easing of standards. However, perceptions of increased risks persist as regards the outlook for some sectors. Non-financial corporations' demand for loans went up. A small section of the banking market tightened credit standards for loans for house purchase. This was related above all to changes in some banks' internal processes and fine-tuning of compliance with the CNB's macroprudential recommendations regarding the DTI and DSTI ratios. Demand for loans for house purchase rose (an NP of 18%). As regards consumer credit, both standards and demand remained virtually unchanged. Part of the banking market expects credit standards for loans for house purchase and consumer credit to tighten further in 2019 Q4 amid a slight increase in demand for loans for house purchase. As for loans to non-financial corporations, banks expect neither credit standards nor demand for loans to change in Q4.

II. CREDIT STANDARDS AND DEMAND FOR LOANS

II.1 NON-FINANCIAL CORPORATIONS

Credit standards (representing bank' internal lending policy criteria) were broadly unchanged for **loans to non-financial corporations** in 2019 Q3. Banks' favourable liquidity situation and competition fostered an easing of standards. This was visible both in the segment of large corporations and in the segment of small and medium-sized enterprises. However, increased risks connected with the outlook for some sectors, perceptions of which remained unchanged in Q3, acted in the opposite direction. Credit terms and conditions (reflecting the contractual obligations agreed upon by the lender and the borrower) were also unchanged overall. Average interest margins (as expressed by the spread between the interest rate on loans to corporations and the relevant market rates) and margins on riskier loans were both unchanged from the previous period. A small section of the banking market further eased the terms and conditions for loan maturity.

Corporations' demand for loans increased in Q3 (an NP of 22%). Banks had not expected any increase in demand in the previous round of the survey. The demand of large corporations for long-term loans to finance fixed investment and mergers/acquisitions rose in a section of the market. By contrast,

[1] The survey contained 22 questions that related to 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 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. Data in Excel files, along with the questionnaire, a glossary and methodological guidelines, are available on the CNB website: https://www.cnb.cz/en/statistics/bank-lending-survey/.

corporations' demand for financing of working capital declined. The banking market expects no major change in credit standards or demand for loans in the corporate loan segment in 2019 Q4.

II.2 HOUSEHOLDS

A small section of the banking market tightened credit standards for **loans for house purchase** (an NP of 18%). The tightening of standards was related to changes in some banks' internal processes and fine-tuning of compliance with the CNB's macroprudential recommendations regarding the DTI and DSTI ratios. A small part of the banking market also perceived increased risks connected with the expected outlook for the overall economic situation. Conversely, an easing of credit standards was fostered by a decrease in banks' cost of funds owing to a decline in long-term financial market interest rates and competitive pressure. Overall, banks indicated unchanged terms and conditions. Average interest margins and, to a lesser extent, margins on riskier loans recorded an increase. Households' demand for loans for house purchase rose in Q3 (an NP of 18%), broadly in line with banks' expectations from the previous survey. In particular, a decrease in interest rates in this credit market segment fostered a rise in demand. In an environment of tightened credit limits effective since 2018 Q4, demand has been dampened by high residential property prices. Only a small section of the market expects credit standards to tighten further and demand for loans for house purchase to increase in Q4 (NPs of 15% and 12% respectively).

Credit standards for **consumer credit** were broadly unchanged in Q3. Perceptions of increased risks connected with an expected weakening of economic activity and risks regarding households' creditworthiness fostered a tightening of standards. Banks kept their credit terms and conditions unchanged overall. Following previous decreases, average interest margins and margins on riskier loans were unchanged. As expected, households' demand for consumer credit remained almost unchanged. Banks expect a similar pattern at the close of this year. Credit standards will be tightened in Q4 (an NP of 24%).

Credit standards for **loans to sole traders** were unchanged, but a section of the banking market expects them to tighten in Q4. Sole traders' demand for loans went up, but banks do not expect further growth in Q4.

Replies to **additional questions** regarding **loans to non-resident non-financial corporations** show that credit standards and demand were unchanged in Q3. Additional questions on **banks' expected credit losses** indicate that part of the banking market expects the rate of credit losses for corporate loans and consumer credit to increase in 2019 Q4. In the loans for house purchase segment, by contrast, part of the banking market indicates a decline in the rate of expected credit losses.

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)

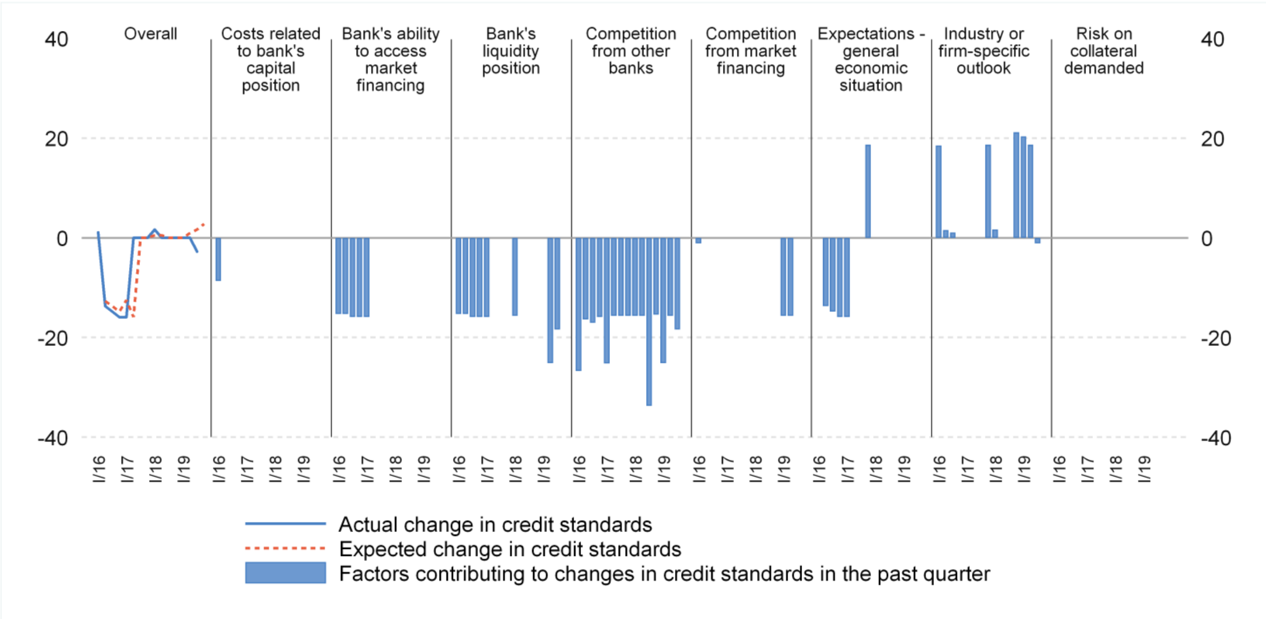


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations (question 3)
(net percentages, positive value = tightening, negative value = easing)

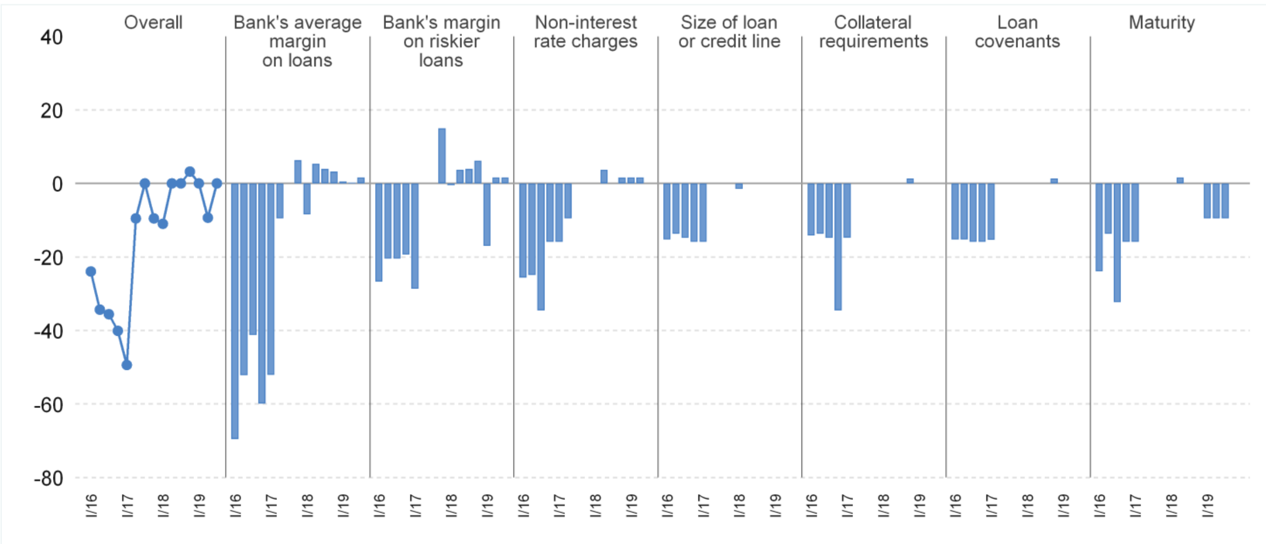
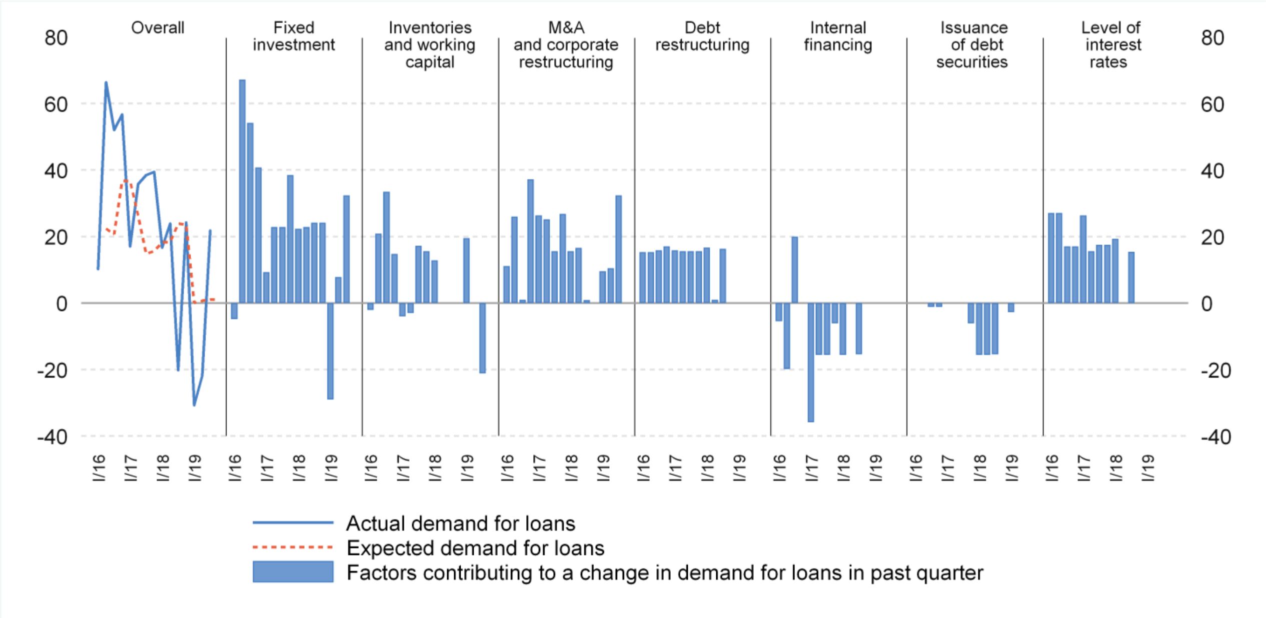
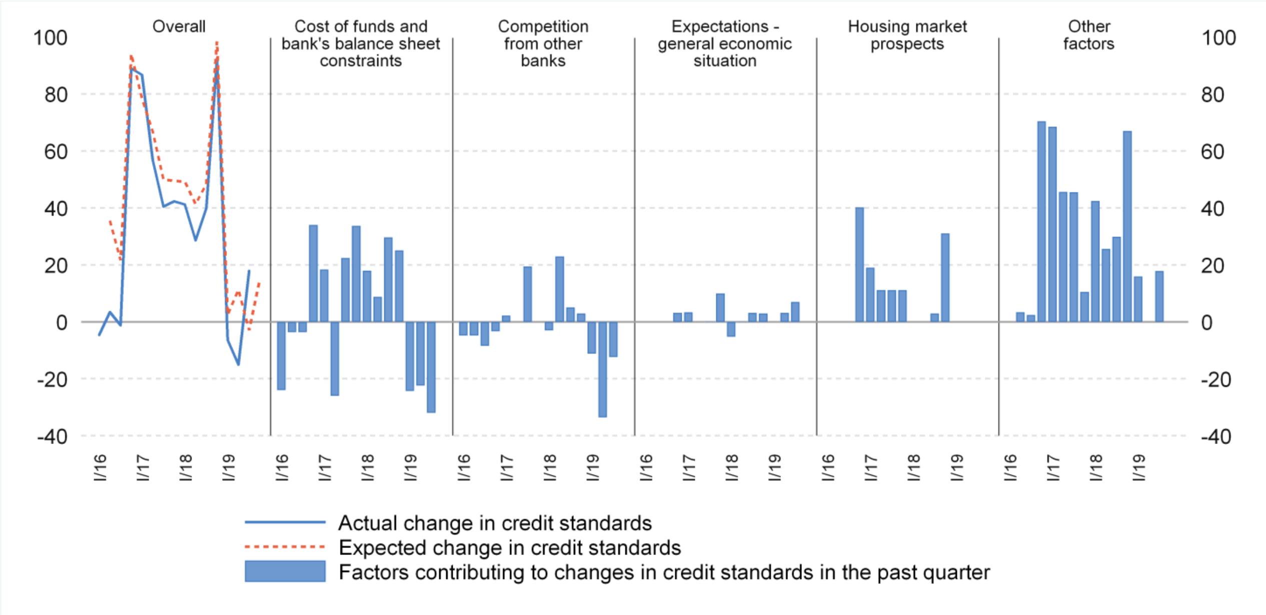


Chart 3 Changes in non-financial corporations' demand for loans
(questions 4, 5 and 7)
(net percentages, positive value = demand growth, negative value = demand decrease)



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)



Note: In the recent period, other factors include mainly implementation of the CNB´s macroprudential measures.

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

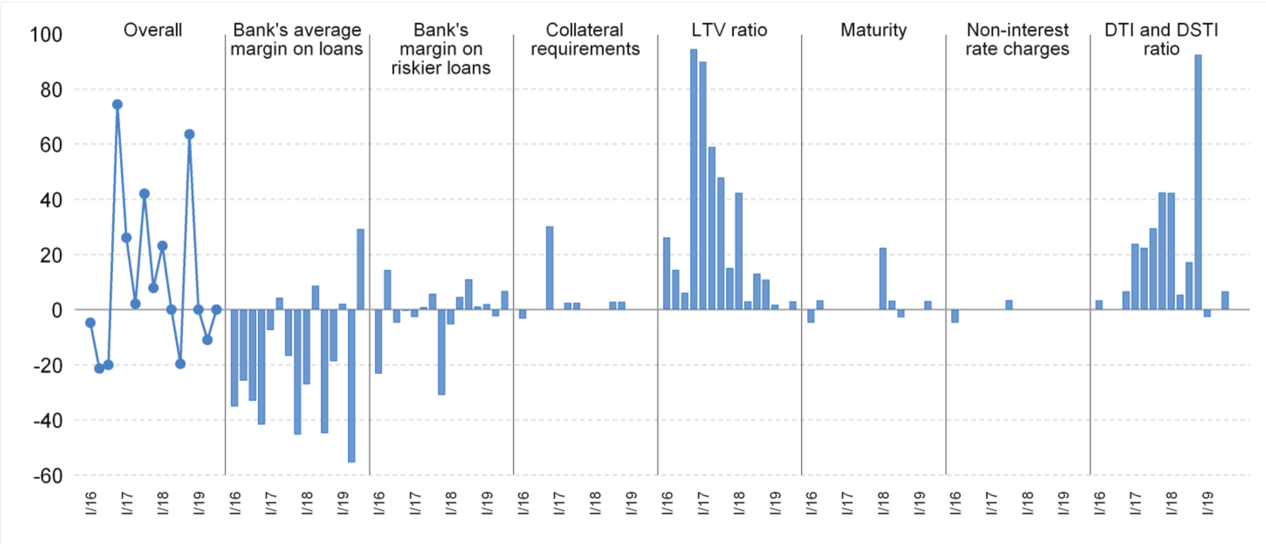
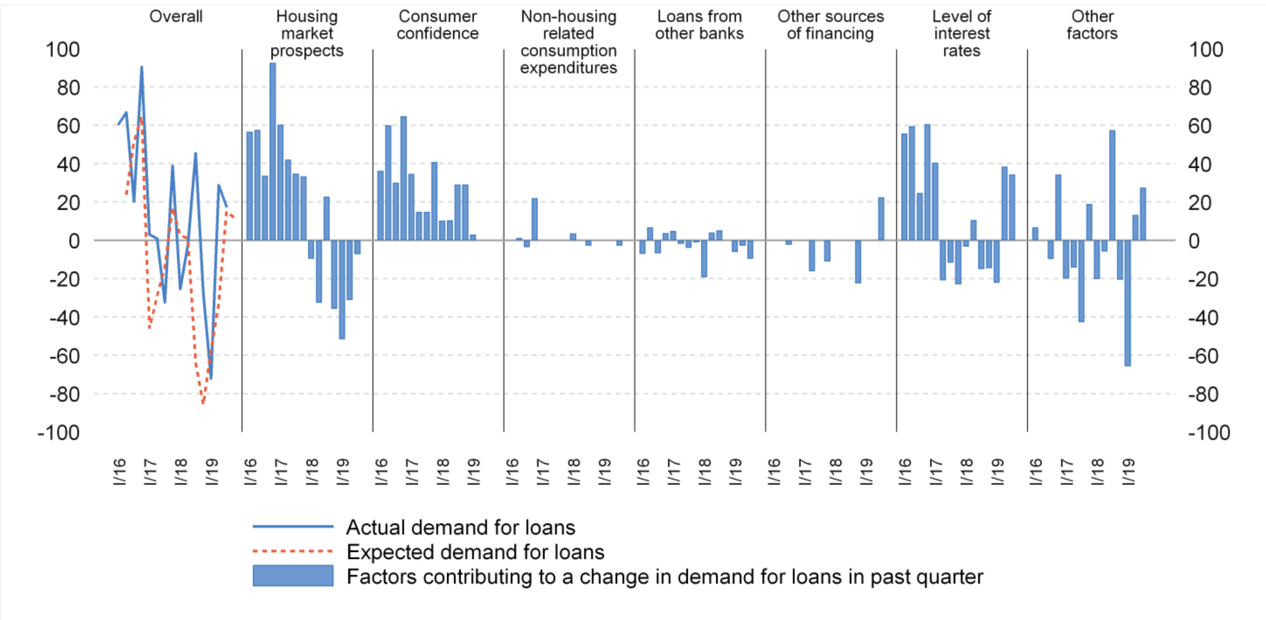
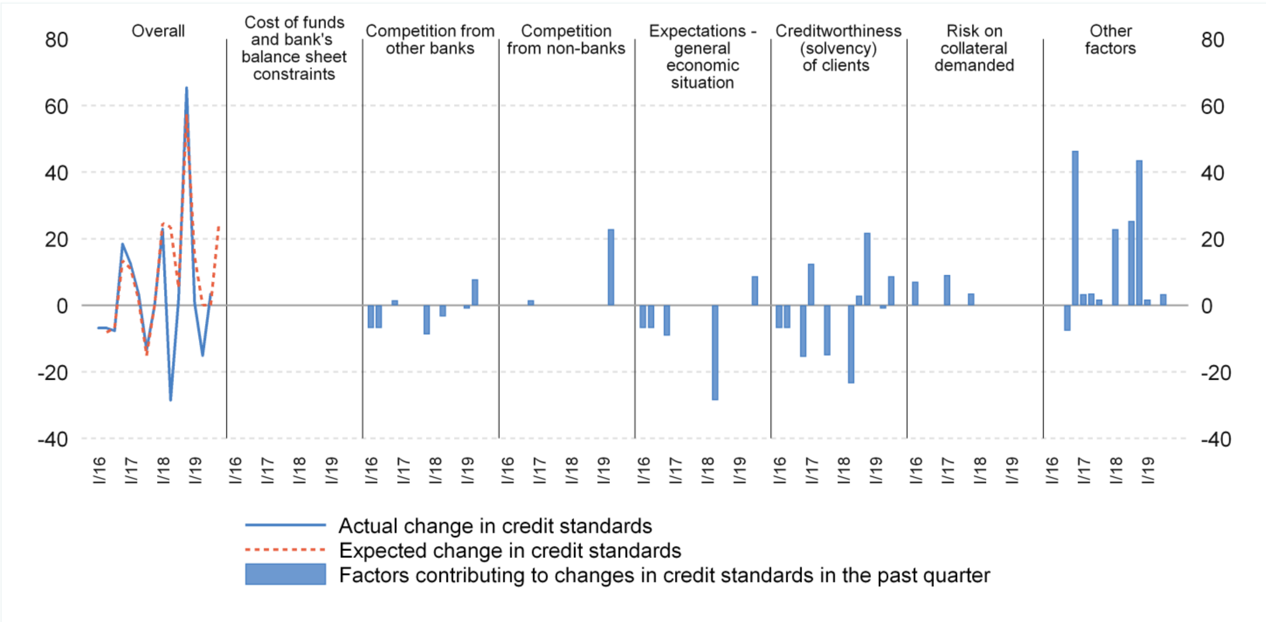


Chart 6 Changes in households' demand for loans for house purchase
(questions 13, 14 and 17)
(net percentages, positive value = demand growth, negative value = demand decrease)



SUPPLY AND DEMAND CONDITIONS FOR LOANS 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)



Note: In the recent period, other factors include mainly changes in legislation and implementation of the CNB's macroprudential measures.

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

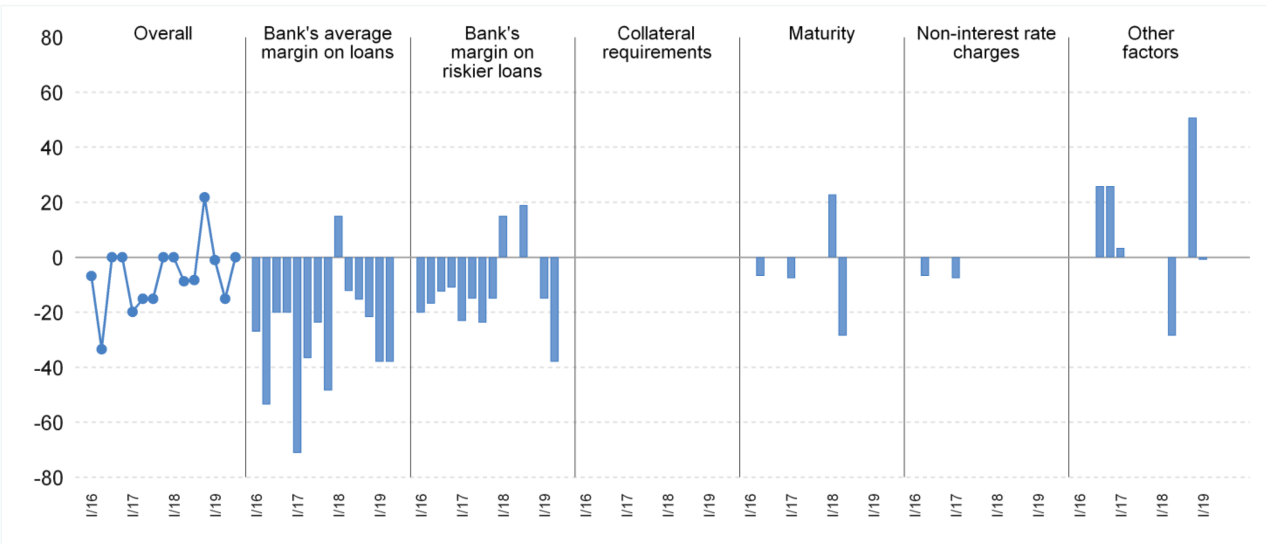


Chart 9 Changes in households' demand for consumer credit
(questions 13, 15 and 17)
(net percentages, positive value = demand growth, negative value = demand decrease)