Bank Lending Survey

IV/2021

Czech National Bank ——— Bank Lending Survey ——— IV/2021

CZECH NATIONAL BANK

www.cnb.cz

Introduction

The Bank Lending Survey captures banks' opinions regarding the change in supply and demand for loans to non-financial corporations and households. This information summarises the results of the thirty-eighth round of the survey, i.e. banks' views on the evolution of credit conditions in 2021 Q3 and their expectations in these areas for 2021 Q4. Twenty banks, accounting for a major share of the bank credit market, took part in the survey, which was conducted between 6 and 21 September 2021.[1] The CNB's Bank Lending Survey is performed by a team made up of representatives of the Monetary Department and the Financial Stability Department.

[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 (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. Data in Excel files, along with the questionnaire, a glossary and methodological guidelines, is available on the CNB website:
https://www.cnb.cz/en/statistics/bank-lending-survey/

I. SUMMARY

Credit standards eased in all segments of the credit market in 2021 Q3. This was due mainly to lower risk perceptions as economic activity recovered. Lending conditions eased for corporate loans while remaining broadly unchanged overall for loans to households. Corporate demand for loans went up. Demand for financing of operating needs, debt restructuring, acquisitions and, to a lesser extent, fixed investment increased. On the other hand, households' demand for house purchase loans slowed down for the first time since last autumn. According to banks, this started to reflect the rise in interest rates on house purchase loans and the ever-increasing property prices, which are making housing unaffordable for some households. Households' demand for consumer credit increased after the anti-epidemic measures were relaxed in the spring. Banks expect credit losses to decrease further in all segments of the credit market in 2021 Q4.

II. CREDIT STANDARDS AND DEMAND FOR LOANS

II.1 NON-FINANCIAL CORPORATIONS

The aggregate results of the current Bank Lending Survey show that **credit standards (banks' internal lending policy criteria) eased for loans to non-financial corporations in 2021 Q3** (an NP of 16%). Standards eased for the second time since the start of the coronavirus pandemic. Banks perceived a reduction in risks associated with the outlooks for certain sectors, for both large and small corporations. Part of the banking sector expects standards to ease further in 2021 Q4. **Lending conditions** (the arrangements between lenders and borrowers in specific loan agreements) also eased in Q3 (an NP of 15%). This reflected a decline in banks' average interest margins, easier collateral and loan size requirements and a decrease in non-interest charges. Lending conditions eased mainly for corporations in good financial condition with positive sales and turnover outlooks. At the same time, according to banks, sectors hit harder by the coronavirus pandemic continued to be financed prudently.

Corporate demand for loans increased in Q3, though less broadly than in the previous period (an NP of 21%). Demand rose both in small and large corporations (NPs of 42% and 21% respectively). Banks reported a greater need for working capital financing, debt restructuring and acquisitions. Operational financing was associated with supply chain issues and firms' need to maintain higher operational stocks, growth in input prices, and positive sales and turnover outlooks. Growth in demand for loans was also fostered by financing of fixed investment (an NP of 5%). The still favourable level of interest rates (an NP of 36%) continued to contribute to growth in demand for loans as well. Increased interest in corporate bond issues (an NP of 39%) had the opposite effect. Banks expect demand for loans to grow further in Q4 (an NP of 20%) for both large and small corporations, mainly for long-term loans.

II.2 HOUSEHOLDS

Credit standards applied to house purchase loans to households eased further in 2021 Q3 (an NP of 21%). This was fostered mainly by lower risk perceptions associated with expectations regarding the overall economic situation (an NP of 32%). **Lending conditions** tightened in a relatively small proportion of the banking market (an NP of 7%), due to a change to the DSTI and DTI ratios. A significant part of the market left the overall lending conditions and the said ratios unchanged. However, a continued decline in banks' average interest margins fostered easier conditions (an NP of 19%). Only a small proportion of the banking market expects credit standards to ease further in Q4 (an NP of 7%).

Demand for house purchase loans decreased in Q3, for the first time since last autumn. This was recorded for an NP of 11%. The decline in demand for loans started to reflect the rising interest rates on house purchase loans (an NP of 15%). The housing market prospects fostered growth in demand, though with much less intensity than in the previous period (an NP of 5%). According to banks, the ever-increasing property prices have started to make housing less affordable for some households. However, growth in demand for loans continued to be fostered by higher savings and related interest in residential property as a safe asset (an NP of 31%). Demand was also favourably affected by positive household sentiment (an NP of 10%). Banks expect demand for loans to decrease further in Q4 (an NP of 50%).

Credit standards for consumer credit to households eased almost across the board (an NP of 78%). As with house purchase loans, this reflected lower risk perceptions associated with expectations regarding the overall economic situation and a more favourable assessment of client creditworthiness (NPs of 67% and 41% respectively). The measures taken by banks last year in connection with the coronavirus pandemic thus continued to be eased gradually. **Lending conditions**

were unchanged in this segment of the credit market. **Demand for consumer credit increased after the anti-epidemic measures were eased in spring** (an NP of 33%). The higher demand reflected growth in household spending on durable goods (an NP of 35%) and positive consumer confidence. For Q4, banks expect demand to continue rising (an NP of 27%) and do not foresee any major change in credit standards.

Credit standards for **loans to sole proprietors** also eased and demand for loans increased (NPs of 39% and 28% respectively). Banks do not expect any major changes in demand or credit standards in this segment of the credit market in Q4.

Additional questions on **expected credit losses** indicate that a significant part of the banking market expects the rate of expected credit losses to decrease further in all segments of the credit market in Q4.

III. GRAPHICAL PRESENTATION OF SUPPLY AND DEMAND CONDITIONS IN SEGMENTS

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)

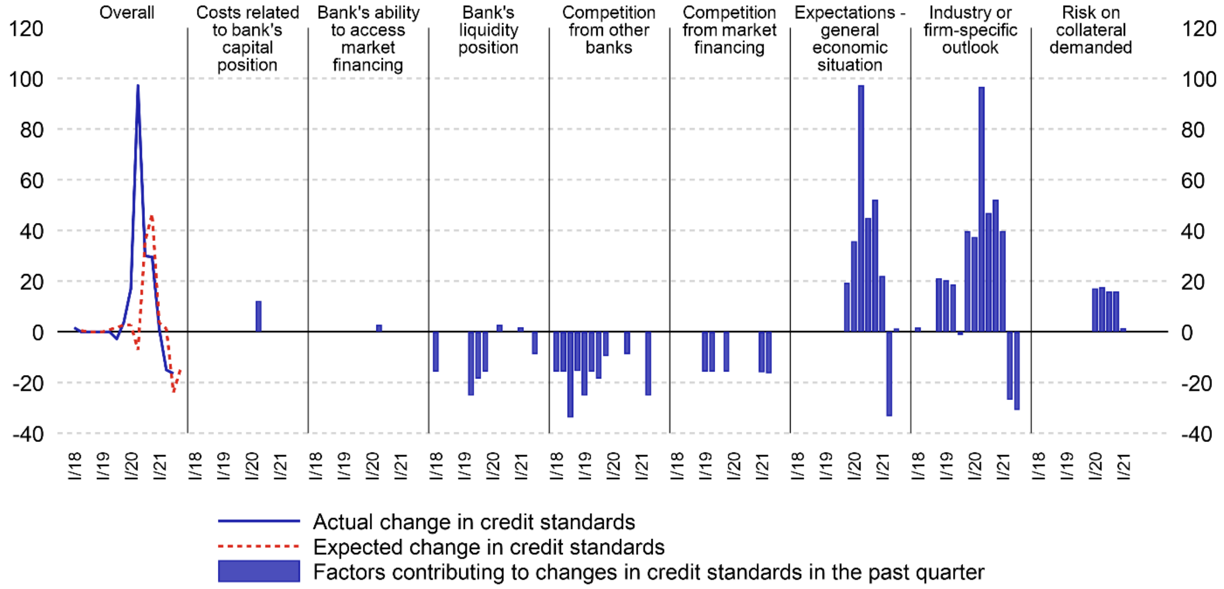


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations (question 3)

(net percentages, positive value = tightening, negative value = easing)

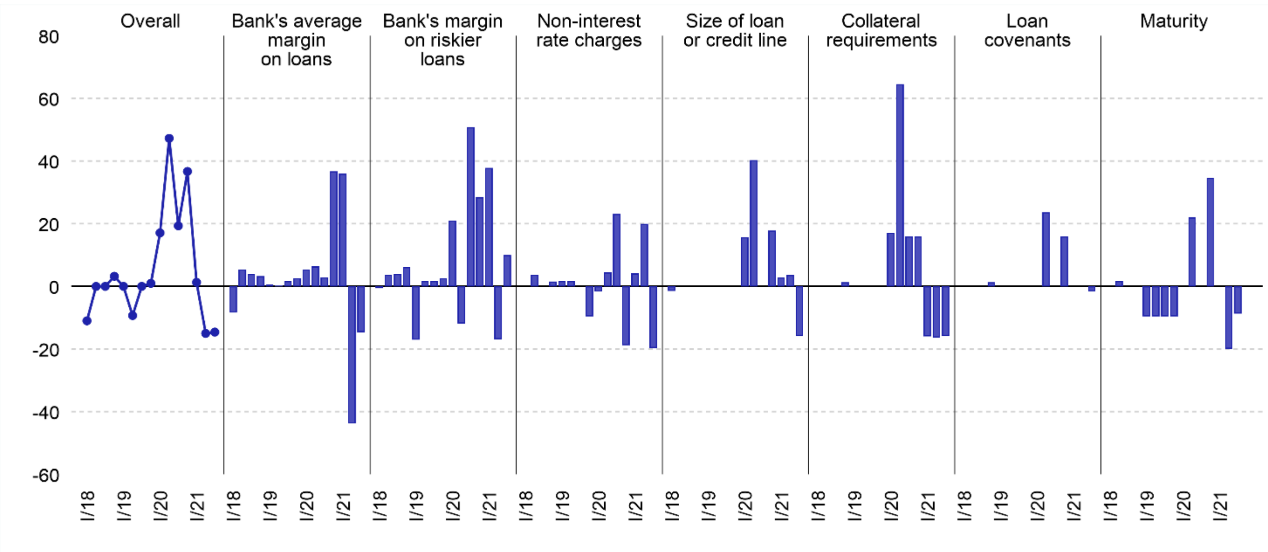


Chart 3 Changes in non-financial corporations' demand for loans (questions 4, 5 and 7)

(net percentages, positive value = demand growth, negative value = demand decrease)

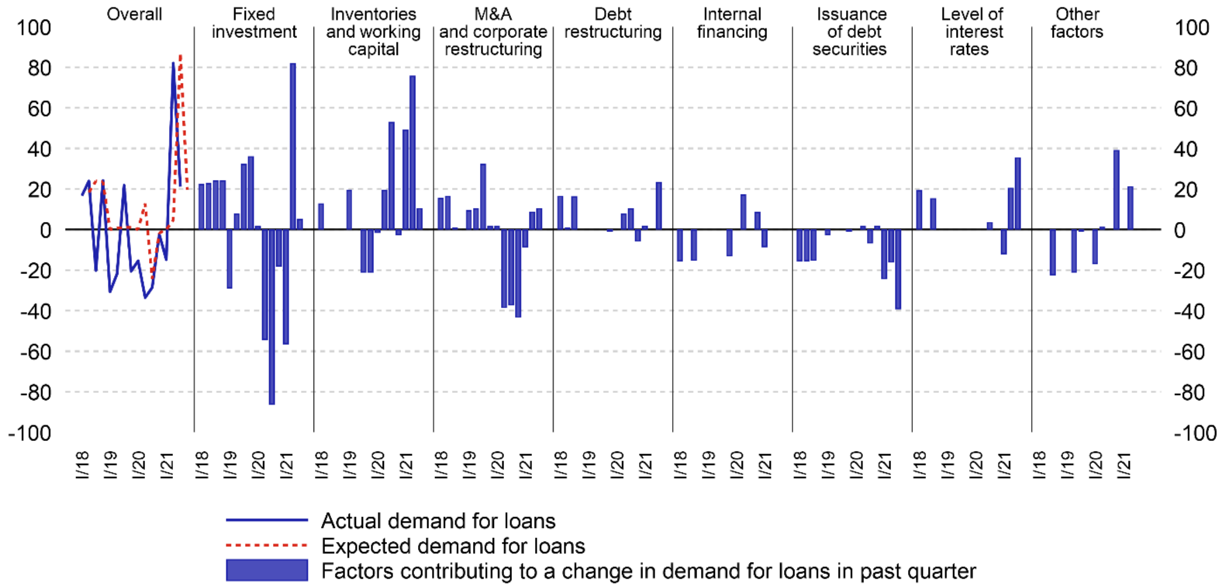


Chart 4 Changes in credit standards applied to loans for house purchase (questions 8, 9 and 16)

(net percentages, positive value = tightening, negative value = easing)

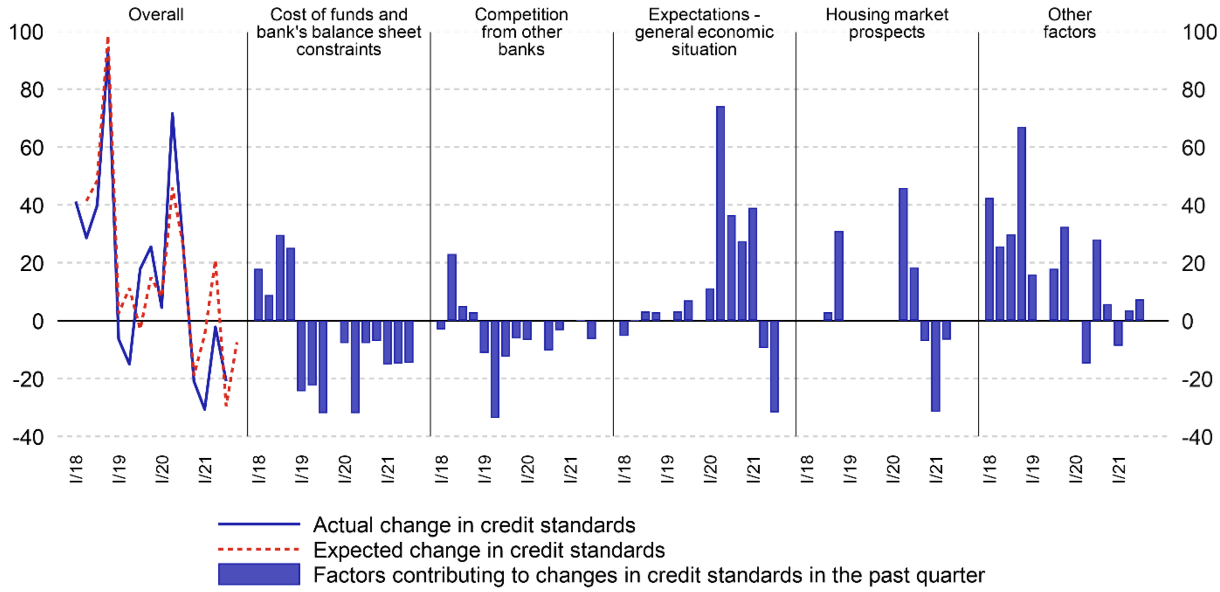


Chart 5 Changes in terms and conditions for approving loans for house purchase (question 10)

(net percentages, positive value = tightening, negative value = easing)

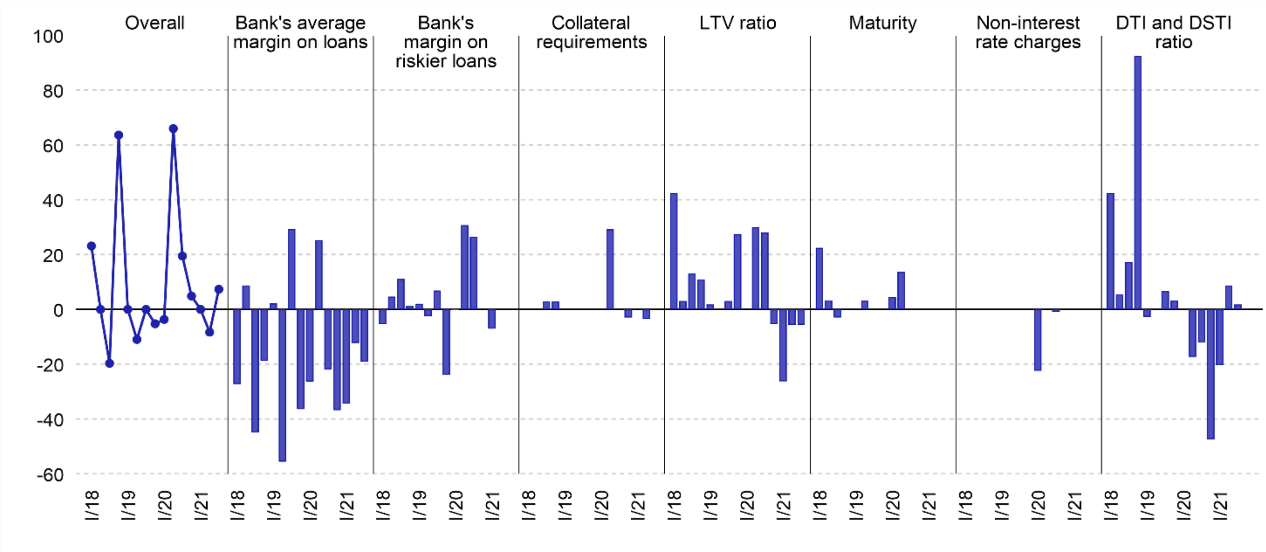


Chart 6 Changes in households' demand for loans for house purchase (questions 13, 14 and 17)

(net percentages, positive value = demand growth, negative value = demand decrease)

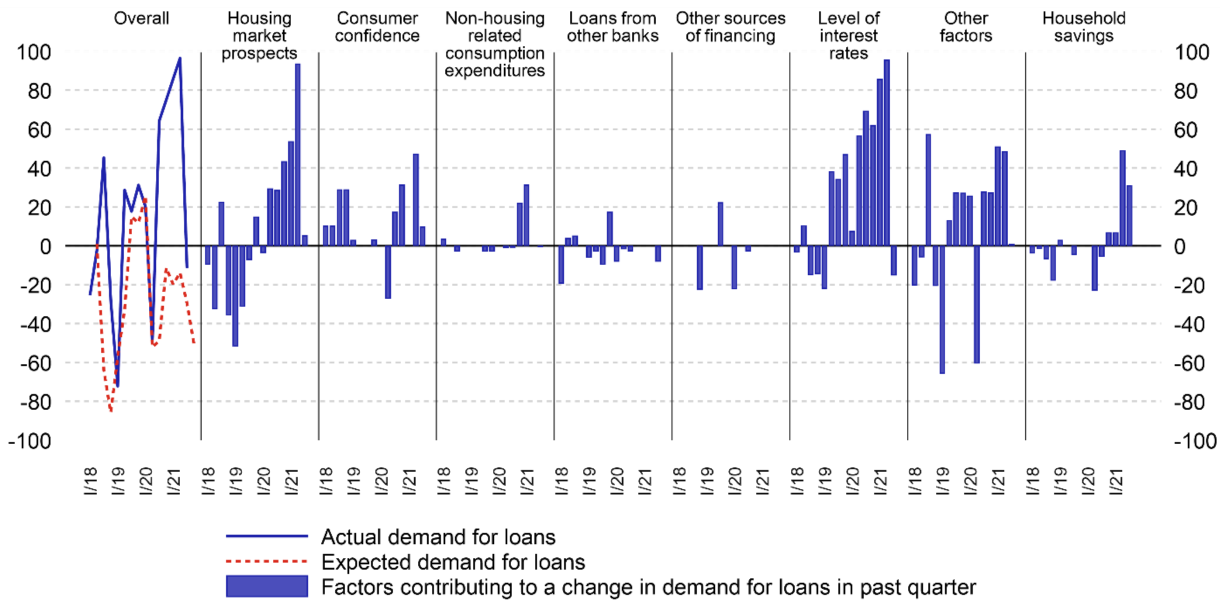


Chart 7 Changes in credit standards applied to consumer credit (questions 8, 11 and 16)

(net percentages, positive value = tightening, negative value = easing)

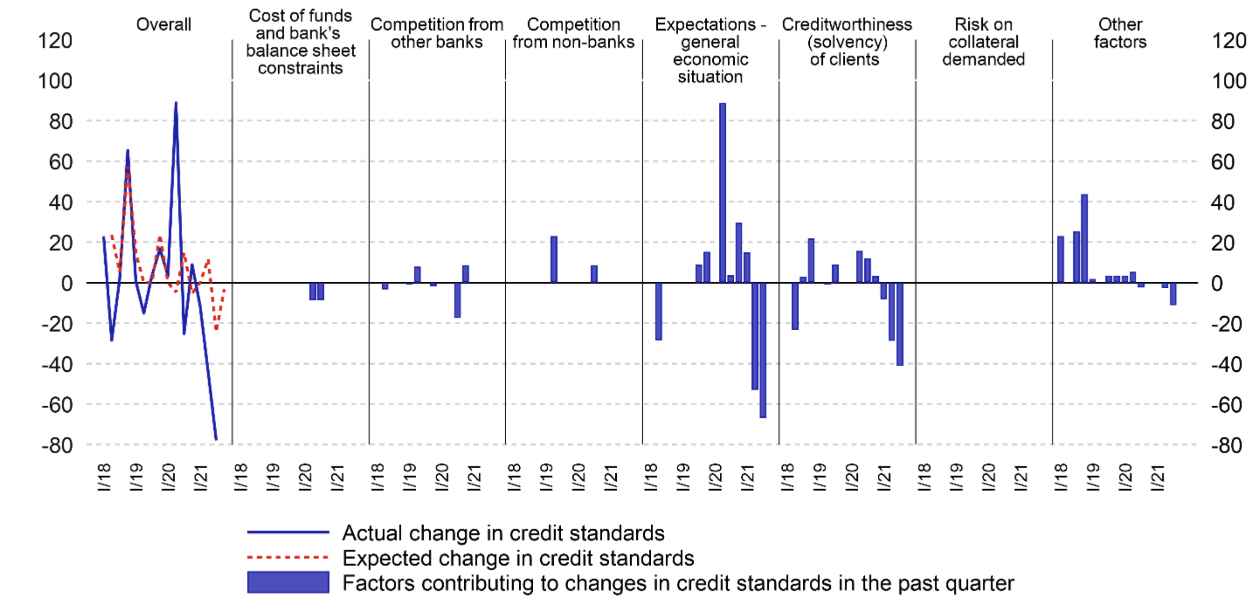


Chart 8 Changes in terms and conditions for approving consumer credit (question 12)

(net percentages, positive value = tightening, negative value = easing)

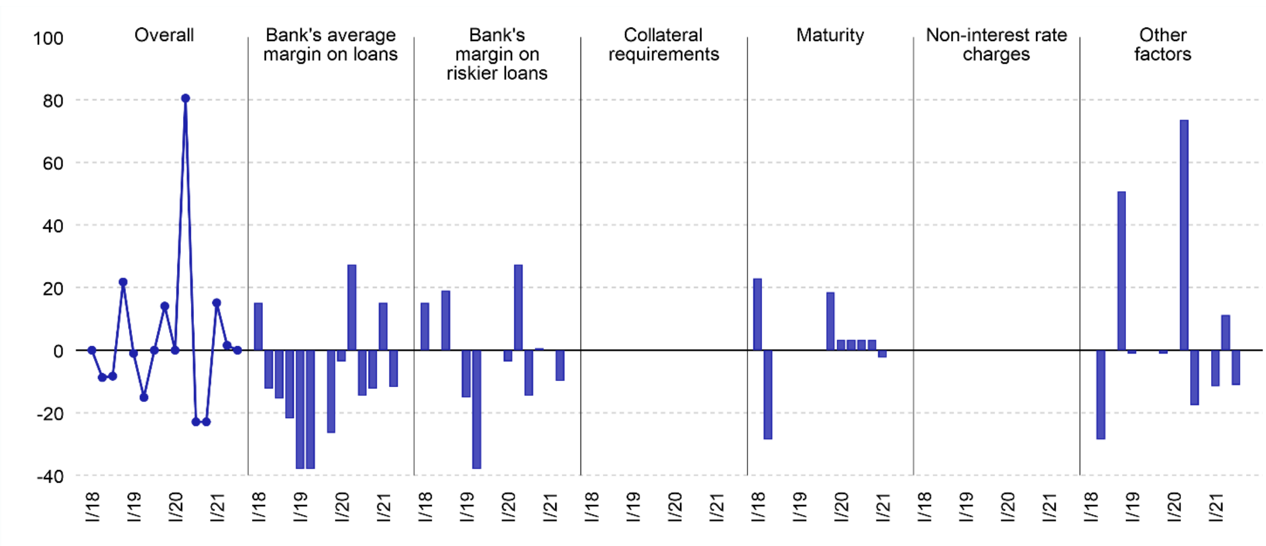
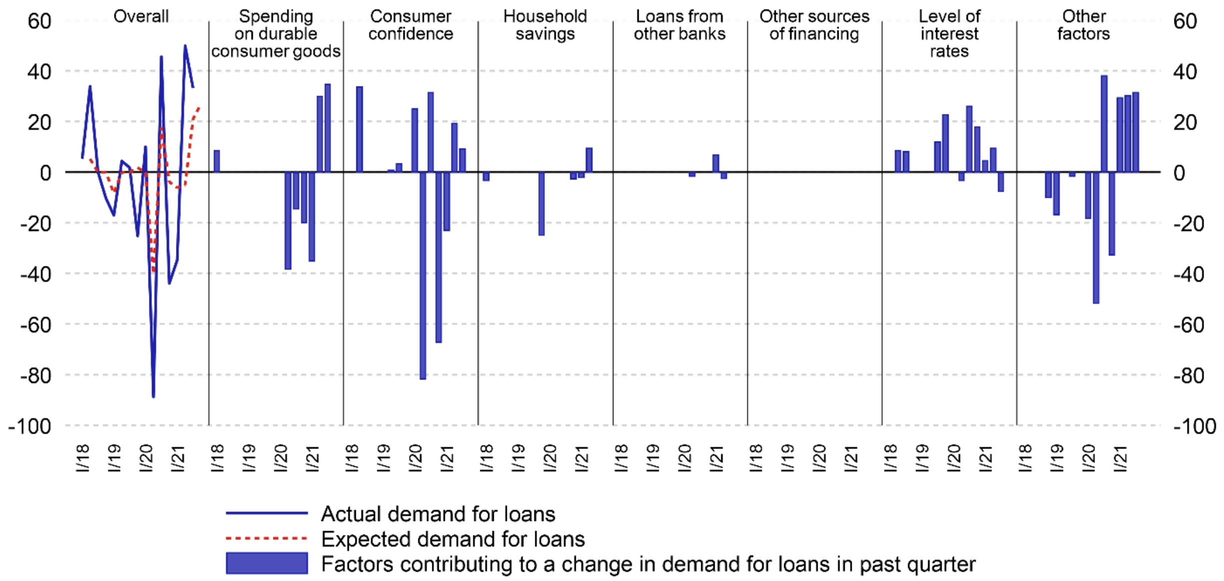


Chart 9 Changes in households' demand for consumer credit (questions 13, 15 and 17)

(net percentages, positive value = demand growth, negative value = demand decrease)



Issued by:
CZECH NATIONAL BANK
Na Příkopě 28
115 03 Prague 1
Czech Republic

Contact:
COMMUNICATIONS DIVISION, GENERAL SECRETARIAT
Tel: 224 413 112
http://www.cnb.cz/