# Bank Lending Survey

III/2024

Czech National Bank —— Bank Lending Survey —— III/2024

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 document summarises the results of the forty-ninth round of the survey, i.e. banks' views on the evolution of the standards and conditions in 2024 Q2 and their expectations in these areas for 2024 Q3. Nineteen banks, accounting for a major share of the bank credit market, took part in the survey, which was conducted between 1 June and 15 June 2024.[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

*Banks left credit standards and the overall credit conditions for loans to **non-financial corporations** unchanged in 2024 Q2. Non-financial corporations' demand for loans as perceived by banks fell, albeit in only a small section of the market. Banks still regard the level of domestic interest rates as a factor dampening corporations' demand for loans. As a result, non-financial corporations activate internal or bond financing options. Credit standards for **loans to households for house purchase** have eased, due to greater competition and the relaxation of parameters for assessing risk for properties with better energy ratings. Households' demand for housing loans increased again almost across the board for the fourth consecutive quarter. Expectations of continued growth in transaction activity on the residential market amid renewed growth in residential property prices, improved consumer confidence and gradually declining interest rates on housing loans are contributing to growth in demand. **Households' demand for consumer credit** rose again almost across the board. The increased appetite for loans reflected improved consumer confidence, increased financing of households' consumption expenditures and the continued encouragement of the sale of consumer credit by banks.*

# II. CREDIT STANDARDS AND DEMAND FOR LOANS

## II.1 NON-FINANCIAL CORPORATIONS

**Credit standards** representing bank's internal lending policy criteria **were unchanged for loans to non-financial corporations in 2024 Q2.** This was also true across loan types, i.e. for loans to large and smaller firms and for loans of all maturities. As regards individual factors, a proportion of banks perceived stronger competition and some indicated an improvement in expectations related to the overall economic situation (NPs of 26% and 16% respectively). Banks do not expect credit standards to change in 2024 Q3.

**The overall lending conditions** (the arrangements between lender and borrower) **were also unchanged.** Within their structure, banks tightened conditions relating to non-interest charges due to growth in the costs of loan administration, conducted a stricter assessment of the size of loans and credit lines, and increased average interest rate margins on loans to small and medium-sized enterprises (NPs of 35%, 18% and 18% respectively).

**Overall corporate demand for loans declined again in Q2** (an NP of 13%). At individual loan type level, demand for loans to small and medium-sized enterprises decreased, while demand for loans to large corporations increased (NPs of 31% and 22% respectively). Banks still regard the level of domestic interest rates as a factor reducing demand (an NP of 47%). Non-financial corporations thus activate internal financing options using self-generated cash flow and the optimisation of working capital by managing the maturity of trade receivables and payables, or use funding from owners. Lower fixed investment financing needs and renewed interest of some large corporations in financing via issuance of debt securities are also fostering a decrease in demand (NPs of 15% and 16% respectively). A small proportion of banks expect overall demand for loans to grow in 2024 Q3, especially in the large corporations and long-term loans segments (both an NP of 28%).

## II.2 HOUSEHOLDS

**In Q2, banks eased their credit standards for loans to households for house purchase** (an NP of 49%). Banks do not expect them to change in the next quarter. According to banks, higher competition and the relaxation of parameters for assessing risk for properties with better energy ratings (PENB A, B) contributed to an easing of credit standards. This factor was also reflected in the structure of lending conditions. Conversely, higher bank financing costs fostered a tightening of standards.

**Banks left the overall lending conditions unchanged**. However, within their structure, they indicated that maturity was a factor contributing to the easing of credit conditions and a reduction in the average interest rate margin. This was because, in a situation of rising long-term rates and a highly competitive environment, a section of the banking market did not pass the increased cost of funding sources on to the final price of the loan.

**Households' demand for loans for house purchase rose again almost across the board in 2024 Q2** (an NP of 81%). This thus represents a four-quarter-long trend of relatively broad-based growth in demand for housing loans. This is due to expectations of continued growth in transaction activity on the residential market amid renewed growth in residential property prices, improved consumer confidence and gradually declining interest rates on housing loans (NPs of 56%, 66% and 29% respectively). Demand for loans is concentrated on shorter interest rate fixation periods. According to the responses of the banks, demand will rise much less broadly in 2024 Q3.

**Banks left credit standards for loans for consumption unchanged in 2024 Q2**, with only a small proportion of banks expecting them to be eased in Q3**.** Higher financing costs fostered a tightening standards and increased competition had the opposite effect.

**Banks also left the overall lending conditions unchanged.** Only a small section of the banking market lowered the average interest rate margin and the adjustment of the loan repayment period also eased conditions to a similar extent.

**Demand for consumer credit rose again almost across the board** (an NP of 90%). The increased appetite for loans reflected improved consumer confidence, increased financing of households' consumption expenditures and the continued encouragement of the sale of consumer credit by some banks in the form of bonuses for arranging loans. The level of interest rates is no longer significantly reducing perceived demand. By contrast, banks consider it a factor that contributed to the growth (an NP of 26%). Banks expect demand for consumer credit to grow in 2024 Q3 (an NP of 51%).

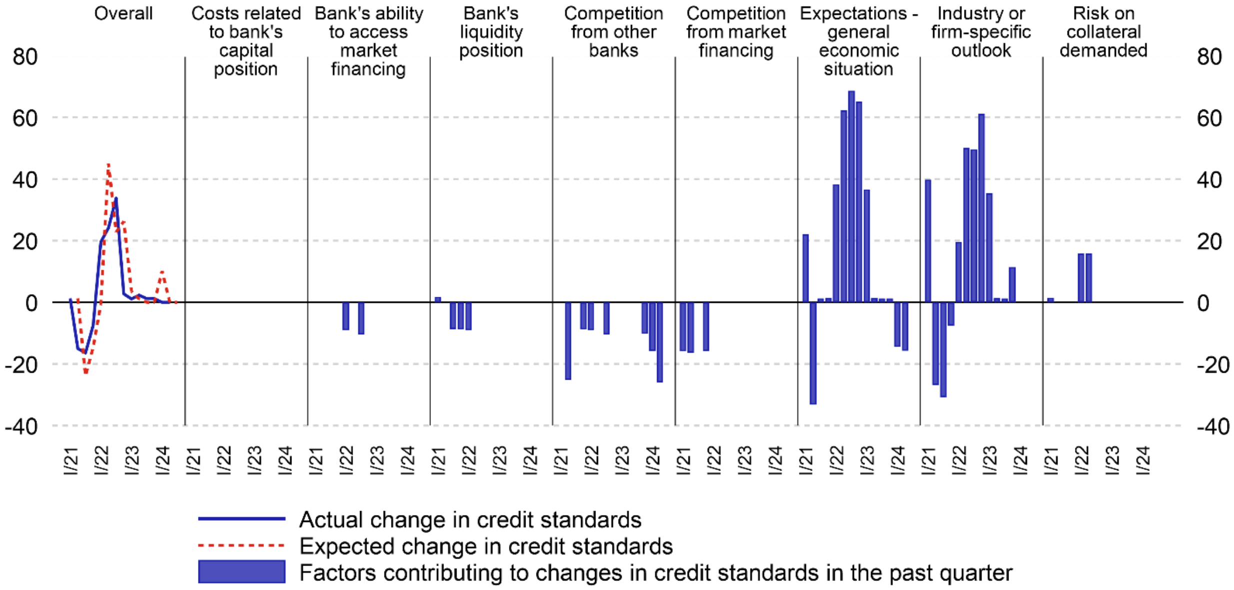
**Banks eased their credit standards for loans to sole proprietors** (an NP of 40%) and they expect a similar situation in the next quarter. Sole proprietors' demand for loans as perceived by banks increased (an NP of 22%) and will rise again in the coming quarter. This is thus the first growth in demand in ten quarters.

Additional questions on **expected credit losses** indicate that banks overall expect a drop in credit losses for housing loans in the period ahead (an NP of 17%). By contrast, banks expect an increase in credit losses on loans for consumption and loans to non-financial corporations (NPs of 11% and 12% respectively).

# 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)

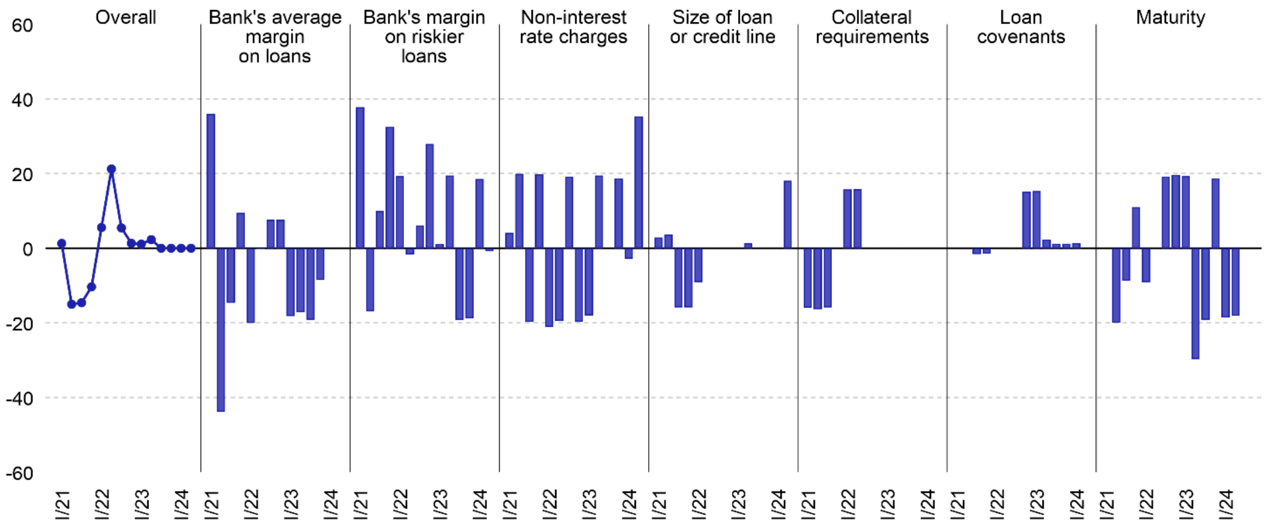


**Chart 3 Changes in non-financial corporations' demand for loans (questions 4, 5 and 7)**

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

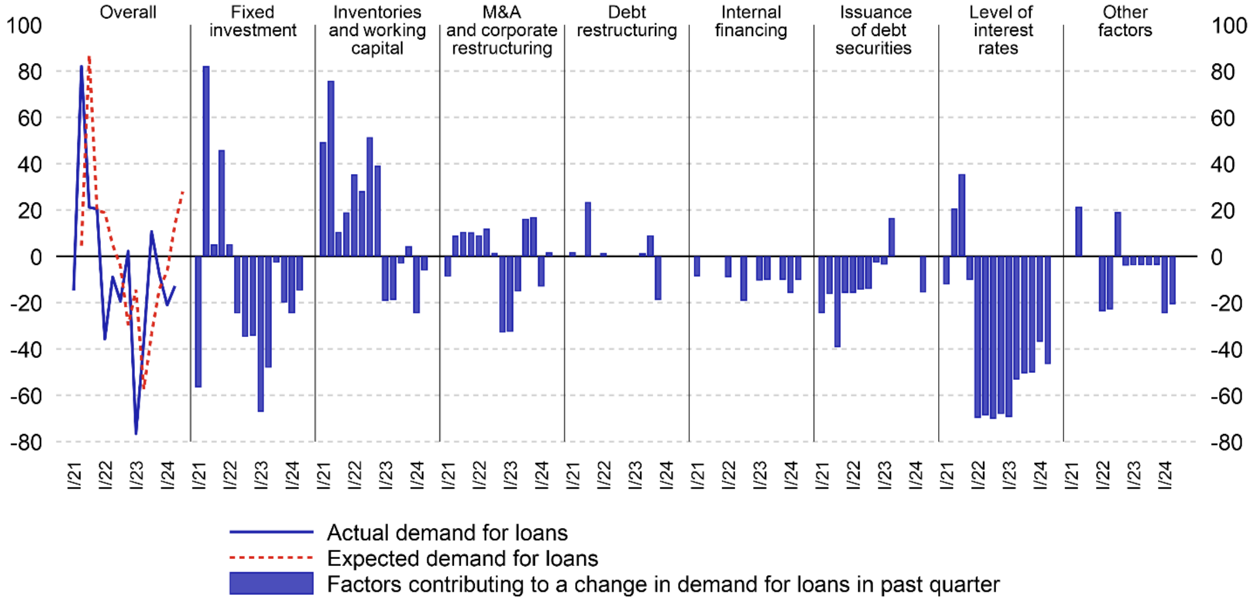



**Chart 4 Changes in credit standards applied to loans for house purchase (questions 8, 9 and 16)**

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

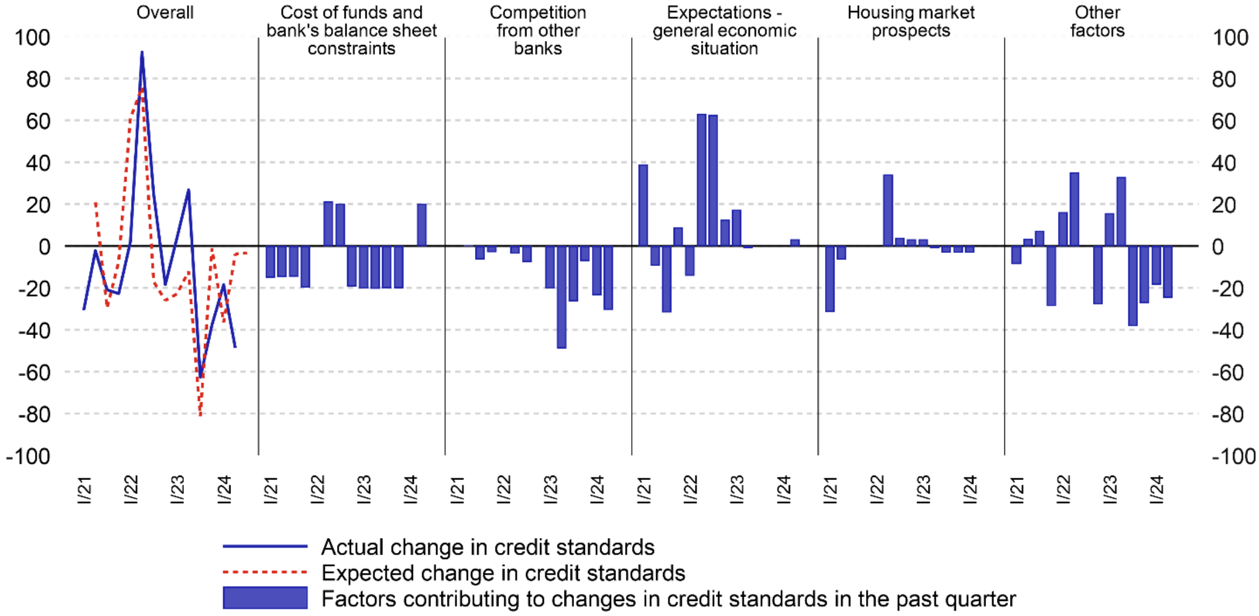


**Chart 5 Changes in terms and conditions for approving loans for house purchase (question 10)**

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

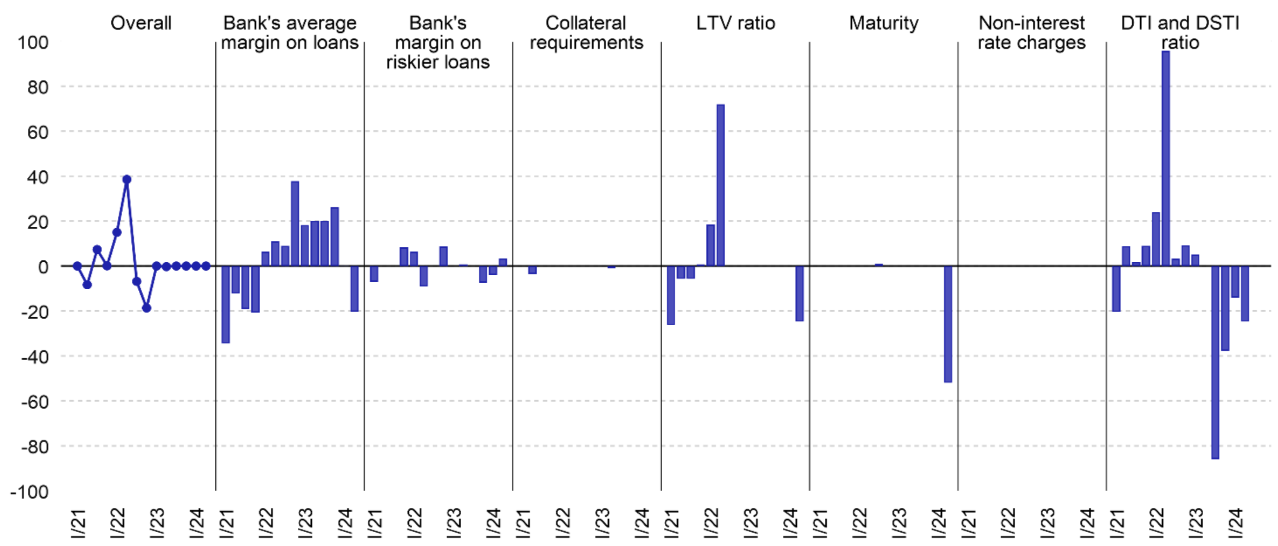
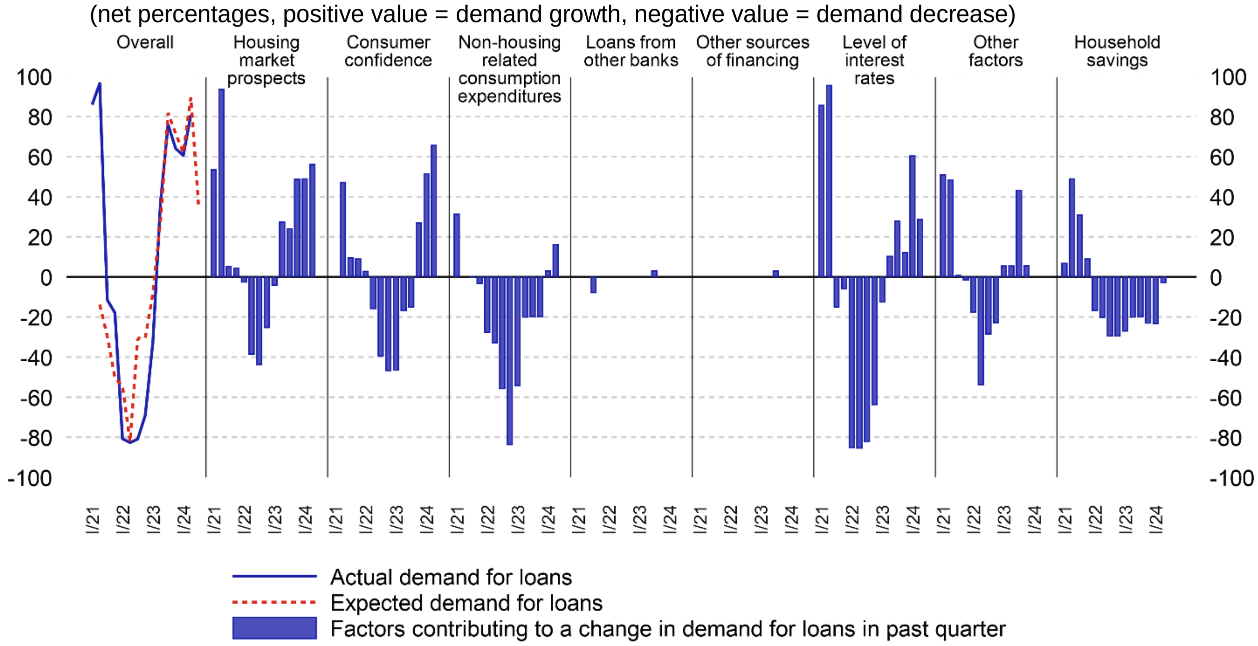


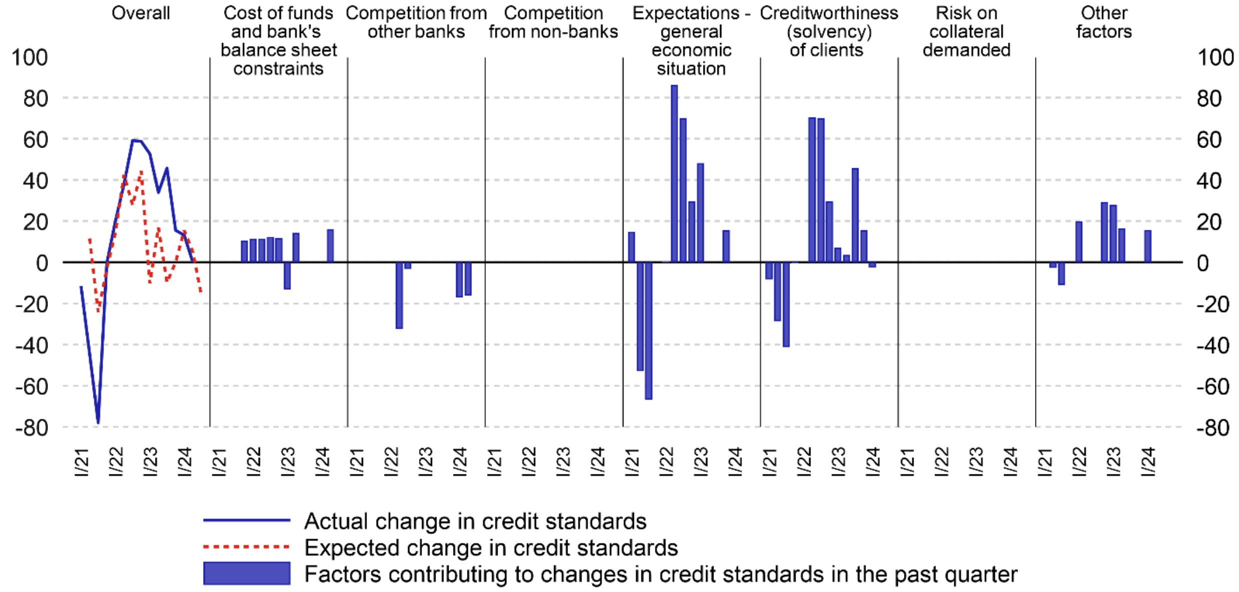

**Chart 6 Changes in households' demand for loans for house purchase (questions 13, 14 and 17)**

(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)

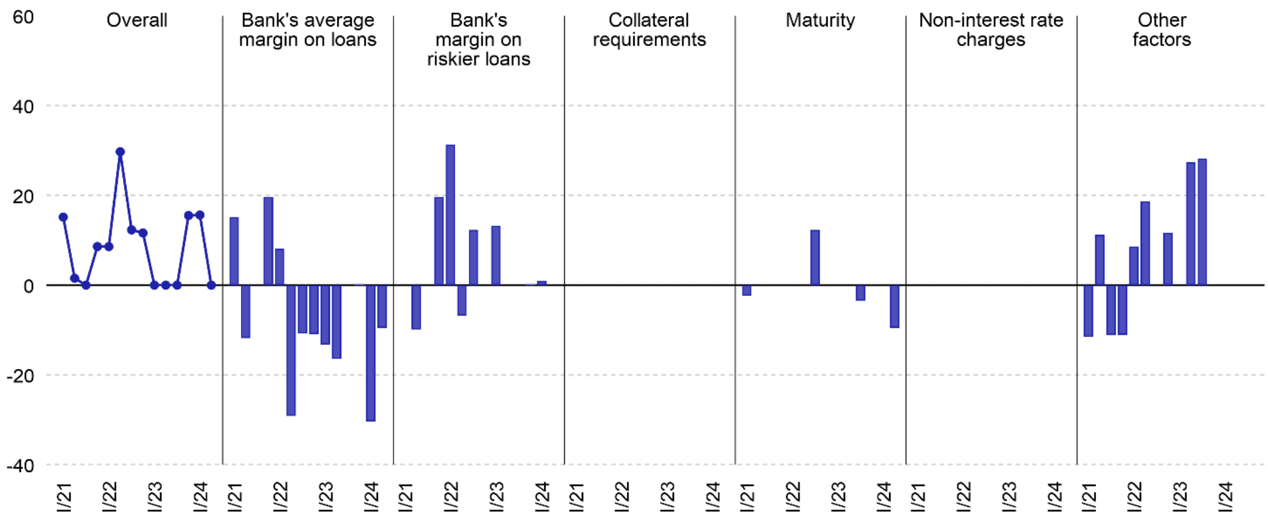
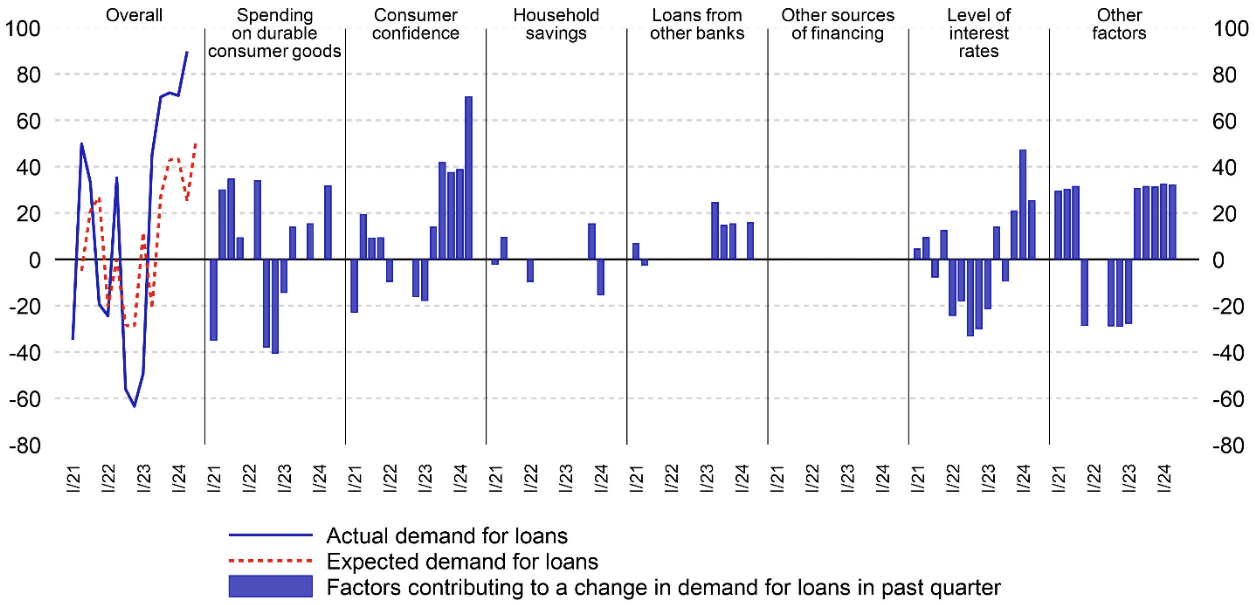


**Chart 9 Changes in households' demand for consumer credit (questions 13, 15 and 17)**

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



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