

BANK LENDING SURVEY JULY

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.

The fifth round of the survey, the results of which are summarised in this document, covers the evolution of the above aspects of the credit market from banks' perspective in 2013 Q2 and banks' expectations in these areas for 2013 Q3. Eighteen banks, accounting for a major share of the bank credit market, took part in the survey.¹

The survey reveals that banks tightened their credit standards in all the monitored credit market segments in 2013 Q2. By contrast, the terms and conditions for approving loans were eased for corporate loans and loans for house purchase through lower margins, with the exception of riskier loans. Average margins on consumer credit increased, but banks also reduced their non-interest charges. Demand for loans rose in all credit market segments. In the case of households the growth in demand was recorded for a significant proportion of the market.

In 2013 Q3, banks expect credit standards to tighten for corporate loans and to ease for loans for house purchase. However, they do not expect any changes in credit standards for consumer credit. According to banks, corporate demand for loans should pick up further, whereas household demand for loans for house purchase and for consumer credit should fall slightly.

II. CREDIT STANDARDS AND DEMAND FOR LOANS

II.1 NON-FINANCIAL CORPORATIONS

In line with their expectations, banks' credit standards for approving **loans to non-financial corporations** tightened overall (a net percentage – NP – of 17%) in 2013 Q2 in all categories except long-term loans. According to a large part of the credit market, the unfavourable outlook in some sectors and expectations regarding the overall economic situation continued to foster a tightening of credit standards. By contrast, an improvement in liquidity and stronger competition from other banks contributed to an easing of credit standards. Within the terms and conditions for approving loans, these factors were reflected in lower margins, especially for small and medium-sized enterprises. On the other hand, collateral requirements were tightened.

Despite having been expected to fall, non-financial corporations' overall demand for loans increased in Q2 (an NP of 19% of the credit market). Large enterprises showed a rise in demand, whereas small and medium-sized enterprises saw a slight decline overall. As in the previous quarter, banks recorded an increase in demand for long-term loans used to finance

¹ Four large banks, three medium-sized banks, three small banks, three foreign bank branches and five building societies took part in the survey. The fifth round of the survey was conducted between 11 and 25 June 2013. The questionnaire contained 17 standard questions. 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). Questions regarding the survey can be e-mailed to bls@cnb.cz.

mergers, acquisitions and restructuring of businesses (an NP of 51% of the market), and now also a pick-up in demand for short-term loans to cover working capital and inventory purchases. In contrast to previous quarters, only a small overall decrease in demand for loans due to a lower need for fixed investment financing (an NP of -3% of the market) or higher issuance of debt securities was recorded.

In 2013 Q3, banks expect a tightening of credit standards for all types of loans to non-financial corporations equal to an NP of 17–20% of the credit market. According to banks, corporations' demand for loans will rise for all types of credit except short-term loans.

II.2 HOUSEHOLDS

Banks' credit standards for approving **loans to households for house purchase** tightened somewhat (an NP of 4% of the credit market) in 2013 Q3 in contrast with banks' expectations in the previous quarter. Riskiness of clients acted towards a tightening of standards, whereas increased competition was the main factor fostering an easing. A large part of the credit market (NP 43%) continued to reduce average margins, but not for riskier loans, and non-interest charges also declined. The perceived demand for loans for house purchase rose from the previous quarter (an NP of 67% of the credit market), exceeding the expectations in the previous round of the survey. According to banks, this across-the-board rise is due chiefly to ongoing marketing campaigns, which have led to a recovery in the whole market. Other factors supporting demand are property market developments (expected price stabilisation) and a perceived pick-up in consumer confidence. In 2013 Q3, banks expect credit standards to ease and demand for loans for house purchase to fall (NP -22% and -7% respectively).

In line with banks' expectations, credit standards for **consumer credit** to households tightened, owing chiefly to lower client creditworthiness. As regards the terms and conditions for approving consumer credit, increased average margins had a restrictive effect, but were offset by a decrease in non-interest charges. The perceived demand for consumer credit rose in an NP of 69% of the credit market in 2013 Q2. According to banks, this was caused by active marketing campaigns. In 2013 Q3, banks expect households' demand for consumer credit to decline (an NP of -15% of the credit market) amid unchanged credit standards.

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 percentage, positive value = tightening, negative value = easing)

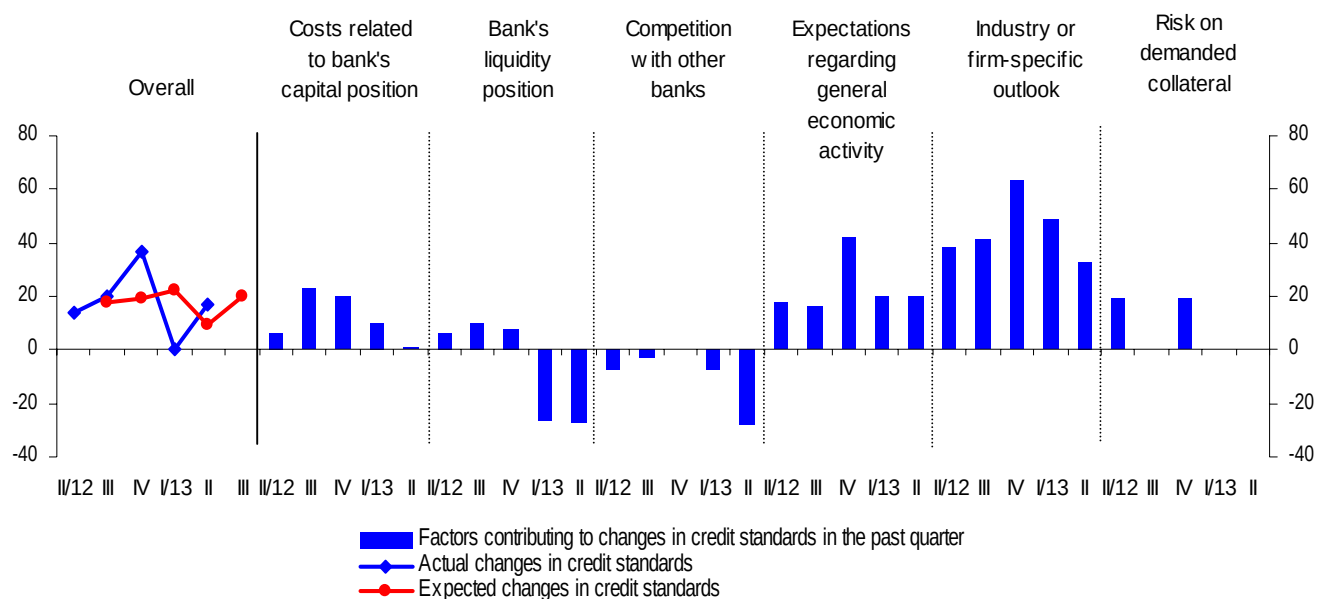


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations ([question 3](#))

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

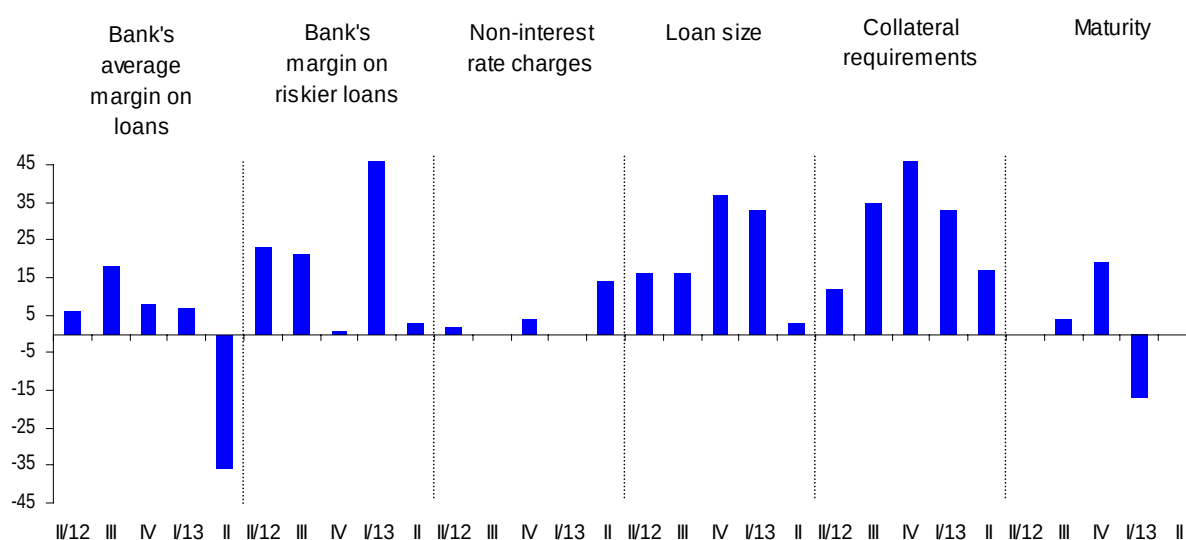
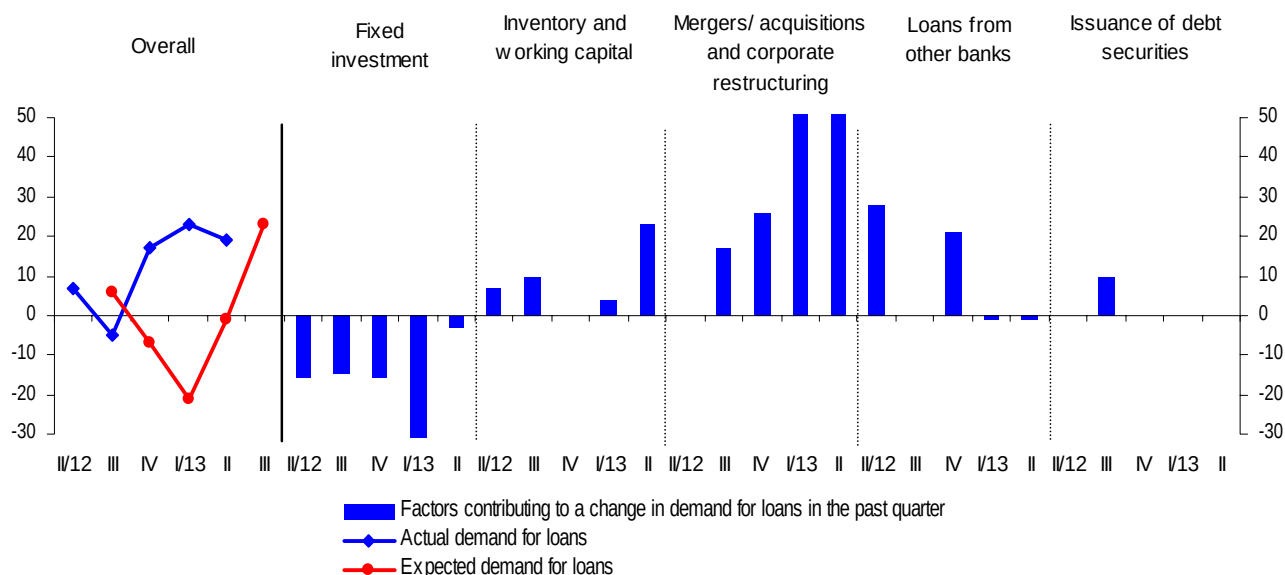


Chart 3 Changes in non-financial corporations' demand for loans ([questions 4, 5 and 7](#))
(net percentage, positive value = demand growth, negative value = demand decrease)



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 percentage, positive value = tightening, negative value = easing)

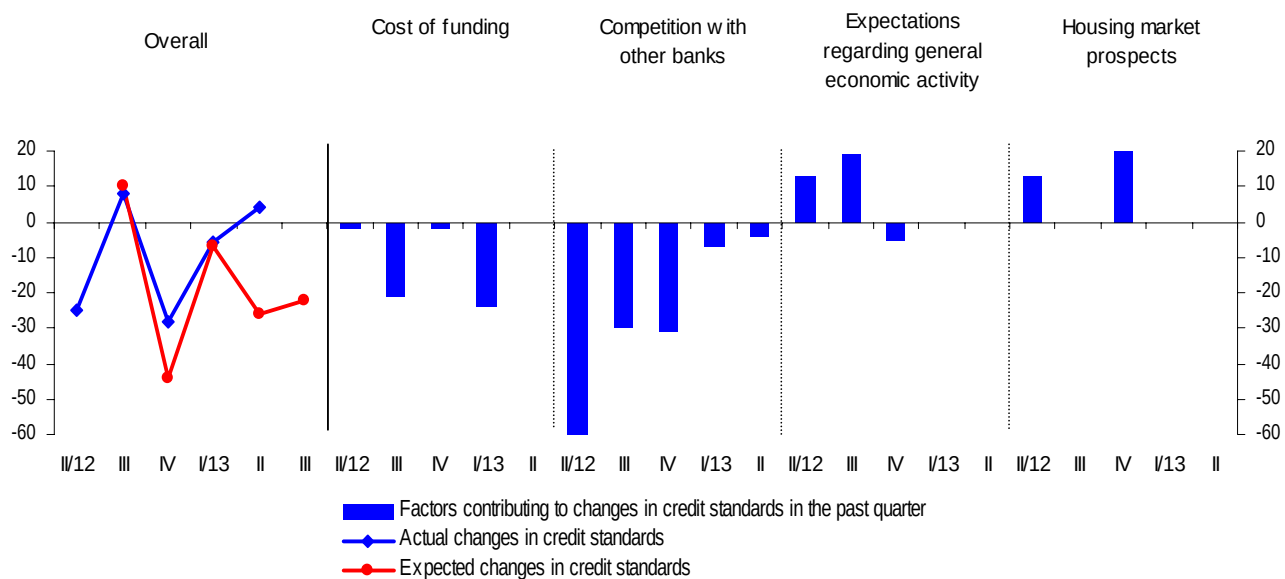


Chart 5 Changes in terms and conditions for approving loans for house purchase ([question 10](#))
(net percentage, positive value = tightening, negative value = easing)

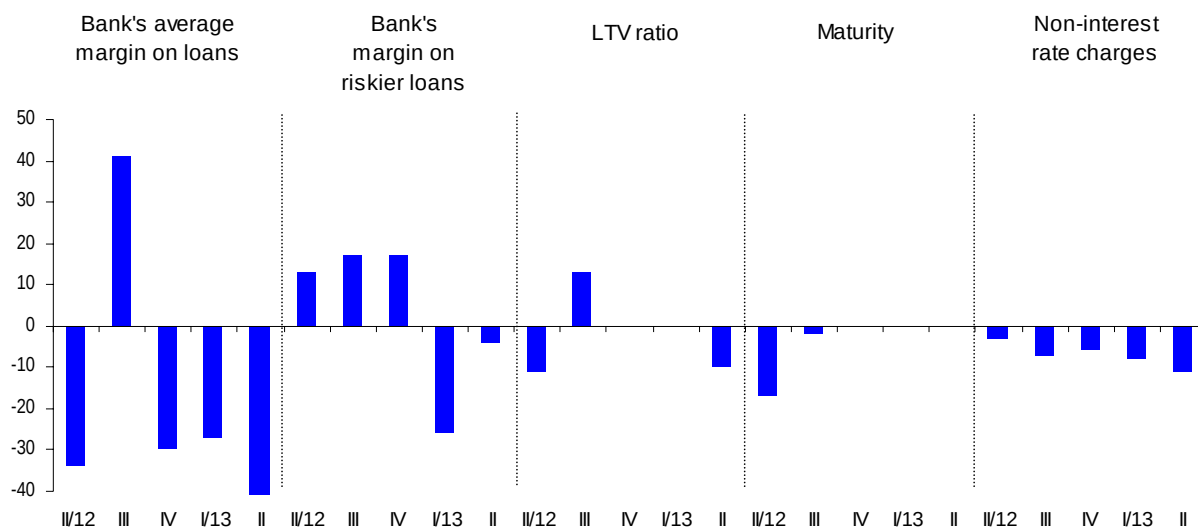
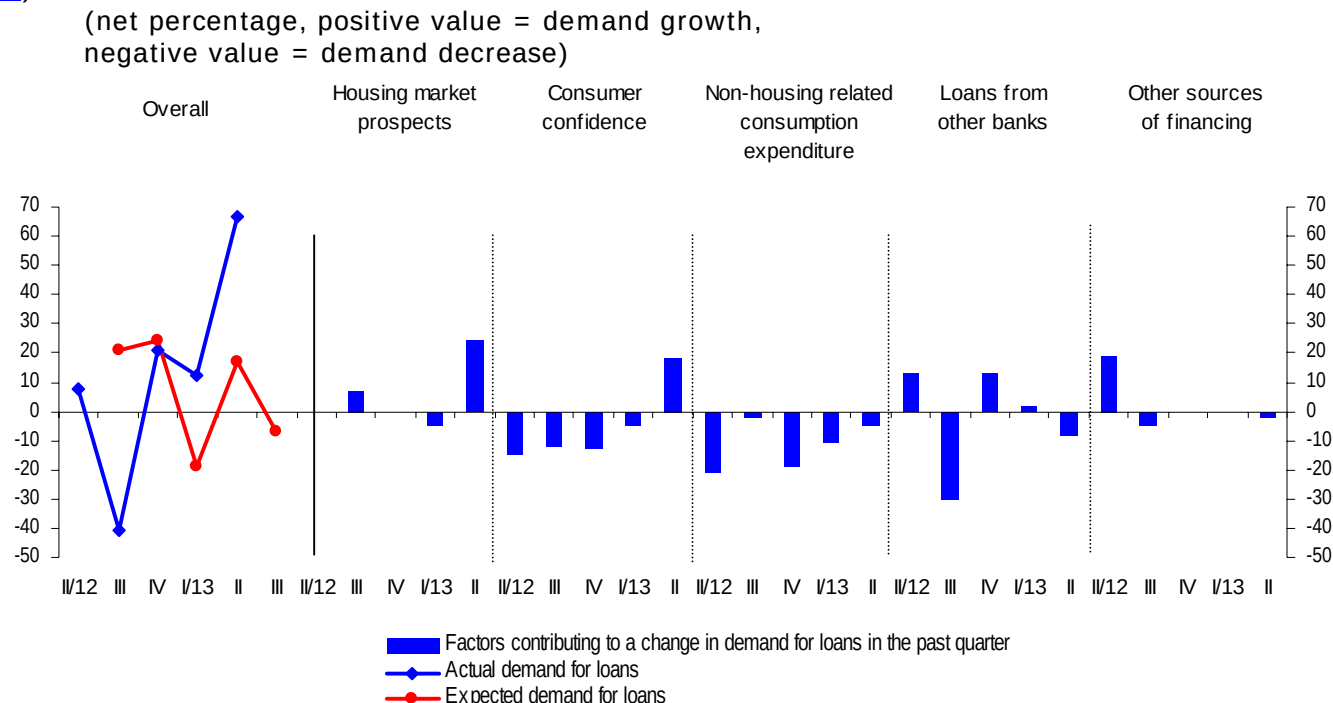


Chart 6 Changes in households' demand for loans for house purchase ([questions 13, 14 and 17](#))
(net percentage, positive value = demand growth, negative value = demand decrease)



SUPPLY AND DEMAND CONDITIONS FOR CONSUMER CREDIT

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

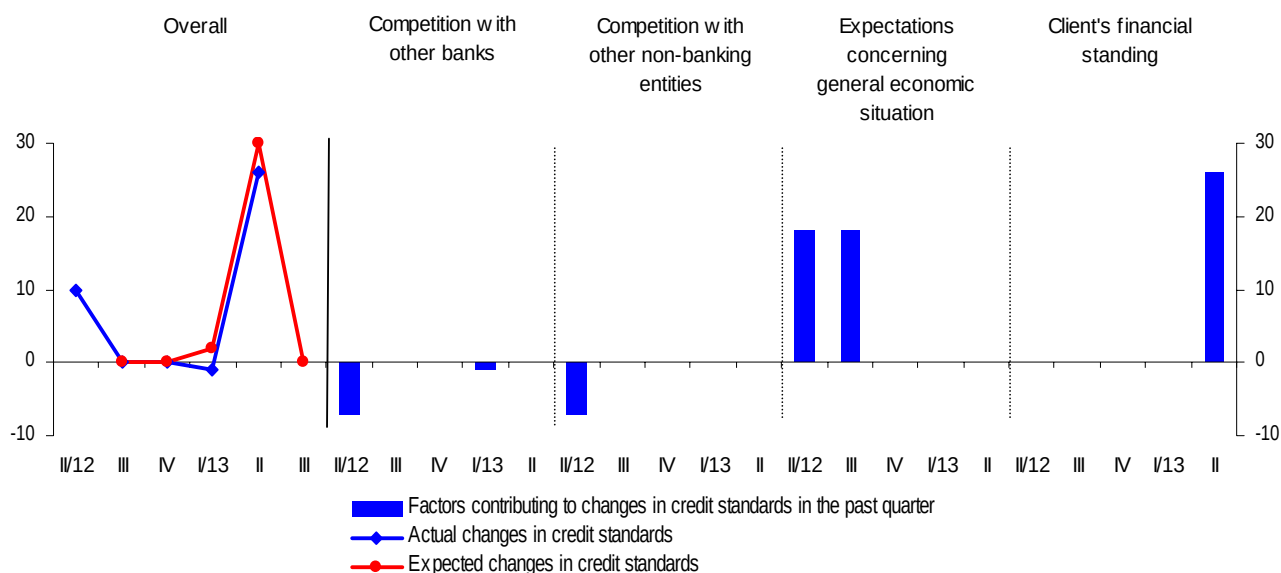


Chart 8 Changes in terms and conditions for approving consumer credit ([question 12](#))
(net percentage, positive value = tightening, negative value = easing)

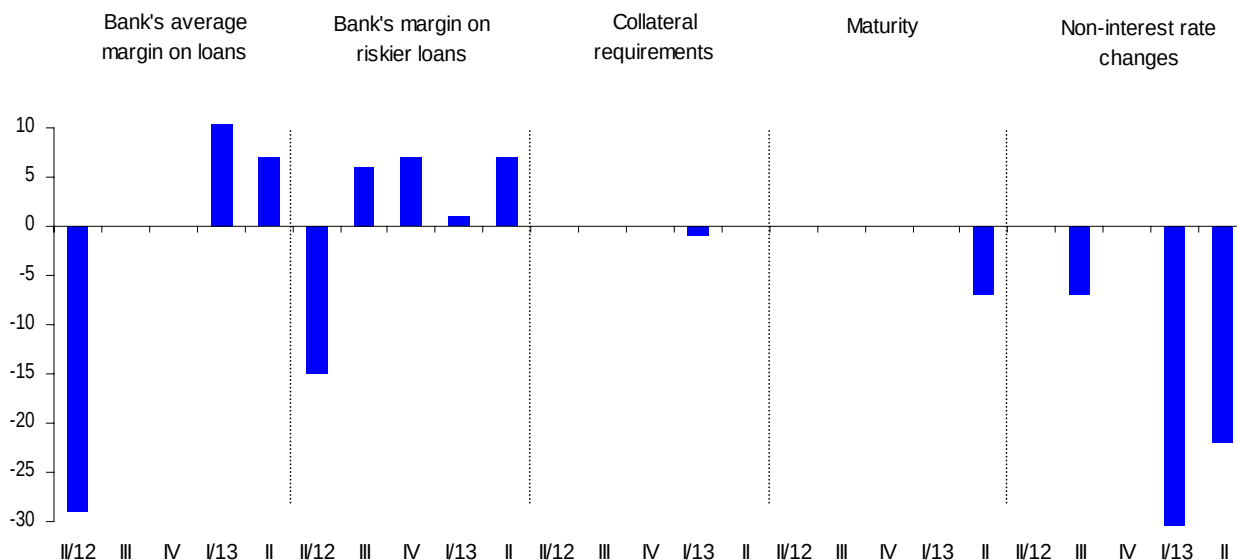


Chart 9 Changes in households' demand for consumer credit ([questions 13, 15 and 17](#))
(net percentage, positive value = demand growth,
negative value = demand decrease)

