Bank Lending Survey

III/2022

CZECH NATIONAL BANK

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 forty-first round of the survey, i.e. banks' views on the evolution of the standards and conditions in 2022 Q2 and their expectations in these areas for 2022 Q3. Nineteen banks, accounting for a major share of the bank credit market, took part in the survey, which was conducted between 1 and 15 June 2022.[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, along with the publication, the questionnaire, a glossary and methodological guidelines, is available on the CNB website: https://www.cnb.cz/en/statistics/bank-lending-survey/

I. SUMMARY

The results of the current round of the survey indicate a tightening of credit standards for loans to non-financial corporations and loans to households for consumption in 2022 Q2. Credit standards for loans for house purchase were tightened almost across the board. Non-financial corporations' demand for short-term loans increased in part of the market and was driven by the need to finance growth in prices of inputs. By contrast, total corporate demand for loans fell in a small part of the market, as did demand for investment loans. About one-fifth of the banking market expects demand for long-term loans to decrease in Q3. Perceived demand for house purchase loans also declined almost across the board in Q2. Conversely, demand for consumer credit increased in almost one-third of the banking market. Only a small section of the banking market expects credit losses to increase in all the above-mentioned segments in 2022 Q3.

II. CREDIT STANDARDS AND DEMAND FOR LOANS

II.1 NON-FINANCIAL CORPORATIONS

Part of the banking market tightened credit standards (banks' internal lending policy criteria) **for loans to non-financial corporations in 2022 Q2** (an NP of 24%). Most of the banking market perceived increased risks associated with the negative outlook for the overall economic situation and for some sectors. A smaller section of the banking market also perceived risks associated with required collateral. The banking market expects credit standards to tighten further in 2022 Q3 (an NP of 23%). **Banks tightened the lending conditions** representing the arrangements between the lender and the borrower (**an NP of 21%**). Some banks increased their collateral requirements (an NP of 16%), while some also tightened their terms and conditions relating to the maturity of loans to large enterprises (an NP of 20%). The interest margins of banks were virtually unchanged, even in the case of riskier loans to non-financial corporations. A smaller section of the banking market eased lending conditions via non-interest charges (an NP of 20%), especially in the case of loans to large corporations.

Total corporate demand for loans fell in only a small part of the banking market in 2022 Q2 (an NP of 9%). The level of interest rates was the most frequently mentioned factor fostering a decrease in perceived demand. A decrease in fixed investment financing needs (an NP of 25%) and some clients' interest in debt financing through bond issues (an NP of 14%) also contributed to a fall in perceived demand. Conversely, the financing of operations and inventories (an NP of 28%) and the financing of mergers and acquisitions and corporate restructuring (an NP of 12%) fostered a rise in demand. Perceived demand increased overall for short-term loans (an NP of 14%). This was due to the need for operational financing associated with growth in prices of energy, raw materials and other inputs. According to banks' statements, non-financial corporations are also being forced to purchase and maintain higher stocks due to supply chain disruptions, the unavailability of some commodities, components and materials, and long delivery times. A small proportion of banks expect overall demand for loans to decline in 2022 Q3 (an NP of 4%). About one-fifth of the banking market expects demand for long-term loans to decrease (an NP of 20%).

Questions regarding loans to **non-resident non-financial corporations** show that banks tightened credit standards (an NP of 31%) and demand for loans decreased (an NP of 6%) in 2022 Q2.

II.2 HOUSEHOLDS

Credit standards for loans to households for house purchase were tightened across the board in 2022 Q2 (an NP of 93%). This was fostered by pessimistic expectations relating to the overall economic situation and an unfavourable outlook for the residential property market (NPs of 63% and 34% respectively), as well as by banks adjusting to the stricter legally binding LTV, DSTI and DTI limits. Cost of funds and balance sheet constraints also had the same effect (an NP of 21%). Part of the banking market expects an easing of credit standards in 2022 Q3 (an NP of 17%). **Banks tightened the overall lending conditions** (an NP of 39%). As with standards, this reflects the adjustment to the legally binding LTV, DSTI and DTI limits completed in Q2 (with effect from 1 April 2022). A small section of the banking market increased the average interest margin on housing loans overall (an NP of 11%) and, by contrast, a similar part of the banking market reduced margins on riskier loans. A differentiated approach of individual banks to setting margins is thus visible. **Demand for loans for house purchase also declined almost across the board in Q2** (an NP of 83%). The decrease in perceived demand mainly reflected an increasing level of interest rates on house purchase loans (an NP of 86%). Higher consumption expenditure due to high inflation, high property prices, falling household savings and worsening sentiment among households also had an adverse effect on demand. Part of the banking market also expects a decline in demand for loans in Q3 (an NP of 31%).

Banks tightened credit standards in the consumer credit segment in 2022 Q2 (an NP of 38%). This tightening reflected negative expectations about economic developments, stricter assessment of client creditworthiness and, to a lesser extent, an increase in banks' cost of funds. Competition from other banks acted in the opposite direction. **A section of the banking market tightened the overall lending conditions** (an NP of 30%). By contrast, banks reduced average interest margins (an NP of 29%) and lowered margins on riskier loans to a lesser extent (an NP of 7%). **Households' demand for consumer credit rose** (an NP of 35%). Household spending on durable goods acted in this direction. Growth in interest rates on consumer credit had the opposite effect (an NP of 18%). A smaller section of the banking market expects a tightening of credit standards in 2022 Q3 (an NP of 28%) and a similar part of the market expects a decline in demand for consumer credit.

A small proportion of banks tightened credit standards for loans to sole proprietors in 2022 Q2 (an NP of 35%) and banks do not expect them to change in 2022 Q3. **Sole proprietors' demand for loans decreased** (an NP of 25%), and the banking market expects demand to decline further in 2022 Q3 (an NP of 35%).

Additional questions on **expected credit losses** indicate that to a small extent banks expect a increase in the rate of expected credit losses on loans to households. To a somewhat larger extent, banks expect an increase in the rate of expected credit losses on loans to non-financial corporations.

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)

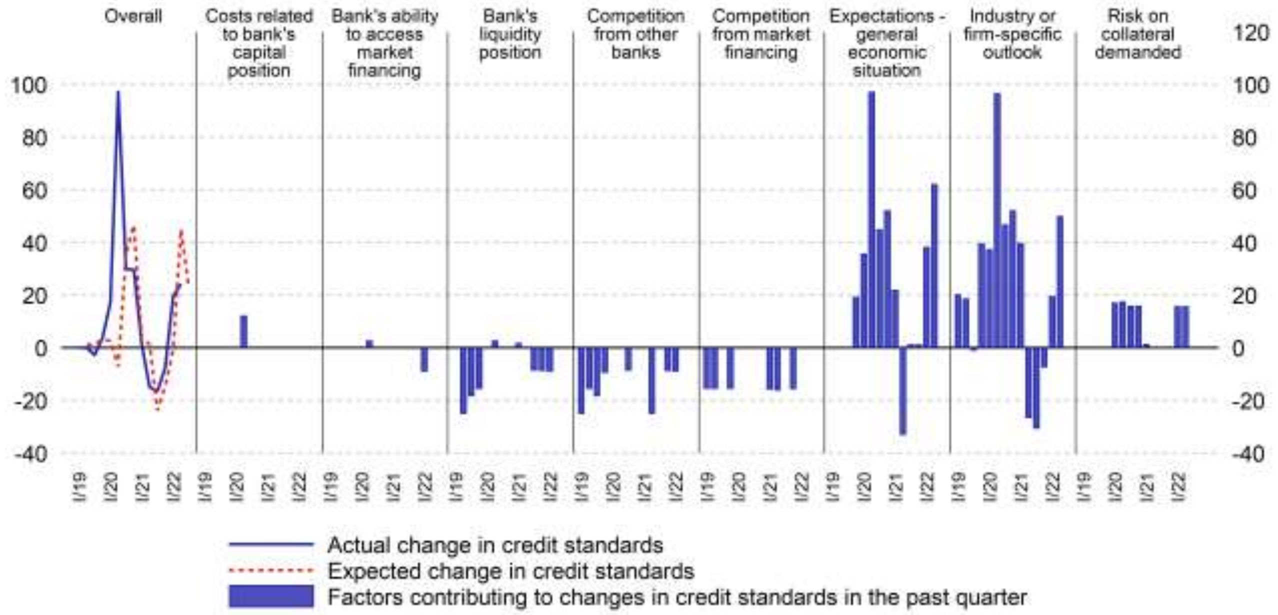


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations (question 3)

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

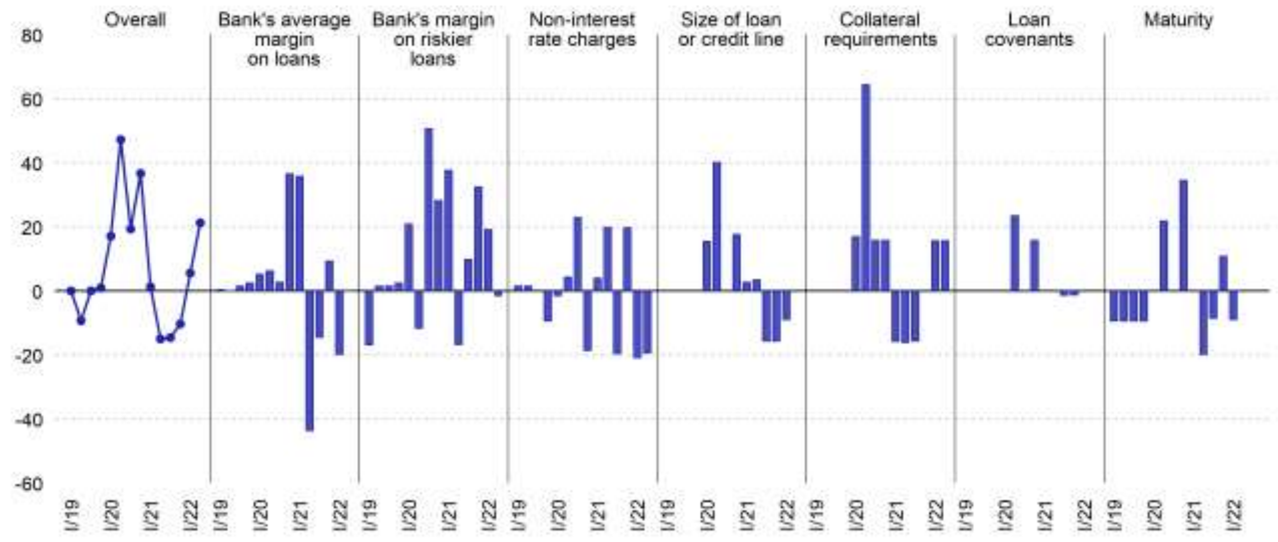


Chart 3 Changes in non-financial corporations' demand for loans (questions 4, 5 and 7)

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

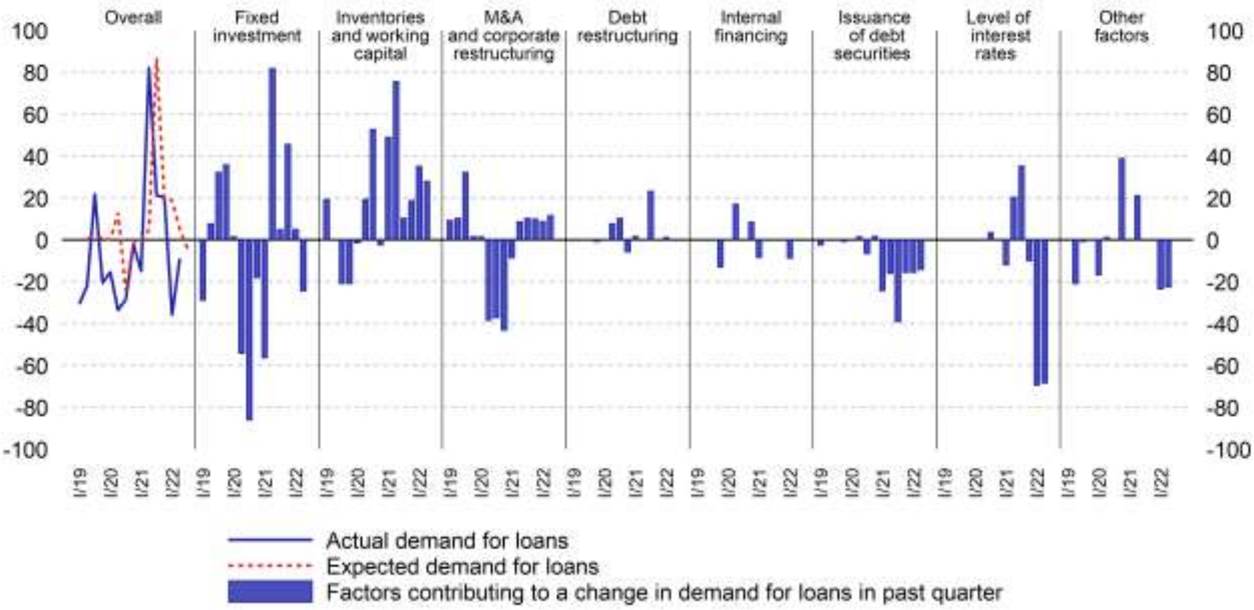


Chart 4 Changes in credit standards applied to loans for house purchase (questions 8, 9 and 16)

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

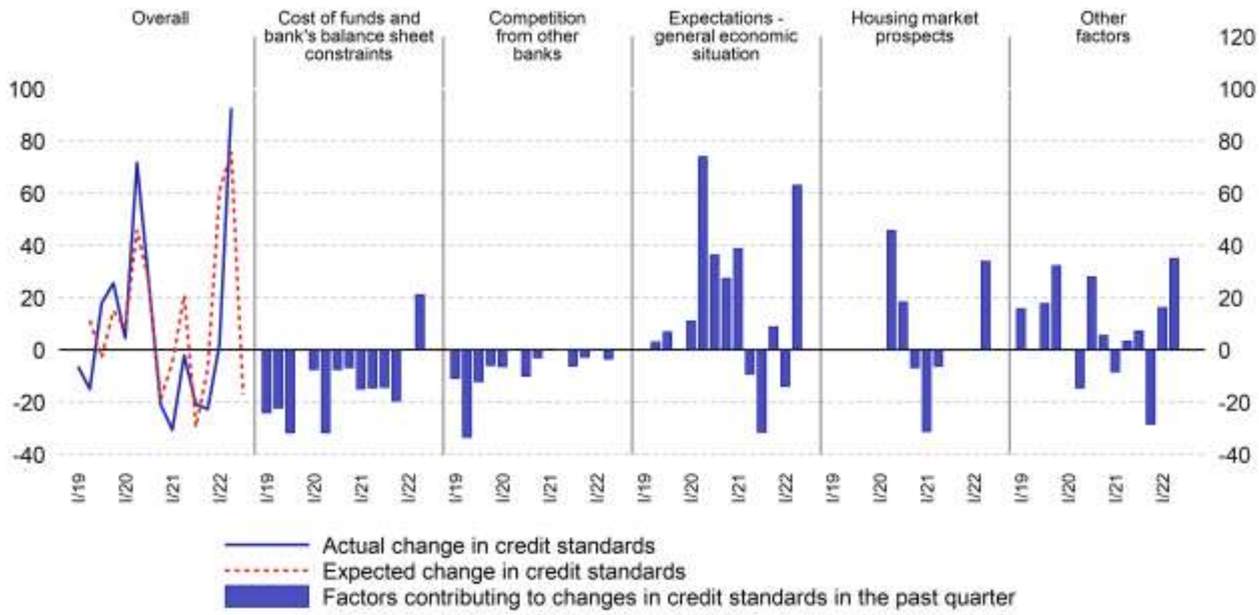


Chart 5 Changes in terms and conditions for approving loans for house purchase (question 10)

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

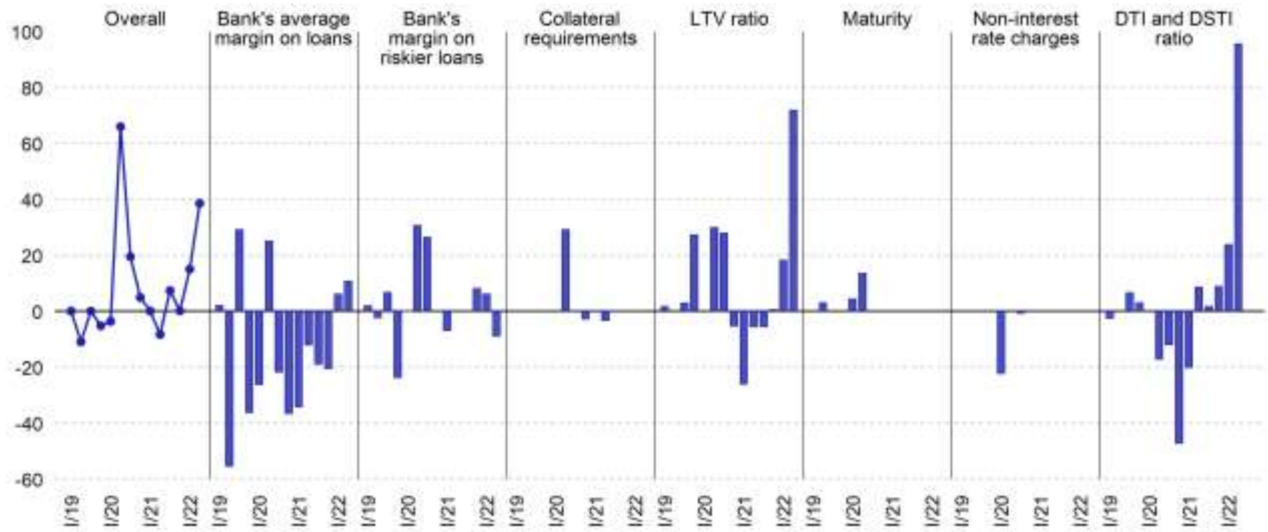


Chart 6 Changes in households' demand for loans for house purchase (questions 13, 14 and 17)

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

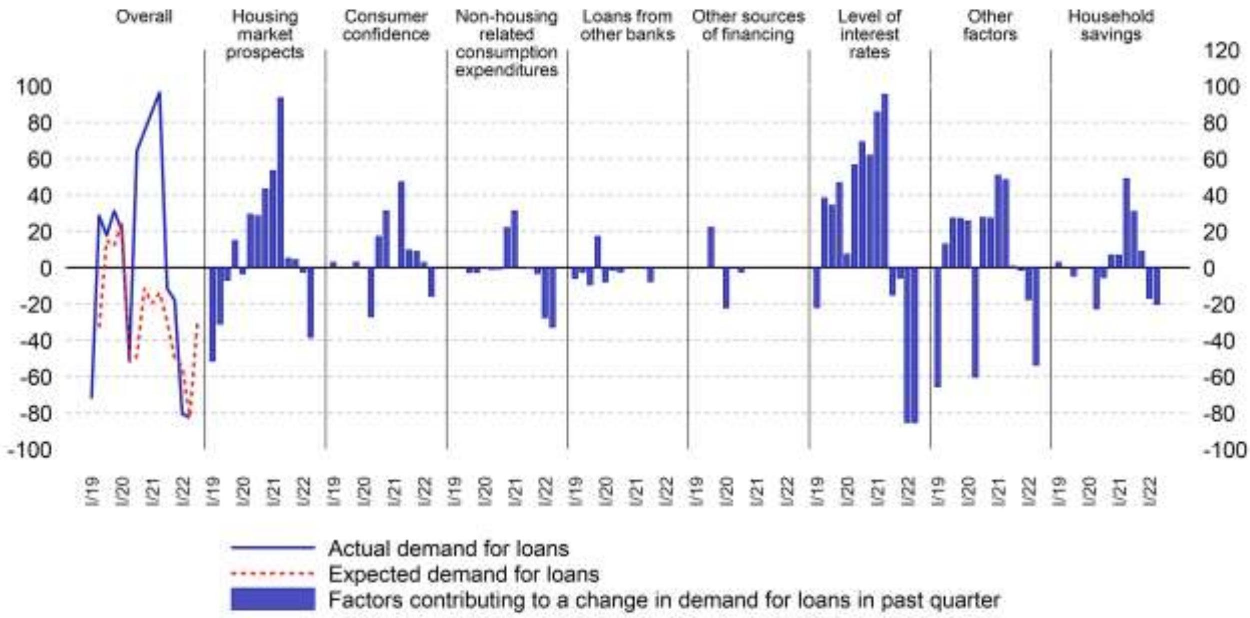


Chart 7 Changes in credit standards applied to consumer credit (questions 8, 11 and 16)

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

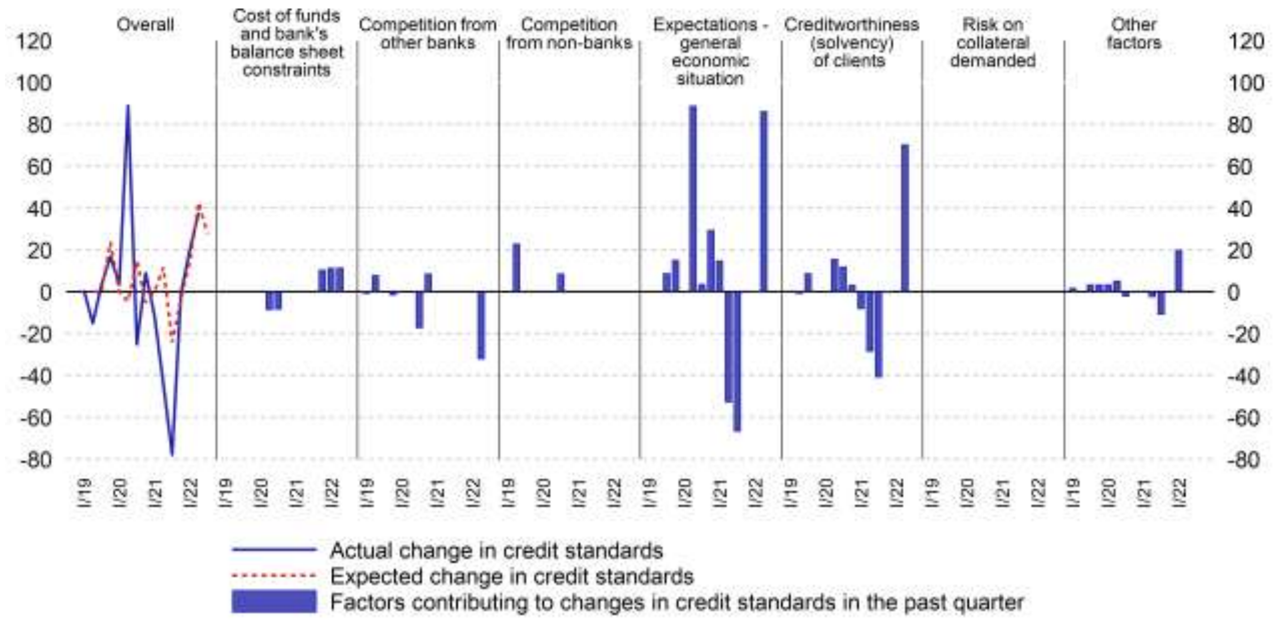


Chart 8 Changes in terms and conditions for approving consumer credit (question 12)

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

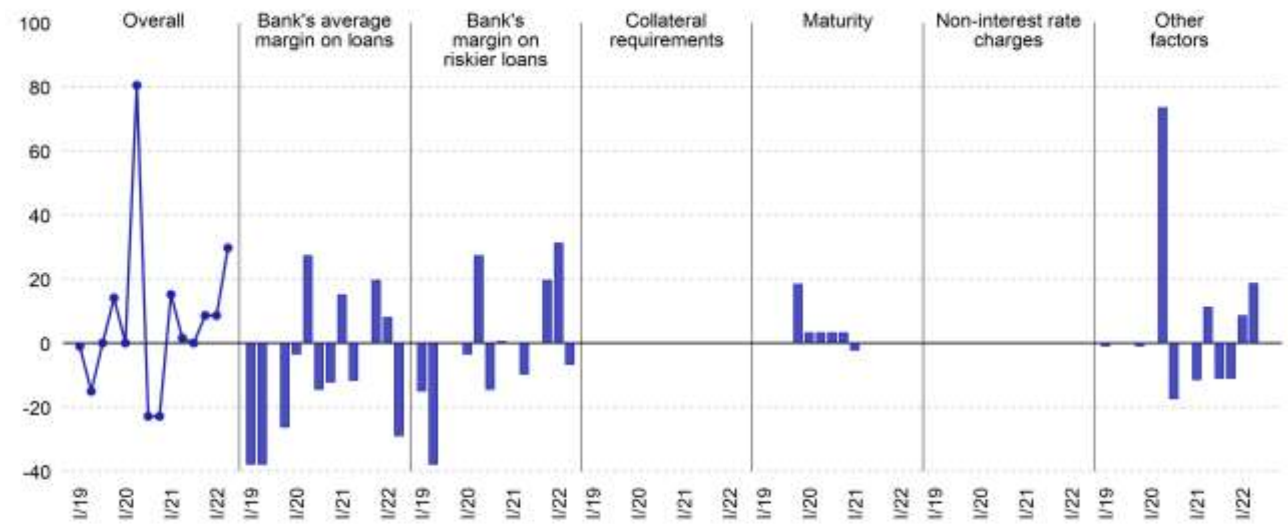
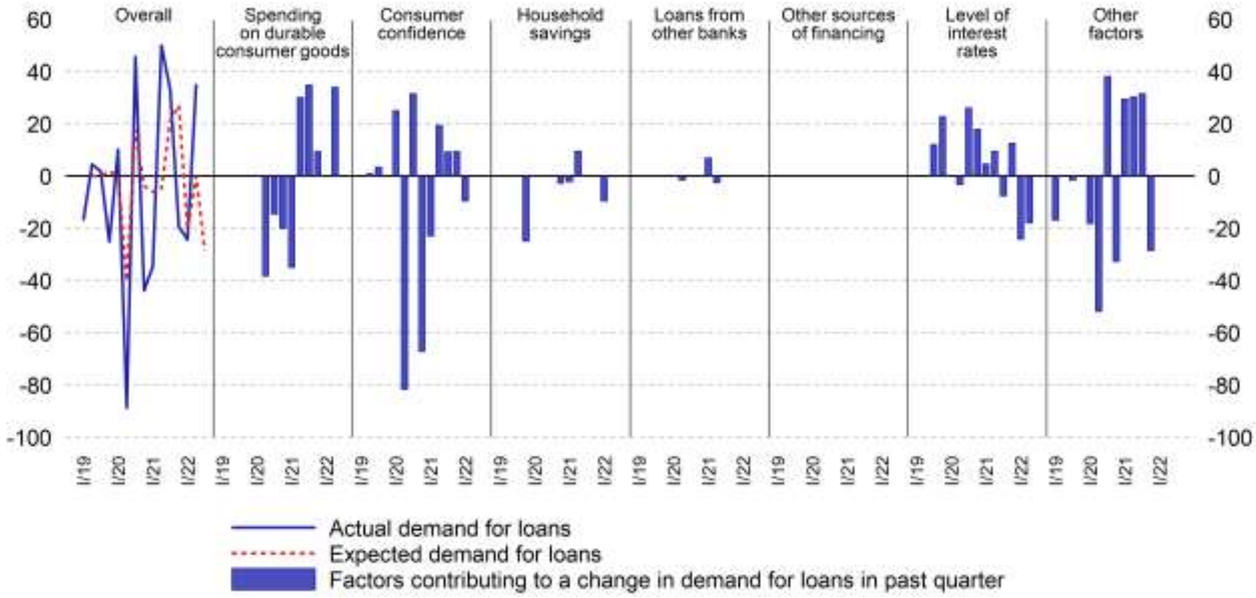


Chart 9 Changes in households' demand for consumer credit (questions 13, 15 and 17)

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



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