Šetření úvěrových podmínek bank červenec 2014

Česká národní banka
2014

BANK LENDING SURVEY
JULY

2014

Financial Stability Department

Monetary and Statistics 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 the terms and conditions for approving loans, and regarding the change in non-financial corporations' and households' demand for loans. This document summarises the results of the ninth round of the survey, i.e. banks' views on the evolution of the standards and conditions in 2014 Q2 and their expectations in these areas for 2014 Q3. Eighteen banks, accounting for a major share of the bank credit market, took part in the survey.[1,2]

The survey reveals that banks made mixed adjustments to their credit standards in 2014 Q2. While credit standards for loans to non-financial corporations were eased, mainly due to an improved economic outlook for much of the market, the standards for house purchase loans were broadly unchanged. A large part of the market reported tighter credit standards for consumer credit. The terms and conditions for approving loans tended to ease. A significant proportion of the credit market recorded increased demand for loans to non-financial corporations, primarily for financing mergers and acquisitions and fixed investment. In line with expectations in the previous round of the survey, households' demand for house purchase loans increased, while that for consumer credit was flat overall. In 2014 Q3, banks expect credit standards to ease further for corporate loans and house purchase loans, but to tighten for consumer credit. A large proportion of the credit market expects non-financial corporations' demand for loans to rise further. As regards loans to households, banks expect demand for house purchase loans to increase and demand for consumer credit to decline.

II. CREDIT STANDARDS AND DEMAND FOR LOANS

II.1 NON-FINANCIAL CORPORATIONS

Banks' credit standards for approving **loans to non-financial corporations** were eased in 2014 Q2 (an NP of 28% of the market). Standards were eased to a greater extent for short-term loans and loans to large corporations. Banks identified an expected improvement in the overall economic situation and competition in this segment, and to a lesser extent banks' easier access to funding and their generally good liquidity situation, as the most important determinants. As regards the terms and conditions for approving corporate loans, average interest margins and non-interest charges decreased, with banks relaxing both their loan covenant requirements and their loan maturity conditions.

[1] Four large banks, four medium-sized banks, two small banks, three foreign bank branches and five building societies took part in the survey. 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).

[2] The questionnaire contained 17 questions regarding 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.

Following a decline in the previous quarter, non-financial corporations' demand for loans increased again (an NP of 30%), especially in the segment of large corporations and for long-term loans. The increase was due to continued growth in demand for loans to finance mergers and acquisitions of corporations, but demand for loans for fixed investment and, in a smaller section of the market, for operating loans also rebounded. The use of alternative forms of corporate financing in the form of debt securities and internal resources had a negative impact on demand.

Banks expect credit standards for approving all types of corporate loans to ease further in 2014 Q3. According to banks' expectations, corporate demand for loans will also rise across the board (an NP of 56%).

II.2 HOUSEHOLDS

Banks' credit standards for approving **loans to households for house purchase** remained broadly unchanged in Q2, as the main underlying factors (financing costs, competitive pressure, economic risk perceptions and property market developments) fostered an easing. Banks' expectations for Q3 also point in this direction, with an across-the-board easing of standards amounting to an NP of 42%. A large section of the market has already eased the terms and conditions for approving house purchase loans by lowering both average margins and margins on riskier loans and non-interest charges. Households' demand for house purchase loans increased in a large section of the credit market in Q2 (an NP of 57%). This increase is partly due to compensation for the one-off fall in demand in the previous quarter due to legislative changes (the new Civil Code and Cadastral Act). The improving outlook for the property market and increasing consumer demand are the fundamental growth factors. Banks expect demand to continue to grow in Q3, although not as globally (an NP of 31%).

Credit standards for **consumer credit** to households were tightened in 2014 Q2 (an NP of 35%). This was due mainly to adjustments made to loan approval processes in accordance with new internal policies in some banks. Other factors (bank financing costs, competitive pressure and economic risks) tended to foster an easing of standards. The terms and conditions for approving loans were broadly unchanged in this segment. Following an across-the-board increase in the previous quarter, households' demand for consumer credit was practically unchanged overall (an NP of -5% of the market). Lower consumer confidence in this specific client segment and the use of alternative financing (e.g. savings) had a negative effect on demand. A small section of the banking market expects demand to fall further in 2014 Q3.

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)

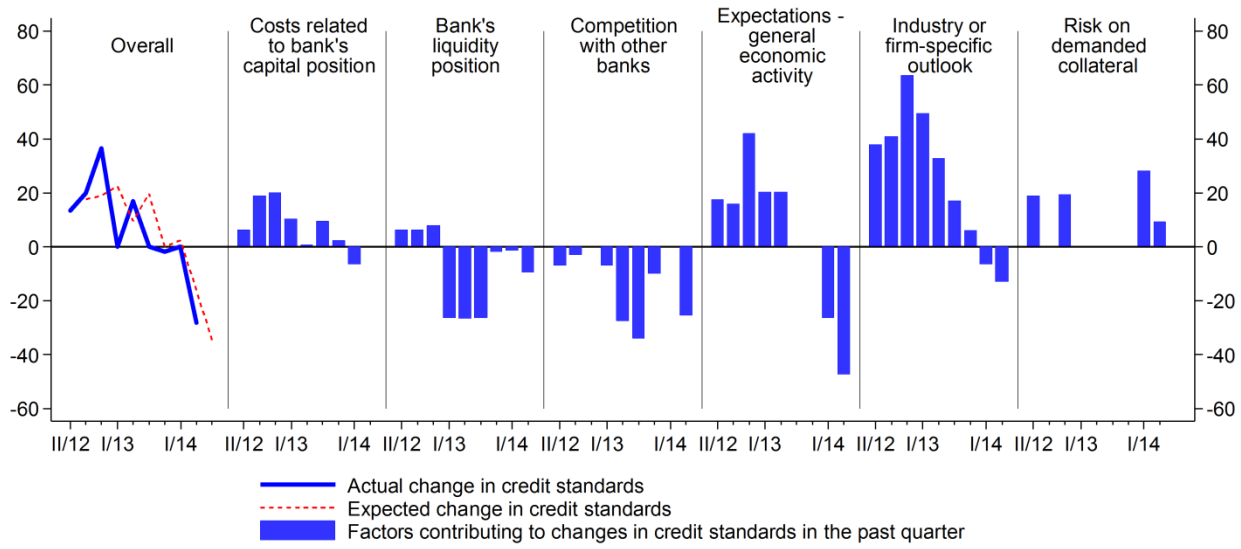


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations (question 3)
(net percentages, positive value = tightening, negative value = easing)

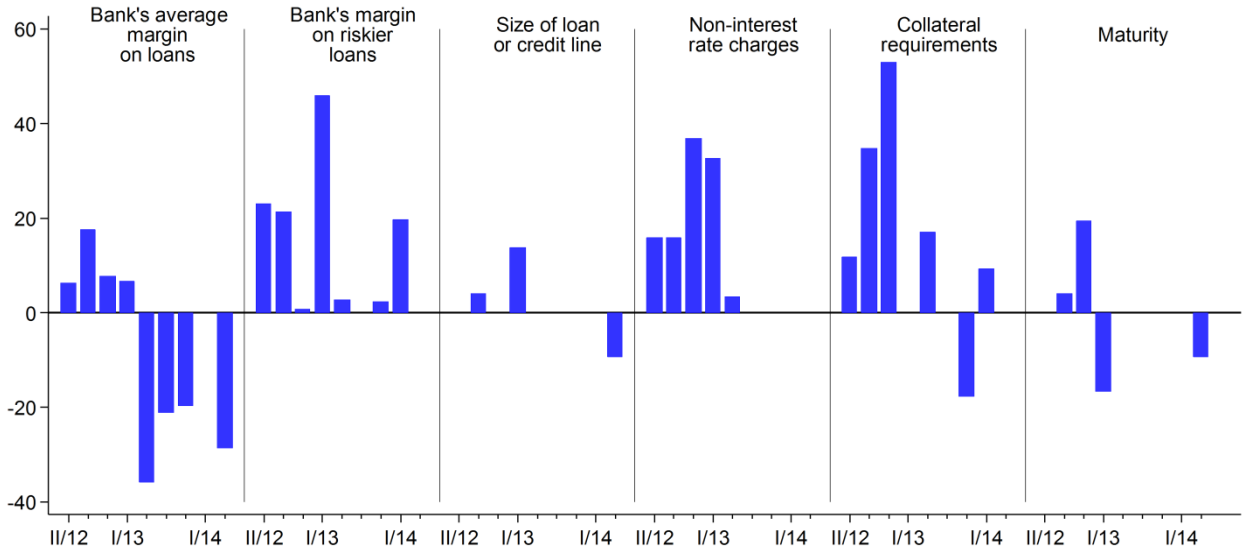
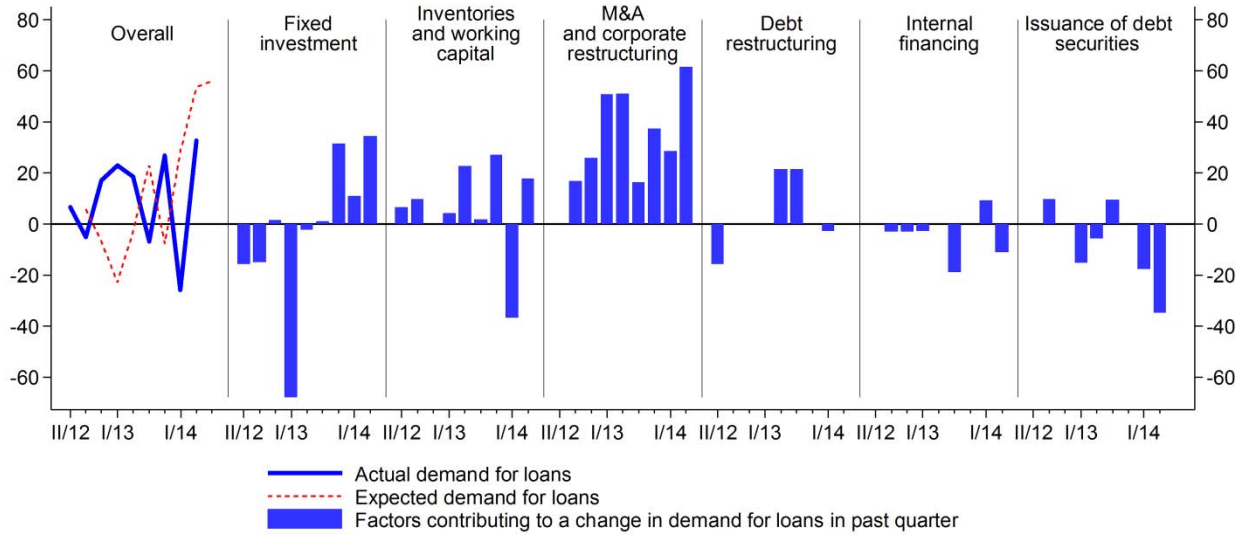


Chart 3 Changes in non-financial corporations' demand for loans (questions 4, 5 and 7)
(net percentages, positive value = demand growth,
negative value = demand decrease)



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)

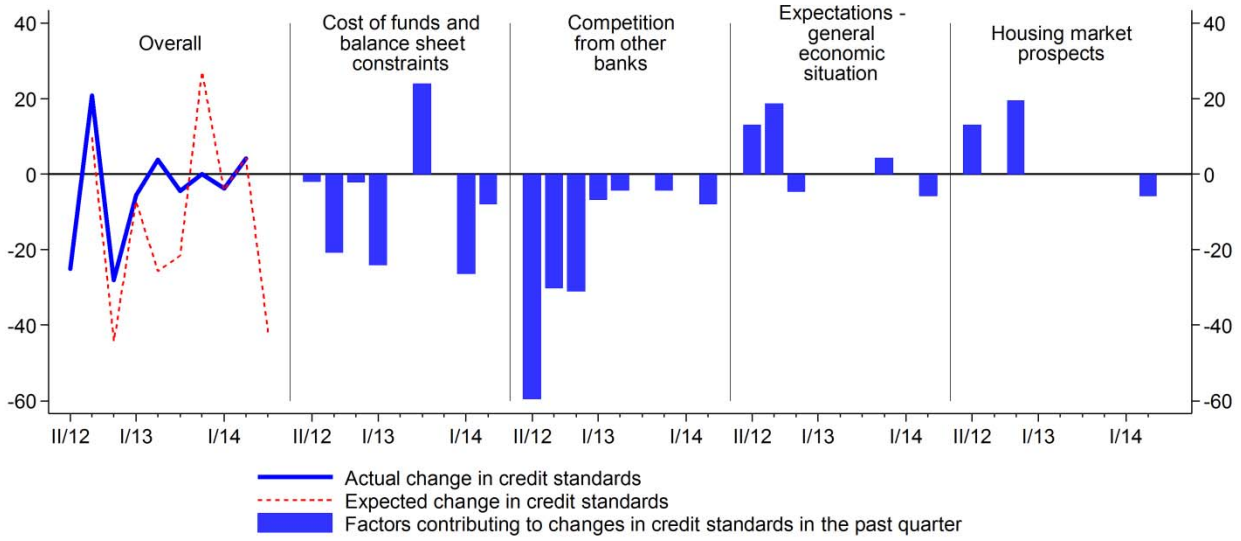


Chart 5 Changes in terms and conditions for approving loans for house purchase (question 10)
(net percentages, positive value = tightening, negative value = easing)

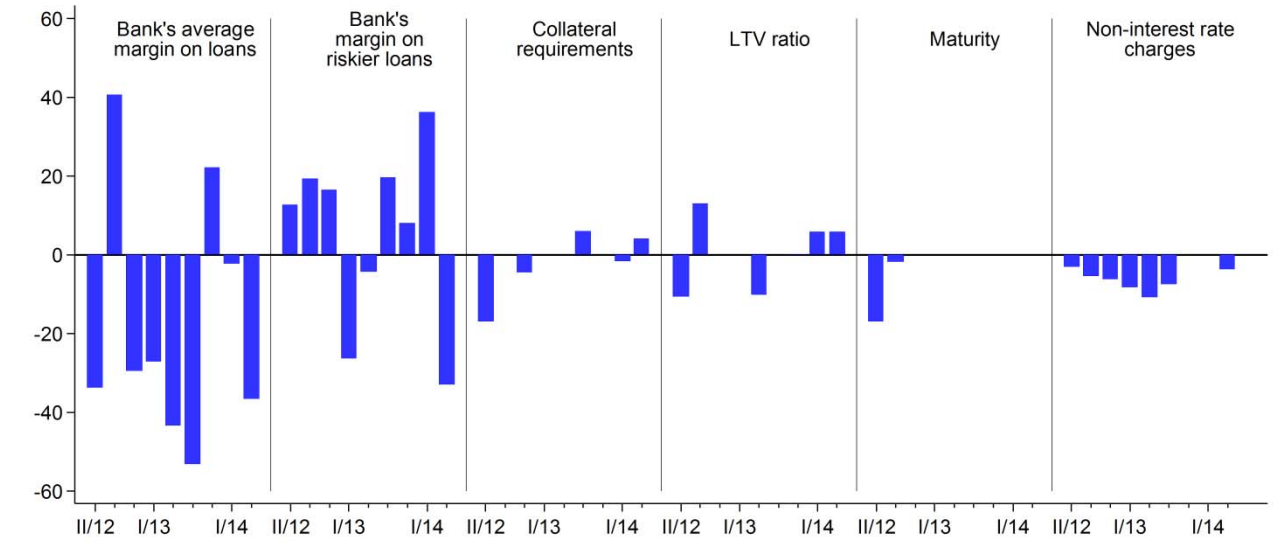
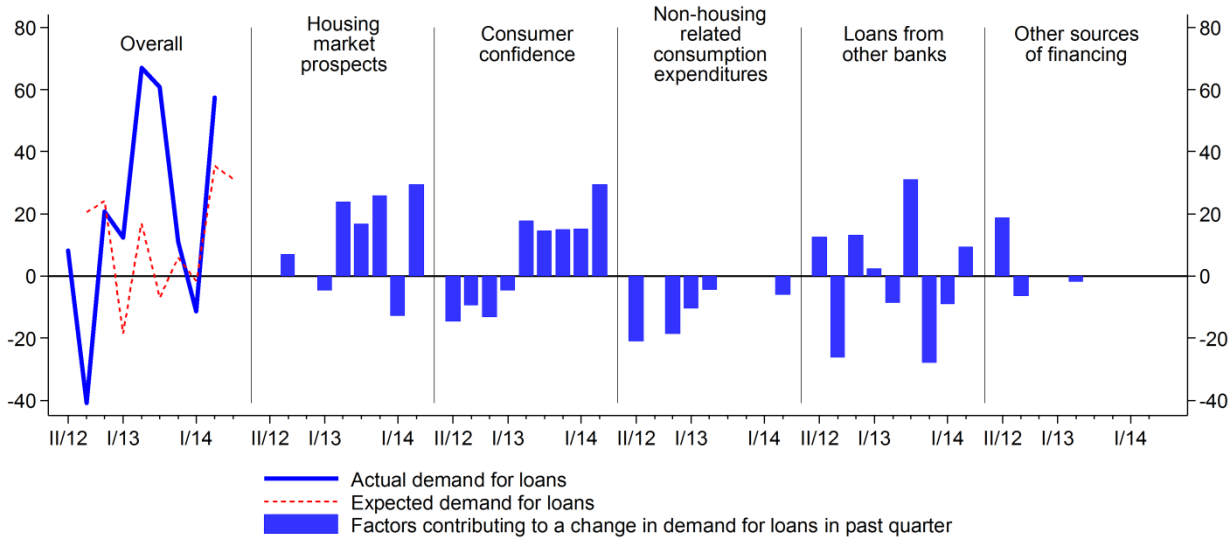


Chart 6 Changes in households' demand for loans for house purchase (questions 13, 14 and 17)
(net percentages, positive value = demand growth,
negative value = demand decrease)



SUPPLY AND DEMAND CONDITIONS FOR 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)

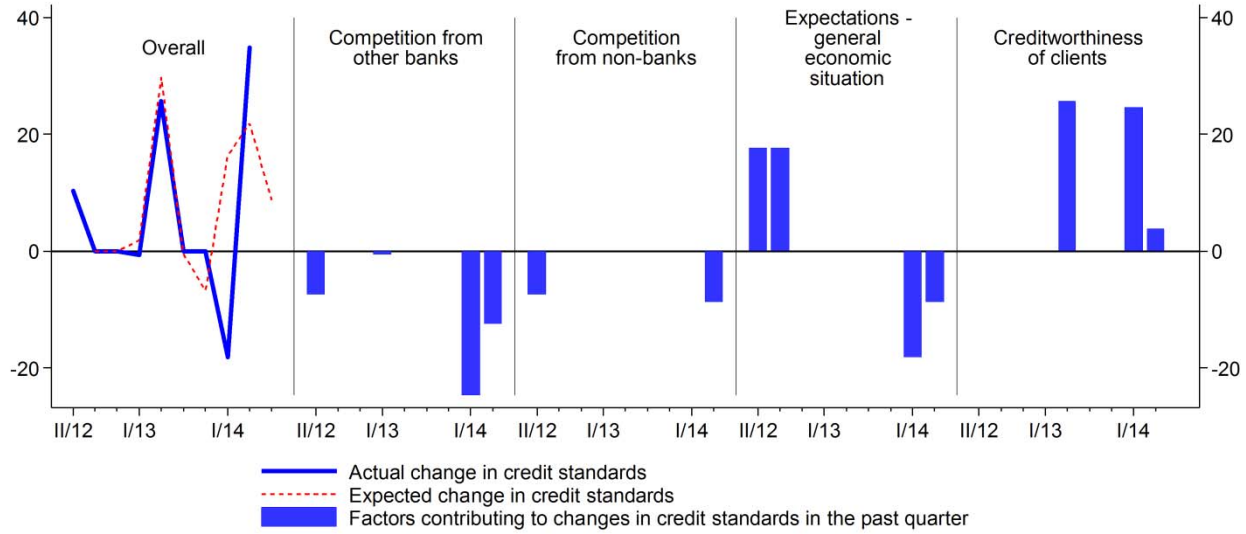


Chart 8 Changes in terms and conditions for approving consumer credit (question 12)
(net percentages, positive value = tightening, negative value = easing)

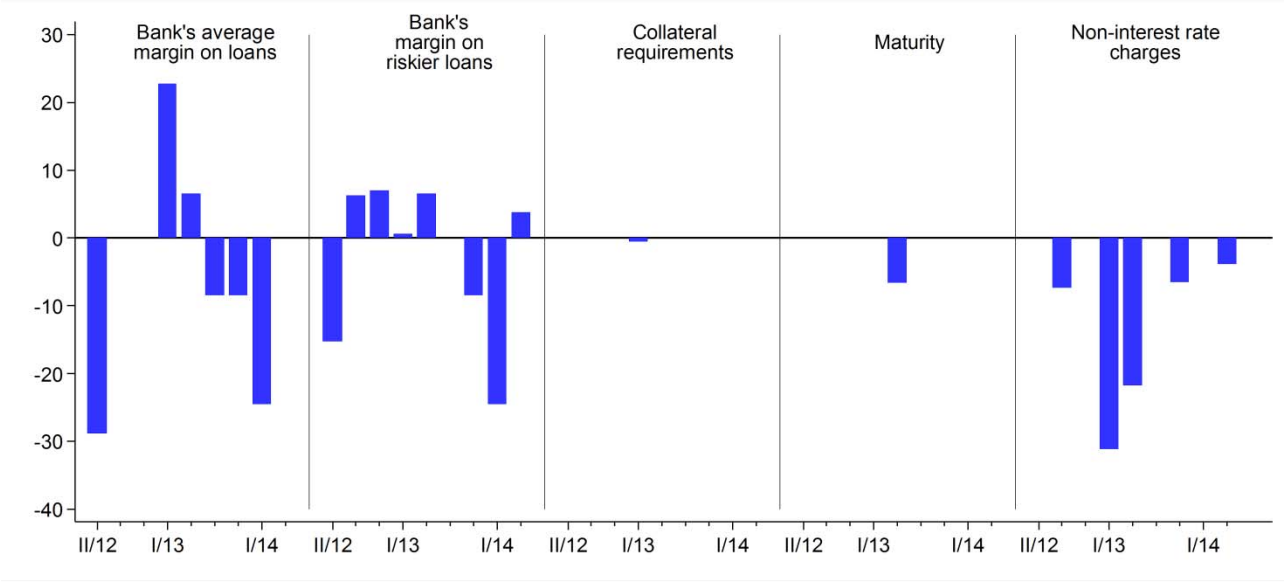


Chart 9 Changes in households' demand for consumer credit (questions 13, 15 and 17)
(net percentages, positive value = demand growth,
negative value = demand decrease)