Šetření úvěrových podmínek bank říjen 2014

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BANK LENDING SURVEY
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Financial Stability Department

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Monetary Policy and Fiscal Analyses Division

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 tenth round of the survey, i.e. banks' views on the evolution of the standards and conditions in 2014 Q3 and their expectations in these areas for 2014 Q4. Eighteen banks, accounting for a major share of the bank credit market, took part in the survey, which was conducted between 9 and 23 September 2014.[1,2]

The survey reveals that banks continued to make mixed adjustments to their credit standards in 2014 Q3. While credit standards for loans to non-financial corporations were eased, mainly due to competitive pressure and an improved overall economic outlook, the standards for house purchase loans were broadly unchanged and the standards for consumer credit were tightened. As regards the terms and conditions for approving loans, average interest margins fell in all credit market segments. Non-financial corporations' demand for loans rose further owing to financing of mergers and acquisitions, fixed investment and working capital and inventories. Households' demand for house purchase loans declined in the most recent quarter, reflecting its unusually strong fluctuations in the individual quarters of this year. Despite the economic recovery, demand for consumer credit continued to decrease. Banks expect credit standards to ease in all credit market segments in 2014 Q4. Quite a large proportion of the banking market expects non-financial corporations' demand for loans to rise further. Households' demand for house purchase loans will mostly increase and demand for consumer credit will continue 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 Q3 (an NP of 21% of the market). This mainly concerned long-term loans and loans to large corporations. The easing of standards was due to strong competitive pressure and a favourable overall economic outlook. A decrease in costs related to banks' capital position, a generally favourable bank liquidity situation and risk perceptions associated with required collateral also fostered the easing of standards. On the other hand, perceptions of the outlook for some industries and corporations, more specifically the outlook for some exporting firms owing to developments in Russia, worsened for the first time since the end of 2013. The easing of standards was reflected in more favourable terms and conditions required by banks when providing new loans. Almost one-half of the market

[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.

lowered average interest margins and 18% of the market also reduced margins on riskier loans. Other terms and conditions (e.g. required collateral) were also eased.

Non-financial corporations' demand for loans increased (an NP of 36% of the market). The biggest rise in demand was recorded for medium-sized corporations (included among small and medium-sized enterprises) and long-term loans. The overall increase in demand was due to continued financing of mergers and acquisitions, fixed investment and, for a smaller proportion of the market, working capital and inventories. The use of alternative forms of financing, such as issuance of corporate debt securities, acted in the opposite direction.

Banks expect credit standards for approving all types of corporate loans to ease further in 2014 Q4 (an NP of 38% of the market). According to banks' expectations, corporate demand for loans will also rise (an NP of 51%), in particular among medium-sized corporations.

II.2 HOUSEHOLDS

Banks' credit standards for approving **loans to households for house purchase** remained broadly unchanged in Q3, with risk perceptions regarding the overall economic situation and the outlook for the residential property market having a neutral effect. On the other hand, an easing of standards was fostered by financing costs, constraints in banks' balance sheet items and competitive pressure. Consistent with this are banks' expectations for 2014 Q4, which imply an easing of standards (an NP of 11% of the market). As regards the terms and conditions for approving loans, average interest margins decreased in particular.

Household demand for loans for house purchase saw a decrease in Q3 compared to the previous period (an NP of 29%). The drop in demand in the most recent quarter reflected its unusually strong fluctuations in 2014 so far. Following a very weak Q1 (temporarily affected by legal uncertainty linked with the entry into force of the new Civil Code and Cadastral Act), the results for Q2 were extraordinarily strong. The outlook for the residential property market and consumer confidence had a favourable impact on demand in Q3, albeit to a smaller extent than in the previous period. The market mostly expects renewed demand growth in Q4.

Credit standards for **consumer credit** to households were tightened in 2014 Q3 (an NP of 25%). This was due mainly to adjustments made to loan approval processes in accordance with internal policies in some banks. Other factors had a neutral effect on the change in credit standards, with only financing costs and constraints in banks' balance sheet items acting towards an easing. As regards the terms and conditions for approving loans, average interest margins decreased and other terms and conditions were unchanged.

Household demand for consumer credit declined further (an NP of 21% of the market). Demand was adversely affected by persisting caution of households in drawing this type of credit. Banks expect consumer credit demand to follow a similar trend in 2014 Q4.

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)

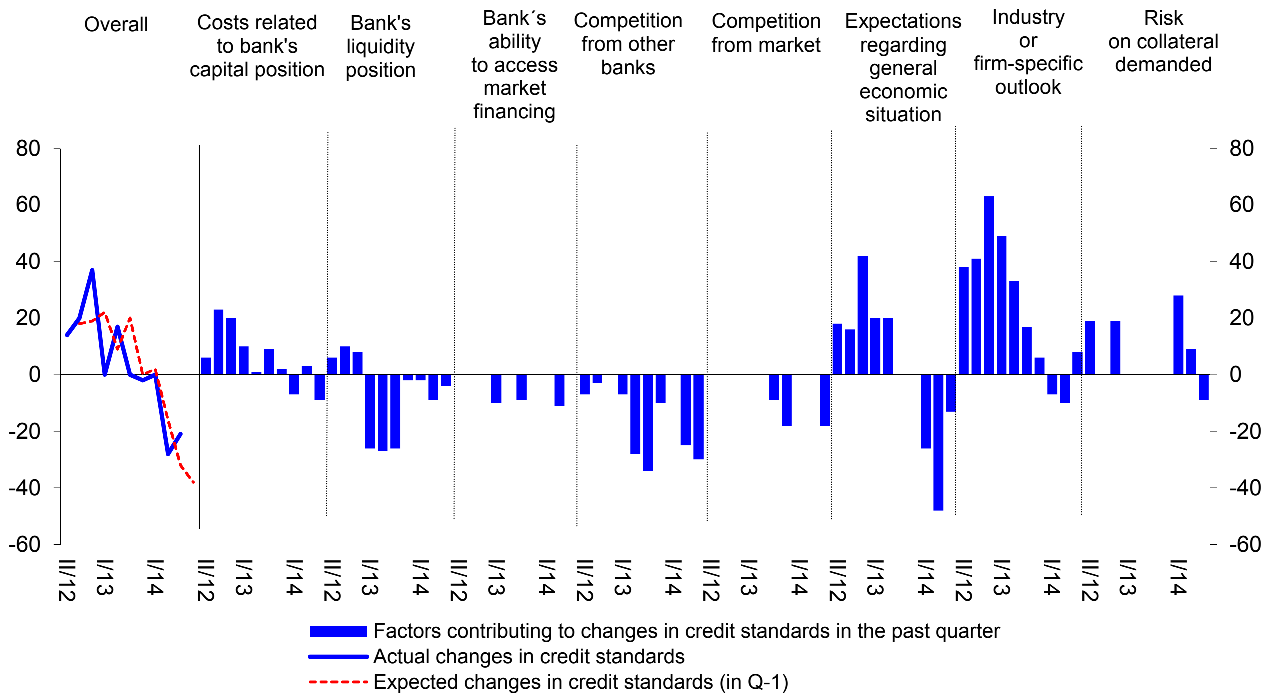


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations (question 3)
(net percentages, positive value = tightening, negative value = easing)

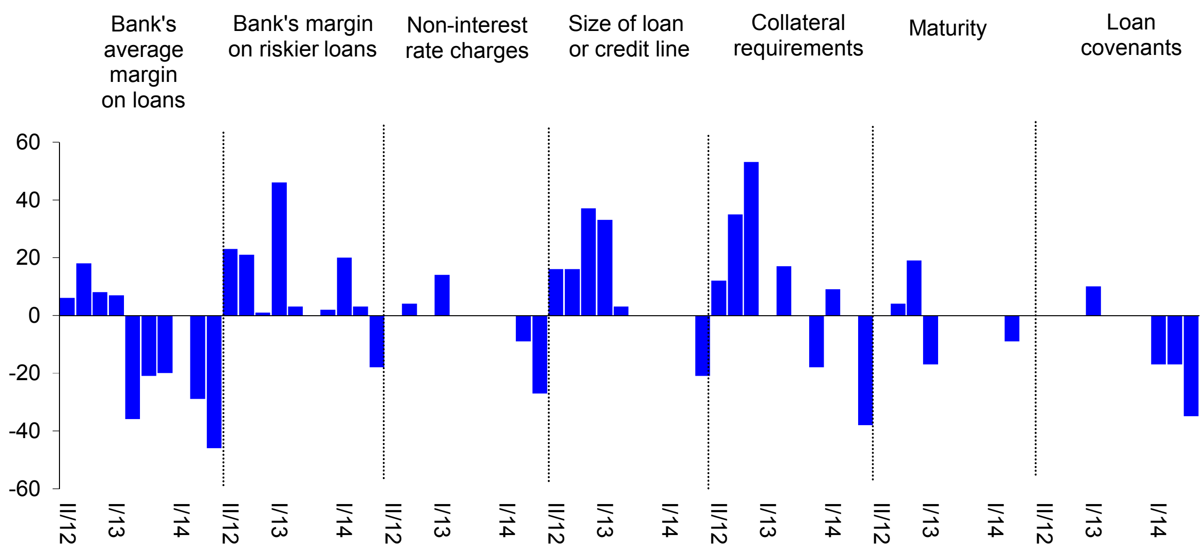
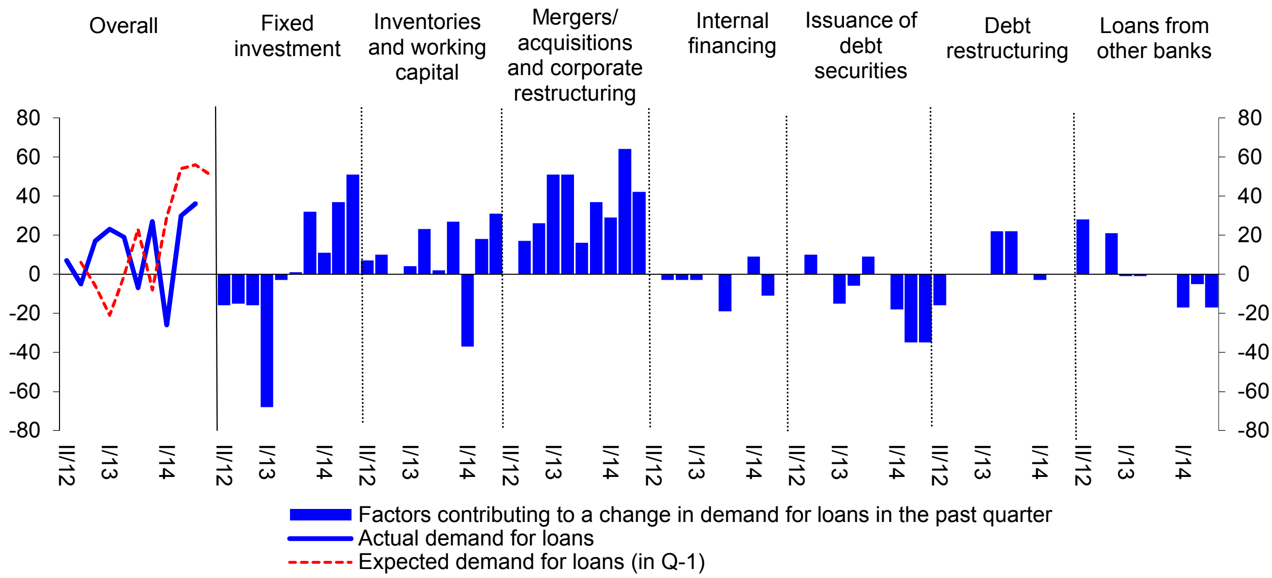


Chart 3 Changes in non-financial corporations' demand for loans (questions 4, 5 and 7)
(net percentages, positive value = demand growth,
negative value = demand decrease)



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)

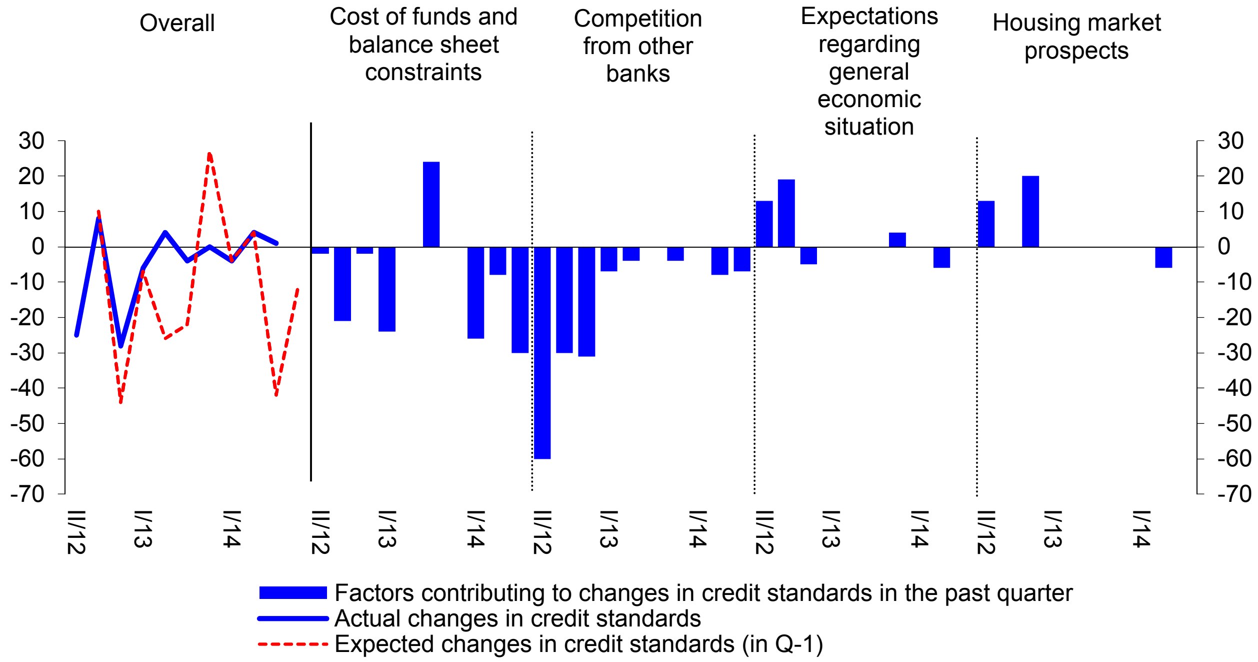


Chart 5 Changes in terms and conditions for approving loans for house purchase (question 10)
(net percentages, positive value = tightening, negative value = easing)

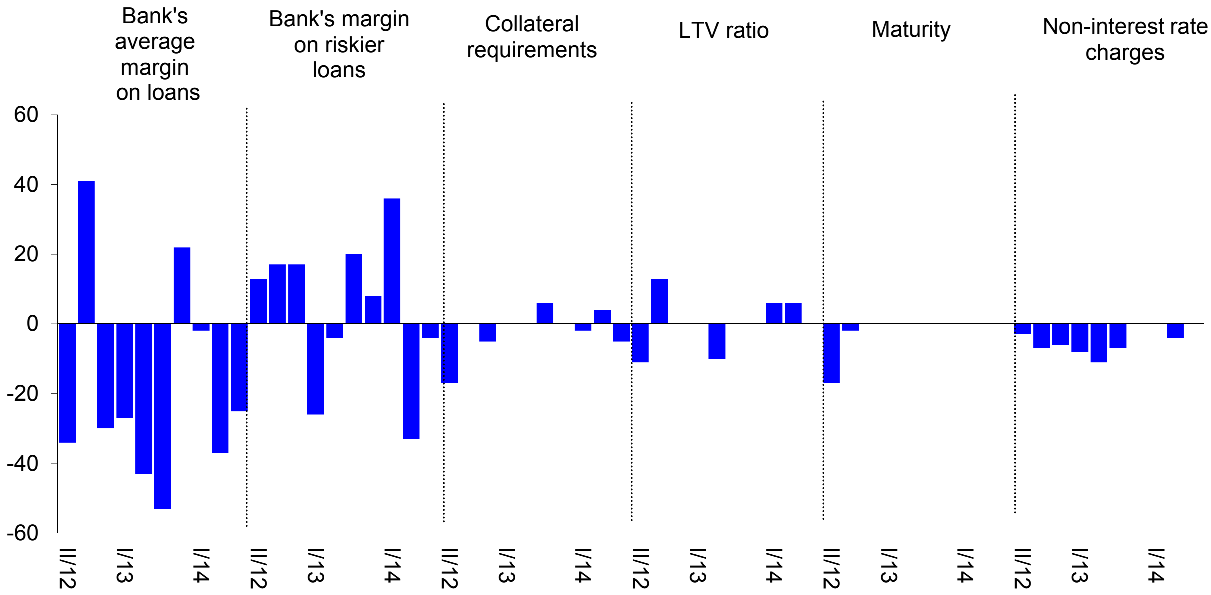
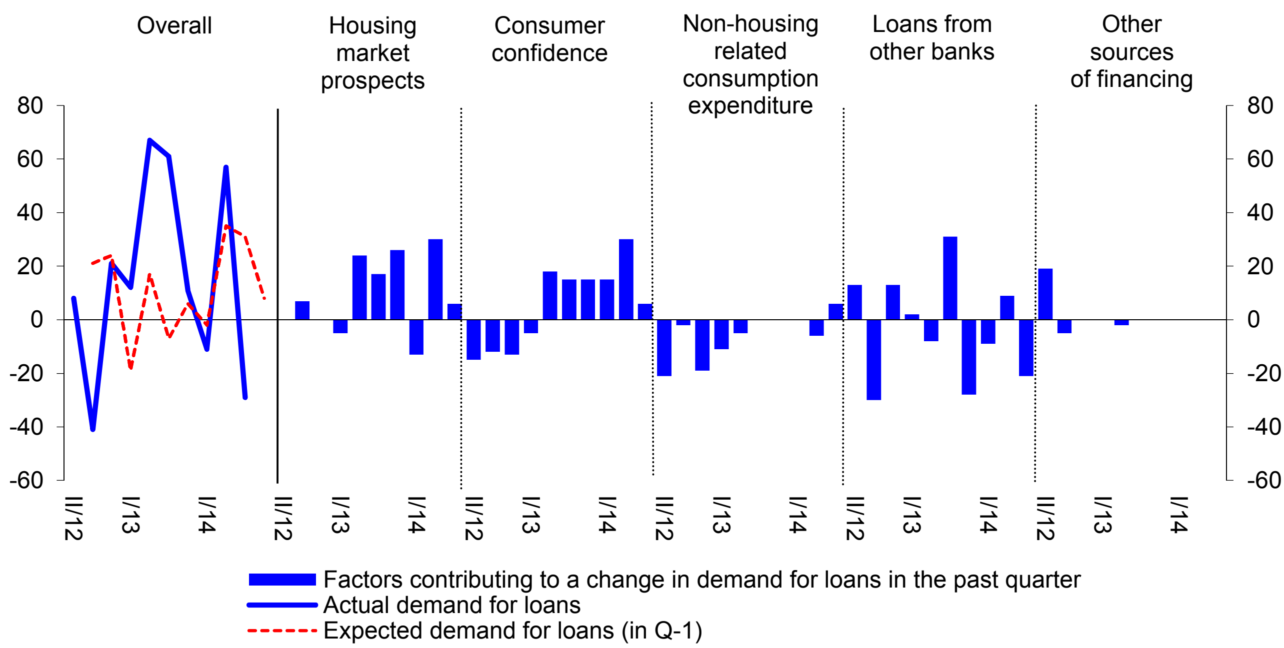


Chart 6 Changes in households' demand for loans for house purchase
(questions 13, 14 and 17)
(net percentages, positive value = demand growth,
negative value = demand decrease)



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)

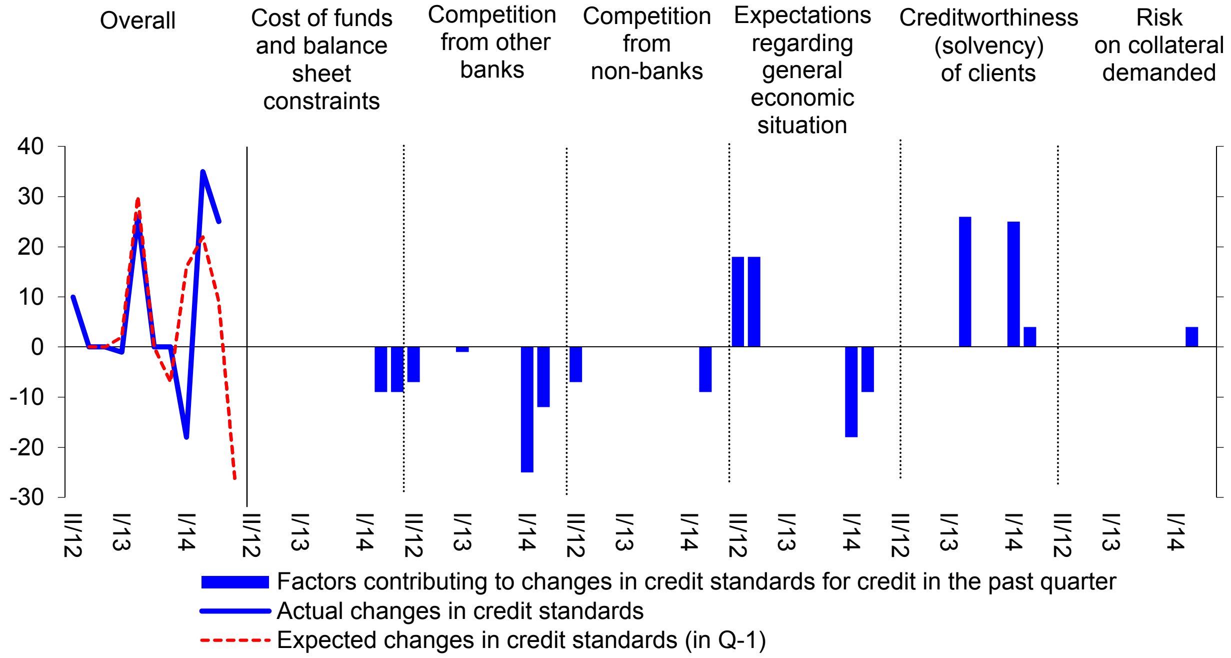


Chart 8 Changes in terms and conditions for approving consumer credit (question 12)
(net percentages, positive value = tightening, negative value = easing)

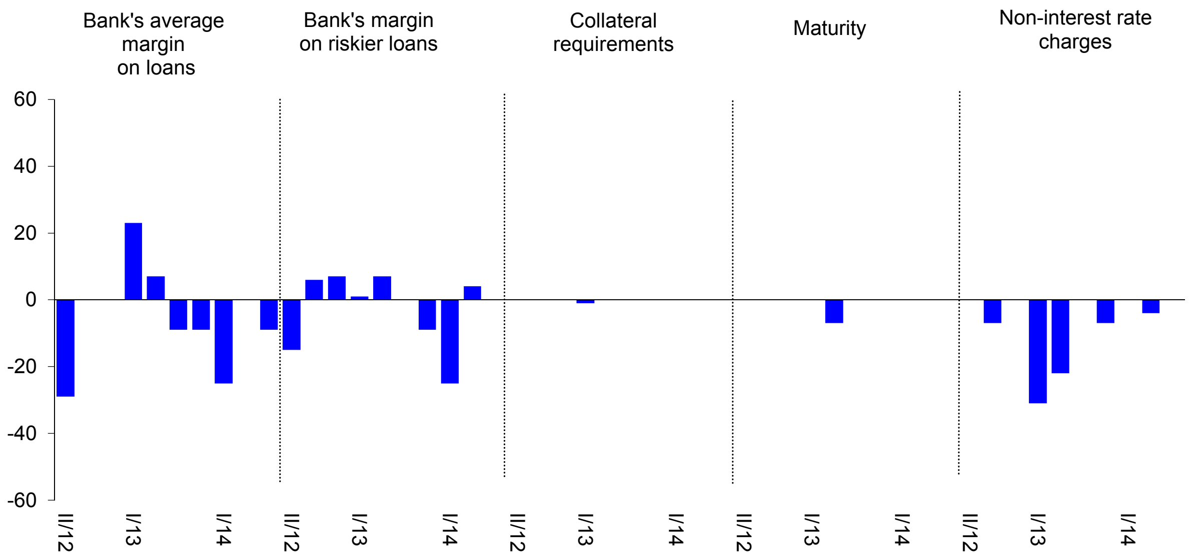


Chart 9 Changes in households' demand for consumer credit (questions 13, 15 and 17)
(net percentages, positive value = demand growth,
negative value = demand decrease)