

NORGES BANK'S SURVEY OF BANK LENDING

Lower margins on lending to enterprises

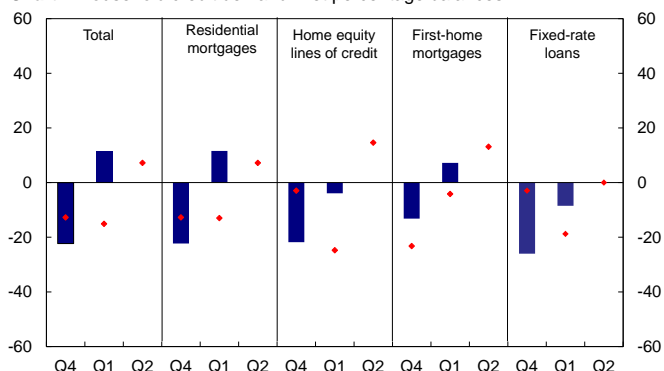
2014 Q1
24 APRIL 2014



NORGES BANK

Norges Bank's Survey of Bank Lending 2014 Q1¹

Chart 1 Household credit demand. Net percentage balances.^{1), 2)}



1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter

2) Negative net percentage balances denote falling demand
Source: Norges Bank

Banks report slightly higher household credit demand in Q1, while slightly lower demand had been expected. Corporate credit demand edged up. There were only slight changes in overall credit standards for both households and enterprises in Q1. Margins on lending to enterprises fell.

Banks expect lower margins on lending to both households and enterprises in 2014 Q2.

The charts are explained in the box on the last page.

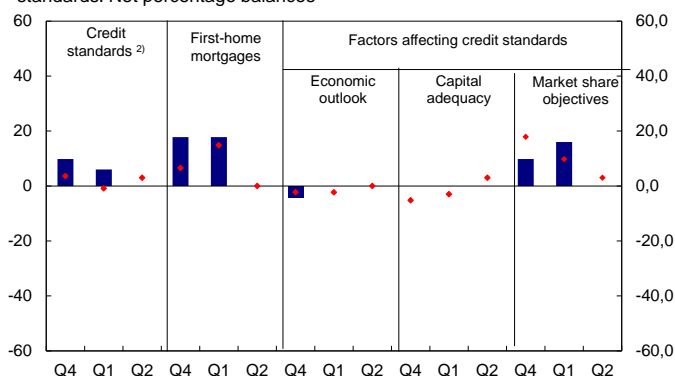
Lending to households

Household credit demand increased slightly in 2014 Q1, while banks had expected a decline (see Chart 1). Demand for ordinary residential mortgages and first-home mortgages rose, while demand for home equity lines of credit and fixed-rate loans fell. Banks expect slightly higher household credit demand in 2014 Q2.

There was a slight easing in credit standards for households in Q1 (see Chart 2). Banks had expected unchanged credit standards. Banks report market share objectives as the reason for the easing. Banks expect no change in credit standards in Q2.

Banks' margins on lending to households were approximately unchanged in Q1, while banks had expected a decline. Banks expect a decline in lending margins in Q2, while expecting other credit conditions to remain approximately unchanged.

Chart 2 Change in credit standards for households. Factors affecting credit standards. Net percentage balances¹⁾



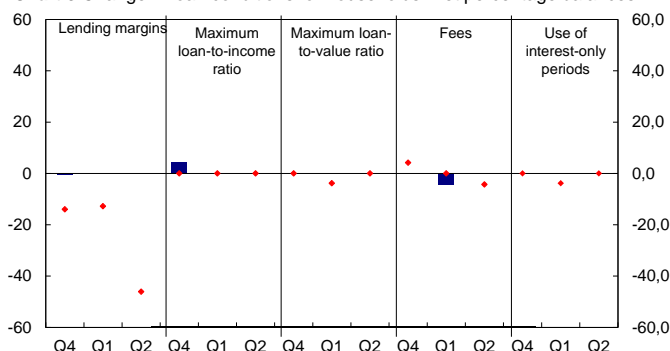
1) See footnote 1 in Chart 1

2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

Lending to non-financial enterprises

Banks report a slight increase in corporate credit demand in Q1 (see Chart 4), which was as expected. Credit line utilisation and demand for fixed-rate loans were unchanged in Q1. Banks expect slightly higher corporate credit demand in Q2.

Chart 3 Change in loan conditions for households. Net percentage balances^{1), 2)}

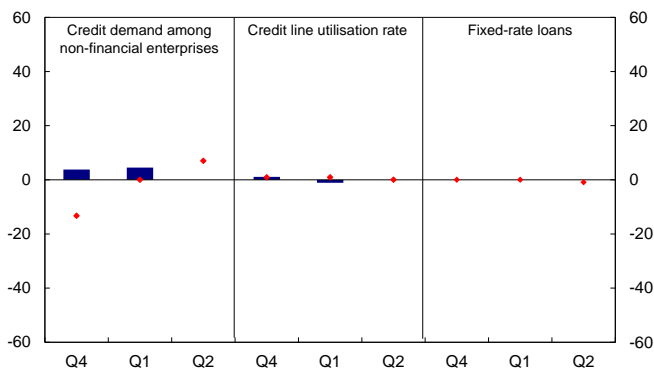


1) See footnote 1 in Chart 1

2) Positive net percentage balances for lending margins denote higher lending margins. Positive net percentage balances for lending margins and fees denote tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods denote tighter credit standards
Source: Norges Bank

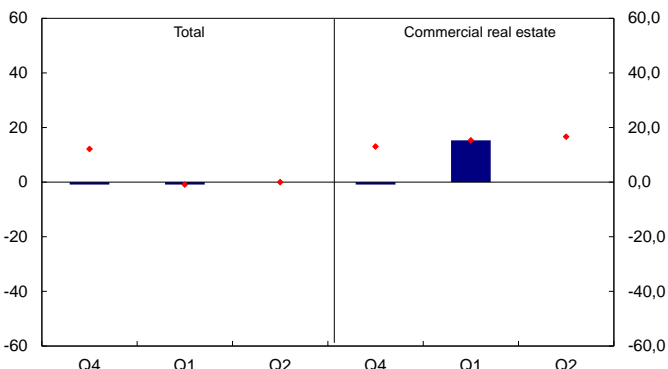
¹ The survey for 2014 Q1 was conducted in the period 27 March 2014 – 8 April 2014

Chart 4 Credit demand among non-financial enterprises and credit line utilisation rate. Net percentage balances^{1), 2)}



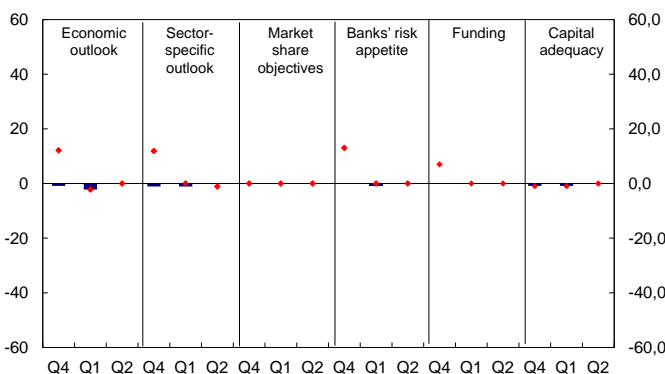
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate
Source: Norges Bank

Chart 5 Change in credit standards for non-financial enterprises. Net percentage balances^{1), 2)}



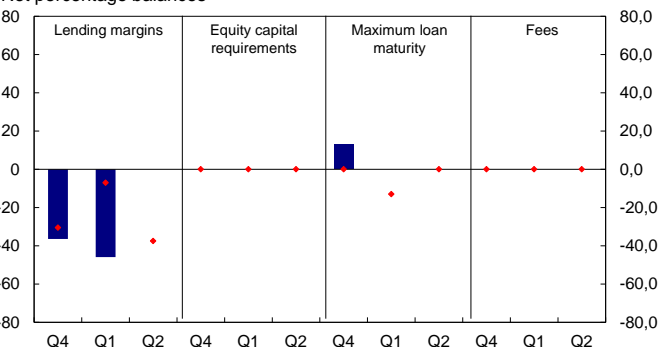
1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

Chart 6 Factors affecting credit standards for non-financial enterprises. Net percentage balances^{1), 2)}



1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

Chart 7 Change in loan conditions for non-financial enterprises. Net percentage balances^{1), 2)}



1) See footnote 1 in Chart 1
2) Positive net percentage balances for lending margins denote higher lending margins. Positive net percentage balances for lending margins, equity capital requirements and fees denote tighter credit standards. Negative net percentage balances for maximum loan maturity denote tighter credit standards
Source: Norges Bank

Banks report unchanged credit standards for enterprises overall, but credit standards for commercial property enterprises were slightly relaxed in Q1 (see Charts 5 and 6). This was as expected, and banks expect similar developments in Q2.

Banks report lower margins on lending to enterprises in Q1 (see Chart 7). Margins fell more than expected. Banks expect lending margins to fall further in Q2. No changes are expected in other credit conditions for enterprises.

The banks in the survey are asked to assess developments in credit standards and credit demand over the past quarter, compared with the previous quarter. They are also asked to assess expectations over the next quarter, compared with the past quarter.

In the survey, there is a scale of five alternative responses to indicate the degree of change in credit standards, terms and conditions and demand. Banks that report that conditions have changed 'a lot' are assigned twice the score of those reporting that conditions have changed 'a little'. The responses are weighted by the banks' shares of the change in lending to households and to non-financial enterprises respectively. The resulting net balances are scaled to lie between -100% and 100%. If all the banks in the sample report some tightening of credit standards, the net percentage balance will be -50%. If some of the banks have tightened their credit standards a little without the other banks changing their credit standards, the net percentage balance will lie between 0 and -50%. If all the banks in the sample have substantially tightened their credit standards, the net percentage balance will be -100%.