BANK LENDING SURVEY
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Financial Stability Department

Monetary and Statistics Department
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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 seventh round of the survey, i.e. banks' views on the evolution of the standards and conditions in 2013 Q4 and their expectations in these areas for 2014 Q1. 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 no changes to their credit standards in 2013 Q4 in any of the main credit market segments monitored. The terms and conditions for approving loans to non-financial corporations were eased through a decline in average interest margins and collateral requirements, while loans to households for house purchase saw an increase in average interest margins compared to the previous quarter. Corporations' demand for loans increased overall. Household demand for loans for house purchase also increased, whereas demand for consumer credit went down.

According to banks' perceptions, credit standards will remain unchanged in 2014 Q1 for corporate loans and loans to households for house purchase, while tightening for consumer credit. Financial corporations' demand for loans will increase further, while households' demand will remain flat (loans for house purchase) or decline (consumer credit).

II. CREDIT STANDARDS AND DEMAND FOR LOANS

II.1 NON-FINANCIAL CORPORATIONS

Banks' credit standards for approving **loans to non-financial corporations** remained essentially unchanged in 2013 Q4, as only a negligible part of the credit market (an NP of 2%) eased standards for loans to large corporations and for long-term loans. The easing of standards was fostered by increased competition within the banking sector and by competition from market financing (issuance of corporate bonds). By contrast, an unfavourable outlook for some sectors and corporations contributed to a tightening of credit standards, albeit less across-the-board than in the previous quarter. As regards the terms and conditions for approving corporate loans, the average interest margins of banks decreased, as did collateral requirements, in contrast to previous periods. Non-financial corporations' overall demand for loans increased in Q4 (an NP of 27%). A large part of the credit market (an NP of 45%)

[1] Four large banks, four medium-sized banks, two small banks, three foreign bank branches and five building societies took part in the survey. The seventh round of the survey was conducted between 28 November and 16 December 2013. 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.

[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 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.

recorded an increase in demand in the large corporations sector and for long-term loans. As in previous quarters, this was due to M&A and working capital financing needs; some banks also perceive a recovery in corporations' demand for loans to finance fixed investment.

For 2014 Q1, banks expect credit standards for corporate loans to remain unchanged overall and corporate demand for loans to continue rising.

II.2 HOUSEHOLDS

Banks' credit standards for approving **loans to households for house purchase** remained unchanged in 2013 Q4 and all the factors monitored had a neutral effect. In contrast to the previous quarter, credit conditions saw an increase in average interest margins (an NP of 22%), and interest margins on riskier loans grew in a smaller part of the market. Demand for loans for house purchase continued rising (an NP of 11%), but growth was recorded for a considerably smaller part of the credit market than in the previous period. The outlook for the residential property market and improved consumer confidence had a positive effect on households' demand for these loans.

In 2014 Q1, banks generally expect credit standards to ease (an NP of 4% of the housing credit market) and household demand for loans to remain broadly unchanged (an NP of -2% of the market).

Credit standards for **consumer credit** to households were unchanged in 2013 Q4 and all the factors monitored had a neutral effect. As regards the terms and conditions for approving consumer credit, average interest margins decreased in a small part of the credit market and margins on riskier loans and non-interest charges also declined. Household demand for consumer credit tended to decline (an NP of 9% of the credit market). According to banks' perceptions, lower consumer confidence and the availability of other sources of financing consumption (savings, loans from other companies) fostered lower demand. According to banks, Christmas marketing campaigns had a positive effect on demand.

In 2014 Q1, some banks expect a tightening of credit standards amid lower household demand for consumer credit.

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)

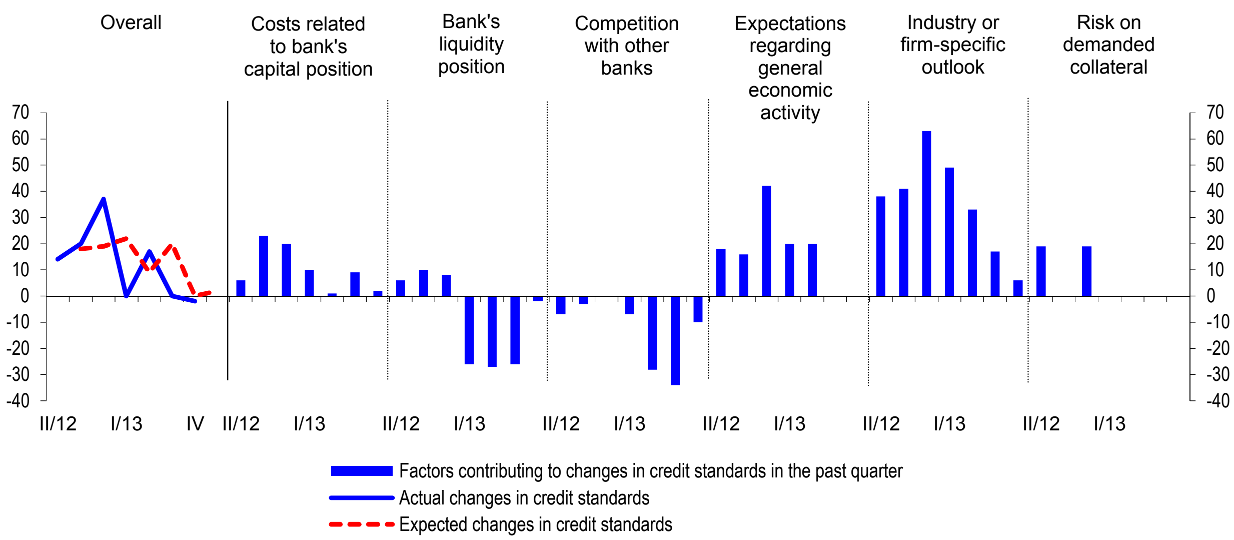


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations (question 3)
(net percentage, positive value = tightening, negative value = easing)

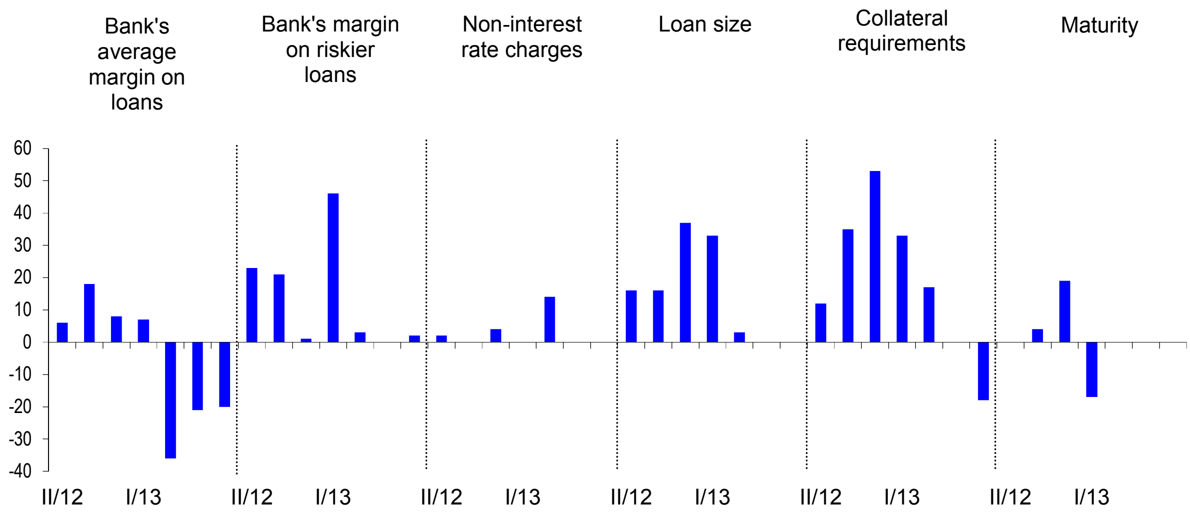
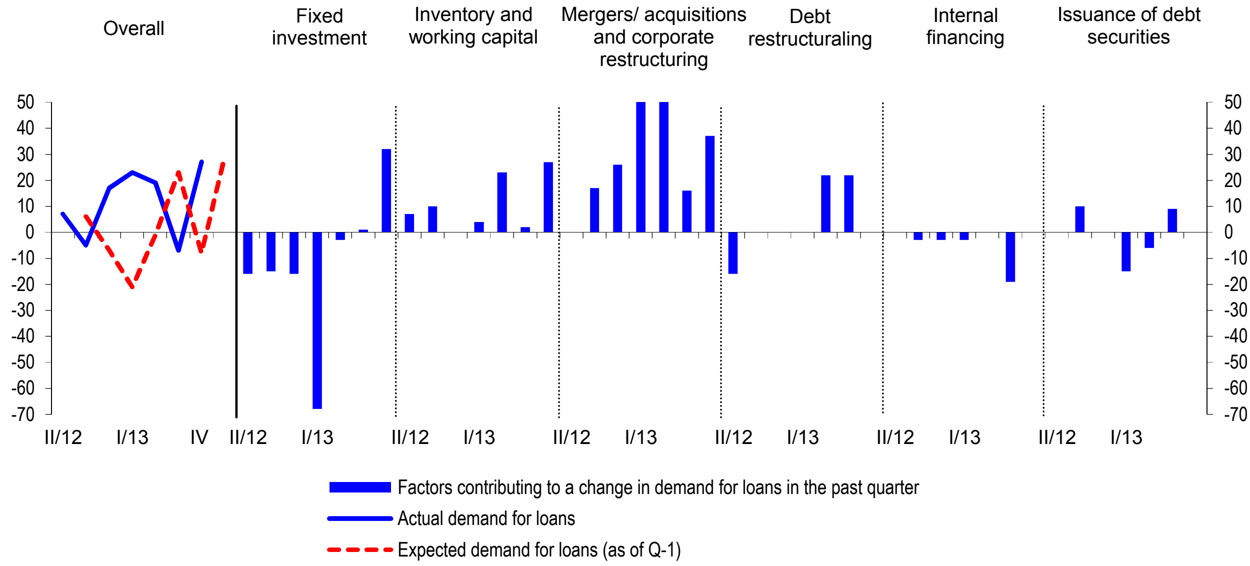


Chart 3 Changes in non-financial corporations' demand for loans (questions 4, 5 and 7)
(net percentage, positive value = demand growth,
negative value = demand decrease)



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)

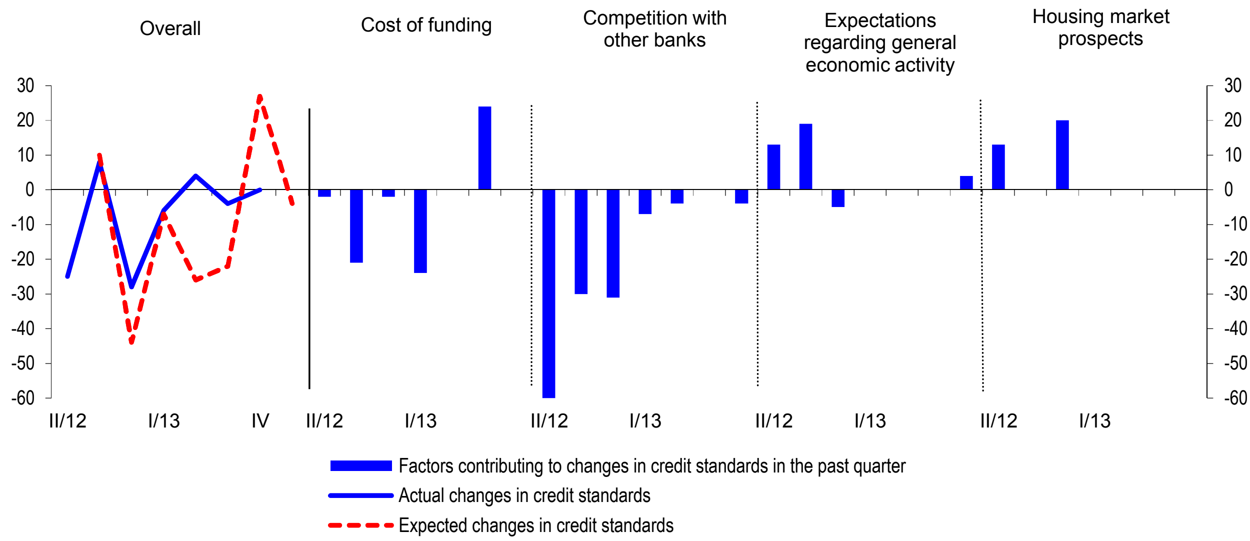


Chart 5 Changes in terms and conditions for approving loans for house purchase (question 10)
(net percentage, positive value = tightening, negative value = easing)

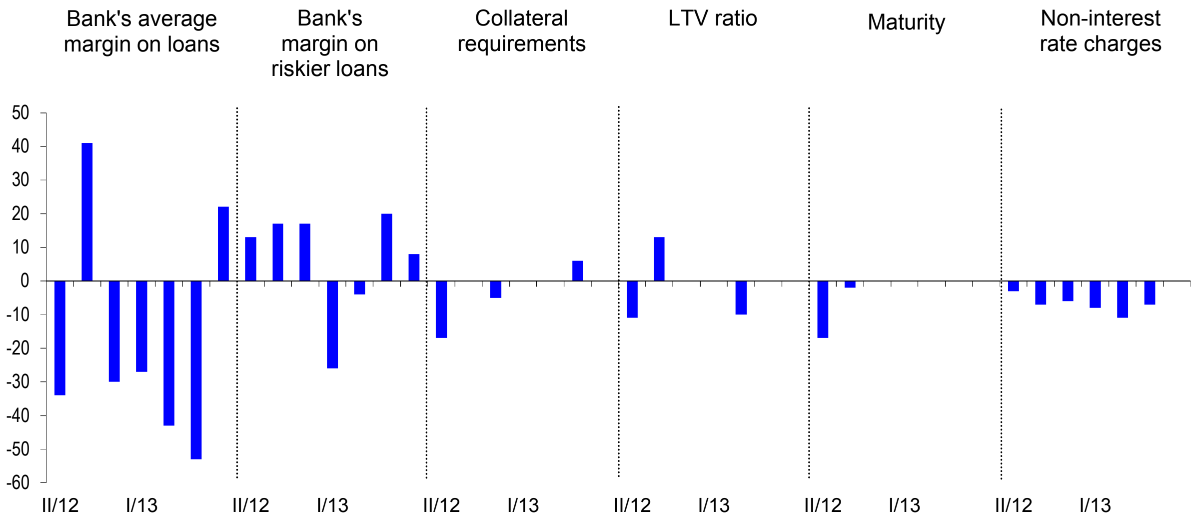
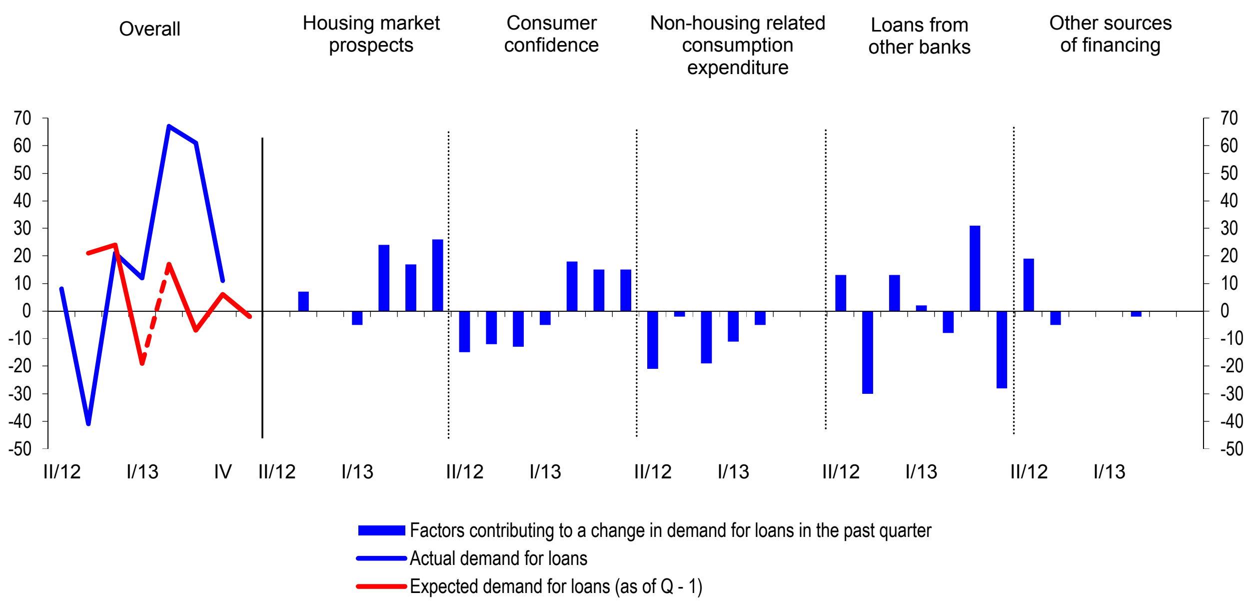


Chart 6 Changes in households' demand for loans for house purchase (questions 13, 14 and 17)
(net percentage, positive value = demand growth,
negative value = demand decrease)



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)

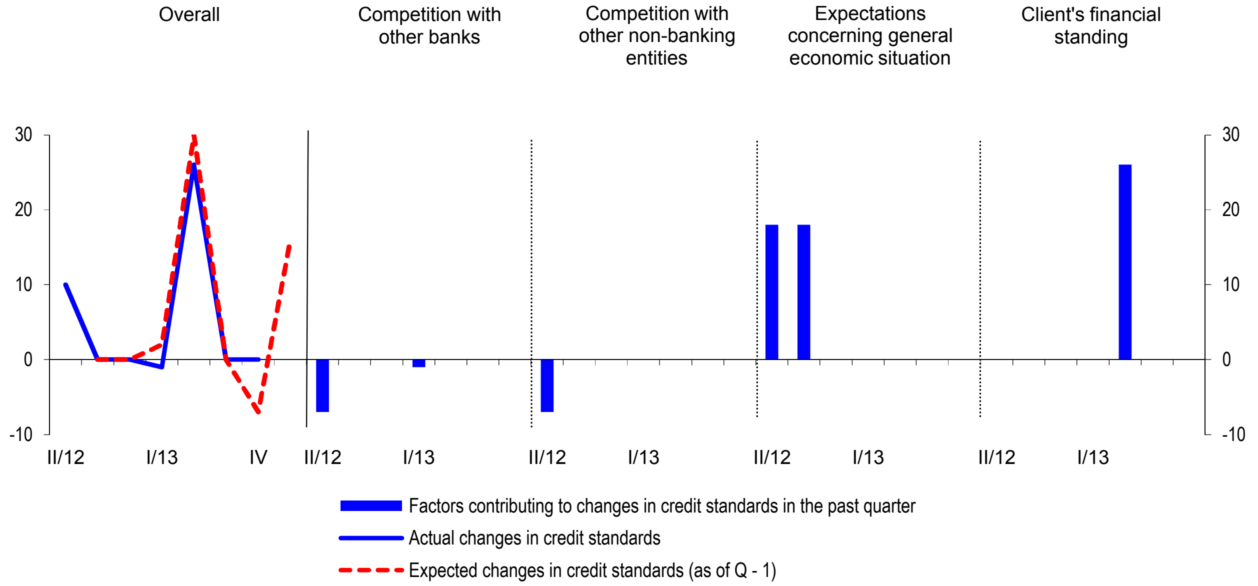


Chart 8 Changes in terms and conditions for approving consumer credit (question 12)
(net percentage, positive value = tightening, negative value = easing)

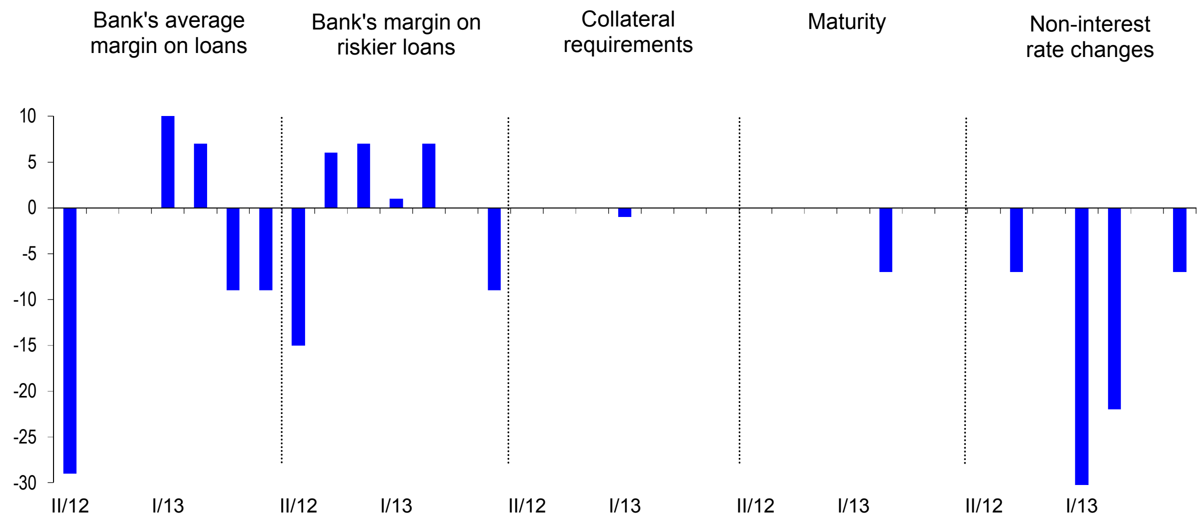


Chart 9 Changes in households' demand for consumer credit (questions 13, 15 and 17)
(net percentage, positive value = demand growth,
negative value = demand decrease)