BANK LENDING SURVEY
JULY

2017

Financial Stability Department

Monetary 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 twenty-first round of the survey, i.e. banks' views on the evolution of the standards and conditions in 2017 Q2 and their expectations in these areas for 2017 Q3. The survey was conducted between 6 and 20 June 2017. Twenty-one banks, accounting for a major share of the bank credit market, took part in the survey.[1]

According to the survey results, banks further tightened credit standards for loans for house purchase amid broadly unchanged standards in the segments of loans to non-financial corporations and consumer credit. The tightening of credit standards for loans for house purchase continued to be due to the CNB's macroprudential measures regarding LTV limits and to perceived risks stemming from expected residential property market developments. Demand for loans rose in the case of loans to non-financial corporations and consumer credit. The increase in the demand of non-financial corporations was driven mainly by loans for financing mergers and acquisitions, corporate and debt restructuring and fixed investment financing. The growth in demand for consumer credit is due to growth in household consumption expenditure, improved consumer confidence and lower interest rates in this segment. Demand for loans for house purchase remained unchanged overall. Expectations of continued growth in residential property prices still had a favourable effect on household demand for loans for house purchase, while a slight increase in interest rates in this credit market segment started to act in the opposite direction. In 2017 Q3, banks do not expect credit standards to change for corporate loans, but expect them to tighten further for loans to households. According to banks, demand for corporate loans and consumer credit will increase, while demand for loans for house purchase will decline.

[1] The survey contained 20 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 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).

II. CREDIT STANDARDS AND DEMAND FOR LOANS

II.1 NON-FINANCIAL CORPORATIONS

Credit standards (representing banks' internal criteria for approving loans) were broadly unchanged for **loans to non-financial corporations** in 2017 Q2. Competitive pressure from other banks fostered an easing of standards. Banks' perceptions of this were more across-the-board in the case of loans to small and medium-sized enterprises. Banks eased the terms and conditions for approving new loans less broadly (an NP of 10%), especially in the case of loans to large corporations. A smaller proportion of the banking market showed a decline in average margins and collateral and maturity requirements in this segment.

Corporations' demand for loans rose in 2017 Q2 (an NP of 36%). The main factor was demand for financing of mergers and acquisitions, corporate restructuring and fixed investment. Part of the banking market also perceived a rise in demand for financing of debt restructuring. The growth in demand was also fostered by low interest rates. By contrast, demand for loans was reduced by the use of internal resources of corporations. In 2017 Q3, part of the banking sector expects credit standards to ease further for loans to large corporations and demand for loans to rise (NPs of 10% and 15% respectively).

II.2 HOUSEHOLDS

Banks further tightened credit standards for **loans for house purchase** provided to households (an NP of 57%). This was due to implementation of the CNB's macroprudential measures regarding LTV limits aimed at reducing the proportion of new loans with LTV ratios exceeding 80%. Beyond the scope of the implementation of the above measures, the perceived risk stemming from expected residential property market developments acted in the same direction. Cost of funds and balance sheet constraints acted in the opposite direction. Part of the market also tightened the LTI requirements. These factors were also reflected in a tightening of terms and conditions for approving loans, which occurred with regard to the required LTV ratio (an NP of 59%). Household demand for loans for house purchase remained broadly unchanged in Q2. The slowdown in the credit market due to the CNB's macroprudential recommendations, observed already in the previous quarter, thus continued. Demand was favourably affected by expectations of continued property price growth and good consumer confidence. It was adversely affected by rising interest rates on loans, which points to high sensitivity of loans for house purchase to the interest rate. Banks expect a further tightening of credit standards for loans for house purchase in 2017 Q3 and a decrease in demand for loans (NPs of 50% and 14% respectively).

Credit standards for **consumer credit** to households were little changed in 2017 Q2. Banks further eased their terms and condition for approving loans (an NP of 15%), most notably by lowering the average interest margins (an NP of 37%) and to a lesser extent also by reducing margins on riskier loans (an NP of 15%). Household demand for consumer credit rose further in 2017 Q2 (an NP of 29%). Demand was positively affected by an increase in the consumption expenditure of households, favourable consumer confidence and a decline in interest rates in this credit market segment. Banks expect a decline in credit standards and a further increase in demand in 2017 Q3 (NPs of 15% and 22% respectively).

Credit standards for **loans to sole traders** were unchanged. An NP of 26% recorded a rise in demand for loans in this segment.

Replies to **additional questions** regarding loans to non-resident non-financial corporations show that credit standards and demand in this credit market segment did not change in 2017 Q2.

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)

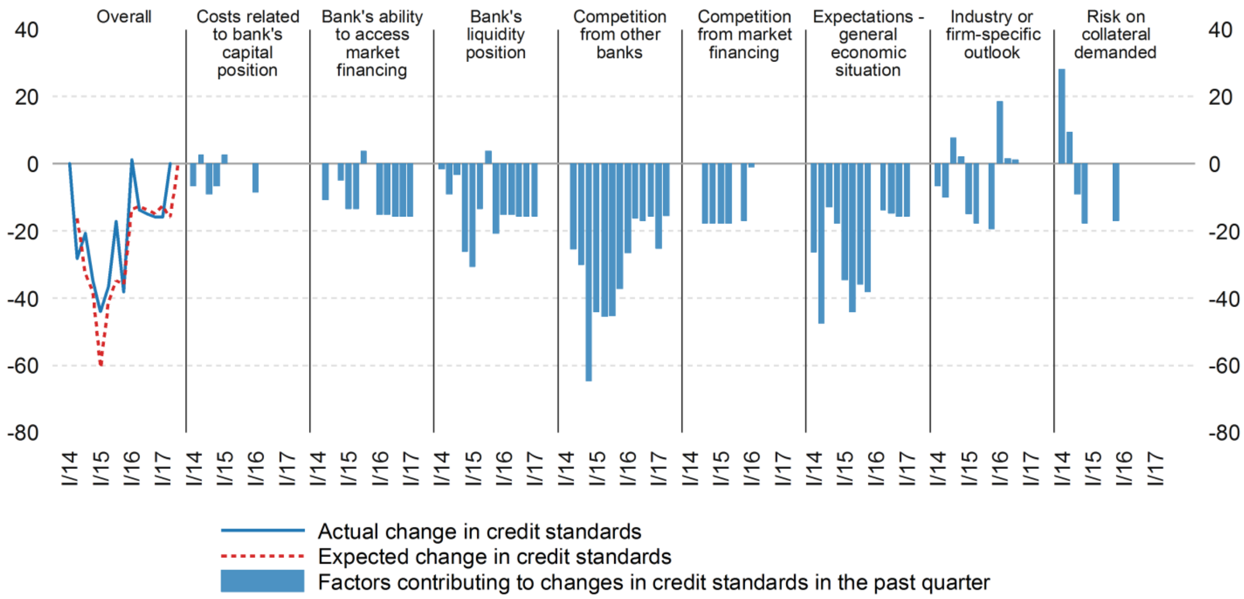


Chart 2 Changes in terms and conditions for approving loans to non-financial corporations
([question 3](#))
(net percentages, positive value = tightening, negative value = easing)

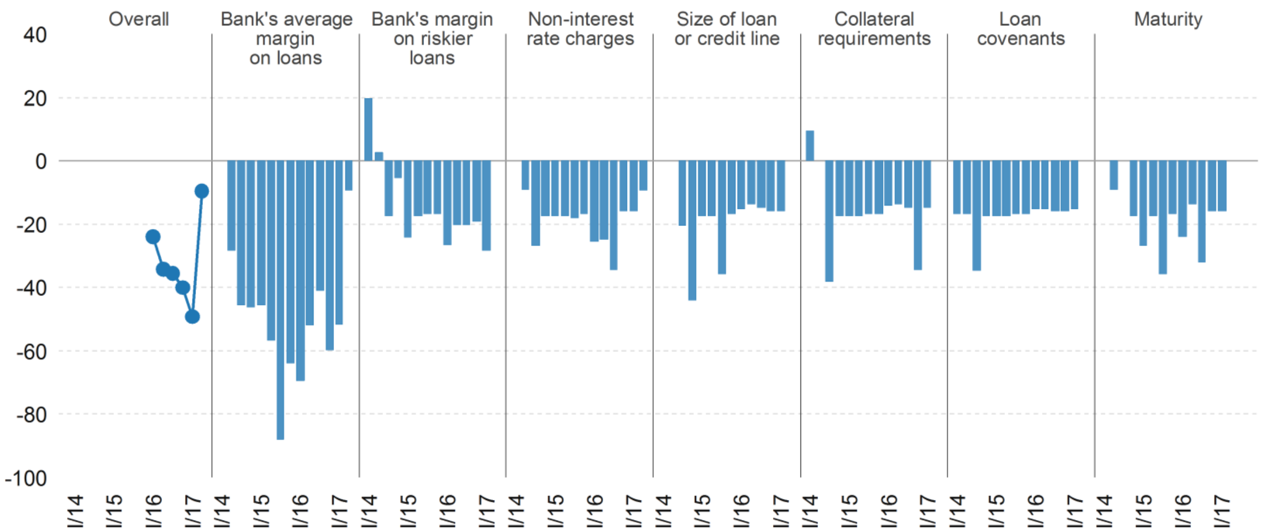
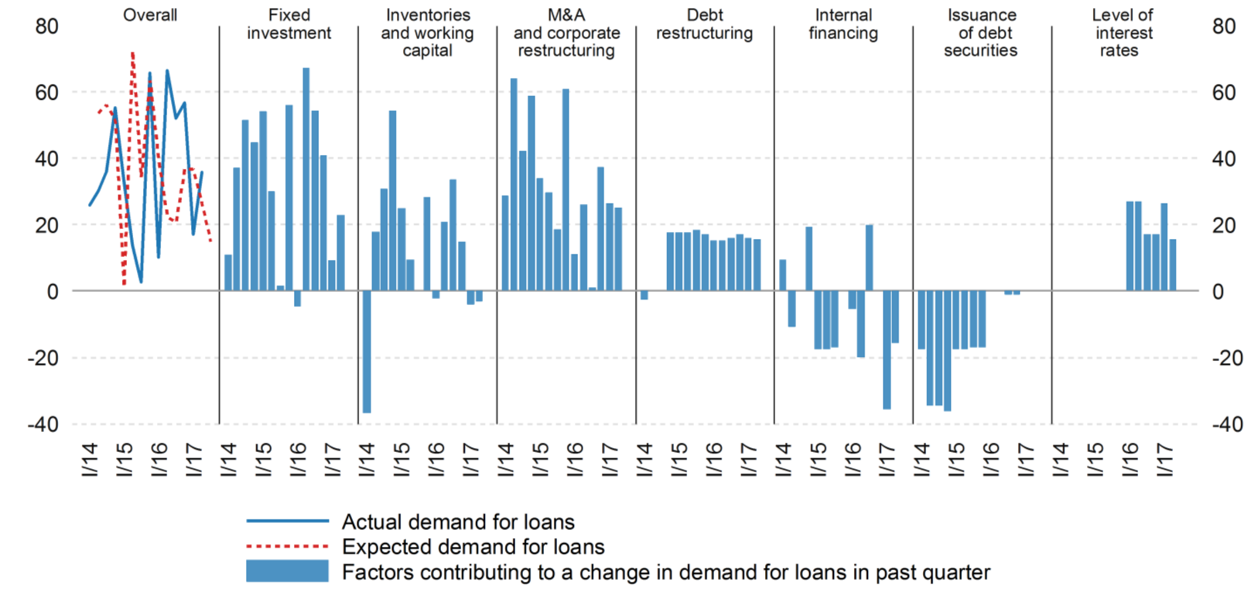


Chart 3 Changes in non-financial corporations' demand for loans (questions 4, 5 and 7)
(net percentages, positive value = demand growth,
negative value = demand decrease)



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)

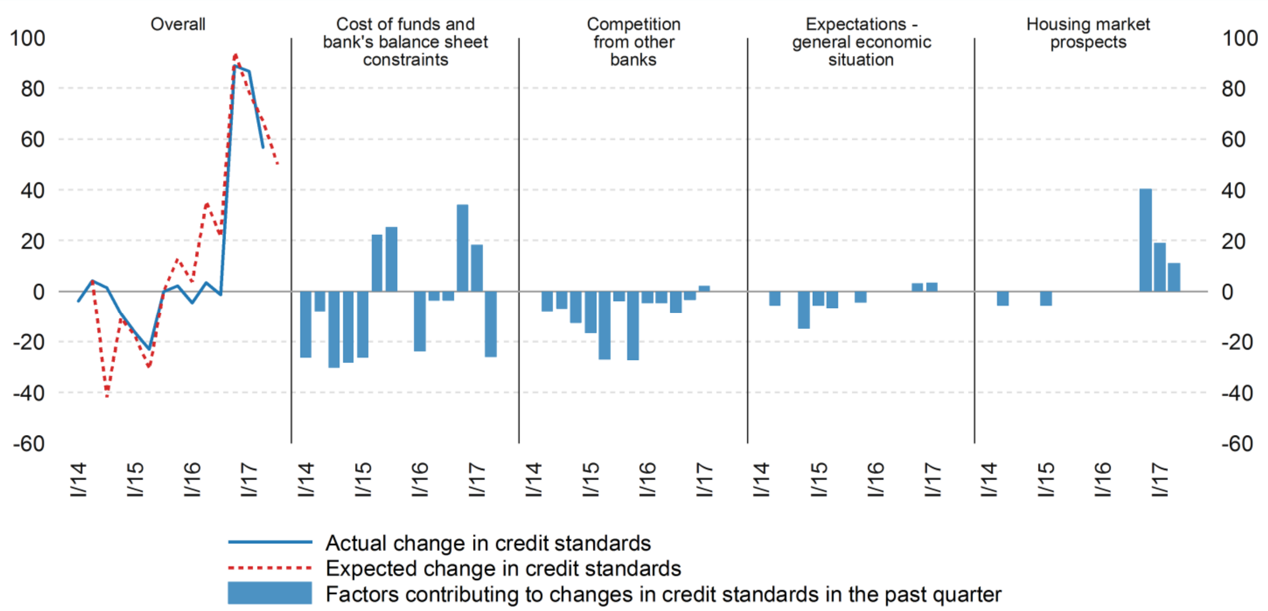


Chart 5 Changes in terms and conditions for approving loans for house purchase (question 10)
(net percentages, positive value = tightening, negative value = easing)

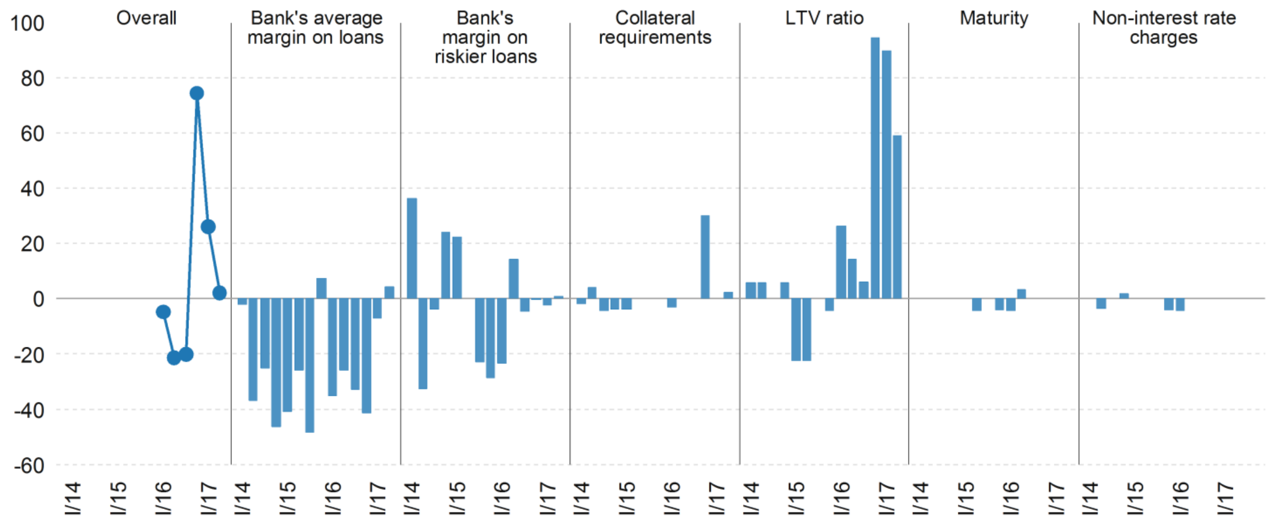
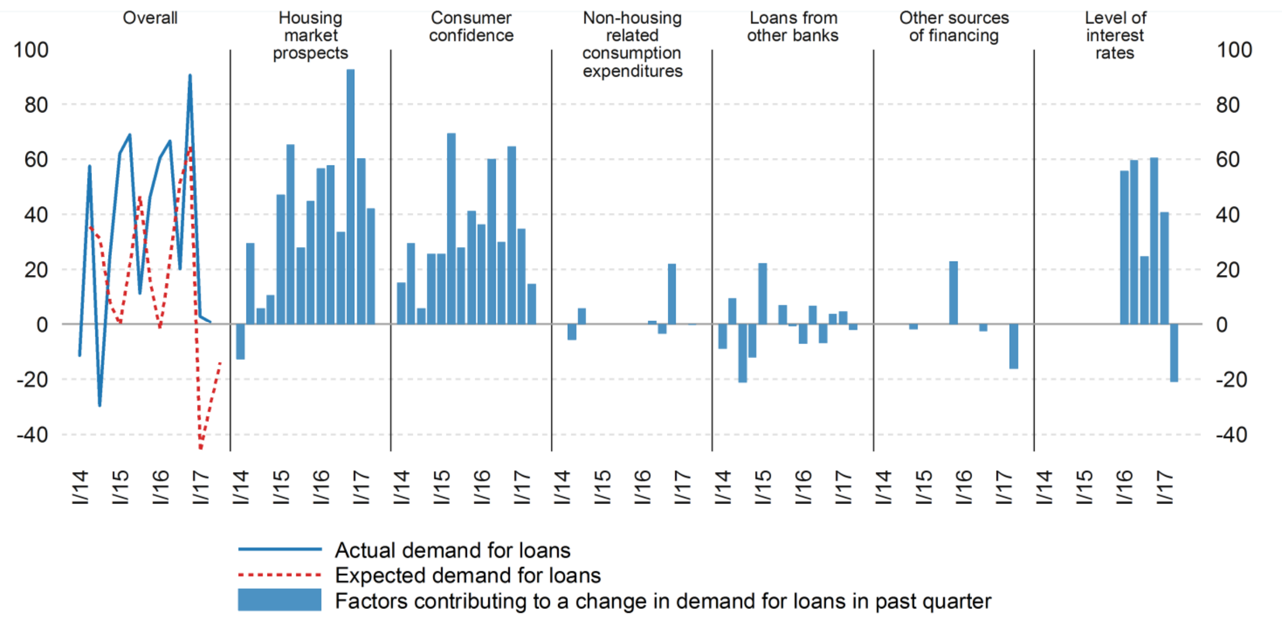


Chart 6 Changes in households' demand for loans for house purchase (questions 13, 14 and 17)
(net percentages, positive value = demand growth,
negative value = demand decrease)



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)

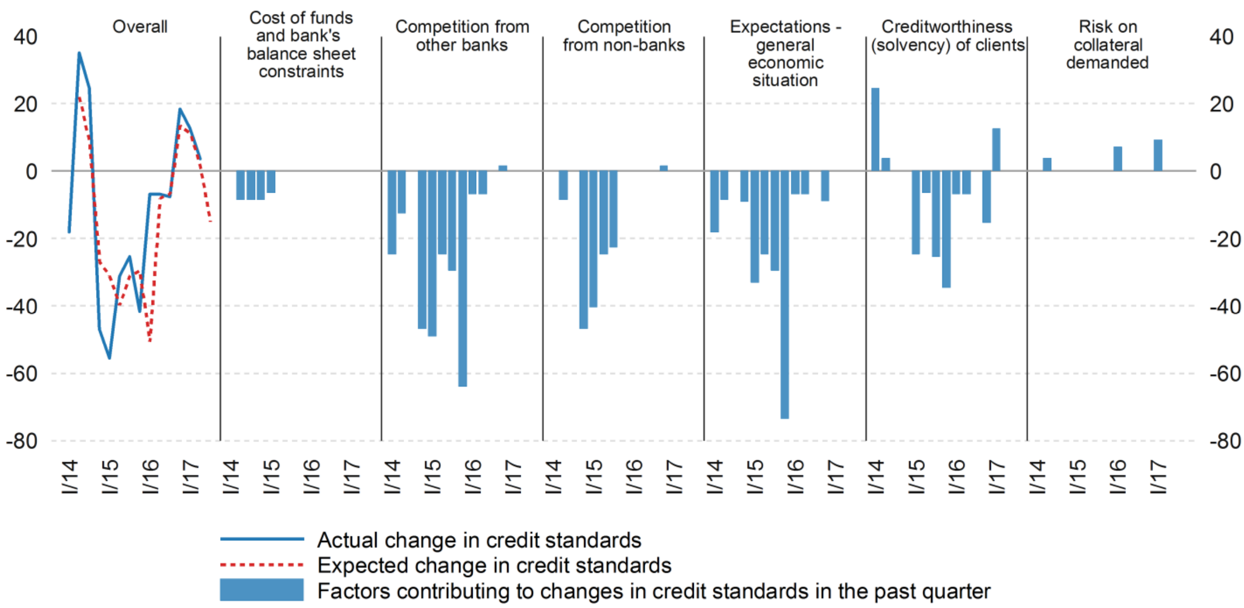


Chart 8 Changes in terms and conditions for approving consumer credit (question 12)
(net percentages, positive value = tightening, negative value = easing)

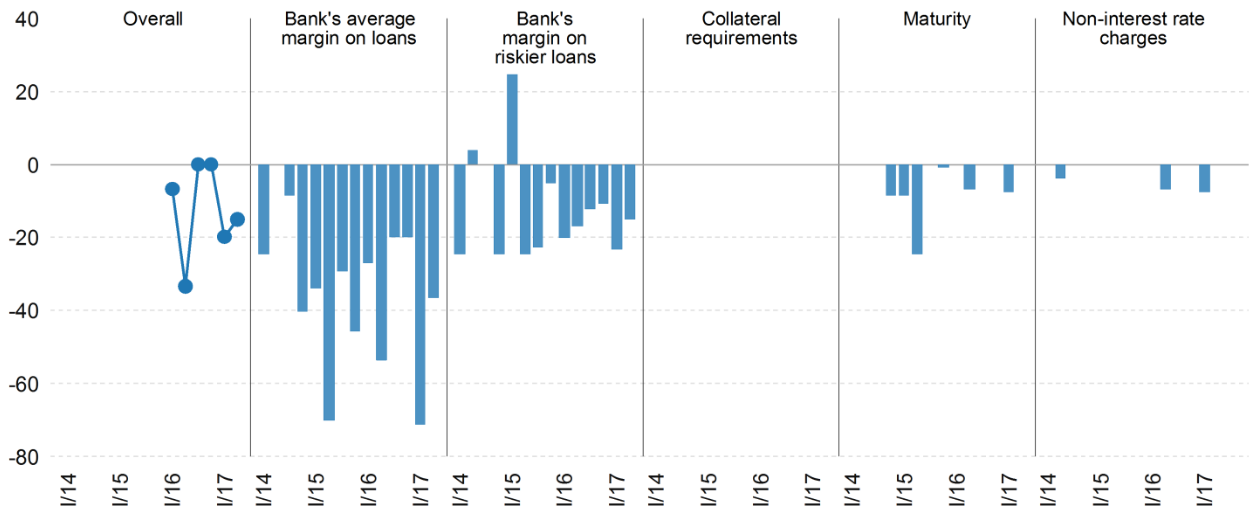


Chart 9 Changes in households' demand for consumer credit (questions 13, 15 and 17)
(net percentages, positive value = demand growth,
negative value = demand decrease)