Bank Lending Survey Report
First Quarter - FY 2020/21

STATISTICS DEPARTMENT, BANK OF UGANDA

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Executive Summary

Statistics Department conducted the lending survey for supervised financial institutions, for the quarter ended September 2020. The objectives of the survey were to: enhance BOU's understanding of the lending behavior and loan financing conditions among deposit-taking financial institutions, capture leading information on credit developments and bank lending on the Ugandan market during the quarter ended September 2020 and the expectations for the quarter to December 2020.

Credit Standards

In the first quarter of FY 2020/21, banks tightened their credit standards to both enterprises and households. Similarly, they expect the credit standards to remain tight for both enterprises and households in the quarter to December 2020.

Across firm size, credit standards were tightened for loans to both SMEs and large enterprises recording a net easing tightening of 50.2 percent and 57.3 percent, respectively.

In terms of loan duration, the credit standards remain tight for both short term and long term loans on a net basis in the quarter to September 2020, albeit at a slower pace when compared to the previous survey results

In the quarter to December 2020, banks expect continued tightening of overall credit standards on a net basis, although at a slower pace compared to the level indicated in the previous quarter's results. Banks expect to ease credit standards on loans to SMEs on a net basis but continue to tighten credit standards for large enterprises. Across loan durations, banks expect to ease credit standards on a net basis for short term loans and tighten for long term loans.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors, Banks reported a net tightening of credit standards for all sectors except electricity and water in the quarter to September 2020.

Outlook on Demand for credit

In the quarter to December 2020, 64.5 percent of the banks anticipate an overall increase in demand for credit on a net basis. The expected increase in demand cuts across firm size and loan duration although at a higher pace compared to the previous survey

Outlook on Terms & Conditions for credit

On a net basis, banks expect to keep their price terms and conditions broadly unchanged with a bias towards easing for average loans and prime borrowers and tightening for riskier loans in the quarter to December 2020.

The expected net easing of average loans and prime borrowers is based on; the low level of the CBR, low cost of funds and competition among banks for prime borrowers.

As regards non-price terms and conditions, banks expect to keep non-interest rate charges and maturity period largely unchanged with a bias towards easing for non-interest rate charges and tightening for maturity period

Price terms and conditions for consumer credit are expected to tighten on a net basis for riskier loans, but ease for average loans and prime borrowers over the next three months to December 2020. Majority of the non-price terms and conditions are expected to remain unchanged with a bias towards tightening on a net basis, except for non-interest rate charges that are anticipated to ease.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to both enterprises and households to increase in the three months to December 2020.

The expected increase in default rate on loans to enterprises and households is mainly attributed to the negative impact of the Covid-19 pandemic on the business activities, employment and incomes of firms and households.

Interest Rate Expectations

The survey results indicate that majority of the banks (77.0%) expect their lending rates to remain largely unchanged, 23.0 percent expect the rates to decrease, while no bank expects the rates to increase over the next quarter to December 2020.

Introduction

The quarterly lending survey conducted by Statistics Department captures past and prospective developments in the credit market. The survey is designed to complement existing quantitative data on credit and lending rates.

The main objectives of the survey are to:

i) Enhance BOU's understanding of the lending behaviour and loan financing conditions among the deposit-taking institutions; and

ii) Capture leading information on credit developments.

The survey covered the outturn for the quarter ended September 2020 and expectations for the quarter to December 2020. Questionnaires were completed by all 24 commercial banks and 9 nonbank deposit-taking financial institutions in Uganda.

This report presents the findings from the analysis of the responses received from the commercial banks only. <u>The methodology used in the analysis is detailed in *Appendix 3.*</u> *Detailed summary results of Non-Bank Financial Institutions (NBFIs) are presented in Appendix 2.*

1. Survey Findings

1.1 Enterprises

1.1.1 Credit Standards to Enterprises

Credit standards consist of internal banking rules/ criteria/guidelines which will determine (based on classifications by sector, area, size, duration, financial indicators, etc.) what type of loans (collaterised, non-collaterised, investments, overdrafts, etc.) and amounts to be provided, and to which clients. This survey measures changes in such standards including cases where banks have introduced new lending policies or amended existing ones.

In the first quarter of FY 2020/21, credit standards on loans to enterprises were tightened at a much slower pace compared to what was reported in the previous quarter. This outturn is consistent with the expectations of the banks in the previous quarter's result.

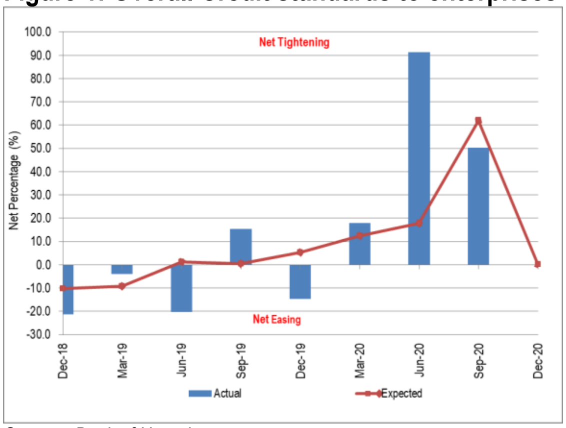
Banks reported tightened credit standards on a net basis of 50.2 percent during the quarter, a reduction from the 91.3 percent reported in the quarter to June 2020 (*See Tables 1 & 2 and Figure 1)*.

Across firm size, credit standards were tightened for loans to both SMEs and large enterprises recording a net tightening of 50.2 percent and 57.3 percent, respectively.

In terms of loan duration, the credit standards remain tight for both short term and long term loans on a net basis in the quarter to September 2020, albeit at a slower pace when compared to the previous survey results (*See Table 1*).

The major reasons cited for the continued tightening of overall credit standards were attributed to disruptions occasioned by the Covid-19 pandemic and they include; fear of default due to uncertainty in cash flows for sectors not opened, slow revival of economic activities in sectors where restrictions have been eased. The reduction in tightening was attributed to the pick-up of credit demand as more sectors are eased.

Figure 1: Overall Credit standards to enterprises



Source: *Bank of Uganda*

<u>Notes:</u>

(a). Net percentage balances are calculated by obtaining the difference between the percentages of lenders reporting that, a factor has tightened/increased and those reporting that it has eased/decreased. A negative balance indicates that more credit is available.

(b). The bar graph shows the net percentage over the previous three months. The line graph shows the expectation over the next three months.

(c). Expectations have been moved forward one quarter so that they can be compared with the actual outturn in the following quarter.

Table 1: Credit Standards as Applied to Approval of Loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**
Tightened(A)	91.3	56.1	91.3	56.1	74.1	61.2	71.5	51.0	89.3	59.0
Unchanged	8.7	38.1	8.7	38.1	25.9	34.9	27.7	38.7	9.9	37.1
Eased (B)	0.0	5.9	0.0	5.9	0.0	3.9	0.8	10.3	0.8	3.9
Net %(A-B)	91.3	50.2	91.3	50.2	74.1	57.3	70.7	40.7	88.5	55.1
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to December 2020, banks expect continued tightening of overall credit standards on a net basis, although at a slower pace compared to the level indicated in the previous quarter's results. Banks expect to ease credit standards on loans to SMEs on a net basis but continue to tighten credit standards for large enterprises. Across loan durations, banks expect to ease credit standards on a net basis for short term loans and tighten for long term loans. (*See, Figure 1 and Table 2*).

The major reason cited by banks for the expected over all tightening of credit standards over the quarter to December 2020 include; economic uncertainty due to fear of the second round of infections and increased community cases; the slow recovery of business activities due to low purchasing power is expected to increase the credit risk to businesses, negative impact of elections on economic activities.

Table 2: Expectations for Credit Standards as Applied to Approval of Loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**
Tighten (A)	66.8	18.4	82.1	15.5	47.3	20.7	40.7	6.0	66.3	18.5
Unchanged	28.5	63.3	11.6	62.5	47.9	62.1	50.0	65.4	31.9	65.2
Ease (B)	4.7	18.3	6.3	22.1	4.8	17.3	9.3	28.6	1.8	16.3
Net %(A-B)	62.1	0.1	75.8	-6.6	42.5	3.4	31.4	-22.6	64.5	2.2
Interpretation: Negative-net easing, positive-net tightening										

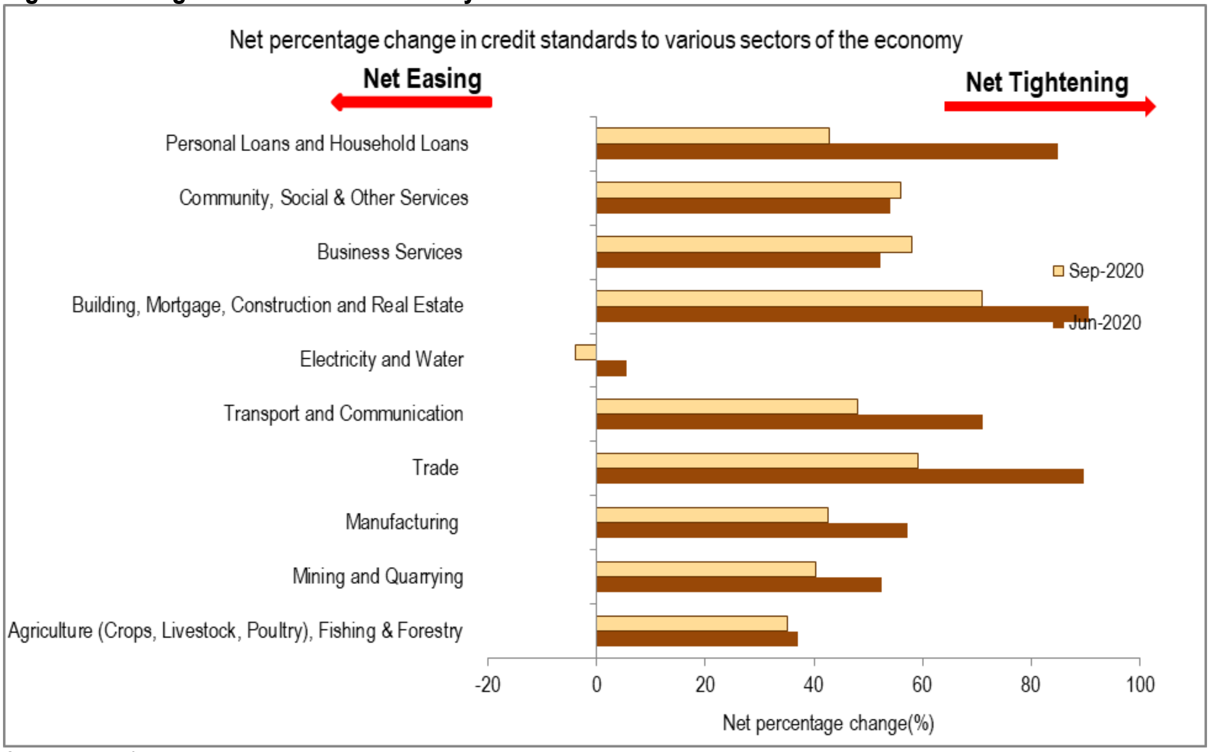
Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

Banks reported a net tightening of credit standards for all economic sectors except for electricity and water in the quarter to September 2020. The following sectors recorded the highest net tightening; Building, mortgage, construction and real estate (71.0%) followed by Trade (59.1%), Business services (58.0%), Community, social and other services (55.9%), Transport and communication (48.0%), Personal and household loans (42.8%), Manufacturing (42.5%), Mining and quarrying (40.3%), and Agriculture (35.1%). However, banks eased credit standards for firms in the Electricity and water sector by (3.8%) on a net basis.

The major reasons cited for the net tightening of credit standards for most sectors of the economy were; subdued economic activities that have led to low demand and risk of default; precautionary measures by banks while lending to sectors which were affected by Covid-19 and are still under lock down (e.g. Education, Tourism, Arts and entertainment, etc.).

Figure 2: Changes in Credit Standards by Economic Sector



Source: *Bank of Uganda*

1.1.3 Expectations in the Terms and Conditions for Credit to Enterprises

Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower. In the context of this survey, they comprise of:

a) Price-related terms and conditions that include the direct price or interest rate.

b) non-price related terms and conditions that include the maximum size of the loan, access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus long-term).

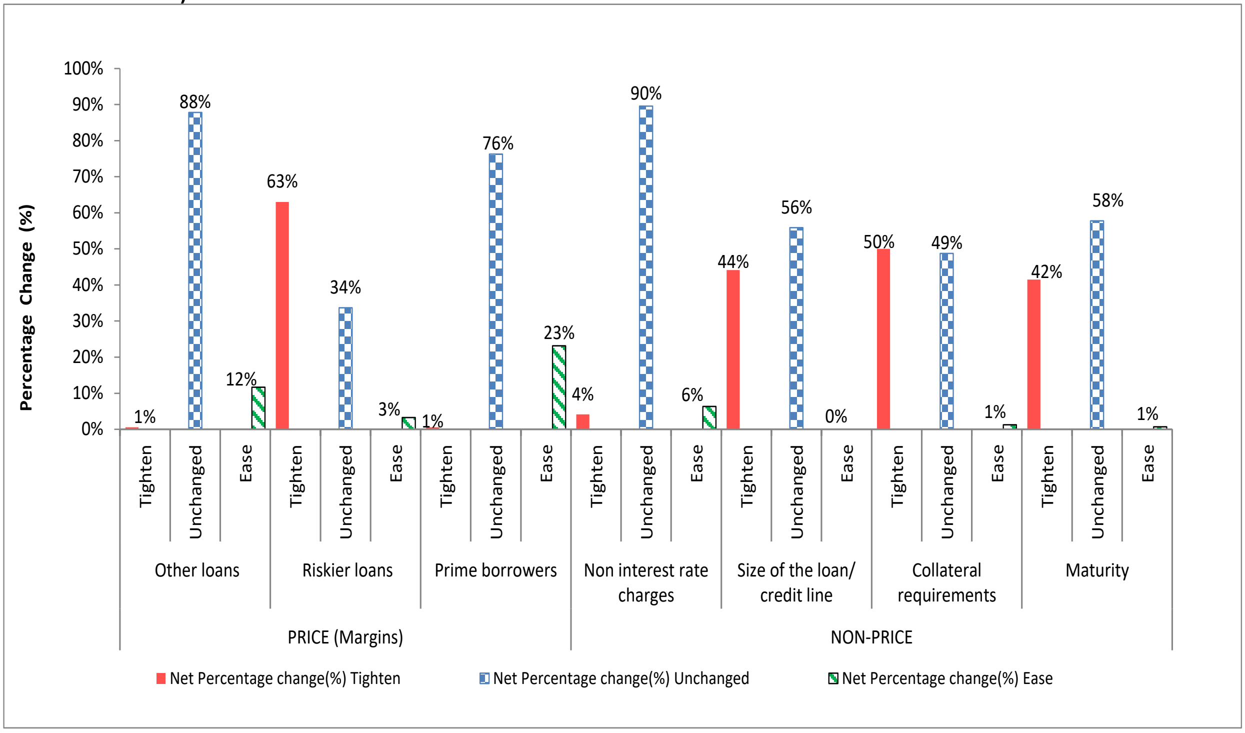
Majority of the banks expect to keep their price terms and conditions broadly unchanged with a bias towards easing for average loans and prime borrowers and tightening for riskier loans in the quarter to December 2020.

The expected net easing of average loans and prime borrowers is attributed to; the response to the reduction in the CBR that has led to low and stable cost of funds as well as competition for prime borrowers among banks. On the other hand, the main reasons for tightening of riskier loans were on account of uncertainty about business and household incomes due to low level of economic activities and the risk of default.

As regards to non-price terms and conditions, banks expect to keep non-interest rate charges and maturity period largely unchanged with a bias towards easing for noninterest rate charges and tightening for maturity period. On the other hand, majority of banks expect to tighten the size of the loan and collateral requirements. (See, Figure 3).

The reasons cited for the anticipated net tightening of majority of the non-price terms and conditions include; negative shock due to economic slowdown, uncertainty in the business environment that makes it difficult to predict future cash flows, higher collateral requirements due risk of fall in real estate prices, and the need to mitigate credit default risk.

Figure 3: Expected Changes in Terms & Conditions for Approving Loans to Enterprises (Quarter to December 2020)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to December 2020, 64.5 percent of the banks anticipate an overall increase in demand for credit on a net basis. The expected increase in demand cuts across firm size and loan duration although at a higher pace compared to the previous survey. (*See Table 3* below).

Most banks based their reasons for the expected increase in credit demand by enterprises on;

a) Further easing of the lockdown is expected to lead to a gradual increase in economic activities, which will spur demand for credit in preparation for end of year festive season.

b) Increased demand for credit to recapitalize businesses that were affected by the Covid-19 lockdown measures and SMEs' demand for short-term business working capital.

c) Resurgence of government expenditure on infrastructure projects and social services is likely to lead to increase credit demand by contractors or suppliers.

On the other hand, banks that anticipated a decrease in demand for credit cited slow recovery of economic activities after the lockdown occasioned by the Covid-19 pandemic and the onset of election campaigns.

Table 3: Demand expectations for the next three months

	Overall		**Loans to SMEs**		**Large enterprises**		**Short-term Loans**		**Long-term Loans**	
Bank's expected action	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**
Increase(A)	56.9	75.7	57.7	73.0	56.9	47.7	63.8	83.8	54.3	46.5
Unchanged	6.8	13.1	4.8	20.8	22.0	43.1	5.8	13.0	7.6	45.0
Decrease(B)	36.2	11.2	37.5	6.2	21.1	9.2	30.5	3.3	38.1	8.5
Net %(A-B)	20.7	64.5	20.2	66.8	35.9	38.5	33.3	80.5	16.2	37.9
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households and Individuals

1.2.1 Credit standards to households

The findings revealed that, 48.0 percent of the banks tightened credit standards to households and individuals on a net basis, lower than the net tightening of 85.9 percent observed in the previous period (*See, Appendix 1*). The major reasons cited for tightening were;

a) Job losses due to lay-offs of workers by their employers and pay-cuts in some cases leading to credit defaults and request for restructuring of loans to households.

b) Continued uncertainty in the operating environment leading to subdued economic activities.

c) Low purchasing power, low demand and dampened capacity of household business affecting their ability to repay.

On the other hand, in the quarter to December 2020, banks expect to ease credit standards to households with a net easing of 4.3 percent, contrary to the net tightening of 62.8 percent that was anticipated in the previous survey. The expected easing to the household sector is attributed to; improved credit portfolio performance as the economy begins to recover, impact of the festive season on companies income, and payment of salaries, diversification of the credit portfolio away from sectors affected by the Covid-19. (See, Appendix 1).

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price terms and conditions for consumer credit are expected to tighten on a net basis for riskier loans, but ease for average loans and prime borrowers over the next three months to December 2020. Banks are expected to tighten terms and conditions on the size of the loan or credit line and collateral requirements on a net basis but are anticipated to ease for maturity and non-interest rate charges. (See, Appendix 1).

The major reasons cited for the anticipated tightening of the riskier loans are; continued effect of Covid-19 pandemic on economic activities, slow business environment and election campaign period.

On the other hand, the expected easing for average loans and prime borrowers was attributed to; the reduction in the CBR, low cost of funds, and competition for prime borrowers among banks.

In regards to non-price terms and conditions, the main reasons cited for expected net tightening of loan duration include; uncertainty on the real estate asset prices plus poor performance of businesses; limited long-term funding to match maturities for long-term loans, expected job instability and banks mitigating default risk.

1.2.3 Demand for Credit by households

Credit demand by households is expected to increase in the three months to December 2020 with 67.9 percent of banks anticipating the demand to rise. This is a higher expectation compared to the 23.7 percent that was anticipated in the previous survey results. The anticipated increase in demand is attributed to; increased economic activities as more sectors are eased, increased purchasing power for the festive season, opening of the boarders to international trade, households seeking funds to restart their business and school fees requirements are expected to spur credit demands.

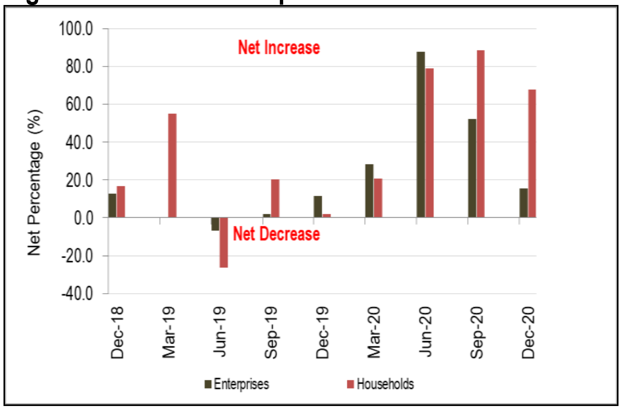
1.3 Expected Default rate on loans to enterprises and households

Overall, 15.4 percent of the banks expect the default rate on loans to enterprises to increase. The default rate is expected to increase on a net basis across all enterprises and loan durations albeit at a slower pace compared to the previous survey results.

On the side of households and individuals, 76.7 percent of the banks expect the default rate on loans to households to increase, with only 8.8 percent expecting a decrease in the coming three months to December 2020 (See Appendix 1).

The expected increase in default rate on loans to enterprises and households is mainly attributed to the negative impact of the Covid-19 pandemic on the business activities, employment and incomes of firms and households. Activities in some sectors remain closed and are expected to adversely affect the cash flow of agents involved resulting into defaults on repayments.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.4 Interest Rate Expectations for Q2 FY 2020/21

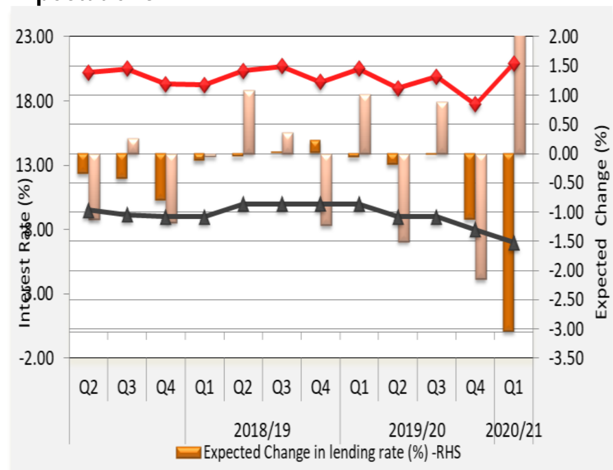
In an effort to understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their lending rates in the coming three months.

The survey results indicate that majority of the banks (77.0%) expect their lending rates to remain largely unchanged, 23.0 percent expect the rates to decrease, while no bank expects the rates to increase over the next quarter to December 2020.

The lending rate is anticipated to decrease on average by 0.25 percentage points, over the quarter to December 2020 (See Figure 5).

Banks that anticipated their lending rates to decrease attributed it to the continued low CBR, reduction in the cost of funding, and the need to lower prime rates due to competition among financial institutions for prime borrowers.

Figure 5: Changes in interest rates vis-à-vis Net Expectations



Source: *Bank of Uganda*

Notes*: The line graphs show actual lending rate and CBR outturns over the quarter. The bar graphs show the average percentage, by which lending rates were expected to increase over the next quarter following the survey and the actual change in lending rates over the quarter. Expectations have been moved forward by one quarter so as to be comparable with the actual outturns.*

1.5 Bank of Uganda's liquidity assistance to Supervised Financial Institutions.

In line with the Bank of Uganda's efforts to mitigate the economic impact of Covid-19 through providing liquidity assistance to SFIs, banks were asked to indicate how these efforts have facilitated their credit extension to the private sector.

Majority of the banks noted that they have not accessed the facility and this was based on the fact that they had internal and external funding sources which include; strong capital base, funding from parent company and international financial institutions, sufficient liquidity from customer deposits and the interbank market, and low demand for credit facilities coupled with the option to restructure.

1.6 Banks action on restructuring of credit facilities

Banks were further asked to indicate whether they restructured their credit facilities following Bank of Uganda's action of waiving limitations on restructuring of credit facilities.

Majority of the banks (95.8 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 29.2 percent of their loan portfolio in the quarter to September 2020.

The main reasons cited for restructuring of credit facilities included: business disruptions caused by measures to contain the spread of Covid-19 resulted into loss of jobs and other sources of income which affected the cash flows required for debt repayments; request to restructure in line with BOU guidelines from clients in financial distress from sectors that are still closed (e.g. education, leisure, etc.) and operation below full capacity in the sectors that are opened.

On the other hand, 4 percent of the banks indicated that none of their clients requested for a loan restructure.

Conclusion

The bank lending survey results indicate that in the first quarter of FY2020/21, banks tightened their credit standards to both enterprises, and for households.

The major reason cited by banks for the expected over all tightening of credit standards over the quarter to December 2020 include; economic uncertainty due to fear of the second round of infections and increased community cases; the slow recovery of business activities due to low purchasing power is expected to increase the credit risk to businesses, negative impact of elections on economic activities.

The demand for loans by enterprises and households is expected to increase in the quarter to December 2020 than was anticipated in the previous survey results, due to higher demand for loans from SME and households.

In the next three months to December 2020, banks expect the credit default rate on loans to both enterprises and households to increase on a net basis. The expected increase in default rate on loans to enterprises and households is mainly attributed to the adverse effects of Covid-19 pandemic on business activities (some sectors remain closed), employment and incomes.

The survey results indicate that majority of the banks expect their lending rates to remain unchanged with a bias towards decrease on a net basis, attributed largely to the reduction in the CBR that has resulted into low cost of funding and competition for prime borrowers among financial institutions

APPENDICES

Appendix 1: Summary of Bank Lending Survey results-Commercial Banks

Appendix 1: Summary of Bank lending survey results

To calculate aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report
These scores are then weighted by lenders' market shares. The weights used in the computation were derived by taking an average of each institu
over the three month period , as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sect
The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for exa
credit standards were tighter/looser. The net percentage balances are scaled to lie between ±100.
This annex reports the net percentage balance of respondents for each question in the lending survey questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over
the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ a

Period		2018/19				2019/20				2020/2
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Credit policy as applied to the approval of loans or credit lines to enterprises										
Overall	Past three months	-3.2	-21.2	-3.9	-20.4	15.5	-14.7	17.9	91.3	50.2
	Next three months	-10.1	-9.3	1.3	0.5	5.4	12.5	17.9	62.1	0.1
SMEs	Past three months	2.2	-26.9	-5.1	-13.7	-6.4	-14.5	17.1	91.3	50.2
	Next three months	-12.3	-3.5	-5.4	-2.2	-24.7	-5.6	20.6	75.8	-6.6
Large enterprises	Past three months	4.7	8.1	5.6	-18.1	18.1	16.7	25.6	74.1	57.3
	Next three months	-15.8	0.6	18.3	11.7	10.7	30.6	22.3	42.5	3.4
Short term loans	Past three months	-7.8	-33.1	-10.5	-31.7	-22.0	-17.0	-0.3	70.7	40.7
	Next three months	-44.9	-14.2	-10.8	2.5	2.7	-26.6	31.6	31.4	-22.6
Long term loans	Past three months	8.3	-3.9	5.7	11.7	32.5	5.1	13.8	88.5	55.1
	Next three months	-0.5	0.7	29.2	14.3	20.6	34.1	28.6	64.5	2.2
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors										
Agriculture (Crops, Livestock, Poultry), Fishing &	Past three months	-6.1	-8.0	-8.7	-5.8	2.7	8.0	10.8	36.9	35.1
Mining and Quarrying	Past three months	5.0	3.8	6.9	-9.8	4.3	4.4	12.6	52.3	40.3
Manufacturing	Past three months	-6.1	-1.0	-5.6	-14.2	5.1	-7.5	22.4	57.3	42.5
Trade	Past three months	-5.6	-16.1	-9.5	-31.0	5.9	-1.6	20.7	89.7	59.1
Transport and Communication	Past three months	4.3	-3.7	2.1	-5.6	9.7	-4.2	21.5	71.0	48.0
Electricity and Water	Past three months	-4.9	1.5	-1.8	-20.1	1.3	-4.9	0.9	5.6	-3.8
Building, Mortgage, Construction and Real Estate	Past three months	13.7	14.8	20.0	-14.7	11.0	10.8	14.7	90.5	71.0
Business Services	Past three months	3.3	-11.3	1.7	-2.9	0.3	-1.3	-1.6	52.1	58.0
Community, Social & Other Services	Past three months	1.2	-8.9	-2.7	-9.8	-0.7	-4.1	10.8	54.0	55.9
Personal Loans and Household Loans	Past three months	-3.7	-14.8	-11.9	-19.1	-13.8	-11.9	-13.1	84.9	42.8
Terms and conditions for approving loans or credit lines to enterprises										
Margin on average loans	Next three months	-7.8	-8.2	-12.5	-7.8	-13.2	2.7	2.2	-6.3	-11.1
Margin on riskier loans	Next three months	46.1	57.3	56.5	37.9	40.3	51.7	47.0	31.9	59.8
margin on prime borrowers	Next three months	-39.1	-40.6	-32.8	-56.0	-39.6	-34.5	-34.8	-41.6	-22.6
Non-interest rate charges	Next three months	-14.2	-10.0	-14.4	6.6	-6.4	0.0	-8.7	-7.9	-2.2
Size of the loan or credit line	Next three months	-0.5	7.1	6.6	-6.9	-0.1	0.8	20.6	56.9	44.1
Collateral requirements	Next three months	36.5	34.3	13.5	7.4	1.0	15.0	46.8	68.2	48.7
Maturity	Next three months	30.1	28.7	24.5	24.6	8.6	18.8	-1.0	36.7	40.8
Expected demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?										
Overall	Next three months	72.8	45.6	80.7	67.6	87.0	37.8	43.7	20.7	64.5
SMEs	Next three months	67.6	38.6	87.3	75.4	90.0	14.8	41.9	20.2	66.8
Large enterprises	Next three months	59.6	23.2	61.0	60.7	75.4	26.5	39.8	35.9	38.5
Short term loans	Next three months	71.8	51.8	83.8	63.2	69.8	1.7	53.0	33.3	80.5
Long term loans	Next three months	59.9	24.4	59.4	43.0	37.9	29.8	41.0	16.2	37.9
Default rate on loans to enterprises										
Overall	Next three months	12.7	0.5	-7.0	2.2	11.5	28.3	87.8	52.1	15.4
SMEs	Next three months	32.4	29.5	20.0	6.7	6.5	26.1	49.5	52.9	21.5
Large enterprises	Next three months	16.5	0.6	-2.8	18.3	-5.7	15.3	68.8	51.6	16.2
Short term loans	Next three months	14.7	1.0	-2.5	2.2	0.4	9.8	76.8	55.5	15.5
Long term loans	Next three months	9.9	14.7	10.6	19.8	-3.8	5.6	72.2	52.1	20.6
Period		2018/19				2019/20				
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-14.1	-19.9	-7.0	-2.1	-33.3	-41.4	-26.3	85.9	48.0
	Next three months	-7.8	-6.2	-17.2	-10.4	-3.0	-32.2	40.2	62.8	-4.3
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	68.9	71.3	76.3	39.5	52.1	83.4	22.6	23.7	67.9
Terms and conditions for approving loans or credit lines to households										
Margin on average loans	Next three months	-17.4	0.5	-12.7	7.1	-25.2	-7.0	-21.2	-16.5	-18.0
Margin on riskier loans	Next three months	47.4	18.6	50.4	27.5	60.3	73.7	42.3	42.0	32.7
Margin on prime borrowers	Next three months	-34.8	-17.1	-27.5	-16.3	-41.4	-42.5	-31.0	-10.3	-18.3
Non-interest rate charges	Next three months	-2.8	2.1	-0.3	4.0	-13.3	-16.4	-8.8	-2.9	-0.6
Size of the loan or credit line	Next three months	-2.8	-5.3	-17.5	-0.6	-28.6	-27.6	6.6	40.8	22.6
Collateral requirements	Next three months	8.6	12.8	13.0	-2.7	2.3	10.2	-1.6	36.1	27.4
Maturity	Next three months	12.0	13.9	1.0	4.5	-8.1	2.2	-1.5	24.0	-21.9
Default rate on loans to households	Next three months	16.6	55.0	-26.3	20.3	2.0	20.9	79.1	88.4	67.9
Period		2018/19				2019/20				
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Lending rates expectation Increae(+)/Decrease(-)	Next three months	-4.2	16.3	22.1	-10.0	-19.6	-2.6	-14.4	-57.8	-23.0
Percentage change	Next three months	-0.1	0.0	0.2	-0.07	-0.20	-0.03	-1.13	-3.05	-0.25

Appendix 2: Summary of Bank Lending Survey results-NBFIs

Appendix 2: Non bank Financial Institutions

To calculate aggregate results, lenders who report that credit conditions have changed ‘considerably’ are summed together with those who report that conditions have changed ‘somewhat’.
These scores are then weighted by lenders’ market shares. The weights used in the computation were derived by taking an average of each institution’s market share
over the three month period , as represented by each bank’s outstanding stock of loans to total outstanding loans of the commercial banking sector.
The results are analysed by calculating ‘net percentage balances’ — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or
credit standards were tighter/looser. The net percentage balances are scaled to lie between ±100.
This annex reports the net percentage balance of respondents for each question in the lending survey questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over
the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

Part I: Enterprises		Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Credit policy as applied to the approval of loans or credit lines to enterprises											
Overall	Past three months	33.6	-14.6	-24.1	13.4	59.6	4.4	-21.9	25.2	63.1	29.8
	Next three months	5.8	5.9	-9.2	-3.0	45.0	29.8	45.1	66.8	32.3	41.7
SMEs	Past three months	33.6	-11.5	-8.9	14.1	57.7	12.8	-13.7	53.1	63.1	40.8
	Next three months	8.0	-35.1	3.4	-3.0	44.5	28.3	62.5	66.1	49.9	41.7
Large enterprises	Past three months	5.6	8.0	9.1	14.3	26.1	11.6	18.4	26.6	43.9	26.2
	Next three months	33.8	38.5	9.2	11.0	22.6	-7.1	1.1	38.9	31.9	27.1
Short term loans	Past three months	-5.2	-23.4	-20.4	-22.5	53.5	-3.1	-32.2	24.7	61.5	39.6
	Next three months	-37.0	-63.0	-16.0	-21.8	33.3	7.3	25.5	44.6	25.0	30.9
Long term loans	Past three months	-27.9	14.5	-17.7	28.4	30.3	-4.4	17.3	25.9	56.7	16.4
	Next three months	28.3	25.4	-9.2	1.6	22.5	-20.3	29.8	38.2	44.0	27.1
Credit policy as applied to the approval of loans or credit lines to enterprises to different											
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	-18.1	12.6	-18.1	0.7	-45.7	-19.9	12.4	-0.2	46.3	-4.7
Mining and Quarrying	Past three months	26.1	0.0	0.0	0.0	30.3	3.1	0.0	0.0	12.0	27.5
Manufacturing	Past three months	2.9	-1.9	-4.5	0.0	7.9	0.0	0.0	0.7	17.6	27.5
Trade	Past three months	0.7	-7.2	-21.1	1.6	-3.9	-3.1	13.5	5.1	27.6	47.5
Transport and Communication	Past three months	18.4	-1.9	-21.1	0.9	-6.5	-1.6	1.1	5.1	62.3	34.1
Electricity and Water	Past three months	-3.2	-16.4	-4.5	0.0	-11.1	0.0	0.0	0.0	12.0	19.1
Building, Mortgage, Construction and Real Estate	Past three months	-11.1	28.5	-8.0	45.7	12.0	9.2	-23.0	4.4	62.3	34.1
Business Services	Past three months	-3.4	-5.2	-17.1	-4.5	-2.9	0.0	0.0	25.9	63.1	34.1
Community, Social & Other Services	Past three months	-17.4	-18.3	-12.6	8.7	-10.7	-8.0	-23.0	3.9	55.5	50.1
Personal Loans and Household Loans	Past three months	-27.9	0.6	-17.7	-16.4	-9.8	-11.1	-23.0	4.4	57.5	-2.3
Terms and conditions for approving loans or credit lines to enterprises											
Margin on average loans	Next three months	-56.8	-47.4	32.1	12.6	-4.5	11.5	-20.5	22.8	-38.7	-41.8
Margin on riskier loans	Next three months	44.2	41.8	40.2	14.8	28.7	11.1	25.5	23.3	42.3	43.0
margin on prime borrowers	Next three months	-62.1	-60.5	-2.4	-11.7	-31.4	-17.5	-30.4	-17.5	-45.5	-41.8
Non-interest rate charges	Next three months	-43.2	-31.2	9.2	-5.4	29.4	-8.4	-17.4	4.8	-39.5	-41.8
Size of the loan or credit line	Next three months	25.7	11.0	-3.2	-5.2	-15.0	0.8	1.2	31.7	57.5	36.4
Collateral requirements	Next three months	49.8	-9.8	-12.6	3.8	42.1	-8.4	-14.6	-1.1	39.5	37.6
Maturity	Next three months	15.2	-59.8	-28.7	29.1	17.6	0.0	18.5	32.2	40.3	29.8
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?											
Overall	Next three months	83.3	72.1	-9.0	72.7	67.7	67.9	-28.7	-98.6	29.8	27.2
SMEs	Next three months	64.4	72.1	-21.5	47.6	62.2	67.9	-28.7	-98.6	29.8	27.2
Large enterprises	Next three months	52.3	12.7	-36.7	-7.0	10.4	4.7	15.9	-65.3	-1.0	2.7
Short term loans	Next three months	25.2	72.1	17.5	72.7	31.3	65.6	-12.3	-98.6	29.8	27.2
Long term loans	Next three months	47.7	40.9	24.3	28.1	56.3	9.0	15.9	-66.0	79.6	18.7
Default rate on loans to enterprises											
Overall	Next three months	-11.9	-16.3	8.3	-10.1	-36.0	-58.8	24.0	100.0	76.0	87.3
SMEs	Next three months	-25.9	-45.8	28.7	-10.8	-38.9	-58.4	24.0	100.0	76.0	87.3
Large enterprises	Next three months	-5.6	-19.6	12.6	-24.1	-30.5	-26.6	-18.8	67.5	69.2	72.7
Short term loans	Next three months	-12.9	-42.2	16.7	-32.6	-38.9	-63.2	24.0	99.3	76.0	81.9
Long term loans	Next three months	-9.8	-0.1	-4.3	-13.9	-28.1	-27.7	40.6	71.4	57.2	73.9

Period		Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Part II: Households											
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-14.9	-31.2	-20.4	-34.8	-10.7	-5.0	-25.9	21.5	51.1	50.7
	Next three months	-14.9	-22.8	-4.9	-8.6	45.3	-23.0	-18.7	45.8	44.4	50.9
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	37.7	44.2	32.7	41.0	86.2	67.8	-3.6	-44.8	76.4	13.7
Terms and conditions for approving loans or credit lines to households											
Margin on average loans	Next three months	-29.2	-43.5	-12.6	-3.8	-12.4	3.8	-33.9	1.8	-34.2	-36.4
Margin on riskier loans	Next three months	26.1	12.7	13.8	8.9	25.8	11.9	-21.7	23.3	-27.9	37.6
Margin on prime borrowers	Next three months	-46.0	-63.0	-35.7	-21.8	-28.2	3.8	-30.4	0.6	-28.3	-41.8
Non-interest rate charges	Next three months	0.0	-27.9	0.0	8.7	27.4	-8.0	0.0	10.7	-34.2	36.4
Size of the loan or credit line	Next three months	2.2	27.4	-11.3	-3.7	-15.2	0.0	4.1	10.7	-42.3	0.0
Collateral requirements	Next three months	33.6	13.7	1.2	-20.5	18.0	-8.0	3.0	32.2	-30.3	36.4
Maturity	Next three months	26.1	9.2	0.0	-16.4	18.0	0.0	0.0	32.2	-11.6	-36.4
Default rate on loans to households	Next three months	-31.7	22.7	40.8	-16.2	-65.3	-20.8	-28.8	67.3	17.7	50.7

(a) Net percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.
Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over
the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.
(b) Small and Medium Enterprises (SMEs) was defined as an enterprise employing less than 100 employees where as large Enterprises are enterprises were defined as those enterprises employing more than 100 e
(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lend

APPENDIX 3: Methodology

Questions:

The questions in the lending survey questionnaire distinguish between two categories of loans namely: a) loans to enterprises and b) loans to households and individuals. For each category, questions were posed on credit standards for approving loans; credit terms and conditions; default rate; as well as credit demand and its determinants.

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach takes into account the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the two month period (July-August 2020), as represented by each bank's new gross extensions to total new gross extensions of the commercial banking sub sector for the same period.

Analysis of data:

For the analysis of aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'. The results are summarized by calculating '*net percentage balance*' which is the difference between the weighted balances of lenders reporting that, demand had increased/ decreased or credit standards were tightened/ eased. The net percentage balances are scaled to a range between -100 and +100.

Positive net percentage balances indicate those lenders that reported/expected demand/default rate to be higher than the previous/current three-month period, or rather that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.(See *illustration below)*

On the other hand, interest rate expectations were derived by asking commercial banks whether they were likely to charge higher or lower lending rates in the next three months, compared to the previous quarter's levels and by how much.

Illustration:

'Eased somewhat' + 'Eased considerably' = Eased

'Tightened somewhat' + 'Tightened considerably' = Tightened

Response	**Fraction of total giving response (%)**
Eased / Decreased	X
Unchanged	Y
Tightened / Increased	Z
Net percentage change	Z- X

Interpretation of percentage change:

-100 0 +100

Eased / Decreased Tightened / Increased