Bank Lending Survey Report, Third Quarter - FY 2018/19

STATISTICS DEPARTMENT, BANK OF UGANDA

Table of Contents:

List of Figures:

List of Tables:

Executive Summary

Statistics Department conducted a lending survey for supervised deposit-taking financial institutions, for the quarter to March 2019. 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 March 2019 and expectations for the quarter ending June 2019.

Credit Standards

In the third quarter of FY 2018/19, credit standards on loans to enterprises were eased at a slower pace compared to the previous quarter.

In terms of loan duration, banks eased standards at a slower pace for short terms loans. Long term loans on the other hand, experienced a tightening, contrary to the easing recorded in the quarter to December 2018.

Across firm size, credit standards eased for SMEs, albeit at a slower pace than was the case in the previous quarter. However, standards for large enterprises tightened, lower than the tightening reported in the quarter to December 2018.

In the quarter to June 2019, banks expect to tighten overall credit standards to large enterprises and long term loans on a net basis. However, credit standards on short term loans and loans to SMEs are expected to ease on net.

Credit Standards by Economic Sector

Credit standards changed for the different sectors of the economy. Mining and Quarrying, Transport and Communication, Building, Mortgage, Construction and Real Estate, and Business services registered a net tightening, while the rest of the sectors registered net easing in the quarter to March 2019.

Outlook on Demand for credit

In the quarter to June 2019, banks anticipate an overall net increase in demand for credit. The expected increase in demand cuts across all enterprises and loan durations.

Reasons for outlook include borrowers (importers) stocking for the Easter season, stocking of agricultural inputs in preparation for the rainy season, and the need to meet their quarterly sales, etc.

Outlook on Terms & Conditions for credit

On a net basis, banks expect price terms and conditions to tighten in the quarter to June 2019 for the riskier loans while easing for prime borrowers, and other loans.

The easing of price terms and conditions for prime borrowers is motivated by among others, the high competition for credit worthy borrowers in the market. Risky loans face a tightening as lenders continue to reflect default risk in their prices, and endeavour to keep default rates low.

All non-price terms and conditions except non-interest charges are expected to tighten on a net basis.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to enterprises to decrease, contrary to anticipation of an increase in the previous quarter. Similarly, banks expect the default rate on loans to households to decrease in the coming three months to June 2019.

Interest Rate Expectations

The survey results indicate a majority of banks expect the interest rates to remain unchanged over the next quarter to June 2019.

Introduction

The 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 March 2019 and expectations for the quarter ending June 2019. Questionnaires were completed by all 24 commercial banks and 9 non-bank financial institutions in Uganda.

This report presents the findings from the analysis of the responses received from the commercial banks only. The methodology used in the analysis is detailed in *Appendix 3*. *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 a bank has introduced a new lending policy or amended an existing one.

In the third quarter of FY 2018/19, credit standards on loans to enterprises were eased at a slower pace compared to the previous quarter.

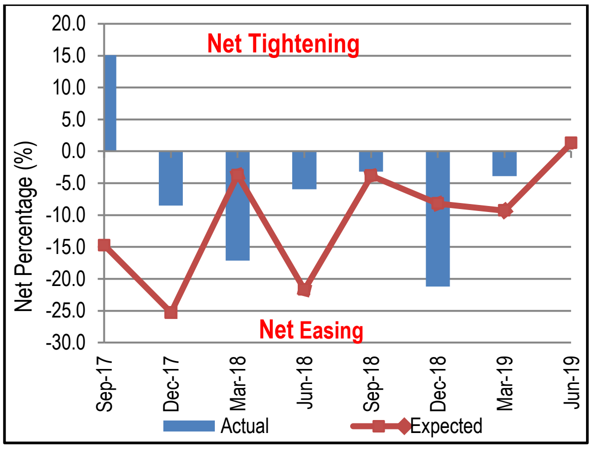
Banks reported eased credit standards on a net basis (3.9 percent) in the quarter to March 2019, significantly lower than the 21.2 percent recorded in the quarter to December 2018. However, the overall net easing was lower than the 9.3 percent banks had anticipated in the previous survey (*See Tables 1 & 2 and Figure 1*).

Across firm size, credit standards eased for SMEs, albeit at a slower pace (5.1 percent) than was the case the previous quarter (26.9 percent). However, standards for large enterprises tightened by 0.5 percent, lower than the tightening reported in the quarter to December 2018 (8.1 percent).

In terms of loan duration, banks eased standards at a slower pace for short terms loans (5.4 percent, from 33.1 percent in the previous quarter). Long term loans on the other hand, experienced a tightening of 0.5 percent, and contrary to the easing of 3.9 percent recorded in the quarter to December 2018 (*See Table 1*).

Key reasons cited for the overall easing included: Strong credit risk management frameworks, expectation of liquidity positions easing in the next quarter, and improvement in economic conditions. Moreover, standards on short term loans eased, contrary to the tightening on long term loans due to a strategic shift to low value and low risk loans (microfinance).

Figure 1: Overall Credit standards to enterprises



Source: Bank of Uganda

Notes:

(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	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**
Tightened(A)	4.7	0.4	4.7	2.9	24.0	1.8	4.3	3.2	10.8	0.5
Unchanged	68.7	89.3	63.0	83.2	59.4	91.2	57.6	82.4	73.8	93.6
Eased (B)	25.9	4.4	31.6	8.0	15.8	1.2	37.4	8.6	14.7	0.0
Net %(A-B)	-21.2	-3.9	-26.9	-5.1	8.1	0.5	-33.1	-5.4	-3.9	0.5
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to June 2019, banks expect to tighten overall credit standards on a net basis. The net tightening applies to large enterprises and long term loans. However, credit standards on short term loans and loans to SMEs are expected to ease on a net basis. (See Figure 1 and Table 2).

The main reasons cited by banks for the expected tightening in credit standards in the quarter to June 2019 include continuation of their strategic emphasis in lending (to focus on lower risk retail borrowers and SMEs), and more competition. Moreover, tightening for large enterprises and long term loans was because high value lending to large enterprises significantly impacts banks earnings in terms of provisioning for default. Thus banks are focusing on high volume, low value loans that boost interest income. Moreover, large enterprises and long term borrowers continue to demand ever lower interest rates/terms amidst increased demand for funds.

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	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**
Tighten (A)	12.5	9.0	12.8	14.2	17.4	17.7	12.5	9.0	14.6	25.7
Unchanged	65.0	77.4	70.2	60.5	65.2	71.8	60.1	70.4	70.8	66.9
Ease (B)	21.8	7.7	16.3	19.5	16.7	4.6	26.7	14.7	13.9	1.6
Net %(A-B)	-9.3	1.3	-3.5	-5.4	0.6	13.1	-14.2	-5.6	0.7	24.1
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

1.1.2 Credit Standards by Economic Sector

Banks were asked to indicate how their credit standards had changed for the different sectors of the economy. Mining and quarrying (1.8 percent), Transport and Communication (2.2 percent), Building, Mortgage, Construction and Real Estate (14.9 percent), and Business services (1.7 percent) registered a net tightening, while the rest of the sectors registered a net easing in the quarter to March 2019 (*See Figure 2*).

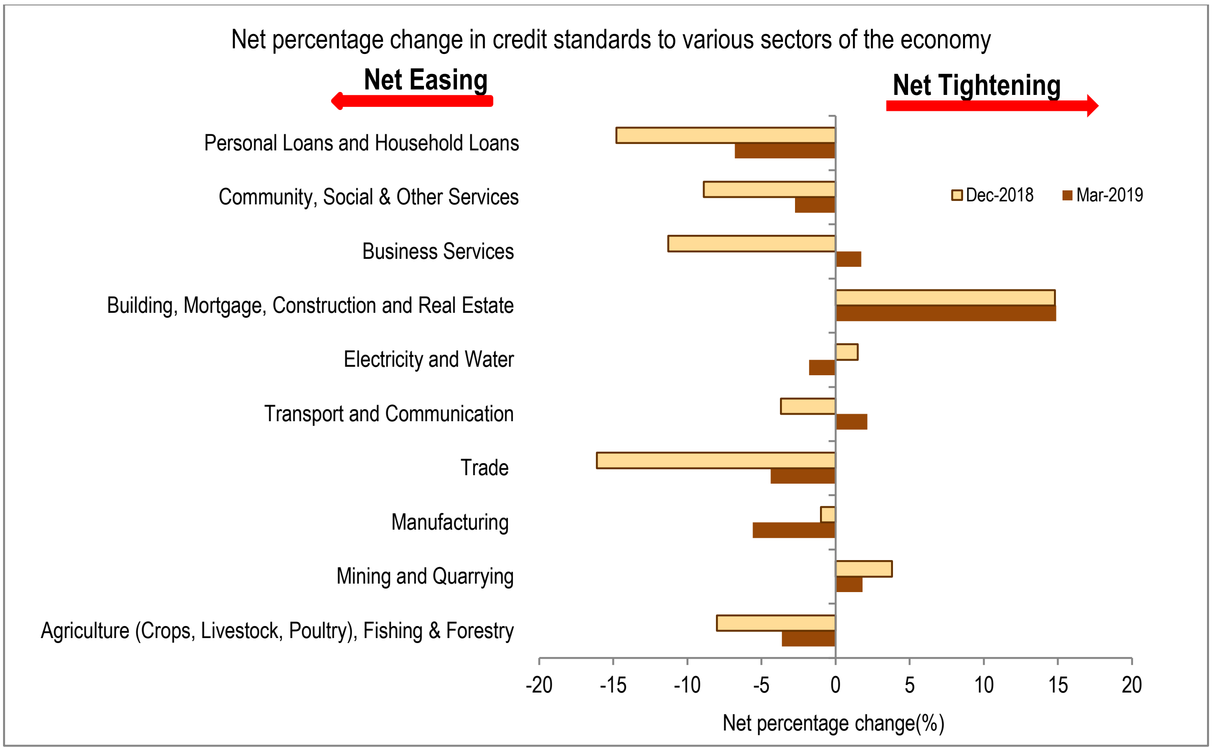
Some banks tightened lending to the building and construction sector due to a decline in building equity values, delayed payments (especially from government),the already high concentration of risk in that sector, and the expectation of slow activity in the real estate market in the future.

Agriculture continues to enjoy easing due to a greater availability of funding sources for loans to this sector especially from the public sector.

Asset based financing in manufacturing continues to render this sector competitive, thus the easing. Trade eased mostly because SMEs are concentrated in this sector (which is aligned with the strategic goals of most banks).

The building, mortgage, and real estate sector registered the highest net tightening (14.9 percent). This was followed by transport and communication (2.2 percent), Mining and Quarrying (1.8 percent), finally, Business services (1.7 percent).

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 include the maximum size of the loan, the 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).

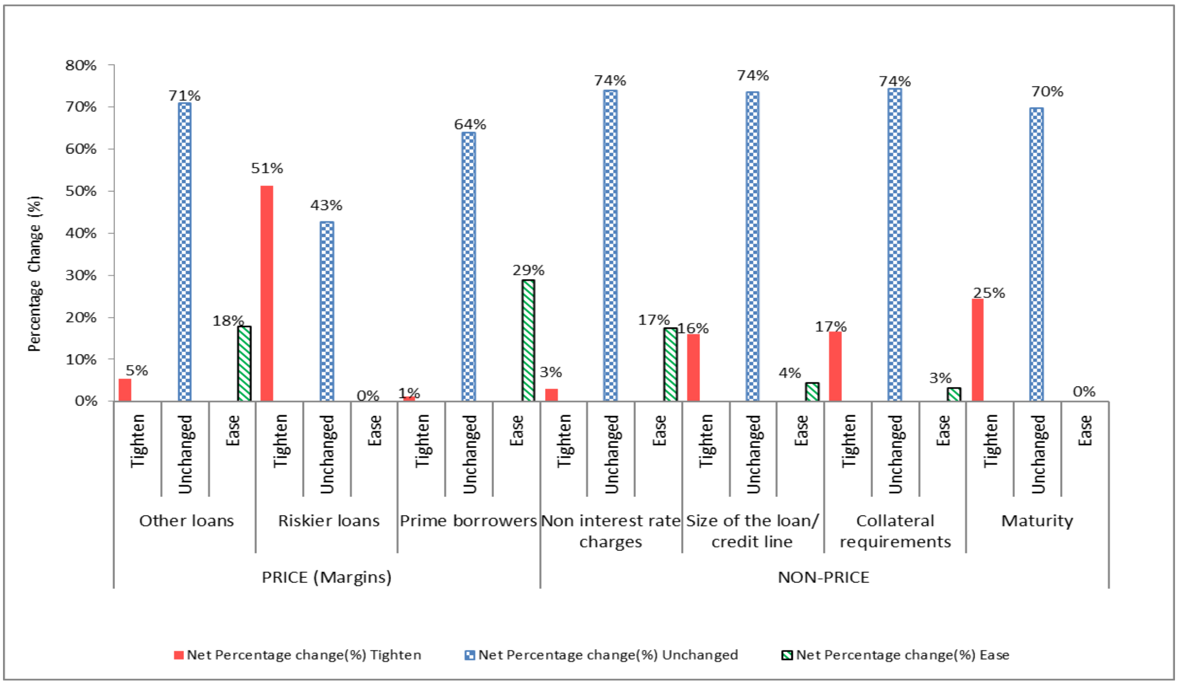
On a net basis, banks expect price terms and conditions to tighten in the quarter to June 2019 for their riskier loans while easing for prime borrowers, and other loans.

The easing of price terms and conditions for prime borrowers is motivated by among others, the high competition for credit worthy borrowers in the market. Risky loans face a tightening as lenders continue to reflect default risk in their prices, and drive efforts to keep default rates low.

All non-price terms and conditions except non-interest charges are expected to tighten on a net basis (See Figure 3).

Reasons cited include the low purchasing power in the economy that affects collateral value, previous performance of existing borrowers, and provisioning requirements under the IFRS9 regime.

Figure 3: Expected changes in terms & conditions for approving loans to enterprises (Quarter to June 2019)



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to June 2019, banks anticipate an overall net increase (75.6%) in demand for credit. The expected increase in demand cuts across all enterprises and loan durations (*See Table 3* below).

Some of the major reasons given for the overall expected increase in demand by enterprises above include:

a) Many borrowers are importers stocking for the Easter season, stocking of agricultural inputs in preparation for the rainy season, and to meet their quarterly sales.

b) Continued expansion of economic activity, with the latest GDP figures from UBOS estimating projected growth of between 7-8% for the current financial year. The February MPC statement testified to the same.

c) Banks efforts to attract SME borrowers through more lax terms and conditions, etc., are expected to encourage demand.

d) Government releases/ efforts to exhaust budgets before the financial year ends will spur economic activity and boost demand for credit on the supply side.

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	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**
Increase(A)	66.0	75.6	59.0	82.2	42.3	67.3	70.4	78.7	54.5	63.8
Unchanged	12.9	18.6	20.0	12.0	37.8	25.6	10.3	15.5	14.8	25.4
Decrease(B)	20.4	0.0	20.4	0.0	19.2	1.2	18.6	0.0	30.0	4.4
Net %(A-B)	45.6	75.6	38.6	38.6	23.2	66.1	51.8	51.8	24.4	59.4
Interpretation: Negative-net decrease, positive-net increase										

Source: Bank of Uganda

1.2 Households and Individuals

1.2.1 Credit standards to households

Banks eased credit standards to households and individuals on a net basis (1.9 percent) lower than the net easing of 19.9 percent observed in the previous period (*See Appendix 1*). Reasons cited were; alignment of practice with strategic emphasis to short term retail clients with good credit worthiness, and the need to shift risk from other groups such as SMEs, in the quarter ended March 2018.

Similarly, in the quarter to June 2019, banks expect to ease credit standards to households (a net easing of 17.2 percent, significantly higher than the 6.2 reported in the previous quarter). This is attributed to focus on growth and customer centred service, introduction of collateral free loans to self-managed groups, increase in short term lending due to low default rates, and the expectation of increased demand as households prepare for Easter (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 June 2019. Non-price terms and conditions are expected to tighten for all categories of borrowers while loan size and non-interest charges, which are expected to ease (See Appendix 1).

The major reasons cited for the net easing include; improved overall credit administration (that has reduced the cost of managing assets), and the need for banks to remain competitive in the market.

On the other hand, the major reasons reported for the anticipated tightening in non-price terms and conditions include; the need to reflect default risk in riskier loans.

1.2.3 Demand for Credit by households

Credit demand by households is expected to increase in the three months to June 2019 with 71.8 percent of banks anticipating an increase, about the same as the 71.1 percent that expected an increase in the previous survey. This was attributed to an anticipated increase in demand for Easter festivities, and for second term school fees by households in the fourth quarter. Moreover, incentives to encourage retail borrowing via easing of standards are expected to spur demand.

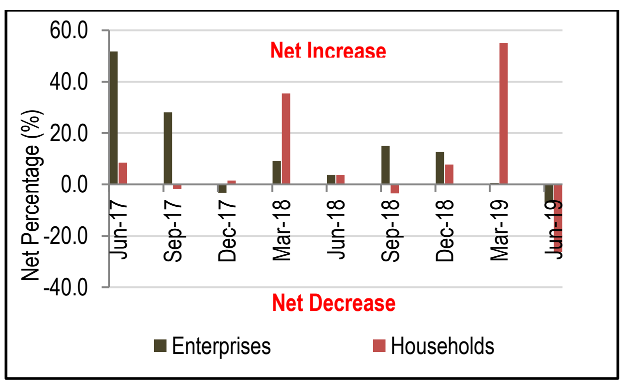
1.3 Expected Default rate on loans to enterprises and households

Banks were asked to report their expectations on the change in default rates on loans to enterprises and households over the quarter to June 2019. On a net basis (7.0 percent), banks expect the default rate on loans to enterprises to decrease, contrary to the anticipated increase in the previous quarter (0.5 percent). Similarly, banks expect (net basis of 26.3 percent) the default rate on loans to households to decrease in the coming three months to June 2019 (See Appendix 1).

Most household units borrowing from banks work with reputable institutions that undertook to pay salaries through the lenders. Additionally, underwriting processes have become more analytical and better able to accurately profile borrowers, thus reduced default rates in unsecured lending.

The expected decrease in default rate on loans to enterprises is mainly attributed to the improving economic environment, expected clearance of domestic arrears by government ahead of the next financial year, and improved credit approval frameworks(e.g more vigilant recovery teams, and credit approval committees).

Figure 4: Default rate expectations



Source: Bank of Uganda

1.4 Interest Rate Expectations for Q4 FY 2018/19

In an effort to understand the direction of interest rates from the lenders 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 on net (22.1 percent), banks expect their lending rates to increase. Respondents that expect rates to remain unchanged over the next quarter to June 2019 were 69.6 percent.

Respondents anticipating no change in lending rates attributed it mainly to controlled inflation, stable default rates, and a need to stay competitive.

2. Conclusion

The bank lending survey results indicate that banks eased their credit standards to both enterprises and households in Q3, FY 2018/2019.

Key reasons cited for the overall easing of credit to enterprises included strong credit risk management frameworks, expectation of liquidity positions easing in the next quarter, and improvement in economic conditions. Moreover, standards on short-term loans eased, contrary to the tightening on long-term loans due to a strategic shift to low value, low risk loans (microfinance).

Banks expect default rates on loans to enterprises to decrease, contrary to their expectation of an increase in the previous quarter. They also expect default rates on loans to households to decrease in the coming three months to June 2019.

The survey results indicate that a majority of banks expect their lending rates to remain unchanged over the next quarter to June 2019. Respondents anticipating no change in lending rates attributed it mainly to controlled inflation, stable default rates, and a need to stay competitive.

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 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.

Period		2015/16				2016/17				2017/18	2017/18	2017/18	2017/18	2018/19	2018/19	2018/19
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Credit policy as applied to the approval of loans or credit lines to enterprises																
Overall	Past three months	27.7	20.4	28.1	5.1	21.6	34.7	44.3	23.4	15.1	-8.5	-17.2	-5.9	-3.2	-21.2	-3.9
	Next three months	52.8	49.2	23.2	3.8	24.7	30.7	8.2	-14.8	-25.3	-3.7	-21.7	-3.8	-8.2	-9.3	1.3
SMEs	Past three months	35.8	51.2	45.7	13.1	31.7	29.5	32.2	3.3	6.3	-10.6	-35.5	-0.1	2.2	-26.9	-5.1
	Next three months	48.8	45.5	34.5	7.3	29.5	24.0	7.8	-18.4	-24.5	-16.1	-21.5	-2.4	-21.2	-3.5	-5.4
Large enterprises	Past three months	28.8	34.3	33.1	5.0	20.2	40.9	51.1	29.8	32.5	-2.9	10.6	15.4	4.7	8.1	0.5
	Next three months	36.3	42.7	34.5	14.8	29.7	31.6	16.5	13.8	-4.7	-0.1	5.4	0.7	-24.7	0.6	13.2
Short term loans	Past three months	25.5	4.4	-3.2	2.7	7.1	14.2	30.4	2.1	-10.9	-27.7	-31.4	-15.8	-7.8	-33.1	-5.4
	Next three months	7.7	25.1	19.1	-1.8	-14.6	-1.0	-10.9	-7.2	-24.6	-23.1	-24.4	-8.6	-53.8	-14.2	-5.6
Long term loans	Past three months	44.6	45.3	24.0	18.1	34.5	36.0	43.6	37.3	47.7	3.7	5.5	8.5	8.3	-3.9	0.6
	Next three months	55.1	53.3	46.5	18.6	41.8	40.8	9.5	20.0	18.1	-1.9	3.5	-0.4	-9.4	0.7	24.1
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors																
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	0.3	13.7	23.2	-2.8	18.5	38.0	30.6	46.1	21.5	14.3	-2.0	-7.7	-6.1	-8.0	-3.6
Mining and Quarrying	Past three months	6.9	15.1	22.0	1.7	3.2	20.3	7.3	27.0	17.3	0.1	1.2	0.7	5.0	3.8	1.8
Manufacturing	Past three months	6.0	33.2	39.1	11.6	17.5	37.1	9.0	7.4	9.1	4.7	13.2	-10.4	-6.1	-1.0	-5.6
Trade	Past three months	5.6	19.7	31.7	9.3	25.8	37.5	14.9	4.0	-4.1	-11.0	-3.7	-0.8	-5.6	-16.1	-4.4
Transport and Communication	Past three months	11.5	30.6	40.4	1.8	20.6	32.8	33.6	23.1	15.8	4.7	12.5	1.2	4.3	-3.7	2.2
Electricity and Water	Past three months	4.1	9.8	25.2	7.1	11.0	18.5	8.7	8.4	6.4	-3.6	2.5	-5.6	-4.9	1.5	-1.8
Building, Mortgage, Construction and Real Estate	Past three months	38.4	46.2	43.0	31.3	41.1	58.9	70.1	50.8	50.5	29.1	49.0	18.6	13.7	14.8	14.9
Business Services	Past three months	2.0	-2.1	23.3	-2.1	5.4	20.5	5.5	4.9	-2.1	-9.5	2.7	-1.1	3.3	-11.3	1.7
Community, Social & Other Services	Past three months	13.9	7.9	26.3	1.3	10.7	21.4	4.4	2.6	7.8	-9.9	7.1	0.0	1.2	-8.9	-2.7
Personal Loans and Household Loans	Past three months	2.7	10.5	8.2	14.2	-19.2	17.2	7.1	3.8	-2.5	-10.3	1.6	4.6	-3.7	-14.8	-6.8
Terms and conditions for approving loans or credit lines to enterprises																
Margin on average loans	Next three months	17.5	12.4	31.1	33.9	10.6	0.5	-56.5	-18.7	-24.2	-10.0	-19.2	-10.5	-7.8	-8.2	-12.5
Margin on riskier loans	Next three months	58.9	43.6	49.4	58.8	51.6	78.5	77.8	75.4	78.1	72.6	62.7	44.4	37.3	57.3	51.4
margin on prime borrowers	Next three months	13.0	5.0	19.7	23.1	-5.0	-13.1	-69.8	-59.2	-42.4	-40.0	-5.7	-23.8	-39.1	-40.6	-27.7
Non-interest rate charges	Next three months	9.0	4.2	10.6	16.6	1.8	17.1	4.6	-4.7	-12.2	-8.6	-10.2	2.8	-14.2	-10.0	-14.5
Size of the loan or credit line	Next three months	13.4	11.8	21.1	52.2	40.7	56.9	1.3	15.1	-1.8	5.2	-14.1	20.0	-0.5	7.1	11.8
Collateral requirements	Next three months	25.3	23.8	37.7	38.6	26.4	14.2	45.8	23.1	31.5	44.8	33.1	14.0	27.6	34.3	13.5
Maturity	Next three months	29.1	22.3	40.7	43.5	30.9	34.3	20.8	4.1	17.6	16.3	14.0	20.5	21.3	28.7	24.5
Expected demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?																
Overall	Next three months	-38.9	-37.9	68.1	30.1	74.7	33.5	89.5	87.8	76.8	72.8	82.9	80.2	63.9	45.6	75.6
SMEs	Next three months	-40.2	-34.4	85.7	31.1	75.7	15.2	95.1	92.0	87.1	74.0	85.8	85.4	58.7	38.6	82.2
Large enterprises	Next three months	-52.0	-43.9	30.3	25.8	59.9	6.6	71.0	56.3	51.7	67.5	74.4	66.0	50.7	23.2	66.1
Short term loans	Next three months	1.1	-21.8	88.3	39.0	74.4	17.2	79.9	92.9	93.5	75.4	83.5	83.4	63.0	51.8	78.7
Long term loans	Next three months	-17.5	-46.4	25.4	9.7	48.3	8.8	78.5	48.1	33.1	69.9	75.1	67.8	51.0	24.4	59.4
Default rate on loans to enterprises																
Overall	Next three months	54.7	54.4	8.1	12.0	13.5	40.7	51.8	28.0	-3.2	9.1	3.7	15.0	12.7	0.5	-7.0
SMEs	Next three months	49.5	54.4	26.4	12.0	19.3	29.4	50.1	31.7	-3.2	11.2	4.6	29.8	32.4	29.5	20.0
Large enterprises	Next three months	24.8	34.7	14.7	16.6	17.7	40.8	40.0	52.9	7.0	8.9	1.6	20.6	16.5	0.6	-2.8
Short term loans	Next three months	33.3	51.3	27.4	13.5	13.8	33.4	50.4	42.4	-5.9	0.9	3.9	11.9	14.7	0.9	-2.5
Long term loans	Next three months	47.8	37.9	19.7	21.2	13.4	30.7	47.4	41.1	-2.0	6.0	3.7	23.5	9.9	14.7	10.6
Period		2015/16				2016/17										
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	6.9	26.8	-13.0	12.7	-8.7	11.0	-7.3	-5.9	-27.2	-24.0	-11.1	-3.6	-14.1	-19.9	-1.9
	Next three months	42.7	48.7	0.2	22.9	-11.6	-7.7	13.1	-17.5	-28.5	-33.3	-10.2	-2.0	-16.6	-6.2	-17.2
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	-35.0	-52.5	8.3	62.5	56.4	47.5	67.8	68.0	80.7	89.2	79.4	77.3	60.1	71.3	71.1
Terms and conditions for approving loans or credit lines to households																
Margin on average loans	Next three months	28.8	40.1	5.6	-9.4	-15.9	-8.6	-37.8	-54.2	-17.6	2.1	-12.7	-5.4	-17.4	0.5	-12.7
Margin on riskier loans	Next three months	32.2	43.6	10.7	6.7	4.0	28.3	38.3	52.0	61.3	48.2	51.2	6.5	38.5	18.6	45.3
Margin on prime borrowers	Next three months	12.9	30.4	5.9	-10.5	-29.5	-29.1	-41.8	-56.0	-18.0	-10.5	-15.1	-30.9	-34.8	-17.1	-27.5
Non-interest rate charges	Next three months	8.8	24.2	5.4	2.2	2.0	4.9	5.7	4.1	-4.8	6.1	0.1	2.8	-2.8	2.1	-0.3
Size of the loan or credit line	Next three months	23.3	42.1	18.8	5.6	-6.4	21.9	5.1	5.3	-9.5	-6.8	-3.0	3.2	-2.8	-5.3	-12.4
Collateral requirements	Next three months	15.1	27.4	7.1	6.9	9.2	23.1	-15.6	23.7	18.2	17.1	16.9	-0.7	-0.3	12.8	13.0
Maturity	Next three months	10.6	21.8	5.4	4.5	14.7	20.5	-14.1	1.5	-1.7	0.6	-5.1	3.3	3.1	13.9	1.0
Default rate on loans to households	Next three months	60.7	63.2	12.5	-5.0	38.4	19.5	8.5	-1.8	1.6	35.5	3.6	-3.5	7.7	55.0	-26.3
Period		2015/16														
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Lending rates expectation Increae(+)/Decrease(-)	Next three months	37.8	45.8	-21.4	-39.4	-43.6	-36.3	-73.1	-49.5	-33.7	-37.2	-68.3	-12.6	-4.2	16.3	22.1
Percentage change	Next three months	0.8	0.7	-0.3	-0.3	-0.1	-0.8	-0.9	-0.6	-0.3	-0.4	-0.8	-0.13	-0.06	-0.06	0.00

Note: All figures are on a net basis except where stated. 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.

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		**Dec-17**	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**
Credit policy as applied to the approval of loans or credit lines to enterprises							
Overall	Past three months	-9.7	9.4	34.6	-15.1	-24.0	-8.3
	Next three months	-2.0	63.5	4.3	5.3	-8.3	-18.7
SMEs	Past three months	7.6	21.8	34.6	-15.1	-8.9	-7.1
	Next three months	-19.3	64.2	6.4	-35.5	4.2	-18.7
Large enterprises	Past three months	18.5	35.6	7.0	-12.0	9.8	-7.1
	Next three months	-20.5	34.5	31.9	38.3	8.3	7.1
Short term loans	Past three months	-9.7	8.8	-5.1	7.4	-21.1	-8.3
	Next three months	26.2	34.0	-37.9	-63.2	-16.6	-7.1
Long term loans	Past three months	1.2	52.1	-26.0	15.0	-17.6	-8.3
	Next three months	0.0	20.7	29.3	25.3	-8.3	-7.1
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors							
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	16.7	20.5	-19.3	12.0	-18.8	-11.6
Mining and Quarrying	Past three months	7.0	0.0	25.7	0.0	0.0	
Manufacturing	Past three months	7.0	7.3	4.3	-1.9	-4.5	0.0
Trade	Past three months	-5.0	7.3	2.1	-7.7	-21.7	-7.1
Transport and Communication	Past three months	5.8	36.1	19.6	-1.9	-21.7	-8.3
Electricity and Water	Past three months	-3.9	6.7	0.0	-16.8	-4.5	
Building, Mortgage, Construction and Real Estate	Past three months	-2.7	7.3	-9.5	28.4	-7.1	0.0
Business Services	Past three months	-5.0	7.3	-4.8	-5.6	-16.9	-8.3
Community, Social & Other Services	Past three months	-5.0	21.1	-18.6	-18.7	-12.5	-7.1
Personal Loans and Household Loans	Past three months	-2.7	14.0	-26.0	0.6	-17.6	-7.1
Terms and conditions for approving loans or credit lines to enterprises							
Margin on average loans	Next three months	-14.0	-45.8	-56.0	-47.7	32.7	
Margin on riskier loans	Next three months	42.6	45.2	45.0	42.1	40.7	-5.8
margin on prime borrowers	Next three months	16.5	-30.6	-62.7	-60.7	-3.2	-11.6
Non-interest rate charges	Next three months	-44.6	-16.9	-44.1	-31.5	8.3	
Size of the loan or credit line	Next three months	-39.0	13.4	25.3	10.5	-3.2	
Collateral requirements	Next three months	-9.7	31.5	50.5	-9.3	-12.5	7.1
Maturity	Next three months	-12.0	-26.2	16.5	-59.4	-28.5	-7.1
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?							
Overall	Next three months	-21.9	42.6	83.5	72.3	-8.1	49.7
SMEs	Next three months	-0.2	42.6	64.9	72.3	-20.6	49.7
Large enterprises	Next three months	-30.8	26.1	53.0	12.6	-35.6	
Short term loans	Next three months	-29.6	42.6	26.2	72.3	16.6	49.7
Long term loans	Next three months	-11.6	25.5	47.0	40.7	24.9	38.1
Default rate on loans to enterprises							
Overall	Next three months	30.8	-13.0	-13.2	-16.8	9.0	-41.4
SMEs	Next three months	30.8	-13.6	-27.0	-46.1	29.2	-42.7
Large enterprises	Next three months	30.8	4.1	-4.1	-20.0	12.5	-31.1
Short term loans	Next three months	19.9	-14.4	-14.2	-42.5	17.3	-49.7
Long term loans	Next three months	30.8	-14.4	-11.1	-0.6	-3.4	-48.5

Period		**Dec-17**	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**
Part II: Households							
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-3.8	25.7	-14.6	-31.1	-21.1	-31.1
	Next three months	3.3	-13.8	14.6	22.7	4.9	7.1
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	2.8	37.9	38.6	44.5	33.2	42.7
Terms and conditions for approving loans or credit lines to households							
Margin on average loans	Next three months	0.7	-29.8	-30.3	-43.3	-12.5	-7.1
Margin on riskier loans	Next three months	15.2	32.3	25.7	12.6	13.7	-7.1
Margin on prime borrowers	Next three months	-10.2	-32.9	-46.8	-63.2	-36.2	-7.1
Non-interest rate charges	Next three months	-10.9	0.2	0.0	-63.2	0.0	-7.1
Size of the loan or credit line	Next three months	0.0	1.6	2.1	-27.7	11.3	-7.1
Collateral requirements	Next three months	4.4	-28.4	33.1	13.6	1.2	-38.1
Maturity	Next three months	0.0	-29.8	25.7	9.1	0.0	-7.1
Default rate on loans to households	Next three months	-19.5	-11.3	-31.2	22.1	41.3	-42.7

(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 employees.
(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 lenders.

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 (January - February 2019), 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, say, 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: