Bank Lending Survey Report
Fourth Quarter - FY 2019/20

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 June 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 June 2020 and the expectations for the quarter to September 2020.

Credit Standards

In the fourth quarter of FY 2019/20, banks tightened their credit standards to both enterprises and households. Similarly, they expect to tighten credit standards for both enterprises and households in the quarter to September 2020.

Across firm size, credit standards were tightened for loans to both SMEs and large enterprises recording a net tightening of 91.3 percent and 74.1 percent, respectively.

In terms of loan duration, banks tightened credit standards for both short term and long term loans on a net basis in the quarter to June 2020, at a much higher pace compared to the previous survey results

In the quarter to September 2020, banks expect to further tighten overall credit standards on a net basis, a higher pace than the level indicated in the previous quarter's results. Similarly, banks expect to tighten credit standards on a net basis for all enterprises and loan durations in the quarter to September 2020

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 of the economy in the quarter to June 2020.

Outlook on Demand for credit

Majority of banks anticipate an overall increase in demand for credit for both enterprises and households.

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 September 2020.

The expected net easing of average loans and prime borrowers is based on; further reduction in the CBR, the desire for commercial banks to offer concessions to existing clients, need to support clients in line with BOU COVID-19 credit relief guidelines and competition for clients.

As regards non-price terms and conditions, banks expect to keep noninterest rate charges and maturity period largely unchanged with a bias towards easing for noninterest 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 September 2020. Majority of the non-price terms and conditions are expected to tighten 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 September 2020.

The expected increase in default rate on loans to enterprises and households is mainly attributed to the impact of Covid-19 pandemic on the general business environment as majority of the businesses have been closed which has affected their cash flows and their repayment schedules, with no clear path of their resumption due to the slowdown in the whole economy.

Interest Rate Expectations

The survey results indicate that majority of the banks expect their lending rates to decrease, with no bank anticipating an increase over the next quarter. Those that anticipated a decrease in lending rates mainly attributed it to the reduction in the CBR and competition from other financial institutions.

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 June 2020 and expectations for the quarter to September 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. 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 banks have introduced new lending policies or amended existing ones.

In the fourth quarter of FY 2019/20, credit standards on loans to enterprises were tightened at a much higher pace than was reported in the previous quarter. The outturn was in line with what banks anticipated in the previous quarter's results.

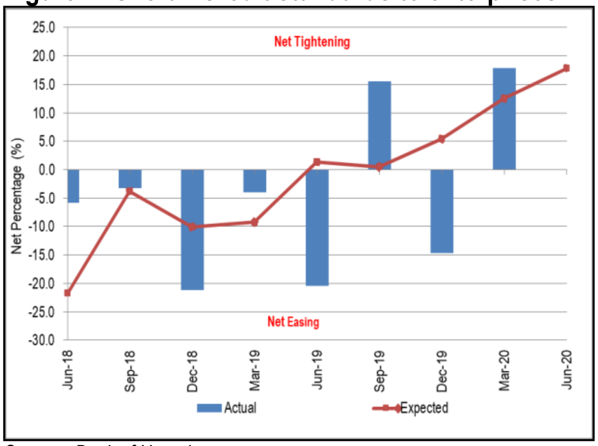
Banks reported tightened credit standards on a net basis of 91.3 percent during the quarter (*See Tables 1 & 2 and Figure 1)*.

Across firm size, credit standards were tightened for loans to both SMEs and large enterprises recording a net tightening of 91.3 percent and 74.1 percent, respectively.

In terms of loan duration, banks tightened credit standards for both short term and long term loans on a net basis in the quarter to June 2020, at a much higher pace compared to the previous survey results (*See Table 1*).

The major reasons cited for the overall tightening of loans were all hinged on the Covid-19 pandemic and include; uncertainty as regards future trends in cash flows, increased default rate with most borrowers requesting for restructuring and general slowdown in business due to lockdown.

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	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**
Tightened(A)	26.0	91.3	25.2	91.3	25.6	74.1	16.0	71.5	21.5	89.3
Unchanged	66.0	8.7	66.8	8.7	74.4	25.9	67.7	27.7	70.8	9.9
Eased (B)	8.1	0.0	8.1	0.0	0.0	0.0	16.3	0.8	7.7	0.8
Net %(A-B)	17.9	91.3	17.1	91.3	25.6	74.1	-0.3	70.7	13.8	88.5
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to September 2020, banks expect to further tighten overall credit standards on a net basis, a higher pace than the level indicated in the previous quarter's results. Similarly, banks expect to tighten credit standards on a net basis for all enterprises and loan durations in the quarter to September 2020 (*See, Figure 1 and Table 2*).

The major reason cited by banks for the expected tightening of credit standards over the quarter to September 2020 include, the expected increase in non-performing loans due to the covid-19 pandemic as a result of constrained cash flows; uncertainties in continuity of businesses due to slowdown in economic activity and uncertainty of when the pandemic will be under control.

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	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**
Tighten (A)	40.3	66.8	35.1	82.1	40.0	47.3	43.9	40.7	39.5	66.3
Unchanged	37.2	28.5	50.4	11.6	42.3	47.9	43.8	50.0	49.6	31.9
Ease (B)	22.5	4.7	14.5	6.3	17.7	4.8	12.3	9.3	10.9	1.8
Net %(A-B)	17.9	62.1	20.6	75.8	22.3	42.5	31.6	31.4	28.6	64.5
Interpretation: Negative-net easing, positive-net tightening										

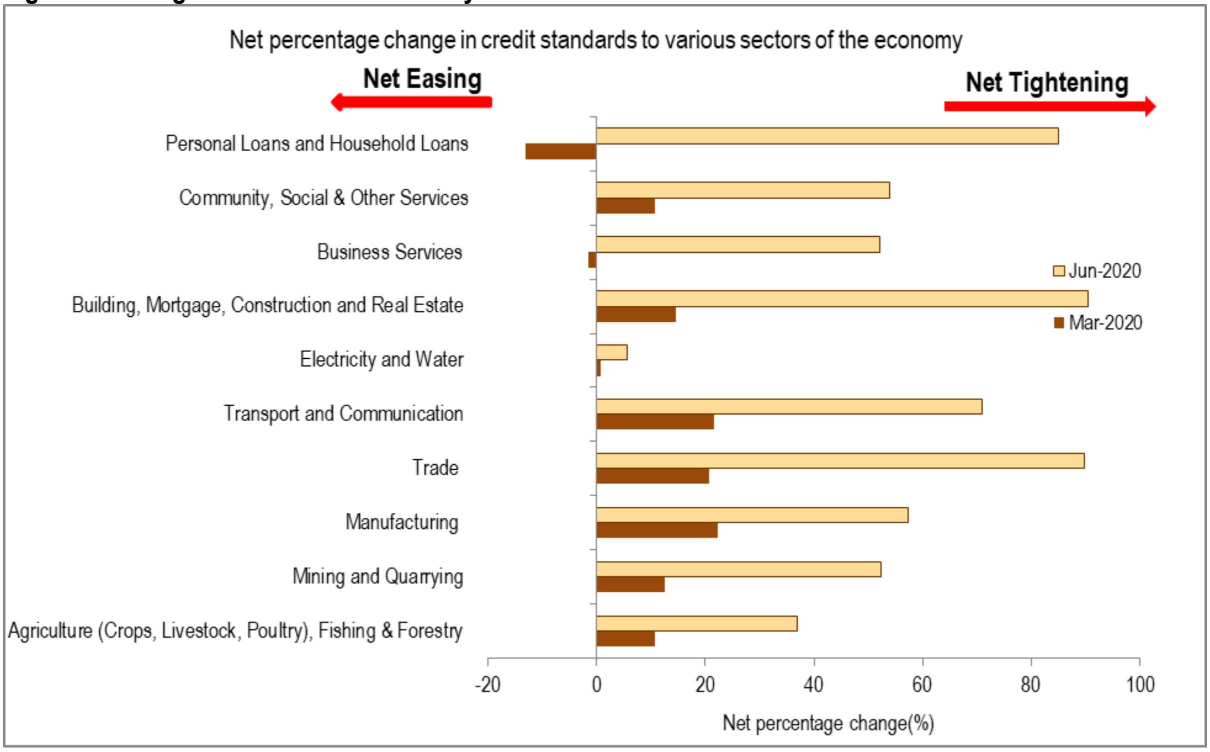
Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

Banks reported a net tightening of credit standards for all sectors of the economy in the quarter to June 2020. The following sectors recorded the highest net tightening; Building, Mortgage, Construction and Real Estate (90.5%) followed by Trade (89.7%), Personal and Household (84.9%), Transport and Communication (71.0%), Manufacturing (57.3%), Community, social and other services (54.0%), Mining and Quarrying (52.3%), Agriculture (37.0%) and Electricity and water (5.6).

The major reasons cited for the net tightening of credit standards for all sectors of the economy were; the low lending appetite by banks to sectors which were greatly affected by COVID 19 and economic slowdown due to lockdown of business activities.

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:

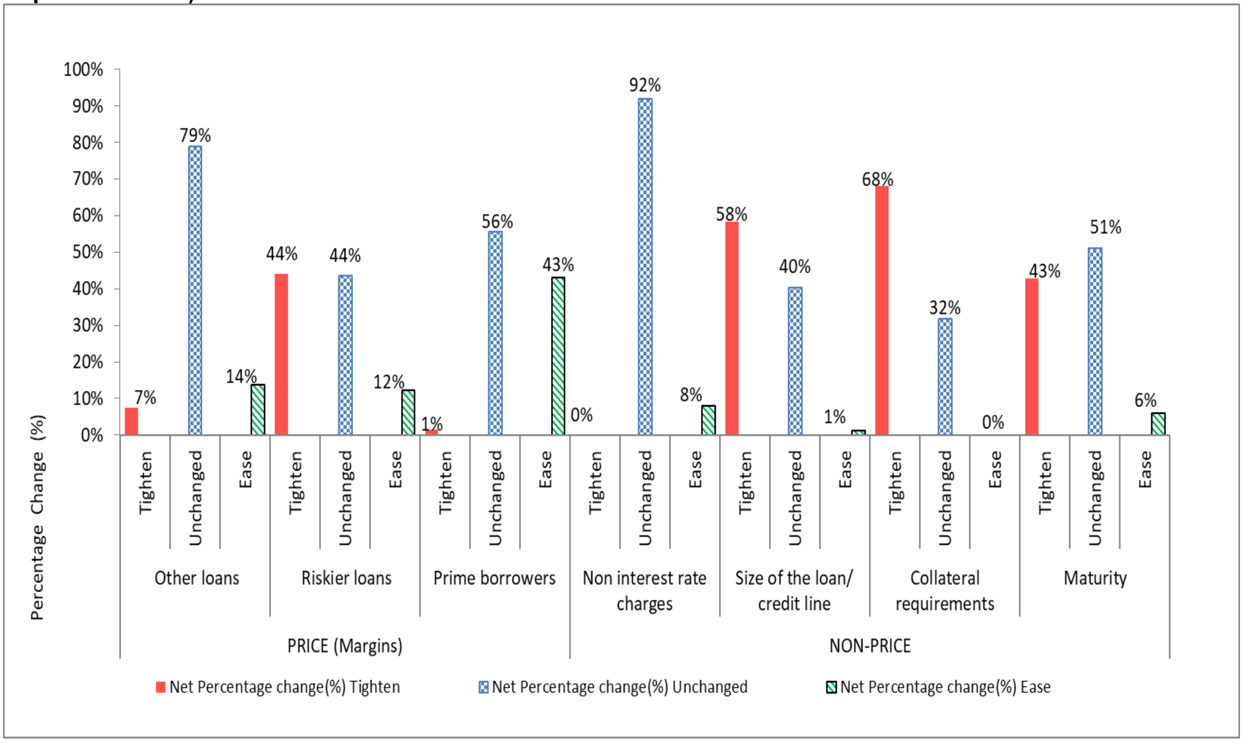
a) Price-related terms and conditions that include the direct price or interest rate.
b) non-price related terms and conditions that include the maximum size of the loan, access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (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 September 2020.

The expected net easing of average loans and prime borrowers is based on; further reduction in the CBR, the desire for commercial banks to offer concessions to existing clients, need to support clients in line with BOU COVID-19 credit relief guidelines and competition for clients. On the other hand, the main reasons for tightening of riskier loans were on account of uncertainty and the increased likelihood of default in a constrained environment.

As regards to non-price terms and conditions, banks expect to keep noninterest 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; uncertainty in the business environment that makes it difficult to predict future cash flows and the need to mitigate credit default risk in line with the current constrained economic environment.

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



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to September 2020, 56.9 percent of the banks anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and loan durations albeit at a slower pace compared to the previous survey expectations (*See Table 3* below).

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

a) The need to replace working capital which has been greatly eroded during the lock down period.

b) The need for credit to clear taxes, pay salaries, or small working capital to revamp their operations.

c) The start of the planting season between August and September is expected to drive credit demand for agriculture production.

On the other hand, banks that anticipated a decrease in demand for credit cited the slowdown in economic activity caused by COVID-19 and clients prioritising extension of loan maturities rather than applying for new loans.

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	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**	**Jun-20**	**Sep-20**
Increase(A)	64.6	56.9	63.3	57.7	58.5	56.9	66.4	63.8	64.6	54.3
Unchanged	14.5	6.8	15.3	4.8	22.9	22.0	20.2	5.8	11.8	7.6
Decrease(B)	20.9	36.2	21.4	37.5	18.7	21.1	13.4	30.5	23.6	38.1
Net %(A-B)	43.7	20.7	41.9	20.2	39.8	35.9	53.0	33.3	41.0	16.2
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, 85.9 percent of the banks tightened credit standards to households and individuals on a net basis, contrary to the net easing of 26.3 percent observed in the previous period (*See, Appendix 1*). The major reasons cited for tightening were;

a) Retrenchment of workers by institutions while others have reduced their salaries significantly, thus making lending to households riskier.

b) High default rate on the outstanding consumer credit facilities.

c) Continued inability of the households to provide collateral cover for their facilities and the impact of IFRS9 on the unsecured lending portfolio has led to continued tightening.

Similarly, in the quarter to September 2020, banks expect to tighten credit standards to households with a net tightening of 62.8 percent, higher than the net tightening of 40.2 percent anticipated in previous survey. The expected tightening especially to the salary loan portfolio in specific to the private sector is attributed to; the impact of the COVID-19 pandemic which has caused layoffs and pay cuts for salary earners , focus on mitigating the lending risk especially to new borrowers and from sectors which have been identified as high risk during the pandemic for example tourism. (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 September 2020. Majority of the non-price terms and conditions are expected to tighten on a net basis, except for non-interest rate charges that are anticipated to ease. (See, Appendix 1).

The major reasons cited for the anticipated tightening of the riskier loans are; the increased likelihood of default in the constrained environment and the need to increase the pricing so as to counter the high risks deemed to be associated with such loans.

On the other hand, the expected easing for average loans and prime borrowers was hinged on; the reduction in the CBR, competition for clients in the market especially for the good performing clients and the need to encourage business resumption and stabilization.

In regards to non-price terms and conditions, the main reasons cited for expected net tightening of loan duration, size of the loan and collateral requirements include; the need by banks to safe guard against default and uncertainties in continuity of businesses due to slowdown in economic activity.

1.2.3 Demand for Credit by households

Credit demand by households is expected to increase in the three months to September 2020 with 58.1 percent of banks anticipating the demand to rise. This is a higher expectation compared to the 50.7 percent that was anticipated in the previous survey results. The anticipated increase in demand is attributed to; hope for lockdown to be lifted as business activity begins to pick up, households who may have depleted their savings during the lock down will need support to meet various needs as the economy opens, the need for credit to meet school fees payments when schools open and working capital to revamp their operations.

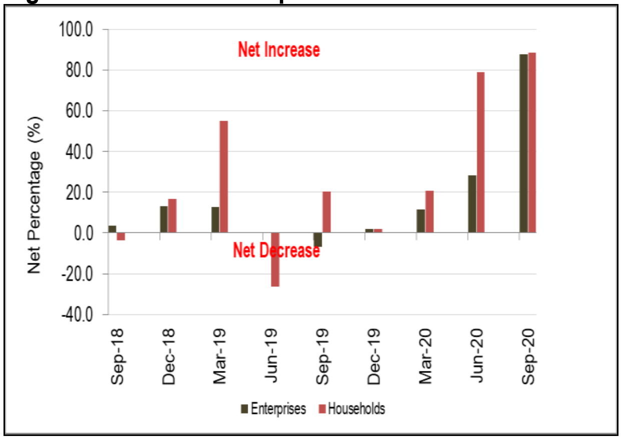
1.3 Expected Default rate on loans to enterprises and households

Overall, 52.1 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 similar to the previous survey results.

On the side of households and individuals, 89.4 percent of the banks expect the default rate on loans to households to increase, with only 1 percent expecting a decrease on a net basis in the coming three months to September 2020 (See Appendix 1).

The expected increase in default rate on loans to enterprises and households is mainly attributed to the impact of Covid-19 pandemic on the general business environment as majority of the businesses have been closed which has affected their cash flows and their repayment schedules, with no clear path of their resumption due to the slowdown in the whole economy.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.4 Interest Rate Expectations for Q1 FY 2020/21

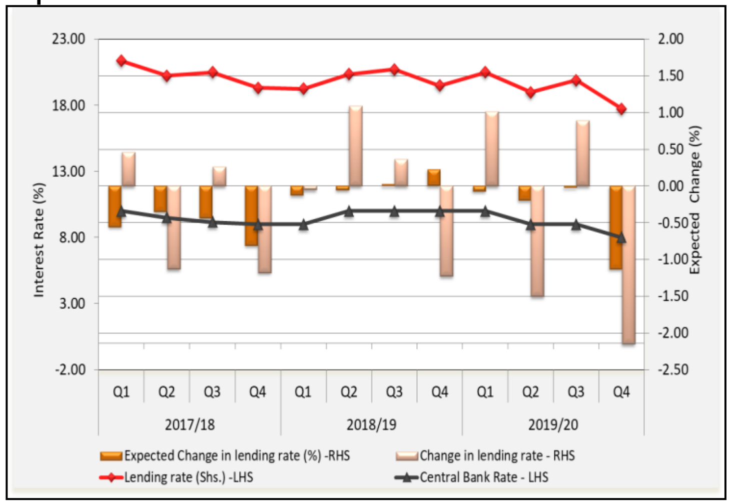
In an effort to understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their lending rates in the coming three months.

The survey results indicate that majority of the banks (57.8%) expect their lending rates to decrease, 42.2 percent expect the rates to largely remain unchanged, while no bank expects the rates to increase over the next quarter to September 2020.

The lending rate is anticipated to decrease on average by 3.05 percentage points, over the quarter to September 2020 (See Figure 5).

Banks that anticipated their lending rates to decrease attributed it to the reduction in the CBR and competition from other financial institutions.

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 other funding sources which include; having sufficient liquidity to meet their credit demands, sourcing for funds through the interbank market and utilization of excess reserves to meet the credit needs.

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 (92 percent) reported that they had restructured some of their credit facilities. On average, banks indicated to have restructured 22.6 percent of their loan portfolio in the quarter to June 2020.

The main reasons cited for restructuring of credit facilities included; the need to provide relief to customers during the period as there was minimal economic activity, relief on businesses that were impacted by COVID-19 pandemic for example educational institutions and arcades which are still closed and requests from customers due to suppressed cash flows due to the lockdown.

On the other hand, 8 percent of the banks that indicated that did not restructure loans during the quarter noted that approvals process of client application is still in progress.

Conclusion

The bank lending survey results indicate that in the fourth quarter of FY 2019/20, banks tightened their credit standards to both enterprises, and for households.

The major reason cited by banks for the expected tightening of credit standards over the quarter to September 2020 include, the expected increase in non-performing loans due to the Covid-19 pandemic as a result of constrained cash flows; uncertainties in continuity of businesses due to slowdown in economic activity and uncertainty of when the pandemic will be under control.

The demand for loans by enterprises and households is expected to increase in the quarter to September 2020, at a higher rate for households than was anticipated in the previous survey results.

In the next three months to September 2020, the percentage of banks that expect the default rate on loans to both enterprises and households greatly rose on a net basis. The expected increase in default rate on loans to enterprises and households is mainly attributed to the impact of Covid-19 pandemic on the general business environment as majority of the businesses have been closed which has affected their cash flows and their repayment schedules with no clear path of their resumption due to the slowdown in the whole economy.

The survey results indicate that majority of the banks expect their lending rates to decrease attributed due to the reduction of the CBR and Competition from other 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 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		2016/17			2017/18				2018/19				2019/20			
Part I: Enterprises		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Credit policy as applied to the approval of loans or credit lines to enterprises																
Overall	Past three months	34.7	44.3	23.4	15.1	-8.5	-17.2	-5.9	-3.2	-21.2	-3.9	-20.4	15.5	-14.7	17.9	91.3
	Next three months	30.7	8.2	-14.8	-25.3	-3.7	-21.7	-3.8	-10.1	-9.3	1.3	0.5	5.4	12.5	17.9	62.1
SMEs	Past three months	29.5	32.2	3.3	6.3	-10.6	-35.5	-0.1	2.2	-26.9	-5.1	-13.7	-6.4	-14.5	17.1	91.3
	Next three months	24.0	7.8	-18.4	-24.5	-16.1	-21.5	-3.9	-12.3	-3.5	-5.4	-2.2	-24.7	-5.6	20.6	75.8
Large enterprises	Past three months	40.9	51.1	29.8	32.5	-2.9	10.6	16.8	4.7	8.1	5.6	-18.1	18.1	16.7	25.6	74.1
	Next three months	31.6	16.5	13.8	-4.7	-0.1	5.4	0.7	-15.8	0.6	18.3	11.7	10.7	30.6	22.3	42.5
Short term loans	Past three months	14.2	30.4	2.1	-10.9	-27.7	-31.4	-15.6	-7.8	-33.1	-10.5	-31.7	-22.0	-17.0	-0.3	70.7
	Next three months	-1.0	-10.9	-7.2	-24.6	-23.1	-24.4	-7.0	-44.9	-14.2	-10.8	2.5	2.7	-26.6	31.6	31.4
Long term loans	Past three months	36.0	43.6	37.3	47.7	3.7	5.5	8.4	8.3	-3.9	5.7	11.7	32.5	5.1	13.8	88.5
	Next three months	40.8	9.5	20.0	18.1	-1.9	3.5	-0.4	-0.5	0.7	29.2	14.3	20.6	34.1	28.6	64.5
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors																
Agriculture (Crops, Livestock, Poultry), Fishing & Fo	Past three months	38.0	30.6	46.1	21.5	14.3	-2.0	-7.6	-6.1	-8.0	-8.7	-5.8	2.7	8.0	10.8	36.9
Mining and Quarrying	Past three months	20.3	7.3	27.0	17.3	0.1	1.2	0.7	5.0	3.8	6.9	-9.8	4.3	4.4	12.6	52.3
Manufacturing	Past three months	37.1	9.0	7.4	9.1	4.7	13.2	-10.3	-6.1	-1.0	-5.6	-14.2	5.1	-7.5	22.4	57.3
Trade	Past three months	37.5	14.9	4.0	-4.1	-11.0	-3.7	-2.3	-5.6	-16.1	-9.5	-31.0	5.9	-1.6	20.7	89.7
Transport and Communication	Past three months	32.8	33.6	23.1	15.8	4.7	12.5	1.2	4.3	-3.7	2.1	-5.6	9.7	-4.2	21.5	71.0
Electricity and Water	Past three months	18.5	8.7	8.4	6.4	-3.6	2.5	-5.5	-4.9	1.5	-1.8	-20.1	1.3	-4.9	0.9	5.6
Building, Mortgage, Construction and Real Estate	Past three months	58.9	70.1	50.8	50.5	29.1	49.0	20.2	13.7	14.8	20.0	-14.7	11.0	10.8	14.7	90.5
Business Services	Past three months	20.5	5.5	4.9	-2.1	-9.5	2.7	-1.1	3.3	-11.3	1.7	-2.9	0.3	-1.3	-1.6	52.1
Community, Social & Other Services	Past three months	21.4	4.4	2.6	7.8	-9.9	7.1	0.0	1.2	-8.9	-2.7	-9.8	-0.7	-4.1	10.8	54.0
Personal Loans and Household Loans	Past three months	17.2	7.1	3.8	-2.5	-10.3	1.6	4.5	-3.7	-14.8	-11.9	-19.1	-13.8	-11.9	-13.1	84.9
Terms and conditions for approving loans or credit lines to enterprises																
Margin on average loans	Next three months	0.5	-56.5	-18.7	-24.2	-10.0	-19.2	-10.1	-7.8	-8.2	-12.5	-7.8	-13.2	2.7	2.2	-6.3
Margin on riskier loans	Next three months	78.5	77.8	75.4	78.1	72.6	62.7	45.8	46.1	57.3	56.5	37.9	40.3	51.7	47.0	31.9
margin on prime borrowers	Next three months	-13.1	-69.8	-59.2	-42.4	-40.0	-5.7	-24.9	-39.1	-40.6	-32.8	-56.0	-39.6	-34.5	-34.8	-41.6
Non-interest rate charges	Next three months	17.1	4.6	-4.7	-12.2	-8.6	-10.2	3.0	-14.2	-10.0	-14.4	6.6	-6.4	0.0	-8.7	-7.9
Size of the loan or credit line	Next three months	56.9	1.3	15.1	-1.8	5.2	-14.1	19.7	-0.5	7.1	6.6	-6.9	-0.1	0.8	20.6	56.9
Collateral requirements	Next three months	14.2	45.8	23.1	31.5	44.8	33.1	13.8	36.5	34.3	13.5	7.4	1.0	15.0	46.8	68.2
Maturity	Next three months	34.3	20.8	4.1	17.6	16.3	14.0	20.3	30.1	28.7	24.5	24.6	8.6	18.8	-1.0	36.7
Expected demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?																
Overall	Next three months	33.5	89.5	87.8	76.8	72.8	82.9	82.0	72.8	45.6	80.7	67.6	87.0	37.8	43.7	20.7
SMEs	Next three months	15.2	95.1	92.0	87.1	74.0	85.8	87.2	67.6	38.6	87.3	75.4	90.0	14.8	41.9	20.2
Large enterprises	Next three months	6.6	71.0	56.3	51.7	67.5	74.4	67.1	59.6	23.2	61.0	60.7	75.4	26.5	39.8	35.9
Short term loans	Next three months	17.2	79.9	92.9	93.5	75.4	83.5	83.6	71.8	51.8	83.8	63.2	69.8	1.7	53.0	33.3
Long term loans	Next three months	8.8	78.5	48.1	33.1	69.9	75.1	67.3	59.9	24.4	59.4	43.0	37.9	29.8	41.0	16.2
Default rate on loans to enterprises																
Overall	Next three months	40.7	51.8	28.0	-3.2	9.1	3.7	13.2	12.7	0.5	-7.0	2.2	11.5	28.3	87.8	52.1
SMEs	Next three months	29.4	50.1	31.7	-3.2	11.2	4.6	29.5	32.4	29.5	20.0	6.7	6.5	26.1	49.5	52.9
Large enterprises	Next three months	40.8	40.0	52.9	7.0	8.9	1.6	18.8	16.5	0.6	-2.8	18.3	-5.7	15.3	68.8	51.6
Short term loans	Next three months	33.4	50.4	42.4	-5.9	0.9	3.9	11.8	14.7	1.0	-2.5	2.2	0.4	9.8	76.8	55.5
Long term loans	Next three months	30.7	47.4	41.1	-2.0	6.0	3.7	23.2	9.9	14.7	10.6	19.8	-3.8	5.6	72.2	52.1
Period		2016/17			2017/18				2018/19				2019/20			
Part II: Households		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	11.0	-7.3	-5.9	-27.2	-24.0	-11.1	-1.2	-14.1	-19.9	-7.0	-2.1	-33.3	-41.4	-26.3	85.9
	Next three months	-7.7	13.1	-17.5	-28.5	-33.3	-10.2	-0.4	-7.8	-6.2	-17.2	-10.4	-3.0	-32.2	40.2	62.8
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	47.5	67.8	68.0	80.7	89.2	79.4	79.1	68.9	71.3	76.3	39.5	52.1	83.4	22.6	23.7
Terms and conditions for approving loans or credit lines to households																
Margin on average loans	Next three months	-8.6	-37.8	-54.2	-17.6	2.1	-12.7	-5.1	-17.4	0.5	-12.7	7.1	-25.2	-7.0	-21.2	-16.5
Margin on riskier loans	Next three months	28.3	38.3	52.0	61.3	48.2	51.2	6.4	47.4	18.6	50.4	27.5	60.3	73.7	42.3	42.0
Margin on prime borrowers	Next three months	-29.1	-41.8	-56.0	-18.0	-10.5	-15.1	-30.4	-34.8	-17.1	-27.5	-16.3	-41.4	-42.5	-31.0	-10.3
Non-interest rate charges	Next three months	4.9	5.7	4.1	-4.8	6.1	0.1	3.0	-2.8	2.1	-0.3	4.0	-13.3	-16.4	-8.8	-2.9
Size of the loan or credit line	Next three months	21.9	5.1	5.3	-9.5	-6.8	-3.0	3.2	-2.8	-5.3	-17.5	-0.6	-28.6	-27.6	6.6	40.8
Collateral requirements	Next three months	23.1	-15.6	23.7	18.2	17.1	16.9	0.9	8.6	12.8	13.0	-2.7	2.3	10.2	-1.6	36.1
Maturity	Next three months	20.5	-14.1	1.5	-1.7	0.6	-5.1	3.3	12.0	13.9	1.0	4.5	-8.1	2.2	-1.5	24.0
Default rate on loans to households	Next three months	19.5	8.5	-1.8	1.6	35.5	3.6	-3.7	16.6	55.0	-26.3	20.3	2.0	20.9	79.1	88.4
Period		2016/17			2017/18				2018/19				2019/20			
Part III: Occassional Questions		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lending rates expectation Increae(+)/Decrease(-)	Next three months	-36.3	-73.1	-49.5	-33.7	-37.2	-68.3	-12.7	-4.2	16.3	22.1	-10.0	-19.6	-2.6	-14.4	-57.8
Percentage change	Next three months	-0.8	-0.9	-0.6	-0.3	-0.4	-0.8	-0.1	-0.1	0.0	0.2	-0.07	-0.20	-0.03	-1.13	-3.05

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		Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Credit policy as applied to the approval of loans or credit lines to enterprises											
Overall	Past three months	9.4	33.6	-14.6	-24.1	13.4	59.6	4.4	-21.9	25.2	63.1
	Next three months	63.5	5.8	5.9	-9.2	-3.0	45.0	29.8	45.1	66.8	32.3
SMEs	Past three months	21.8	33.6	-11.5	-8.9	14.1	57.7	12.8	-13.7	53.1	63.1
	Next three months	64.2	8.0	-35.1	3.4	-3.0	44.5	28.3	62.5	66.1	49.9
Large enterprises	Past three months	35.6	5.6	8.0	9.1	14.3	26.1	11.6	18.4	26.6	43.9
	Next three months	34.5	33.8	38.5	9.2	11.0	22.6	-7.1	1.1	38.9	31.9
Short term loans	Past three months	8.8	-5.2	-23.4	-20.4	-22.5	53.5	-3.1	-32.2	24.7	61.5
	Next three months	34.0	-37.0	-63.0	-16.0	-21.8	33.3	7.3	25.5	44.6	25.0
Long term loans	Past three months	52.1	-27.9	14.5	-17.7	28.4	30.3	-4.4	17.3	25.9	56.7
	Next three months	20.7	28.3	25.4	-9.2	1.6	22.5	-20.3	29.8	38.2	44.0
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	20.5	-18.1	12.6	-18.1	0.7	-45.7	-19.9	12.4	-0.2	46.3
Mining and Quarrying	Past three months	0.0	26.1	0.0	0.0	0.0	30.3	3.1	0.0	0.0	12.0
Manufacturing	Past three months	7.3	2.9	-1.9	-4.5	0.0	7.9	0.0	0.0	0.7	17.6
Trade	Past three months	7.3	0.7	-7.2	-21.1	1.6	-3.9	-3.1	13.5	5.1	27.6
Transport and Communication	Past three months	36.1	18.4	-1.9	-21.1	0.9	-6.5	-1.6	1.1	5.1	62.3
Electricity and Water	Past three months	6.7	-3.2	-16.4	-4.5	0.0	-11.1	0.0	0.0	0.0	12.0
Building, Mortgage, Construction and Real Estate	Past three months	7.3	-11.1	28.5	-8.0	45.7	12.0	9.2	-23.0	4.4	62.3
Business Services	Past three months	7.3	-3.4	-5.2	-17.1	-4.5	-2.9	0.0	0.0	25.9	63.1
Community, Social & Other Services	Past three months	21.1	-17.4	-18.3	-12.6	8.7	-10.7	-8.0	-23.0	3.9	55.5
Personal Loans and Household Loans	Past three months	14.0	-27.9	0.6	-17.7	-16.4	-9.8	-11.1	-23.0	4.4	57.5
Terms and conditions for approving loans or credit lines to enterprises											
Margin on average loans	Next three months	-45.8	-56.8	-47.4	32.1	12.6	-4.5	11.5	-20.5	22.8	-38.7
Margin on riskier loans	Next three months	45.2	44.2	41.8	40.2	14.8	28.7	11.1	25.5	23.3	42.3
margin on prime borrowers	Next three months	-30.6	-62.1	-60.5	-2.4	-11.7	-31.4	-17.5	-30.4	-17.5	-45.5
Non-interest rate charges	Next three months	-16.9	-43.2	-31.2	9.2	-5.4	29.4	-8.4	-17.4	4.8	-39.5
Size of the loan or credit line	Next three months	13.4	25.7	11.0	-3.2	-5.2	-15.0	0.8	1.2	31.7	57.5
Collateral requirements	Next three months	31.5	49.8	-9.8	-12.6	3.8	42.1	-8.4	-14.6	-1.1	39.5
Maturity	Next three months	-26.2	15.2	-59.8	-28.7	29.1	17.6	0.0	18.5	32.2	40.3
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?											
Overall	Next three months	42.6	83.3	72.1	-9.0	72.7	67.7	67.9	-28.7	-98.6	29.8
SMEs	Next three months	42.6	64.4	72.1	-21.5	47.6	62.2	67.9	-28.7	-98.6	29.8
Large enterprises	Next three months	26.1	52.3	12.7	-36.7	-7.0	10.4	4.7	15.9	-65.3	-1.0
Short term loans	Next three months	42.6	25.2	72.1	17.5	72.7	31.3	65.6	-12.3	-98.6	29.8
Long term loans	Next three months	25.5	47.7	40.9	24.3	28.1	56.3	9.0	15.9	-66.0	79.6
Default rate on loans to enterprises											
Overall	Next three months	-13.0	-11.9	-16.3	8.3	-10.1	-36.0	-58.8	24.0	100.0	76.0
SMEs	Next three months	-13.6	-25.9	-45.8	28.7	-10.8	-38.9	-58.4	24.0	100.0	76.0
Large enterprises	Next three months	4.1	-5.6	-19.6	12.6	-24.1	-30.5	-26.6	-18.8	67.5	69.2
Short term loans	Next three months	-14.4	-12.9	-42.2	16.7	-32.6	-38.9	-63.2	24.0	99.3	76.0
Long term loans	Next three months	-14.4	-9.8	-0.1	-4.3	-13.9	-28.1	-27.7	40.6	71.4	57.2

Period		Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Part II: Households											
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	25.7	-14.9	-31.2	-20.4	-34.8	-10.7	-5.0	-25.9	21.5	51.1
	Next three months	-13.8	-14.9	-22.8	-4.9	-8.6	45.3	-23.0	-18.7	45.8	44.4
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	37.9	37.7	44.2	32.7	41.0	86.2	67.8	-3.6	-44.8	76.4
Terms and conditions for approving loans or credit lines to households											
Margin on average loans	Next three months	-29.8	-29.2	-43.5	-12.6	-3.8	-12.4	3.8	-33.9	1.8	-34.2
Margin on riskier loans	Next three months	32.3	26.1	12.7	13.8	8.9	25.8	11.9	-21.7	23.3	-27.9
Margin on prime borrowers	Next three months	-32.9	-46.0	-63.0	-35.7	-21.8	-28.2	3.8	-30.4	0.6	-28.3
Non-interest rate charges	Next three months	0.2	0.0	-27.9	0.0	8.7	27.4	-8.0	0.0	10.7	-34.2
Size of the loan or credit line	Next three months	1.6	2.2	27.4	-11.3	-3.7	-15.2	0.0	4.1	10.7	-42.3
Collateral requirements	Next three months	-28.4	33.6	13.7	1.2	-20.5	18.0	-8.0	3.0	32.2	-30.3
Maturity	Next three months	-29.8	26.1	9.2	0.0	-16.4	18.0	0.0	0.0	32.2	-11.6
Default rate on loans to households	Next three months	-11.3	-31.7	22.7	40.8	-16.2	-65.3	-20.8	-28.8	67.3	17.7

(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 (April-May 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 →