Bank Lending Survey Report
Third 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 March 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 March 2020 and the expectations for the quarter to June 2020.

Credit Standards

In the third quarter of FY 2019/20, credit standards on loans to enterprises were tightened, while those to households were eased in Q3 FY 2019/20.

Across firm size, credit standards were tightened for loans to both SMEs and large enterprises recording a net tightening of 17.1 percent and 25.6 percent, respectively.

In terms of loan duration, banks eased credit standards for short term loans albeit at a slower pace and tightened for long term loans on a net basis in the quarter to March 2020, at much higher pace compared to the previous quarter.

In the quarter to June 2020, banks expect to further tighten overall credit standards on a net basis, at a much faster pace than the level indicated in the previous quarter's results. On the other hand, banks expect to tighten credit standards on a net basis for all enterprises and loan durations in the quarter to June 2020.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors, banks reported that they had tightened on a net basis for majority of the sectors except for Personal, Household and Business Services which were eased during the quarter ended March 2020.

Outlook on Demand for credit

Majority of banks anticipate an overall increase in demand for credit for both enterprises and households. The expected increase in demand cuts across all enterprise sizes and loan durations.

Outlook on Terms & Conditions for credit

On a net basis, banks expect to tighten all price terms and conditions in the quarter to June 2020. The expected net tightening of all price terms and conditions is based on; the strain on the businesses caused by the Chinese lock-down and the impact of the Covid-2019 pandemic is likely to have on most sectors of the economy as Uganda tries to implement social-distancing to control the spread.

As regards non-price terms and conditions, banks expect to keep them broadly unchanged, with a bias toward tightening for all of them on a net basis.

Price terms and conditions for consumer credit are expected to tighten further on a net basis for riskier loans, but ease for average loans and prime borrowers, over the next three months to June 2020. Non-price terms and conditions in reference to non-interest rate charges, duration of the loan and collateral requirements are expected to ease, while the terms and conditions as regards size of the loan are expected to tighten.

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 June 2020. The expected increase in default rate on loans to enterprises and households is mainly attributed to the Covid-19 pandemic which is expected to have an impact on; repayment schedules, supply disruptions likely to impact business performance, constrained cash flows of enterprises due to low sales as a result of the government decision to close schools, institutions, recreation places and churches, retrenchment and layoff of employees by some closed companies will affect the salary loan segment and prioritisation of school repayment for Term II of 2020.

Interest Rate Expectations

The survey results indicate that majority of the banks expect their lending rates to remain broadly unchanged, with a few anticipating a decrease over the next quarter. Those that anticipated a decrease in lending rates mainly attributed it to the five month stability of the CBR observed on the cost of wholesale credit which may eventually lead to a reduction in the cost of lending to the private sector.

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 March 2020 and expectations for the quarter to June 2020. Questionnaires were completed by all 25 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 third quarter of FY 2019/20, credit standards on loans to enterprises were tightened contrary to the easing observed 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 17.9 percent during the quarter (*See Tables 1 & 2 and Figure 1)*.

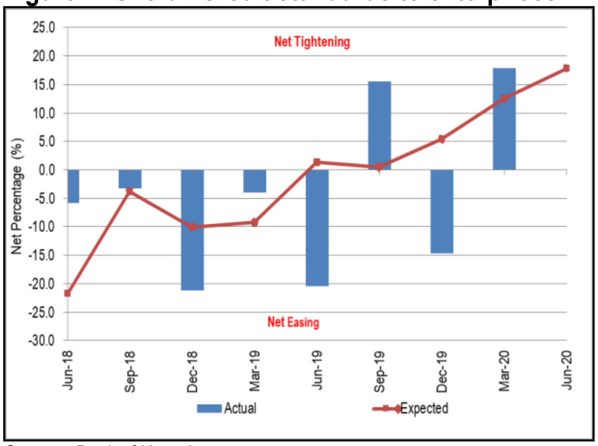
Across firm size, credit standards were tightened for loans to both SMEs and large enterprises recording a net tightening of 17.1 percent and 25.6 percent, respectively.

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

The reasons cited for the overall tightening of loans include; developments in the local and global markets, the impact of Covid-19 especially on Uganda's major trade partner China, locusts, effects of withdrawal of most donors, increase in nonperforming loans and the upcoming electioneering period has resulted in a heightened conservative approach towards lending to SMEs, large enterprises and long term facilities.

On the other hand, the approval of short term loans was eased as the banks minimize risk related with long term facilities while ensuring that the expected payments and security cover are adequate and also to control concentration risk that comes with large exposures.

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-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**
Tightened(A)	3.8	26.0	9.9	25.2	23.4	25.6	0.0	16.0	13.8	21.5
Unchanged	77.6	66.0	65.6	66.8	69.8	74.4	83.0	67.7	77.4	70.8
Eased (B)	18.5	8.1	24.5	8.1	6.8	0.0	17.0	16.3	8.8	7.7
Net %(A-B)	-14.7	17.9	-14.5	17.1	16.7	25.6	-17.0	-0.3	5.1	13.8
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

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

The major reason cited by banks for the expected tightening of credit standards over the quarter to June 2020 is the emerging credit risk from the Covid-19 outbreak which is likely to impacts; a number of sectors especially tourism and services hence a slowdown in credit to such sectors, global trade (importation and exportation) and expected increase in nonperforming loans due to the low economic activity.

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-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**
Tighten (A)	18.2	40.3	7.1	35.1	32.1	40.0	1.6	43.9	37.5	39.5
Unchanged	76.1	37.2	80.3	50.4	66.4	42.3	70.2	43.8	59.1	49.6
Ease (B)	5.7	22.5	12.6	14.5	1.5	17.7	28.2	12.3	3.4	10.9
Net %(A-B)	12.5	17.9	-5.6	20.6	30.6	22.3	-26.6	31.6	34.1	28.6
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

Banks reported that they had tightened credit standards for the majority of the sectors of the economy on a net basis in the quarter to March 2020. The following sectors recorded a net tightening; Manufacturing (22.4%) followed by Transport and Communication (21.5%), Trade (20.7%), Building, Mortgage, Construction and Real Estate (14.7%), Mining and Quarrying (12.6%), Agriculture (10.8%) Community, social and other services (10.8%) and Electricity and water (0.9), while there was easing for Personal and Household (13.1%) and Business Services (1.6%) (*See, Figure 2*).

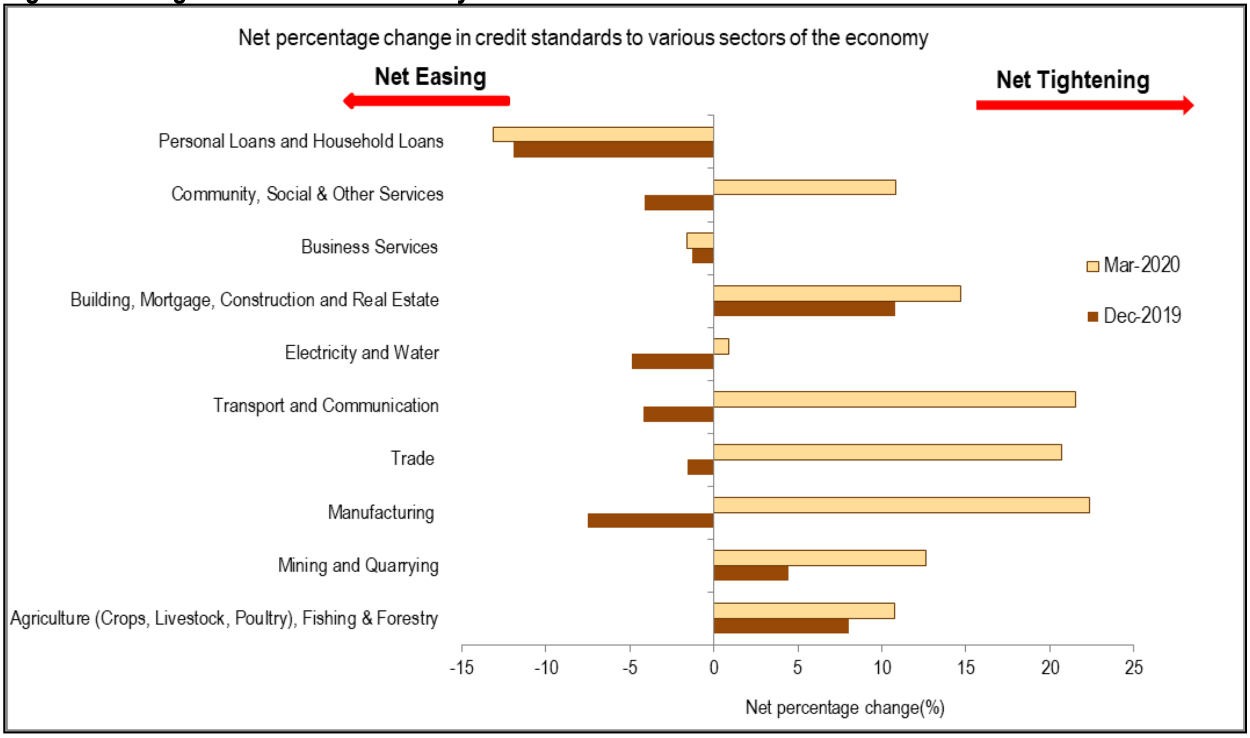
The major reason cited for the net tightening in the manufacturing and trade sectors was the reduced imports and exports due to the Covid-19 pandemic outbreak which has led to a slowdown in economic activity.

Similarly, the tightening of the transport and communication and Building, Mortgage, Constructions and Real Estates was majorly based on the limited movement of people, goods and services which are major players in that sector.

The tightening of the Agriculture sector was attributed to anticipated impact of the locusts and the international market changes.

On the other hand, Personal, household and Business Services sectors were eased on account of the need to cater for beginning of year requirements notably school fees payment.

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.

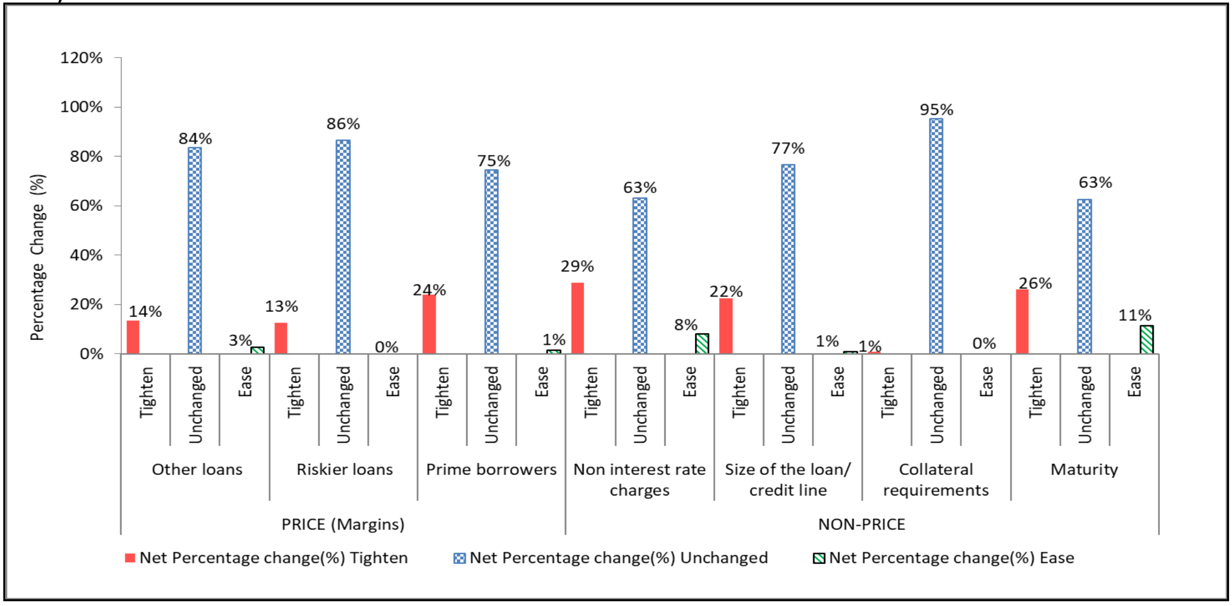
b) non-price related terms and conditions that include the maximum size of the loan, access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus long-term).

Majority of the banks expect to keep their price terms and conditions broadly unchanged with a bias towards tightening on a net basis in the quarter to June 2020.

The expected net tightening of all price terms and conditions is based on; the strain on the businesses caused by the Chinese lock down and the impact of the Covid-2019 pandemic is likely to have on most sectors of the economy as Uganda tries to implement social-distancing to control the spread.

As regards non-price terms and conditions, banks expect to keep them broadly unchanged, with a bias toward tightening for all of them on a net basis (See, Figure 3). The reasons cited for the anticipated net tightening of all non-price terms and conditions include; expected economic slowdown and high business risk arising from the Covid-19 outbreak, concentration on short term lending as opposed to long term with emphasis on micro borrowers while monitoring the effects of the Covid-19 pandemic.

Figure 3: Expected changes in terms & conditions for approving loans to enterprises (Quarter to June 2020)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to June 2020, 64.6 percent of the banks anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and loan durations at a higher 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 the effects of the Covid-19 pandemic which include;

a) Diversion of funds by government to tackle the Covid-19 pandemic which will necessitate contractors to have a backup plan in terms of credit so as to meet other business operations.
b) The effect of the Covid-19 outbreak on Global markets is expected to lead to increased demand for credit in its aftermath as demand for goods and services returns to the normal market levels.
c) Implementation of 2020 plans by enterprises founded on projected revenue and backed up by the need for financing to support planned growth.
d) Easter season stocking, as well as stocking of agriculture inputs for planting as a result of the current rains.

On the other hand, banks that anticipated a decrease in demand for credit cited; the impact of Covid-19 on international trade which is expected to affect economic activity negatively, reliance on China for importation of raw materials and finished goods which is under lockdown at the moment and the low purchasing power as many workers have been laid off.

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-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**	**Mar-20**	**Jun-20**
Increase(A)	61.1	64.6	49.6	63.3	51.7	58.5	41.5	66.4	46.4	64.6
Unchanged	15.7	14.5	15.7	15.3	23.0	22.9	18.7	20.2	37.0	11.8
Decrease(B)	23.3	20.9	34.8	21.4	25.3	18.7	39.8	13.4	16.6	23.6
Net %(A-B)	37.8	43.7	14.8	41.9	26.5	39.8	1.7	53.0	29.8	41.0
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, 26.3 percent of the banks eased credit standards to households and individuals on a net basis, slower than the net easing of 41.4 percent observed in the previous period (*See, Appendix 1*). The reduced easing hinged on; deliberate efforts to grow the portfolio through the personal loans segment without compromising on quality and the increased demand due to the need for school fees.

Similarly, in the quarter to June 2020, banks expect to tighten credit standards to households with a net tightening of 40.2%, contrary to the net easing of 32.2 percent anticipated in previous quarter. The expected tightening is attributed to the expected slowdown in economic activities which may affect the debt serviceability of households and the extra caution to be taken on the continuity of employees at their places of work amidst the Covid-19 pandemic (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 although at a slower pace, but ease for average loans and prime borrowers over the next three months to June 2020. Non-price terms and conditions in reference to non-interest rate charges, duration of the loan and collateral requirements are expected to ease, while the terms and conditions as regards size of the loan are expected to tighten (See, Appendix 1).

The reasons cited for the anticipated easing of the margin on average loans and margin on prime borrowers include; the need to retain the existing prime personal borrowers and stiff competition from other banks for the few customers available. On the other hand, for the tightening on riskier loans, banks envisaged the need to subject wider margins to compensate for the possible default risk as a result of the anticipated impact of Covid-19 pandemic on the global and Uganda's economy.

In regards to non-price terms and conditions, the reasons cited for net easing of non-interest rate charges, duration of the loan and collateral requirements include; the initiative by banks to support their trusted customers during these challenging times and dependence on the risk profile of each client. The expected tightening of the size of the loan is largely tagged to the anticipated hard times as a result of the Covid-19 pandemic so as to minimise risk of large exposures.

Demand for Credit by households

Credit demand by households is expected to increase at a lower rate in the three months to June 2020 with 50.7 percent of banks anticipating the demand to rise. This is a lower expectation compared to the 83.4 percent that was anticipated in the previous survey results. The anticipated increase in demand is attributed to; the need for school fees payment for term two of the year 2020, the Easter festive season demands and the anticipated high cost of living as a result of the Covid-19 pandemic will need to be complemented with borrowing.

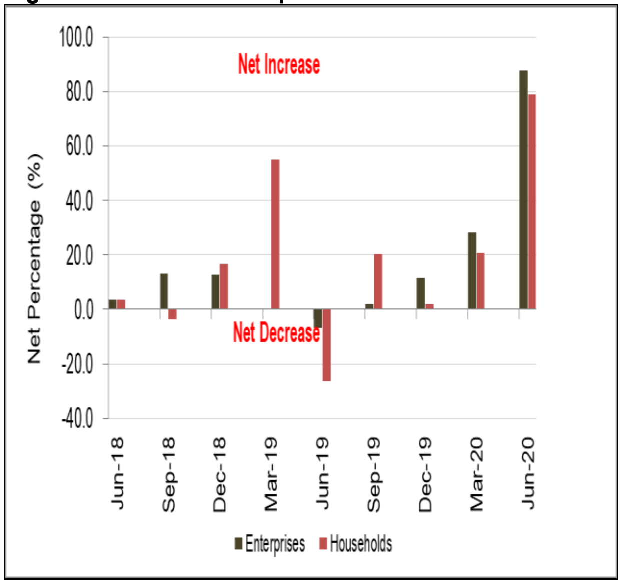
1.3 Expected Default rate on loans to enterprises and households

Majority of the banks (89.9 percent) 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 at a much faster pace than in the previous survey results.

On the side of households and individuals, 81.2 percent of the banks expect the default rate on loans to households to increase, with only 2.1 percent expecting a decrease on a net basis in the coming three months to June 2020 (See Appendix 1).

The expected increase in default rate on loans to enterprises and households is mainly attributed to the Covid-19 pandemic which is expected to have an impact on; repayment schedules, supply disruptions likely to impact business performance, constrained cash flows of enterprises due to low sales as a result of the government decision to close schools, institutions, recreation places and churches, retrenchment and layoff of employees by some closed companies will affect the salary loan segment and prioritisation of school repayment for Term II of 2020.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.4 Interest Rate Expectations for Q4 FY 2019/20

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.

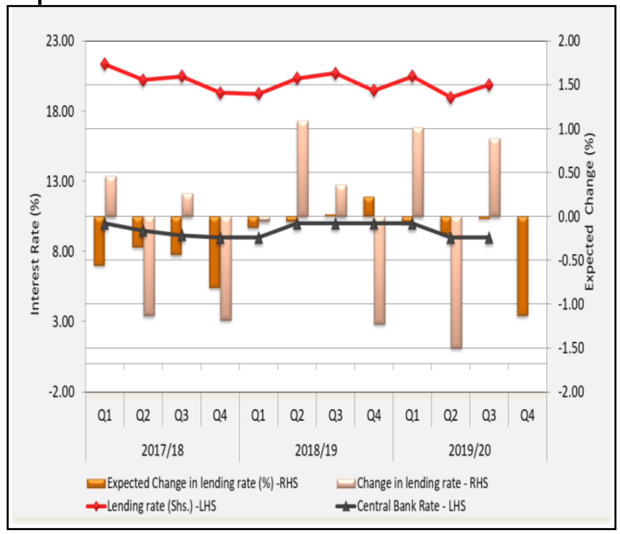
The survey results indicate that majority of the banks (70.1%) expect their lending rates to remain broadly unchanged, 22.1 percent expect the rates to decrease, while 7.7 percent expect the rates to increase over the next quarter to June 2020.

Banks that anticipated their lending rates to remain constant attributed it to the stability of the CBR over the past five months and expected low business activities in the fourth quarter of FY2019/20.

The lending rate is anticipated to decrease on average by 1.13 percentage points, over the quarter to June 2020 (See Figure 5). Those that anticipated a decrease in lending rates mainly attributed it to the five month stability of the CBR observed on the cost of wholesale credit which may eventually lead to a reduction in the cost of lending to the private sector.

On the other hand, the few that anticipate an increase in lending rates cited the impact of Covid-19 which may push up inflation rates and in so doing forcing the central bank to increase the CBR.

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.*

2. Conclusion

The bank lending survey results indicate that banks tightened their credit standards to enterprises, while easing for households in Q3 FY 2019/20. On the other hand, they expect to tighten credit standards for both enterprises and households in the quarter to June 2020.

The reasons cited for the overall tightening of credit standards to enterprises include; developments in the local and global markets, the impact of Covid-19 especially on the major trade partner China, locusts, effects of withdrawal of most donors, increase in non-performing loans and the upcoming electioneering period has resulted in a heightened conservative approach towards lending to SMEs, large enterprises and long term facilities.

On the other hand, the approval of short term loans was eased as the banks minimize risk related with long term facilities while ensuring that the expected payments and security cover are adequate and also to control concentration risk that comes with large exposures.

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

In the next three months to June 2020, the default rate on loans to both enterprises and households is expected to greatly increase on a net basis. The expected increase in default rate on loans to enterprises and households is mainly attributed to the Covid-19 pandemic which is expected to have an impact on; repayment schedules, supply disruptions likely to impact business performance, constrained cash flows of enterprises due to low sales as a result of the government decision to close schools, institutions, recreation places and churches, retrenchment and layoff of employees by some closed companies will affect the salary loan segment and prioritisation of school repayment for Term II of 2020.

The survey results indicate that majority of the banks expect their lending rates to remain broadly unchanged, with a few anticipating a decrease over the next quarter.

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 'somew
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
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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

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
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
	Next three months	63.5	5.8	5.9	-9.2	-3.0	45.0	29.8	45.1	66.8
SMEs	Past three months	21.8	33.6	-11.5	-8.9	14.1	57.7	12.8	-13.7	53.1
	Next three months	64.2	8.0	-35.1	3.4	-3.0	44.5	28.3	62.5	66.1
Large enterprises	Past three months	35.6	5.6	8.0	9.1	14.3	26.1	11.6	18.4	26.6
	Next three months	34.5	33.8	38.5	9.2	11.0	22.6	-7.1	1.1	38.9
Short term loans	Past three months	8.8	-5.2	-23.4	-20.4	-22.5	53.5	-3.1	-32.2	24.7
	Next three months	34.0	-37.0	-63.0	-16.0	-21.8	33.3	7.3	25.5	44.6
Long term loans	Past three months	52.1	-27.9	14.5	-17.7	28.4	30.3	-4.4	17.3	25.9
	Next three months	20.7	28.3	25.4	-9.2	1.6	22.5	-20.3	29.8	38.2
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
Mining and Quarrying	Past three months	0.0	26.1	0.0	0.0	0.0	30.3	3.1	0.0	0.0
Manufacturing	Past three months	7.3	2.9	-1.9	-4.5	0.0	7.9	0.0	0.0	0.7
Trade	Past three months	7.3	0.7	-7.2	-21.1	1.6	-3.9	-3.1	13.5	5.1
Transport and Communication	Past three months	36.1	18.4	-1.9	-21.1	0.9	-6.5	-1.6	1.1	5.1
Electricity and Water	Past three months	6.7	-3.2	-16.4	-4.5	0.0	-11.1	0.0	0.0	0.0
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
Business Services	Past three months	7.3	-3.4	-5.2	-17.1	-4.5	-2.9	0.0	0.0	25.9
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
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
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
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
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
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
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
Collateral requirements	Next three months	31.5	49.8	-9.8	-12.6	3.8	42.1	-8.4	-14.6	-1.1
Maturity	Next three months	-26.2	15.2	-59.8	-28.7	29.1	17.6	0.0	18.5	32.2
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
SMEs	Next three months	42.6	64.4	72.1	-21.5	47.6	62.2	67.9	-28.7	-98.6
Large enterprises	Next three months	26.1	52.3	12.7	-36.7	-7.0	10.4	4.7	15.9	-65.3
Short term loans	Next three months	42.6	25.2	72.1	17.5	72.7	31.3	65.6	-12.3	-98.6
Long term loans	Next three months	25.5	47.7	40.9	24.3	28.1	56.3	9.0	15.9	-66.0
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
SMEs	Next three months	-13.6	-25.9	-45.8	28.7	-10.8	-38.9	-58.4	24.0	100.0
Large enterprises	Next three months	4.1	-5.6	-19.6	12.6	-24.1	-30.5	-26.6	-18.8	67.5
Short term loans	Next three months	-14.4	-12.9	-42.2	16.7	-32.6	-38.9	-63.2	24.0	99.3
Long term loans	Next three months	-14.4	-9.8	-0.1	-4.3	-13.9	-28.1	-27.7	40.6	71.4
Period		**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-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
	Next three months	-13.8	-14.9	-22.8	-4.9	-8.6	45.3	-23.0	-18.7	45.8
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
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
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
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
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
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
Collateral requirements	Next three months	-28.4	33.6	13.7	1.2	-20.5	18.0	-8.0	3.0	32.2
Maturity	Next three months	-29.8	26.1	9.2	0.0	-16.4	18.0	0.0	0.0	32.2
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

(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 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