Bank Lending Survey Report
First 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 September 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 September 2019 and expectations for the quarter to December 2019.

Credit Standards

In the first quarter of FY 2019/20, credit standards on loans to enterprises were tightened, while those to households were eased at a much faster pace compared to the previous quarter.

In terms of loan duration, banks eased credit standards for short term loans while tightened for long term loans in the quarter to September 2019.

Across firm size, credit standards were eased at a slower pace for loans to SMEs and tightened for large enterprises.

In the quarter to December 2019, banks expect to tighten overall credit standards for loans to enterprises on a net basis, while easing further for households. The net tightening applies to credit standards on long term loans and loans to large enterprises. On the other hand, banks anticipate to ease credit standards for short term loans and loans to small and medium sized enterprises on a net basis in the coming quarter.

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 community, social and other services as well as personal and household loans which were eased during the quarter ended September 2019.

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 ease majority of the price terms and conditions for loans to enterprises in the quarter to December 2019 for their prime borrowers and on average loans, but to tighten for risky loans. The easing of price terms and conditions for prime borrowers is based on the need to remain competitive in the market so as not to lose their good clients, provision of flexible borrowing solutions to clients and the stability of the CBR at 10 percent has further stimulated business thus reducing the cost of financing.

As regards non-price terms and conditions the size of the loan and non-interest rate charges are expected to ease, while collateral requirements and maturity period are anticipated to tighten on a net basis.

On the other hand, 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. Non-price terms and conditions in reference to non-interest rate charges, duration of the loan and size of the loan are expected to ease, while the terms and conditions as regards collateral requirements are expected to tighten.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to enterprises to increase with majority expecting a no change. Similarly, they expect the default rate on loans to households to increase on a net basis in the coming three months to December 2019. The expected increase in default rate on loans to enterprises is mainly attributed to the: unfavourable economic conditions experienced during the last couple of months, the conditions were partly manifested through high borrowing costs(interest rates), which reduced disposable incomes of households and individual borrowers.

Interest Rate Expectations

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

Those that anticipated a decrease in lending rates mainly attributed it to the expected decline in CBR.

Introduction

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

The main objectives of the survey are to:

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

ii) Capture leading information on credit developments.

The survey covered the outturn for the quarter ended September 2019 and expectations for the quarter to December 2019. Questionnaires were completed by all 24 commercial banks and 10 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 first quarter of FY 2019/20, credit standards on loans to enterprises were tightened contrary to the easing observed in the previous quarter.

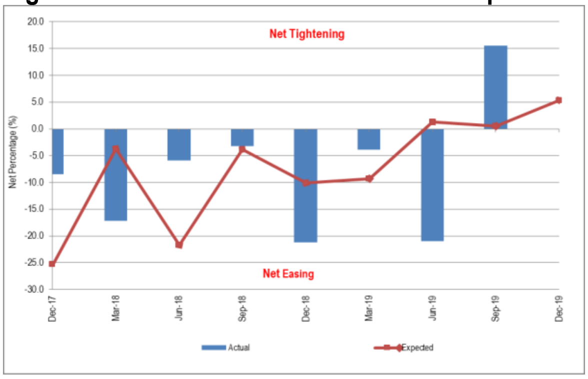
Banks reported tightened credit standards on a net basis of 15.5 percent during the quarter. (*See Tables 1 & 2 and Figure 1)*.

Across firm size, credit standards were eased for loans to SMEs (6.4 percent), while loans to large enterprises recorded a net tightening of 18.1 percent.

In terms of loan duration, banks eased credit standards for short term loans and tightened long term loans in the quarter to September 2019. (*See Table 1*).

The major reason cited for the easing of loans to SMEs and short term loans was the deliberate strategy by banks to grow new lending to SME's and short term facilities while maintaining good portfolio quality and the impact of IFRS9.
On the other hand, the approval of loans to large enterprises has tightened as the banks seek to reduce on the large risk exposures and slowdown in economic activities.

Figure 1: Overall Credit standards to enterprises



Source: Bank of Uganda

<u>Notes:</u>

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

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

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

Table 1: Credit Standards as applied to approval of loans to enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**
Tightened(A)	4.6	19.3	20.0	14.1	4.0	18.8	1.9	6.1	21.0	33.9
Unchanged	67.7	76.9	45.9	65.4	73.4	80.4	63.4	65.6	70.0	64.6
Eased (B)	25.6	3.8	34.1	20.5	22.6	0.7	34.5	28.2	9.0	1.5
Net %(A-B)	-21.0	15.5	-14.1	-6.4	-18.6	18.1	-32.6	-22.1	12.0	32.4
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to December 2019, banks expect to tighten overall credit standards on a net basis, at a much higher pace compared to the previous quarter's expectations. The net tightening applies to credit standards on short term loans, long term loans and loans to large enterprises. On the other hand, banks anticipate easing credit standards for only small and medium sized enterprises on a net basis in the coming quarter to December 2019 (*See, Figure 1 and Table 2*).

The main explanations provided by banks for the expected tightening of credit standards over the quarter to December 2019 include: unstable foreign exchange rates especially the dollar rates which make borrowing expensive, and unpredictability of the markets within the banking sector.

Table 2: Expectations for Credit Standards as applied to approval of loans to enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**
Tighten (A)	7.0	11.6	4.2	0.4	15.1	15.0	11.7	16.3	14.7	24.9
Unchanged	86.5	82.1	89.2	74.3	81.6	80.5	79.1	69.8	85.3.	70.6
Ease (B)	6.5	6.2	6.5	25.1	3.1	4.4	9.1	13.7	0.0	4.4
Net %(A-B)	0.5	5.4	-2.3	-24.7	12.0	10.6	2.6	2.6	14.7	20.5
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

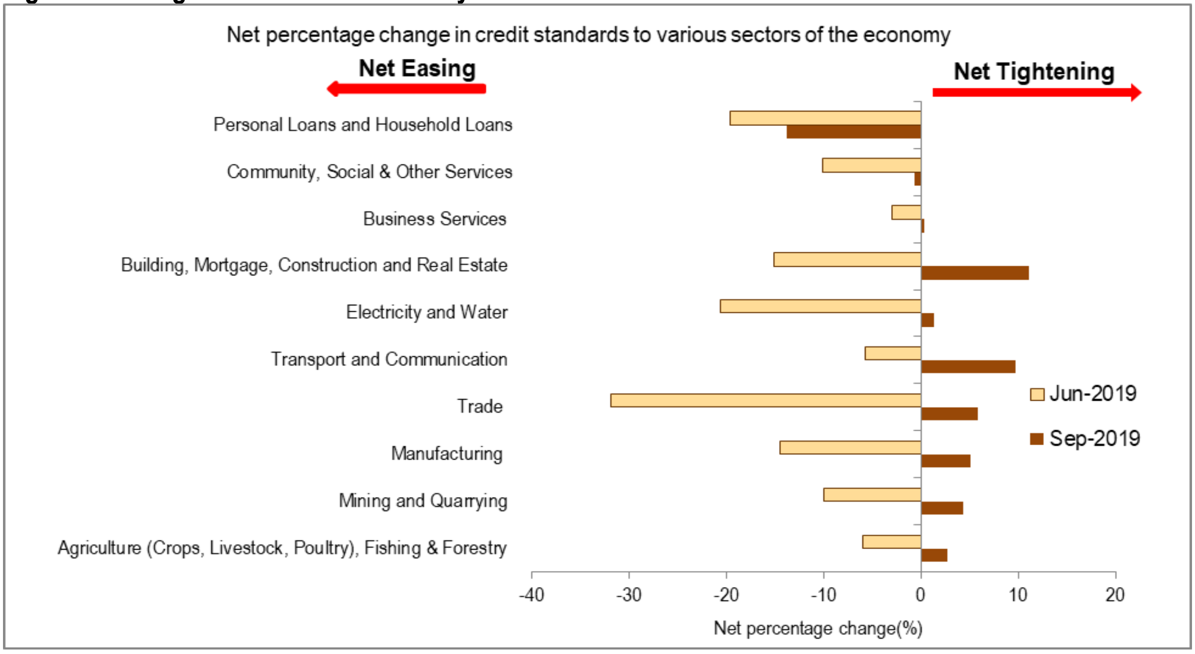
1.1.2 Credit Standards by Economic Sector

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 September 2019. The following sectors recorded a net tightening; Building, Mortgage, Construction and Real Estate (11.0%) followed by Transport and Communication (9.7%), Trade (5.9%), Manufacturing (5.1%), Mining and Quarrying (4.3%), Agriculture (2.7%), Electricity and water (1.3) and Business Services (0.3) while Personal and Household and community, social and other services eased with 13.8% and 0.7%, respectively. (*See, Figure 2*).

The major reason given for the net tightening for Building, Mortgage, Construction and Real Estate sector was the increased price fluctuations within the sector; Transport tightened because of the increased risks of accidents; Trade recorded a net tightening due to the slowdown in economic activities.

The tightening to the Agriculture sector was attributed to the declining prices of produce due to bumper harvests with constant demand e.g. sugar.

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.

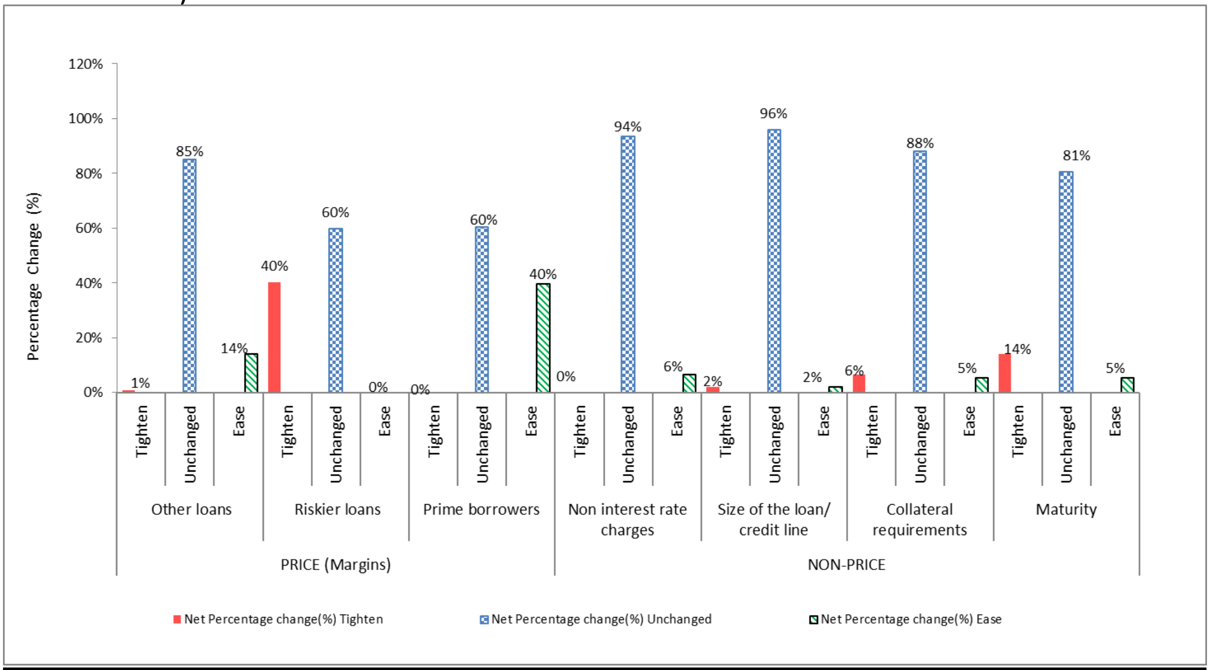
b) non-price related terms and conditions that include the maximum size of the loan, access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus long-term).

On a net basis, banks expect to ease majority of the price terms and conditions in the quarter to December 2019 for their prime borrowers and on average loans, but to tighten for risky loans.

The easing of price terms and conditions for prime borrowers is based on; the need to remain competitive in the market so as not to lose their good clients, provision of flexible borrowing solutions to clients and the stability of the CBR at 10 percent has further stimulated business thus reducing the cost of financing.

As regards non-price terms and conditions the size of the loan and non-interest rate charges are expected to ease, while collateral requirements and maturity period are anticipated to tighten on a net basis (See, Figure 3). The reasons provided for easing of the other terms and conditions include; the need to close the targeted gaps in loan volumes and value and the gap in non-interest income will drive adjustments while ensuring attractiveness of the banks' lending products in the upcoming season.

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



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to December 2019, 88.1 percent of the banks anticipate an overall increase in demand for credit. The expected increase in demand cuts across enterprise size 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) Need for funds by traders for importation as they stock up for the festive season in advance.

b) Improvement in economic conditions.

c) Increase in demand for loans to SMEs and large enterprises expected to be driven by investment in industrial parks and increased public sector spending on infrastructure projects.

d) The need to recapitalise business operations.

Table 3: Demand expectations for the next three months

	Overall		**Loans to SMEs**		**Large enterprises**		**Short-term Loans**		**Long-term Loans**	
Bank's expected action	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**
Increase(A)	73.0	88.1	81.1	89.9	68.6	78.5.	67.5	70.9	57.5	51.7
Unchanged	20.5	10.6	12.5	10.0	22.6	18.3	27.0	27.8	26.2	33.8
Decrease(B)	6.3	1.1	6.3	0.0	8.9	3.1	5.4	1.1	16.1	13.8
Net %(A-B)	66.7	87.0	74.8	89.9	59.7	75.4	62.1	69.8	41.4	37.9
Interpretation: Negative-net decrease, positive-net increase										

Source: Bank of Uganda

1.2 Households and Individuals

1.2.1 Credit standards to households

Banks eased credit standards to households and individuals on a net basis by 33.3 percent, higher than the net easing of 2.1 percent observed in the previous period (*See, Appendix 1*). The easing was mostly driven by the demand for loans due to the opening up of third term hence the need for school fees payments.

Similarly, in the quarter to December 2019, banks expect to ease credit standards to households at a slower pace (a net easing of 3.0%), compared to the previous quarter which had a (net easing of 10.7%). The expected easing is attributed to the need to meet the set growth targets without compromising on the portfolio quality and attraction of more clients by providing them with suitable products (See, Appendix 1).

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price terms and conditions for consumer credit are expected to tighten on a net basis for riskier loans, but ease for average loans and prime borrowers, over the next three months to December 2019. Non-price terms and conditions in reference to non-interest rate charges, duration of the loan and size of the loan are expected to ease, while the terms and conditions as regards collateral requirements are expected to tighten (See, Appendix 1).

The major reason cited for the anticipated easing of the margin on average loans and margin on prime borrowers include; cost of funds to banks is expected to reduce, which will lead to reduction in pricing of loans. On the other hand, for the tightening on riskier loans, banks envisaged the need to match pricing to the risk.

In regards to non-price terms and conditions, the major reasons cited for net easing include; the favourable macroeconomic outlook, competition in the market and continued stability of the CBR.

Demand for Credit by households

Credit demand by households is expected to increase greatly in the three months to December 2019 with 68.5 percent of banks anticipating the demand to rise. This is a more ambitious expectation compared to the 37.9 percent that expected demand to grow in the previous survey results. The anticipated increase in demand is attributed to the increasing desire for loans as a result of the need for financing especially for consumption purposes, and purchase of durable goods like land and cars to meet their end of year objectives.

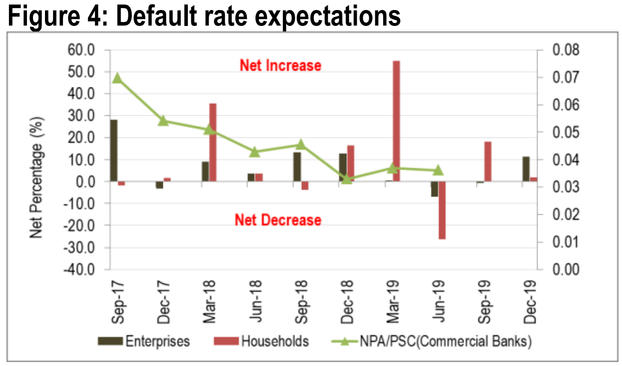
1.3 Expected Default rate on loans to enterprises and households

Banks generally expect the default rate on loans to enterprises to remain largely unchanged, with a bias of 11.5 percent towards increasing on a net basis. 5.7 percent and 3.8 percent of the banks expect a decrease on a net basis for large enterprises and long term loans, respectively. On the other hand, loans to SMEs and short term loans are anticipated to increase on a net basis.

On the side of households and individuals, 42.9 percent of the banks expect the default rate on loans to households to remain unchanged, with 2.0 percent expecting an increase on net basis in the coming three months to December 2019 (See Appendix 1).

The expected increase in default rate on loans to enterprises is mainly attributed to the; unfavourable economic conditions experienced during the last couple of months, which were partly manifested through high borrowing costs(interest rates), which reduced disposable incomes of households and individual borrowers.

Figure 4: Default rate expectations



Source: Bank of Uganda

1.4 Interest Rate Expectations for Q2 FY 2019/20

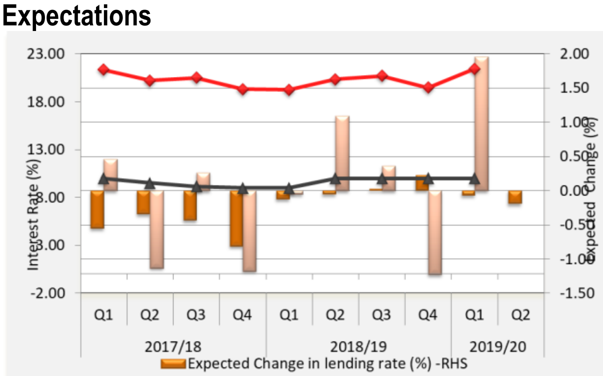
In an effort to understand the direction of interest rates from the lenders point of view, banks were asked to indicate the direction and magnitude of the change in their lending rates in the coming three months.

The survey results indicate that majority of the banks (80.4%) expect their lending rates to remain broadly unchanged, while 19.6 percent expect the rates to decrease over the next quarter to December 2019.

Banks that anticipated their lending rates to remain constant attributed it to the stability of the CBR, which is expected to further bring down the cost of funds for the banks and the same could be passed on by the banks to borrowers.

The lending rate is anticipated to decrease on average by 0.20 percent, over the quarter to December 2019 (See Figure 5). Those that anticipated a decrease in lending rates mainly attributed it to the expected decline in CBR and the stiff competition in the market.

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, but eased for households in Q1 FY 2019/2020. On the other hand, they expect to tighten credit standards for enterprises and further easing for households in the quarter to December 2019.

The major reason cited for the easing of loans to SMEs and short term loans was the deliberate strategy by banks to grow new lending across SME's and short term facilities while maintaining good portfolio quality and the impact of IFRS9.

On the other hand, the approval of loans to large enterprises has tightened as the banks seek to reduce on the large risk exposures and slowdown in economic activities.

The demand for loans by enterprises and households is expected to increase in the quarter to December 2019, at a higher pace than was anticipated in the previous survey results.

In the next three months to December 2019, the default rate on loans to both enterprises and households is expected to increase on a net basis, respectively. Within the household sector, The expected increase in default rate on loans to enterprises is mainly attributed to the; unfavourable economic conditions experienced during the last couple of months, the conditions were partly manifested through high borrowing costs(interest rates), which reduced disposable incomes of households and individual borrowers.

The survey results indicate that majority of the banks expect their lending rates to remain broadly unchanged, with only 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 '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		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Credit policy as applied to the approval of loans or credit lines to enterprises														
Overall	Past three months	21.6	34.7	44.3	23.4	15.1	-8.5	-17.2	-5.9	-3.2	-21.2	-3.9	-21.0	15.5
	Next three months	24.7	30.7	8.2	-14.8	-25.3	-3.7	-21.7	-3.8	-10.1	-9.3	1.3	0.5	5.4
SMEs	Past three months	31.7	29.5	32.2	3.3	6.3	-10.6	-35.5	-0.1	2.2	-26.9	-5.1	-14.1	-6.4
	Next three months	29.5	24.0	7.8	-18.4	-24.5	-16.1	-21.5	-3.9	-12.3	-3.5	-5.4	-2.2	-24.7
Large enterprises	Past three months	20.2	40.9	51.1	29.8	32.5	-2.9	10.6	16.8	4.7	8.1	5.6	-18.6	18.1
	Next three months	29.7	31.6	16.5	13.8	-4.7	-0.1	5.4	0.7	-15.8	0.6	18.3	12.1	10.7
Short term loans	Past three months	7.1	14.2	30.4	2.1	-10.9	-27.7	-31.4	-15.6	-7.8	-33.1	-10.5	-32.6	-22.0
	Next three months	-14.6	-1.0	-10.9	-7.2	-24.6	-23.1	-24.4	-7.0	-44.9	-14.2	-10.8	2.6	2.7
Long term loans	Past three months	34.5	36.0	43.6	37.3	47.7	3.7	5.5	8.4	8.3	-3.9	5.7	12.0	32.5
	Next three months	41.8	40.8	9.5	20.0	18.1	-1.9	3.5	-0.4	-0.5	0.7	29.2	14.7	20.6
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	18.5	38.0	30.6	46.1	21.5	14.3	-2.0	-7.6	-6.1	-8.0	-8.7	-6.0	2.7
Mining and Quarrying	Past three months	3.2	20.3	7.3	27.0	17.3	0.1	1.2	0.7	5.0	3.8	6.9	-10.0	4.3
Manufacturing	Past three months	17.5	37.1	9.0	7.4	9.1	4.7	13.2	-10.3	-6.1	-1.0	-5.6	-14.5	5.1
Trade	Past three months	25.8	37.5	14.9	4.0	-4.1	-11.0	-3.7	-2.3	-5.6	-16.1	-9.5	-31.8	5.9
Transport and Communication	Past three months	20.6	32.8	33.6	23.1	15.8	4.7	12.5	1.2	4.3	-3.7	2.1	-5.7	9.7
Electricity and Water	Past three months	11.0	18.5	8.7	8.4	6.4	-3.6	2.5	-5.5	-4.9	1.5	-1.8	-20.6	1.3
Building, Mortgage, Construction and Real Estate	Past three months	41.1	58.9	70.1	50.8	50.5	29.1	49.0	20.2	13.7	14.8	20.0	-15.1	11.0
Business Services	Past three months	5.4	20.5	5.5	4.9	-2.1	-9.5	2.7	-1.1	3.3	-11.3	1.7	-3.0	0.3
Community, Social & Other Services	Past three months	10.7	21.4	4.4	2.6	7.8	-9.9	7.1	0.0	1.2	-8.9	-2.7	-10.1	-0.7
Personal Loans and Household Loans	Past three months	-19.2	17.2	7.1	3.8	-2.5	-10.3	1.6	4.5	-3.7	-14.8	-11.9	-19.6	-13.8
Terms and conditions for approving loans or credit lines to enterprises														
Margin on average loans	Next three months	10.6	0.5	-56.5	-18.7	-24.2	-10.0	-19.2	-10.1	-7.8	-8.2	-12.5	-8.0	-13.2
Margin on riskier loans	Next three months	51.6	78.5	77.8	75.4	78.1	72.6	62.7	45.8	46.1	57.3	56.5	38.9	40.3
margin on prime borrowers	Next three months	-5.0	-13.1	-69.8	-59.2	-42.4	-40.0	-5.7	-24.9	-39.1	-40.6	-32.8	-57.5	-39.6
Non-interest rate charges	Next three months	1.8	17.1	4.6	-4.7	-12.2	-8.6	-10.2	3.0	-14.2	-10.0	-14.4	6.8	-6.4
Size of the loan or credit line	Next three months	40.7	56.9	1.3	15.1	-1.8	5.2	-14.1	19.7	-0.5	7.1	6.6	-7.1	-0.1
Collateral requirements	Next three months	26.4	14.2	45.8	23.1	31.5	44.8	33.1	13.8	36.5	34.3	13.5	7.6	1.0
Maturity	Next three months	30.9	34.3	20.8	4.1	17.6	16.3	14.0	20.3	30.1	28.7	24.5	25.2	8.6
Expected demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?														
Overall	Next three months	74.7	33.5	89.5	87.8	76.8	72.8	82.9	82.0	72.8	45.6	80.7	66.7	87.0
SMEs	Next three months	75.7	15.2	95.1	92.0	87.1	74.0	85.8	87.2	67.6	38.6	87.3	74.8	90.0
Large enterprises	Next three months	59.9	6.6	71.0	56.3	51.7	67.5	74.4	67.1	59.6	23.2	61.0	59.7	75.4
Short term loans	Next three months	74.4	17.2	79.9	92.9	93.5	75.4	83.5	83.6	71.8	51.8	83.8	62.2	69.8
Long term loans	Next three months	48.3	8.8	78.5	48.1	33.1	69.9	75.1	67.3	59.9	24.4	59.4	41.4	37.9
Default rate on loans to enterprises														
Overall	Next three months	13.5	40.7	51.8	28.0	-3.2	9.1	3.7	13.2	12.7	0.5	-7.0	-0.5	11.5
SMEs	Next three months	19.3	29.4	50.1	31.7	-3.2	11.2	4.6	29.5	32.4	29.5	20.0	4.2	6.5
Large enterprises	Next three months	17.7	40.8	40.0	52.9	7.0	8.9	1.6	18.8	16.5	0.6	-2.8	16.1	-5.7
Short term loans	Next three months	13.8	33.4	50.4	42.4	-5.9	0.9	3.9	11.8	14.7	1.0	-2.5	-0.5	0.4
Long term loans	Next three months	13.4	30.7	47.4	41.1	-2.0	6.0	3.7	23.2	9.9	14.7	10.6	17.6	-3.8
Period		2016/17				2017/18				2018/19				2019/20
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-8.7	11.0	-7.3	-5.9	-27.2	-24.0	-11.1	-1.2	-14.1	-19.9	-7.0	-2.1	-33.3
	Next three months	-11.6	-7.7	13.1	-17.5	-28.5	-33.3	-10.2	-0.4	-7.8	-6.2	-17.2	-10.7	-3.0
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	56.4	47.5	67.8	68.0	80.7	89.2	79.4	79.1	68.9	71.3	76.3	37.9	52.1
Terms and conditions for approving loans or credit lines to households														
Margin on average loans	Next three months	-15.9	-8.6	-37.8	-54.2	-17.6	2.1	-12.7	-5.1	-17.4	0.5	-12.7	7.3	-25.2
Margin on riskier loans	Next three months	4.0	28.3	38.3	52.0	61.3	48.2	51.2	6.4	47.4	18.6	50.4	28.2	60.3
Margin on prime borrowers	Next three months	-29.5	-29.1	-41.8	-56.0	-18.0	-10.5	-15.1	-30.4	-34.8	-17.1	-27.5	-16.8	-41.4
Non-interest rate charges	Next three months	2.0	4.9	5.7	4.1	-4.8	6.1	0.1	3.0	-2.8	2.1	-0.3	4.1	-13.3
Size of the loan or credit line	Next three months	-6.4	21.9	5.1	5.3	-9.5	-6.8	-3.0	3.2	-2.8	-5.3	-17.5	-0.6	-28.6
Collateral requirements	Next three months	9.2	23.1	-15.6	23.7	18.2	17.1	16.9	0.9	8.6	12.8	13.0	-2.7	2.3
Maturity	Next three months	14.7	20.5	-14.1	1.5	-1.7	0.6	-5.1	3.3	12.0	13.9	1.0	4.6	-8.1
Default rate on loans to households	Next three months	38.4	19.5	8.5	-1.8	1.6	35.5	3.6	-3.7	16.6	55.0	-26.3	18.1	2.0
Period		2016/17				2017/18				2018/19				2019/20
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Lending rates expectation Increae(+)/Decrease(-)	Next three months	-43.6	-36.3	-73.1	-49.5	-33.7	-37.2	-68.3	-12.7	-4.2	16.3	22.1	-10.3	-19.6
Percentage change	Next three months	-0.1	-0.8	-0.9	-0.6	-0.3	-0.4	-0.8	-0.1	-0.1	0.0	0.2	-0.07	-0.20

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	Jun-19	Sep-19
Credit policy as applied to the approval of loans or credit lines to enterprises									
Overall	Past three months	-9.7	9.4	33.6	-14.6	-24.1	13.3	59.6	4.4
	Next three months	-2.0	63.5	5.8	5.9	-9.2	-2.9	45.0	29.8
SMEs	Past three months	7.6	21.8	33.6	-11.5	-8.9	14.0	57.7	12.8
	Next three months	-19.3	64.2	8.0	-35.1	3.4	-2.9	44.5	28.3
Large enterprises	Past three months	18.5	35.6	5.6	8.0	9.1	14.9	26.1	11.6
	Next three months	-20.5	34.5	33.8	38.5	9.2	10.9	22.6	-7.1
Short term loans	Past three months	-9.7	8.8	-5.2	-23.4	-20.4	-22.3	53.5	-3.1
	Next three months	26.2	34.0	-37.0	-63.0	-16.0	-21.6	33.3	7.3
Long term loans	Past three months	1.2	52.1	-27.9	14.5	-17.7	28.2	30.3	-4.4
	Next three months	0.0	20.7	28.3	25.4	-9.2	1.5	22.5	-20.3
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	-18.1	12.6	-18.1	0.0	-45.7	-19.9
Mining and Quarrying	Past three months	7.0	0.0	26.1	0.0	0.0	0.0	30.3	3.1
Manufacturing	Past three months	7.0	7.3	2.9	-1.9	-4.5	0.0	7.9	0.0
Trade	Past three months	-5.0	7.3	0.7	-7.2	-21.1	1.5	-3.9	-3.1
Transport and Communication	Past three months	5.8	36.1	18.4	-1.9	-21.1	0.9	-6.5	-1.6
Electricity and Water	Past three months	-3.9	6.7	-3.2	-16.4	-4.5	0.0	-11.1	0.0
Building, Mortgage, Construction and Real Estate	Past three months	-2.7	7.3	-11.1	28.5	-8.0	46.1	12.0	9.2
Business Services	Past three months	-5.0	7.3	-3.4	-5.2	-17.1	-4.5	-2.9	0.0
Community, Social & Other Services	Past three months	-5.0	21.1	-17.4	-18.3	-12.6	8.7	-10.7	-8.0
Personal Loans and Household Loans	Past three months	-2.7	14.0	-27.9	0.6	-17.7	-16.3	-9.8	-11.1
Terms and conditions for approving loans or credit lines to enterprises									
Margin on average loans	Next three months	-14.0	-45.8	-56.8	-47.4	32.1	12.5	-4.5	11.5
Margin on riskier loans	Next three months	42.6	45.2	44.2	41.8	40.2	14.7	28.7	11.1
margin on prime borrowers	Next three months	16.5	-30.6	-62.1	-60.5	-2.4	-11.6	-31.4	-17.5
Non-interest rate charges	Next three months	-44.6	-16.9	-43.2	-31.2	9.2	-5.3	29.4	-8.4
Size of the loan or credit line	Next three months	-39.0	13.4	25.7	11.0	-3.2	-4.5	-15.0	0.8
Collateral requirements	Next three months	-9.7	31.5	49.8	-9.8	-12.6	3.8	42.1	-8.4
Maturity	Next three months	-12.0	-26.2	15.2	-59.8	-28.7	28.9	17.6	0.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?									
Overall	Next three months	-21.9	42.6	83.3	72.1	-9.0	72.9	67.7	67.9
SMEs	Next three months	-0.2	42.6	64.4	72.1	-21.5	47.9	62.2	67.9
Large enterprises	Next three months	-30.8	26.1	52.3	12.7	-36.7	-6.3	10.4	4.7
Short term loans	Next three months	-29.6	42.6	25.2	72.1	17.5	72.9	31.3	65.6
Long term loans	Next three months	-11.6	25.5	47.7	40.9	24.3	28.5	56.3	9.0
Default rate on loans to enterprises									
Overall	Next three months	30.8	-13.0	-11.9	-16.3	8.3	-10.7	-36.0	-58.8
SMEs	Next three months	30.8	-13.6	-25.9	-45.8	28.7	-11.4	-38.9	-58.4
Large enterprises	Next three months	30.8	4.1	-5.6	-19.6	12.6	-23.9	-30.5	-26.6
Short term loans	Next three months	19.9	-14.4	-12.9	-42.2	16.7	-33.0	-38.9	-63.2
Long term loans	Next three months	30.8	-14.4	-9.8	-0.1	-4.3	-14.5	-28.1	-27.7

Period		Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-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	-14.9	-31.2	-20.4	-34.6	-10.7	-5.0
	Next three months	3.3	-13.8	-14.9	-22.8	-4.9	-7.8	45.3	-23.0
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	2.8	37.9	37.7	44.2	32.7	40.0	86.2	67.8
Terms and conditions for approving loans or credit lines to households									
Margin on average loans	Next three months	0.7	-29.8	-29.2	-43.5	-12.6	-3.8	-12.4	3.8
Margin on riskier loans	Next three months	15.2	32.3	26.1	12.7	13.8	9.5	25.8	11.9
Margin on prime borrowers	Next three months	-10.2	-32.9	-46.0	-63.0	-35.7	-21.6	-28.2	3.8
Non-interest rate charges	Next three months	-10.9	0.2	0.0	-27.9	0.0	8.7	27.4	-8.0
Size of the loan or credit line	Next three months	0.0	1.6	2.2	27.4	-11.3	-3.0	-15.2	0.0
Collateral requirements	Next three months	4.4	-28.4	33.6	13.7	1.2	-19.7	18.0	-8.0
Maturity	Next three months	0.0	-29.8	26.1	9.2	0.0	-16.3	18.0	0.0
Default rate on loans to households	Next three months	-19.5	-11.3	-31.7	22.7	40.8	-16.7	-65.3	-20.8

(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 three month period (June-August 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:

-100 0

+100

Eased / Decreased

Tightened / Increased