Bank Lending Survey Report
Second Quarter - FY 2020/21

STATISTICS DEPARTMENT, BANK OF UGANDA

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Executive Summary

Statistics Department conducted the lending survey for supervised financial institutions, for the quarter ended December 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 December 2020 and the expectations for the quarter to March 2021.

Credit Standards

In the Second quarter of FY 2020/21, credit standards on loans to enterprises tightened, while that of households eased.

Across firm size, credit standards were tightened for both SMEs and large enterprises.

In terms of loan duration, the credit standards remained tight for both short and long term loans although the pace of tightening declined in the quarter to December 2020, from that reported in the quarter to September 2020 previous survey results.

Going forward (quarter to March 2021), banks expect to tighten credit standards for enterprises, but further ease credit standards for households. Banks also expect to tighten credit standards across all firm sizes and loan durations.

Credit Standards by Economic Sector

In the quarter to December 2020, banks reported tight credit standards for all sectors except for personal and household loans. However, the pace of tightness in credit standards as measured by the scale of net tightening decreased in this period when compared to the previous quarter.

Outlook on Demand for credit

In the quarter to March 2021, banks anticipate an overall increase in demand for credit from enterprises and individuals on a net basis, albeit at a slower pace compared to the previous survey results. Notably, demand for loans to SMEs and short-term loans are expected to increase, albeit at a slower pace when compared to the previous quarter. On the other hand, demand for credit by large enterprises and long term loans are expected to decrease in the quarter to March 2021.

Outlook on Terms & Conditions for credit

In the quarter to March 2021, banks expect to tighten price terms and conditions for riskier loans and consumer credit to reflect the increased uncertainty due to COVID-19 pandemic and general elections, but ease for average loans and prime borrowers to reflect the stable Central Bank rate and increased competition, especially for prime borrowers. Similarly, most banks are expected to tighten their non-price terms and conditions for consumer credit to reflect heightened uncertainty, save for non-interest rate changes that are expected to ease somewhat to reflect the stable Central Bank rate.

Outlook on the default rate on loans

Most banks expect the default rate on loans to both enterprises and households to increase in the quarter to March 2021.

The expected increase in default rate on loans to enterprises and households is mainly attributed to the continued effect of COVID-19 pandemic that led to human resource downsizing by companies, salary cuts and festive season expenditures.

Interest Rate Expectations

Majority of banks (98.1%) expect their lending rates to remain largely unchanged, while 1.9 percent expect lending rates to decline in the quarter to March 2021.

The expected lending rate in the quarter to March 2021 is however fairly stable when compared to that in the quarter to December 2020, as it only decreases by 0.04 percentage points.

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

Majority of banks noted that they had not accessed the facility citing availability of internally generated liquidity from retained earnings, shareholder financing and excess reserves.

Banks action on restructuring of credit facilities

Majority of the banks (91.7 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured their loan portfolio in the quarter to December 2020.

Introduction

The quarterly lending survey conducted by the Statistics Department of the Bank of Uganda 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 December 2020 and expectations for the quarter to March 2021. 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.

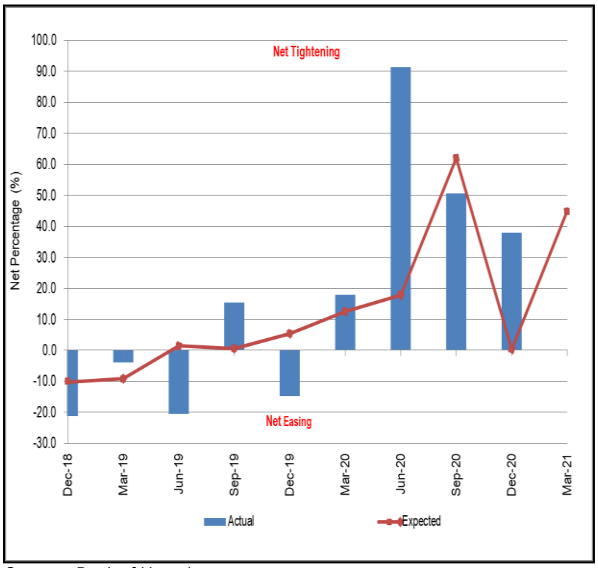
In the Second quarter of FY 2020/21, credit standards on loans to enterprises improved as the measure of net tightening declined to 37.9 percent from 50.6 percent in the quarter to December 2020 (see Figure 1). This was consistent with the expectations of the banks during the first quarter survey. Going forward, banks expect credit standards to tighten in the quarter to March 2021, as the measure of net tightening suggests an increasing trend in this period. (*See Tables 1 & 2)*.

Across firm size, credit standards improved in both SMEs and large enterprises as the measure of net tightening in the two categories declined to 35.6 percent and 45.6 percent, respectively.

In terms of loan duration, the credit standards improved in both short and long term loans as the rate of tightening measured on net basis declined in the quarter to December 2020, from that reported in the previous survey. (*See Table 1*).

The major reasons cited by banks for the relatively tight credit standards include, uncertainties related to the general elections, suspension of payments by government as a result of channelling revenues towards the general elections, the subdued general business environment on account of COVID-19 pandemic.

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	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**	**Sep-20**	**Dec-20**
Tightened(A)	56.2	40.8	56.2	38.5	61.4	45.6	51.2	36.8	59.1	41.4
Unchanged	38.2	56.3	38.2	58.6	34.7	54.4	38.7	55.1	37.0	56.3
Eased (B)	5.6	2.9	5.6	2.9	3.9	0.0	10.1	8.1	3.9	2.3
Net %(A-B)	50.6	37.9	50.6	35.6	57.4	45.6	41.1	28.7	55.2	39.1
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to March 2021, banks expect to maintain relatively tight overall credit standards with a bias towards further tightening on a net basis, compared to the level indicated in the previous quarter. Notably, banks expect to tighten credit standards on loans across all firm sizes and loan durations on a net basis (*See, Figure 1 and Table 2*).

The major reasons cited by banks for the expected further tightening of credit standards in the next quarter include; expectations of reduced economic activity on account of election and post elections uncertainty and the continued impact of the COVID-19 pandemic as the spread moves into the most dangerous stage.

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	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**
Tighten (A)	18.4	45.0	15.5	39.2	20.7	46.9	6.0	35.2	18.5	45.7
Unchanged	63.5	54.9	62.6	57.4	62.0	53.1	65.5	56.3	65.1	53.7
Ease (B)	18.1	0.1	21.9	3.4	17.3	0.0	28.4	8.5	16.4	0.6
Net %(A-B)	0.4	44.9	-6.4	35.8	3.4	46.9	-22.4	26.6	2.2	45.1
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

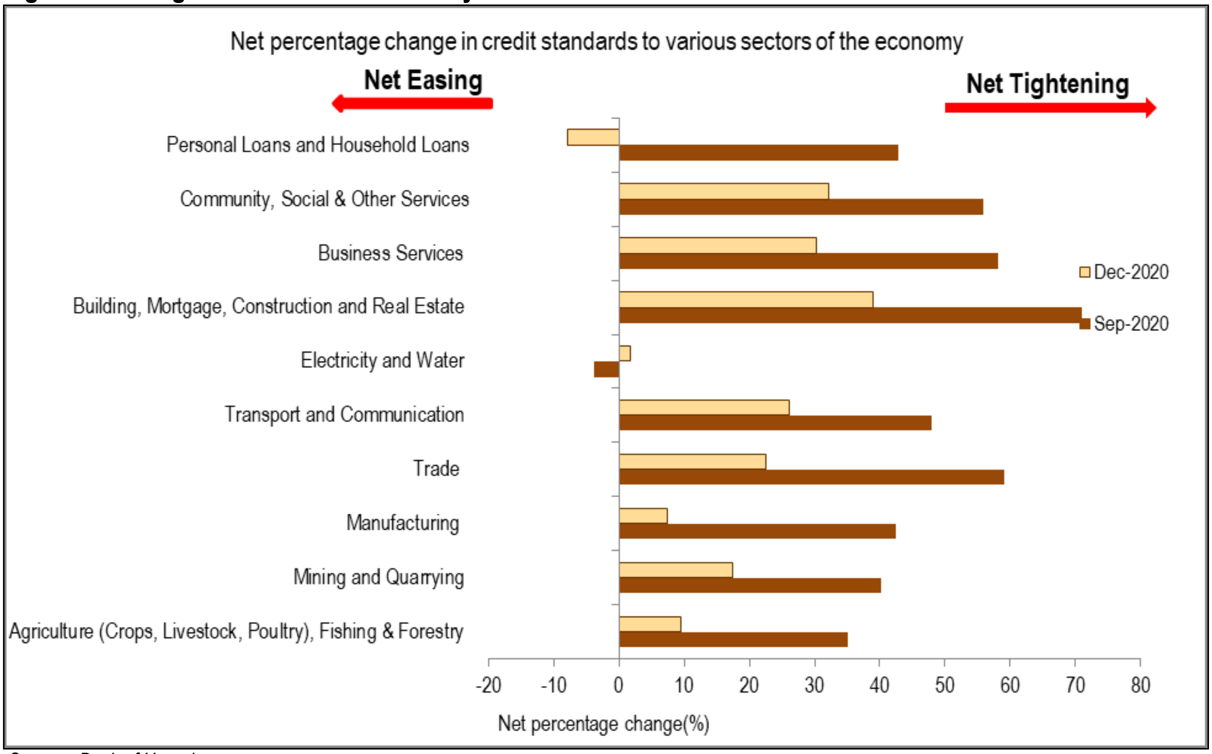
In the quarter to December 2020, banks reported tight credit standards for all economic sectors except for personal and household loans. However, the degree of tightness in credit standards as measured by the scale of net tightening decreased in this period when compared to the previous period.

Notably, the sectors which recorded the highest net tightening credit standards were; Building, mortgage, construction and real estate (38.9%), Community, social and other services (32.1%), Business services (30.3%), Transport and communication (26.1%), Trade (22.6%) and Mining and quarrying (17.5%).

The continued tight credit standards in most sectors of the economy is attributed to the continuation of lending restrictions to business sectors such as schools and the entertainment industry which were severely affected by the lockdown. Also the increased collateral to loan ratio for most loan applications partly explains the fairly tight credit standards.

On the other hand, the eased credit standards in personal and household loans mainly reflect preference of lenders to salary loans that have relatively low risks in comparison to the other sectors.

Figure 2: Changes in Credit Standards by Economic Sector



Source: *Bank of Uganda*

1.1.3 Expectations in the Terms and Conditions[1] for Credit to Enterprises

Majority of the banks expect to maintain price terms and conditions in the quarter to March 2021 (Figure 3). During this period, all loan classifications (riskier loans, prime loans and average loans) are expected to have unchanged price terms and conditions, largely reflecting unchanged central bank rate in the December 2020 monetary policy round.

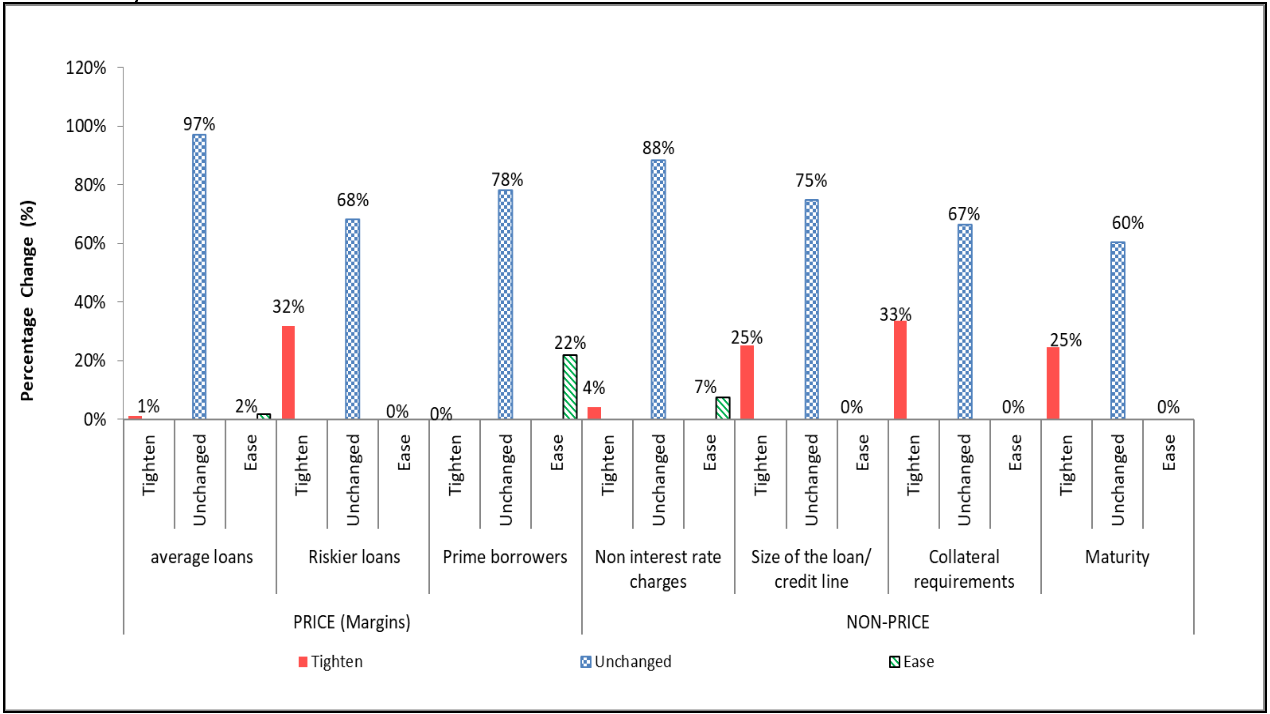
However, a third of banks expect to tighten price terms and conditions for the riskier loans to account for the expected increase in economic uncertainty that is attributed to the election period and its impact on nonperforming assets associated with these kind of loans.

Similarly, majority of banks expect to maintain non-price terms and conditions in the quarter to March 2021 (Figure 3). For instance, 88 percent of banks expect to maintain non interest rate charges in this period. However, a quarter of banks expect to tighten maturity period and the size of loan. Also, a third of banks expect to tighten collateral requirements during this period.

The main reasons banks expect to tighten non-price terms and conditions in the quarter to March 2021 cited include; shocks attributed to economic slowdown, increased uncertainty in the business environment because of elections anticipated fall in real estate prices, and expectations of increased credit default risk.

[1] 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: Price-related terms and conditions that include the direct price or interest rate. 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).

Figure 3: Expected Changes in Terms & Conditions for Approving Loans to Enterprises (Quarter to March 2021)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to March 2021 (Table 3), on net basis, 11.7 percent of banks anticipate an overall increase in demand for credit, compared to 64.4 percent in the previous quarter. Notably, demand for loans to SMEs and short-term loans are expected to increase, albeit at a slower pace when compared to the previous quarter. On the other hand, the demand for credit by large enterprises and long term loans are expected to decrease in the quarter to March 2021.

The reason most banks that expect increased credit demand cited include;

a) Short term needs for clients that have working capital gaps and cash flow deficiencies like paying Uganda Revenue Authority taxes.
b) Expectations of increased business activities, particularly in the imports sector due to continued easing of both local and foreign restrictions.

On the other hand, banks that anticipated a decrease in demand for credit cited the slow pace of economic recovery, anticipation of resurgence of COVID-19 pandemic cases due to election activities and the impact of uncertainty associated with elections on businesses.

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	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**
Increase(A)	75.7	38.3	72.9	37.5	47.8	30.5	83.7	57.8	46.6	26.2
Unchanged	13.1	35.1	20.9	43.6	42.9	35.0	13.0	24.1	44.9	46.8
Decrease(B)	11.3	26.6	6.2	18.9	9.3	34.5	3.3	18.1	8.6	27.0
Net %(A-B)	64.4	11.7	66.7	18.6	38.5	-4.0	80.4	39.7	38.0	-0.9
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households

1.2.1 Credit standards to households

The findings revealed that, on a net basis, 13.9 percent of the banks eased credit standards to households, contrary to 47.9 percent of banks that tightened credit standards in the previous period (*See, Appendix 1*). The major reasons cited by banks for easing credit standards in the current period were;

a) The recovery of employment income of households which is used for servicing loans.

b) Some banks strategically focusing their portfolios to personal and salary loan.

c) Continued recovery of business activities as local and international restrictions are gradually eased.

Similarly, in the quarter to March 2021, banks expect to ease credit standards to households with a net easing of 5.9 percent, compared to 4.0 percent in the quarter ended December 2020.

The expected easing of credit standards to the household sector is attributed to improved employment conditions as businesses recover following the gradual easing of both local and international restrictions after the lockdown period.

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 prime borrowers over the next three months to March 2021. Similarly, most banks expect to tighten their non-price terms and conditions for consumer credit, except for non-interest rate charges that are expected to ease somewhat on a net basis (See, Appendix 1).

The major reasons cited for the anticipated tightening of price terms and conditions for the riskier loans are; the increased uncertainty in the economy as a result of the election period and the fear of heightened COVID-19 cases after the election period.

On the other hand, the expected easing for prime borrowers and non-interest rate charges is attributed to stable Central Bank rate and increased competition among banks for credit worthy customers.

1.2.3 Demand for Credit by households

Credit demand by households is expected to increase in the three months to March 2021. Specifically, 52.3 percent of banks anticipate a rise in households credit demand in the next quarter, down from 80.1 percent in the quarter to December 2020. The anticipated increase in households credit demand is attributed to school fees pressures as candidate classes return to return to school in January 2021. Other reasons for the anticipated increase in households credit demand include the financing needs to meet households New Year targets and continuation of economic recovery reflecting the gradual easing of both local and international restrictions.

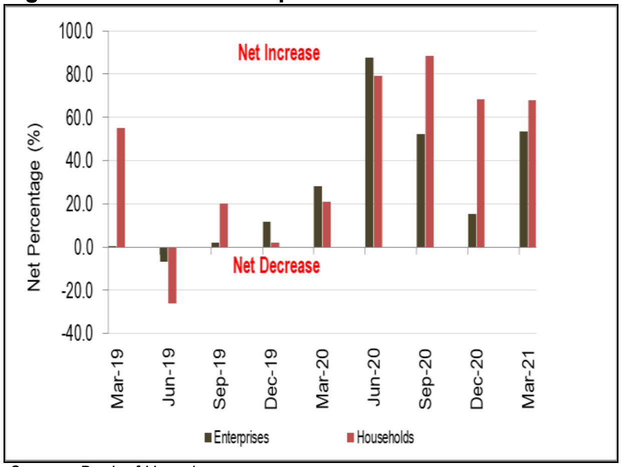
1.3 Expected Default rate on loans to enterprises and households

Overall, 53.6 percent of the banks expect the default rate on loans to enterprises to increase in the quarter to March 2021, up from 15.2 percent in the previous quarter. The increase in anticipated default rate is across all categories and durations.

On the side of households, 67.9 percent of banks expect the default rate in this sector to increase in the quarter to March 2021 (See Appendix 1).

The expected increase in default rate on loans to enterprises and households is mainly attributed to the continued effect of COVID-19 pandemic that led to human resource downsizing by companies, salary cuts and festive season expenditures.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.4 Interest Rate Expectations for Q3 FY 2020/21

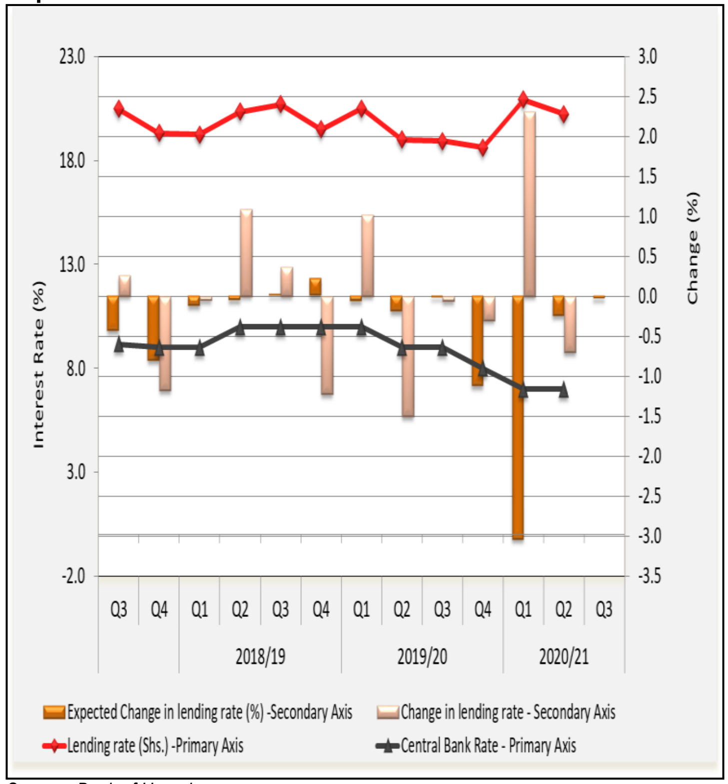
In an effort to understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their expected lending rates in the quarter to March 2021.

The results indicate that majority of the banks (98.1%) expect their lending rates to remain largely unchanged, while 1.9 percent expect lending rates to decline in the quarter to March 2021.

The expected lending rate in the quarter to March 2021 is however fairly stable when compared to that in the quarter to December 2020, only decreasing marginally by 0.04 percentage points (See Figure 5).

The relative stability in the lending rates reflects the stability in the Central Bank rate as well as desire by banks to maintain their clients amidst increased competition.

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 provision of liquidity assistance to SFIs, banks were asked to indicate how these efforts have facilitated their credit extension efforts to the private sector.

Majority of banks noted that they had not accessed the facility citing availability of internally generated liquidity from retained earnings, shareholder financing and excess reserves.

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 banks (91.7 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 15.4 percent of their loan portfolio in the quarter to December 2020.

The main reasons cited for restructuring of credit facilities include, impact of the COVID-19 pandemic that has greatly affected the business environment and cash flow positions, loss of jobs for salary earners and government's inability to meet contractual payments on a timely basis.

Conclusion

The bank lending survey results indicate that in the second quarter of FY2020/21, credit standards to enterprises tightened, while that of households eased.

Going forward (quarter to March 2021), banks expect to tighten credit standards to enterprises, but further ease credit standards to households.

Moreover, the demand for loans by both enterprises and households is expected to increase in the quarter to March 2021, although at a slower pace when compared to that reported in the previous survey.

On the other hand, the default rate on loans to both enterprises and households is expected to increase in the quarter to March 2021, reflecting anticipated economic slowdown because of the heightened uncertainties associated with the general elections.

Lastly, the survey results indicate that majority of banks expect their lending rates to remain broadly unchanged with a bias towards decrease , reflecting the relatively low Central Bank rate and increased competition within the sector.

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		2020/21	
Part I: Enterprises		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
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	50.6	37.9
	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	62.1	0.4	44.9
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	91.3	50.6	35.6
	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	-6.4	35.8
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	57.4	45.6
	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	42.5	3.4	46.9
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	41.1	28.7
	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	-22.4	26.6
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	88.5	55.2	39.1
	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	2.2	45.1
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	35.1	9.4
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	40.4	17.5
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	42.6	7.5
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	59.3	22.6
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	48.1	26.1
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	-3.9	1.7
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	71.2	38.9
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	58.2	30.3
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	56.0	32.1
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	42.9	-8.0
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	-10.9	-0.9
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	59.7	31.7
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	-22.4	-21.8
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	-7.9	-2.2	-3.2
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	44.3	25.3
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	48.9	33.5
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	40.7	24.5
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	64.4	11.7
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	66.7	18.6
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	38.5	-4.0
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	80.4	39.7
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	38.0	-0.9
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	15.2	53.6
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	21.4	52.5
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	51.6	16.0	50.1
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	15.3	57.9
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	20.4	56.4
Period			2016/17				2017/18				2018/19				2019/20		2020/21	
Part II: Households		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
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	47.9	-13.9
	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	-4.0	-5.9
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	67.8	34.2
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	-18.0	1.7
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	32.7	32.0
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	-18.4	-13.2
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	-0.6	-0.6
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	22.7	29.6
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	36.1	27.4	37.6
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	24.0	-22.2	22.5
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	88.4	68.4	67.9
Period			2016/17				2017/18				2018/19				2019/20		2020/21	
Part III: Occassional Questions		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
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	-23.1	-1.9
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	-0.25	-0.04

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		Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Credit policy as applied to the approval of loans or credit lines to enterprises												
Overall	Past three months	33.6	-14.6	-24.1	13.4	59.6	4.4	-21.9	25.2	63.1	29.8	64.1
	Next three months	5.8	5.9	-9.2	-3.0	45.0	29.8	45.1	66.8	32.3	41.7	70.7
SMEs	Past three months	33.6	-11.5	-8.9	14.1	57.7	12.8	-13.7	53.1	63.1	40.8	64.1
	Next three months	8.0	-35.1	3.4	-3.0	44.5	28.3	62.5	66.1	49.9	41.7	70.7
Large enterprises	Past three months	5.6	8.0	9.1	14.3	26.1	11.6	18.4	26.6	43.9	26.2	32.2
	Next three months	33.8	38.5	9.2	11.0	22.6	-7.1	1.1	38.9	31.9	27.1	46.3
Short term loans	Past three months	-5.2	-23.4	-20.4	-22.5	53.5	-3.1	-32.2	24.7	61.5	39.6	64.1
	Next three months	-37.0	-63.0	-16.0	-21.8	33.3	7.3	25.5	44.6	25.0	30.9	70.7
Long term loans	Past three months	-27.9	14.5	-17.7	28.4	30.3	-4.4	17.3	25.9	56.7	16.4	33.6
	Next three months	28.3	25.4	-9.2	1.6	22.5	-20.3	29.8	38.2	44.0	27.1	46.3
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	-18.1	12.6	-18.1	0.7	-45.7	-19.9	12.4	-0.2	46.3	-4.7	-19.2
Mining and Quarrying	Past three months	26.1	0.0	0.0	0.0	30.3	3.1	0.0	0.0	12.0	27.5	-15.4
Manufacturing	Past three months	2.9	-1.9	-4.5	0.0	7.9	0.0	0.0	0.7	17.6	27.5	0.6
Trade	Past three months	0.7	-7.2	-21.1	1.6	-3.9	-3.1	13.5	5.1	27.6	47.5	45.3
Transport and Communication	Past three months	18.4	-1.9	-21.1	0.9	-6.5	-1.6	1.1	5.1	62.3	34.1	13.4
Electricity and Water	Past three months	-3.2	-16.4	-4.5	0.0	-11.1	0.0	0.0	0.0	12.0	19.1	-31.9
Building, Mortgage, Construction and Real Estate	Past three months	-11.1	28.5	-8.0	45.7	12.0	9.2	-23.0	4.4	62.3	34.1	14.8
Business Services	Past three months	-3.4	-5.2	-17.1	-4.5	-2.9	0.0	0.0	25.9	63.1	34.1	14.8
Community, Social & Other Services	Past three months	-17.4	-18.3	-12.6	8.7	-10.7	-8.0	-23.0	3.9	55.5	50.1	39.2
Personal Loans and Household Loans	Past three months	-27.9	0.6	-17.7	-16.4	-9.8	-11.1	-23.0	4.4	57.5	-2.3	-11.6
Terms and conditions for approving loans or credit lines to enterprises												
Margin on average loans	Next three months	-56.8	-47.4	32.1	12.6	-4.5	11.5	-20.5	22.8	-38.7	-41.8	-2.5
Margin on riskier loans	Next three months	44.2	41.8	40.2	14.8	28.7	11.1	25.5	23.3	42.3	43.0	50.3
margin on prime borrowers	Next three months	-62.1	-60.5	-2.4	-11.7	-31.4	-17.5	-30.4	-17.5	-45.5	-41.8	-3.8
Non-interest rate charges	Next three months	-43.2	-31.2	9.2	-5.4	29.4	-8.4	-17.4	4.8	-39.5	-41.8	22.5
Size of the loan or credit line	Next three months	25.7	11.0	-3.2	-5.2	-15.0	0.8	1.2	31.7	57.5	36.4	26.4
Collateral requirements	Next three months	49.8	-9.8	-12.6	3.8	42.1	-8.4	-14.6	-1.1	39.5	37.6	22.6
Maturity	Next three months	15.2	-59.8	-28.7	29.1	17.6	0.0	18.5	32.2	40.3	29.8	11.4
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?												
Overall	Next three months	83.3	72.1	-9.0	72.7	67.7	67.9	-28.7	-98.6	29.8	27.2	40.7
SMEs	Next three months	64.4	72.1	-21.5	47.6	62.2	67.9	-28.7	-98.6	29.8	27.2	14.4
Large enterprises	Next three months	52.3	12.7	-36.7	-7.0	10.4	4.7	15.9	-65.3	-1.0	2.7	-40.1
Short term loans	Next three months	25.2	72.1	17.5	72.7	31.3	65.6	-12.3	-98.6	29.8	27.2	39.4
Long term loans	Next three months	47.7	40.9	24.3	28.1	56.3	9.0	15.9	-66.0	79.6	18.7	-17.5
Default rate on loans to enterprises												
Overall	Next three months	-11.9	-16.3	8.3	-10.1	-36.0	-58.8	24.0	100.0	76.0	87.3	100.0
SMEs	Next three months	-25.9	-45.8	28.7	-10.8	-38.9	-58.4	24.0	100.0	76.0	87.3	100.0
Large enterprises	Next three months	-5.6	-19.6	12.6	-24.1	-30.5	-26.6	-18.8	67.5	69.2	72.7	68.1
Short term loans	Next three months	-12.9	-42.2	16.7	-32.6	-38.9	-63.2	24.0	99.3	76.0	81.9	92.3
Long term loans	Next three months	-9.8	-0.1	-4.3	-13.9	-28.1	-27.7	40.6	71.4	57.2	73.9	69.5

Period		Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Part II: Households												
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-14.9	-31.2	-20.4	-34.8	-10.7	-5.0	-25.9	21.5	51.1	50.7	-15.4
	Next three months	-14.9	-22.8	-4.9	-8.6	45.3	-23.0	-18.7	45.8	44.4	50.9	-4.2
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	37.7	44.2	32.7	41.0	86.2	67.8	-3.6	-44.8	76.4	13.7	-28.7
Terms and conditions for approving loans or credit lines to households												
Margin on average loans	Next three months	-29.2	-43.5	-12.6	-3.8	-12.4	3.8	-33.9	1.8	-34.2	-36.4	0.0
Margin on riskier loans	Next three months	26.1	12.7	13.8	8.9	25.8	11.9	-21.7	23.3	-27.9	37.6	46.5
Margin on prime borrowers	Next three months	-46.0	-63.0	-35.7	-21.8	-28.2	3.8	-30.4	0.6	-28.3	-41.8	-3.8
Non-interest rate charges	Next three months	0.0	-27.9	0.0	8.7	27.4	-8.0	0.0	10.7	-34.2	36.4	0.0
Size of the loan or credit line	Next three months	2.2	27.4	-11.3	-3.7	-15.2	0.0	4.1	10.7	-42.3	0.0	0.0
Collateral requirements	Next three months	33.6	13.7	1.2	-20.5	18.0	-8.0	3.0	32.2	-30.3	36.4	18.8
Maturity	Next three months	26.1	9.2	0.0	-16.4	18.0	0.0	0.0	32.2	-11.6	-36.4	-18.8
Default rate on loans to households	Next three months	-31.7	22.7	40.8	-16.2	-65.3	-20.8	-28.8	67.3	17.7	50.7	69.5

(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 (October-November 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: