Bank Lending Survey Report
Fourth 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 June 2021. The objectives of the survey were to: enhance BOU's understanding of the lending behavior and loan financing conditions among deposit-taking financial institutions, capture leading information on credit developments and bank lending on the Ugandan market during the quarter ended June 2021 and the expectations for the quarter to September 2021.

Credit Standards

In the Fourth quarter of FY2020/21, credit standards to enterprises tightened at a slightly slower pace, while that of households eased at a much faster pace.

Across firm size, credit standards were tightened for both SMEs and large enterprises, albeit at a faster pace when compared to the previous survey results.

In terms of loan duration, credit standards improved in both short and long term loans as the rate of tightening measured on net basis rose in the quarter to June 2021, from that reported in the previous survey.

Going forward (quarter to September 2021), banks expect to tighten credit standards to both enterprises and households. Banks also expect to tighten credit standards across all firm sizes and loan durations.

Credit Standards by Economic Sector

In the quarter to June 2021, banks reported tight credit standards for majority of the economic sectors except for personal and household, trade, manufacturing and electricity and water which were eased on a net basis. However, the degree of tightness in credit standards as measured by the scale of net tightening increased in this period for majority of the sectors when compared to the previous period.

Outlook on Demand for credit

In the quarter to September 2021, banks anticipate an overall decrease in demand for credit from enterprises and individuals on a net basis, contrary to the increase predicted in the previous survey results.

Outlook on Terms & Conditions for credit

In the quarter to September 2021, banks expect to tighten price terms and conditions for riskier loans to enterprises and riskier and average loans to households to reflect the the high credit risk arising from the current economic environment worsened by the partial lockdown and the increase in Covid-19 infections.

Similarly, most banks are expected to tighten their non-price terms and conditions for enterprises and consumer credit, save for non-interest rate charges that are predicted to be eased.

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 September 2021, at a much faster pace compared to the previous survey results.

The expected increase in default rate on loans to enterprises and households is mainly attributed the increase in Covid-19 infections and the partial lockdown restrictions.

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Interest Rate Expectations

Majority of banks (62.7%) expect their lending rates to remain largely unchanged, while 37.3 percent expect lending rates to decline in the quarter to September 2021.

The lending rate is expected to decline in the quarter to September 2021 when compared to that in the quarter to June 2021, with a decrease of 1.4 percentage points.

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

Majority of banks noted that they had not accessed the facility in the quarter ended June 2021 and cited customer deposits as the major source of funding, followed by international financial organisations, development partners, parent group companies and availability of internally generated funds.

Banks action on restructuring of credit facilities

Majority of banks (76.0 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 8.8 percent of their loan portfolio in the quarter to June 2021.

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 June 2021 and expectations for the quarter to September 2021. 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.

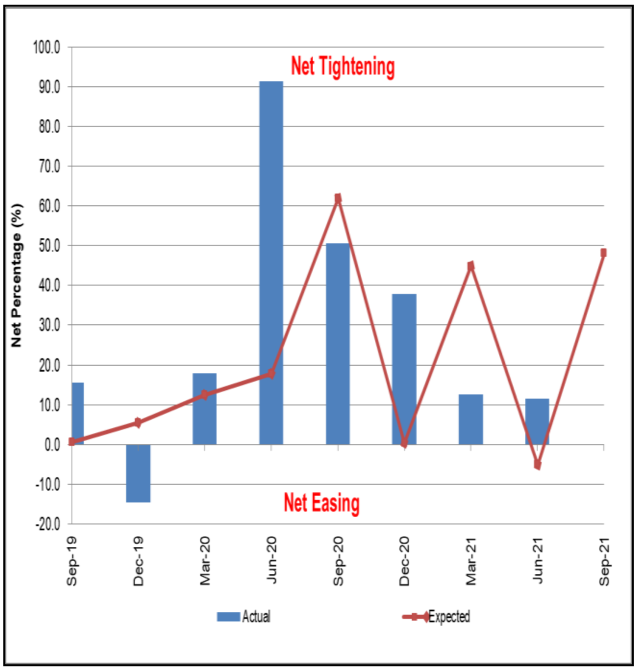
In the Fourth quarter of FY 2020/21, credit standards on loans to enterprises marginally improved as the measure of net tightening declined to 11.5 percent from 12.6 percent in the quarter to June 2021 (see Figure 1). This was contrary to the expectations of the banks during the third quarter survey as they had anticipated a net easing. (*See Tables 1 & 2*).

Across firm size, credit standards worsened in both SMEs and large enterprises as the measure of net tightening in the two categories rose to 11.1 percent and 28.2 percent, respectively.

In terms of loan duration, the credit standards widened in both short and long term loans as the rate of tightening measured on net basis increased in the quarter to June 2021, from that reported in the previous survey. (*See Table 1*).

The major reasons cited by banks for the tight credit standards include; selective credit extension criteria focussing on sectors with low risk and those that have demonstrated resilience, the rising non-performing assets and slowdown in economic activity due to the increase in the Covid-19 infections.

Figure 1: Overall Credit standards to enterprises



Source: *Bank of Uganda*

Notes:

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

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

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

Table 1: Credit Standards as Applied to Approval of Loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**
Tightened(A)	17.2	24.3	17.7	23.9	19.2	33.2	15.5	18.8	19.0	27.6
Unchanged	78.3	62.8	75.3	63.2	77.0	61.9	73.1	67.5	77.0	61.1
Eased (B)	4.5	12.9	7.0	12.9	3.8	4.9	11.4	13.7	4.0	10.3
Net %(A-B)	**12.6**	**11.5**	**10.7**	**11.1**	**15.4**	**28.2**	**4.1**	**5.1**	**15.0**	**17.3**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to September 2021, banks expect to tighten overall credit standards on a net basis. Notably, banks expect to tighten credit standards across all firm sizes and loan durations on a net basis. (*See, Figure 1 and Table 2*).

The expected net tightening of credit standards in the next quarter is mainly based on the increase in the Covid-19 infections, increase in cases and the lockdown of most sectors by government which are anticipated to slow down the general business environment amidst the increased uncertainty in the economy and non-repayment of loan obligations as business cash flows will be affected negatively.

Table 2: Expectations for Credit Standards as Applied to Approval of Loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**
Tighten (A)	16.5	49.1	15.6	49.1	26.1	55.6	14.0	47.1	16.5	49.1
Unchanged	62.0	50.0	58.7	48.9	55.4	43.4	61.3	43.6	62.1	50.0
Ease (B)	21.5	1.0	25.7	2.0	18.4	1.0	24.7	9.3	21.4	1.0
Net %(A-B)	**-5.0**	**48.1**	**-10.1**	**47.1**	**7.7**	**54.6**	**-10.8**	**37.9**	**-4.9**	**48.1**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

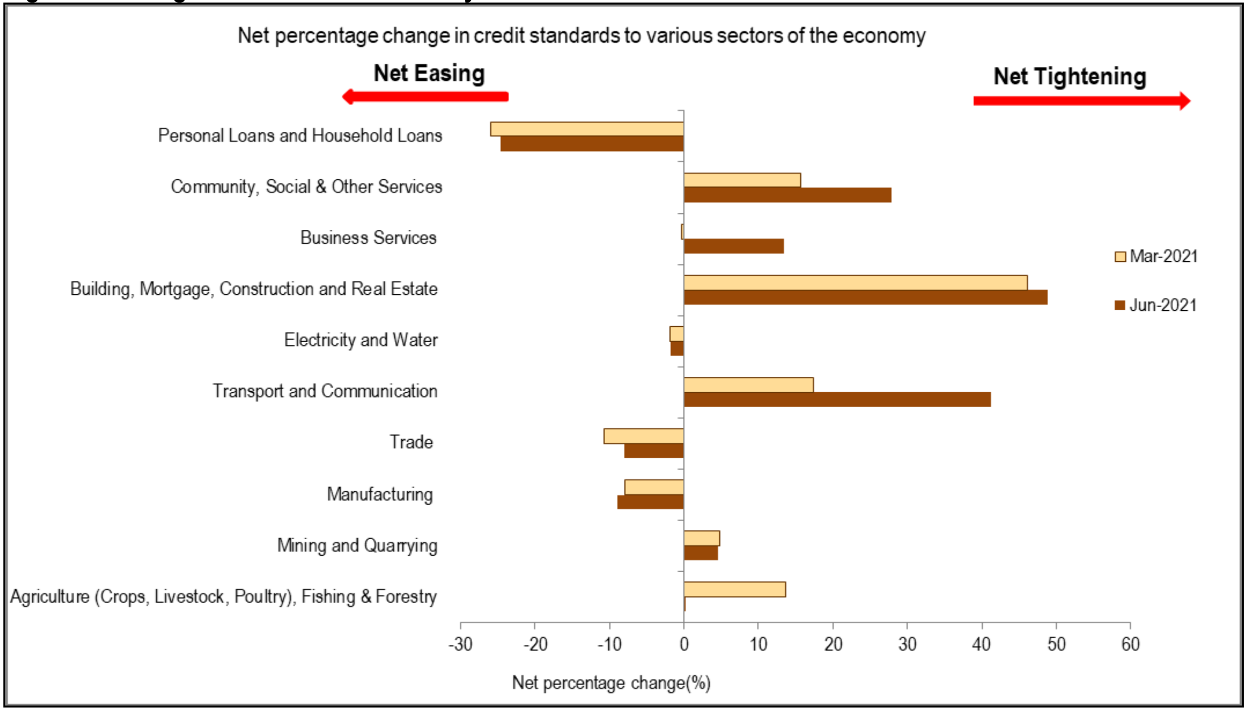
In the quarter to June 2021, banks reported tight credit standards for majority of the economic sectors except for personal and household, trade, manufacturing and electricity and water which were eased on a net basis. However, the degree of tightness in credit standards as measured by the scale of net tightening increased in this period for some of the sectors when compared to the previous period such as transport & communication, Building, Mortgage, Construction and Real Estate , Business Services and community, social & other services.

The sectors which recorded the highest net tightening credit standards were; Building, mortgage, construction and real estate (48.8%), followed by Transport and communication (41.2%), Community, social and other services (27.8%), Business services (13.4%), Mining and quarrying (4.6%) and Agriculture (0.3%). Those that registered a net easing included; personal and household (24.6%), Manufacturing (8.9%), trade (8.1%) and Electricity and water (1.8%).

The continued tight credit standards in most sectors of the economy were mainly attributed to the after effects of covid-19 pandemic on businesses, the Second wave and lockdown. These were coupled with the continued lock down of schools in the Community, social and other services, stagnant and declining real estate prices and demand in the building, mortgage, construction and real estate sector, continued restrictions on the transport sector which is operating at half capacity and the agriculture sector which has been affected by the ban on export of some food crops like maize and quarantine on cattle due to outbreak of foot and mouth disease.

On the other hand, the eased credit standards in trade and manufacturing sectors were based on their resilience and quick recovery when the first lockdown restrictions were loosened. In addition, the easing of personal and households loans was attributed to their relatively low risk to staff of civil service, government agencies and selected NGOs 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 September 2021 (Figure 3). All loan classifications (riskier loans, prime loans and average loans) are expected to have unchanged price terms and conditions with a bias toward easing for average and prime borrowers and tightening for risky clients.

The easing of terms and conditions for average and prime borrowers was attributed to; increased competition for the few top clients and reduction in the Central Bank rate.

However, the tightening of price terms and conditions for the riskier loans was mainly attributed to the compensation for the high credit risk associated with these kinds of loans amidst the uncertain economic environment.

Similarly, majority of banks expect to maintain non-price terms and conditions in the quarter to September 2021 (Figure 3). However, most of the banks expect to tighten the maturity period, the size of loan and collateral requirements on a net basis. On the contrary, banks expect to ease non-interest charges on a net basis during this period.

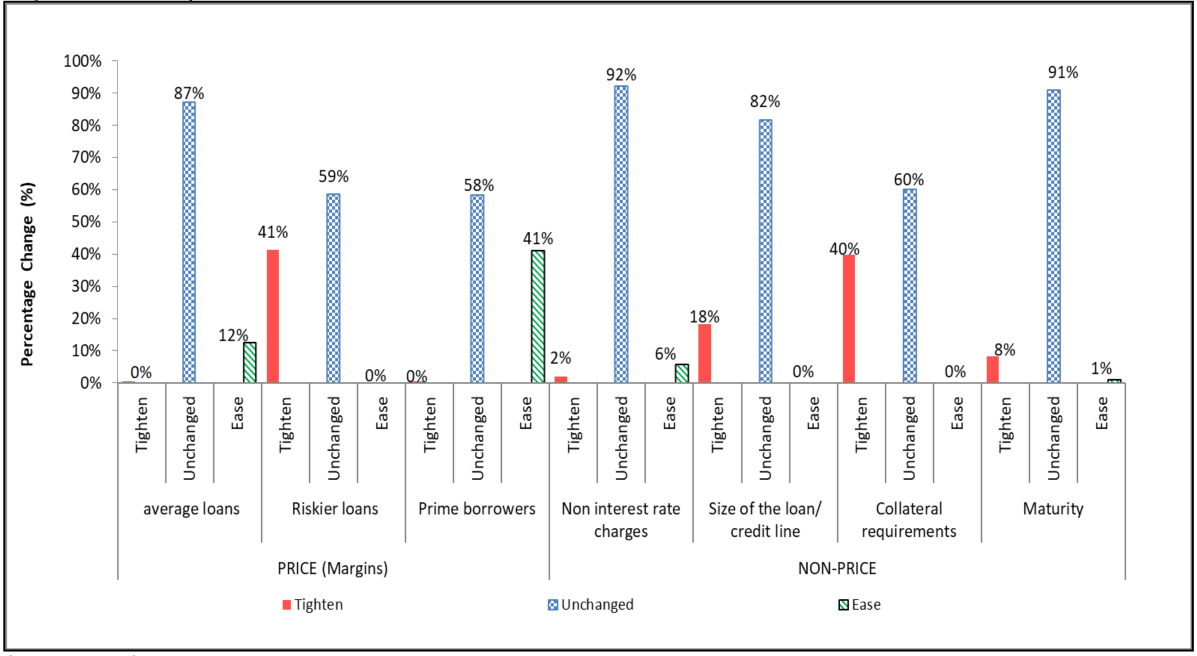
The main reasons banks cited for the expected tightening of most non-price terms and conditions in the quarter to September 2021 include; unstable and declining real estate prices, uncertain economic environment amidst the Covid-19 pandemic and the

[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).

anticipated negative impact of the current lockdown measures on business.

On the other hand, the easing of non-interest rate charges was based on the need to minimize the impact of cost of potential restructuring on borrowers.

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



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to September 2021 (Table 3), on net basis, 83.2 percent of banks anticipate an overall decrease in demand for credit, contrary to the 76.4 percent that expected an increase in the previous survey results. Notably, demand for loans across all firm sizes and loan durations is expected to decrease at a high pace.

The reasons cited by most banks for the expected decrease in credit demand include;

a) The increase in covid-19 infections and partial lockdown restrictions are expected to negatively impact the economy.

b) Uncertainty among businesses on any planned investments in the short and medium term.

c) The expected low purchasing power of households is anticipated to affect other sectors negatively.

Table 3: Demand expectations for the next three months

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**	**Jun-21**	**Sep-21**
Increase(A)	76.4	6.6	64.5	2.0	61.9	6.2	85.2	6.6	81.4	6.2
Unchanged	23.6	3.6	35.5	8.3	38.1	12.5	14.3	10.8	18.6	11.4
Decrease(B)	0.0	89.8	0.0	89.8	0.0	81.3	0.5	82.6	0.0	82.5
Net %(A-B)	**76.4**	**-83.2**	**64.5**	**-87.8**	**61.9**	**-75.1**	**84.7**	**-76.0**	**81.4**	**-76.3**
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, 25.7 percent of the banks eased credit standards to households, higher than the 8.1 percent of banks that eased credit standards in the previous period (*See, Appendix 1*). The banks' focus on salary loans since they have an assured source of repayment was cited as the major reason for easing of credit standards in the current period.

On the other hand, in the quarter to September 2021, banks expect to tighten credit standards to households with a net tightening of 41.6 percent, contrary to the 24.0 percent net easing which was anticipated for the quarter to June 2021.

The expected tightening of credit standards to the household sector is attributed to; decline in household and individual incomes on account of the current lock down, job loss and downsizing by companies and slowdown in economic activity on account of the partial lockdown and the Covid-19 second wave.

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 average and riskier borrowers, but ease for prime borrowers over the next three months to September 2021. Similarly, majority of the banks expect to tighten their non-price terms and conditions for consumer credit on a net basis, save for non-interest rate charges that are expected to ease (See, Appendix 1).

The major reasons cited for the anticipated tightening of price terms and conditions for the average and riskier loans and majority of the non-price terms and conditions are; the high credit risk arising from the current economic environment worsened by the partial lockdown and the increase in Covid-19 infections, declining and unstable property values and uncertainty of household income flows amidst increased expenditure on consumption goods.

On the other hand, the expected easing for prime borrowers and non-interest rate charges is attributed to; competition for the available credit worthy customers in the market and reduction in the Central bank rate.

1.2.3 Demand for Credit by households

Credit demand by households is expected to decrease in the three months to September 2021. Specifically, 65.7 percent of banks anticipate a decline in households credit demand in the next quarter, contrary to the 64.4 percent that anticipated an increase in the quarter to June 2021. The anticipated decrease in household credit demand is mainly attached to the increase in covid-19 infections and the partial lockdown which have brought about; uncertainty in the economic environment which affects investment decisions, closure of schools hence cancelling out the demand for school fees loans and the change in consumer preferences and consumption sentiments.

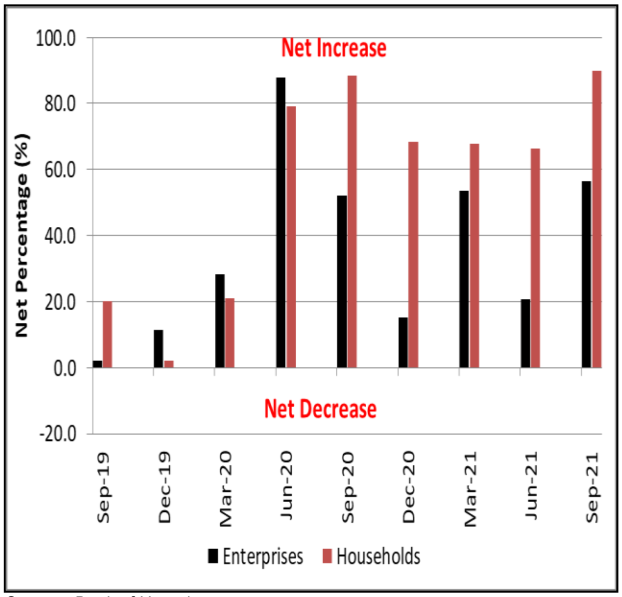
1.3 Expected Default rate on loans to enterprises and households

Overall, 56.4 percent of the banks expect the default rate on loans to enterprises to increase on a net basis in the quarter to September 2021, up from 20.6 percent registered in the previous quarter. The anticipated accelerated increase in default rate cuts across all firm sizes and loan durations.

On the side of households, 90.0 percent of banks expect the default rate in this sector to increase on a net basis in the quarter to September 2021, higher than the 66.2 percent recorded in the previous survey results (See Appendix 1).

The expected increase in default rate on loans to enterprises and households is mainly attributed to spill over effects of the increase in Covid-19 infections, coupled with the partial lockdown by government that are anticipated to; negatively impact business operations through closures and reduced cash flows, hence reducing their repayment ability; human resource downsizing, job losses and salary cuts and increased expenditure on health related issues and essential goods.

Figure 4: Default rate expectations



***Source**: Bank of Uganda*

1.4 Interest Rate Expectations for Q1 FY 2021/22

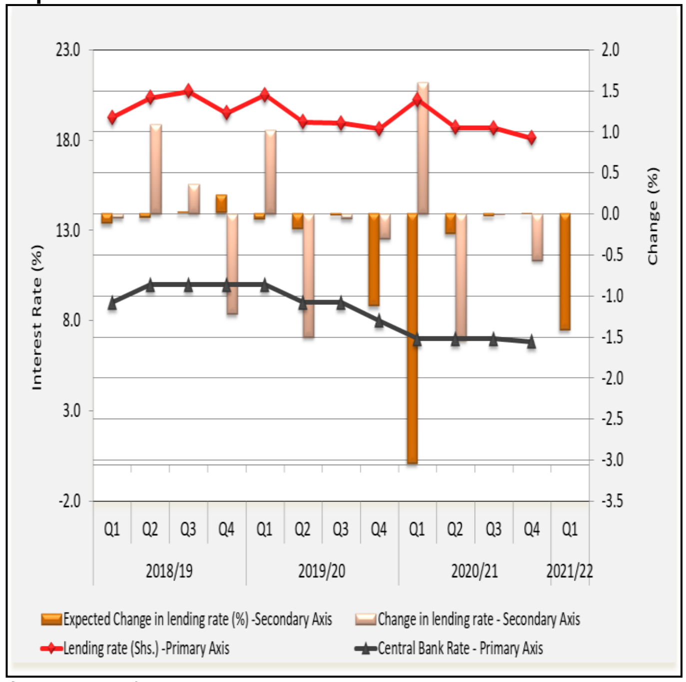
In an effort to understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their expected lending rates in the quarter to September 2021.

The results indicate that majority of the banks (62.7%) expect their lending rates to remain largely unchanged, while the remaining 37.3 percent expect lending rates to decline in the quarter to September 2021.

The lending rate is expected to decline in the quarter to September 2021 when compared to that in the quarter to June 2021, with a decrease of 1.4 percentage points (See Figure 5).

The anticipated relative stability in the lending rates was attributed to the stable cost of borrowing for funds for onward lending, slow business activity amidst the new partial lockdown restrictions and the heightened credit risk at hand. On the other hand, banks that anticipate a decline in their lending rates pointed out the recent reduction in the central bank rate as the trigger factor for any decision.

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.

All the banks noted that they had not accessed the facility in the quarter ended June 2021 and cited customer deposits as the major source of funding, followed by international financial organisations, development partners, parent group companies and availability of internally generated funds.

1.6 Banks action on restructuring of credit facilities

Banks were further asked to indicate whether they restructured their credit facilities in the quarter to June 2021 following Bank of Uganda's action of waiving limitations on restructuring of credit facilities.

Majority of banks (76.0 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 8.8 percent of their loan portfolio in the quarter to June 2021.

The main reasons cited for restructuring of credit facilities all stem from the impact of the COVID-19 pandemic and government restrictions on operations of most sectors that have led to; some sectors working at half capacity while others are totally closed, reduced business cash flows, retrenchment and salary cuts and requisition by most for review of their loan terms and conditions amidst the tough economic environment.

Conclusion

The bank lending survey results indicate that in the Fourth quarter of FY2020/21, credit standards to enterprises tightened at a slightly slower pace, while that of households eased at a much faster pace.

Going forward (quarter to September 2021), banks expect to tighten credit standards to both enterprises and households.

Consequently, the demand for loans by both enterprises and households is expected to decrease in the quarter to September 2021, contrary to the increase that was reported in the previous survey results. The expected decrease in demand for loans in the quarter to September is supported by the observed declining number of applications received by commercial banks from a total of 1,029,645 applications received in January and February 2021 down to 981,600 applications registered in April and May 2021.

On the other hand, the default rate on loans to both enterprises and households is expected to increase in the quarter to September 2021, at a much faster pace compared to the previous survey results mainly attached to the increase in Covid-19 infections and the partial lockdown restrictions.

Lastly, the survey results indicate that majority of banks expect their lending rates to remain broadly unchanged with a bias towards a decrease attached to the stable cost of borrowing for funds for onward lending, slow business activity amidst the new partial lockdown restrictions, the heightened credit risk at hand and the recent reduction in the central bank rate as the trigger factor for any decision.

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 'somewh
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		2018/19				2019/20				2020/21			
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
or credit lines to enterprises													
Overall	Past three months	-3.2	-21.2	-3.9	-20.4	15.5	-14.7	17.9	91.3	50.6	37.9	12.6	11.5
	Next three months	-10.1	-9.3	1.3	0.5	5.4	12.5	17.9	62.1	0.4	44.9	-5.0	48.1
SMEs	Past three months	2.2	-26.9	-5.1	-13.7	-6.4	-14.5	17.1	91.3	50.6	35.6	10.7	11.1
	Next three months	-12.3	-3.5	-5.4	-2.2	-24.7	-5.6	20.6	75.8	-6.4	35.8	-10.1	47.1
Large enterprises	Past three months	4.7	8.1	5.6	-18.1	18.1	16.7	25.6	74.1	57.4	45.6	15.4	28.2
	Next three months	-15.8	0.6	18.3	11.7	10.7	30.6	22.3	42.5	3.4	46.9	7.7	54.6
Short term loans	Past three months	-7.8	-33.1	-10.5	-31.7	-22.0	-17.0	-0.3	70.7	41.1	28.7	4.1	5.1
	Next three months	-44.9	-14.2	-10.8	2.5	2.7	-26.6	31.6	31.4	-22.4	26.6	-10.8	37.9
Long term loans	Past three months	8.3	-3.9	5.7	11.7	32.5	5.1	13.8	88.5	55.2	39.1	15.0	17.3
	Next three months	-0.5	0.7	29.2	14.3	20.6	34.1	28.6	64.5	2.2	45.1	-4.9	48.1
or credit lines to enterprises to different sectors													
Agriculture (Crops, Livestock, Poultry), Fishing & Fc	Past three months	-6.1	-8.0	-8.7	-5.8	2.7	8.0	10.8	36.9	35.1	9.4	13.7	0.3
Mining and Quarrying	Past three months	5.0	3.8	6.9	-9.8	4.3	4.4	12.6	52.3	40.4	17.5	4.9	4.6
Manufacturing	Past three months	-6.1	-1.0	-5.6	-14.2	5.1	-7.5	22.4	57.3	42.6	7.5	-7.9	-8.9
Trade	Past three months	-5.6	-16.1	-9.5	-31.0	5.9	-1.6	20.7	89.7	59.3	22.6	-10.7	-8.1
Transport and Communication	Past three months	4.3	-3.7	2.1	-5.6	9.7	-4.2	21.5	71.0	48.1	26.1	17.3	41.2
Electricity and Water	Past three months	-4.9	1.5	-1.8	-20.1	1.3	-4.9	0.9	5.6	-3.9	1.7	-1.8	-1.8
Building, Mortgage, Construction and Real Estate	Past three months	13.7	14.8	20.0	-14.7	11.0	10.8	14.7	90.5	71.2	38.9	46.1	48.8
Business Services	Past three months	3.3	-11.3	1.7	-2.9	0.3	-1.3	-1.6	52.1	58.2	30.3	-0.3	13.4
Community, Social & Other Services	Past three months	1.2	-8.9	-2.7	-9.8	-0.7	-4.1	10.8	54.0	56.0	32.1	15.6	27.8
Personal Loans and Household Loans	Past three months	-3.7	-14.8	-11.9	-19.1	-13.8	-11.9	-13.1	84.9	42.9	-8.0	-26.0	-24.6
credit lines to enterprises													
Margin on average loans	Next three months	-7.8	-8.2	-12.5	-7.8	-13.2	2.7	2.2	-6.3	-10.9	-0.9	-18.1	-12.0
Margin on riskier loans	Next three months	46.1	57.3	56.5	37.9	40.3	51.7	47.0	31.9	59.7	31.7	21.0	41.4
margin on prime borrowers	Next three months	-39.1	-40.6	-32.8	-56.0	-39.6	-34.5	-34.8	-41.6	-22.4	-21.8	-23.7	-40.8
Non-interest rate charges	Next three months	-14.2	-10.0	-14.4	6.6	-6.4	0.0	-8.7	-7.9	-2.2	-3.2	-14.0	-3.8
Size of the loan or credit line	Next three months	-0.5	7.1	6.6	-6.9	-0.1	0.8	20.6	56.9	44.3	25.3	-17.3	18.2
Collateral requirements	Next three months	36.5	34.3	13.5	7.4	1.0	15.0	46.8	68.2	48.9	33.5	5.5	39.7
Maturity	Next three months	30.1	28.7	24.5	24.6	8.6	18.8	-1.0	36.7	40.7	24.5	-11.4	7.2
enterprises(apart from normal seasonal													
Overall	Next three months	72.8	45.6	80.7	67.6	87.0	37.8	43.7	20.7	64.4	11.7	76.4	-83.2
SMEs	Next three months	67.6	38.6	87.3	75.4	90.0	14.8	41.9	20.2	66.7	18.6	64.5	-87.8
Large enterprises	Next three months	59.6	23.2	61.0	60.7	75.4	26.5	39.8	35.9	38.5	-4.0	61.9	-75.1
Short term loans	Next three months	71.8	51.8	83.8	63.2	69.8	1.7	53.0	33.3	80.4	39.7	84.7	-76.0
Long term loans	Next three months	59.9	24.4	59.4	43.0	37.9	29.8	41.0	16.2	38.0	-0.9	81.4	-76.3
Default rate on loans to enterprises													
Overall	Next three months	12.7	0.5	-7.0	2.2	11.5	28.3	87.8	52.1	15.2	53.6	20.6	56.4
SMEs	Next three months	32.4	29.5	20.0	6.7	6.5	26.1	49.5	52.9	21.4	52.5	27.4	58.0
Large enterprises	Next three months	16.5	0.6	-2.8	18.3	-5.7	15.3	68.8	51.6	16.0	50.1	45.9	47.0
Short term loans	Next three months	14.7	1.0	-2.5	2.2	0.4	9.8	76.8	55.5	15.3	57.9	34.7	45.1
Long term loans	Next three months	9.9	14.7	10.6	19.8	-3.8	5.6	72.2	52.1	20.4	56.4	35.0	56.0

Period		2018/19				2019/20				2020/21			
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
to households and non-enterprises	Past three months	-14.1	-19.9	-7.0	-2.1	-33.3	-41.4	-26.3	85.9	47.9	-13.9	-8.1	-25.7
	Next three months	-7.8	-6.2	-17.2	-10.4	-3.0	-32.2	40.2	62.8	-4.0	-5.9	-24.0	41.6
enterprises (for purposes of consumer credit)	Next three months	68.9	71.3	76.3	39.5	52.1	83.4	22.6	23.7	67.8	34.2	63.3	-46.1
credit lines to households													
Margin on average loans	Next three months	-17.4	0.5	-12.7	7.1	-25.2	-7.0	-21.2	-16.5	-18.0	1.7	-2.5	1.5
Margin on riskier loans	Next three months	47.4	18.6	50.4	27.5	60.3	73.7	42.3	42.0	32.7	32.0	19.8	52.2
Margin on prime borrowers	Next three months	-34.8	-17.1	-27.5	-16.3	-41.4	-42.5	-31.0	-10.3	-18.4	-13.2	-7.0	-22.6
Non-interest rate charges	Next three months	-2.8	2.1	-0.3	4.0	-13.3	-16.4	-8.8	-2.9	-0.6	-0.6	0.00	-1.96
Size of the loan or credit line	Next three months	-2.8	-5.3	-17.5	-0.6	-28.6	-27.6	6.6	40.8	22.7	29.6	9.6	32.0
Collateral requirements	Next three months	8.6	12.8	13.0	-2.7	2.3	10.2	-1.6	36.1	27.4	37.6	22.3	41.5
Maturity	Next three months	12.0	13.9	1.0	4.5	-8.1	2.2	-1.5	24.0	-22.2	22.5	15.4	23.3
Default rate on loans to households	Next three months	16.6	55.0	-26.3	20.3	2.0	20.9	79.1	88.4	68.4	67.9	66.2	90.0

Period		2018/19				2019/20				2020/21			
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lending rates expectation													
Increae(+)/Decrease(-)	Next three months	-4.2	16.3	22.1	-10.0	-19.6	-2.6	-14.4	-57.8	-23.1	-1.9	-2.2	-37.3
Percentage change	Next three months	-0.1	0.0	0.2	-0.1	-0.2	0.0	-1.1	-3.0	-0.2	0.0	0.0	-1.4

by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.
be higher than over the previous/current three-month period, or that the credit standards/ terms

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	Mar-21	Jun-21
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	9.4	26.5
	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	-31.5	100.0
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	-48.9	26.5
	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	-2.3	100.0
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	36.7	38.6
	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	15.3	74.9
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	2.5	25.5
	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	-19.8	71.6
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	38.5	33.0
	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	-22.0	74.9
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	2.5	-11.0
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	6.0	0.0
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	35.1	-12.1
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	67.7	-7.8
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	38.5	52.8
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	0.0	-15.3
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	9.4	-7.6
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	9.4	52.8
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	67.7	51.8
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	-26.6	4.5
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	-13.8	-21.1
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	20.6	43.8
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	15.3	-20.1
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	44.5	14.5
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	-10.3	50.0
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	18.8	17.7
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	44.5	53.3
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	70.9	-62.5
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	70.9	-62.5
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	33.9	-38.4
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	98.2	-2.8
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	33.9	-38.4
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	-7.3	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	-7.3	49.8
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	-44.2	74.9
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	51.0	100.0
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	21.8	74.9
Period		**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**
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	-0.9	2.4
	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	1.1	32.8
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	39.9	-38.4
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	18.8	14.5
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	20.6	17.7
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	15.3	14.5
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	18.8	14.5
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	18.8	17.7
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	18.8	14.5
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	18.8	21.0
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	-7.4	73.9

(a) Net percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.
Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.
(b) Small and Medium Enterprises (SMEs) was defined as an enterprise employing less than 100 employees where as large Enterprises are enterprises were defined as those enterprises employing more than 100 employees.
(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lenders.

APPENDIX 3: Methodology

Questions:

The questions in the lending survey questionnaire distinguish between two categories of loans namely: a) loans to enterprises and b) loans to households and individuals. For each category, questions were posed on credit standards for approving loans; credit terms and conditions; default rate; as well as credit demand and its determinants.

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach takes into account the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the two month period (April-May 2021), 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