Bank Lending Survey Report
Second Quarter - FY 2022/23

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 2022. The objectives of the survey were to: enhance BOU's understanding of the lending behaviour 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 2022 and the expectations for the quarter to March 2023.

Credit Standards

In the quarter to December 2022, credit standards to both enterprises and households remained broadly unchanged, with a bias towards tightening for enterprises and easing for households on a net basis. The tightening was reported across all firm sizes and long-term loans, whereas short-term loans were eased in the quarter to December 2022.

Going forward (quarter to March 2023), banks expect to tighten credit standards to enterprises and ease for households on a net basis. Banks also expect to tighten credit standards across large enterprises sizes and long-term loans, but ease for SMEs and short-term facilities.

Credit Standards by Economic Sector

In the quarter to December 2022, banks reported to have eased credit standards for majority of the economic sectors on a net basis, except Building, mortgage, construction & real estate, Mining and quarrying, Transport and communication, and Community social and other service sectors, which recorded net tightening. The degree of net easing of credit standards increased for most sectors in December 2022 when compared with the level of easing in the quarter to September 2022, except for Business services, Manufacturing and, Electricity and water.

Outlook on Demand for credit

In the quarter to March 2023, banks anticipate an increase in demand for credit from both enterprises and households, on a net basis. The increase in credit demand from both enterprises and households was mainly attributed to short-term financing for back to school activities in form of working capital and school fees.

Outlook on Terms & Conditions for credit

In the quarter to March 2023, banks expect to tighten all price terms and conditions[1] on a net basis to both enterprises and households, save for terms and conditions to prime borrowers (households), which are anticipated to be eased.

Similarly, most banks are expected to maintain their non-price terms and conditions for enterprises and consumer credit. On a net basis, banks expect to tighten all non-price terms and conditions[2] for both enterprises and consumer credit, save for the size of loan (households) which is expected to ease.

Outlook on the default rate on loans

Some banks expect the default rate on loans to both enterprises and households to increase in the quarter to March 2023. The expected increase in default rate on loans to enterprises and households was mainly attributed to the current uncertain economic environment affecting the market reactions and customer buying sentiments, high interest rates and inflation expected to further heighten operational costs and reduce demand for commodities, thus affecting the ability to pay, government delays in payment of its service providers and civil servants and, the prioritisation of school fees over loan repayment.

Interest Rate Expectations

Majority of the banks (66.9 per cent) expect their lending rates to remain broadly unchanged, with 33.1 per cent anticipating the rates to increase in the quarter to March 2023. This was attributed to the alignment with the increase in the CBR and the cost of doing business.

Expectation on the monetary policy stance

Banks were asked about their expectations on the monetary policy stance for the next quarter to end March 2023 in relation to the current economic situation. There were mixed reactions with majority of the banks anticipating a further tightening of monetary policy through increase of the CBR to

[1] Price-related terms and conditions refer to the direct price or interest rate in the context of this survey.

[2] Include maturity period, size of the loan, non-interest rate charges and collateral requirements.

counter the rising inflationary pressures. On the other hand, some banks expect the CBR to reduce marginally, attributed to the decline in fuel and food prices and, the need to revive the economy from the adverse economic conditions of 2022.

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 outturns for the quarter ended December 2022 and expectations for the quarter to March 2023. Questionnaires were completed by all 25 commercial banks and 8 non-bank 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 explained in *Appendix 3*. *Detailed summary results of Non-Bank Financial Institutions (NBFIs) are presented in Appendix 2.*

Survey Findings

1.1 Enterprises

1.1.1 Credit Standards to Enterprises

Credit standards consist of internal banking rules/ criteria/guidelines which determines (based on classifications by sector, area, size, duration, financial indicators, etc.) the 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.

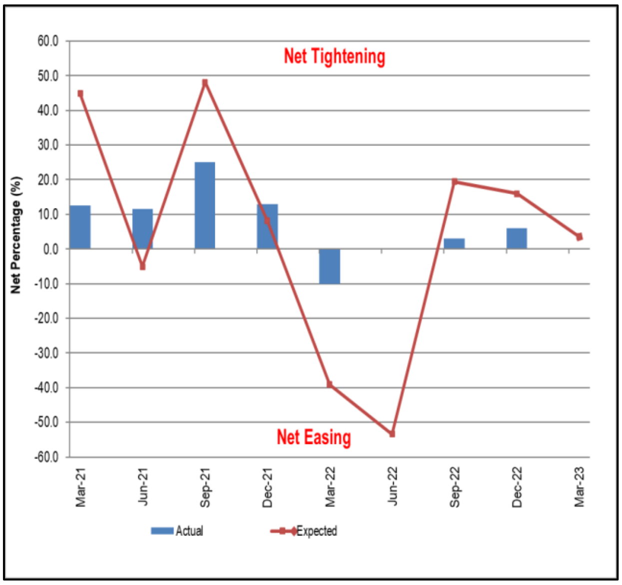
In the quarter to December 2022, credit standards on loans to enterprises tightened signalled by the measure of net tightening of 6.0 percent, slightly higher than the 3.0 per cent net tightening recorded in the quarter to September 2022 (*See*, Figure 1). The direction is consistent, but lower than the net tightening expectation for quarter ended December 2022 which was reported during the first quarter (2022/23Q1) survey. The divergence in the outturn despite the consistence in direction could be attributed to the need to meet the festive season demand amidst the rising inflation (*See, Tables 1 & 2*).

Across firm size, credit standards further tightened for both SMEs and large enterprises represented by the measure of net tightening of 7.3 percent and 11.8 percent, respectively.

In terms of loan duration, the credit standards eased for short-term loans, while long-term loans tightened in the quarter to December 2022, both at a slower pace compared to the previous survey results (*See, Table 1*).

The net tightening of credit standards was mainly attributed to the current inflationary tendencies, coupled with the high cost of living and doing businesses which have severely affected the purchasing power levels in the economy.

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-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**
Tightened(A)	8.4	6.0	10.1	7.4	10.8	12.2	2.5	0.0	17.7	10.1
Unchanged	86.2	94.0	84.4	92.5	87.7	87.4	80.5	90.2	80.9	89.9
Eased (B)	5.4	0.0	5.5	0.1	1.4	0.4	17.0	9.8	1.4	0.0
Net %(A-B)	**3.0**	**6.0**	**4.6**	**7.3**	**9.4**	**11.8**	**-14.5**	**-9.8**	**16.3**	**10.1**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to March 2023, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards tightening on a net basis though at a slower pace. Like the previous survey results, banks expect to tighten credit standards for large enterprises and long-term loans but ease for SMEs and short-term loans on a net basis. (*See, Figure 1 and Table 2*).

The expected net tightening of credit standards in the next quarter was attributed to the deteriorating economic environment which has strained cash flows, the high inflation levels which has raised the cost of doing business, as a result banks expect to cautiously lend.

The anticipated easing of standards for SMEs and short-term loans was based on the seasonal demand for credit largely driven by the need for school fees and working capital as schools reopen for the first term and, the recent amendments to enhance the performance and uptake of the Small Business Recovery Fund.

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-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**
Tighten (A)	17.4	8.8	9.7	7.7	14.7	15.9	2.4	6.4	14.7	10.8
Unchanged	81.2	86.1	81.8	82.0	83.9	79.0	84.4	73.5	83.9	86.4
Ease (B)	1.4	5.2	8.5	10.4	1.4	5.1	13.2	20.1	1.4	2.8
Net %(A-B)	**15.9**	**3.6**	**1.1**	**-2.7**	**13.3**	**10.8**	**-10.8**	**-13.7**	**13.3**	**8.0**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

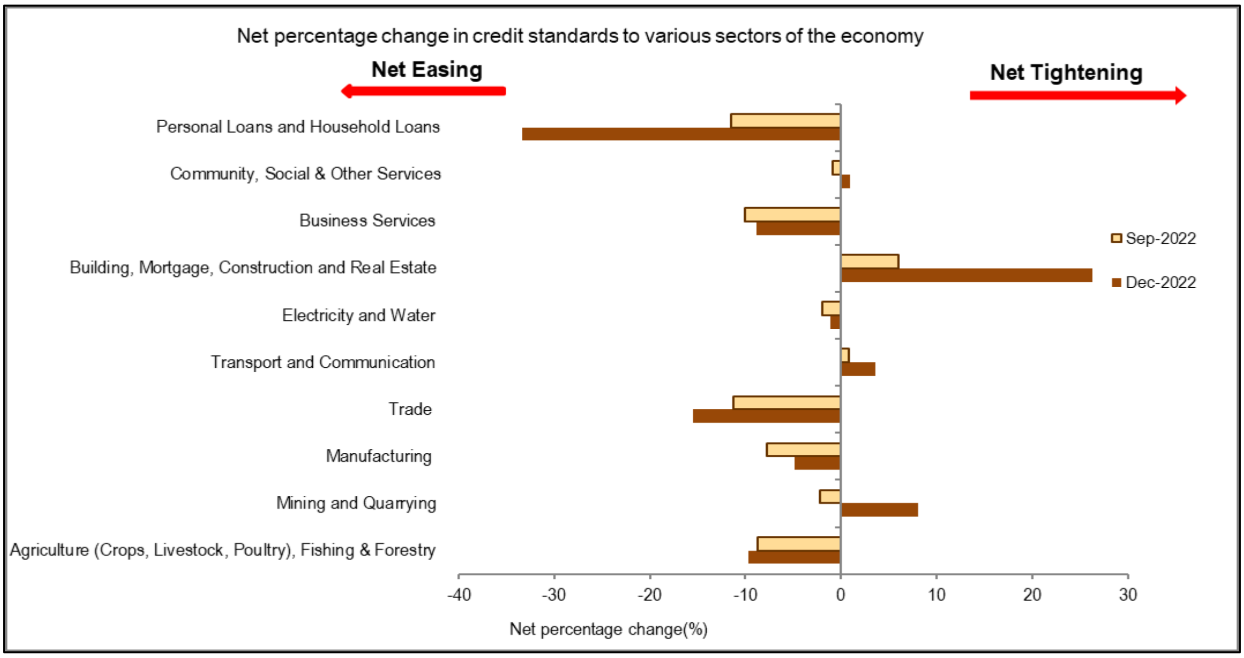
In the quarter to December 2022, banks reported to have eased credit standards for majority of the economic sectors on a net basis, except Building, mortgage, construction & real estate, Mining and quarrying, Transport and communication, and Community social and other service sectors, which recorded net tightening. The degree of net easing of credit standards increased for most sectors in December 2022 when compared with the level of easing in the quarter to September 2022, except for Business services, Manufacturing and, Electricity and water as illustrated in Figure 2.

The sectoral distribution of the net easing of credit standards was highest for lending to Personal and households (33.4 percent), followed by Trade (15.6 percent), Agriculture, fishing, and forestry (9.7 percent), Business services (8.8 percent), Manufacturing (4.9 percent) and Electricity and water (1.1 percent). On the other hand, sectors that recorded net tightening comprise of Building, mortgage, construction, and real estate (26.3 percent), Mining and quarrying (8.0 percent), Transport and communication (3.6 percent) and Community social and other service (0.9 percent).

The net easing registered for majority of the sectors in the quarter to December 2022 was largely attributed to the relaxation of lending terms to individuals and households mainly salaried employees to enable them fund festive season expenditures and start of the planting season in which famers require funds to facilitate their activities.

On the other hand, the tightening for other sectors was attributed to the increase in default rate, delayed disbursement of funds by government for the Building, mortgage, construction & real estate, high fuel prices affecting the Transport and communication sector and the uncertainty in the economic environment.

Figure 2: Changes in Credit Standards by Economic Sector (Sep & Dec 2022)



Source: *Bank of Uganda*

1.1.3 Expectations in the Terms and Conditions[3] for Credit to Enterprises

There were mixed reactions from banks regarding their expectations on changes in price terms and conditions[4] in the quarter to March 2023 (Figure 3). Looking at the expectations for loan classifications, majority of the banks anticipate keeping the terms and conditions unchanged for prime borrowers, average loans and, riskier loans[5] in the quarter to March 2023[6]. On a net basis, banks expect to tighten all their price terms and conditions in the coming quarter to March 2023. No banks expect to ease the terms and conditions for average and riskier loans, with a few anticipating some easing for prime borrowers.

The expected net tightening of all price terms and conditions was attributed to; anticipated increase in the central bank rate (CBR), the high cost of funds and, the need to cover up for the risk of default amidst an uncertain economic environment. Those that expect to ease the terms and conditions for prime borrowers hinged it on the competition for the few trustworthy clients.

Similarly, majority of banks expect to maintain non-price terms and conditions[7], with a bias towards

[3] Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower.

[4] Price-related terms and conditions refer to the direct price or interest rate in the context of this survey.

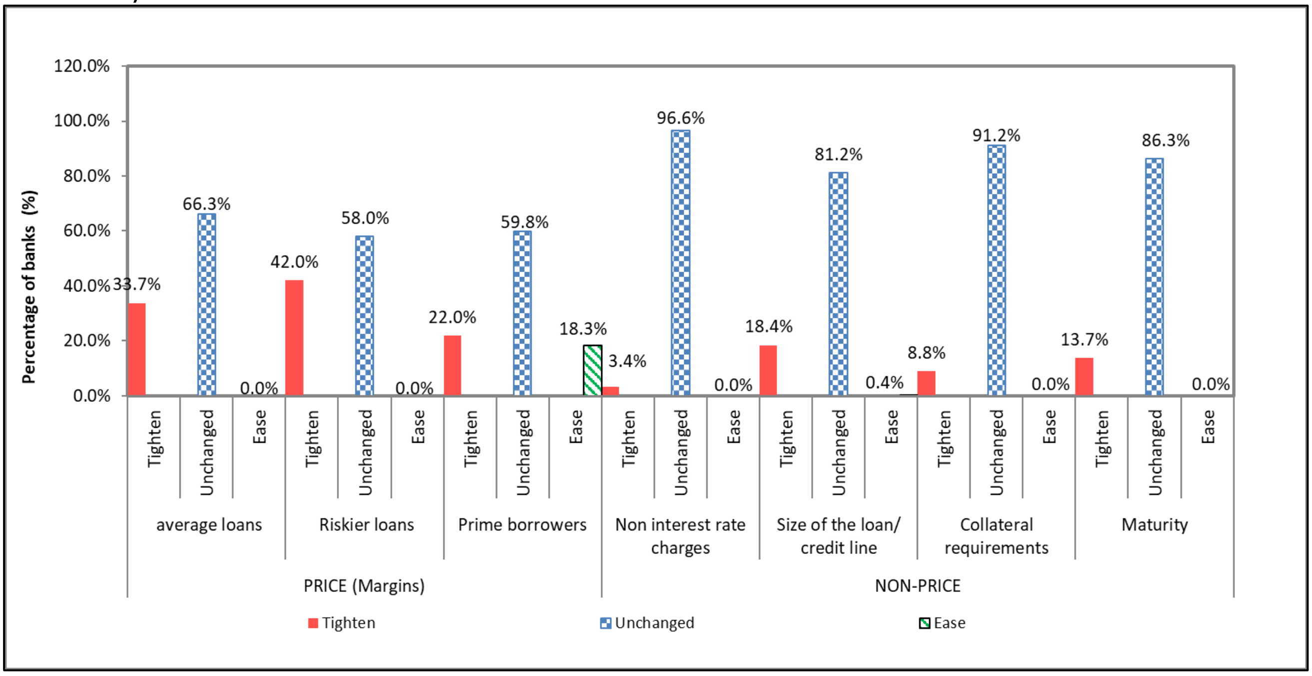
[5] Loans that banks assume to have a high probability of default.

[6] The borrowers are classified as prime, average, and riskier depending on the repayment history. Risker borrowers are those customers who are new to the lender or whose repayment history has not been good.

[7] Include maturity period, size of the loan, non-interest rate charges and collateral requirements.

tightening in the quarter to March 2023 (*See*, Figure 2). The major reason banks cited for the expected tightening of all non-price terms and conditions in the quarter to March 2023 was the uncertain macroeconomic environment amidst the high inflationary pressures.

Figure 3: Expected Changes in Terms & Conditions for Approving Loans to Enterprises (Quarter to March 2023)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to March 2023, banks anticipate an overall increase in demand for credit, a lower expectation compared to the rise in credit demand reported in the previous survey as shown in Table 3. Notably, the increase in credit demand is expected across all firm sizes and loan durations, albeit at a slower pace than the previous quarter.

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

a) Short term financing for back to school activities especially working capital for schools.

b) The need to boost incomes after festive season expenditure.

The above anticipated increase in demand is expected to be mainly downsized by the rise in CBR which is manifested in high borrowing costs.

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-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**
Increase(A)	67.0	52.1	56.8	47.2	64.4	49.6	76.9	64.6	62.5	36.1
Unchanged	18.9	39.2	32.3	46.7	23.3	37.5	19.3	33.4	23.9	58.9
Decrease(B)	14.1	8.7	10.9	6.1	12.3	12.9	3.8	2.0	13.5	5.0
Net %(A-B)	**52.9**	**43.4**	**45.9**	**41.1**	**52.1**	**36.7**	**73.1**	**62.7**	**49.0**	**31.1**
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, in the quarter to December 2022, banks eased credit standards to households, as depicted by a net percentage of 27.1 percent, contrary to the net tightening of 6.9 percent registered at the end of the previous quarter (See, Appendix 1). This was largely driven by seasonal demand for festive season needs and focus on salaried employees in businesses that are still resilient.

In the quarter to March 2023, banks expect to further ease credit standards to households as indicated by the net percentage of 14.2 percent, contrary to the net tightening which was anticipated for the quarter to December 2022 of 6.1 percent on a net basis.

The expected easing of credit standards to the household sector was attributed to the focus on households as they look out for funds for school fees payments, coupled with an anticipated recovery in the economic environment at the start of 2023.

1.2.2 Outlook on Terms and Conditions for Credit to Households

Majority of the price terms and conditions for consumer credit are expected to tighten, except for prime borrowers which are expected to ease on a net basis over the next three months to March 2023. Similarly, majority of the banks expect to keep their non-price terms and conditions for consumer credit unchanged with a bias towards tightening for the majority, save for the size of loan which is expected to ease (See, Appendix 1).

The major reasons cited for the anticipated tightening of average and riskier loans include the heightened CBR, the need to match the exposure to the risk of default in uncertain economic environment and efforts to improve the portfolio quality. On the other hand, the easing for prime borrowers was majorly based on the need to retain the few but dependable clients, hence the need to relax some terms.

Similarly, the expected tightening of majority of the non-price terms and conditions is attributed to; declining disposable income on account of the increasing cost of living and the uncertain macro-economic environment. The easing of the size of the loan is hinged on the pre-profiling of borrowers on their historical loan payments

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase in the three months to March 2023. Specifically, 66.8 percent of banks anticipate an increase in households credit demand, compared to the 3.6 percent that expect a decrease in the quarter to March 2023.

The anticipated increase in household credit demand is attributed to; the need for financing to cater for school fees as the first school term opens in Q3 and the need for customers to borrow to supplement their income after the festive season. On the other hand, this expected increase in demand for loans will be moderated by the rise in the cost of borrowing and the low economic activity anticipated in Q3.

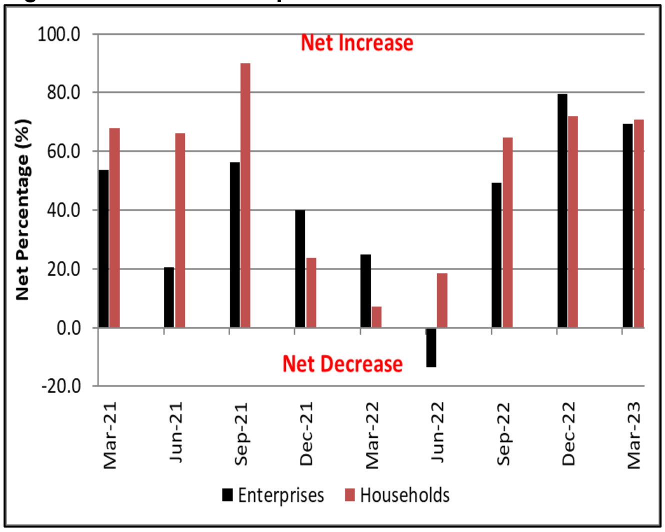
1.2.4 Expected Default Rate on Loans to Enterprises and Households

Overall, 79.5 percent of the banks expect the default rate on loans to enterprises to increase on a net basis in the quarter to March 2023, higher than the 49.2 percent increase registered in the previous quarter. The anticipated increase in default rate cuts across all firm sizes and loan durations. The expected rise in default rate on loans to enterprises was attributed to.

a) The current uncertain economic environment affecting the market reactions and customer buying sentiments.
b) The high interest rates and inflation expected to further heighten operational costs and reduce demand for commodities, thus affecting the ability to pay.
c) Government delays in payment of its service providers.

On the side of households, 70.8 percent of banks expect the default rate in this sector to increase on a net basis in the quarter to March 2023. (see, Appendix 1). The anticipated increase in default rate was attributed to; inflation which has reduced disposable incomes, delayed payment of civil servants and the prioritisation of school fees over loan repayment.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.3 Interest Rate Expectations for Q3 FY 2022/23

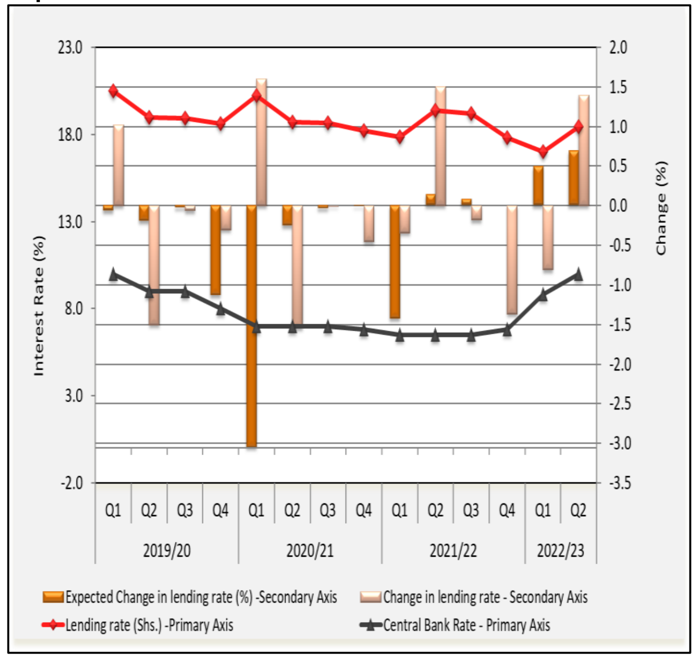
To understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their expected lending rates in the quarter to March 2023.

The results indicate that majority of the banks (66.9 percent) expect their lending rates to remain broadly unchanged, with 33.1 percent anticipating the rates to increase in the quarter to March 2023.

The lending rate is expected to increase in the quarter to March 2023 when compared to that in the quarter to December 2022, with a growth of 0.32 percentage points as illustrated in Figure 5.

The expected increase in lending rates was majorly attributed to the alignment with the increase in the CBR and the cost of doing business.

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 to be comparable with the actual outturns.*

1.4 Expectation on the monetary policy stance

Banks were asked about their expectations on the monetary policy stance for the next quarter to end March 2023 in relation to the current economic situation. There were mixed reactions with majority of the banks anticipating a further tightening of monetary policy through increase of the CBR to counter the rising inflationary pressures. On the other hand, some banks expect the CBR to reduce marginally, attributed to the decline in fuel and food prices and, the need to revive the economy from the adverse economic conditions of 2022.

1.5 Conclusion

The bank lending survey results indicate that in the quarter to December 2022, credit standards to enterprises tightened, while those to households eased on a net basis.

In terms of the outlook for the quarter to March 2023, banks indicated that they expect to tighten credit standards to enterprises and ease for households, albeit at a slower pace.

On the other hand, the demand for loans by both enterprises and households is expected to increase in the quarter to March 2023.

The default rate on loans to both enterprises and households is expected to further increase in the quarter to March 2023.

Lastly, the survey results indicate that majority of banks expect their lending rates to remain broadly unchanged, with a bias towards increase in the quarter to March 2023.

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		2019/20		2020/21				2021/22				2022/23	
Part I: Enterprises		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
loans or credit lines to enterprises													
Overall	Past three months	17.9	91.3	50.6	37.9	12.6	11.5	25.1	12.9	-10.0	-0.1	3.0	6.0
	Next three months	17.9	62.1	0.4	44.9	-5.0	48.1	8.2	-39.1	-53.4	19.4	15.9	3.6
SMEs	Past three months	17.1	91.3	50.6	35.6	10.7	11.1	23.6	10.0	-10.6	-8.7	4.6	7.3
	Next three months	20.6	75.8	-6.4	35.8	-10.1	47.1	7.2	-44.2	-55.1	6.8	1.1	-2.7
Large enterprises	Past three months	25.6	74.1	57.4	45.6	15.4	28.2	26.1	20.2	-0.3	-3.5	9.4	11.8
	Next three months	22.3	42.5	3.4	46.9	7.7	54.6	22.0	-23.3	-41.0	22.5	13.3	10.8
Short term loans	Past three months	-0.3	70.7	41.1	28.7	4.1	5.1	3.9	2.2	-17.5	-13.2	-14.5	-9.8
	Next three months	31.6	31.4	-22.4	26.6	-10.8	37.9	-8.5	-61.2	-53.5	-10.8	-10.8	-13.7
Long term loans	Past three months	13.8	88.5	55.2	39.1	15.0	17.3	18.9	27.1	-9.5	-0.8	16.3	10.1
	Next three months	28.6	64.5	2.2	45.1	-4.9	48.1	11.6	-27.9	-36.4	17.6	13.3	8.0
loans or credit lines to enterprises to													
Agriculture (Crops, Livestock, Poultry), Fishing &	Past three months	10.8	36.9	35.1	9.4	13.7	0.3	19.8	-17.0	-5.8	-4.0	-8.7	-9.7
Mining and Quarrying	Past three months	12.6	52.3	40.4	17.5	4.9	4.6	18.1	17.7	5.8	3.7	-2.1	8.0
Manufacturing	Past three months	22.4	57.3	42.6	7.5	-7.9	-8.9	5.5	3.9	-14.5	-11.0	-7.7	-4.9
Trade	Past three months	20.7	89.7	59.3	22.6	-10.7	-8.1	18.2	3.2	-24.0	-12.8	-11.3	-15.6
Transport and Communication	Past three months	21.5	71.0	48.1	26.1	17.3	41.2	36.4	31.8	-20.0	-1.1	0.8	3.6
Electricity and Water	Past three months	0.9	5.6	-3.9	1.7	-1.8	-1.8	15.9	17.7	-10.0	-10.8	-2.0	-1.1
Building, Mortgage, Construction and Real Estate	Past three months	14.7	90.5	71.2	38.9	46.1	48.8	40.4	47.8	22.1	19.6	6.0	26.3
Business Services	Past three months	-1.6	52.1	58.2	30.3	-0.3	13.4	9.3	1.6	-23.6	-22.0	-10.0	-8.8
Community, Social & Other Services	Past three months	10.8	54.0	56.0	32.1	15.6	27.8	29.0	23.3	1.4	-8.1	-0.9	0.9
Personal Loans and Household Loans	Past three months	-13.1	84.9	42.9	-8.0	-26.0	-24.6	7.4	-21.4	-23.9	-10.0	-11.5	-33.4
or credit lines to enterprises													
Margin on average loans	Next three months	2.2	-6.3	-10.9	-0.9	-18.1	-12.0	-11.9	-17.1	7.3	41.5	45.5	33.7
Margin on riskier loans	Next three months	47.0	31.9	59.7	31.7	21.0	41.4	32.8	51.6	44.9	54.8	50.8	42.0
margin on prime borrowers	Next three months	-34.8	-41.6	-22.4	-21.8	-23.7	-40.8	-35.0	-53.1	-24.2	30.7	36.9	3.7
Non-interest rate charges	Next three months	-8.7	-7.9	-2.2	-3.2	-14.0	-3.8	-1.1	-3.5	0.3	0.0	0.8	3.4
Size of the loan or credit line	Next three months	20.6	56.9	44.3	25.3	-17.3	18.2	5.9	-29.3	-14.9	6.7	15.2	18.0
Collateral requirements	Next three months	46.8	68.2	48.9	33.5	5.5	39.7	42.8	21.6	14.1	18.8	19.0	8.8
Maturity	Next three months	-1.0	36.7	40.7	24.5	-11.4	7.2	-3.2	11.4	-14.1	1.4	6.3	13.7
Expected demand for loans or credit lines by enterprises(apart from normal seasonal													
Overall	Next three months	43.7	20.7	64.4	11.7	76.4	-83.2	87.5	87.3	93.5	50.6	52.9	43.4
SMEs	Next three months	41.9	20.2	66.7	18.6	64.5	-87.8	85.0	85.9	84.3	39.2	45.9	41.1
Large enterprises	Next three months	39.8	35.9	38.5	-4.0	61.9	-75.1	64.2	79.2	86.4	44.0	52.1	36.7
Short term loans	Next three months	53.0	33.3	80.4	39.7	84.7	-76.0	94.8	95.5	98.3	65.4	73.1	62.7
Long term loans	Next three months	41.0	16.2	38.0	-0.9	81.4	-76.3	68.6	67.7	89.3	29.4	49.0	31.1
Default rate on loans to enterprises													
Overall	Next three months	87.8	52.1	15.2	53.6	20.6	56.4	40.0	25.0	-13.5	49.2	79.5	69.3
SMEs	Next three months	49.5	52.9	21.4	52.5	27.4	58.0	40.1	27.1	-12.1	64.2	84.6	64.1
Large enterprises	Next three months	68.8	51.6	16.0	50.1	45.9	47.0	29.3	9.2	-21.8	41.1	53.6	44.5
Short term loans	Next three months	76.8	55.5	15.3	57.9	34.7	45.1	23.7	1.1	-35.7	36.8	36.9	36.9
Long term loans	Next three months	72.2	52.1	20.4	56.4	35.0	56.0	38.0	28.2	-11.2	51.2	78.3	69.2
Period		2019/20		2020/21				2021/22				2022/23	
Part II: Households		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	-26.3	85.9	47.9	-13.9	-8.1	-25.7	20.3	-32.1	-27.4	-17.4	6.9	-27.1
	Next three months	40.2	62.8	-4.0	-5.9	-24.0	41.6	-10.0	-48.9	-28.7	11.7	6.1	-14.2
Demand for loans to households and non-enterprises (for purposes of consumer	Next three months	22.6	23.7	67.8	34.2	63.3	-46.1	61.9	86.2	80.4	-1.1	17.1	63.2
Terms and conditions for approving loans or credit lines to households													
Margin on average loans	Next three months	-21.2	-16.5	-18.0	1.7	-2.5	1.5	3.6	-1.1	-0.7	31.0	23.7	16.8
Margin on riskier loans	Next three months	42.3	42.0	32.7	32.0	19.8	52.2	32.4	18.8	36.8	48.3	28.0	47.7
Margin on prime borrowers	Next three months	-31.0	-10.3	-18.4	-13.2	-7.0	-22.6	-2.5	-7.3	-30.3	13.5	-2.5	-4.8
Non-interest rate charges	Next three months	-8.8	-2.9	-0.6	-0.6	0.00	-2.0	-0.8	2.6	0.0	0.0	5.3	3.4
Size of the loan or credit line	Next three months	6.6	40.8	22.7	29.6	9.6	32.0	0.2	-14.7	-8.6	23.1	20.3	-18.3
Collateral requirements	Next three months	-1.6	36.1	27.4	37.6	22.3	41.5	22.4	14.0	9.6	21.4	22.5	17.7
Maturity	Next three months	-1.5	24.0	-22.2	22.5	15.4	23.3	-8.8	-3.6	-7.5	7.1	5.8	3.0
Default rate on loans to households	Next three months	79.1	88.4	68.4	67.9	66.2	90.0	23.8	7.1	18.4	64.8	72.1	70.8
Period		2019/20		2020/21				2021/22				2022/23	
Part III: Occassional Questions		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Lending rates expectation													
Increae(+)/Decrease(-)	Next three months	-14.4	-57.8	-23.1	-1.9	-2.2	-37.3	2.7	-4.2	0.0	60.9	71.4	33.1
Percentage change	Next three months	-1.13	-3.05	-0.25	-0.04	0.00	-1.42	0.14	0.08	0.00	0.49	0.69	0.32

Note: All figures are on a net basis except where stated. Net percentage balances are calculated by the difference between the reported/expected demand/default rate to be higher than over the

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		Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Credit policy as applied to the approval of loans or credit lines to enterprises															
Overall	Past three months	4.4	-21.9	25.2	63.1	29.8	64.1	9.4	26.5	71.8	-3.2	-3.2	-6.7	29.7	-29.0
	Next three months	29.8	45.1	66.8	32.3	41.7	70.7	-31.5	100.0	-32.0	-46.7	-46.9	26.8	-40.1	7.6
SMEs	Past three months	12.8	-13.7	53.1	63.1	40.8	64.1	-48.9	26.5	77.9	24.9	22.8	22.1	29.7	4.5
	Next three months	28.3	62.5	66.1	49.9	41.7	70.7	-2.3	100.0	18.4	-21.7	-5.4	-6.9	-7.2	10.2
Large enterprises	Past three months	11.6	18.4	26.6	43.9	26.2	32.2	36.7	38.6	69.4	28.1	28.2	29.0	30.8	2.6
	Next three months	-7.1	1.1	38.9	31.9	27.1	46.3	15.3	74.9	18.4	-21.7	-8.7	0.0	0.0	8.3
Short term loans	Past three months	-3.1	-32.2	24.7	61.5	39.6	64.1	2.5	25.5	69.4	-6.0	14.2	27.0	25.3	-32.8
	Next three months	7.3	25.5	44.6	25.0	30.9	70.7	-19.8	71.6	-35.0	-46.7	-8.7	0.0	-32.9	8.3
Long term loans	Past three months	-4.4	17.3	25.9	56.7	16.4	33.6	38.5	33.0	69.4	21.7	20.8	31.0	33.1	-29.0
	Next three months	-20.3	29.8	38.2	44.0	27.1	46.3	-22.0	74.9	-32.0	-23.3	3.3	2.0	-30.6	10.2
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors															
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	-19.9	12.4	-0.2	46.3	-4.7	-19.2	2.5	-11.0	28.1	19.0	31.5	31.0	33.1	10.2
Mining and Quarrying	Past three months	3.1	0.0	0.0	12.0	27.5	-15.4	6.0	0.0	16.0	20.2	28.2	29.0	27.5	0.0
Manufacturing	Past three months	0.0	0.0	0.7	17.6	27.5	0.6	35.1	-12.1	16.0	21.7	31.5	27.0	25.3	-1.9
Trade	Past three months	-3.1	13.5	5.1	27.6	47.5	45.3	67.7	-7.8	66.4	2.7	7.5	-6.7	20.5	2.6
Transport and Communication	Past three months	-1.6	1.1	5.1	62.3	34.1	13.4	38.5	52.8	69.4	27.7	-1.2	1.4	26.1	4.5
Electricity and Water	Past three months	0.0	0.0	0.0	12.0	19.1	-31.9	0.0	-15.3	16.0	-3.2	31.5	27.0	25.3	-1.9
Building, Mortgage, Construction and Real Estate	Past three months	9.2	-23.0	4.4	62.3	34.1	14.8	9.4	-7.6	31.1	19.0	38.3	31.0	29.7	2.6
Business Services	Past three months	0.0	0.0	25.9	63.1	34.1	14.8	9.4	52.8	69.4	21.7	-9.9	-6.7	25.3	0.7
Community, Social & Other Services	Past three months	-8.0	-23.0	3.9	55.5	50.1	39.2	67.7	51.8	91.5	21.7	-1.2	-2.6	29.7	4.5
Personal Loans and Household Loans	Past three months	-11.1	-23.0	4.4	57.5	-2.3	-11.6	-26.6	4.5	31.1	19.0	31.5	27.0	29.7	-1.9
Terms and conditions for approving loans or credit lines to enterprises															
Margin on average loans	Next three months	11.5	-20.5	22.8	-38.7	-41.8	-2.5	-13.8	-21.1	-22.3	-10.2	0.0	0.0	17.6	0.0
Margin on riskier loans	Next three months	11.1	25.5	23.3	42.3	43.0	50.3	20.6	43.8	18.9	21.7	12.0	6.1	23.2	10.2
margin on prime borrowers	Next three months	-17.5	-30.4	-17.5	-45.5	-41.8	-3.8	15.3	-20.1	-25.3	17.5	-8.7	0.0	17.6	0.0
Non-interest rate charges	Next three months	-8.4	-17.4	4.8	-39.5	-41.8	22.5	44.5	14.5	16.0	-7.5	16.3	0.0	0.0	-33.5
Size of the loan or credit line	Next three months	0.8	1.2	31.7	57.5	36.4	26.4	-10.3	50.0	54.2	17.5	-16.3	0.0	-29.5	-30.9
Collateral requirements	Next three months	-8.4	-14.6	-1.1	39.5	37.6	22.6	18.8	17.7	18.9	21.7	3.3	6.1	-27.3	1.9
Maturity	Next three months	0.0	18.5	32.2	40.3	29.8	11.4	44.5	53.3	54.2	19.0	3.3	2.0	-30.6	-29.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?															
Overall	Next three months	67.9	-28.7	-98.6	29.8	27.2	40.7	70.9	-62.5	91.0	94.1	91.3	-10.8	12.5	-19.3
SMEs	Next three months	67.9	-28.7	-98.6	29.8	27.2	14.4	70.9	-62.5	66.6	69.1	58.5	27.0	-14.8	16.1
Large enterprises	Next three months	4.7	15.9	-65.3	-1.0	2.7	-40.1	33.9	-38.4	54.2	69.1	58.5	22.9	-20.3	14.2
Short term loans	Next three months	65.6	-12.3	-98.6	29.8	27.2	39.4	98.2	-2.8	91.0	69.1	58.5	-10.8	18.1	21.8
Long term loans	Next three months	9.0	15.9	-66.0	79.6	18.7	-17.5	33.9	-38.4	68.9	69.1	58.5	22.9	44.5	49.6
Default rate on loans to enterprises															
Overall	Next three months	-58.8	24.0	100.0	76.0	87.3	100.0	-7.3	100.0	-50.6	-91.4	-79.2	22.1	-81.8	45.0
SMEs	Next three months	-58.4	24.0	100.0	76.0	87.3	100.0	-7.3	49.8	-50.6	-66.5	-46.5	-11.6	-81.8	8.9
Large enterprises	Next three months	-26.6	-18.8	67.5	69.2	72.7	68.1	-44.2	74.9	-50.6	-69.2	-49.8	-17.7	-54.5	7.0
Short term loans	Next three months	-63.2	24.0	99.3	76.0	81.9	92.3	51.0	100.0	-50.6	-91.4	-82.5	16.0	-86.3	41.2
Long term loans	Next three months	-27.7	40.6	71.4	57.2	73.9	69.5	21.8	74.9	-50.6	-66.5	-46.5	-15.7	-87.4	9.6

Period		Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Part II: Households															
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-5.0	-25.9	21.5	51.1	50.7	-15.4	-0.9	2.4	28.1	46.7	3.3	2.0	2.2	0.7
	Next three months	-23.0	-18.7	45.8	44.4	50.9	-4.2	1.1	32.8	-12.2	-10.7	0.0	0.0	-7.0	-5.7
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	67.8	-3.6	-44.8	76.4	13.7	-28.7	39.9	-38.4	33.5	69.1	41.1	27.3	96.7	-7.2
Terms and conditions for approving loans or credit lines to households															
Margin on average loans	Next three months	3.8	-33.9	1.8	-34.2	-36.4	0.0	18.8	14.5	16.0	-10.2	0.0	0.0	17.6	0.0
Margin on riskier loans	Next three months	11.9	-21.7	23.3	-27.9	37.6	46.5	20.6	17.7	21.4	23.7	5.3	6.1	23.2	7.6
Margin on prime borrowers	Next three months	3.8	-30.4	0.6	-28.3	-41.8	-3.8	15.3	14.5	13.0	17.5	0.0	0.0	17.6	-2.6
Non-interest rate charges	Next three months	-8.0	0.0	10.7	-34.2	36.4	0.0	18.8	14.5	16.0	17.5	16.3	0.0	0.0	0.0
Size of the loan or credit line	Next three months	0.0	4.1	10.7	-42.3	0.0	0.0	18.8	17.7	16.0	20.2	-16.3	0.0	0.0	0.0
Collateral requirements	Next three months	-8.0	3.0	32.2	-30.3	36.4	18.8	18.8	14.5	16.0	21.7	3.3	2.0	2.2	1.9
Maturity	Next three months	0.0	0.0	32.2	-11.6	-36.4	-18.8	18.8	21.0	16.0	20.2	0.0	0.0	0.0	0.0
Default rate on loans to households	Next three months	-20.8	-28.8	67.3	17.7	50.7	69.5	-7.4	73.9	-45.0	-66.3	-41.1	-18.8	-59.3	20.3

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

APPENDIX 3: Methodology

Questions:

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

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach considers 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 (September-November 2022), 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 →