Bank Lending Survey Report fourth 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 June 2023. 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 developments in the credit market during the quarter ended June 2023 and the expectations for the quarter to September 2023.

Credit Standards

In the quarter to June 2023, 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. Tightening was reported across all firm sizes and loan durations in the quarter to June 2023.

Going forward (quarter to September 2023), banks expect to tighten credit standards to enterprises and ease for households on a net basis.

Credit Standards by Economic Sector

In the quarter to June 2023, banks reported to have tightened credit standards to entities involved in Building, mortgage, construction & real estate, Mining and Quarrying and Transport and Communication on a net basis but eased for the remaining economic sectors.

Outlook on Demand for credit

In the quarter to September 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 is mainly attributed to the need to plan for the end of year financing requirements in preparation of the festive period, ongoing steady recovery of the economy after the exogenous shocks and continued reduction in inflationary pressures which creates appetite for borrowing.

Outlook on Terms & Conditions for credit

In the quarter to September 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 which are anticipated to be eased.

Similarly, most banks are expected to maintain their non-price credit terms and conditions for enterprises and consumers. On a net basis, banks expect to tighten all non-price terms and conditions[2] for enterprises except for the size of loan and maturity which is expected to ease. On the other hand, banks expect to ease non-price terms and conditions to households on a net basis, except for collateral requirements that are anticipated to tighten.

Outlook on the default rate on loans

The default rate on loans to both enterprises and households is expected to increase in the quarter to September 2023. The expected increase in default rate on loans to enterprises and households was attributed to the recent parliamentary legislation which may lead to suspension of funding from international organisations for some NGOs in turn increasing the level of non-performing loans due to job losses.

Interest Rate Expectations

The results indicate that majority of the banks (93.7 percent) expect their lending rates to remain broadly unchanged, with 6.1 percent anticipating the rates to increase in the quarter to September 2023. The major reason cited for maintaining their current lending rates is strategy by banks to align their lending rates with the CBR which they expected to remain unchanged in the next three months.

Expectation on the monetary policy stance

Banks were asked about their expectations on the monetary policy stance for the next quarter to end September 2023. Majority of the banks expect the monetary policy stance to ease in line with the downward trend in inflation and improvement in economic conditions.

[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.

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 June 2023 and expectations for the quarter to September 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.

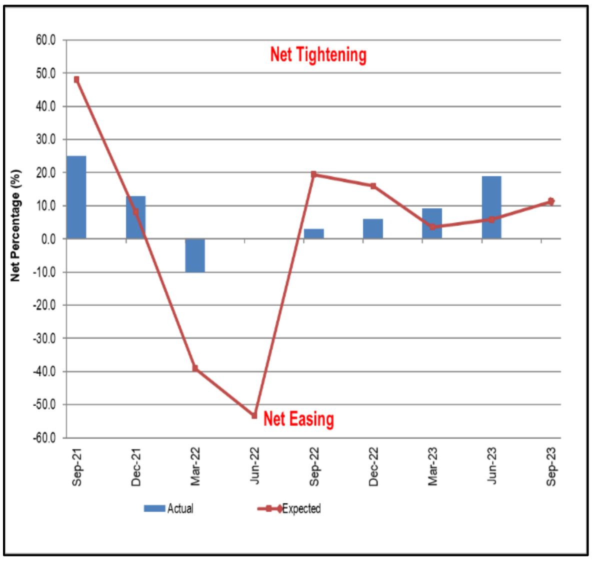
In the quarter to June 2023, credit standards on loans to enterprises tightened signalled by the measure of net tightening of 18.9 percent, higher than the 9.3 per cent net tightening recorded in the quarter to March 2023 (*See*, Figure 1). The direction is consistent, but higher than the net tightening expectation for quarter ended June 2023 which was reported in the third quarter (2022/23Q3) survey. (*See, Tables 1 & 2)*.

Across firm size, credit standards tightened for both SMEs and large enterprises represented by the measure of net tightening of 10.1 percent and 17.8 percent, respectively.

In terms of loan duration, the credit standards were tightened for both short and long-term loans in the quarter to June 2023, at a faster pace for short term loans compared to the previous survey results (*See, Table 1*).

The net tightening of credit standards was attributed to the move to reduce non-performing loans, increased default rates due to delayed payments from government and slowdown in economic activities.

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-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**
Tightened(A)	21.8	18.9	23.3	18.9	21.9	17.8	20.8	20.7	21.1	18.1
Unchanged	65.7	81.0	64.0	72.2	78.1	82.0	62.4	69.8	76.0	81.8
Eased (B)	12.5	0.0	12.8	8.8	0.0	0.0	16.8	9.4	2.9	0.0
Net %(A-B)	**9.3**	**18.9**	**10.5**	**10.1**	**21.9**	**17.8**	**4.0**	**11.3**	**18.2**	**18.1**

Source: *Bank of Uganda*

In the quarter to September 2023, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards tightening at a faster pace compared to the previous quarter. Banks expect to tighten credit standards for 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 was attributed to anti-gay bill which is expected to cause some Western donors to reduce funding for some NGOs projects, expected higher default rate and delayed payments of contractors by government which is affecting trade loans.

Those that anticipated the easing of credit standards cited the reduction in inflation, increase in demand for SME products and the observed upward trend in economic performance.

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-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**
Tighten (A)	21.8	18.8	23.3	19.1	21.9	19.8	19.2	20.6	21.8	20.4
Unchanged	62.3	73.5	54.7	63.3	75.0	80.1	61.7	67.9	75.0	78.7
Ease (B)	15.9	7.5	22.0	17.5	3.1	0.0	19.1	11.3	3.2	0.7
Net %(A-B)	**5.9**	**11.4**	**1.2**	**1.6**	**18.9**	**19.8**	**0.1**	**9.3**	**18.5**	**19.7**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

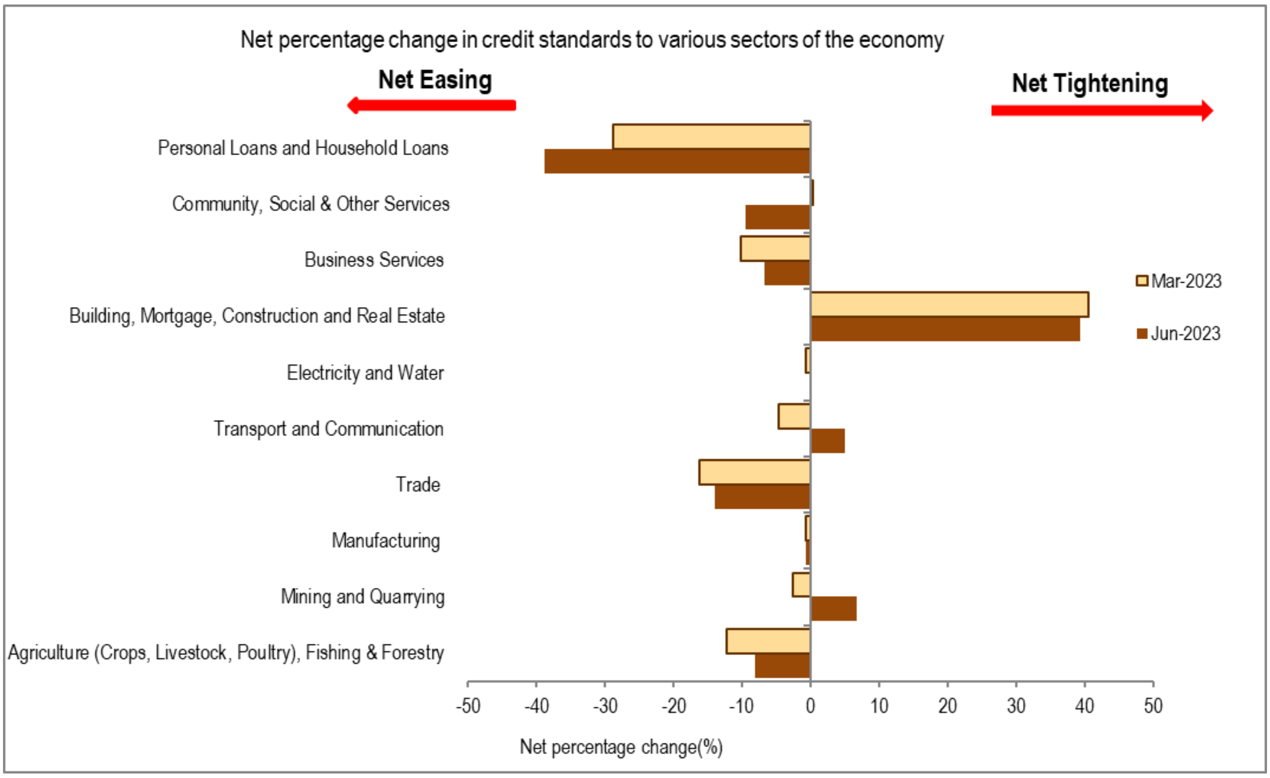
In the quarter to June 2023, banks reported to have tightened credit standards to entities involved in Building, mortgage, construction & real estate, Mining and quarrying, and Transport and communication on a net basis but eased for the remaining economic sectors. The degree of net easing of credit standards decreased somewhat for most sectors in June 2023 when compared with the level of easing in the quarter to March 2023, except for Personal loans & household and Community, social & other services which increased as illustrated in Figure 2.

The sectoral distribution of the net easing of credit standards was highest for lending to Personal and households (38.8 percent), followed by Trade (13.9 percent), Community social and other service (9.5 percent), Agriculture (8.1 percent), Business services (6.8 percent) and Manufacturing (0.6 percent). On the other hand, sectors that recorded net tightening include; Building, mortgage, construction, and real estate (39.4 percent), Mining and quarrying (6.8 percent), and Community social and Transport and communication (5.1 percent).

The net easing registered for majority of the sectors in the quarter to June 2023 was largely attributed to the increased demand for back to school season, downward trend in inflation especially for food supplies and a fairly stable business environment, which encourage trading activities.

On the other hand, the tightening in the building, mortgage and real estate sector was mainly attributed to the low property rates and decreasing occupancy levels.

Figure 2: Changes in Credit Standards by Economic Sector (Mar & Jun 2023)



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 June 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 September 2023[6]. On a net basis, banks expect to tighten their price terms and conditions for average and riskier loans, while easing for prime borrowers in the quarter to September 2023.

The expected net tightening of price terms and conditions for average and risky loans is attributed to the high cost of funding, high interest rates to compensate for the risk and delayed payments from the contractors. Those that expect to ease the terms and conditions for prime borrowers hinged it on the need to maintain customers and match with competitors in the market.

Similarly, majority of banks expect to maintain non-price terms and conditions[7], with a bias towards tightening in the quarter to September 2023, except for the size of the loan and maturity which are anticipated to ease on a net basis. (*See*, Figure 2).

[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 lending (interest rate) in the context of this survey.

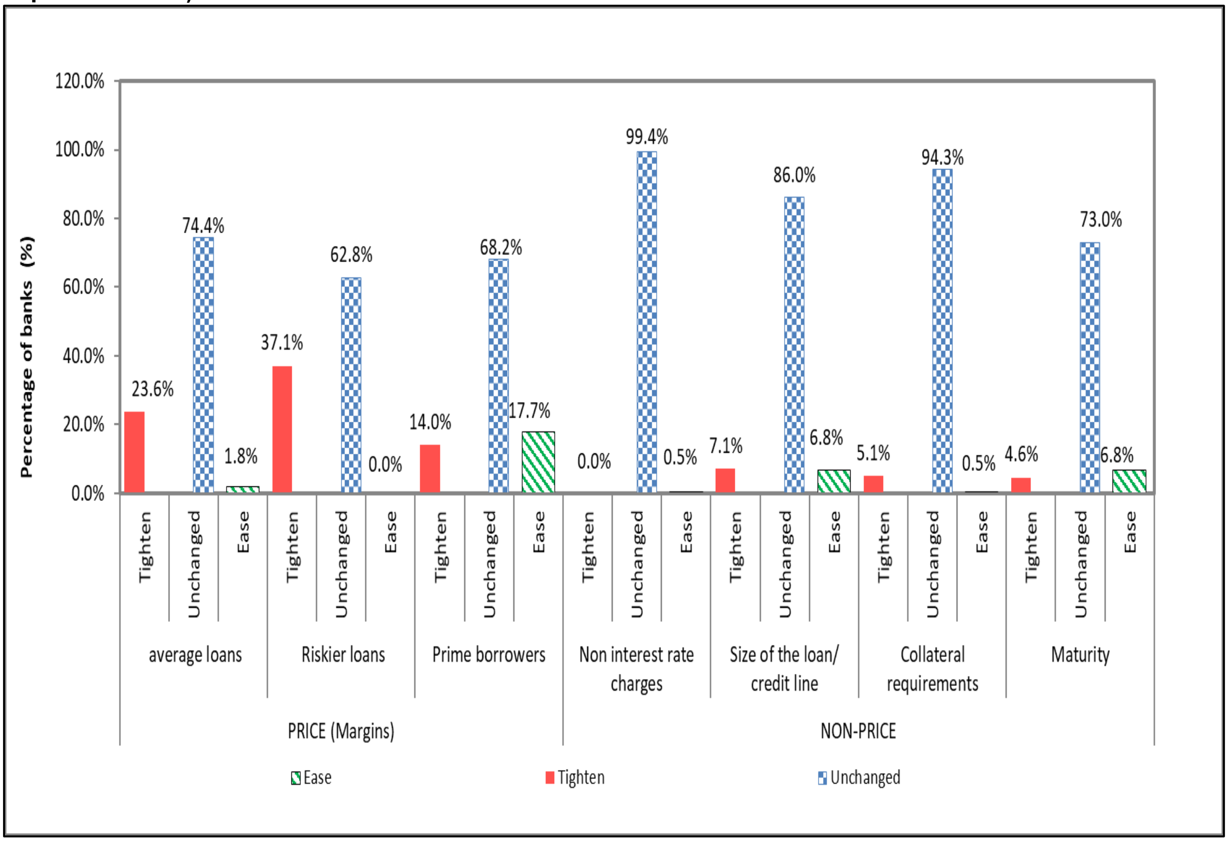
[5] Loans that banks assume to have a high probability of default.

[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.

The reasons banks cited for the expected tightening of the non-price terms and conditions in the quarter to September 2023 include: the mismatches in funding due to the liquidity challenges, diversion of contract proceeds and performance failures which will lead to tightening through collateral requirements.

Figure 3: Expected Changes in Terms & Conditions for Approval of Loans to Enterprises (Quarter to September 2023)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to September 2023, banks anticipate an overall increase in demand for credit, but by a lower level of 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 firm sizes and loan durations.

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

a) Ongoing steady recovery of the economy after the exogenous supply and Ukraine war induced shocks.

b) Demand arising from renewal of supplier contracts with government at the start of the new financial year and the budget reading in June 2023.

c) Planning for the end of year financing requirements in preparation of the festive period.

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-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**
Increase(A)	68.0	64.7	59.3	76.2	50.9	58.6	75.3	67.8	49.8	51.9
Unchanged	30.8	35.0	38.9	23.5	46.7	41.0	20.1	32.0	48.4	47.2
Decrease(B)	1.1	0.2	1.8	0.2	2.4	0.2	4.6	0.0	1.8	0.8
Net %(A-B)	**66.9**	**64.5**	**57.4**	**76.0**	**48.6**	**58.4**	**70.8**	**67.8**	**47.9**	**51.1**
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 June 2023, banks eased credit standards to households, as depicted by a net percentage of 2.3 percent, lower than the net easing of 15.6 percent registered at the end of the previous quarter (See, Appendix 1). The outturn was consistent with past trends, albeit much lower than the previous survey expectations. This was largely driven by seasonal demand for school fees payment and expectations of government to clear the domestic arrears.

In the quarter to September 2023, banks expect to further ease credit standards to households as indicated by the net percentage of 17.7 percent, compared to the net easing which was anticipated for the quarter to June 2023 of 29.4 percent.

The expected easing of credit standards to the households was attributed to need to meet household demand for consumption, school fees payment and purchase of durable goods such as vehicles.

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 September 2023. Similarly, majority of the banks expect to keep their non-price terms and conditions for consumer credit unchanged with a bias towards easing, except for collateral requirements and non-interest rate charges which are expected to tighten (See, Appendix 1).

The reasons cited for the anticipated tightening of average and riskier loans include the need to scale down on riskier credit applications, improve portfolio quality while booking quality assets.

On contrary, the expected easing of majority of the non-price terms and conditions is attributed to need to entice top borrowers and need to retain trustworthy customers.

The tightening of collateral requirements is hinged on the risks associated with the high default rate and low property values.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase in the three months to September 2023. Notably, 62.5 percent of banks anticipate an increase in household's credit demand, with the remaining 37.5 percent expecting no change in households credit demand in the quarter to September 2023.

The anticipated increase in household credit demand is attributed to the need to meet school fees obligations, continued reduction in inflationary pressures which creates appetite for borrowing, and the need to prepare for the festive season.

1.2.4 Expected Default Rate on Loans to Enterprises and Households

Overall, 21.7 percent of the banks expect the default rate on loans to enterprises to increase on a net basis in the quarter to September 2023. The rate is lower than the 38.0 percent increase registered in the previous quarter. The net increase in default rate was anticipated for firm size and long-term loans, while the default rate for short-term loans is expected to decrease on a net basis. The expected rise in default rate for firm size and large enterprises was attributed to.

a) Delayed payment of contractors by government.

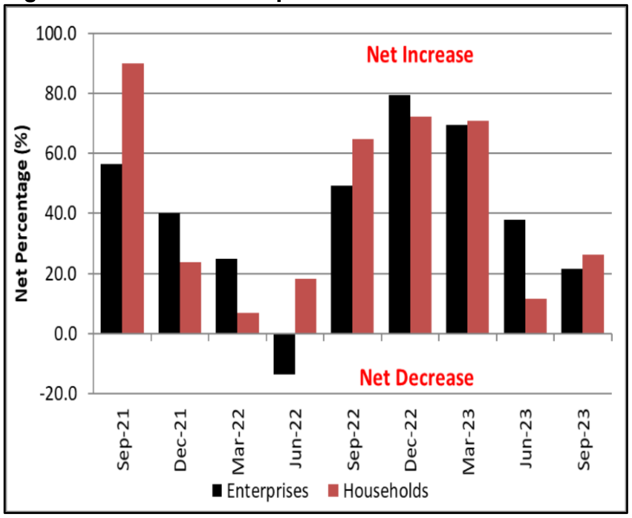
b) The adverse impact from the Russia/Ukraine conflict which has relatively slowed down economic recovery.

c) Slow recovery from the effects of Covid-19.

On the other hand, the decrease in default rate for SMEs and short-term loans was based on the anticipated improvement in cash flows in and the quarter to September 2023 from government payments which will enhance the loan repayment capacities.

On the side of households, 26.2 percent of banks expect the default rate to increase on a net basis in the quarter to September 2023, compared to the 11.6 percent that was recorded in the previous survey results (see, Appendix 1). The anticipated but higher increase in default rate was mainly attributed to the recent parliamentary legislation which may lead to suspension of funding from international organisations for some NGOs which might result into loss of jobs.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

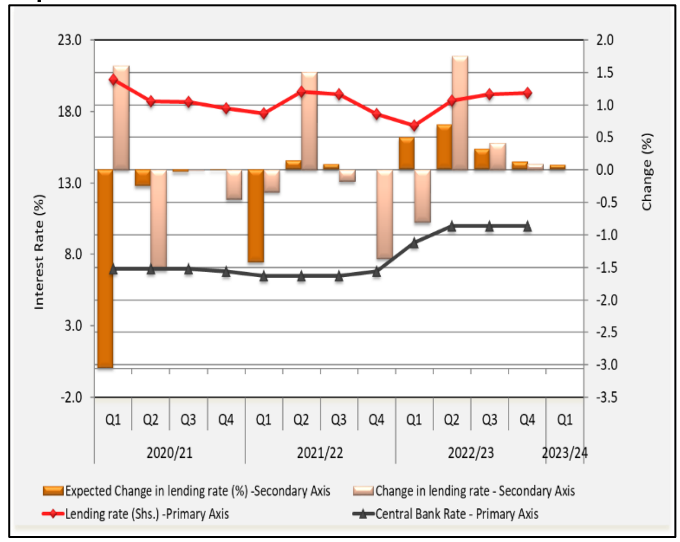
1.3 Interest Rate Expectations for Q1 FY 2023/24

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

The results indicate that majority of the banks (93.7 percent) expect their lending rates to remain broadly unchanged, with 6.1 percent anticipating the rates to increase in the quarter to September 2023. The major reason cited for maintaining their current lending rates is strategy by banks to align their lending rates with the direction of the CBR which is expected to remain unchanged in the next three months.

Banks that expect the lending rate to increase in the quarter to September 2023 when compared to that in the quarter to June 2023, registered a weighted growth of 0.07 percentage points as illustrated in Figure 5. These banks cited the high cost of funds and high risks associated with customers.

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 September 2023 in relation to the current economic situation. Majority of the banks expect the monetary policy stance to ease in line with the downward trend in inflation and improvement in economic conditions.

1.5 Conclusion

The bank lending survey results indicate that in the quarter to June 2023, 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.

In terms of the outlook for the quarter to September 2023, banks expect to tighten credit standards to enterprises and ease for households on a net basis. They expect to tighten credit standards across all firm sizes and loan durations.

The default rate on loans to both enterprises and households is expected to increase in the quarter to September 2023. The expected increase in default rate on loans to enterprises and households was attributed to the signing of the anti-gay legislation which may lead to suspension funding of some NGOs and some loans may go bad due to loss of jobs.

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	Q3	Q4
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	9.3	18.9
	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	5.9	11.4
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	10.5	10.1
	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	1.2	1.6
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	21.9	17.8
	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	18.9	19.8
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	4.0	11.3
	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	0.1	9.3
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	18.2	18.1
	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	18.5	19.7
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	-12.3	-8.1
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	-2.5	6.8
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	-0.7	-0.6
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	-16.2	-13.9
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	-4.6	5.1
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	-0.7	0.0
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	40.6	39.4
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	-10.2	-6.8
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	0.4	-9.5
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	-28.8	-38.8
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	19.5	21.9
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	39.2	37.1
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	-5.8	-3.8
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	0.2	-0.5
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	-4.4	0.3
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	9.1	4.6
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	4.2	-2.2
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	66.9	64.5
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	57.4	76.0
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	48.6	58.4
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	70.8	67.8
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	47.9	51.1
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	38.0	21.7
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	-13.6	25.5
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	14.0	0.6
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	-27.6	-7.2
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	35.5	23.7

Period		2019/20		2020/21				2021/22				2022/23			
Part II: Households		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
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	-15.6	-2.3
	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	-29.4	-17.7
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	62.0	62.5
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	7.3	1.8
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	30.2	30.3
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	-8.6	-15.6
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	-16.3	0.8
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	-24.7	-22.2
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	3.3	1.3
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	-12.4	-11.5
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	11.6	26.2

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	Q3	Q4
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	11.4	6.1
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	0.12	0.07

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	Mar-23	Jun-23
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	14.3	6.3
	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	1.3	-1.8
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	14.3	8.1
	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	2.8	0.5
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	12.8	6.3
	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	2.8	2.3
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	8.5	3.9
	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	-1.5	-1.8
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	-14.3	5.7
	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	-24.3	-1.8
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	4.3	-5.5
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	0.0	3.9
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	-1.5	0.0
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	2.8	6.3
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	9.3	8.1
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	0.0	0.0
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	7.8	5.7
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	1.3	3.9
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	1.5	3.9
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	-1.5	3.9
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	0.0	-1.8
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	9.3	8.1
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	-5.0	-1.8
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	0.0	-3.9
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	7.8	-10.0
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	1.5	8.1
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	4.3	-10.0
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	75.0	79.4
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	90.7	100.0
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	38.5	77.6
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	47.7	79.4
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	70.7	77.6
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	-60.8	-97.7
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	-63.6	-58.6
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	-62.1	-60.9
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	-60.8	-60.9
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	-59.3	-59.1

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	Mar-23	Jun-23
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	1.3	3.9
	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	-14.4	-14.3
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	62.1	60.9
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	0.0	2.1
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	6.5	6.3
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	-2.8	-1.8
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	0.0	-5.7
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	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	1.5	3.9
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	0.0	3.9
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	-49.3	-60.9

(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 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 (March 2023-May 2023), 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