Bank Lending Survey Report
Third 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 March 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 March 2023 and the expectations for the quarter to June 2023.

Credit Standards

In the quarter to March 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 March 2023.

Going forward (quarter to June 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 on account of slowdown in economic activities.

Credit Standards by Economic Sector

In the quarter to March 2023, banks reported to have tightened credit standards for Building, mortgage, construction & real estate, and Community social & other service sectors on a net basis but eased for the remaining economic sectors. The net effect is tightening due to the weight of Building & construction. However, the degree of net easing of credit standards increased for most sectors in March 2023 when compared with the level of easing in the quarter to December 2022, except for Personal & household loans, Manufacturing, and Electricity & water.

Outlook on Demand for credit

In the quarter to June 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 short-term financing needs for Easter season, term two back to school activities and planting season.

Outlook on Terms & Conditions for credit

In the quarter to June 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 terms and conditions for enterprises and consumer credit. On a net basis, banks expect to tighten all non-price terms and conditions[2] for enterprises except for the size of loan 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, albeit at a slower pace in the quarter to June 2023. The expected increase in default rate on loans to enterprises and households was attributed to the delayed payment of contractors by Government, the slow recovery of the economy amidst persistent inflation which has affected real income of households.

Interest Rate Expectations

Majority of the banks (88.1 percent) expect their lending rates to remain broadly unchanged, with 11.7 percent anticipating the rates to increase in the quarter to June 2023. Majority of the banks expect the CBR to remain unchanged hence anticipating maintaining their current lending rates. Those that expect their lending rates to increase cited the need to align with the future changes in the CBR and the high cost of funds.

Expectation on the monetary policy stance

Banks were requested to provide their expectations on the monetary policy stance for the quarter to end June 2023 in relation to the current economic conditions. Majority of the banks indicated that they expect the monetary policy stance to remain unchanged citing the potential of the current level of the CBR to counter inflationary pressures. On the other hand, some banks expect the CBR to increase marginally due to the continued rise in prices amidst an uncertain economic environment.

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[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 March 2023 and expectations for the quarter to June 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.

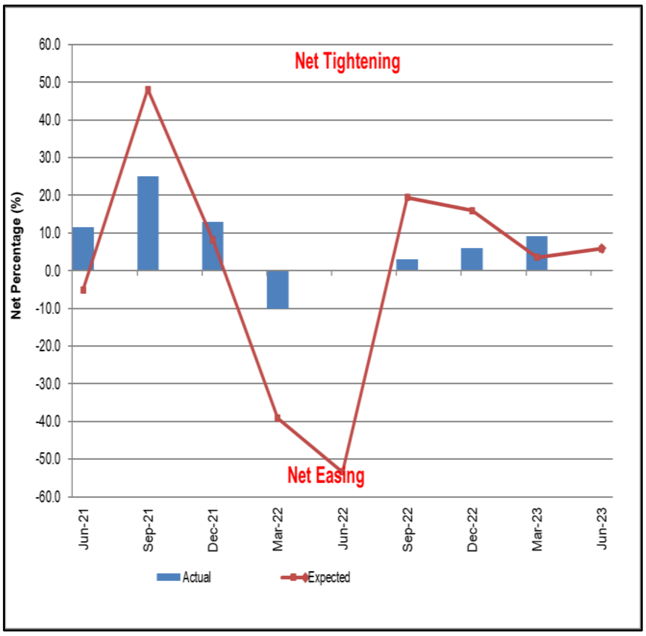
In the quarter to March 2023, credit standards on loans to enterprises tightened signalled by the measure of net tightening of 9.3 percent, slightly higher than the 6.0 per cent net tightening recorded in the quarter to December 2022 (*See*, Figure 1). The direction is consistent, but higher than the net tightening expectation for quarter ended March 2023 which was reported in the second quarter (2022/23Q2) survey. (*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 10.5 percent and 21.9 percent, respectively.

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

The net tightening of credit standards was attributed to the persistent inflation, slow recovery of the businesses, and the uncertain economic environment.

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	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**	**Dec-22**	**Mar-23**
Tightened(A)	6.0	21.8	7.4	23.3	12.2	21.9	0.0	20.8	10.1	21.1
Unchanged	94.0	65.7	92.5	64.0	87.4	78.1	90.2	62.4	89.9	76.0
Eased (B)	0.0	12.5	0.1	12.8	0.4	0.0	9.8	16.8	0.0	2.9
Net %(A-B)	**6.0**	**9.3**	**7.3**	**10.5**	**11.8**	**21.9**	**-9.8**	**4.0**	**10.1**	**18.2**

Source: *Bank of Uganda*

In the quarter to June 2023, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards tightening at a faster pace. 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 cautious approach by banks towards credit extension due to the current economic challenges, global slowdown in economic activities, and the need to clear the backlog of nonperforming loans on account of past economic challenges.

Those that anticipated the easing of credit standards cited the declining inflation due to slow but steadily decreasing energy prices and the upcoming seasonal harvest period for cash crops as the major drivers.

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	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**
Tighten (A)	8.8	21.8	7.7	23.3	15.9	21.9	6.4	19.2	10.8	21.8
Unchanged	86.1	62.3	82.0	54.7	79.0	75.0	73.5	61.7	86.4	75.0
Ease (B)	5.2	15.9	10.4	22.0	5.1	3.1	20.1	19.1	2.8	3.2
Net %(A-B)	**3.6**	**5.9**	**-2.7**	**1.2**	**10.8**	**18.9**	**-13.7**	**0.1**	**8.0**	**18.5**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

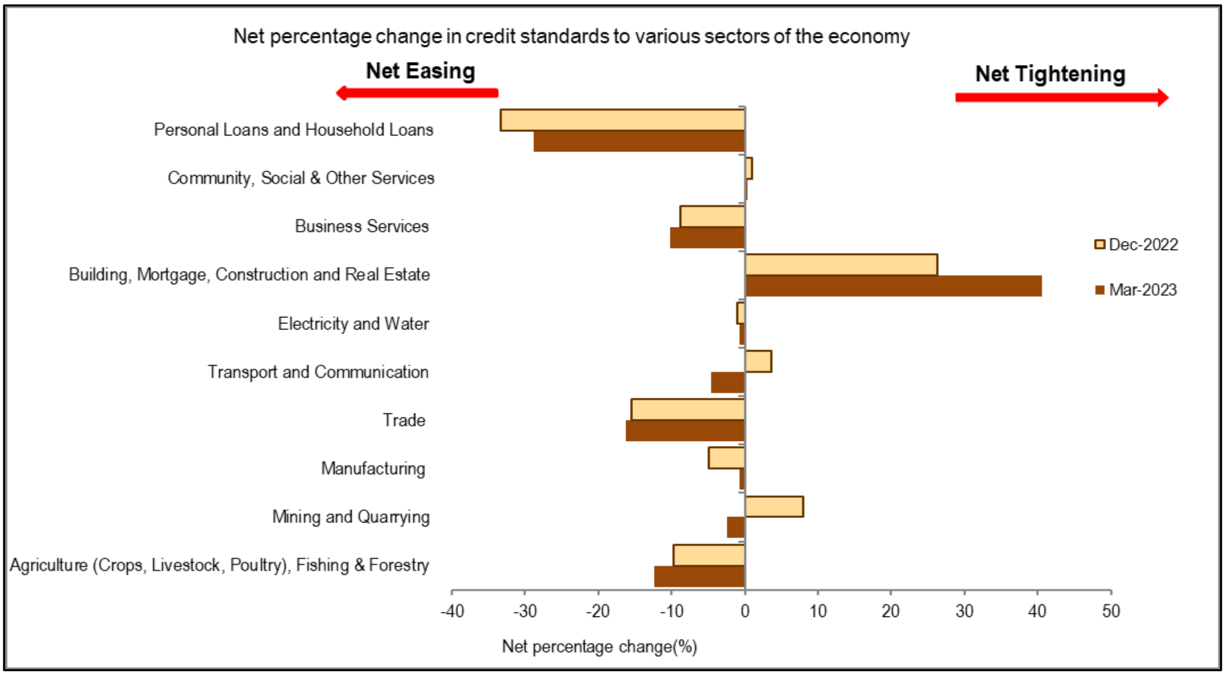
In the quarter to March 2023, banks reported to have tightened credit standards to entities involved in Building, mortgage, construction & real estate, and Community social & other service sectors on a net basis but eased for the remaining economic sectors. The degree of net easing of credit standards increased for most sectors in March 2023 when compared with the level of easing in the quarter to December 2022, except for Personal Loans & Household, Manufacturing, and Electricity & water as illustrated in Figure 2.

The sectoral distribution of the net easing of credit standards was highest for lending to Personal and households (28.8 percent), followed by Trade (16.2 percent), Agriculture, fishing, and forestry (12.3 percent), Business services (10.2 percent), Transport and communication (4.6 percent), Mining and quarrying (2.5 percent), Manufacturing (0.7 percent) and Electricity and water (0.7 percent). On the other hand, sectors that recorded net tightening comprise of Building, mortgage, construction, and real estate (40.6 percent), and Community social and other service (0.4 percent).

The net easing registered for majority of the sectors in the quarter to March 2023 was largely attributed to the relaxation of lending terms to several sectors as banks examine sectors on a case-by-case basis.

On the other hand, the tightening majorly in the building, mortgage and real estate sector was mainly attributed to the increase in default rate due to the delayed payment of contractors by government.

Figure 2: Changes in Credit Standards by Economic Sector (Dec 2022 & Mar 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 June 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 June 2023.

The expected net tightening of price terms and conditions for average and risky loans is attributed to the high cost of funds on account of increase in global interest rates and depreciation of the shilling, coupled with the heightened inflation and prevailing economic conditions. Those that expect to ease the terms and conditions for prime borrowers hinged it on the need to attract new and retain old clients.

Similarly, majority of banks expect to maintain non-price terms and conditions[7], with a bias towards tightening in the quarter to June 2023, except for the size of the loan which is anticipated to ease on a net basis. (*See*, Figure 2). The major reason banks cited for the expected tightening of majority of the non-price terms and conditions in the quarter to June 2023 was the associated risks from the prevailing uncertain macroeconomic environment, coupled with the high rate of default.

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

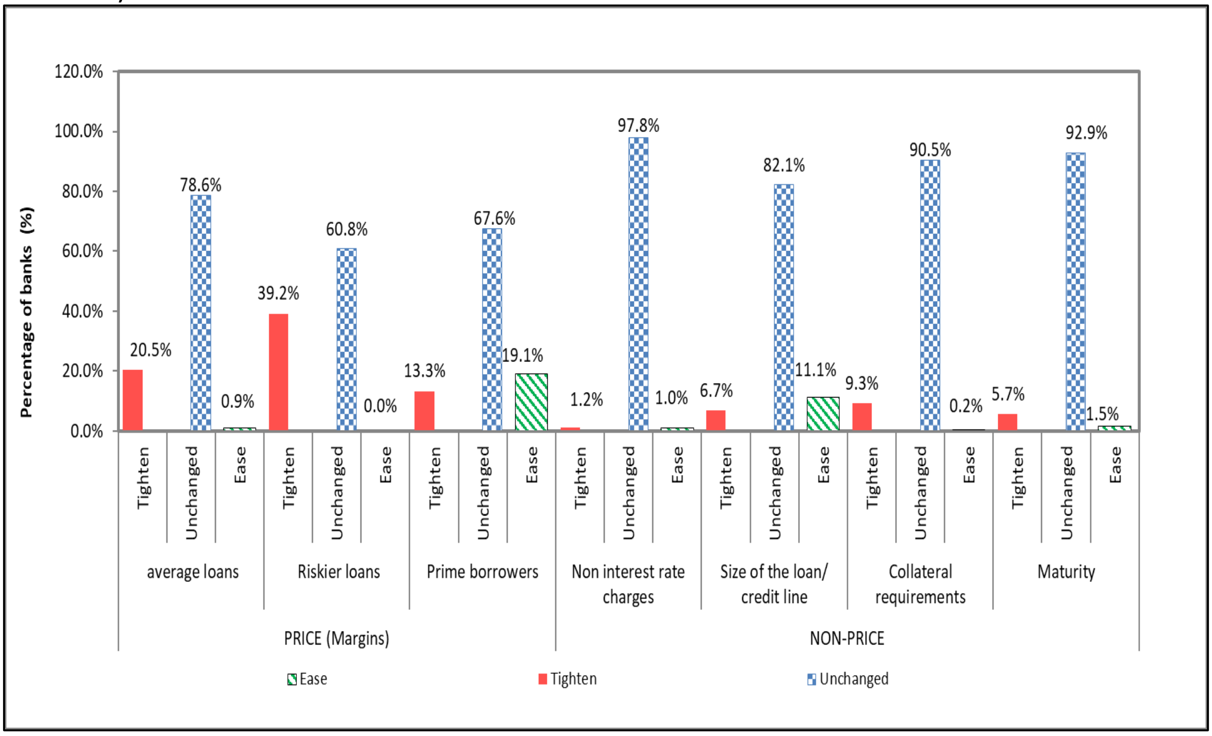
[4] Price-related terms and conditions refer to the direct price or lending (interest rate) in the context of this survey.

[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.

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



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to June 2023, banks anticipate an overall increase in demand for credit, a higher 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, at a higher pace when compared to the previous quarter.

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

a) Short term financing for the upcoming Easter season.

b) Demand for school fees financing for term two of the school calendar.

c) Working capital for the upcoming farming season.

d) The need for working capital for traders in agricultural produce in the upcoming harvest season for cash crops like coffee.

The above anticipated increase in demand is expected to be mainly moderated by the high interest rates, depreciation of the shilling, and slow recovery of economic activities.

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	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**	**Jun-23**
Increase(A)	52.1	68.0	47.2	59.3	49.6	50.9	64.6	75.3	36.1	49.8
Unchanged	39.2	30.8	46.7	38.9	37.5	46.7	33.4	20.1	58.9	48.4
Decrease(B)	8.7	1.1	6.1	1.8	12.9	2.4	2.0	4.6	5.0	1.8
Net %(A-B)	**43.4**	**66.9**	**41.1**	**57.4**	**36.7**	**48.6**	**62.7**	**70.8**	**31.1**	**47.9**
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households

1.2.1 Credit Standards to Households

The findings revealed that, in the quarter to March 2023, banks eased credit standards to households, as depicted by a net percentage of 15.6 percent, lower than the net easing of 27.1 percent registered at the end of the previous quarter (See, Appendix 1). The outturn was consistent with past trends, but slightly higher than the previous survey expectations. This was largely driven by seasonal demand for school fees payment and focus on the retail lending segment as salaried employees become more stable at work.

In the quarter to June 2023, banks expect to further ease credit standards to households as indicated by the net percentage of 29.4 percent, compared to the net easing which was anticipated for the quarter to March 2023 of 14.2 percent.

The expected easing of credit standards to the households was attributed to the need to remain competitive in the consumer credit segment and the anticipated improvement in the economic environment in the coming quarter.

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 June 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 which are expected to tighten (See, Appendix 1).

The reasons cited for the anticipated tightening of average and riskier loans include the high cost of funds as result of heightened global interest rates, inflationary pressures, and the uncertain economic environment. On the other hand, the expected easing for prime borrowers was largely based on the need to retain old and acquire new borrowers.

Similarly, the expected easing of majority of the non-price terms and conditions is attributed to competition for the few clients and the need to reduce the general costs of accessing credit. The tightening of collateral requirements is hinged on the risks associated with the prevailing unstable macroeconomic conditions which has affected property values.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase in the three months to June 2023. Specifically, 62.0 percent of banks anticipate an increase in households credit demand, with the remaining 38.0 percent expecting no change in households credit demand in the quarter to June 2023.

The anticipated increase in household credit demand is attributed to the short-term financing needs for the upcoming festive season (i.e., Easter and EID), school fees requirements for the second school term, and the need for agricultural financing for household farming as the rains begin. On the other hand, this expected increase in demand for loans will be moderated by the heightened interest rates and sluggish recovery in the economy.

1.2.4 Expected Default Rate on Loans to Enterprises and Households

Overall, 38.0 percent of the banks expect the default rate on loans to enterprises to increase on a net basis in the quarter to June 2023. The rate is lower than the 69.3 percent increase registered in the previous quarter. The net increase in default rate was anticipated for large enterprises and long-term loans, while the default rate for SMEs and short-term loans is expected to decrease on a net basis. The expected rise in default rate for long term loans and large enterprises was attributed to.

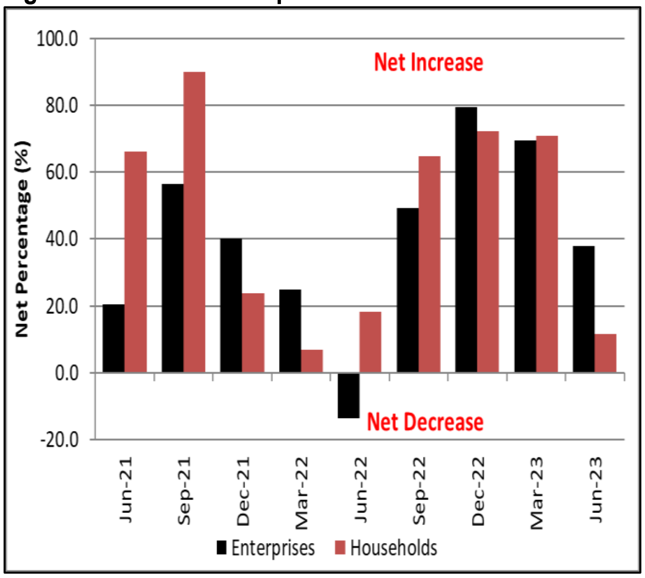
a) Delayed payment of contractors by Government.

b) The slow recovery of the economy amidst the persistent inflation.

On the other hand, the decrease in default rate for SMEs and short-term loans was based on the first harvest season in June, which is expected to improve cashflows of farmers and anticipated releases by government as the financial year closes.

On the side of households, 11.6 percent of banks expect the default rate to increase on a net basis in the quarter to June 2023, compared to the 70.8 percent that was recorded in the previous survey results (see, Appendix 1). The anticipated but slower increase in default rate was mainly attributed to the uncertain economic environment, coupled with the persistent inflation which has affected the real income of the households.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

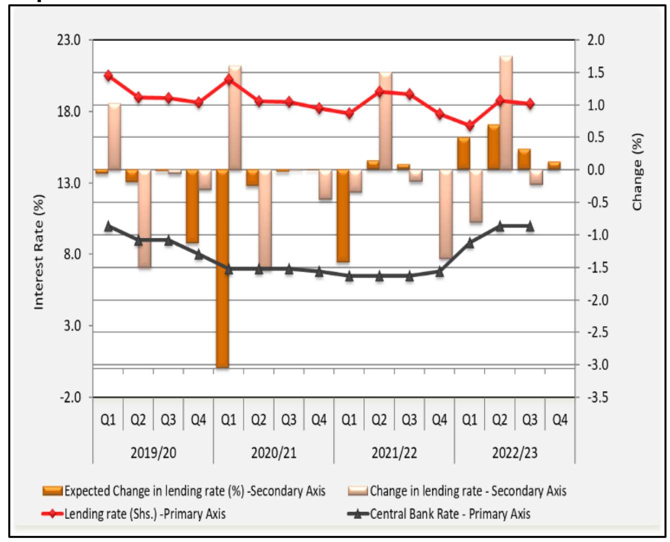
1.3 Interest Rate Expectations for Q4 FY 2022/23

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 June 2023.

The results indicate that majority of the banks (88.1 percent) expect their lending rates to remain broadly unchanged, with 11.7 percent anticipating the rates to increase in the quarter to June 2023. The reasons cited for maintaining their current lending rates is that most of the banks expect the CBR to remain unchanged in the next three months.

Banks that expect the lending rate to increase in the quarter to June 2023 when compared to that in the quarter to March 2023, registered a weighted growth of 0.12 percentage points as illustrated in Figure 5. These banks cited the need to align with the future changes in the CBR and the high cost of funds as justifications for the anticipated increase in lending rates.

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 June 2023 in relation to the current economic situation. Majority of the banks expect the monetary policy stance to remain unchanged citing the potential of the current level of the CBR to counter inflationary pressures. On the other hand, the few banks that expect the CBR to increase marginally, due to the continued rise in prices amidst an uncertain economic environment.

1.5 Conclusion

The bank lending survey results indicate that in the quarter to March 2023, credit standards to enterprises tightened, while those to households eased on a net basis.

In terms of the outlook for the quarter to June 2023, banks indicated that they expect to further tighten credit standards to enterprises and ease for households. On the other hand, the demand for loans by both enterprises and households is expected to increase in the quarter to June 2023.

The default rate on loans to both enterprises and households is expected to increase, albeit at a slower pace in the quarter to June 2023. Lastly, the survey results indicate that majority of banks expect their lending rates to remain broadly unchanged, with a bias towards a slight increase in the quarter to June 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	Q3
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

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
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
	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
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
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
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
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
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
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
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
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
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

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
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
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

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
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

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
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
	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
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
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
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
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
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
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
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
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
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

(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 (December 2022-February 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