Bank Lending Survey Report
First 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 September 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 September 2022 and the expectations for the quarter to December 2022.

Credit Standards

In the quarter to September 2022, credit standards to both enterprises and households remained broadly unchanged, with a bias towards tightening 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 September 2022.

Going forward (quarter to December 2022), banks expect to tighten credit standards to both enterprises and households. Banks also expect to tighten credit standards across all firm sizes and long-term loans, but ease for short-term facilities.

Credit Standards by Economic Sector

In the quarter to September 2022, banks reported to have eased credit standards for majority of the economic sectors on a net basis, except Building, mortgage, construction & real estate, and Transport & communication sectors, which recorded net tightening. The degree of net easing of credit standards declined for most sectors in September 2022 when compared with the level of easing in the quarter to June 2022, signifying a slight tightening over the quarter.

Outlook on Demand for credit

In the quarter to December 2022, 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 the festive season related expenditures.

Outlook on Terms & Conditions for credit

In the quarter to December 2022, 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.

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 December 2022. The expected increase in default rate on loans to enterprises and households was mainly attributed to the rising inflation, high cost of borrowing, declining disposable income on account of the increasing cost of living, and the deterioration of the macroeconomic conditions.

Interest Rate Expectations

Majority of the banks (71.4 percent) expect their lending rates to increase, with 28.6 percent anticipating the rates to remain largely unchanged in the quarter to December 2022. This was attributed to the increased cost of funds for on-lending both locally and from international sources as central banks continue to increase policy rates or CBR to reign in on inflation spikes and expectations.

Expectation on the monetary policy stance

Majority of the banks anticipate a further tightening of monetary policy through increase of the CBR by Bank of Uganda to counter the rising inflationary pressures. In so doing, they noted that this would dampen the demand for credits and limit spending habits of consumers.

[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 September 2022 and expectations for the quarter to December 2022. 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.

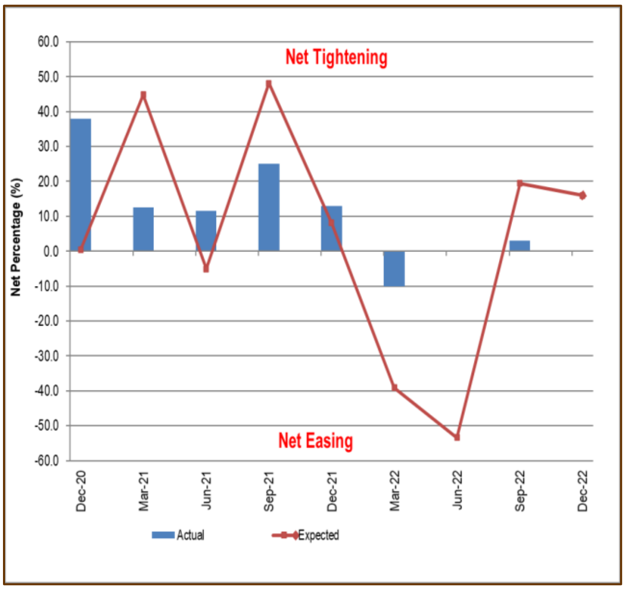
In the quarter to September 2022, credit standards on loans to enterprises tightened signalled by the measure of net tightening of 3.0 percent, contrary to the 0.1 percent net easing recorded in the quarter to June 2022 (*See*, Figure 1). The direction is consistent, but much lower than the net tightening expectation for quarter ended September 2022 which was reported during the fourth quarter (2021/22Q4) survey. The divergence in the outturn despite the consistence in direction could be attributed to competition for the few trustworthy clients while not compromising the loan portfolio quality (*See, Tables 1 & 2)*.

Across firm size, credit standards tightened for both SMEs and large enterprises represented by the measure of net tightening of 4.6 percent and 9.4 percent, respectively.

In terms of loan duration, the credit standards eased for short-term loans, while long-term loans tightened in the quarter to September 2022 (*See, Table 1*).

The major reasons cited by banks for the net tightening of credit standards include the high levels of default attributed to rising inflation, unstable business cashflows and the reduced purchasing power of customers.

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	**Jun-22**	**Sep-22**	**Jun-22**	**Sep-22**	**Jun-22**	**Sep-22**	**Jun-22**	**Sep-22**	**Jun-22**	**Sep-22**
Tightened(A)	10.2	8.4	7.9	10.1	6.8	10.8	4.6	2.5	9.5	17.7
Unchanged	76.4	86.2	72.3	84.4	79.8	87.7	74.4	80.5	77.1	80.9
Eased (B)	10.3	5.4	16.6	5.5	10.3	1.4	17.8	17.0	10.3	1.4
Net %(A-B)	**-0.1**	**3.0**	**-8.7**	**4.6**	**-3.5**	**9.4**	**-13.2**	**-14.5**	**-0.8**	**16.3**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to December 2022, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards tightening on a net basis. Like the previous survey results, banks expect to tighten credit standards across all firm sizes and long-term loans but ease for 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 uncertainty in the economy on account of the rise in global fuel and food prices resulting into the current inflationary pressures, which are expected to raise the cost of doing business and the level of non-performing loans. The anticipated easing of standards for short-term loans was based on the need to support the stocking requirements for the upcoming festive season.

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	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**
Tighten (A)	35.3	17.4	28.9	9.7	38.3	14.7	18.4	2.4	31.5	14.7
Unchanged	48.8	81.2	49.0	81.8	45.8	83.9	52.4	84.4	54.5	83.9
Ease (B)	15.9	1.4	22.1	8.5	15.9	1.4	29.2	13.2	13.9	1.4
Net %(A-B)	**19.4**	**15.9**	**6.8**	**1.1**	**22.5**	**13.3**	**-10.8**	**-10.8**	**17.6**	**13.3**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

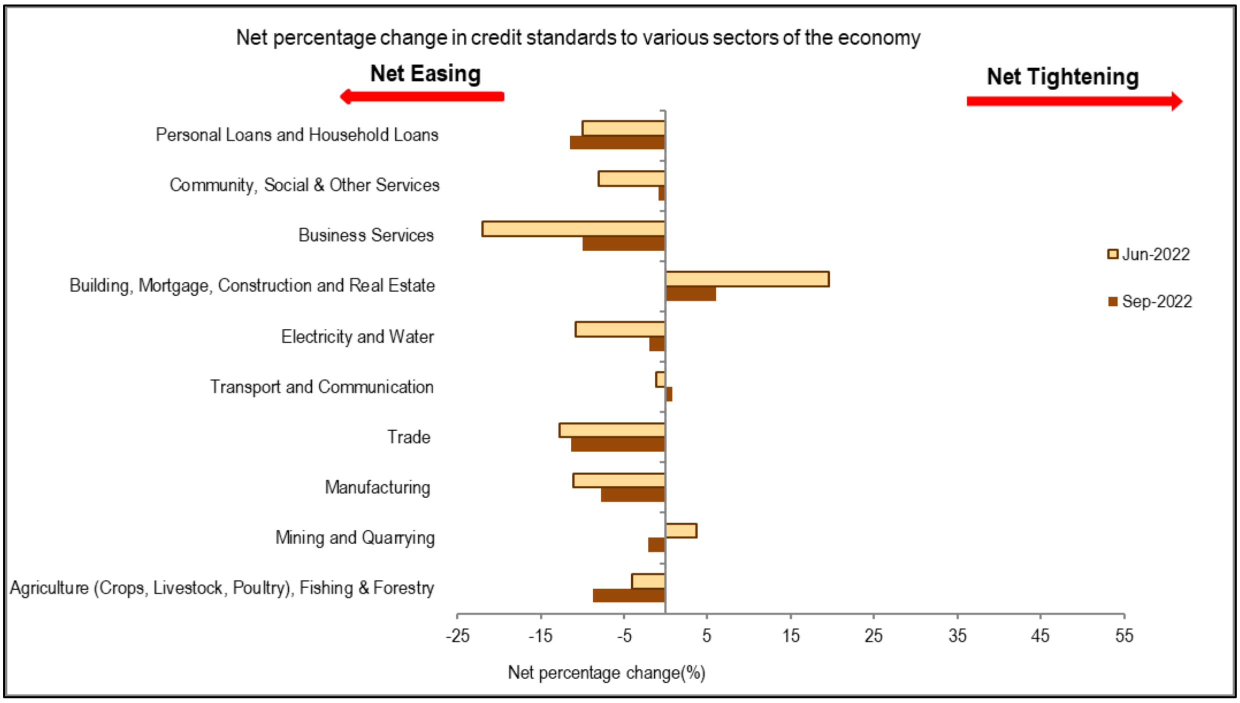
In the quarter to September 2022, banks reported to have eased credit standards for majority of the economic sectors on a net basis, except Building, mortgage, construction & real estate, and Transport & communication sectors, which recorded net tightening. The degree of net easing of credit standards declined for most sectors in September 2022 when compared with the level of easing in the quarter to June 2022, except for Agriculture, fishing, and forestry, Personal and households and Mining & quarrying sectors as illustrated in Figure 2.

The sectoral distribution of the net easing of credit standards was highest for lending to Personal and households (11.5 percent), followed by Trade (11.3 percent), Business services (10.0 percent), Agriculture, fishing, and forestry (8.7 percent), Manufacturing (7.7 percent), Mining and quarrying (2.1 percent), Electricity and water (2.0 percent), and Community, social and other service (0.9 percent). On the other hand, sectors that recorded net tightening comprise of Building, mortgage, construction, and real estate (6.0 percent), and Transport and communication (0.8 percent).

The net easing registered for majority of the sectors in the quarter to September 2022 was largely attributed to relative recovery of most sectors as the impact of Covid-19 pandemic slowly phases away, the need for funding in the agricultural sector for the planting season and the focus on the education and hospitality sectors which still have access to the Credit relief measures.

On the other hand, the tightening in building, mortgage construction & real estate and transport and communication sectors was attributed to the reduction in demand for commercial property and the significant increase in fuel prices and inflation has caused a change in lifestyle patterns of consumers.

Figure 2: Changes in Credit Standards by Economic Sector (Jun & Sep 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 December 2022 (Figure 3). Looking at the expectations for loan classifications, majority of the banks anticipate keeping the terms and conditions unchanged for prime borrowers, and average loans, while tightening for riskier loans[5], in the quarter to December 2022[6]. On a net basis, banks expect to tighten all their price terms and conditions in the coming quarter to December 2022.

The net tightening of all price terms and conditions was attributed to; the increase in the central bank rate (CBR) which has heightened the cost of funding, the rising rate of default and the slow post pandemic recovery of the economy amidst prevailing macro-economic challenges.

Similarly, majority of banks expect to maintain non-price terms and conditions[7], with a bias towards tightening in the quarter to December 2022 (*See*, Figure 2).

The reasons banks cited for the expected tightening of all non-price terms and conditions in the quarter to December 2022 include the likelihood of increase in default rates, the current liquidity challenges facing banks, and the low demand for property amidst declining values.

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

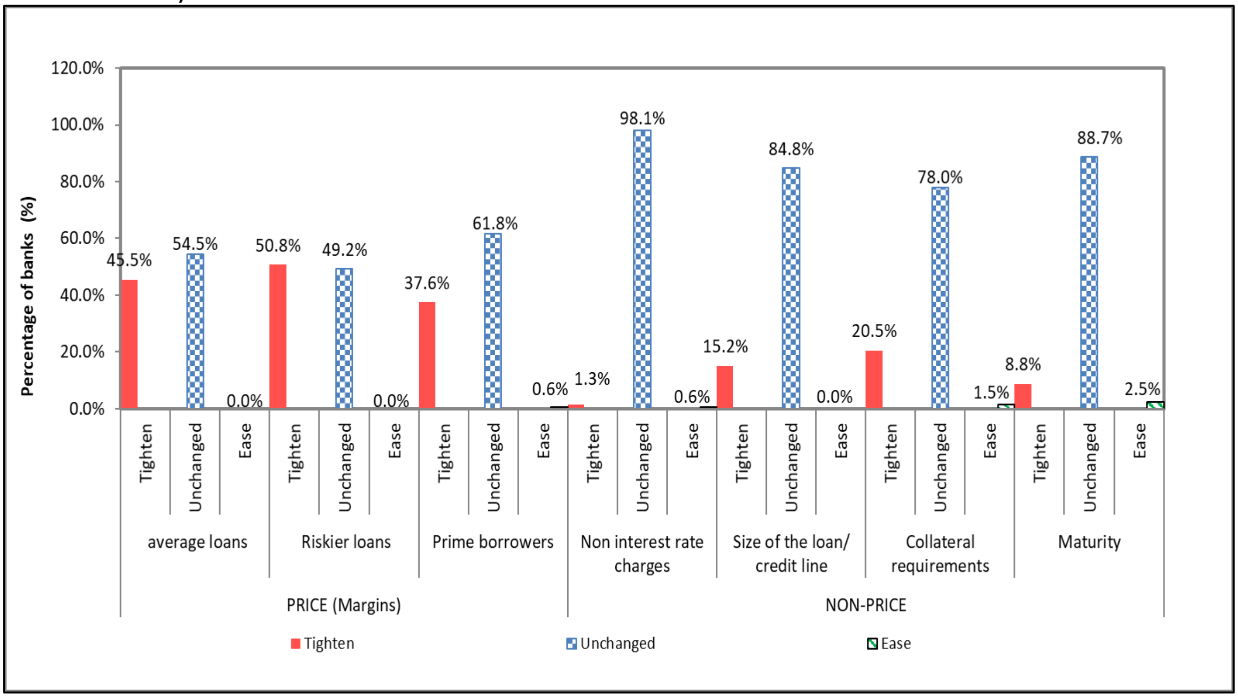
[4] Price-related terms and conditions refer to the direct price or interest rate in the context of this survey.

[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.

Figure 3: Expected Changes in Terms & Conditions for Approving Loans to Enterprises (Quarter to December 2022)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to December 2022, 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, higher than the previous quarter.

The reasons cited by most banks for the expected increase in credit demand were largely driven by developments in economic fundamentals, which include.

a) Short term funding to facilitate the preparations for the festive season.

b) The start of the second rainy season expected to influence the need for funds for agricultural activities.

c) The cashflow deficits caused by increased operating costs on account of high commodity and fuel prices may need funding to maintain enterprises in business.

The above anticipated increase in demand is expected to be moderated by the increased cost of doing business on account of the high cost of loanable funds due to the rise in CBR, currency depreciation, low purchasing power of customers and the general economic uncertainty.

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	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**	**Sep-22**	**Dec-22**
Increase(A)	64.8	67.0	46.3	56.8	57.5	64.4	71.9	76.9	44.9	62.5
Unchanged	21.0	18.9	46.5	32.3	29.0	23.3	21.6	19.3	39.7	23.9
Decrease(B)	14.2	14.1	7.1	10.9	13.5	12.3	6.5	3.8	15.4	13.5
Net %(A-B)	**50.6**	**52.9**	**39.2**	**45.9**	**44.0**	**52.1**	**65.4**	**73.1**	**29.4**	**49.0**
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 September 2022, banks tightened credit standards to households, as depicted by a net percentage of 6.9 percent, contrary to the net easing of 17.4 percent registered at the end of the previous quarter (See, Appendix 1). This was largely driven by the inflationary pressures which have heightened the cost of living, reduced disposable income, and limited the ability to service credit facilities, hence increasing the default rate in this segment.

In the quarter to December 2022, banks expect to tighten credit standards to households as indicated by the net percentage of 6.1 percent, lower than what was anticipated for the quarter to September 2022 of 11.7 percent on a net basis.

The expected tightening of credit standards to the household sector was attributed to; increase in CBR which is expected to raise further the cost of borrowing, the rising inflation, and the expected risk of default.

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 December 2022. Similarly, majority of the banks expect to keep their non-price terms and conditions for consumer credit unchanged with a bias towards tightening for all of them (See, Appendix 1).

The major reasons cited for the anticipated tightening of average and riskier loans include increase in the CBR and the need to reduce exposure to the risk of default amidst an uncertain economic environment. On the other hand, the easing for prime borrowers was based on competition for and the need to retain the few but dependable clients.

Similarly, the expected tightening of all non-price terms and conditions is attributed to; prevailing uncertain macro-economic environment, focus on short-term facilities, declining disposable income and property values.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase in the three months to December 2022. Specifically, 45.0 percent of banks anticipate an increase in households credit demand, compared to the 27.9 percent that expect a decrease in the quarter to December 2022.

The anticipated increase in household credit demand is attributed to; the need to meet the expenditure pressures during the festive season, school fees payment for the last term and semester, the need to supplement the declining disposable income to meet individual end year targets and the recent revision of salary for some civils servants which expands their borrowing capacity is expected to be a major factor. On the other hand, this expected increase in demand for loans will be moderated by the rise in the cost of borrowing mainly hinged on the increase in CBR.

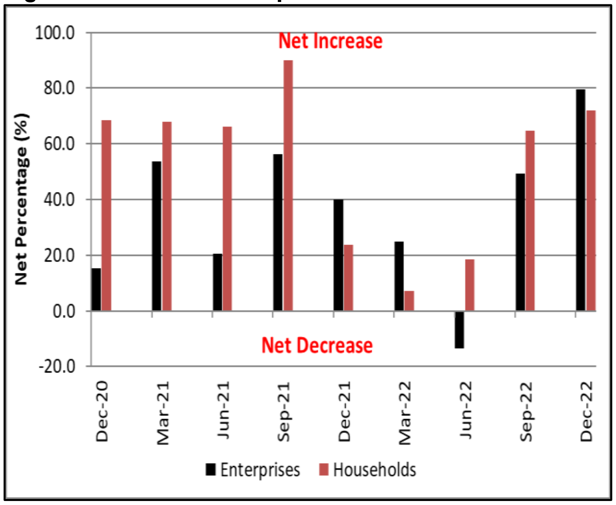
1.2.4 Expected Default Rate on Loans to Enterprises and Households

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 December 2022, 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) Lapse of the credit relief measures on education and hospitality sector.
b) Inflationary pressures expected to heighten costs of doing business and reduce revenue, hence affecting the ability to pay.
c) Diminishing business earnings and low cashflows on account of low purchasing power of customers and delayed government releases.
d) Further deterioration of the macroeconomic environment.

On the side of households, 72.1 percent of banks expect the default rate in this sector to increase on a net basis in the quarter to December 2022. (see, Appendix 1). This explains the expectations of Banks to tighten credit standards to households in the quarter to December 2022. The anticipated increase in default rate was attributed to the rising inflation which is expected to increase the cost of living and reduce disposable income, hence negatively affecting the ability to service their loan obligations and the delayed payment of some civil servants' salaries by government.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.3 Interest Rate Expectations for Q2 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 December 2022.

The results indicate that majority of the banks (71.4 percent) expect their lending rates to increase, with 28.6 percent anticipating the rates to remain largely unchanged in the quarter to December 2022.

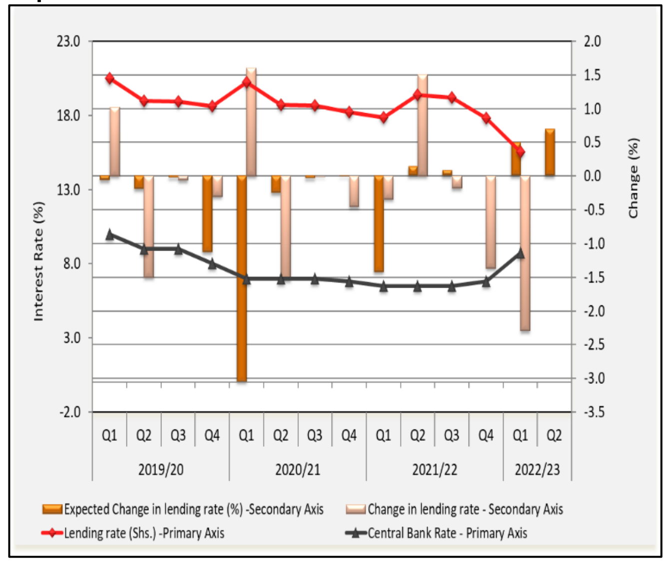
The lending rate is expected to increase in the quarter to December 2022 when compared to that in the quarter to September 2022, with a growth of 0.69 percentage points as illustrated in Figure 5.

The expected increase in lending rates was majorly attributed to the increased cost of funds for on-lending both locally and from international sources as central banks continue to increase policy rates or CBR to reign in on inflation spikes and expectations.

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 December 2022 in relation to the current economic situation. Majority of the banks anticipate a further tightening of monetary policy through increase of the CBR by Bank of Uganda to counter the rising inflationary pressures. In doing so, they noted that this would dampen the demand for credits and limit spending habits of consumers.

Figure 5: Changes in interest rates vis-à-vis Net Expectations



Source: *Bank of Uganda*

Notes: *The line graphs show actual lending rate and CBR outturns over the quarter. The bar graphs show the average percentage, by which lending rates were expected to increase over the next quarter following the survey and the actual change in lending rates over the quarter. Expectations have been moved forward by one quarter so as to be comparable with the actual outturns.*

1.5 Conclusion

The bank lending survey results indicate that in the quarter to September 2022, credit standards to both enterprises and households tightened on a net basis. In line with the above results, the proportion of loan applications approved to those that were received by banks was 99.3 percent in the two months to May 2022, slightly higher than the 98.9 percent recorded in the two months to August 2022, signifying the tightening in the quarter to September 2022.

In terms of the outlook for the quarter to December 2022, banks indicated that they expect to further tighten credit standards to both enterprises and households.

On the other hand, the demand for loans by both enterprises and households is expected to increase in the quarter to December 2022.

The default rate on loans to both enterprises and households is expected to increase at a much faster pace in the quarter to December 2022.

Lastly, the survey results indicate that majority of banks expect their lending rates to increase in the quarter to December 2022.

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 ‘so
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
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
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
Period		2019/20			2020/21				2021/22			2022/23
Part II: Households		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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
	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
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
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
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
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
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
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
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
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
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
Period		2019/20			2020/21				2021/22			2022/23
Part III: Occassional Questions		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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
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

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**
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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**
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
	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
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
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
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
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
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
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
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
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
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

(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 employe
(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 (June-August 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