Bank Lending Survey Report
First Quarter - FY 2023/24

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 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 September 2023 and the expectations for the quarter to December 2023.

Credit Standards

In the quarter to September 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 September 2023.

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

Credit Standards by Economic Sector

In the quarter to September 2023, banks reported to have tightened credit standards to majority of the sectors on a net basis but only eased for the electricity and water sector.

Outlook on Demand for credit

In the quarter to December 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 attributed to the need for financing especially for SMEs and short-term loans for building inventory ahead of anticipated festive season demand, demand from education institutions for short funding to meet their working capital and operational needs, school fees obligations, festive season consumption, beginning of the planting season and the need to meet annual targets like buying land, house completion and other assets acquisition.

Outlook on Terms & Conditions for credit

In the quarter to December 2023, banks expect to tighten majority of the price terms and conditions[1] on a net basis to enterprises, except for average borrowers. On the side of households, the terms and conditions are expected to be eased for prime and average borrowers and tightened for the riskier ones.

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 majority of the non-price terms and conditions[2] for both enterprises and households, except for the non-interest rate charges (enterprises) and the size of the loan (households) which are expected to ease.

Outlook on the default rate on loans

On a net basis, the default rate on loans to enterprises is expected to decrease, while that on loans to households is anticipated to increase in the quarter to December 2023. The expected decrease in default rate on loans to enterprises was attributed to the declining inflation which has reduced the cost of doing business and the upcoming festive season which is expected to drive up sales, hence improving cashflows and ability to meet loan obligations.

On the other hand, those that expect the default rate to increase for both enterprises and households cited the delayed payment of government contractors, coupled with the freeze of funding from world bank, the impact of rising fuel prices on cost of living and doing business and prioritising of consumption expenditure during the festive season rather than meeting loans obligations.

Interest Rate Expectations

The results indicate that majority of the banks (94.8 percent) expect their lending rates to remain broadly unchanged, with only 5.2 percent anticipating the rates to increase in the quarter to December 2023. The major reason cited for maintaining their current lending rates is because the banks believe that the

[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.

current level is still competitive and within range of the prevailing market trends.

Expectation on the monetary policy stance

Banks were asked about their expectations on the monetary policy stance for the next quarter to end December 2023. Majority of the banks expect the monetary policy stance to remain broadly unchanged with a bias towards easing in line with the decrease in inflation rate and the need to boost demand.

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 2023 and expectations for the quarter to December 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.

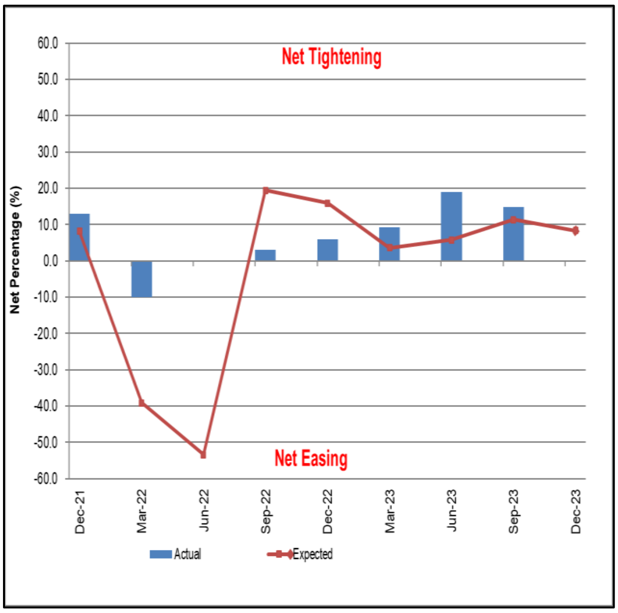
In the quarter to September 2023, credit standards on loans to enterprises remained broadly unchanged with a bias towards tightening signalled by the measure of net tightening of 14.8 percent, lower than the 18.9 per cent net tightening recorded in the quarter to June 2023 (*See*, Figure 1). The direction is consistent, but higher than the net tightening expectation for quarter ended September 2023 which was reported in the fourth quarter (2022/23Q4) survey. (*See, Tables 1 & 2)*.

Across firm size, credit standards continued to tighten for both SMEs and large enterprises represented by the measure of net tightening of 16.7 percent and 21.3 percent, respectively.

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

The net tightening of credit standards was attributed to the continued cautious approach to lending taken up by banks as result of the suspension of funding by the World bank which has led to delayed government payments to contractors and the slowed recovery of the economy.

Figure 1: Overall Credit standards to enterprises



Source: *Bank of Uganda*

Notes:

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

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

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

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

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**	**Jun-23**	**Sep-23**
Tightened(A)	18.9	17.3	18.9	19.8	17.8	23.1	20.7	18.1	18.1	20.6
Unchanged	81.0	80.2	72.2	77.1	82.0	75.2	69.8	74.8	81.8	78.6
Eased (B)	0.0	2.5	8.8	3.1	0.0	1.8	9.4	7.2	0.0	0.8
Net %(A-B)	**18.9**	**14.8**	**10.1**	**16.7**	**17.8**	**21.3**	**11.3**	**10.9**	**18.1**	**19.8**

Source: *Bank of Uganda*

In the quarter to December 2023, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards tightening at a slower 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 the need to adopt a cautious approach to minimize the rising rate of default, uncertainty regarding payment of contractors by government and the existent challenges posed by both the local and global macroeconomic environment.

Those that anticipated the easing of credit standards cited the focus on meeting the SMEs and short-term loan segments, need to meet school fees financing needs and building inventory in preparation for the end of year 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-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**
Tighten (A)	18.8	17.3	19.1	19.8	19.8	17.2	20.6	16.4	20.4	21.9
Unchanged	73.5	73.7	63.3	63.8	80.1	78.4	67.9	70.1	78.7	78.1
Ease (B)	7.5	9.0	17.5	16.4	0.0	4.3	11.3	13.5	0.7	0.0
Net %(A-B)	**11.4**	**8.3**	**1.6**	**3.3**	**19.8**	**12.9**	**9.3**	**3.0**	**19.7**	**21.9**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

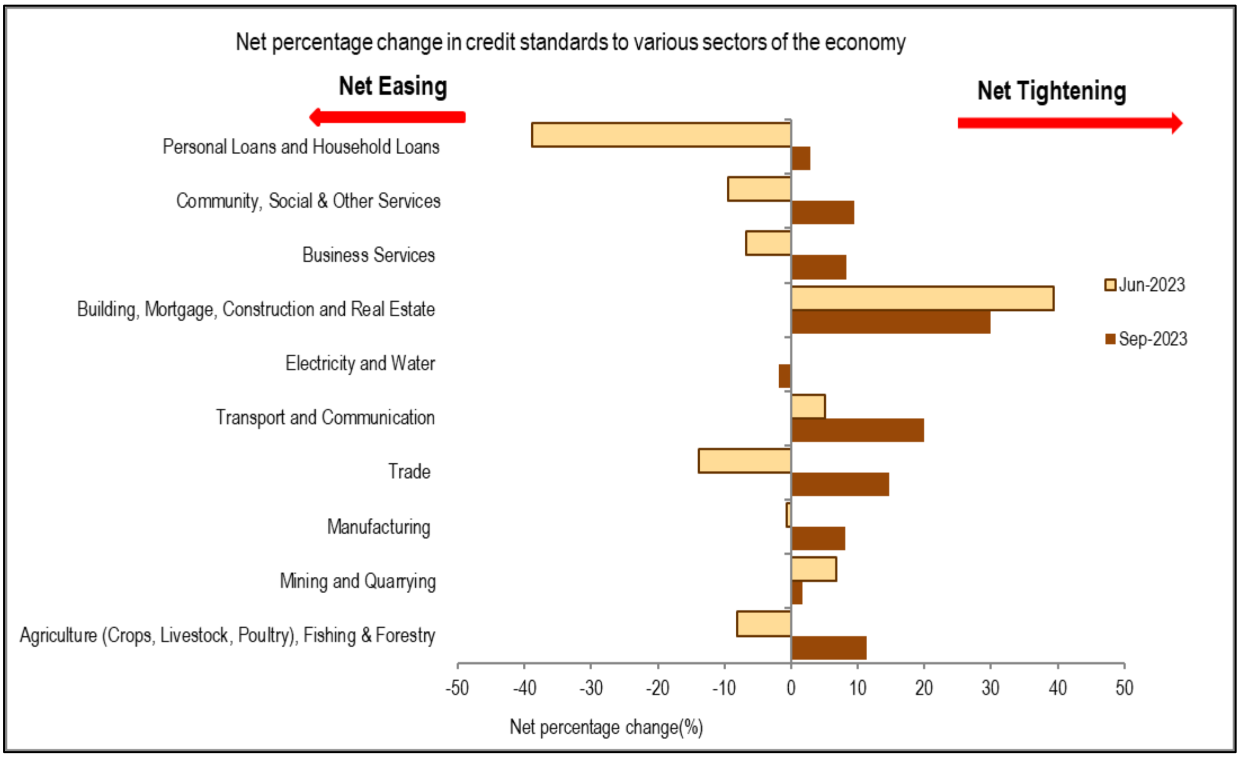
In the quarter to September 2023, banks reported to have tightened credit standards to majority of the sectors on a net basis but only eased for the electricity and water sector as illustrated in Figure 2.

The sectoral distribution of the net tightening of credit standards was highest for lending to Building, mortgage, construction, and real estate (30.0 percent), followed by Transport and communication (19.9 percent), Trade (14.8 percent), Agriculture (11.9 percent), Community social and other service (9.4 percent), Business services (8.4 percent), Manufacturing (8.2 percent), Personal and households (2.8 percent), and Mining and quarrying (1.8 percent), On the other hand, electricity and water recorded net easing of 1.8 percent.

The net tightening registered for majority of the sectors in the quarter to September 2023 was largely attributed to the cautious lending approach taken up by banks amidst the uncertainty of disbursements to the world bank funded projects, continued subdued demand and the stable but slow recovery of the economy.

On the other hand, the easing in the electricity and water sector was mainly attributed to receipt of financing from international organisations for this specific sector.

Figure 2: Changes in Credit Standards by Economic Sector (Jun & Sep 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 September 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 December 2023[6]. On a net basis, banks expect to tighten their price terms and conditions for prime borrowers and riskier loans, while easing for average borrowers in the quarter to December 2023.

The expected net tightening of price terms and conditions for prime and riskier borrowers is attributed to the cautious lending approach taken up by banks in addition to aligning with the risky and uncertain economic environment, coupled with the increasing oil prices which are anticipated to drive inflation upwards.

Those that expect to ease the terms and conditions for average borrowers hinged it on the reduction in the Central Bank Rate (CBR) and the declining inflation which are expected to reduce lending costs and result into improved margins on average loans.

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

The major reason cited by banks for the expected tightening of the non-price terms and conditions in the

[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.

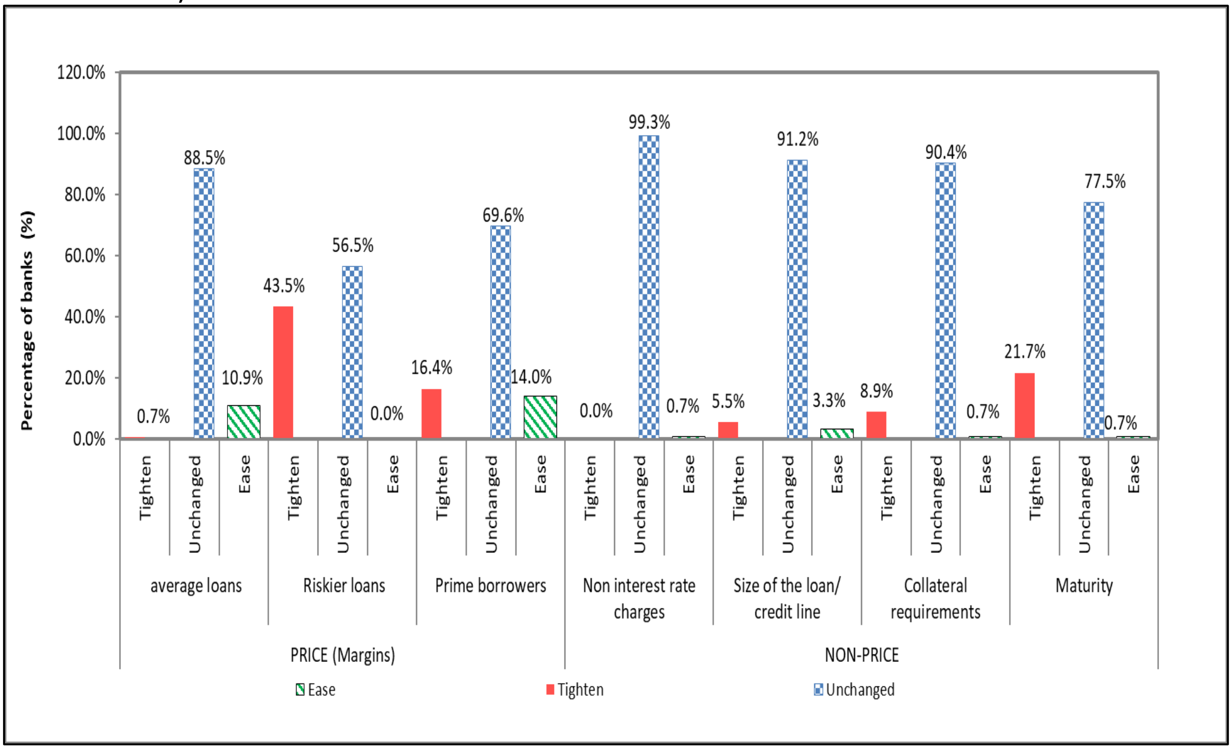
[5] Loans that banks assume to have a high probability of default.

[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.

quarter to December 2023 was the uncertain market conditions which heighten the credit risk, coupled with the freeze of world bank funding, which is anticipated to stall several projects, which could lead to failure by affected contractors to meet their loan repayment obligations.

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



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to December 2023, banks anticipate an overall increase in demand for credit, at a higher pace 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) Need for financing especially for SMEs and short-term loans for stocking inventory to meet the anticipated festive season demand.

b) Demand from education institutions for short funding to meet their working capital and operational needs.

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-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**
Increase(A)	64.7	86.2	76.2	81.0	58.6	65.0	67.8	79.8	51.9	60.7
Unchanged	35.0	13.8	23.5	19.0	41.0	35.0	32.0	20.2	47.2	38.6
Decrease(B)	0.2	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.8	0.8
Net %(A-B)	**64.5**	**86.2**	**76.0**	**81.0**	**58.4**	**65.0**	**67.8**	**79.8**	**51.1**	**59.9**
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 September 2023, banks eased credit standards to households, as depicted by a net percentage of 12.7 percent, higher than the net easing of 2.3 percent registered at the end of the previous quarter (See, Appendix 1). The outturn was consistent with past trends, albeit lower than the previous survey expectations. This was largely driven by seasonal demand for school fees payment as education institutions open, coupled with the stability of household income as employment levels improve.

In the quarter to December 2023, banks expect to further ease credit standards to households as indicated by the net percentage of 30.1 percent, higher than the net easing of 17.7 percent which was anticipated for the quarter to September 2023.

The expected easing of credit standards to the households was attributed to need to meet household expenditure requirements for the festive season, school fees obligations and outright focus by banks to grow the household segment.

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

The reason cited for the anticipated easing of average and prime loans was the strategy to grow the retail segment while also remaining competitive in the market. On the other hand, the tightening for riskier borrowers was attributed to the need to align and compensate for the current uncertain and risky economic environment.

The expected tightening of majority of the non-price terms and conditions was on account of stringent credit regimes adopted by banks amidst the uncertain macro-economic environment.

The easing of the size of the loan was based on the need to accommodate higher volumes to facilitate household expenditure during the festive season.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase greatly in the three months to December 2023. Notably, 94.6 percent of banks anticipate an increase in household's credit demand, with the remaining 5.4 percent expecting no change in households credit demand in the quarter to December 2023.

The anticipated increase in household credit demand is attributed to the need to meet school fees obligations, festive season consumption, beginning of the planting season and the need to meet annual targets like buying land, house completion and other assets acquisition.

1.2.4 Expected Default Rate on Loans to Enterprises and Households

Overall, 16.0 percent of the banks expect the default rate on loans to enterprises to decrease on a net basis in the quarter to December 2023. This is contrary to the 21.7 percent expected increase registered in the previous survey results. The net decrease in default rate was anticipated for large enterprises and short-term loans, while the default rate for SMEs and long-term loans is expected to increase on a net basis. The expected decline in default rate for large enterprises and short-term loans was attributed to.

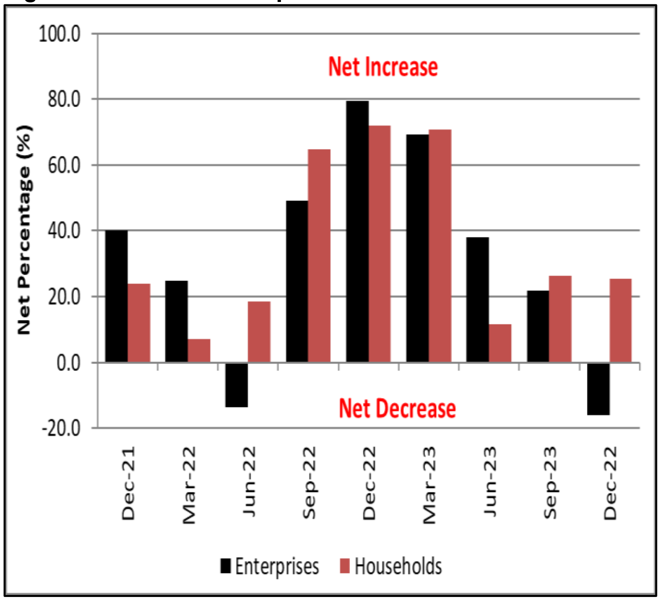
a) The declining inflation which has reduced the cost of doing business.

b) The upcoming festive season is expected to drive up sales, hence improving cashflows and ability to meet loan repayment obligations.

On the other hand, the increase in default rate for SMEs and long-term loans was based on the delayed payment of government contractors, coupled with the freeze of funding from world bank and the impact of rising fuel prices on cost of doing business and production in general.

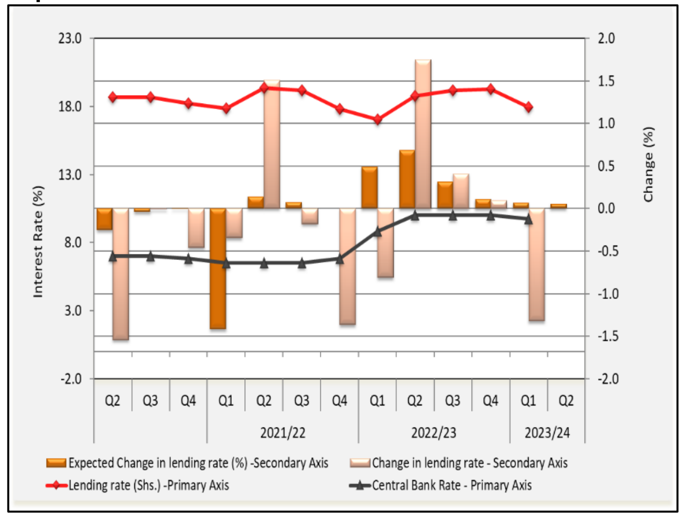
On the side of households, 25.4 percent of banks expect the default rate to increase on a net basis in the quarter to December 2023, slightly lower than the 26.2 percent that was recorded in the previous survey results (see, Appendix 1). The anticipated increase in default rate was attributed to the rise in fuel prices which might drive up the cost of living with fixed household income on the other side and prioritising of consumption expenditure during the festive season rather than meeting loan obligations.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

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.*

1.3 Interest Rate Expectations for Q2 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 December 2023.

The results indicate that majority of the banks (94.8 percent) expect their lending rates to remain broadly unchanged, with only 5.2 percent anticipating the rates to increase in the quarter to December 2023. Despite the reduction in the CBR in the August 2023 Monetary policy committee statement, majority of the banks don't expect to change their current lending rates because they are still competitive and within range of the prevailing market trends.

The minority of banks that expect the lending rate to increase in the quarter to December 2023 when compared to that in the quarter to September 2023, registered a weighted growth of 0.05 percentage points as illustrated in Figure 5. These banks cited the rising fuel prices and the high cost of loanable funds.

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 2023 in relation to the current economic situation. Majority of the banks expect the monetary policy stance to remain broadly unchanged with a bias towards easing in line with the decreasing inflation and the need to boost demand.

1.5 Conclusion

The bank lending survey results indicate that in the quarter to September 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 December 2023, banks expect to tighten credit standards to enterprises at a slower pace and ease for households at a faster pace, on a net basis. They expect to tighten credit standards across all firm sizes and loan durations.

The default rate on loans to enterprises is expected to decrease, while that on loans to households is anticipated to increase in the quarter to December 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		2020/21				2021/22				2022/23				2023/24
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
loans or credit lines to enterprises														
Overall	Past three months	50.6	37.9	12.6	11.5	25.1	12.9	-10.0	-0.1	3.0	6.0	9.3	18.9	14.8
	Next three months	0.4	44.9	-5.0	48.1	8.2	-39.1	-53.4	19.4	15.9	3.6	5.9	11.4	8.3
SMEs	Past three months	50.6	35.6	10.7	11.1	23.6	10.0	-10.6	-8.7	4.6	7.3	10.5	10.1	16.7
	Next three months	-6.4	35.8	-10.1	47.1	7.2	-44.2	-55.1	6.8	1.1	-2.7	1.2	1.6	3.3
Large enterprises	Past three months	57.4	45.6	15.4	28.2	26.1	20.2	-0.3	-3.5	9.4	11.8	21.9	17.8	21.3
	Next three months	3.4	46.9	7.7	54.6	22.0	-23.3	-41.0	22.5	13.3	10.8	18.9	19.8	12.9
Short term loans	Past three months	41.1	28.7	4.1	5.1	3.9	2.2	-17.5	-13.2	-14.5	-9.8	4.0	11.3	10.9
	Next three months	-22.4	26.6	-10.8	37.9	-8.5	-61.2	-53.5	-10.8	-10.8	-13.7	0.1	9.3	3.0
Long term loans	Past three months	55.2	39.1	15.0	17.3	18.9	27.1	-9.5	-0.8	16.3	10.1	18.2	18.1	19.8
	Next three months	2.2	45.1	-4.9	48.1	11.6	-27.9	-36.4	17.6	13.3	8.0	18.5	19.7	21.9
loans or credit lines to enterprises to														
Agriculture (Crops, Livestock, Poultry), Fishing &	Past three months	35.1	9.4	13.7	0.3	19.8	-17.0	-5.8	-4.0	-8.7	-9.7	-12.3	-8.1	11.4
Mining and Quarrying	Past three months	40.4	17.5	4.9	4.6	18.1	17.7	5.8	3.7	-2.1	8.0	-2.5	6.8	1.8
Manufacturing	Past three months	42.6	7.5	-7.9	-8.9	5.5	3.9	-14.5	-11.0	-7.7	-4.9	-0.7	-0.6	8.2
Trade	Past three months	59.3	22.6	-10.7	-8.1	18.2	3.2	-24.0	-12.8	-11.3	-15.6	-16.2	-13.9	14.8
Transport and Communication	Past three months	48.1	26.1	17.3	41.2	36.4	31.8	-20.0	-1.1	0.8	3.6	-4.6	5.1	19.9
Electricity and Water	Past three months	-3.9	1.7	-1.8	-1.8	15.9	17.7	-10.0	-10.8	-2.0	-1.1	-0.7	0.0	-1.8
Building, Mortgage, Construction and Real Estat	Past three months	71.2	38.9	46.1	48.8	40.4	47.8	22.1	19.6	6.0	26.3	40.6	39.4	30.0
Business Services	Past three months	58.2	30.3	-0.3	13.4	9.3	1.6	-23.6	-22.0	-10.0	-8.8	-10.2	-6.8	8.4
Community, Social & Other Services	Past three months	56.0	32.1	15.6	27.8	29.0	23.3	1.4	-8.1	-0.9	0.9	0.4	-9.5	9.4
Personal Loans and Household Loans	Past three months	42.9	-8.0	-26.0	-24.6	7.4	-21.4	-23.9	-10.0	-11.5	-33.4	-28.8	-38.8	2.8
credit lines to enterprises														
Margin on average loans	Next three months	-10.9	-0.9	-18.1	-12.0	-11.9	-17.1	7.3	41.5	45.5	33.7	19.5	21.9	-10.2
Margin on riskier loans	Next three months	59.7	31.7	21.0	41.4	32.8	51.6	44.9	54.8	50.8	42.0	39.2	37.1	43.5
margin on prime borrowers	Next three months	-22.4	-21.8	-23.7	-40.8	-35.0	-53.1	-24.2	30.7	36.9	3.7	-5.8	-3.8	2.5
Non-interest rate charges	Next three months	-2.2	-3.2	-14.0	-3.8	-1.1	-3.5	0.3	0.0	0.8	3.4	0.2	-0.5	-0.7
Size of the loan or credit line	Next three months	44.3	25.3	-17.3	18.2	5.9	-29.3	-14.9	6.7	15.2	18.0	-4.4	0.3	2.2
Collateral requirements	Next three months	48.9	33.5	5.5	39.7	42.8	21.6	14.1	18.8	19.0	8.8	9.1	4.6	8.2
Maturity	Next three months	40.7	24.5	-11.4	7.2	-3.2	11.4	-14.1	1.4	6.3	13.7	4.2	-2.2	21.0
Expected demand for loans or credit lines by enterprises(apart from normal seasonal														
Overall	Next three months	64.4	11.7	76.4	-83.2	87.5	87.3	93.5	50.6	52.9	43.4	66.9	64.5	86.2
SMEs	Next three months	66.7	18.6	64.5	-87.8	85.0	85.9	84.3	39.2	45.9	41.1	57.4	76.0	81.0
Large enterprises	Next three months	38.5	-4.0	61.9	-75.1	64.2	79.2	86.4	44.0	52.1	36.7	48.6	58.4	65.0
Short term loans	Next three months	80.4	39.7	84.7	-76.0	94.8	95.5	98.3	65.4	73.1	62.7	70.8	67.8	79.8
Long term loans	Next three months	38.0	-0.9	81.4	-76.3	68.6	67.7	89.3	29.4	49.0	31.1	47.9	51.1	59.9
Default rate on loans to enterprises														
Overall	Next three months	15.2	53.6	20.6	56.4	40.0	25.0	-13.5	49.2	79.5	69.3	38.0	21.7	-16.0
SMEs	Next three months	21.4	52.5	27.4	58.0	40.1	27.1	-12.1	64.2	84.6	64.1	-13.6	25.5	6.9
Large enterprises	Next three months	16.0	50.1	45.9	47.0	29.3	9.2	-21.8	41.1	53.6	44.5	14.0	0.6	-3.7
Short term loans	Next three months	15.3	57.9	34.7	45.1	23.7	1.1	-35.7	36.8	36.9	36.9	-27.6	-7.2	-14.8
Long term loans	Next three months	20.4	56.4	35.0	56.0	38.0	28.2	-11.2	51.2	78.3	69.2	35.5	23.7	1.3

Period		2020/21				2021/22				2022/23				2023/24
Part II: Households		Q1	Q2	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	47.9	-13.9	-8.1	-25.7	20.3	-32.1	-27.4	-17.4	6.9	-27.1	-15.6	-2.3	-12.7
	Next three months	-4.0	-5.9	-24.0	41.6	-10.0	-48.9	-28.7	11.7	6.1	-14.2	-29.4	-17.7	-30.1
Demand for loans to households and non-enterprises (for purposes of consumer	Next three months	67.8	34.2	63.3	-46.1	61.9	86.2	80.4	-1.1	17.1	63.2	62.0	62.5	94.6
Terms and conditions for approving loans or credit lines to households														
Margin on average loans	Next three months	-18.0	1.7	-2.5	1.5	3.6	-1.1	-0.7	31.0	23.7	16.8	7.3	1.8	-1.8
Margin on riskier loans	Next three months	32.7	32.0	19.8	52.2	32.4	18.8	36.8	48.3	28.0	47.7	30.2	30.3	19.8
Margin on prime borrowers	Next three months	-18.4	-13.2	-7.0	-22.6	-2.5	-7.3	-30.3	13.5	-2.5	-4.8	-8.6	-15.6	-12.6
Non-interest rate charges	Next three months	-0.6	-0.6	0.00	-2.0	-0.8	2.6	0.0	0.0	5.3	3.4	-16.3	0.8	1.4
Size of the loan or credit line	Next three months	22.7	29.6	9.6	32.0	0.2	-14.7	-8.6	23.1	20.3	-18.3	-24.7	-22.2	-16.1
Collateral requirements	Next three months	27.4	37.6	22.3	41.5	22.4	14.0	9.6	21.4	22.5	17.7	3.3	1.3	0.7
Maturity	Next three months	-22.2	22.5	15.4	23.3	-8.8	-3.6	-7.5	7.1	5.8	3.0	-12.4	-11.5	0.7
Default rate on loans to households	Next three months	68.4	67.9	66.2	90.0	23.8	7.1	18.4	64.8	72.1	70.8	11.6	26.2	25.4

Period		2020/21				2021/22				2022/23				2023/24
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Lending rates expectation														
Increae(+)/Decrease(-)	Next three months	-23.1	-1.9	-2.2	-37.3	2.7	-4.2	0.0	60.9	71.4	33.1	11.4	6.1	5.2
Percentage change	Next three months	-0.25	-0.04	0.00	-1.42	0.14	0.08	0.00	0.49	0.69	0.32	0.12	0.07	0.05

percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was 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-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Credit policy as applied to the approval of loans or credit lines to enterprises														
Overall	Past three months	29.8	64.1	9.4	26.5	71.8	-3.2	-3.2	-6.7	29.7	-29.0	14.3	6.3	-30.0
	Next three months	41.7	70.7	-31.5	100.0	-32.0	-46.7	-46.9	26.8	-40.1	7.6	1.3	-1.8	-35.6
SMEs	Past three months	40.8	64.1	-48.9	26.5	77.9	24.9	22.8	22.1	29.7	4.5	14.3	8.1	6.9
	Next three months	41.7	70.7	-2.3	100.0	18.4	-21.7	-5.4	-6.9	-7.2	10.2	2.8	0.5	-35.6
Large enterprises	Past three months	26.2	32.2	36.7	38.6	69.4	28.1	28.2	29.0	30.8	2.6	12.8	6.3	-32.2
	Next three months	27.1	46.3	15.3	74.9	18.4	-21.7	-8.7	0.0	0.0	8.3	2.8	2.3	-34.6
Short term loans	Past three months	39.6	64.1	2.5	25.5	69.4	-6.0	14.2	27.0	25.3	-32.8	8.5	3.9	4.6
	Next three months	30.9	70.7	-19.8	71.6	-35.0	-46.7	-8.7	0.0	-32.9	8.3	-1.5	-1.8	-3.3
Long term loans	Past three months	16.4	33.6	38.5	33.0	69.4	21.7	20.8	31.0	33.1	-29.0	-14.3	5.7	5.0
	Next three months	27.1	46.3	-22.0	74.9	-32.0	-23.3	3.3	2.0	-30.6	10.2	-24.3	-1.8	1.3
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	-4.7	-19.2	2.5	-11.0	28.1	19.0	31.5	31.0	33.1	10.2	4.3	-5.5	3.7
Mining and Quarrying	Past three months	27.5	-15.4	6.0	0.0	16.0	20.2	28.2	29.0	27.5	0.0	0.0	3.9	40.5
Manufacturing	Past three months	27.5	0.6	35.1	-12.1	16.0	21.7	31.5	27.0	25.3	-1.9	-1.5	0.0	3.7
Trade	Past three months	47.5	45.3	67.7	-7.8	66.4	2.7	7.5	-6.7	20.5	2.6	2.8	6.3	3.7
Transport and Communication	Past three months	34.1	13.4	38.5	52.8	69.4	27.7	-1.2	1.4	26.1	4.5	9.3	8.1	1.4
Electricity and Water	Past three months	19.1	-31.9	0.0	-15.3	16.0	-3.2	31.5	27.0	25.3	-1.9	0.0	0.0	3.7
Building, Mortgage, Construction and Real Estate	Past three months	34.1	14.8	9.4	-7.6	31.1	19.0	38.3	31.0	29.7	2.6	7.8	5.7	3.7
Business Services	Past three months	34.1	14.8	9.4	52.8	69.4	21.7	-9.9	-6.7	25.3	0.7	1.3	3.9	6.0
Community, Social & Other Services	Past three months	50.1	39.2	67.7	51.8	91.5	21.7	-1.2	-2.6	29.7	4.5	1.5	3.9	6.0
Personal Loans and Household Loans	Past three months	-2.3	-11.6	-26.6	4.5	31.1	19.0	31.5	27.0	29.7	-1.9	-1.5	3.9	1.4
Terms and conditions for approving loans or credit lines to enterprises														
Margin on average loans	Next three months	-41.8	-2.5	-13.8	-21.1	-22.3	-10.2	0.0	0.0	17.6	0.0	0.0	-1.8	26.5
Margin on riskier loans	Next three months	43.0	50.3	20.6	43.8	18.9	21.7	12.0	6.1	23.2	10.2	9.3	8.1	43.1
margin on prime borrowers	Next three months	-41.8	-3.8	15.3	-20.1	-25.3	17.5	-8.7	0.0	17.6	0.0	-5.0	-1.8	26.5
Non-interest rate charges	Next three months	-41.8	22.5	44.5	14.5	16.0	-7.5	16.3	0.0	0.0	-33.5	0.0	-3.9	22.9
Size of the loan or credit line	Next three months	36.4	26.4	-10.3	50.0	54.2	17.5	-16.3	0.0	-29.5	-30.9	7.8	-10.0	-64.0
Collateral requirements	Next three months	37.6	22.6	18.8	17.7	18.9	21.7	3.3	6.1	-27.3	1.9	1.5	8.1	-3.4
Maturity	Next three months	29.8	11.4	44.5	53.3	54.2	19.0	3.3	2.0	-30.6	-29.0	4.3	-10.0	0.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?														
Overall	Next three months	27.2	40.7	70.9	-62.5	91.0	94.1	91.3	-10.8	12.5	-19.3	75.0	79.4	80.7
SMEs	Next three months	27.2	14.4	70.9	-62.5	66.6	69.1	58.5	27.0	-14.8	16.1	90.7	100.0	88.0
Large enterprises	Next three months	2.7	-40.1	33.9	-38.4	54.2	69.1	58.5	22.9	-20.3	14.2	38.5	77.6	64.0
Short term loans	Next three months	27.2	39.4	98.2	-2.8	91.0	69.1	58.5	-10.8	18.1	21.8	47.7	79.4	43.8
Long term loans	Next three months	18.7	-17.5	33.9	-38.4	68.9	69.1	58.5	22.9	44.5	49.6	70.7	77.6	27.1
Default rate on loans to enterprises														
Overall	Next three months	87.3	100.0	-7.3	100.0	-50.6	-91.4	-79.2	22.1	-81.8	45.0	-60.8	-97.7	-81.0
SMEs	Next three months	87.3	100.0	-7.3	49.8	-50.6	-66.5	-46.5	-11.6	-81.8	8.9	-63.6	-58.6	-81.0
Large enterprises	Next three months	72.7	68.1	-44.2	74.9	-50.6	-69.2	-49.8	-17.7	-54.5	7.0	-62.1	-60.9	-81.0
Short term loans	Next three months	81.9	92.3	51.0	100.0	-50.6	-91.4	-82.5	16.0	-86.3	41.2	-60.8	-60.9	-76.0
Long term loans	Next three months	73.9	69.5	21.8	74.9	-50.6	-66.5	-46.5	-15.7	-87.4	9.6	-59.3	-59.1	-81.0

Period		Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Part II: Households														
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	50.7	-15.4	-0.9	2.4	28.1	46.7	3.3	2.0	2.2	0.7	1.3	3.9	3.7
	Next three months	50.9	-4.2	1.1	32.8	-12.2	-10.7	0.0	0.0	-7.0	-5.7	-14.4	-14.3	1.4
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	13.7	-28.7	39.9	-38.4	33.5	69.1	41.1	27.3	96.7	-7.2	62.1	60.9	62.1
Terms and conditions for approving loans or credit lines to households														
Margin on average loans	Next three months	-36.4	0.0	18.8	14.5	16.0	-10.2	0.0	0.0	17.6	0.0	0.0	2.1	27.5
Margin on riskier loans	Next three months	37.6	46.5	20.6	17.7	21.4	23.7	5.3	6.1	23.2	7.6	6.5	6.3	33.5
Margin on prime borrowers	Next three months	-41.8	-3.8	15.3	14.5	13.0	17.5	0.0	0.0	17.6	-2.6	-2.8	-1.8	27.5
Non-interest rate charges	Next three months	36.4	0.0	18.8	14.5	16.0	17.5	16.3	0.0	0.0	0.0	0.0	-5.7	23.8
Size of the loan or credit line	Next three months	0.0	0.0	18.8	17.7	16.0	20.2	-16.3	0.0	0.0	0.0	0.0	0.0	-26.1
Collateral requirements	Next three months	36.4	18.8	18.8	14.5	16.0	21.7	3.3	2.0	2.2	1.9	1.5	3.9	31.2
Maturity	Next three months	-36.4	-18.8	18.8	21.0	16.0	20.2	0.0	0.0	0.0	0.0	0.0	3.9	-3.7
Default rate on loans to households	Next three months	50.7	69.5	-7.4	73.9	-45.0	-66.3	-41.1	-18.8	-59.3	20.3	-49.3	-60.9	-43.1

(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 (June 2023-August 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 →