Bank Lending Survey Report
Second 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 December 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 December 2023 and expectations for the quarter to March 2024.

Credit Standards

In the quarter to December 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 for long-term loans, while short term loans were eased in the quarter to December 2023.

Going forward (quarter to March 2024), banks expect to ease credit standards to both enterprises and households on a net basis.

Credit Standards by Economic Sector

In the quarter to December 2023, banks reported to have kept their credit standards to all sectors broadly unchanged with a bias towards easing for majority of the sectors on a net basis. Banks reported to have tightened credit standards for Building, mortgage, construction, and real estate, Transport and communication, and Mining and quarrying on a net basis.

Outlook on Demand for credit

In the quarter to March 2024, 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 stable Central Bank Rate (CBR), coupled with low and stable inflation, which is expected to reduce lending rates, the demand for education related funding from both schools and parents, the need for financing in the agriculture sector as farmers gear up for the harvesting season.

Outlook on Terms & Conditions for credit

In the quarter to March 2024, banks expect to tighten all their price terms and conditions[1] on a net basis to enterprises. On the side of households, majority of the terms and conditions are expected to be tightened for average and riskier borrowers and eased for the prime customers.

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 ease all their non-price terms and conditions[2] for both enterprises and households in the quarter to March 2024.

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 at a faster pace in the quarter to March 2024. The expected decrease in default rate on loans to enterprises was attributed to the festive season activities which are expected to drive up cashflows, the harvest season for agriculture produce in Q3 FY2023/24, which is expected to increase farmers' cash flows, improvement in the banks' credit monitoring systems.

On the other hand, those that expect the default rate to increase for both enterprises and households cited the high fuel prices amidst the low business activities and the high consumption levels during the festive season in addition to the prioritisation of school fees payment in contrast to meeting loan obligations.

Interest Rate Expectations

The results indicate that majority of the banks (82.5 percent) expect their lending rates to remain broadly unchanged, with 9.6 percent anticipating the rates to decrease and 7.9 percent expecting an increase in rates in the quarter to March 2024. Majority of the banks don't expect to change their current lending rates mainly citing the stability of the CBR.

Expectation on the monetary policy stance

Majority of the banks expect the monetary policy stance to remain broadly unchanged, that is the CBR being maintained but with a bias towards tightening due to higher inflation expectations and the general economic environment.

[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 December 2023 and expectations for the quarter to March 2024. 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 determine (based on classifications by sector, area, size, duration, financial indicators, etc.) the type of loans (collaterised, non-collaterised, investments, overdrafts, etc.) and amounts to be provided, and to which clients. This survey measures changes in such standards including cases where banks have introduced new lending policies or amended existing ones.

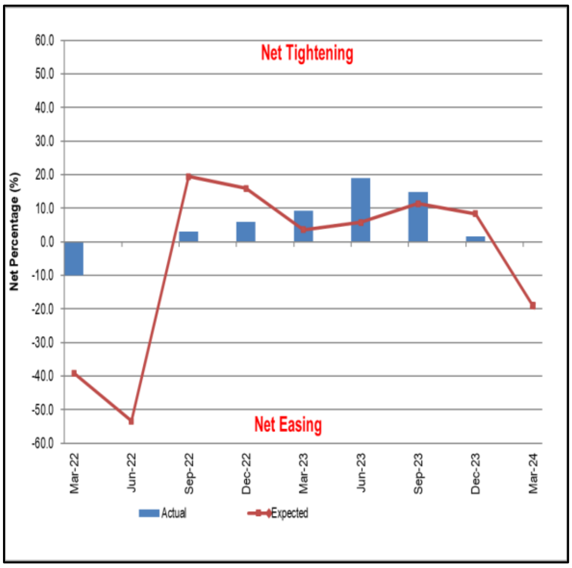
In the quarter to December 2023, credit standards on loans to enterprises remained broadly unchanged with a bias towards tightening signalled by the measure of net tightening of 1.7 percent, albeit at a slower pace when compared to the previous survey results (*See*, Figure 1). The direction is consistent, but much lower than the net tightening expectation for quarter ended December 2023 which was reported in the first quarter (2023/24Q1) survey (*See, Tables 1 & 2*).

Across firm size, there was a slowed pace of tightening of credit standards for both SMEs and large enterprises represented by the lower measure of net tightening of 2.9 percent and 5.0 percent, respectively.

In terms of loan duration, credit standards were eased for short term loans, while the terms for long-term loans were tightened though at a slower pace in the quarter to December 2023 compared to the previous survey results (*See, Table 1*).

Banks that reported to have maintained their credit standards attributed it to the prevailing stable macro-economic conditions. On the other hand, those that reported net tightening of credit standards cited the need to reduce the non-performing loans with more priority given to recovery, coupled with the supply disruptions caused by Gaza war and Russia's invasion of Ukraine which have affected business operations for importers.

Figure 1: Overall Credit standards to enterprises



Source: *Bank of Uganda*

Notes:

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

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

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

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

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**	**Sep-23**	**Dec-23**
Tightened(A)	17.3	4.6	19.8	3.3	23.1	5.0	18.1	0.0	20.6	7.5
Unchanged	80.2	92.5	77.1	96.3	75.2	95.0	74.8	92.1	78.6	92.5
Eased (B)	2.5	2.9	3.1	0.4	1.8	0.0	7.2	7.9	0.8	0.0
Net %(A-B)	**14.8**	**1.7**	**16.7**	**2.9**	**21.3**	**5.0**	**10.9**	**-7.9**	**19.8**	**7.5**

Source: *Bank of Uganda*

Despite the reduction in percentage, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards easing in the quarter to March 2024. Banks expect to ease credit standards for all firm sizes and loan durations on a net basis. (*See, Figure 1 and Table 2*).

The expected net easing of credit standards in the next quarter was attributed to the stable and low inflation, new business year financing needs for several businesses, and short-term lending to fulfil seasonal demand for education loans as the school term reopens in Q3 FY2023/24.

Those that anticipated the tightening of credit standards cited the challenges posed by the local and global macro-economic environment which have increased the cost of living, uncertainty concerning the payment of government service providers and the need to reduce nonperforming loans.

Table 2: Expectations for Credit Standards as Applied to Approval of Loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**
Tighten (A)	17.3	10.7	19.8	10.7	17.2	5.5	16.4	0.0	21.9	2.0
Unchanged	73.7	59.7	63.8	58.0	78.4	80.2	70.1	78.8	78.1	86.8
Ease (B)	9.0	29.6	16.4	31.3	4.3	14.4	13.5	21.2	0.0	11.2
Net %(A-B)	**8.3**	**-19.0**	**3.3**	**-20.6**	**12.9**	**-8.9**	**3.0**	**-21.2**	**21.9**	**-9.2**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

In the quarter to December 2023, banks reported to have kept their credit standards to all sectors broadly unchanged with a bias towards easing for majority of the sectors on a net basis as illustrated in Figure 2.

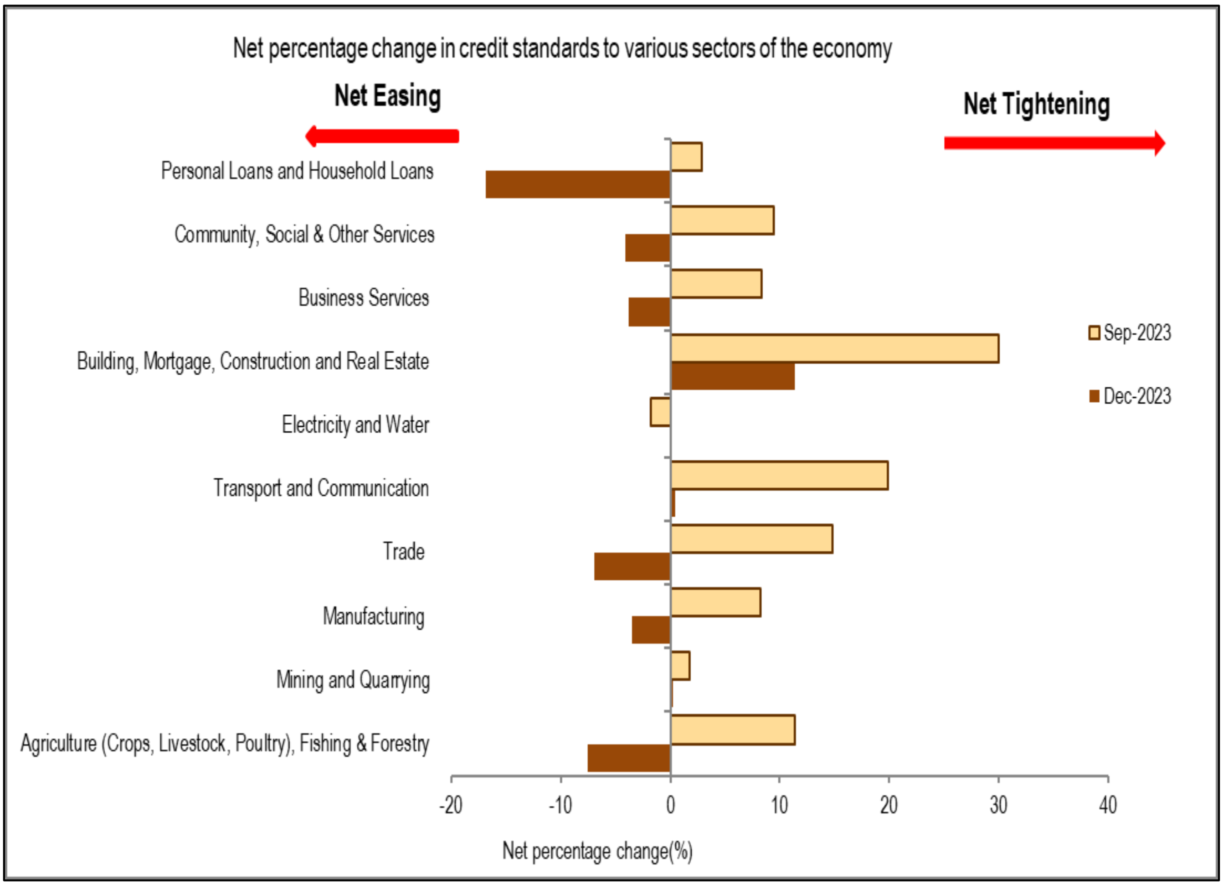
The sectoral distribution of the net easing of credit standards was highest for lending to Personal and households (16.9 percent), Agriculture (7.5 percent), Trade (7.0 percent), Community social and other service (4.1 percent), Business services (3.8 percent), and Manufacturing (3.5 percent).

On the other hand, Building, mortgage, construction, and real estate (11.3 percent), Transport and communication (0.5 percent), and Mining and quarrying (0.2 percent) recorded net tightening.

The net easing among majority of the sectors was attributed to short-term working capital needs for schools as they closed the third term and traders to build inventory ahead of end of year festive season.

On the other hand, the tightening reported for Building, mortgage, construction, and real estate, Transport and communication, and Mining and quarrying was attributed to the high default rates and the continued uncertainty regarding the disbursements to the world bank funded government projects.

Figure 2: Changes in Credit Standards by Economic Sector (Sep & Dec 2023)



Source: *Bank of Uganda*

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

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[4] in the quarter to March 2024[5]. On a net basis, banks expect to tighten all their price terms and conditions in the quarter to March 2024 (*See*, Figure 3).

The expected net tightening of price terms and conditions for prime and riskier borrowers is attributed to the high costs of loanable funds and strict enforcement of the risk-based pricing model amidst the prevailing economic environment.

On the other hand, majority of banks expect to maintain their non-price terms and conditions[6], with a bias towards easing in the quarter to March 2024 (*See*, Figure 3).

The major reason cited by banks for the expected easing of the non-price terms and conditions in the quarter to March 2024 include: the need to grow the client base while retaining the existing customers and the target of remaining competitive in the market.

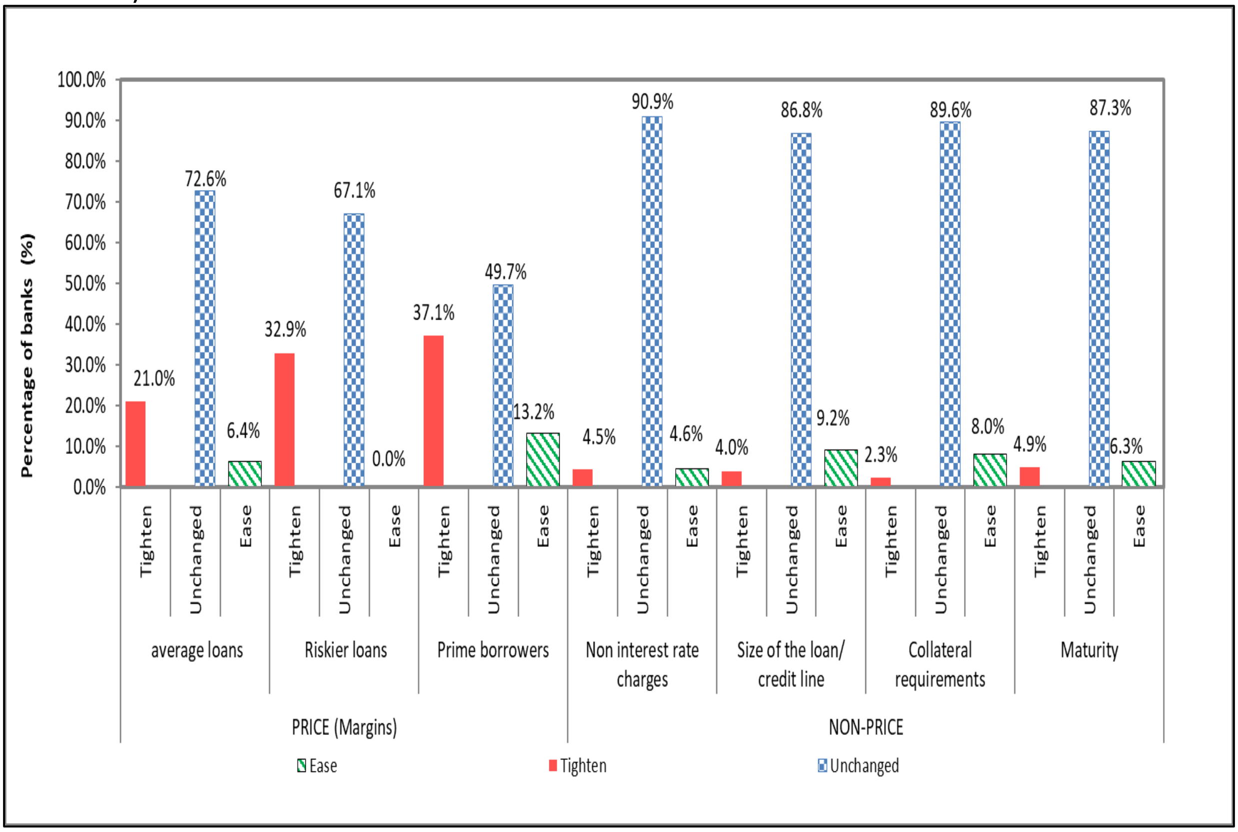
[3] Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower.

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

[5] 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.

[6] 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 March 2024)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to March 2024, banks anticipate an overall increase in demand for credit, albeit at a slower 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) The stable Central Bank Rate (CBR), coupled with low and stable inflation which is expected to move loan pricing downwards.

b) Demand from education institutions for short funding to meet their operational needs for the beginning of term I.

c) Need for financing in the agriculture sector as farmers gear up for the harvesting season.

Table 3: Demand expectations for the next three months

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**	**Dec-23**	**Mar-24**
Increase(A)	86.2	76.5	81.0	69.6	65.0	65.1	79.8	75.4	60.7	47.9
Unchanged	13.8	6.9	19.0	13.7	35.0	14.9	20.2	8.0	38.6	35.2
Decrease(B)	0.0	16.6	0.0	16.6	0.0	20.0	0.0	16.6	0.8	16.9
Net %(A-B)	**86.2**	**59.9**	**81.0**	**53.0**	**65.0**	**45.1**	**79.8**	**58.8**	**59.9**	**31.1**
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households

1.2.1 Credit Standards to Households

The findings revealed that, in the quarter to December 2023, banks eased credit standards to households, as depicted by a net percentage of 16.9 percent, higher than the net easing of 12.7 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 the need to support clients with financing for the festive seasons' related expenses and improvement in employment terms for salary earners compared to the Covid-19 pandemic period.

In the quarter to March 2024, banks expect to further ease credit standards to households as indicated by the net percentage of 32.5 percent, slightly higher than the net easing of 30.1 percent which was anticipated for the quarter to December 2023.

The expected easing of credit standards to the households is mainly attributed to need to meet seasonal demand for school fees and school related expenses, coupled with stable employment levels which have guaranteed salary earners' cash flows.

1.2.2 Outlook on Terms and Conditions for Credit to Households

Majority of the price terms and conditions for consumer credit are expected to tighten, except for prime borrowers which are expected to ease on a net basis over the next three months to March 2024. Similarly, majority of the banks expect to keep their non-price terms and conditions for consumer credit unchanged with a bias towards easing for all (See, Appendix 1).

The reasons cited for the anticipated tightening of average and riskier loans were the need to align and compensate for the uncertain and risky economic environment, increase in nonperforming loans, and the high cost of funds in the market. On the other hand, the easing for prime borrowers was attributed to the competition in the market and the need to retain the already trustworthy customers.

The expected easing of all non-price terms and conditions was on account of the need to keep the good customers, while attracting new potential ones.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase in the three months to March 2024. Specifically, 90.9 percent of banks anticipate an increase in household's credit demand and 7.4 percent expect no change to households' credit demand in the quarter to March 2024.

The anticipated increase in household credit demand is mainly attributed to the seasonal demand for schools' operations and tuition fees in Q3 FY2023/24 which is expected to stretch the individuals' cash needs after the festive season expenses.

1.2.4 Expected Default Rate on Loans to Enterprises and Households

Overall, 24.6 percent of the banks expect the default rate on loans to enterprises to decrease on a net basis in the quarter to March 2024. This is higher than the 16.0 percent that expected a decrease in the previous survey results. The net decrease in default rate is anticipated for all firm sizes and loan durations. The lower default rate was attributed to.

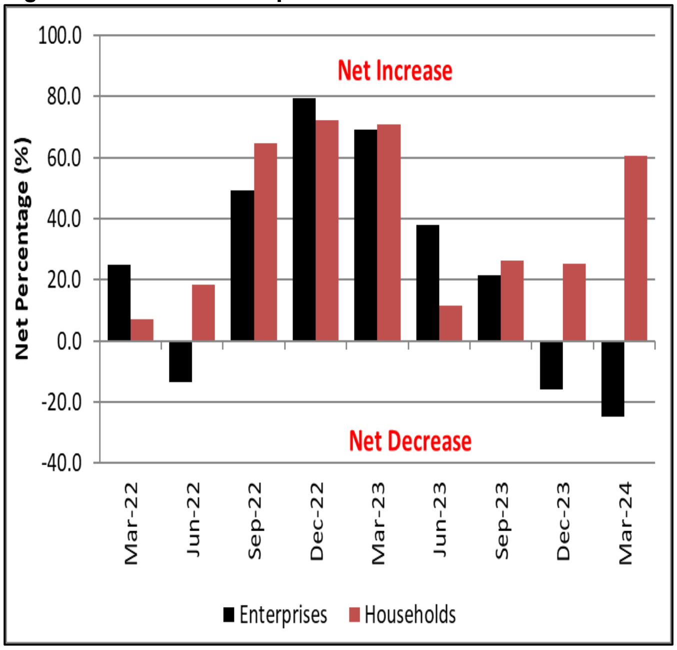
a) The festive season activities which are expected to drive up cashflows.
b) The harvest season for agriculture produce in Q3 FY2023/24 which is expected to increase farmers' cash flows.

c) Improvement in the banks' credit monitoring systems.

On the other hand, the increase in default rate was attributed to the high fuel prices amidst the low business activities and the high consumption levels during the festive season. In addition, households may prioritise school fees payment in contrast to meeting loan obligations.

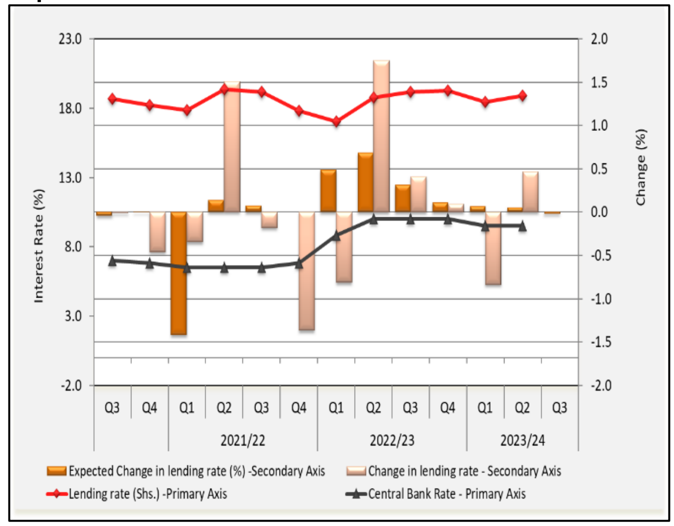
On the side of households, 60.8 percent of banks expect the default rate to increase on a net basis in the quarter to March 2024, much higher than the 25.4 percent that was recorded in the previous survey results (see, Appendix 1). The anticipated increase in default rate was attributed to the prioritisation of festive season expenses which will reduce household disposable income in addition to school related expenses. This is likely to negatively affect the capacity of households to meet their 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 Q3 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 March 2024.

The results indicate that majority of the banks (82.5 percent) expect their lending rates to remain broadly unchanged, with 9.6 percent anticipating the rates to decrease and 7.9 percent expecting an increase in rates in the quarter to March 2024. Majority of the banks don't expect to change their current lending rates mainly citing the stability of the CBR.

The banks that expect the lending rate to decrease on a net basis in the quarter to March 2024 when compared to that in the quarter to December 2023, registered a weighted decline of 0.02 percentage points as illustrated in Figure 5. These banks noted that they align their lending rates to the CBR which is expected to drop further in the coming months.

On the other hand, those that expected increase in lending rates cited the high cost of funds as the major reason behind their expectation.

1.4 Expectation on the monetary policy stance

Banks were asked about their expectations on the monetary policy stance for the next quarter to end March 2024 in relation to the current economic situation. Majority of the banks expect the monetary policy stance to remain broadly unchanged. They expect BOU to maintain the CBR at its current level with a bias towards tightening given the elevated inflation expectation and the general economic environment.

1.5 Conclusion

The bank lending survey results indicate that in the quarter to December 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 March 2024, banks expect to ease credit standards to both enterprises and households on a net basis. They expect to ease 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 at a faster pace in the quarter to March 2024.

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		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
loans or credit lines to enterprises														
Overall	Past three months	37.9	12.6	11.5	25.1	12.9	-10.0	-0.1	3.0	6.0	9.3	18.9	14.8	1.7
	Next three months	44.9	-5.0	48.1	8.2	-39.1	-53.4	19.4	15.9	3.6	5.9	11.4	8.3	-19.0
SMEs	Past three months	35.6	10.7	11.1	23.6	10.0	-10.6	-8.7	4.6	7.3	10.5	10.1	16.7	2.9
	Next three months	35.8	-10.1	47.1	7.2	-44.2	-55.1	6.8	1.1	-2.7	1.2	1.6	3.3	-20.6
Large enterprises	Past three months	45.6	15.4	28.2	26.1	20.2	-0.3	-3.5	9.4	11.8	21.9	17.8	21.3	5.0
	Next three months	46.9	7.7	54.6	22.0	-23.3	-41.0	22.5	13.3	10.8	18.9	19.8	12.9	-8.9
Short term loans	Past three months	28.7	4.1	5.1	3.9	2.2	-17.5	-13.2	-14.5	-9.8	4.0	11.3	10.9	-7.9
	Next three months	26.6	-10.8	37.9	-8.5	-61.2	-53.5	-10.8	-10.8	-13.7	0.1	9.3	3.0	-21.2
Long term loans	Past three months	39.1	15.0	17.3	18.9	27.1	-9.5	-0.8	16.3	10.1	18.2	18.1	19.8	7.5
	Next three months	45.1	-4.9	48.1	11.6	-27.9	-36.4	17.6	13.3	8.0	18.5	19.7	21.9	-9.2
loans or credit lines to enterprises to														
Agriculture (Crops, Livestock, Poultry), Fishing &	Past three months	9.4	13.7	0.3	19.8	-17.0	-5.8	-4.0	-8.7	-9.7	-12.3	-8.1	11.4	-7.5
Mining and Quarrying	Past three months	17.5	4.9	4.6	18.1	17.7	5.8	3.7	-2.1	8.0	-2.5	6.8	1.8	0.2
Manufacturing	Past three months	7.5	-7.9	-8.9	5.5	3.9	-14.5	-11.0	-7.7	-4.9	-0.7	-0.6	8.2	-3.5
Trade	Past three months	22.6	-10.7	-8.1	18.2	3.2	-24.0	-12.8	-11.3	-15.6	-16.2	-13.9	14.8	-7.0
Transport and Communication	Past three months	26.1	17.3	41.2	36.4	31.8	-20.0	-1.1	0.8	3.6	-4.6	5.1	19.9	0.5
Electricity and Water	Past three months	1.7	-1.8	-1.8	15.9	17.7	-10.0	-10.8	-2.0	-1.1	-0.7	0.0	-1.8	0.0
Building, Mortgage, Construction and Real Estate	Past three months	38.9	46.1	48.8	40.4	47.8	22.1	19.6	6.0	26.3	40.6	39.4	30.0	11.3
Business Services	Past three months	30.3	-0.3	13.4	9.3	1.6	-23.6	-22.0	-10.0	-8.8	-10.2	-6.8	8.4	-3.8
Community, Social & Other Services	Past three months	32.1	15.6	27.8	29.0	23.3	1.4	-8.1	-0.9	0.9	0.4	-9.5	9.4	-4.1
Personal Loans and Household Loans	Past three months	-8.0	-26.0	-24.6	7.4	-21.4	-23.9	-10.0	-11.5	-33.4	-28.8	-38.8	2.8	-16.9
credit lines to enterprises														
Margin on average loans	Next three months	-0.9	-18.1	-12.0	-11.9	-17.1	7.3	41.5	45.5	33.7	19.5	21.9	-10.2	14.6
Margin on riskier loans	Next three months	31.7	21.0	41.4	32.8	51.6	44.9	54.8	50.8	42.0	39.2	37.1	43.5	32.9
margin on prime borrowers	Next three months	-21.8	-23.7	-40.8	-35.0	-53.1	-24.2	30.7	36.9	3.7	-5.8	-3.8	2.5	24.0
Non-interest rate charges	Next three months	-3.2	-14.0	-3.8	-1.1	-3.5	0.3	0.0	0.8	3.4	0.2	-0.5	-0.7	-0.1
Size of the loan or credit line	Next three months	25.3	-17.3	18.2	5.9	-29.3	-14.9	6.7	15.2	18.0	-4.4	0.3	2.2	-5.2
Collateral requirements	Next three months	33.5	5.5	39.7	42.8	21.6	14.1	18.8	19.0	8.8	9.1	4.6	8.2	-5.7
Maturity	Next three months	24.5	-11.4	7.2	-3.2	11.4	-14.1	1.4	6.3	13.7	4.2	-2.2	21.0	-1.4
Expected demand for loans or credit lines by enterprises(apart from normal seasonal														
Overall	Next three months	11.7	76.4	-83.2	87.5	87.3	93.5	50.6	52.9	43.4	66.9	64.5	86.2	59.9
SMEs	Next three months	18.6	64.5	-87.8	85.0	85.9	84.3	39.2	45.9	41.1	57.4	76.0	81.0	53.0
Large enterprises	Next three months	-4.0	61.9	-75.1	64.2	79.2	86.4	44.0	52.1	36.7	48.6	58.4	65.0	45.1
Short term loans	Next three months	39.7	84.7	-76.0	94.8	95.5	98.3	65.4	73.1	62.7	70.8	67.8	79.8	58.8
Long term loans	Next three months	-0.9	81.4	-76.3	68.6	67.7	89.3	29.4	49.0	31.1	47.9	51.1	59.9	31.1
Default rate on loans to enterprises														
Overall	Next three months	53.6	20.6	56.4	40.0	25.0	-13.5	49.2	79.5	69.3	38.0	21.7	-16.0	-24.6
SMEs	Next three months	52.5	27.4	58.0	40.1	27.1	-12.1	64.2	84.6	64.1	-13.6	25.5	6.9	-7.4
Large enterprises	Next three months	50.1	45.9	47.0	29.3	9.2	-21.8	41.1	53.6	44.5	14.0	0.6	-3.7	-23.4
Short term loans	Next three months	57.9	34.7	45.1	23.7	1.1	-35.7	36.8	36.9	36.9	-27.6	-7.2	-14.8	-30.4
Long term loans	Next three months	56.4	35.0	56.0	38.0	28.2	-11.2	51.2	78.3	69.2	35.5	23.7	1.3	-25.2
Period		2020/21			2021/22				2022/23				2023/24	
Part II: Households		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-13.9	-8.1	-25.7	20.3	-32.1	-27.4	-17.4	6.9	-27.1	-15.6	-2.3	-12.7	-16.9
	Next three months	-5.9	-24.0	41.6	-10.0	-48.9	-28.7	11.7	6.1	-14.2	-29.4	-17.7	-30.1	-32.5
Demand for loans to households and non-enterprises (for purposes of consumer	Next three months	34.2	63.3	-46.1	61.9	86.2	80.4	-1.1	17.1	63.2	62.0	62.5	94.6	90.9
Terms and conditions for approving loans or credit lines to households														
Margin on average loans	Next three months	1.7	-2.5	1.5	3.6	-1.1	-0.7	31.0	23.7	16.8	7.3	1.8	-1.8	3.3
Margin on riskier loans	Next three months	32.0	19.8	52.2	32.4	18.8	36.8	48.3	28.0	47.7	30.2	30.3	19.8	36.0
Margin on prime borrowers	Next three months	-13.2	-7.0	-22.6	-2.5	-7.3	-30.3	13.5	-2.5	-4.8	-8.6	-15.6	-12.6	-0.8
Non-interest rate charges	Next three months	-0.6	0.00	-2.0	-0.8	2.6	0.0	0.0	5.3	3.4	-16.3	0.8	1.4	-1.9
Size of the loan or credit line	Next three months	29.6	9.6	32.0	0.2	-14.7	-8.6	23.1	20.3	-18.3	-24.7	-22.2	-16.1	-16.2
Collateral requirements	Next three months	37.6	22.3	41.5	22.4	14.0	9.6	21.4	22.5	17.7	3.3	1.3	0.7	-4.1
Maturity	Next three months	22.5	15.4	23.3	-8.8	-3.6	-7.5	7.1	5.8	3.0	-12.4	-11.5	0.7	-15.6
Default rate on loans to households	Next three months	67.9	66.2	90.0	23.8	7.1	18.4	64.8	72.1	70.8	11.6	26.2	25.4	60.8
Period		2020/21			2021/22				2022/23				2023/24	
Part III: Occassional Questions		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Lending rates expectation														
Increae(+)/Decrease(-)	Next three months	-1.9	-2.2	-37.3	2.7	-4.2	0.0	60.9	71.4	33.1	11.4	6.1	5.2	-1.6
Percentage change	Next three months	-0.04	0.00	-1.42	0.14	0.08	0.00	0.49	0.69	0.32	0.12	0.07	0.05	-0.02

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		Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Credit policy as applied to the approval of loans or credit lines to enterprises														
Overall	Past three months	64.1	9.4	26.5	71.8	-3.2	-3.2	-6.7	29.7	-29.0	14.3	6.3	-30.0	15.4
	Next three months	70.7	-31.5	100.0	-32.0	-46.7	-46.9	26.8	-40.1	7.6	1.3	-1.8	-35.6	22.1
SMEs	Past three months	64.1	-48.9	26.5	77.9	24.9	22.8	22.1	29.7	4.5	14.3	8.1	6.9	23.0
	Next three months	70.7	-2.3	100.0	18.4	-21.7	-5.4	-6.9	-7.2	10.2	2.8	0.5	-35.6	24.7
Large enterprises	Past three months	32.2	36.7	38.6	69.4	28.1	28.2	29.0	30.8	2.6	12.8	6.3	-32.2	15.4
	Next three months	46.3	15.3	74.9	18.4	-21.7	-8.7	0.0	0.0	8.3	2.8	2.3	-34.6	29.8
Short term loans	Past three months	64.1	2.5	25.5	69.4	-6.0	14.2	27.0	25.3	-32.8	8.5	3.9	4.6	15.4
	Next three months	70.7	-19.8	71.6	-35.0	-46.7	-8.7	0.0	-32.9	8.3	-1.5	-1.8	-3.3	38.9
Long term loans	Past three months	33.6	38.5	33.0	69.4	21.7	20.8	31.0	33.1	-29.0	-14.3	5.7	5.0	32.2
	Next three months	46.3	-22.0	74.9	-32.0	-23.3	3.3	2.0	-30.6	10.2	-24.3	-1.8	1.3	38.9
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	-19.2	2.5	-11.0	28.1	19.0	31.5	31.0	33.1	10.2	4.3	-5.5	3.7	20.4
Mining and Quarrying	Past three months	-15.4	6.0	0.0	16.0	20.2	28.2	29.0	27.5	0.0	0.0	3.9	40.5	15.4
Manufacturing	Past three months	0.6	35.1	-12.1	16.0	21.7	31.5	27.0	25.3	-1.9	-1.5	0.0	3.7	3.6
Trade	Past three months	45.3	67.7	-7.8	66.4	2.7	7.5	-6.7	20.5	2.6	2.8	6.3	3.7	3.6
Transport and Communication	Past three months	13.4	38.5	52.8	69.4	27.7	-1.2	1.4	26.1	4.5	9.3	8.1	1.4	6.2
Electricity and Water	Past three months	-31.9	0.0	-15.3	16.0	-3.2	31.5	27.0	25.3	-1.9	0.0	0.0	3.7	3.6
Building, Mortgage, Construction and Real Estate	Past three months	14.8	9.4	-7.6	31.1	19.0	38.3	31.0	29.7	2.6	7.8	5.7	3.7	3.6
Business Services	Past three months	14.8	9.4	52.8	69.4	21.7	-9.9	-6.7	25.3	0.7	1.3	3.9	6.0	3.6
Community, Social & Other Services	Past three months	39.2	67.7	51.8	91.5	21.7	-1.2	-2.6	29.7	4.5	1.5	3.9	6.0	3.6
Personal Loans and Household Loans	Past three months	-11.6	-26.6	4.5	31.1	19.0	31.5	27.0	29.7	-1.9	-1.5	3.9	1.4	3.6
Terms and conditions for approving loans or credit lines to enterprises														
Margin on average loans	Next three months	-2.5	-13.8	-21.1	-22.3	-10.2	0.0	0.0	17.6	0.0	0.0	-1.8	26.5	38.9
Margin on riskier loans	Next three months	50.3	20.6	43.8	18.9	21.7	12.0	6.1	23.2	10.2	9.3	8.1	43.1	61.7
margin on prime borrowers	Next three months	-3.8	15.3	-20.1	-25.3	17.5	-8.7	0.0	17.6	0.0	-5.0	-1.8	26.5	-1.3
Non-interest rate charges	Next three months	22.5	44.5	14.5	16.0	-7.5	16.3	0.0	0.0	-33.5	0.0	-3.9	22.9	-4.7
Size of the loan or credit line	Next three months	26.4	-10.3	50.0	54.2	17.5	-16.3	0.0	-29.5	-30.9	7.8	-10.0	-64.0	-37.8
Collateral requirements	Next three months	22.6	18.8	17.7	18.9	21.7	3.3	6.1	-27.3	1.9	1.5	8.1	-3.4	33.4
Maturity	Next three months	11.4	44.5	53.3	54.2	19.0	3.3	2.0	-30.6	-29.0	4.3	-10.0	0.0	0.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?														
Overall	Next three months	40.7	70.9	-62.5	91.0	94.1	91.3	-10.8	12.5	-19.3	75.0	79.4	80.7	-9.4
SMEs	Next three months	14.4	70.9	-62.5	66.6	69.1	58.5	27.0	-14.8	16.1	90.7	100.0	88.0	-11.7
Large enterprises	Next three months	-40.1	33.9	-38.4	54.2	69.1	58.5	22.9	-20.3	14.2	38.5	77.6	64.0	-5.3
Short term loans	Next three months	39.4	98.2	-2.8	91.0	69.1	58.5	-10.8	18.1	21.8	47.7	79.4	43.8	16.6
Long term loans	Next three months	-17.5	33.9	-38.4	68.9	69.1	58.5	22.9	44.5	49.6	70.7	77.6	27.1	-2.8
Default rate on loans to enterprises														
Overall	Next three months	100.0	-7.3	100.0	-50.6	-91.4	-79.2	22.1	-81.8	45.0	-60.8	-97.7	-81.0	62.2
SMEs	Next three months	100.0	-7.3	49.8	-50.6	-66.5	-46.5	-11.6	-81.8	8.9	-63.6	-58.6	-81.0	81.5
Large enterprises	Next three months	68.1	-44.2	74.9	-50.6	-69.2	-49.8	-17.7	-54.5	7.0	-62.1	-60.9	-81.0	62.2
Short term loans	Next three months	92.3	51.0	100.0	-50.6	-91.4	-82.5	16.0	-86.3	41.2	-60.8	-60.9	-76.0	64.7
Long term loans	Next three months	69.5	21.8	74.9	-50.6	-66.5	-46.5	-15.7	-87.4	9.6	-59.3	-59.1	-81.0	62.2

Period		Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Part II: Households														
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-15.4	-0.9	2.4	28.1	46.7	3.3	2.0	2.2	0.7	1.3	3.9	3.7	-5.6
	Next three months	-4.2	1.1	32.8	-12.2	-10.7	0.0	0.0	-7.0	-5.7	-14.4	-14.3	1.4	-1.7
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	-28.7	39.9	-38.4	33.5	69.1	41.1	27.3	96.7	-7.2	62.1	60.9	62.1	85.7
Terms and conditions for approving loans or credit lines to households														
Margin on average loans	Next three months	0.0	18.8	14.5	16.0	-10.2	0.0	0.0	17.6	0.0	0.0	2.1	27.5	15.5
Margin on riskier loans	Next three months	46.5	20.6	17.7	21.4	23.7	5.3	6.1	23.2	7.6	6.5	6.3	33.5	59.1
Margin on prime borrowers	Next three months	-3.8	15.3	14.5	13.0	17.5	0.0	0.0	17.6	-2.6	-2.8	-1.8	27.5	19.6
Non-interest rate charges	Next three months	0.0	18.8	14.5	16.0	17.5	16.3	0.0	0.0	0.0	0.0	-5.7	23.8	4.5
Size of the loan or credit line	Next three months	0.0	18.8	17.7	16.0	20.2	-16.3	0.0	0.0	0.0	0.0	0.0	-26.1	-37.9
Collateral requirements	Next three months	18.8	18.8	14.5	16.0	21.7	3.3	2.0	2.2	1.9	1.5	3.9	31.2	30.8
Maturity	Next three months	-18.8	18.8	21.0	16.0	20.2	0.0	0.0	0.0	0.0	0.0	3.9	-3.7	-3.4
Default rate on loans to households	Next three months	69.5	-7.4	73.9	-45.0	-66.3	-41.1	-18.8	-59.3	20.3	-49.3	-60.9	-43.1	-13.5

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

APPENDIX 3: Methodology

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

Weighting:
The results of the survey were weighted by the respective institutions' market share in the credit market. This approach considers the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the three-month period (September 2023-November 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 ← Eased / Decreased | 0 | +100 → Tightened / Increased