Bank Lending Survey Report
Fourth 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 June 2024. The objectives of the survey were to: enhance BOU's understanding of the lending behaviour and loan financing conditions among deposit-taking financial institutions, capture leading information on developments in the credit market during the quarter ended June 2024 and expectations for the quarter to September 2024.

Credit Standards

In the quarter to June 2024, credit standards to both enterprises and households remained broadly unchanged, with a bias towards easing for both enterprises and households on a net basis. Easing was reported for large enterprises and short-term loans, while tightening was registered for SMEs and long-term loans in the quarter to June 2024. Banks reported to have maintained their credit standards on account of stable macroeconomic environment, coupled with an unchanged CBR during the quarter. On the other hand, those that reported net easing of credit standards and the much-reduced tightening cited the market competition, the need to grow the loan book, the back to school activities of meeting education requirements and the relative stability of employment terms and salaries.

Going forward (quarter to September 2024), banks expect to ease credit standards to enterprises at a slower pace and tighten for households on a net basis. They expect to ease credit standards for short-term loans, while tighten for SMEs, large enterprises, and long-term loans. Enterprises cited higher inflation expectations, risk of increase in interest rates, heightened government cashflow stress and the uncertain on global economic and financial market conditions as the reasons for expected much slowed easing. On the other hand, households noted the higher inflation expectation which is likely to result into increase in the cost of living, reduction in the disposable income and ability to pay, hence worsening the already high default rate for the anticipated tightening.

Credit Standards by Economic Sector

In the quarter to June 2024, banks reported to have kept their credit standards to majority of the sectors broadly unchanged with bias towards easing for many of them. Specifically, majority of the banks reported to have eased their credit standards to the Personal and households, Trade, Community social and other service, Agriculture, Manufacturing and Business services sector.

Outlook on Demand for credit

In the quarter to September 2024, banks anticipate a slower increase in demand for credit from both enterprises and households, on a net basis. The increase in credit demand from both enterprises and household was attributed to the financing needed for the fiscal pressures arising from tax amendments to meet tax obligations, the need for businesses to stock up in the first quarter FY2024/25 in preparation for the end of the year demand, the seasonal demand for tuition fees as universities open up for first semester and reduced disposable income on account of higher inflation expectation. All these are likely to increase demand for credits to bridge the financing gap.

Outlook on Terms & Conditions for credit

In the quarter to September 2024, banks expect to keep their price terms and conditions[1] constant with a bias towards tightening for both enterprises and households on a net basis, except for prime enterprise borrowers.

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 most of their non-price terms and conditions[2] and ease the size of the loan for enterprises, and maturity period and size of the loan for households in the quarter to September 2024.

Outlook on the default rate on loans

On a net basis, the default rate on loans to enterprises is expected to increase, while that on loans to households is anticipated to decrease in the quarter to September 2024. The expected increase in the default rate on loans to enterprises was attributed to the anticipated rise in lending rates due

[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.

to the higher inflation expectations, the current economic stress arising from adverse global and local macroeconomic conditions and the first quarter, which is usually associated with delayed payment for government contractors that is likely to affect their cashflows.

On the other hand, those that expect the default rate to decrease for both enterprises and households cited the robust systems that banks have put in place to avert the growth in nonperforming loans while paying more attention to portfolio quality and expected government releases for the first quarter which positively impact the disposable income of households.

Interest Rate Expectations

The results indicate that majority of the banks (70.2 percent) expect their lending rates to remain broadly unchanged, with 28.1 percent anticipating the rates to increase and only 1.7 percent expecting a decrease in rates in the quarter to September 2024. The banks that expect the lending rate to remain unchanged cited the stable macroeconomic environment and that the CBR is anticipated to remain constant.

On the other hand, those that expect the lending rate to increase noted the anticipated increase in the cost of funds as result of the likely rise in CBR, liquidity constraints and the removal of early loan settlement charges which partly affected their income projections.

Expectation on the monetary policy stance

Majority of the banks expect the BOU to further tighten the monetary policy stance, with a sizeable number expecting it to remain broadly unchanged. The anticipated tightening is based on the need to align with the higher inflation rate outlook arising from increasing global commodity prices and financial market developments.

Introduction

The quarterly lending survey conducted by the Statistics Department of the Bank of Uganda captures past and prospective developments in the credit market. The survey is designed to complement existing quantitative data on credit and lending rates.

The main objectives of the survey are to:

i) Enhance BOU's understanding of the lending behaviour and loan financing conditions among the deposit-taking institutions; and

ii) Capture leading information on credit developments.

The survey covered the outturns for the quarter ended June 2024 and expectations for the quarter to September 2024. Questionnaires were completed by all 25 commercial banks and 7 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.

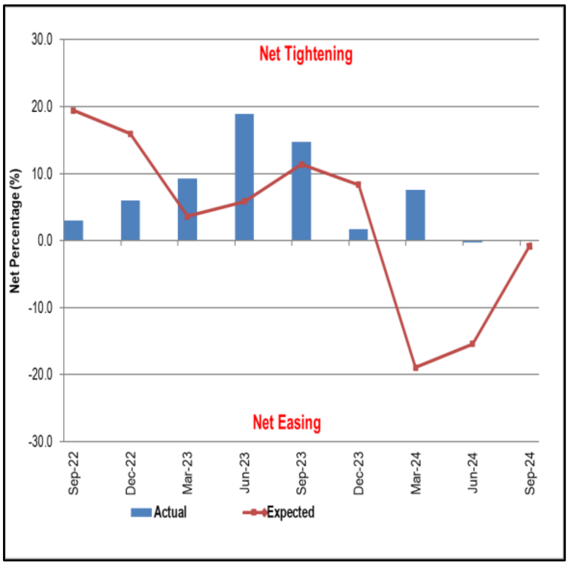
In the quarter to June 2024, credit standards on loans to enterprises remained broadly unchanged with a marginal bias towards easing signalled by the measure of net easing of 0.3 percent (*See*, Figure 1). The direction is in line, although lower than the net easing expectation for quarter ended June 2024 which was reported in the third quarter (2023/24Q3) survey (*See, Tables 1 & 2*).

The major reason cited by banks that reported to have maintained their credit standards was the stable macroeconomic environment, coupled with an unchanged CBR during the quarter. On the other hand, those that reported net easing of credit standards and the much-reduced tightening cited the market competition and the need to grow the loan book.

Across firm size, there was a reduced pace of tightening of credit standards for SMEs represented by the lower measure of net tightening of 0.8 percent. On the other hand, large enterprises recorded a net easing percent of 2.6 percent.

In terms of loan duration, credit standards were eased for short term loans at a much faster pace, while the terms for long-term loans were tightened at a slower pace in the quarter to June 2024 compared to the previous survey results (*See, Table 1*).

Figure 1: Overall Credit standards to enterprises



Source: *Bank of Uganda*

Notes:

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

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

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

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

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**
Tightened(A)	15.2	0.0	20.2	3.5	18.0	0.0	18.9	0.0	15.2	2.3
Unchanged	77.1	99.7	70.0	93.9	74.6	97.3	60.9	92.0	83.9	96.8
Eased (B)	7.7	0.3	9.8	2.7	7.4	2.7	20.2	8.0	0.9	0.9
Net %(A-B)	**7.6**	**-0.3**	**10.4**	**0.8**	**10.6**	**-2.6**	**-1.4**	**-8.0**	**14.4**	**1.5**

Source: *Bank of Uganda*

Majority of the banks expect to keep their overall credit standards largely unchanged with a much-decreased bias towards easing in the quarter to September 2024. Banks expect to ease credit standards for only short-term loans but tighten for SMEs, large enterprises, and long-term loans on a net basis. (*See, Figure 1 and Table 2*).

The expected constancy of credit standards for short-term loans in the next quarter was attributed to the need to boast the trade terms in the market and the predictability of that segment.

Those that anticipated the tightening of credit standards for SMEs, large enterprises, and long-term loans cited higher inflation expectations, risk of increase in interest rates, heightened government cashflow stress and the uncertain on global economic and financial market conditions.

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

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**
Tighten (A)	5.0	3.2	20.0	19.2	21.4	4.2	5.5	0.4	32.5	18.0
Unchanged	74.6	92.7	59.0	73.8	63.7	94.3	69.7	90.4	53.5	80.0
Ease (B)	20.4	4.1	21.0	6.9	14.9	1.5	24.7	9.3	14.0	2.0
Net %(A-B)	**-15.4**	**-0.9**	**-1.0**	**12.3**	**6.5**	**2.7**	**-19.2**	**-8.9**	**18.4**	**16.0**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

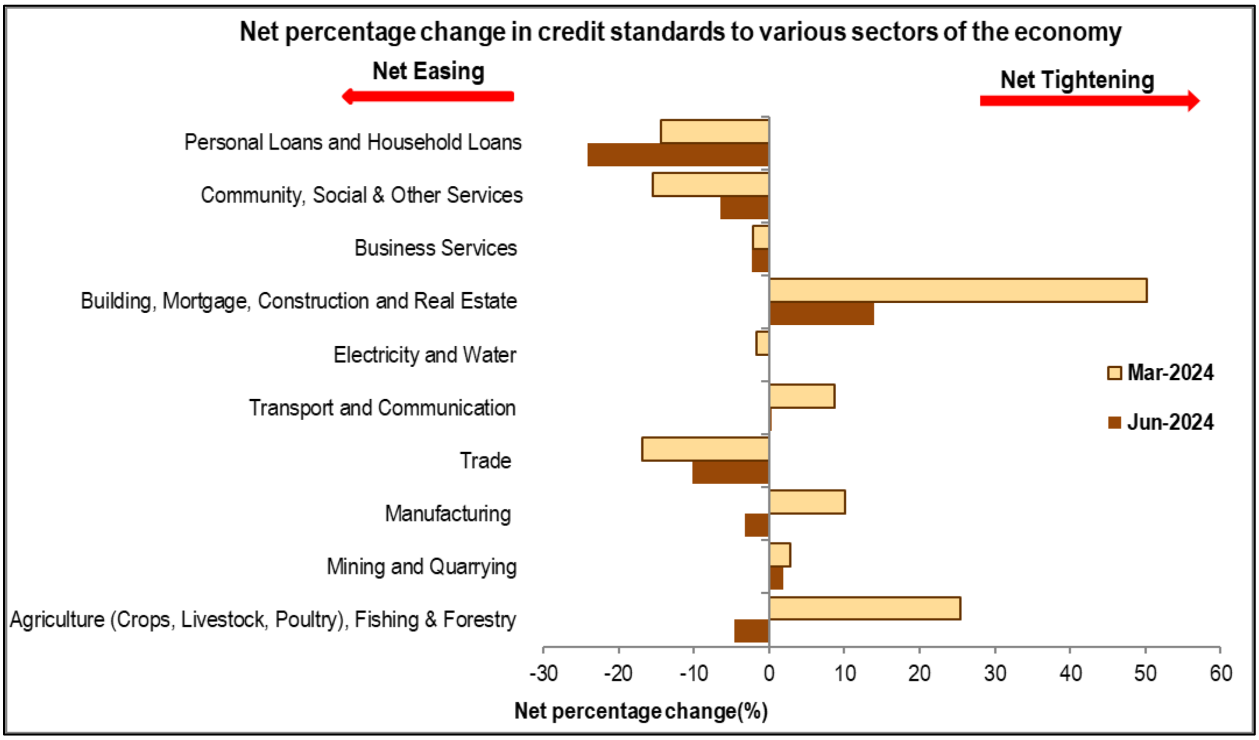
In the quarter to June 2024, banks reported to have kept their credit standards to majority of the sectors broadly unchanged with a bias towards easing for many of them. Specifically, majority of the banks reported to have eased their credit standards to the Personal and households (24.1 percent), Trade (10.2 percent), Community, social and other service (6.5 percent), Agriculture (4.6 percent), Manufacturing (3.2 percent) and Business services (2.3 percent) as illustrated in Figure 2.

The sectoral distribution of the net tightening of credit standards was highest for lending to the Building, mortgage, construction, and real estate (13.9 percent) followed by Mining and quarrying (1.9 percent), and Transport and communication (0.4 percent).

The net easing in most of the sectors was attributed to the need for banks to diversify and grow their loan portfolios.

On the other hand, the tightening reported for Building, mortgage, construction, and real estate, Mining and quarrying and Transport and communication was attributed to the high risk associated with these sectors.

Figure 2: Changes in Credit Standards by Economic Sector (Dec 2023 & Mar 2024)



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 and average loans. On the other hand, majority of the banks expect to tighten their riskier loans[4] in the quarter to September 2024[5]. On a net basis, banks expect to tighten the price terms and conditions for average and riskier loans, while easing for the prime borrowers in the quarter to September 2024 (*See*, Figure 3).

The expected net tightening of price terms and conditions for average and riskier borrowers was majorly attributed to the need to match the loan pricing to the associated risk in bid to protect themselves against potential losses.

The net easing for prime borrowers was based on the need to attract more potential customers and the heightened competition for the few clients.

Similarly, majority of the banks expect to keep their non-price terms and conditions[6] broadly unchanged with a bias towards tightening for collateral requirements, maturity period and non-interest rate charges, and easing for size of the loan in the quarter to September 2024 (*See*, Figure 3).

The major reason cited by banks for the expected easing for size of the loan was the high competition among sector players, while the tightening of maturity period, collateral requirements and non-interest rate charges was based on the prevailing market conditions and more scrutiny on the quality of collateral.

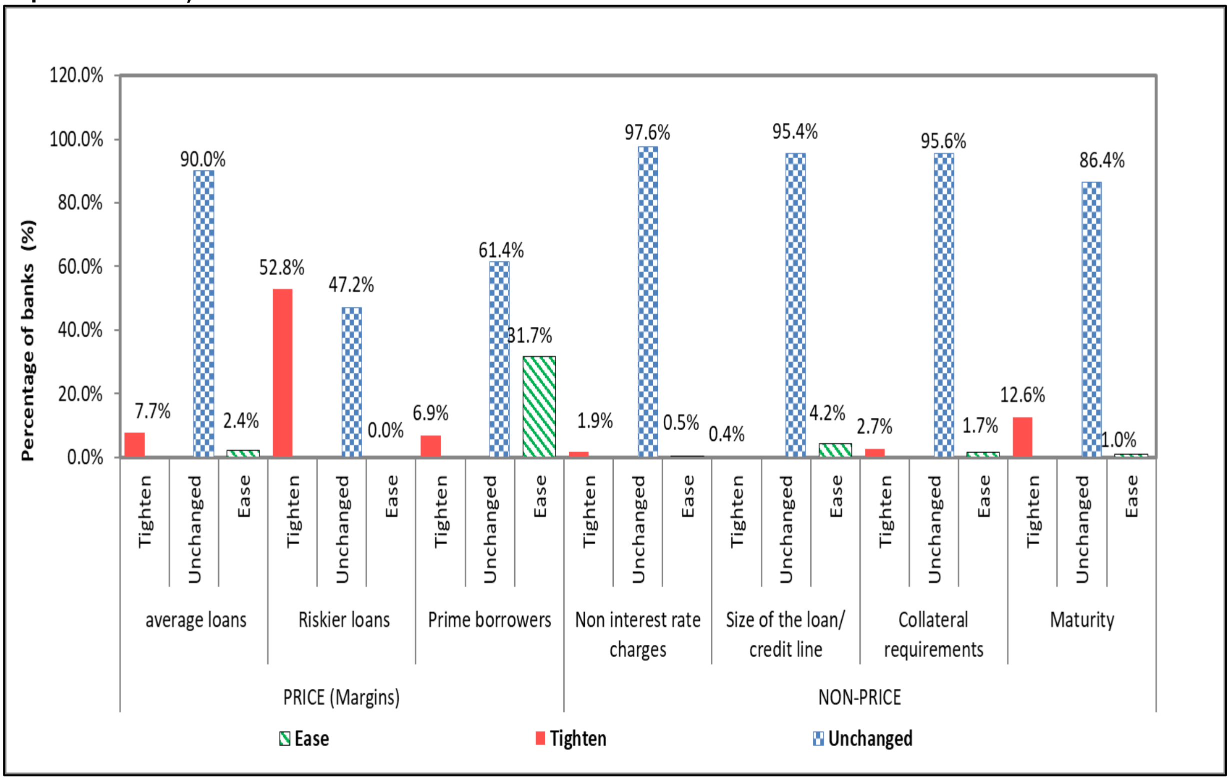
[3] Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower.

[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 September 2024)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to September 2024, banks anticipate an 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 slowed 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) Financing needed for the fiscal pressures arising from tax amendments to meet tax obligations.

b) The need for businesses to stock up in the first quarter FY2024/25 in preparation for the end of the year demand.

c) The need for financing for tuition fees as government universities open in the third quarter.

The anticipated increase in credit demand will be moderated by the expected rise in lending rates,

Table 3: Demand expectations for the next three months

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**	**Jun-24**	**Sep-24**
Increase(A)	73.1	59.4	68.4	54.5	64.5	42.1	78.6	54.5	69.9	46.9
Unchanged	16.6	29.6	16.2	34.5	27.7	54.2	17.7	45.2	20.2	52.8
Decrease(B)	10.3	11.0	15.4	11.0	7.8	3.7	3.7	0.3	9.9	0.3
Net %(A-B)	**62.8**	**48.4**	**53.0**	**43.5**	**56.7**	**38.3**	**74.9**	**54.2**	**60.0**	**46.6**
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households

1.2.1 Credit Standards to Households

The findings revealed that, in the quarter to June 2024, banks eased credit standards to households, as depicted by a net percentage of 13.0 percent, a similar level registered at the end of the previous quarter (See, Appendix 1). The outturn was consistent with past trends. This was largely driven by the back to school activities of meeting education requirements and the relative stability of employment terms and salaries.

In the quarter to September 2024, banks expect to tighten credit standards to households as indicated by the net tightening of 9.2 percent, contrary to the net easing of 11.8 percent which was anticipated for the quarter to June 2024.

The expected tightening of credit standards to the households was attributed to the higher inflation expectation which is likely to result into increase in the cost of living, reduction in the disposable income and ability to pay, hence worsening the already high default rate.

1.2.2 Outlook on Terms and Conditions for Credit to Households

Banks expect to keep both their price and non-price terms and conditions for consumer credit unchanged with a bias towards tightening, except for the size of the loan and maturity period which are expected to be eased on a net basis over the next three months to September 2024. (See, Appendix 1).

The reasons cited for the anticipated tightening of majority of both price and non-price terms and conditions for consumer credit include the rising inflation which might constrain disposable income, increase in lending rates because of the recent increase in CBR which has heightened the cost of funds and tightened liquidity.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to remain broadly unchanged with a bias towards increase in the three months to September 2024, although at a much slower pace. Specifically, 48.9 percent expect no change to households' credit demand, 37.4 percent anticipate an increase in demand, while 13.7 percent expect the demand to decrease in the quarter to September 2024.

Those that anticipated increase in household credit demand attributed it to the seasonal demand for tuition fees as universities open up for first semester and reduced disposable income on account of the rising inflation, hence the need to bridge the financing gap with credit.

1.2.4 Expected Default Rate on Loans to Enterprises and Households

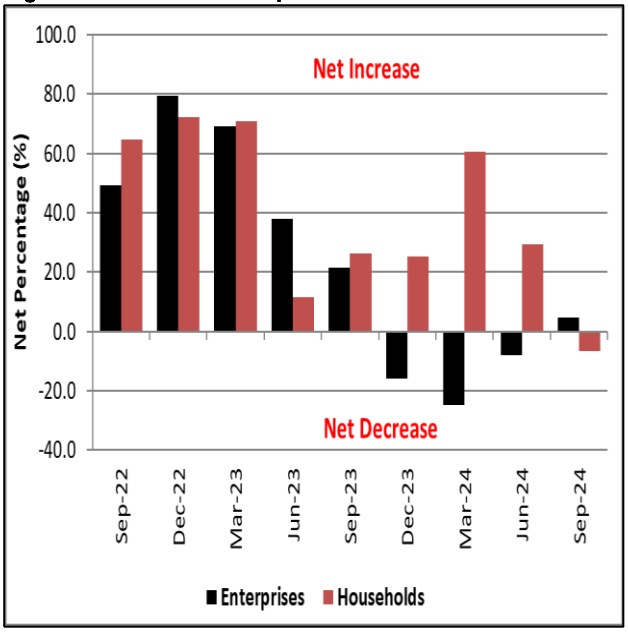
Overall, majority of the banks expect the default rate to remain unchanged, with only 4.6 percent of the banks expecting an increase on a net basis in the quarter to September 2024. This is contrary to the 7.9 percent that expected a net decrease in the previous survey results. The net increase in default rate was attributed to.

a) The anticipated rise in lending rates because of the expected increase in inflation.
b) The current potential economic stress from adverse global and local macroeconomic conditions.
c) The first quarter is usually associated with delayed payment of government contractors, which is expected to affect their cashflows.

On the other hand, the increase in default rate is expected to be moderated by the robust systems that banks have put in place to avert the growth in nonperforming loans while paying more attention to portfolio quality.

On the side of households, 6.7 percent of banks expect the default rate to decrease on a net basis in the quarter to September 2024, in contrast to the 29.3 percent that anticipated a net increase in the previous survey results (see, Appendix 1). The anticipated decrease in default rate is attributed to the aggressive credit monitoring systems put up by banks, expected government releases for the first quarter which positively impact the disposable income of households.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.3 Interest Rate Expectations for Q1 FY 2024/25

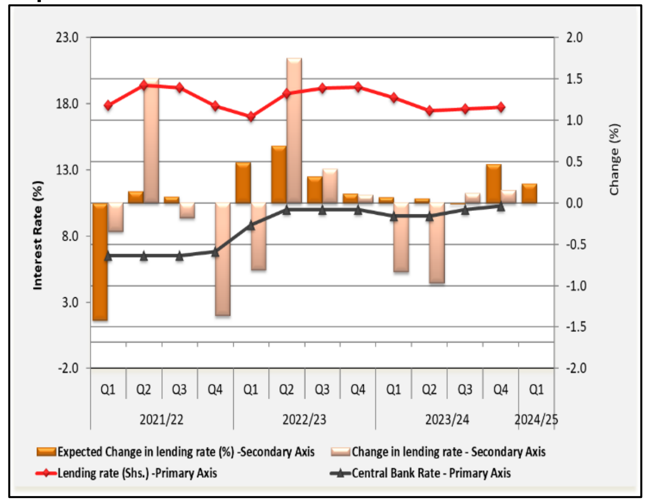
To understand the direction of interest rates from the lender's point of view, banks were requested to indicate the direction and magnitude of the change in their expected lending rates in the quarter to September 2024.

The results indicate that majority of the banks (70.2 percent) expect their lending rates to remain broadly unchanged, with 28.1 percent anticipating the rates to increase and only 1.7 percent expecting a decrease in rates in the quarter to September 2024.

The banks that expect the lending rate to remain unchanged cited the stable macroeconomic environment and anticipated stability of the CBR.

On the other hand, those that expect the lending rates to increase on a net basis in the quarter to September 2024 when compared to that in the quarter to June 2024, registered a weighted rise of 0.24 percentage points as illustrated in Figure 5. The above expectation was based on the anticipated increase in the cost of funds as result of the future rise in CBR, liquidity constraints and the removal of early loan settlement charges which partly affected their income projections.

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



Source: *Bank of Uganda*

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

1.4 Expectation on the monetary policy stance

Banks were asked about their expectations on the monetary policy stance for the quarter to end September 2024 in relation to the current economic situation. Majority of the banks expect the BOU to further tighten the monetary policy stance, with a sizeable number expecting it to remain broadly unchanged. The anticipated tightening is based on the need to respond to the higher inflation rate outlook to curb the increasing global commodity prices and tight international financial condition.

1.5 Conclusion

The bank lending survey results indicate that in the quarter to June 2024, credit standards to both enterprises and households remained broadly unchanged, with a bias towards easing for both enterprises and households on a net basis.

In terms of the outlook for the quarter to September 2024, banks expect to ease credit standards to enterprises at a much slower pace but tighten for households on a net basis. They expect to ease credit standards for only short-term loans but tighten for SMEs, large enterprises, and long-term loans on a net basis.

The default rate on loans to enterprises is expected to increase, while that on loans to households is anticipated to decrease on a net basis in the quarter to September 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		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
loans or credit lines to enterprises															
Overall	Past three months	12.6	11.5	25.1	12.9	-10.0	-0.1	3.0	6.0	9.3	18.9	14.8	1.7	7.6	-0.3
	Next three months	-5.0	48.1	8.2	-39.1	-53.4	19.4	15.9	3.6	5.9	11.4	8.3	-19.0	-15.4	-0.9
SMEs	Past three months	10.7	11.1	23.6	10.0	-10.6	-8.7	4.6	7.3	10.5	10.1	16.7	2.9	10.4	0.8
	Next three months	-10.1	47.1	7.2	-44.2	-55.1	6.8	1.1	-2.7	1.2	1.6	3.3	-20.6	-1.0	12.3
Large enterprises	Past three months	15.4	28.2	26.1	20.2	-0.3	-3.5	9.4	11.8	21.9	17.8	21.3	5.0	10.6	-2.6
	Next three months	7.7	54.6	22.0	-23.3	-41.0	22.5	13.3	10.8	18.9	19.8	12.9	-8.9	6.5	2.7
Short term loans	Past three months	4.1	5.1	3.9	2.2	-17.5	-13.2	-14.5	-9.8	4.0	11.3	10.9	-7.9	-1.4	-8.0
	Next three months	-10.8	37.9	-8.5	-61.2	-53.5	-10.8	-10.8	-13.7	0.1	9.3	3.0	-21.2	-19.2	-8.9
Long term loans	Past three months	15.0	17.3	18.9	27.1	-9.5	-0.8	16.3	10.1	18.2	18.1	19.8	7.5	14.4	1.5
	Next three months	-4.9	48.1	11.6	-27.9	-36.4	17.6	13.3	8.0	18.5	19.7	21.9	-9.2	18.4	16.0
loans or credit lines to enterprises to															
Agriculture (Crops, Livestock, Poultry), Fishing &	Past three months	13.7	0.3	19.8	-17.0	-5.8	-4.0	-8.7	-9.7	-12.3	-8.1	11.4	-7.5	25.4	-4.6
Mining and Quarrying	Past three months	4.9	4.6	18.1	17.7	5.8	3.7	-2.1	8.0	-2.5	6.8	1.8	0.2	2.8	1.9
Manufacturing	Past three months	-7.9	-8.9	5.5	3.9	-14.5	-11.0	-7.7	-4.9	-0.7	-0.6	8.2	-3.5	10.1	-3.2
Trade	Past three months	-10.7	-8.1	18.2	3.2	-24.0	-12.8	-11.3	-15.6	-16.2	-13.9	14.8	-7.0	-16.8	-10.2
Transport and Communication	Past three months	17.3	41.2	36.4	31.8	-20.0	-1.1	0.8	3.6	-4.6	5.1	19.9	0.5	8.7	0.4
Electricity and Water	Past three months	-1.8	-1.8	15.9	17.7	-10.0	-10.8	-2.0	-1.1	-0.7	0.0	-1.8	0.0	-1.6	0.0
Building, Mortgage, Construction and Real Estate	Past three months	46.1	48.8	40.4	47.8	22.1	19.6	6.0	26.3	40.6	39.4	30.0	11.3	50.2	13.9
Business Services	Past three months	-0.3	13.4	9.3	1.6	-23.6	-22.0	-10.0	-8.8	-10.2	-6.8	8.4	-3.8	-2.2	-2.3
Community, Social & Other Services	Past three months	15.6	27.8	29.0	23.3	1.4	-8.1	-0.9	0.9	0.4	-9.5	9.4	-4.1	-15.4	-6.5
Personal Loans and Household Loans	Past three months	-26.0	-24.6	7.4	-21.4	-23.9	-10.0	-11.5	-33.4	-28.8	-38.8	2.8	-16.9	-14.4	-24.1
or credit lines to enterprises															
Margin on average loans	Next three months	-18.1	-12.0	-11.9	-17.1	7.3	41.5	45.5	33.7	19.5	21.9	-10.2	14.6	16.3	5.3
Margin on riskier loans	Next three months	21.0	41.4	32.8	51.6	44.9	54.8	50.8	42.0	39.2	37.1	43.5	32.9	48.1	52.8
margin on prime borrowers	Next three months	-23.7	-40.8	-35.0	-53.1	-24.2	30.7	36.9	3.7	-5.8	-3.8	2.5	24.0	-14.0	-24.8
Non-interest rate charges	Next three months	-14.0	-3.8	-1.1	-3.5	0.3	0.0	0.8	3.4	0.2	-0.5	-0.7	-0.1	1.4	1.3
Size of the loan or credit line	Next three months	-17.3	18.2	5.9	-29.3	-14.9	6.7	15.2	18.0	-4.4	0.3	2.2	-5.2	-13.8	-3.8
Collateral requirements	Next three months	5.5	39.7	42.8	21.6	14.1	18.8	19.0	8.8	9.1	4.6	8.2	-5.7	-0.5	1.0
Maturity	Next three months	-11.4	7.2	-3.2	11.4	-14.1	1.4	6.3	13.7	4.2	-2.2	21.0	-1.4	5.0	11.7
Expected demand for loans or credit lines by enterprises(apart from normal seasonal															
Overall	Next three months	76.4	-83.2	87.5	87.3	93.5	50.6	52.9	43.4	66.9	64.5	86.2	59.9	62.8	48.4
SMEs	Next three months	64.5	-87.8	85.0	85.9	84.3	39.2	45.9	41.1	57.4	76.0	81.0	53.0	53.0	43.5
Large enterprises	Next three months	61.9	-75.1	64.2	79.2	86.4	44.0	52.1	36.7	48.6	58.4	65.0	45.1	56.7	38.3
Short term loans	Next three months	84.7	-76.0	94.8	95.5	98.3	65.4	73.1	62.7	70.8	67.8	79.8	58.8	74.9	54.2
Long term loans	Next three months	81.4	-76.3	68.6	67.7	89.3	29.4	49.0	31.1	47.9	51.1	59.9	31.1	60.0	46.6
Default rate on loans to enterprises															
Overall	Next three months	20.6	56.4	40.0	25.0	-13.5	49.2	79.5	69.3	38.0	21.7	-16.0	-24.6	-7.9	4.6
SMEs	Next three months	27.4	58.0	40.1	27.1	-12.1	64.2	84.6	64.1	-13.6	25.5	6.9	-7.4	3.5	-1.7
Large enterprises	Next three months	45.9	47.0	29.3	9.2	-21.8	41.1	53.6	44.5	14.0	0.6	-3.7	-23.4	-7.2	-16.4
Short term loans	Next three months	34.7	45.1	23.7	1.1	-35.7	36.8	36.9	36.9	-27.6	-7.2	-14.8	-30.4	0.9	-14.7
Long term loans	Next three months	35.0	56.0	38.0	28.2	-11.2	51.2	78.3	69.2	35.5	23.7	1.3	-25.2	-3.1	-7.9
Period		2020/21			2021/22				2022/23				2023/24		
Part II: Households		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-8.1	-25.7	20.3	-32.1	-27.4	-17.4	6.9	-27.1	-15.6	-2.3	-12.7	-16.9	-13.0	-13.0
	Next three months	-24.0	41.6	-10.0	-48.9	-28.7	11.7	6.1	-14.2	-29.4	-17.7	-30.1	-32.5	-11.8	9.2
Demand for loans to households and non-enterprises (for purposes of consumer	Next three months	63.3	-46.1	61.9	86.2	80.4	-1.1	17.1	63.2	62.0	62.5	94.6	90.9	39.8	23.7
Terms and conditions for approving loans or credit lines to households															
Margin on average loans	Next three months	-2.5	1.5	3.6	-1.1	-0.7	31.0	23.7	16.8	7.3	1.8	-1.8	3.3	20.9	9.0
Margin on riskier loans	Next three months	19.8	52.2	32.4	18.8	36.8	48.3	28.0	47.7	30.2	30.3	19.8	36.0	55.2	29.8
Margin on prime borrowers	Next three months	-7.0	-22.6	-2.5	-7.3	-30.3	13.5	-2.5	-4.8	-8.6	-15.6	-12.6	-0.8	11.1	5.3
Non-interest rate charges	Next three months	0.00	-2.0	-0.8	2.6	0.0	0.0	5.3	3.4	-16.3	0.8	1.4	-1.9	1.5	2.9
Size of the loan or credit line	Next three months	9.6	32.0	0.2	-14.7	-8.6	23.1	20.3	-18.3	-24.7	-22.2	-16.1	-16.2	13.7	-16.2
Collateral requirements	Next three months	22.3	41.5	22.4	14.0	9.6	21.4	22.5	17.7	3.3	1.3	0.7	-4.1	22.5	0.5
Maturity	Next three months	15.4	23.3	-8.8	-3.6	-7.5	7.1	5.8	3.0	-12.4	-11.5	0.7	-15.6	-4.4	-1.6
Default rate on loans to households	Next three months	66.2	90.0	23.8	7.1	18.4	64.8	72.1	70.8	11.6	26.2	25.4	60.8	29.3	-6.7
Period		2020/21			2021/22				2022/23				2023/24		
Part III: Occassional Questions		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lending rates expectation															
Increae(+)/Decrease(-)	Next three months	-2.2	-37.3	2.7	-4.2	0.0	60.9	71.4	33.1	11.4	6.1	5.2	-1.6	56.2	26.3
Percentage change	Next three months	0.00	-1.42	0.14	0.08	0.00	0.49	0.69	0.32	0.12	0.07	0.05	-0.02	0.47	0.24

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		Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Credit policy as applied to the approval of loans or credit lines to enterprises														
Overall	Past three months	26.5	71.8	-3.2	-3.2	-6.7	29.7	-29.0	14.3	6.3	-30.0	15.4	18.4	-27.3
	Next three months	100.0	-32.0	-46.7	-46.9	26.8	-40.1	7.6	1.3	-1.8	-35.6	22.1	15.2	32.8
SMEs	Past three months	26.5	77.9	24.9	22.8	22.1	29.7	4.5	14.3	8.1	6.9	23.0	18.4	-27.3
	Next three months	100.0	18.4	-21.7	-5.4	-6.9	-7.2	10.2	2.8	0.5	-35.6	24.7	15.2	2.7
Large enterprises	Past three months	38.6	69.4	28.1	28.2	29.0	30.8	2.6	12.8	6.3	-32.2	15.4	16.4	1.6
	Next three months	74.9	18.4	-21.7	-8.7	0.0	0.0	8.3	2.8	2.3	-34.6	29.8	15.2	2.7
Short term loans	Past three months	25.5	69.4	-6.0	14.2	27.0	25.3	-32.8	8.5	3.9	4.6	15.4	16.4	-0.3
	Next three months	71.6	-35.0	-46.7	-8.7	0.0	-32.9	8.3	-1.5	-1.8	-3.3	38.9	11.3	0.6
Long term loans	Past three months	33.0	69.4	21.7	20.8	31.0	33.1	-29.0	-14.3	5.7	5.0	32.2	18.4	2.7
	Next three months	74.9	-32.0	-23.3	3.3	2.0	-30.6	10.2	-24.3	-1.8	1.3	38.9	15.2	-27.3
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	-11.0	28.1	19.0	31.5	31.0	33.1	10.2	4.3	-5.5	3.7	20.4	32.7	-0.3
Mining and Quarrying	Past three months	0.0	16.0	20.2	28.2	29.0	27.5	0.0	0.0	3.9	40.5	15.4	3.2	1.6
Manufacturing	Past three months	-12.1	16.0	21.7	31.5	27.0	25.3	-1.9	-1.5	0.0	3.7	3.6	3.2	14.8
Trade	Past three months	-7.8	66.4	2.7	7.5	-6.7	20.5	2.6	2.8	6.3	3.7	3.6	3.2	31.7
Transport and Communication	Past three months	52.8	69.4	27.7	-1.2	1.4	26.1	4.5	9.3	8.1	1.4	6.2	3.2	32.8
Electricity and Water	Past three months	-15.3	16.0	-3.2	31.5	27.0	25.3	-1.9	0.0	0.0	3.7	3.6	3.2	1.6
Building, Mortgage, Construction and Real Estate	Past three months	-7.6	31.1	19.0	38.3	31.0	29.7	2.6	7.8	5.7	3.7	3.6	3.2	2.7
Business Services	Past three months	52.8	69.4	21.7	-9.9	-6.7	25.3	0.7	1.3	3.9	6.0	3.6	5.1	1.6
Community, Social & Other Services	Past three months	51.8	91.5	21.7	-1.2	-2.6	29.7	4.5	1.5	3.9	6.0	3.6	5.1	2.7
Personal Loans and Household Loans	Past three months	4.5	31.1	19.0	31.5	27.0	29.7	-1.9	-1.5	3.9	1.4	3.6	1.2	31.7
Terms and conditions for approving loans or credit lines to enterprises														
Margin on average loans	Next three months	-21.1	-22.3	-10.2	0.0	0.0	17.6	0.0	0.0	-1.8	26.5	38.9	0.0	-2.0
Margin on riskier loans	Next three months	43.8	18.9	21.7	12.0	6.1	23.2	10.2	9.3	8.1	43.1	61.7	5.1	59.3
margin on prime borrowers	Next three months	-20.1	-25.3	17.5	-8.7	0.0	17.6	0.0	-5.0	-1.8	26.5	-1.3	0.0	-45.1
Non-interest rate charges	Next three months	14.5	16.0	-7.5	16.3	0.0	0.0	-33.5	0.0	-3.9	22.9	-4.7	-3.2	31.7
Size of the loan or credit line	Next three months	50.0	54.2	17.5	-16.3	0.0	-29.5	-30.9	7.8	-10.0	-64.0	-37.8	-8.1	-44.6
Collateral requirements	Next three months	17.7	18.9	21.7	3.3	6.1	-27.3	1.9	1.5	8.1	-3.4	33.4	5.1	-27.3
Maturity	Next three months	53.3	54.2	19.0	3.3	2.0	-30.6	-29.0	4.3	-10.0	0.0	0.0	0.0	0.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?														
Overall	Next three months	-62.5	91.0	94.1	91.3	-10.8	12.5	-19.3	75.0	79.4	80.7	-9.4	81.7	100.0
SMEs	Next three months	-62.5	66.6	69.1	58.5	27.0	-14.8	16.1	90.7	100.0	88.0	-11.7	79.8	100.0
Large enterprises	Next three months	-38.4	54.2	69.1	58.5	22.9	-20.3	14.2	38.5	77.6	64.0	-5.3	55.3	69.9
Short term loans	Next three months	-2.8	91.0	69.1	58.5	-10.8	18.1	21.8	47.7	79.4	43.8	16.6	83.7	84.9
Long term loans	Next three months	-38.4	68.9	69.1	58.5	22.9	44.5	49.6	70.7	77.6	27.1	-2.8	75.4	70.5
Default rate on loans to enterprises														
Overall	Next three months	100.0	-50.6	-91.4	-79.2	22.1	-81.8	45.0	-60.8	-97.7	-81.0	62.2	-26.8	-44.8
SMEs	Next three months	49.8	-50.6	-66.5	-46.5	-11.6	-81.8	8.9	-63.6	-58.6	-81.0	81.5	-43.1	-44.8
Large enterprises	Next three months	74.9	-50.6	-69.2	-49.8	-17.7	-54.5	7.0	-62.1	-60.9	-81.0	62.2	-26.8	-44.8
Short term loans	Next three months	100.0	-50.6	-91.4	-82.5	16.0	-86.3	41.2	-60.8	-60.9	-76.0	64.7	-43.1	-15.8
Long term loans	Next three months	74.9	-50.6	-66.5	-46.5	-15.7	-87.4	9.6	-59.3	-59.1	-81.0	62.2	-43.1	-14.8

Period Part II: Households		Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	2.4	28.1	46.7	3.3	2.0	2.2	0.7	1.3	3.9	3.7	-5.6	3.2	1.6
	Next three months	32.8	-12.2	-10.7	0.0	0.0	-7.0	-5.7	-14.4	-14.3	1.4	-1.7	1.2	31.7
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	-38.4	33.5	69.1	41.1	27.3	96.7	-7.2	62.1	60.9	62.1	85.7	45.1	47.9
Terms and conditions for approving loans or credit lines to households														
Margin on average loans	Next three months	14.5	16.0	-10.2	0.0	0.0	17.6	0.0	0.0	2.1	27.5	15.5	-13.2	0.0
Margin on riskier loans	Next three months	17.7	21.4	23.7	5.3	6.1	23.2	7.6	6.5	6.3	33.5	59.1	32.7	47.9
Margin on prime borrowers	Next three months	14.5	13.0	17.5	0.0	0.0	17.6	-2.6	-2.8	-1.8	27.5	19.6	-3.1	0.0
Non-interest rate charges	Next three months	14.5	16.0	17.5	16.3	0.0	0.0	0.0	0.0	-5.7	23.8	4.5	-3.2	31.7
Size of the loan or credit line	Next three months	17.7	16.0	20.2	-16.3	0.0	0.0	0.0	0.0	0.0	-26.1	-37.9	-10.0	-29.5
Collateral requirements	Next three months	14.5	16.0	21.7	3.3	2.0	2.2	1.9	1.5	3.9	31.2	30.8	-10.0	31.7
Maturity	Next three months	21.0	16.0	20.2	0.0	0.0	0.0	0.0	0.0	3.9	-3.7	-3.4	-3.2	1.6
Default rate on loans to households	Next three months	73.9	-45.0	-66.3	-41.1	-18.8	-59.3	20.3	-49.3	-60.9	-43.1	-13.5	-43.1	-31.7

(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 employ
(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lenders.

APPENDIX 3: Methodology

Questions:

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

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach considers the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the three-month period (March 2024-May 2024), 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