Bank Lending Survey Report
Third 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 March 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 March 2024 and expectations for the quarter to June 2024.

Credit Standards

In the quarter to March 2024, 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 March 2024.

Going forward (quarter to June 2024), banks expect to ease credit standards to both enterprises and households on a net basis, albeit at a slower pace. They expect to ease credit standards for SMEs and short-term loans, while tighten for large enterprises and long-term loans.

Credit Standards by Economic Sector

In the quarter to March 2024, banks reported to have kept their credit standards to majority of the sectors broadly unchanged with a bias towards tightening for many of them. Specifically, majority of the banks reported to have tightened their credit standards to the Building, mortgage, construction, and real estate, Agriculture, Manufacturing, Transport and communication and Mining and quarrying sectors.

Outlook on Demand for credit

In the quarter to June 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 household was attributed to the need to complete projects as the financial year comes to an end, demand from education institutions for short term funding to meet their operational needs for the beginning of term II, the delayed payment of contractors by government will necessitate them to bridge the funding gap with financing from banks, the seasonal demand for school fees for second term, coupled with the impact of the rise in inflation which limits disposable income, hence the need to bridge the gap with credit.

Outlook on Terms & Conditions for credit

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

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 only ease the size of the loan and collateral requirements for enterprises and maturity period for households in the quarter to June 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 slower pace in the quarter to June 2024. The expected decrease in default rate on loans to enterprises was attributed to the anticipated government payment of contractors from the fourth quarter releases, pick up in business activities during the next quarter and the enhancement of the banks' credit monitoring procedures.

On the other hand, those that expect the default rate to increase for both enterprises and households cited the rising inflation, which is expected to impact cashflows and disposable income, increase in interest rates in response to the rise in the CBR and delayed release of payments by government, job losses as several workers are at risk of being removed from the government payroll after the ongoing staff audit and reduced funding to the NGOs.

Interest Rate Expectations

The results indicate that majority of the banks (56.9 percent) expect their lending rates to increase, with 42.5 percent anticipating the rates to remain broadly unchanged and only 0.7 percent expecting a

[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.

decrease in rates in the quarter to June 2024. The above expectation was based on the increase in the cost of funds as result of the rise in CBR and the impact of removal of early loan settlement charges.

Expectation on the monetary policy stance

Majority of the banks expect the BOU to further tighten the monetary policy stance, with a few expecting it to remain broadly unchanged. The anticipated tightening is based on the need to curb the rising inflation and the depreciating shilling.

Introduction

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

The main objectives of the survey are to:

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

ii) Capture leading information on credit developments.

The survey covered the outturns for the quarter ended March 2024 and expectations for the quarter to June 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.

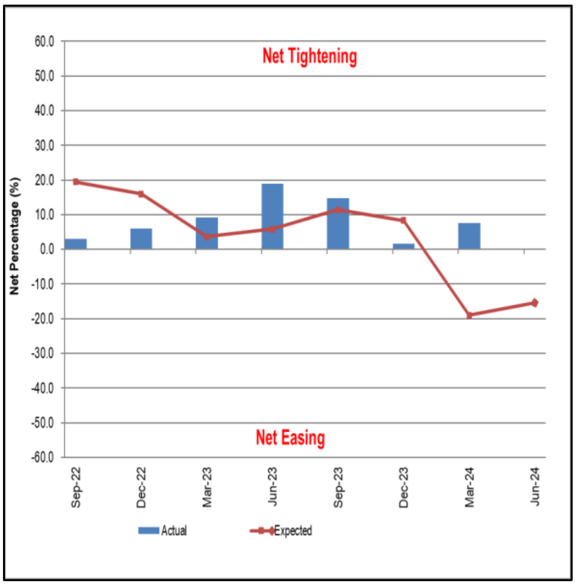
In the quarter to March 2024, credit standards on loans to enterprises remained broadly unchanged with an increased bias towards tightening signalled by the measure of net tightening of 7.6 percent, compared to the previous survey results (*See*, Figure 1). The direction is contrary to the net easing expectation for quarter ended March 2024 which was reported in the second quarter (2023/24Q2) survey (*See, Tables 1 & 2)*.

The reasons cited by banks that reported to have maintained their credit standards was the unchanged business environment compared to the previous quarter. On the other hand, those that reported net tightening of credit standards cited the slowdown in economic activities, delayed payment of contractors by government, delayed payment of salaries for public servants and the increase in the rate of default.

Across firm size, there was an increased pace of tightening of credit standards for both SMEs and large enterprises represented by the higher measure of net tightening of 10.4 percent and 10.6 percent, respectively.

In terms of loan duration, credit standards were eased for short term loans at a much slower pace, while the terms for long-term loans were tightened at a much faster pace in the quarter to March 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	Dec-23	Mar-24	Dec-23	Mar-24	Dec-23	Mar-24	Dec-23	Mar-24	Dec-23	Mar-24
Tightened(A)	4.6	15.2	3.3	20.2	5.0	18.0	0.0	18.9	7.5	15.2
Unchanged	92.5	77.1	96.3	70.0	95.0	74.6	92.1	60.9	92.5	83.9
Eased (B)	2.9	7.7	0.4	9.8	0.0	7.4	7.9	20.2	0.0	0.9
Net %(A-B)	**1.7**	**7.6**	**2.9**	**10.4**	**5.0**	**10.6**	**-7.9**	**-1.4**	**7.5**	**14.4**

Source: *Bank of Uganda*

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

The expected net easing of credit standards for SMEs and short-term loans in the next quarter was attributed to the focus on growing the SMEs and short-term lending segments as banks look to grow their loan books in a profitable manner.

Those that anticipated the tightening of credit standards for large enterprises and long-term loans cited the uncertainty created by global slowdown in economic activities due to inflation, fluctuation in exchange rate, reduced government cashflows and general deterioration in portfolio quality.

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

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	Mar-24	Jun-24	Mar-24	Jun-24	Mar-24	Jun-24	Mar-24	Jun-24	Mar-24	Jun-24
Tighten (A)	10.7	5.0	10.7	20.0	5.5	21.4	0.0	5.5	2.0	32.5
Unchanged	59.7	74.6	58.0	59.0	80.2	63.7	78.8	69.7	86.8	53.5
Ease (B)	29.6	20.4	31.3	21.0	14.4	14.9	21.2	24.7	11.2	14.0
Net %(A-B)	**-19.0**	**-15.4**	**-20.6**	**-1.0**	**-8.9**	**6.5**	**-21.2**	**-19.2**	**-9.2**	**18.4**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

In the quarter to March 2024, banks reported to have kept their credit standards to majority of the sectors broadly unchanged with a bias towards tightening for many of them. Specifically, majority of the banks reported to have tightened their credit standards to the Building, mortgage, construction, and real estate, Agriculture, Manufacturing, Transport and communication and Mining and quarrying sectors as illustrated in Figure 2.

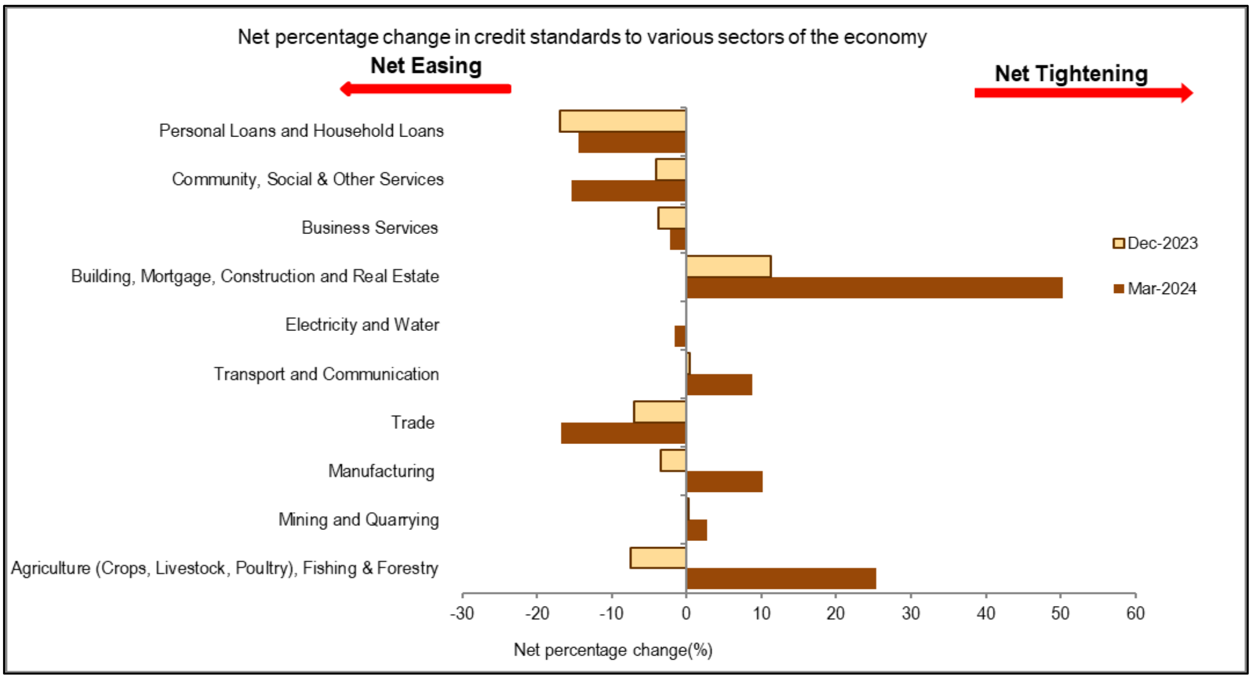
The sectoral distribution of the net easing of credit standards was highest for lending to Personal and households (16.9 percent), Agriculture (7.5 percent), Trade (7.0 percent), Community social and other service (4.1 percent), Business services (3.8 percent), and Manufacturing (3.5 percent).

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 tightening reported for Building, mortgage, construction, and real estate, Agriculture, Manufacturing, Transport and communication and Mining and quarrying was attributed to the reduced demand for real-estate which has affected the borrowers' ability to generate sufficient cashflows to meet their loan obligations, low level of economic activity, outbreak of the foot and mouth disease in the Agriculture sector, high default rates and the continued uncertainty regarding the disbursements to the World Bank funded government projects.

On the other hand, the net easing of the other sectors was attributed to the focus on those sectors that have demonstrated relative resilience amidst the unfavourable economic conditions.

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, average loans and, riskier loans[4] in the quarter to June 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 June 2024 (*See*, Figure 3).

The expected net tightening of price terms and conditions for average and riskier borrowers was mainly attributed to the need to align pricing of loans to the associated risk and the increase in the Central Bank Rate (CBR) which is expected to push up lending rates. The net easing for prime borrowers was hinged on the competitiveness and the need to leverage on the few available entities to improve profitability.

There were mixed reactions from banks regarding their expectations for non-price terms and conditions[6]. Majority expect to maintain their terms and conditions with a bias towards easing on size of the loan and collateral requirements and tightening for maturity period and non-interest rate charges in the quarter to June 2024 (*See*, Figure 3).

The major reason cited by banks for the expected easing on size of the loan and collateral requirements was the positive economic growth prospects for the near future and competition, while the tightening of maturity period and non-interest rate charges was mainly based on the focus for short term lending and the rise in default rate.

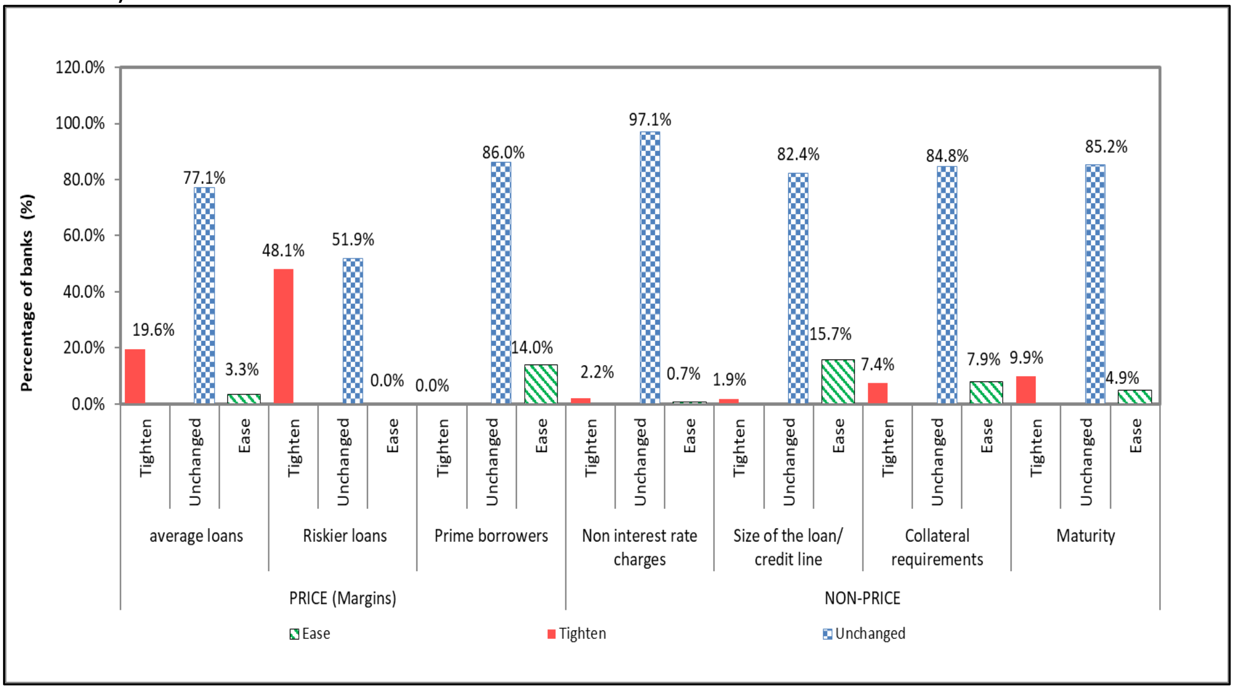
[3] Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower.

[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 June 2024)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to June 2024, banks anticipate an overall increase in demand for credit, at a slightly faster 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 need to complete projects as the fiscal year comes to an end.

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

c) The delayed payment of contractors by government will necessitate them to bridge the funding gap with financing from banks.

The anticipated increase in credit demand will be moderated by the expected rise in CBR, inflation and the depreciating shilling.

Table 3: Demand expectations for the next three months

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**	**Mar-24**	**Jun-24**
Increase(A)	76.5	73.1	69.6	68.4	65.1	64.5	75.4	78.6	47.9	69.9
Unchanged	6.9	16.6	13.7	16.2	14.9	27.7	8.0	17.7	35.2	20.2
Decrease(B)	16.6	10.3	16.6	15.4	20.0	7.8	16.6	3.7	16.9	9.9
Net %(A-B)	**59.9**	**62.8**	**53.0**	**53.0**	**45.1**	**56.7**	**58.8**	**74.9**	**31.1**	**60.0**
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households

1.2.1 Credit Standards to Households

The findings revealed that, in the quarter to March 2024, banks eased credit standards to households, as depicted by a net percentage of 13.0 percent, lower than the net easing of 16.9 percent registered at the end of the previous quarter (See, Appendix 1). The outturn was consistent with past trends, albeit much lower than the previous survey expectations. This was largely driven by the need to support clients with financing to meet education expenses, improved stability of employment terms and salaries, suspension of the early repayment penalties and the focus on expanding the salary loan segment.

In the quarter to June 2024, banks expect to ease credit standards to households as indicated by the net percentage of 11.8 percent, much lower than the net easing of 32.5 percent which was anticipated for the quarter to March 2024.

The expected easing of credit standards to the households was attributed to need to meet second term back to school expenses, competition, and the drive to grow the retail portfolio. This is expected to be slowed down by the high default rate and rising cost of borrowing.

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 maturity period which is expected to be eased on a net basis over the next three months to June 2024. (See, Appendix 1).

The reasons cited for the anticipated tightening of both price and non-price terms and conditions for consumer credit include the high cost of funds because of the rise in inflation and the CBR and the need to mitigate the rising default risk.

1.2.3 Demand for Credit by Households

Credit demand by households is expected to increase in the three months to June 2024, although at a much lower pace. Specifically, 62.0 percent of banks anticipate an increase in household's credit demand, 22.2 percent expect the demand to decrease while 15.8 percent expect no change to households' credit demand in the quarter to June 2024.

The anticipated increase in household credit demand is attributed to the seasonal demand for school fees for second term, coupled with the impact of the rise in inflation which limits disposable income, hence the need to bridge the gap with credit.

1.2.4 Expected Default Rate on Loans to Enterprises and Households

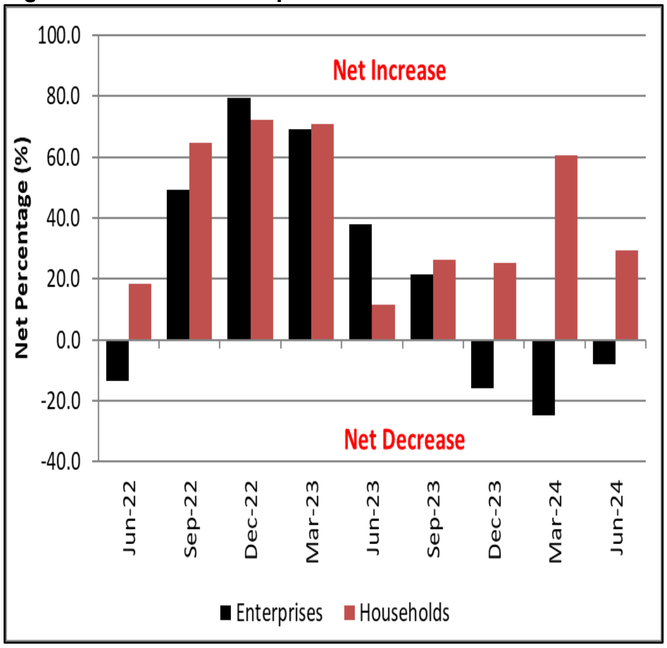
Overall, 7.9 percent of the banks expect the default rate on loans to enterprises to decrease on a net basis in the quarter to June 2024. This is much lower than the 24.6 percent that expected a decrease in the previous survey results. The net decrease in default rate is anticipated for large enterprises and long-term loans, while that for SMEs and short-term is expected to increase. The decrease in default rate was attributed to.

a) Expected government payment of contractors from the fourth quarter releases.
b) Anticipated pick up in business activities during the next quarter.
c) Enhancement of the banks' credit monitoring procedures.

On the other hand, the increase in default rate was attributed to the rising inflation, which is expected to impact cashflows and disposable income, increase in interest rates because of the rise in the CBR and delayed release of payments by government.

On the side of households, 29.3 percent of banks expect the default rate to increase on a net basis in the quarter to June 2024, about a half lower than the 60.8 percent that was recorded in the previous survey results (see, Appendix 1). The anticipated increase in default rate was attributed to the rising inflationary tendencies which will constrain disposable income and ability to service facilities, job losses as several workers are at risk of being removed from the government payroll after the ongoing staff audit, delayed salary remittance by some government entities and reduced funding to the NGOs from funders. This is likely to be moderated by the aggressive recovery and continuous loan monitoring mechanisms put in place by banks.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.3 Interest Rate Expectations for Q4 FY 2023/24

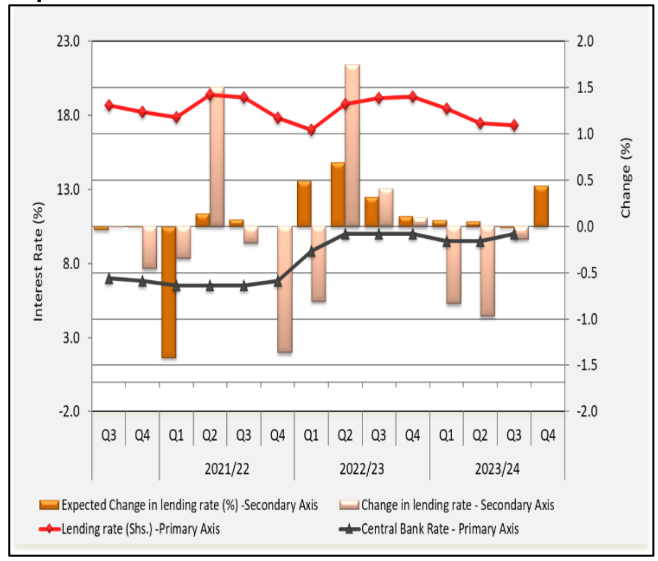
To understand the direction of interest rates from the lender's point of view, banks were requested to indicate the direction and magnitude of the change in their expected lending rates in the quarter to June 2024.

The results indicate that majority of the banks (56.9 percent) expect their lending rates to increase, with 42.5 percent anticipating the rates to remain broadly unchanged and only 0.7 percent expecting a decrease in rates in the quarter to June 2024.

The banks that expect the lending rate to increase on a net basis in the quarter to June 2024 when compared to that in the quarter to March 2024, registered a weighted rise of 0.44 percentage points as illustrated in Figure 5. The above expectation was based on the increase in the cost of funds as result of the rise in CBR and the impact of removal of early loan settlement charges.

On the other hand, those that expected the lending rates to remain unchanged cited the high competition in the market and the need to attract more potential customers.

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



Source: *Bank of Uganda*

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

1.4 Expectation on the monetary policy stance

Banks were asked about their expectations on the monetary policy stance for the next quarter to end June 2024 in relation to the current economic situation. Majority of the banks expect the BOU to further tighten the monetary policy stance, with a few expecting it to remain broadly unchanged. The anticipated tightening is based on the need to curb the rising inflation and the depreciating shilling.

1.5 Conclusion

The bank lending survey results indicate that in the quarter to March 2024, 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 June 2024, banks expect to ease credit standards to both enterprises and households on a net basis, albeit at a slower pace. They expect to ease credit standards for SMEs and short-term loans, while tighten for large enterprises and long-term loans.

The default rate on loans to enterprises is expected to decrease, while that on loans to households is anticipated to increase, both at a slower pace in the quarter to June 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
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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	45.4
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	-11.3
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
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
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
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
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
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
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
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
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
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
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	0.8
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
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
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

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
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
	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
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
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
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
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
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
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
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
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
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

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
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	53.5
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	0.44

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		**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Jun-23**	**Sep-23**	**Dec-23**	**Mar-24**
Credit policy as applied to the approval of loans or credit lines to enterprises														
Overall	Past three months	9.4	26.5	71.8	-3.2	-3.2	-6.7	29.7	-29.0	14.3	6.3	-30.0	15.4	18.4
	Next three months	-31.5	100.0	-32.0	-46.7	-46.9	26.8	-40.1	7.6	1.3	-1.8	-35.6	22.1	15.2
SMEs	Past three months	-48.9	26.5	77.9	24.9	22.8	22.1	29.7	4.5	14.3	8.1	6.9	23.0	18.4
	Next three months	-2.3	100.0	18.4	-21.7	-5.4	-6.9	-7.2	10.2	2.8	0.5	-35.6	24.7	15.2
Large enterprises	Past three months	36.7	38.6	69.4	28.1	28.2	29.0	30.8	2.6	12.8	6.3	-32.2	15.4	16.4
	Next three months	15.3	74.9	18.4	-21.7	-8.7	0.0	0.0	8.3	2.8	2.3	-34.6	29.8	15.2
Short term loans	Past three months	2.5	25.5	69.4	-6.0	14.2	27.0	25.3	-32.8	8.5	3.9	4.6	15.4	16.4
	Next three months	-19.8	71.6	-35.0	-46.7	-8.7	0.0	-32.9	8.3	-1.5	-1.8	-3.3	38.9	11.3
Long term loans	Past three months	38.5	33.0	69.4	21.7	20.8	31.0	33.1	-29.0	-14.3	5.7	5.0	32.2	18.4
	Next three months	-22.0	74.9	-32.0	-23.3	3.3	2.0	-30.6	10.2	-24.3	-1.8	1.3	38.9	15.2
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	2.5	-11.0	28.1	19.0	31.5	31.0	33.1	10.2	4.3	-5.5	3.7	20.4	32.7
Mining and Quarrying	Past three months	6.0	0.0	16.0	20.2	28.2	29.0	27.5	0.0	0.0	3.9	40.5	15.4	3.2
Manufacturing	Past three months	35.1	-12.1	16.0	21.7	31.5	27.0	25.3	-1.9	-1.5	0.0	3.7	3.6	3.2
Trade	Past three months	67.7	-7.8	66.4	2.7	7.5	-6.7	20.5	2.6	2.8	6.3	3.7	3.6	3.2
Transport and Communication	Past three months	38.5	52.8	69.4	27.7	-1.2	1.4	26.1	4.5	9.3	8.1	1.4	6.2	3.2
Electricity and Water	Past three months	0.0	-15.3	16.0	-3.2	31.5	27.0	25.3	-1.9	0.0	0.0	3.7	3.6	3.2
Building, Mortgage, Construction and Real Estate	Past three months	9.4	-7.6	31.1	19.0	38.3	31.0	29.7	2.6	7.8	5.7	3.7	3.6	3.2
Business Services	Past three months	9.4	52.8	69.4	21.7	-9.9	-6.7	25.3	0.7	1.3	3.9	6.0	3.6	5.1
Community, Social & Other Services	Past three months	67.7	51.8	91.5	21.7	-1.2	-2.6	29.7	4.5	1.5	3.9	6.0	3.6	5.1
Personal Loans and Household Loans	Past three months	-26.6	4.5	31.1	19.0	31.5	27.0	29.7	-1.9	-1.5	3.9	1.4	3.6	1.2
Terms and conditions for approving loans or credit lines to enterprises														
Margin on average loans	Next three months	-13.8	-21.1	-22.3	-10.2	0.0	0.0	17.6	0.0	0.0	-1.8	26.5	38.9	0.0
Margin on riskier loans	Next three months	20.6	43.8	18.9	21.7	12.0	6.1	23.2	10.2	9.3	8.1	43.1	61.7	5.1
margin on prime borrowers	Next three months	15.3	-20.1	-25.3	17.5	-8.7	0.0	17.6	0.0	-5.0	-1.8	26.5	-1.3	0.0
Non-interest rate charges	Next three months	44.5	14.5	16.0	-7.5	16.3	0.0	0.0	-33.5	0.0	-3.9	22.9	-4.7	-3.2
Size of the loan or credit line	Next three months	-10.3	50.0	54.2	17.5	-16.3	0.0	-29.5	-30.9	7.8	-10.0	-64.0	-37.8	-8.1
Collateral requirements	Next three months	18.8	17.7	18.9	21.7	3.3	6.1	-27.3	1.9	1.5	8.1	-3.4	33.4	5.1
Maturity	Next three months	44.5	53.3	54.2	19.0	3.3	2.0	-30.6	-29.0	4.3	-10.0	0.0	0.0	0.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?														
Overall	Next three months	70.9	-62.5	91.0	94.1	91.3	-10.8	12.5	-19.3	75.0	79.4	80.7	-9.4	81.7
SMEs	Next three months	70.9	-62.5	66.6	69.1	58.5	27.0	-14.8	16.1	90.7	100.0	88.0	-11.7	79.8
Large enterprises	Next three months	33.9	-38.4	54.2	69.1	58.5	22.9	-20.3	14.2	38.5	77.6	64.0	-5.3	55.3
Short term loans	Next three months	98.2	-2.8	91.0	69.1	58.5	-10.8	18.1	21.8	47.7	79.4	43.8	16.6	83.7
Long term loans	Next three months	33.9	-38.4	68.9	69.1	58.5	22.9	44.5	49.6	70.7	77.6	27.1	-2.8	75.4
Default rate on loans to enterprises														
Overall	Next three months	-7.3	100.0	-50.6	-91.4	-79.2	22.1	-81.8	45.0	-60.8	-97.7	-81.0	62.2	-26.8
SMEs	Next three months	-7.3	49.8	-50.6	-66.5	-46.5	-11.6	-81.8	8.9	-63.6	-58.6	-81.0	81.5	-43.1
Large enterprises	Next three months	-44.2	74.9	-50.6	-69.2	-49.8	-17.7	-54.5	7.0	-62.1	-60.9	-81.0	62.2	-26.8
Short term loans	Next three months	51.0	100.0	-50.6	-91.4	-82.5	16.0	-86.3	41.2	-60.8	-60.9	-76.0	64.7	-43.1
Long term loans	Next three months	21.8	74.9	-50.6	-66.5	-46.5	-15.7	-87.4	9.6	-59.3	-59.1	-81.0	62.2	-43.1

Period		**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Jun-23**	**Sep-23**	**Dec-23**	**Mar-24**
Part II: Households														
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-0.9	2.4	28.1	46.7	3.3	2.0	2.2	0.7	1.3	3.9	3.7	-5.6	3.2
	Next three months	1.1	32.8	-12.2	-10.7	0.0	0.0	-7.0	-5.7	-14.4	-14.3	1.4	-1.7	1.2
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	39.9	-38.4	33.5	69.1	41.1	27.3	96.7	-7.2	62.1	60.9	62.1	85.7	45.1
Terms and conditions for approving loans or credit lines to households														
Margin on average loans	Next three months	18.8	14.5	16.0	-10.2	0.0	0.0	17.6	0.0	0.0	2.1	27.5	15.5	-13.2
Margin on riskier loans	Next three months	20.6	17.7	21.4	23.7	5.3	6.1	23.2	7.6	6.5	6.3	33.5	59.1	32.7
Margin on prime borrowers	Next three months	15.3	14.5	13.0	17.5	0.0	0.0	17.6	-2.6	-2.8	-1.8	27.5	19.6	-3.1
Non-interest rate charges	Next three months	18.8	14.5	16.0	17.5	16.3	0.0	0.0	0.0	0.0	-5.7	23.8	4.5	-3.2
Size of the loan or credit line	Next three months	18.8	17.7	16.0	20.2	-16.3	0.0	0.0	0.0	0.0	0.0	-26.1	-37.9	-10.0
Collateral requirements	Next three months	18.8	14.5	16.0	21.7	3.3	2.0	2.2	1.9	1.5	3.9	31.2	30.8	-10.0
Maturity	Next three months	18.8	21.0	16.0	20.2	0.0	0.0	0.0	0.0	0.0	3.9	-3.7	-3.4	-3.2
Default rate on loans to households	Next three months	-7.4	73.9	-45.0	-66.3	-41.1	-18.8	-59.3	20.3	-49.3	-60.9	-43.1	-13.5	-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 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 (December 2023-February 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