



BANK LENDING SURVEY

2019 Q3

MONETARY POLICY DEPARTMENT



Introduction¹

The Bank Lending Survey (BLS) questionnaire aims to collect the commercial banks' opinions related to developments in the past three months on credit supply and demand, and their expectations for the next three months. The BLS provides a summary of commercial banks' perceptions on the changes in credit supply conditions, presented through credit standards, terms and conditions, and on the changes for loan demand by enterprises and households. This analysis is based on the aggregated results of replies from ten banks that own the largest share of credit to the private sector.

¹ The Bank Lending Survey questionnaire was revised in 2018 Q2, to further align it with the latest international frameworks, especially with the ECB's one. Hence, the related analysis is adopted with the new questionnaire. The new analysis is enriched with additional questions and specifications related to the factors affecting the credit standards, terms and conditions and demand. From 2018 Q4, the time series are tested for the presence of seasonality, following the relevant statistical methods. The time series showing seasonality, according to statistical test specifications, are adjusted for this effect and have replaced the existing series that have not been adjusted for seasonality in conducting the lending survey. The BLS questionnaire, a glossary of terms, a short description on the importance of this survey, some methodological aspects and the time series for analysis purpose are published at the link:

https://www.bankofalbania.org/Monetary_Policy/Surveys_11282/Bank_Lending_Survey/.

OVERVIEW OF RESULTS

Commercial banks reported they maintained credit standards unchanged for loans to enterprises during 2019 Q3. Banks applied the same credit standards as in the previous quarter, on loans for investments and liquidity. Banks assessed the loan demand from enterprises, in 2019 Q3, was higher, in both segments by size of enterprise. Credit standards for loans to households also remained unchanged in 2019 Q3. The loans demand from this market segment was perceived higher in the third quarter, driven by the higher demand for consumption financing.

In 2019 Q4, credit standards are expected to remain unchanged for enterprises, and to ease for households. Banks expect higher credit demand from both enterprises and households, in 2019 Q4. Enterprises are expected to augment the demand for loans for investments purposes and to fund liquidity needs, in both segments by size of enterprise. At the same time, higher credit demand from households is expected to be result of higher needs to finance consumption as well as house purchase.

CREDIT STANDARDS, TERMS AND CONDITIONS, AND DEMAND

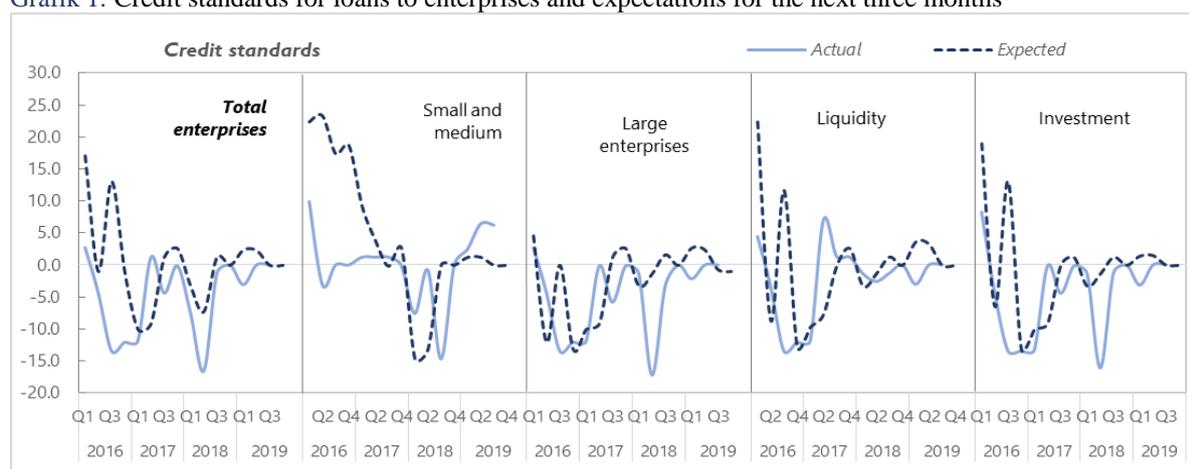
1. LOANS TO ENTERPRISES

1.1. Credit standards

Credit standards for loans to enterprises remained unchanged in 2019 Q3. Banks reported to have applied unchanged credit standards from the previous quarter in loans for both investment purposes as well as in loans to meet the liquidity needs of enterprises. Credit standards eased somewhat for loans to small and medium-sized enterprises², whereas they remained unchanged for loans to large enterprises.

In 2019 Q4, banks expect no changes in credit standards for loans to enterprises, in terms of both loan size and purpose of use.

Grafik 1. Credit standards for loans to enterprises and expectations for the next three months¹



¹: Calculated as net percentage. Positive values indicate easing of credit standards, whereas negative values indicate tightening of credit standards

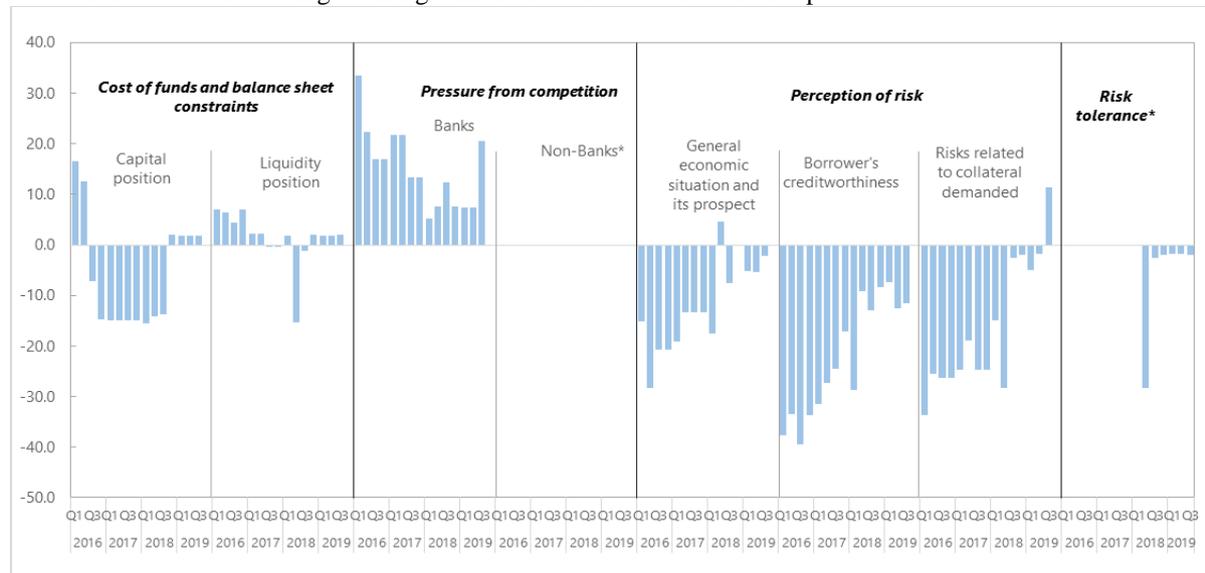
Source: Bank of Albania.

The factors contributing positively to the easing of credit standards for enterprises were: the increase in banking sector competition; lower risk perception related to collateral demanded; lower costs of funds

² Only one bank of the system reported to have applied slightly more easing credit standards for the category of small and medium-sized enterprises.

and balance sheet constraints arising from the capital and liquidity position of banks. Factors reported as contributors to the tightening of credit standards continued to be those related to banks' risk perception, such as: borrower's creditworthiness, economic situation and its prospect. Lower tolerance to risk was another factor backing the tightening of credit standards to enterprises.

Grafik 2. Factors contributing to changes in credit standards for total enterprises²

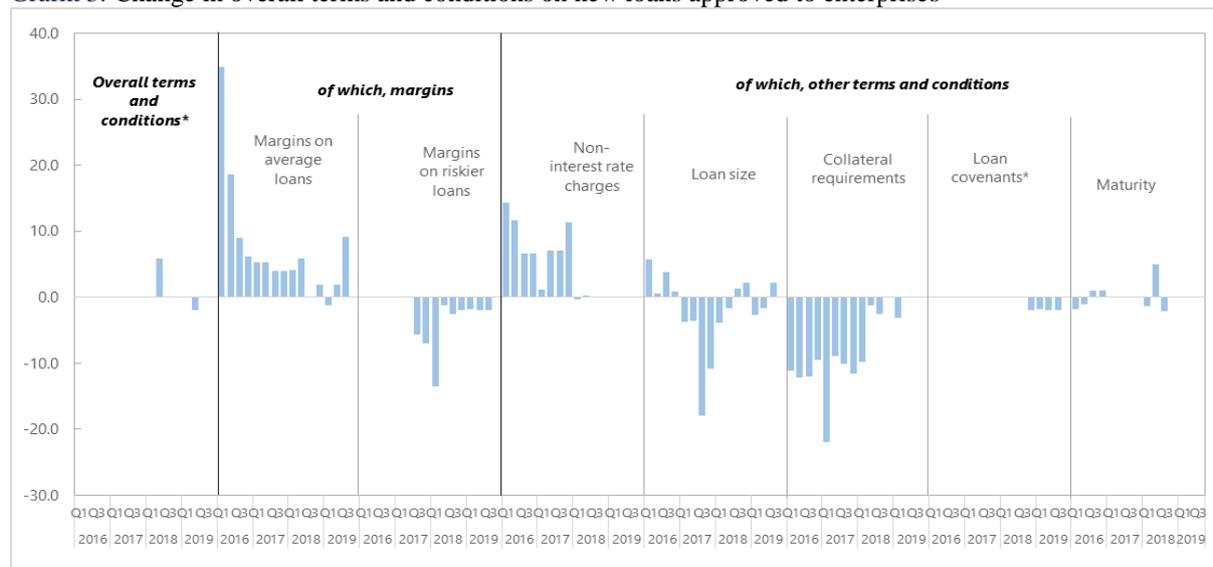


²: Calculated as net percentage. Positive values indicate the factor contributed to the easing of lending standards, whereas negative values indicate their tightening. *: New indicator added in the questionnaire revised in June 2018. Source: Bank of Albania.

1.2. Terms and conditions

Overall terms and conditions on new loans to enterprises were reported as unchanged from the previous quarter. Lower margins on average loans, in addition to the increase in the loan size affected the easing of the overall terms and conditions. On the other side, higher margins on riskier loans and loan covenants triggered the tightening of the terms and conditions for loans to enterprises.

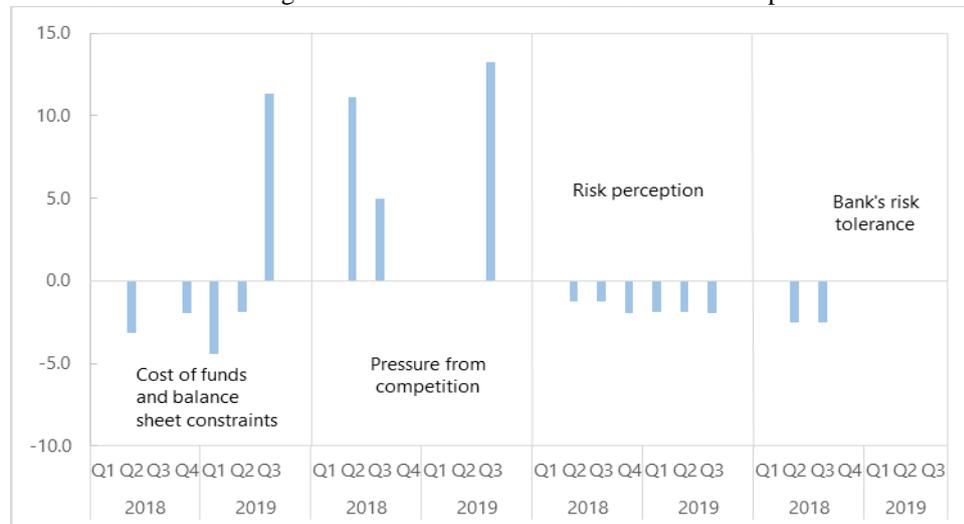
Grafik 3. Change in overall terms and conditions on new loans approved to enterprises³



³: Calculated as net percentage. The positive values indicate eased credit standards, whereas the negative values indicate tightened credit standards. Source: Bank of Albania. *: New indicator added in the questionnaire revised in June 2018.

Banks reported the increased competition in the banking system and the lower costs of funds and balance to affect positively the overall credit terms and conditions. Meanwhile, banks reported risk perception as a factor affecting the tightening of credit terms and conditions applied on loans to enterprises.

Grafik 4. Factors affecting terms and conditions for loans to total enterprises⁴

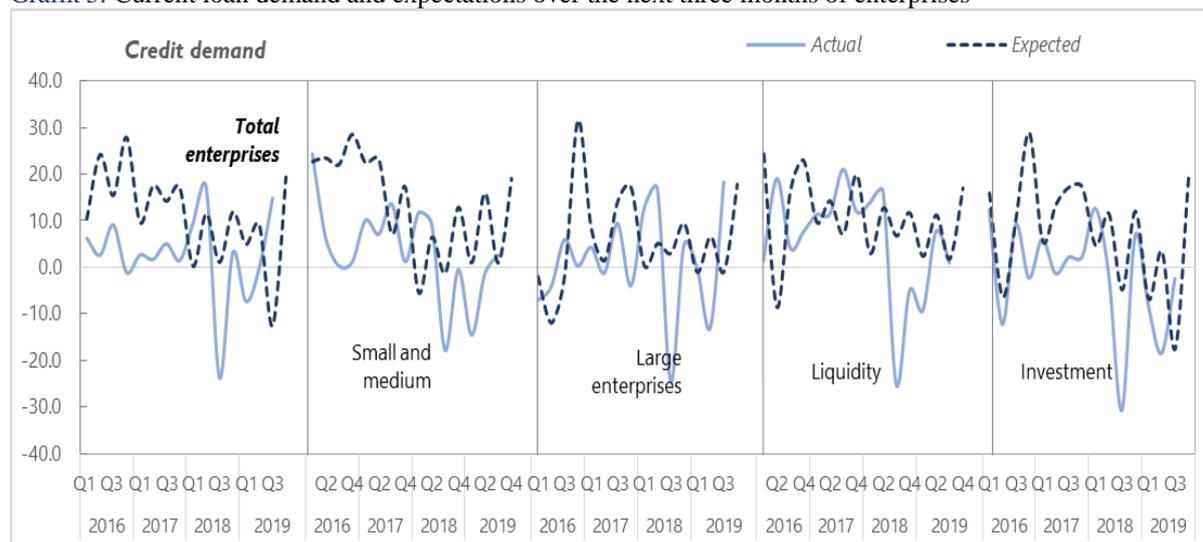


⁴: The positive values indicate that the factor contributed to easing the lending terms and conditions, whereas negative values indicate their tightening. *: This chart is based on a new question added to the questionnaire revised in June 2018. Source: Bank of Albania.

1.3. Demand for loans

Loan demand from enterprises was reported as higher in 2019 Q3. Higher loan demand was reported from both large and small and medium-sized enterprises. In terms of purpose of use, the loan demand increase was fragmented: loan demand was reported as lower for investment purposes, and higher for liquidity purposes.

Grafik 5. Current loan demand and expectations over the next three months of enterprises⁵

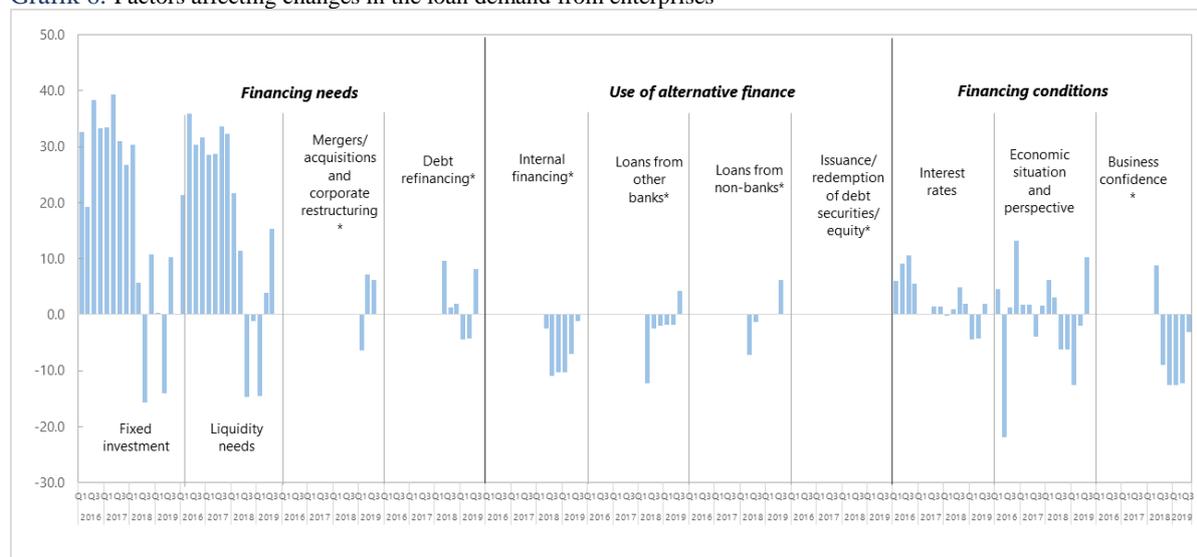


⁵: Calculated as net percentage. Positive values show increase of loan demand, while negative values show decrease of loan demand. Source: Bank of Albania.

In 2019 Q4, banks expect higher loan demand from enterprises, in terms of both enterprise size and the purpose of loan.

Banks perceived that the higher demand for loans in 2019 Q3 was driven by: higher financing needs for inventories, for working capital, as well as for investments, for debt refinancing and for companies restructuring; the perceived economic situation and its outlook; and loans from banks and non-bank institutions. On the other hand, the business confidence and higher usage of internal financing resources diminished the growth of loan demand from enterprises.

Grafik 6. Factors affecting changes in the loan demand from enterprises⁶



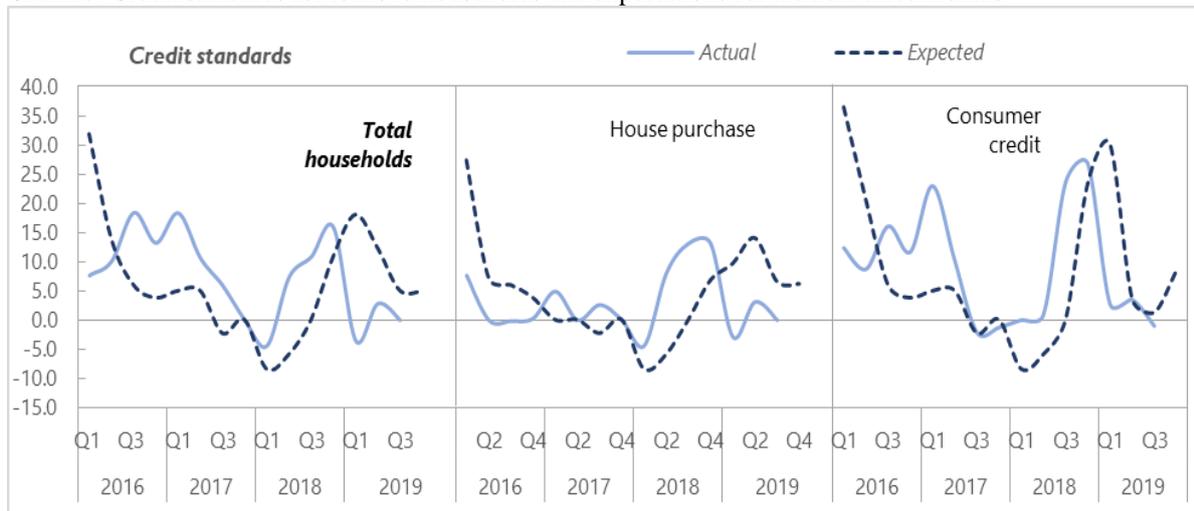
⁶: Calculated as net percentage. Positive values show the factor has affected the increase in loan demand, while the negative values show the factor has affected its fall. *: New indicator added in the questionnaire revised in June 2018. Source: Bank of Albania.

2. LOANS TO HOUSEHOLDS

2.1. Credit standards

Credit standards for loans to households were reported unchanged in 2019 Q3. Credit standards were reported unchanged from the previous quarter for both house purchase and consumer loans. Banks reported that they expect to apply eased credit standards for loans to households, for both categories in 2019 Q4.

Grafik 7. Credit standards for loans to households and expectations for the next three months⁷

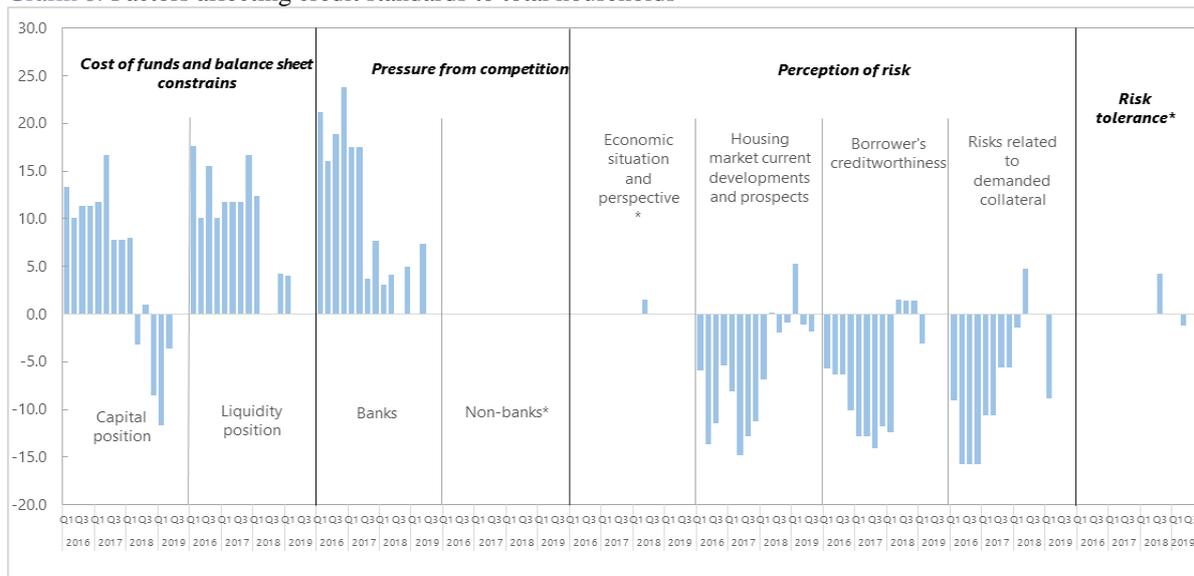


⁷: Calculated as net percentage. Positive values indicate easing of credit standards, whereas negative values indicate tightening of credit standards.

Source: Bank of Albania.

Increased pressure from competition in banking system continues to be reported as the factor affecting the easing of credit standards for loans to households. On the other hand, risk perception related to housing market developments and its prospect affected the tightening of credit standards.

Grafik 8. Factors affecting credit standards to total households⁸



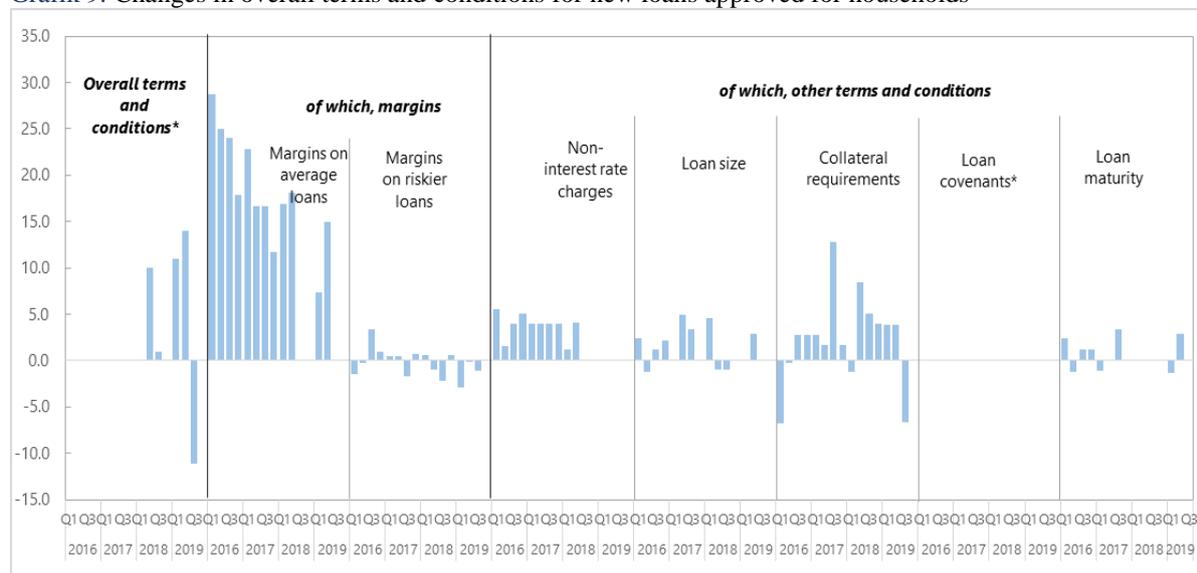
⁸: Calculated as net percentage. Positive values indicate the factor contributed to the easing of credit standards, whereas negative values indicate the factor contributed to the tightening of credit standards. *: New indicator added in the questionnaire revised in June 2018.

Source: Bank of Albania.

2.2. Terms and conditions

Overall terms and conditions for loans to households were tightened³ in 2019 Q3, mainly due to the higher collateral requirements and the higher margins applied on riskier loans.

Grafik 9. Changes in overall terms and conditions for new loans approved for households⁹

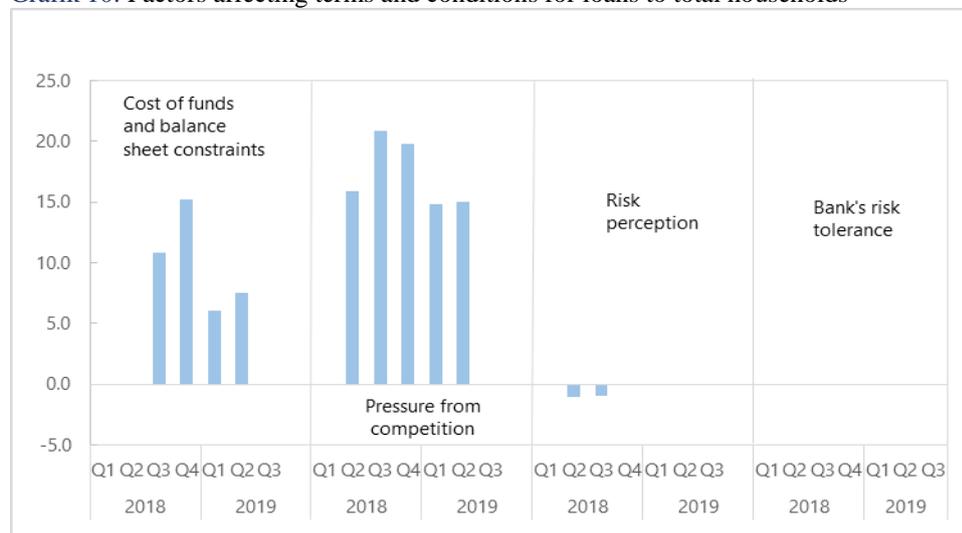


⁹: Calculated as net percentage. Positive values indicate eased credit standards, whereas negative values indicate tightened credit standards. *: New indicator added in the questionnaire revised in June 2018.

Source: Bank of Albania.

Factors affecting terms and conditions applied on loans to households remained unchanged from the previous quarter.

Grafik 10. Factors affecting terms and conditions for loans to total households¹⁰



¹⁰: The positive values indicate that the factor contributed to easing the credit terms and conditions. The negative values indicate that the factor contributed to tightening the credit terms and conditions. *: This chart is based on a new question added to the questionnaire revised in June 2018.

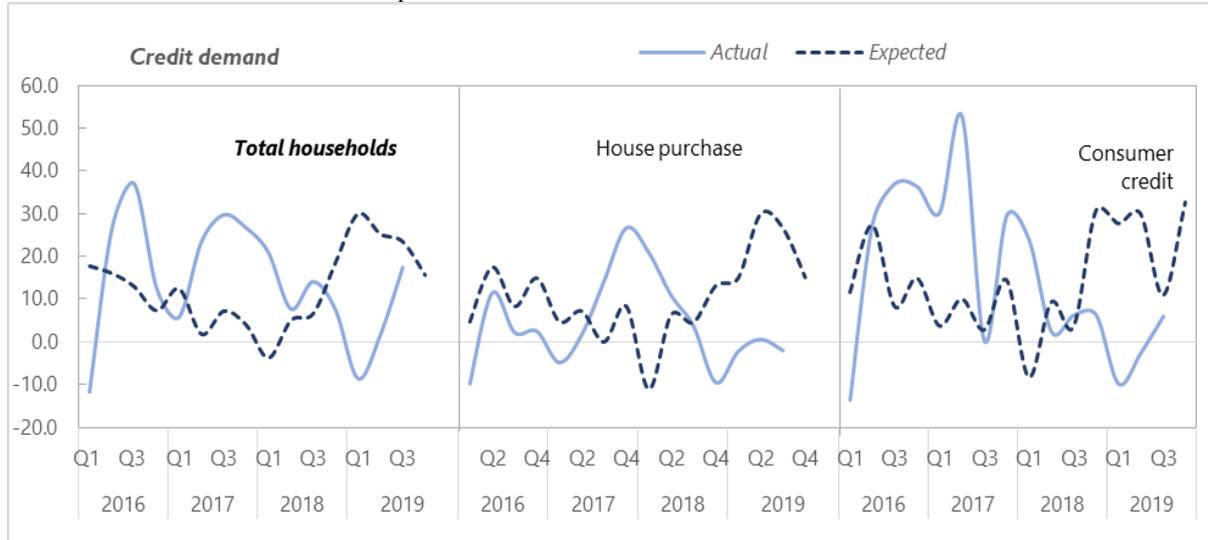
Source: Bank of Albania.

³ Only one bank of the system reported tightened terms and conditions applied on loans, while the other banks reported unchanged credit standards applied on loans from the previous quarter.

2.3. Demand for loans

The loan demand from households was perceived higher in 2019 Q3, driven mainly by the increased demand for consumer loans. Based on banks' opinions, the loan demand from households is expected to be higher in 2019 Q4, driven by higher needs to finance both consumption and house purchase.

Grafik 11. Current loan demand and expectations over the next three months of households¹¹

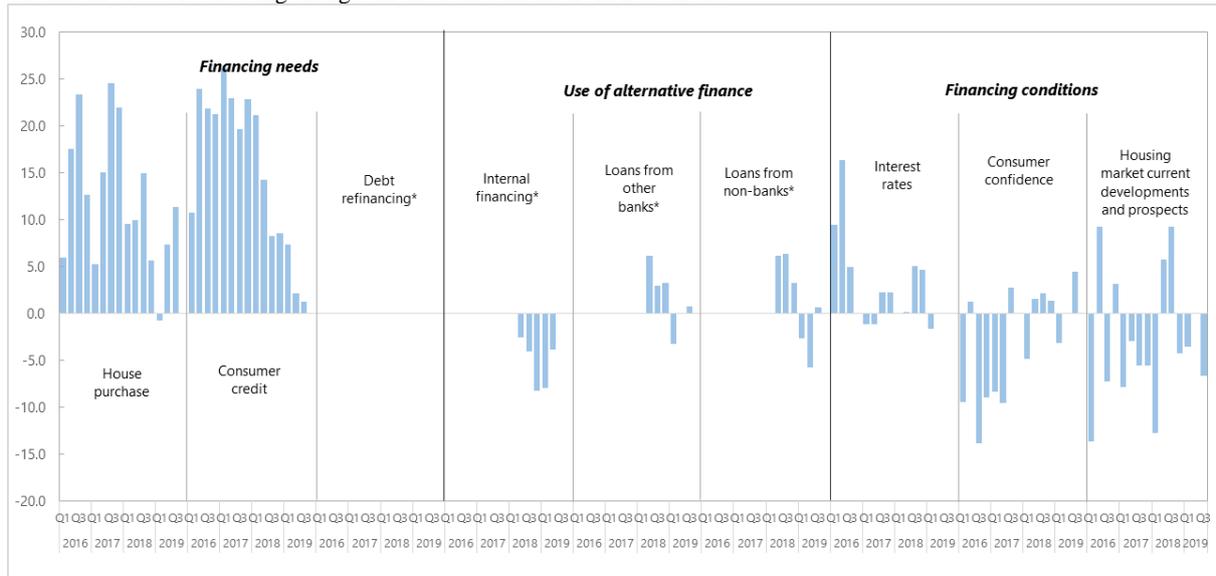


¹¹: Calculated as net percentage. Positive values show increase of loan demand, while negative values show decrease of loan demand.

Source: Bank of Albania.

The higher loan demand from households, according to banks, was driven by: higher financing needs for house purchase and consumption; consumer confidence and lower use of alternative financing sources by households. Banks reported the current and expected developments in housing market as the only factor affecting the fall in the demand for loans from households.

Grafik 12. Factors affecting changes in the loan demand from households¹²



¹²: Calculated as net percentage. Positive values show the factor has affected the increase in loan demand, while the negative values show the factor has affected its fall. *: New indicator added in the questionnaire revised in June 2018.

Source: Bank of Albania.