



# **BANK LENDING SURVEY**

**2021 Q1**

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**April 2021**

**MONETARY POLICY DEPARTMENT**

## **General Notes**

*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, illustrated by credit standards, terms and conditions, and on the changes for loan demand by enterprises and households. This analysis is based on responds from ten surveyed banks, which own the majority of loan stock for the private sector.*

*BLS questionnaire in principle follows the practice implemented by ECB, but it is modified allowing for some changes that reflect the specifications and features of Albanian credit market. Also, alternatively to worldwide practices, the time series of BLS indicators are tested for seasonality, following the relevant statistical methods. The time series displaying seasonality are adjusted for this effect and have replaced the existing series accordingly. For more detailed information on 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, please follow the link:*

*[https://www.bankofalbania.org/Monetary\\_Policy/Surveys\\_11282/Bank\\_Lending\\_Survey/](https://www.bankofalbania.org/Monetary_Policy/Surveys_11282/Bank_Lending_Survey/)*

## OVERVIEW OF RESULTS

*On commercial banks' view credit standards on loans to enterprises were tightened in the first quarter of 2021, in terms of enterprises' size and loan's purpose of use, as well. At the same time, the terms and conditions on new loans to enterprises were tightened, both in price and non-price components. Loan demand from enterprises appeared upwards in the segment of large enterprises and downwards in the segment of small and medium-sized enterprises. In terms of loans' purpose of use, loan demand was perceived higher for both types of loan use: investment loans and loans for liquidity needs.*

*According to banks' opinion, credit standards, terms and conditions applied on loans to households eased in 2021 Q1. Banks perceived higher loan demand from households in the first quarter, for both consumer loans and house purchases.*

*The banks aim to maintain the credit standards on loans to enterprises unchanged in 2021 Q2. On the other hand, loan demand for loans is anticipated to be higher, mainly pronounced from large enterprises and on loans for liquidity needs. Credit standards on loans to households are expected to further ease in the second quarter of 2021, on both consumer loans and house purchases. Loan demand of household's loans is expected to be higher in both categories.*

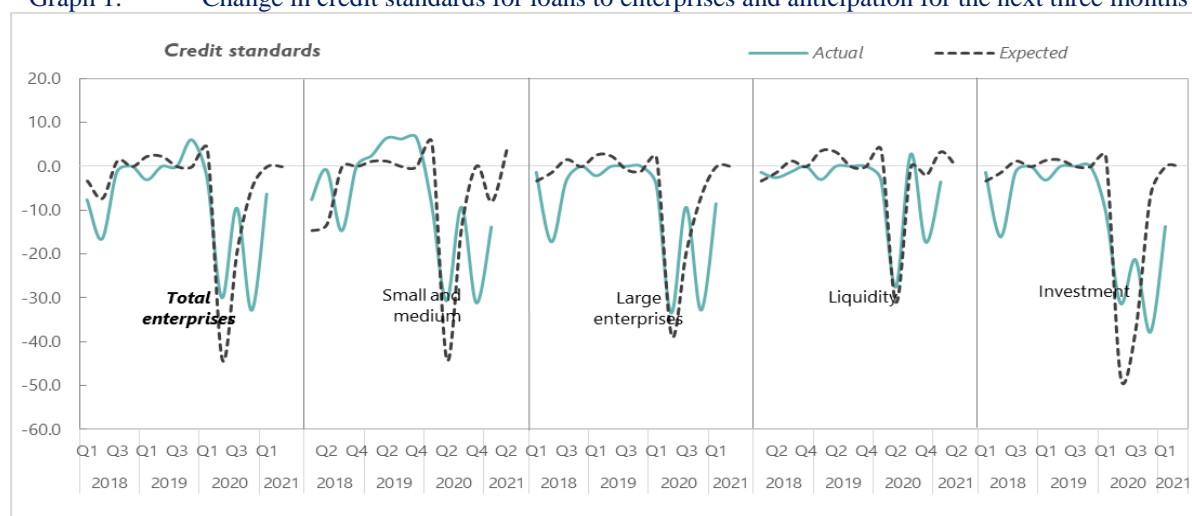
## CREDIT STANDARDS, TERMS AND CONDITIONS, AND DEMAND

### 1. LOANS TO ENTERPRISES

#### 1.1. Credit standards

**Credit standards for loans to enterprises were tightened** in the first quarter of 2021. Tightened credit standards were applied on both segments: small and medium-sized and large enterprises; and both types of loan use: investment loans and loans for liquidity needs.

Graph 1. Change in credit standards for loans to enterprises and anticipation for the next three months<sup>1</sup>



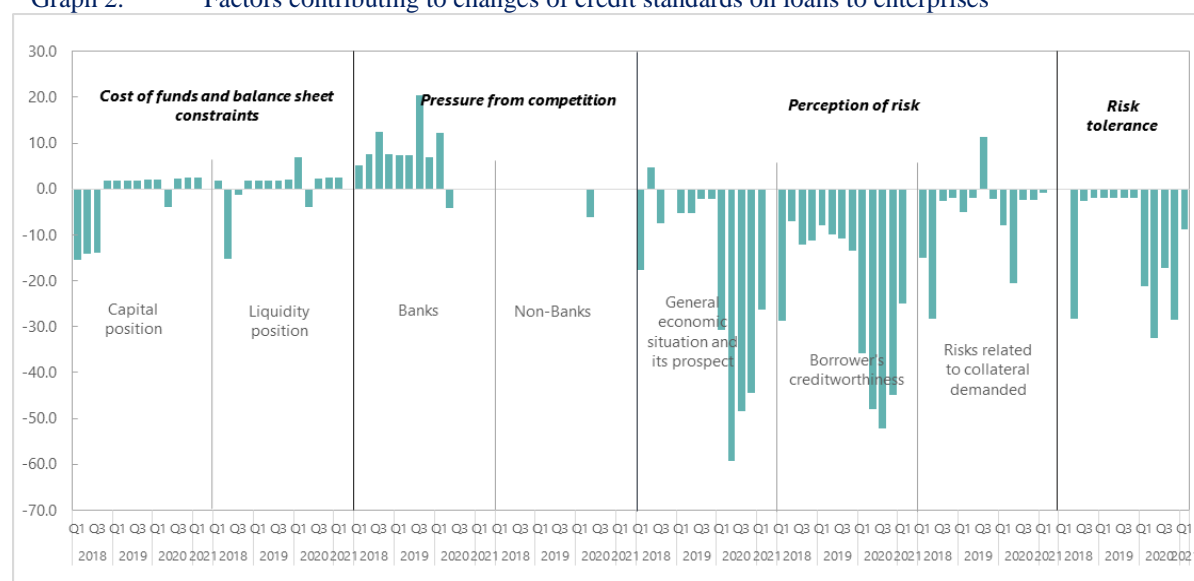
<sup>1</sup>: Calculated as net percentages. Positive values indicate eased credit standards, whereas negative ones indicate tightened credit standards.

Source: Bank of Albania.

In Q2 2021, banks anticipate unchanged credit standards on loans to enterprises. Banks expect to apply unchanged credit standards on loans to enterprises and on both loans for investment purposes for liquidity needs. Meanwhile, banks expect to somewhat ease credit standards on loans to small and medium-sized enterprises.

According to banks, the tightening of credit standards on loans to enterprises, in 2021 Q1, was attributable to the risk perception on: economic situation and its prospects; the borrowers' creditworthiness and the firms' current situation. Lower risk tolerance continued to be another factor backing the tightening of credit standards to enterprises. The prolongation of the pandemic and the uncertainties surrounding it also drove to the tightening of credits standards in this quarter. On the easing side of credit standards to enterprises were reported the lower costs of funds and balance sheet constraints.

Graph 2. Factors contributing to changes of credit standards on loans to enterprises<sup>2</sup>



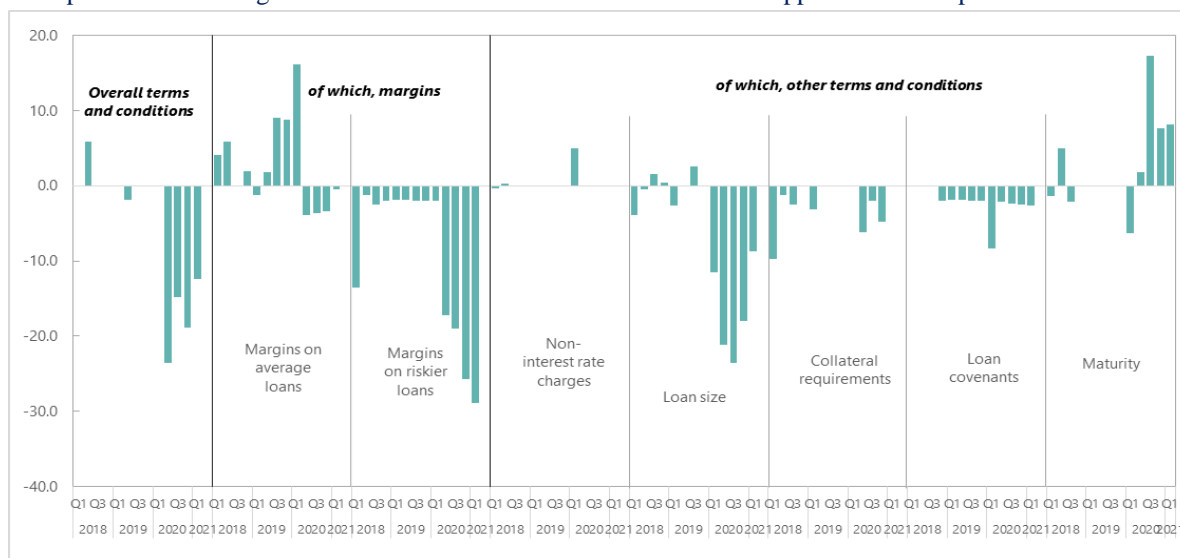
<sup>2</sup>: Calculated as net percentages. Positive values indicate that the factor contributed to the easing of credit standards, whereas negative ones to the tightening of credit standards.

Source: Bank of Albania.

## 1.2. Terms and conditions

**Overall terms and conditions on new loans to enterprises tightened** in 2021 Q1. The tightening of overall terms and conditions on loans was achieved due to both: price components – through higher margins applied on riskier loans, – and non-price components – through the reduction of the loan size and higher loan covenants. The extension of loan maturity was reported as the only factor contributing on the easing side of non-price terms and conditions in 2021 Q1.

Graph 3. Change in overall terms and conditions on new loans approved to enterprises<sup>3</sup>

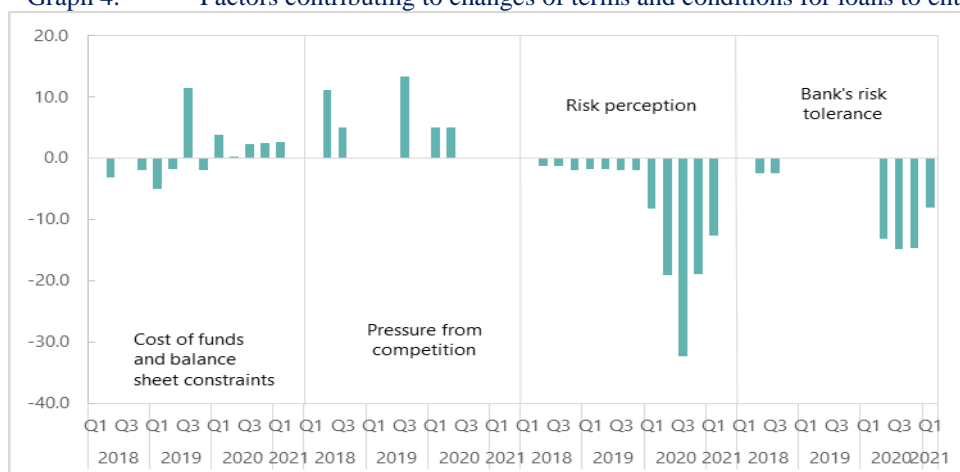


<sup>3</sup>: Calculated as net percentages. Positive values indicate eased terms and conditions, whereas negative ones tightened terms and conditions.

Source: Bank of Albania.

Following the banks' opinion, the risk perception and the lower tolerance toward risk contributed to the tightening of terms and conditions on loans to enterprises. On the other hand, lower costs of funds and balance sheet constraints backed the easing side of terms and conditions on loans to enterprises.

Graph 4. Factors contributing to changes of terms and conditions for loans to enterprises<sup>4</sup>



<sup>4</sup>: Calculated as net percentages. Positive values indicate that the factor contributed to the easing of terms and conditions, whereas negative ones to the tightening of terms and conditions.

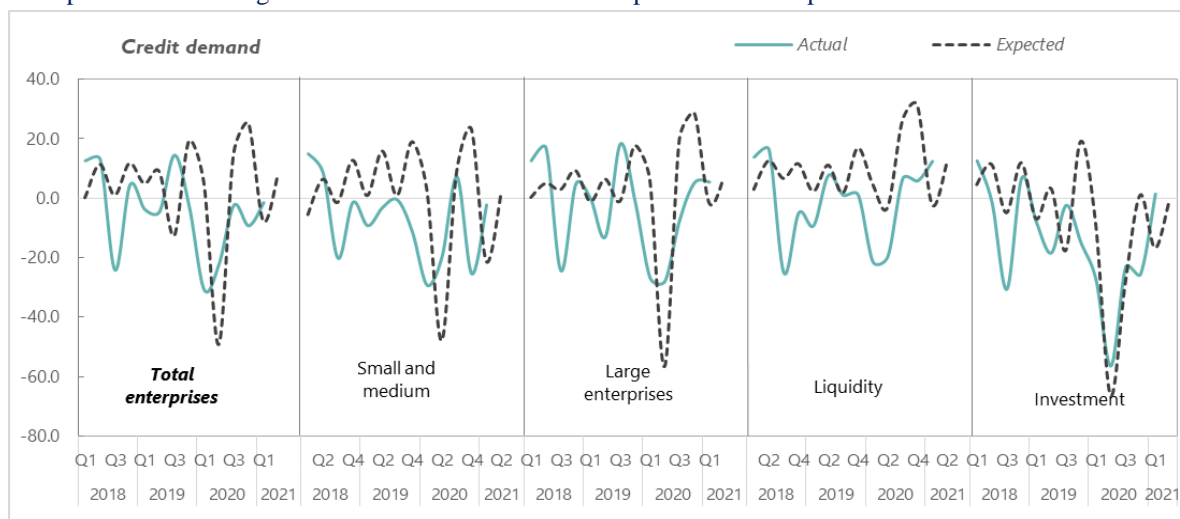
Source: Bank of Albania.

### 1.3. Demand for loans

**Loan demand was reported higher for large enterprises and lower for small and medium-sized enterprises.** In terms of loan's purpose of use, the loan demand was higher on loans for liquidity needs and for investment loans.

In 2021 Q2, banks anticipate an increased loan demand from enterprises. The higher loan demand is expected to be more pronounced for liquidity purposes and from large enterprises.

Graph 5. Changes in current loan demand of enterprises and anticipation over the next three months <sup>5</sup>

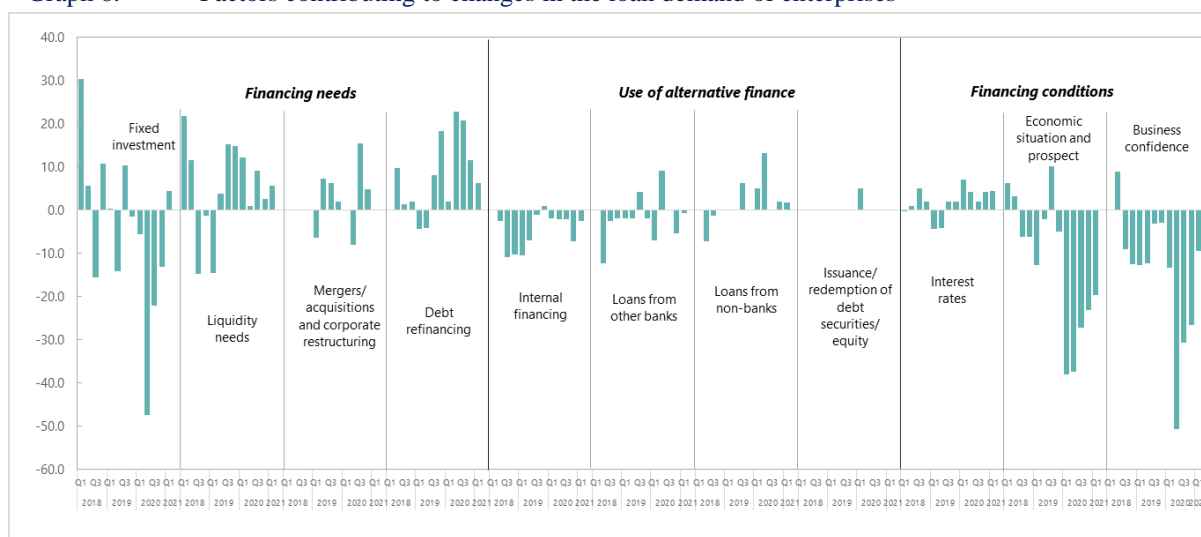


<sup>5</sup>: Calculated as net percentages. Positive values indicate an increase in loan demand, whereas negative ones a decrease in loan demand.

Source: Bank of Albania.

On banks' view, the higher financing needs for: inventories and working capital; fixed investments and restructuring of existing debts contributed positively to firms' loan demand. Overall level of interest rates was also a driver of positive loan demand from firms. The sovereign guarantee schemes, supplied by the Albanian Government to mitigate the negative effects of Covid-19, have continued to give rise to firms' loan demand in this quarter, too. The loan demand was shifted downwards by the current economic situation and its outlook; business confidence; and higher use of internal financing resources.

Graph 6. Factors contributing to changes in the loan demand of enterprises<sup>6</sup>



<sup>6</sup>: Calculated as net percentages. Positive values indicate that the factor has contributed to an increase of loan demand, while the negative ones to a decrease of loan demand.

Source: Bank of Albania.

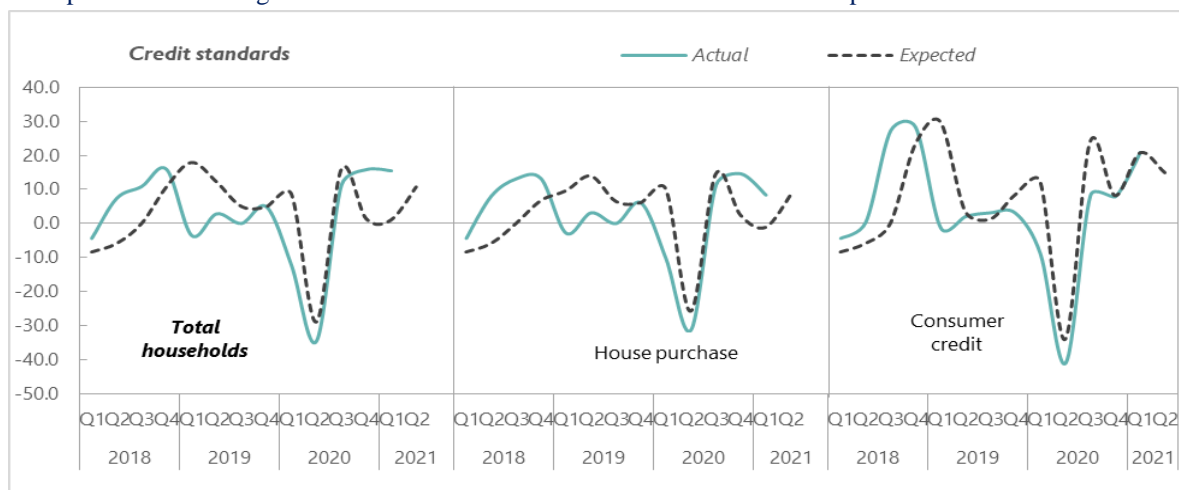
## 2. LOANS TO HOUSEHOLDS

### 2.1. Credit standards

Credit standards for loans to households continued to ease in Q1 2021. The easing of credit standards was reported for both loan's purpose of use, consumer loans and house purchases.

Banks expect to further ease credit standards in 2021 Q2, mainly for consumer loans.

Graph 7. Change in credit standards for loans to households and anticipation for the next three months<sup>7</sup>

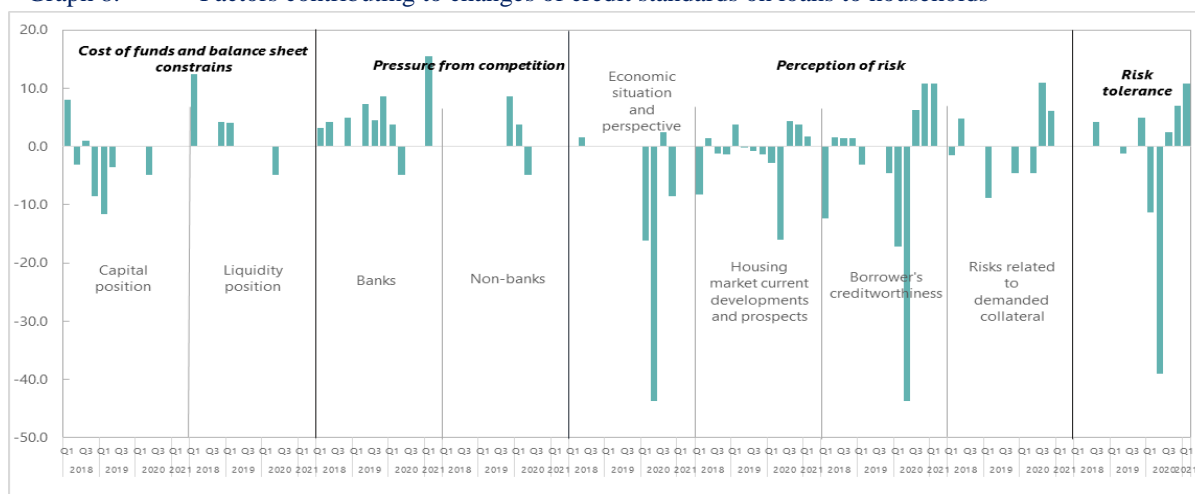


<sup>7</sup>: Calculated as net percentages. Positive values indicate eased credit standards, whereas negative ones indicate tightened credit standards.

Source: Bank of Albania.

Credit standard on households' loans to were eased due to higher competition in the banking system; lower risk perception related to borrowers' creditworthiness; and a higher risk tolerance on loans to households in this quarter.

Graph 8. Factors contributing to changes of credit standards on loans to households<sup>8</sup>



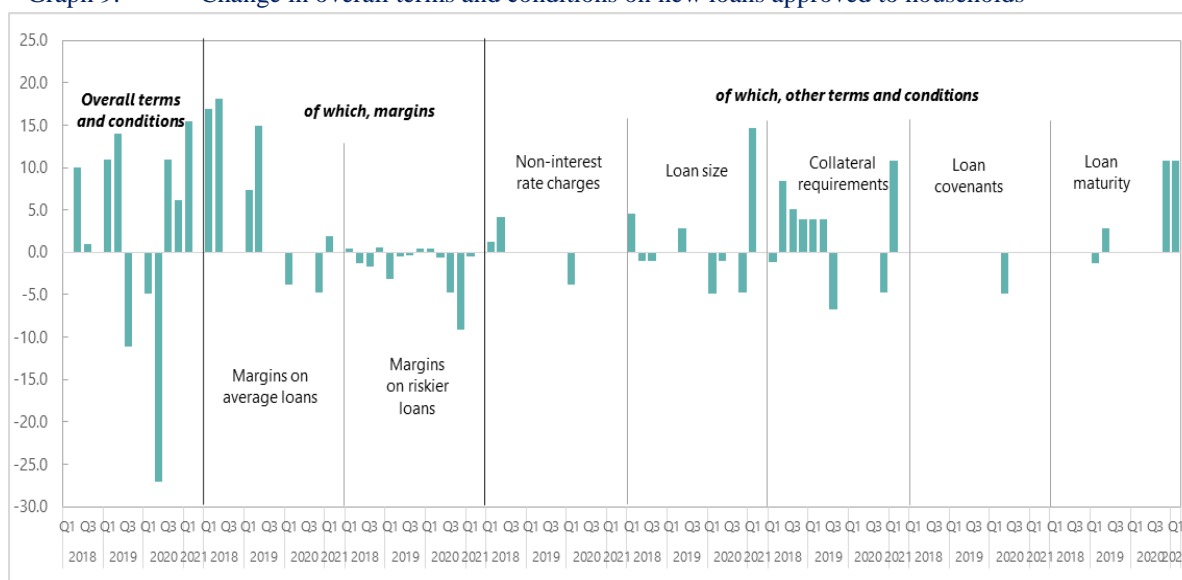
<sup>8</sup>: Calculated as net percentages. Positive values indicate that the factor contributed to the easing of credit standards, whereas negative ones to the tightening of credit standards.

Source: Bank of Albania.

## 2.2. Terms and conditions

**Overall terms and conditions on loans to households were eased** in the first quarter of 2021. Easing of overall terms and conditions on loans to households was achieved mainly due to eased non-price conditions. The later was affected by the increase in loan size, lower collateral requirements, and the extension of loan maturity.

Graph 9. Change in overall terms and conditions on new loans approved to households<sup>9</sup>

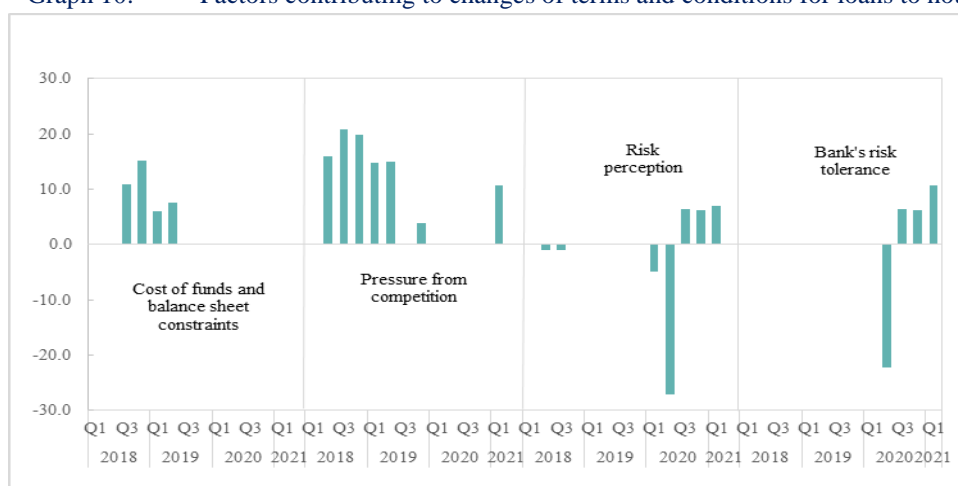


<sup>9</sup>: Calculated as net percentages. Positive values indicate eased terms and conditions, whereas negative ones tightened terms and conditions.

Source: Bank of Albania.

The easing of credit terms and conditions for loans to households was driven by the increased competition in the banking system, somewhat higher tolerance by banks toward risk and a lower risk perception, compared with the previous quarter.

Graph 10. Factors contributing to changes of terms and conditions for loans to households<sup>10</sup>



<sup>10</sup>: Calculated as net percentages. Positive values indicate that the factor contributed to the easing of terms and conditions, whereas negative ones to the tightening of terms and conditions

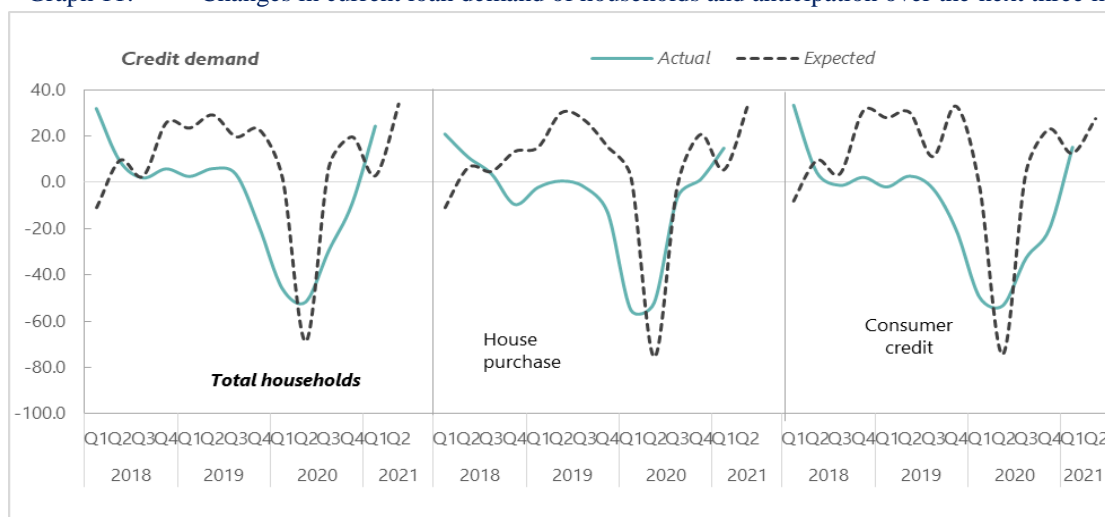
Source: Bank of Albania.



### 2.3. Demand for loans

**Loan demand from households was perceived higher** in the first quarter of the year, driven by both consumer and house purchase loans. In the second quarter of 2021, households' loan demand is expected to be higher in both categories.

Graph 11. Changes in current loan demand of households and anticipation over the next three months <sup>11</sup>

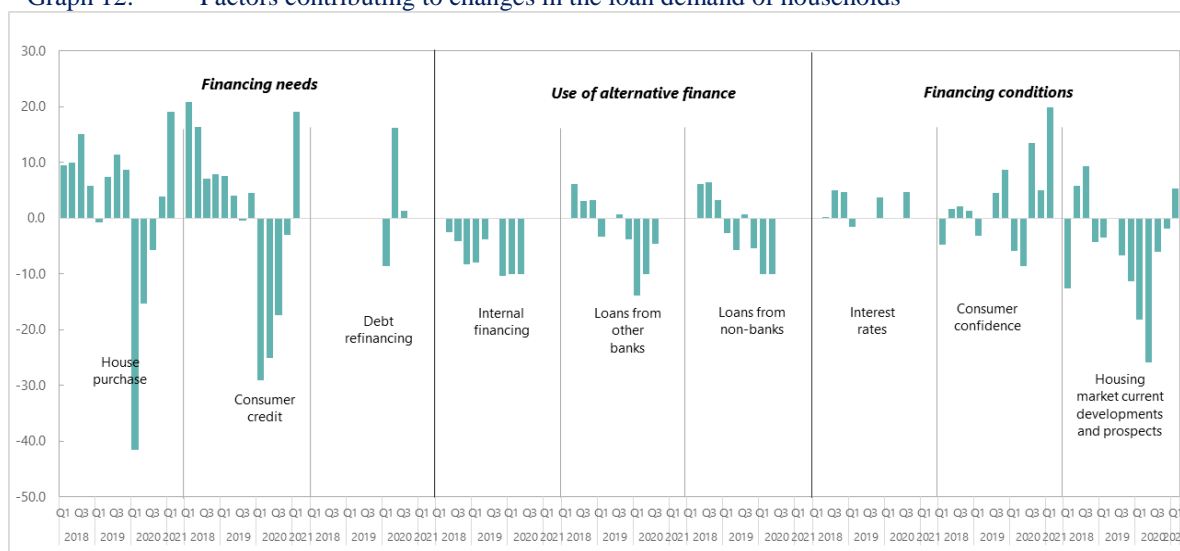


<sup>11</sup>: Calculated as net percentages. Positive values indicate an increase in loan demand, whereas negative ones a decrease in loan demand.

Source: Bank of Albania.

On banks' view, higher financing needs for consumption and house purchase, improvement in consumer confidence, current and expected developments in the housing market, were the main drivers of loan demand increase in 2021 Q1. The other factors affecting loan demand to households were reported as almost unchanged in this quarter.

Graph 12. Factors contributing to changes in the loan demand of households <sup>12</sup>



<sup>12</sup>: Calculated as net percentages. Positive values indicate that the factor has contributed to an increase of loan demand, while the negative ones to a decrease of loan demand.

Source: Bank of Albania.