



BANK LENDING SURVEY

2021 Q2

2
0
2
1

July 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/

OVERVIEW OF RESULTS

On commercial banks' view credit standards on loans to enterprises were eased in the second quarter of 2021, for the first time after five quarters of being tightened. Credit standards were eased on loans to finance investments and on loans for liquidity purposes. From the perspective of enterprise's size, credit standards were eased only for loans to the segment of small and medium sized enterprises. On the other hand, loan demand from enterprises was perceived upwards in this quarter, after the reported fall for six consecutive quarters. The increase in loan demand in both segments of enterprise's size was backed by all types of needs for financing and by the improvement of macroeconomic and financial indicators.

The same lending approach to enterprises was also reported for households in the second quarter of 2021. Thus, credit standards applied on loans to households eased in 2021 Q2, mainly on consumer loans. A high loan demand was noted in this quarter, more pronounced in those for house purchases. The increase in loan demand from households, likewise from enterprises, was backed by a broad factors range, related to households' decisions, as well as to the performance of macroeconomic and financial indicators.

The same outlook of credit supply conditions in 2021 Q2 is expected to continue in 2021 Q3, as well. Banks aim to further ease credit standards on loans to both enterprises and households. Credit standards to enterprises are expected to ease on loans for investment purposes and on loans for liquidity needs. Meanwhile, credit standards to households are expected to ease only on loans for house purchases. Loan demand is anticipated to continue increasing in 2021 Q3. On banks' view, the higher liquidity needs will drive the increased loan demand from enterprises in both segments of size. Meanwhile, the increased loan demand from households will be two-sided: from consumer loans and from house purchase loans.

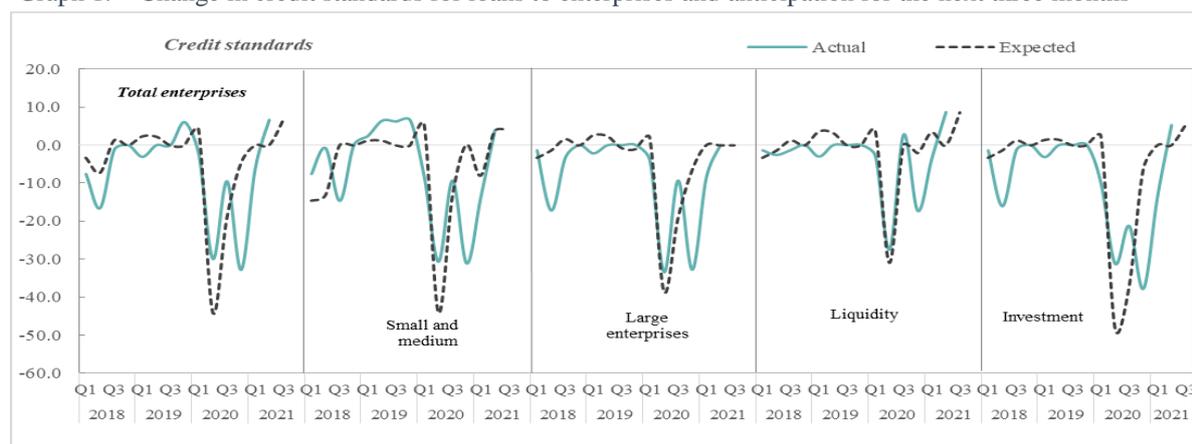
CREDIT STANDARDS, TERMS AND CONDITIONS, AND DEMAND

1. LOANS TO ENTERPRISES

1.1. Credit standards

Credit standards for loans to enterprises eased in 2021 Q2. The easing of credit standards was reported for both loan's purpose of use: investment loans and loans for liquidity needs. Eased credit standards were applied on small and medium-sized enterprises, while they remained unchanged for large enterprises.

Graph 1. Change in credit standards for loans to enterprises and anticipation for the next three months¹

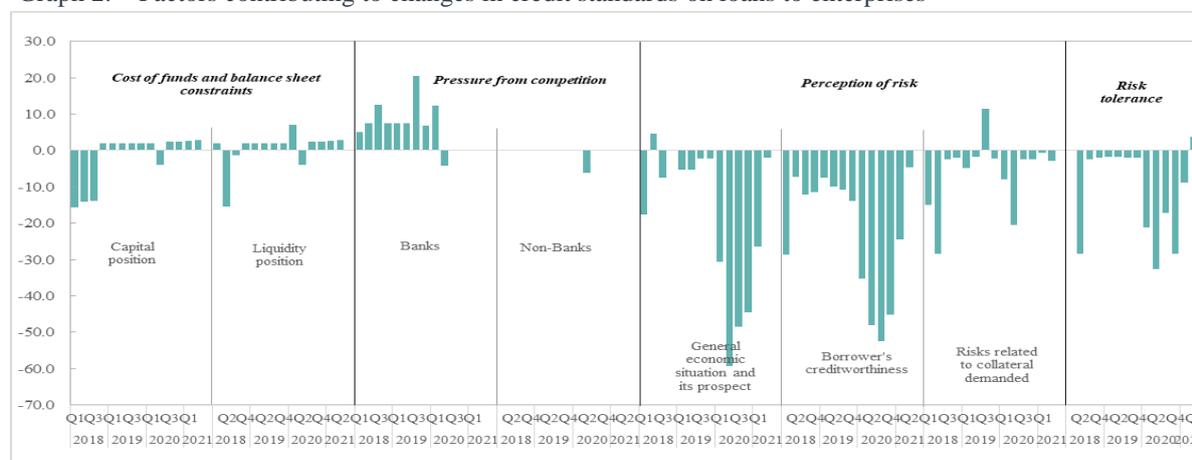


¹: Calculated as net percentages. Positive values indicate eased credit standards, whereas negative ones indicate tightened credit standards.

Source: Bank of Albania.

According to banks' opinion, the easing of credit standards on loans to enterprises, in 2021 Q2, was attributable to banks' higher risk tolerance, mainly towards small and medium-sized enterprises. Also, lower costs of funds and balance sheet constraints, in the second quarter, backed the easing side of terms and conditions on loans to enterprises. Risk perception on economic situation and its prospect, the borrower's creditworthiness and collateral requirements represented the factors backing the tightening side of credit standards on loans to enterprises in 2021 Q2. Nevertheless, the negative balances of this group of indicators were quite moderate compared to the previous quarters.

Graph 2. Factors contributing to changes in credit standards on loans to enterprises²



²: 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.

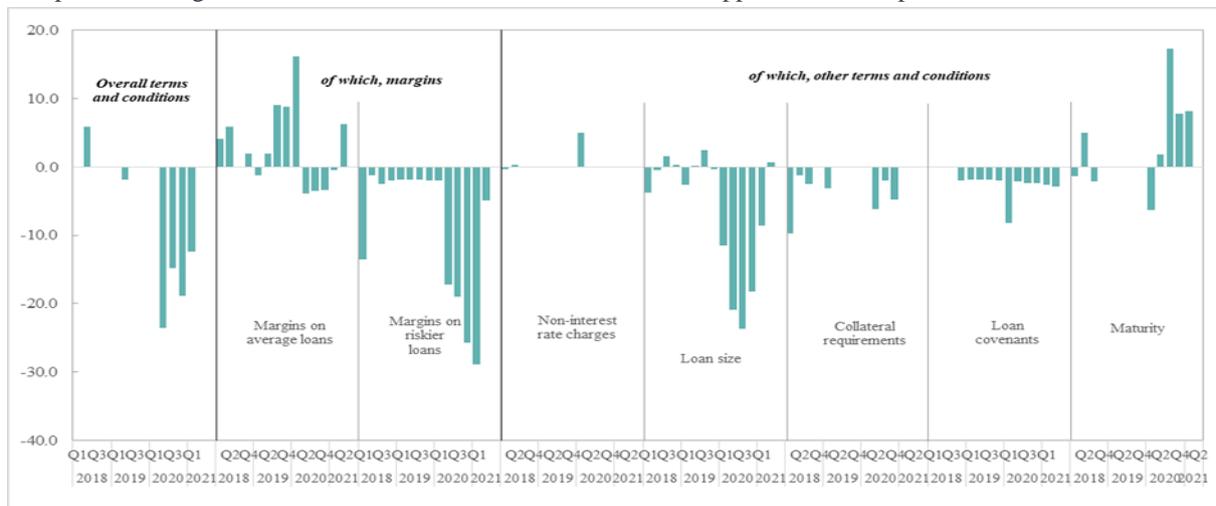
Source: Bank of Albania.

Credit standards on loans to enterprises are expected to further ease in the third quarter of 2021 (*Graph 1*). Banks expect to further ease credit standards on loans for investment purposes and for liquidity needs. In addition, further eased standards are expected to apply on loans to small and medium sized enterprises. Meanwhile, banks anticipate unchanged credit standards on loans to large enterprises.

1.2. Terms and conditions

Overall terms and conditions on new loans to enterprises were reported unchanged in 2021 Q2. Margins on average loans were lower, while being higher on riskier loans, as perceived by banks. In the category of non-price conditions, the increase in the loan size to enterprises offset the negative effect on the overall conditions from higher loan covenants. The other non-price factors were reported unchanged from the previous quarter.

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

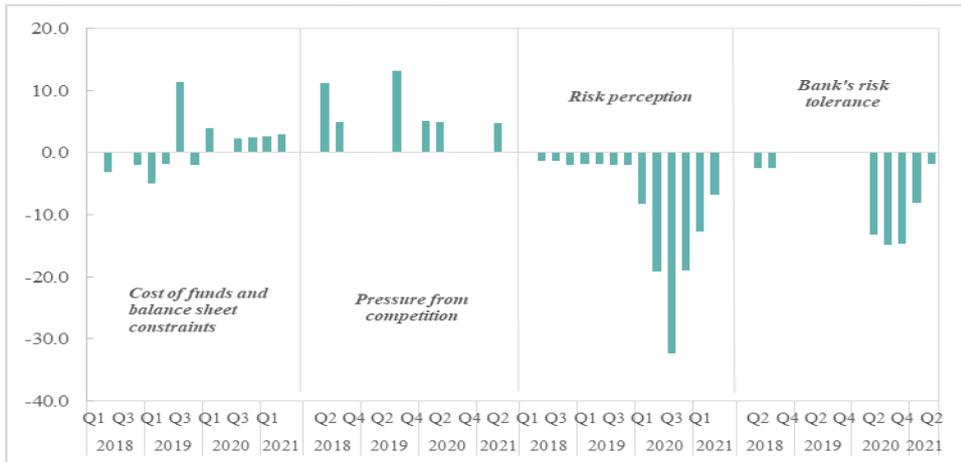


³: Calculated as net percentages. Positive values indicate eased terms and conditions, whereas negative ones tightened terms and conditions.

Source: Bank of Albania.

Following the banks' opinion, higher pressure from competition in the banking system and the lower costs of funds and balance sheet constraints, contributed to the easing side of terms and conditions on loans to enterprises. Contrary, the risk perception and the lower tolerance toward risk backed the tightening of terms and conditions on loans to enterprises.

Graph 4. Factors contributing to changes of terms and conditions for loans to enterprises⁴



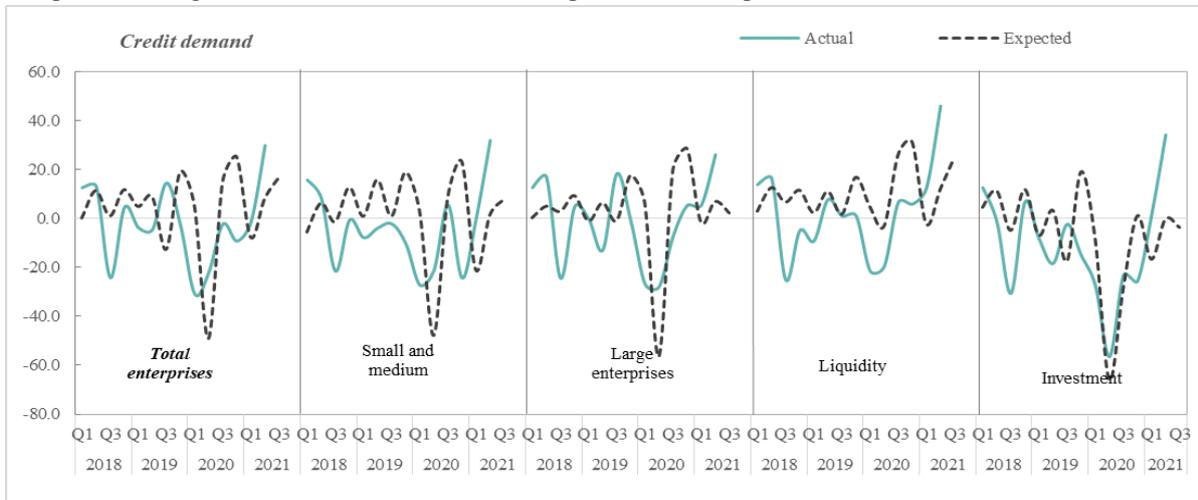
⁴: Positive values indicate that the factor contributed to the easing of terms and conditions, whereas negative ones to the tightening of terms and conditions.

Source: Bank of Albania.

1.3. Demand for loans

The demand for loans from enterprises, according to banks' perception, was considerably higher, in 2021 Q2. The higher loan demand was displayed from small and medium-sized enterprises, as well as large enterprises, and also for investment loans and loans for liquidity needs.

Graph 5. Changes in current loan demand of enterprises and anticipation over the next three months⁵



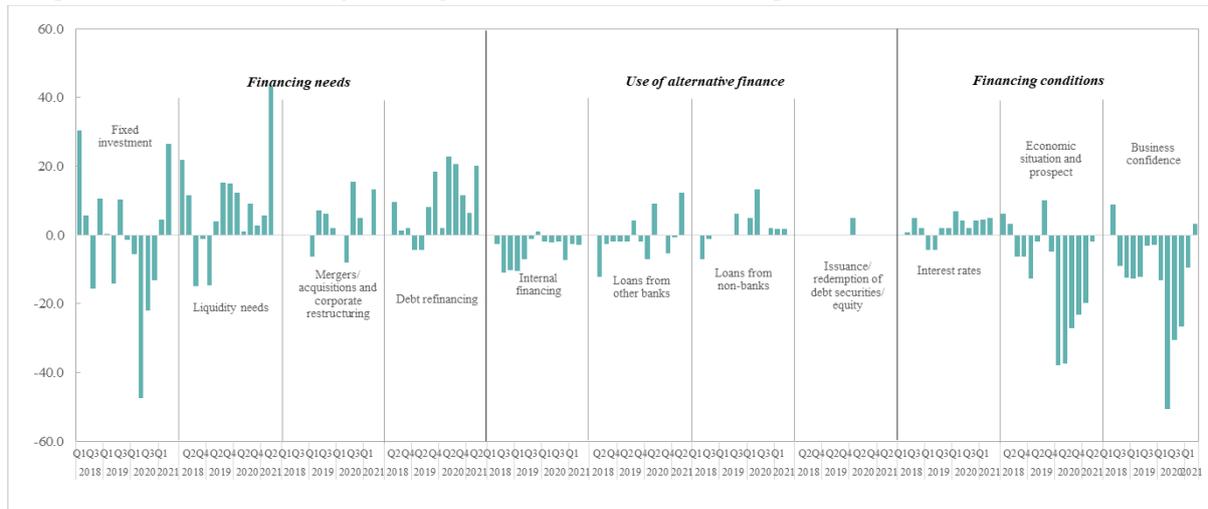
⁵: Calculated as net percentages. Positive values indicate an increase in loan demand, whereas negative ones a decrease in loan demand.

Source: Bank of Albania.

On banks' view, the higher financing needs for: inventories and working capital; fixed investments; refinancing of existing debt and restructuring companies; contributed to the higher loan demand from enterprises. Also, loans from other banks, the overall level of interest rates and the improved business confidence were reported to have driven the increase in the loan demand from enterprises in 2021 Q2.

Use of internal financing resources, the macroeconomic situation and its outlook were the only factors that implied lower loan demand from enterprises¹.

Graph 6. Factors contributing to changes in the loan demand of enterprises⁶



⁶: 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.

In 2021 Q3, banks anticipate higher loan demand from enterprises, for both categories: small and medium-sized enterprises, and large enterprises (*Chart 5*). The higher loan demand is expected to be more pronounced for liquidity purposes, while loan demand for investment purposes is expected to be lower.

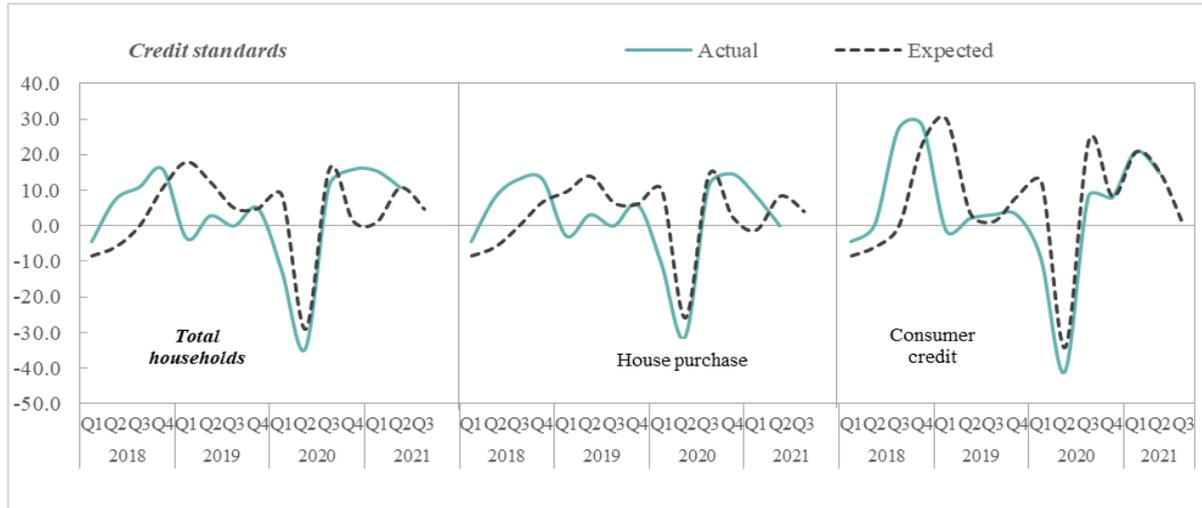
¹ Net balances of the macroeconomic situation and its outlook, although being negative in this quarter, was notably more improved from the previous quarters.

2. LOANS TO HOUSEHOLDS

2.1. Credit standards

Credit standards for loans to households continued to ease in 2021 Q2. The easing of credit standards was achieved due to the segment of consumer loans. Meanwhile, credit standards applied on loans for house purchases remained unchanged from the previous quarter.

Graph 7. Change in credit standards for loans to households and anticipation for the next three months⁷

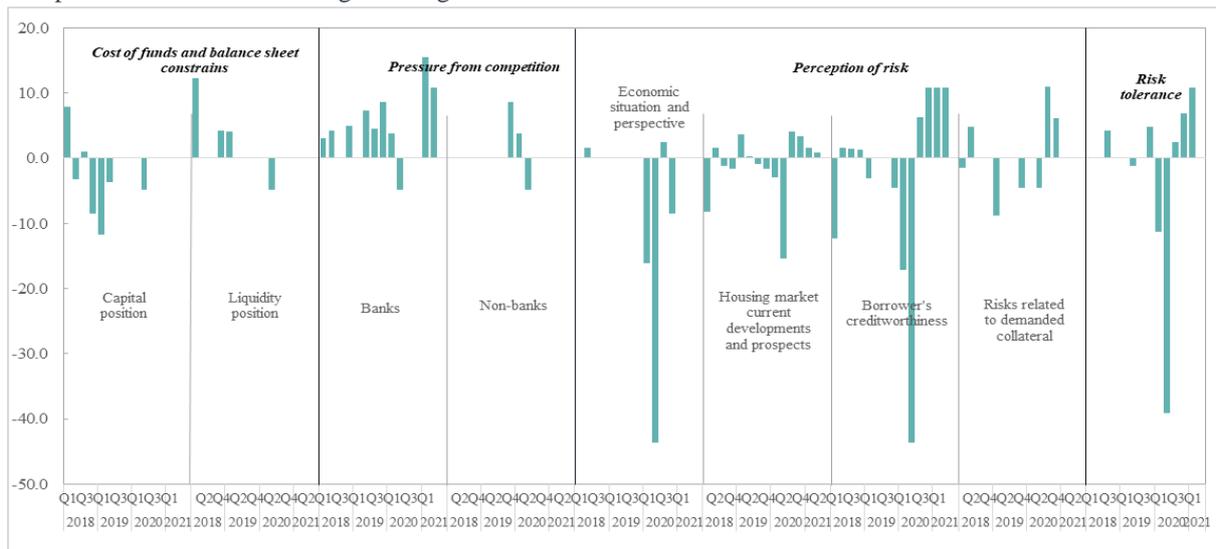


⁷: Calculated as net percentages. Positive values indicate eased credit standards, whereas negative ones indicate tightened credit standards.

Source: Bank of Albania.

Credit standards on households' loans were eased due to higher competition in the banking system, and lower risk perception from banks related to borrowers' creditworthiness.

Graph 8. Factors contributing to changes of credit standards on loans to households⁸



⁸: 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.

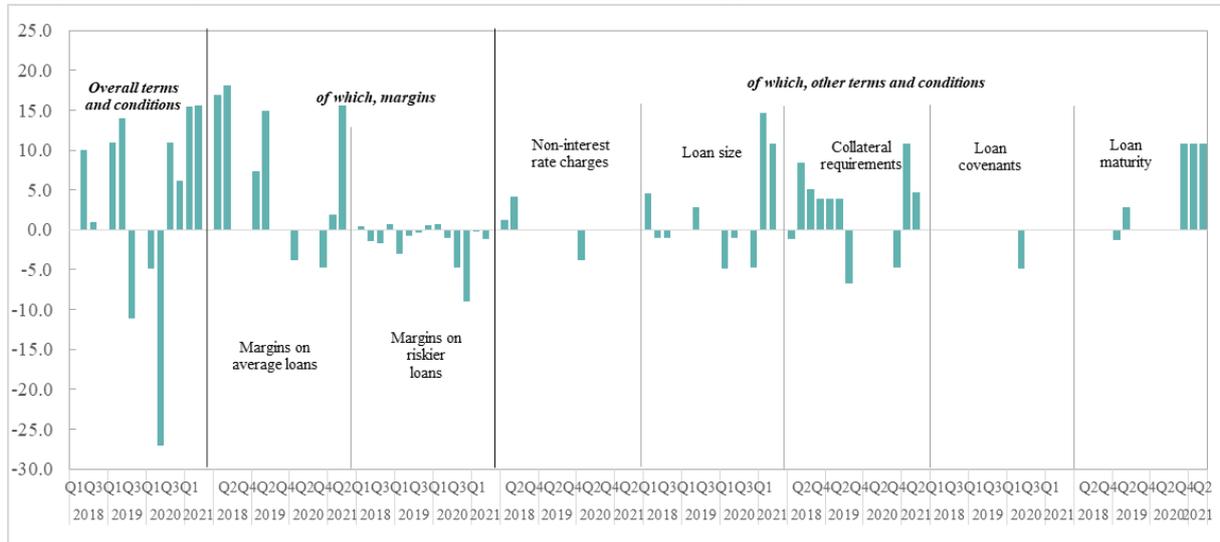
Source: Bank of Albania.

Banks expect to further ease credit standards in 2021 Q3, mainly for house purchase loans ([Graph 7](#)).

2.2. Terms and conditions

Overall terms and conditions on loans to households continued to ease in 2021 Q2. Banks reported lower margins on average loans and somewhat higher margins on riskier loans. On the other hand, non-price conditions were reported on the easing side, 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 households⁹

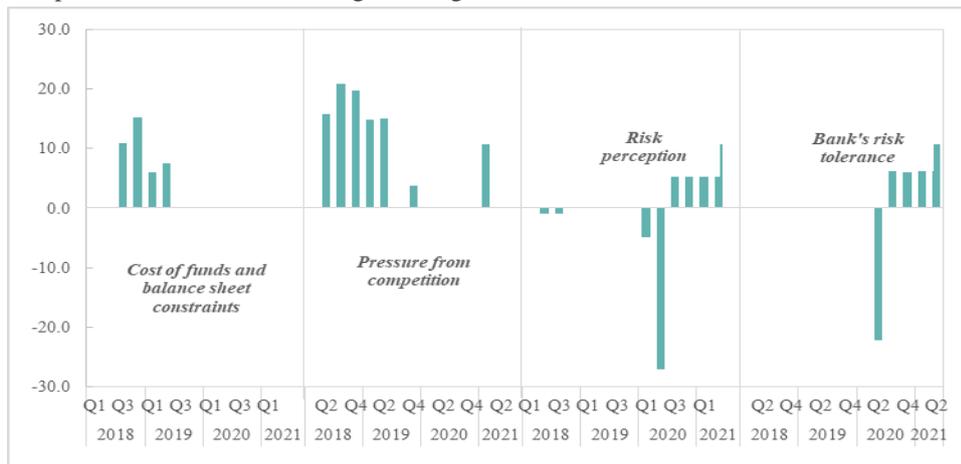


⁹: Calculated as net percentages. Positive values indicate eased terms and conditions, whereas negative ones tightened terms and conditions.

Source: Bank of Albania.

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

Graph 10. Factors contributing to changes of terms and conditions for loans to households¹⁰



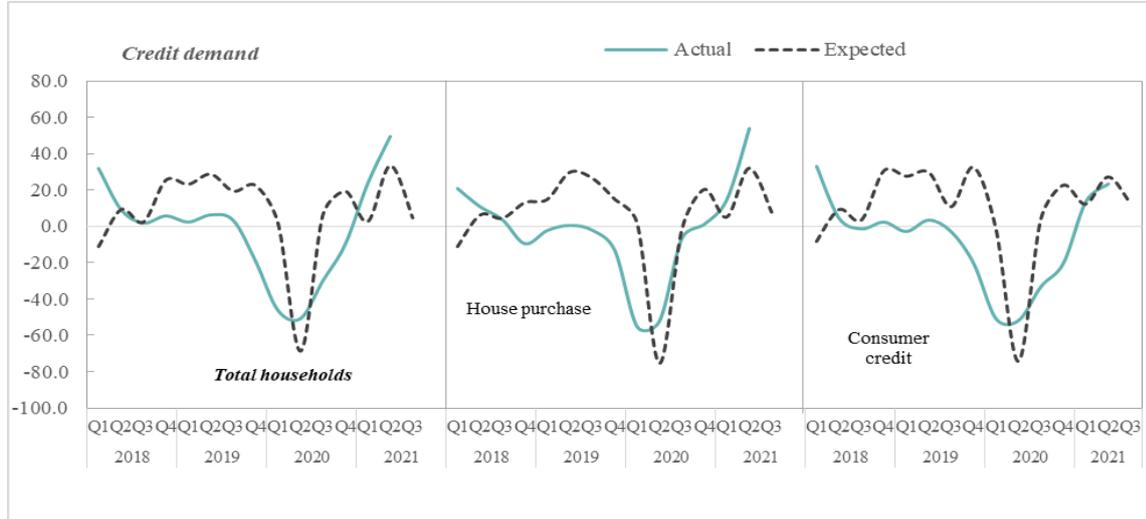
¹⁰: Positive values indicate that the factor contributed to the easing of terms and conditions, whereas negative ones to the tightening of terms and conditions.

Source: Bank of Albania.

2.3. Demand for loans

Loan demand from households was perceived notably higher in 2021 Q2, driven by both consumer and house purchase loans. In the third quarter of 2021, households' loan demand is expected to continue to be higher for both house purchase loans and consumption financing.

Graph 11. Changes in current loan demand of households and anticipation over the next three months¹¹

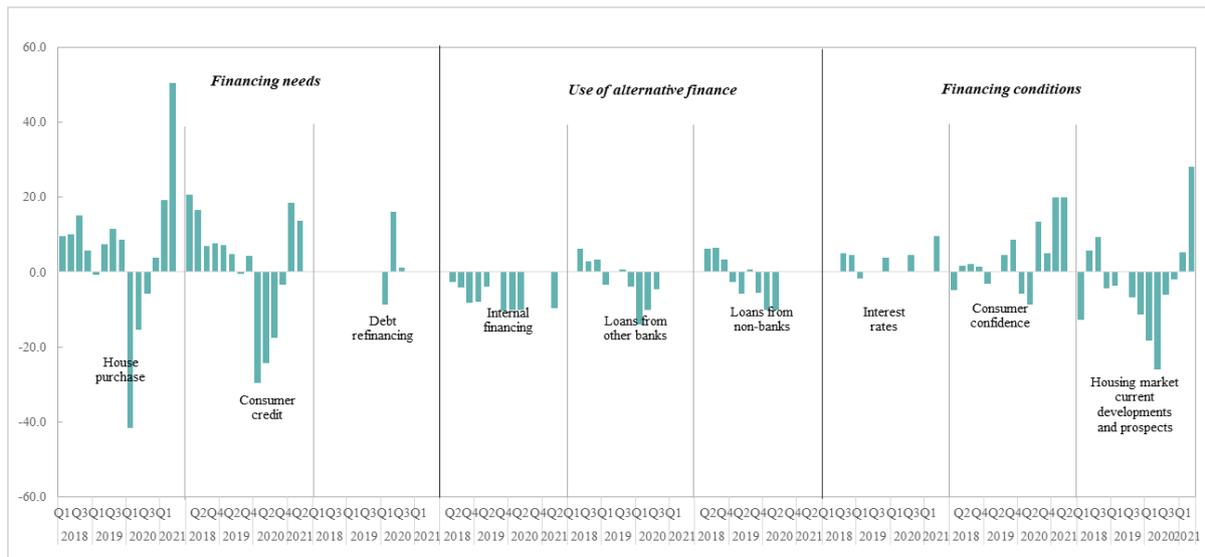


¹¹: Calculated as net percentages. Positive values indicate an increase in loan demand, whereas negative ones a decrease in loan demand.

Source: Bank of Albania.

On banks' view, higher financing needs for consumption and house purchase, current and expected developments in the housing market, improvement in consumer confidence, and the level of interest rates, were the main drivers of loan demand increase from households. Banks reported the higher use of internal financing resources, as the only factor affecting on the opposite side with above-stated factors.

Graph 12. Factors contributing to changes in the loan demand of households¹²



¹²: 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.