



BANK LENDING SURVEY

2019 Q1

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MONETARY POLICY DEPARTMENT

Introduction¹

The BLS questionnaire aims to collect commercial banks' opinions related to the developments in the past three months on credit supply and demand, and their expectations for the next three months. The Bank Lending Survey provides a summary of commercial banks' perceptions on the changes in conditions of credit supply, shown through credit standards, terms and conditions, and on the changes in demand for loans to both enterprises and households. This analysis is based on the aggregated results of responses from ten banks, which have the highest share in the stock of credit to the private sector.

¹ The Bank Lending Survey questionnaire was revised in 2018 Q2, aiming at further approximating it with the latest international practices, especially with the ECB practice. 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 THE RESULTS

Based on commercial banks' perceptions, credit standards for loans to enterprises tightened somewhat in 2019 Q1, as a result of a slight tightening of credit standards for investment and liquidity purposes, mainly in the large enterprises segment. Enterprises credit demand was assessed as lower, being more evident in the segment of small and medium-sized enterprises, for both liquidity and investment purposes. Credit standards for loans to households were reported somewhat tightened for house purchase loans. Households credit demand in 2019 Q1, according to banks judgment was lower, both for house purchase and consumer loans.

In 2019 Q2, banks expect to apply somewhat eased standards for loans to enterprises, while credit demand is expected to be higher in both segments. Credit standards are expected to ease also for loans to households in 2019 Q2, in line with banks' expectations for higher demand for loans from this category.

CREDIT STANDARDS, TERMS AND CONDITIONS, AND DEMAND FOR LOANS

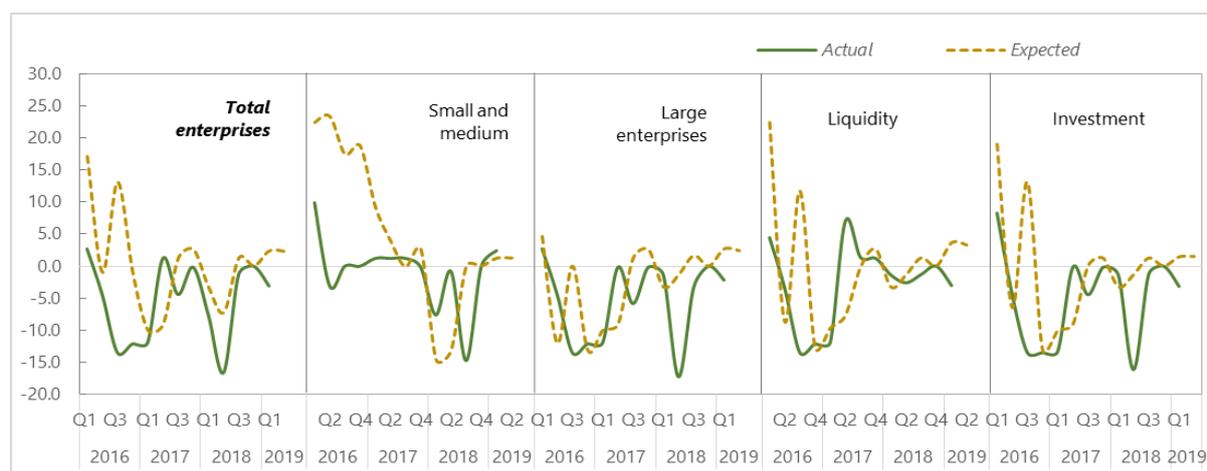
1. LOANS TO ENTERPRISES

1.1. Credit standards

Credit standards for loans to enterprises in 2019 Q1 were reported as slightly tightened from the previous quarter². The tightening of standards was perceived in the large enterprises segment, and for both purposes of credit use, i.e. for investment and liquidity purposes. In the small and medium-sized enterprises' segment, standards eased slightly compared to previous quarter.

Banks reported they expect to ease somewhat the standards for loans to enterprises in 2019 Q2, mainly on loans for liquidity purposes and in the segment of large enterprises.

Chart 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.

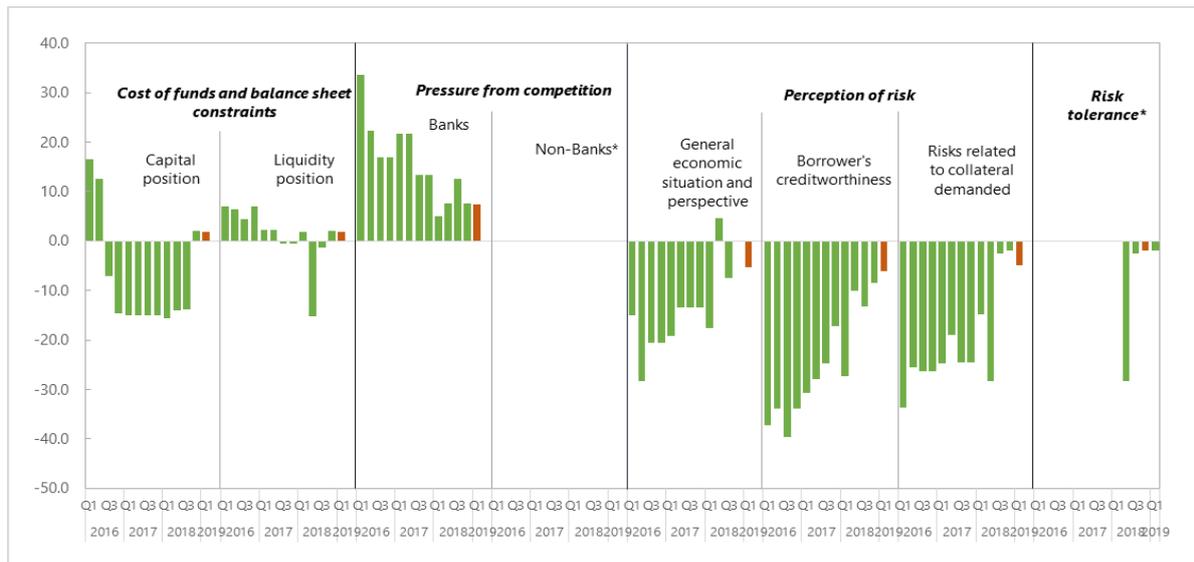
Source: Bank of Albania.

The factors contributing to the tightening of the standards of loans to enterprises were those related to the risk perception by banks, such as: the borrower's creditworthiness; the economic situation and

² Credit standards were reported somewhat tightened from the previous quarter by only one bank in the system.

outlook, risks related to collateral demanded and banks' risk tolerance. Pressure from competition in the banking system was the main factor contributing to the easing of credit standards.

Chart 2 Factors contributing to changes in credit standards for total enterprises²



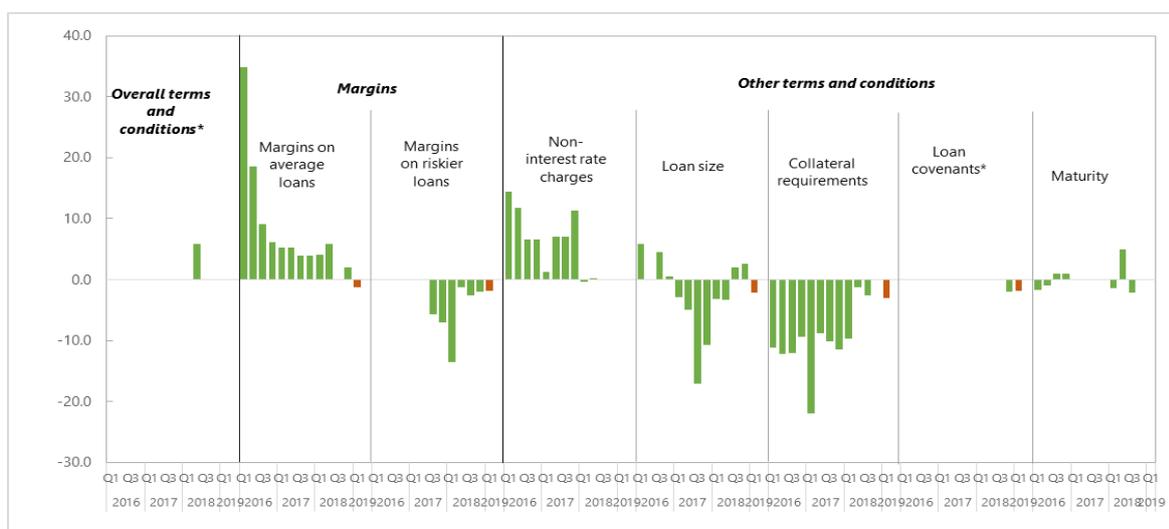
²: Calculated as net percentage. Positive values indicate the factor contributed to the easing of credit standards, whereas negative values indicate the factor contributed to the tightening of credit standards. *: New indicator added in the questionnaire revised in June 2018.

Source: Bank of Albania.

1.2. Terms and conditions

Overall terms and conditions on new loans to enterprises were reported as unchanged from the previous quarter. Nonetheless, the margins applied on average loans and riskier loans were assessed as widened compared to the previous quarter. Similarly, other non-price conditions related to collateral demanded vis-à-vis the loan size, the reduction of the loan size, and the loan covenant contributed somewhat to the tightening of the overall terms and conditions for loans to enterprises.

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

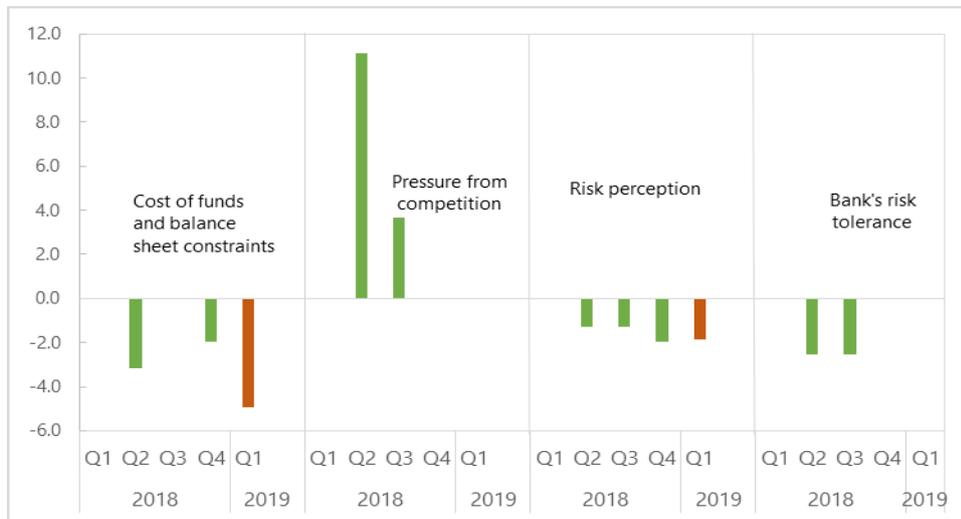


³: Calculated as net percentage. The positive values indicate eased credit standards, whereas the negative values indicate tightened credit standards.

Source: Bank of Albania. *: New indicator added in the questionnaire revised in June 2018.

Costs of funds and balance sheet constraints, as well as risk perception, had a negative impact on credit terms and conditions applied on loans to enterprises in 2019 Q1.

Chart 4 Factors affecting terms and conditions for loans to total enterprises⁴



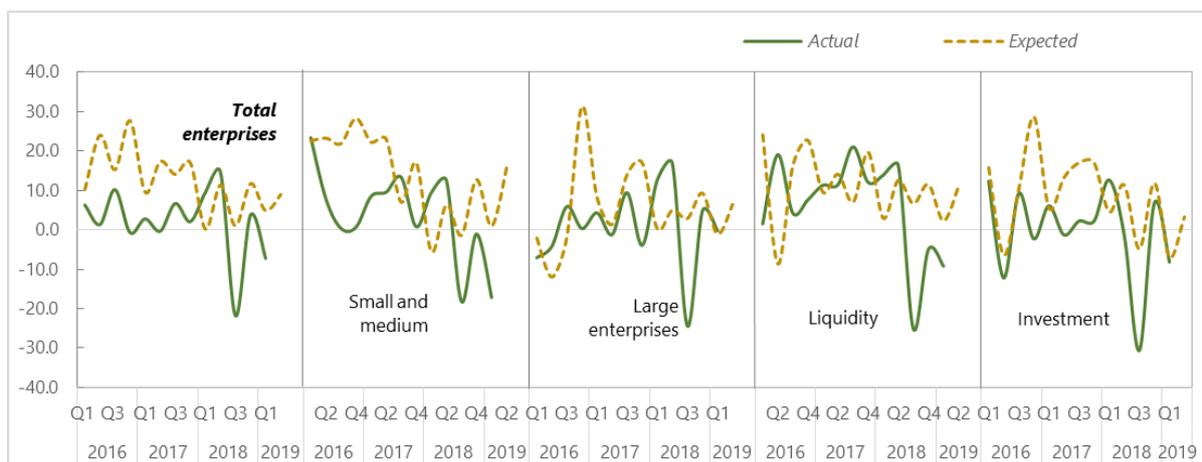
⁴: The positive values indicate that the factor contributed to easing the credit terms and conditions. The negative values indicate that the factor contributed to tightening the credit terms and conditions. *: This chart is based on a new question added to the questionnaire revised in June 2018.

Source: Bank of Albania.

1.3. Demand for loans

Demand for loans to enterprises was perceived as lower in 2019 Q1. It was reported lower both for investment and liquidity purposes. From the perspective of firm size, the decline in credit demand was assessed as more pronounced by small and medium-sized enterprises.

Chart 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 Q2, banks expect demand for loans to enterprises to pick up. Demand is assessed to be higher from both large and small and medium-sized enterprises. Likewise, based on banks' opinions, enterprises' demand is expected to be higher for both liquidity and investment purposes.

According to bank perceptions, determinant factors for the lower credit demand by enterprises in 2019 Q1 were: reduced need for financing liquidity; higher use of internal financing resources; perceived economic situation and outlook; business confidence; and reduced need for financing from enterprises as a result of company restructuring.

Chart 6 Factors affecting changes in loan demand of enterprises⁶

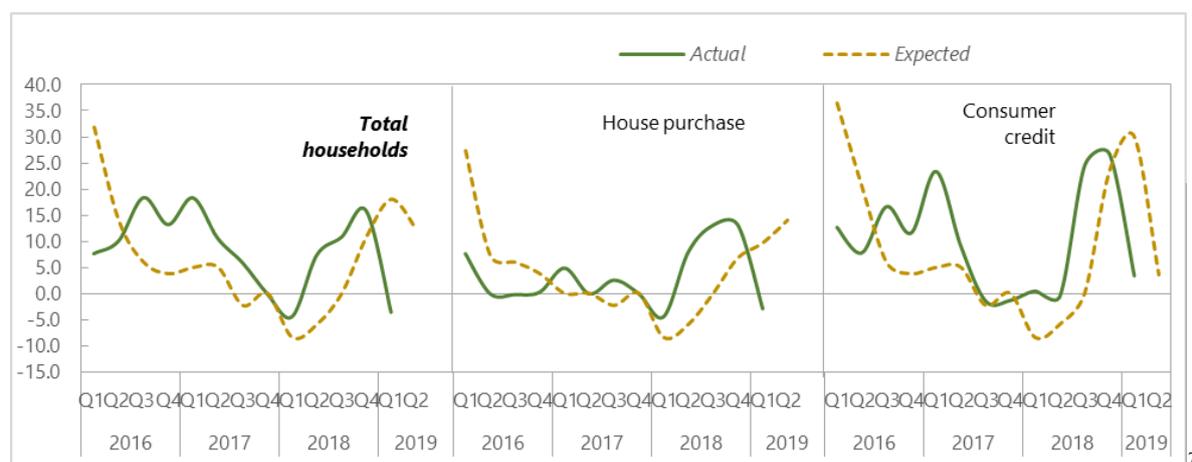
⁶: Calculated as net percentage. Positive values show the factor has affected the increase in loan demand, while the negative values show the factor has affected its fall. *: New indicator added in the questionnaire revised in June 2018.
Source: Bank of Albania.

2. LOANS TO HOUSEHOLDS

2.1. Credit standards

Credit standards for loans to households were reported somewhat tighter in 2019 Q1. A slight tightening of standards was reported for house purchase loans, whereas standards for consumer loans were somewhat more eased from the previous quarter. Banks reported that they expect to apply eased credit standards for loans to households, for both categories in 2019 Q2.

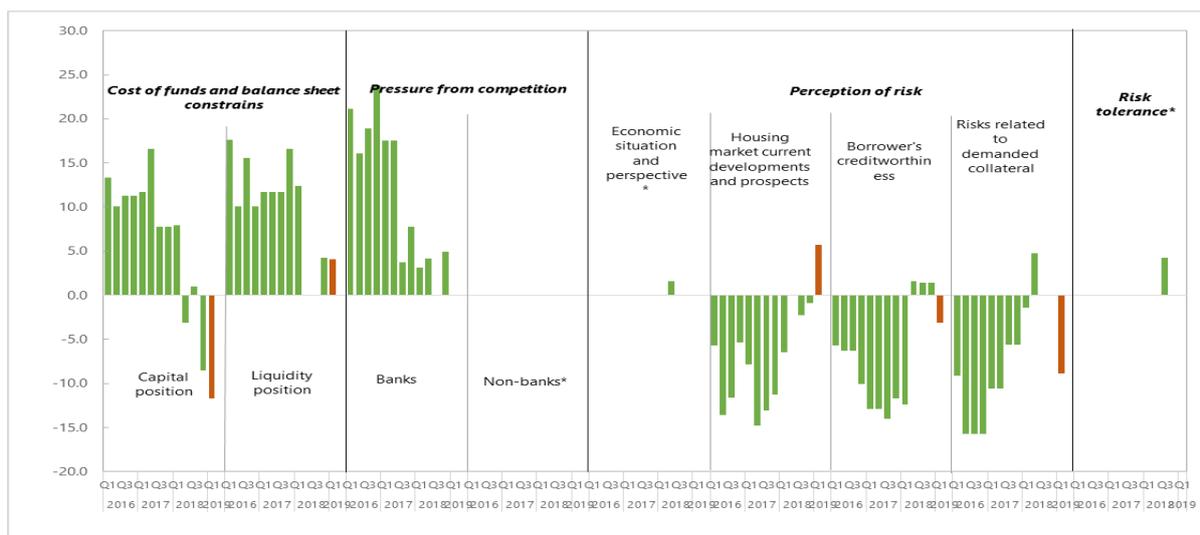
Chart 7 Credit standards for loans to households and expectations for the next three months⁷



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

Credit standards for loans to households were tightened as a result of: increased costs and added constraints driven by the capital position of the bank; higher risk perception by banks related to the borrower's creditworthiness, and collateral demanded. On the other hand, the following contributed to the easing of standards: Lower costs and constraints arising from the banks' liquidity position; and, current developments and the outlook on the housing market.

Chart 8 Factors affecting credit standards for total households⁸



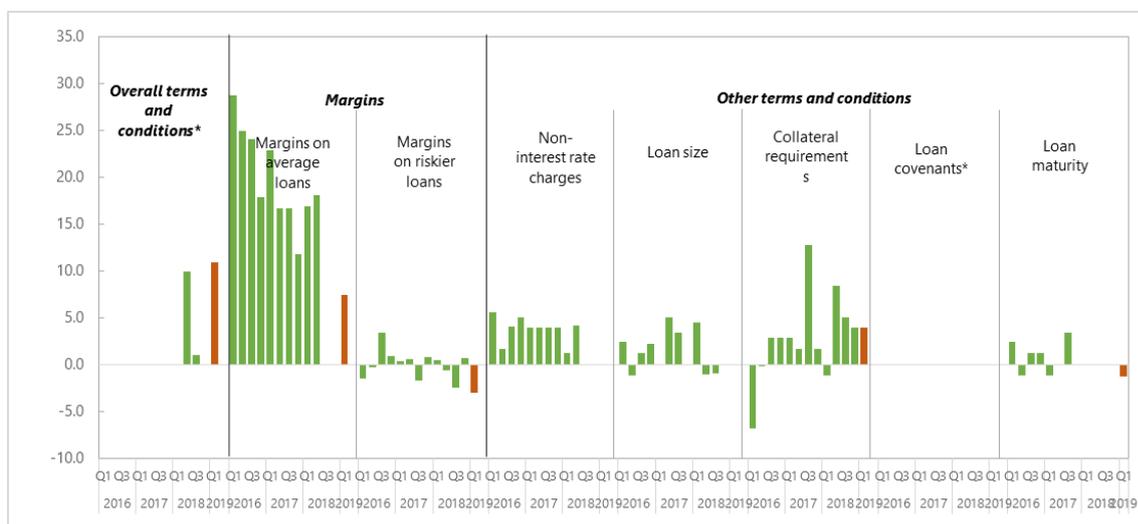
⁸: Calculated as net percentage. Positive values indicate the factor contributed to the easing of credit standards, whereas negative values indicate the factor contributed to the tightening of credit standards. *: New indicator added in the questionnaire revised in June 2018.

Source: Bank of Albania.

2.2. Terms and conditions

Overall terms and conditions for loans to households were eased in 2019 Q1, mainly due to the application of lower margins on average loans, and the lower collateral demanded vis-à-vis the credit size. The widened margins applied on riskier loans and the reduction of the maximum maturity were reported on the tightening side of the credit terms and conditions.

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



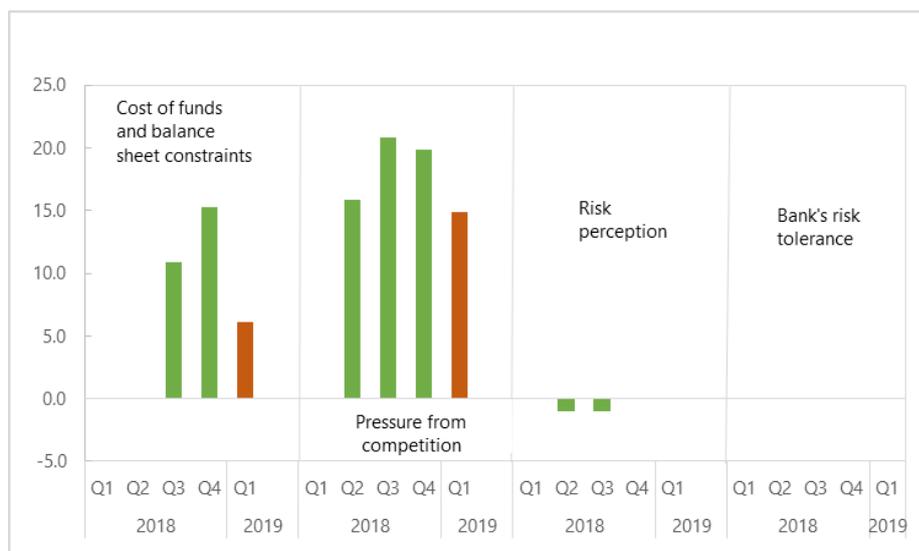
⁹: Calculated as net percentage. Positive values indicate eased credit standards, whereas negative values indicate tightened credit standards.

*: New indicator added in the questionnaire revised in June 2018.

Source: Bank of Albania.

Pressure from competition and the low cost of funds were reported as factors that continue to stimulate the easing of terms and conditions for loans to households.

Chart 10 Factors affecting terms and conditions for total loans to households¹⁰

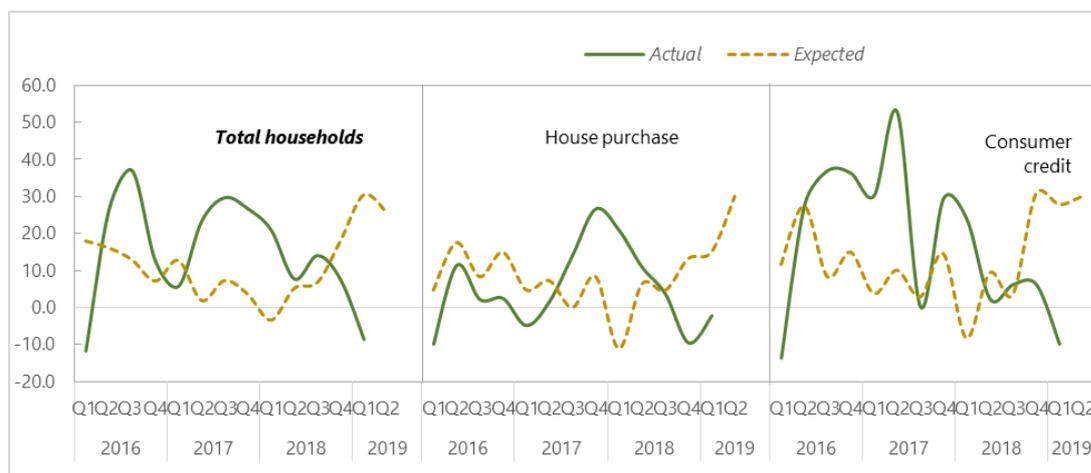


¹⁰: The positive values indicate that the factor contributed to easing the credit terms and conditions. The negative values indicate that the factor contributed to tightening the credit terms and conditions. *: This chart is based on a new question added to the questionnaire revised in June 2018.
Source: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

2.3 Demand for loans

Demand for loans to households was lower in 2019 Q1, mainly due to the decreased demand for consumer loans. Based on banks' opinion, demand for loans to households is assessed to be higher in 2019 Q2, for both consumer and house purchase loans.

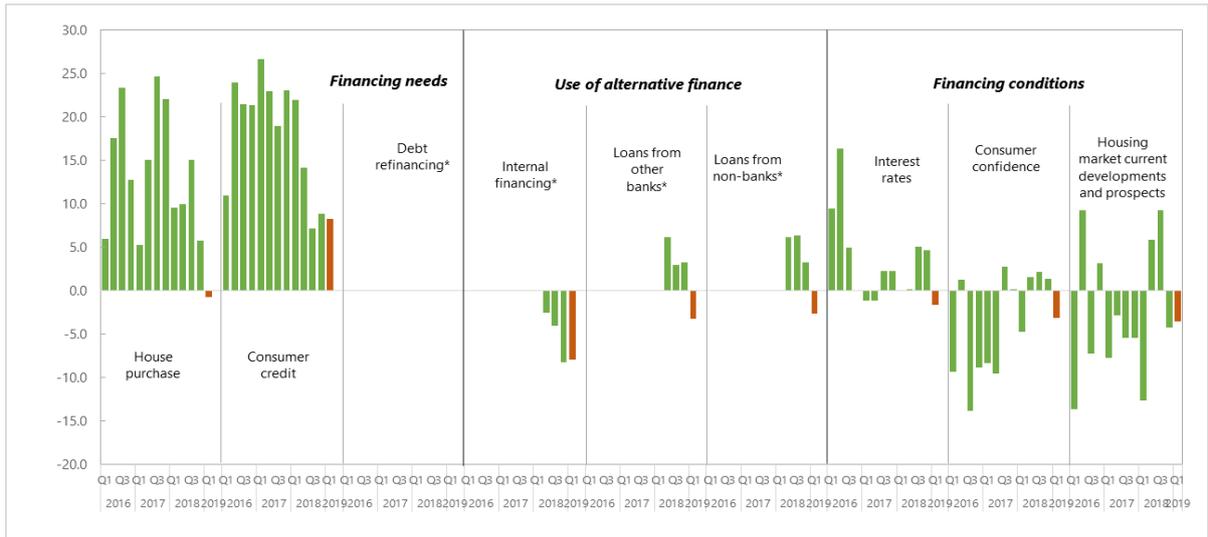
Chart 11 Current loan demand and expectations over the next three months of households¹¹



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

According to banks' perceptions, credit demand from households fell was driven by: higher use of internal financing resources; loans from other banks and from non-bank financial institutions; consumer confidence, and actual and expected developments in the housing market. The increased need for financing consumption contributed to the loan demand increase.

Chart 12 Factors affecting changes in the loan demand to 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.