

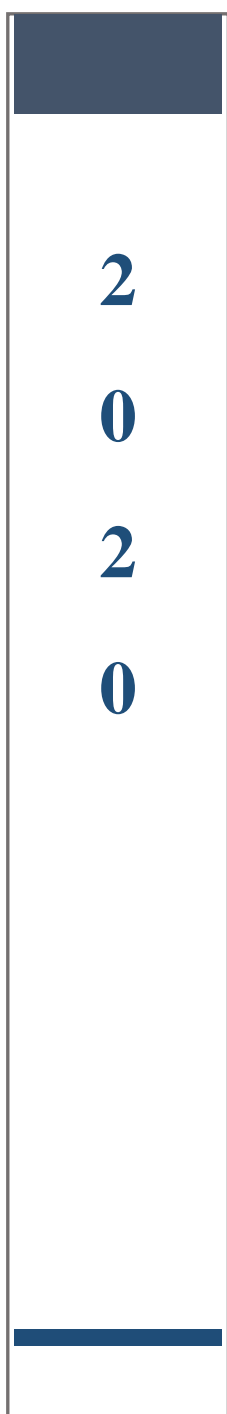


# BANK LENDING SURVEY

**2020 Q4**

January 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 a 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 banks' view, credit standards on loans to enterprises were tightened in the last quarter of 2020, 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 was perceived lower in 2020 Q4, due to lower loan demand for investments and lower demand from small and medium-sized enterprises. The perceived risk regarding the current economic situation and its outlook was the main factor backing both the worsened credit supply conditions and the lack of loan demand from enterprises.

Commercial banks described a somewhat different view for loans to households in 2020 Q4. Credit standards, terms and conditions applied on loans to households eased in 2020 Q4. Banks perceived lower loan demand from households in the fourth quarter, driven by consumption loan demand.

Banks' opinions converge to maintaining unchanged credit standards on loans to enterprises in the first quarter of 2021. Loan demand from enterprises is anticipated to be scarce in 2021 Q1, driven by lower demand from small and medium enterprises and lower financing needs for investment purposes. Credit standards on loans to households are expected to ease somewhat in the first quarter of 2021, more pronounced on consumer loans. Loan demand of households is expected to be slightly higher in the first quarter 2021, driven by consumer loans.

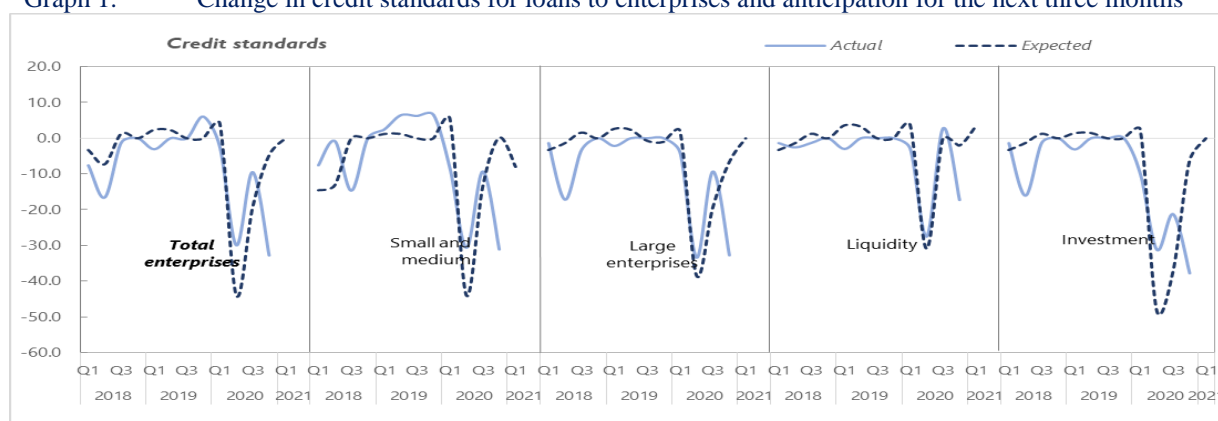
## CREDIT STANDARDS, TERMS AND CONDITIONS, AND DEMAND

### 1. LOANS TO ENTERPRISES

#### 1.1. Credit standards

**Credit standards for loans to enterprises remained tightened** in the last quarter of 2020. Tightened credit standards were reported for 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>



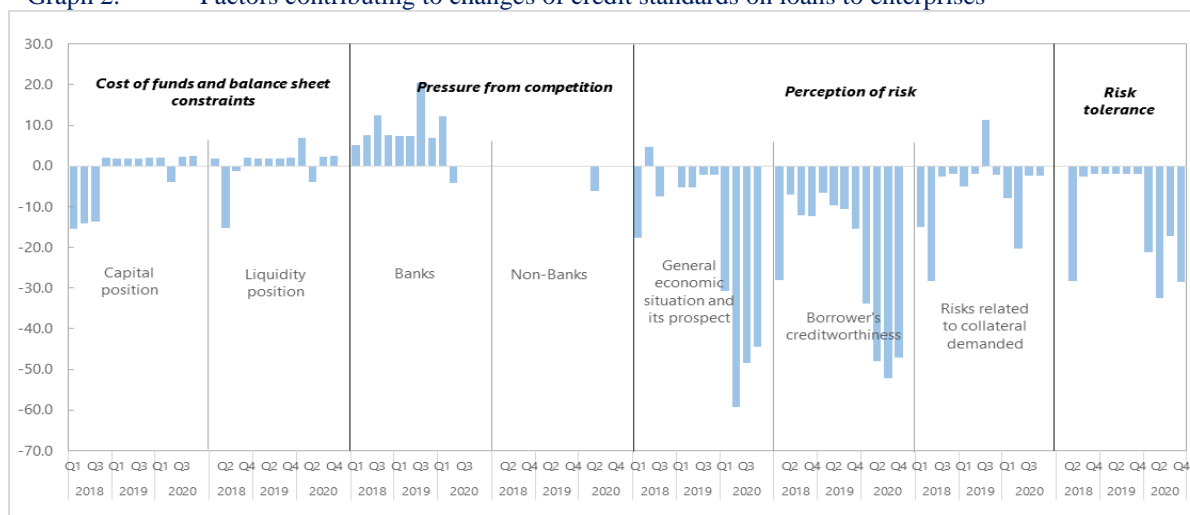
<sup>1</sup>: Calculated as net percentages. Positive values indicate eased credit standards, whereas negative ones indicate tightened credit standards.

Source: Bank of Albania.

In 2021 Q1, banks anticipate unchanged credit standards on loans to enterprises. Banks expect to apply unchanged credit standards on loans to large enterprises and on investment loans. On the other hand, banks expect to tighten slightly the credit standards on loans to small and medium-sized enterprises and to somewhat ease on loans for liquidity needs.

According to banks' opinion, the tightening of credit standards on loans to enterprises, in 2020 Q4, was attributable to higher risk perception on: economic situation and its prospect; the borrower's creditworthiness and the firms' current situation. Lower risk tolerance of banks was another factor backing the tightening of credit standards to enterprises. Banks continue to perceive the pandemic and the uncertainties associating the pandemic, as contributors to the tightening of credit standards in this quarter, too. On the easing side of credit standards were reported the lower cost of funds and balance sheets constraints.

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



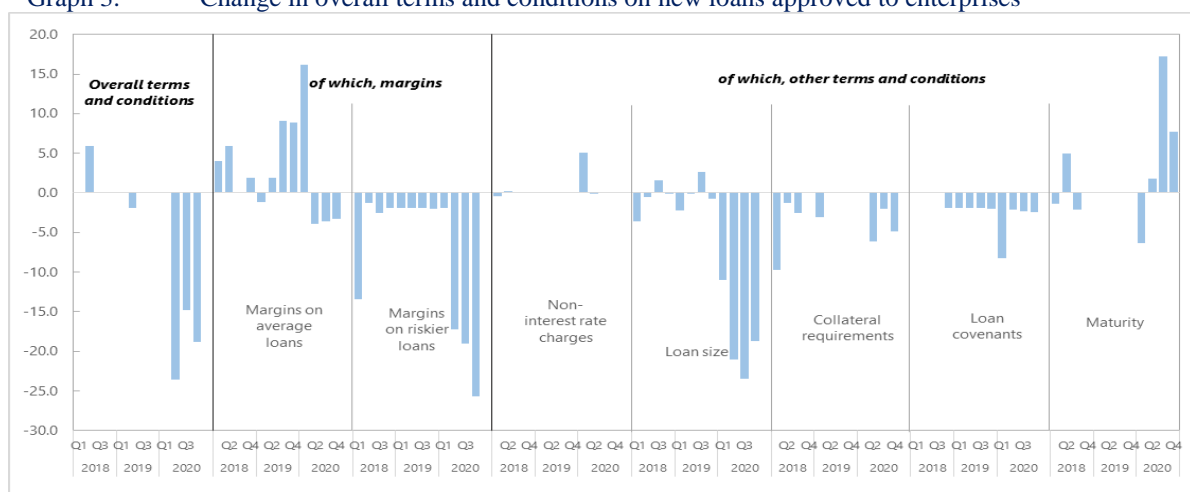
<sup>2</sup>: Calculated as net percentages. Positive values indicate that the factor contributed to the easing of credit standards, whereas negative ones to the tightening of credit standards.

Source: Bank of Albania.

## 1.2. Terms and conditions

**Overall terms and conditions on new loans to enterprises tightened** in 2020 Q4, as well. Price related terms and conditions were tightened due to higher margins applied on both riskier and average loans. The tightening of non-price terms and conditions was achieved due to: the reduction of the loan size; higher collateral requirements and 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 2020 Q4.

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

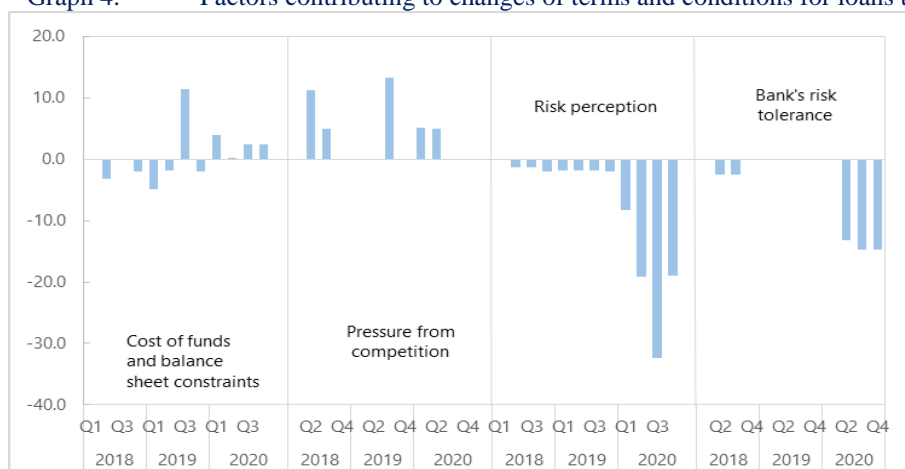


<sup>3</sup>: Calculated as net percentages. Positive values indicate eased terms and conditions, whereas negative ones tightened terms and conditions.

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 sheets 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.

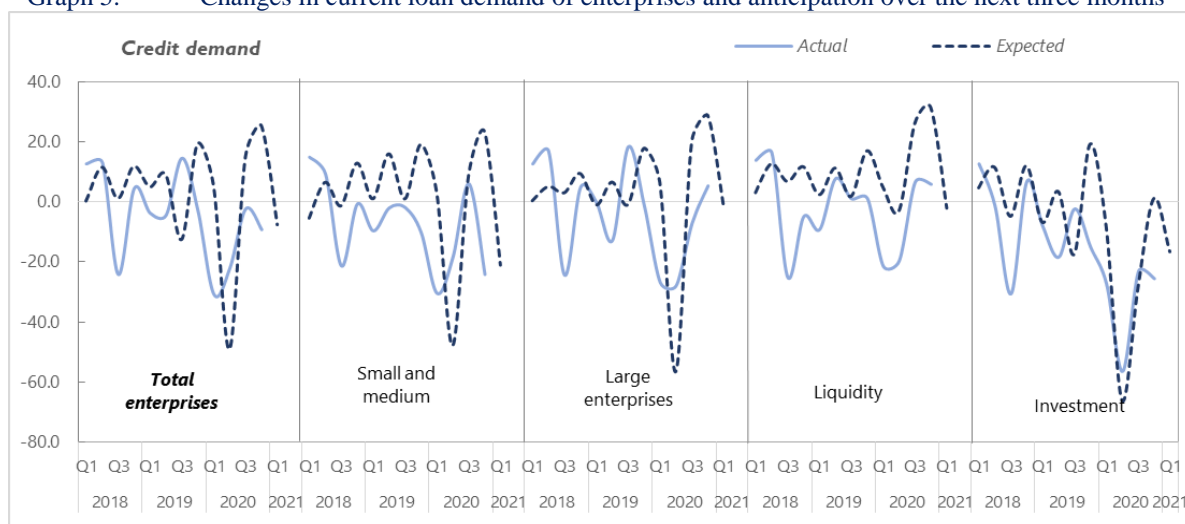
Source: Bank of Albania.

### 1.3. Demand for loans

**Loan demand from enterprises was perceived as lower in 2020 Q4.** The lower loan demand was manifested for small and medium-sized enterprises and for investment loans. On the other hand, the loan demand increased for large enterprises and for liquidity purposes.

In 2021 Q1, banks' anticipate lower loan demand from enterprises, particularly from small and medium-sized ones. In terms of loans' purpose of use, the expected decrease on loan demand is more pronounced for investment loans.

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



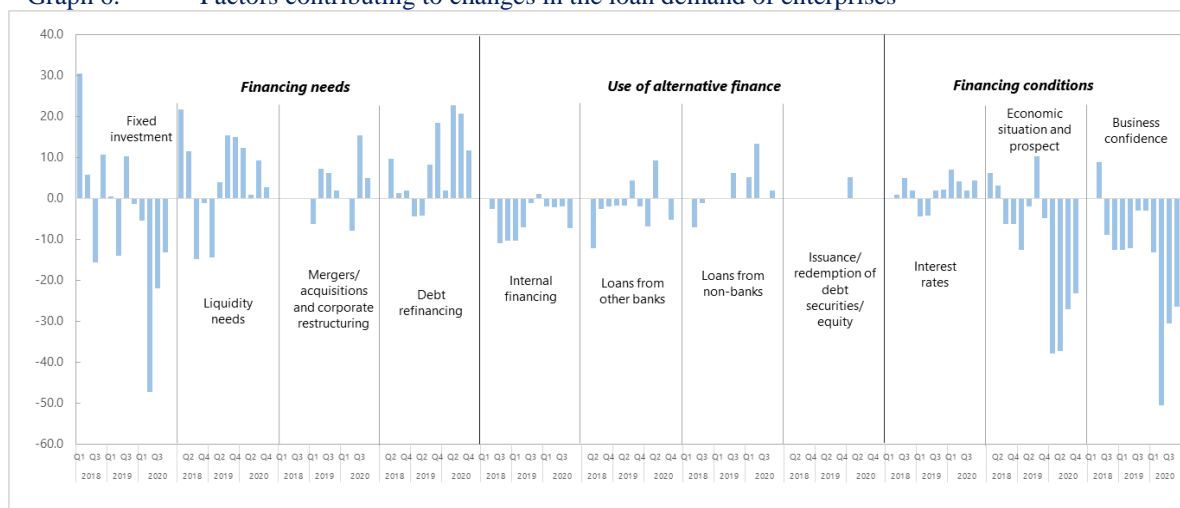
<sup>5</sup>: Calculated as net percentages. Positive values indicate an increase in loan demand, whereas negative ones a decrease in loan demand.

Source: Bank of Albania.

On banks' view, the lower loan demand of enterprises was driven by: deteriorated financing conditions due to the current economic situation and its outlook; the lack of loan demand for

investment purposes; and higher use of internal financing. The higher financing needs for: debt refinancing; mergers/acquisitions and corporate restructuring; inventories and the working capital; as well as the overall level of interest rates; contributed positively to firms' loan demand. The sovereign guarantee schemes, supplied by the Albanian Government to mitigate the negative effects of Covid-19, appear to have given rise to firms' loan demand.

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.

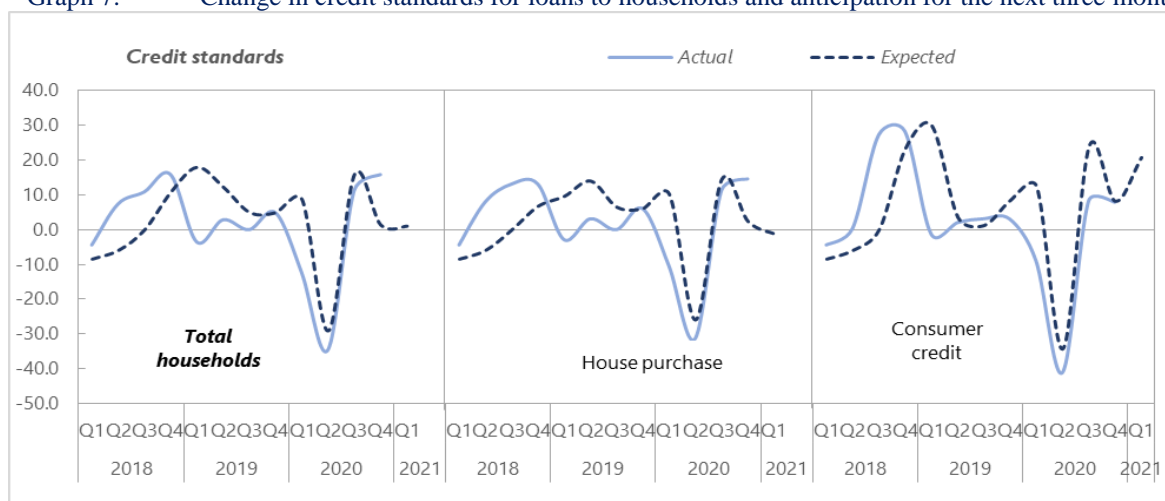
## 2. LOANS TO HOUSEHOLDS

### 2.1. Credit standards

**Credit standards for loans to households eased** in 2020 Q4. The easing of credit standards was reported for both loan's purpose of use, consumer loans and house purchases.

Banks expect to further ease the credit standards to households in 2021 Q1, mainly for consumer loans.

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

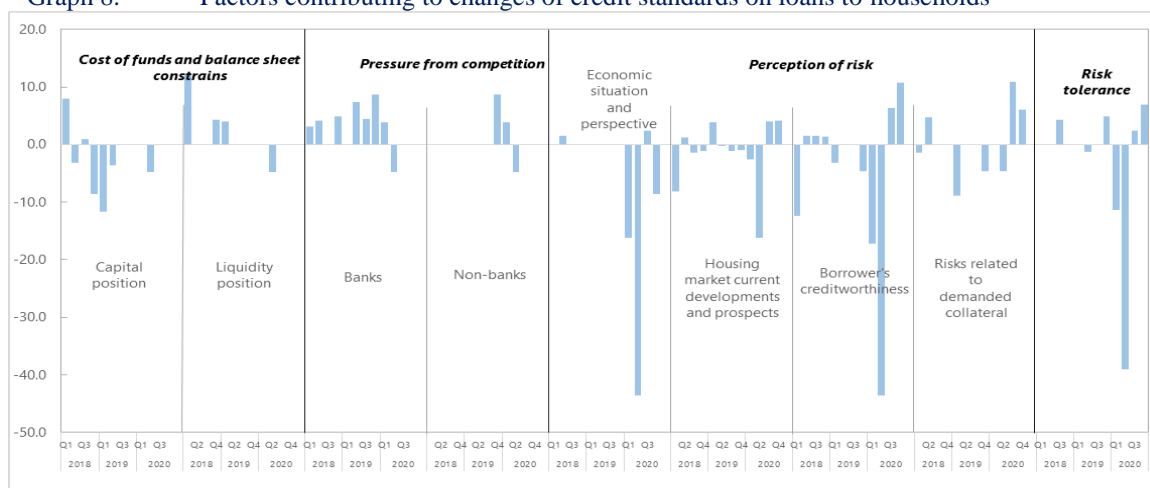


<sup>7</sup>: Calculated as net percentages. Positive values indicate eased credit standards, whereas negative ones indicate tightened credit standards.

Source: Bank of Albania.

Credit standards on households' loans were eased mainly due to lower risk perception related to demanded collateral; borrower's creditworthiness; and current and expected developments in housing market. Also, banks displayed somewhat higher risk tolerance on loans to households in this quarter. The domestic macroeconomic situation and its outlook was reported as the only one factor contributing negatively the credit standards on loans to households.

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



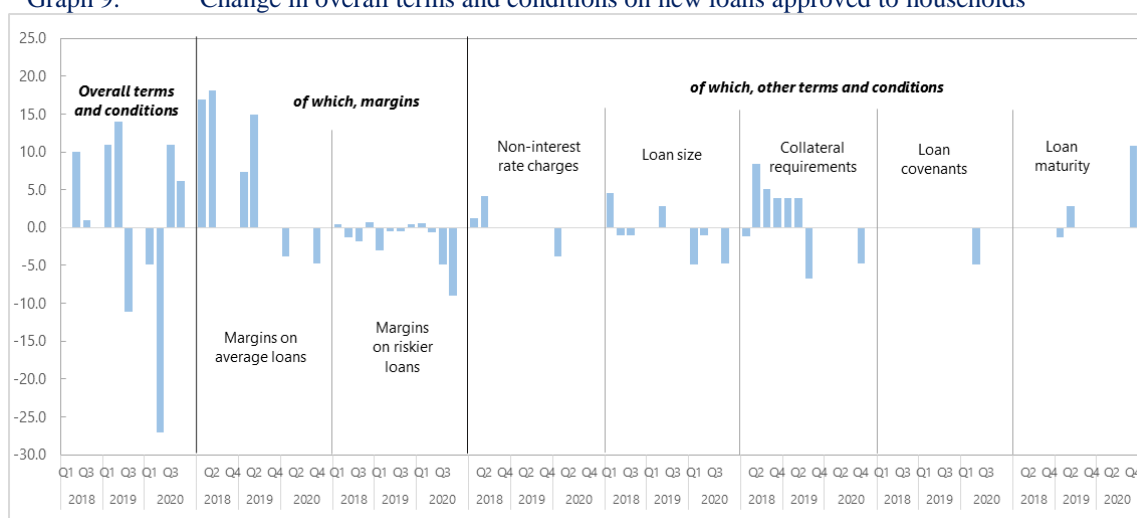
<sup>8</sup>: Calculated as net percentages. Positive values indicate that the factor contributed to the easing of credit standards, whereas negative ones to the tightening of credit standards.

Source: Bank of Albania.

## 2.2. Terms and conditions

**Overall terms and conditions on loans to households were eased** in the fourth quarter of 2020. Easing of overall terms and conditions on loans to households was achieved due to eased non-price conditions, by extending the loan maturity. On the other hand, margins increased, on both average and riskier loans. At the same time, the reduction in loan size, and increased collateral requirements contributed on the tightening side of terms and conditions on loans to households.

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

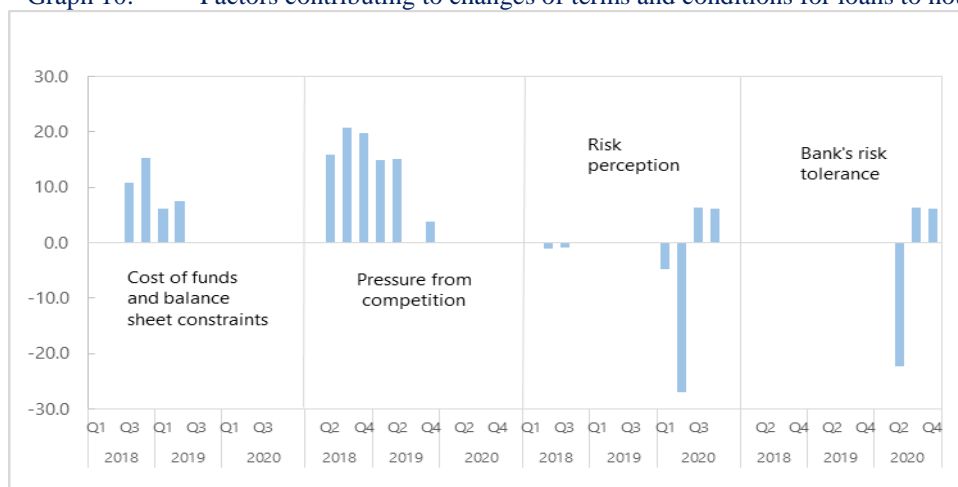


<sup>9</sup>: Calculated as net percentages. Positive values indicate eased terms and conditions, whereas negative ones tightened terms and conditions.

Source: Bank of Albania.

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

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

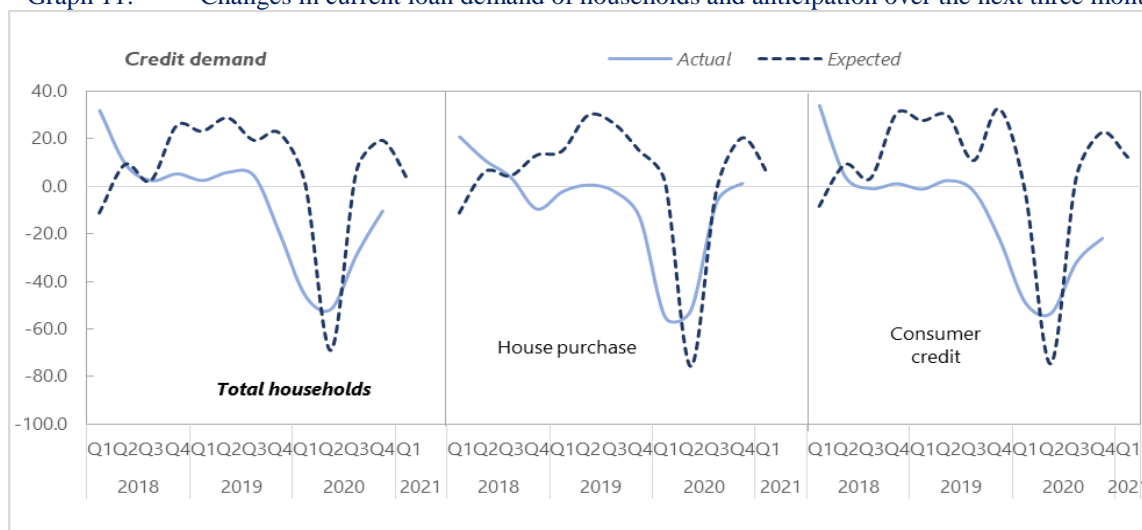


<sup>10</sup>: Calculated as net percentages. Positive values indicate that the factor contributed to the easing of terms and conditions, whereas negative ones to the tightening of terms and conditions  
Source: Bank of Albania.

### 2.3. Demand for loans

**Loan demand from households was perceived lower** in 2020 Q4 as well, mainly driven by lower demand on consumer loans. In the first quarter of 2021, households' loan demand is expected to somewhat increase, more pronounced for consumer loans.

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

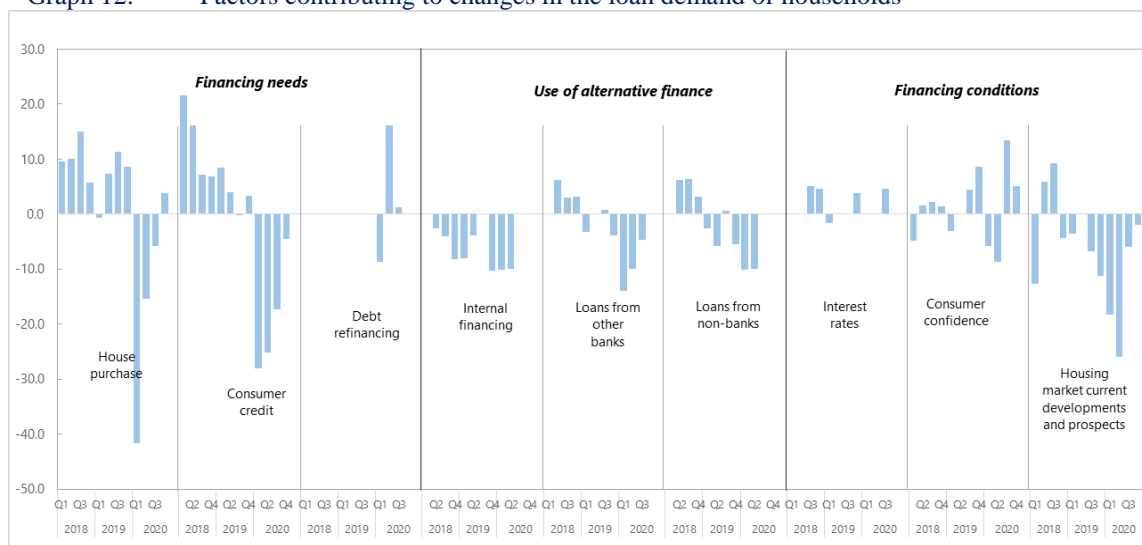


<sup>11</sup>: Calculated as net percentages. Positive values indicate an increase in loan demand, whereas negative ones a decrease in loan demand.  
Source: Bank of Albania.

On banks' view, lower financing needs for consumption, income fall and financial uncertainty about the future, due to the prolonged pandemic situation, were the main drivers of loan demand fall in the fourth quarter of 2020. 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.