



LENDING SURVEYS MONITOR

MONETARY AND CAPITAL MARKETS DEPARTMENT

June 9, 2021

Highlights:

- *The pattern of lending supply and demand conditions in 2021:Q1 and the outlook for 2021:Q2 remain similar to a quarter earlier.*
- *Corporate and SME loan market conditions¹ continued to tighten across most countries; this should continue, driven mainly by strengthening demand.*
- *Macro and borrower conditions remain dominant drivers of corporate bank lending standards, but bank risk tolerance and balance sheet constraints are becoming more important in some markets.*
- *Mortgage market conditions have loosened somewhat, as expected in the previous Monitor, but are expected to tighten again on rebounding demand. Unsecured consumer loan market conditions will likely also tighten.*

Corporate loan market conditions in 2021:Q1 resemble the previous quarter—moderately tight and expected to tighten further. During 2021:Q1, conditions in most countries remained tight, driven mainly by strict lending standards (Chart 1.1). **External factors (economic outlook and borrower risk) remain the most important drivers of lending standards in most countries; bank balance sheets are less important overall but are emerging as constraints in a few countries.** (Chart 1.2) Demand for loans is mixed overall but strengthened in 2021:Q1 from the previous quarter, motivated increasingly by working capital and capex needs and less by weak cashflow. (Chart 1.3) Lending market conditions are expected to tighten further over the coming quarter, driven mainly by strengthening demand and by continued tight lending standards. (Charts 1.4, 1.5, and 1.6)

Small and medium enterprises (SMEs) loan market conditions also continue to tighten, but less than for large corporates. SME loan markets also continued to tighten in 2021:Q1, though less than in the previous quarter. (Chart 2.1) As in the last survey round, loan officers expect further market tightening due to strong demand conditions. (Charts 2.2, 2.3, and 2.4) Banks increasingly respond to corporate loan market conditions through loan pricing, particularly for higher-risk borrowers. Non-price terms (especially limits on loan size and maturity), while still key in several markets, are less pervasively important than in the previous survey. (Chart 2.5) SME lending term trends are similar. (Chart 2.6)

Household mortgage market conditions have moderated in many countries but are expected to tighten again. Mortgage market conditions in 2021:Q1 were fairly balanced across countries. (Chart 3.1) This contrasts with much tighter conditions in the previous quarter but is consistent with the loosening expected then. Looking forward, lending officers expect market conditions to tighten again (Chart 3.2). This reversal almost entirely reflects a strong recovery in demand condition across most countries. (Chart 3.3) As in the previous survey, lending standards are expected again to remain more balanced between easing and tightening. (Chart 3.4)

Conditions in unsecured personal lending markets are balanced across countries, much more relaxed than in the previous quarter. In 2021:Q1, both lending standards and demand conditions were fairly evenly balanced across countries. (Chart 4.1) This represents significant relaxation of conditions in the previous quarter, in line with expected easing expressed in 2020:Q4 surveys. Loan officers now believe that market conditions will once again tighten, driven mainly by increasingly stringent lending standards but also modestly stronger demand. (Chart 4.2) Demand for consumer loans is expected to strengthen, though this is from current moderately weak levels (Chart 4.3) Consumer lending standards, which were on balance somewhat easy in 2021:Q1, are expected to tighten in most countries over the next quarter. (Chart 4.4)

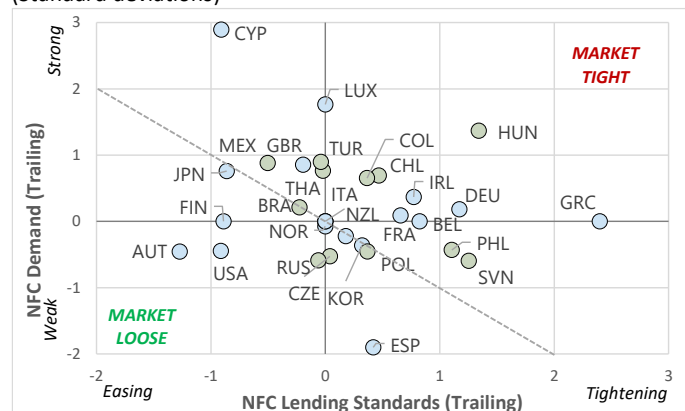
¹ Throughout this note, lending standards refers to banks' underwriting stringency and is a proxy for 'supply tightness', and market conditions indicates the balance between lending standards and demand for loans. Please refer to the Methodological Note on page 7 for further explanation.

As in business loan markets, external conditions remain the most important drivers of credit standards, but banks' internal constraints are gaining prominence in some countries. (Charts 4.5 and 4.6) In 2020:Q4, external factors (economic outlook and borrower risk) were the most important drivers of consumer lending standards. In 2021:Q1, the importance of external factors (particularly macro conditions, but also borrower risk) receded somewhat in several markets; and bankers in a few countries are focusing more on their own capital position and risk appetite as constraints driving tighter lending standards. (Chart 4.6) Data on mortgage credit standards are much patchier but suggest that macro conditions remain the most important drivers of credit standards, similar to responses in the previous quarter. (Chart 4.5)

Non-Financial Corporates: Bank Lending Standards and Loan Demand

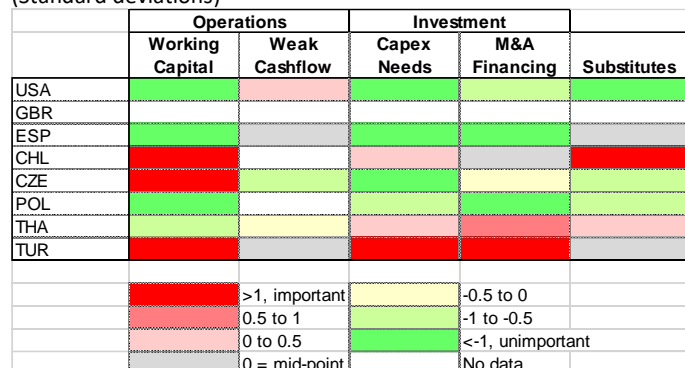
Corporate lending conditions remain relatively tight in most countries, similar overall to 2020:Q4.

Chart 1.1. Corporate Lending Standards and Loan Demand –2021:Q1
(Standard deviations)



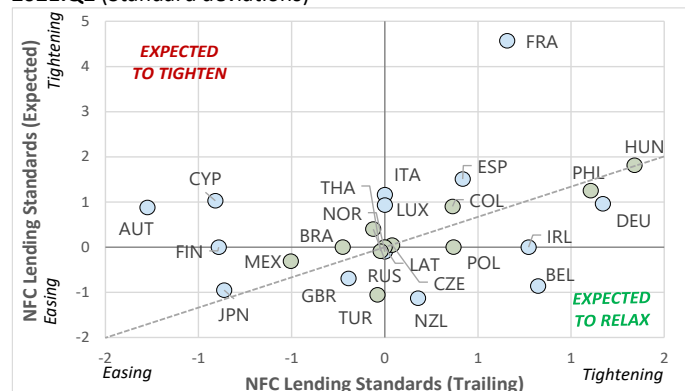
Weak cash flow has receded and working capital and investment demand is emerging in some countries.

Chart 1.3. Corporates: Drivers of Loan Demand, 2021:Q1
(Standard deviations)



Expected changes in lending standards are balanced between countries expected to tighten or relax ...

Chart 1.5. Corporate Lending Standards – 2021:Q1 and Expected, 2021:Q2 (Standard deviations)

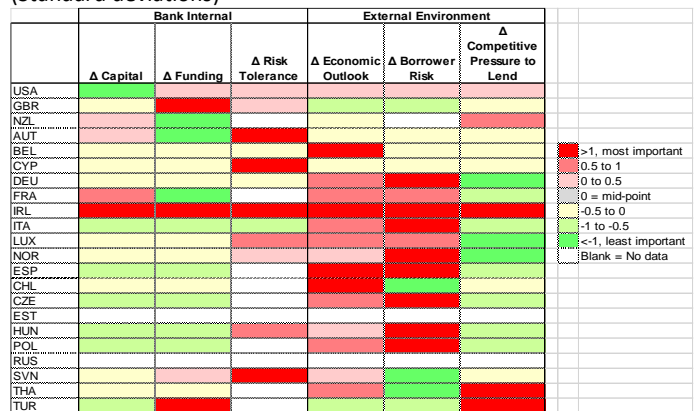


Source: National supervisors, CEIC, Haver and IMF Staff.

Note: All charts show, for each data series, the current readings expressed in standard deviations from historical average. Please refer to the Methodological Note at the end of this document.

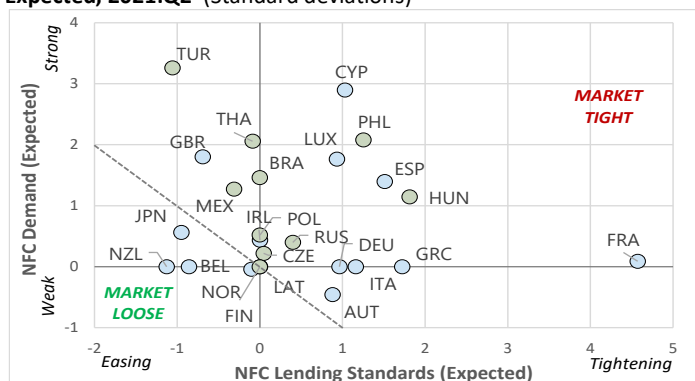
Macro and asset quality concerns remain dominant, but balance sheet constraints are emerging in some countries.

Chart 1.2. Corporates: Drivers of Lending Standards, 2020:Q4
(Standard deviations)



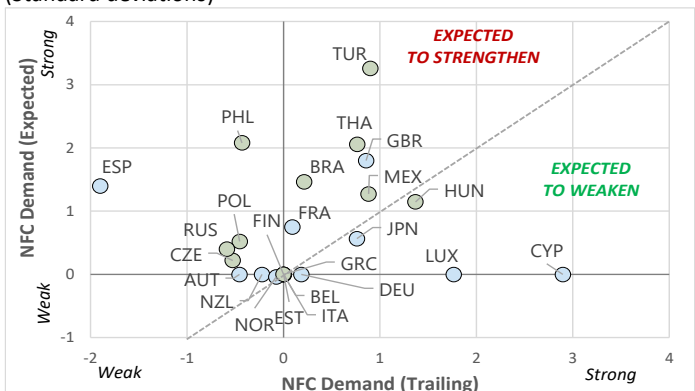
Lending conditions are expected to tighten further, mainly driven by strengthening demand.

Chart 1.4. Corporate Lending Standards and Loan Demand – Expected, 2021:Q2² (Standard deviations)



... but most countries expect demand to strengthen meaningfully.

Chart 1.6. Corporate Loan Demand – 2021:Q1 and Expected, 2021:Q2
(Standard deviations)

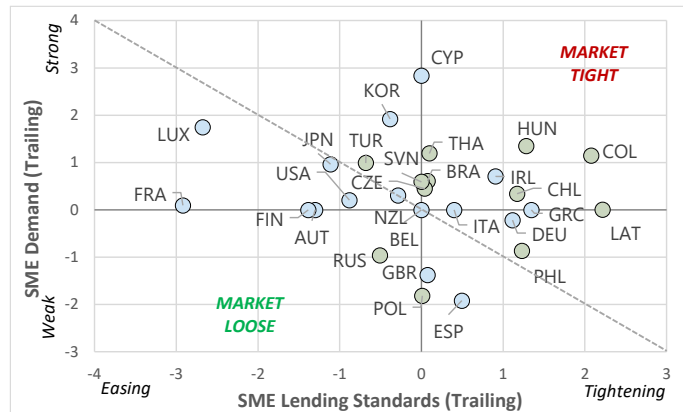


² 'Expected' is over a future horizon of three (for most countries) or six months (for New Zealand).

Small and Medium Enterprises: Bank Lending Standards and Loan Demand

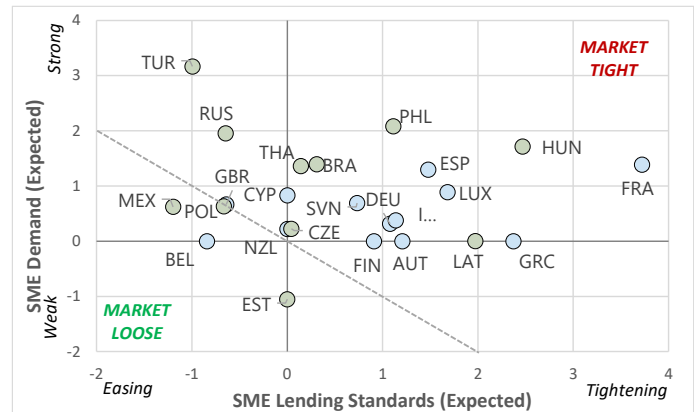
SME market tightening continued in 2021:Q1, though less pervasively than in the previous quarter.

Chart 2.1. SME Lending Standards and Loan Demand – 2021:Q1
(Standard deviations)



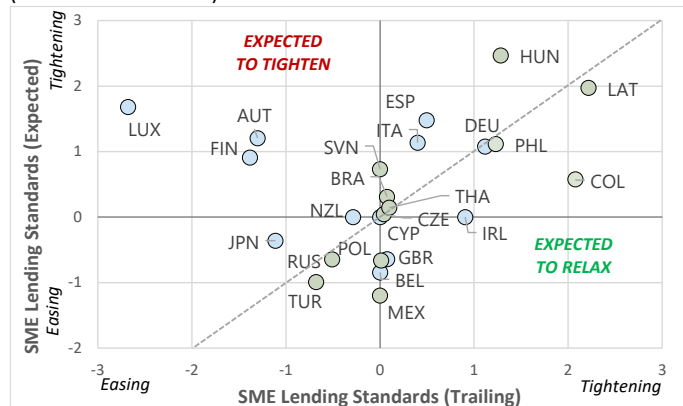
Conditions are expected to tighten further in almost all countries, continuing the previous quarter's outlook.

Chart 2.2. SME Lending Standards and Demand – Expected, 2021:Q2
(Standard deviations)



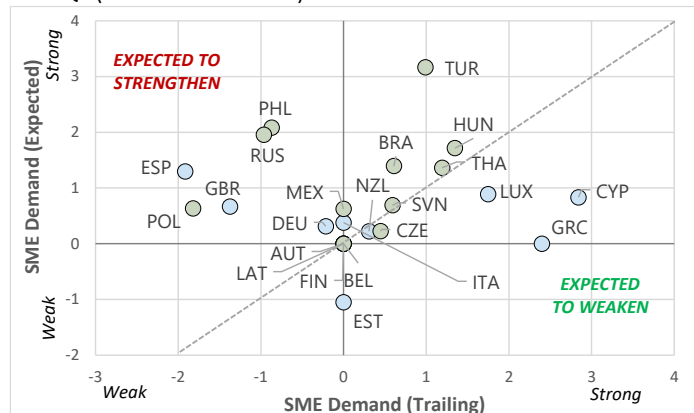
Almost all countries expect SME demand to strengthen, though fewer than in the last quarter.

Chart 2.3. SME Demand – Trailing, 2021:Q1 and Expected, 2021:Q2
(Standard deviations)



SME lending standard trends are roughly balanced between expected tightening and relaxing.

Chart 2.4. SME Lending Standards – Trailing, 2021:Q1 and Expected, 2021:Q2 (Standard deviations)



Banks' lending terms focus has shifted to pricing, especially for high-risk credits, vs. non-price terms.

Chart 2.5. Importance of Corporate Lending Terms – 2021:Q1
(Standard deviations)

	Non-Price Terms				Pricing		
	Credit Limit	Maturity	Covenants	Collateral	Spread - Average	Spread - High Risk	Fees
USA							
AUT							
BEL							
CYP							
DEU							
FIN							
ITA							
LUX							
ESP							
CHL							
CZE							
EST							
HUN							
LAT							
PHL							
POL							
RUS							
SVN							
THA							
TUR							
	>1, most important				-0.5 to 0		
	0.5 to 1				-1 to -0.5		
	0 to 0.5				<-1, least important		
	0 = mid-point				Blank = No data		

In SME lending, too, non-price terms (especially credit limits) are receding in importance.

Chart 2.6. Importance of SME Lending Terms – 2021:Q1
(Standard deviations)

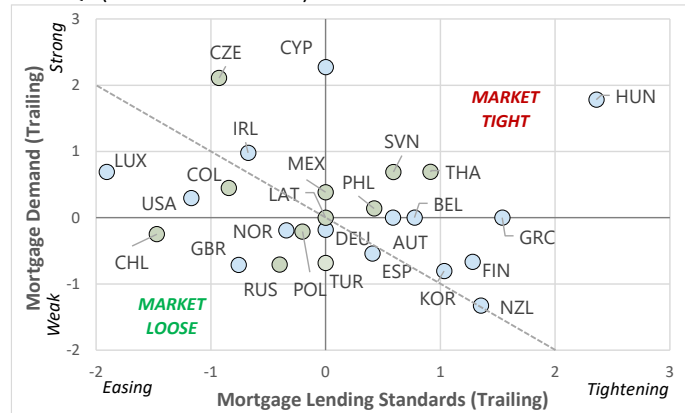
	Non-Price Terms				Pricing		
	Credit Limit	Maturity	Covenants	Collateral	Spread - Average	Spread - High Risk	Fees
USA							
CAN							
CHL							
CZE							
PHL							
RUS							
	>1, most important				-0.5 to 0		
	0.5 to 1				-1 to -0.5		
	0 to 0.5				<-1, least important		
	0 = mid-point				Blank = No data		

Sources: National supervisors, CEIC, Haver and IMF Staff.

Household Mortgages: Bank Lending Standards and Loan Demand

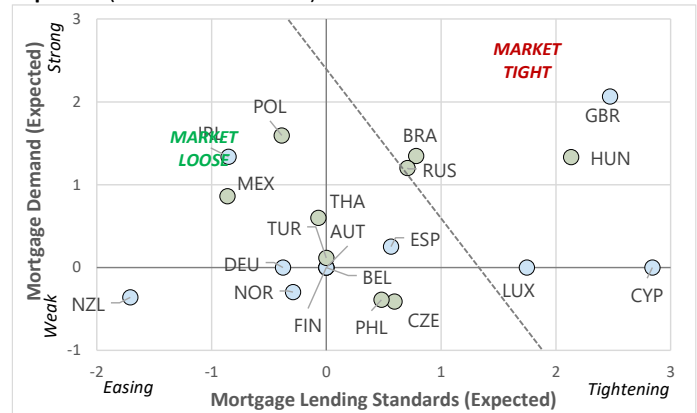
Mortgage market conditions were balanced in 2021:Q1, significantly looser than in the previous quarter ...

Chart 3.1. Mortgages Lending Standards and Loan Demand – 2020:Q4 (Standard deviations)



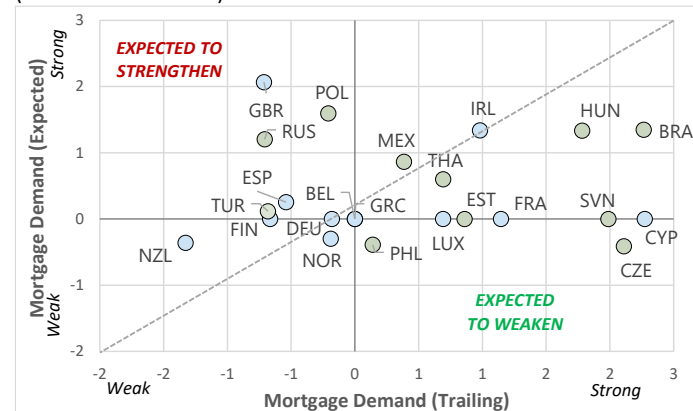
... but are now expected to once again tighten, mainly on strengthening demand.

Chart 3.2. Mortgages Lending Standards and Loan Demand – Expected (Standard deviations)



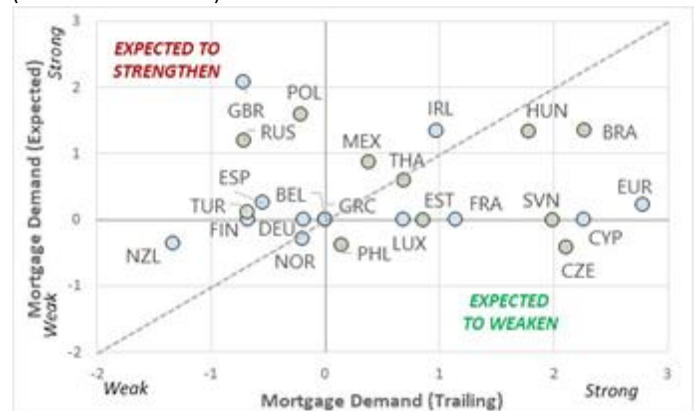
Most countries expect continued strong demand, despite softening vs. 2021:Q1 in some, ...

Chart 3.3. Mortgage Demand – Trailing and Expected (Standard deviations)



... while trends in mortgage lending standards remain balanced between expected tightening and easing.

Chart 3.4. Lending Standards – Trailing and Expected (Standard deviations)

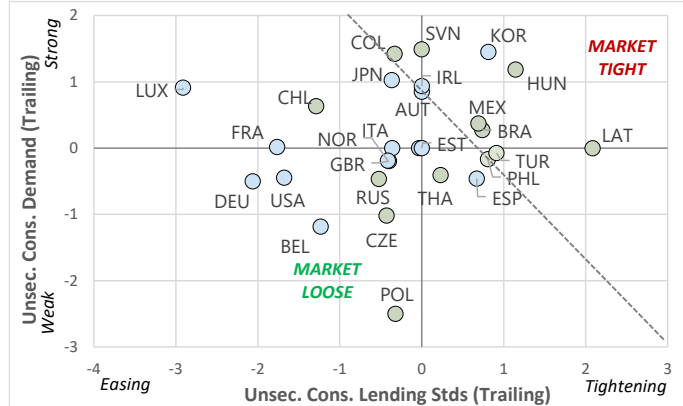


Sources: National supervisors, CEIC, Haver and IMF Staff.

Unsecured Personal Loan Standards and Demand, and Drivers of Household Lending Standards

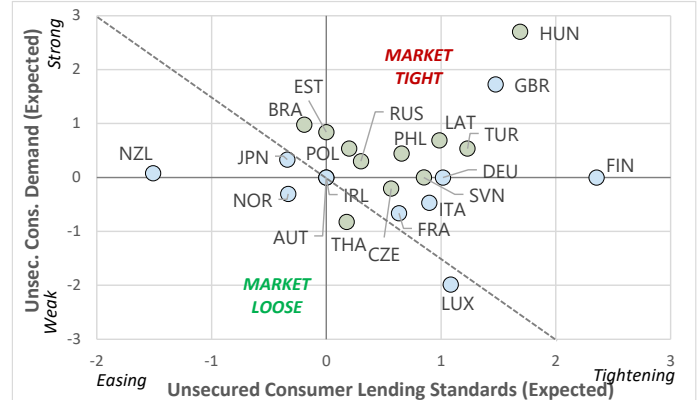
Unsecured lending market conditions are balanced overall, but strongly varied between countries.

Chart 4.1. Unsecured Personal Lending Standards and Demand – Trailing, 2021:Q1 (Standard deviations)



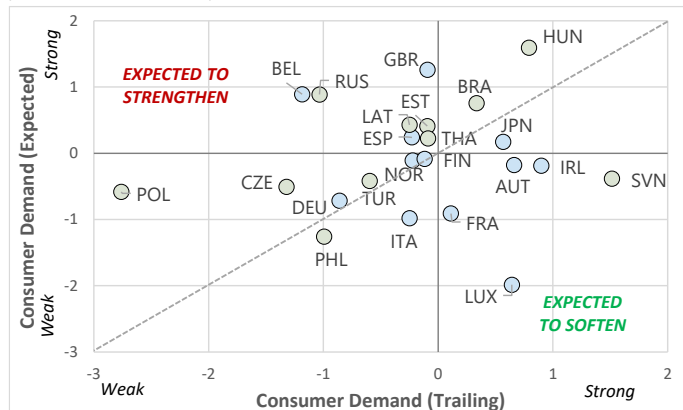
Conditions are expected to tighten in most countries on both tightening standards and stronger demand.

Chart 4.2. Unsecured Personal Lending Standards and Demand – Expected (Standard deviations)



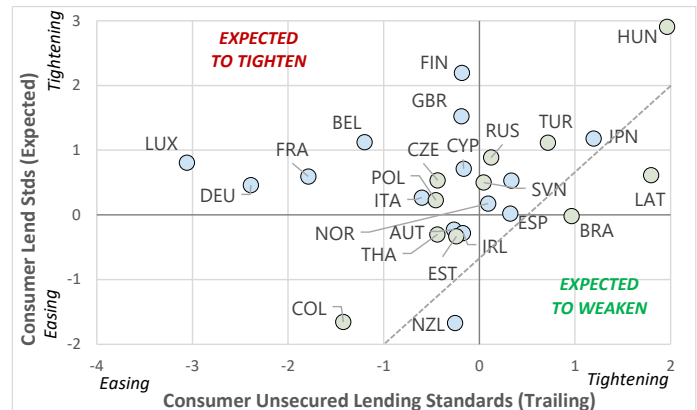
Demand for consumer loans is expected to remain weak, though slightly stronger than the last quarter ...

Chart 4.3. Unsecured Personal Loan Demand – Trailing and Expected (Standard deviations)



... while consumer lending standards are expected to tighten in most countries.

Chart 4.4. Unsecured Personal Lending Standards – Trailing and Expected (Standard deviations)



As in corporate lending, as external constraints recede, lending standards depend more on internal constraints.

Chart 4.6. Drivers of Bank Lending Standards – Unsecured Personal Loans, 2021:Q1 (Standard deviations)

	Internal Pressures			External		
	Bank Capital	Bank Funding	Increased Risk Tolerance	Economic Outlook	Borrower Risk	Competitive Pressure to Lend
GBR						
KOR						
AUT						
CYP						
DEU						
FIN						
ITA						
LUX						
NOR						
ESP						
EST						
LAT						
POL						
RUS						
SVN						
TUR						
	>1, most important			-0.5 to 0		
	0.5 to 1			-1 to -0.5		
	0 to 0.5			<-1, least important		
	0 = mid-point			Blank = No data		

In mortgages, banks still focus on external pressures – possibly because they consume little capital.

Chart 4.5. Drivers of Credit Standards – Mortgages, 2021:Q1 (Standard deviations)

	Internal Pressures			External		
	Bank Capital	Bank Funding	Increased Risk Tolerance	Economic Outlook	Housing Market	Competitive Pressure to Lend
GBR						
CZE						
POL						
RUS						
THA						
TUR						
	>1, most important			-0.5 to 0		
	0.5 to 1			-1 to -0.5		
	0 to 0.5			<-1, least important		
	0 = mid-point			Blank = No data		

Sources: National supervisors, CEIC, Haver and IMF Staff.

Methodological Note

This Lending Surveys Monitor is based on surveys of loan officers conducted by 33 banking supervisors spanning 18 advanced economies plus the euro area and 14 developing economies. The core analysis for each product segment shows lending officers' view of changes in bank lending standards and borrower demand. Each data point represents each jurisdiction's conditions over the most recent reporting period (typically the past quarter), expressed as a standard deviation from its historical average. Lending standards (treated as a proxy for 'supply') and demand are presented on separate axes; and countries' positions relative to a diagonal line reflects market conditions ('tight' or 'loose') as a balance between them. For example, market conditions are assessed to be tightening if demand has risen more sharply than bank lending standards have loosened. Some countries estimate the short-term (three-month) outlook for changes in lending standards and demand, and the Monitor combines this information to project future market conditions. Many surveys also query bankers' opinions regarding the drivers of lending standards and demand. This information, typically expressed on a scale of importance, is shown as heat maps comparing relative importance across drivers rather than relative to historical standards.

Lending standards and loan demand, both trailing and expected, and measures of credit standards are expressed as each country's most recent reading in standard deviations from the "neutral" mid-point of its measurement scale. This approach is intended to normalize for differences in reporting scales and to facilitate comparison of countries' tightness or strength relative to their own historical conditions and bank reporting practices. Most countries present scores on a scale from -100 to +100, and therefore a mid-point of 0; in a few, the scale ranges from 1 to 5, for a mid-point of 3. Standard deviation metrics are based on each country's historical time series, which differ in starting point but generally extend back to before the Global Financial Crisis.

These charts therefore should not be interpreted as comparing countries' lending standards or demand conditions in absolute terms, but rather which countries' readings are tighter or stronger relative to their own historical conditions.

The *drivers* of lending standards and of demand are measured differently and should be interpreted accordingly. Countries generally measure drivers on a scale of importance rather than change over time, so we interpret the scores as comparing drivers at a point in time more than the importance of a particular driver today relative to that driver's historical standards. Therefore, rather than comparing most recent scores relative to their own histories, we compare them with one another, expressing each in standard deviations relative to the average across all drivers at the same point in time.

Countries differ in the range of conditions reported. All report tightening or loosening of standards for lending to non-financial corporates, but some do not break out conditions for loans to small- and medium-sized enterprises. All countries report trailing (current) conditions, but only a subset present loan officers' expectations of changes in underwriting standards or demand over the next quarter. Finally, some but not all countries present loan officers' assessment of the importance of several drivers of underwriting standards and demand.

To deliver standardized results with minimal loss of information, this Monitor presents all countries that report each data point. Countries missing either data-point of a two-axis scatter diagram, or where both items are reported as zero, are excluded; but data pairs where one item is reported as zero (or other neutral mid-point) are included. For causal driver 'heat maps', countries are included even if they do not present a complete set of drivers. Using this approach, the set of countries included differs somewhat across analyses.