



# LENDING SURVEYS MONITOR

MONETARY AND CAPITAL MARKETS DEPARTMENT

April 5, 2021

## **Highlights:**

- *Corporate and SME loan market conditions<sup>1</sup> are tight across most countries and expected to tighten further as demand strengthens.*
- *Bank lending standards are driven overwhelmingly by external factors (economic outlook and borrower risk). Bank capital and funding positions exert little influence.*
- *Mortgage and unsecured personal loan market conditions are also constrained but should ease, mainly due to weakening demand.*
- *While data are scant, external conditions appear also to be the main drivers of lending standards for loans to households.*

*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.<sup>2</sup>*

**Corporate (large borrower) loan market conditions are tight across most countries and expected to tighten further on strengthening demand.** Loan officers in most jurisdictions report tightening bank lending standards ('supply') and weak borrower demand, with a moderate bias toward tight market conditions across countries. (Chart 1.1). **Bank lending standards are driven overwhelmingly by external factors (economic outlook and borrower risk); internal conditions (capital and funding positions) have little influence.** (Chart 1.2) Tepid demand for loans reflects weak investment (capital expenditure or acquisition) financing needs; borrowing to meet insufficient cash flows has supported demand in some countries. (Chart 1.3) Lending market conditions are expected to tighten further over coming quarter as expected modest relaxation of lending standards is outweighed by strengthening demand across many countries. (Charts 1.4, 1.5, and 1.6)

**Markets for loans to small and medium enterprises (SMEs) are also tightening.** As in corporate markets, SMEs in most countries also tightened in 2020:Q4, as more stringent lending standards outweighed the

<sup>1</sup> 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.

<sup>2</sup> Please refer to additional information provided in the Methodological Note on page 7.

This monitor is produced by John Caparusso ([jcaparusso@imf.org](mailto:jcaparusso@imf.org)) and Yingyuan Chen ([ychen@imf.org](mailto:ychen@imf.org)) (both MCMGA).

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

effects of weakening demand. (Chart 2.1) Participants expect conditions to further tighten sharply over the next few months as sharp strengthening in demand for loans dominates anticipated modest easing in SME lending standards. (Charts 2.2, 2.3, and 2.4) In both corporate and SME lending, the tightening of lending standards is reflected in a broad range of non-price loan terms (credit size, maturity, covenants and collateral) and wider margins, mainly for higher-risk credits. (Charts 2.5 and 2.6)

**Household mortgage markets are constrained but should ease.** Sharply rising demand in 2020:Q4, combined with more stringent lending standards, has tightened mortgage market conditions across most countries. (Chart 3.1) Looking ahead, lending officers expect market conditions to ease considerably (Chart 3.2). This reflects dramatic weakening of mortgage demand against roughly stable mortgage lending standards. (Charts 3.3 and 3.4)

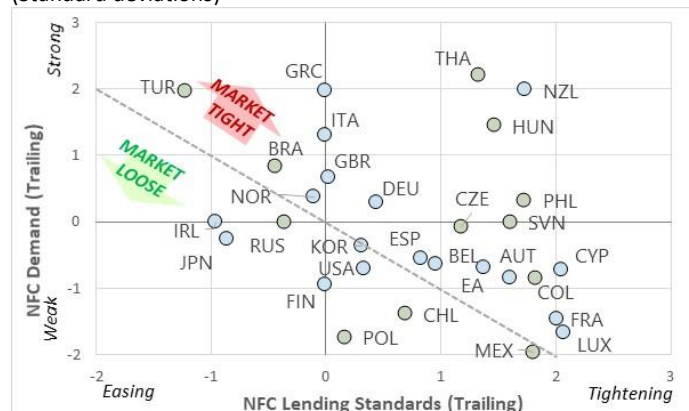
**Conditions in unsecured personal lending markets are currently tight but are expected to become more balanced.** Current market tightness across most countries is driven mainly by more restrictive lending standards and by widespread demand strength. (Chart 4.1) Loan officers' prognoses suggest that market conditions in several countries will ease over the next quarter. (Chart 4.2) This is driven mainly by expected weakening of loan demand (Chart 4.3) as well as relaxation of underwriting standards. (Charts 4.3 and 4.4)

**Evidence, though fragmentary, suggests that external conditions are also the dominant drivers of standards for lending to households.** (Charts 4.5, 4.6) Data on bankers' attribution of lending standards to underlying drivers is relatively sparse and weak in unsecured personal lending and particularly in mortgage markets. Bank capital and funding position do not appear to influence underwriting standards in either product segment, while external conditions (macro outlook, housing conditions or borrower risk) are important drivers for unsecured personal lending standards in advanced economies.

## Non-Financial Corporates: Bank Lending Standards and Loan Demand

Corporate lending conditions are tight across most countries, mainly due to tight underwriting standards.

Chart 1.1. Corporate Lending Standards and Loan Demand – 2020:Q4 (Standard deviations)



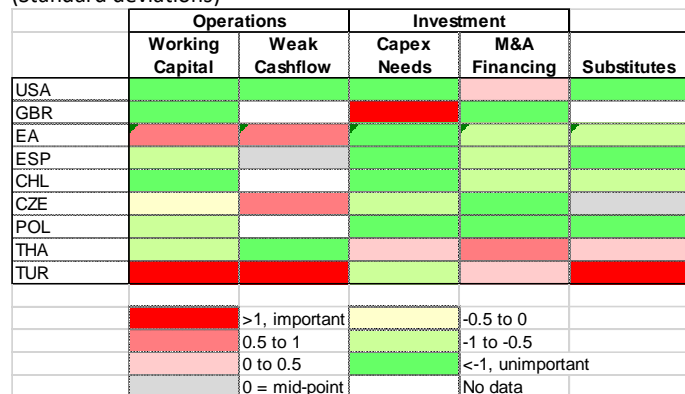
External drivers are important in many countries; bank capital and funding are important in Ems.

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



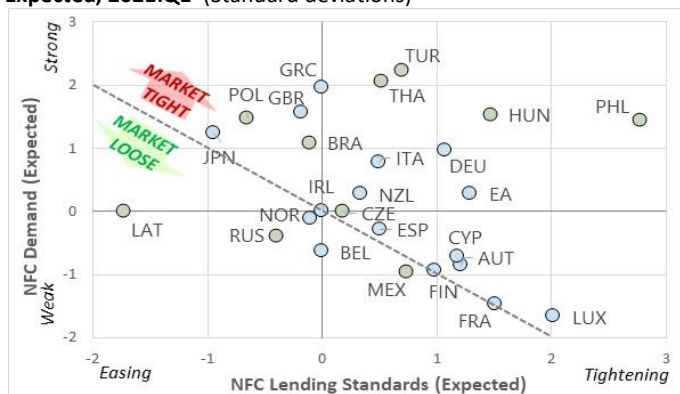
Loan demand appears to be driven by weak cash generation, not investment plans.

Chart 1.3. Corporates: Drivers of Loan Demand, 2020:Q4 (Standard deviations)



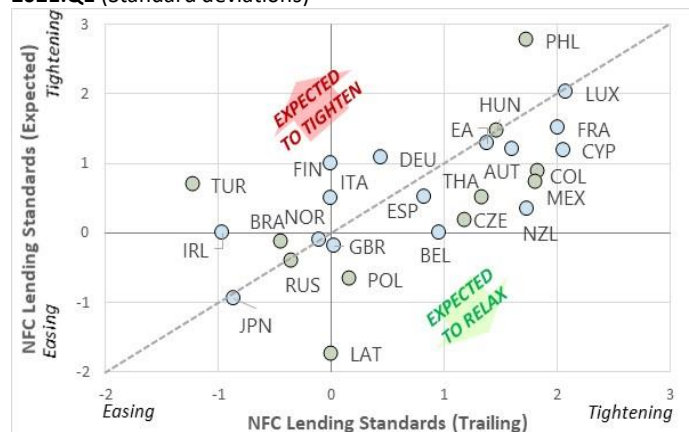
Lending conditions are expected to tighten further, mainly driven by strengthening demand.

Chart 1.4. Corporate Lending Standards and Loan Demand – Expected, 2021:Q1<sup>1</sup> (Standard deviations)



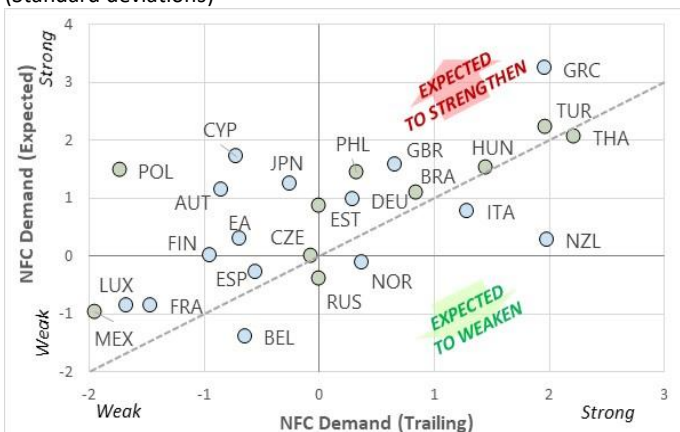
Expectations of changes in lending standards vary widely; most advanced economies should remain stable.

Chart 1.5. Corporate Lending Standards – 2020:Q4 and Expected, 2021:Q1 (Standard deviations)



Corporate loan demand is expected to strengthen over the next quarter or two in most countries.

Chart 1.6. Corporate Loan Demand – 2020:Q4 and Expected, 2021:Q1 (Standard deviations)



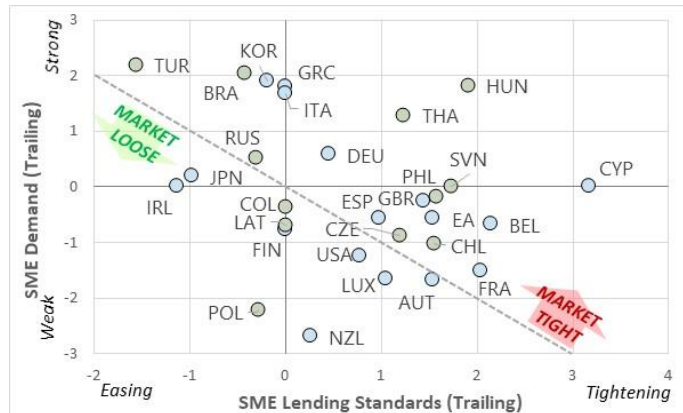
Note: All charts show, for each data series, the current readings expressed in standard deviations from historical average. Please refer to the Methodological Note at the end of this document.

<sup>1</sup> '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

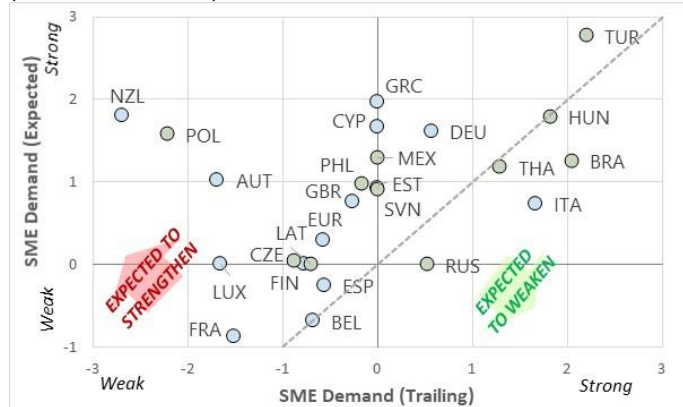
**SME market conditions also tightened in 2020:Q4, driven mainly by lending standards ...**

**Chart 2.1. SME Lending Standards and Loan Demand – 2020:Q4**  
(Standard deviations)



**... as increasingly strong demand ...**

**Chart 2.3. SME Demand – Trailing and Expected, 2020:Q4**  
(Standard deviations)



**Lending standards result in tightening of both risk mitigation and pricing ...**

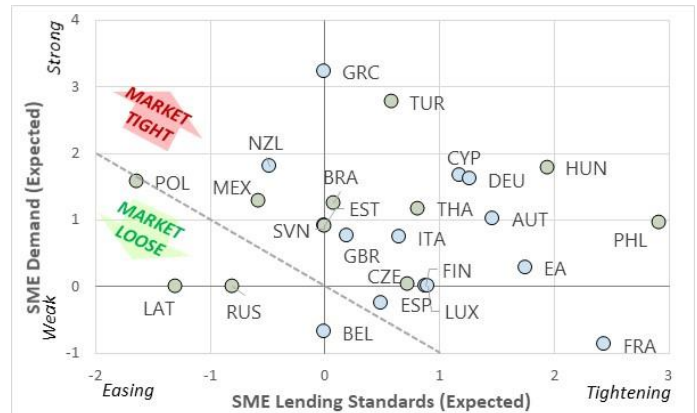
**Chart 2.5. Importance of Corporate Lending Terms – 2020:Q4 – 2020:Q4** (Standard deviations)

	Non-Price Terms				Pricing		
	Credit Limit	Maturity	Covenants	Collateral	Spread - Average	Spread - High Risk	Fees
USA							
EUR							
AUT							
BEL							
CYP							
DEU							
FIN							
ITA							
LUX							
ESP							
CHL							
CZE							
EST							
HUN							
LAT							
PHL							
POL							
RUS							
SVN							
THA							
TUR							

Red	>1, most important	Yellow	-0.5 to 0
Light Red	0.5 to 1	Light Green	-1 to -0.5
Light Green	0 to 0.5	Dark Green	<-1, least important
Grey	0 = mid-point	Blank	No data

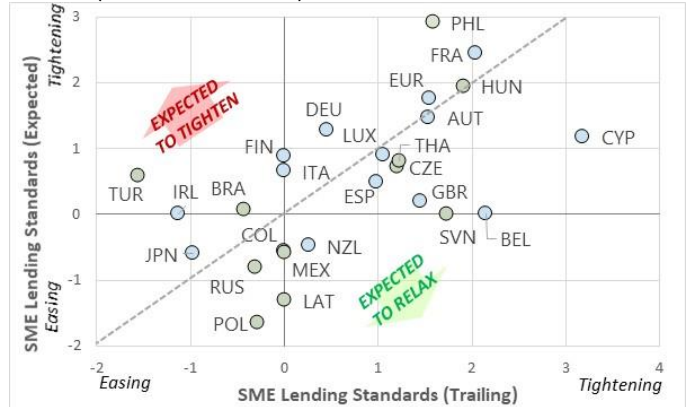
**... and are expected to tighten further ...**

**Chart 2.2. SME Lending Standards and Demand – Expected, 2021:Q1**  
(Standard deviations)



**... dominates modest easing in countries with the tightest lending standards.**

**Chart 2.4. SME Lending Standards – Trailing, 2020:Q4 and Expected, 2021:Q1** (Standard deviations)



**... particularly for lending to SMEs.**

**Chart 2.6. Importance of SME Lending Terms – 2020:Q4**  
(Standard deviations)

	Non-Price Terms				Pricing		
	Credit Limit	Maturity	Covenants	Collateral	Spread - Average	Spread - High Risk	Fees
USA							
CAN							
CHL							
CZE							
PHL							
POL							
RUS							

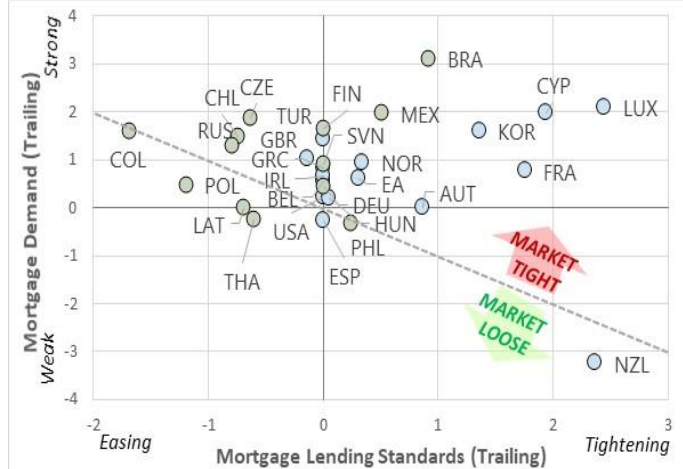
Red	>1, most important	Yellow	-0.5 to 0
Light Red	0.5 to 1	Light Green	-1 to -0.5
Light Green	0 to 0.5	Dark Green	<-1, least important
Grey	0 = mid-point	Blank	No data

## Household Mortgages: Bank Lending Standards and Loan Demand

**Tight mortgage market conditions are driven mainly by strong demand, plus a skew toward tight lending standards.**

**Chart 3.1. Mortgages Lending Standards and Loan Demand – 2020:Q4**

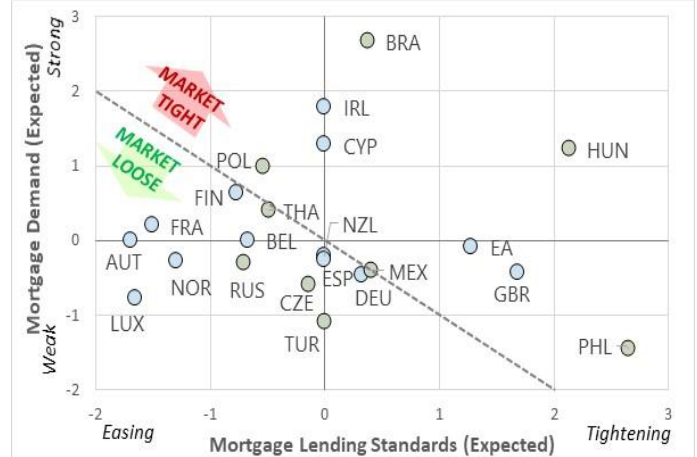
(Standard deviations)



**Bankers now expect market conditions to loosen in most countries ...**

**Chart 3.2. Mortgages Lending Standards and Loan Demand – Expected**

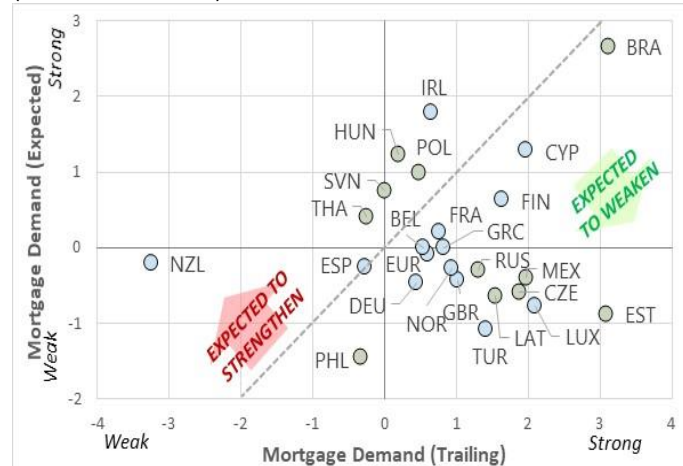
(Standard deviations)



**... as demand weakens dramatically ...**

**Chart 3.3. Mortgage Demand – Trailing and Expected**

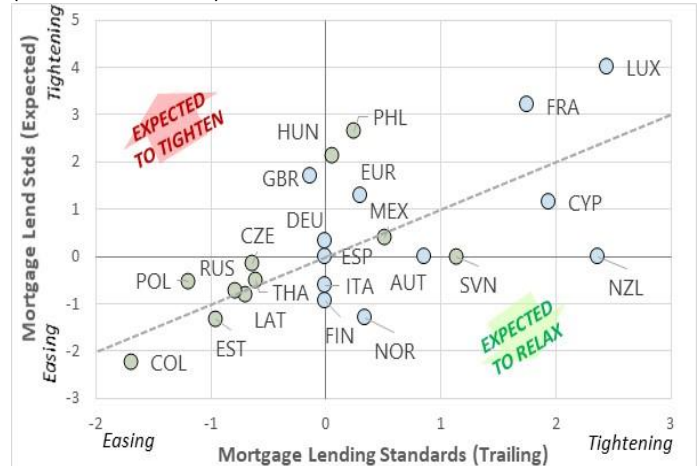
(Standard deviations)



**... while lending standards remain roughly stable.**

**Chart 3.4. Mortgage Demand – Trailing and Expected**

(Standard deviations)

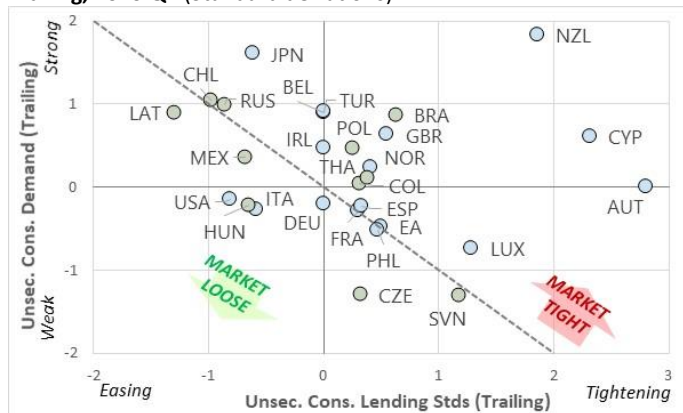




## *Unsecured Personal Loan Standards and Demand, and Drivers of Household Lending Standards*

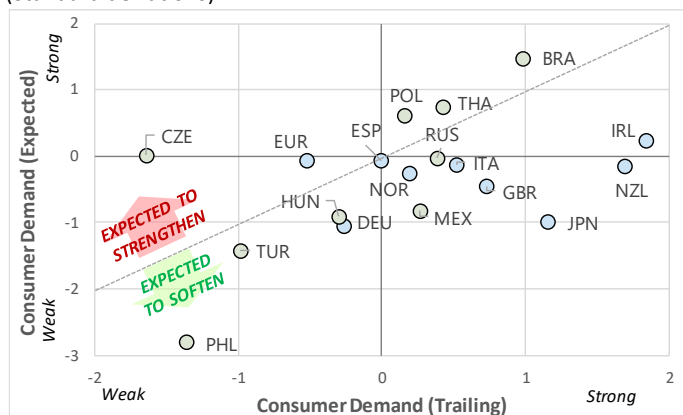
*Unsecured lending market conditions are slightly loose overall but highly varied across countries.*

**Chart 4.1. Unsecured Personal Lending Standards and Demand – Trailing, 2020:Q4 (Standard deviations)**



... mainly due to weakening demand in most countries ...

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



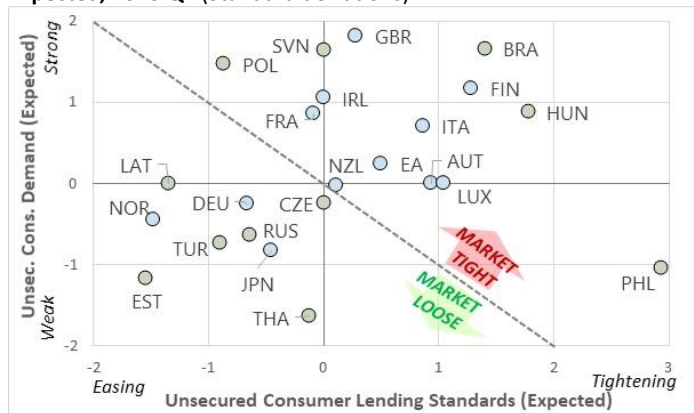
*Lending standards for personal unsecured credit are sensitive mainly to macro and risk conditions.*

**Chart 4.6. Drivers of Bank Lending Standards – Unsecured Personal Loans, 2020:Q4 (Standard deviations)**

Internal Pressures			External		
Bank Capital	Bank Funding	Increased Risk Tolerance	Economic Outlook	Borrower Risk	Competitive Pressure to Lend
GBR					
KOR					
EUR					
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	

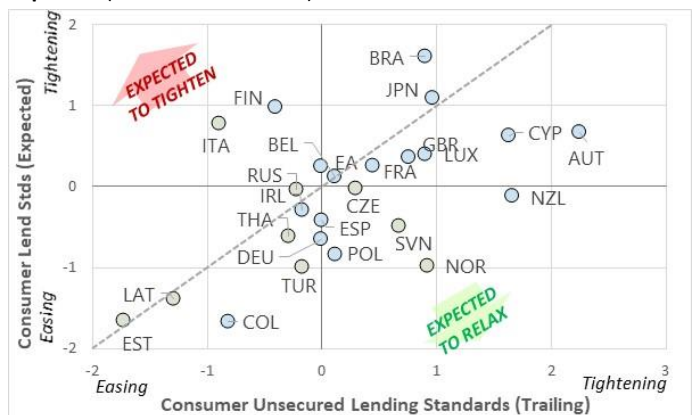
**Conditions are expected to ease ...**

**Chart 4.2. Unsecured Personal Lending Standards and Demand – Expected, 2020:Q4 (Standard deviations)**



*... against fairly balanced shifts between tightening and easing underwriting standards.*

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



*Fragmentary evidence suggests changes in mortgage standards also mainly driven by the risk environment.*

**Chart 4.5. Drivers of Credit Standards – Mortgages, 2020:Q4**  
(Standard deviations)

	Internal Pressures			External		
	Bank Capital	Bank Funding	Increased Risk Tolerance	Economic Outlook	Housing Market	Competitive Pressure to Lend
GBR						
EUR						
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		

## Methodological Note

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.