



**NATIONAL BANK OF SERBIA**

# **REPORT ON THE RESULTS OF THE BANK LENDING SURVEY**

**Third Quarter Report 2021**

Belgrade, November 2021



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## Introductory note

In 2014, the National Bank of Serbia (NBS) launched the bank lending survey. The purpose of this survey is to improve the analysis of developments in the credit market by gaining insight into bank representatives' perspectives of actual and expected changes in bank both loan supply and private sector loan demand.

The survey consists of ten questions relating to loans to enterprises and household loans. Respondents are asked about changes in credit standards<sup>1</sup>, factors affecting their change, changes in terms and conditions for loan approval, changes in loan demand and factors affecting loan demand.

This Report presents **the summary of results of the bank lending survey carried out from 1 to 18 October 2021**. The survey reports bank representatives' views on changes during the third quarter of 2021 and expected changes in the credit market in the fourth quarter of 2021. The survey included 22 banks, and thus provides for the representative coverage of the credit market as these banks account for over 99% of the banking sector balance sheet total.

The survey results are presented as net percentages. As regards credit supply, the net percentage is defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased considerably" and "eased somewhat". A positive value of the net percentage indicates net tightening, and negative – net easing of credit standards. As regards the factors, the net percentage is defined as the difference between the percentage of banks responding that a given factor contributed to tightening of credit standards and the percentage of banks responding that the same factor contributed to their easing. As regards demand for loans, the net percentage is defined as the difference between the sum of the percentages of banks responding that demand "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding that it "decreased considerably" and "decreased somewhat". Hence, a positive value of the net percentage indicates a net increase, and negative – a net decrease of demand.

The term "FX" in the analysis of results refers to loans granted in foreign currency or dinars, but indexed to foreign currency.

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<sup>1</sup> Credit standards are written and unwritten internal guidelines or criteria that reflect the credit policy of the bank (e.g. priorities in terms of loans categories, collateral, sector, region, etc.).

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## **CONTENTS:**

Overview.....	1
1. Corporate loans .....	1
1.1 Change in credit standards and contributing factors.....	1
1.2 Conditions and terms for approving loans to enterprises .....	2
1.3 Demand for loans to enterprises and contributing factors .....	3
2. Household loans.....	5
2.1 Change in credit standards and contributing factors.....	5
2.2 Conditions and terms for approving household loans .....	6
2.3 Household loan demand and contributing factors .....	6

## Overview

The October survey shows that in Q3 banks, overall, **tightened their corporate credit standards, predominantly for FX-indexed loans**. By contrast, **standards for dinar corporate loans were eased for the third consecutive quarter**. Slight tightening is expected in Q4 as well.

**Banks estimated that household credit standards were eased for the second quarter in a row, most notably for dinar cash loans (and refinancing loans), followed by FX-indexed housing loans**. Expectations for Q4 are the same.

**Banks assess that corporate and household loan demand went up in Q3 and expect a further rise in Q4**. Financing of capital investments (in addition to the need for liquid assets) is again turning into an increasingly important factor of corporate loan demand growth, while the purchase of real estate is the leading factor behind growth in household demand.

### 1. Loans to enterprises

#### 1.1 Change in credit standards and contributing factors

Table 1 Bank assessments regarding supply and demand for selected loan categories

	Supply (credit standards)		Demand	
	Q3 2021	Q4 2021 (expectations)	Q3 2021	Q4 2021 (expectations)
Corporate sector	↑	↗	↑	↑
SMEs	↗	↗	↑	↑
Large enterprises	↑	↗	↑	↑
Farmers	↗	↗	↑	↗
Household sector	↓	↓	↑	↑
Cash (dinar)	↓	↓	↑	↑
Refinancing (dinar)	↓	↓	↑	↑
Housing (FX)	↓	↓	↑	↑
Consumer (FX)	↗	-	-	-

Legend:

- ↑ Increase in demand (net percentage above 5%)
- ↑ Tightening of credit standards (net percentage above 5%)
- ↗ Increase in demand / tightening of credit standards (net percentage up to 5%)
- Without change
- ↘ Decrease in demand / easing of credit standards (net percentage up to 5%)
- ↓ Decrease in demand (net percentage above 5%)
- ↓ Easing of credit standards (net percentage above 5%)

Survey results show that banks, in accordance with expectations from the July survey, tightened their corporate credit standards in Q3. The tightening

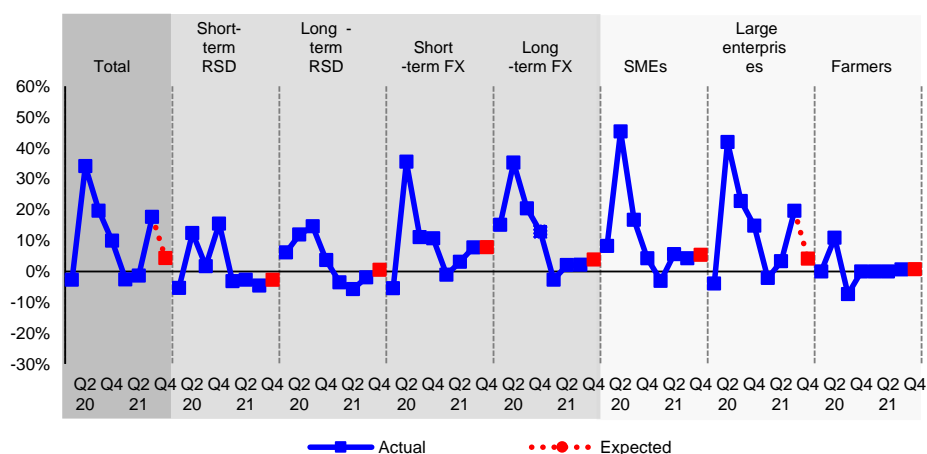
pertained to FX-indexed loans granted primarily to large companies. On the other hand, standards for dinar corporate loans were slightly eased in Q3, for the third consecutive quarter, partly as a result of loans granted on favourable terms under guarantee schemes.

Banks expect that credit standards for corporates will be slightly tightened in Q4, for FX-indexed loans.

## 1.2 Conditions and terms for approving loans to enterprises

According to bankers, uncertainty over the pandemic's duration caused a moderate tightening of credit terms for corporates in Q3. The same is expected in Q4. Tightening mostly concerned price conditions (interest margins and accompanying loan charges), while requirements regarding collateral and

**Change in credit standards as applied to the approval of loans or credit lines to enterprises**  
(net percentage)

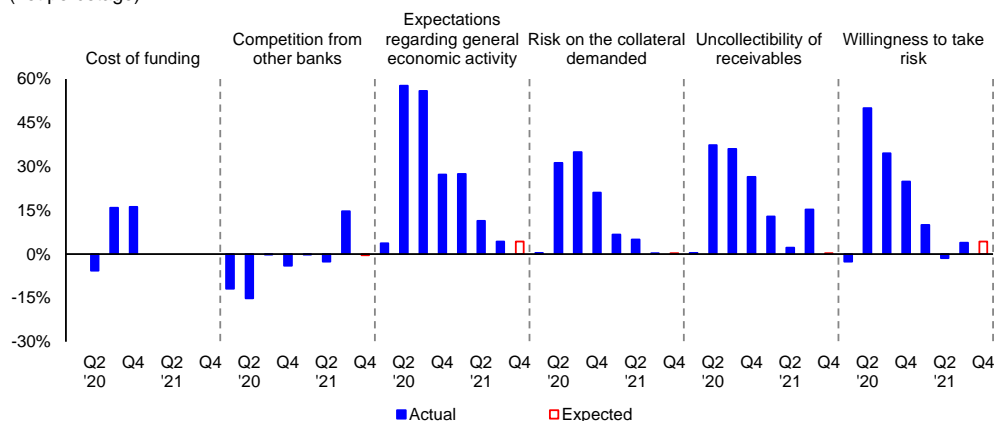


Source: NBS.

\* Positive value indicates tightening of credit standards and negative - easing.

\*\* The intensity of change is not shown in charts.

**Factors affecting credit standards as applied to the approval of loans or credit lines to enterprises**  
(net percentage)



Source: NBS.

\* Positive value indicates the contribution of individual factors to the tightening of credit standards and negative - to the easing.

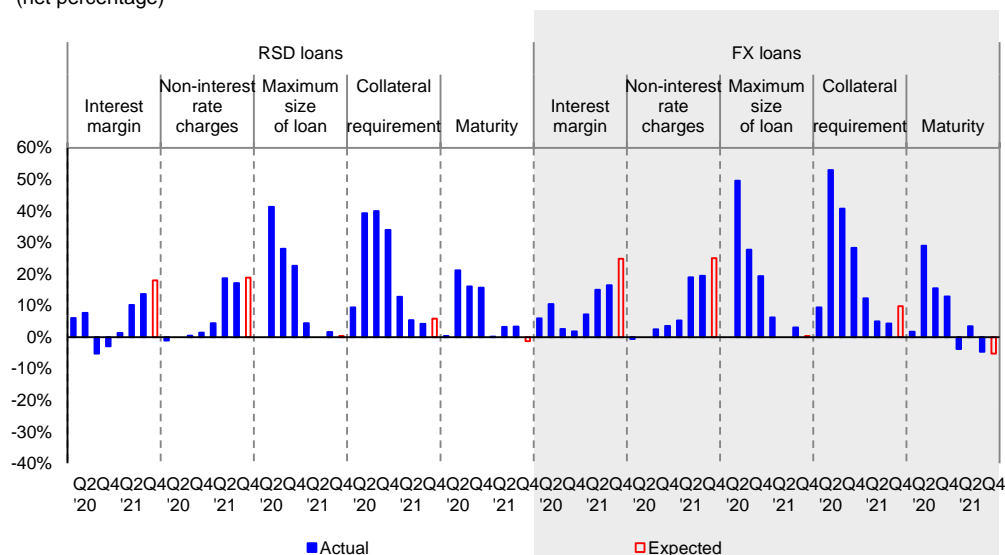
\*\* The intensity of change is not shown in charts.

the maximum loan amount were tightened only slightly. On the other hand, the maximum loan maturity condition was eased.

### 1.3 Demand for loans to enterprises and contributing factors

According to the survey, bankers assessed that corporate loan demand increased in Q3 (NP above 40%) and is expected to rise further in Q4. Corporates demanded more long-term than short-term loans and more dinar than FX-indexed loans. Corporate loan demand growth in Q3 was almost

**Change in conditions and terms for approving loans or credit lines to enterprises**  
(net percentage)

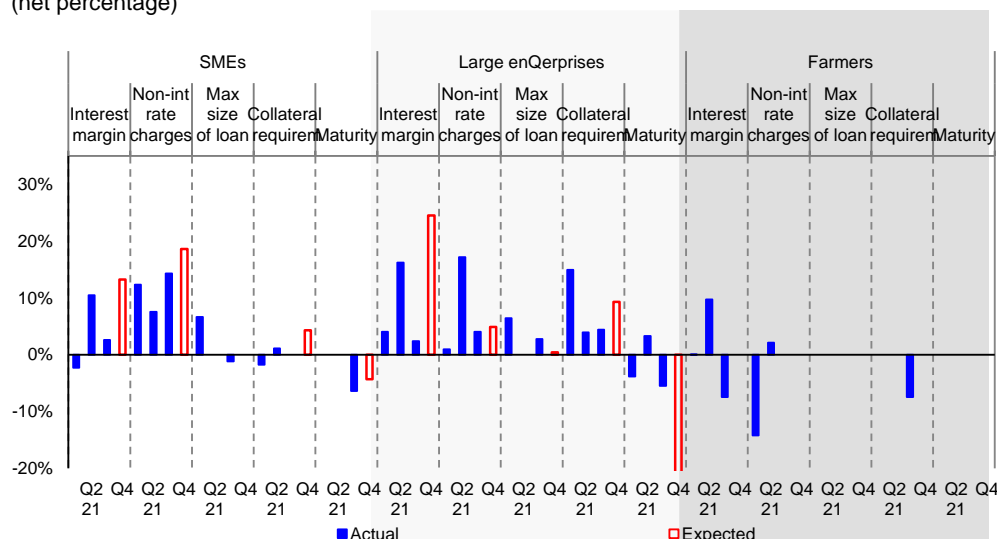


Source: NBS.

\* Positive value indicates tightening of conditions and negative - easing.

\*\* The intensity of change is not shown in charts.

**Change in conditions and terms for approving loans or credit lines to enterprises**  
(net percentage)



Source: NBS.

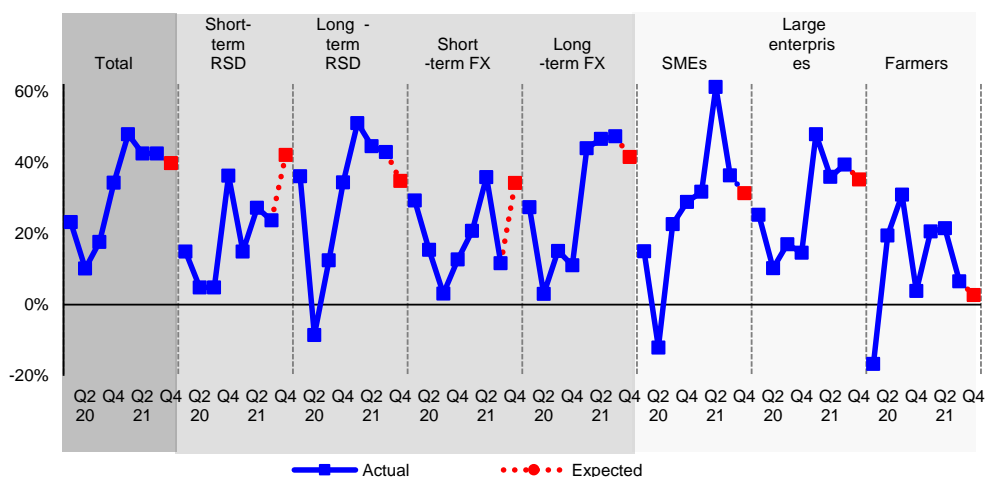
\* Positive value indicates tightening of credit standards and negative - easing.

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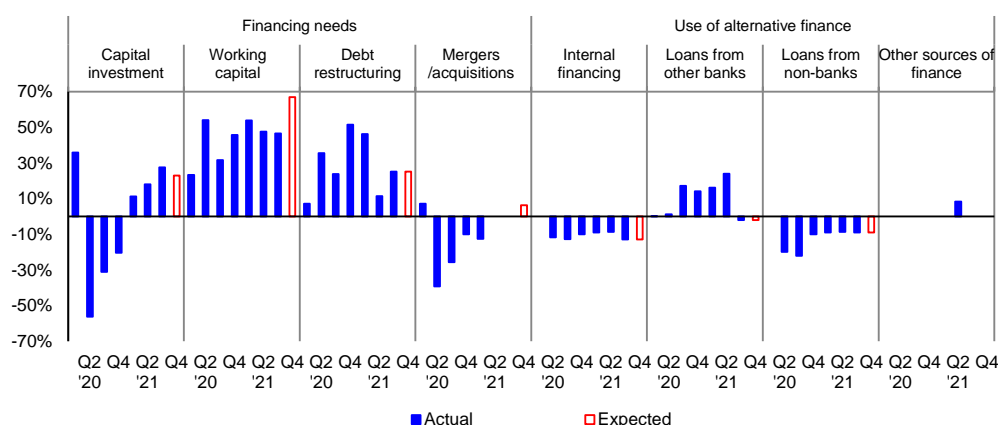
equally distributed between small, medium-sized and large enterprises.

According to banks, the need for financing working capital and capital investments were the dominant factors pushing the demand up, while accumulated company assets (owing to government support measures) and loans of non-bank institutions worked in the opposite direction.

#### Change in demand for loans or credit lines to enterprises (net percentage)



#### Factors affecting the demand for loans or credit lines to enterprises



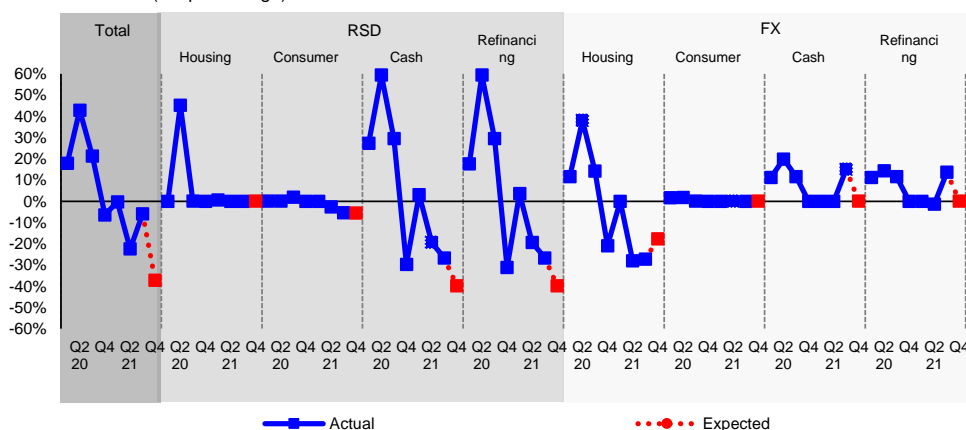


## 2. Household loans

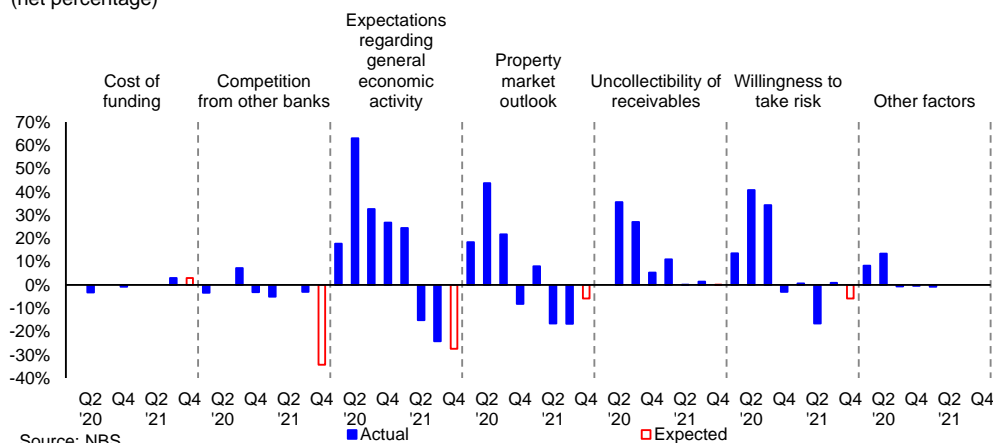
### 2.1 Change in credit standards and contributing factors

Survey results indicate that household credit standards were eased in Q3, for the second consecutive quarter, also in consistence with expectations from the July survey. According to bankers, this relaxation was supported primarily by a positive real estate market outlook and the recovered labour market. Relaxation primarily concerned the dominant loan categories – dinar cash loans (and refinancing loans) and FX-indexed housing loans. Further relaxation of standards is expected in Q4 as well. According to banks, this will be driven also by greater competition.

**Change in credit standards as applied to the approval of loans or credit lines to households** (net percentage)



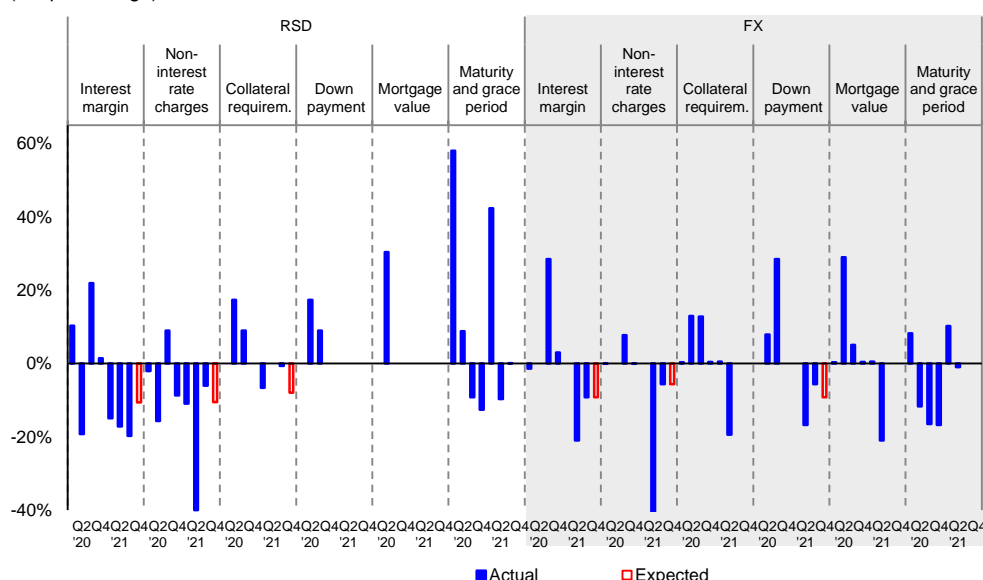
**Factors affecting credit standards as applied to the approval of loans or credit lines to households** (net percentage)



## 2.2 Conditions and terms for approving household loans

Banks estimated that in Q3 household loans were granted at eased or unchanged conditions relative to the previous quarter. Similar trends are expected to continue in Q4. According to banks, interest margin and accompanying loan charges were lowered both for dinar and FX-indexed loans. Furthermore, standards with regard to required collateral and downpayment were also eased for FX-indexed loans.

**Change in conditions and terms for approving loans or credit lines to households**  
(net percentage)



Source: NBS.

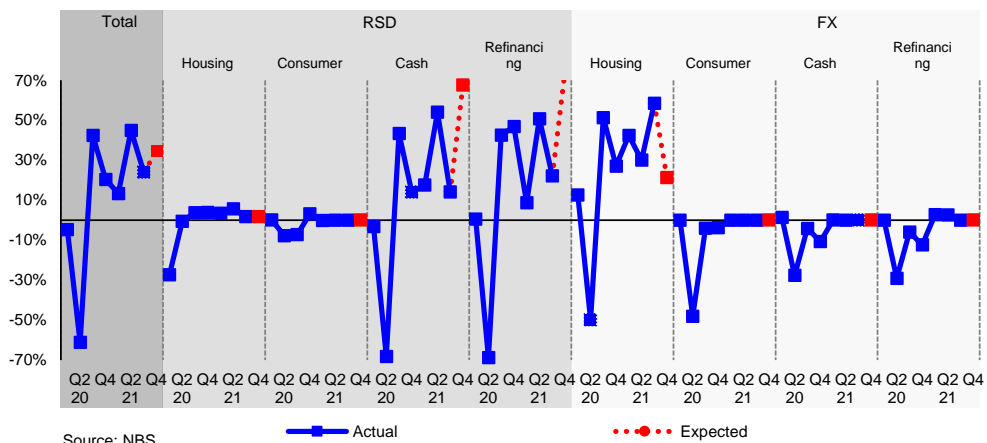
\* Positive value indicates tightening of conditions and negative - easing.

\*\* The intensity of change is not shown in charts.

## 2.3 Household loan demand and contributing factors

Banks estimate that household loan demand went up in Q3 (NP: 24%) and expect a further rise in demand in Q4. Households opted most for FX-indexed housing loans and dinar cash loans. This is consistent with banks' estimate that the need for buying real estate and refinancing were the driving factors of loan demand growth.

### Change in demand for loans or credit lines to households (net percentage)



### Factors affecting the demand for loans or credit lines to households (net percentage)

