Credit Conditions Survey

Survey results | 2007 Q3

BANK OF ENGLAND

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Credit Conditions Survey

2007 Q3

As part of its mission to maintain monetary stability and financial stability, the Bank needs to understand trends and developments in credit conditions. This survey of bank and non-bank lenders is an input to this work. Lenders are asked about the past three months and the coming three months. The survey covers secured and unsecured lending to households and small businesses; and lending to non-financial corporations, and to non-bank financial firms.

This report presents the results of the Q2 and the Q3 surveys. The Q2 survey was conducted between 21 May and 14 June. The Q3 survey was conducted between 20 August and 13 September.

Additional background information on the survey can be found in the 2007 Q3 Quarterly Bulletin article 'The Bank of England Credit Conditions Survey'.

This report, covering the results of the 2007 Q2 and Q3 surveys, and copies of the questionnaires are available on the Bank's website at
www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.

The publication dates for the next four Credit Conditions Surveys are:

2007 Q4 survey on 3 January 2008.
2008 Q1 survey on 3 April 2008.
2008 Q2 survey on 3 July 2008.
2008 Q3 survey on 2 October 2008.

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Supply

- Lenders reported that the availability of secured credit to households was unchanged over the three months to mid-September. And despite recent turbulence in financial markets, they expected the availability of secured credit to remain largely unchanged over the next three months.

- Lenders reported that they had reduced slightly the availability of unsecured credit to households over the past three months. They expected the availability of unsecured credit to remain broadly unchanged over the next three months.

- Lenders reported that they had reduced corporate credit availability over the past three months. They expected recent market developments to reduce significantly their capacity to extend corporate credit over the next three months.

Demand

- Household demand for secured lending rose slightly over the past three months, associated with stronger demand for buy-to-let lending. The demand for unsecured lending was unchanged.

- Lenders reported that demand for lending by private non-financial corporations fell over the past three months, associated in part with weaker demand from the commercial real estate sector.

Terms and conditions

- Having reported easing conditions in the Q2 survey, lenders reported that they had tightened price terms on loans to corporates over the past three months. They expected, on balance, a further significant tightening of price and non-price terms on loans to the corporate sector over the next quarter.

Default rates

- Lenders reported that the level of defaults on secured loans to households over the past three months was lower than had been anticipated in the Q2 survey. However, they expected defaults to rise modestly.

- Default rates on corporate loans were little changed over the past three months. Over the next three months, lenders expected defaults by medium-sized corporates to rise, although defaults by large corporates were expected to remain broadly unchanged.

This report presents the results of the Q2 and the Q3 surveys. The Q2 survey was conducted between 21 May and 14 June. The Q3 survey was conducted between 20 August and 13 September. To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100.

This report, and copies of the questionnaires are available on the Bank's website at www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.

Credit Conditions Survey

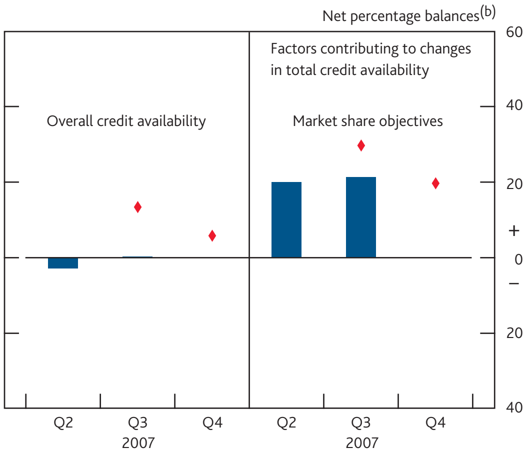
Lenders reported that the availability of secured credit to households was unchanged in the three months to mid-September. Despite recent financial market turbulence, lenders expected the availability of secured credit to households to remain largely unchanged over the next three months. By contrast, lenders reported tighter terms on corporate lending over the past three months, and expected a further significant tightening over the next quarter. Household demand for secured lending reportedly rose slightly, while household demand for unsecured lending was broadly unchanged. The level of defaults on secured loans to households fell over the past three months, while corporate default rates were broadly unchanged.

The Q3 Credit Conditions Survey was conducted between 20 August and 13 September. The survey included some additional questions about the impact of factors associated with recent developments in financial markets on lenders' capacity to extend new credit. The questions and the aggregate responses are provided in the annexes.

Secured lending to households and small businesses

In the Q2 survey, lenders had expected to increase the amount of secured credit they were prepared to make available to households. In fact, lenders reported that secured credit availability was unchanged over the three months to mid-September. And the results of the Q3 survey showed that, on balance, lenders expected the amount of secured credit they were prepared to make available to remain largely unchanged (**Chart 1**). On balance, lenders reported that the recent financial market turbulence,(1) as well as expected changes in the cost and availability of funds, would point to lower credit supply. They also expected lower use of securitisations over the next three months. But in contrast they also reported a desire to increase market share in secured lending (**Chart 1**).

Chart 1 Household secured credit availability(a)

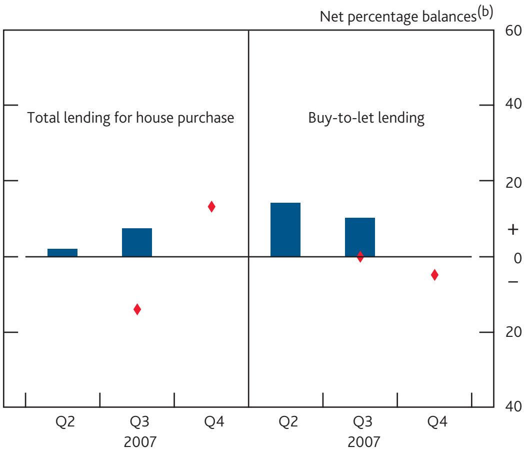


(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. The red diamonds show the expectations over the next three months. Expectations balances have been moved forward one quarter so that they can be compared with the actual outturns in the following quarter.
(b) A positive balance indicates that more credit is available, or that the change in the factors described have served to increase credit availability.

The outlook for credit supply may be related to the performance of the loans on lenders' balance sheets. In the Q2 survey, lenders had expected the level of defaults by households on secured loans to rise. But in contrast to these expectations, household defaults on secured loans fell over the past three months. The losses lenders faced on each loan in default were also, on balance, lower than expected. In the Q3 survey, respondents expected defaults to rise modestly over the next three months, although they expected loss given default rates to remain broadly unchanged.

(1) For a further discussion of recent developments in financial markets, see the 'Markets and operations' article in the 2007 Q3 *Quarterly Bulletin*.

Chart 2 Demand for secured lending by households[a]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates an increase in demand.

In the Q2 survey, respondents had expected demand for secured lending for house purchase to fall. But in the event they reported a small rise over the past three months (**Chart 2**). This was associated mainly with a further pickup in demand for buy-to-let lending, which was stronger than had been expected in the Q2 survey. Over the next three months, respondents expected overall demand for secured lending for house purchase to rise. Within this, they expected demand for prime lending (lending to mainstream customers, for example, those without adverse credit ratings) to rise, but demand for buy-to-let and other lending (eg sub-prime and self-certified lending) to fall.

The Q3 results showed that demand for remortgaging was broadly unchanged over the past three months, but that demand for other lending secured on dwellings (housing equity withdrawal) fell. Over the next three months, lenders expected demand for remortgaging to rise, but demand for housing equity withdrawal to fall slightly further. Demand for secured lending from small businesses rose over the past three months, broadly in line with lenders' expectations in the Q2 survey.

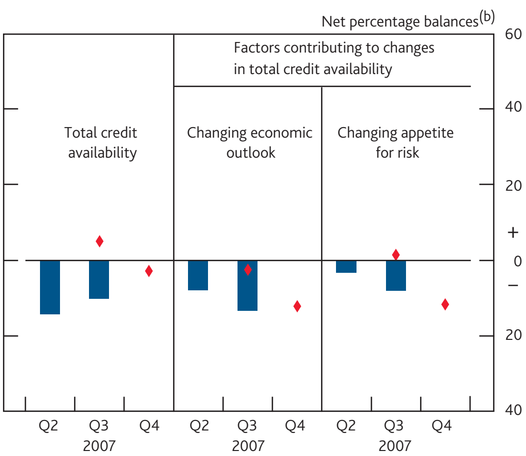
In the Q2 survey, lenders had reported that spreads on secured lending had narrowed, especially for prime and buy-to-let products. But they expected some of this to unwind over the three months to September. In the event, lenders reported that spreads on secured lending, and in particular on loans to prime borrowers, had widened over the past three months. The fees lenders charged on their secured loans (eg mortgage arrangement fees) and non-price terms (maximum loan to value and loan to income ratios) were broadly unchanged. On balance, lenders expected both price and non-price terms on secured lending to remain broadly unchanged over the next three months.

Unsecured lending to households and small businesses

In the Q2 survey, lenders had expected the amount of unsecured credit they made available to households to remain broadly unchanged. And despite showing little change in the criteria which they used to assess unsecured credit applications, the results of the Q3 survey suggested that unsecured credit availability had fallen slightly over the past three months. A modest net balance of lenders reported that changes in the economic outlook and a reduced appetite for risk had contributed to lower overall credit availability (**Chart 3**). On balance, it was reported that recent developments in financial markets had so far had little impact on lenders' capacity to extend unsecured credit to households.

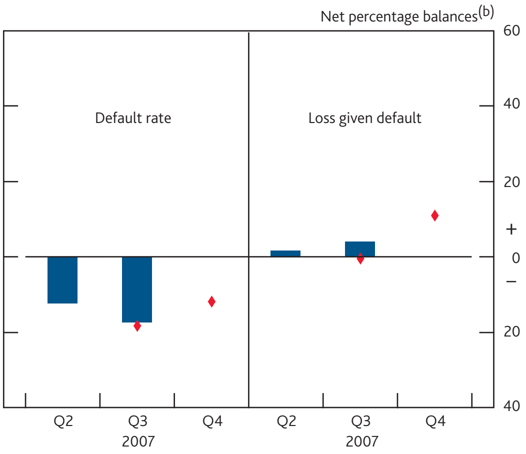
Lenders expected changes in the economic outlook and a reduced appetite for risk to lower unsecured credit availability slightly further over the next three months. Respondents also expected to tighten the criteria they use to assess both credit card and non-credit card applications in the future.

Chart 3 Total unsecured credit availability[a]



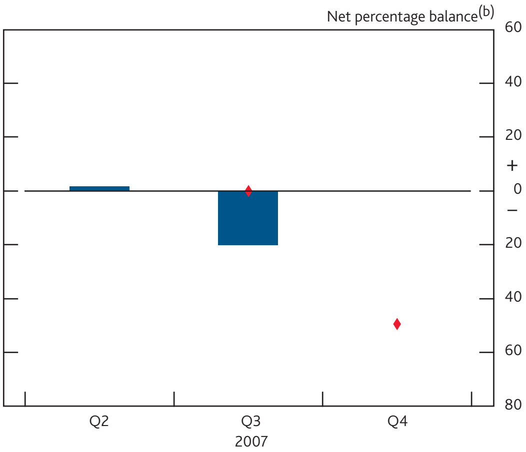
(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates that more credit is available, or that the change in the factors described have served to increase credit availability.

Chart 4 Default rates and loss given default rates on unsecured lending to households[(a)]



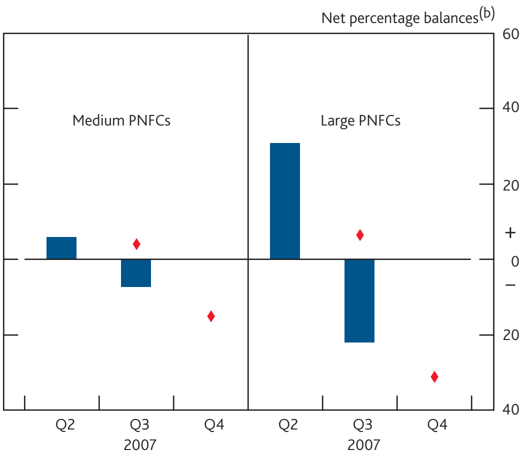
(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates higher default and loss given default rates.

Chart 5 Overall corporate credit availability[(a)]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates more credit is available.

Chart 6 Demand for lending by PNFCs[(a)]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates an increase in demand.

Nonetheless, they expected the overall amount of unsecured credit they provide to remain little changed.

Lenders reported that defaults on unsecured lending to households were lower than in the previous three months, and in line with expectations in the Q2 survey (**Chart 4**). Looking ahead, default rates were expected to fall a little further. The losses lenders faced on loans in default were broadly unchanged over the past three months, although they expected them to rise slightly over the next three months.

Demand for unsecured lending (from both households and small businesses) was unchanged over the past three months.

On balance, lenders reported narrower spreads on unsecured lending over the past three months, although they expected little change in the future. Respondents reported higher credit card limits over the past three months, although they expected little further change over the next three months. Other non-price terms were broadly unchanged.

Lending to corporates

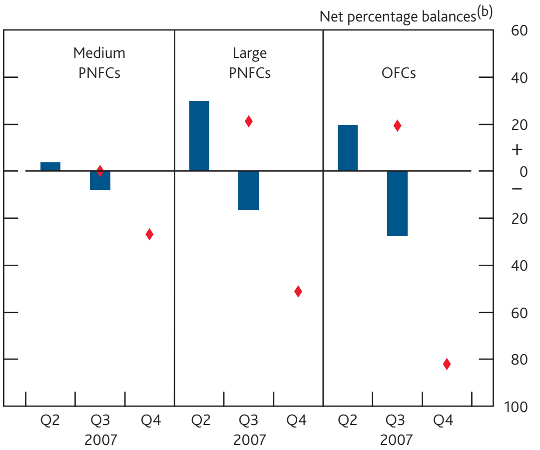
In the Q3 survey, lenders reported that they had reduced the amount of credit they made available to the corporate sector over the past three months (**Chart 5**). They reported that this was, in part, due to factors associated with the recent turbulence in financial markets. Lenders expected corporate credit availability to fall further, associated with recent market developments, expected changes in economic conditions and in the cost and availability of funds over the next three months. They also expected lower use of securitisations over the next three months.

Lenders reported that corporate defaults were broadly unchanged over the past three months. Respondents expected defaults by medium-sized private non-financial corporations (PNFCs) to rise over the next three months, while defaults by large PNFCs were expected to remain broadly unchanged.

In the Q2 survey, it was expected that demand for lending by PNFCs would remain stable. But the results of the Q3 survey suggest that demand fell (**Chart 6**). Demand for lending for balance sheet restructuring, and from the commercial real estate (CRE) sector were reported to be significantly weaker than expected in the Q2 survey. Demand for lending from other financial corporations (OFCs) was reportedly little changed over the past three months.

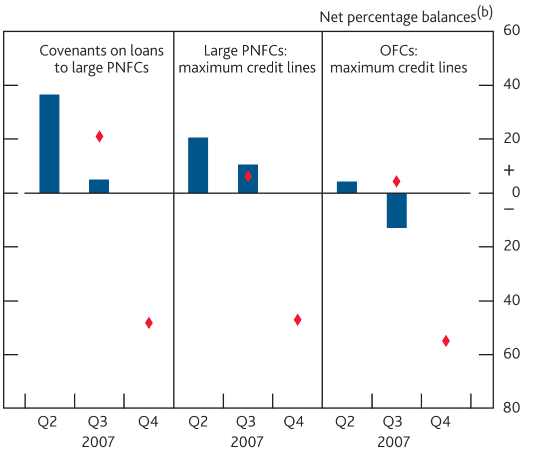
Lenders expected demand for corporate lending as a whole to fall further, associated with weaker demand for merger and acquisition activity, balance sheet restructuring and capital investment. On balance, respondents also expected demand for lending by the CRE sector to fall further. Lenders expected demand from OFCs to remain unchanged.

Chart 7 Spreads over Libor on lending to corporates[a]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates that spreads have become narrower, such that it is cheaper for corporates to borrow.

Chart 8 Selected non-price terms on lending to large PNFCs and OFCs[a]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates easier credit conditions.

In the Q2 survey, lenders reported that the terms faced by both larger PNFCs and OFCs had eased: spreads narrowed, fees fell, and non-price terms such as collateral requirements and loan covenants loosened. At the time, they expected many of these price and non-price terms to loosen further. But although the results of the Q3 survey suggested that non-price terms facing the corporate sector as a whole were broadly unchanged over the past three months, lenders widened their spreads (**Chart 7**) and raised the fees/commissions they charged on corporate loans.

Over the next three months, a large net balance of respondents expected a further tightening in both price and non-price terms on corporate lending, especially for large PNFCs and OFCs. Lenders expected to impose stricter covenants, raise collateral requirements and reduce maximum credit lines over the next three months (**Chart 8**).

Annex 1
Secured lending to households and small businesses questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100. This annex reports these net percentage balances for each question in the secured lending questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances[a]	
		June 2007	Sept. 2007
How has the availability of secured credit provided to households changed?	Past three months	-2.9	0.1
	Next three months	13.4	5.8
Factors contributing to changes in credit availability:[b]			
changing economic outlook	Past three months	-7.2	-9.6
	Next three months	2.1	-3.3
market share objectives	Past three months	20.0	21.3
	Next three months	29.6	19.7
changing appetite for risk	Past three months	1.8	-1.5
	Next three months	13.4	14.3
changing cost/availability of funds	Past three months	-9.3	10.0
	Next three months	13.3	-15.1
How have credit scoring criteria for granting loan applications by households changed?	Past three months	-2.4	-5.7
	Next three months	19.5	3.1
How has the proportion of household loan applications being approved changed?	Past three months	-5.3	-2.7
	Next three months	9.5	5.6
Has there been any change in the use of securitisations associated with secured lending to households?	Past three months	13.3	-9.1
	Next three months	4.1	-20.5
Has there been any change in 'target hold' levels associated with secured lending to households?[a]	Past three months	-6.6	2.6
	Next three months	13.3	5.9
How has the default rate on secured loans to households changed?	Past three months	3.5	-17.5
	Next three months	16.1	13.8
How has loss given default on secured loans to households changed?	Past three months	20.7	-3.9
	Next three months	13.2	4.1
How has demand for secured lending for house purchase from households changed?	Past three months	2.1	7.5
	Next three months	-14.0	13.2
of which: demand for prime lending	Past three months	-3.3	-3.8
	Next three months	-14.0	15.8
of which: demand for buy-to-let lending	Past three months	14.1	10.2
	Next three months	-0.1	-4.9
of which: demand for other lending	Past three months	n.a.*	4.8
	Next three months	n.a.*	-30.4

		Net percentage balances[(a)] June 2007	Sept. 2007
How has demand for secured lending for remortgaging from households changed?	Past three months	22.0	4.3
	Next three months	17.1	24.3
How has demand for other lending secured on dwellings from households changed?	Past three months	2.0	-17.6
	Next three months	2.3	-16.2
How has demand for secured lending from small businesses changed?	Past three months	39.1	47.8
	Next three months	55.5	47.8
How have overall secured lending spreads changed?[(a)]	Past three months	38.5	-17.6
	Next three months	-18.7	4.3
of which: spreads on prime lending[(a)]	Past three months	42.1	-17.0
	Next three months	-18.7	5.0
of which: spreads on buy-to-let lending[(a)]	Past three months	20.8	3.1
	Next three months	-4.9	-5.8
of which: spreads on other lending[(a)]	Past three months	-1.1	4.4
	Next three months	-3.4	-4.5
How have fees on secured lending changed?[(a)]	Past three months	5.9	3.4
	Next three months	-2.5	-6.1
How have maximum loan to value ratios changed?	Past three months	-4.0	2.8
	Next three months	1.3	2.6
How have maximum loan to income ratios changed?	Past three months	-4.4	-1.4
	Next three months	-4.4	3.1

Additional question

How have the following possible factors affected capacity to, or the terms on which NEW secured credit is extended to the household sector?[(b)]

	Since mid-July	Next three months
The need to finance asset-backed securities or other securities that are currently harder to finance by repo:	-6.8	-45.7
An unexpected need to hold more corporate debt on balance sheet:	-9.8	-28.6
The possible need to fund draw-downs on commitments extended to conduit vehicles or non-financial corporates:	-10.2	-44.8
Reduced ability to transfer credit risk off balance sheet and a resulting increase in capital requirements:	0.0	-18.2
Reduced ability to securitise residential mortgage lending, and a resulting need to arrange alternative sources of funding:	-14.2	-43.4

* Data are unpublished for this question as too few responses were received.

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.
(b) A positive balance indicates that the changes in the factors described have served to increase credit availability.

Annex 2
Unsecured lending to households and small businesses questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100. This annex reports the net percentage balance of respondents for each question in the unsecured lending questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances[a]	
		June 2007	Sept. 2007
How has the availability of unsecured credit provided to households changed?	Past three months	-14.3	-10.2
	Next three months	4.9	-2.9
Factors contributing to changes in credit availability:[b]			
changing economic outlook	Past three months	-8.0	-13.4
	Next three months	-2.6	-12.2
market share objectives	Past three months	6.5	-0.8
	Next three months	13.6	-3.6
changing appetite for risk	Past three months	-3.4	-8.0
	Next three months	1.4	-11.7
changing cost/availability of funds	Past three months	17.4	1.0
	Next three months	18.8	0.0
How have credit scoring criteria for granting credit card loan applications by households changed?	Past three months	-15.0	-7.8
	Next three months	-1.0	-13.7
How have credit scoring criteria for granting other unsecured loan applications by households changed?	Past three months	-12.0	19.9
	Next three months	-5.6	-24.2
How have credit scoring criteria for granting total unsecured loan applications by households changed?	Past three months	-14.2	-0.8
	Next three months	-2.2	-16.3
How has the proportion of credit card loan applications from households being approved changed?	Past three months	33.2	15.1
	Next three months	6.1	-2.5
How has the proportion of other unsecured loan applications from households being approved changed?	Past three months	6.1	14.8
	Next three months	2.6	-18.1
How has the proportion of total unsecured loan applications from households being approved changed?	Past three months	25.9	15.0
	Next three months	5.2	-6.4
How has the default rate on credit card loans to households changed?	Past three months	-14.6	-20.8
	Next three months	-17.3	-13.3
How has the default rate on other unsecured loans to households changed?	Past three months	-6.0	-6.5
	Next three months	-20.8	-7.5
How has the default rate on total unsecured loans to households changed?	Past three months	-12.3	-17.2
	Next three months	-18.2	-11.8

		Net percentage balances[a]	
		June 2007	Sept. 2007
How has loss given default on credit card loans to households changed?	Past three months	-2.9	5.9
	Next three months	-3.7	12.8
How has loss given default on other unsecured loans to households changed?	Past three months	13.9	-1.4
	Next three months	8.8	5.8
How has loss given default on total unsecured loans to households changed?	Past three months	1.6	4.1
	Next three months	-0.3	11.0
How has demand for credit card lending from households changed?	Past three months	1.2	-2.2
	Next three months	5.2	3.2
How has demand for other unsecured lending from households changed?	Past three months	-20.4	-4.9
	Next three months	1.3	-4.5
How has demand for total unsecured lending from households changed?	Past three months	-4.6	-2.9
	Next three months	4.2	1.2
How has demand for credit card lending from small businesses changed?	Past three months	14.7	-4.9
	Next three months	0.9	-2.4
How has demand for other unsecured lending from small businesses changed?	Past three months	2.6	-11.4
	Next three months	2.6	-9.2
How has demand for total unsecured lending from small businesses changed?	Past three months	11.8	-6.7
	Next three months	1.3	-4.2
How have spreads on credit cards changed?[a]	Past three months	6.6	16.2
	Next three months	5.7	0.4
How have spreads on other unsecured lending products changed?[a]	Past three months	-6.9	6.7
	Next three months	-2.9	-16.0
How have overall unsecured lending spreads changed?[a]	Past three months	3.0	13.8
	Next three months	3.4	-3.7
How have credit card limits changed?	Past three months	-10.4	25.1
	Next three months	12.7	-2.7
How has the minimum proportion of credit card balances to be paid changed?[a]	Past three months	-4.6	-2.9
	Next three months	11.0	8.5
How have maximum maturities on loans changed?	Past three months	-2.5	0.0
	Next three months	0.0	-0.9

Additional question

How have the following possible factors affected capacity to, or the terms on which NEW unsecured credit is extended to the household sector?[b]

	Since mid-July	Next three months
The need to finance asset-backed securities or other securities that are currently harder to finance by repo:	0.0	0.0
An unexpected need to hold more corporate debt on balance sheet:	0.0	0.0
The possible need to fund draw-downs on commitments extended to conduit vehicles or non-financial corporates:	0.0	0.0
Reduced ability to transfer credit risk off balance sheet and a resulting increase in capital requirements:	0.0	-3.9

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.
(b) A positive balance indicates that the changes in the factors described have served to increase credit availability.

Annex 3
Corporate lending questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed ‘a lot’ are assigned twice the score of those who report that conditions have changed ‘a little’. These scores are then weighted by lenders’ market shares. The results are analysed by calculating ‘net percentage balances’ — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100. This annex reports the net percentage balance of respondents for each question in the corporate lending questionnaire, including specific questions for private non-financial corporations (PNFCs) and other financial corporations (OFCs).

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances[a]	
		June 2007	Sept. 2007
How has the availability of credit provided to the corporate sector overall changed?	Past three months	1.8	-20.2
	Next three months	0.0	-49.3
of which: commercial real estate sector	Past three months	0.8	-14.7
	Next three months	-3.2	-29.8
Factors contributing to changes in credit availability:[b]			
changing economic outlook	Past three months	-4.5	-11.2
	Next three months	-16.2	-48.4
changing sector-specific risks	Past three months	-29.5	-25.7
	Next three months	-15.5	-37.3
market share objectives	Past three months	21.0	0.0
	Next three months	4.1	0.0
market pressures from capital markets	Past three months	25.1	-31.6
	Next three months	0.2	-50.1
changing appetite for risk	Past three months	1.1	-17.5
	Next three months	-12.3	-27.7
changing cost/availability of funds	Past three months	-25.1	-33.7
	Next three months	-10.8	-42.2
How has the proportion of loan applications from medium PNFCs being approved changed?	Past three months	-20.9	-21.6
	Next three months	-10.2	-26.4
How has the proportion of loan applications from large PNFCs being approved changed?	Past three months	3.4	-16.0
	Next three months	-2.0	-20.7
Has there been any change in the use of cash securitisations associated with corporate lending?	Past three months	7.7	-1.5
	Next three months	21.3	-68.8
Has there been any change in the use of derivatives/synthetic securitisations associated with corporate lending?	Past three months	3.9	1.0
	Next three months	15.9	-40.1
Has there been any change in ‘target hold’ levels associated with corporate lending?[a]	Past three months	37.3	18.5
	Next three months	18.8	3.8
How have loan tenors on new corporate loans changed?	Past three months	-0.7	-5.5
	Next three months	-9.1	13.3

		Net percentage balances[a]	
		June 2007	Sept. 2007
How has the default rate on loans to medium PNFCs changed?	Past three months	12.4	1.3
	Next three months	21.0	21.0
How has the default rate on loans to large PNFCs changed?	Past three months	-3.9	0.0
	Next three months	19.2	2.0
How has loss given default on loans to medium PNFCs changed?	Past three months	1.5	0.0
	Next three months	1.5	5.1
How has loss given default on loans to large PNFCs changed?	Past three months	0.0	0.0
	Next three months	0.0	1.2
How has demand for lending from medium PNFCs changed?	Past three months	6.0	-7.3
	Next three months	4.1	-15.0
How has demand for lending from large PNFCs changed?	Past three months	30.9	-21.9
	Next three months	6.4	-31.0
How has demand from institutional investors/pension funds changed?	Past three months	0.0	-4.5
	Next three months	0.0	5.4
How has demand from securities dealers changed?	Past three months	n.a.*	n.a.*
	Next three months	n.a.*	n.a.*
How has demand from hedge funds changed?	Past three months	-1.0	n.a.*
	Next three months	-1.0	n.a.*
How has demand from structured finance vehicles changed?	Past three months	6.7	-4.9
	Next three months	6.2	-1.7
How has demand from other OFCs changed?	Past three months	0.0	-1.7
	Next three months	0.0	3.9
What have been the main factors contributing to changes in demand for lending:[b]			
mergers and acquisitions	Past three months	45.3	15.5
	Next three months	27.3	-66.8
capital investment	Past three months	-1.9	-12.6
	Next three months	-4.2	-27.5
inventory finance	Past three months	-11.2	-20.0
	Next three months	-15.9	-21.5
balance sheet restructuring	Past three months	4.7	-40.3
	Next three months	1.9	-48.8
commercial real estate	Past three months	21.5	-31.1
	Next three months	-4.5	-46.5
How have spreads on loans to medium PNFCs changed?[a]	Past three months	3.6	-7.8
	Next three months	0.0	-26.8
How have fees/commissions on loans to medium PNFCs changed?[a]	Past three months	0.7	-4.7
	Next three months	0.0	-21.1
How have collateral requirements for loans to medium PNFCs changed?[a]	Past three months	-7.5	0.0
	Next three months	0.0	-10.0

		Net percentage balances[a]	
		June 2007	Sept. 2007
How have maximum credit lines for medium PNFCs changed?	Past three months	3.6	0.0
	Next three months	3.1	-24.5
How have loan covenants for medium PNFCs changed?[a]	Past three months	14.8	-1.1
	Next three months	-1.3	-29.3
How have spreads on loans to large PNFCs changed?[a]	Past three months	29.8	-16.4
	Next three months	21.2	-51.2
How have fees/commissions on loans to large PNFCs changed?[a]	Past three months	26.1	-7.1
	Next three months	20.4	-35.5
How have collateral requirements for loans to large PNFCs changed?[a]	Past three months	22.8	13.1
	Next three months	0.0	-6.5
How have maximum credit lines for large PNFCs changed?	Past three months	20.6	10.5
	Next three months	6.3	-47.0
How have loan covenants for large PNFCs changed?[a]	Past three months	36.4	4.9
	Next three months	20.9	-48.2
How have spreads on loans to OFCs changed?[a]	Past three months	19.7	-27.8
	Next three months	19.5	-82.2
How have fees/commissions on loans to OFCs changed?[a]	Past three months	18.4	-11.8
	Next three months	18.4	-42.4
How have collateral requirements for loans to OFCs changed?[a]	Past three months	10.9	-1.4
	Next three months	0.0	-45.1
How have maximum credit lines for OFCs changed?	Past three months	4.4	-13.1
	Next three months	4.4	-54.8

Additional question

How have the following possible factors affected capacity to, or the terms on which NEW credit is extended to the corporate sector in aggregate?[b]

	Since mid-July	Next three months
Reduced ability to distribute corporate debt or equity, and a resulting need to hold greater volumes of 'pipeline' leveraged buyouts or other transactions, including bridge loans, on balance sheet:	-67.2	-68.1
Reduced ability to securitise mortgage lending, and a resulting need to hold greater volumes of mortgages on balance sheet:	-47.1	-53.1
The possible need to fund draw-downs on commitments extended to asset-backed commercial paper programmes/ structured investment vehicles:	-39.0	-40.2
The possible need to fund draw-downs on commitments extended to non-financial corporations:	-34.2	-34.2
The need to finance asset-backed securities or other securities that are currently harder to finance by repo:	-52.8	-52.8
Reduced ability to transfer credit risk off balance sheet and a resulting increase in capital requirements:	-48.2	-54.3

* Data are unpublished for this question as too few responses were received.

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.
(b) A positive balance indicates that the changes in the factors described have served to increase credit availability/demand.

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