

Credit Conditions Survey

Survey results | 2008 Q2



BANK OF ENGLAND





BANK OF ENGLAND

Credit Conditions Survey

2008 Q2

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 2008 Q2 survey. The 2008 Q2 survey was conducted between 27 May and 18 June.

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 2008 Q2 survey, 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 in 2008 for future Credit Conditions Surveys are:

2008 Q3 survey on 2 October 2008.



BANK OF ENGLAND

Credit Conditions Survey

2008 Q2

Supply

- Lenders reported that they had reduced the [availability of secured credit to households](#) in the three months to mid-June. Lenders' expectations for house prices were reported to have been a factor contributing to this tightening. They expected a further decline in secured credit availability over the next three months.
- [Unsecured credit availability to households](#) was reported to have been reduced and lenders anticipated a further similar decrease in unsecured credit availability.
- Lenders reported that [corporate credit availability](#) had been tightened over the past three months, in line with their expectations in the Q1 survey. A further reduction in corporate credit availability was anticipated over the next three months.

Demand

- Demand for [secured lending for house purchase](#) was reported to have declined by more over the past three months than lenders had anticipated in Q1. Lenders expected that demand for secured lending for house purchase would fall further.
- Demand for credit by [private non-financial corporations](#) had fallen over the past three months. However, private non-financial corporations were reported to have been drawing down more on their pre-existing committed lines of credit.

Terms and conditions

- Overall spreads on [secured lending to households](#) were reported to have increased over the past three months, in line with lenders' expectations in the Q1 survey. Over the next three months, lenders anticipated that spreads would remain broadly unchanged.
- Lenders reported a further significant widening in spreads on [corporate lending](#). They expected spreads to increase further.

Default rates

- Default rates, and losses given default, on [secured lending to households](#) were reported to have risen over the past three months, by slightly more than lenders had expected in Q1. Lenders anticipated a further increase in both default rates and losses given default.
- Over the latest three months, lenders reported that default rates, and losses given default, on lending to [private non-financial corporations](#) had increased broadly as expected three months ago. A further rise in default rates, and losses given default, was anticipated over the next three months.

This report presents the results of the 2008 Q2 survey. The 2008 Q2 survey was conducted between 27 May and 18 June. 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

In the three months to mid-June, lenders reported that they had further reduced the availability of credit to households and corporates. Lenders expected some additional reductions in credit availability over the next three months. Default rates, and the losses following default, on secured lending to households and lending to private non-financial corporations were reported to have risen over the past three months. Looking ahead, lenders anticipated increases in both defaults, and losses given default, on secured and unsecured household lending and lending to corporates. Spreads on secured lending to households were reported to have increased. While spreads on household secured lending were expected to remain unchanged, lenders anticipated a further tightening in non-price terms.

The Q2 Credit Conditions Survey was conducted between 27 May and 18 June. The survey included some additional questions about the impact of factors associated with recent developments in financial markets.⁽¹⁾ The questions and the aggregate responses to them are provided in the annexes.

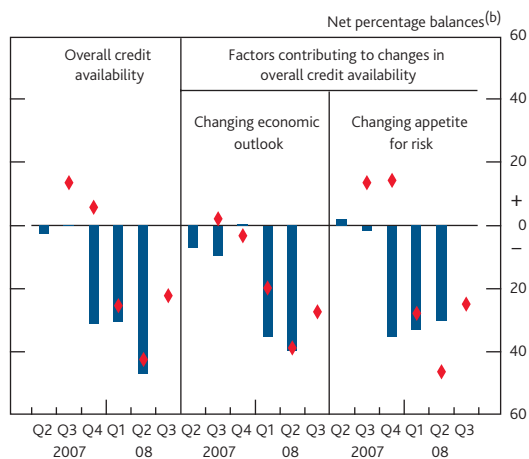
Secured lending to households and small businesses

A net balance of lenders reported that they had reduced the amount of secured credit they were prepared to make available to households over the three months to mid-June, in line with their expectations in the 2008 Q1 survey (**Chart 1**). Lenders implemented the reduction in secured credit availability partly by tightening credit scoring criteria, and by decreasing maximum loan to value (LTV) ratios. Over the next three months lenders anticipated a further decline in overall credit availability, broadly in line with the reported reductions in 2007 Q4 and 2008 Q1. This was associated with an expected further tightening in scoring criteria and maximum LTV ratios.

Lenders reported that their expectations for the housing market, the changing economic outlook and changes in their appetite for risk had contributed to the decline in credit availability. It was also reported that some of the reduction in credit availability was linked to continued tightness in wholesale funding conditions. Lenders expected these factors to contribute to the tightening in credit availability over the next three months.

In line with their expectations in Q1, lenders reported that default rates, and losses on loans in default, on secured lending to households had risen over the past three months (**Chart 2**).

Chart 1 Secured credit availability^(a)

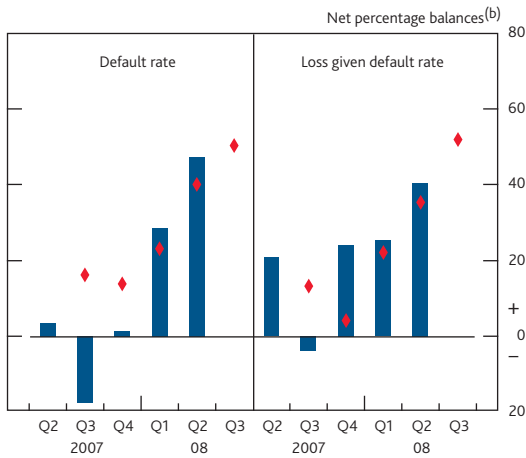


(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. The red diamonds show the expectations over the next three months. Expectations balances have been moved forward one quarter so that they can be compared with the actual outcomes in the following quarter.

(b) A positive balance indicates that more secured credit is available, or that the change in the factors described has served to increase credit availability.

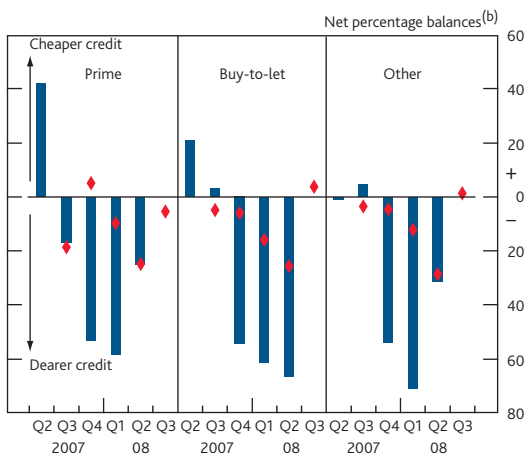
(1) For a further discussion of recent developments in financial markets, see the 'Markets and operations' article in the 2008 Q2 *Quarterly Bulletin*.

Chart 2 Default rates and loss given default rates on secured loans to households^(a)



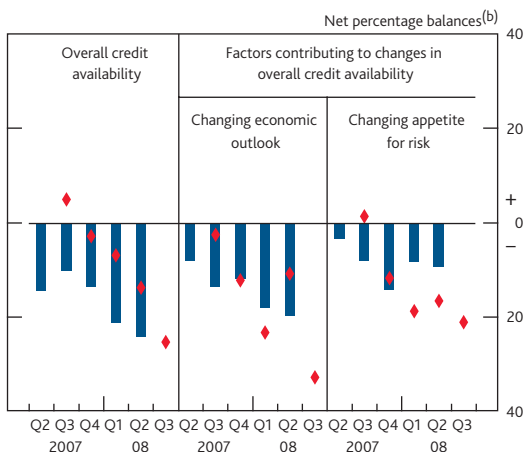
(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates an increase in default and loss given default rates.

Chart 3 Spreads on household secured lending^(a)



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

Chart 4 Total unsecured credit availability^(a)



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

Lenders commented that developments in the macroeconomy had contributed to payments difficulties for some households. As in the Q1 survey, lenders noted that the increase in losses was from a low base. Default rates, and losses given default, were expected to rise further over the next three months.

Demand for secured loans for house purchase was reported to have fallen over the past three months, by more than had been expected in Q1. This was associated with weaker-than-expected demand for prime and other lending (eg loans to borrowers with poor credit histories). However, demand for buy-to-let lending was reported to have been stronger than expected. Lenders expected demand for lending for house purchase to fall further over the next three months.

In contrast to demand for lending for house purchase, demand for lending for remortgaging was reported to have risen over the past three months. A similar increase in demand for remortgaging was expected looking ahead. A number of lenders commented that the increased demand they had seen for their products was related to other lenders, some of whom are underrepresented in the survey, cutting back on credit availability: this continued to make trends in overall demand hard to judge at present.

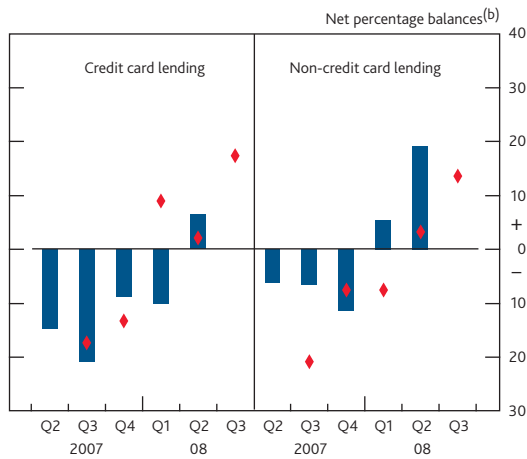
Lenders reported an increase in spreads on secured lending across all types of borrower in the three months to mid-June (Chart 3). The widening in spreads for prime and other borrowers was in line with what lenders had anticipated in Q1, though for buy-to-let borrowers it exceeded expectations. Spreads were expected to remain broadly unchanged over the next three months.

Unsecured lending to households and small businesses

Lenders reported a slightly larger reduction in the amount of unsecured credit they were prepared to make available to households and small businesses than they had anticipated three months ago (Chart 4). Approval rates for credit card and non-credit card lending were reported to have fallen. Lenders had tightened credit scoring criteria further for non-credit card unsecured borrowers, though scoring criteria remained broadly unchanged on credit card lending. For those credit card borrowers that met scoring criteria, credit limits were reported to have been lowered. Looking ahead, lenders expected a further reduction in overall unsecured credit availability, mainly through a tightening in credit scoring criteria.

Lenders reported that the decline in credit availability was driven by concerns about the economic outlook and a reduced appetite for risk. These factors were expected to contribute to a further tightening in credit availability.

Lenders reported a larger increase in default rates on overall unsecured lending over the past three months than they had anticipated in Q1. This was mainly the result of

Chart 5 Default rates on unsecured lending^(a)

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

higher-than-expected default rates on non-credit card lending (**Chart 5**). Default rates were expected to increase further.

Demand for credit card borrowing was reported to have increased over the past three months, though demand for non-credit card unsecured lending had fallen. Lenders expected demand for credit card borrowing to be broadly unchanged over the next three months; a further slight fall in demand was anticipated for non-credit card lending.

Spreads on credit card lending were reported to have been broadly unchanged over the past three months, while spreads on non-credit card unsecured lending were reported to have increased by more than had been expected in the Q1 survey. Looking ahead, spreads on credit card and non-credit card unsecured lending were expected to be broadly unchanged.

Lending to corporates

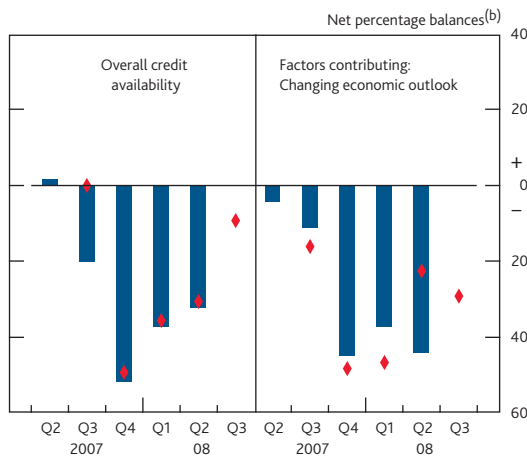
A net balance of lenders reported that they had reduced overall corporate credit availability in the three months to mid-June, in line with their expectations in the Q1 survey (**Chart 6**). Lenders reported a significant reduction in credit availability to the commercial real estate sector. A small further reduction in overall credit availability was expected over the next three months.

Lenders responded that they had implemented the tightening in credit availability in part through a reduction in maximum credit lines, through stricter loan covenants, and through increased collateral requirements. Looking ahead, a further reduction in maximum credit lines was expected, together with a further strengthening of covenants.

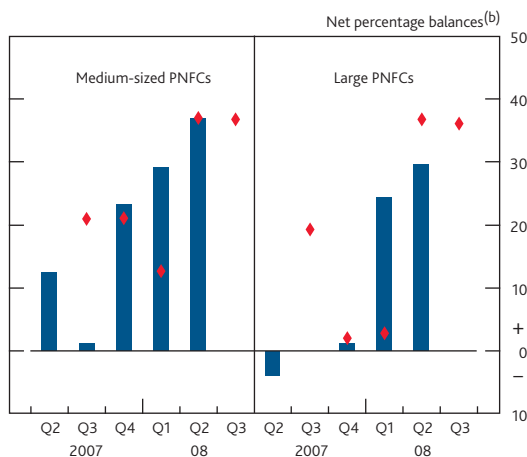
Lenders reported that the reduction in availability had been driven by concerns about the economic outlook, changing sector-specific risks and a reduction in their appetite for risk. Changes in commercial property prices were reported to have led lenders to reduce credit availability to the commercial real estate sector and other secured lending to private non-financial corporations (PNFCs). These factors were expected to contribute to the further reduction in credit availability over the next three months.

Default rates for medium-sized PNFCs had risen in line with lenders' expectations in Q1, though reported default rates for large-sized PNFCs had increased by less than expected (**Chart 7**). As in the Q1 survey, lenders commented that this increase was from a low base and that signs of financial distress were concentrated in specific sectors. The losses on loans in default were reported to have increased in line with lenders' expectations in Q1. Further increases in both default rates and losses given default were expected looking ahead.

While demand for credit by medium-sized PNFCs had fallen in line with lenders' expectations, there was a

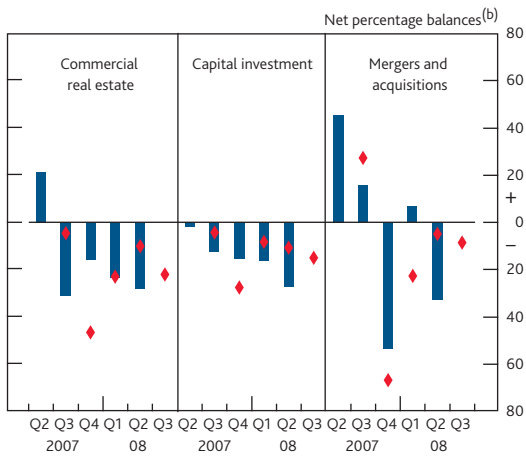
Chart 6 Overall corporate credit availability^(a)

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

Chart 7 Default rates on corporate lending^(a)

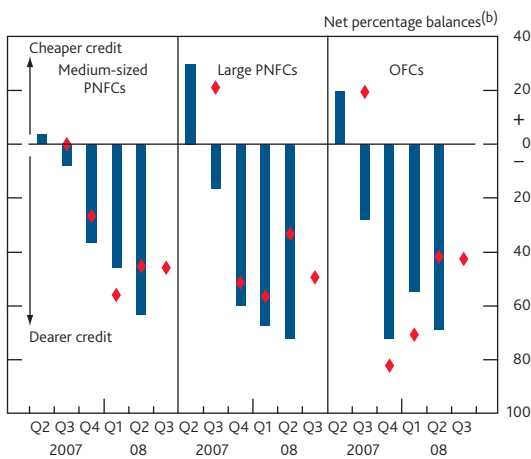
(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates an increase in default rates.

Chart 8 Drivers of changes in demand for corporate lending^(a)



- (a) See footnote (a) of Chart 1.
 (b) A positive balance indicates that the change in the factors described has served to increase demand for corporate borrowing.

Chart 9 Spreads 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.

larger-than-expected decline in demand for credit by large PNFCs. However, lenders reported an increase in draw-downs by PNFCs on pre-arranged committed lines of credit. Over the next three months, lenders expected demand for new credit by PNFCs to fall further, and corporates to draw down more heavily on their existing committed credit lines.

Demand for credit by structured finance vehicles was reported to have fallen significantly over the past three months. Demand for credit from hedge funds was reported to be broadly unchanged. Looking ahead, lenders expected a further fall in demand for credit by structured finance vehicles, though hedge funds' credit demand was expected to increase.

Lenders reported unexpectedly large falls in demand for credit for mergers and acquisitions activity and capital investment, and from the commercial real estate sector (**Chart 8**). These factors were expected to contribute to further weakening in demand for credit.

Lenders reported that they had increased spreads on new lending to PNFCs and other financial corporations (OFCs) in the three months to mid-June by more than they had expected in Q1 (**Chart 9**). A larger-than-anticipated rise in commissions and fees on lending to PNFCs and OFCs was also reported. Lenders expected further increases in spreads and fees over the next three months.

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 the net percentage balance of respondents 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)				
		2007			2008	
		June	Sep.	Dec.	Mar.	June
How has the availability of secured credit provided to households changed?	Past three months	-2.9	0.1	-31.2	-30.7	-47.0
	Next three months	13.4	5.8	-25.3	-42.5	-22.3
Factors contributing to changes in credit availability:^(b)						
	changing economic outlook					
	Past three months	-7.2	-9.6	0.5	-35.3	-39.8
	Next three months	2.1	-3.3	-19.9	-38.9	-27.4
market share objectives	Past three months	20.0	21.3	-7.6	5.7	7.3
	Next three months	29.6	19.7	-25.5	-11.1	3.8
changing appetite for risk	Past three months	1.8	-1.5	-35.2	-33.2	-30.3
	Next three months	13.4	14.3	-28.0	-46.5	-24.8
changing cost/availability of funds	Past three months	-9.3	10.0	-12.5	-12.2	-21.4
	Next three months	13.3	-15.1	-17.3	-6.7	-3.2
How have credit scoring criteria for granting loan applications by households changed?	Past three months	-2.4	-5.7	-32.3	-43.9	-47.5
	Next three months	19.5	3.1	-41.0	-45.9	-38.2
How has the proportion of household loan applications being approved changed?	Past three months	-5.3	-2.7	-21.5	-6.8	-38.1
	Next three months	9.5	5.6	-3.8	-21.2	-33.3
Has there been any change in the use of securitisations associated with secured lending to households?	Past three months	13.3	-9.1	-34.7	-33.8	4.8
	Next three months	4.1	-20.5	-37.7	-36.6	-20.1
Has there been any change in 'target hold' levels associated with secured lending to households?^(a)	Past three months	-6.6	2.6	1.3	29.1	-2.8
	Next three months	13.3	5.9	2.2	29.1	4.3
How has the default rate on secured loans to households changed?	Past three months	3.5	-17.5	1.3	28.6	47.3
	Next three months	16.1	13.8	23.0	40.1	50.4
How has loss given default on secured loans to households changed?	Past three months	20.7	-3.9	24.0	25.3	40.5
	Next three months	13.2	4.1	22.1	35.3	51.9
How has demand for secured lending for house purchase from households changed?	Past three months	2.1	7.5	9.4	-3.8	-30.2
	Next three months	-14.0	13.2	-25.2	-16.1	-40.5
<i>of which: demand for prime lending</i>	Past three months	-3.3	-3.8	4.4	-1.1	-38.6
	Next three months	-14.0	15.8	-17.6	-13.5	-39.2
<i>of which: demand for buy-to-let lending</i>	Past three months	14.1	10.2	14.7	6.9	10.4
	Next three months	-0.1	-4.9	-30.9	-5.8	-16.9
<i>of which: demand for other lending</i>	Past three months	n.a.*	4.8	15.0	17.5	-36.4
	Next three months	n.a.*	-30.4	-21.1	6.8	-29.2

		Net percentage balances ^(a)				
		2007			2008	
		June	Sep.	Dec.	Mar.	June
How has demand for secured lending for remortgaging from households changed?	Past three months	22.0	4.3	34.2	40.8	24.0
	Next three months	17.1	24.3	11.6	24.4	24.3
How has demand for other lending secured on dwellings from households changed?	Past three months	2.0	-17.6	-17.1	-0.9	-26.1
	Next three months	2.3	-16.2	-17.1	7.5	-20.0
How has demand for secured lending from small businesses changed?	Past three months	39.1	47.8	10.3	-5.0	-15.1
	Next three months	55.5	47.8	18.6	-14.4	-34.7
How have overall secured lending spreads changed? ^(a)	Past three months	38.5	-17.6	-56.2	-61.4	-25.8
	Next three months	-18.7	4.3	-17.9	-26.0	2.1
<i>of which: spreads on prime lending^(a)</i>	Past three months	42.1	-17.0	-53.2	-58.1	-25.0
	Next three months	-18.7	5.0	-9.8	-24.9	-5.5
<i>of which: spreads on buy-to-let lending^(a)</i>	Past three months	20.8	3.1	-54.5	-61.6	-66.4
	Next three months	-4.9	-5.8	-15.8	-25.6	3.8
<i>of which: spreads on other lending^(a)</i>	Past three months	-1.1	4.4	-53.8	-70.8	-31.2
	Next three months	-3.4	-4.5	-12.0	-28.6	1.2
How have fees on secured lending changed? ^(a)	Past three months	5.9	3.4	-2.7	-1.9	-12.3
	Next three months	-2.5	-6.1	-3.8	-3.8	-3.5
How have maximum loan to value ratios changed?	Past three months	-4.0	2.8	-10.2	-18.9	-53.8
	Next three months	1.3	2.6	-11.9	-41.2	-39.4
How have maximum loan to income ratios changed?	Past three months	-4.4	-1.4	-3.3	-11.5	3.5
	Next three months	-4.4	3.1	2.1	-13.1	-6.5

Additional question

		Net percentage balances ^(a)			
		2007	2008		
		Dec.	Mar.	June	
How have the following factors affected overall household secured credit availability? ^(b)					
	Tighter wholesale funding conditions:				
	Past three months		-52.7	-48.7	-37.7
	Next three months		-28.0	-46.5	-38.8
Actual, or potential, need to support ABCP conduits, structured investment vehicles or money market mutual funds:	Past three months		-43.3	-29.6	-4.8
	Next three months		-9.8	-31.5	-14.9
Reduced ability to transfer credit risk off balance sheet and/or tighter conditions for raising capital:	Past three months		-34.9	-34.9	-17.0
	Next three months		-21.6	-44.9	-13.0
Expectations for house prices:	Past three months		-7.0	-43.0	-55.0
	Next three months		-38.2	-46.1	-69.2

* 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)				
		2007			2008	
		June	Sep.	Dec.	Mar.	June
How has the availability of unsecured credit provided to households changed?	Past three months	-14.3	-10.2	-13.6	-21.1	-24.0
	Next three months	4.9	-2.9	-7.0	-13.7	-25.3
Factors contributing to changes in credit availability:^(b)						
changing economic outlook	Past three months	-8.0	-13.4	-11.9	-17.9	-19.6
	Next three months	-2.6	-12.2	-23.2	-10.8	-32.7
market share objectives	Past three months	6.5	-0.8	7.5	-0.7	0.5
	Next three months	13.6	-3.6	-2.5	-1.2	0.5
changing appetite for risk	Past three months	-3.4	-8.0	-14.3	-8.3	-9.3
	Next three months	1.4	-11.7	-18.7	-16.6	-21.0
changing cost/availability of funds	Past three months	17.4	1.0	1.2	-1.6	0.3
	Next three months	18.8	0.0	-10.2	-1.4	-1.1
How have credit scoring criteria for granting credit card loan applications by households changed?	Past three months	-15.0	-7.8	7.9	-16.6	4.5
	Next three months	-1.0	-13.7	-16.4	0.2	-34.3
How have credit scoring criteria for granting other unsecured loan applications by households changed?	Past three months	-12.0	19.9	-8.5	-20.8	-26.7
	Next three months	-5.6	-24.2	-24.2	-21.8	-48.6
How have credit scoring criteria for granting total unsecured loan applications by households changed?	Past three months	-14.2	-0.8	3.7	-17.7	-3.0
	Next three months	-2.2	-16.3	-18.3	-5.2	-37.8
How has the proportion of credit card loan applications from households being approved changed?	Past three months	33.2	15.1	10.0	-6.7	-16.3
	Next three months	6.1	-2.5	-26.3	-7.6	-9.2
How has the proportion of other unsecured loan applications from households being approved changed?	Past three months	6.1	14.8	-17.7	-24.9	-11.3
	Next three months	2.6	-18.1	-28.5	-26.8	-27.2
How has the proportion of total unsecured loan applications from households being approved changed?	Past three months	25.9	15.0	3.0	-11.2	-15.1
	Next three months	5.2	-6.4	-26.9	-12.4	-13.5
How has the default rate on credit card loans to households changed?	Past three months	-14.6	-20.8	-8.8	-10.0	6.4
	Next three months	-17.3	-13.3	9.0	2.1	17.3
How has the default rate on other unsecured loans to households changed?	Past three months	-6.0	-6.5	-11.4	5.5	19.2
	Next three months	-20.8	-7.5	-7.6	3.2	13.7
How has the default rate on total unsecured loans to households changed?	Past three months	-12.3	-17.2	-9.5	-6.2	9.5
	Next three months	-18.2	-11.8	4.8	2.4	16.4

		Net percentage balances ^(a)				
		2007			2008	
		June	Sep.	Dec.	Mar.	June
How has loss given default on credit card loans to households changed?	Past three months	-2.9	5.9	5.2	-3.7	3.9
	Next three months	-3.7	12.8	4.6	-3.0	13.3
How has loss given default on other unsecured loans to households changed?	Past three months	13.9	-1.4	8.8	1.4	7.2
	Next three months	8.8	5.8	17.2	4.3	20.3
How has loss given default on total unsecured loans to households changed?	Past three months	1.6	4.1	6.1	-2.4	4.7
	Next three months	-0.3	11.0	7.8	-1.2	15.0
How has demand for credit card lending from households changed?	Past three months	1.2	-2.2	10.5	-11.0	23.1
	Next three months	5.2	3.2	-5.9	5.1	1.2
How has demand for other unsecured lending from households changed?	Past three months	-20.4	-4.9	-11.7	7.8	-44.8
	Next three months	1.3	-4.5	2.3	-23.3	-12.0
How has demand for total unsecured lending from households changed?	Past three months	-4.6	-2.9	4.9	-6.4	6.7
	Next three months	4.2	1.2	-3.8	-1.9	-2.0
How has demand for credit card lending from small businesses changed?	Past three months	14.7	-4.9	5.2	-1.6	20.1
	Next three months	0.9	-2.4	19.7	-1.6	1.9
How has demand for other unsecured lending from small businesses changed?	Past three months	2.6	-11.4	-9.2	-14.5	-5.5
	Next three months	2.6	-9.2	-10.5	-13.9	-19.0
How has demand for total unsecured lending from small businesses changed?	Past three months	11.8	-6.7	0.2	-5.3	13.8
	Next three months	1.3	-4.2	9.4	-5.2	-3.2
How have spreads on credit cards changed? ^(a)	Past three months	6.6	16.2	-3.5	-4.8	-4.4
	Next three months	5.7	0.4	-1.2	-11.9	-3.2
How have spreads on other unsecured lending products changed? ^(a)	Past three months	-6.9	6.7	-15.8	-21.5	-18.6
	Next three months	-2.9	-16.0	-18.8	-4.0	-4.4
How have overall unsecured lending spreads changed? ^(a)	Past three months	3.0	13.8	-6.6	-8.9	-7.8
	Next three months	3.4	-3.7	-5.7	-10.0	-3.5
How have credit card limits changed?	Past three months	-10.4	25.1	16.8	13.9	-15.0
	Next three months	12.7	-2.7	7.9	-2.3	-12.7
How has the minimum proportion of credit card balances to be paid changed? ^(a)	Past three months	-4.6	-2.9	3.2	-4.7	0.1
	Next three months	11.0	8.5	-0.1	-5.2	-9.4
How have maximum maturities on loans changed?	Past three months	-2.5	0.0	-2.3	3.7	-8.0
	Next three months	0.0	-0.9	0.0	0.0	-10.3

(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)				
		2007			2008	
		June	Sep.	Dec.	Mar.	June
How has the availability of credit provided to the corporate sector overall changed?	Past three months	1.8	-20.2	-51.8	-37.3	-32.1
	Next three months	0.0	-49.3	-35.7	-30.7	-9.2
<i>of which: commercial real estate sector</i>						
	Past three months	0.8	-14.7	-37.1	-43.0	-58.2
	Next three months	-3.2	-29.8	-45.6	-49.5	-22.2
Factors contributing to changes in credit availability:^(b)						
changing economic outlook						
	Past three months	-4.5	-11.2	-45.1	-37.4	-44.3
	Next three months	-16.2	-48.4	-46.7	-22.5	-29.2
changing sector-specific risks						
	Past three months	-29.5	-25.7	-38.8	-1.6	-41.1
	Next three months	-15.5	-37.3	-45.5	-10.7	-17.5
market share objectives						
	Past three months	21.0	0.0	-27.4	-7.4	-6.8
	Next three months	4.1	0.0	-29.9	-16.8	-3.9
market pressures from capital markets						
	Past three months	25.1	-31.6	-38.2	21.2	-19.9
	Next three months	0.2	-50.1	-23.3	-7.4	-21.9
changing appetite for risk						
	Past three months	1.1	-17.5	-33.9	10.5	-39.9
	Next three months	-12.3	-27.7	-33.5	-3.5	-7.9
changing cost/availability of funds						
	Past three months	-25.1	-33.7	-45.2	4.8	-29.6
	Next three months	-10.8	-42.2	-41.6	1.6	-8.9
How has the proportion of loan applications from medium PNFCs being approved changed?						
	Past three months	-20.9	-21.6	-29.2	-16.1	-25.7
	Next three months	-10.2	-26.4	-28.7	-13.9	-17.1
How has the proportion of loan applications from large PNFCs being approved changed?						
	Past three months	3.4	-16.0	-29.1	-35.1	-24.2
	Next three months	-2.0	-20.7	-26.4	-22.3	-14.3
Has there been any change in the use of cash securitisations associated with corporate lending?						
	Past three months	7.7	-1.5	-75.8	-27.1	1.2
	Next three months	21.3	-68.8	-54.0	-18.8	1.2
Has there been any change in the use of derivatives/synthetic securitisations associated with corporate lending?						
	Past three months	3.9	1.0	-36.7	-13.4	-1.4
	Next three months	15.9	-40.1	-32.1	-13.7	6.1
Has there been any change in 'target hold' levels associated with corporate lending?^(a)						
	Past three months	37.3	18.5	11.3	17.3	28.0
	Next three months	18.8	3.8	32.7	33.2	14.6
How have loan tenors on new corporate loans changed?						
	Past three months	-0.7	-5.5	13.6	17.6	25.4
	Next three months	-9.1	13.3	8.1	21.0	16.2

		Net percentage balances ^(a)				
		2007			2008	
		June	Sep.	Dec.	Mar.	June
How has the default rate on loans to medium PNFCs changed?	Past three months	12.4	1.3	23.3	29.2	37.0
	Next three months	21.0	21.0	12.7	37.0	36.8
How has the default rate on loans to large PNFCs changed?	Past three months	-3.9	0.0	1.1	24.4	29.6
	Next three months	19.2	2.0	2.8	36.8	36.1
How has loss given default on loans to medium PNFCs changed?	Past three months	1.5	0.0	3.4	8.7	23.4
	Next three months	1.5	5.1	11.5	20.1	32.3
How has loss given default on loans to large PNFCs changed?	Past three months	0.0	0.0	1.8	0.0	14.4
	Next three months	0.0	1.2	0.7	15.1	23.1
How has demand for lending from medium PNFCs changed?	Past three months	6.0	-7.3	-7.2	-13.8	-10.4
	Next three months	4.1	-15.0	6.9	-7.2	-15.2
How has demand for lending from large PNFCs changed?	Past three months	30.9	-21.9	-24.4	4.1	-40.7
	Next three months	6.4	-31.0	-0.2	-14.6	-10.7
How has demand from institutional investors/pension funds changed?	Past three months	0.0	-4.5	38.5	2.1	-20.0
	Next three months	0.0	5.4	35.8	16.1	-3.3
How has demand from securities dealers changed?	Past three months	n.a.*	n.a.*	24.1	-11.7	-8.6
	Next three months	n.a.*	n.a.*	24.1	3.0	-1.7
How has demand from hedge funds changed?	Past three months	-1.0	n.a.*	54.8	23.3	2.9
	Next three months	-1.0	n.a.*	43.3	15.0	10.4
How has demand from structured finance vehicles changed?	Past three months	6.7	-4.9	46.0	-48.9	-63.7
	Next three months	6.2	-1.7	31.4	-0.2	-18.6
How has demand from other OFCs changed?	Past three months	0.0	-1.7	17.9	-1.3	-25.7
	Next three months	0.0	3.9	17.8	-4.5	-5.3
What have been the main factors contributing to changes in demand for lending:^(b)						
mergers and acquisitions	Past three months	45.3	15.5	-53.7	6.7	-32.8
	Next three months	27.3	-66.8	-22.6	-5.0	-8.4
capital investment	Past three months	-1.9	-12.6	-15.4	-16.4	-27.2
	Next three months	-4.2	-27.5	-8.3	-10.6	-15.1
inventory finance	Past three months	-11.2	-20.0	-14.0	9.6	1.9
	Next three months	-15.9	-21.5	-1.1	9.9	-0.7
balance sheet restructuring	Past three months	4.7	-40.3	-26.7	2.4	-7.0
	Next three months	1.9	-48.8	-7.0	6.0	9.8
commercial real estate	Past three months	21.5	-31.1	-15.9	-23.2	-28.2
	Next three months	-4.5	-46.5	-22.9	-10.2	-21.9
How have spreads on loans to medium PNFCs changed? ^(a)	Past three months	3.6	-7.8	-36.6	-45.7	-63.4
	Next three months	0.0	-26.8	-55.9	-45.4	-46.0
How have fees/commissions on loans to medium PNFCs changed? ^(a)	Past three months	0.7	-4.7	-30.3	-40.7	-62.2
	Next three months	0.0	-21.1	-51.9	-44.6	-48.1
How have collateral requirements for loans to medium PNFCs changed? ^(a)	Past three months	-7.5	0.0	-11.9	-21.5	-17.9
	Next three months	0.0	-10.0	-15.6	-19.5	-1.8

		Net percentage balances ^(a)				
		2007			2008	
		June	Sep.	Dec.	Mar.	June
How have maximum credit lines for medium PNFCs changed?	Past three months	3.6	0.0	-21.1	-30.6	-27.2
	Next three months	3.1	-24.5	-21.1	-25.9	-18.5
How have loan covenants for medium PNFCs changed? ^(a)	Past three months	14.8	-1.1	-20.6	-35.6	-37.1
	Next three months	-1.3	-29.3	-37.8	-25.4	-42.2
How have spreads on loans to large PNFCs changed? ^(a)	Past three months	29.8	-16.4	-60.1	-67.6	-72.5
	Next three months	21.2	-51.2	-56.4	-33.2	-49.4
How have fees/commissions on loans to large PNFCs changed? ^(a)	Past three months	26.1	-7.1	-52.5	-49.6	-68.4
	Next three months	20.4	-35.5	-59.3	-42.1	-49.4
How have collateral requirements for loans to large PNFCs changed? ^(a)	Past three months	22.8	13.1	-16.8	-1.7	-15.8
	Next three months	0.0	-6.5	-12.9	4.7	-8.2
How have maximum credit lines for large PNFCs changed?	Past three months	20.6	10.5	-36.4	-49.0	-44.2
	Next three months	6.3	-47.0	-16.8	-12.4	-13.3
How have loan covenants for large PNFCs changed? ^(a)	Past three months	36.4	4.9	-46.3	-48.1	-40.1
	Next three months	20.9	-48.2	-35.6	-23.3	-28.4
How have spreads on loans to OFCs changed? ^(a)	Past three months	19.7	-27.7	-72.1	-54.8	-68.7
	Next three months	19.5	-82.2	-70.7	-41.7	-42.7
How have fees/commissions on loans to OFCs changed? ^(a)	Past three months	18.4	-11.8	-64.4	-50.8	-69.9
	Next three months	18.4	-42.4	-62.9	-38.9	-46.6
How have collateral requirements for loans to OFCs changed? ^(a)	Past three months	10.9	-1.4	-35.7	-29.7	-10.3
	Next three months	0.0	-45.1	-34.3	-12.4	-3.9
How have maximum credit lines for OFCs changed?	Past three months	4.4	-13.1	-37.4	-52.5	-46.3
	Next three months	4.4	-54.8	-38.4	-34.5	-18.7

Additional questions

		Net percentage balances ^(a)		
		2007	2008	
		Dec.	Mar.	June
How have the following factors affected overall PNFCs credit availability?^(b)				
Tighter wholesale funding conditions:	Past three months	-59.0	-12.9	-28.0
	Next three months	-51.1	10.0	-9.7
Actual, or potential, need to support ABCP conduits, structured investment vehicles or money market mutual funds:	Past three months	-2.2	16.2	-7.2
	Next three months	8.9	17.8	-7.2
Reduced ability to transfer credit risk off balance sheet and/or tighter conditions for raising capital:	Past three months	-47.2	-19.3	-30.9
	Next three months	-49.3	-5.3	-8.3
Has there been a change in draw-downs on committed lines by PNFCs?				
	Past three months	20.3	5.0	11.8
	Next three months	33.8	12.8	18.6
Has there been a change in average credit quality on newly arranged PNFC borrowing facilities?^(c)				
	Past three months	n.a.**	5.5	14.4
	Next three months	n.a.**	7.0	14.4
How have commercial property prices affected credit availability to the commercial real estate sector, and/or secured lending to PNFCs?				
	Past three months	n.a.**	-20.9	-49.1
	Next three months	n.a.**	-9.0	-44.4
Has there been a change in the amount of secured lending to PNFCs, such as asset-based lending, relative to unsecured PNFC lending?				
	Past three months	n.a.**	n.a.**	11.0
	Next three months	n.a.**	n.a.**	11.0

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

** Additional question not asked in survey.

(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.

(c) A positive balance indicates an improvement in the credit quality of new borrowing.