

# Credit Conditions Survey

Survey results | 2008 Q3



BANK OF ENGLAND





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# Credit Conditions Survey

2008 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 2008 Q3 survey. The 2008 Q3 survey was conducted between 26 August and 17 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 2008 Q3 survey, and copies of the questionnaires are available on the Bank's website at [www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm](http://www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm).

The publication dates in 2009 for future Credit Conditions Surveys are:

- 2008 Q4 survey on 2 January 2009.
- 2009 Q1 survey on 2 April 2009.
- 2009 Q2 survey on 2 July 2009.
- 2009 Q3 survey on 1 October 2009.



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2008 Q3

## Supply

- Lenders reported that they had reduced the **availability of secured credit to households** in the three months to mid-September by more than they had anticipated in the Q2 survey. Expectations for house prices and concerns about the economic outlook were reported to have been factors contributing to this tightening. A further decline in secured credit availability was expected over the next three months.
- **Unsecured credit availability to households** was reported to have been reduced in line with expectations three months ago. Lenders anticipated a further similar decrease in unsecured credit availability over the next three months.
- It was reported that **corporate credit availability** had been tightened over the past three months, by more than had been expected in Q2. A further reduction in corporate credit availability was anticipated over the next three months.

## Demand

- Demand for **secured lending for house purchase and for remortgaging** was reported to have declined sharply over the past three months. Lenders expected that demand for secured lending would fall further.
- Demand for credit by **private non-financial corporations** had fallen over the past three months, and a further decline in demand was anticipated. Reduced demand for lending for capital investment, for mergers and acquisitions, and from the commercial real estate sector had contributed to these falls.

## Terms and conditions

- Overall spreads on **secured lending to households** were reported to have been unchanged over the past three months. Non-price terms on secured lending were reported to have tightened, with further tightening expected.
- Lenders reported a further widening in spreads on **corporate lending**, which was greater than had been expected in Q2. They expected spreads to increase further.

## Defaults

- Default rates, and losses given default, on **secured lending to households** were reported to have risen over the past three months. Lenders expected a further increase in both default rates and losses given default.
- There was a larger than expected increase in defaults on **unsecured lending to households**. Default rates, and losses given default, were expected to increase further.
- Lenders reported that default rates, and losses given default, on lending to **private non-financial corporations** had increased over the latest three months. A further rise was anticipated over the next three months.

This report presents the results of the 2008 Q3 survey. The 2008 Q3 survey was conducted between 26 August and 17 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  $\pm 100$ .

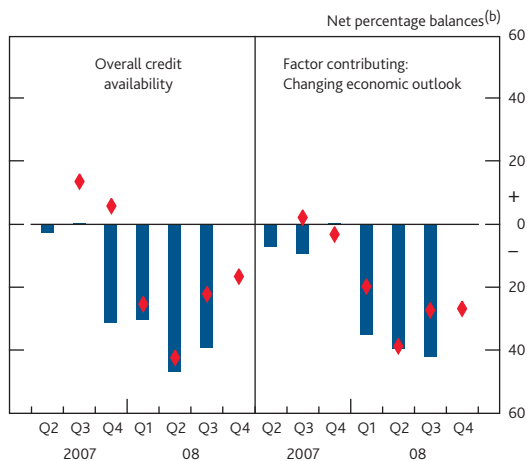
This report, and copies of the questionnaires are available on the Bank's website at [www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm](http://www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm).

# Credit Conditions Survey

In the three months to mid-September, lenders reported that they had reduced the availability of credit to households and corporates by more than had been expected three months ago. Lenders anticipated additional reductions in credit availability over the next three months. Concerns about the economic outlook and falling collateral values had contributed to this tightening in credit availability. Default rates, and the losses following default, on lending to households and private non-financial corporations had risen over the past three months, and were expected to rise further. As expected three months ago, overall spreads on secured lending to households were reported to have remained broadly unchanged, and non-price terms to have tightened. Price and non-price terms on corporate lending had also tightened.

The Q3 Credit Conditions Survey was conducted between 26 August and 17 September. The survey included some additional questions about the impact of factors associated with recent developments in financial markets.<sup>(1)</sup> The questions and the aggregate responses to them are provided in the annexes.

Chart 1 Secured credit availability<sup>(a)</sup>



(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 secured credit is available, or that the change in the factor described has served to increase credit availability.

## Secured lending to households and small businesses

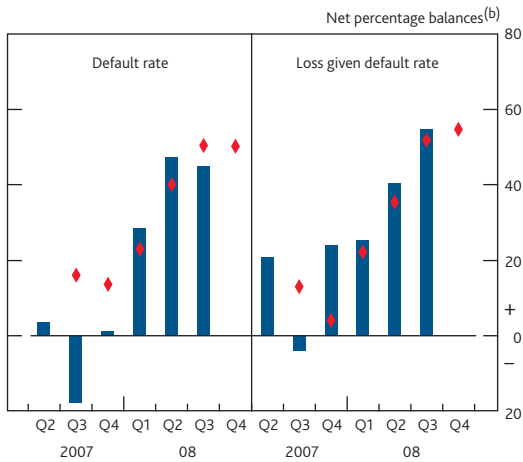
A net balance of lenders reported that they had reduced the amount of secured credit they were prepared to make available to households over the three months to mid-September. This was more than had been expected in the 2008 Q2 survey (**Chart 1**). The reduction in secured credit availability was partly implemented through a tightening in credit scoring criteria, and a decline in maximum loan to value (LTV) ratios. However, for those borrowers with low LTV ratios (below 75%), credit availability was reported to have increased somewhat. Over the next three months, lenders anticipated a further reduction in overall credit availability. This would be associated with a further tightening in scoring criteria.

As in Q2, lenders reported that the changing economic outlook, their expectations for the housing market, and changes in their appetite for risk had contributed to the decline in credit availability. These factors, together with tighter wholesale funding conditions, were expected to contribute to the tightening in credit over the next three months.

Default rates, and losses on loans in default, on secured lending to households had risen over the past three months broadly in line with expectations (**Chart 2**). As in the Q2

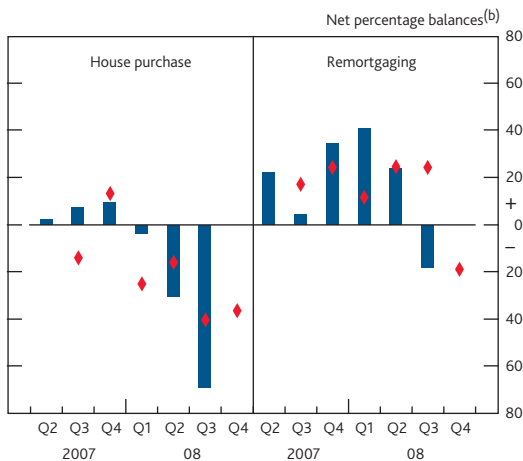
(1) For a further discussion of recent developments in financial markets, see the 'Markets and operations' article in the 2008 Q3 *Quarterly Bulletin*.

**Chart 2** Default rates and loss given default rates on secured loans to households<sup>(a)</sup>



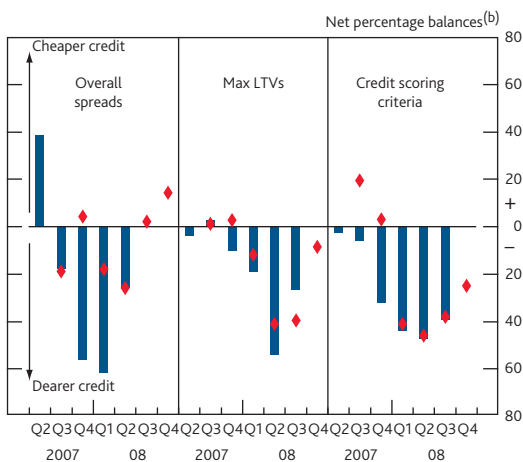
(a) See footnote (a) of Chart 1.  
 (b) A positive balance indicates an increase in default or loss given default rates.

**Chart 3** Demand for household secured lending<sup>(a)</sup>



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

**Chart 4** Terms on household secured lending<sup>(a)</sup>



(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, or that the terms and conditions on which credit was provided have become looser.

survey, lenders commented that deteriorating economic conditions had contributed to payments difficulties for some households. A similar net balance of lenders expected default rates, and losses given default, to rise further over the next three months.

Lenders reported a sharp decline in demand for all categories of secured lending for house purchase. This was greater than had been expected in Q2. In contrast to the increase they had expected in the previous survey, lenders reported that demand for lending for remortgaging had fallen over the past three months (Chart 3). Further declines in demand for secured lending were expected over the next three months.

Spreads on overall secured lending were reported to have been unchanged in the three months to mid-September (Chart 4). But there was evidence that spreads for prime borrowers had eased slightly relative to other borrowers (eg those with poor credit scores). This was consistent with the reported increase in credit availability for those borrowers with LTV ratios less than 75%, and reduction in availability for borrowers with high LTV ratios. Over the next three months, in contrast with the further anticipated tightening in non-price terms, lenders expected spreads to narrow.

**Unsecured lending to households and small businesses**

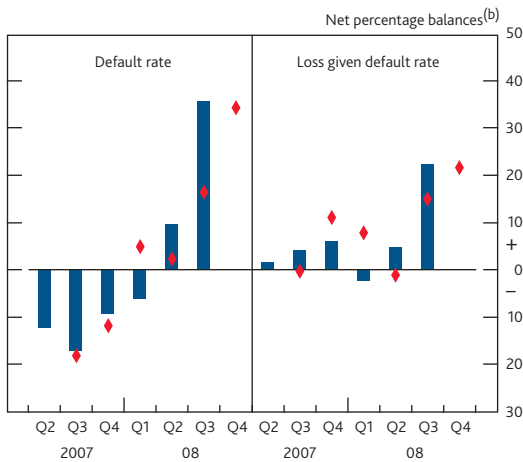
In line with their expectations three months ago, lenders reported a reduction in the amount of unsecured credit they were prepared to make available to households and small businesses. Lenders reported that they had implemented the tightening through stricter lending criteria for both credit card and non-credit card borrowers. These changes were associated with a decline in the proportion of unsecured loan and credit card applications being approved. For those credit card borrowers that met lending criteria, credit limits were reported to have been lowered by more than had been expected in Q2. Looking ahead, lenders expected a further reduction in overall unsecured credit availability, which would be associated with a further tightening in credit scoring criteria and declines in approval rates.

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 over the next three months.

Lenders reported a larger-than-expected increase in default rates on unsecured lending over the past three months (Chart 5). Losses on unsecured loans in default were also reported to have risen. Both were expected to increase further.

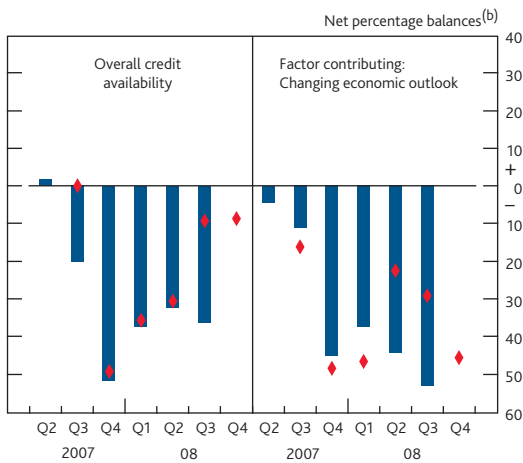
Demand for credit card and other unsecured borrowing by households was reported to have declined over the past three months. Overall, lenders expected demand for unsecured borrowing to be broadly unchanged.

**Chart 5** Default rates on unsecured lending to households<sup>(a)</sup>



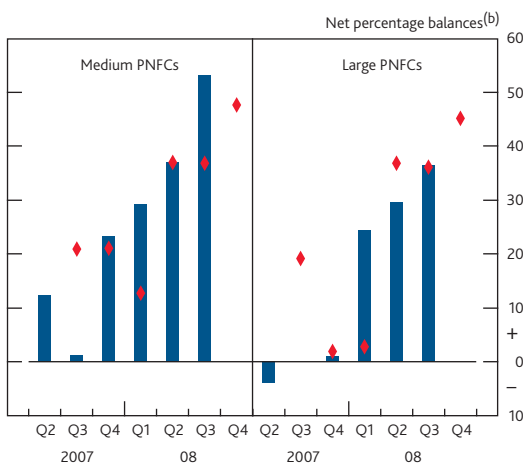
(a) See footnote (a) of Chart 1.  
 (b) A positive balance indicates an increase in default rates or loss given default rates.

**Chart 6** Overall corporate credit availability<sup>(a)</sup>



(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<sup>(a)</sup>



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

Spreads on credit card lending were reported to have increased a little, with a similar increase in spreads anticipated over the next three months.

**Lending to corporates**

A net balance of lenders reported that they had reduced overall corporate credit availability in the three months to mid-September. Credit availability was tightened by more than had been expected in the Q2 survey (Chart 6). Within this, lenders reported a further reduction in credit available to the commercial real estate sector. This was also greater than expected three months ago. A small further reduction in overall credit availability was expected over the next three months.

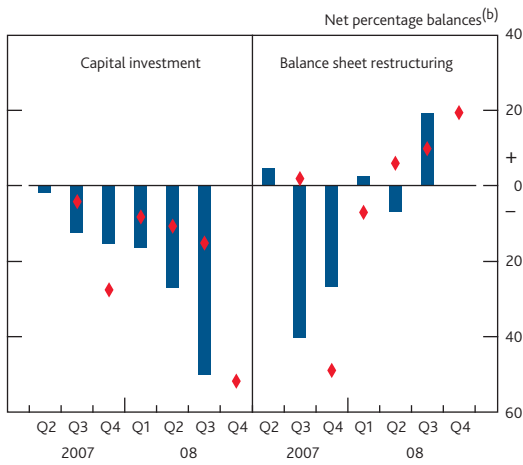
The tightening in credit availability had been implemented in part by reducing maximum credit lines and increasing collateral requirements. Loan covenants had also become stricter. Looking ahead, lenders expected a further reduction in maximum credit lines, an increase in collateral requirements, and a further strengthening in covenants.

As in previous surveys, the reduction in availability had been driven largely by concerns about the economic outlook, changing sector specific risks and a reduction in lenders' appetite for risk. Lenders also reported that changing funding conditions had contributed to the decline in credit availability. And as in the Q2 survey, capital considerations were reported to have reduced credit availability by more than had been expected. 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) by more than had been expected three months ago. The economic outlook, expectations for commercial property prices, and reduced appetite for risk were anticipated to contribute to the further reduction in credit availability.

Over the past three months, default rates had risen by more than expected for medium-sized PNFCs. But for large PNFCs they had risen in line with lenders' expectations in Q2 (Chart 7). As in earlier surveys, lenders commented that the increase in defaults was from a low level. Lenders reported that the losses on loans in default had increased, though by less than had been expected in Q2. Lenders anticipated further increases in both default rates and loss given default rates over the next three months.

Lenders reported that medium-sized PNFCs' demand for credit had fallen by more than expected over the past three months. Demand for credit by large PNFCs also fell, though broadly in line with lenders' expectations. Over the next three months, lenders expected demand for new credit to fall further.

**Chart 8 Drivers of changes in demand for corporate lending<sup>(a)</sup>**



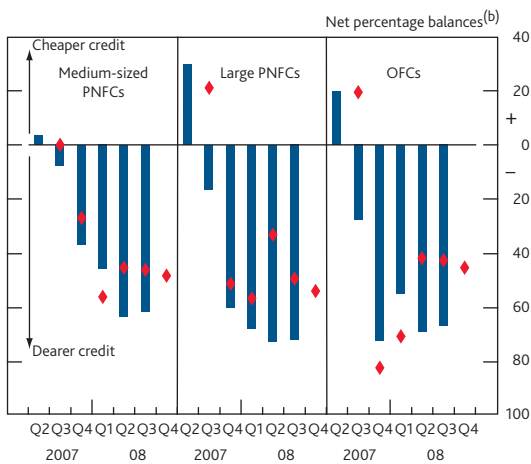
(a) See footnote (a) of Chart 1.

(b) A positive balance indicates that the change in the factors described have served to increase demand for corporate borrowing.

Demand for credit by other financial corporations (OFCs), such as structured finance vehicles and institutional investors, was reported to have fallen over the past three months. But credit demand from hedge funds was reported to be broadly unchanged. A further fall in demand for credit by institutional investors and other OFCs was expected.

There was a larger-than-expected fall reported in the demand for credit for capital investment and for mergers and acquisitions activity. These factors were expected to contribute to a further weakening in demand for credit by corporates. Demand from the commercial real estate sector had also fallen, and was also expected to fall further. By contrast, lenders reported a larger-than-expected increase in demand for credit for balance sheet restructuring by corporates, with a similar increase anticipated over the next three months (**Chart 8**).

**Chart 9 Spreads over Libor on lending to corporates<sup>(a)</sup>**



(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.

In the three months to mid-September, spreads on new lending to PNFCs and OFCs had increased by more than had been expected (**Chart 9**). This was also the case for commissions and fees on lending to PNFCs and OFCs. Lenders anticipated 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  $\pm 100$ . 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 <sup>(a)</sup>					
		2007			2008		
		June	Sep.	Dec.	Mar.	June	Sep.
<b>How has the availability of secured credit provided to households changed?</b>	Past three months	-2.9	0.1	-31.2	-30.7	-47.0	-39.3
	Next three months	13.4	5.8	-25.3	-42.5	-22.3	-16.8
<b>Factors contributing to changes in credit availability:<sup>(b)</sup></b>							
changing economic outlook	Past three months	-7.2	-9.6	0.5	-35.3	-39.8	-42.2
	Next three months	2.1	-3.3	-19.9	-38.9	-27.4	-26.8
market share objectives	Past three months	20.0	21.3	-7.6	5.7	7.3	-0.1
	Next three months	29.6	19.7	-25.5	-11.1	3.8	-2.9
changing appetite for risk	Past three months	1.8	-1.5	-35.2	-33.2	-30.3	-24.2
	Next three months	13.4	14.3	-28.0	-46.5	-24.8	-20.1
changing cost/availability of funds	Past three months	-9.3	10.0	-12.5	-12.2	-21.4	-11.4
	Next three months	13.3	-15.1	-17.3	-6.7	-3.2	4.8
<b>How have credit scoring criteria for granting loan applications by households changed?</b>	Past three months	-2.4	-5.7	-32.3	-43.9	-47.5	-39.3
	Next three months	19.5	3.1	-41.0	-45.9	-38.2	-24.8
<b>How has the proportion of household loan applications being approved changed?</b>	Past three months	-5.3	-2.7	-21.5	-6.8	-38.1	-18.6
	Next three months	9.5	5.6	-3.8	-21.2	-33.3	-16.6
<b>Has there been any change in the use of securitisations associated with secured lending to households?</b>	Past three months	13.3	-9.1	-34.7	-33.8	4.8	42.1
	Next three months	4.1	-20.5	-37.7	-36.6	-20.1	-34.8
<b>Has there been any change in 'target hold' levels associated with secured lending to households?<sup>(a)</sup></b>	Past three months	-6.6	2.6	1.3	29.1	-2.8	8.5
	Next three months	13.3	5.9	2.2	29.1	4.3	8.5
<b>How has the default rate on secured loans to households changed?</b>	Past three months	3.5	-17.5	1.3	28.6	47.3	44.8
	Next three months	16.1	13.8	23.0	40.1	50.4	50.1
<b>How has loss given default on secured loans to households changed?</b>	Past three months	20.7	-3.9	24.0	25.3	40.5	54.6
	Next three months	13.2	4.1	22.1	35.3	51.9	54.7
<b>How has demand for secured lending for house purchase from households changed?</b>	Past three months	2.1	7.5	9.4	-3.8	-30.2	-69.1
	Next three months	-14.0	13.2	-25.2	-16.1	-40.5	-36.5
<i>of which: demand for prime lending</i>	Past three months	-3.3	-3.8	4.4	-1.1	-38.6	-50.8
	Next three months	-14.0	15.8	-17.6	-13.5	-39.2	-33.3
<i>of which: demand for buy-to-let lending</i>	Past three months	14.1	10.2	14.7	6.9	10.4	-28.6
	Next three months	-0.1	-4.9	-30.9	-5.8	-16.9	-6.6
<i>of which: demand for other lending</i>	Past three months	n.a.*	4.8	15.0	17.5	-36.4	-46.2
	Next three months	n.a.*	-30.4	-21.1	6.8	-29.2	-7.9



		Net percentage balances <sup>(a)</sup>					
		2007			2008		
		June	Sep.	Dec.	Mar.	June	Sep.
<b>How has demand for secured lending for remortgaging from households changed?</b>	Past three months	22.0	4.3	34.2	40.8	24.0	-18.5
	Next three months	17.1	24.3	11.6	24.4	24.3	-19.1
<b>How has demand for other lending secured on dwellings from households changed?</b>	Past three months	2.0	-17.6	-17.1	-0.9	-26.1	-60.8
	Next three months	2.3	-16.2	-17.1	7.5	-20.0	-43.3
<b>How has demand for secured lending from small businesses changed?</b>	Past three months	39.1	47.8	10.3	-5.0	-15.1	-40.6
	Next three months	55.5	47.8	18.6	-14.4	-34.7	-10.3
<b>How have overall secured lending spreads changed?<sup>(a)</sup></b>	Past three months	38.5	-17.6	-56.2	-61.4	-25.8	0.0
	Next three months	-18.7	4.3	-17.9	-26.0	2.1	14.3
<i>of which: spreads on prime lending<sup>(a)</sup></i>	Past three months	42.1	-17.0	-53.2	-58.1	-25.0	4.0
	Next three months	-18.7	5.0	-9.8	-24.9	-5.5	16.4
<i>of which: spreads on buy-to-let lending<sup>(a)</sup></i>	Past three months	20.8	3.1	-54.5	-61.6	-66.4	-2.9
	Next three months	-4.9	-5.8	-15.8	-25.6	3.8	17.4
<i>of which: spreads on other lending<sup>(a)</sup></i>	Past three months	-1.1	4.4	-53.8	-70.8	-31.2	-5.2
	Next three months	-3.4	-4.5	-12.0	-28.6	1.2	6.7
<b>How have fees on secured lending changed?<sup>(a)</sup></b>	Past three months	5.9	3.4	-2.7	-1.9	-12.3	-7.3
	Next three months	-2.5	-6.1	-3.8	-3.8	-3.5	-3.0
<b>How have maximum loan to value ratios changed?</b>	Past three months	-4.0	2.8	-10.2	-18.9	-53.8	-26.6
	Next three months	1.3	2.6	-11.9	-41.2	-39.4	-8.6
<b>How have maximum loan to income ratios changed?</b>	Past three months	-4.4	-1.4	-3.3	-11.5	3.5	-1.7
	Next three months	-4.4	3.1	2.1	-13.1	-6.5	-7.7

\* 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.

## Additional questions

		Net percentage balances <sup>(a)</sup>			
		2007		2008	
		Dec.	Mar.	June	Sep.
<b>How have the following factors affected overall household secured credit availability?<sup>(b)</sup></b>					
Tighter wholesale funding conditions:	Past three months	-52.7	-48.7	-37.7	-15.0
	Next three months	-28.0	-46.5	-38.8	-25.4
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	-3.9
	Next three months	-9.8	-31.5	-14.9	-3.9
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	-4.9
	Next three months	-21.6	-44.9	-13.0	-3.6
Expectations for house prices:	Past three months	-7.0	-43.0	-55.0	-58.5
	Next three months	-38.2	-46.1	-69.2	-60.5
<b>How has the availability of household secured credit to the following types of borrower changed?</b>					
Borrowers with low LTVs (75% or less):	Past three months	n.a.**	n.a.**	n.a.**	12.7
	Next three months	n.a.**	n.a.**	n.a.**	6.3
Borrowers with high LTVs (more than 75%):	Past three months	n.a.**	n.a.**	n.a.**	-59.5
	Next three months	n.a.**	n.a.**	n.a.**	-38.5
<b>How has the average credit quality of new secured lending to households changed?<sup>(c)</sup></b>					
	Past three months	n.a.**	n.a.**	n.a.**	23.5
	Next three months	n.a.**	n.a.**	n.a.**	22.6

\*\* 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.

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

## 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  $\pm 100$ . 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 <sup>(a)</sup>					
		2007			2008		
		June	Sep.	Dec.	Mar.	June	Sep.
<b>How has the availability of unsecured credit provided to households changed?</b>	Past three months	-14.3	-10.2	-13.6	-21.1	-24.0	-27.5
	Next three months	4.9	-2.9	-7.0	-13.7	-25.3	-32.0
<b>Factors contributing to changes in credit availability:<sup>(b)</sup></b>							
changing economic outlook	Past three months	-8.0	-13.4	-11.9	-17.9	-19.6	-34.7
	Next three months	-2.6	-12.2	-23.2	-10.8	-32.7	-35.4
market share objectives	Past three months	6.5	-0.8	7.5	-0.7	0.5	-5.3
	Next three months	13.6	-3.6	-2.5	-1.2	0.5	-5.3
changing appetite for risk	Past three months	-3.4	-8.0	-14.3	-8.3	-9.3	-28.0
	Next three months	1.4	-11.7	-18.7	-16.6	-21.0	-32.3
changing cost/availability of funds	Past three months	17.4	1.0	1.2	-1.6	0.3	-5.0
	Next three months	18.8	0.0	-10.2	-1.4	-1.1	-5.5
<b>How have credit scoring criteria for granting credit card loan applications by households changed?</b>	Past three months	-15.0	-7.8	7.9	-16.6	4.5	-33.1
	Next three months	-1.0	-13.7	-16.4	0.2	-34.3	-41.4
<b>How have credit scoring criteria for granting other unsecured loan applications by households changed?</b>	Past three months	-12.0	19.9	-8.5	-20.8	-26.7	-31.6
	Next three months	-5.6	-24.2	-24.2	-21.8	-48.6	-26.4
<b>How have credit scoring criteria for granting total unsecured loan applications by households changed?</b>	Past three months	-14.2	-0.8	3.7	-17.7	-3.0	-32.8
	Next three months	-2.2	-16.3	-18.3	-5.2	-37.8	-37.9
<b>How has the proportion of credit card loan applications from households being approved changed?</b>	Past three months	33.2	15.1	10.0	-6.7	-16.3	-15.8
	Next three months	6.1	-2.5	-26.3	-7.6	-9.2	-46.0
<b>How has the proportion of other unsecured loan applications from households being approved changed?</b>	Past three months	6.1	14.8	-17.7	-24.9	-11.3	-31.1
	Next three months	2.6	-18.1	-28.5	-26.8	-27.2	-13.5
<b>How has the proportion of total unsecured loan applications from households being approved changed?</b>	Past three months	25.9	15.0	3.0	-11.2	-15.1	-19.3
	Next three months	5.2	-6.4	-26.9	-12.4	-13.5	-38.5
<b>How has the default rate on credit card loans to households changed?</b>	Past three months	-14.6	-20.8	-8.8	-10.0	6.4	33.9
	Next three months	-17.3	-13.3	9.0	2.1	17.3	36.9
<b>How has the default rate on other unsecured loans to households changed?</b>	Past three months	-6.0	-6.5	-11.4	5.5	19.2	40.9
	Next three months	-20.8	-7.5	-7.6	3.2	13.7	25.7
<b>How has the default rate on total unsecured loans to households changed?</b>	Past three months	-12.3	-17.2	-9.5	-6.2	9.5	35.5
	Next three months	-18.2	-11.8	4.8	2.4	16.4	34.3

		Net percentage balances <sup>(a)</sup>					
		2007			2008		
		June	Sep.	Dec.	Mar.	June	Sep.
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	25.3
	Next three months	-3.7	12.8	4.6	-3.0	13.3	21.4
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	12.6
	Next three months	8.8	5.8	17.2	4.3	20.3	22.4
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	22.4
	Next three months	-0.3	11.0	7.8	-1.2	15.0	21.6
How has demand for credit card lending from households changed?	Past three months	1.2	-2.2	10.5	-11.0	23.1	-14.6
	Next three months	5.2	3.2	-5.9	5.1	1.2	-6.1
How has demand for other unsecured lending from households changed?	Past three months	-20.4	-4.9	-11.7	7.8	-44.8	-17.9
	Next three months	1.3	-4.5	2.3	-23.3	-12.0	7.3
How has demand for total unsecured lending from households changed?	Past three months	-4.6	-2.9	4.9	-6.4	6.7	-15.4
	Next three months	4.2	1.2	-3.8	-1.9	-2.0	-3.0
How has demand for credit card lending from small businesses changed?	Past three months	14.7	-4.9	5.2	-1.6	20.1	4.4
	Next three months	0.9	-2.4	19.7	-1.6	1.9	13.0
How has demand for other unsecured lending from small businesses changed?	Past three months	2.6	-11.4	-9.2	-14.5	-5.5	-16.2
	Next three months	2.6	-9.2	-10.5	-13.9	-19.0	-19.1
How has demand for total unsecured lending from small businesses changed?	Past three months	11.8	-6.7	0.2	-5.3	13.8	-0.1
	Next three months	1.3	-4.2	9.4	-5.2	-3.2	6.1
How have spreads on credit cards changed? <sup>(a)</sup>	Past three months	6.6	16.2	-3.5	-4.8	-4.4	-8.3
	Next three months	5.7	0.4	-1.2	-11.9	-3.2	-10.9
How have spreads on other unsecured lending products changed? <sup>(a)</sup>	Past three months	-6.9	6.7	-15.8	-21.5	-18.6	-12.6
	Next three months	-2.9	-16.0	-18.8	-4.0	-4.4	-4.6
How have overall unsecured lending spreads changed? <sup>(a)</sup>	Past three months	3.0	13.8	-6.6	-8.9	-7.8	-9.3
	Next three months	3.4	-3.7	-5.7	-10.0	-3.5	-9.5
How have credit card limits changed?	Past three months	-10.4	25.1	16.8	13.9	-15.0	-24.3
	Next three months	12.7	-2.7	7.9	-2.3	-12.7	-15.2
How has the minimum proportion of credit card balances to be paid changed? <sup>(a)</sup>	Past three months	-4.6	-2.9	3.2	-4.7	0.1	-7.0
	Next three months	11.0	8.5	-0.1	-5.2	-9.4	4.1
How have maximum maturities on loans changed?	Past three months	-2.5	0.0	-2.3	3.7	-8.0	-14.8
	Next three months	0.0	-0.9	0.0	0.0	-10.3	-14.8

(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  $\pm 100$ . 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 <sup>(a)</sup>					
		2007			2008		
		June	Sep.	Dec.	Mar.	June	Sep.
<b>How has the availability of credit provided to the corporate sector overall changed?</b>	Past three months	1.8	-20.2	-51.8	-37.3	-32.1	-36.2
	Next three months	0.0	-49.3	-35.7	-30.7	-9.2	-8.8
<i>of which: commercial real estate sector</i>	Past three months	0.8	-14.7	-37.1	-43.0	-58.2	-52.8
	Next three months	-3.2	-29.8	-45.6	-49.5	-22.2	-29.1
<b>Factors contributing to changes in credit availability:<sup>(b)</sup></b>							
changing economic outlook	Past three months	-4.5	-11.2	-45.1	-37.4	-44.3	-53.0
	Next three months	-16.2	-48.4	-46.7	-22.5	-29.2	-45.6
changing sector-specific risks	Past three months	-29.5	-25.7	-38.8	-1.6	-41.1	-42.9
	Next three months	-15.5	-37.3	-45.5	-10.7	-17.5	-42.2
market share objectives	Past three months	21.0	0.0	-27.4	-7.4	-6.8	-20.2
	Next three months	4.1	0.0	-29.9	-16.8	-3.9	-19.2
market pressures from capital markets	Past three months	25.1	-31.6	-38.2	21.2	-19.9	-19.3
	Next three months	0.2	-50.1	-23.3	-7.4	-21.9	-18.3
changing appetite for risk	Past three months	1.1	-17.5	-33.9	10.5	-39.9	-43.0
	Next three months	-12.3	-27.7	-33.5	-3.5	-7.9	-18.9
changing cost/availability of funds	Past three months	-25.1	-33.7	-45.2	4.8	-29.6	-34.5
	Next three months	-10.8	-42.2	-41.6	1.6	-8.9	-21.6
<b>How has the proportion of loan applications from medium PNFCs being approved changed?</b>	Past three months	-20.9	-21.6	-29.2	-16.1	-25.7	-30.5
	Next three months	-10.2	-26.4	-28.7	-13.9	-17.1	-10.8
<b>How has the proportion of loan applications from large PNFCs being approved changed?</b>	Past three months	3.4	-16.0	-29.1	-35.1	-24.2	-17.0
	Next three months	-2.0	-20.7	-26.4	-22.3	-14.3	-4.3
<b>Has there been any change in the use of cash securitisations associated with corporate lending?</b>	Past three months	7.7	-1.5	-75.8	-27.1	1.2	-2.4
	Next three months	21.3	-68.8	-54.0	-18.8	1.2	-2.4
<b>Has there been any change in the use of derivatives/synthetic securitisations associated with corporate lending?</b>	Past three months	3.9	1.0	-36.7	-13.4	-1.4	5.8
	Next three months	15.9	-40.1	-32.1	-13.7	6.1	5.8
<b>Has there been any change in 'target hold' levels associated with corporate lending?<sup>(a)</sup></b>	Past three months	37.3	18.5	11.3	17.3	28.0	33.0
	Next three months	18.8	3.8	32.7	33.2	14.6	16.5
<b>How have loan tenors on new corporate loans changed?</b>	Past three months	-0.7	-5.5	13.6	17.6	25.4	5.1
	Next three months	-9.1	13.3	8.1	21.0	16.2	7.7

		Net percentage balances <sup>(a)</sup>					
		2007			2008		
		June	Sep.	Dec.	Mar.	June	Sep.
How has the default rate on loans to medium PNFCs changed?	Past three months	12.4	1.3	23.3	29.2	37.0	53.1
	Next three months	21.0	21.0	12.7	37.0	36.8	47.6
How has the default rate on loans to large PNFCs changed?	Past three months	-3.9	0.0	1.1	24.4	29.6	36.3
	Next three months	19.2	2.0	2.8	36.8	36.1	45.1
How has loss given default on loans to medium PNFCs changed?	Past three months	1.5	0.0	3.4	8.7	23.4	20.6
	Next three months	1.5	5.1	11.5	20.1	32.3	34.9
How has loss given default on loans to large PNFCs changed?	Past three months	0.0	0.0	1.8	0.0	14.4	13.3
	Next three months	0.0	1.2	0.7	15.1	23.1	27.9
How has demand for lending from medium PNFCs changed?	Past three months	6.0	-7.3	-7.2	-13.8	-10.4	-33.8
	Next three months	4.1	-15.0	6.9	-7.2	-15.2	-29.8
How has demand for lending from large PNFCs changed?	Past three months	30.9	-21.9	-24.4	4.1	-40.7	-14.0
	Next three months	6.4	-31.0	-0.2	-14.6	-10.7	-19.7
How has demand from institutional investors/pension funds changed?	Past three months	0.0	-4.5	38.5	2.1	-20.0	-9.3
	Next three months	0.0	5.4	35.8	16.1	-3.3	-21.6
How has demand from securities dealers changed?	Past three months	n.a.*	n.a.*	24.1	-11.7	-8.6	n.a.*
	Next three months	n.a.*	n.a.*	24.1	3.0	-1.7	n.a.*
How has demand from hedge funds changed?	Past three months	-1.0	n.a.*	54.8	23.3	2.9	-3.2
	Next three months	-1.0	n.a.*	43.3	15.0	10.4	-3.2
How has demand from structured finance vehicles changed?	Past three months	6.7	-4.9	46.0	-48.9	-63.7	-19.6
	Next three months	6.2	-1.7	31.4	-0.2	-18.6	-3.6
How has demand from other OFCs changed?	Past three months	0.0	-1.7	17.9	-1.3	-25.7	-17.4
	Next three months	0.0	3.9	17.8	-4.5	-5.3	-17.4
<b>What have been the main factors contributing to changes in demand for lending?<sup>(b)</sup></b>							
mergers and acquisitions	Past three months	45.3	15.5	-53.7	6.7	-32.8	-41.8
	Next three months	27.3	-66.8	-22.6	-5.0	-8.4	-27.0
capital investment	Past three months	-1.9	-12.6	-15.4	-16.4	-27.2	-50.1
	Next three months	-4.2	-27.5	-8.3	-10.6	-15.1	-51.7
inventory finance	Past three months	-11.2	-20.0	-14.0	9.6	1.9	9.0
	Next three months	-15.9	-21.5	-1.1	9.9	-0.7	4.0
balance sheet restructuring	Past three months	4.7	-40.3	-26.7	2.4	-7.0	19.2
	Next three months	1.9	-48.8	-7.0	6.0	9.8	19.3
commercial real estate	Past three months	21.5	-31.1	-15.9	-23.2	-28.2	-55.7
	Next three months	-4.5	-46.5	-22.9	-10.2	-21.9	-36.3
How have spreads on loans to medium PNFCs changed? <sup>(a)</sup>	Past three months	3.6	-7.8	-36.6	-45.7	-63.4	-61.5
	Next three months	0.0	-26.8	-55.9	-45.4	-46.0	-48.1
How have fees/commissions on loans to medium PNFCs changed? <sup>(a)</sup>	Past three months	0.7	-4.7	-30.3	-40.7	-62.2	-59.8
	Next three months	0.0	-21.1	-51.9	-44.6	-48.1	-43.8
How have collateral requirements for loans to medium PNFCs changed? <sup>(a)</sup>	Past three months	-7.5	0.0	-11.9	-21.5	-17.9	-20.8
	Next three months	0.0	-10.0	-15.6	-19.5	-1.8	-17.6

		Net percentage balances <sup>(a)</sup>					
		2007			2008		
		June	Sep.	Dec.	Mar.	June	Sep.
How have maximum credit lines for medium PNFCs changed?	Past three months	3.6	0.0	-21.1	-30.6	-27.2	-30.1
	Next three months	3.1	-24.5	-21.1	-25.9	-18.5	-20.3
How have loan covenants for medium PNFCs changed? <sup>(a)</sup>	Past three months	14.8	-1.1	-20.6	-35.6	-37.1	-35.8
	Next three months	-1.3	-29.3	-37.8	-25.4	-42.2	-12.8
How have spreads on loans to large PNFCs changed? <sup>(a)</sup>	Past three months	29.8	-16.4	-60.1	-67.6	-72.5	-71.9
	Next three months	21.2	-51.2	-56.4	-33.2	-49.4	-53.9
How have fees/commissions on loans to large PNFCs changed? <sup>(a)</sup>	Past three months	26.1	-7.1	-52.5	-49.6	-68.4	-71.9
	Next three months	20.4	-35.5	-59.3	-42.1	-49.4	-50.7
How have collateral requirements for loans to large PNFCs changed? <sup>(a)</sup>	Past three months	22.8	13.1	-16.8	-1.7	-15.8	-26.5
	Next three months	0.0	-6.5	-12.9	4.7	-8.2	-16.5
How have maximum credit lines for large PNFCs changed?	Past three months	20.6	10.5	-36.4	-49.0	-44.2	-24.3
	Next three months	6.3	-47.0	-16.8	-12.4	-13.3	-6.1
How have loan covenants for large PNFCs changed? <sup>(a)</sup>	Past three months	36.4	4.9	-46.3	-48.1	-40.1	-26.0
	Next three months	20.9	-48.2	-35.6	-23.3	-28.4	-10.9
How have spreads on loans to OFCs changed? <sup>(a)</sup>	Past three months	19.7	-27.7	-72.1	-54.8	-68.7	-66.8
	Next three months	19.5	-82.2	-70.7	-41.7	-42.7	-45.2
How have fees/commissions on loans to OFCs changed? <sup>(a)</sup>	Past three months	18.4	-11.8	-64.4	-50.8	-69.9	-51.4
	Next three months	18.4	-42.4	-62.9	-38.9	-46.6	-47.4
How have collateral requirements for loans to OFCs changed? <sup>(a)</sup>	Past three months	10.9	-1.4	-35.7	-29.7	-10.3	-23.9
	Next three months	0.0	-45.1	-34.3	-12.4	-3.9	-17.8
How have maximum credit lines for OFCs changed?	Past three months	4.4	-13.1	-37.4	-52.5	-46.3	-23.2
	Next three months	4.4	-54.8	-38.4	-34.5	-18.7	-23.2

\* 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/demand.

## Additional questions

		Net percentage balances <sup>(a)</sup>			
		2007	2008		
		Dec.	Mar.	June	Sep.
<b>How have the following factors affected overall PNFCs credit availability?<sup>(b)</sup></b>					
Tighter wholesale funding conditions:	Past three months	-59.0	-12.9	-28.0	-13.1
	Next three months	-51.1	10.0	-9.7	-1.0
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	-8.8
	Next three months	8.9	17.8	-7.2	4.7
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	-20.3
	Next three months	-49.3	-5.3	-8.3	-9.3
<b>Has there been a change in draw-downs on committed lines by PNFCs?</b>					
	Past three months	20.3	5.0	11.8	11.3
	Next three months	33.8	12.8	18.6	6.4
<b>Has there been a change in average credit quality on newly arranged PNFC borrowing facilities?<sup>(c)</sup></b>					
	Past three months	n.a.**	5.5	14.4	16.6
	Next three months	n.a.**	7.0	14.4	18.4
<b>How have commercial property prices affected credit availability to the commercial real estate sector, and/or secured lending to PNFCs?</b>					
	Past three months	n.a.**	-20.9	-49.1	-58.2
	Next three months	n.a.**	-9.0	-44.4	-43.0
<b>Has there been a change in the amount of secured lending to PNFCs, such as asset-based lending, relative to unsecured PNFC lending?</b>					
	Past three months	n.a.**	n.a.**	11.0	15.7
	Next three months	n.a.**	n.a.**	11.0	8.0

\*\* 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.