Credit Conditions Survey

Survey results | 2008 Q4

BANK OF ENGLAND

BANK OF ENGLAND

Credit Conditions Survey

2008 Q4

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 Q4 survey. The 2008 Q4 survey was conducted between 24 November and 15 December.

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 Q4 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 2009 for future Credit Conditions Surveys are:

2009 Q1 survey on 2 April 2009.
2009 Q2 survey on 2 July 2009.
2009 Q3 survey on 1 October 2009.

BANK OF ENGLAND

Credit Conditions Survey

2008 Q4

Supply

- Lenders reported that they had reduced the availability of secured credit to households in the three months to mid-December 2008. As in the Q3 survey, expectations for house prices and concerns about the economic outlook were reported to have been factors contributing to this tightening. A further decline was expected over the next three months.
- Unsecured credit availability to households was reported to have been reduced in line with expectations. A further fall was expected.
- Corporate credit availability had been tightened over the past three months. Lenders anticipated a further reduction over the next three months.

Demand

- Demand for secured lending for house purchase and for remortgaging was reported to have remained broadly stable over the past three months, in contrast to lenders' expectations. Demand for other secured lending was reported to have fallen.
- Demand for credit by private non-financial corporations had declined in the three months to mid-December. As in the Q3 survey, reduced demand for credit for capital investment, for mergers and acquisitions activity, and from the real estate sector were reported to have contributed to these falls. A further decline in demand was anticipated.

Terms and conditions

- Overall spreads on secured lending to households were reported to have widened over the past three months, in contrast to lenders' expectations. Spreads were expected to remain broadly unchanged.
- Lenders reported a further widening in spreads on corporate lending. They expected spreads to increase further going forward.

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 on household secured borrowing.
- Default rates, and losses given default, on unsecured lending to households had increased. Further increases were expected.
- Lenders reported that default rates, and losses given default, on lending to private non-financial corporations had increased over the past three months. A further rise was anticipated over the next three months.

This report presents the results of the 2008 Q4 survey. The 2008 Q4 survey was conducted between 24 November and 15 December. 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.

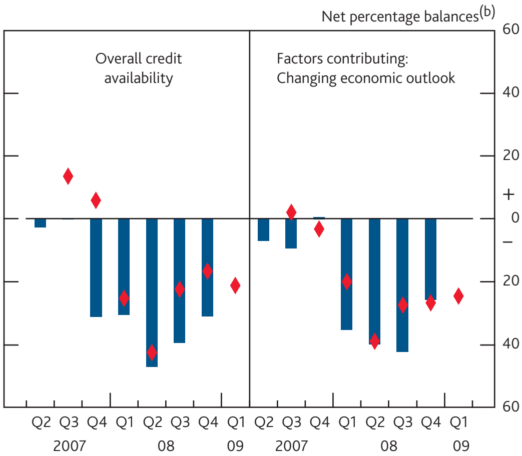
This report, and copies of the questionnaires are available on the Bank's website at www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.

Credit Conditions Survey

In the three months to mid-December, a net balance of lenders reported that they had reduced the availability of credit to households and corporates. The reduction in secured credit to households and credit to corporates was greater than had been expected in the previous survey, which had been mostly carried out by mid-September, shortly before the failure of Lehman Brothers and the escalation in the disruption to financial markets that followed. Further declines in credit availability were expected over the next three months. As in previous surveys, concerns about the economic outlook and falling collateral values had contributed to tighter availability of credit. Over the past three months, lenders reported that changing costs and availability of funds had borne down on 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. In contrast to expectations three months ago, overall spreads on secured lending to households were reported to have widened. Price and non-price terms on corporate lending had also tightened.

The Q4 Credit Conditions Survey was conducted between 24 November and 15 December. 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.

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 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.

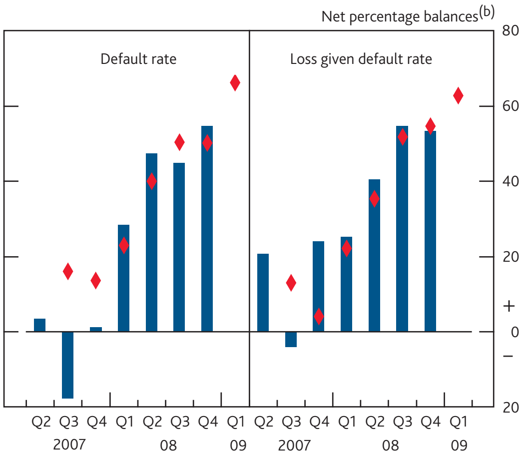
Secured lending to households and small businesses

In the three months to mid-December, a net balance of lenders reported that there had been a tightening in the availability of secured credit to households (**Chart 1**). This was greater than lenders' expectations in the 2008 Q3 survey. The reduction in availability was associated with a larger-than-expected decline in loan approval rates, as lenders lowered maximum loan to value (LTV) ratios and tightened credit scoring criteria by more than they had anticipated. Credit availability to households with low LTV ratios (75% or less) had been reduced, in contrast to lenders' expectations, and there was a further significant fall in credit availability to high LTV ratio (above 75%) borrowers. Over the next three months, lenders expected a further reduction in overall credit availability.

Lenders reported that the changing economic outlook and their expectations for the housing market had contributed to the decline in credit availability. In contrast to expectations, the changing cost and availability of funds had also

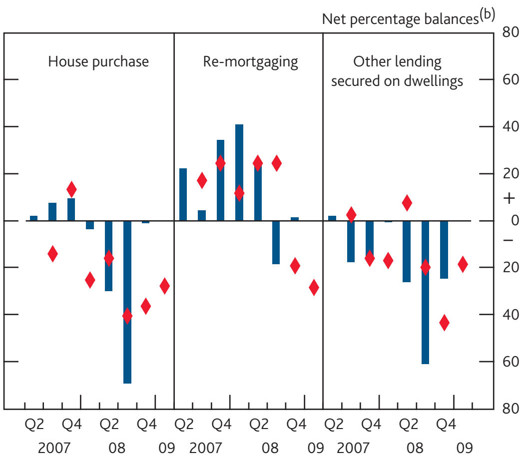
(1) For a further discussion of recent developments in financial markets, see the 'Markets and operations' article in the 2008 Q4 *Quarterly Bulletin*.

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



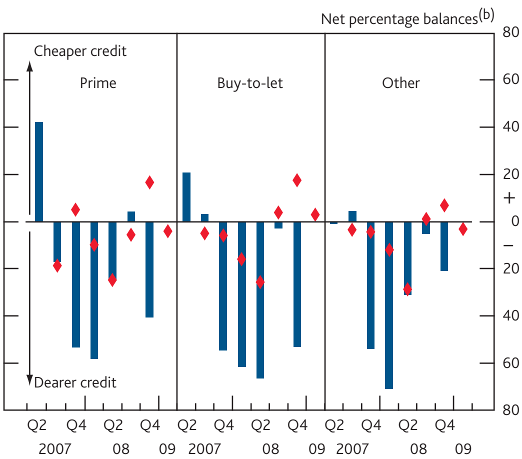
(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates an increase in default and loss given default rates.

Chart 3 Demand for household secured lending[(a)]



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

Chart 4 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.

contributed to the tightening. These factors were expected to bear down on credit availability 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**). Lenders commented that declining house prices had driven the increase in loss given default rates. Default rates, and losses given default, were expected to rise further over the next three months.

In contrast to their expectations in the Q3 survey, household demand for secured credit for house purchase and remortgaging was reported to have been stable over the past three months (**Chart 3**). Lenders' experiences of demand conditions had varied, with some commenting that they had seen a rise in demand in response to competitive pricing on their lending, while others commented that low turnover in the housing market had kept demand subdued. Demand for other lending secured on dwellings (eg housing equity withdrawal) was reported to have declined. Over the next three months, lenders expected demand for credit for house purchase, remortgaging and other purposes to fall.

Spreads on overall secured lending were reported to have increased in the three months to mid-December. This was in contrast to lenders' expectations three months ago, when they had expected spreads to narrow. This was reported to be the case for prime, buy-to-let and other (eg those with a poor credit history) borrowers (**Chart 4**). Over the next three months lenders expected spreads to remain broadly unchanged.

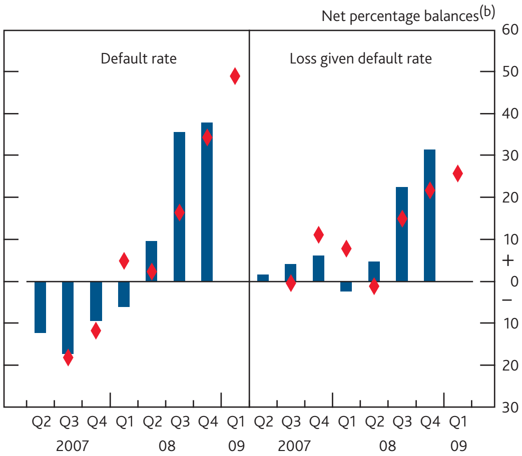
Unsecured lending to households and small businesses

Lenders reported that they had reduced the amount of unsecured credit they were prepared to make available to households and small businesses over the latest three months. Credit scoring criteria for both credit card and non-credit card borrowers had tightened. Approval rates had remained broadly unchanged for credit card borrowing, though had fallen for other unsecured borrowing. For those credit card borrowers that met lending criteria, credit limits were reported to have been reduced. Over the next three months, lenders expected a further reduction in overall unsecured credit availability. This would be associated with a further tightening in scoring criteria.

Lenders reported that the decline in credit availability was driven primarily by concerns about the economic outlook. Over the next three months, these concerns, as well as a decline in risk appetite, were expected to contribute to the further reduction in unsecured credit availability.

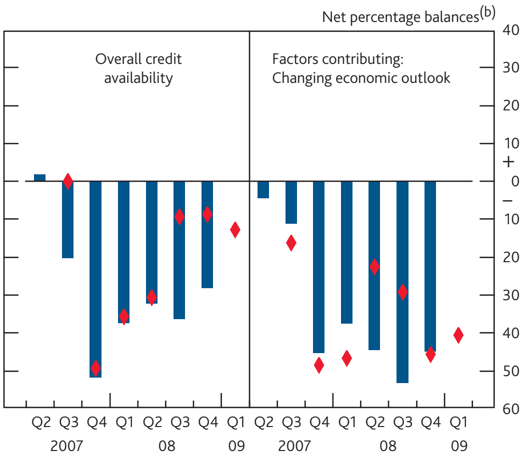
Default rates on unsecured lending were reported to have increased in line with lenders' expectations (**Chart 5**). Losses

Chart 5 Default rates and loss given default rates on unsecured lending to households[(a)]



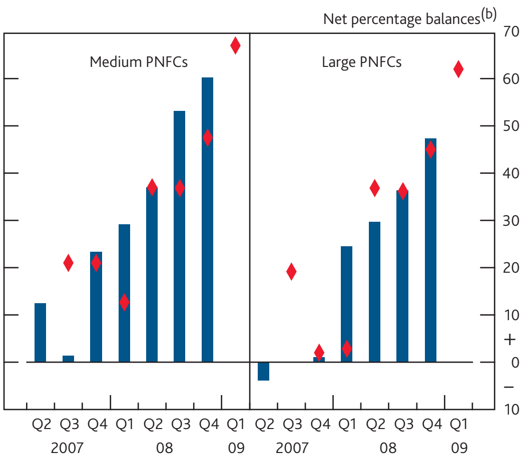
(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates an increase in default rates and loss given default rates.

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.

on unsecured loans in default were reported to have risen by more than they had anticipated. Further increases were expected for both defaults and losses given default.

Lenders reported a small increase in demand for credit card borrowing by households. In contrast to their expectations, demand for other unsecured borrowing by households was reported to have declined over the past three months. There was reported to have been a larger-than-anticipated decline in demand for unsecured borrowing by small businesses in the three months to mid-December. Over the next three months, lenders expected demand for unsecured borrowing by households to decline and demand by small businesses to be broadly unchanged.

Spreads on credit card lending were reported to have been broadly unchanged. Lenders anticipated a narrowing in spreads over the next three months. This was in contrast to spreads on other unsecured borrowing, where spreads were reported to have increased, and were expected to increase further.

Lending to corporates

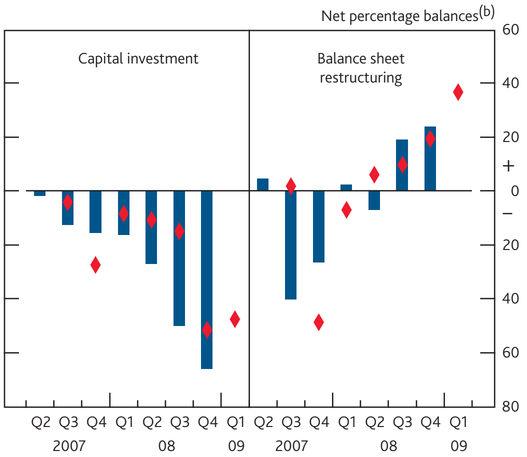
A net balance of lenders reported that they had reduced overall corporate credit availability in the three months to mid-December. Credit availability was tightened by more than had been expected three months ago (**Chart 6**). As in Q3, lenders reported a larger-than-anticipated reduction in credit availability to the commercial real estate sector. A further reduction in overall credit availability was expected over the next three months.

The reduction in the availability of credit was associated with a reduction in maximum credit lines, increasing collateral requirements, and declining loan approval rates. Over the next three months, lenders expected further tightening in these factors.

Over the past three months, the changing cost and availability of funds was reported to have been a key factor contributing to the decline in credit available to corporates. In addition to this, and as in previous surveys, concerns about the economic outlook, changing sector-specific risks and a reduction in lenders' appetite for risk had also contributed to the tightening. Falls 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). Over the next three months, the economic outlook, expectations for commercial property prices, and reduced risk appetite were expected to bear down on credit availability.

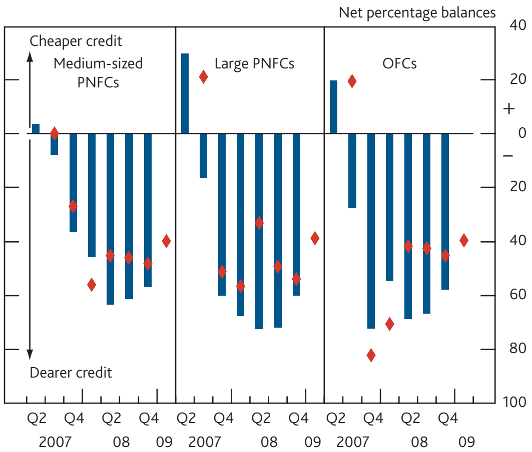
There was a further reported rise in default rates for medium-sized and large PNFCs (**Chart 7**), though lenders commented that this was from a low level. Losses on loans in

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 changes in the factors described have served to increase demand for corporate borrowing.

Chart 9 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.

default were also reported to have increased, by somewhat more than lenders' expectations three months ago. Lenders related this to falling collateral values. Further significant increases in both default rates and loss given default rates were anticipated over the next three months.

While demand for new credit facilities by medium-sized and large PNFCs was reported to have fallen by more than anticipated over the past three months, drawdowns on existing committed credit lines were reported to have increased. Over the next three months, lenders expected further declines in demand for new credit. Drawdowns on committed credit lines were expected to rise.

Demand for credit by other financial corporations (OFCs) was reported to have fallen over the past three months. A further fall in demand for credit by OFCs was expected.

Lenders reported a material decline in demand for credit by corporates for capital investment over the past three months (**Chart 8**). In addition, demand for credit by PNFCs for financial investment through mergers and acquisitions activity had also declined. 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 expected to fall further. As in the previous survey, lenders reported a larger-than-expected increase in demand for credit for balance sheet restructuring by corporates, with a further increase anticipated over the next three months.

In the three months to mid-December, 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 ±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	Sep.	Dec.
How has the availability of secured credit provided to households changed?	Past three months	-2.9	0.1	-31.2	-30.7	-47.0	-39.3	-31.1
	Next three months	13.4	5.8	-25.3	-42.5	-22.3	-16.8	-21.2
Factors contributing to changes in credit availability:[b]								
changing economic outlook	Past three months	-7.2	-9.6	0.5	-35.3	-39.8	-42.2	-25.7
	Next three months	2.1	-3.3	-19.9	-38.9	-27.4	-26.8	-24.5
market share objectives	Past three months	20.0	21.3	-7.6	5.7	7.3	-0.1	-5.5
	Next three months	29.6	19.7	-25.5	-11.1	3.8	-2.9	-5.7
changing appetite for risk	Past three months	1.8	-1.5	-35.2	-33.2	-30.3	-24.2	-23.0
	Next three months	13.4	14.3	-28.0	-46.5	-24.8	-20.1	-18.5
changing cost/availability of funds	Past three months	-9.3	10.0	-12.5	-12.2	-21.4	-11.4	-22.7
	Next three months	13.3	-15.1	-17.3	-6.7	-3.2	4.8	-9.3
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	-39.3	-42.0
	Next three months	19.5	3.1	-41.0	-45.9	-38.2	-24.8	-19.2
How has the proportion of household loan applications being approved changed?	Past three months	-5.3	-2.7	-21.5	-6.8	-38.1	-18.6	-43.5
	Next three months	9.5	5.6	-3.8	-21.2	-33.3	-16.6	-32.6
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	42.1	43.4
	Next three months	4.1	-20.5	-37.7	-36.6	-20.1	-34.8	-18.6
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	8.5	n.a.*
	Next three months	13.3	5.9	2.2	29.1	4.3	8.5	n.a.*
How has the default rate on secured loans to households changed?	Past three months	3.5	-17.5	1.3	28.6	47.3	44.8	54.6
	Next three months	16.1	13.8	23.0	40.1	50.4	50.1	66.1
How has loss given default on secured loans to households changed?	Past three months	20.7	-3.9	24.0	25.3	40.5	54.6	53.4
	Next three months	13.2	4.1	22.1	35.3	51.9	54.7	62.8
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	-69.1	-1.2
	Next three months	-14.0	13.2	-25.2	-16.1	-40.5	-36.5	-27.8
of which: demand for prime lending	Past three months	-3.3	-3.8	4.4	-1.1	-38.6	-50.8	-3.3
	Next three months	-14.0	15.8	-17.6	-13.5	-39.2	-33.3	-27.6
of which: demand for buy-to-let lending	Past three months	14.1	10.2	14.7	6.9	10.4	-28.6	-35.1
	Next three months	-0.1	-4.9	-30.9	-5.8	-16.9	-6.6	-26.3
of which: demand for other lending	Past three months	n.a.*	4.8	15.0	17.5	-36.4	-46.2	-17.9
	Next three months	n.a.*	-30.4	-21.1	6.8	-29.2	-7.9	-12.1

		Net percentage balances(a)						
		2007			2008			
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.
How has demand for secured lending for remortgaging from households changed?	Past three months	22.0	4.3	34.2	40.8	24.0	-18.5	1.5
	Next three months	17.1	24.3	11.6	24.4	24.3	-19.1	-28.5
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	-60.8	-24.8
	Next three months	2.3	-16.2	-17.1	7.5	-20.0	-43.3	-18.5
How has demand for secured lending from small businesses changed?	Past three months	39.1	47.8	10.3	-5.0	-15.1	-40.6	-34.0
	Next three months	55.5	47.8	18.6	-14.4	-34.7	-10.3	-26.9
How have overall secured lending spreads changed?(a)	Past three months	38.5	-17.6	-56.2	-61.4	-25.8	0.0	-42.8
	Next three months	-18.7	4.3	-17.9	-26.0	2.1	14.3	-4.0
of which: spreads on prime lending(a)	Past three months	42.1	-17.0	-53.2	-58.1	-25.0	4.0	-40.6
	Next three months	-18.7	5.0	-9.8	-24.9	-5.5	16.4	-4.1
of which: spreads on buy-to-let lending(a)	Past three months	20.8	3.1	-54.5	-61.6	-66.4	-2.9	-52.9
	Next three months	-4.9	-5.8	-15.8	-25.6	3.8	17.4	2.8
of which: spreads on other lending(a)	Past three months	-1.1	4.4	-53.8	-70.8	-31.2	-5.2	-20.8
	Next three months	-3.4	-4.5	-12.0	-28.6	1.2	6.7	-3.3
How have fees on secured lending changed?(a)	Past three months	5.9	3.4	-2.7	-1.9	-12.3	-7.3	-7.5
	Next three months	-2.5	-6.1	-3.8	-3.8	-3.5	-3.0	-0.8
How have maximum loan to value ratios changed?	Past three months	-4.0	2.8	-10.2	-18.9	-53.8	-26.6	-31.4
	Next three months	1.3	2.6	-11.9	-41.2	-39.4	-8.6	-18.7
How have maximum loan to income ratios changed?	Past three months	-4.4	-1.4	-3.3	-11.5	3.5	-1.7	-15.9
	Next three months	-4.4	3.1	2.1	-13.1	-6.5	-7.7	-18.2

* 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.

Bradford & Bingley was not included in the 2008 Q4 survey due to its policy of no longer making new credit available. The sample of reporting lenders was otherwise selected based on the criteria outlined in the 2007 Q3 *Quarterly Bulletin* article 'The Bank of England Credit Conditions Survey'.

Additional questions

		Net percentage balances[a]				
		2007	2008			
		Dec.	Mar.	June	Sep.	Dec.
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	-15.0	-14.8
	Next three months	-28.0	-46.5	-38.8	-25.4	-16.8
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	-3.9	2.8
	Next three months	-9.8	-31.5	-14.9	-3.9	2.8
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	0.0
	Next three months	-21.6	-44.9	-13.0	-3.6	-11.9
Expectations for house prices:	Past three months	-7.0	-43.0	-55.0	-58.5	-50.2
	Next three months	-38.2	-46.1	-69.2	-60.5	-44.7
How has the availability of household secured credit to the following types of borrower changed?						
Borrowers with low LTVs (75% or less):	Past three months	n.a.**	n.a.**	n.a.**	12.7	-9.9
	Next three months	n.a.**	n.a.**	n.a.**	6.3	-0.6
Borrowers with high LTVs (more than 75%):	Past three months	n.a.**	n.a.**	n.a.**	-59.5	-55.3
	Next three months	n.a.**	n.a.**	n.a.**	-38.5	-27.1
How has the average credit quality of new secured lending to households changed?[c]	Past three months	n.a.**	n.a.**	n.a.**	23.5	18.9
	Next three months	n.a.**	n.a.**	n.a.**	22.6	10.0

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

Bradford & Bingley was not included in the 2008 Q4 survey due to its policy of no longer making new credit available. The sample of reporting lenders was otherwise selected based on the criteria outlined in the 2007 Q3 *Quarterly Bulletin* article 'The Bank of England Credit Conditions Survey'.

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	Sep.	Dec.
How has the availability of unsecured credit provided to households changed?	Past three months	-14.3	-10.2	-13.6	-21.1	-24.0	-27.5	-30.5
	Next three months	4.9	-2.9	-7.0	-13.7	-25.3	-32.0	-37.4
Factors contributing to changes in credit availability:[b]								
changing economic outlook	Past three months	-8.0	-13.4	-11.9	-17.9	-19.6	-34.7	-24.1
	Next three months	-2.6	-12.2	-23.2	-10.8	-32.7	-35.4	-29.3
market share objectives	Past three months	6.5	-0.8	7.5	-0.7	0.5	-5.3	-9.0
	Next three months	13.6	-3.6	-2.5	-1.2	0.5	-5.3	-9.4
changing appetite for risk	Past three months	-3.4	-8.0	-14.3	-8.3	-9.3	-28.0	-17.4
	Next three months	1.4	-11.7	-18.7	-16.6	-21.0	-32.3	-37.3
changing cost/availability of funds	Past three months	17.4	1.0	1.2	-1.6	0.3	-5.0	-7.4
	Next three months	18.8	0.0	-10.2	-1.4	-1.1	-5.5	-7.4
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	-33.1	-26.7
	Next three months	-1.0	-13.7	-16.4	0.2	-34.3	-41.4	-46.8
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	-31.6	-35.0
	Next three months	-5.6	-24.2	-24.2	-21.8	-48.6	-26.4	-54.3
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	-32.8	-28.5
	Next three months	-2.2	-16.3	-18.3	-5.2	-37.8	-37.9	-48.5
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	-15.8	4.5
	Next three months	6.1	-2.5	-26.3	-7.6	-9.2	-46.0	-43.8
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	-31.1	-36.4
	Next three months	2.6	-18.1	-28.5	-26.8	-27.2	-13.5	-46.6
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	-19.3	-4.3
	Next three months	5.2	-6.4	-26.9	-12.4	-13.5	-38.5	-44.4
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	33.9	34.6
	Next three months	-17.3	-13.3	9.0	2.1	17.3	36.9	50.1
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	40.9	49.0
	Next three months	-20.8	-7.5	-7.6	3.2	13.7	25.7	44.1
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	35.5	37.7
	Next three months	-18.2	-11.8	4.8	2.4	16.4	34.3	48.8

		Net percentage balances(a)						
		2007			2008			
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.
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	36.7
	Next three months	-3.7	12.8	4.6	-3.0	13.3	21.4	25.6
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	12.3
	Next three months	8.8	5.8	17.2	4.3	20.3	22.4	25.7
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	31.4
	Next three months	-0.3	11.0	7.8	-1.2	15.0	21.6	25.6
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	13.0
	Next three months	5.2	3.2	-5.9	5.1	1.2	-6.1	-20.4
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	-36.8
	Next three months	1.3	-4.5	2.3	-23.3	-12.0	7.3	-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	-15.4	2.3
	Next three months	4.2	1.2	-3.8	-1.9	-2.0	-3.0	-18.6
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	4.2
	Next three months	0.9	-2.4	19.7	-1.6	1.9	13.0	9.1
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	-52.1
	Next three months	2.6	-9.2	-10.5	-13.9	-19.0	-19.1	-15.8
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	-8.8
	Next three months	1.3	-4.2	9.4	-5.2	-3.2	6.1	3.4
How have spreads on credit cards changed?(a)	Past three months	6.6	16.2	-3.5	-4.8	-4.4	-8.3	1.8
	Next three months	5.7	0.4	-1.2	-11.9	-3.2	-10.9	21.0
How have spreads on other unsecured lending products changed?(a)	Past three months	-6.9	6.7	-15.8	-21.5	-18.6	-12.6	-34.8
	Next three months	-2.9	-16.0	-18.8	-4.0	-4.4	-4.6	-11.2
How have overall unsecured lending spreads changed?(a)	Past three months	3.0	13.8	-6.6	-8.9	-7.8	-9.3	-6.1
	Next three months	3.4	-3.7	-5.7	-10.0	-3.5	-9.5	14.0
How have credit card limits changed?	Past three months	-10.4	25.1	16.8	13.9	-15.0	-24.3	-21.4
	Next three months	12.7	-2.7	7.9	-2.3	-12.7	-15.2	-25.1
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	-7.0	-3.7
	Next three months	11.0	8.5	-0.1	-5.2	-9.4	4.1	-26.1
How have maximum maturities on loans changed?	Past three months	-2.5	0.0	-2.3	3.7	-8.0	-14.8	-10.3
	Next three months	0.0	-0.9	0.0	0.0	-10.3	-14.8	-8.3

(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	Sep.	Dec.
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	-36.2	-28.2
	Next three months	0.0	-49.3	-35.7	-30.7	-9.2	-8.8	-12.8
of which: commercial real estate sector	Past three months	0.8	-14.7	-37.1	-43.0	-58.2	-52.8	-57.0
	Next three months	-3.2	-29.8	-45.6	-49.5	-22.2	-29.1	-38.1
Factors contributing to changes in credit availability:[b]								
changing economic outlook	Past three months	-4.5	-11.2	-45.1	-37.4	-44.3	-53.0	-44.8
	Next three months	-16.2	-48.4	-46.7	-22.5	-29.2	-45.6	-40.5
changing sector-specific risks	Past three months	-29.5	-25.7	-38.8	-1.6	-41.1	-42.9	-49.8
	Next three months	-15.5	-37.3	-45.5	-10.7	-17.5	-42.2	-32.9
market share objectives	Past three months	21.0	0.0	-27.4	-7.4	-6.8	-20.2	-21.6
	Next three months	4.1	0.0	-29.9	-16.8	-3.9	-19.2	-19.6
market pressures from capital markets	Past three months	25.1	-31.6	-38.2	21.2	-19.9	-19.3	-13.0
	Next three months	0.2	-50.1	-23.3	-7.4	-21.9	-18.3	-7.1
changing appetite for risk	Past three months	1.1	-17.5	-33.9	10.5	-39.9	-43.0	-36.1
	Next three months	-12.3	-27.7	-33.5	-3.5	-7.9	-18.9	-36.1
changing cost/availability of funds	Past three months	-25.1	-33.7	-45.2	4.8	-29.6	-34.5	-55.2
	Next three months	-10.8	-42.2	-41.6	1.6	-8.9	-21.6	-21.0
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	-30.5	-43.6
	Next three months	-10.2	-26.4	-28.7	-13.9	-17.1	-10.8	-37.8
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	-17.0	-40.1
	Next three months	-2.0	-20.7	-26.4	-22.3	-14.3	-4.3	-28.0
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	-2.4	-3.6
	Next three months	21.3	-68.8	-54.0	-18.8	1.2	-2.4	1.1
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	5.8	1.9
	Next three months	15.9	-40.1	-32.1	-13.7	6.1	5.8	-1.5
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	33.0	37.1
	Next three months	18.8	3.8	32.7	33.2	14.6	16.5	16.6
How have loan tenors on new corporate loans changed?	Past three months	-0.7	-5.5	13.6	17.6	25.4	5.1	38.9
	Next three months	-9.1	13.3	8.1	21.0	16.2	7.7	16.9

		Net percentage balances[a]						
		2007			2008			
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.
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	60.2
	Next three months	21.0	21.0	12.7	37.0	36.8	47.6	67.0
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	47.4
	Next three months	19.2	2.0	2.8	36.8	36.1	45.1	62.0
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	67.6
	Next three months	1.5	5.1	11.5	20.1	32.3	34.9	63.5
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	46.9
	Next three months	0.0	1.2	0.7	15.1	23.1	27.9	40.6
How has demand for lending from medium PNFCs changed?	Past three months	6.0	-7.3	-7.2	-13.8	-10.4	-33.8	-35.5
	Next three months	4.1	-15.0	6.9	-7.2	-15.2	-29.8	-37.3
How has demand for lending from large PNFCs changed?	Past three months	30.9	-21.9	-24.4	4.1	-40.7	-14.0	-34.4
	Next three months	6.4	-31.0	-0.2	-14.6	-10.7	-19.7	-17.2
How has demand from institutional investors/pension funds changed?	Past three months	0.0	-4.5	38.5	2.1	-20.0	-9.3	-23.6
	Next three months	0.0	5.4	35.8	16.1	-3.3	-21.6	-6.1
How has demand from securities dealers changed?	Past three months	n.a.*	n.a.*	24.1	-11.7	-8.6	n.a.*	-35.6
	Next three months	n.a.*	n.a.*	24.1	3.0	-1.7	n.a.*	-3.8
How has demand from hedge funds changed?	Past three months	-1.0	n.a.*	54.8	23.3	2.9	-3.2	n.a.*
	Next three months	-1.0	n.a.*	43.3	15.0	10.4	-3.2	n.a.*
How has demand from structured finance vehicles changed?	Past three months	6.7	-4.9	46.0	-48.9	-63.7	-19.6	-31.9
	Next three months	6.2	-1.7	31.4	-0.2	-18.6	-3.6	-5.1
How has demand from other OFCs changed?	Past three months	0.0	-1.7	17.9	-1.3	-25.7	-17.4	-21.2
	Next three months	0.0	3.9	17.8	-4.5	-5.3	-17.4	-6.1
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	-41.8	-48.1
	Next three months	27.3	-66.8	-22.6	-5.0	-8.4	-27.0	-41.7
capital investment	Past three months	-1.9	-12.6	-15.4	-16.4	-27.2	-50.1	-66.0
	Next three months	-4.2	-27.5	-8.3	-10.6	-15.1	-51.7	-47.5
inventory finance	Past three months	-11.2	-20.0	-14.0	9.6	1.9	9.0	11.4
	Next three months	-15.9	-21.5	-1.1	9.9	-0.7	4.0	12.6
balance sheet restructuring	Past three months	4.7	-40.3	-26.7	2.4	-7.0	19.2	24.0
	Next three months	1.9	-48.8	-7.0	6.0	9.8	19.3	36.8
commercial real estate	Past three months	21.5	-31.1	-15.9	-23.2	-28.2	-55.7	-55.8
	Next three months	-4.5	-46.5	-22.9	-10.2	-21.9	-36.3	-37.0
How have spreads on loans to medium PNFCs changed?[a]	Past three months	3.6	-7.8	-36.6	-45.7	-63.4	-61.5	-56.7
	Next three months	0.0	-26.8	-55.9	-45.4	-46.0	-48.1	-39.8
How have fees/commissions on loans to medium PNFCs changed?[a]	Past three months	0.7	-4.7	-30.3	-40.7	-62.2	-59.8	-53.0
	Next three months	0.0	-21.1	-51.9	-44.6	-48.1	-43.8	-37.7
How have collateral requirements for loans to medium PNFCs changed?[a]	Past three months	-7.5	0.0	-11.9	-21.5	-17.9	-20.8	-22.8
	Next three months	0.0	-10.0	-15.6	-19.5	-1.8	-17.6	-15.2

		Net percentage balances[(a)]						
		2007			2008			
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.
How have maximum credit lines for medium PNFCs changed?	Past three months	3.6	0.0	-21.1	-30.6	-27.2	-30.1	-25.4
	Next three months	3.1	-24.5	-21.1	-25.9	-18.5	-20.3	-17.6
How have loan covenants for medium PNFCs changed?[(a)]	Past three months	14.8	-1.1	-20.6	-35.6	-37.1	-35.8	-22.5
	Next three months	-1.3	-29.3	-37.8	-25.4	-42.2	-12.8	-14.9
How have spreads on loans to large PNFCs changed?[(a)]	Past three months	29.8	-16.4	-60.1	-67.6	-72.5	-71.9	-60.1
	Next three months	21.2	-51.2	-56.4	-33.2	-49.4	-53.9	-38.7
How have fees/commissions on loans to large PNFCs changed?[(a)]	Past three months	26.1	-7.1	-52.5	-49.6	-68.4	-71.9	-57.4
	Next three months	20.4	-35.5	-59.3	-42.1	-49.4	-50.7	-36.0
How have collateral requirements for loans to large PNFCs changed?[(a)]	Past three months	22.8	13.1	-16.8	-1.7	-15.8	-26.5	-26.0
	Next three months	0.0	-6.5	-12.9	4.7	-8.2	-16.5	-15.4
How have maximum credit lines for large PNFCs changed?	Past three months	20.6	10.5	-36.4	-49.0	-44.2	-24.3	-21.3
	Next three months	6.3	-47.0	-16.8	-12.4	-13.3	-6.1	-22.3
How have loan covenants for large PNFCs changed?[(a)]	Past three months	36.4	4.9	-46.3	-48.1	-40.1	-26.0	-22.9
	Next three months	20.9	-48.2	-35.6	-23.3	-28.4	-10.9	-10.2
How have spreads on loans to OFCs changed?[(a)]	Past three months	19.7	-27.7	-72.1	-54.8	-68.7	-66.8	-58.0
	Next three months	19.5	-82.2	-70.7	-41.7	-42.7	-45.2	-39.5
How have fees/commissions on loans to OFCs changed?[(a)]	Past three months	18.4	-11.8	-64.4	-50.8	-69.9	-51.4	-56.5
	Next three months	18.4	-42.4	-62.9	-38.9	-46.6	-47.4	-34.7
How have collateral requirements for loans to OFCs changed?[(a)]	Past three months	10.9	-1.4	-35.7	-29.7	-10.3	-23.9	-54.5
	Next three months	0.0	-45.1	-34.3	-12.4	-3.9	-17.8	-34.1
How have maximum credit lines for OFCs changed?	Past three months	4.4	-13.1	-37.4	-52.5	-46.3	-23.2	-69.2
	Next three months	4.4	-54.8	-38.4	-34.5	-18.7	-23.2	-41.2

* 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[a]				
		2007	2008			
		Dec.	Mar.	June	Sep.	Dec.
How have the following factors affected overall PNFCs credit availability?[b]						
Tighter wholesale funding conditions:	Past three months	-59.0	-12.9	-28.0	-13.1	-13.8
	Next three months	-51.1	10.0	-9.7	-1.0	-11.3
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	-2.3
	Next three months	8.9	17.8	-7.2	4.7	-2.3
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	-22.7
	Next three months	-49.3	-5.3	-8.3	-9.3	-6.7
Has there been a change in draw-downs on committed lines by PNFCs?	Past three months	20.3	5.0	11.8	11.3	38.2
	Next three months	33.8	12.8	18.6	6.4	29.0
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	16.6	12.5
	Next three months	n.a.**	7.0	14.4	18.4	7.4
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	-58.2	-56.7
	Next three months	n.a.**	-9.0	-44.4	-43.0	-45.2
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	15.7	n.a.**
	Next three months	n.a.**	n.a.**	11.0	8.0	n.a.**
Has there been a change in the availability of letters of credit to PNFCs for use in international trade?	Past three months	n.a.**	n.a.**	n.a.**	n.a.**	-2.2
	Next three months	n.a.**	n.a.**	n.a.**	n.a.**	5.5
Has there been a change in the availability of trade credit instruments (invoice financing, factoring, trade credit insurance etc) to PNFCs for domestic business activities?	Past three months	n.a.**	n.a.**	n.a.**	n.a.**	1.2
	Next three months	n.a.**	n.a.**	n.a.**	n.a.**	8.9

** 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.

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