National Bank of Serbia

REPORT ON THE RESULTS OF THE BANK LENDING SURVEY

Third quarter 2024

Belgrade, November 2024

Introductory note

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

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

This Report **sums up the results of the bank lending survey conducted from 1 to 11 October 2024**. The survey presents the attitudes of banks' representatives about changes in Q3 2024 and expected changes in the credit market in Q4 2024. The survey included 18 banks, and thus provides the representative coverage of the credit market as these banks account for over 99% of the banking sector balance sheet total.

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

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

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

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Overview

The results of the October survey show that, overall, banks slightly eased their standards for corporate loans in Q3, mostly under the impact of lower funding costs thanks to the initiated cycle of monetary policy easing by the NBS and the ECB. Banks expect moderate easing of corporate credit standards to continue in Q4.

Banks also eased their standards for household loans in Q3, and they expect to continue doing so in Q4.

According to banks, corporate loan demand declined in Q3, notably for long-term FX/FX-indexed loans. Conversely, the demand for dinar loans and short-term FX/FX-indexed loans increased in Q3. Banks expect corporate demand for all types of loans to rally in Q4.

In banks' view, households stepped up their demand for all loans in Q3, and the trend is expected to continue in Q4.

Table 1: Banks' estimates of supply and demand for specific loan categories

	Supply (credit standards)		Demand	
	Q3 2023	Q4 2024 (expectations)	Q3 2023	Q4 2024 (expectations)
Corporate sector	↘	↘	↓	↑
DINAR				
Short-term	↑	↑	↗	↑
Long-term	↓	↓	↑	↑
FX/FX-indexed				
Short-term	↑	↑	↑	↗
Long-term	-	↘	↓	↑
Household sector	↓	↓	↑	↑
Cash (dinar)	↓	↓	↑	↑
Refinancing (dinar)	↓	↓	↑	↑
Housing (FX)	↓	↓	↑	↗
Consumer (FX)	-	-	↗	↗

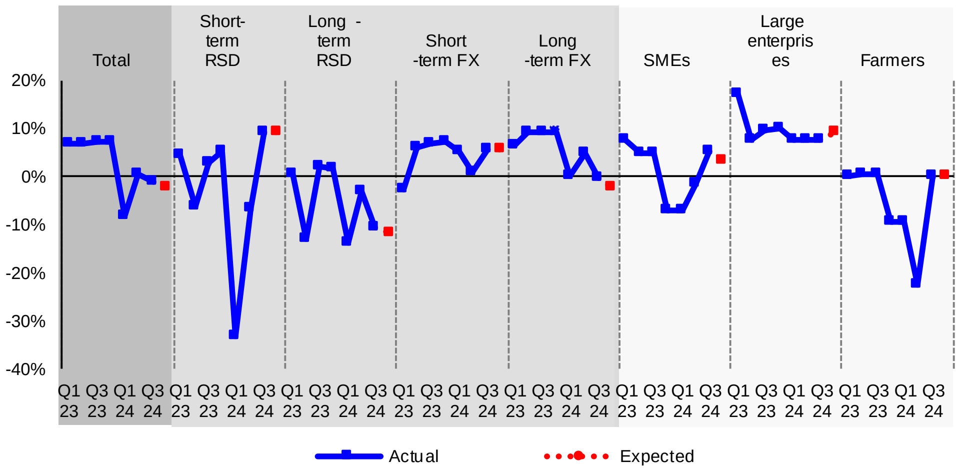
Legend:
- ↑ Increase in demand (net percentage above 5%)
- ↑ Tightening of credit standrads (net percentage above 5%)
- ↗ Increase in demand / tightening of credit standards (net percentage up to 5%)
- \- Without change
- ↘ Decrease in demand / easing of credit standards (net percentage up to 5%)
- ↓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

1 Corporate loans

1.1 Change in credit standards and contributing factors

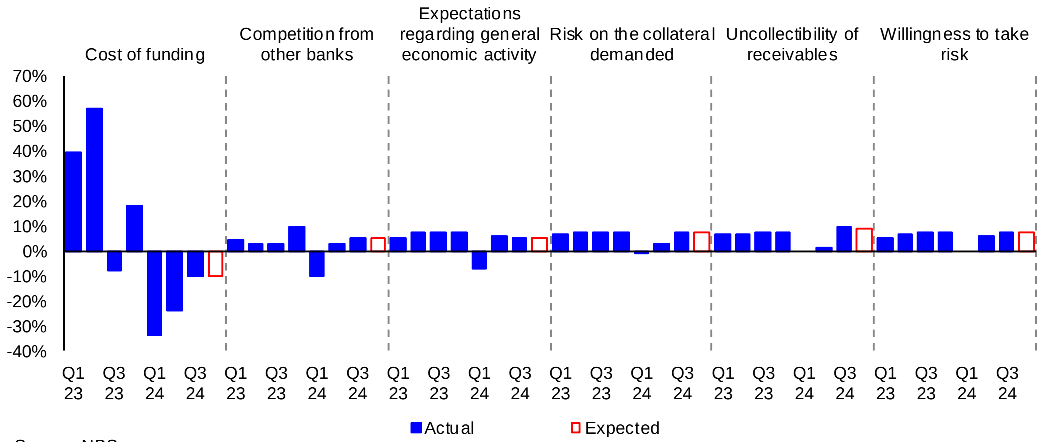
The October survey shows that, overall, in Q3 banks slightly eased their corporate credit standards. A look at individual categories shows that the standards for long-term dinar loans were eased and those for short-term loans of all currency structures were moderately tightened. Similar trends are expected to continue in Q4.

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



Source: NBS.
* Positive value indicates tightening of credit standards and negative - easing.
** The intensity of change is not shown in charts.

Factors affecting credit standards as applied to the approval of loans or credit lines to corporates
(net percetage)



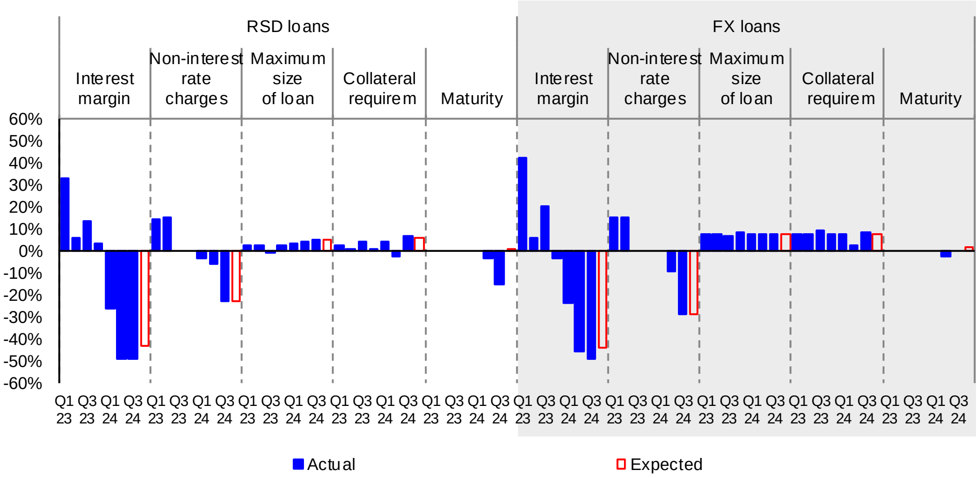
Source: NBS.
* Positive value indicates the contribution of individual factors to the tightening of credit standards and negative - to the easing.
** The intensity of change is not shown in charts.

The easing of corporate credit standards in Q3 was underpinned by reduced costs of funding on account of monetary policy easing by the NBS and the ECB. According to banks, banking sector competition, increased risk perception and lower risk propensity worked in the opposite direction.

1.2 Conditions and terms for approving corporate loans

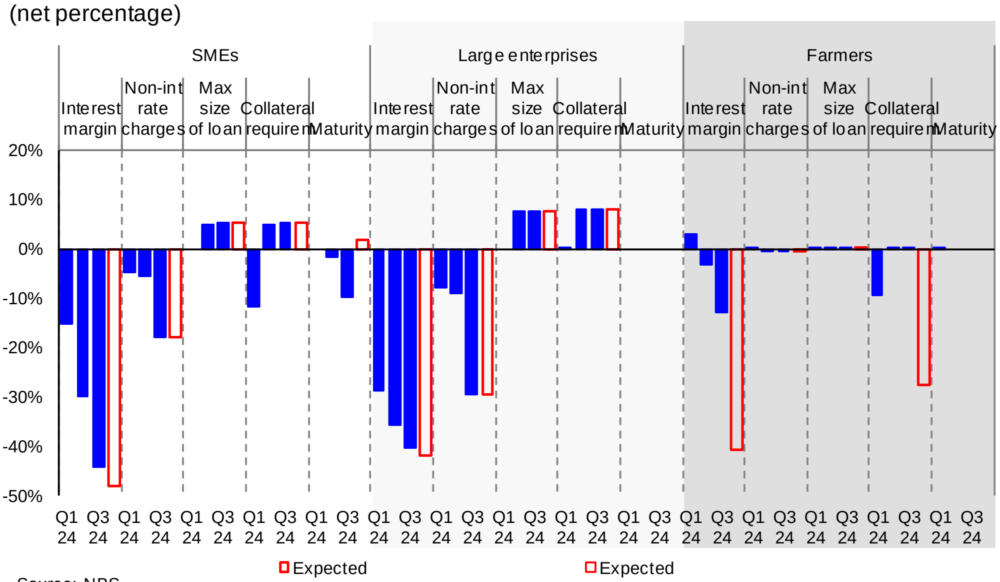
In Q3, banks continued to ease the terms of approving corporate loans – interest margins shrank for both dinar and FX/FX-indexed loans, and for companies of all sizes. Fees and commissions went down, and maximum dinar loan maturity up. By contrast, in Q3 banks reduced the maximum loan amount and slightly tightened collateral requirements.

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



Source: NBS.
* Positive value indicates tightening of conditions and negative - easing.
** The intensity of change is not shown in charts.

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



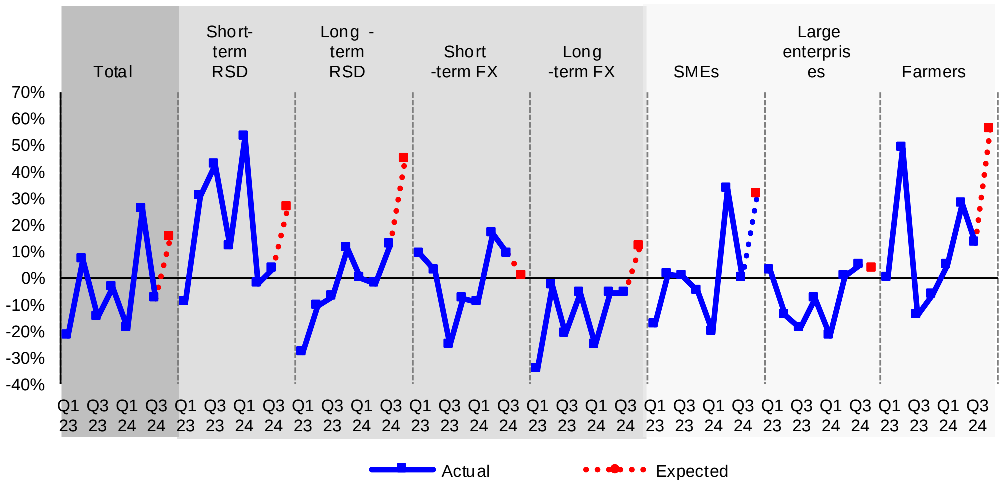
Source: NBS.
* Positive value indicates tightening of credit standards and negative - easing.
** The intensity of change is not shown in charts.

Similar trends are expected to continue in Q4 – relaxation of terms with regard to fees and commissions on the one hand, and shortening of loan maturity and tightening of collateral requirements on the other.

1.3 Demand for corporate loans and contributing factors

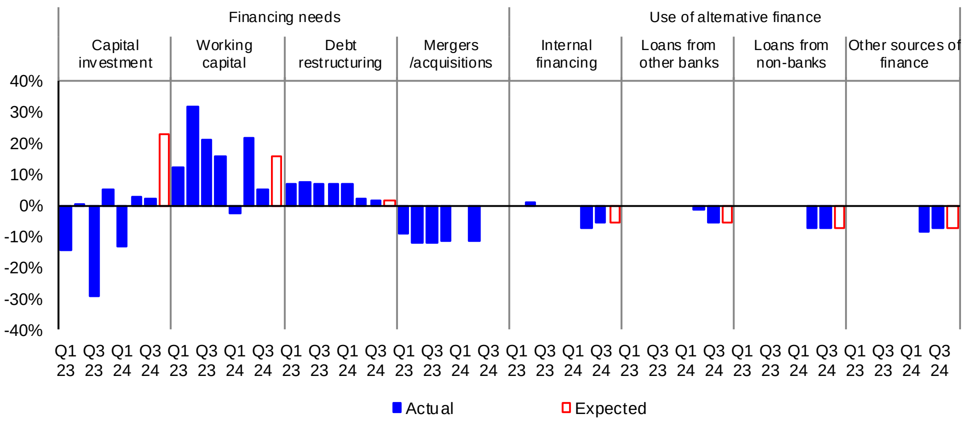
Banks assessed that corporate loan demand dropped in Q3, owing to lower demand for long-term FX/FX-indexed loans (on account of greater use of alternative sources of funding – internal financing, loans of non-banking institutions, etc.). Conversely, the demand for dinar loans and short-term FX/FX-indexed loans upped mildly in Q3, reflecting the corporates' need to finance working capital and capital investments as well as to reschedule outstanding liabilities.

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



Source: NBS.
* Positive value indicates an increase in demand and negative - a decrease.
** The intensity of change is not shown in charts.

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



Source: NBS.
* Positive value indicates the contribution of individual factors to an increase in demand, and negative - to a decrease .
** The intensity of change is not shown in charts.

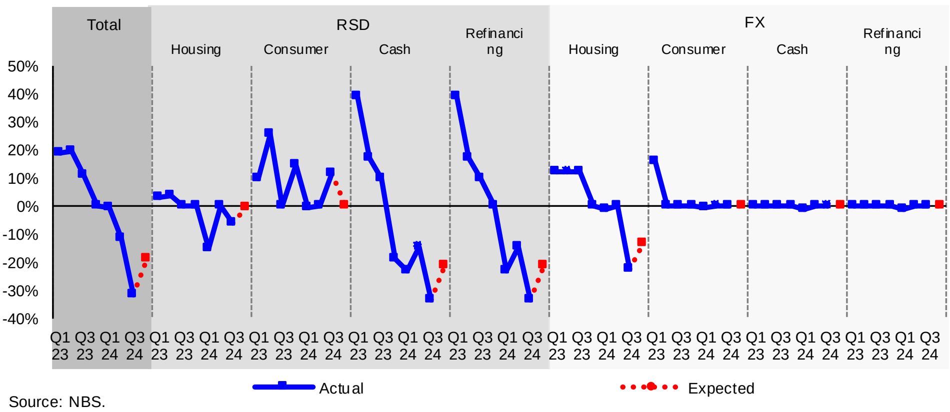
Banks expect a recovery of corporate loan demand in Q4 and an increase in the demand for all types of loans driven primarily by capital investments.

2 Household loans

2.1 Change in credit standards and contributing factors

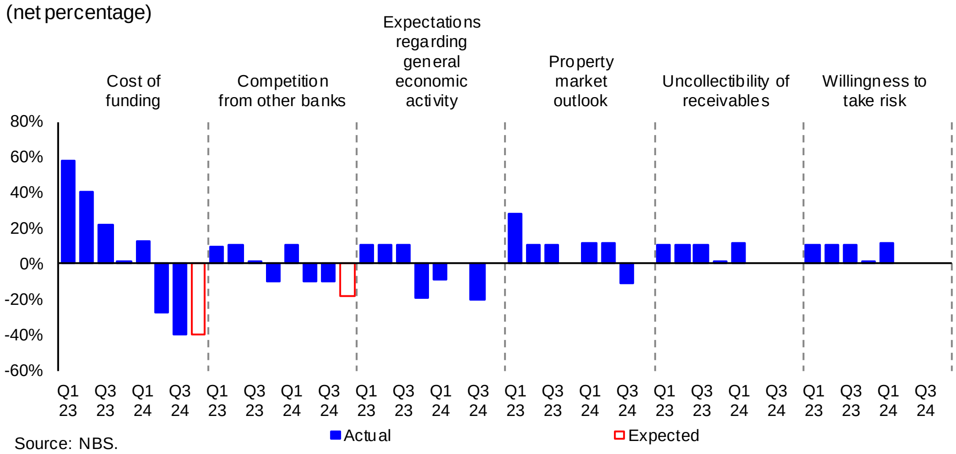
The survey results indicate that household credit standards were eased in Q3, consistent with expectations from the previous survey. By individual category – credit standards were eased for dinar housing, cash and refinancing loans as well as for FX-indexed housing loans, while standards for dinar consumer loans were slightly tightened.

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



Source: NBS.
* Positive value indicates tightening of credit standards and negative - easing.
** The intensity of change is not shown in charts.

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



Source: NBS.
* Positive value indicates the contribution of individual factors to the tightening of credit standards and negative - to the easing.
** The intensity of change is not shown in charts.

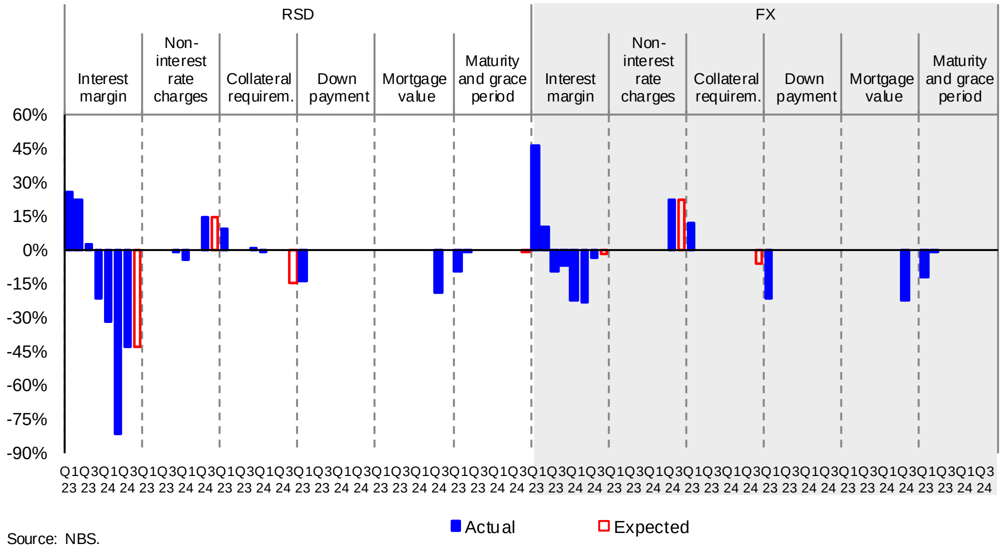
The easing of standards in Q3 was driven by lower funding costs, competition in the household loan market and improved expectations regarding the overall economic activity and the situation in the real estate market.

Banks anticipate household credit standards to ease further in Q4 – primarily for dinar cash loans and refinancing loans as well as FX-indexed housing loans. This will be supported by market competition and lower funding costs.

2.2 Conditions and terms for approving household loans

The terms for approving household loans were eased in Q3 – interest margins declined and mortgage value increased, though fees and commissions went slightly up. Banks anticipate loan approval conditions to ease further in Q4, on account of lower interest margins and collateral requirements.

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

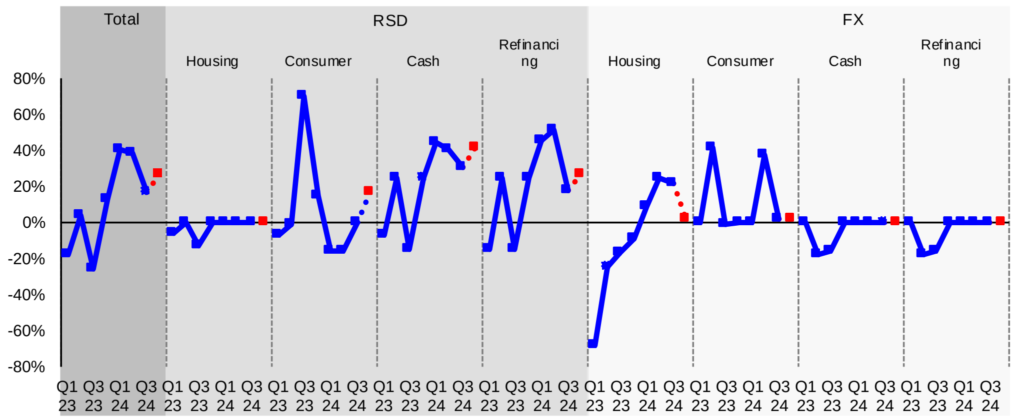


Source: NBS.
* Positive value indicates tightening of conditions and negative - easing.
** The intensity of change is not shown in charts.

2.3 Household loan demand and contributing factors

As banks assess, household loan demand went up in Q3, largely for dinar cash loans and FX-indexed housing loans, on account of the wage increase, among other things. Banks estimate that the rise in loan demand was driven by the need for refinancing, purchase of durable consumer goods and real estate. They anticipate further growth in household demand, particularly for dinar loans, in Q4 as well.

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



Source: NBS.
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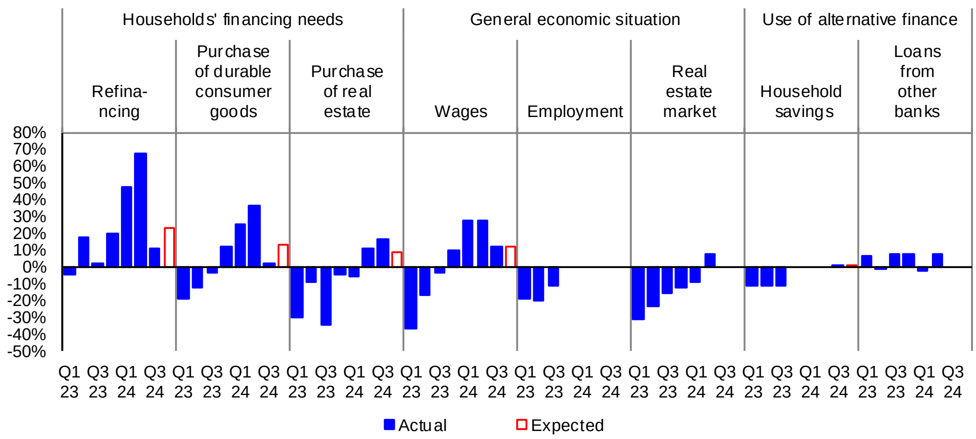
Factors affecting the demand for loans or credit lines to households
(net percentage)



Source: NBS.
* Positive value indicates the contribution of individual factors to an increase in demand, and negative - to a decrease.
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