

**NATIONAL BANK OF SERBIA**

**REPORT ON THE RESULTS OF THE BANK  
LENDING SURVEY**

**Second Quarter Report 2021**

Belgrade, August 2021



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## 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 both loan supply and private sector loan demand.

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

This Report **presents the results of the bank lending survey carried out from 1 to 20 July 2021**. The survey reports bank representatives' views on changes during the second quarter of 2021 and expected changes in the credit market in the third quarter of the year. The survey included 22 banks, and thus provides for 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. As regards the factors, the net percentage is defined as the difference between the percentage of banks responding that a given factor contributed to the 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 foreign currency.

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<sup>1</sup>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 July survey results indicate that banks eased the corporate credit standards further for dinar loans, while slightly tightening them for FX-indexed loans. Banks have similar expectations concerning the trend in corporate credit standards for the following quarter as well.

Banks estimate that household credit standards were eased in Q2, concerning mainly FX-indexed housing loans and dinar cash loans (including also refinancing loans). It is expected that household credit standards will be eased further in Q3.

According to the survey results, corporates and households increased their demand for loans in Q2, and a further upward trend is expected in Q3. Corporate demand was driven by SMEs, most notably for long-term loans, while household demand went up for dinar cash and FX-indexed housing loans. The rise in corporate demand since the start of the year was driven by their need to finance capital investments.

Table 1 Bank assessments regarding supply and demand for selected loan categories

	Supply (credit standards)		Demand	
	Q2 2021	Q3 2021 (expectations)	Q2 2021	Q3 2021 (expectations)
Corporate sector	↘	↗	↑	↑
SMEs	↑	↗	↑	↑
Large enterprises	↗	↗	↑	↑
Farmers	-	-	↑	↗
Household sector	↓	↓	↑	↑
Cash (dinar)	↓	↓	↑	↑
Refinancing (dinar)	↓	↓	↑	↑
Housing (FX)	↓	↓	↑	↑
Consumer (FX)	↗	-	-	-

Legend:

- ↑ Increase in demand (net percentage above 5%)
- ↑ Tightening of credit standards (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 standards (net percentage above 5%)

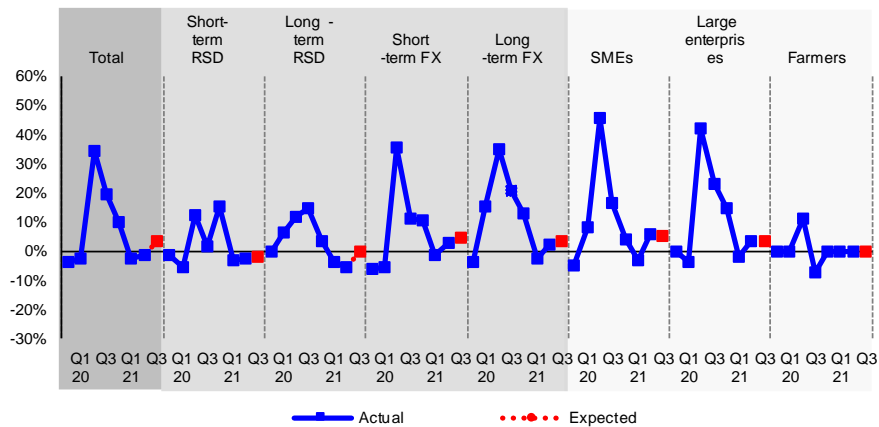
# 1. Loans to enterprises

## 1.1 Change in credit standards and contributing factors

The survey results show that in Q2 banks eased credit standards for dinar corporate loans owing to sector competition and somewhat higher risk propensity compared to previous quarters, i.e. since the outbreak of the pandemic. On the other hand, banks slightly tightened credit standards for FX-indexed loans, assessing that most of the factors relating to risk perception for this type of loan worked toward standard tightening.

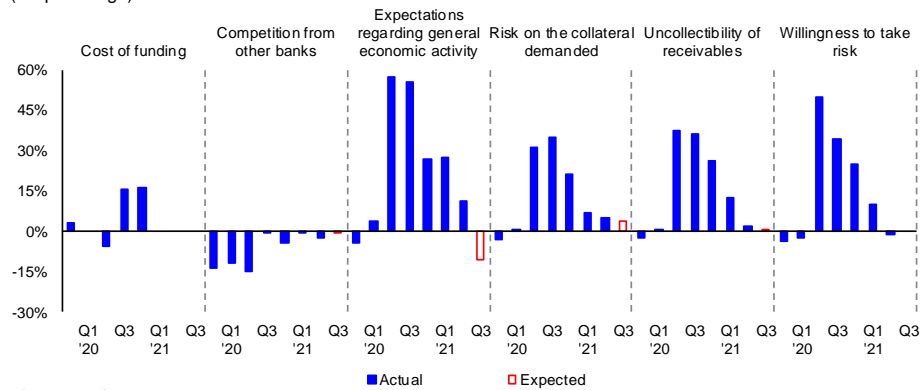
Banks have similar expectations regarding the trend of credit standards for corporate loans in Q3, and assess that, for the first time since the outbreak of the pandemic, more favourable prospects regarding economic activity will contribute to standard easing.

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

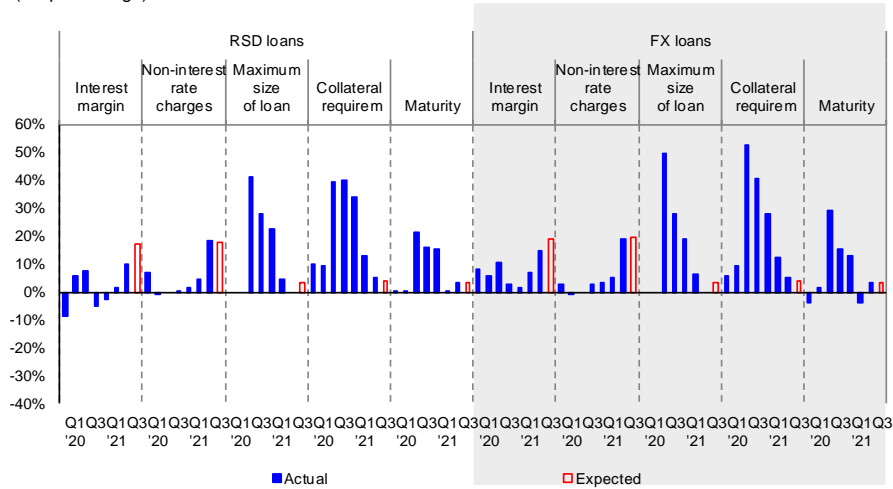


**1.2 Conditions and terms for approving loans to enterprises**

Given persistent uncertainty as to the course of the pandemic, banks estimated that corporate credit conditions were tightened in Q2, and they have similar expectations for Q3. The tightening mostly related to loan price

conditions (interest margins and accompanying costs), while conditions relating to collateral requirements and loan maturity were only mildly adjusted upward.

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



Source: NBS.

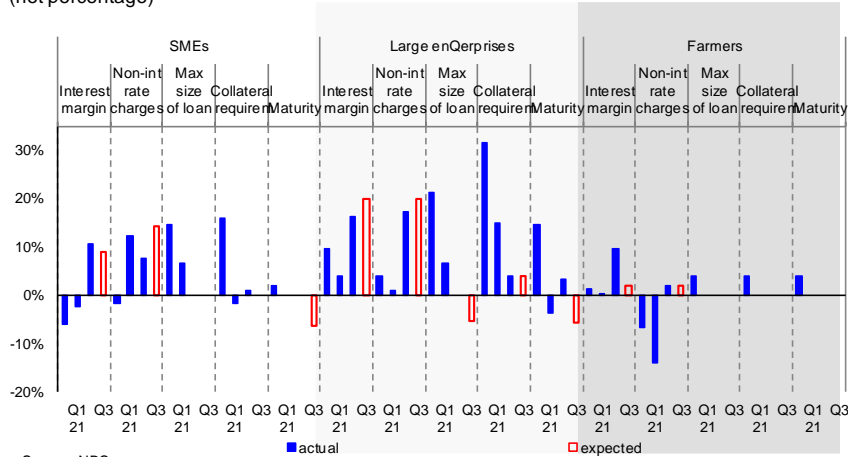
\* Positive value indicates tightening of conditions and negative - easing.

\*\* The intensity of change is not shown in charts.

### 1.3 Demand for loans to enterprises and contributing factors

Banks assessed that corporate loan demand went up in Q2, and further rise is expected in Q3. Corporate loan demand in Q2 was driven by SMEs – more for long-term than for short-term loans, i.e. more for FX-indexed than for dinar

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



Source: NBS.

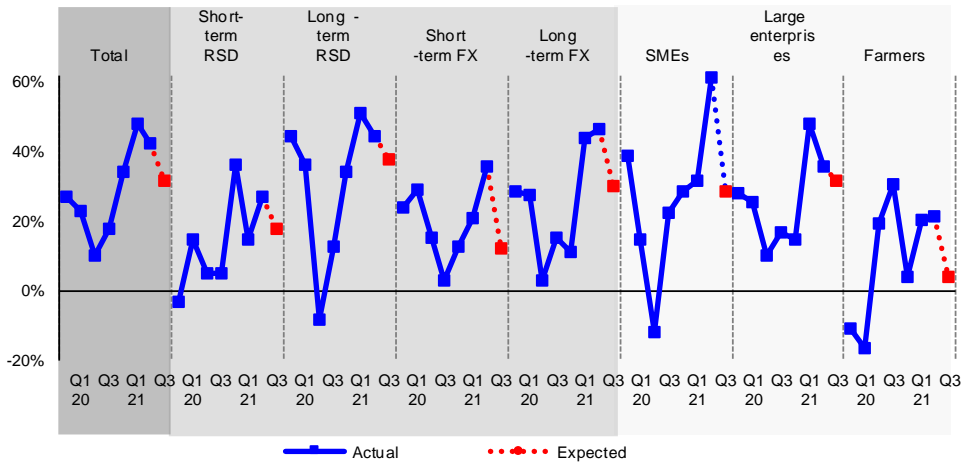
\* Positive value indicates tightening of credit standards and negative - easing.

\*\* The intensity of change is not shown in charts.



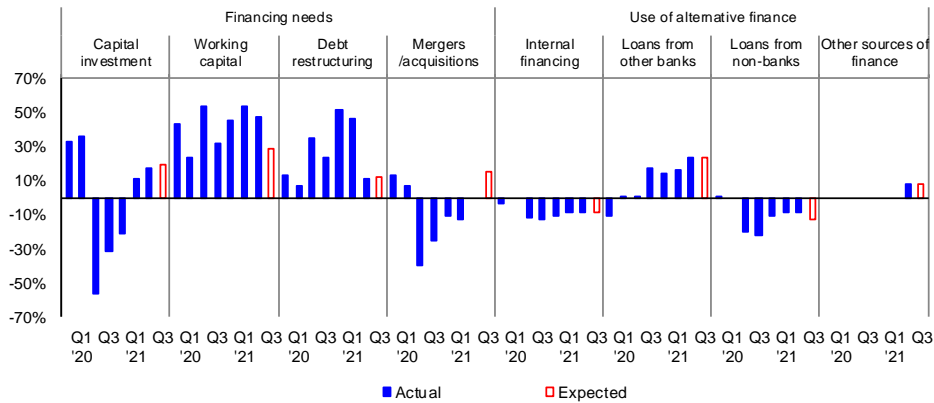
loans. Banks assessed that the need for financing current assets and capital investments were the dominant factors driving loan demand, while accumulated funds (owing to economic support measures), as well as loans from non-banking institutions worked towards lower demand for banking sector loans.

**Change in demand for loans or credit lines to enterprises**  
(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 enterprises**



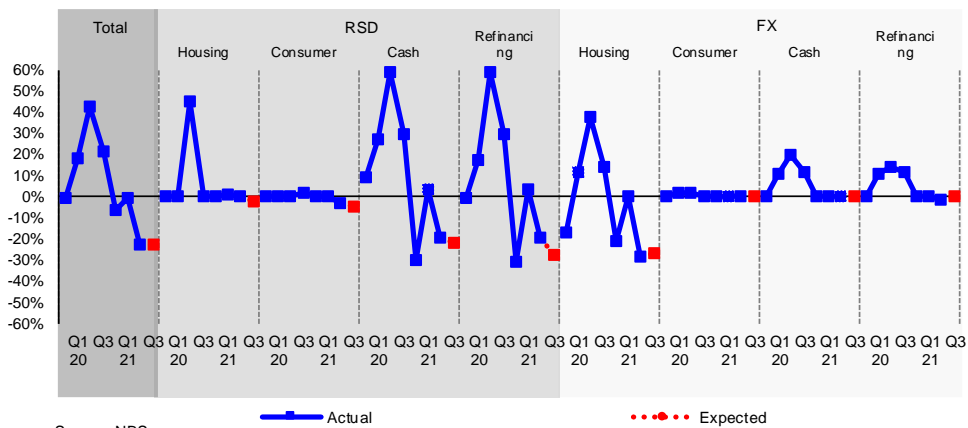
Source: NBS.  
\* Positive value indicates the contribution of individual factors to an increase in demand, and negative - to a decrease.  
\*\* The intensity of change is not shown in charts.

## 2. Household loans

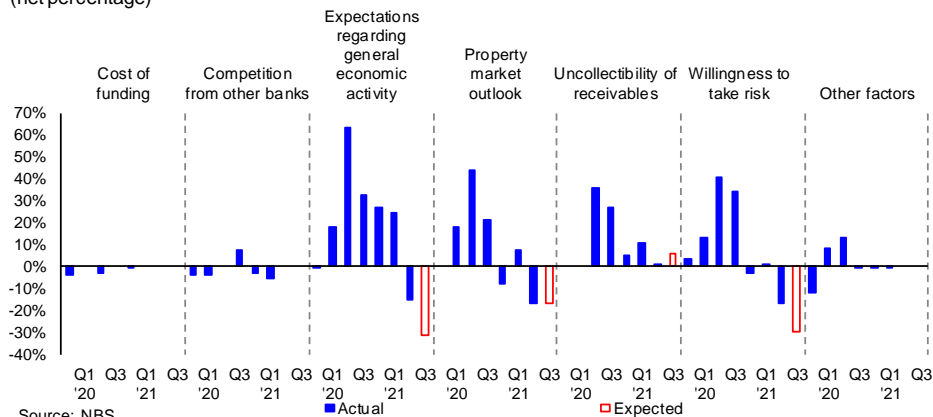
### 2.1 Change in credit standards and contributing factors

The survey results show that household credit standards, consistent with expectations stated in the previous survey, were eased in Q2, and further relaxation is expected in Q3. Banks assessed that this was mostly driven by the positive real estate market outlook, labour market recovery, as well as higher risk propensity. The easing concerned mainly the most dominant categories of loans – FX-indexed housing and dinar cash loans (and refinancing loans).

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



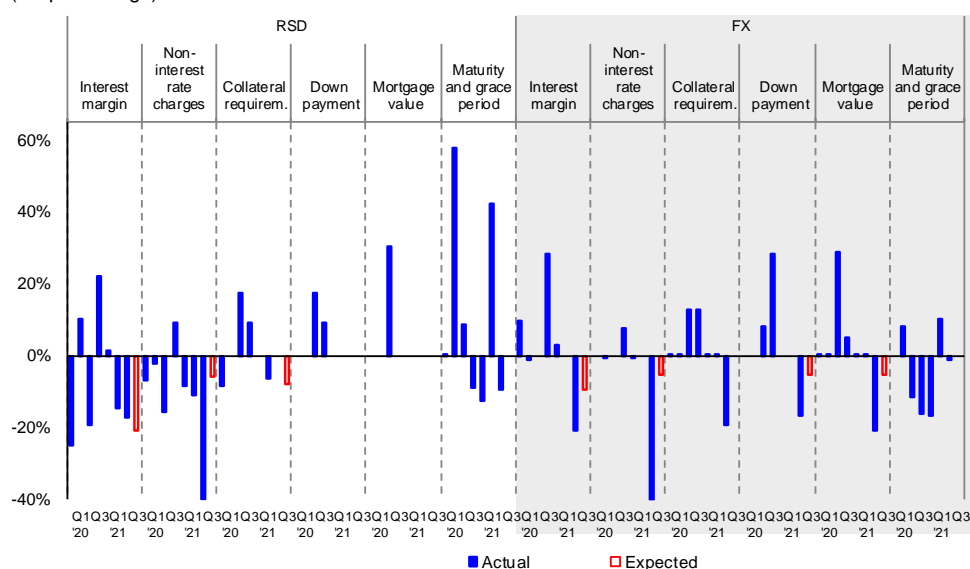
**Factors affecting credit standards as applied to the approval of loans or credit lines to households** (net percentage)



## 2.2 Conditions and terms for approving household loans

Banks estimated that household credit conditions were eased in Q2, and they expect the same trend to continue in Q3. According to bankers, the accompanying loan costs were lowered, as well as interest margins, and maximum loan maturity was extended for both dinar and FX-indexed loans. In addition, non-price conditions for FX-indexed loans were also eased (collateral requirements, down payment and deposit, as well as mortgage).

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



Source: NBS.

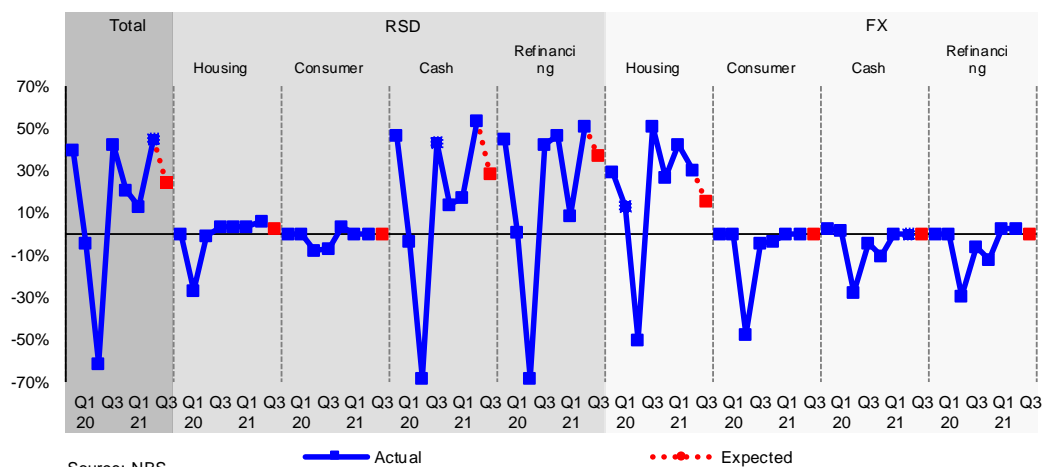
\* Positive value indicates tightening of conditions and negative - easing.

\*\* The intensity of change is not shown in charts.

## 2.3 Household loan demand and contributing factors

Banks assessed that households stepped up their demand for loans in Q2, and further rise is expected in Q3. Households were mostly interested in dinar cash loans and FX-indexed housing loans. This is in line with the banks' view that stronger loan demand was driven primarily by the need for refinancing and real estate purchases.

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

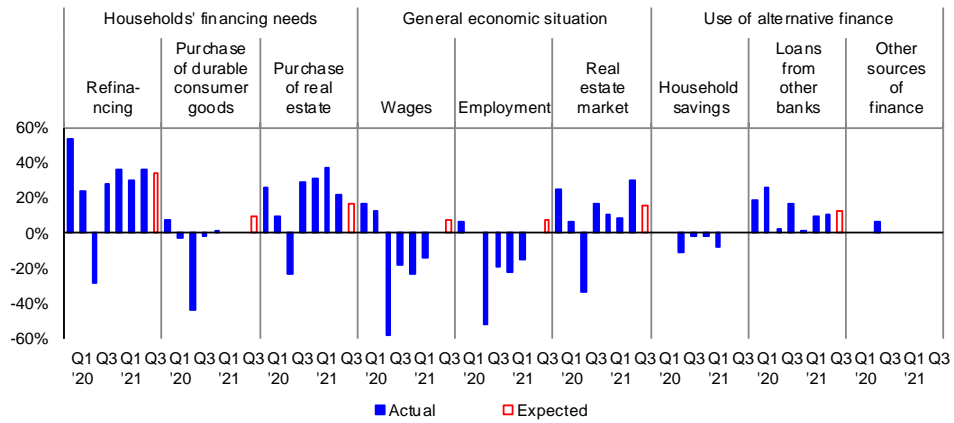


Source: NBS.

\* 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 households**  
(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.