

**NATIONAL BANK OF SERBIA**

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

**Fourth Quarter Report 2020**

Belgrade, February 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' attitudes concerning 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 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 4 to 22 January 2021**. The survey reports bank representatives' views on changes during the fourth quarter of 2020 and expected changes in the credit market in the first quarter of 2021. The survey included 24 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 a bank (e.g. priorities in terms of loans categories, collateral, sector, region, etc.).

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## Overview

The January survey results indicate that, in conditions of persisting risk aversion, banks tightened the corporate credit standards in Q4 2020, though to a much smaller degree than in the previous two quarters. On the other hand, consistent with the expectations in the October survey, credit standards for household were eased, primarily as a result of positive prospects in the real estate market and competition in the banking sector.

Banks assessed that in Q4 2020 corporates and households increased their demand for loans, driven by the need for liquidity and restructuring of liabilities in the corporate sector, but also the purchase of real estate and refinancing in the household sector.

Overall, banks expect credit standards for corporates to stay unchanged in Q1 2021, whereas it is possible that credit standards for households will be slightly tighter due to the rising risk perception. At the same time, household and corporate loan demand is expected to rise further, led by almost the same needs as in Q4 2020.

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

	Supply (credit standards)		Demand	
	Q4 2020	Q1 2021 (expectations)	Q4 2020	Q1 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%)

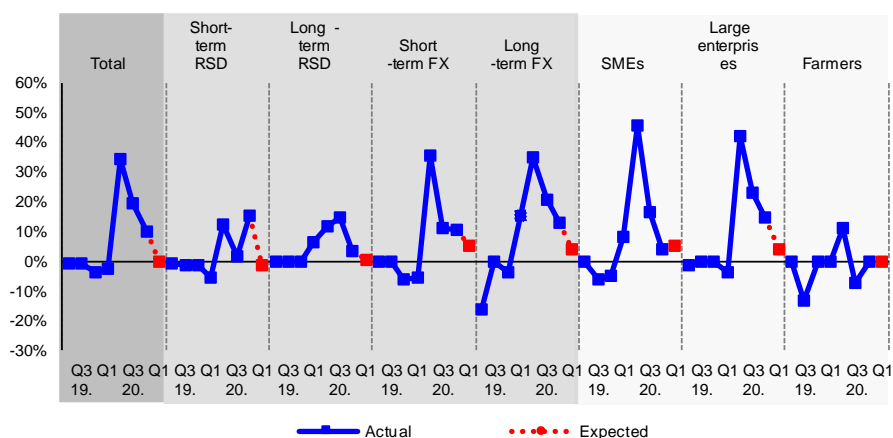
## 1. Loans to enterprises

### 1.1 Change in credit standards and contributing factors

The survey results indicate that banks tightened their corporate credit standards since the start of the pandemic, primarily due to the expected deterioration in the general economic activity and lower risk propensity amid the pandemic. Credit standards were tightened in Q4 as well, though it should be noted that only a smaller number of banks tightened standards compared to Q2 and Q3 – the net percentage (NP) was at 10% in Q4 compared to 34% in Q2 and 20% in Q3.

In terms of enterprise size, standards were tightened more for large than for small and medium-sized enterprises, which can be attributed to the approval of loans from the Guarantee Scheme to the segment of micro, small and medium-sized enterprises under more favourable conditions. At the same time, after being eased in Q3, credit standards for farmers were unchanged in Q4.

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



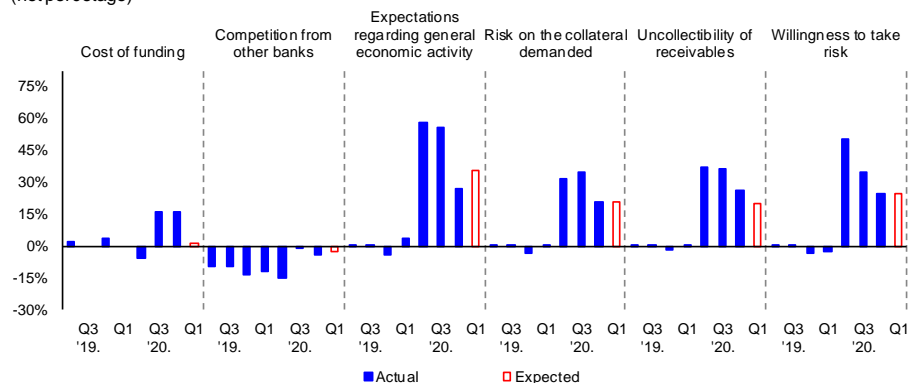
Source: NBS.

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

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

Overall, banks do not expect corporate credit standards to change in Q1 2021. However, observed by currencies, a slight easing is expected for dinar loans, and a tightening for FX-indexed loans. Sector competition will contribute to standard easing in Q1 as well, while banks still perceive the elevated risk, resulting from the coronavirus pandemic, as an aggravating factor.

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



Source: NBS.

\* Positive value indicates the contribution of individual factors to the tightening of credit standards and negative - to the easing.

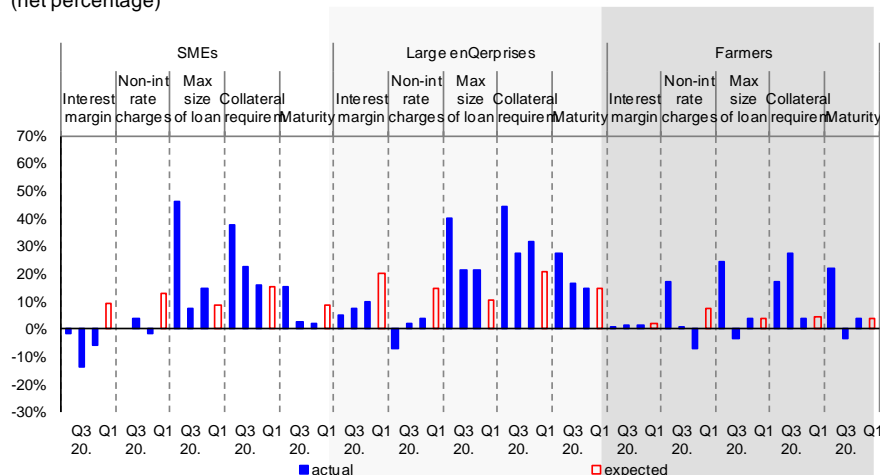
\*\* The intensity of change is not shown in charts.

## 1.2 Conditions and terms for approving loans to enterprises

Lower risk propensity of banks has contributed to the tightening of non-price terms of corporate loans in Q4 – tightened collateral requirements and reduced maximum amount and loan maturity. Also, price conditions for FX-indexed loans were mildly adjusted upward.

On the other hand, interest margins for dinar loans were lowered, which can be associated with the NBS monetary policy easing. More favourable terms of financing small and medium-sized enterprises were probably a result of the approval of loans under the Guarantee Scheme.

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

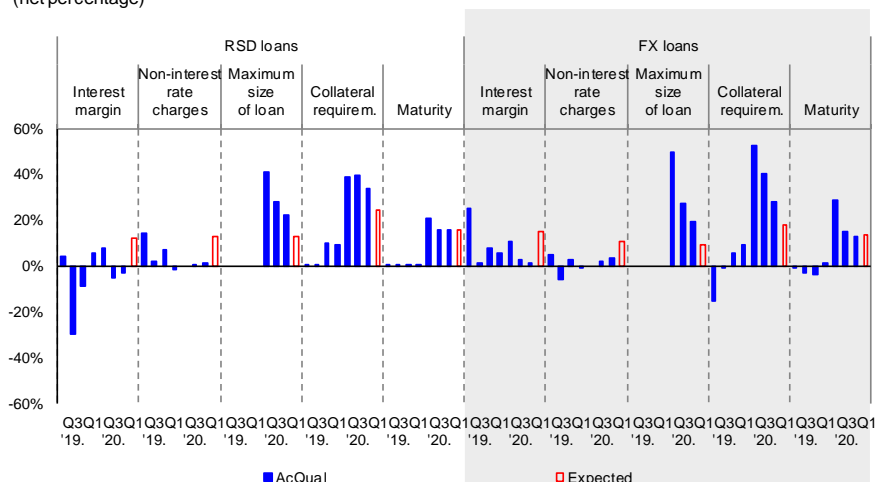


Source: NBS.

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

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

**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.

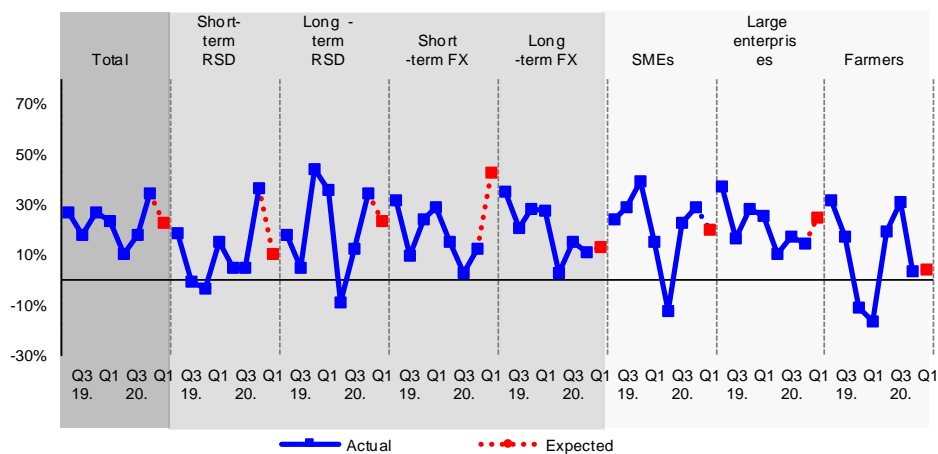
According to banks' expectations, persisting uncertainty regarding the pace of economic recovery and the duration of the pandemic will contribute to some tightening of corporate credit standards in Q1.

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

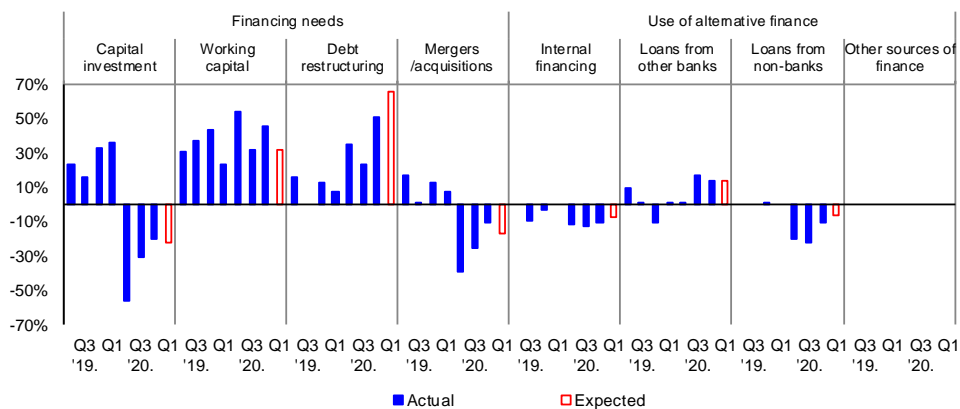
Banks assessed that corporates increased their loan demand in Q4 2020. Corporates were primarily interested in dinar loans, with small and medium-sized enterprises being recognised as drivers of the increase in loan demand. Since the start of the pandemic, higher loan demand of corporates was driven by the need for restructuring of liabilities and liquidity, while they temporarily decreased their demand for investment loans and their needs for financing acquisition/merging of enterprises.



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



### Factors affecting the demand for loans or credit lines to enterprises

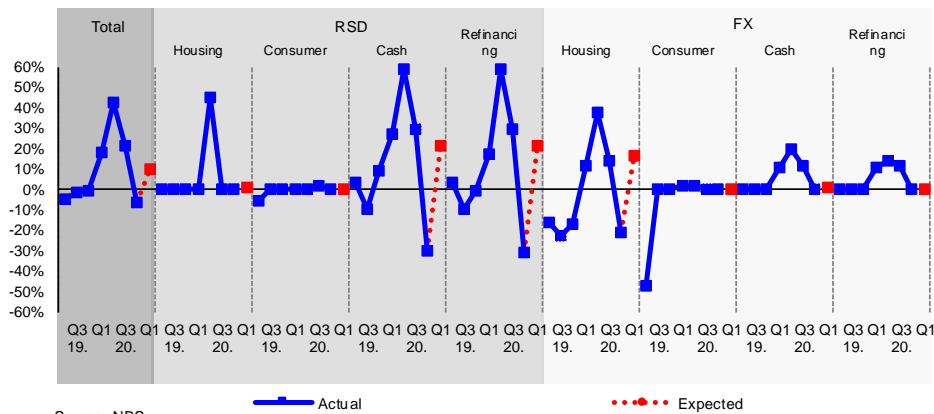


## 2. Household loans

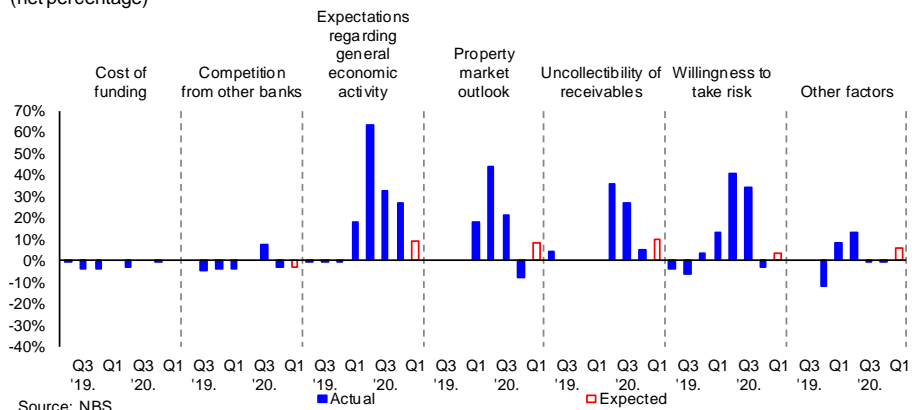
### 2.1 Change in credit standards and contributing factors

The survey results point to a possible slight tightening of household credit standards in Q1 due to a higher risk aversion.

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



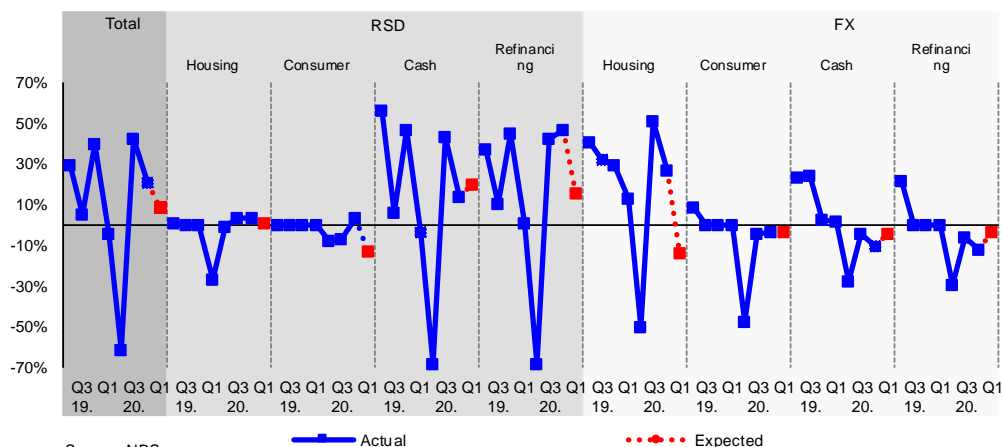
**Factors affecting credit standards as applied to the approval of loans or credit lines to households** (net percentage)





Banks expect a further rise in household demand for dinar cash and refinancing loans in Q1, and a slightly lower demand for FX-indexed housing loans.

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



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

