
Facts about Danmarks Nationalbank's lending survey

Danmarks Nationalbank's lending survey contains qualitative statistics supplementing the existing quantitative statistics on credit institutes' actual lending and interest rates. In the survey credit managers of the largest banks and mortgage-credit institutes assess changes in the supply of and demand for loans, as well as terms of lending over the last quarter and expected changes in the coming quarter.

The results of the lending survey contribute to an increased understanding of the Danish credit market, by illustrating changes in the credit institutions' credit standards, loan conditions and terms.

The survey is conducted on a quarterly basis, and the first results are available for the 4th quarter of 2008.

Purpose and use of the lending survey

Danmarks Nationalbank's lending survey is inspired by similar foreign surveys, conducted by e.g. the Federal Reserve Bank, Bank of Japan, the European Central Bank, Bank of England and Norges Bank.

The surveys have proved to be broadly applicable. The central banks use them as tools in monetary policy analyses and to assess financial stability. Outside central banks analysts, researchers and media, among others, show great interest in the surveys, and the results are used for interpretation of the development of GDP growth, inflation, investments and lending. Moreover the survey results are of interest to the financial sector for benchmarking and analyses. The implementation of the Danish survey also makes it possible to compare the credit conditions of the Danish market with those abroad.

Survey questionnaire

Danmarks Nationalbank's survey is conducted using multiple-choice questionnaires which are completed by the credit managers of the participating credit institutions. The survey consists of two questionnaires: one covering lending to corporations, and one covering lending to households. The survey may from time to time be supplemented by ad hoc questions, e.g. the development of housing loans or the influence of the financial markets on the credit standards of the institutions. The two standard questionnaires consist of five questions each: 1) changes in the institutions' credit standards; 2) factors contributing to changes in the credit standards; 3) changes in the institutions' credit conditions and terms; 4) changes in loan demand from new and existing customers, respectively; and 5) changes in default rates and losses given default. The questions relate to changes in the current quarter compared to the previous quarter and expectations for the coming quarter. For each question there are five different options for answering with regard to developments in the current and the coming quarter, respectively: *tightened considerably*, *tightened somewhat*, *unchanged*, *eased somewhat* and *eased considerably*. The institutions' answers thus relate to changes from quarter to quarter rather than to absolute levels. The questionnaires are available at Danmarks Nationalbank's website, www.nationalbanken.dk.

Population

The population consists of the banks in the Danish Financial Supervisory Authority's groups 1 and 2 (in 2008/09 corresponding to the 16 largest Danish banks) and the five largest mortgage-credit institutes. In 2008 the population covered 74 per cent of lending to households and 84 per cent of corporate sector lending. The coverage is slightly higher than in similar foreign surveys. The results are published for the population as a whole, for the banks in groups 1 and 2 and for the mortgage-credit institutes. The population is adjusted once a year prior to the 2nd quarter survey.

Data

On publication, the answers are weighted according to the institutions' shares of total lending¹. The weights are adjusted once a year when establishing the population, and calculated on the basis of the credit institutions' stocks in April.

For the data presentation, a net balance is calculated for each question by assigning a value to each of the five options. The following values are assigned: *tightened considerably* = -100, *tightened somewhat* = -50, *unchanged* = 0, *eased somewhat* = +50, and *eased considerably* = +100. The net balance for the question is calculated by adding the products of the institutions' weights and the value of their answers as shown below.

$$Netbalance = \sum s_i \times v_i$$

where s_i is the value of respondent i 's answers, and v_i is the weight of respondent i . The scale runs from -100 to +100. A negative net balance indicates that, overall, the institutions have tightened their credit policy, thus making it more difficult to obtain loans, while a positive net balance indicates an overall easing of credit standards. For example, the net balance will be +(-)100 if all institutions answer that their credit standards have been eased (tightened) considerably.

¹ The credit institutions' total lending reported to Danmarks Nationalbank's MFI statistics is used as weights. In the statistics the lending of the credit institutions is stated as stocks at end of month, while the main focus of the lending survey is on the institutions' new lending on a quarterly basis. Since the institutions' share of total outstanding lending is rather constant over time it is assumed that the holdings at end of month are applicable in the weighting of the institutions' answers.