

DANMARKS NATIONALBANK

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LENDING SURVEY, 1ST QUARTER 2019

Eased credit standards have a limited impact on market share

In Danmarks Nationalbank's lending survey, the banks reply that in the first quarter of 2019 credit standards for businesses have been unchanged (net figure is -0.5). Over the past 5 years the credit standards for businesses have eased overall.

In particular, according to their response to the lending survey, the medium-sized banks have eased their credit standards. In 15 out of the last 21 quar-

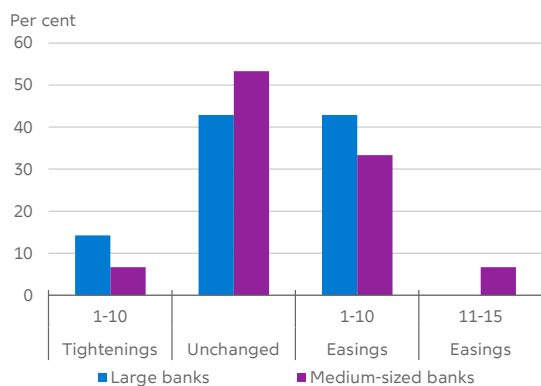
ters, they have on average eased their credit standards. By comparison, the large banks have eased their standards in 14 quarters. However, a larger share of the medium-sized banks than the large banks has eased several times. A large part of all banks have not changed their credit standards in the last 5 years.

Overall, credit growth for businesses has been limited over the last 5 years, although both groups have eased their credit standards. However, medium-sized banks' growth (12.3 per cent) has been somewhat larger than the growth of large banks (2.5 per cent). The different growth rates have had a limited effect on market shares – the share of medium-sized banks' lending to businesses has increased from 14 per cent to 15 per cent over the period.

Thus, the easing of credit standards has not led to higher market shares for medium-sized banks. This is mainly due to the fact that their share of lending to businesses is limited, so even with a larger growth; their share is still quite small.

The easing of credit standards has, according to the banks, to a greater extent affected prices and not the availability of loans. Thus, the medium-sized banks' replies suggest that they have more often eased their loan prices than they have eased collateral requirements or other terms and conditions. In their response, the banks have largely justified the easing of prices with the level of competition.

A larger share of medium-sized banks than large banks has eased their credit standards for businesses several times



Note: The chart shows the share of large and medium-sized banks that in net terms have tightened 1-10 times, eased 1-10 times, eased 11-15 times or never have neither tightened nor eased from 2014Q1 to 2019Q1. Businesses are defined as private non-financial companies and sole proprietors and unincorporated partnerships.

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