

DANMARKS NATIONALBANK

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LENDING SURVEY, 3RD QUARTER 2022

Stricter requirements for private customers' economy

In Danmarks Nationalbank's lending survey, 8 of the credit managers in the 16 surveyed large and medium-sized banks say that they have tightened their credit standards for private customers in the 3rd quarter of 2022. The tightening must be seen in light of the fact that 5 out of the 8 banks also tightened their credit standards in the 2nd quarter. The majority of the surveyed banks also expect to tighten the credit standards in the 4th quarter.

Focus on income after taxes and fixed expenses

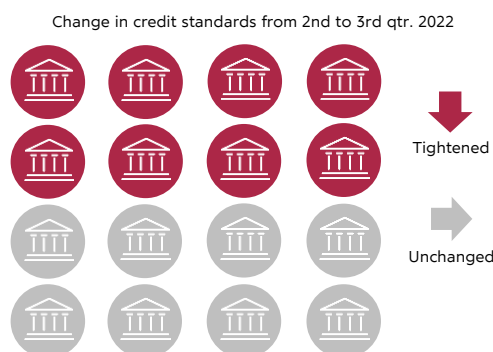
The banks expect the economic robustness of the private costumers to weaken. The increased prices for electricity, gas, fuel and food combined with interest rate increases mean that it has become significantly more expensive to maintain the same standard of living as last year. Thus, several banks have raised their requirements for the minimum income

after taxes and fixed expenses, just as calculations are being done with increased prices for energy.

The banks without changed requirements for the minimum income after taxes and fixed expenses report an extra focus on stress testing the development in prices and comparing the calculated income after taxes and fixed expenses with the costumers' current consumption. This means that home buyers today must be able to pay higher expenses on the house loan, pay higher energy expenses and are also have more money at their disposal for food, clothes and pleasure than they had to a year ago. This may imply that they have to postpone their house dreams or look for a cheaper house.

The prospect of lower house prices also implies that some banks intend to shorten the maturity of new house loans in order to accelerate the repayment if the customer's economy is not sufficiently robust.

8 of the 16 largest banks have tightened their credit standards from the 2nd to 3rd quarter



Note: In the lending survey, private customers cover 'Employees, pensioners, etc.'.

More losses in sight

9 out of the 16 surveyed banks expect increasing impairments for private costumers in the 4th quarter. There is, however, a widespread opinion among the banks that private costumers continue to have a good economy. More than half of the banks have therefore not increased their impairments in 2022. But it is expected that the increasing housing burden will lead to greater impairments over the winter. There are a some banks that have made impairments during 2022 as a result of the uncertain economic future.

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