Credit Conditions Survey

Survey results | 2007 Q4

BANK OF ENGLAND

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Credit Conditions Survey

2007 Q4

As part of its mission to maintain monetary stability and financial stability, the Bank needs to understand trends and developments in credit conditions. This survey of bank and non-bank lenders is an input to this work. Lenders are asked about the past three months and the coming three months. The survey covers secured and unsecured lending to households and small businesses; and lending to non-financial corporations, and to non-bank financial firms.

This report presents the results of the Q4 survey. The Q4 survey was conducted between 19 November and 12 December.

Additional background information on the survey can be found in the 2007 Q3 *Quarterly Bulletin* article 'The Bank of England Credit Conditions Survey'.

This report, covering the results of the 2007 Q4 survey, and copies of the questionnaires are available on the Bank's website at **www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.**

The publication dates in 2008 for future Credit Conditions Surveys are:

2008 Q1 survey on 3 April 2008.
2008 Q2 survey on 3 July 2008.
2008 Q3 survey on 2 October 2008.

BANK OF ENGLAND

Credit Conditions Survey

2007 Q4

Supply

- Contrary to their expectations in the Q3 survey, lenders reported that the availability of secured credit to households had been reduced materially over the three months to mid-December. They expected a further reduction in secured credit availability over the next three months.

- Lenders reported that household unsecured credit availability had been reduced a little over the past three months. They expected a further slight reduction in unsecured credit availability over the next three months.

- Corporate credit availability was reported to have been reduced significantly over the past three months, in line with lenders' expectations in the Q3 survey. A further reduction in the availability of credit was expected over the next three months.

Demand

- Overall demand for secured lending was reported to have increased over the past three months, though by less than had been expected in Q3. Lenders expected demand for secured credit to fall over the next three months.

- Lenders reported that demand for credit by private non-financial corporations had fallen over the past three months. A significant increase in demand for credit by financial corporations was reported.

Terms and conditions

- Spreads on secured lending to households were reported to have increased significantly over the past three months. Further increases were expected over the next three months.

- Lenders reported that spreads on corporate lending had increased over the past three months in line with their expectations in Q3. Further increases were expected over the next three months.

Default rates

- Default rates on secured lending to households were reported to be broadly unchanged over the past three months, though losses given default had risen. Lenders expected default rates, and losses given default, on secured lending to rise over the next three months.

- Lenders reported that default rates on medium-sized corporate loans had risen over the past three months, as expected in the Q3 survey. Default rates on large corporate loans were unchanged.

This report presents the results of the Q4 survey. The Q4 survey was conducted between 19 November and 12 December. To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100.

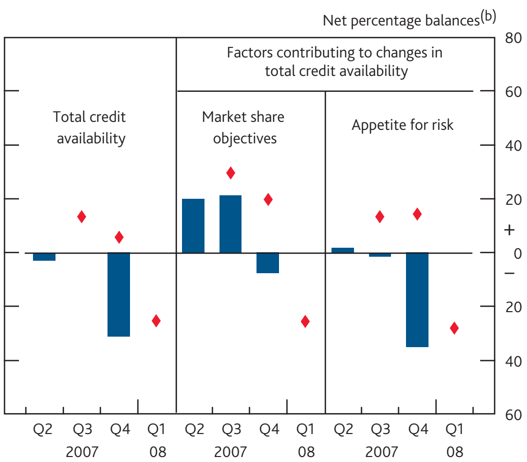
This report, and copies of the questionnaires are available on the Bank's website at www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.

Credit Conditions Survey

There were signs in the Q4 Credit Conditions Survey that recent developments in financial markets had begun to affect the supply of secured credit to households. Lenders reported that the availability of secured credit to households had been reduced in the three months to mid-December, and that there had been a marked increase in spreads on secured lending. Looking ahead, lenders expected a further reduction in secured credit availability. A small reduction in the availability of unsecured credit to households over the past three months was reported. Lenders reported that they had reduced corporate credit availability significantly, in line with their expectations in the Q3 survey. Lenders expected that corporate credit availability would be reduced further over the next three months.

The Q4 Credit Conditions Survey was conducted between 19 November and 12 December. The survey included some additional questions about the impact of factors associated with recent developments in financial markets.(1) The questions and the aggregate responses to them are provided in the annexes.

Chart 1 Secured credit availability(a)



(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. The red diamonds show the expectations over the next three months. Expectations balances have been moved forward one quarter so that they can be compared with the actual outturns in the following quarter.
(b) A positive balance indicates that more secured credit is available, or that the change in the factors described have served to increase credit availability.

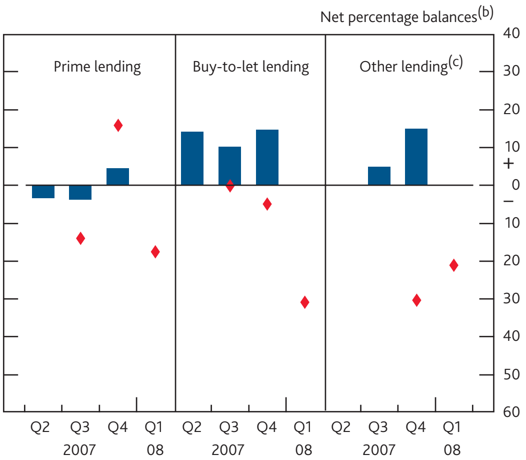
Secured lending to households and small businesses

Contrary to their expectations in the Q3 survey, a net balance of lenders reported a material reduction in the amount of secured credit they were prepared to make available to households over the three months to mid-December (**Chart 1**). This reduction in secured credit availability was associated with lenders reducing their risk appetite, and targeting a slightly lower market share. The change in lenders' risk appetite may have reflected a reported reduction in their ability to transfer risk off their balance sheet, together with reported tighter conditions for raising new capital. Lenders achieved the reduction in secured credit availability in part through a tightening of credit scoring criteria, and by reducing maximum loan to value ratios. Lenders expected the availability of credit to be reduced further over the next three months. This partly reflected further reductions in risk appetite and market share objectives, though lenders' concerns about the macroeconomic outlook, including the housing market, were also important considerations.

Default rates on household secured lending were reported to be little changed over the past three months. But, the reported loss on loans in default had increased, and by more than had been expected. Default rates, and losses given

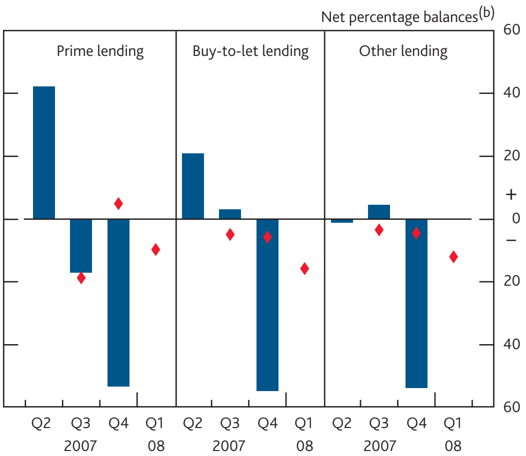
(1) For a further discussion of recent developments in financial markets, see the 'Markets and operations' article in the 2007 Q4 *Quarterly Bulletin*.

Chart 2 Demand for household secured lending for house purchase[(a)]



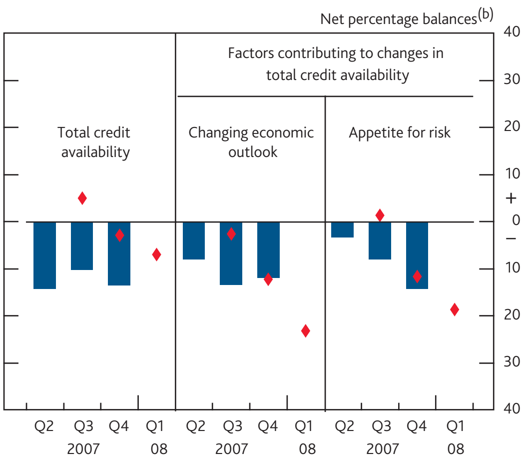
(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates an increase in demand.
(c) Data unavailable on reported/expected demand for other lending in 2007 Q2 as insufficient responses to this question were received.

Chart 3 Secured lending spreads[(a)]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates spreads have become narrower such that it is cheaper for households to borrow.

Chart 4 Total unsecured credit availability[(a)]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates that more unsecured credit is available, or that the change in the factors described have served to increase credit availability.

default, were expected to increase further over the next three months.

Respondents reported an increase in demand for household secured loans for house purchase that was broadly in line with their expectations in the Q3 survey. However, lenders were surprised by the composition of demand (**Chart 2**): demand for prime lending for house purchase was weaker than expected; and a significant net balance of lenders reported that demand for buy-to-let lending, and other secured lending (eg loans to borrowers with poor credit histories) was stronger than expected. A number of the lenders who reported increased demand for buy-to-let and other secured lending commented that the strong demand for their products was related to other lenders cutting back on credit availability. Lenders expected demand for all forms of secured lending for house purchase to fall over the next three months.

Demand for remortgaging was reported to have risen over the past three months, and was expected to rise further over the next three months.

In the three months to December, lenders reported that there had been a significant, and unanticipated, increase in spreads on secured lending across all types of products (**Chart 3**). Spreads were expected to widen somewhat further.

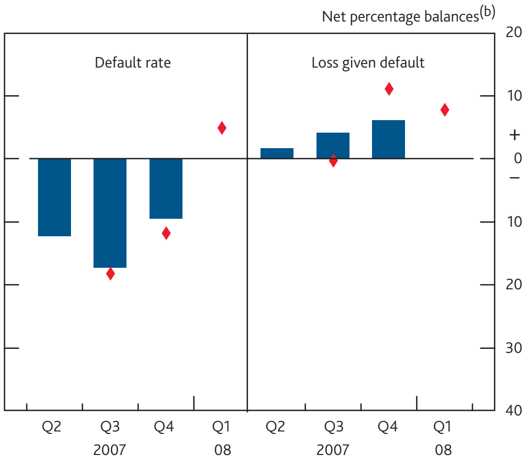
Unsecured lending to households and small businesses

Lenders reported a slightly larger reduction in the amount of unsecured credit available to households and small businesses than they had expected three months ago (**Chart 4**). This had been associated with concerns about the economic outlook, and a reduced appetite for risk. Within unsecured lending, this tightening was reported to be concentrated in non-credit card lending, where credit scoring criteria had been tightened and loan approval rates had fallen. Lenders expected a further reduction in overall credit availability over the next three months, implemented through a tightening in the credit scoring criteria applied to both credit card and non-credit card unsecured applications.

A net balance of lenders reported that the default rate on unsecured lending had fallen over the three months to mid-December, broadly in line with their expectations in the Q3 survey (**Chart 5**). Losses on loans in default had risen, though by less than had been expected. Both default rates, and losses given default, were expected to rise slightly over the next three months.

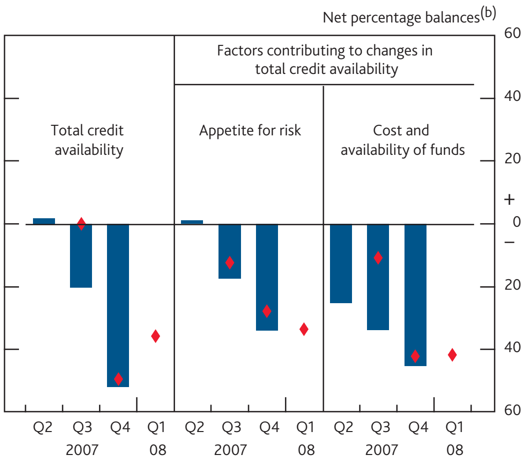
Demand for unsecured credit was reported to have risen slightly over the past three months. Within this, demand for credit card borrowing had risen and demand for non-credit card borrowing had fallen. Demand for overall unsecured credit was expected to be broadly unchanged over the next three months.

Chart 5 Default rates and loss given default rates on unsecured loans to households(a)



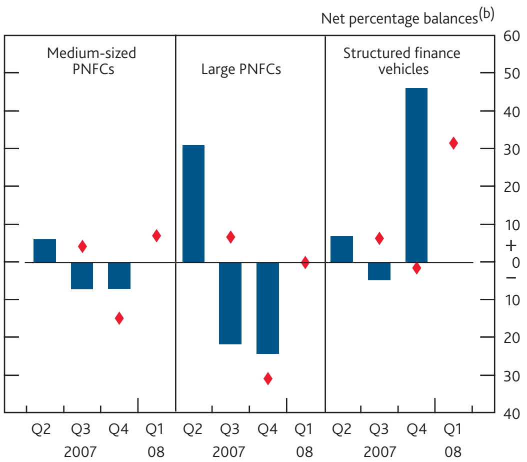
(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates higher default and loss given default rates.

Chart 6 Overall corporate credit availability(a)



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates more corporate credit is available or that the change in the factors described have served to increase credit availability.

Chart 7 Demand for corporate lending(a)



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates an increase in demand.

Lenders reported that spreads on non-credit card lending had increased slightly over the past three months. Spreads on credit card lending were broadly unchanged. Spreads on non-credit card lending were expected to widen further over the next three months, though spreads on credit card lending were expected to remain broadly unchanged.

Lending to corporates

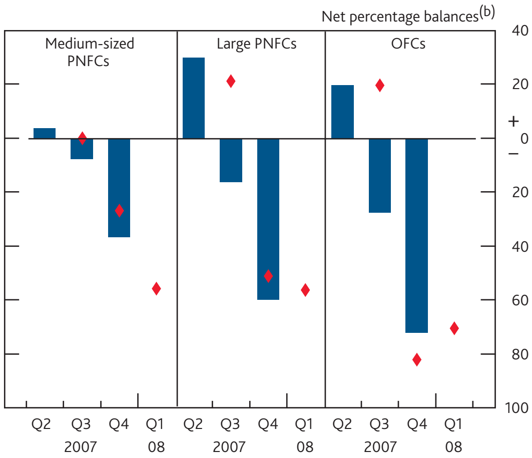
Lenders reported that overall corporate credit availability had been reduced significantly over the past three months, in line with their expectations in the Q3 survey (**Chart 6**). Within this, lenders reported a material reduction in availability to the commercial real estate sector. The reduction in overall availability had been driven in part by increased concerns over economic conditions and sector-specific risks, together with a reduction in risk appetite and tighter funding conditions. A net balance of lenders also reported that a reduced ability to transfer risk off their balance sheet, and tighter conditions for raising new capital, had restricted their overall credit availability. Consistent with this, lenders reported a marked fall in their use of synthetic, and cash, securitisations over the past three months. Loan approval rates had fallen for both medium and large-sized private non-financial corporations (PNFCs). Overall corporate credit availability was expected to be reduced further over the next three months and approval rates expected to fall further.

Default rates on medium-sized PNFC lending had reportedly risen over the past three months, in line with lenders' expectations in Q3. Default rates on large PNFC loans were broadly unchanged. The losses experienced following a default were also reported to be broadly unchanged. Default rates, and losses given default, on loans to medium-sized PNFCs were expected to rise over the next three months. However, little change was expected for large PNFCs.

Lenders reported that demand for lending by medium-sized and large PNFCs had fallen over the past three months, though by slightly less than had been expected in Q3 (**Chart 7**). Demand may have been supported by substitution by PNFCs from capital market finance to bank borrowing: lenders reported higher draw-downs on committed lines of credit by PNFCs over the past three months. Demand for credit by other financial corporations (OFCs) was reported to be sharply higher and much stronger than had been expected in Q3, particularly for structured finance vehicles. A number of lenders commented that this increase in demand reflected difficulties that some OFCs have had accessing capital market finance. Over the next three months, lenders expected demand for credit by medium-sized PNFCs to increase slightly, and for demand by large PNFCs to be unchanged. They expected demand for credit by OFCs to increase substantially.

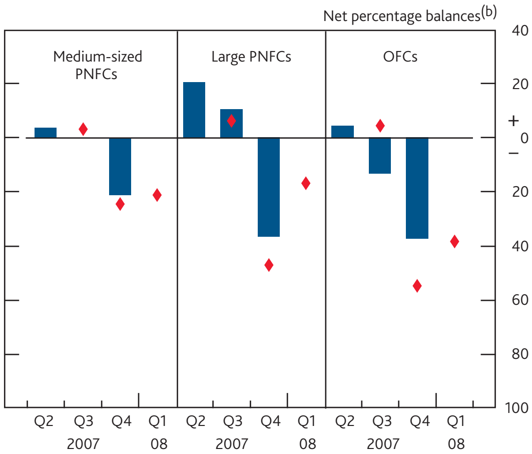
Over the three months to mid-December, lenders reported that they had widened spreads on new lending to PNFCs and

Chart 8 Spreads over Libor on lending to corporates[a]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates that spreads have become narrower, such that it is cheaper for corporates to borrow.

Chart 9 Maximum credit lines extended to corporates[a]



(a) See footnote (a) of **Chart 1**.
(b) A positive balance indicates higher maximum credit lines.

OFCs, broadly in line with their expectations in the Q3 survey (**Chart 8**). Lenders also reported higher commissions and fees. They expected a further widening in spreads, and an increase in fees, over the next three months.

Corporate non-price terms and conditions were reported to have tightened over the past three months. Maximum credit lines extended to PNFCs and OFCs had been reduced (**Chart 9**). Loan covenants were stricter and collateral requirements were higher. A further reduction in maximum credit lines, together with a further strengthening of covenants and collateral requirements was expected over the next three months.

Annex 1
Secured lending to households and small businesses questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100. This annex reports these net percentage balances for each question in the secured lending questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances[a]		
		2007		
		June	Sep.	Dec.
How has the availability of secured credit provided to households changed?	Past three months	-2.9	0.1	-31.2
	Next three months	13.4	5.8	-25.3
Factors contributing to changes in credit availability:[b]				
changing economic outlook	Past three months	-7.2	-9.6	0.5
	Next three months	2.1	-3.3	-19.9
market share objectives	Past three months	20.0	21.3	-7.6
	Next three months	29.6	19.7	-25.5
changing appetite for risk	Past three months	1.8	-1.5	-35.2
	Next three months	13.4	14.3	-28.0
changing cost/availability of funds	Past three months	-9.3	10.0	-12.5
	Next three months	13.3	-15.1	-17.3
How have credit scoring criteria for granting loan applications by households changed?	Past three months	-2.4	-5.7	-32.3
	Next three months	19.5	3.1	-41.0
How has the proportion of household loan applications being approved changed?	Past three months	-5.3	-2.7	-21.5
	Next three months	9.5	5.6	-3.8
Has there been any change in the use of securitisations associated with secured lending to households?	Past three months	13.3	-9.1	-34.7
	Next three months	4.1	-20.5	-37.7
Has there been any change in 'target hold' levels associated with secured lending to households?[a]	Past three months	-6.6	2.6	1.3
	Next three months	13.3	5.9	2.2
How has the default rate on secured loans to households changed?	Past three months	3.5	-17.5	1.3
	Next three months	16.1	13.8	23.0
How has loss given default on secured loans to households changed?	Past three months	20.7	-3.9	24.0
	Next three months	13.2	4.1	22.1
How has demand for secured lending for house purchase from households changed?	Past three months	2.1	7.5	9.4
	Next three months	-14.0	13.2	-25.2
of which: demand for prime lending	Past three months	-3.3	-3.8	4.4
	Next three months	-14.0	15.8	-17.6
of which: demand for buy-to-let lending	Past three months	14.1	10.2	14.7
	Next three months	-0.1	-4.9	-30.9
of which: demand for other lending	Past three months	n.a.*	4.8	15.0
	Next three months	n.a.*	-30.4	-21.1

		Net percentage balances[a]		
		2007		
		June	Sep.	Dec.
How has demand for secured lending for remortgaging from households changed?	Past three months	22.0	4.3	34.2
	Next three months	17.1	24.3	11.6
How has demand for other lending secured on dwellings from households changed?	Past three months	2.0	-17.6	-17.1
	Next three months	2.3	-16.2	-17.1
How has demand for secured lending from small businesses changed?	Past three months	39.1	47.8	10.3
	Next three months	55.5	47.8	18.6
How have overall secured lending spreads changed?[a]	Past three months	38.5	-17.6	-56.2
	Next three months	-18.7	4.3	-17.9
of which: spreads on prime lending[a]	Past three months	42.1	-17.0	-53.2
	Next three months	-18.7	5.0	-9.8
of which: spreads on buy-to-let lending[a]	Past three months	20.8	3.1	-54.5
	Next three months	-4.9	-5.8	-15.8
of which: spreads on other lending[a]	Past three months	-1.1	4.4	-53.8
	Next three months	-3.4	-4.5	-12.0
How have fees on secured lending changed?[a]	Past three months	5.9	3.4	-2.7
	Next three months	-2.5	-6.1	-3.8
How have maximum loan to value ratios changed?	Past three months	-4.0	2.8	-10.2
	Next three months	1.3	2.6	-11.9
How have maximum loan to income ratios changed?	Past three months	-4.4	-1.4	-3.3
	Next three months	-4.4	3.1	2.1

Additional question

How have the following factors affected overall household secured credit availability over the latest three months relative to the previous three months? How do you expect them to affect overall household secured credit availability over the next three months relative to the latest three months?[b]

	Past three months	Next three months
Expectations for house prices:	-7.0	-38.2
Tighter wholesale funding conditions:	-52.7	-28.0
Actual, or potential, need to support ABCP conduits, structured investment vehicles or money market mutual funds:	-43.3	-9.8
Reduced ability to transfer credit risk off balance sheet and/or tighter conditions for raising capital:	-34.9	-21.6

* Data are unpublished for this question as too few responses were received.

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

(b) A positive balance indicates that the changes in the factors described have served to increase credit availability.

Annex 2
Unsecured lending to households and small businesses questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100. This annex reports the net percentage balance of respondents for each question in the unsecured lending questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances[a]		
		2007		
		June	Sep.	Dec.
How has the availability of unsecured credit provided to households changed?	Past three months	-14.3	-10.2	-13.6
	Next three months	4.9	-2.9	-7.0
Factors contributing to changes in credit availability:[b]				
changing economic outlook	Past three months	-8.0	-13.4	-11.9
	Next three months	-2.6	-12.2	-23.2
market share objectives	Past three months	6.5	-0.8	7.5
	Next three months	13.6	-3.6	-2.5
changing appetite for risk	Past three months	-3.4	-8.0	-14.3
	Next three months	1.4	-11.7	-18.7
changing cost/availability of funds	Past three months	17.4	1.0	1.2
	Next three months	18.8	0.0	-10.2
How have credit scoring criteria for granting credit card loan applications by households changed?	Past three months	-15.0	-7.8	7.9
	Next three months	-1.0	-13.7	-16.4
How have credit scoring criteria for granting other unsecured loan applications by households changed?	Past three months	-12.0	19.9	-8.5
	Next three months	-5.6	-24.2	-24.2
How have credit scoring criteria for granting total unsecured loan applications by households changed?	Past three months	-14.2	-0.8	3.7
	Next three months	-2.2	-16.3	-18.3
How has the proportion of credit card loan applications from households being approved changed?	Past three months	33.2	15.1	10.0
	Next three months	6.1	-2.5	-26.3
How has the proportion of other unsecured loan applications from households being approved changed?	Past three months	6.1	14.8	-17.7
	Next three months	2.6	-18.1	-28.5
How has the proportion of total unsecured loan applications from households being approved changed?	Past three months	25.9	15.0	3.0
	Next three months	5.2	-6.4	-26.9
How has the default rate on credit card loans to households changed?	Past three months	-14.6	-20.8	-8.8
	Next three months	-17.3	-13.3	9.0
How has the default rate on other unsecured loans to households changed?	Past three months	-6.0	-6.5	-11.4
	Next three months	-20.8	-7.5	-7.6
How has the default rate on total unsecured loans to households changed?	Past three months	-12.3	-17.2	-9.5
	Next three months	-18.2	-11.8	4.8

		Net percentage balances[a]		
		2007		
		June	Sep.	Dec.
How has loss given default on credit card loans to households changed?	Past three months	-2.9	5.9	5.2
	Next three months	-3.7	12.8	4.6
How has loss given default on other unsecured loans to households changed?	Past three months	13.9	-1.4	8.8
	Next three months	8.8	5.8	17.2
How has loss given default on total unsecured loans to households changed?	Past three months	1.6	4.1	6.1
	Next three months	-0.3	11.0	7.8
How has demand for credit card lending from households changed?	Past three months	1.2	-2.2	10.5
	Next three months	5.2	3.2	-5.9
How has demand for other unsecured lending from households changed?	Past three months	-20.4	-4.9	-11.7
	Next three months	1.3	-4.5	2.3
How has demand for total unsecured lending from households changed?	Past three months	-4.6	-2.9	4.9
	Next three months	4.2	1.2	-3.8
How has demand for credit card lending from small businesses changed?	Past three months	14.7	-4.9	5.2
	Next three months	0.9	-2.4	19.7
How has demand for other unsecured lending from small businesses changed?	Past three months	2.6	-11.4	-9.2
	Next three months	2.6	-9.2	-10.5
How has demand for total unsecured lending from small businesses changed?	Past three months	11.8	-6.7	0.2
	Next three months	1.3	-4.2	9.4
How have spreads on credit cards changed?[a]	Past three months	6.6	16.2	-3.5
	Next three months	5.7	0.4	-1.2
How have spreads on other unsecured lending products changed?[a]	Past three months	-6.9	6.7	-15.8
	Next three months	-2.9	-16.0	-18.8
How have overall unsecured lending spreads changed?[a]	Past three months	3.0	13.8	-6.6
	Next three months	3.4	-3.7	-5.7
How have credit card limits changed?	Past three months	-10.4	25.1	16.8
	Next three months	12.7	-2.7	7.9
How has the minimum proportion of credit card balances to be paid changed?[a]	Past three months	-4.6	-2.9	3.2
	Next three months	11.0	8.5	-0.1
How have maximum maturities on loans changed?	Past three months	-2.5	0.0	-2.3
	Next three months	0.0	-0.9	0.0

Additional questions

How have the following factors affected overall household unsecured credit availability over the latest three months relative to the previous three months? How do you expect them to affect overall household unsecured credit availability over the next three months relative to the latest three months?(b)

	Past three months	Next three months
Tighter wholesale funding conditions:	-12.9	-3.9
Actual, or potential, need to support ABCP conduits, structured investment vehicles or money market mutual funds:	-15.4	1.9
Reduced ability to transfer credit risk off balance sheet and/or tighter conditions for raising capital:	-6.3	-0.9

How has the availability of credit in the household secured market affected demand for unsecured lending over the latest three months relative to the previous three months? How do you expect this to develop over the next three months relative to the latest three months?

	Past three months	Next three months
	-5.4	-3.8

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.
(b) A positive balance indicates that the changes in the factors described have served to increase credit availability.

Annex 3
Corporate lending questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ±100. This annex reports the net percentage balance of respondents for each question in the corporate lending questionnaire, including specific questions for private non-financial corporations (PNFCs) and other financial corporations (OFCs).

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances[a]		
		2007		
		June	Sep.	Dec.
How has the availability of credit provided to the corporate sector overall changed?	Past three months	1.8	-20.2	-51.8
	Next three months	0.0	-49.3	-35.7
of which: commercial real estate sector	Past three months	0.8	-14.7	-37.1
	Next three months	-3.2	-29.8	-45.6
Factors contributing to changes in credit availability:[b]				
changing economic outlook	Past three months	-4.5	-11.2	-45.1
	Next three months	-16.2	-48.4	-46.7
changing sector-specific risks	Past three months	-29.5	-25.7	-38.8
	Next three months	-15.5	-37.3	-45.5
market share objectives	Past three months	21.0	0.0	-27.4
	Next three months	4.1	0.0	-29.9
market pressures from capital markets	Past three months	25.1	-31.6	-38.2
	Next three months	0.2	-50.1	-23.3
changing appetite for risk	Past three months	1.1	-17.5	-33.9
	Next three months	-12.3	-27.7	-33.5
changing cost/availability of funds	Past three months	-25.1	-33.7	-45.2
	Next three months	-10.8	-42.2	-41.6
How has the proportion of loan applications from medium PNFCs being approved changed?	Past three months	-20.9	-21.6	-29.2
	Next three months	-10.2	-26.4	-28.7
How has the proportion of loan applications from large PNFCs being approved changed?	Past three months	3.4	-16.0	-29.1
	Next three months	-2.0	-20.7	-26.4
Has there been any change in the use of cash securitisations associated with corporate lending?	Past three months	7.7	-1.5	-75.8
	Next three months	21.3	-68.8	-54.0
Has there been any change in the use of derivatives/synthetic securitisations associated with corporate lending?	Past three months	3.9	1.0	-36.7
	Next three months	15.9	-40.1	-32.1
Has there been any change in 'target hold' levels associated with corporate lending?[a]	Past three months	37.3	18.5	11.3
	Next three months	18.8	3.8	32.7
How have loan tenors on new corporate loans changed?	Past three months	-0.7	-5.5	13.6
	Next three months	-9.1	13.3	8.1

		Net percentage balances[a]		
		2007		
		June	Sep.	Dec.
How has the default rate on loans to medium PNFCs changed?	Past three months	12.4	1.3	23.3
	Next three months	21.0	21.0	12.7
How has the default rate on loans to large PNFCs changed?	Past three months	-3.9	0.0	1.1
	Next three months	19.2	2.0	2.8
How has loss given default on loans to medium PNFCs changed?	Past three months	1.5	0.0	3.4
	Next three months	1.5	5.1	11.5
How has loss given default on loans to large PNFCs changed?	Past three months	0.0	0.0	1.8
	Next three months	0.0	1.2	0.7
How has demand for lending from medium PNFCs changed?	Past three months	6.0	-7.3	-7.2
	Next three months	4.1	-15.0	6.9
How has demand for lending from large PNFCs changed?	Past three months	30.9	-21.9	-24.4
	Next three months	6.4	-31.0	-0.2
How has demand from institutional investors/pension funds changed?	Past three months	0.0	-4.5	38.5
	Next three months	0.0	5.4	35.8
How has demand from securities dealers changed?	Past three months	n.a.*	n.a.*	24.1
	Next three months	n.a.*	n.a.*	24.1
How has demand from hedge funds changed?	Past three months	-1.0	n.a.*	54.8
	Next three months	-1.0	n.a.*	43.3
How has demand from structured finance vehicles changed?	Past three months	6.7	-4.9	46.0
	Next three months	6.2	-1.7	31.4
How has demand from other OFCs changed?	Past three months	0.0	-1.7	17.9
	Next three months	0.0	3.9	17.8
What have been the main factors contributing to changes in demand for lending:[b]				
mergers and acquisitions	Past three months	45.3	15.5	-53.7
	Next three months	27.3	-66.8	-22.6
capital investment	Past three months	-1.9	-12.6	-15.4
	Next three months	-4.2	-27.5	-8.3
inventory finance	Past three months	-11.2	-20.0	-14.0
	Next three months	-15.9	-21.5	-1.1
balance sheet restructuring	Past three months	4.7	-40.3	-26.7
	Next three months	1.9	-48.8	-7.0
commercial real estate	Past three months	21.5	-31.1	-15.9
	Next three months	-4.5	-46.5	-22.9
How have spreads on loans to medium PNFCs changed?[a]	Past three months	3.6	-7.8	-36.6
	Next three months	0.0	-26.8	-55.9
How have fees/commissions on loans to medium PNFCs changed?[a]	Past three months	0.7	-4.7	-30.3
	Next three months	0.0	-21.1	-51.9
How have collateral requirements for loans to medium PNFCs changed?[a]	Past three months	-7.5	0.0	-11.9
	Next three months	0.0	-10.0	-15.6

		Net percentage balances[(a)]		
		2007		
		June	Sep.	Dec.
How have maximum credit lines for medium PNFCs changed?	Past three months	3.6	0.0	-21.1
	Next three months	3.1	-24.5	-21.1
How have loan covenants for medium PNFCs changed?[(a)]	Past three months	14.8	-1.1	-20.6
	Next three months	-1.3	-29.3	-37.8
How have spreads on loans to large PNFCs changed?[(a)]	Past three months	29.8	-16.4	-60.1
	Next three months	21.2	-51.2	-56.4
How have fees/commissions on loans to large PNFCs changed?[(a)]	Past three months	26.1	-7.1	-52.5
	Next three months	20.4	-35.5	-59.3
How have collateral requirements for loans to large PNFCs changed?[(a)]	Past three months	22.8	13.1	-16.8
	Next three months	0.0	-6.5	-12.9
How have maximum credit lines for large PNFCs changed?	Past three months	20.6	10.5	-36.4
	Next three months	6.3	-47.0	-16.8
How have loan covenants for large PNFCs changed?[(a)]	Past three months	36.4	4.9	-46.3
	Next three months	20.9	-48.2	-35.6
How have spreads on loans to OFCs changed?[(a)]	Past three months	19.7	-27.7[(c)]	-72.1
	Next three months	19.5	-82.2	-70.7
How have fees/commissions on loans to OFCs changed?[(a)]	Past three months	18.4	-11.8	-64.4
	Next three months	18.4	-42.4	-62.9
How have collateral requirements for loans to OFCs changed?[(a)]	Past three months	10.9	-1.4	-35.7
	Next three months	0.0	-45.1	-34.3
How have maximum credit lines for OFCs changed?	Past three months	4.4	-13.1	-37.4
	Next three months	4.4	-54.8	-38.4

Additional questions

How have the following factors affected credit availability to PNFCs over the latest three months relative to the previous three months? How do you expect them to affect overall credit availability to PNFCs over the next three months relative to the latest three months?(b)

	Past three months	Next three months
Tighter wholesale funding conditions:	-59.0	-51.1
Actual, or potential, need to support ABCP conduits, structured investment vehicles or money market mutual funds:	-2.2	8.9
Reduced ability to transfer credit risk off balance sheet and/or tighter conditions for raising capital:	-47.2	-49.3

Has there been a change in draw-downs on committed lines by PNFCs over the latest three months relative to the previous three months? What do you expect over the next three months relative to the latest three months?

	Past three months	Next three months
	20.3	33.8

What proportion of your lending to medium-sized PNFCs is rated as sub-investment grade by your internal models or by rating agencies? What is the proportion for large PNFCs?(d)

	Medium	Large
	48.3	43.6

* Data are unpublished for this question as too few responses were received.

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.
(b) A positive balance indicates that the changes in the factors described have served to increase credit availability/demand.
(c) This balance has been revised from the -27.8 figure that was published in the Q3 survey.
(d) Unlike other questions in this survey, lenders were asked to select a numerical range that their proportion fell in (0%–30%, 30%–40%, 40%–50%, 50%–60%, 60%–100%). A weighted median response, based on lenders' markets shares, was then calculated assuming that lenders' responses were uniformly distributed across each numerical range.

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