

Bank of England Agents' Survey:

UK Credit & Mortgage Conditions, Q1 2013

Workshop on Central Bank Business Surveys, Atlanta,
28-29 October 2013

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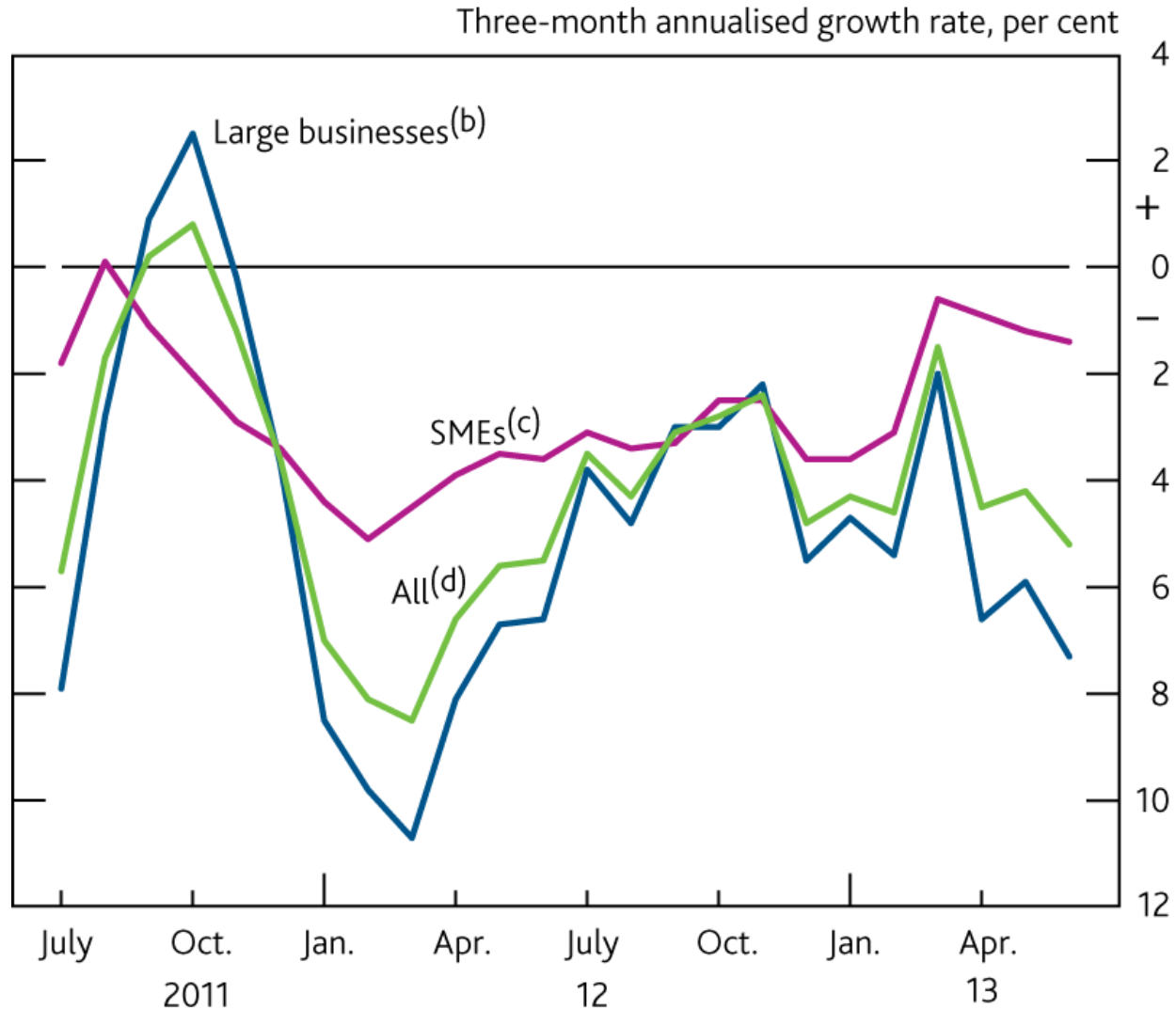
Agency for South East England

Background

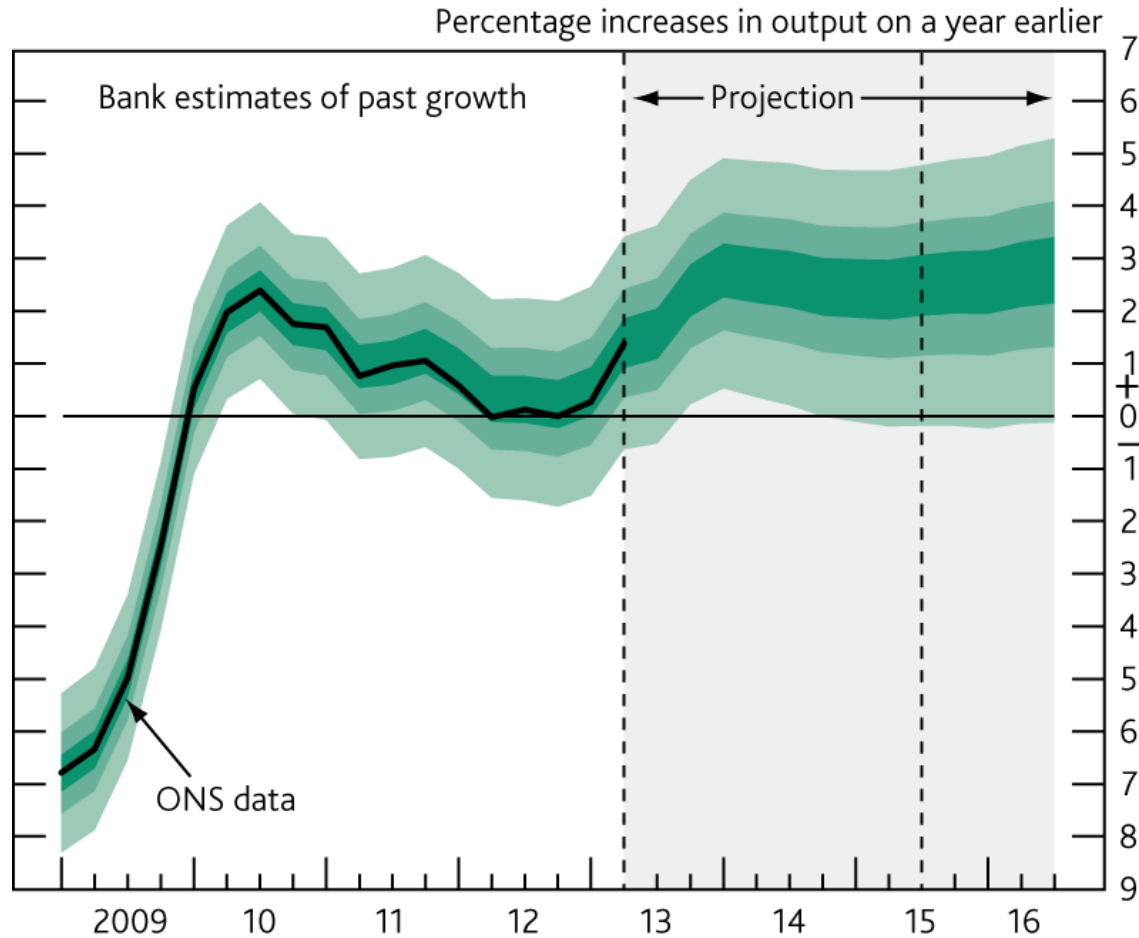
1. Bank of England launches “Funding for Lending Scheme” (FLS), July 2012
2. Scheme reduces cost of capital for banks
3. Aim is to boost credit supply and demand...
4. ...Against backdrop of stagnant economy
5. ...And impaired credit markets
6. Data availability on corporate credit conditions is fairly poor

Background:

growth of bank lending to non-financial companies



Background: GDP growth

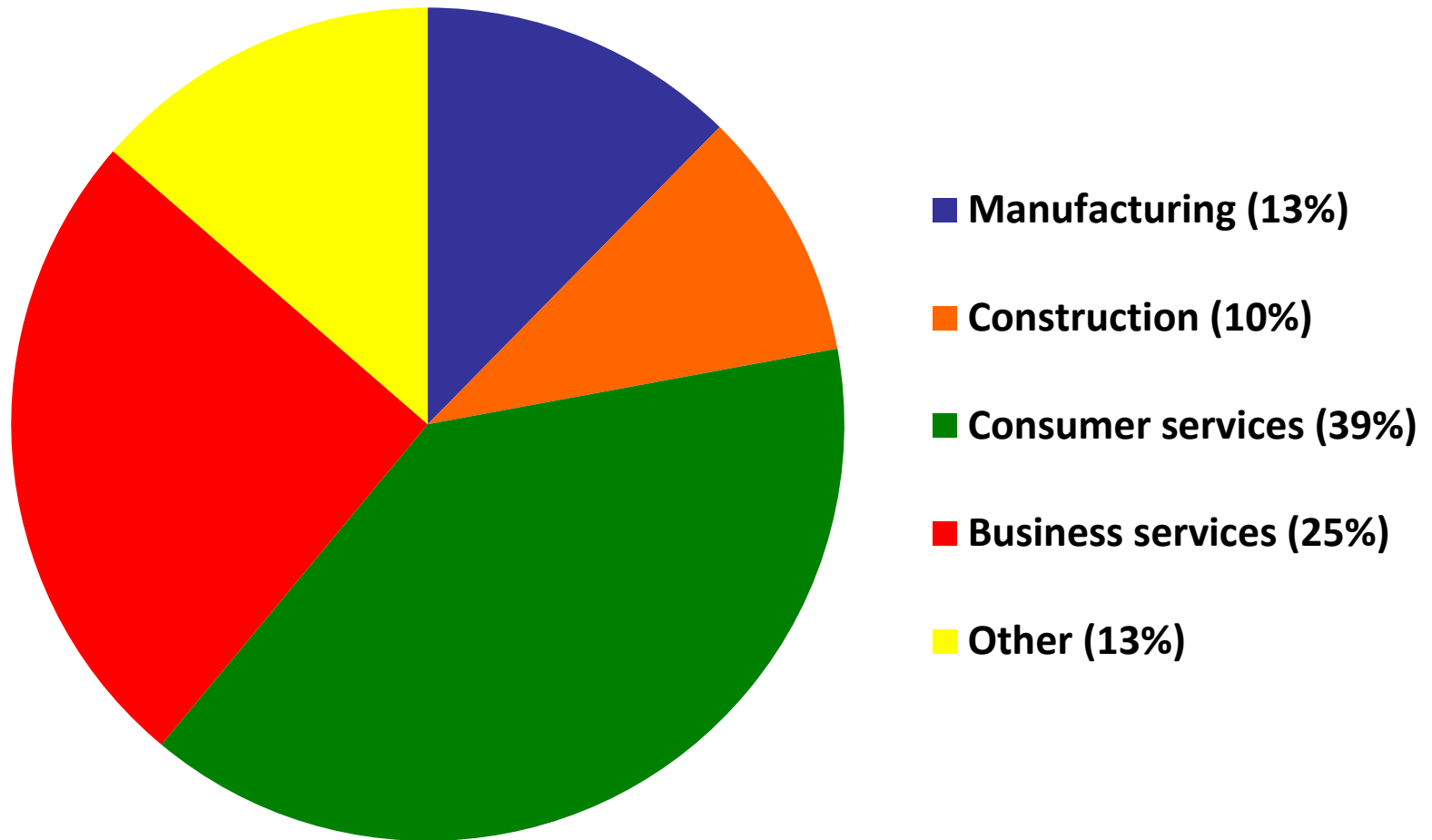


2013 Q1 Survey Questions: corporate borrowing

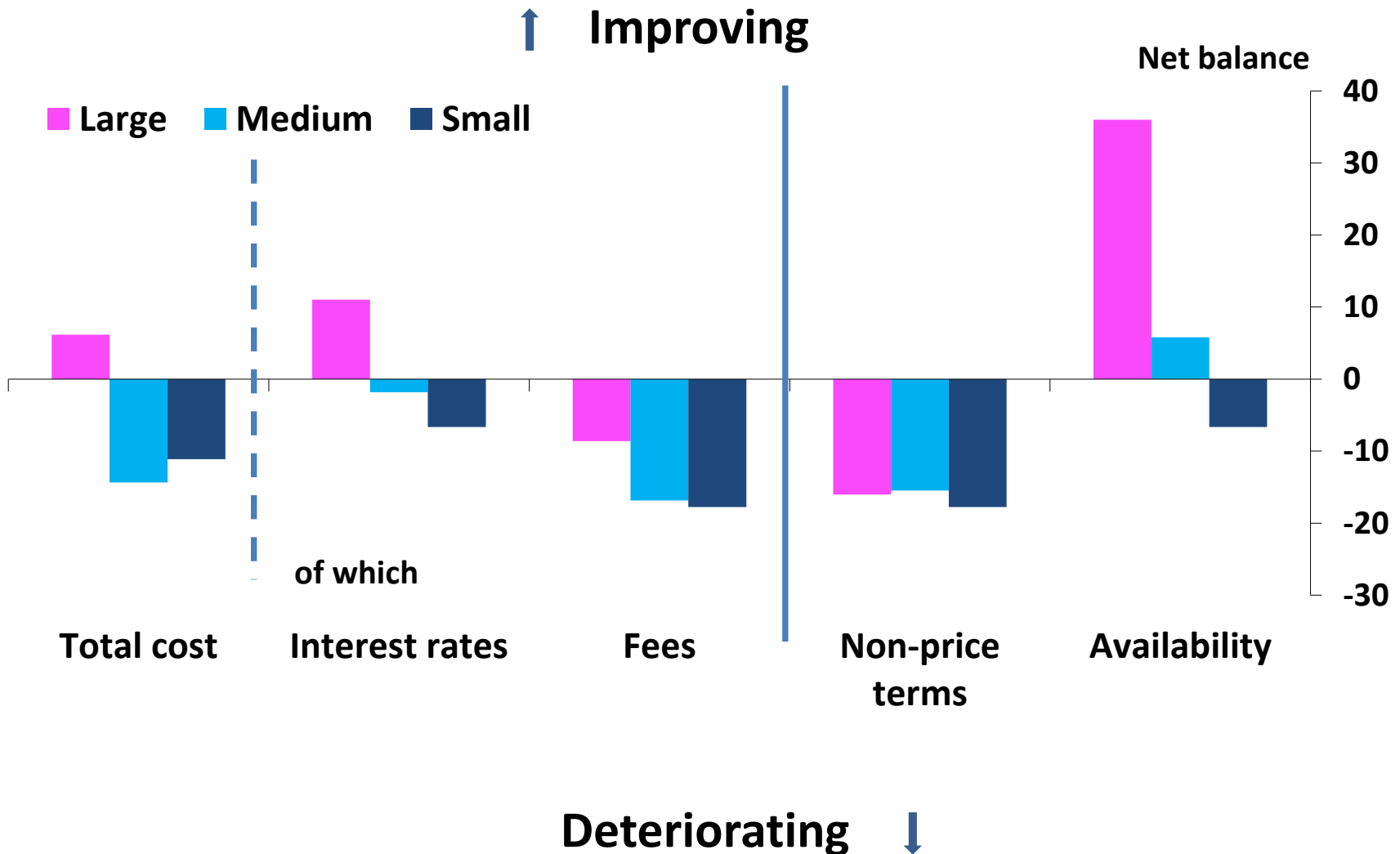
1. Changes in cost, availability and non-price terms of bank credit in past 12 months?
2. Impact on credit demand?
3. Changes in bank and non-bank external finance in past 12 months?
4. Impact of changes in bank credit conditions on business?
5. Expected use of bank credit in next 12 months?

Responses by sector

(370 firms, \$ 80 bn turnover, 395,000 employees)

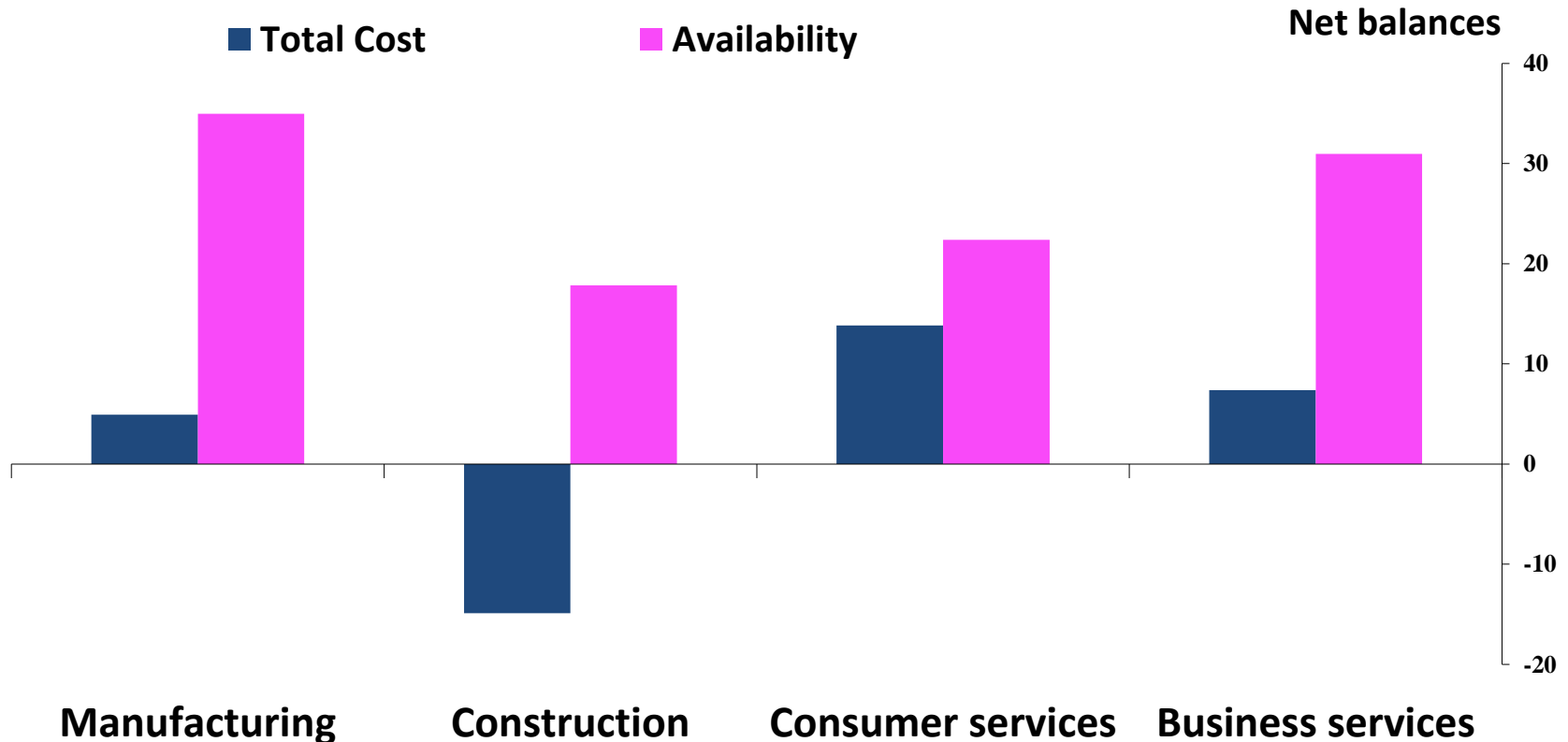


Q1. Cost and availability of finance



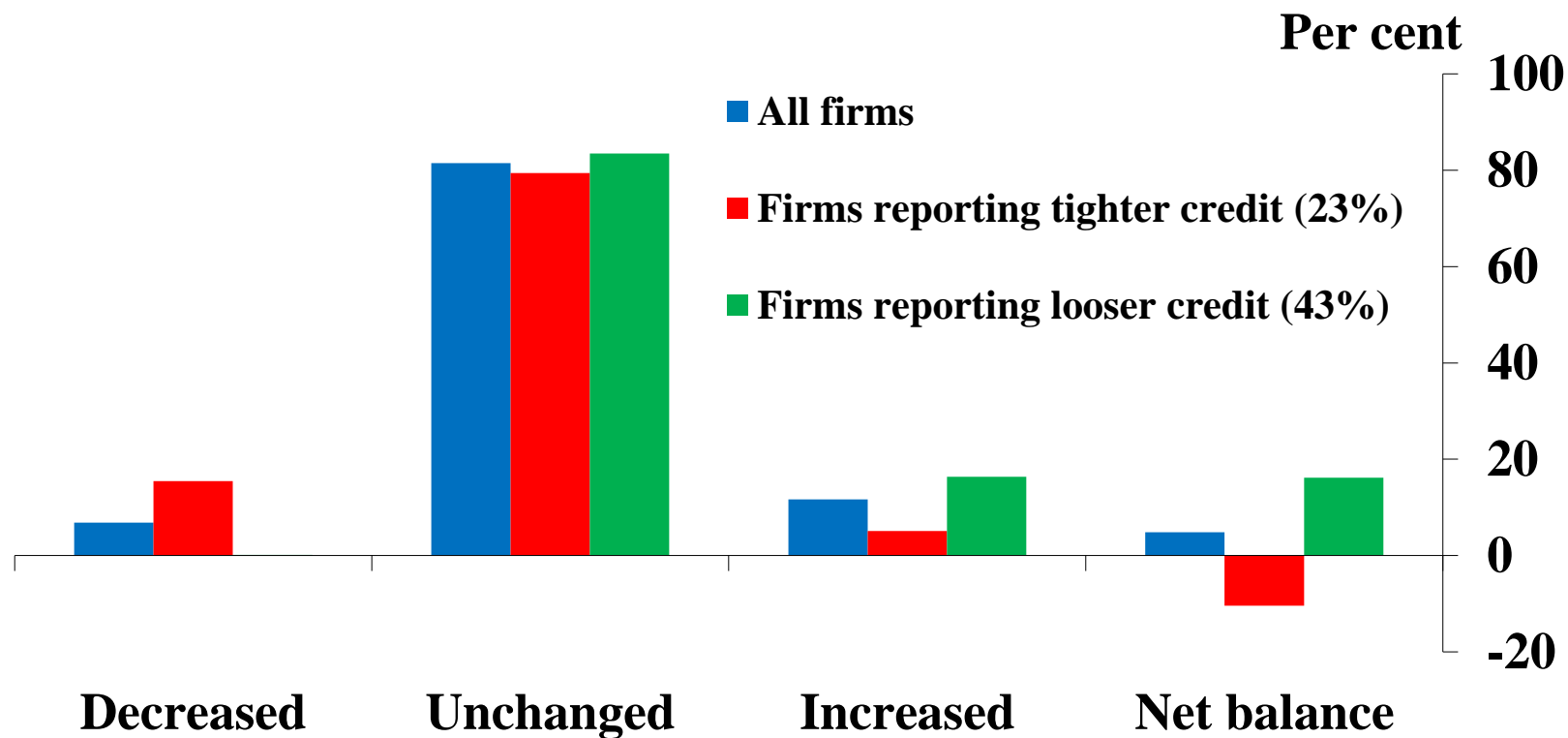
Q1. Cost and availability of finance

↑ Improving

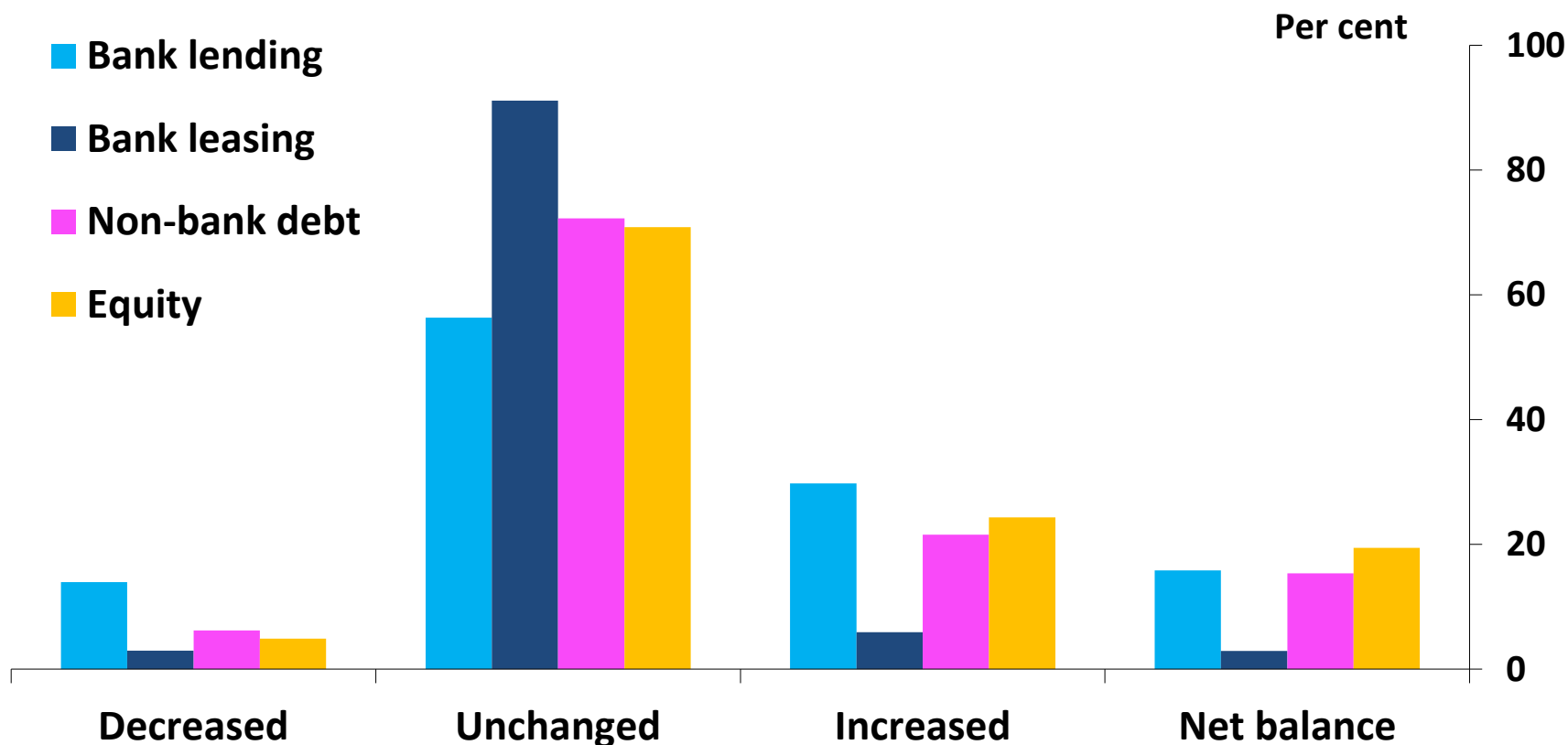


Deteriorating ↓

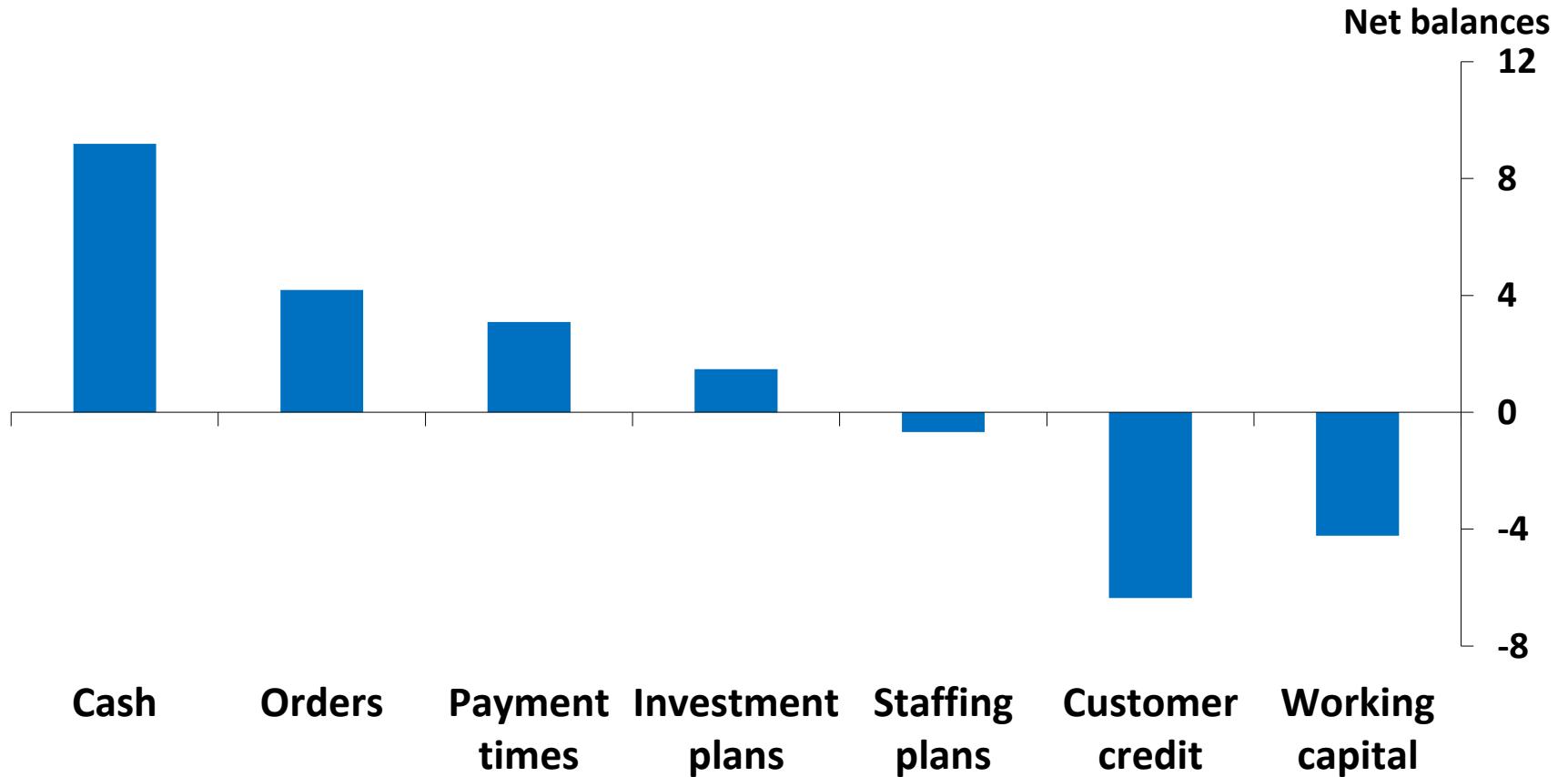
Q2. Changes in credit demand



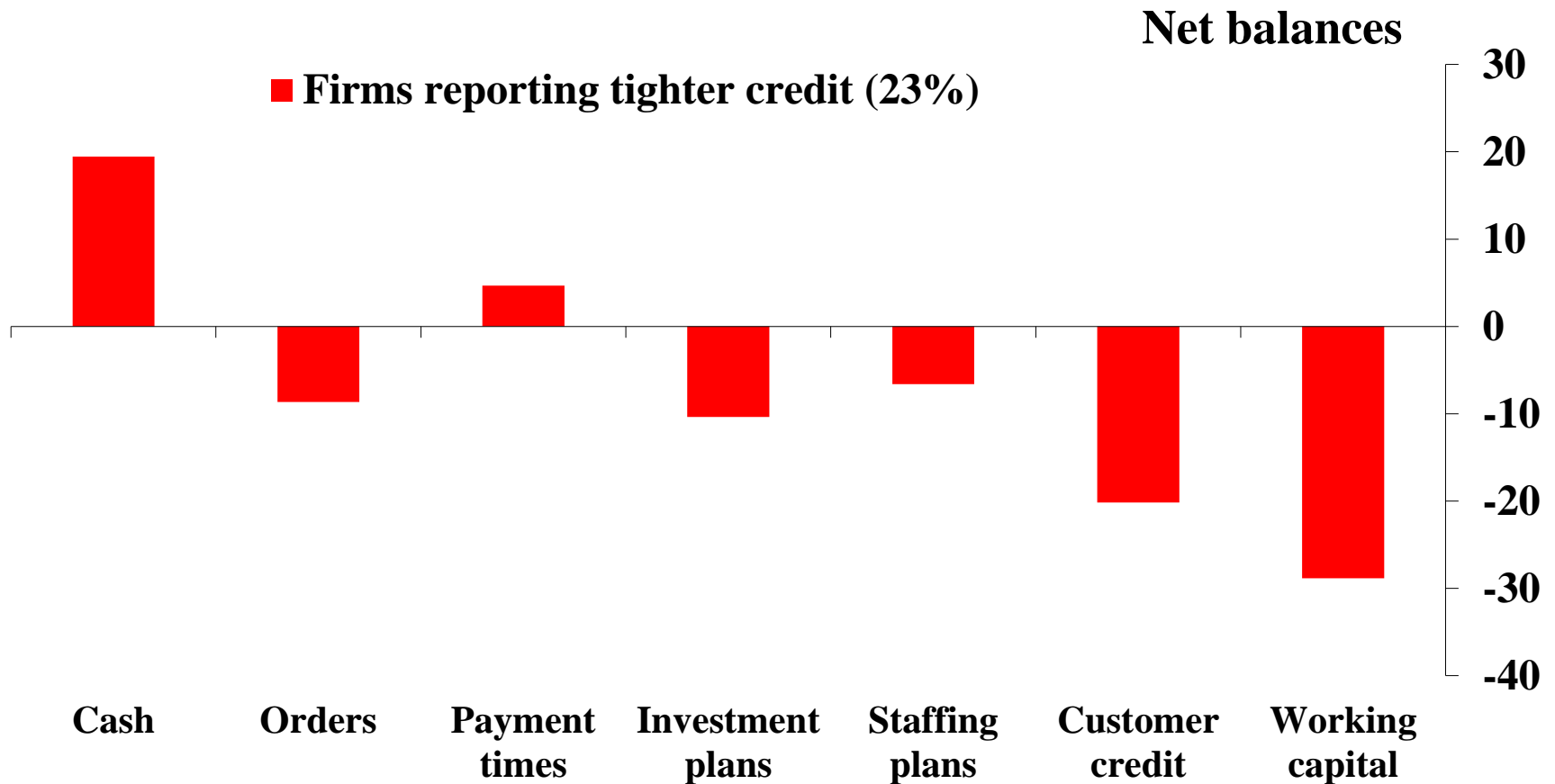
Q3. Changes in use of external finance



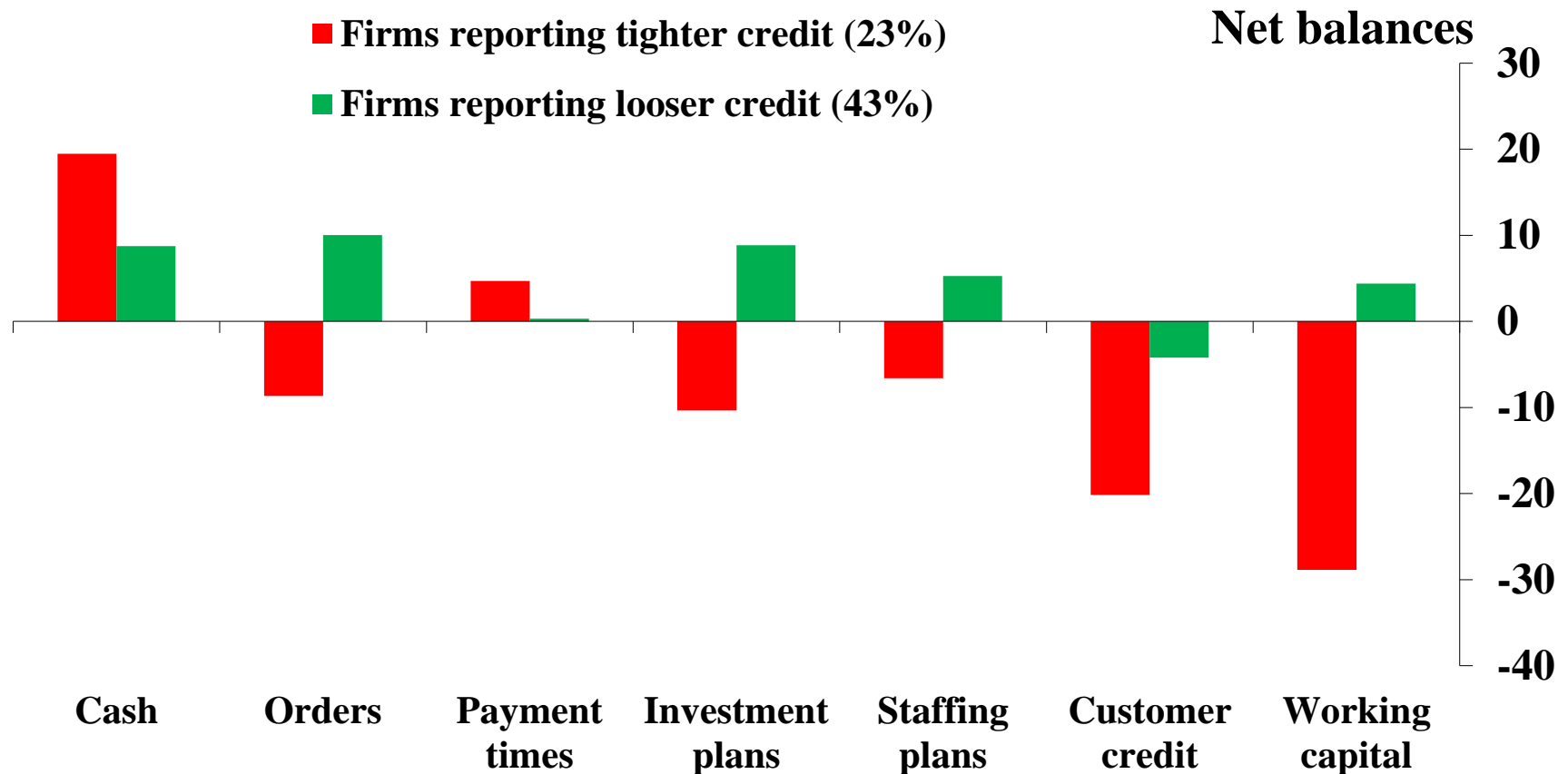
Q4. Effects of changes in credit conditions



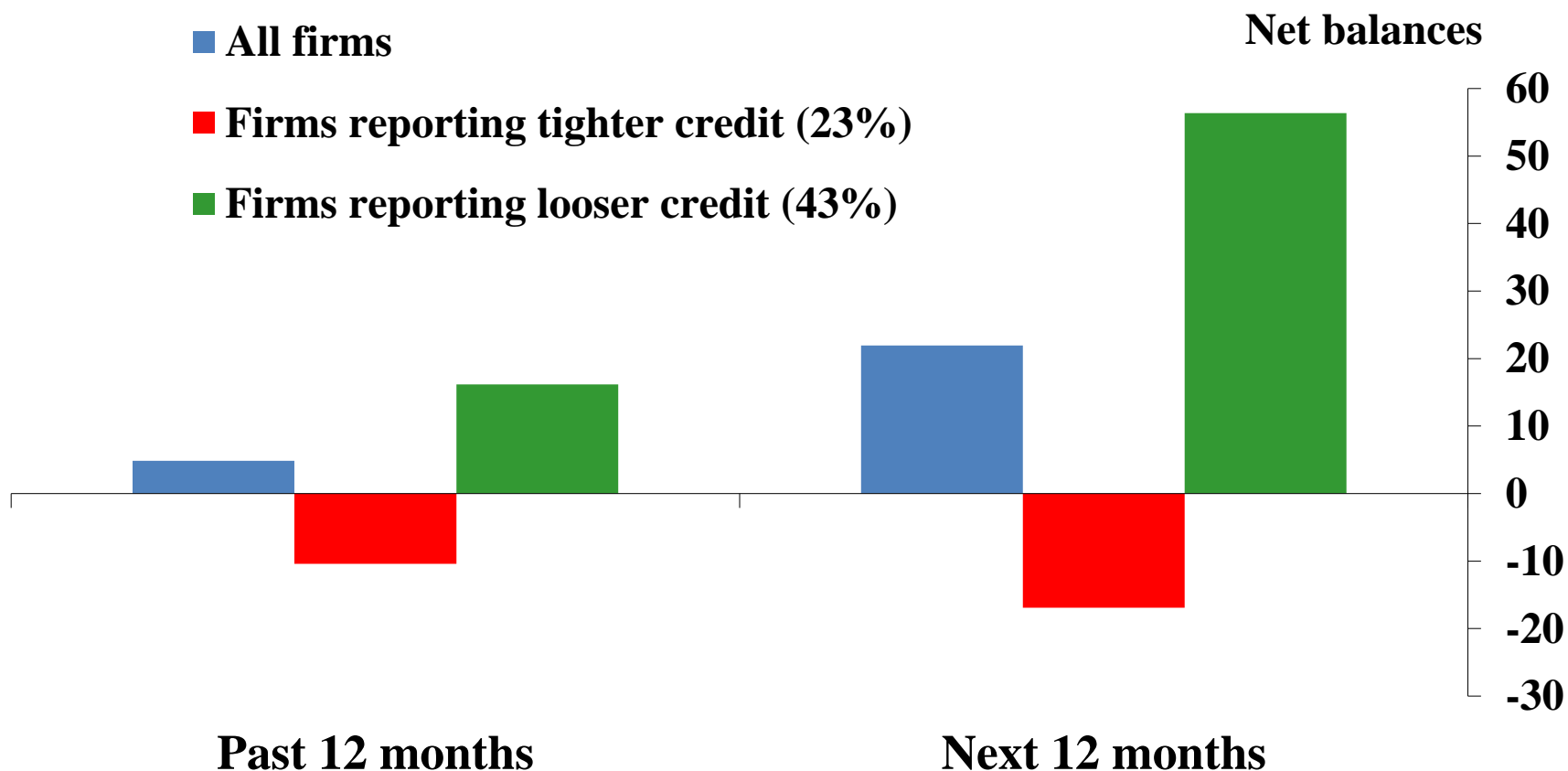
Q4. Effects of changes in credit conditions



Q4. Effects of changes in credit conditions



Q5. Expected change in use of bank credit

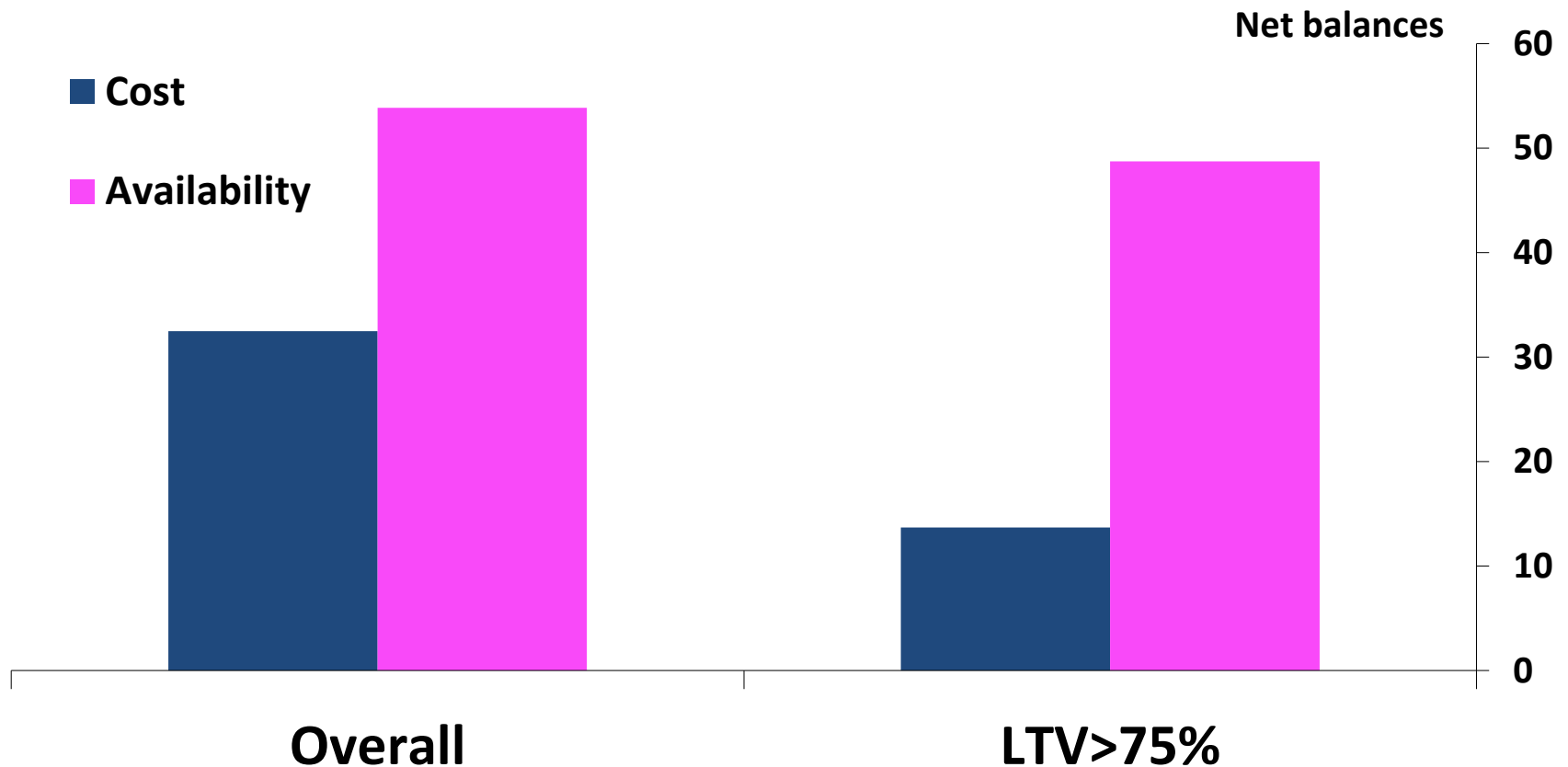


Mortgage Survey Questions

1. How has the cost and availability of residential mortgages changed in past 12 months?
a. overall b. higher LTV (over 75%) mortgages
2. How has household demand for mortgage credit changed in past 12 months?
3. How have changed mortgage conditions affected housing market and house building activity?
4. How do you expect mortgage lending to change in next 12 months?

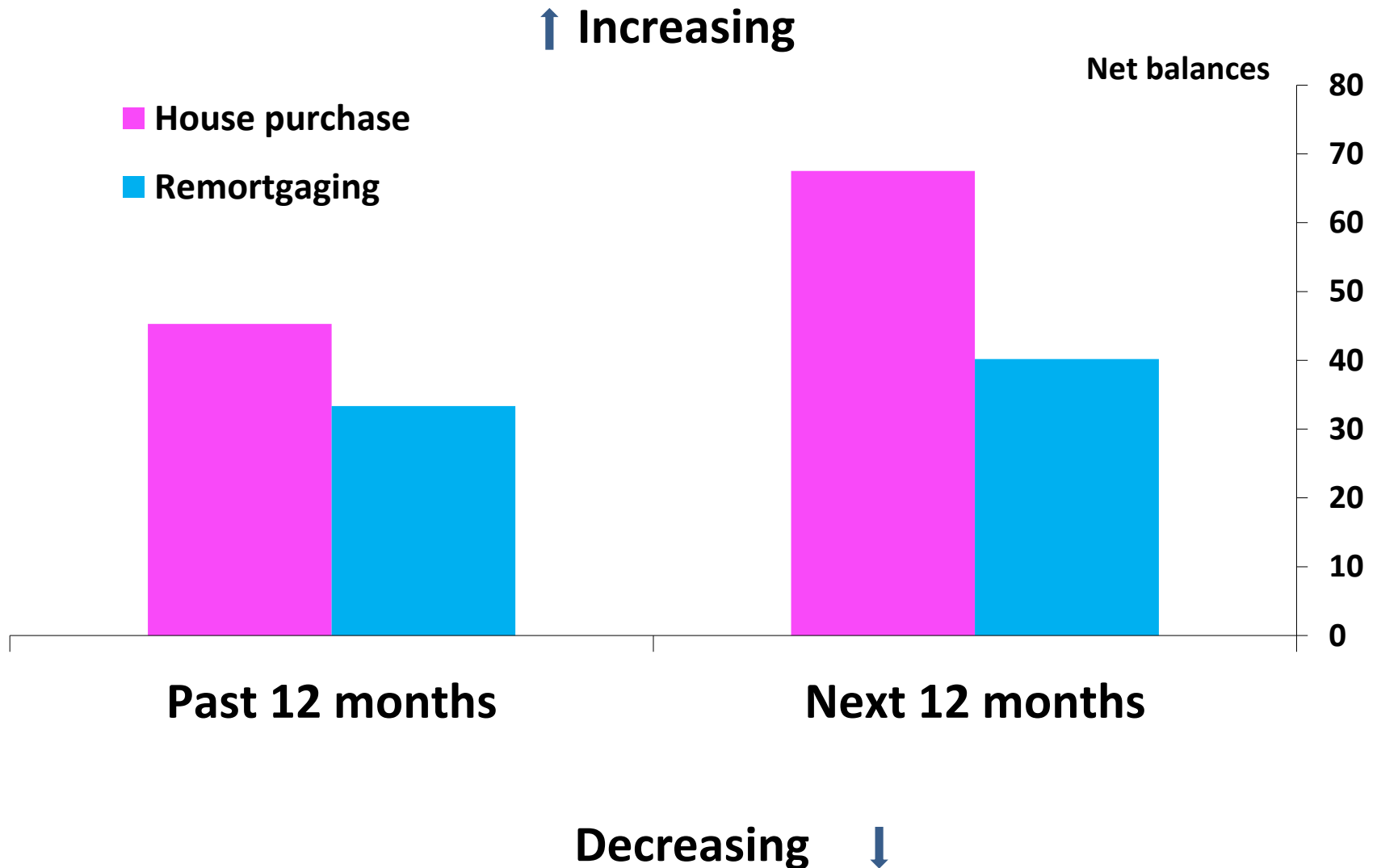
Q1. Mortgage cost and availability (past 12 months)

↑ Improving

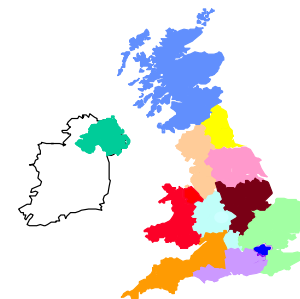


Deteriorating ↓

Q2/4. Changes in mortgage lending

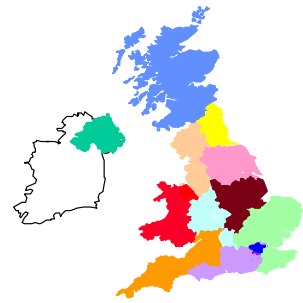


Summary

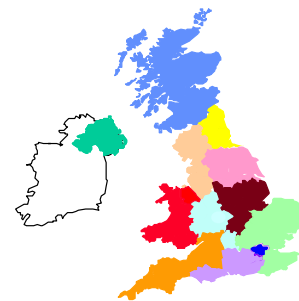


- Cost and availability of credit improved for large firms but not for small ones
- Firms (including small ones) expect to increase bank borrowing in next 12 months
- Some adverse impact of credit conditions on economic activity – investment, staffing plans
- Residential mortgage availability and cost have improved significantly
- Borrowing for house purchase expected to increase more strongly

Policy Implications



- FLS Scheme extended on 24 April
- Three new objectives:
- Much cheaper bank funding for lending to SMEs
- FLS extended to some non-bank lenders (leasing & invoice discounting companies)
- FLS extended for one year to January 2015



The End