



CENTRAL BANK OF CYPRUS

EUROSYSTEM

OCTOBER 2024
BANK LENDING SURVEY
Results for Cyprus

Nicosia - Cyprus

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1. Overview

The October 2024 Bank Lending Survey (BLS)¹ records, among other things, the changes in credit standards and loan demand that occurred in 2024Q3 compared with 2024Q2 in Cyprus, as well as the changes that are expected to occur in 2024Q4 compared with 2024Q3. It should be emphasised that the results of the Survey reflect the perceptions and expectations of the participating banks and do not, in any way, reflect the views or expectations of the Central Bank of Cyprus (CBC) (see Notes).

Summary of BLS results - October 2024	Cyprus	
	2024Q3	2024Q4 (expectations)
Supply of loans		
Credit standards for loans		
Enterprises	Unchanged	Unchanged
Households		
- Housing loans	Unchanged	Unchanged
- Consumer credit and other lending	Unchanged	Unchanged
Overall terms and conditions for loans		
Enterprises	Unchanged	*
Households		
- Housing loans	Unchanged	*
- Consumer credit and other lending	Unchanged	*
Demand for loans		
Enterprises	Unchanged	Increase
Households		
- Housing loans	Increase	Increase
- Consumer credit and other lending	Unchanged	Unchanged

* The survey does not include questions on expected changes in loan terms and conditions.

Source: CBC

¹ - The October 2024 BLS was conducted in the period 6 - 23 September 2024. The statistical analysis for Cyprus uses the diffusion index. More information on the methodology of the Survey can be found [here](#).
 - In those cases where no line or bar is evident in the charts of this report, the diffusion index is zero for the respective quarter. Either this implies that there was no change compared with the previous quarter or that the answers of the participating banks offset one another.
 - The BLS results for the euro area are available [here](#).

On the *loan supply* side, **credit standards² for loans to enterprises and households**, including housing loans as well as consumer credit and other lending, **remained unchanged in 2024Q3** compared with the previous quarter. All factors influencing credit standards, across all loan categories, had a neutral impact in the quarter under review.

The overall terms and conditions on new loans³ to enterprises and households also remained unchanged in 2024Q3 compared with the previous quarter. Regarding enterprises, this occurred although lower lending rates for new business loans and a narrowing of banks' margins on average new business loans were reported, and despite the reported increased competition from other banks and reduced risk perceptions related to the general economic situation and outlook. Regarding households, the overall terms and conditions on new housing loans also remained unchanged in 2024Q3, compared with the previous quarter, even though, as with business loans, lower lending rates and narrower banks' margins on average new housing loans were reported. All factors affecting the overall terms and conditions on new consumer credit and other lending to households had a neutral impact in the quarter under review.

On the *loan demand* side, **net demand for loans by enterprises remained unchanged** in 2024Q3, for the second consecutive quarter. In contrast, net demand for housing loans by households increased in 2024Q3 for the first time since 2022Q1, attributed, according to the Survey, to improved housing market prospects. At the same time, net demand for consumer credit and other lending by households remained unchanged in the quarter under review, compared with the previous quarter.

According to *banks' expectations for 2024Q4*, **credit standards for loans to both enterprises and households are expected to remain unchanged** compared with the previous quarter. At the same time, **net demand for loans by enterprises and for housing loans by households is expected to increase**, while **households' net demand for consumer credit and other lending is expected to remain stable**.

² Credit standards refer to the internal guidelines or loan approval criteria of a bank. Both new loans and loan refinancing, i.e. a prolongation of a loan or a higher loan amount, are considered. Credit standards are established prior to the actual loan negotiation on the terms and conditions and the actual loan approval/rejection decision. They define the types of loan a bank considers desirable and undesirable, the designated sectoral or geographic priorities, the collateral deemed acceptable or unacceptable, etc. Credit standards specify the required borrower characteristics under which a loan can be obtained.

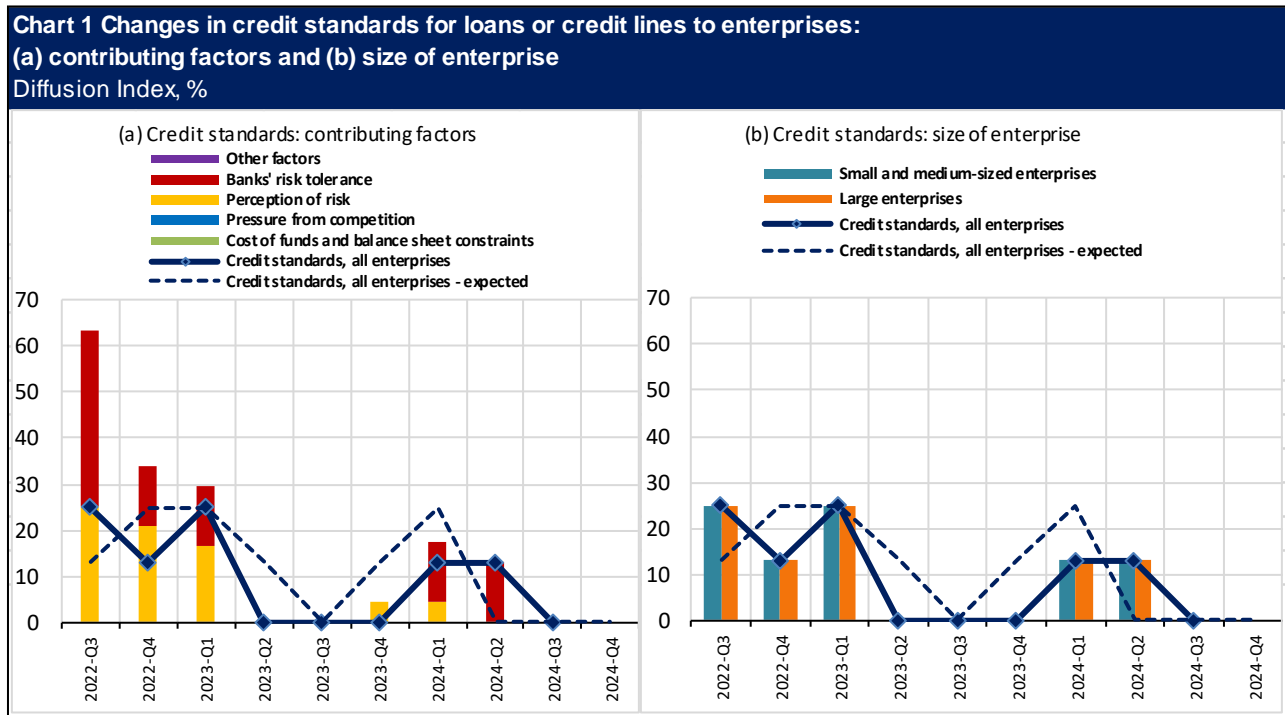
³ Credit terms and conditions refer to the conditions of a loan that a bank is willing to grant, i.e. to the terms and conditions of the (new or refinanced) loan actually approved, as laid down in the loan contract agreed between the bank (the lender) and the borrower. Credit terms and conditions depend on the borrower's characteristics and may change in parallel with credit standards or independently of them.

2. Loan Supply

2.1. Credit standards for loans

2.1.1. Credit standards for loans or credit lines to enterprises⁴

In 2024Q3, **credit standards for loans to enterprises in Cyprus remained unchanged** compared with the previous quarter, in line with expectations expressed in the July 2024 Survey. All factors affecting credit standards for business loans had a neutral impact in 2024Q3 (**Chart 1(a)**). It is noted that credit standards remained unchanged for both loans to small and medium-sized enterprises (SMEs) and loans to large enterprises in the quarter under review (**Chart 1(b)**).



Notes:

Concerning the direction of changes in the credit standards, a **positive value** indicates a tightening of credit standards and a contribution by the factors to this direction, while a **negative value** indicates an easing of credit standards and a contribution by the factors to this direction.

"Cost of funds and balance sheet constraints" as unweighted average of banks' "Capital and cost related to capital position", "Access to market financing" and "Liquidity position".

"Pressure from competition" as unweighted average of "Competition from other banks", "Competition from non-banks" and "Competition from market financing".

"Perception of risk" as unweighted average of "General economic situation and outlook", "Industry or firm-specific situation and outlook/borrower's creditworthiness" and "Risk on collateral demanded".

"Other factors" refer to further factors which were mentioned by participating banks as having contributed to changes in credit standards.

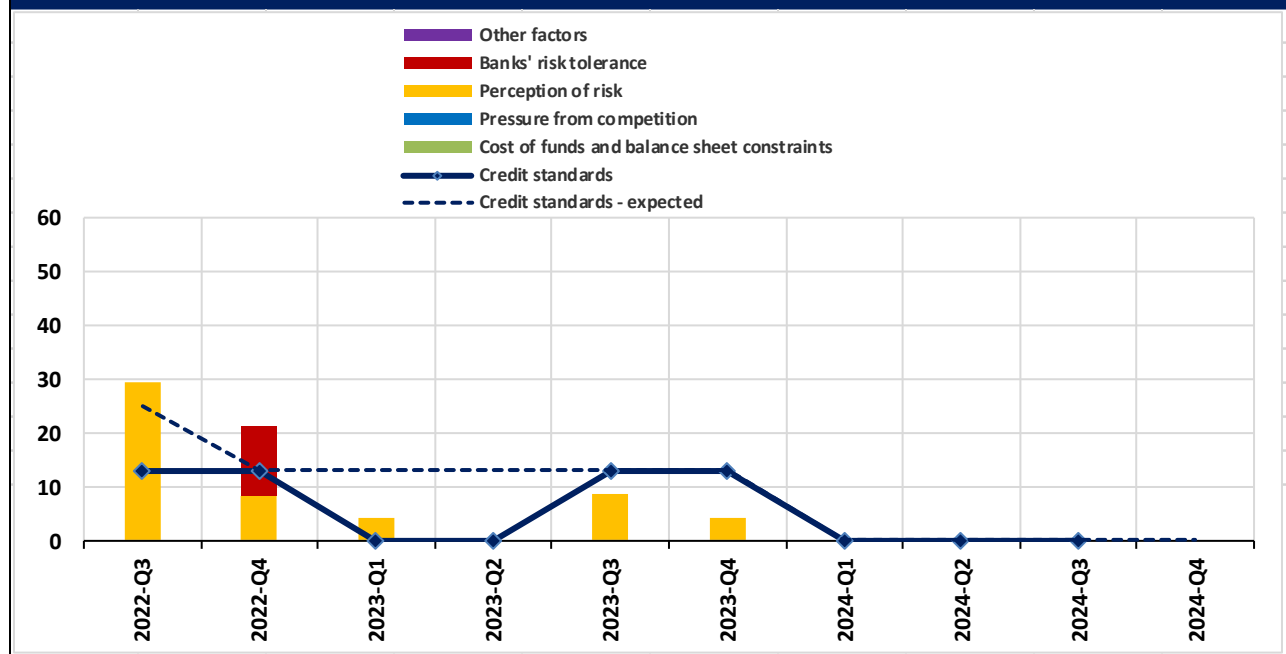
⁴ The term "enterprises" refers to non-financial corporations.

2.1.2. Credit standards for loans to households for house purchase

Credit standards for housing loans to households remained unchanged in 2024Q3, as anticipated based on banks' expectations expressed in the Survey of the previous quarter. This marks the third consecutive quarter of unchanged credit standards for housing loans. As in the previous two quarters, all underlying factors had a neutral impact on housing loan credit standards (**Chart 2**).

Chart 2 Changes in credit standards for loans to households for house purchase and contributing factors

Diffusion Index, %



Notes:

Concerning the direction of changes in the credit standards, a **positive value** indicates a tightening of credit standards and a contribution by the factors to this direction, while a **negative value** indicates an easing of credit standards and a contribution by the factors to this direction.

"Cost of funds and balance sheet constraints" as unweighted average of banks' "Capital and cost related to capital position", "Access to market financing" and "Liquidity position" (detailed sub-factors were introduced in April 2022).

"Pressure from competition" as unweighted average of "Competition from other banks" and "Competition from non-banks".

"Perception of risk" as unweighted average of "General economic situation and outlook", "Housing market prospects, including expected house price developments" and "Borrower's creditworthiness".

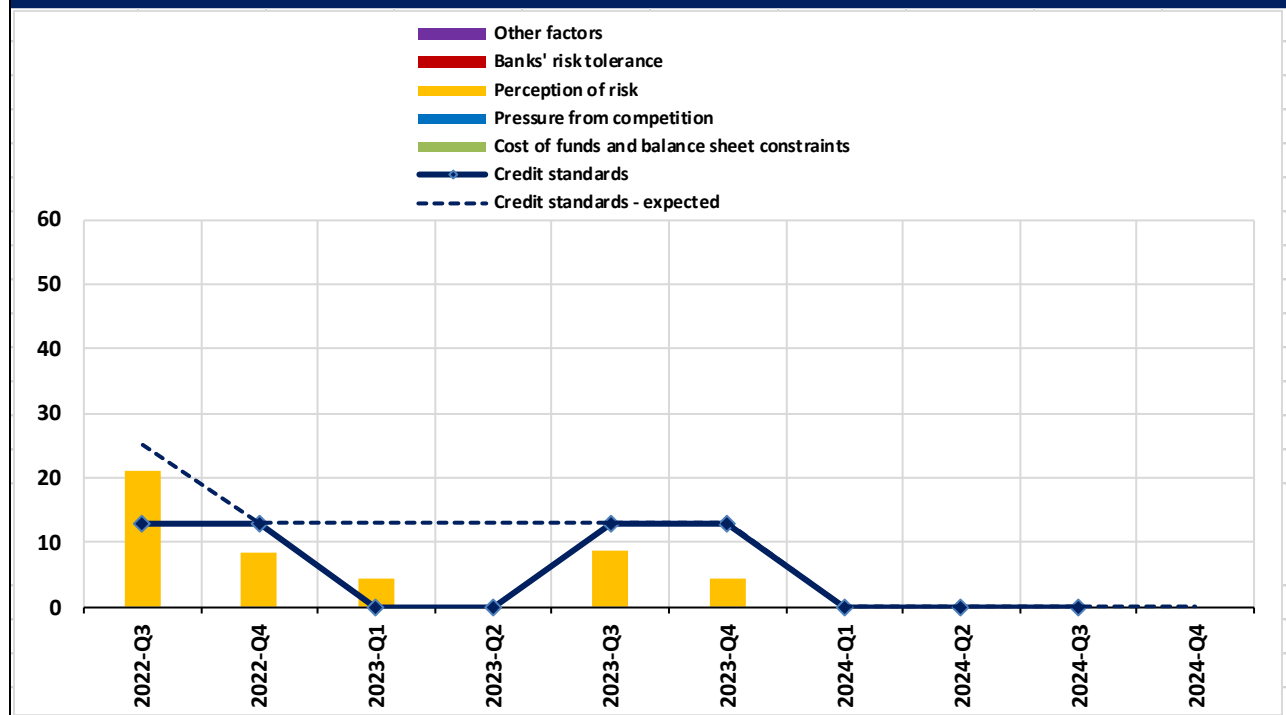
"Other factors" refer to further factors which were mentioned by participating banks as having contributed to changes in credit standards.

2.1.3. Credit standards for consumer credit and other lending to households

In 2024Q3, **credit standards for consumer and other lending to households remained unchanged** for the third consecutive quarter, in line with expectations expressed by banks in the Survey of the previous quarter. As with housing loans, all factors influencing credit standards for this category of loans to households continued to have a neutral impact (**Chart 3**).

Chart 3 Changes in credit standards for consumer credit and other lending to households and contributing factors

Diffusion Index, %



Notes:

Concerning the direction of changes in the credit standards, a **positive value** indicates a tightening of credit standards and a contribution by the factors to this direction, while a **negative value** indicates an easing of credit standards and a contribution by the factors to this direction.

"Cost of funds and balance sheet constraints" as unweighted average of banks' "Capital and cost related to capital position", "Access to market financing" and "Liquidity position" (detailed sub-factors were introduced in April 2022).

"Pressure from competition" as unweighted average of "Competition from other banks" and "Competition from non-banks".

"Perception of risk" as unweighted average of "General economic situation and outlook", "Creditworthiness of consumers" and "Risk on the collateral demanded".

"Other factors" refer to further factors which were mentioned by participating banks as having contributed to changes in credit standards.

2.1.4. Expectations for the next quarter

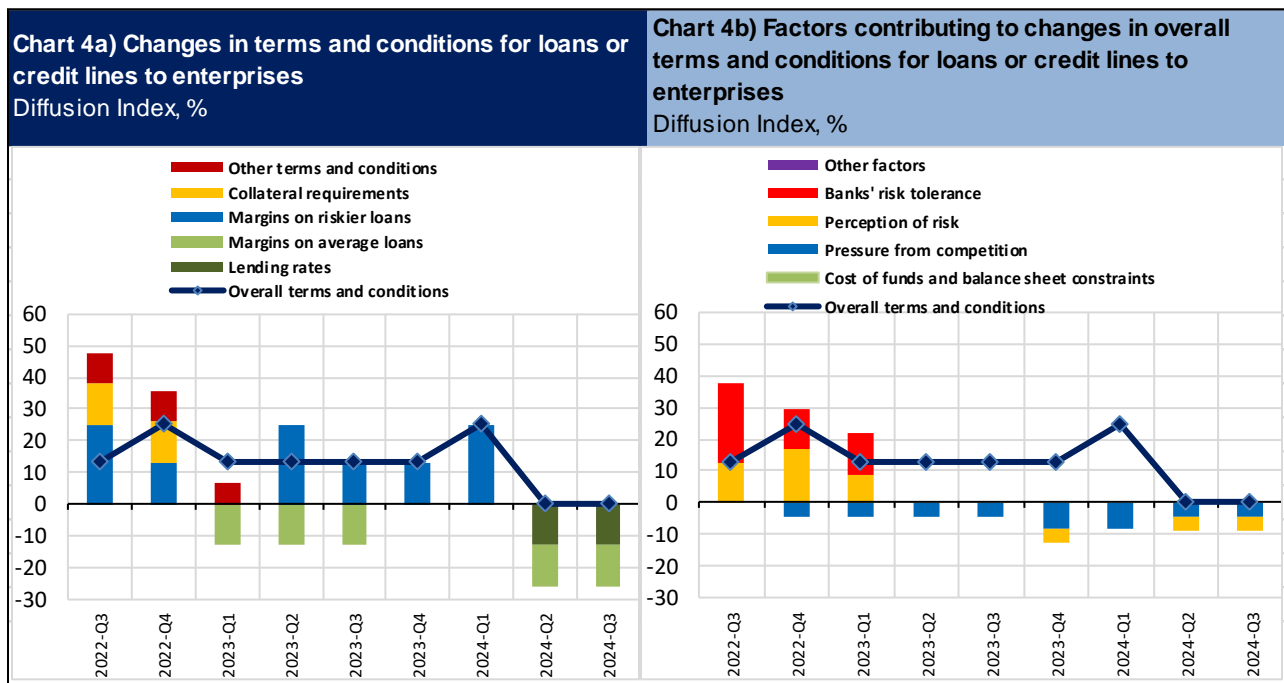
According to banks' expectations for 2024Q4, credit standards in Cyprus are expected to remain unchanged for loans to enterprises as well as for both categories of loans to households (**Charts 1-3**).

2.2. Overall terms and conditions on loans

2.2.1. Overall terms and conditions on loans or credit lines to enterprises

In 2024Q3, the **overall terms and conditions on new business loans** (i.e. banks' actual terms and conditions agreed upon in the loan contract) **remained unchanged** for the second consecutive quarter. According to the Survey, these remained unchanged overall, even though, as in the previous quarter, a decrease in interest rates for new business loans and a narrowing of banks' margins on average new business loans was reported (**Chart 4(a)**).

It is noted that overall terms and conditions on these loans remained unchanged despite increased competition from other banks and banks' perceptions of reduced risk regarding the general economic situation and outlook (**Chart 4(b)**).



Notes:

Concerning the direction of changes in terms and conditions on loans or credit lines, a **positive value** indicates a tightening of terms and conditions and a contribution by the factors to this direction, while a **negative value** indicates an easing of terms and conditions and a contribution by the factors to this direction.

4a) «**Margins**» are defined as the spread over a relevant market reference rate (wider spread = tightened, narrower spread = eased).

"**Other terms and conditions**" as unweighted average of "Non-interest rate charges", "Size of the loan or credit line", "Loan covenants" and "Maturity".

"Lending rates" was introduced in April 2024.

4b) "**Cost of funds and balance sheet constraints**" as unweighted average of "Capital and cost related to capital position", "Access to market financing" and "Liquidity position".

"**Pressure from competition**" as unweighted average of "Competition from other banks", "Competition from non-banks" and "Competition from market financing".

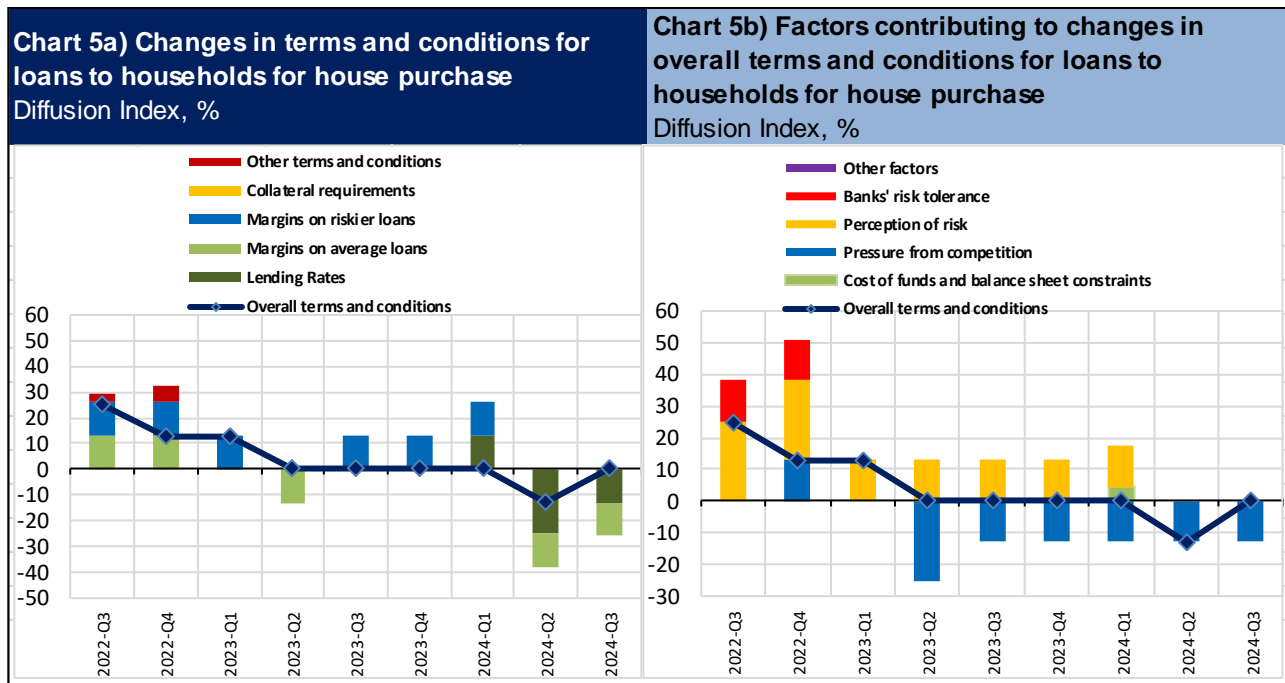
"**Perception of risk**" as unweighted average of "General economic situation and outlook", "Industry or firm-specific situation and outlook/borrower's creditworthiness" and "Risk on collateral demanded".

"**Other factors**" refer to further factors which were mentioned by participating banks as having contributed to changes in terms and conditions.

2.2.2. Overall terms and conditions on loans to households for house purchase

The **overall terms and conditions on new housing loans remained unchanged** in 2024Q3 compared with the previous quarter, although a decrease in interest rates for new housing loans and a narrowing of banks' loan margins on average new housing loans were reported (**Chart 5(a)**). This development followed the easing of the overall terms and conditions on new housing loans reported in the previous quarter.

According to the Survey, overall terms and conditions on new housing loans remained unchanged in 2024Q3, despite continued competitive pressures. Notably, this marks the second consecutive quarter in which banks' perception of risk had a neutral impact on the overall terms and conditions for housing loans (**Chart 5(b)**).



Notes:

Concerning the direction of changes in terms and conditions on loans, a **positive value** indicates a tightening of terms and conditions and a contribution by the factors to this direction, while a **negative value** indicates an easing of terms and conditions and a contribution by the factors to this direction.

5a) **«Margins»** are defined as the spread over a relevant market reference rate (wider spread = tightened, narrower spread = eased).

"Other terms and conditions" as unweighted average of "Loan-to-value ratio", "Other loan size limits", "Maturity" and "Non-interest rate charges".

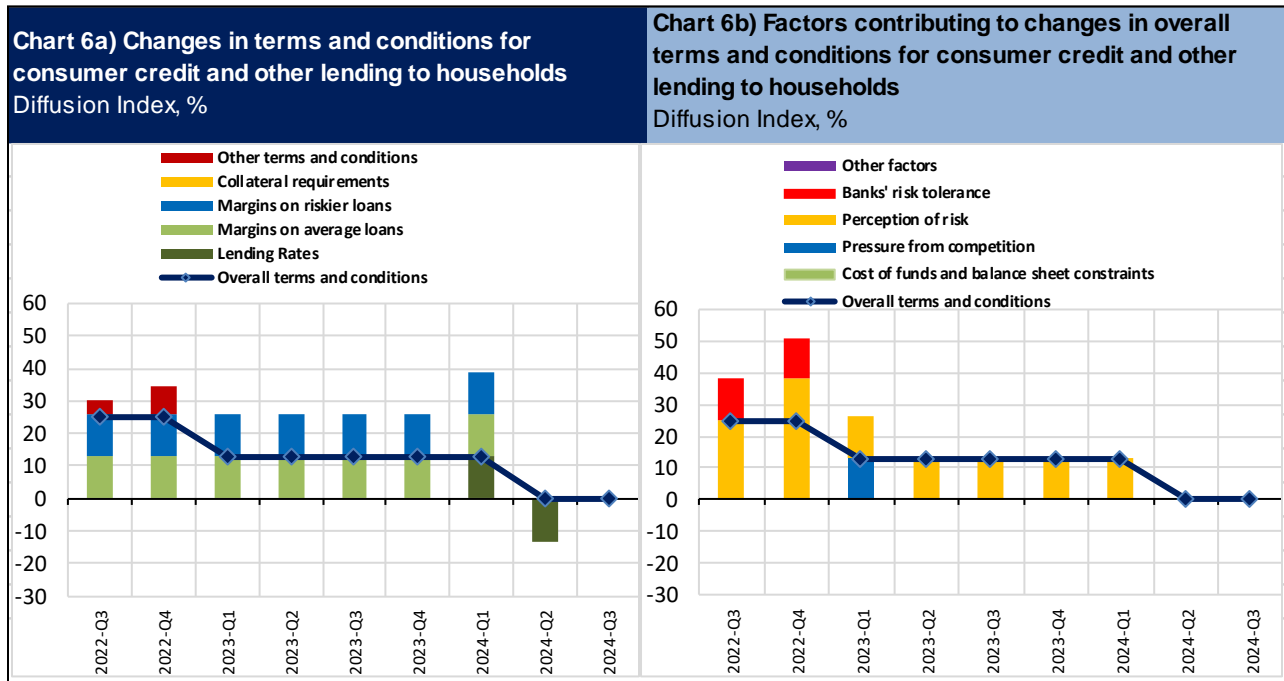
"Lending rates" was introduced in April 2024.

5b) **"Cost of funds and balance sheet constraints"** as unweighted average of "Capital and cost related to capital position", "Access to market financing" and "Liquidity position". Detailed sub-factors were introduced in April 2024.

"Other factors" refer to further factors which were reported by participating banks as having contributed to changes in the terms and conditions for these loans.

2.2.3. Overall terms and conditions on consumer credit and other lending to households

In 2024Q3, the **overall terms and conditions on new consumer credit and other lending to households** also **remained unchanged (Chart 6(a))**. According to the Survey, all factors influencing the overall terms and conditions on these loans had a neutral impact in the quarter under review. Similar to housing loans, this marks the second consecutive quarter where banks' perception of risk had a neutral impact on the overall terms and conditions for consumer credit and other lending to households (**Chart 6(b)**).



Notes:

Concerning the direction of changes in terms and conditions on loans, a **positive value** indicates a tightening of terms and conditions and a contribution by the factors to this direction, while a **negative value** indicates an easing of terms and conditions and a contribution by the factors to this direction.

6a) **«Margins»** are defined as the spread over a relevant market reference rate (wider spread = tightened, narrower spread = eased).

"Other terms and conditions" as unweighted average of "Size of loan", "Maturity", and "Non-interest rate charges".

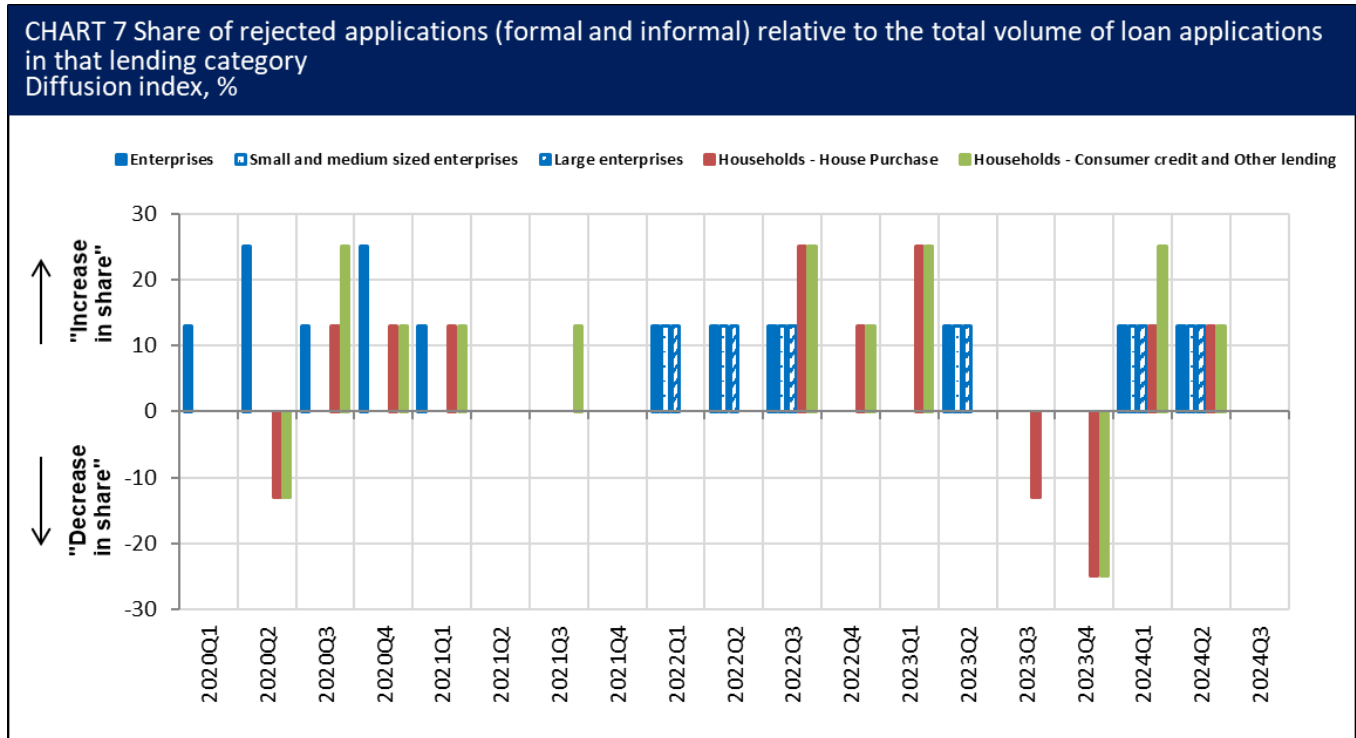
"Lending rates" was introduced in April 2024.

6b) **"Cost of funds and balance sheet constraints"** as unweighted average of "Capital and cost related to capital position", "Access to market financing" and "Liquidity position". Detailed sub-factors were introduced in April 2024.

"Other factors" refer to further factors which were reported by participating banks as having contributed to changes in the terms and conditions for these loans.

2.3. Rejected applications

The share of rejected applications (both formal and informal) relative to the volume of all loan applications remained stable compared with the previous quarter, across all loan categories, following two consecutive quarters of increases (**Chart 7**).



Notes:

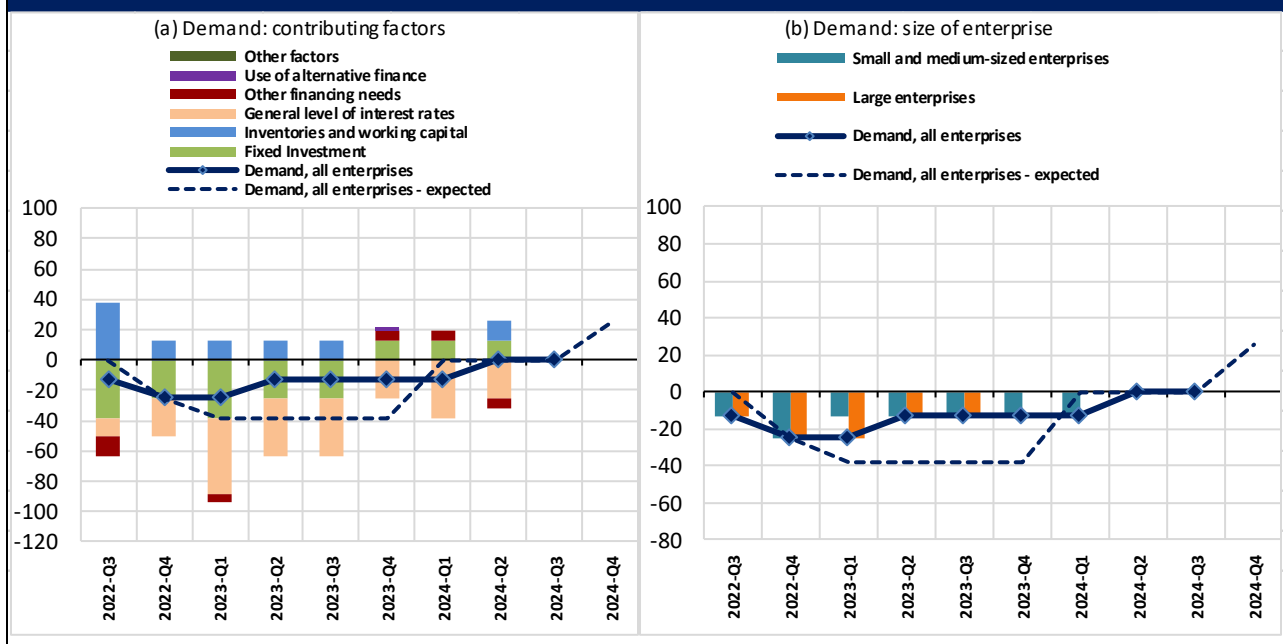
Share of rejected loan applications relative to the volume of all loan applications in that loan category.
The breakdown by firm size was introduced in April 2022.

3. Loan demand

3.1. Demand for loans or credit lines to enterprises

In 2024Q3, **net demand for loans by enterprises remained unchanged** compared with the previous quarter, for the second consecutive quarter, in line with banks' expectations expressed in the previous Survey round. All factors affecting the demand for business loans had a neutral impact in the quarter under review (**Chart 8(a)**). It is noteworthy that this is the first time since 2022Q2 that the general level of interest rates did not negatively affect demand for business loans. According to the Survey, net demand for loans in 2024Q3 remained unchanged for both SMEs and large enterprises (**Chart 8(b)**).

Chart 8 Changes in demand for loans or credit lines to enterprises:
(a) contributing factors and (b) size of enterprise
 Diffusion Index, %



Notes:

Concerning the direction of changes in loan demand, a **positive value** indicates an increase in demand and a contribution by the factors to this direction, while a **negative value** indicates a decrease in demand and a contribution by the factors to this direction.

"Other financing needs" as unweighted average of "Mergers/acquisitions and corporate restructuring" and "Debt refinancing/restructuring and renegotiation".

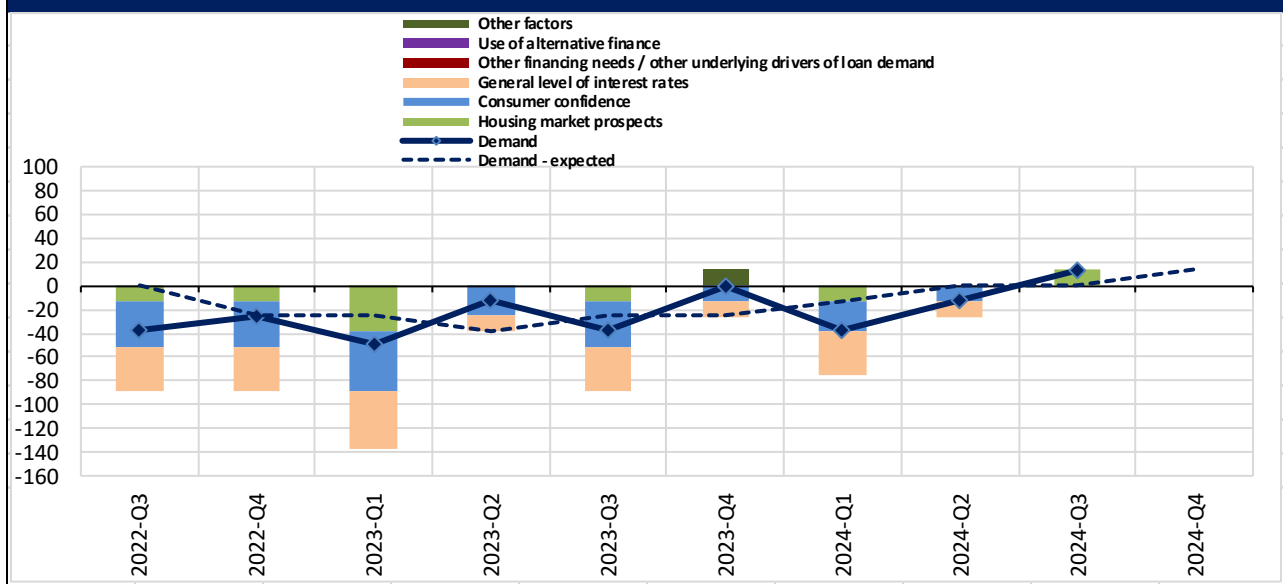
"Use of alternative finance" as unweighted average of "Internal financing", "Loans from other banks", "Loans from non-banks", "Issuance/redemption of debt securities" and "Issuance/redemption of equity".

3.2. Demand for loans to households for house purchase

Net demand for housing loans by households increased in 2024Q3, contrary to expectations for unchanged demand expressed in the July 2024 Survey. Notably, the last time net demand for housing loans recorded an increase was in 2021Q4. According to the Survey, the increase in housing loan demand is attributed to improved housing market prospects (**Chart 9**). It is also noteworthy that this is the first time since 2022Q3 that the general level of interest rates and consumer confidence did not have a negative impact on demand.

Chart 9 Changes in demand for loans to households for house purchase and contributing factors

Diffusion Index, %



Notes:

Concerning the direction of changes in loan demand, a **positive value** indicates an increase in demand and a contribution by the factors to this direction, while a **negative value** indicates a decrease in demand and a contribution by the factors to this direction.

"Other financing needs / other underlying drivers of loan demand" as unweighted average of "Debt refinancing/restructuring and renegotiation" and "Regulatory and fiscal regime of housing markets".

"Use of alternative finance" as unweighted average of "Internal financing out of savings/down payment", "Loans from other banks" and "Other sources of external finance".

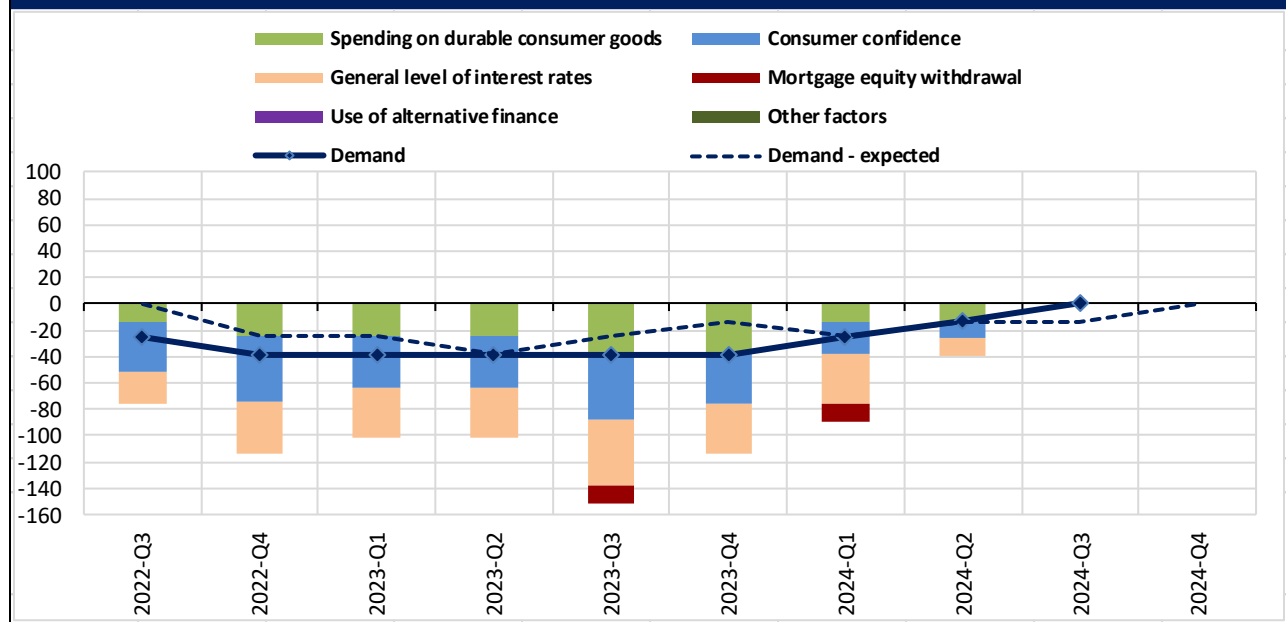
3.3. Demand for consumer credit and other lending to households

Net demand for consumer credit and other lending by households remained unchanged in 2024Q3 compared with the previous quarter. This development was contrary to expectations of a further decline, as expressed in the Survey of the previous quarter. It is noted that this is the first quarter since early 2022 in which demand for consumer credit and other lending by households did not decrease but remained stable.

According to the Survey, all factors affecting the demand for these loans had a neutral impact in 2024Q3 (Chart 10). As with housing loans, this is the first time since 2022Q3 that the general level of interest rates and consumer confidence did not negatively affect demand for consumer credit and other lending. Moreover, for the first time since 2022Q1, spending on durable consumer goods had a neutral rather than a negative impact on demand.

Chart 10 Changes in demand for consumer credit and other lending to households and contributing factors

Diffusion Index, %



Notes:

Concerning the direction of changes in loan demand, a **positive value** indicates an increase in demand and a contribution by the factors to this direction, while a **negative value** indicates a decrease in demand and a contribution by the factors to this direction.

"Use of alternative finance" as unweighted average of "Internal finance out of savings", "Loans from other banks" and "Other sources of external finance".

"Mortgage equity withdrawal" denotes "Consumption expenditure financed through real-estate guaranteed loans".

3.4. Expectations for the next quarter

According to participating banks' expectations for 2024Q4, net demand for loans by enterprises and for housing loans by households is expected to increase, while net demand for consumer credit and other lending by households is expected to remain stable (Charts 8-10).

4. Notes

The Bank Lending Survey is a qualitative survey for the assessment of credit conditions in the euro area and its main objective is to enhance the understanding of bank lending behaviour. The Survey questionnaire is addressed to senior loan officers in a representative sample of euro area banks and covers a broad area of relevant subjects regarding credit to enterprises and households. For example, it includes questions concerning credit standards as applied to the approval of loans, the terms and conditions of new loans, as well as questions concerning the evaluation by banks of factors affecting demand. More information on the methodology of the Survey can be found [here](#).

In order to enhance the information content of the Survey, a revised BLS questionnaire and compilation guide were introduced in April 2015. Since then, the questionnaire continues to be enriched at times, to include all relevant information to aid the monetary policy decision-making process of the Governing Council of the European Central Bank. In this context, specific questions of special interest may be added in order to investigate current economic issues. However, to ensure the anonymity of participating banks, these results are not published in this report.

The results of the October 2024 Bank Lending Survey relate to changes in 2024Q3 compared with the previous quarter and to changes expected in 2024Q4 compared with 2024Q3 regarding credit standards, terms and conditions, and demand for loans to/by enterprises and households. The results of the Survey for Cyprus are not weighted by the market share of each participating bank, thus the answers of all participants are given the same weight. The Survey covers around 85% of the total market for outstanding loans in Cyprus granted to euro area enterprises and households. The diffusion index is used in the analysis. It should be noted that a diffusion index value equal to zero may imply that either there was no change compared with the previous quarter or that the answers of the participating banks offset one another.

The results of the Survey relate to answers provided by the participating banks and represent their own assessment of the domestic financing market. The results do not in any way reflect the perceptions, expectations or evaluations of the Central Bank of Cyprus.