



Credit Sentiment Survey

Survey Results | 2020 Q3

The Credit Sentiment Survey ("The Survey") is a quarterly publication, which collects information from Senior Credit Officers from all banks and financial institutions extending credit within the UAE. The information collected constitutes qualitative responses to a series of questions relating to credit conditions in the most recent quarter and expectations for the upcoming quarter.

All results and analyses contained in this report constitute the aggregate opinions of Survey respondents only. The results contained herein do not reflect the views of the Central Bank of the UAE ("CBUAE") and should not be construed as such. Further details about the Survey along with its questionnaire results for the September quarter are available in the "About the Survey" section and annexes to this report.¹

> Executive Summary

Survey results for the September quarter revealed a moderate decline in credit appetite within the UAE, both for business and personal loans, coupled with a moderate tightening of credit standards. Overall, credit conditions appeared to have softened following the significant drop registered in the previous quarter.

Lending to Corporates & Small Businesses – For the September quarter, survey respondents reported a moderate decline in business loans with a net balance measure of -12.4, which was evident across all Emirates. By loan type, the decline in demand for loans was evident among expat, non-resident, and small & medium enterprises. The main factors determining the change in demand for business loans were customers' sales, seasonal influences, property market outlook, and customers' fixed asset investment. With respect to expectations for the December quarter, demand for business loans was anticipated to recover with a moderate increase across all Emirates.

Lending to Individuals – Survey respondents reported a moderate decrease in demand for personal loans, in aggregate, as suggested by a net balance measure of -7.8 for the September quarter. The decline was attributable to the weakening demand across all Emirates, particularly in the Emirate of Dubai. The decrease in demand was most significant among non-housing – investment, housing - investment, and car loans. The factors that attribute to the change in demand for loans in the September quarter were change in income, housing market outlook, financial market outlook, and interest rates. With respect to outlook for the December quarter, survey respondents are expecting the demand for personal loans to rebound with a moderate increase.

¹ Results from the survey are reported as a net balance (expressed as a percentage). The net balance is calculated as the weighted percentage of respondents reporting an increase in demand for loans (or tightening of credit standards) minus the weighted percentage of respondents reporting a decrease in demand for loans (or easing of credit standards). Weightings are determined such that those responses indicating a modest change are given half the weighting of those reporting a significant change in the surveyed quarter. For the demand measures, a positive score indicates growth in demand for loans during the quarter, and for the measures on credit availability and standards, a negative score indicates an easing in credit standards during the surveyed quarter.

For demand for loans, net balance = (% Reporting Substantial Increase + 0.5 x % Reporting Moderate Increase) – (% Reporting Substantial Decrease + 0.5 x % Reporting Moderate Decrease)

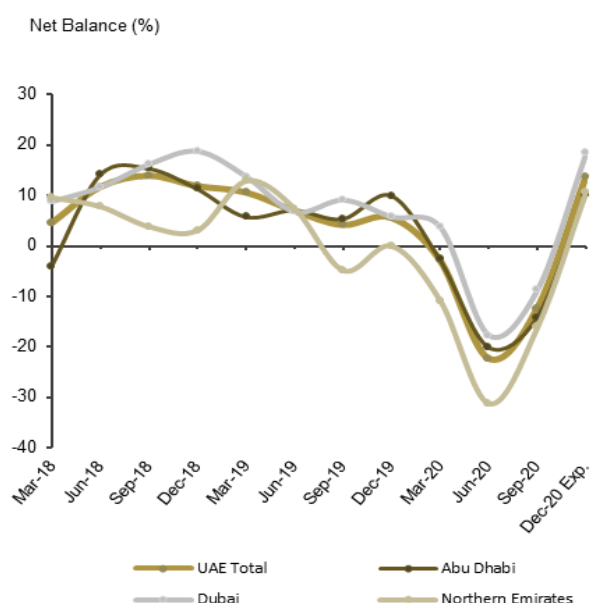
For credit standards, net balance = (% Reporting Significant Tightening + 0.5 x % Reporting Moderate Tightening) – (% Reporting Significant Easing + 0.5 x % Reporting Moderate Easing)

> Business Lending²

For the September quarter, survey respondents reported a moderate decline in business loans with a net balance measure of -12.4. According to the survey results, 46.0 percent of respondents reported no change, 36.3 percent reported a decrease in demand, while 17.7 percent of respondents reported an increase in demand. By Emirate, survey results suggested a marked decrease in demand appetite for business loans across the board, predominately in Northern Emirates.

For the December quarter, survey results revealed a net balance measure of +13.7, indicating an optimistic outlook for business loan demand. By emirate, the strengthening of loan demand was attributable to stronger demand across the board, most significantly in Dubai (**Chart 1**).

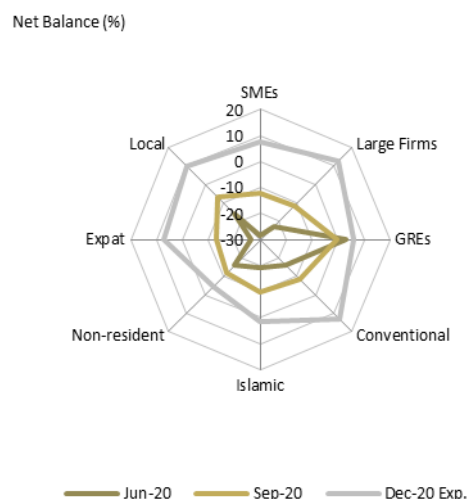
Chart 1 Change in Demand for Business Loans by Emirate



By market segment, survey respondents reported a decrease in demand across all categories in the September quarter. The decline was evident among expat, non-resident, small and medium enterprises, large firms, and Islamic finance. Conventional loans and local have also contributed to the decline in demand, but to a lesser extent. Meanwhile, demand from government related entities has declined marginally registering a net balance of -0.5.

In terms of expectations for the next quarter, survey respondents are expecting the demand for business loans to increase across the board, with the exception of non-resident loans. The increase in demand is projected to be driven notably by conventional loans, large firms, and local (**Chart 2**).

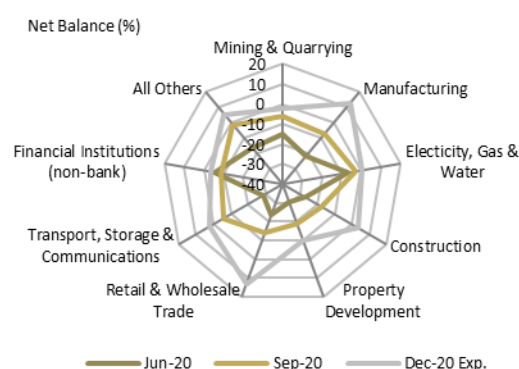
Chart 2 Change in Demand for Business Loans by Type



When asked about the change in demand for business loans by industry in the September quarter, survey results revealed a decrease in demand across all economic activities. The decline was notable in property development, construction, retail and wholesale trade, and financial institutions (excluding banks). Manufacturing, mining and quarrying, transport, storage and communications have also contributed to the change in demand but to a lesser extent.

For the December quarter, survey respondents expect demand for loans to rebound to the positive territory across the board with the exception of property development, financial institutions (excluding banks), and mining & quarrying (**Chart 3**).

Chart 3 Change in Demand for Business Loans by Industry



² Full survey results are presented in Annex 1 to this report

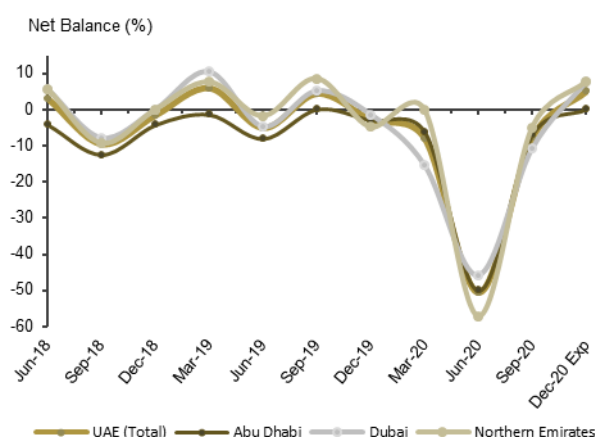
The main factors determining the change in demand for business loans were customers' sales, seasonal influences, property market outlook, and customers' fixed asset investment. For the December quarter, survey respondents cited customers' sales, property market outlook, seasonal influences, and customers' fixed asset investment as the most significant determining factors.

> Personal Lending³

For the September quarter, survey results suggested a moderate decrease in demand for personal loans, in aggregate, as suggested by a net balance measure of -7.8. The decline was attributable to the weakening demand across all Emirates, particularly in Dubai.

With respect to outlook for the December quarter, survey respondents are expecting the demand for personal loans to rebound with a moderate increase. By Emirate, survey respondents predicted an increase in demand appetite in both Northern Emirates and Dubai, while demand in Abu Dhabi is expected to remain unchanged (**Chart 4**).

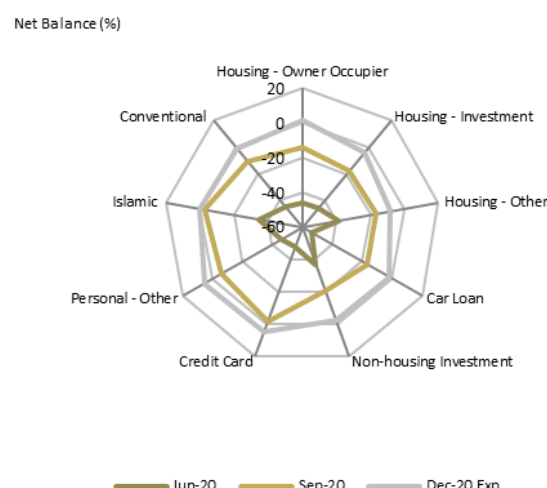
Chart 4 Change in Demand for Personal Loans by Emirate



By market segment, demand for personal loans decreased moderately in the September quarter across the board. The decrease in demand was most significant among non-housing – investment, housing – investment, car loans, housing – other (includes refinancing, renovations), housing – owner occupier, and conventional. Decrease in demand was also noticed in personal – other, Islamic finance, and personal – credit card but to a lesser extent.

In terms of expectations for the next quarter, survey respondents expect an increase in personal loans, though at a moderate pace, most evidently in personal – other, personal – credit card, and housing – owner occupier. However, survey results revealed a continuous decline in personal loans for housing – other (includes refinancing, renovation), housing – investment, non-housing investment, car loans, and conventional loans, while Islamic finance loans are expected to remain unchanged (**Chart 5**).

Chart 5 Change in Demand for Personal Loans by Type



When asked about the factors that attribute to the change in demand for loans in the September quarter, survey results revealed that change in income, housing market outlook, financial market outlook, and interest rates were the most important. For the December quarter, survey respondents cited change in income, housing market outlook, financial market outlook, and seasonal influences as the most significant factors expected to influence demand for personal loans.

³ Full survey results are presented in Annex 2 to this report

About the Survey

The Credit Sentiment Survey ("The Survey") is a quarterly publication which collects information from all banks and financial institutions extending credit within the UAE. The Survey was first launched in Q1 2014 as part of the CBUAE's efforts to gauge both supply and demand-side factors influencing the local credit market, and to further understand the linkages between credit sentiment and the broader UAE economy. A series of multiple choice questions were addressed to a sample of Senior Credit Officers (or employees of similar standing) within all financial institutions extending credit within the UAE. Such questions gauge the survey respondents' experiences and expectations with respect to changes in both demand for credit as well as credit availability, for both business and personal lending.

More information on the Survey can be found in Notice No. 107/2014 addressed to all banks and finance companies operating in the UAE.

This report presents the findings of the 2020 Q3 Survey, which was conducted during the period of 11 – 30 September 2020. The Survey questionnaire results are available in the annexes attached to this report.

The total sample size for the September quarter survey was 217 respondents, with 103 answering questions related to personal credit and 114 answering questions related to business credit. The September quarter sample included responses from all banks and finance companies, conventional and Islamic financial institutions as well as Senior Credit Officers covering Abu Dhabi, Dubai and the Northern Emirates. **These results do not reflect the views of the CBUAE on Credit Sentiment in the UAE and should not be construed as such.**

Results from the survey are reported as a net balance (expressed as a percentage). The net balance is calculated as the weighted percentage of respondents reporting an increase in demand for loans (or tightening of credit standards) minus the weighted percentage of respondents reporting a decrease in demand for loans (or easing of credit standards). Weightings are determined such that those responses indicating a modest change are given half the weighting of those reporting a significant change in the surveyed quarter. For the demand measures, a positive score indicates growth in demand for loans during the quarter, and for the measures on credit availability and standards, a negative score indicates an easing in credit standards during the surveyed quarter.

For demand for loans, net balance = (% Reporting Substantial Increase + 0.5 x % Reporting Moderate Increase) – (% Reporting Substantial Decrease + 0.5 x % Reporting Moderate Decrease)

For credit standards, net balance = (% Reporting Significant Tightening + 0.5 x % Reporting Moderate Tightening) – (% Reporting Significant Easing + 0.5 x % Reporting Moderate Easing)

The scheduled publication dates for the upcoming surveys are:

- 2020 Q4 Survey in January 2021
- 2021 Q1 Survey in April 2021
- 2021 Q2 Survey in July 2021
- 2020 Q3 Survey in October 2021

These publications will be available on the CBUAE's website at www.centralbank.ae

Should you have any queries or comments on the Survey results, please communicate with CBUAE's Monetary Management Department via:

Monetary.Policy@cbae.gov.ae

Annex 1

> Business Lending Survey Questionnaires Results⁴

Q1. How has demand for loans changed relative to the preceding quarter? (% of total)

	Decreased Substantially	Decreased Moderately	No Change	Increased Moderately	Increased Substantially	Net Balance
All Firms	6.2	30.1	46.0	17.7	0.0	-12.4
Abu Dhabi	5.1	33.3	46.2	15.4	0.0	-14.1
Dubai	6.5	26.1	45.7	21.7	0.0	-8.7
Northern Emirates	7.1	32.1	46.4	14.3	0.0	-16.1
Small and Medium Enterprises	7.3	24.8	52.3	15.6	0.0	-11.9
Large Firms	8.8	24.8	46.9	19.5	0.0	-11.5
Government Related Entities	2.1	14.4	67.0	15.5	1.0	-0.5
Conventional Loans	6.5	20.6	56.1	16.8	0.0	-8.4
Islamic Finance	1.2	20.0	76.5	2.4	0.0	-10.0
Non-resident	5.7	18.2	70.5	5.7	0.0	-11.9
Expat	8.3	25.7	50.5	15.6	0.0	-13.3
Local	4.4	21.2	58.4	15.9	0.0	-7.1

Q2. By economic activity, how has demand for loans from firms changed compared to the preceding quarter? (% of total)

	Decreased Substantially	Decreased Moderately	No Change	Increased Moderately	Increased Substantially	Net Balance
Mining and Quarrying	1.1	15.7	78.7	3.4	1.1	-6.2
Manufacturing	4.7	21.5	57.0	16.8	0.0	-7.0
Electricity, Gas and Water	2.1	8.3	83.3	6.3	0.0	-3.1
Construction	14.2	18.9	54.7	12.3	0.0	-17.5
Property Development	15.8	10.9	68.3	5.0	0.0	-18.8
Retail and Wholesale Trade	9.8	21.4	55.4	13.4	0.0	-13.8
Transport, Storage and Communications	6.3	19.8	54.1	18.9	0.9	-5.9
Financial Institutions (excluding Banks)	4.2	13.5	78.1	4.2	0.0	-8.9
All Others	1.9	13.0	71.3	13.9	0.0	-1.4

Q3. What factors were attributable to the change in demand for loans? (% of total)

	Not Important	Somewhat Important	Very Important
Customers' Sales	21.2	10.6	68.1
Customers' Fixed Asset Investment	38.9	15.9	45.1
Competition with Finance Companies	72.6	22.1	5.3
Competition with Banks	61.9	23.0	15.0
Interest Rates	48.7	26.5	24.8
Seasonal Influences	31.9	46.9	21.2
Property Market Outlook	33.6	18.6	47.8

⁴ All figures are rounded to one decimal place

Q4. How have your bank/financial institution's credit standards for firms changed compared to the preceding quarter? (% of total)

	Tightened Significantly	Tightened Moderately	No Change	Eased Moderately	Eased Significantly	Net Balance
All Firms	11.5	17.7	65.5	5.3	0.0	17.7
Small and Medium Enterprises	16.3	11.5	70.2	1.9	0.0	21.2
Large Firms	8.0	17.0	72.3	2.7	0.0	15.2

Q5. What factors were attributable to the change in your bank/financial institution's credit standards? (% of total)

	Not Important	Somewhat Important	Very Important
Quality of Your Bank's Asset Portfolio	29.2	11.5	59.3
Economic Outlook	21.2	8.8	69.9
Industry or firm specific conditions	23.9	13.3	62.8
Competition from Banks	56.6	32.7	10.6
Competition from Finance Companies	75.2	18.6	6.2
Change in Tolerance for Risk	31.9	25.7	42.5
Availability/Cost of Funds	35.4	29.2	35.4
Current/Anticipated Regulatory Changes	35.4	22.1	42.5

Q6. How have the following terms and conditions changed at your bank/financial institution compared to the preceding quarter? (% of total)

	Tightened Significantly	Tightened Moderately	No Change	Eased Moderately	Eased Significantly	Net Balance
Maximum Size of Credit Lines	8.0	31.0	61.1	0.0	0.0	23.5
Spread Over Your Cost of Funds	1.8	19.5	76.1	2.7	0.0	10.2
Premiums Charged on Riskier Loans	3.5	27.4	67.3	1.8	0.0	16.4
Collateralization Requirements	3.5	30.1	65.5	0.9	0.0	18.1

Q7. Over the next quarter, how do you expect demand for loans from firms to change? (% of total)

	Decrease Substantially	Decrease Moderately	No Change	Increase Moderately	Increase Substantially	Net Balance
All Firms	1.8	14.2	40.7	42	1.8	13.7
Abu Dhabi	2.6	15.4	41.0	41.0	0.0	10.3
Dubai	2.2	13.0	34.8	45.7	4.3	18.5
Northern Emirates	0.0	14.3	50.0	35.7	0.0	10.7
Small and Medium Enterprises	5.3	9.7	51.3	31.9	1.8	7.5
Large Firms	1.8	13.3	44.2	39.8	0.9	12.4
Government Related Entities	1.8	8.2	69.1	18.2	2.7	5.9
Conventional Loans	0.9	15.9	40.7	40.7	1.8	13.3
Islamic Finance	0.9	8.2	80.0	9.1	1.8	1.4
Non-resident	1.8	13.6	76.4	8.2	0.0	-4.5
Expat	1.8	12.4	55.8	30.1	0.0	7.1
Local	0.9	10.6	56.6	31.0	0.9	10.2

Q8. By economic activity, how do you expect demand for loans from firms to change? (% of total)

	Decrease Substantially	Decrease Moderately	No Change	Increase Moderately	Increase Substantially	Net Balance
Mining and Quarrying	0.0	11.1	81.5	7.4	0.0	-1.9
Manufacturing	1.8	11.7	47.7	36.9	1.8	12.6
Electricity, Gas and Water	0.9	9.3	77.8	12.0	0.0	0.5
Construction	8.1	5.4	59.5	25.2	1.8	3.6
Property Development	9.9	6.3	77.5	6.3	0.0	-9.9
Retail and Wholesale Trade	5.4	7.2	45.9	38.7	2.7	13.1
Transport, Storage and Communications	1.8	12.6	64.9	20.7	0.0	2.3
Financial Institutions (excluding Banks)	1.9	7.4	86.1	4.6	0.0	-3.2
All Others	0.9	9.3	70.4	16.7	2.8	5.6

Q9. To what factors do you attribute the expected change in demand for loans from firms? (% of total)

	Not Important	Somewhat Important	Very Important
Customers' Sales	18.6	14.2	67.3
Customers' Fixed Asset Investment	43.4	22.1	34.5
Competition with Finance Companies	75.2	20.4	4.4
Competition with Banks	61.1	27.4	11.5
Interest Rates	47.8	24.8	27.4
Seasonal Influences	33.6	39.8	26.5
Property Market Outlook	30.1	23.0	46.9

Q10. How do you expect your bank/financial institution's credit standards to change over the coming three months? (% of total)

	Tighten Significantly	Tighten Moderately	No Change	Ease Moderately	Ease Significantly	Net Balance
All Firms	8.0	19.5	66.4	6.2	0.0	14.6
Small and Medium Enterprises	11.5	10.6	64.6	13.3	0.0	10.2
Large Firms	8.0	14.2	69.0	8.8	0.0	10.6

Q11. To what factors do you attribute the expected change in your bank/financial institutions credit standards? (% of total)

	Not Important	Somewhat Important	Very Important
Quality of Your Bank's Asset Portfolio	27.4	20.4	52.2
Economic Outlook	18.6	8.0	73.5
Industry or firm specific conditions	23.9	14.2	61.9
Competition from Banks	57.5	31.9	10.6
Competition from Finance Companies	76.1	19.5	4.4
Change in Tolerance for Risk	29.2	29.2	41.6
Availability/Cost of Funds	41.6	26.5	31.9
Current/Anticipated Regulatory Changes	33.6	15.9	50.4

Q12. How do you expect the following terms and conditions at your bank/financial institution to change for borrowing firms over the next quarter? (% of total)

	Tighten Significantly	Tighten Moderately	No Change	Ease Moderately	Ease Significantly	Net Balance
Maximum Size of Credit Lines	6.4	21.8	68.2	3.6	0.0	15.5
Spread Over Your Cost of Funds	2.7	11.8	75.5	10.0	0.0	3.6
Premiums Charged on Riskier Loans	4.5	20.9	72.7	1.8	0.0	14.1
Collateralization Requirements	1.8	24.5	71.8	0.0	1.8	12.3

Annex 2

> Personal Lending Survey Questionnaires Results⁵

Q1. How has demand for loans changed relative to the preceding quarter? (% of total)

	Decreased Substantially	Decreased Moderately	No Change	Increased Moderately	Increased Substantially	Net Balance
All Households	7.8	28.2	36.9	26.2	1.0	-7.8
Abu Dhabi	8.3	27.8	36.1	25.0	2.8	-6.9
Dubai	8.1	29.7	37.8	24.3	0.0	-10.8
Northern Emirates	6.7	26.7	36.7	30.0	0.0	-5.0
Islamic	4.3	12.8	68.1	13.8	1.1	-2.7
Conventional	7.0	29.0	44.0	19.0	1.0	-11.0
Housing – Owner Occupier	11.6	24.4	44.2	19.8	0.0	-14.0
Housing – Investment	15.5	19.0	51.2	14.3	0.0	-17.9
Housing – Other (includes refinancing, renovations)	11.6	16.3	65.1	7.0	0.0	-16.3
Car Loan	13.2	25.0	44.7	15.8	1.3	-16.4
Non-housing Investment	12.0	21.3	62.7	4.0	0.0	-20.7
Credit Card	8.8	20.0	38.8	31.3	1.3	-1.9
Personal - Other	7.9	25.8	38.2	27.0	1.1	-6.2

Q2. What factors were attributable to the change in demand for loans? (% of total)

	Not Important	Somewhat Important	Very Important
Housing market outlook	22.3	26.6	51.1
Financial markets outlook	23.7	18.6	57.7
Change in income	18.6	18.6	62.9
Interest rates	24.7	44.3	30.9
Competition with other banks or financial institutions	47.4	41.2	11.3
Seasonal influences	30.9	36.1	33.0

Q3. How have your bank/financial institution's credit standards for consumers changed compared to the preceding quarter? (% of total)

	Tightened Significantly	Tightened Moderately	No Change	Eased Moderately	Eased Significantly	Net Balance
All Households	5.0	21.0	71.0	3.0	0.0	14.0
Housing – Owner Occupier	2.3	19.8	64.0	14.0	0.0	5.2
Housing – Investment	2.2	12.4	78.7	6.7	0.0	5.1
Housing – Other (includes refinancing, renovations)	2.4	11.9	76.2	9.5	0.0	3.6
Non-housing Investment	4.1	9.5	82.4	4.1	0.0	6.8
Car Loan	2.6	14.5	72.4	10.5	0.0	4.6
Personal - Other	5.9	22.4	60.0	11.8	0.0	11.2

⁵ All figures are rounded to one decimal place

Q4. What factors were attributable to the change in your bank/financial institution's credit standards? (% of total)

	Not Important	Somewhat Important	Very Important
Quality of Your Bank's Asset Portfolio	23.4	6.4	70.2
Economic Outlook	18.6	17.5	63.9
Customer Specific	29.9	17.5	52.6
Competition from Banks	40.2	45.4	14.4
Competition from Finance Companies	57.7	32.0	10.3
Change in Tolerance for Risk	27.8	20.6	51.5
Availability/Cost of Funds	44.3	10.3	45.4
Current/Anticipated Regulatory Changes	33.0	3.1	63.9

Q5. How have the following terms and conditions changed at your bank/financial institution compared to the preceding quarter? (% of total)

	Tightened Significantly	Tightened Moderately	No Change	Eased Moderately	Eased Significantly	Net Balance
Fees and Charges	1.1	1.1	94.7	3.2	0.0	0.0
Maximum Loan-to-Value (LTV)	0.0	6.6	82.4	9.9	1.1	-2.7
Maximum Loan-to-Income (LTI)	0.0	3.2	95.7	0.0	1.1	0.5

Q6. How do you expect demand for loans from consumers to change over the next quarter? (% of total)

	Decrease Substantially	Decrease Moderately	No Change	Increase Moderately	Increase Substantially	Net Balance
All Households	2.2	12.1	61.5	22.0	2.2	4.9
Abu Dhabi	3.1	15.6	59.4	21.9	0.0	0.0
Dubai	3.0	15.2	51.5	24.2	6.1	7.6
Northern Emirates	0.0	3.8	76.9	19.2	0.0	7.7
Islamic	0.0	12.9	76.5	8.2	2.4	0.0
Conventional	3.4	22.7	48.9	22.7	2.3	-1.1
Housing – Owner Occupier	3.4	15.9	56.8	21.6	2.3	1.7
Housing – Investment	3.4	17.0	65.9	11.4	2.3	-4.0
Housing – Other (includes refinancing, renovations)	4.5	13.6	75.0	6.8	0.0	-8.0
Car Loan	4.7	10.6	68.2	16.5	0.0	-1.8
Non-housing Investment	1.1	11.0	82.4	3.3	2.2	-2.7
Credit Card	3.3	9.9	62.6	22.0	2.2	4.9
Personal - Other	3.3	14.3	52.7	27.5	2.2	5.5

Q7. What factors do you attribute to the expected change in demand for loans? (% of total)

	Not Important	Somewhat Important	Very Important
Housing market outlook	24.5	25.5	50.0
Financial markets outlook	31.9	9.6	58.5
Change in income	18.1	17.0	64.9
Interest rates	33.0	43.6	23.4
Competition with other banks or financial institutions	52.1	37.2	10.6
Seasonal influences	34.0	35.1	30.9

Q8. How do you expect credit standards to change at your bank/financial institution? (% of total)

	Tighten Significantly	Tighten Moderately	No Change	Ease Moderately	Ease Significantly	Net Balance
All Households	3.3	4.4	80.2	12.1	0.0	-0.5
Housing – Owner Occupier	3.4	4.5	83.0	9.1	0.0	1.1
Housing – Investment	2.3	10.2	76.1	11.4	0.0	1.7
Housing – Other (includes refinancing, renovations)	0.0	10.2	84.1	5.7	0.0	2.3
Non-housing Investment	1.2	11.8	81.2	5.9	0.0	4.1
Car Loan	2.3	2.3	79.5	15.9	0.0	-4.5
Personal - Other	2.3	11.4	69.3	17.0	0.0	-0.6

Q9. To what factors do you attribute any expected change in your bank/financial institutions credit standards? (% of total)

	Not Important	Somewhat Important	Very Important
Quality of Your Bank's Asset Portfolio	28.7	12.8	58.5
Economic Outlook	23.4	20.2	56.4
Customer Specific	38.3	11.7	50.0
Competition from Banks	42.6	47.9	9.6
Competition from Finance Companies	62.8	28.7	8.5
Change in Tolerance for Risk	28.7	24.5	46.8
Availability/Cost of Funds	46.8	12.8	40.4
Current/Anticipated Regulatory Changes	35.1	5.3	59.6

Q10. How do you expect the following terms and conditions to change at your bank/financial institution over the quarter? (% of total)

	Tighten Significantly	Tighten Moderately	No Change	Ease Moderately	Ease Significantly	Net Balance
Fees and Charges	1.1	0.0	98.9	0.0	0.0	1.1
Maximum Loan-to-Value (LTV)	0	3.3	95.6	0.0	1.1	0.5
Maximum Loan-to-Income (LTI)	0	3.3	95.6	0.0	1.1	0.5