South African bank lending practices survey

Working paper series

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The Centre of Excellence in Financial Services is a non-profit organization focusing on collaborative research, bringing together local and international thought leaders, industry experts and academics to interrogate the role financial services can play in achieving national and international objectives. This working paper is available in electronic format on www.coefs.org.za.

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Preface

The Bank Lending Practices Survey **(BLPS)** provides a useful insight into sentiment amongst bankers in South Africa. The survey takes cognisance of the approach used in the senior loan officer surveys conducted quarterly in America, Canada, Europe, Britain and other economies, but has been adapted to the particular circumstances of the South African credit markets. The survey provides an ongoing quantitative basis for assessing bank behavior, likely changes and impending challenges relating to credit, lending and risk.

The survey is targeted at senior bank credit executives to gauge their reactions, intentions and likely future responses to credit policy and new lending, resulting from the introduction of legislative and other changes to the economy. The biannual survey conducted through interaction with senior executives in respondent banks and analysed by Econometrix (Pty) Ltd, will provide an ongoing quantitative basis for assessing bank behaviour relating to lending.

Banking sector data series compiled by the South African Reserve Bank can be used in conjunction with survey results, to show provision of credit under various classes and categories, with estimations of econometric relationships.

Data is compiled and analysed at a combined level for banks, so that individual bank information is not revealed in the modelling analysis. The results are compiled using a diffusion index approach, with responses weighted by asset values in order to combine across banks.

This is the second BLPS which should over time, provide a useful measure to the credit industry and assist with understanding the importance of sentiment in the credit landscape.

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China Construction Bank

First Rand Bank Ltd

GBS Mutual Bank

Grindrod Bank Ltd

ICICI Bank Ltd South Africa

Investec Bank Ltd

Ithala Ltd

JP Morgan Chase Bank

Nedbank Ltd

The SA Bank of Athens Ltd

The Standard Bank of South Africa

Abbreviations

BLPS	Bank Lending Practices Survey

Executive Summary

The Bank Lending Practices Survey (**BLPS**) was conducted using data for the first quarter of 2018. The BLPS examines credit lending sentiment through a questionnaire, combined with follow up interviews.

This is the second publication and continues with the three main themes of the BLPS, the impact on household lending, enterprise lending and the strategic direction being taken by banks.

In this survey we also included a question on the effects of political and governance changes on bank lending sentiment.

Loans to households

The overall credit stance of banks towards households, has become more lenient and therefore, consumer friendly, compared to the previous period from July to September 2017. The BLPS indicates that this increased leniency, can be attributed to the dramatic change in sentiment towards the expectations of economic activity.

All markets have benefited from this change in sentiment, with the mass market moving materially out of negative territory as a result.

Sentiment towards unsecured credit has made the most significant gain and has caught up to mortgage lending. Competitive pressures remain the most significant factor, more so from other banks than the non-bank sector, whilst competition from direct or self-financing has declined. Perceptions of risk for both credit facilities and unsecured credit remain positive, with the credit worthiness of consumers becoming less of a factor. Unsecured credit is projected to remain positive with a slight decline in the credit stance of banks going forward.

The credit stance towards mortgage lending, although improved through perceived expectations of economic activity, has not manifested in significant changes to the factors that drive these decisions. The risk (on collateral realisation) of not being able to take ownership of properties in default has improved, whilst the perception of risk in this category of lending has declined moderately.

Customers seeking mortgages, including riskier loans are benefiting from better pricing, less strict credit scoring, collateral requirements as well as higher loan-to-value ratios. However, banks' margins on average loans have declined sharply with the interest rate spread relative to the cost of funds, heading deeper into negative territory. Sentiment towards the expected credit stance for the approval of future loans has turned moderately negative.

Sentiment towards secured credit e.g. motor vehicle finance remains negative, although some modest improvement was recorded. A contributing factor is the perception of risk having increased, with a tightening of margins for riskier loans.

A notable windfall was the change in sentiment towards developmental credit e.g. education where the interest rate spread relative to the cost of funds has moved out of negative sentiment.

Loans or credit lines to enterprises

In line with the positive expectations for economic activity, the credit stance towards enterprises has improved, but remains largely negative. Short-term loans up to one year have benefited the most, when compared to longer term loans that witnessed a further decline.

The most substantial change in sentiment was towards the category utilities, social and state services, the only sector with a positive score. Both the categories transport, communication, ICT and financial, real estate, services, have moved out of negative sentiment but remain neutral. Construction and manufacturing remain the only two sectors that have worsened, despite having already higher stringency for credit.

The risk on collateral required for credit, has improved significantly over the period and is now an enabler, but the terms and conditions are somewhat stricter with a significant reduction to the maximum value of lending provided and in increase in non-interest rate charges. Competition from banks is declining with non-banks and direct market financing increasing their position.

In general, loans to enterprises should improve across most categories over the next period with construction remaining the only category still in negative territory. Improved sentiment towards loans longer than one-year is also expected, with the category utilities, social and state services showing the biggest gain.

Strategic direction

Across all categories of SME financing, sentiment turned negative with short-term bridging loans demonstrating the only improvement. Banks continue to seek out opportunities in household lending, credit card finance and unsecured lending as opposed to lending to businesses, where, plant and equipment financing, previously preferred by banks, has become substantially less attractive.

The current credit stance towards households, when compared to five years earlier, remains negative with developmental credit (e.g. education) showing the greatest restraint by comparison five years ago. The change in the provision of business since 2013 has declined dramatically in construction with both mining and quarrying together with the category utilities, social and state services experiencing large declines.

The once-off question relating to political and governance changes shows improved political leadership and governance as a significant factor in improving banks' propensity to lend. Restructuring of state owned enterprises is a concomitant strongly positive factor, but uncertainly relating to land expropriation shows as a distinctly negative factor in lending provision, as does the malfeasance surrounding firms such as Steinhoff, KPMG and other professional service firms.

Bank lending practices survey

The results of the BLPS are interpreted and provided separately in the executive summary. In this section more detail is provided on selected questions that support the executive summary.

Introduction

This survey is based on the assessment of bank lending executives of lending undertaken by their bank in the most recent three month period, compared to that of a prior six month period. It also looks at the expectation or intention of bank executives for lending by their bank over the next three month period. Through a compilation of results, it provides a gauge of how bank lending behaviour is changing over time. The results can be used for monitoring trends in lending from a bank behaviour perspective, especially in providing a gauge of how lending behaviour is changing and how it is likely to change in the near future. Results are also able to feed into further analysis and research relating to how bank behaviour influences the progress of the economy, both at macro level and in relative effects between economic participants.

The survey is divided into questions related to household lending, enterprise (business/corporate) lending, and strategic direction relating to small enterprises and shifts in lending emphasis. It was undertaken during Q2 2018, examining the completed calendar Q1 2018 by comparison to a prior period two quarters earlier in most questions. At this juncture, one full previous survey had been conducted, in respect of Q3 2017, plus a pilot survey conducted in mid-2017, relating to lending in Q2 2017. Useful comparisons can be made to the results from the previous survey, though the length of history for identifying time trends is still limited. Survey responses have been combined across respondent banks and weighted by the asset holdings of each bank.

The results obtained will be presented in this paper, it should be noted that all responses are normed to a score of 50. Thus, a score greater than 50 indicates an increase or easing of credit stance, a positive influence. Less than 50 conversely indicates a decrease or tightening, a negative influence. A score of 50 reflects unchanged or a neutral effect. The symbol ~ indicates no change from the previous survey. The symbol ☐ is used where there was no comparable question in the previous survey. The symbol Δ 50 indicates an increase or decrease from to the norm of 50. The symbol Δ survey indicates the change compared to the response in the previous survey.

Loans to Households[1]

Q1: Banks' credit stance[2] to households

Compared to 6 months ago, how has your bank's credit stance as applied to the approval of loans to households changed?

Loans to households: credit stance change	**'18Q2**	**Δ50**		**'17Q4**	**Δ survey**
Overall relative to 6 months ago	55	+ 5		50	+ 5
Mortgage lending[1]	62	+ 12		54	+ 8
Secured credit e.g. motor vehicle finance[2]	45	– 5		44	+ 1
Credit facilities e.g. credit cards and overdrafts	51	+ 1		50	+ 1
Unsecured credit	62	+ 12		50	+ 12
Short term credit up to R8000, within 6 months	49	– 1		49	~
Developmental credit e.g. education	50	~		50	~
Mass market	55	+ 5		49	+ 6
Mid market	59	+ 9		54	+ 5
Upper market	63	+ 13		58	+ 5

Note 1: Typically lending secured through a residential mortgage bond.
Note 2: Typically secured through a notarial bond or similar over the vehicle/asset.

[1] In the survey, a household refers to a consumption entity in the economy which typically compromises of a group of related persons situated at a single residential location.

[2] Credit stance refers to the stringency (< 50) or leniency (> 50) which the bank applies in considering new applications for loans or credit.

Q2: Factors affecting banks' credit stance on mortgage lending to households

Compared to 6 months ago, how have the following *factors* affected your bank's *credit stance* as applied to the approval of *mortgage lending* to households (as referred to in question 1)? Contribution of the following factors to the tightening or easing of credit stance:

Loans to households: credit stance factors	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
A) Cost of funds and balance sheet constraints	50	~		50	~
B) Pressure from competition	58	+ 8		57	+ 1
Competition from other banks	58	+ 8		58	~
Competition from non-bank lending	55	+ 5		54	+ 1
Competition from direct / self-financing	50	~		54	– 4
C) Perception of risk	53	+ 3		55	– 2
Expectations regarding economic activity	57	+ 7		43	+ 14

Q3: Factors affecting banks' credit stance on secured credit to households

Compared to 6 months ago, how have the following *factors* affected your bank's *credit stance* as applied to the approval of *secured credit* to households (as referred to in question 1) i.e. secured excluding mortgage-secured lending? Contribution of the following factors to the tightening or easing of credit stance:

Loans to households: credit stance	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
A) Cost of funds and balance sheet constraints	50	~		50	~
B) Pressure from competition	61	+ 11		58	+ 3
Competition from other banks	54	+ 4		55	– 1
Competition from non-bank lenders	54	+ 4		55	– 1
Competition from direct / self financing	50	~		55	– 5
C) Perception of risk	50	~		58	– 8
Expectations regarding economic activity	57	+ 7		39	+ 18

Creditworthiness of consumers	47	- 3		44	+ 3
Risk on the collateral required	50	~		50	~
D) Other factors	50	~		72	– 22

Q4: Factors affecting stance: credit facilities and unsecured lending to households

Compared to 6 months ago, how have the following *factors* affected your bank's *credit stance* as applied to the approval of *credit facilities and unsecured lending* to households (as referred to in question 1) ie excluding mortgage and secured lending? Contribution of the following factors to the tightening or easing of credit stance:

Loans to households: credit stance	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
A) Cost of funds and balance sheet constraints	49	– 1		50	– 1
B) Pressure from competition	61	+ 11		57	+ 4
Competition from other banks	60	+ 10		54	+ 6
Competition from non-bank lenders	56	+ 6		54	+ 2
Competition from direct / self-financing	48	– 2		54	– 6
C) Perception of risk	59	+ 9		57	+ 2
Expectations regarding economic activity	62	+ 12		43	+ 19
Creditworthiness of consumers	50	~		46	+ 4
Risk on the collateral required	50	~		50	~
D) Other factors	50	~		50	~

Q5: Terms and conditions[3] for mortgage lending to households

Compared to 6 months ago, how have your bank's *terms and conditions* for approving *mortgage lending* to households changed?

Loans to households: terms change	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**

[3] In this paper, "terms and conditions" refer to the stipulated requirements applied to borrowers, as expressed in documents relating to new lending or credit provided.

A) Price	60	+ 10	52	+ 8
Your bank's margin on average loans [1]	49	– 1	55	– 6
Margin on riskier loans [1]	47	– 3	45	+ 2
B) Credit scoring	59	+ 9	54	+ 5
C) Other conditions	50	~	50	~
Collateral requirements	55	+ 5	50	+ 5
Loan-to-value ratio[4]	62	+ 12	58	+ 4
Maturity	50	~	50	~
Non-interest rate charges (fees)	50	~	50	~
D) Other factors	50	~	50	~

Note 1 wider margin = tightened, narrower margin = eased.

Q6: Banks' terms and conditions for secured lending to households

Compared to 6 months ago, how have your bank's *terms and conditions* for approving *secured lending to households* changed i.e. secured lending other than mortgage-based lending?

Loans to households: credit terms change	**'18Q2**	**Δ 50**	**'17Q4**	**Δ survey**
A) Price	50	**~**	50	~
Your bank's margin on average loans	48	**– 2**	50	– 2
Your bank's margin on riskier loans	46	**– 4**	55	– 9
B) Credit scoring	44	**– 6**	44	~
C) Other terms and conditions	50	**~**	50	~
Collateral requirements	50	**~**	50	~
Maturity	50	**~**	50	~
Non-interest rate charges (fees)	50	**~**	50	~
D) Other factors	50	**~**	50	~

[4] Loan-to-Value ratios refer to ratios of the amount borrowed to the value of the underlying collateral.

Q7: Terms and conditions for credit facilities and unsecured lending to households

Compared to 6 months ago, how have your bank's *terms and conditions* for approving *credit facilities* and *unsecured lending to households* changed i.e. other than mortgage-based and other secured lending?

Loans to households: credit terms change	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
A) Price	50	~		50	~
Your bank's margin on average loans	50	~		50	~
Your bank's margin on riskier loans	50	~		50	~
B) Credit scoring	54	+ 4		50	+ 4
C) Other terms and conditions	50	~		50	~
Collateral requirements	50	~		50	~
Maturity	50	~		50	~
Non-interest rate charges (fees)	50	~		50	~
D) Other factors	50	~		50	~

Q8: Interest rate spread relative to cost of funds: households

Compared to 6 months ago, how has your bank's *interest rate spread* relative to cost of funds changed, as applied to the approval of loans to *households*?

Loans to households: interest rate spread	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
Overall relative to 6 months ago	45	– 5		45	~
Mortgage lending	45	– 5		49	– 4
Secured credit eg motor vehicle finance	50	~		55	– 5
Credit facilities eg credit cards and overdrafts	50	~		45	+ 5
Unsecured credit	50	~		45	+ 5
Short term credit up to R8000, within 6 months	50	~		51	– 1
Developmental credit eg education	50	~		43	+ 7
Mass market	50	~		45	+ 5

Mid market	54	+ 4		49	+ 5
Upper market	54	+ 4		49	+ 5

Q9: Thresholds on credit scores to households

Compared to 6 months ago, how have your bank's *thresholds on credit scores* to qualify for credit changed, as applied to the approval of lending to *households*?

Loans to households: credit score thresholds	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
Overall relative to 6 months ago	54	+ 4		50	+ 4
Mortgage lending	59	+ 9		54	+ 5
Secured credit e.g. motor vehicle finance	44	– 6		46	– 2
Credit facilities e.g. credit cards and overdrafts	54	+ 4		50	+ 4
Unsecured credit	54	+ 4		50	+ 4
Short term credit up to R8000, within 6 months	50	~		50	~
Developmental credit e.g. education	50	~		50	~
Mass market	49	– 1		49	~
Mid market	54	+ 4		50	+ 4
Upper market	54	+ 4		50	+ 4

Q10: Expected banks' credit stance to households over the next three months

Please indicate how you *expect* your bank's *credit stance* as applied to the approval of loans to households to change over the *next three months*:

Loans to households: future 3 months	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
Overall	50	~		50	~
Mortgage lending	49	– 1		50	– 1
Secured credit eg motor vehicle finance	50	~		50	~
Credit facilities eg credit cards and overdrafts	52	+ 2		50	+ 2

Unsecured credit	51	+ 1		54	– 3
Short term credit up to R8000, within 6 months	52	+ 2		50	+ 2
Developmental credit eg education	50	~		50	~
Mass market	50	~		46	+ 4
Mid market	50	~		50	~
Upper market	50	~		50	~

Loans or credit lines to enterprises[5]

Q11: Banks' credit stance to enterprises

Compared to 6 months ago, how has your bank's *credit stance* (lenient vs stringent) as applied to the approval of loans or credit lines to enterprises changed?

Loans to enterprises: credit stance change	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
Overall relative to 6 months ago	50	~		42	+ 8
Short-term loans (up to 1 year)	54	+ 4		46	+ 8
Longer-term loans (over 1 year)	46	– 4		49	– 3
Agriculture, forestry	46	– 4		46	~
Mining, quarrying	43	– 7		39	+ 4
Manufacturing	38	– 12		43	– 5
Construction	30	– 20		31	– 1
Wholesale, retail, accommodation	46	– 4		42	+ 4
Transport, communication, ICT	50	~		46	+ 4
Financial, real estate, services	50	~		42	+ 8
Utilities, social and state services	51	+ 1		38	+ 13

Q12: Factors affecting banks' credit stance

[5] In this paper, an enterprise refers to a business entity which is not a bank or other financial intermediary.

Compared to 6 months ago, how have the following *factors* affected your bank's *credit stance* as applied to the approval of loans or credit lines to enterprises? Contribution of the following factors to the tightening or easing of credit stance:

Loans to enterprises: reasons for change	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
A) Cost of funds and balance sheet constraints	45	– 5		45	~
Costs related to your bank's capital position[1]	50	~		54	– 4
Your bank's ability to access market financing[2]	54	+ 4		50	+ 4
Your bank's liquidity position	45	– 5		50	– 5
B) Pressure from competition	61	+ 11		67	– 6
Competition from other banks	62	+ 12		67	– 5
Competition from non-bank lenders	58	+ 8		57	+ 1
Competition from direct market financing	54	+ 4		48	+ 6
C) Perception of risk	43	– 7		40	+ 3
Expectations on general economic activity	44	– 6		30	+ 14
Industry or firm-specific outlook	47	– 3		39	+ 8
Risk on the collateral required	51	+ 1		40	+ 11
D) Other factors	50	~		50	~

Note 1 can include the use of credit derivatives, with the loans remaining on the bank's balance sheet
Note 2 e.g. money or bond market financing, including securitisation

Q13: Terms and conditions for approving credit to enterprises

Compared to 6 months ago, how have your bank's *terms and conditions* for approving loans or credit lines to enterprises changed?

Loans to enterprises: terms change	**'18Q2**	**Δ 50**		**'17Q4**	**Δ survey**
A) Price	50	~		43	+ 7

Your bank's margin on average loans [1]	41	– 9	37	+ 4
Your bank's margin on riskier loans [1]	43	– 7	46	– 3
B) Other terms and conditions	50	~	50	~
Non-interest rate charges	46	– 4	50	– 4
Maximum size of the loan or credit line	43	– 7	55	– 12
Loan to value ratio	50	~	45	+ 5
Collateral requirements	50	~	45	+ 5
Loan covenants	50	~	45	+ 5
Maturity	44	– 6	46	– 2
C) Other factors	50	~	50	~

Note 1 wider margin = tightened, narrower margin = eased

Q14: Expect credit stance to enterprises over the next three months

Please indicate how you **expect** your bank's **credit stance** as applied to the approval of loans or credit lines to enterprises to change over the **next three months**.

Loans to enterprises: stance next 3 months	**'18Q2**	**Δ 50**	**'17Q4**	**Δ survey**
Overall	58	+ 8	50	+ 8
Short-term loans (up to 1 year)	58	+ 8	50	+ 8
Longer-term loans (over 1 year)	58	+ 8	46	+ 12
Agriculture, forestry	50	~	54	– 4
Mining, quarrying	50	~	46	+ 4
Manufacturing	50	~	46	+ 4
Construction	41	– 9	37	+ 4
Wholesale, retail, accommodation	50	~	46	+ 4
Transport, communication, ICT	46	– 4	41	+ 5
Financial, real estate, services	50	~	51	– 1
Utilities, social and state services	54	+ 4	46	+ 8

Strategic direction

Q15: Focus towards small enterprises

Has the focus of your bank shifted more or less towards provision of lending to small enterprises over the past 3 months compared to six months prior, under the following lending categories?

Small enterprise focus	**'18Q2**	**Δ 50**	**'17Q4**	**Δ survey**
A) Enterprise lending	52	+ 2	57	– 5
Property finance [1]	54	+ 4	56	– 2
Plant and equipment finance (asset based) [2]	49	– 1	54	– 5
Debtor finance	52	+ 2	55	– 3
Overdraft and unsecured	54	+ 4	54	~
Import/export finance	54	+ 4	61	– 7
Short-term bridging loans	54	+ 4	50	+ 4
B) Other lending	50	~	50	~

Note 1 Small enterprises can be considered approximately as those with total employment of 50 or fewer. Asset and revenue guidelines as adopted by the DTI may be used.

Q16: Preference for shifts going forward

Which forms of lending would your bank prefer to be more engaged in or less engaged in going forward?

Strategic direction: preferred shifts	**'18Q2**	**Δ 50**	**'17Q4**	**Δ survey**
A) Enterprise lending	52	+ 2	55	– 3
Property finance [1]	58	+ 8	59	– 1
Plant and equipment finance (asset based) [2]	49	– 1	66	– 17
Debtor finance	58	+ 8	58	~
Overdraft and unsecured	57	+ 7	57	~
B) Household lending	55	+ 5	□	□
Mortgage lending [1]	67	+ 17	67	~

Secured / Vehicle finance [2]	61	+ 11	67	– 6
Credit card finance /credit facility	59	+ 9	58	+ 1
Unsecured lending	65	+ 15	58	+ 7
Short-term loans	64	+ 14	66	– 2
C) Other lending	10	~	50	– 40

Note 1 Typically lending secured through a residential mortgage bond
Note 2 Typically secured through a notarial bond or similar over the vehicle or asset

Q17: Change from 5 years ago: Households

How does your bank's current *credit stance* compare to the bank's credit stance *5 years ago* i.e. in 2012, as applied to the approval of loans or credit lines to *households*?

Loans to households: credit stance change	**'18Q2**	**Δ 50**	**'17Q4**	**Δ survey**
Overall relative to 5 years ago	41	– 9	37	+ 4
Short term lending (up to 1 year)	45	– 5	44	+ 1
Longer-term lending (over 1 year)	48	– 2	44	+ 4
Mortgage lending	41	– 9	37	+ 4
Secured credit e.g. motor vehicle finance	45	– 5	41	+ 4
Credit facilities e.g. credit cards and overdrafts	39	– 11	41	– 2
Unsecured credit	48	– 2	44	+ 4
Short term credit up to R8000, within 6 months	42	– 8	43	– 1
Developmental credit e.g. education	33	– 17	38	– 5
Mass market	40	– 10	40	~
Mid market	45	– 5	45	~
Upper market	45	– 5	45	~

Q18: Change from 5 years ago: Enterprises

How does your bank’s current *credit stance* compare to the bank's credit stance *5 years ago* ie in 2012, as applied to the approval of loans or credit lines to *enterprises*?

Loans to enterprises: credit stance change	**‘18Q2**	**Δ 50**	**‘17Q4**	**Change**
Overall relative to 5 years ago	43	– 7	37	+ 6
Short term lending (up to 1 year)	52	+ 2	41	+ 11
Longer-term lending (over 1 year)	51	+ 1	41	+ 10
Agriculture, forestry	50	~	45	+ 5
Mining, quarrying	38	– 12	28	+ 10
Manufacturing	46	– 4	37	+ 9
Construction	29	– 21	29	~
Wholesale, retail, accommodation	50	~	45	+ 5
Transport, communication, ICT	50	~	45	+ 5
Financial, real estate, services	50	~	50	~
Utilities, social and state services	39	– 11	39	~

Q19: Effects of regulation and legislation

How have the following *political and governance* changes affected your bank's lending stance currently compared to *1 year ago* ie early 2017?

< 50 indicates that banks have made lending stance more stringent, somewhat or significantly. > 50 indicates that they have made their lending stance more lenient.

Effects of political and governance changes	**‘18Q2**	**Δ 50**	**‘17Q4**	**Change**
A) Political	51	+ 1	☐	☐
Improved political leadership and governance [1]	57	+ 7	☐	☐

Uncertainty relating to land expropriation [2]	38	– 12		☐	☐
Discord between factions of ANC [3]	50	~		☐	☐
B) Governance/financial	50	~		☐	☐
Confidence in state institutions [4]	51	+ 1		☐	☐
Fiscal pressures: expenditure vs collections [5]	50	~		☐	☐
Private sector malfeasance : KPMG, Steinhoff, audit standards, etc [6]	44	– 6		☐	☐
Restructuring of state owned enterprises [7]	56	+ 6		☐	☐
C) Other ______________________	50	~		☐	☐
		Δ 50			
Effects of political and governance changes	18Q2	+ 1		17Q4	Change
A) Political	51	+ 7		☐	☐

Note 1 From Zuma to Ramaphosa in mid-February 2018 and Cabinet changes thereafter.

Note 2 Including active consideration of expropriation without compensation.
Note 3 Possible disruption from resurgence of ANC factions opposing Ramaphosa.
Note 4 Judiciary, NPA, police, Public Protector, SARB, etc.
Note 5 The arrangements which government has made a commitment to, despite heavy demands on the fiscus.
Note 6 The private sector debacles which have reduced trust in ethics of large private sector firms.
Note 7 New boards of directors and executive appointments in state owned enterprises following Ramaphosa's appointment as state president, Gordhan's appointment to Public Enterprises.

Glossary

Collateral: Security given by the borrower to the lender as a pledge, cession or similar for repayment of the loan.

Credit stance: Refers to the stringency (< 50) or leniency (> 50) which the bank applies in considering new applications for loans or credit.

Demand: Refers to demand for new loans or credit by borrowers, as indicated by the volume and value of applications received.

Direct/Self-financing: Financing from own funds of the consumer/enterprise or family/associates.

Enterprise: Business entity which is not a bank or other financial intermediary.

Household: Consumption entity in the economy, typically comprising a group of related persons situated at a single residential location.

Loan-to-Value ratio: Ratio of the amount borrowed to the value of the underlying collateral.

Longer term lending: Lending repayable beyond a one-year period.

Non-bank lender: Financial institution providing loans as a significant portion of its business, but which is not a registered bank.

Short-term lending: Lending repayable within a one-year period or on demand.

Terms and conditions: Refers to the stipulated requirements applied to borrowers as expressed in documents relating to new lending or credit provided.

Threshold on credit scores: Credit score level above which credit is approved.