



**CENTRAL BANK**  
OF THE REPUBLIC OF AZERBAIJAN

# **CREDIT CONDITIONS SURVEY RESULTS**

**Q3**

**2024**

**FINANCIAL STABILITY DEPARTMENT**

## **ABBREVIATIONS**

**MCGF** – Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan

**SME** – Small and Medium Enterprises

**MSME** – Micro, Small and Medium Enterprises

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## Introduction

*The objective of this survey is to monitor and analyze banks' lending activities, identify and assess threats to financial stability at an early stage, determine the appropriate prudential policy, and inform the financial sector participants about relevant trends. This survey includes the assessment of supply and demand factors with respect to business, consumer and mortgage loans, as well as the identification and assessment of banks' risks:*

- *Dynamics of changes in credit standards (policy),*
- *Factors affecting the dynamics of credit standards,*
- *Dynamics of changes in loan demand.*

*The survey contains qualitative questions and does not require quantitative scoring. The method of balance statistics is used to convert the results of the survey into quantitative data. The index ranges from negative 100% to positive 100%. A positive 100% indicates that 100% of respondents observe a significant easing or an increase in the trend, while a negative 100% indicates that 100% of respondents observe a significant tightening or decrease. An index value of 0% indicates that the trend has not changed from the previous quarter. Banks' responses are weighted by each bank's share of the loan portfolio to calculate the index. Survey respondents are senior bank loan officers or board members responsible for the relevant area.*

*The survey has been conducted on a quarterly basis since the first quarter of 2022. This report presents the results of the Q3 2024 survey. The expectations contained in this report do not reflect the expectations of the Central Bank of the Republic of Azerbaijan, but only the views of the respondents (banks) on the current and future credit trends.*

## Summary of survey results

According to the Q3 2024 survey results, there was no change in credit standards for all business loans, but demand increased. Credit standards for loans to large enterprises remained unchanged, but partial increase in demand has been observed.

As in the previous quarter, credit standards for mortgage loans continued to tighten. The tightening of mortgage loan standards was most pronounced for internal mortgage loans. Banks reported a decline in demand for mortgage loans amid rising interest rates. Banks expect an easing of credit standards for mortgage loans and an increase in credit demand in the next quarter.

According to the survey results, credit standards for total consumer loans and credit cards tightened in Q3 2024 amid rising interest rates, resulting in a slight decline in demand for consumer loans. Respondents expect consumer credit standards to remain unchanged, but consumer loan demand to increase next quarter.

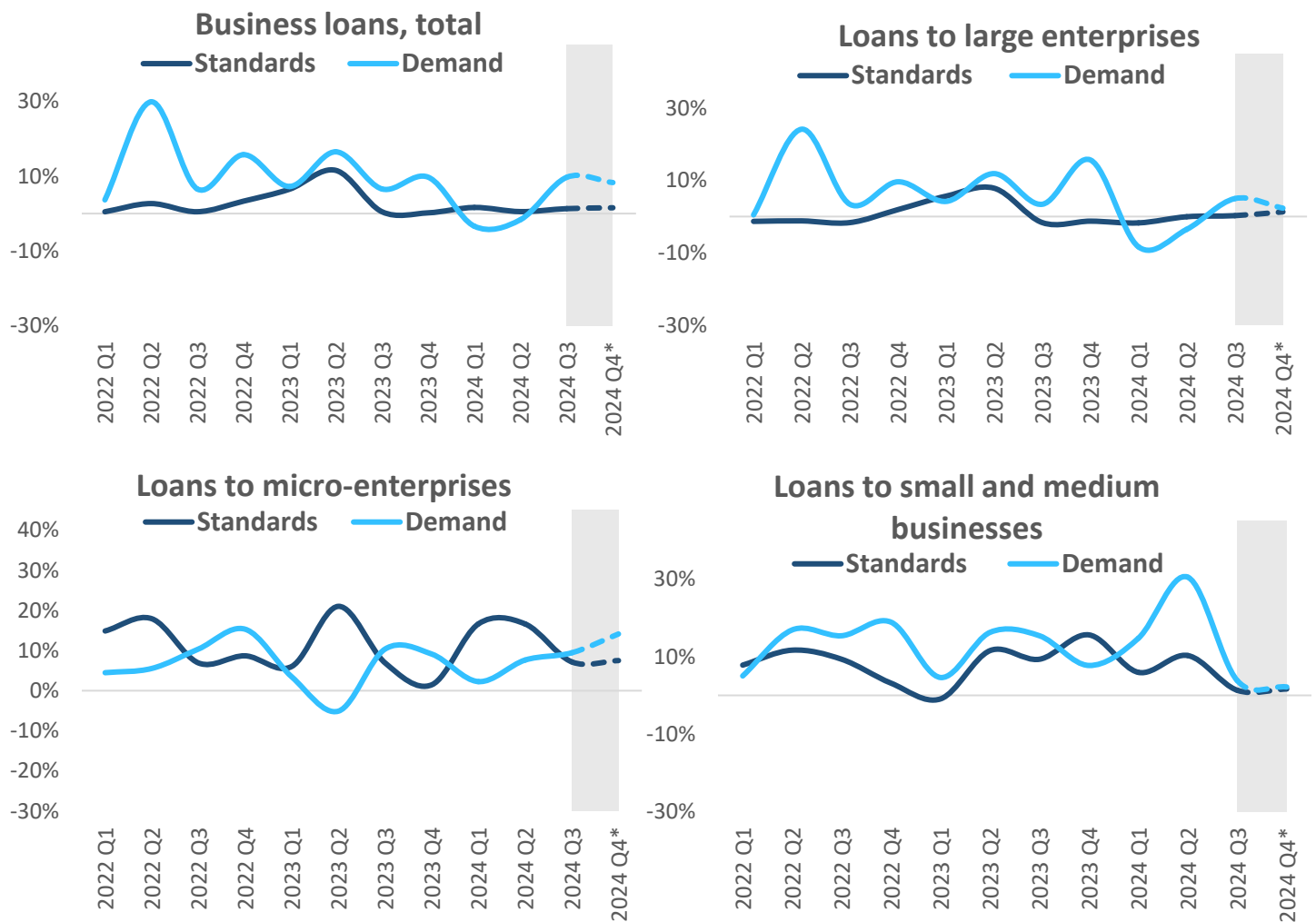
# Analysis of loans across sectors

## Business loans

While credit standards for loans to SMEs and large enterprises remained unchanged, credit standards for loans to microenterprises eased further. Banks expect standards for lending to both MSMEs and large enterprises to remain unchanged in the coming quarter.

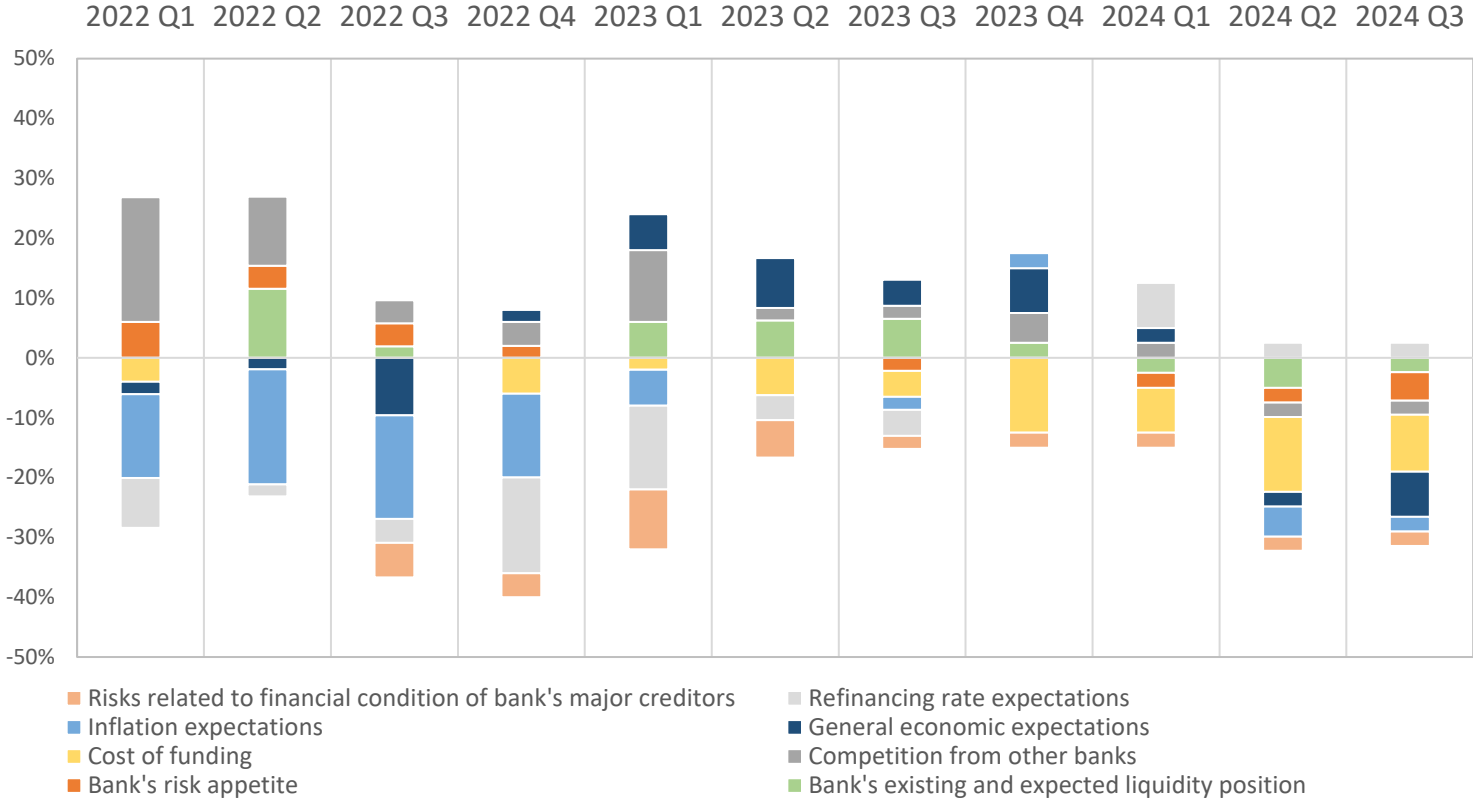
Chart 1. Changes in credit standards and demand for business loans

(Diffusion Index: positive = softening, negative = tightening)



According to the responses of the surveyed banks, the demand for loans to small and medium-sized enterprises remained stable, while the demand for loans to microenterprises increased slightly. According to the results, in comparison with the previous quarter of the current year, there was a slight increase in the demand for loans to large enterprises. In the next quarter of 2024, banks expect an increase in the demand for loans to all business entities, including micro-enterprises.

Chart 2. Factors affecting credit standards for business loans



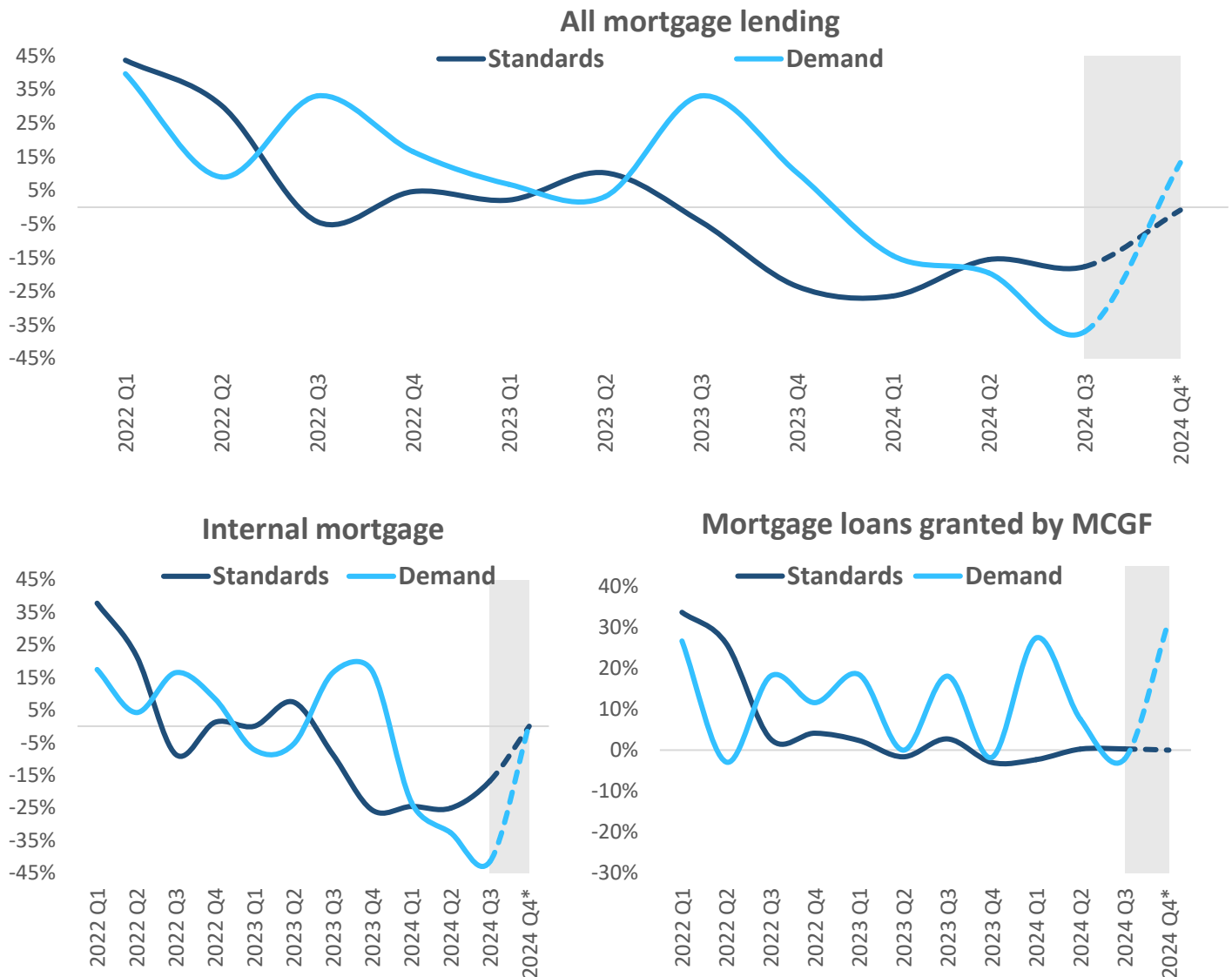
In the third quarter of 2024, banks' funding costs, general economic expectations and risk appetite were the main drivers of tighter business credit standards, while refinancing rate expectations tended to ease business credit standards.

## Mortgage loans

According to the results of the survey for the third quarter of 2024, credit standards for mortgage loans tightened further. The tightening of credit standards was evident for mortgage loans issued using internal resources. Credit standards for MCGF-backed loans remained unchanged. Credit standards for both MCGF and internal mortgage loans are expected to remain unchanged next quarter.

Chart 3. Changes in credit standards and in demand for mortgage loans

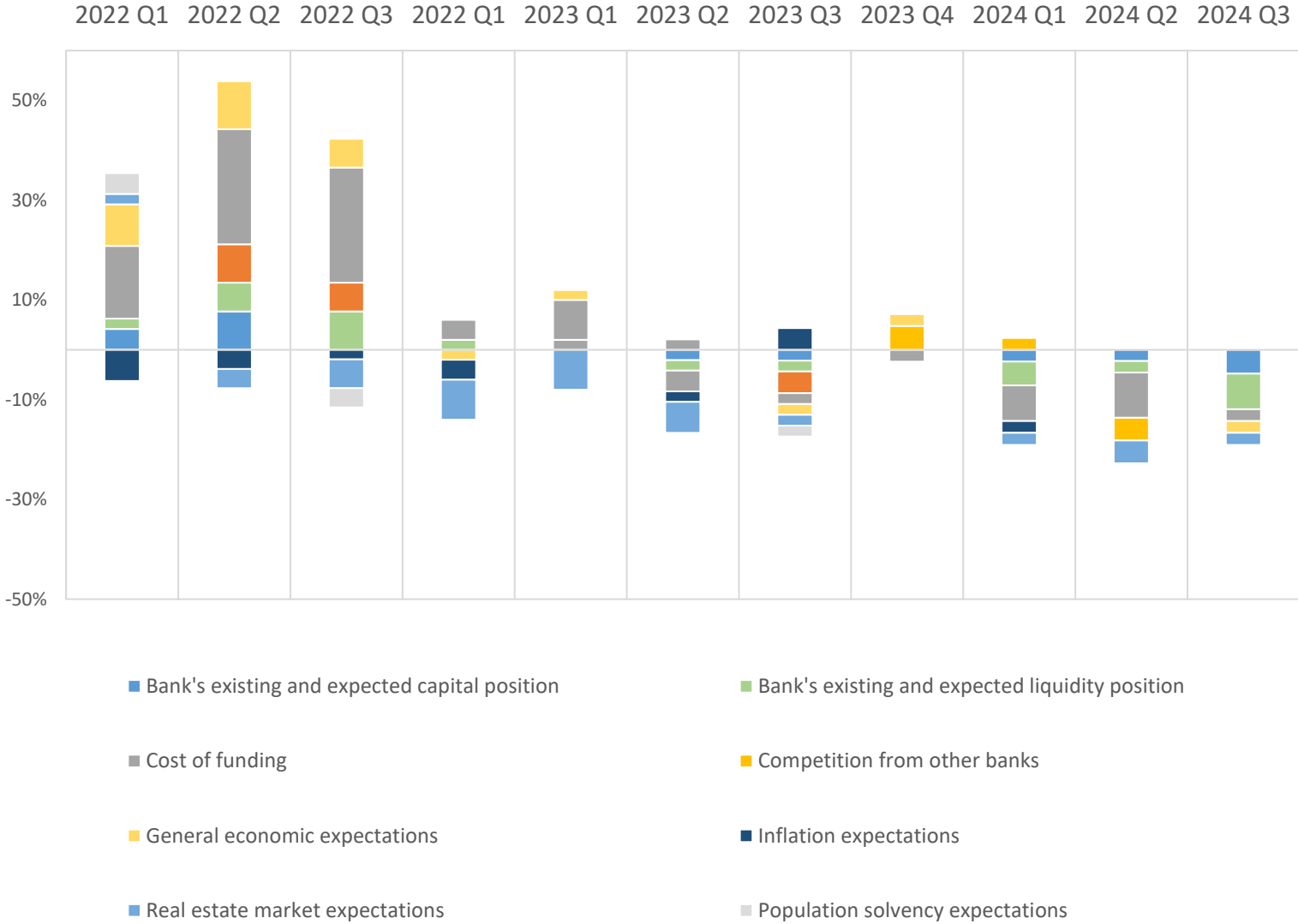
(Diffusion Index: positive = softening, negative = tightening)



In the third quarter of 2024, the demand for all mortgage loans declined. Survey participants indicated that the decline in demand was mainly driven by internal mortgages. Banks cited rising interest rates as a factor influencing declining demand. Banks expect the demand for mortgage loans to increase in the next quarter against the background of the mass sale of flats under the projects of the State Housing Construction Agency in the regions.

Chart 4. Factors affecting credit standards for mortgage loans

(Diffusion Index: positive = softening, negative = tightening)



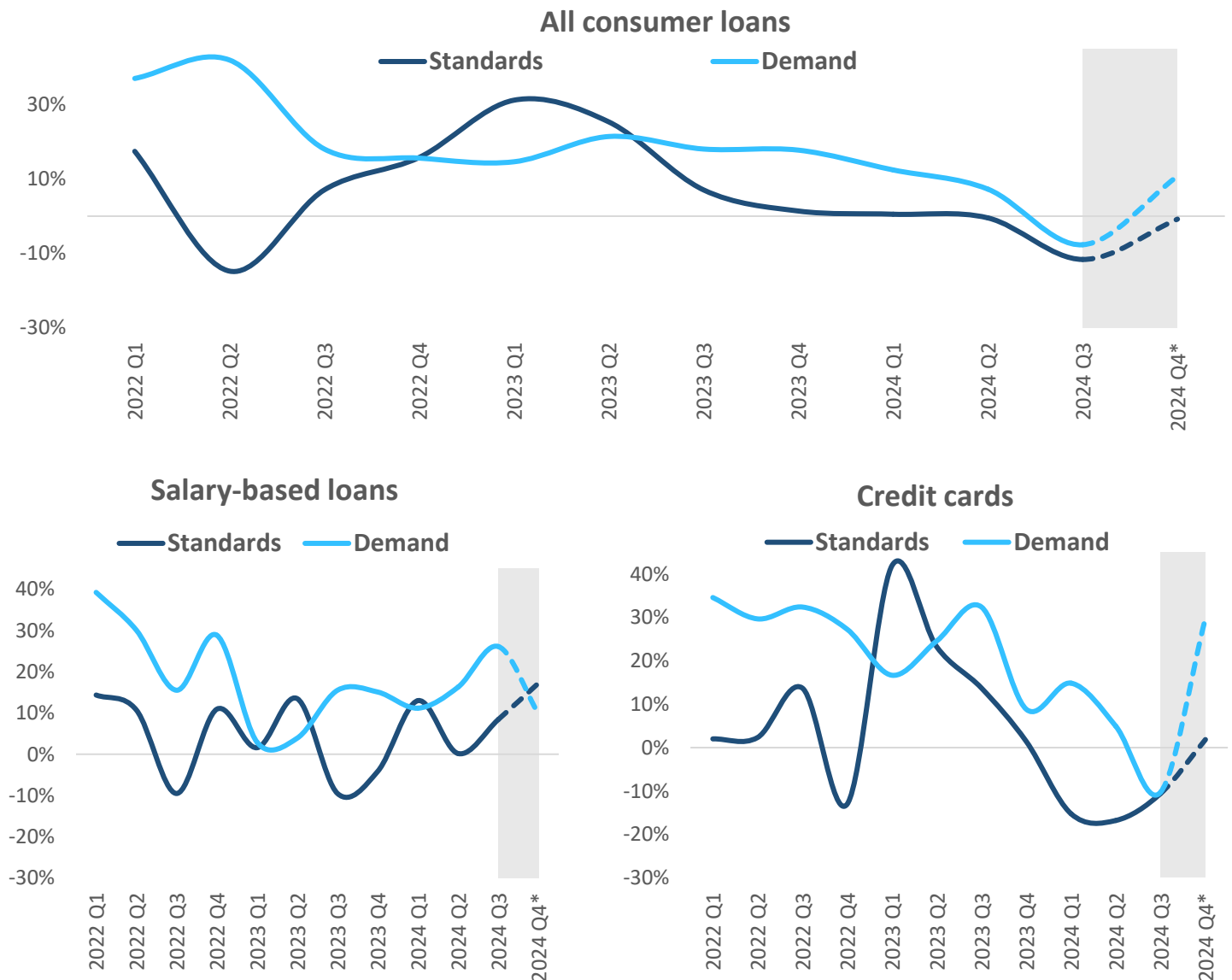
According to responses of the surveyed banks, banks' capital and liquidity positions were factors that had a tightening effect on mortgage lending standards. Compared with the previous quarter, banks' liquidity positions had a greater impact on credit standards.

## Consumer loans

According to the survey results, credit standards for all consumer loans, including credit cards, tightened in the third quarter. Surveyed banks reported an easing of credit standards for salary-based loans. Respondents expect the easing of standards for salary-based loans to continue in the fourth quarter of this year, while standards for credit cards are expected to remain unchanged.

Chart 5. Change in credit standards and in demand for consumer loans

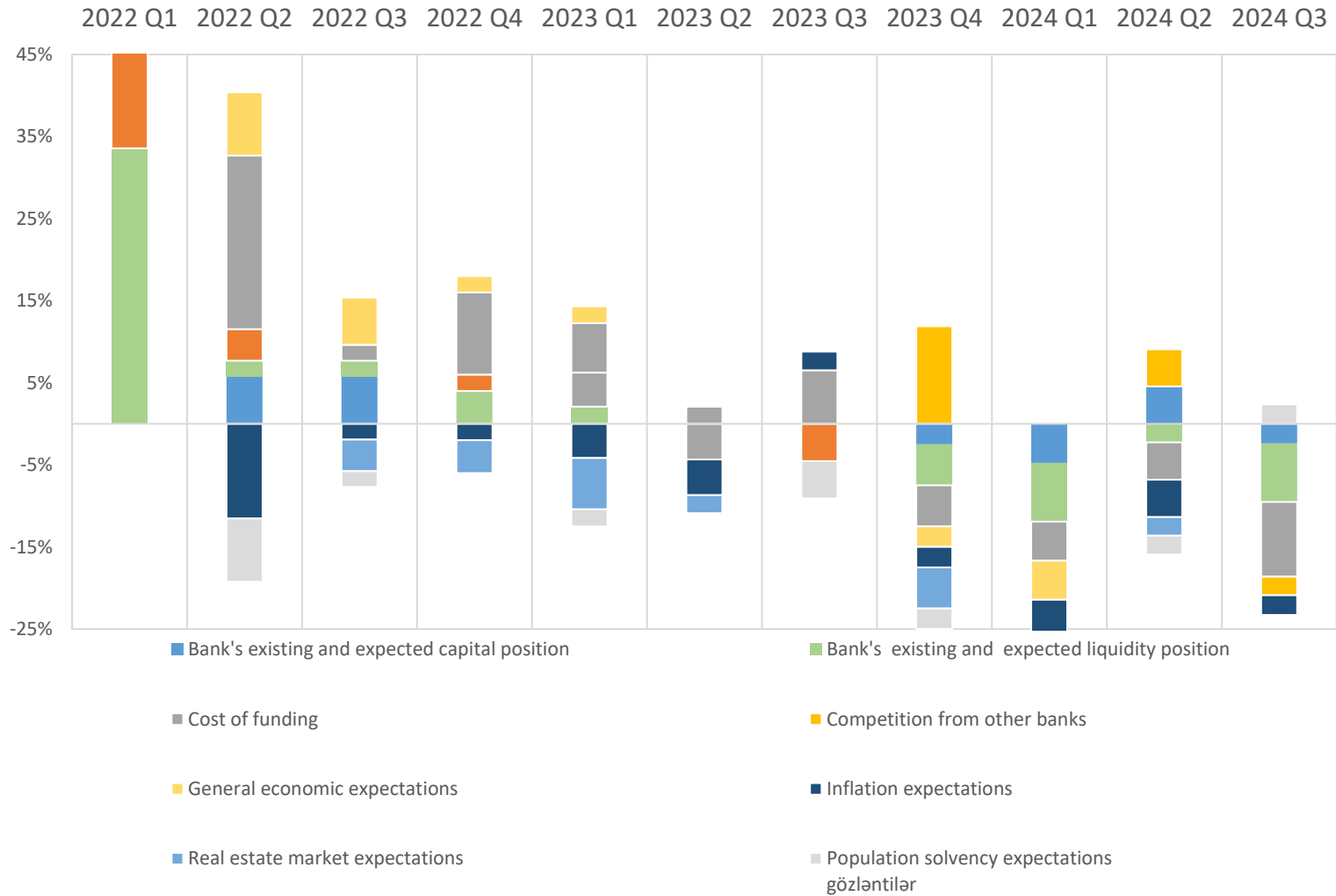
(Diffusion Index: positive = softening, negative = tightening)



According to the results of the survey, the demand for all consumer loans has declined slightly against the backdrop of rising interest rates. Respondents cited credit cards as the main driver of the decline. Banks expect demand for all consumer loans, especially credit cards, to increase in the next quarter of 2024.

Chart 6. Factors affecting credit standards for consumer loans

(Diffusion Index: positive = softening, negative = tightening)



According to the survey results, banks' liquidity positions and the cost of funding have had a tightening effect on credit standards for consumer loans. The change in standards for consumer loans was mainly due to the increase in interest rates.

Chart 7. Population debt diffusion index

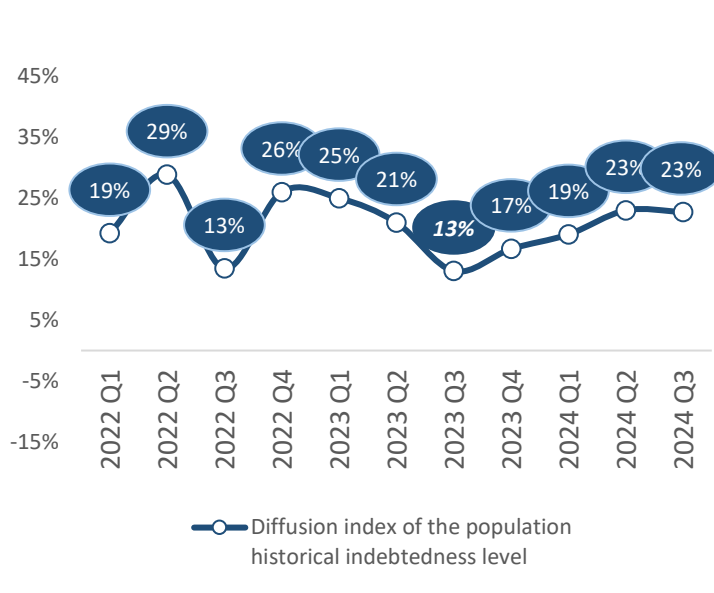
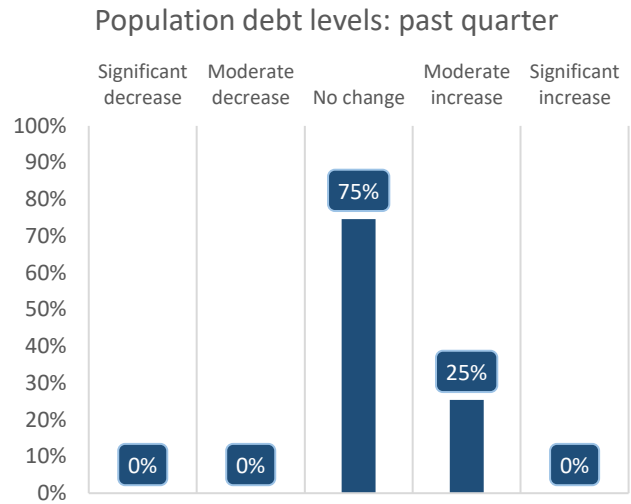


Chart 8. Changes in population debt levels: past quarter



According to the results of the survey, 75% of the responding banks reported no change in the level of indebtedness of the population, while 25% reported a moderate increase. Compared with the previous quarter, the long-run diffusion index of the indebtedness of the population remained unchanged in the third quarter of 2024.