

Results of the Survey on Credit Conditions (ECC)

Second Quarter 2020



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

The Survey on Credit Conditions (ECC) is a qualitative quarterly survey conducted by the BCRA in order to gather additional information on the performance and trends observed in the bank credit market. The information obtained supplements the set of quantitative statistical data more readily available to this institution, aimed at achieving a better understanding of the factors that impact on the evolution of loans granted by the financial system

This survey is conducted on a sample of institutions consulted about the evolution of their credit supply and the demand for credit they have to face. The performance of loans to companies and to households is analyzed, focusing on any changes recorded during the quarter in progress against the immediately preceding quarter, and on any changes expected to occur in the next three months.

This report discloses the results for the second quarter of 2020, obtained from the survey conducted from June 12 to June 30.

The quarter under analysis was developed under the context of the economic activity affected by the COVID-19 pandemic and the health measures taken to contain it. That why the answers of the institutions should be taken under the scenery of measures implemented by National Government, together with BCRA thus mitigate its impact on Argentine population.

The historical results obtained to date and the methodological details of the survey are made available to the public together with this report. To access this material, click [here](#).

Report published on July 16, 2020.

Data for the third quarter of 2020 will be published in October 2020.

The answers given by institutions do not necessarily match the vision of the Central Bank of Argentina or of its authorities.

Survey on Credit Conditions (ECC)

Second quarter of 2020

Companies

- Based on the answers obtained at the end of June from participating financial institutions, in the second quarter of 2020, there was a moderate tightening of their credit standards associated with loans to companies against the immediately preceding period. In this sense, in the current context of the coronavirus pandemic, there was a slight tightening of the general criteria –formal or informal– used by institutions to approve new credit requests. For the third quarter of the year, the institutions surveyed anticipate a still tightening scenario in credit standards for companies.
- As to the terms and conditions applied to approved credits for companies, the ensemble of institutions exhibited a widely diffused easing in the spreads on the cost of funding and the commission fees in the second quarter. This evolution is in line with the measures that the BCRA has been promoting since the end of March, aimed at strengthening credit channeled to MSMEs under better financial conditions.¹
- In the second quarter, the participating institutions reported a moderate easing (increase) in the perceived demand for credit from companies, especially in the case of the SME segment. Certain growth in demand is also expected for the third quarter.

Households

- The ensemble of financial institutions surveyed maintained a bias towards a moderate tightening in their credit standards for mortgage loans and credit cards in the second quarter, a dynamic that was significant for pledge-backed loans and slight for other loans for consumption. The institutions anticipate that this tightening will lessen in the third quarter (tending, in some cases, to a neutral condition).
- In line with the actions implemented by the BCRA to ease households' financial burden¹, a trend towards further easing in the terms and conditions applied to loans to households was observed in the period, mainly in terms of lower spreads on the cost of funding and commission fees.
- The aggregate of institutions perceived a drop in the demand for credit from households during the second quarter of 2020 (with uneven intensity among credit lines), a performance that would continue in the third quarter, although less pronounced (even with a certain increase in the case of part of the loans for consumption).

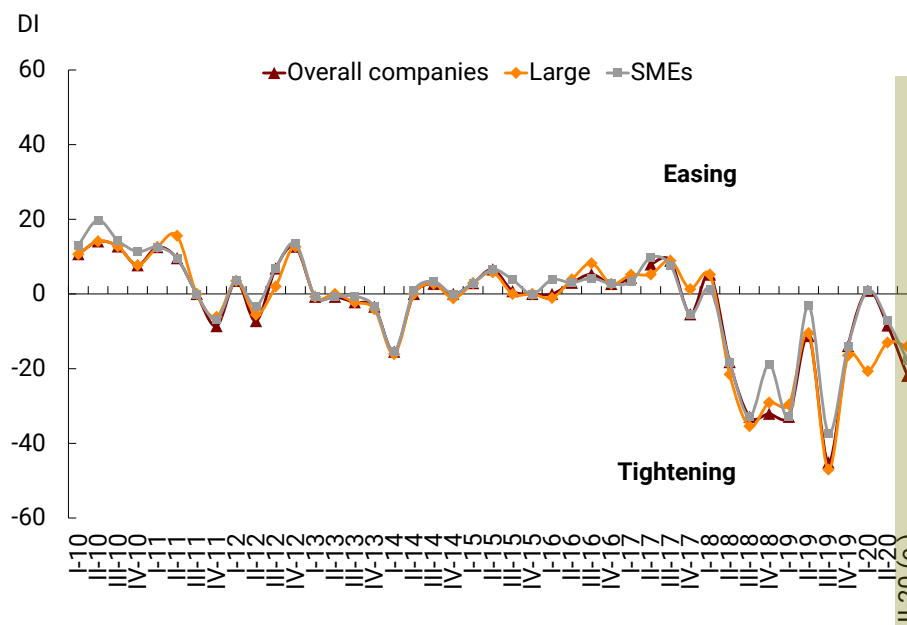
¹ For further details see the [Report on Banks](#), April 2020 edition, and the [Financial Stability Report](#) for the first half of 2020 (Exhibit 4).

1. Loans to Companies

Supply – Credit Standards / Terms and Conditions

1.1 Based on the answers from the financial institutions participating in the ECC, a slight tightening in their credit standards associated with loans to companies is observed in the second quarter of 2020 –Diffusion Index² (DI) of -8.4%³ for overall companies– against the immediately preceding quarter (see Chart 1 and Annex). This performance was relatively stronger in the case of large companies and longer-term loans. The tightening in the aforementioned standards was observed following a first neutral quarter (DI of 0.9% at the beginning of 2020 for overall companies), being less intense than the tightening observed throughout 2019 and in the second half of 2018. Out of the twenty-one (21) financial institutions that answered this item, eight (8) institutions indicated that they tightened credit standards for companies in the period. The latter identified the deterioration of the economic context in general, followed by the worsening situation of the sector to which the company belongs and the increasing risk of the loan portfolio, as the main factors that triggered their movement in the margin. Three (3) institutions showed a greater easing of their standards in the period (indicating that this evolution was particularly influenced by the regulatory changes introduced by the BCRA), while ten (10) showed no changes.

Chart 1 | Companies. Credit Demand Evolution
Diffusion Index weighted by institution and by answer - In %



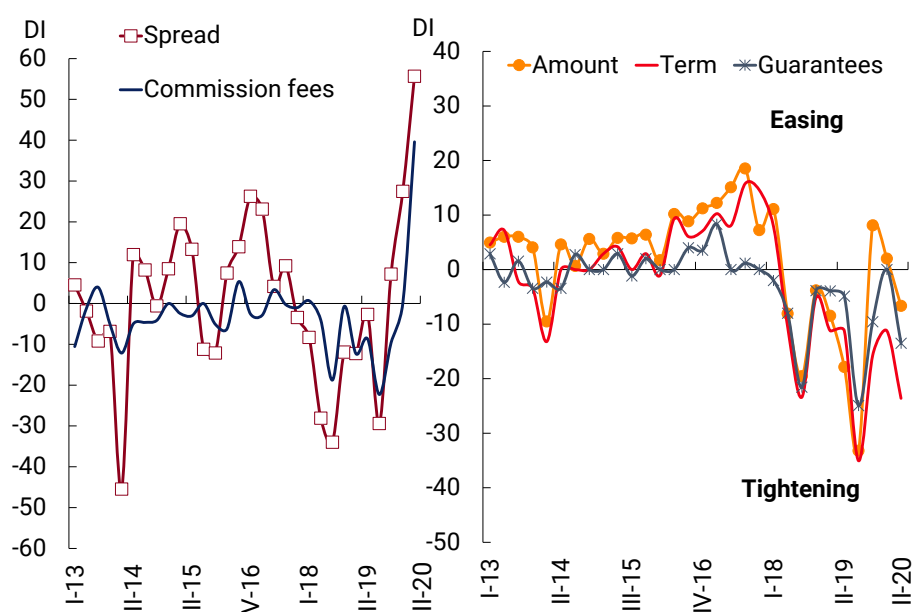
² Based on the answers obtained in the ECC survey, indicators are built that serve to become aware of the market main trends in aggregate. Particularly, the so-called Diffusion Index (DI) is prepared as a global indicator of evolution of the variable under analysis, built as the difference between the percentage of answers showing a positive evolution (answers “Moderately more easing” and “More easing”) minus the percentage of negative answers (“Moderately more tightening” and “More tightening”). This index weights the answers taking into account each institution’s share in the stock of credit (of the sample of surveyed banks), and the intensity of the response (0.5 factor for “Moderately ...” answers, and 1 for “More...” answers). DIs may obtain values within a -100 / +100 range.

³ In general, DIs (in absolute values) lower than or equal to 5 are considered to be an “unchanged” or “neutral” condition, values from 5 to 10 are considered to be “slightly” changed or biased condition; from 10 to 20, “moderately” changed; from 20 to 50 “significantly” changed and over 50, “widely diffused”.

1.2 In the second quarter of 2020, the terms and conditions applied to approved credit for companies exhibited a heterogeneous performance. Thus, there was a widely diffused easing in the spreads on the cost of funding for overall companies –spread narrowing– (see Chart 2), with higher intensity than in the two previous quarters. There was a significant easing in commission fees, while maximum amounts, terms and guarantees and collaterals tightened.

Chart 2 | Overall companies. Evolution of the Terms and Conditions

Diffusion Index weighted by institution and by answer - In %



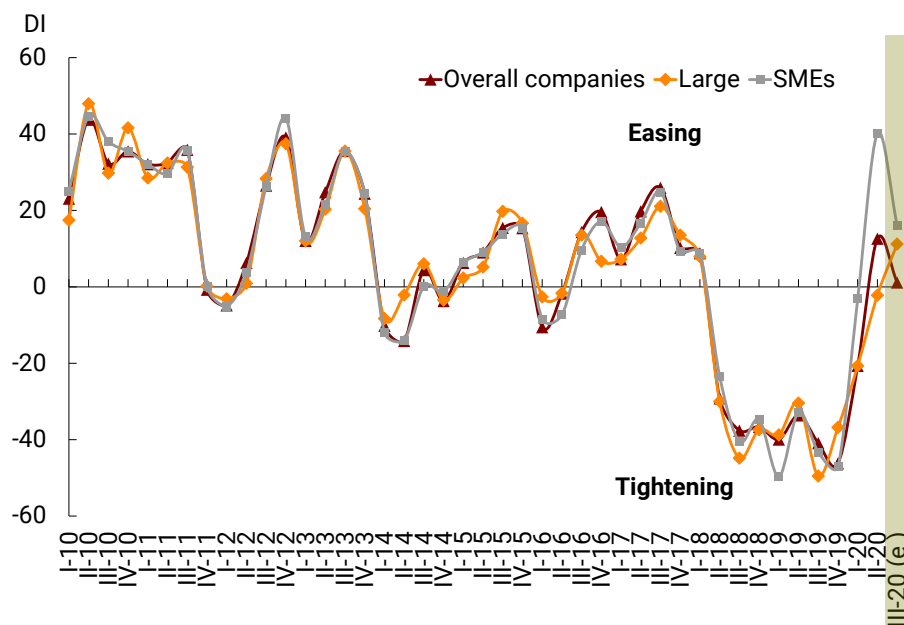
1.3 According to the answers, the group of financial institutions surveyed expects a significantly more tightening scenario in their credit standards associated with loans to companies during the third quarter of 2020 (DI of -21.9% for overall companies) (see Chart 1), this trend would be the same for different groups of clients in the corporate sector and for financing terms.

Perceived Demand

1.4 In the second quarter of 2020, the participating institutions reported a moderate easing (increase) in perceived demand for credit from companies (DI of 12.6% for overall companies) –especially in the case of the SME segment with a DI of 40.2%– (see Chart 3), reversing the tightening trend (narrowing) observed in the previous eight quarters. The six (6 in total for overall companies) institutions that perceived an increase in credit demand in the quarter – overall companies– point out that this performance was mainly explained by the decrease in interest rate and the difficulties faced by companies to obtain financing from other sources. On the other hand, according to several institutions (6 in total) that perceived a lower demand from companies, this performance was mainly impacted by a contraction of sales and of investments

in fixed assets.

Chart 3 | Companies. Evolution of credit demand
Diffusion Index weighted by institution and by answer - In %



1.5 The aggregate of surveyed institutions does not expect changes in the next quarter in the demand for financing from overall companies (DI of 1.1%). At a disaggregated level, the institutions surveyed expect a moderate rise in large companies (DI of 11.2%) and SMEs (DI of 16.1%).

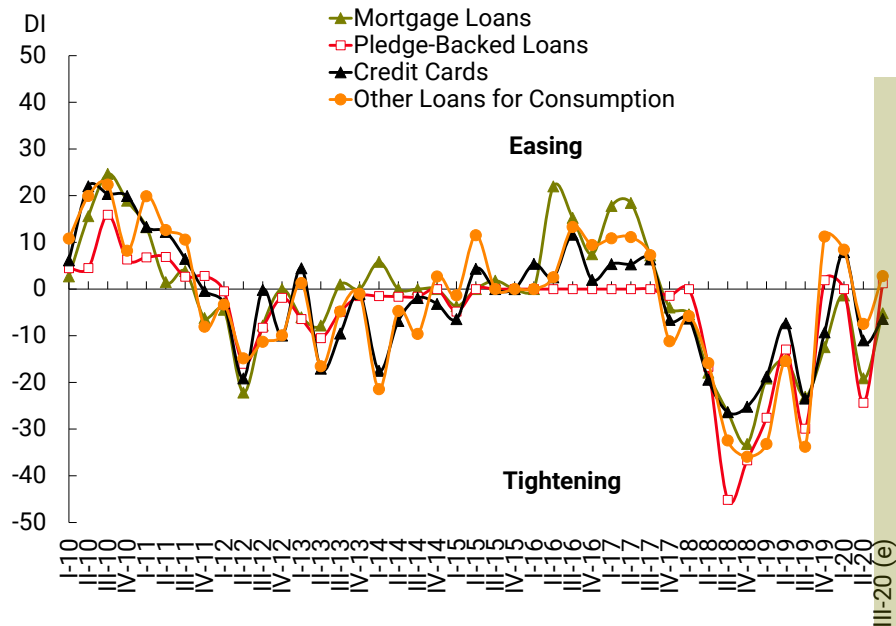
2. Loans to Households

Supply – Credit Standards / Terms and Conditions

2.1 The ensemble of financial institutions surveyed indicated a moderate tightening in credit standards for mortgage loans and credit cards in the second quarter, a dynamic that was significant for pledge-backed loans and slight for other loans for consumption (see Chart 4). Overall, institutions indicated that this performance was mainly associated with the deterioration of the current economic situation and/or future outlook.

Chart 4| Households. Credit Demand Evolution

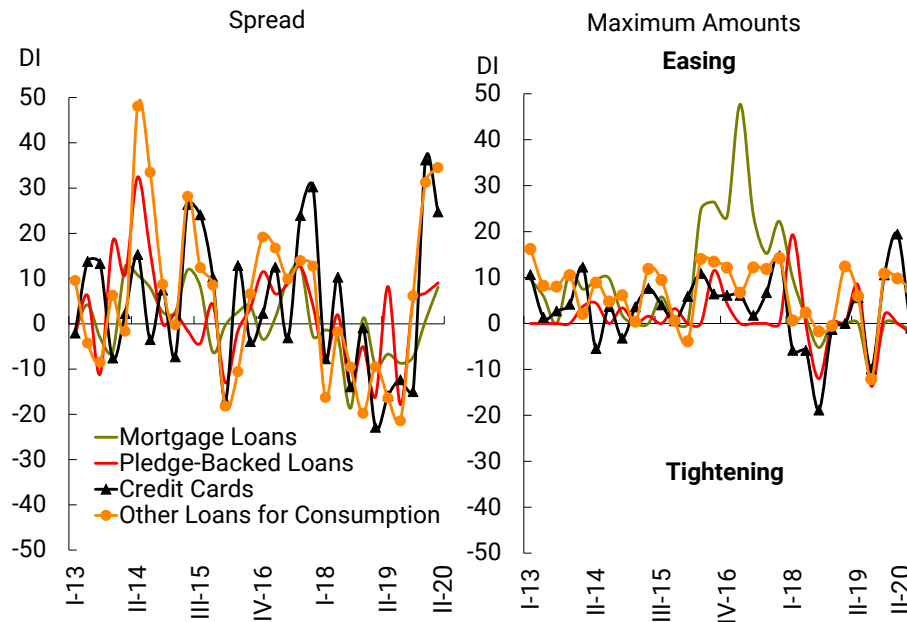
Diffusion Index weighted by institution and by answer - In %



2.2 According to the answers received, there was a trend towards further easing for the terms and conditions applicable to loans to households. The spreads on the cost of funding showed a slight easing (spread narrowing) for mortgage loans and pledge-backed loans, a similar movement with greater intensity was observed in credit cards and the remaining loans for consumption (see Chart 5). The commission fees charged to households were also eased, except for credit card, which remained neutral. The maximum amounts for granting showed no changes for mortgage loans, pledge-backed loans and credit cards, while they increased slightly for other loans for consumption. The remaining terms and conditions for household loans did not show any significant movements in the quarter.

Chart 5| Households. Evolution of the Terms and Conditions

Diffusion Index weighted by institution and by answer - In %



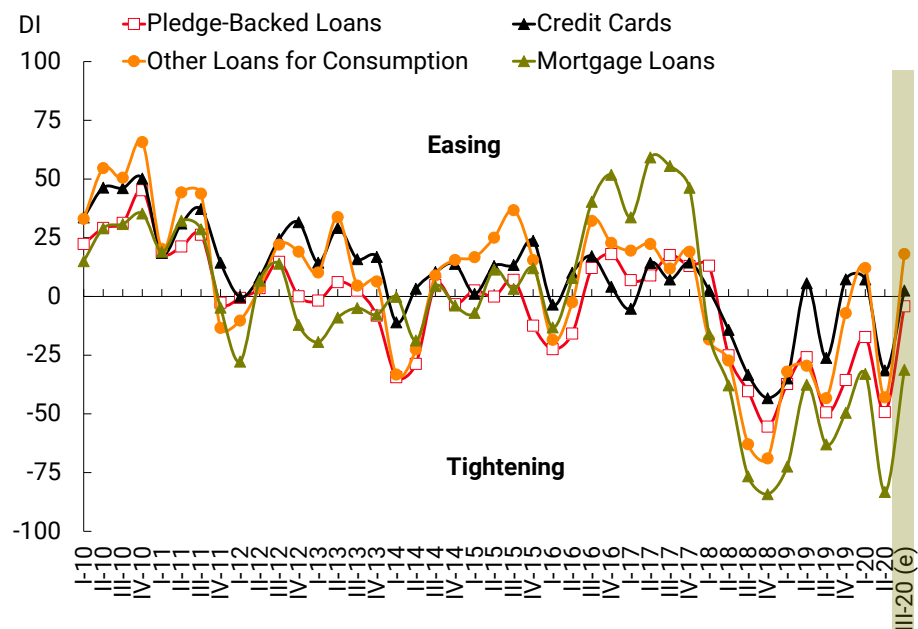
2.3 The surveyed financial institutions anticipate that, for the third quarter of 2020, the standards for approval of mortgage loans and credit card will tighten slightly (DI of -5.2% and -6.4% respectively) (see Chart 4), while they do not expect changes (neutral condition) in pledge-backed loans and other loans for consumption.

Perceived Demand

2.4 The aggregate of financial institutions participating in the survey perceived a drop in the demand for credit in all of the loans to households during the second quarter of 2020. This evolution was widely diffused in mortgage loans –DI of -83.3%– (a trend observed for this type of loans since 2018), mainly explained by lower household income and reduced housing investment. The perceived demand for pledge-backed loans, credit cards and other loans for consumption showed a significant reduction (see Chart 6), also mainly associated with lower income and a drop in consumption by the population.

2.5 The financial institutions participating in the survey anticipate, for the third quarter of 2020, a significant decrease in the demand for credit in mortgage loans, without changes in pledge-backed loans and credit card and a moderate increase in other loans for consumption.

Chart 6 | Households. Evolution of credit demand
Diffusion Index weighted by institution and by answer - In %



Annex

Loans to Companies

		Diffusion Index * - In %													
		I-17	II-17	III-17	IV-17	I-18	II-18	III-18	IV-18	I-19	II-19	III-19	IV-19	I-20	II-20
A. Changes in approval standards (questions 1 and 5).															
Overall Companies	Quarter	4.4	7.9	8.9	-5.4	5.2	-18.2	-32.9	-32.1	-32.9	-11.3	-45.1	-13.9	0.9	-8.4
	Expected Next Quarter	3.4	6.6	10.8	-0.4	2.4	-17.1	-28.0	-13.6	-31.8	-4.8	-32.2	1.6	-18.7	-21.9
Large Companies	Quarter	5.2	5.2	8.9	1.3	5.2	-21.5	-35.4	-29.0	-29.6	-10.5	-47.0	-16.5	-20.7	-13.0
	Expected Next Quarter	3.4	7.4	10.8	-0.4	0.0	-20.2	-23.0	-22.9	-29.1	-4.0	-34.1	1.6	-25.9	-14.1
SMEs	Quarter	3.3	9.8	7.8	-5.4	1.3	-18.2	-32.9	-18.8	-32.7	-3.1	-37.2	-13.9	0.9	-7.1
	Expected Next Quarter	3.4	6.6	12.0	-0.3	2.4	-17.1	-28.0	-15.4	-35.3	3.3	-23.3	9.4	11.7	-17.7
Up to 1 year	Quarter	3.3	9.8	7.8	-6.4	5.2	-20.7	-26.2	-19.7	-31.9	-3.1	-29.7	-4.4	0.9	-0.6
	Expected Next Quarter	0.7	5.8	13.4	-0.4	-0.7	-9.0	-20.4	-13.6	-32.4	3.3	-22.3	12.5	10.1	-16.8
Over 1 year	Quarter	4.4	9.8	8.9	2.0	5.2	-14.3	-44.1	-32.1	-34.4	-14.5	-43.7	-16.8	-2.3	-24.9
	Expected Next Quarter	3.4	5.8	10.8	-0.4	1.6	-17.1	-38.0	-23.8	-33.5	-4.8	-34.1	2.1	-6.6	-31.4
B. Changes in Terms and Conditions (question 4)															
Spread on cost of funding															
Overall Companies	Quarter	23.1	4.2	9.2	-3.4	-8.3	-28.1	-34.0	-11.9	-12.3	-2.7	-29.4	7.2	27.5	55.7
Large Companies	Quarter	23.1	1.6	9.2	-3.4	-8.3	-28.1	-38.3	-21.2	-14.8	-2.7	-33.6	-4.7	22.7	44.0
SMEs	Quarter	23.1	10.4	9.2	-2.5	-1.0	-28.1	-36.8	-11.9	-12.3	2.9	-29.4	13.6	43.5	58.9
Commission fees and other charges															
Overall Companies	Quarter	-2.9	3.4	-0.2	-1.0	0.7	-4.0	-18.7	-0.7	-12.3	-8.7	-22.3	-9.6	0.0	39.6
Large Companies	Quarter	-6.1	0.0	-0.2	-9.2	-8.2	-4.0	-18.7	-0.7	-16.8	-8.7	-22.3	-9.6	0.0	38.6
SMEs	Quarter	0.4	6.8	-0.2	-8.2	-1.0	-4.0	-18.8	-0.7	-12.3	0.0	-20.3	-10.8	0.0	40.6
Maximum amounts															
Overall Companies	Quarter	12.2	15.1	18.5	7.2	11.1	-8.1	-19.6	-3.8	-8.5	-17.9	-33.2	8.1	2.0	-6.7
Large Companies	Quarter	12.2	11.7	18.5	10.6	11.1	-16.6	-19.6	2.2	-12.0	-15.9	-38.0	1.3	2.0	-15.2
SMEs	Quarter	10.3	15.1	17.4	12.5	11.1	-17.3	-19.6	-3.8	-7.2	-7.7	-31.7	4.2	12.4	2.6
Term															
Overall Companies	Quarter	10.3	8.1	15.8	14.6	7.9	-10.5	-23.4	-5.2	-11.2	-11.2	-35.0	-15.7	-11.2	-23.6
Large Companies	Quarter	13.5	13.2	20.8	18.9	7.9	-10.5	-23.4	-5.2	-18.1	-7.1	-36.0	-15.7	-11.2	-26.7
SMEs	Quarter	9.8	10.8	12.6	11.7	9.0	-10.3	-26.2	-4.2	-8.1	-7.1	-32.7	-16.6	5.7	-14.4
Guarantees required															
Overall Companies	Quarter	8.3	0.0	1.2	0.0	-2.0	-8.0	-21.6	-3.9	-3.9	-4.9	-24.9	-9.6	0.0	-13.5
Large Companies	Quarter	5.1	0.0	1.2	0.0	-2.0	-16.5	-20.7	-3.9	-12.0	-13.1	-25.9	-6.4	0.0	-12.5
SMEs	Quarter	8.3	3.5	0.0	8.2	-2.0	-7.0	-21.6	-6.8	-6.7	-4.9	-25.8	-9.6	7.2	-12.5
C. Changes in credit demand (questions 6 and 9)															
Overall Companies	Quarter	7.2	19.8	25.9	10.2	8.8	-29.2	-37.6	-36.7	-40.0	-33.6	-40.9	-46.2	-20.7	12.6
	Expected Next Quarter	23.1	19.5	22.5	15.2	12.8	-29.5	-37.2	-23.6	-21.2	-4.6	-32.1	14.4	-5.2	1.1

* Weighted by institution and by answerOverall

Loans to Households

		Diffusion Index * - In %													
		I-17	II-17	III-17	IV-17	I-18	II-18	III-18	IV-18	I-19	II-19	III-19	IV-19	I-20	II-20
A. Changes in approval standards (questions 10 and 14)															
Mortgage Loans	Quarter	17.8	18.4	7.2	-4.0	-5.4	-17.9	-26.4	-33.2	-19.2	-15.2	-23.1	-12.5	-1.4	-19.1
	Expected Next Quarter	17.2	7.1	24.2	1.8	-0.9	-2.3	-20.7	-19.7	-10.8	2.0	-20.3	-1.0	-0.6	-5.2
Pledge-Backed Loans	Quarter	0.0	0.0	0.0	-1.4	0.0	-16.6	-45.2	-36.7	-27.5	-12.9	-29.9	1.9	0.0	-24.3
	Expected Next Quarter	0.0	-1.5	0.8	0.9	1.4	-1.3	-33.7	-31.9	-33.6	-6.1	-21.8	1.9	-1.1	1.3
Credit Cards	Quarter	5.3	5.3	6.3	-6.6	-6.3	-19.4	-26.4	-25.2	-18.7	-7.3	-23.5	-9.3	7.9	-11.0
	Expected Next Quarter	4.3	8.0	6.7	1.0	5.8	-5.6	-21.3	-23.4	-21.3	-1.4	-17.3	18.2	26.1	-6.4
Other Loans for Consumption	Quarter	10.9	11.1	7.3	-11.2	-5.8	-15.9	-32.4	-35.9	-33.2	-15.4	-33.8	11.2	8.4	-7.5
	Expected Next Quarter	-0.4	-1.5	11.8	5.9	-1.4	-12.0	-29.1	-31.4	-29.5	3.8	-24.6	29.3	18.1	2.8
B. Changes in terms and conditions applied (question 13)															
Spread on cost of funding															
Mortgage Loans	Quarter	1.4	10.0	13.0	-2.7	-1.4	-3.1	-18.6	1.2	-9.2	-6.7	-8.7	-7.4	0.7	8.1
Pledge-Backed Loans	Quarter	6.6	8.9	12.6	4.0	-7.9	2.0	-13.9	-5.1	-16.1	8.3	-17.9	4.9	6.8	9.0
Credit Cards	Quarter	12.5	-3.1	23.9	30.3	-7.7	10.3	-13.9	-0.9	-22.9	-15.9	-12.4	-15.0	36.2	24.7
Other Loans for Consum.	Quarter	16.7	9.9	14.0	12.8	-16.2	-1.8	-9.5	-19.8	-9.5	-16.4	-21.4	6.2	31.2	34.5
Commission fees and other charges															
Mortgage Loans	Quarter	0.0	-3.0	0.0	0.0	0.0	0.0	-13.4	0.0	-5.6	0.0	-8.4	-9.6	0.0	15.2
Pledge-Backed Loans	Quarter	0.0	-4.1	0.0	0.0	6.0	0.0	-12.0	0.0	-7.7	0.0	-13.7	-13.8	0.0	21.0
Credit Cards	Quarter	-2.0	7.9	-26.1	-6.3	-5.6	-13.5	-27.7	-8.6	-16.4	-33.8	-21.3	-16.7	-15.8	4.9
Other Loans for Consum.	Quarter	-5.7	-2.8	0.0	0.0	-5.3	-1.1	-18.9	-0.5	-5.4	-5.5	-15.2	-9.7	-9.8	15.0
Maximum amounts															
Mortgage Loans	Quarter	47.7	23.6	15.2	22.2	9.9	1.4	-5.2	0.0	0.0	0.0	-11.5	0.0	0.0	-1.5
Pledge-Backed Loans	Quarter	0.0	0.0	0.0	0.0	19.3	0.0	-12.0	0.0	0.0	8.3	-13.7	1.9	0.0	-2.1
Credit Cards	Quarter	6.1	1.8	6.7	14.7	-5.8	-5.9	-18.8	-1.3	0.0	5.6	-9.9	10.6	19.5	-1.0
Other Loans for Consum.	Quarter	6.7	12.2	11.8	14.2	0.7	2.4	-1.7	-0.5	12.4	5.9	-12.1	10.9	9.8	7.5
Term															
Mortgage Loans	Quarter	37.0	20.5	2.5	13.7	-5.4	-6.6	-8.5	0.9	0.0	0.0	-9.9	0.0	0.0	0.0
Pledge-Backed Loans	Quarter	0.0	0.0	0.0	0.0	0.0	0.0	-12.0	0.0	0.0	0.0	-13.7	0.0	0.0	0.0
Credit Cards	Quarter	9.4	0.0	0.0	0.0	0.0	-0.5	-7.8	0.0	0.0	0.0	-9.6	0.0	0.0	0.0
Other Loans for Consum.	Quarter	0.0	0.0	11.5	0.0	0.3	-1.4	-10.8	-2.7	-1.1	0.0	-9.6	0.0	-4.8	-3.0
Guarantees required															
Mortgage Loans	Quarter	4.6	0.0	6.5	11.1	0.0	0.0	-8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pledge-Backed Loans	Quarter	0.0	0.0	0.0	0.0	0.0	-3.3	-12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit Cards	Quarter	0.0	0.0	0.0	0.0	0.0	0.0	-8.7	0.0	0.0	0.0	0.0	0.0	0.0	-0.8
Other Loans for Consum.	Quarter	-0.6	5.0	0.6	-5.9	5.8	6.0	-10.3	-0.5	0.0	0.0	0.0	3.0	0.0	8.2
C. Charges in credit demand (questions 15 and 18)															
Mortgage Loans	Quarter	33.7	59.2	55.6	46.3	-16.0	-37.8	-76.6	-84.2	-72.5	-37.6	-63.0	-49.5	-33.0	-83.3
	Expected Next Quarter	59.2	64.1	49.4	14.9	10.3	-34.0	-54.3	-20.7	-36.6	-19.2	-43.7	-24.0	-19.3	-31.2
Pledge-Backed Loans	Quarter	6.9	8.9	17.6	13.0	13.0	-25.1	-40.4	-55.4	-37.3	-25.9	-49.4	-35.6	-17.3	-49.2
	Expected Next Quarter	-2.7	2.8	3.4	20.0	0.0	-26.6	-51.3	-19.8	-31.4	-20.5	-46.3	-8.9	-10.8	-4.2
Credit Cards	Quarter	-5.2	14.3	7.2	14.5	2.6	-14.2	-33.4	-43.3	-34.9	5.6	-26.1	7.3	7.2	-31.5
	Expected Next Quarter	25.1	11.1	11.0	-5.7	9.7	-12.4	-18.8	-11.6	-15.8	7.5	-23.8	24.1	20.4	2.5
Other Loans for Consumption	Quarter	19.5	22.4	11.9	19.0	-18.3	-27.3	-62.9	-69.0	-32.0	-29.5	-43.4	-7.1	12.1	-43.0
	Expected Next Quarter	25.0	26.3	25.1	15.1	15.9	-14.3	-45.3	-19.5	-30.2	3.3	-40.3	24.1	7.9	18.1

* Weighted by institution and by answer