Israel Credit Officers Survey

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Abstract

This article reports on a survey conducted by the Bank of Israel among credit officers. It discusses the survey's contribution, international experience with similar surveys, the components of the survey, and the information obtained from it. It also presents selected results of the survey for illustration purposes.. For the Bank of Israel, the information harvested from the survey supplements information about the credit market and affords deeper understanding and analysis of developments in this market. The survey also provides preliminary information about economic activity.

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1. Introduction

The Bank of Israel's Information and Statistics Department continually strives to broaden its base and sources of information about Israel's economic activity and to generate readily available data that will help support the Bank in making decisions and discharging its overall responsibilities. One way of developing and obtaining new information is by having the Bank conduct surveys. Thus, in September 2024 the Bank began to conduct a Credit Officers Survey in order to gather qualitative direct and current information from banking corporations in Israel on current and foreseen developments in the country's credit market. Designed on the basis of similar surveys by leading central banks abroad, the survey yields deep insights into the Israeli credit market, makes important contributions to monetary policymaking and assessing risk in the financial system, and illuminates barriers in the credit market.

2. Contribution of the survey

Leading central banks around the world, including the European Central Bank, the United States Federal Reserve, the Bank of England, the Bank of Canada, the Bank of Japan, and others have been carrying out credit officer surveys for quite some time. The pioneer among them was the Federal Reserve.[1] To construct its own survey, the Bank of Israel relied on the cumulative experience of other central banks.

The Bank of Israel identified the need for a Credit Officers Survey for the following purposes:

a. Supplemental information - The Bank of Israel retains quantitative data on the levels of credit and interest rates that it obtains from credit providers' direct reports to the Banking Supervision Department and reports from businesses that take the credit, as provided in the Central Bureau of Statistics Business Tendency Survey. This information is representative of the market's equilibrium and, accordingly, paints an accurate picture of the credit market that helps the Bank understand the markets' trends and developments. However, the Bank lacks information about the development of credit supply and demand and how they affect the actual state of the economy. For this reason, the Bank identified the need for information about the banking corporations' credit policies and conditions and the factors that affect them (the supply side), as well as credit demand and the factors that affect it. This information supplements the picture of the credit market.

b. Preliminary information— The data gathered in the survey, such as demand for and terms of credit, foreshadow real developments in cross-sections of industries, business size groups, and the like, due to the connection between credit performance and economic growth.
Studies performed on data from the European Central Bank survey found that a change in terms of credit foreshadows changes in economic activity to a horizon of about one year, meaning that the survey outcomes may serve as a leading indicator of economic activity. As soon as enough surveys accumulate, we will be able to determine empirically whether these findings arise in the Israeli survey as well.

c. Tracking the repercussions of policies and events -The survey creates a platform for tracking the impact of policy measures on financial and real events, for example by asking ad hoc questions.

[1] The U.S. Federal Reserve has been conducting the survey since 1967 and was followed in doing so by the Bank of Canada (1999), the Bank of Japan (2000), the European Central Bank (2003), and the Bank of England (2007).

3. Description of the survey in Israel

The Israeli survey is based on those carried out by leading central banks around the world. After reviewing the international experience and the Bank's needs, a professional interdepartmental team at the Bank composed the survey to focus on the bank credit market, much as the foreign central banks' surveys do. All ten banking corporations in Israel participated in the survey.

The survey questionnaire is composed of twenty-two items intended for the banks' credit officers. Most of the participating officers are credit department or credit risk managers, who are connected with the field and with developments in the credit market. Thus, their evaluations in the survey yield a representative picture of the state of the bank credit market.

Types of credit covered in the survey

The survey covers the types of credit that are issued in two borrower segments—businesses and households—in accordance with the Banking Supervision Department directives that govern reporting by the banks:

- business credit, parsed by business size (large, medium, and small and micro businesses);
- business credit for the construction and real estate industries;
- housing credit;
- consumer credit;
- all-purpose credit secured by a dwelling.

Business credit is defined as loans, including credit facilities, that are given to businesses that are nonfinancial corporations, including licensed VAT transactors. Importantly, business credit to the construction and real estate industries, which accounts for a large share of the business credit portfolio, is not segmented on the basis of business size. Therefore, there is some overlap among the businesses in the two segments.

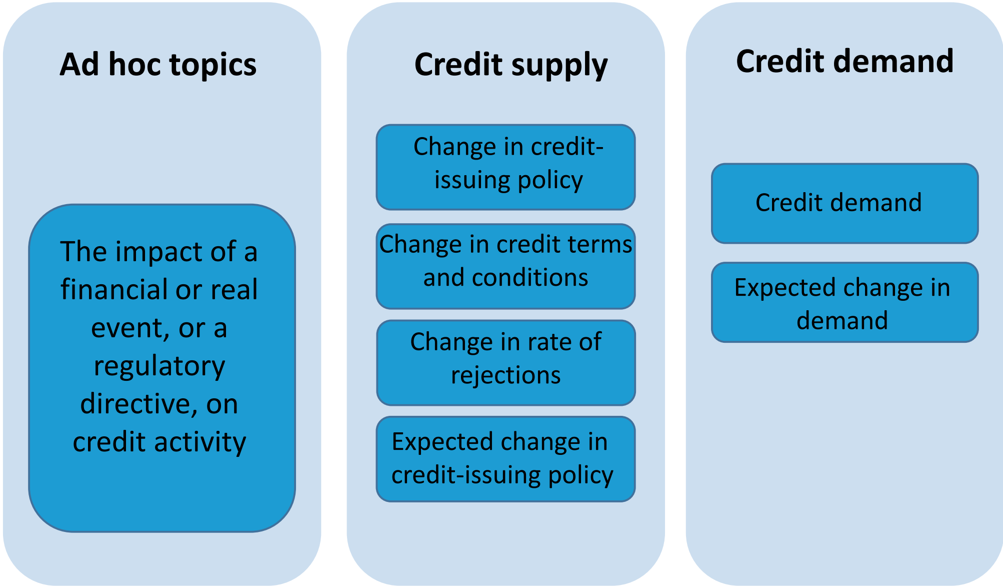
Consumer credit is defined as loans extended to households largely for private consumption of goods and services. Typical examples of loans in this category are those given to finance the purchase of motor vehicles, furniture, home electrical appliances and other durable goods, vacation travel, etc.

Housing credit is a loan that a household receives in order to finance the acquisition of a dwelling or a plot of land for the construction of a dwelling.

All-purpose credit secured by a dwelling is nonhousing credit issued against a dwelling as collateral.

What does the survey measure?

The survey relates to each side of the credit market—supply and demand—separately, and its items relate to change in the reviewed quarter compared to the previous quarter or expected change in the coming quarter compared to the survey quarter. The survey for the third quarter of 2025, for example, relates to changes that occurred in the third quarter of 2025 relative to the second quarter of 2025 or to changes foreseen in the last quarter of 2025 relative to the third quarter of 2025 (see figure).



Credit supply—includes policy on issuing credit and terms of credit. In the survey in Israel, changes in credit-issuing policy and terms of credit are measured on a scale of five classifications, from "considerable easing" at one extreme to "considerable tightening" at the other. Credit-issuing policy is composed of the internal guidelines and criteria that a bank uses to approve loans, and is determined before the loan is negotiated. The policy includes specifics of the types of loans that the bank considers desirable and undesirable, sectoral or geographic preferences, acceptable and unacceptable collateral, and so on. It also includes a specification of characteristics that a borrower must show in order to obtain the loan (e.g., balance-sheet conditions and state of income, age, and employment). In the part of the survey that reports changes in credit policy, attention is paid to both the declared policy on issuing credit and its implementation in practice. Terms of credit are the conditions under which the bank is willing to create an approved loan in practice, as set forth in the loan agreement. In the credit terms that are covered in the survey, we relate to interest spreads at various levels of risk and to other terms of credit such as noninterest charges, loan size, terms and exercising of collateral, and term to maturity.

In addition, the survey relates to various factors that affect the supply side of credit. It measures the change that occurred in the effect of various factors on the credit-issuing policy and the credit terms, on a scale of five classifications from "contributes to considerable easing" at one extreme to "contributes to considerable tightening" at the other. The main determinants of credit-issuing policy and terms of credit covered in the survey include the cost of raising sources and the composition of balance-sheet restrictions[2], competition pressures, risk perception, and risk tolerance. Credit risk tolerance relate to the bank's risk tolerance in its lending policy, which may vary due to changes in its business strategy. It should be kept in mind that there is always concern that the borrower will default in part or in full.

Credit demand—information about the change that occurred in credit demand and expectation of change in it. Credit demand relates to gross demand for loans by businesses or households, including renewal of loans,

[2] What is meant here is the bank's capital and the cost of raising sources that may become a balance-sheet restriction that would thwart the growth of the credit portfolio. At a given level of risk, credit supply may be affected by the state of liquidity and access to the money and capital markets.

irrespective of whether this will lead to the creation of the loan. Demand for loans also includes demand for new credit facilities and the use of credit facilities previously given but not yet utilized. Change in credit demand is measured on a scale of five levels, from “major decrease” in demand at one extreme to “major increase” in demand at the other. The survey also addresses factors that affect the demand side of credit and measures change in their impact on a scale of five classifications from “contributes to major decrease” in demand at one extreme to “ contributes to major increase” at the other. The main determinants of business credit demand that the survey covers include the financing needs, underlying drivers, or purposes of loan demand, such as interest rate, refinancing, and stock of working capital, i.e., the business’s cash flow, use of alternative funding arrangements such as issuance on the capital market, own sources, and other components

Ad hoc topics—The survey structure allows the Bank of Israel to ask several optional nonrecurrent questions if it considers this necessary in view of current issues that arise, such as the impact on credit activity of a given financial or real event or regulatory directive. In the survey for the second quarter of 2025, for example, items were added in regard to changes in credit-issuing policy and credit demand in the aftermath of Operation Rising Lion (the Israeli operation against Iran in June 2025).

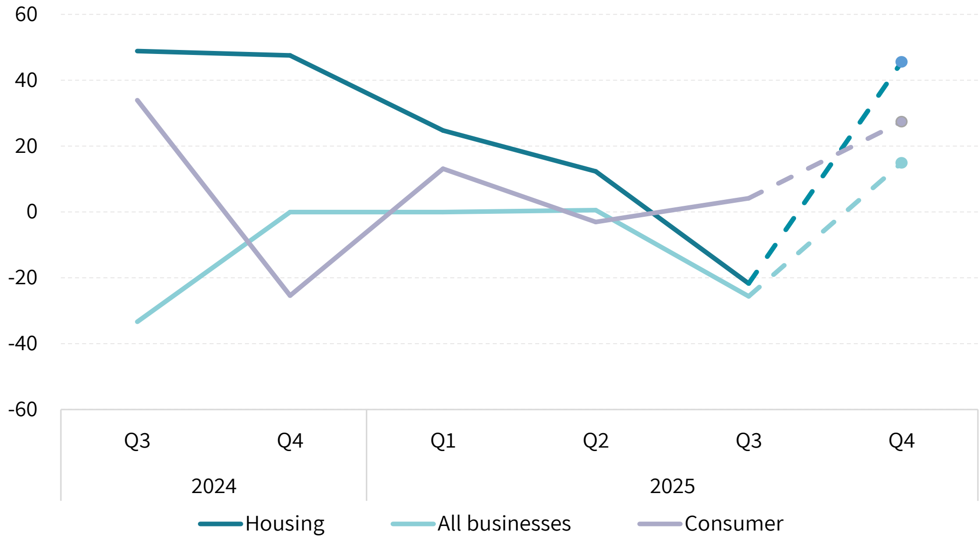
The data gathered in the survey are forwarded to the Bank of Israel in the second half of the last month of each quarter. As of this writing, five surveys have been conducted since the third quarter of 2024. The data are subjected to various quality assessment controls and, where necessary, rapporteurs are contacted for clarifications. The survey data are subject to compulsory business confidentiality. Therefore, the banks’ reports are processed into aggregates that pertain to the entire banking system, with each bank weighted in the calculations commensurate with its share of each type and segment of credit. The aggregate findings are presented and publishsed in weighted net-balance terms. A net balance is calculated for each survey item and totals the individual answers into one index. It is calculated as the difference between the share of positive answers and that of negative answers, and receives values in the range of -100%–100%. In items that relate to demand for credit, the “considerable increase” answers were placed on the positive side (an increase in demand) and the “considerable decrease” answers were placed on the negative side (a decrease in demand), such that a positive net balance reflects an increase in demand for credit and vice-versa. In items relating to credit supply—credit-issuing policy and terms of credit—“considerable tightening” / “some tightening” answers were placed on the positive side (tightening of credit-issuing policy and terms of credit) and “some easing” / “considerable easing” answers were placed on the negative side (relaxation of credit policy and terms of credit), such that a positive net balance reflects tightening of policy or terms of credit and vice-versa. In calculating the net balance for each question, the answers were weighted commensurate with each bank’s share of each segment of credit.

4. Selected results of the survey

This section presents selected results of the survey for the third quarter of 2025 for illustration purposes .

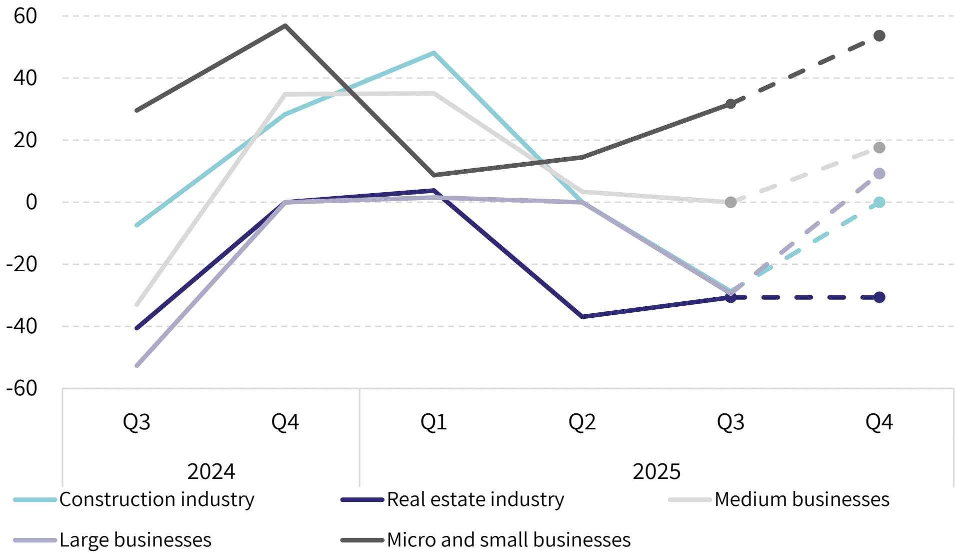
a. Credit demand

Figure 1
Net Balance* of Change in Credit Demand (broken line denotes prospective data)
a. Households and All Businesses



SOURCE: Credit Officers Survey, Bank of Israel.

b. Businesses, by business size and by the construction and real estate industries**



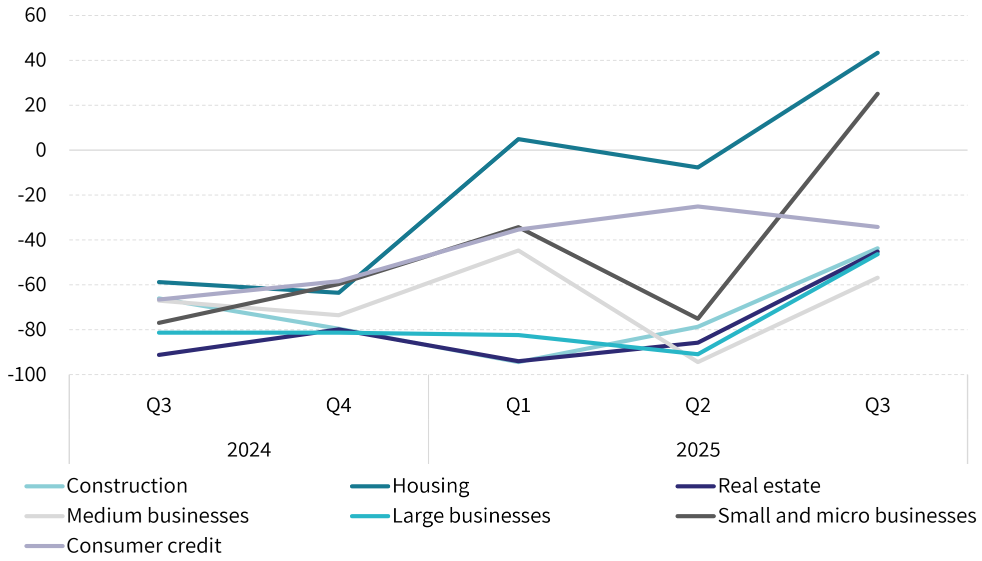
SOURCE: Credit Officers Survey, Bank of Israel.

*A positive value means an increase in demand for credit, and vice-versa.
**Business credit for construction and real estate is divided separately from segmentation by business size. As such, some overlap in businesses between the two segmentations may occur .

Figure 1 shows that demand for housing credit ebbed somewhat in the third quarter of 2025 and was expected to grow in the next quarter. In the business sector, credit demand among small and micro businesses continued to rise, while it waned in the construction and real estate industries.[3] The banks expect an increase in demand for credit by small and micro businesses and a decline in real estate credit.

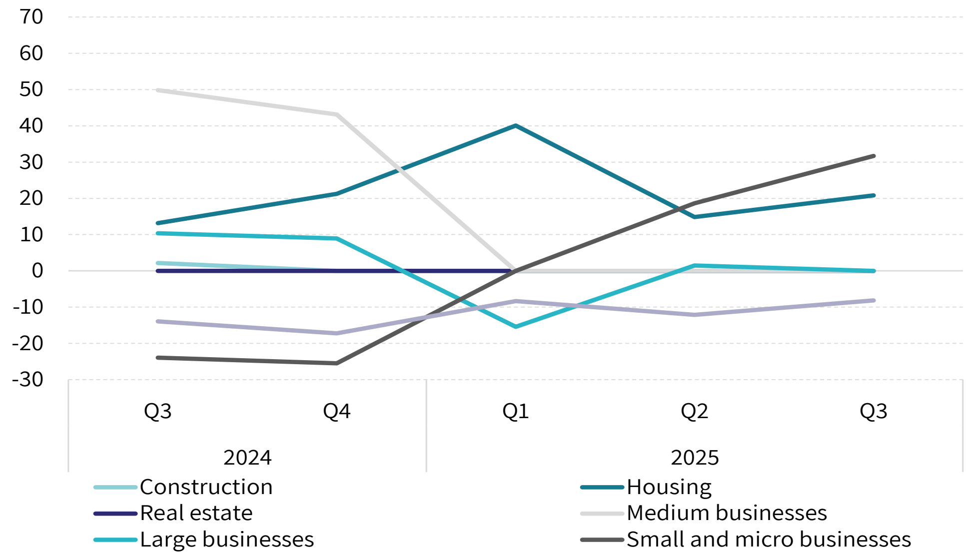
b. Credit supply

Figure 2
Net Balance* of Change in Terms of Credit for New Credit Applications
a. Medium-Risk Spreads



SOURCE: Credit Officers Survey, Bank of Israel.

b. High-Risk Spreads



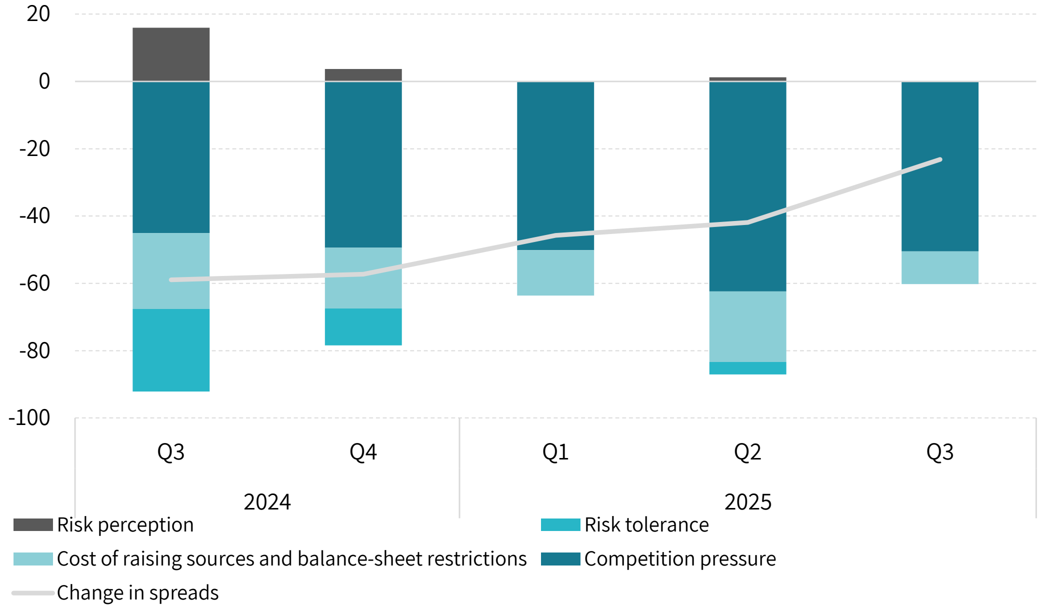
SOURCE: Credit Officers Survey, Bank of Israel.

*A positive value means tightening, while a negative value means easing.

[3] The construction and real estate industries are defined in accordance with the Central Bureau of Statistics Standard Classification of All Economic Activities. The construction industry (Section F) is comprised mainly of installation, repair, and maintenance of buildings, infrastructure and equipment, whereas Real Estate Activities (Section L) includes activities that center on purchase, sale, rental, and operation of real estate, excluding development of construction projects for sale.

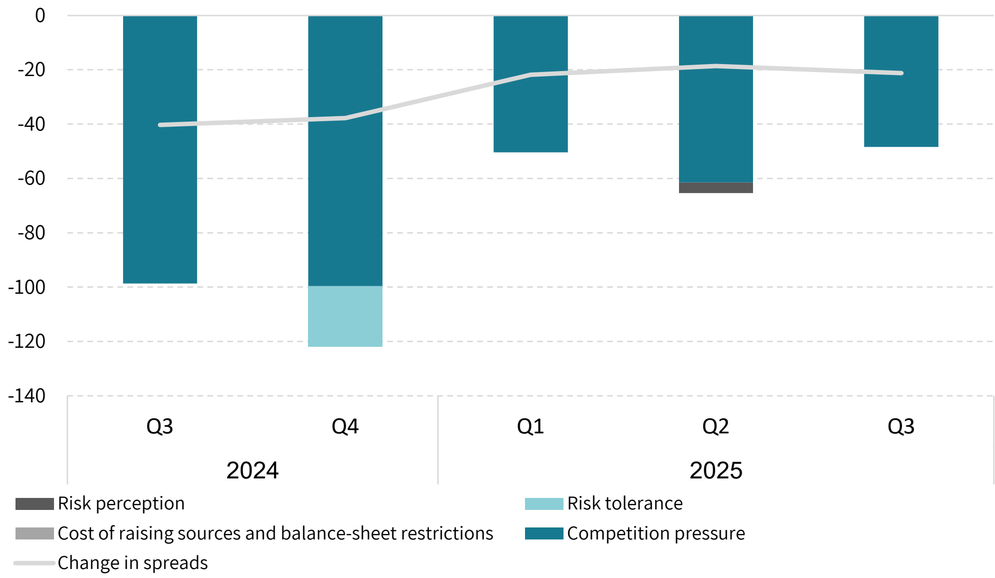
Figure 2 shows that the easing of terms of credit continued in the third quarter of 2025 in most credit segments, and was reflected mainly in risk-free credit spreads. Concurrently, housing credit spreads reflected a tightening of terms. According to the banks' reports, the main determinant of the easing of spreads throughout the survey period was competition in the credit market, as Figure 3 shows.

Figure 3
Net Balance* of Changes in the Effect of Various Factors on Credit Spreads
a. Business Credit



SOURCE: Credit Officers Survey, Bank of Israel.

b. Consumer Credit



SOURCE: Credit Officers Survey, Bank of Israel.

*A positive value denotes a factor that contributed to tightening of spreads, and vice-versa.

Conclusion

In its efforts to broaden its base and sources of information about domestic economic activity, the Bank of Israel's Information and Statistics Department initiated and spearheaded the construction of a Credit Officers Survey in collaboration with other departments at the Bank. The survey was based on similar surveys conducted by leading central banks abroad. For the Bank of Israel, the information provided by the survey supplements information about the credit market and yields a deeper understanding and analysis of developments in this market. In this way, it supports stability and sound activity in the financial services system; helps to analyze developments in, and the effect of various factors on, credit supply and credit demand; and helps to analyze the impact of the transmission of decisions and monetary policy to the Israeli credit market.