

Quarterly Credit Conditions Survey Report



**December 2021
Quarter**

Prepared by the

**Intelligence Gathering Unit
Statistics Department
Research & Economic Programming Division**

Table of Contents

List of Figures & Tables.....	2
Overview	4
Personal Lending	9
Micro Business Lending	12
Small Business Lending.....	14
Medium-Sized Business Lending	16
Large Corporations and Commercial Lending.....	19
Appendix A: Overall Credit Market Conditions	22
Appendix B: Glossary and Definitions.....	26
Box: A Redefinition of Business Sizes	29

List of Figures & Tables

Figure 1a: Index of Overall Credit Market Conditions.....	5
Figure 1b: Index of Credit Market Conditions for Secured & Unsecured Loans	5
Figure 2: Components of Credit Supply	6
Figure 3a: Distribution of Private Industry Credit	6
Figure 3b: Distribution of Private Industry Credit by Business Size	6
Figure 4: Components of Credit Demand	7
Table 1: Overall Average Lending Rates on Local and Foreign Currency Loans	8
Figure 5a: Index of Overall Credit Conditions for Personal Lending	9
Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending.....	9
Figure 6a: Availability of Credit for Personal Lending.....	10
Figure 6b: Availability of Credit for Personal Lending.....	10
Figure 7a: Demand for Personal Loans.....	10
Figure 7b: Demand for Personal Loans.....	10
Table 2: Interest Rates on Personal Loans.....	11
Figure 8a: Credit Conditions for Micro-sized Businesses	12
Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses.....	12
Figure 9: Credit Demand for Micro-sized Businesses	12
Table 3: Interest Rates on New Local Currency Loans to Micro Businesses	13
Figure 10a: Credit Conditions for Small Businesses	14
Figure 10b: Credit Conditions for Secured and Unsecured Loans to Small Businesses	14
Table 4: Interest Rates on New Local & Foreign Currency Loans to Small Businesses.....	15
Figure 11a: Credit Conditions for Medium-sized Businesses.....	16
Figure 11b: Credit Conditions for Medium-sized Businesses.....	16
Figure 12: Credit Demanded by Medium-sized Businesses	17
Table 5: Interest Rates on Local and Foreign Currency Loans to Medium-sized Businesses.....	18
Figure 12a: Credit Conditions for Large Businesses.....	19
Figure 12b: Credit Conditions for Secured and Unsecured Loans to Large Businesses	19
Figure 14: Availability of Credit to Large Businesses	20
Figure 15: Credit Demanded by Large Businesses	21
Table 6: Interest Rates on Local and Foreign Currency Loans to Large Businesses.....	21
Figure 16: Changes in Components of Credit Conditions for Secured Loans	22
Figure 17: Changes in Components of Credit Conditions for Unsecured Loans	22
Table 7: Reported Indices and Interest Rates on New Loans	23
Figure 18: Drivers of the Supply of Credit.....	24
Figure 19: Drivers of the Demand for Secured Credit	25
Figure 20: Drivers of the Demand for Unsecured Credit.....	25

Background

In order to meet its core mandate to maintain monetary and financial stability, Bank of Jamaica (BOJ) seeks to assess a wide set of data on credit market conditions. In this regard, the BOJ's Quarterly Credit Conditions Survey (QCCS) broadens the range of credit statistics used in the analysis of inflation and determines the risks to growth in private industry credit. The survey is conducted online on a quarterly basis among commercial banks, building societies, merchant banks, credit unions and development banks. It is designed to elicit qualitative information on changes in the demand and supply of credit to various types of businesses as well as individuals. The QCCS explores the main factors underpinning these reported changes, including price and non-price lending terms and other credit market developments.

The results presented in this report are based on the credit conditions indices constructed from the results of the surveys. Each credit conditions index (credit demand or credit availability index) is a single metric used to assess overall changes in demand for credit from households and businesses or the amount of credit made available to households and businesses. The credit conditions indices range from 0 to 200. An index less than 100 indicates a decline in the particular variable whereas an index greater than 100 indicates an increase in the variable in question (see Glossary for more information).

The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

This report represents the results of the December 2021 survey which was conducted between 12 January 2022 and 27 January 2022.

Past survey reports are available on the BOJ website at <https://boj.org.jm/boj-publications/survey-reports/>

Surveys Completed by Each Institution

	No. of survey respondents	Number of Surveys Completed by Each Institution				
		Personal Loans	Micro Businesses	Small Businesses	Medium Businesses	Large Businesses
Commercial Banks	8	8	8	8	8	8
Building Societies	2	2	2	2	2	2
Merchant Banks	1	1	1	1	1	1
Credit Unions	9	9	9	9	9	9
Public Entities	2	2	2	2	2	2
Total	22	22	22	22	22	22



Overview

Context

STATIN's estimate of GDP outturn for the December 2021 quarter indicated that the Jamaican economy grew by 6.7 per cent relative to December 2020 quarter. This was attributable to increases in both the Services and Goods Producing Industries of 9.0 per cent and 0.5 per cent respectively. The expansion of the economy was positively impacted by the relaxation of some COVID-19 measures.

The annual point-to-point inflation rate for December 2021 was 7.3 per cent, lower than the 8.2 per cent at September 2021 but higher than the upper limit of the Bank's inflation target range of 4.0 per cent to 6.0 per cent. The outturn mainly reflected an acceleration in energy-related inflation. Furthermore, inflation for processed foods and services accelerated due to the continued lagged impact of higher international grains and freight costs.

During the December 2021 quarter, Bank of Jamaica increased its policy interest rate by 200 basis points to 2.50 per cent. The Monetary Policy Committee (MPC) unanimously agreed to further reduce the level of monetary policy accommodation by increasing the policy rate to limit the second-round effects of the shocks and to guide inflation back within the target range over the next two years. In the context of the Bank's posture for the quarter, private money market rates and GOJ treasuries increased in the December 2021 quarter.

Liquidity conditions remained buoyant for the December 2021 quarter but tightened slightly

relative to the September 2021 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of \$71.4 billion by deposit-taking institutions (DTIs) and primary dealers, relative to an average of \$72.6 billion for the preceding quarter.

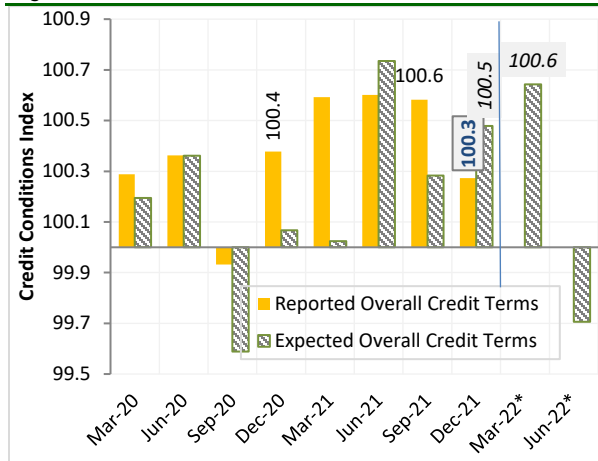
The US Federal Reserve maintained interest rates in December 2021 to promote maximum level of employment. US inflation as at December 2021 was 7.0 per cent, above the 5.4 per cent recorded in the previous quarter.



Credit Conditions (Overall)¹

In the context of the foregoing, overall credit conditions to the private sector during the December 2021 quarter (i.e. lending institutions' price and non-price loan terms agreed in loan contracts) eased marginally, relative to the previous quarter (see **Figure 1a**). This outturn reflected the lending terms for both secured loans and unsecured loans with more notable easing reflected in the terms for secured credit (see **Figure 1b**). In relation to secured lending, the easing was reflected in interest rates, fees, maximum loan-to-value ratio, maximum repayment period and maximum debt service ratio. A number of institutions indicated that their decision to ease terms was an attempt to increase lending to meet profit targets which they had not been able to meet as a result of the fall-out from the pandemic. In contrast there was tightening in loan monitoring requirements, loan covenants and collateral requirements (See **Appendix A: Figures 16 & 17**).

Figure 1a: Index of Overall Credit Market Conditions

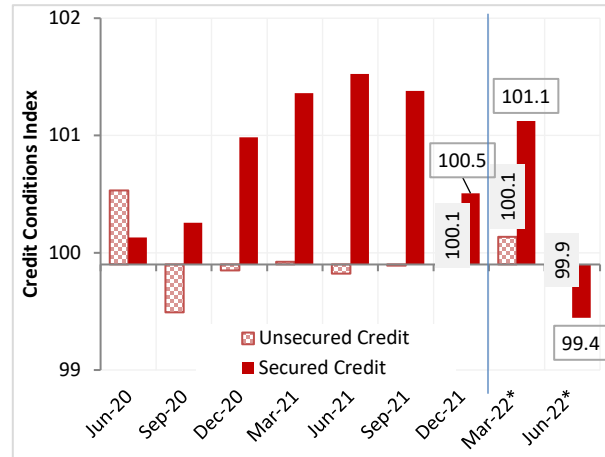


1. *Expectations for the upcoming quarter from the current survey.
2. Relative to the previous quarter, indices greater than 100 indicate an easing in conditions while indices less than 100 indicate a tightening.

¹ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.

There was easing in credit conditions faced by individual borrowers and micro-sized businesses during the December 2021 quarter while credit conditions for small, medium and large-sized businesses were unchanged.

Figure 1b: Index of Credit Market Conditions for Secured & Unsecured Loans



1. *Expectations for the upcoming quarter from the current survey.
2. Relative to the previous quarter, indices greater than 100 indicate an easing in conditions while indices less than 100 indicates a tightening.

Lenders reported that they plan to ease credit conditions for the March 2022 quarter but tighten conditions for the June 2022 quarter.

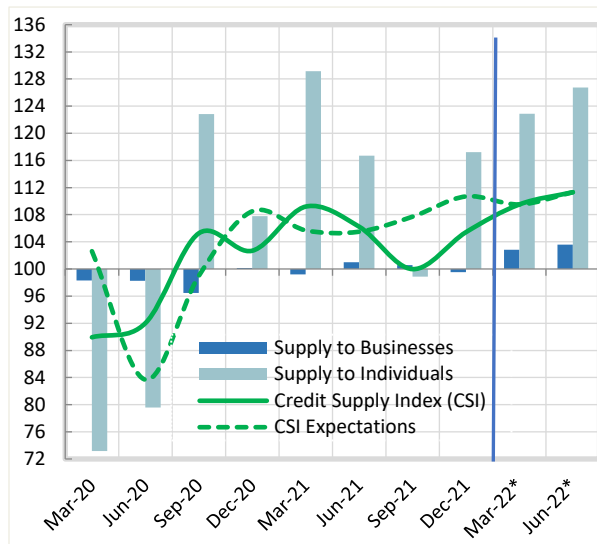
Credit Supply

The credit made available during the December 2021 quarter eased, as evidenced by the Credit Supply Index (CSI) of **105.4** (see **Figure 2** and **Appendix A: Table 7**). This reflected an easing in the availability of credit for personal lending. Local currency credit available to businesses contracted slightly and reflected less credit made available to the *Construction and Tourism*, industries. Some lenders indicated that they were



exercising caution in lending to some sectors as many loan applicants had been challenged to meet loan requirements. The overall Foreign currency credit made available to businesses remained unchanged.

Figure 2: Components of Credit Supply



1. *Expectations for the upcoming quarter from the current survey.
2. Relative to the previous quarter, indices greater than 100 indicate an increase while indices less than 100 indicate a decline.

The allocation of credit to businesses relative to personal loans increased marginally for the December 2021 quarter. In relation to the business portfolio, large businesses continued to account for the largest share of the portfolio at end-December 2021 (see **Figure 3a** and **3b**).

Figure 3a: Distribution of Private Industry Credit²

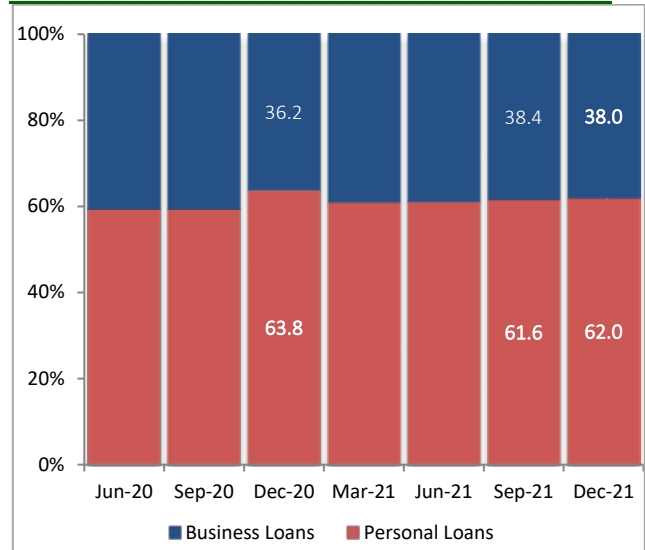
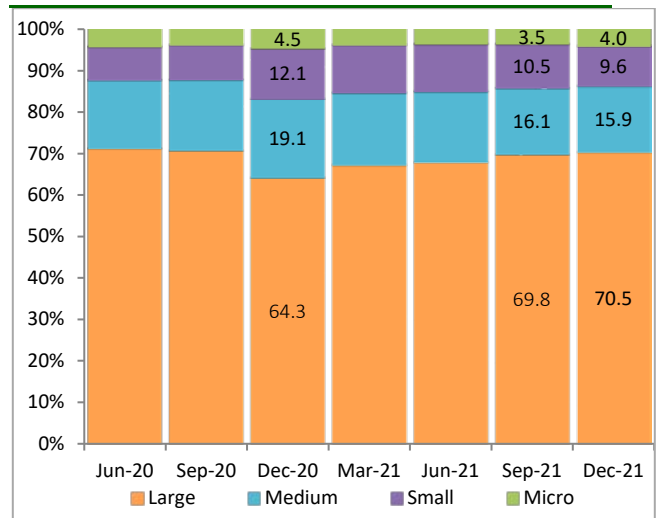


Figure 3b: Distribution of Private Industry Credit by Business Size



Credit Demand

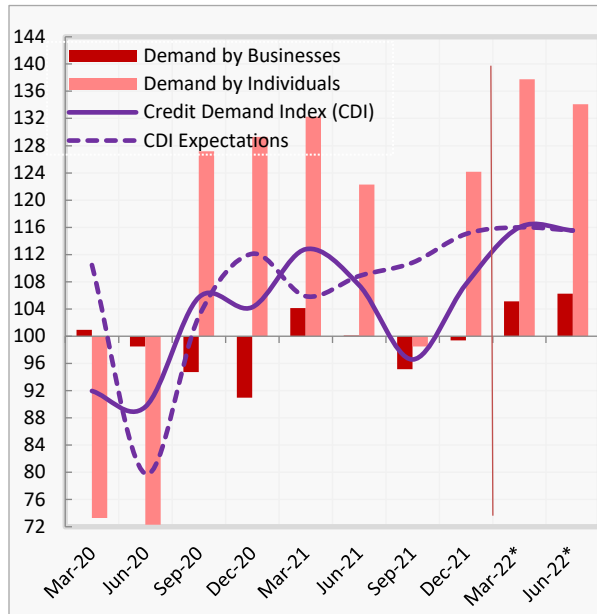
For the December 2021 quarter the demand for credit increased as reflected by the Credit Demand Index (CDI) (see **Figure 4**). The CDI for the quarter was **107.6** (see **Appendix A: Table 7**). The increase in credit demand mainly reflected increased

² Figure 3 shows the distribution of credit between households and businesses. Credit to businesses is further disaggregated to show total business loans distributed to firms of various sizes.



demand for personal loans and local currency business loans (**Appendix A: Table 7**).

Figure 4: Components of Credit Demand



1. Indices greater than 100 indicate an increase while indices less than 100 indicate a decline.
2. The asterisk (*) represents expectations provided by the respondents.

For the March 2022 and June 2022 quarters, lenders indicated that they expected overall demand for credit to expand. Increased demand is expected to reflect higher demand by individuals for credit and to a lesser extent increased demand by all businesses except large firms. Respondents indicated that their plan to ease lending conditions for the March 2022 is in response to the expected increase in demand.

Price of Credit³

Based on the survey responses, average indicative interest rates on new local currency loans increased by approximately **44 bps** to **14.86 per cent** during the review quarter, relative to the previous quarter. This reflected an increase of **54 bps** in rates for business loans, and an increase of **2 bps** in the rates for personal loans (see **Table 1** and **Appendix A: Table 7**). Higher rates to businesses were reflected in loans to micro, medium and large-sized firms. Some lenders indicated that they increased rates in order to meet their profit objectives.

The interest rates on new foreign currency loans increased by **26 bps** relative to the previous quarter, bringing average indicative rates to **7.74 per cent**. These higher rates reflected lower rates to micro, small and large-sized businesses.

For the March 2022 quarter, lenders reported that they plan to reduce interest rates on new local currency loans by **64 bps** to **14.22 per cent** and effect further reductions by **58 bps** to **13.64 per cent** for the June 2022 quarter.⁴ The planned reduction in local currency rates for the March 2022 quarter relative to the review period is expected to be applied to the *Mining & Quarrying and Electricity Gas & Water* industries. For foreign currency loans, respondents indicated their intention to increase loan rates in the March 2022 quarter by **30 bps** to **8.03 per cent** and to effect a further increase going into the June 2022 quarter.

³ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

⁴ Respondent's expectations for future interest rates may include prime rates.

Table 1: Overall Average Lending Rates on Local and Foreign Currency Loans ⁵

	September 2021 Survey			December 2021 Survey			Quarterly Change Dec 2021 vs. Sept 2021
	Sep-21	Dec-21*	Mar-22*	Dec-21	Mar-22*	Jun-22*	
Local Currency (LC)							
Business loans	14.00	13.33	12.46	14.54	13.75	12.98	0.54
Personal loans	16.10	16.17	16.32	16.12	16.09	16.28	0.02
Average LC rates	14.4			14.9			0.5
Foreign Currency (FC)							
Business loans	7.48	8.03	8.13	7.74	8.03	8.17	0.26
Reference rate	7.34	7.97	5.69	7.45	8.13	6.92	0.11

1. The asterisk (*) represents expectations provided by the respondents.

⁵ Methodology updated to address data gaps.

Personal Lending

Credit Conditions

Overall credit conditions for personal lending continued to ease for the December 2021 quarter. This was evidenced by an index of **101.2** (see **Figure 5a** and **Appendix A: Table 7**). This easing in credit conditions was reflected in secured loans as conditions for unsecured lending remained unchanged (see **Figure 5b**). In relation to credit terms, easing was reflected in lower interest rates and fees as well as an increase in maximum loan-to-value ratio and maximum debt service ratio.

For the March 2022, lending conditions are expected to ease for secured loans whilst conditions for unsecured loans are expected to remain unchanged. For the June 2022 quarter credit conditions are expected to tighten.

Figure 5a: Index of Overall Credit Conditions for Personal Lending

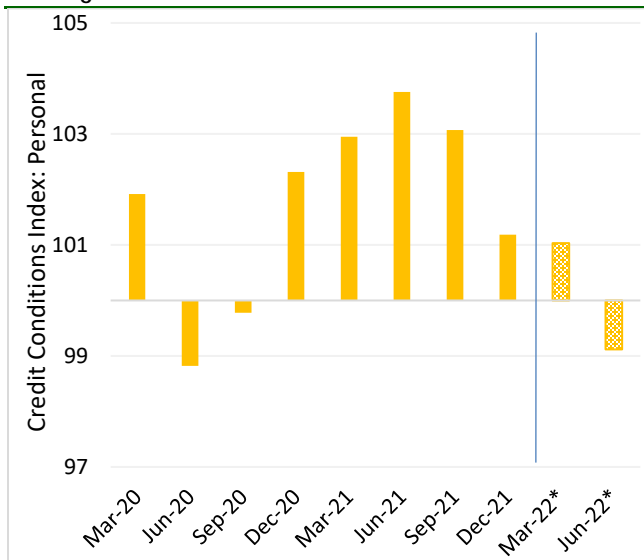
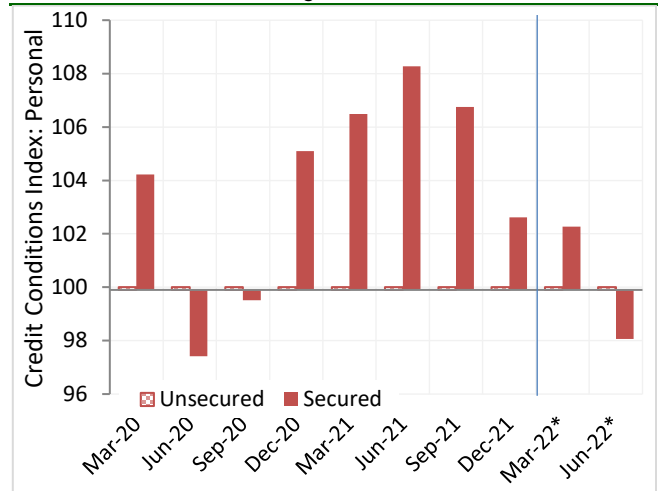


Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending



- Indices above 100 indicate easing of credit market conditions while indices below 100 indicate tightening of market conditions.
- The asterisk (*) represents forward looking expectations provided by the respondents.

Credit Supply

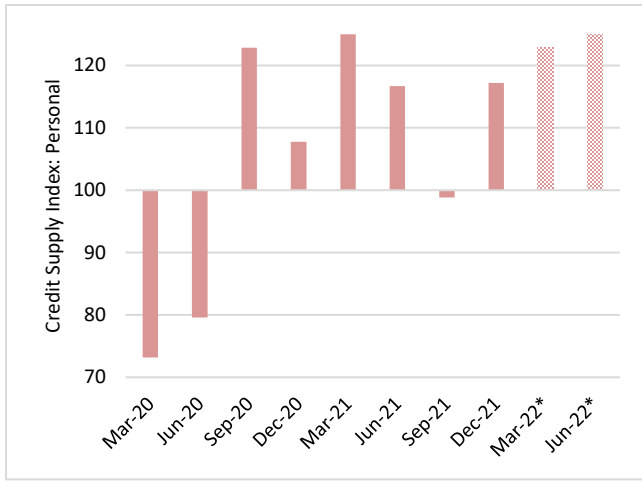
For the December 2021 quarter, credit made available for personal loans eased, which was evidenced by a CSI of **117.2** (see **Figure 6a**). This was mainly evident in unsecured personal loans, motor vehicle loans, credit card lending and loans for debt consolidation and loans secured on real estate. Notably, approval rates⁶ for all categories of personal loans remained unchanged, with the exception of mortgages which reflected an increase (See **Figure 6b**).

For the March 2022 and June 2022 quarters, lenders expect to make more credit available for personal lending relative to the December 2021 quarter.

⁶ Approval rate refers to the number of loans approved relative to the number of loan applications received



Figure 6a: Availability of Credit for Personal Lending



For the March 2022 and June 2022 quarters, the CDI is expected to increase. The expectation for growth, reflects lenders' view that the demand for personal loans will increase in response to loan promotion activities.

Figure 6b: Availability of Credit for Personal Lending

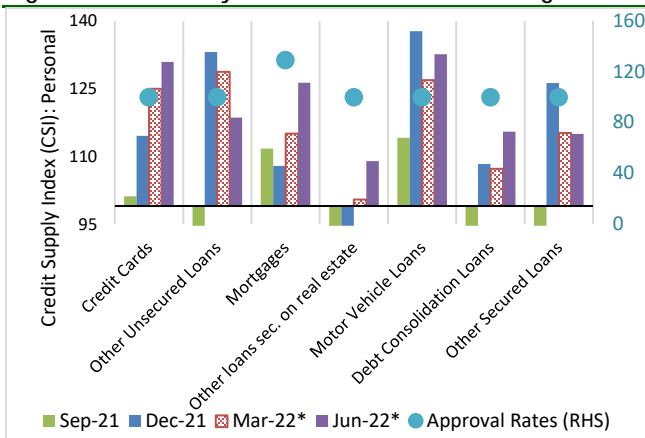


Figure 7a: Demand for Personal Loans

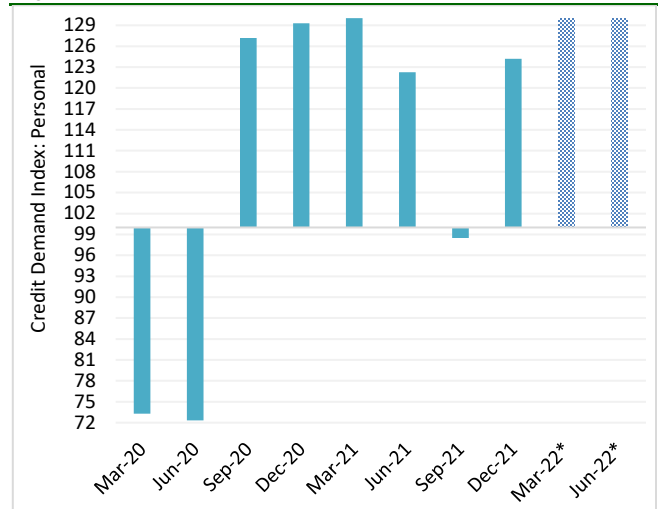
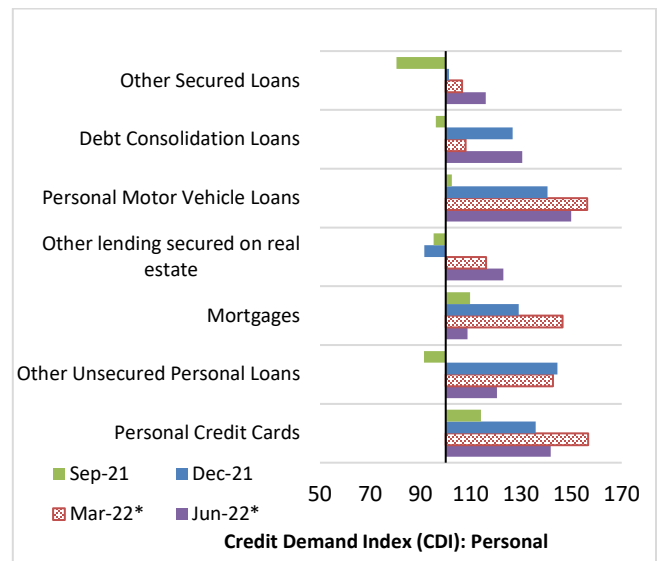


Figure 7b: Demand for Personal Loans



1. CSI less than 100 indicates a decline in credit availability while a CSI greater than 100 indicates an increase.
2. The asterisk (*) represents forward looking expectations provided by the respondents.

Credit Demand

, Consistent with the usual increased spending during the last quarter of the year, the demand for personal credit for the December 2021 quarter increased relative to the September 2021 quarter. This was reflected by a CDI of **124.2** for the quarter. The expansion in demand was evident in all categories of lending with the exception of other lending secured by real estate which contracted. (see **Figure 7a** and **7b**).



Price of Credit⁷

Average indicative loan rates on new personal loans offered by participating institutions increased for the review period to **16.12 per cent** from **16.10 per cent** in the previous survey. The increased rates were evident in credit card lending, motor vehicle loans and other secured personal loans. (See **Table 2**).

For the March 2022 quarter⁸, lenders reported that they plan to reduce interest rates by **3 bps to 16.09 per cent** then increase rates by **19 bps to 16.28 per cent** for the June 2022 quarter.

Table 2: Interest Rates on Personal Loans⁹

	September 2021 Survey			December 2021 Survey			Quarterly Change
	Sep-21	Dec-21*	Mar-22*	Dec-21	Mar-22*	Jun-22*	
Credit Cards	38.95	39.48	40.23	38.97	39.85	40.66	0.02
Other Unsecured	18.29	18.32	18.29	17.30	17.58	17.66	-0.99
Mortgages	7.30	7.19	7.20	6.80	7.25	7.25	-0.50
Motor Vehicle	7.92	7.81	7.82	8.87	7.84	7.87	0.95
Other Secured	8.05	8.03	8.05	8.66	7.92	7.95	0.61
Average rates	16.10	16.17	16.32	16.12	16.09	16.28	0.02

1. The asterisk (*) represents forward looking expectations provided by the respondents.

⁷ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

⁸ Respondent's expectations for future interest rates may include prime rates
⁹ Methodology updated to address data gaps.

Micro Business Lending

Credit Conditions

For the December 2021 quarter, credit conditions faced by micro-sized businesses eased marginally. This was evidenced by an index of **100.2** relative to the previous quarter (see **Figure 8a** and **Appendix A: Table 7**). The easing was reflected in unsecured lending whilst secured loans remained unchanged. (see **Figure 8b**). For unsecured lending, the easing was as a result of easing in interest rates.

Credit conditions for the March 2022 quarter is expected to continue to ease for both secured lending and unsecured lending. However, credit terms for the June 2022 quarter are expected to tighten marginally for both unsecured and secured lending.

Figure 8a: Credit Conditions for Micro-sized Businesses

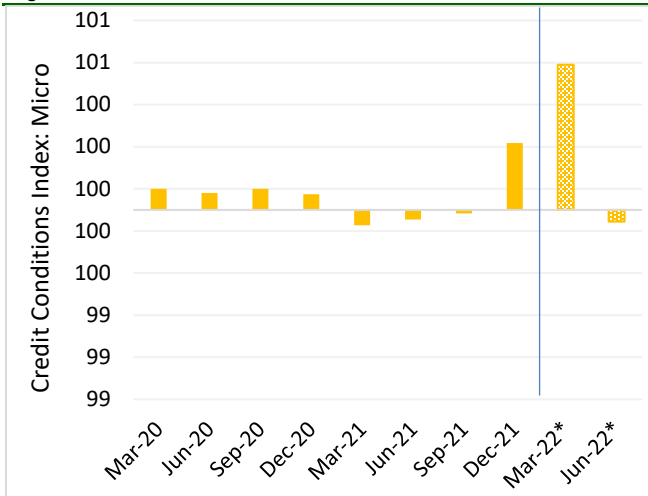
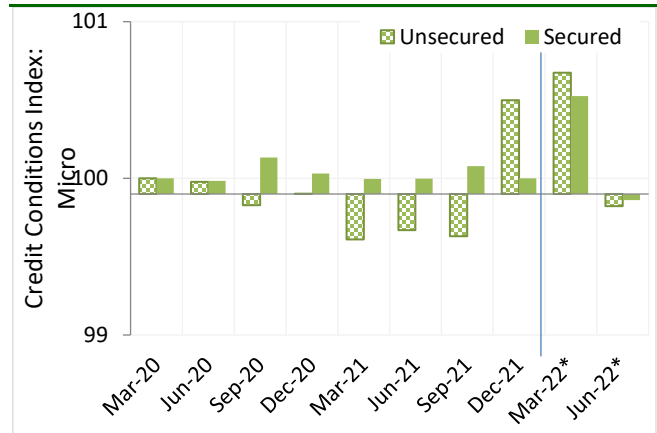


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



1. Indices above 100 indicate easing of credit market conditions while indices below 100 indicate tightening of market conditions

Credit Supply

Credit made available to micro firms for the review quarter declined relative to the previous quarter as evidenced by a CSI of **93.5**. This was reflected in credit availability for the *Construction & Land Development* and *Tourism* industries.

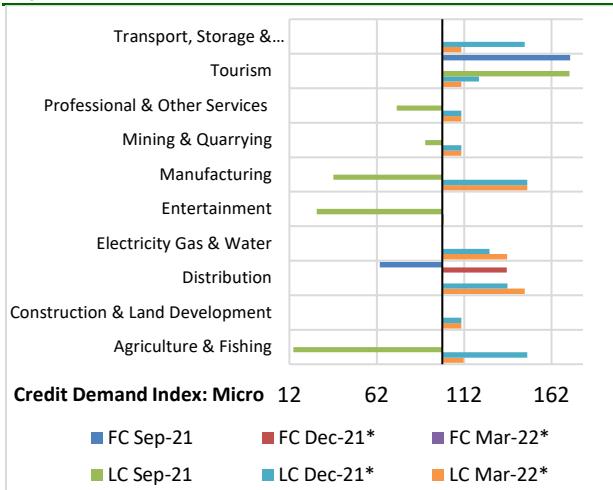
For the March 2022 and June 2022 quarters, lenders reported that they plan to increase the supply of local and foreign currency credit to micro businesses (particularly in the *Manufacturing* and *Tourism* industries).

Credit Demand

For the December 2021 quarter, credit demand by micro businesses continued to decline. This was reflected by a CDI of **94.5** for the quarter in comparison to **90.6** in the previous quarter. This contraction in demand by micro-businesses was reflected in the demand for both local and foreign currency loans. The decline in demand for local

currency loans was reflected in *Agriculture & Fishing, Construction & Land Development, Transport, Storage & Communication* and *Tourism*. (See **Figure 9**). Reduced demand for foreign currency loans was reflected in the *Distribution* industry.

Figure 9: Credit Demand for Micro-sized Businesses



For the March 2022 quarter, lenders reported that they expected an increase in demand for both local and foreign currency loans. For local currency loans this increase is expected to be evidenced in all industries except in the *Electricity Gas & Water* and *Entertainment* industries. The demand for loans by the latter sectors is expected to remain unchanged. For foreign currency loans, it was anticipated that the increase in demand will be reflected in the *Tourism* and *Distribution* industries.

For the June 2022 quarter, lenders reported that they expected continued growth in the demand for local currency loans this was reflected across all industries except for *Construction & Land Development* and *Electricity Gas & Water* industries, which are expected to remain unchanged. For foreign currency loans demand is expected to remain unchanged.

Price of Credit¹⁰

For the review period, the indicative average lending rate on new local currency loans to micro businesses increased from **28.76 per cent** to **31.23 per cent** (see **Table 3**). This increase was evident in all industries except in the *Entertainment* industry, which remained unchanged.

For the March 2022 quarter¹¹, lenders reported that they plan to reduce average interest rates on local currency loans to **28.12 per cent**. The lower local currency rates reflect lending by public entities at reduced rates as well as plans by some credit unions to offer lower rates to remain competitive in the market for micro lending.

For the June 2022 quarter lenders plan to further reduce rates for local currency loans by **320 bps** to **24.92 per cent**.

Table 3: Interest Rates on New Local Currency Loans to Micro Businesses¹²

MICRO	Local Currency			
	Sep-21	Dec-21	Mar-22*	Jun-22*
Agriculture & Fishing	29.10	31.33	27.06	24.79
Construction & Land Development	30.09	31.02	28.13	24.64
Distribution	29.47	33.41	28.31	25.32
Electricity, Gas & Water	30.11	30.11	26.53	22.88
Entertainment	29.99	35.89	31.22	29.29
Manufacturing	27.74	28.77	26.86	25.29
Mining & Quarrying	26.61	26.89	24.39	18.75
Professional & Other Services	27.71	31.39	30.19	27.13
Tourism	29.42	33.92	30.47	26.25
Transport, Storage & Communication	27.31	29.58	28.03	24.89
Average	28.76	31.23	28.12	24.92

1. The asterisks (*) represent expectations provided by the respondents.
2. Note that "n.a" indicates that creditors did not lend to businesses within those industries for the review quarter

¹⁰ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

¹¹ Respondent's expectations for future interest rates may include prime rates

¹² Methodology updated to address data gaps.

Small Business Lending

Credit Conditions

For the December 2021 quarter, overall credit conditions faced by small businesses remain unchanged, relative to the previous quarter. This was reflected in a credit conditions index of **100.0** for the quarter (see **Figure 10a** and **Appendix A: Table 7**. For secured and unsecured loans, both reflected unchanged credit conditions. (see **Figure 10b**).

For the March 2022 quarter lenders indicated that they expect a marginal easing in overall credit conditions driven by a marginal easing in secured loans while conditions for unsecured credit are expected to remain unchanged.

However, for the June 2022 quarter, it is anticipated that overall credit conditions will tighten marginally, which is reflected in both secured and unsecured loans to small businesses.

Figure 10a: Credit Conditions for Small Businesses

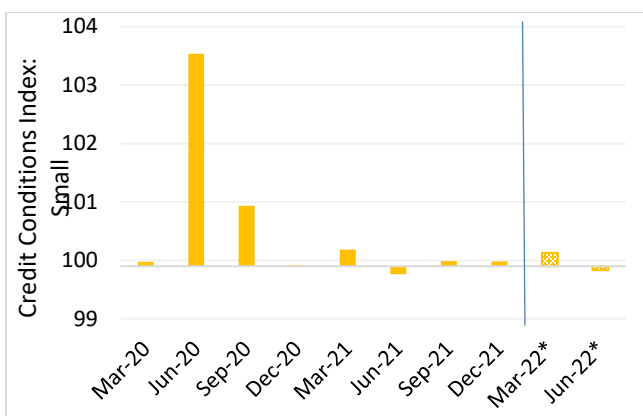
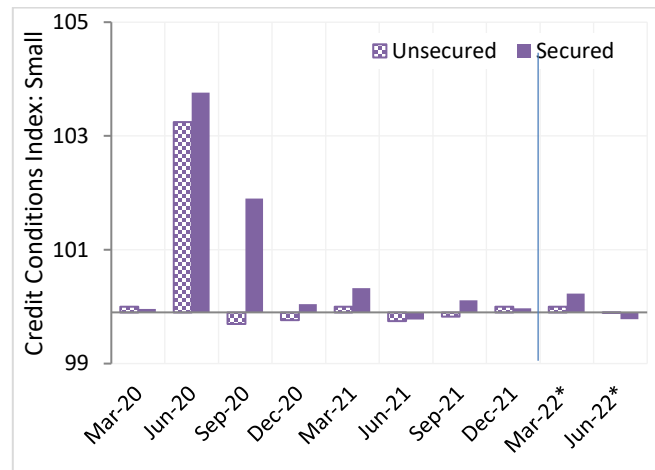


Figure 10b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



1. Indices above 100 indicate easing of credit market conditions while indices below 100 indicate tightening of market conditions.

Credit Supply

Credit made available to small firms expanded as reflected by an index of **103.9**, when compared to an index of **98.5** in the previous quarter. Lenders reported that there was an increase in the supply of both local and foreign currency loans. For local currency loans, this was reflected in all industries except *Tourism and Professional & Other Services*, which declined, while *Electricity Gas & Water* and *Entertainment* industries remained unchanged. As for foreign currency loans the increase was reflected in all industries except *Electricity Gas & Water* and *Entertainment* industries which remained unchanged

For the March and June 2022 quarters, lenders reported that they expect to increase supply to both foreign and local currency credit to small businesses.

Credit Demand

The demand for loans by small businesses was largely unchanged in the review quarter as evidenced by the



CDI of **100.2**. The outturn reflected an increase in foreign currency loans which was offset by a decline in local currency loans. For foreign currency loans the increases were reflected in *Distribution* and *Professional & Other Services* industries. For local currency loans declines were reflected in *Agriculture & Fishing*, *Transport, Storage & Communication*, *Tourism*, *Professional & Other Services* and *Entertainment* industries.

For the March and June 2022 quarters, lenders reported that they expect an increase in the demand for both local currency loans and foreign currency loans.

Price of Credit¹³

For the December 2021 quarter, the indicative average lending rate on new local currency loans to small businesses fell to **10.28 per cent** from **10.65 per cent**. The decline was reflected in all industries except for *Electricity, Gas & Water* and *Entertainment* industries where rates remained the same. The average interest rate on foreign currency loans increased by **22 bps** to **8.71 per cent**, which was observed in all industries except *Entertainment* and *Professional & Other Services* industries.

For the March 2022 quarter¹⁴, lenders reported that they expect to reduce interest rates on both new local and foreign currency loans by **62 bps** and **18 bps** respectively.

For the June 2022 quarter, lenders reported a planned slight decline of interest rates on new local currency loans by **1 bp** to **9.65 per cent**, while they plan to increase interest rates on new foreign currency loans to small business enterprises by **24 bps** to **8.77 per cent**.

Table 4: Interest Rates on New Local & Foreign Currency Loans to Small Businesses¹⁵

SMALL	Local Currency				Foreign Currency			
	Sep-21	Dec-21	Mar-22*	Jun-22*	Sep-21	Dec-21	Mar-22*	Jun-22*
Agriculture & Fishing	11.25	10.77	9.87	9.87	8.78	8.78	8.88	9.08
Construction & Land Development	10.50	9.66	10.04	9.96	8.70	8.70	8.50	8.79
Distribution	10.52	10.25	9.71	9.58	9.35	9.87	8.06	8.67
Electricity, Gas & Water	10.40	10.40	9.79	9.83	8.50	8.50	8.99	9.17
Entertainment	11.87	11.87	8.25	8.08	6.90	7.80	7.50	7.46
Manufacturing	10.76	10.18	9.76	9.72	n.a	n.a	n.a	n.a
Mining & Quarrying	10.34	10.43	9.69	9.94	8.81	8.81	8.57	8.92
Professional & Other Services	10.46	9.83	10.23	10.20	7.68	8.19	8.86	9.40
Tourism	10.20	10.13	9.68	9.56	8.15	8.15	8.84	9.01
Transport, Storage & Communication	10.24	9.31	9.60	9.79	9.57	9.57	8.62	8.43
Average	10.65	10.28	9.66	9.65	8.49	8.71	8.53	8.77

1. The asterisks (*) represent expectations provided by the respondents.
2. Note that "n.a" indicates that creditors did not lend to businesses within those industries for the review quarter

¹³ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

¹⁴ Respondent's expectations for future interest rates may include prime rates

¹⁵ Methodology updated to address data gaps.



Medium-Sized Business Lending¹⁶

Credit Conditions

Lending conditions faced by medium-sized businesses remained unchanged in the December 2021 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **100.0** (see **Figure 11a** and **Appendix A: Table 7**). The unchanged credit terms for the December quarter was reflected in both secured loans and unsecured loans (see **Figure 11b**).

For the March 2022 quarter, lenders reported that credit terms will remain unchanged for both secured and unsecured loans. However, for the June 2022 quarter, lenders reported that credit conditions are expected to tighten marginally given plans to increase interest rates for secured loans.

Credit Supply

Credit made available to medium-sized firms remained unchanged for the December 2021 quarter, relative to the September 2021 quarter. This was reflected in both local and foreign currency credit and across all industries.

For both the March 2022 and June 2022 quarters, the CSI for medium-sized businesses is expected to remain unchanged for both local and foreign currency credit and across all industries.

Figure 11a: Credit Conditions for Medium-sized Businesses

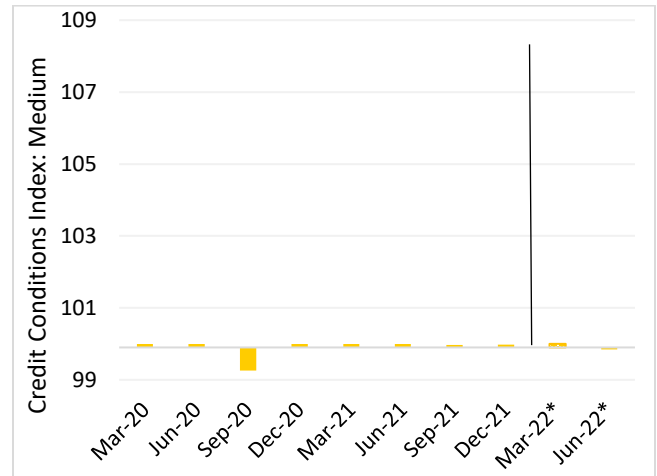
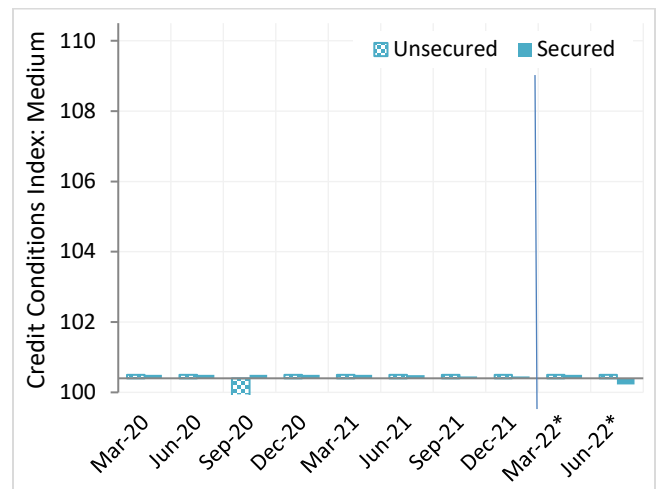


Figure 11b: Credit Conditions for Medium-sized Businesses



1. Indices above 100 indicate easing of credit market conditions while indices below 100 indicate tightening of market conditions
2. The asterisk (*) represents expectations provided by the respondents.

¹⁶ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.
© Copyright 2022. Bank of Jamaica



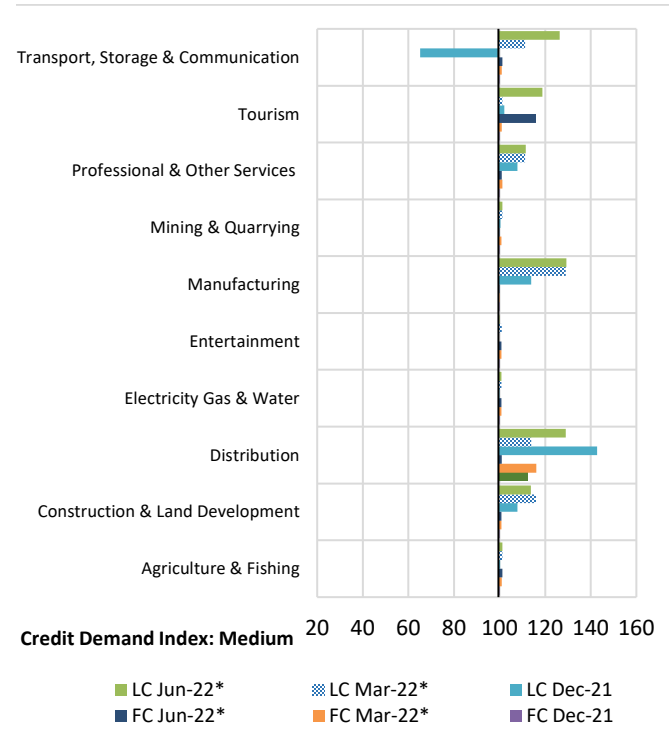
Credit Demand

The demand for credit from medium-sized businesses increased for the review period, which was indicated by a CDI of **102.7** when compared with **94.9** for the September 2021 quarter. The CDI reflected an increase in credit demand for new local currency loans as well as an increase in credit demand for new foreign currency loans. For local currency loans, the increase was evidenced in all industries except the *Transport, Storage & Communication* and *Entertainment* industries, which reflected a decline. (see **Figure 12**).

For the March 2022 quarter, lenders reported that they expected an expansion in the demand for both local and foreign currency loans from medium-sized firms relative to the December 2021 quarter. For local currency loans, demand is expected to increase for all industries. In relation to foreign currency credit, demand is expected to increase in all industries except *Manufacturing* which is expected to remain unchanged. (see **Figure 12**).

For the June 2022 quarter, lenders reported that they expect continued increase in the demand for both local and foreign currency loans for medium-sized firms relative to the March 2022 quarter. For local currency loans, demand is expected to increase in all industries except the *Entertainment* industry which is expected to remain unchanged. For foreign currency loans, demand is expected to increase in all industries except Mining & Quarrying and Manufacturing which is expected to remain unchanged.

Figure 12: Credit Demanded by Medium-sized Businesses



1. An index less than 100 indicates a reduction in the Credit availability while an index greater than 100 indicates an increase.
2. The asterisk (*) represents forward looking expectations provided by the respondents.



Price of Credit¹⁷

There was an increase in the indicative average lending rate on new local currency loans for medium-sized businesses for the review period. The average rate on local currency loans rose to **8.70 per cent** from **8.66 per cent** in the previous quarter. This was evident by the increase in interest rates to all industries except for the *Agriculture & Fishing, Construction & Land and Professional & Other Services and Transport, Storage & Communication* industries, in which the average rate declined. Furthermore, the average lending rate on new foreign currency loans remained the same for the review quarter, which was evident across all industries except the *Distribution, Professional & Other Services and Tourism* industries. (see **Table 5**).

Lenders expect to increase local currency lending rates for medium-sized firms by **14 bps** to **8.84 per cent** for the March 2022 quarter relative to the previous quarter.¹⁸ The increased rates are expected across all industries except for *Construction & Land Development, Distribution, Electricity, Gas and Water, Mining & Quarrying and Professional & Other Services* industries. However, interest rates on foreign currency credit are expected to fall in the March 2022 quarter to **7.89 per cent**.

For the June 2022 quarter, lenders plan to marginally increase local currency lending rates to medium-sized firms by **8 bps** to **8.92 per cent** relative to the March 2022 quarter. Similarly, lenders plan to increase interest rates on foreign currency credit by **27 bps** to **8.16 per cent**.

Table 5: Interest Rates on Local and Foreign Currency Loans to Medium-sized Businesses¹⁹

MEDIUM	Local Currency				Foreign Currency			
	Sep-21	Dec-21	Mar-22*	Jun-22*	Sep-21	Dec-21	Mar-22*	Jun-22*
Agriculture & Fishing	8.36	8.25	8.45	8.36	8.23	8.23	7.87	8.22
Construction & Land Development	9.75	9.67	8.86	8.97	7.94	7.94	7.97	7.88
Distribution	8.35	8.67	8.60	8.66	7.59	7.54	7.44	7.50
Electricity, Gas & Water	9.04	8.96	8.94	9.29	9.20	9.20	8.16	8.38
Entertainment	8.16	8.16	9.06	9.16	8.47	8.47	8.03	8.38
Manufacturing	8.32	8.80	8.83	8.96	n.a	n.a	n.a	n.a
Mining & Quarrying	9.47	9.47	9.44	9.56	10.31	10.31	8.03	8.46
Professional & Other Services	8.83	8.76	8.61	8.82	7.95	7.93	7.78	8.09
Tourism	7.62	7.62	8.63	8.58	7.66	7.76	7.83	8.18
Transport, Storage & Communication	8.75	8.68	8.97	8.81	8.58	8.58	7.87	8.38
Average	8.66	8.70	8.84	8.92	8.44	8.44	7.89	8.16

1. The asterisks (*) represent expectations provided by the respondents.
2. Note that "n.a" indicates that creditors did not lend to businesses within those industries for the review quarter.

¹⁷ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

¹⁸ Respondent's expectations for future interest rates may include prime rates

¹⁹ Methodology updated to address data gaps.

Large Corporations and Commercial Lending²⁰

Credit Conditions

Lending conditions faced by large firms remain unchanged in the December 2021 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **100.0** (see **Figure 13a** and **Appendix A: Table 7**). Credit terms applied for both secured and unsecured loans also remained unchanged (see **Figure 13b**).

For the March 2022 quarter, lenders reported that overall credit conditions will ease before tightening in the June 2022 quarter. Secured loans are expected to follow this trend while unsecured loans are expected to remain unchanged across both quarters.

Figure 13a: Credit Conditions for Large Businesses

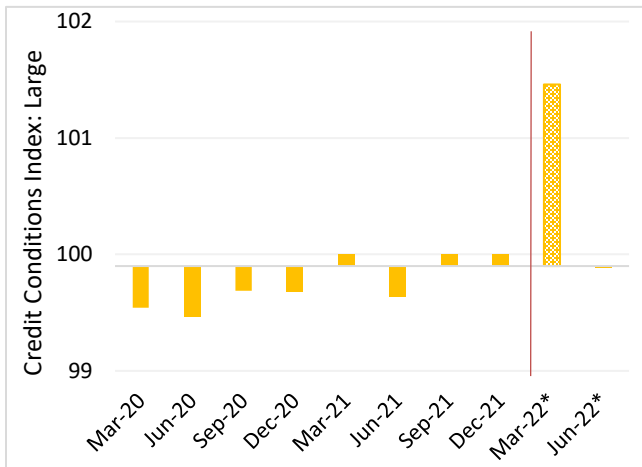
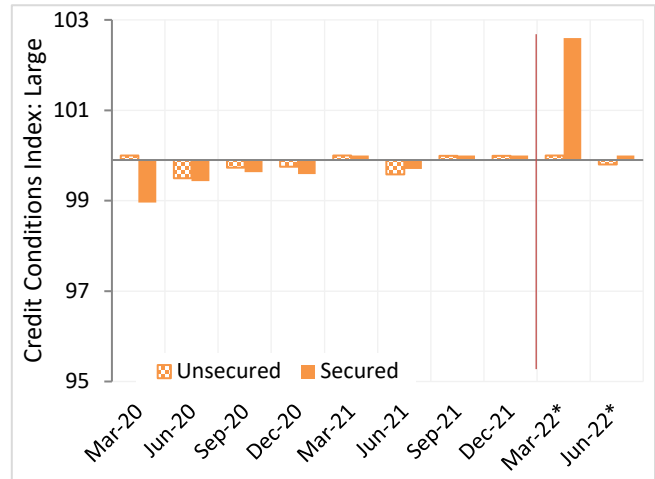


Figure 13b: Credit Conditions for Secured and Unsecured Loans to Large Businesses



- Indices above 100 indicate easing of credit market conditions while indices below 100 indicate tightening of market conditions
- The asterisk (*) represents forward looking expectations provided by the respondents.

Credit Supply

Credit availability to large businesses increased marginally relative to the previous quarter. This was reflected in a CSI of **100.7** for the review quarter, relative to **101.0** in the previous quarter. The CSI reflected an increase in credit made available for both local and foreign currency loans. Local currency credit available, was channeled into all industries (see **Figure 14**). The increase in foreign currency credit made available was reflected in *Construction & Land Development* and *Professional & Other Services* industries (see **Figure 14**). Lenders stated they were still taking a risk-based approach to lending to large-sized businesses and have cautiously decided to incrementally increase credit availability.

²⁰ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.



For the March 2022, lenders plan to marginally increase the availability of both local and foreign currency credit. The industries which reflected a planned increase in local currency credit made available were *Construction & Land Development, Manufacturing, Distribution, Professional & Other Services and Mining & Quarrying* industries. As for the foreign currency credit, the increase was reflected in the *Distribution, Construction & Land Development, Transport, Storage & Communication and Professional & Other Services* industries.

Similarly, for the June 2022 quarter, lenders also plan to marginally increase the availability of both local and foreign currency credit. For the local currency credit, the planned increase is expected in all industries except *Agriculture & Fishing* and *Electricity Gas & Water*, which is expected to remain unchanged, whilst *Mining & Quarrying* declined. For the availability foreign currency credit, the increase was reflected in the *Distribution, Construction & Land Development, Transport, Storage & Communication and Professional & Other Services* industries.

1. An index less than 100 indicates a reduction in credit availability while an index greater than 100 indicates an increase.
2. The asterisks (*) represent forward looking expectations provided by the respondents.

Credit Demand

The demand for credit from large businesses in the December 2021 quarter was largely unchanged relative to the previous quarter. This is indicated by a CDI of **100.3** compared with **99.9** in the previous quarter. The outturn for the review quarter was reflected in the increase in the demand for local currency loans which was offset by a decrease in demand for foreign currency loans. The increase in credit demand for local currency credit is reflected in *Mining & Quarrying, Construction & Land Development, Distribution and Professional & Other Services* industries (see **Figure 15**).

For the March 2022 quarter, lenders reported that they expect a decline in the demand for credit by large firms. This expectation was underpinned by anticipated declines in demand for both local and foreign currency loans.

For the June 2022 quarter lenders reported that they expected a marginal increase in demand by large businesses. Lenders anticipate that the increase in demand will be reflected in both local and foreign currency loans.

Figure 14: Availability of Credit to Large Businesses

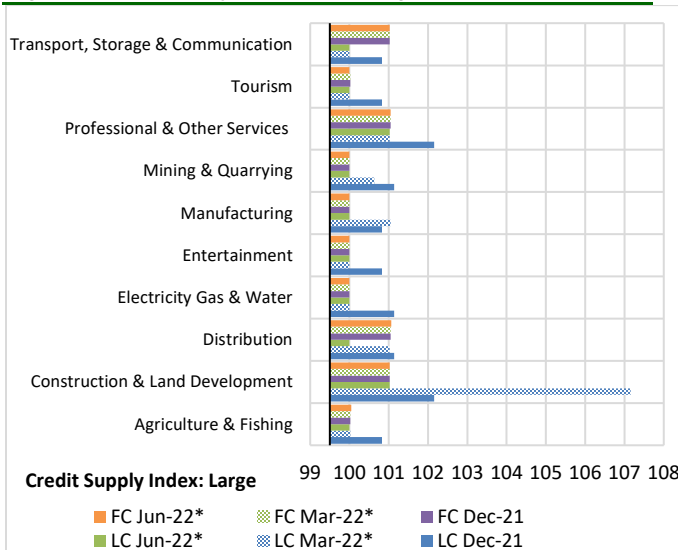
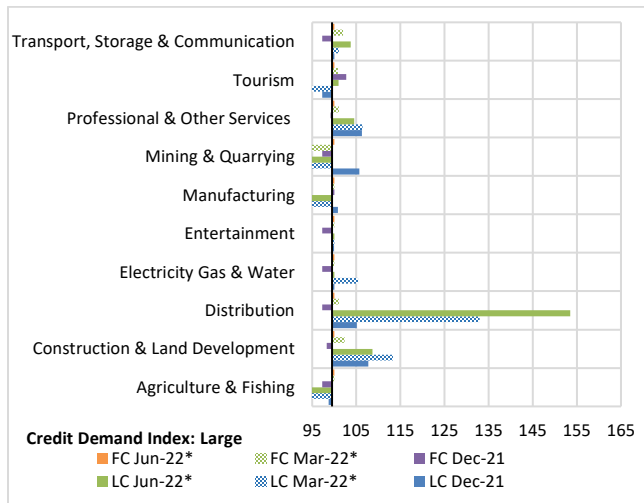




Figure 15: Credit Demanded by Large Businesses



1. An index less than 100 indicates a reduction in credit demand while an index greater than 100 indicates an increase.
2. The asterisks (*) represent forward looking expectations provided by the respondents.

Price of Credit²¹

For the review quarter, indicative lending rates on new local currency loans to large corporations increased marginally by **2 bps to 7.94 per cent**. Foreign currency rates also increased by **13 bps to 6.01 per cent** (see **Table 6**). The increase in interest rates on local currency loans was evident in all industries except *Construction & Land Development, Electricity, Gas & Water* and *Professional & Other Services*. Similarly, the increased rates on foreign currency loans was evident in all the industries except for the *Electricity, Gas and Water* industry.

For the March 2022 quarter²², the average interest rate on new local currency credit to large firms is expected to rise by **46 bps to 8.40 per cent**. Similarly, the average interest rate on foreign currency credit is anticipated to rise by **49 bps to 6.50 per cent**.

For the June 2022 quarter²³, there is a planned increase in average interest rates on new local

currency credit to large firms by **4 bps to 8.44 per cent** as well as foreign currency credit is expected to increase by **4 bps to 6.54 per cent**.

Table 6: Interest Rates on Local and Foreign Currency Loans to Large Businesses²⁴

LARGE	Local Currency				Foreign Currency			
	Sep-21	Dec-21	Mar-22*	Jun-22*	Sep-21	Dec-21	Mar-22*	Jun-22*
Agriculture & Fishing	8.21	8.22	8.50	8.55	6.09	6.09	6.57	6.51
Construction & Land Development	8.44	8.38	8.33	8.22	5.68	5.68	6.39	6.39
Distribution	7.56	7.92	8.12	8.37	5.75	5.98	6.56	6.58
Electricity, Gas & Water	8.20	8.18	8.48	8.58	6.13	5.90	6.36	6.50
Entertainment	7.45	7.45	8.53	8.50	6.10	6.10	6.57	6.58
Manufacturing	7.58	7.64	8.18	8.18	n.a	n.a	n.a	n.a
Mining & Quarrying	8.31	8.38	8.84	8.95	6.05	6.90	6.48	6.50
Professional & Other Services	7.62	7.37	8.25	8.47	5.42	5.43	6.49	6.58
Tourism	8.21	8.29	8.36	8.27	5.73	6.02	6.53	6.64
Transport, Storage & Communication	7.62	7.62	8.42	8.32	6.00	6.00	6.57	6.58
Average	7.92	7.94	8.40	8.44	5.88	6.01	6.50	6.54

1. The asterisks (*) represent expectations provided by the respondents.
2. Note that "n.a" indicates that creditors did not lend to businesses within those industries for the review quarter

²¹ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

²² Respondent's expectations for future interest rates may include prime rates

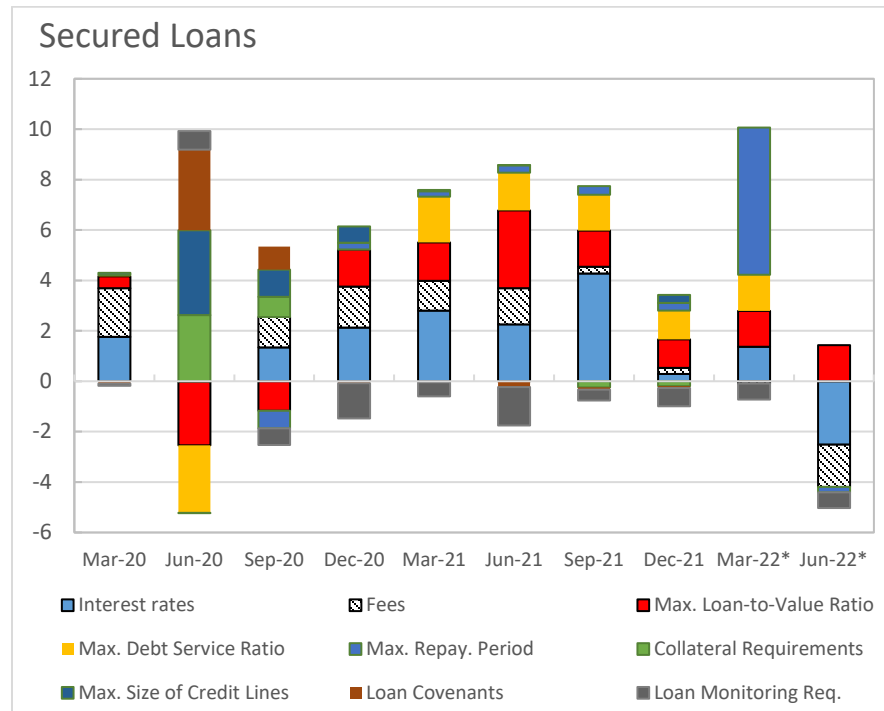
²³ Respondent's expectations for future interest rates may include prime rates

²⁴ Methodology updated to address data gaps.



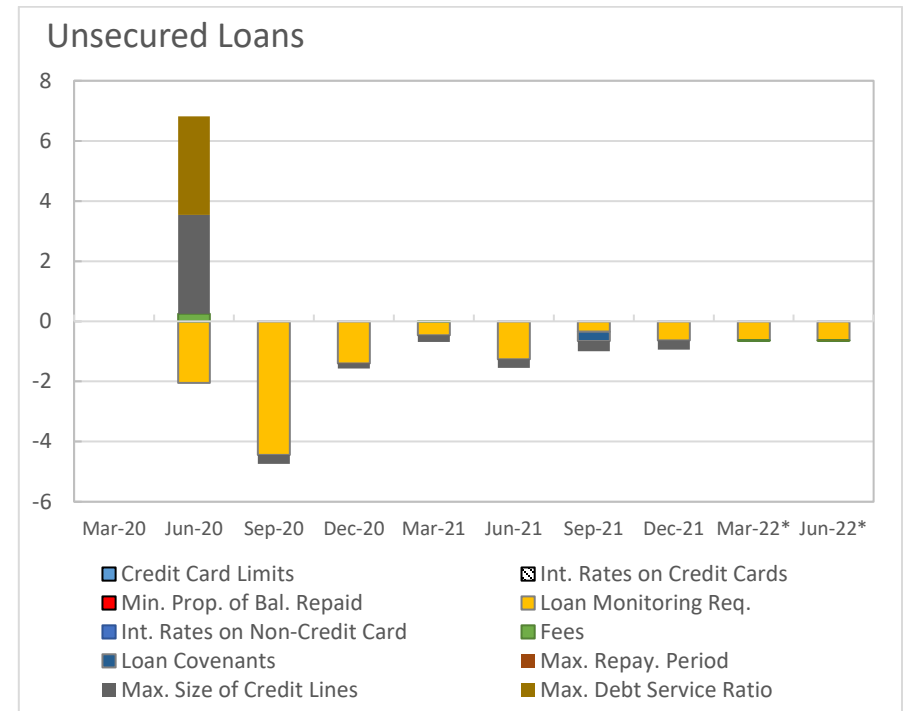
Appendix A: Overall Credit Market Conditions

Figure 16: Changes in Components of Credit Conditions for Secured Loans



1. Bars above the zero line represent factors that contributed to an easing in credit conditions while bars below the line contributed to a tightening in credit conditions for the quarter.
2. The asterisks (*) represent expectations provided by the respondents.

Figure 17: Changes in Components of Credit Conditions for Unsecured Loans



1. Bars above the zero line represent factors that contributed to an easing in credit conditions while bars below the line contributed to a tightening in credit conditions for the quarter.
2. The asterisks (*) represent expectations provided by the respondents.



Table 7: Reported Indices and Interest Rates on New Loans

OVERALL	Dec-20	Sep-21	Dec-21
Credit Conditions Index	100.4	100.6	100.3
Credit Supply Index	102.7	100.0	105.4
Credit Demand Index	104.3	96.6	107.6
Price of LC Credit	14.98	14.42	14.86
Price of FC Credit	7.45	7.48	7.74
PERSONAL	Dec-20	Sep-21	Dec-21
Credit Conditions Index	102.3	103.1	101.2
Credit Supply Index	107.8	98.8	117.2
Credit Demand Index	129.3	98.5	124.2
Price of LC Credit	16.05	16.10	16.12
ALL BUSINESSES	Dec-20	Sep-21	Dec-21
Credit Conditions Index	99.9	100.0	100.0
Credit Supply Index	100.1	100.5	99.5
Credit Demand Index	91.0	95.2	99.4
Price of LC Credit	14.71	14.00	14.54
Price of FC Credit	7.45	7.48	7.74
o. w. MICRO	Dec-20	Sep-21	Dec-21
Credit Conditions Index	100.0	99.9	100.2
Credit Supply Index	100.2	102.7	93.5
Credit Demand Index	85.9	90.6	94.5
Price of LC Credit	31.58	28.76	31.23
Price of FC Credit	7.77	7.10	7.80
o. w. SMALL	Dec-20	Sep-21	Dec-21
Credit Conditions Index	99.9	100.0	100.0
Credit Supply Index	100.8	98.5	103.9
Credit Demand Index	95.1	95.3	100.2
Price of LC Credit	10.75	10.65	10.28
Price of FC Credit	8.37	8.49	8.71
o. w. MEDIUM	Dec-20	Sep-21	Dec-21
Credit Conditions Index	100.0	100.0	100.0
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	88.8	94.9	102.6
Price of LC Credit	8.39	8.66	8.70
Price of FC Credit	7.66	8.44	8.44
o. w. LARGE	Dec-20	Sep-21	Dec-21
Credit Conditions Index	99.7	100.0	100.0
Credit Supply Index	99.6	101.0	100.7
Credit Demand Index	94.2	99.9	100.3
Price of LC Credit	8.10	7.92	7.94
Price of FC Credit	6.02	5.88	6.01



Figure 18: Drivers of the Supply of Credit

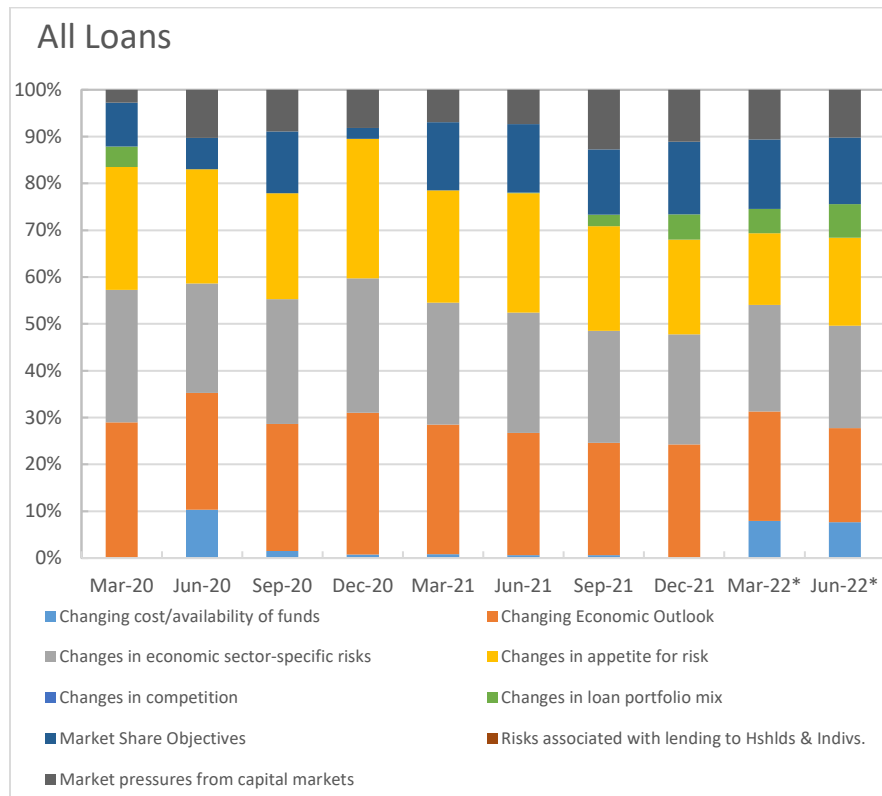




Figure 19: Drivers of the Demand for Secured Credit

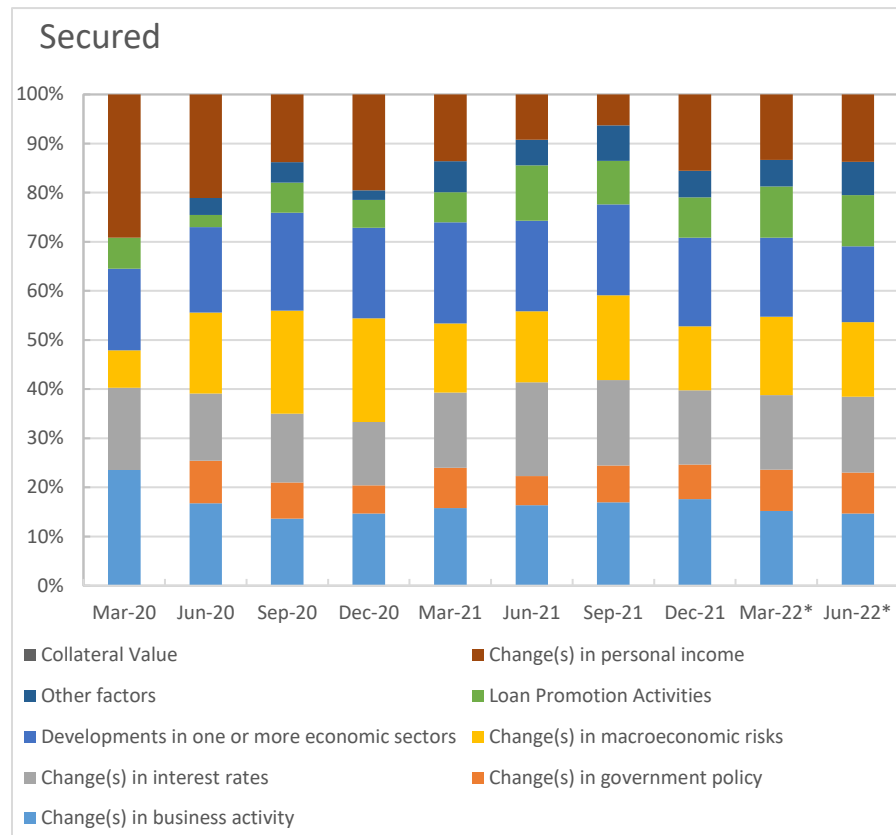
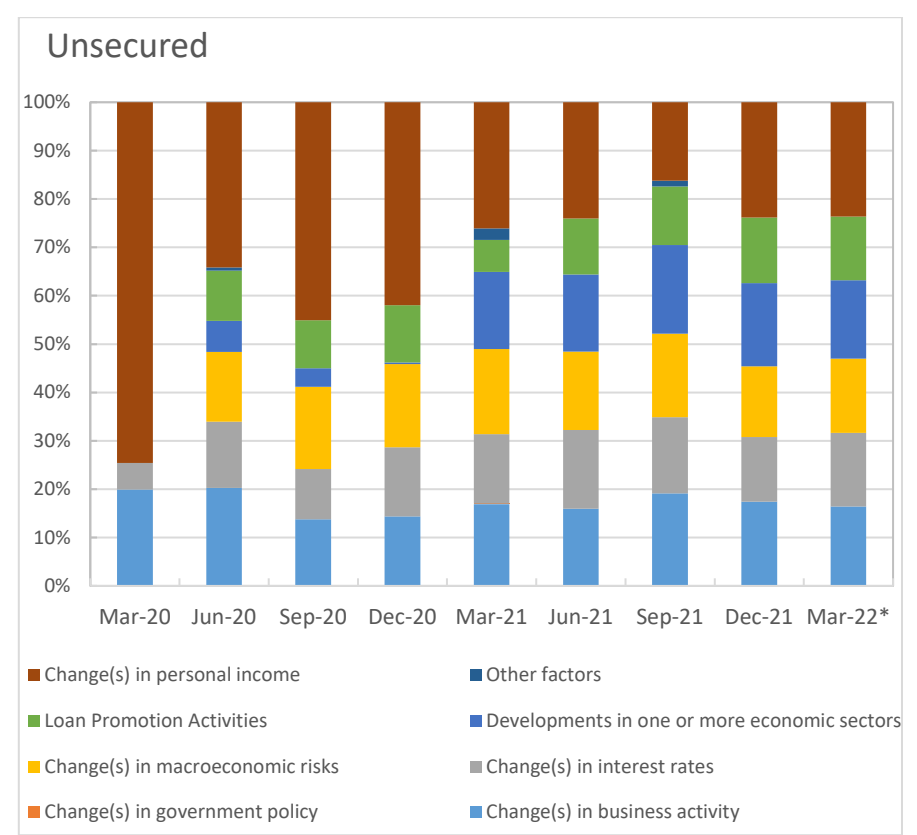


Figure 20: Drivers of the Demand for Unsecured Credit





Appendix B: Glossary and Definitions

Diffusion Index (DI) – This is used to compute the various indices used in the report and is a method of summarizing the common tendency of a group of statistical series. The DI value is calculated as:

$$DI = [(ss + 0.5 \times ms) - (sw + 0.5 \times mw)] * 100 + 100$$

Where

ss = percentage of respondents selecting “substantially stronger” or “substantially tightened”

ms = percentage of respondents selecting “moderately stronger” or “moderately tightened”

sw = percentage of respondents selecting “substantially weaker” or “substantially eased”

mw = percentage of respondents selecting “moderately weaker” or “moderately eased”

By construction, lenders who report that credit conditions have “changed substantially” are assigned twice the score as those who report that the index has “changed moderately”. The use of the fixed weight (0.5) relating to the proportion of respondents selecting either moderately stronger or moderately weaker distinguishes between the level of conviction in the respondents’ answers. The scores are then weighted by the market share of the respondents. The diffusion index (DI) is therefore the net percentage balance of opinion, computed as the difference between the weighted balance of lenders reporting an increase in the index and those reporting a decline.

The metric always ranges between 0 and 200

Credit Conditions Index of Price and Non-Price Loan Terms

CCI = Average (DI for Secured Loans, DI for Unsecured Loans)

Relative to the previous quarter,

Unchanged Credit Conditions: CCI = 100

Easing of Credit Conditions: CCI > 100

Tightening of Credit Conditions: CCI < 100

Credit Demand Index (CDI) - The average net balance of opinion of credit demand across firm sizes and economic industries.



$$CDI = \left(\frac{\sum_{i=1}^n \left(\frac{\sum_{p=1}^n \text{net balance of opinion} * 100 + 100}{n} \right)}{n} \right)$$

where p = economic industry and i = firm size

CDI = Average (Local Currency Demand by Firm Size, Foreign Currency Demand by Firm Size, Demand for Personal Credit)

Relative to the previous quarter,

Unchanged Credit Demand: CDI = 100

Increase in Credit Demand: CDI > 100

Reduction in Credit Demand: CDI < 100

Credit Supply Index (CSI) - The average net balance of opinion of credit availability across economic industries and firm sizes.

$$CSI = \left(\frac{\sum_{i=1}^n \left(\frac{\sum_{s=1}^n \text{net balance of opinion} * 100 + 100}{n} \right)}{n} \right)$$

where s = economic industry and i = firm size

CSI = Average (Local Currency Supply by Firm Size, Foreign Currency Supply by Firm Size, Supply of Personal Credit)

Relative to the previous quarter,

Unchanged Credit Made Available: CSI = 100

Increase in Credit Made Available: CSI > 100

Reduction in Credit Made Available: CSI < 100

The following are definitions of the price and non-price credit conditions discussed in the report:

1. **Interest rates** - changes in the annual percentage interest rates on loans.
2. **Fees applicable to loans** - fixed fees charged when a new loan is being taken out.
3. **Repayment period** - refers to the maximum duration of credit that is extended to the customer.
4. **Debt service ratio** - the ratio of the amount borrowed to the estimated or reported income of the customer, usually taken into consideration in relation to loans secured on dwellings. It is considered as a more general concept of 'affordability'.



5. **Size of credit lines** - assesses changes in total credit lines (drawn or not) offered to *businesses*. The term "credit line" refers to a facility with a stated maximum amount, which a corporate is entitled to borrow from an institution at any given time.
6. **Loan monitoring requirements** - additional reporting required of the *business* borrower as part of the conditions of the loan agreement (e.g. regular reporting of inventory margins).
7. **Loan covenants** - an agreement or stipulation expressed in loan contracts by which the *business* borrower pledges to take certain action (an affirmative covenant) or to refrain from taking a certain action (a negative covenant), and is consequently part of the terms and conditions of the loan.
8. **Collateral requirements** – changes in the requirements for the types of assets used to secure loans, for example, receivables, property, plant & equipment.
9. **Loan to value (LTV) ratio** — the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, usually taken into consideration in relation to loans secured on dwellings.
10. **Credit card limits** - changes in the limits applicable to an institution's main credit card products offered to individuals
11. **Minimum proportion of balance paid** – the minimum proportion of the outstanding balance on a credit card which must be repaid by the individual borrower.
12. **Interest rates on non- credit card lending** – changes in interest rates on non-credit card unsecured loan products offered to individuals
13. **Interest rates on credit card lending** - changes in the annual percentage interest rates on credit card products offered to individuals.



Box: A Redefinition of Business Sizes

Bank of Jamaica's quarterly *Survey of Credit Conditions* covers personal lending, micro-business lending, small business lending, medium-sized business lending as well as large corporate and commercial lending. Prior to April 2018, participants in the survey were required to classify firms by their loan size at origination or their annual turnover as reflected below:

Table 1: Previous classification of firm sizes

Classification	Loan Size (at origination)	Annual Sales/Turnover
Micro Businesses	Less than US\$10,000.00	Less than US\$100,000.00
Small Businesses	US\$10,000 < Loan Size < US\$100,000	US\$100,000.00 < Sales < US\$5.0 MN
Medium-sized Businesses	US\$100,000 < Loan Size < US\$1.0 MN	US\$5.0 MN < Sales < US\$25.0 MN
Large, Corporate & Commercial Businesses	Greater than US\$1.0 MN	Greater than US\$25.0 MN

A review was undertaken of this definition in the context of a Micro, Small and Medium Enterprises (MSME) and Entrepreneurship Policy review and update in 2016. The consensus among MSME stakeholders was that both total annual turnover and number of employees were relevant qualitative indicators for the size of firms in Jamaica as these are readily understandable and aligned with existing data collection mechanisms. In this context, the MSME Entrepreneurship Policy was updated and tabled in Parliament in November 2017. It contains the updated national definition as follows:

Table 2: New classification of firm sizes

	Primary Indicator (J\$)	Secondary Indicator (For Guidance Purposes Only)
Classification	Annual Sales/Turnover	No. Employees
Micro Businesses	≤ J\$15 MN	≤5
Small Businesses	J\$15 MN > Sales ≤ J\$75 MN	6 -20
Medium-sized Businesses	J\$75 MN < Sales ≤ J\$425 MN	21-50

Source: Jamaica Micro, Small & Medium Enterprises (MSME) & Entrepreneurship Policy (updated 2017)



Against this background, effective April 2018, Bank of Jamaica replaced the definitions for MSMEs used by institutions in their responses to the survey of credit conditions and their completion of prudential returns with the updated definition in the updated MSME & Entrepreneurship Policy (2017).

IMPLICATIONS FOR BOJ'S DATA COLLECTION AND DATA REPORTING

The adoption of the new national definition for the Bank's survey of credit conditions will result in a change in the distribution credit among business sizes.

Table 3: Comparative Business Size Definitions²⁵

Annual Sales/Turnover (J\$)		
Firm Size	BOJ*	NATIONAL
Micro Businesses	< J\$12.6 MN	≤ J\$15 MN
Small Businesses	J\$12.6 MN - J\$632.3 MN	J\$15 MN >Sales ≤ J\$75 MN
Medium-sized Businesses	J\$632.3 MN - J\$3,161.7 MN	J\$75 MN < Sales ≤ J\$425 MN
Large, Corporate & Commercial Businesses	> J\$3,161.7 MN	> J\$425 MN

**The Jamaica Dollar equivalent using an assumed exchange rate of J\$126.47=US\$1 and rounded to the nearest integer*

²⁵ For completeness, the Bank added a definition for Large, Corporate & Commercial Businesses