

Quarterly Credit Conditions Survey Report



**June 2022
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	15
Medium-Sized Business Lending	17
Large Corporations and Commercial Lending.....	20
Appendix A: Overall Credit Market Conditions	23
Appendix B: Glossary and Definitions	27
Box: A Redefinition of Business Sizes	30

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	14
Figure 10a: Credit Conditions for Small Businesses	15
Figure 10b: Credit Conditions for Secured and Unsecured Loans to Small Businesses	15
Table 4: Interest Rates on New Local & Foreign Currency Loans to Small Businesses.....	16
Figure 11a: Credit Conditions for Medium-sized Businesses.....	17
Figure 11b: Credit Conditions for Medium-sized Businesses.....	17
Figure 12: Credit Demanded by Medium-sized Businesses	18
Table 5: Interest Rates on Local and Foreign Currency Loans to Medium-sized Businesses.....	19
Figure 12a: Credit Conditions for Large Businesses.....	20
Figure 12b: Credit Conditions for Secured and Unsecured Loans to Large Businesses	20
Figure 14: Availability of Credit to Large Businesses	21
Figure 15: Credit Demanded by Large Businesses	21
Table 6: Interest Rates on Local and Foreign Currency Loans to Large Businesses.....	22
Figure 16: Changes in Components of Credit Conditions for Secured Loans	23
Figure 17: Changes in Components of Credit Conditions for Unsecured Loans	23
Table 7: Reported Indices and Interest Rates on New Loans	24
Figure 18: Drivers of the Supply of Credit.....	25
Figure 19: Drivers of the Demand for Secured Credit	26
Figure 20: Drivers of the Demand for Unsecured Credit.....	26

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 June 2022 survey which was conducted between 13 July 2022 and August 1 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 June 2022 quarter indicated that the Jamaican economy grew by 4.8 per cent relative to June 2021 quarter. This was attributed to an increase of 7.2 per cent in value added at constant prices for the Services Industries. However, value added for the Goods Producing Industries declined by 2.0 per cent. The performance of the economy was impacted by the revocation of the Disaster Risk Management Order, the expiration of the COVID-19 pre-test requirement for travel to the island on April 15, 2022 and the reopening of the entertainment sector.

Jamaica's unemployment rate at April 2022 was 6.0 per cent, 0.2 percentage point (pp) lower, relative to the rate at April 2021. The decline in the unemployment rate at April 2022 reflected an increase of 5.2 per cent (63 300) in the number of persons employed and a growth of 1.9 per cent (24 900) in the labour force, which facilitated an increase in the participation rate by 1.1 pps to 64.4 per cent.

Annual inflation was 10.9 per cent at June 2022, below the 11.3 per cent at March 2022 but above the 4.3 per cent at June 2021. The outturn mainly reflected an acceleration in processed foods inflation. Furthermore, inflation for energy-related inflation and services accelerated due to elevated LNG prices and the continued lagged impact of higher international grains and freight costs, respectively.

During the June 2022 quarter, Bank of Jamaica increased its policy interest rate by 100 basis points to 5.50 per cent. The decision was taken to

ensure that inflation returns to the target range in the shortest possible time. The Bank also implemented other measures to contain the Jamaican dollar liquidity expansion and to maintain relative stability in the foreign exchange market.

Liquidity conditions for the June 2022 quarter tightened relative to the March 2022 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of \$32.2 billion by deposit-taking institutions (DTIs) and primary dealers, relative to an average of \$49.5 billion for the preceding quarter.

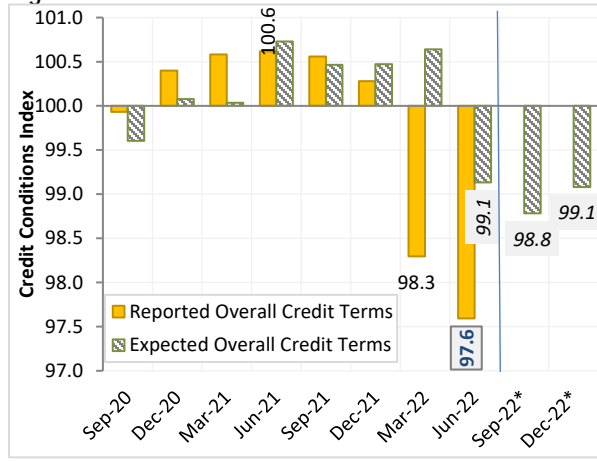
The US Federal Reserve increased interest rates in June 2022 by 0.75 per cent. This occurred in a context of persistent elevated inflation levels and unemployment falling below the Fed's estimate of its long-term equilibrium.



Credit Conditions (Overall)¹

In the context of the foregoing, overall credit conditions to the private sector during the June 2022 quarter (i.e. lending institutions' price and non-price loan terms agreed in loan contracts) tightened, relative to the previous quarter (see **Figure 1a**). This outturn reflected the lending terms for both secured loans and unsecured loans (see **Figure 1b**). In relation to secured lending, the tightening was reflected in interest rates, fees, loan monitoring requirements and loan covenants. Some respondents indicated that their decision to tighten terms was in response to the Bank's tightening of monetary policy. (See **Appendix A: Figures 16 & 17**).

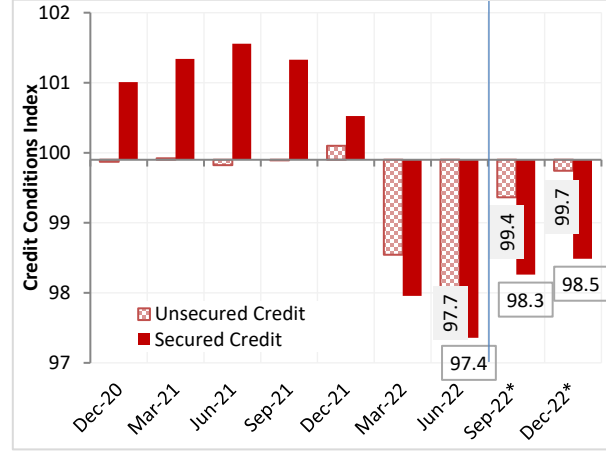
Figure 1a: Index of Overall Credit Market Conditions



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.

There was tightening in credit conditions faced by individual borrowers and all business sizes during the June 2022 quarter.

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 indicate a tightening.

Lenders reported that they plan to continue to tighten credit conditions for the September 2022 quarter and December 2022 quarter. The pace of tightening is expected to decelerate however as lenders plan to ease the maximum repayment period to make loans accessible. A slower pace of tightening is also expected to reflect an increase in their reliance on promotional activities with discounted interest rates.

Credit Supply

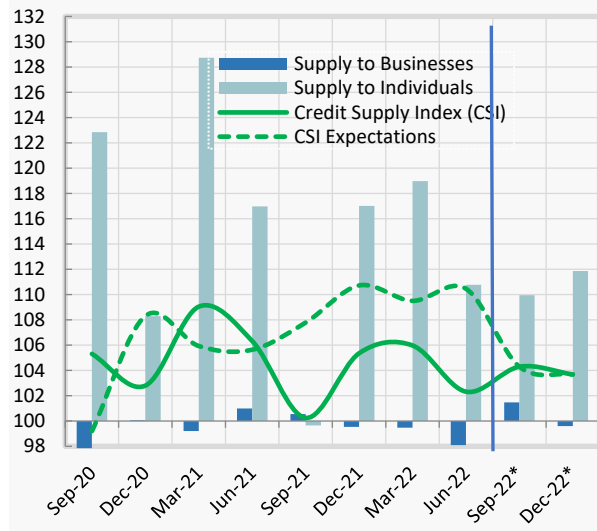
Growth in credit made available during the June 2022 quarter decelerated, as evidenced by the Credit Supply Index (CSI) of **102.3** relative to **106.0** recorded in March 2022 (see **Figure 2** and **Appendix A: Table 7**). The deceleration was evidenced in credit made available to individuals while there was tightening in credit made available to businesses. Some lenders indicated that they were exercising caution in lending to

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



some sectors as many loan applicants had challenges to meet loan requirements.

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 declined marginally for the June 2022 quarter. In relation to the business portfolio, large businesses continued to account for the largest share of the portfolio at end-June 2022 (see **Figure 3a** and **3b**).

Figure 3a: Distribution of Private Industry Credit²

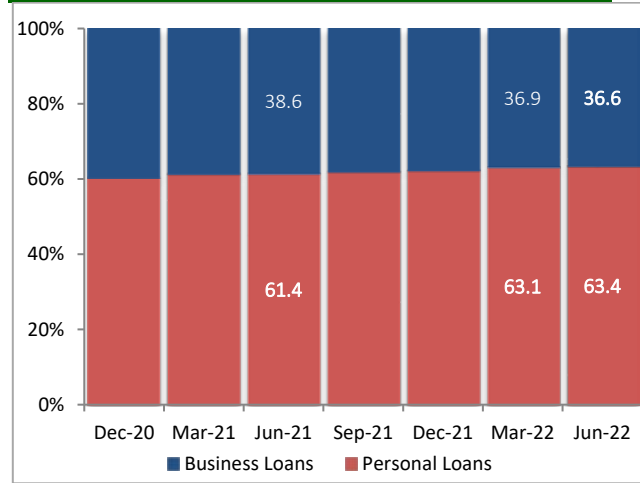
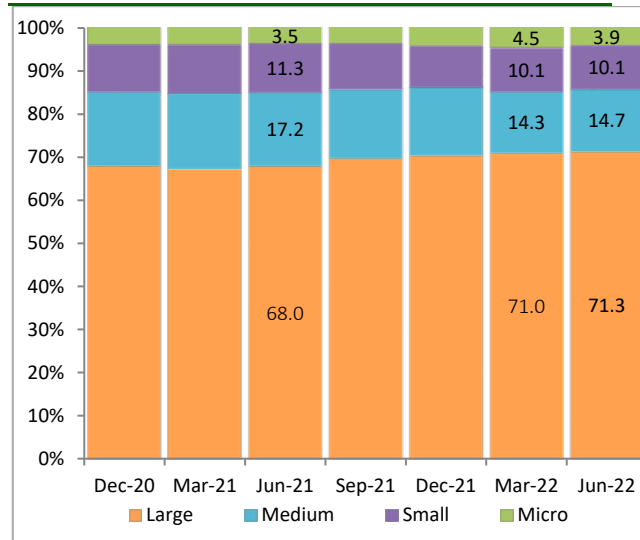


Figure 3b: Distribution of Private Industry Credit by Business Size



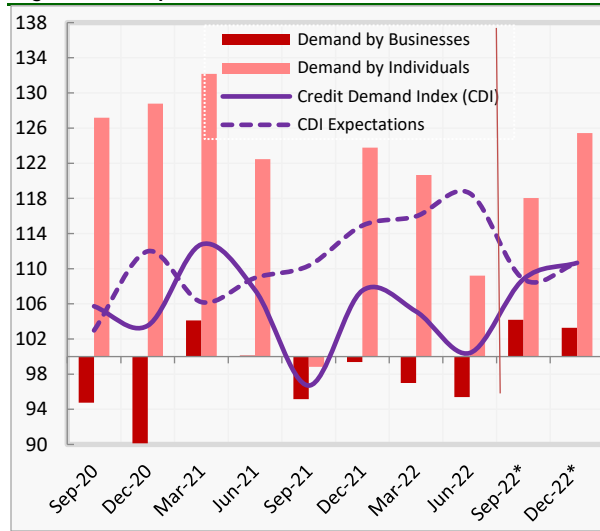
Credit Demand

For the June 2022 quarter, growth in the demand for credit decelerated as reflected by the Credit Demand Index (CDI) **100.4** relative to **105.1** in the March 2022 (see **Figure 4** and **Appendix A: Table 7**). This was reflected in personal credit while the demand in Micro, Small and Medium-sized firms further decelerated. (**Appendix A: Table 7**).

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.



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 September 2022 and December 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 plans to increase loan promotions for the September and December 2022 quarters which is expected to result in increased demand.

Price of Credit³

Based on the survey responses, average indicative interest rates on new local currency loans increased by approximately **31 bps to 14.78 per cent** during the review quarter, relative to the previous quarter. The increase in the average rate

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.

reflected increases of **50 bps** and **26 bps** in rates for personal and business loans, respectively (see **Table 1** and **Appendix A: Table 7**). Higher rates to businesses were reflected in loans to all business sizes. Some lenders indicated that the higher rates were indicative of higher cost of funds.

The interest rates on new foreign currency loans declined by **3 bps** relative to the previous quarter, bringing average indicative rates to **7.36 per cent**. These lower rates reflected lower rates to small and medium-sized businesses.

For the September 2022 quarter, lenders reported that they plan to reduce interest rates on new local currency loans by **19 bps to 14.59 per cent** and effect further reductions by **55 bps to 14.04 per cent** for the December 2022 quarter.⁴ The planned reduction in local currency rates for the September and December 2022 quarters relative to the review period is expected to reflect loan promotions being offered by some commercial banks as well as lower rates offered by public entities.

For foreign currency loans, respondents indicated their intention to increase loan rates in the September 2022 quarter by **35 bps to 7.71 per cent** and maintain that rate going into the December 2022 quarter.

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**

	March 2022 Survey			June 2022 Survey			Quarterly Change
	Mar-22	Jun-22*	Sep-22*	Jun-22	Sep-22*	Dec-22*	
Local Currency (LC)							
Business loans	14.24	13.63	13.21	14.50	14.30	13.55	0.26
Personal loans	15.38	15.74	16.41	15.88	15.74	16.00	0.50
Average LC rates	14.47	13.67	13.85	14.78	14.59	14.04	0.31
Foreign Currency (FC)							
Business loans	7.39	7.75	8.19	7.36	7.71	7.71	-0.03
Reference rate	7.67	8.42	7.13	8.06	8.55	7.07	0.39

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 tightened for the June 2022 quarter. This was evidenced by an index of **98.3** (see **Figure 5a** and **Appendix A: Table 7**). This tightening in credit conditions was reflected in secured loans as conditions for unsecured lending remained unchanged (see **Figure 5b**). In relation to credit terms, tightening was reflected in higher interest rates and fees.

For the September 2022 quarter, lending conditions are expected to tighten for secured loans while conditions for unsecured loans are expected to remain unchanged. There are plans by some institutions to increase interest rates marginally while others plan to offer deep discounts on loan products. For the December 2022 quarter credit conditions are expected to tighten for secured terms such as interest rates and fees.

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

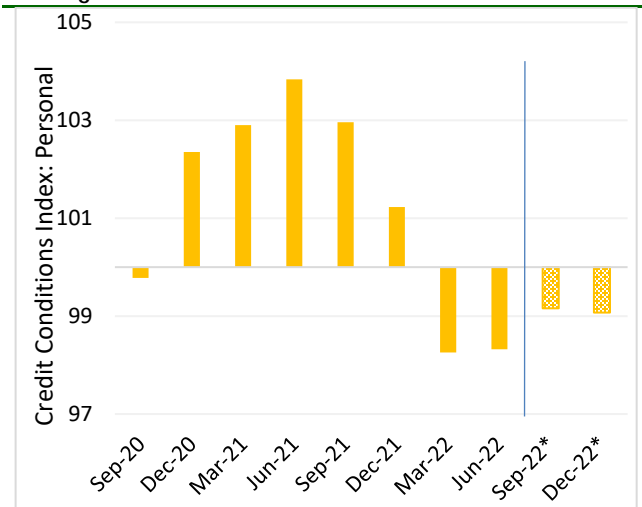
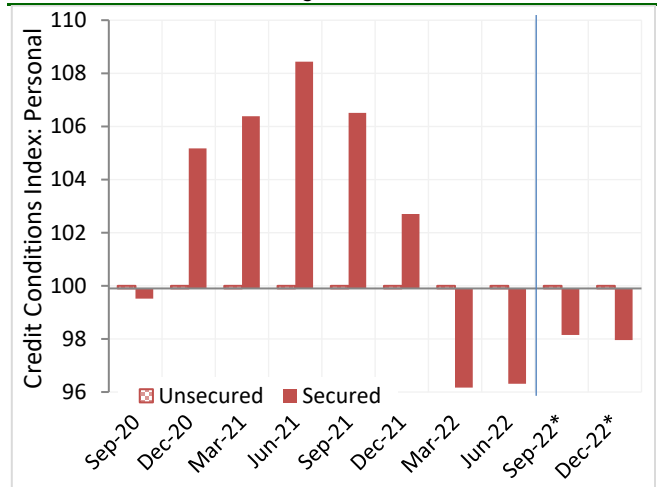


Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending



- 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 June 2022 quarter, growth in credit made available for personal loans moderated, which was evidenced by a CSI of **110.8** relative to **118.9** (see **Figure 6a**). This was mainly evident in mortgages, other loans secured on real estate and other secured personal loans. Approval rates⁶ for all categories of personal loans remained unchanged, with the exception of mortgages which reflected an increase (See **Figure 6b**). For the September 2022 and December 2022 quarters, lenders expect to maintain the growth in credit made available for personal lending in line with what obtained for the June 2022 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

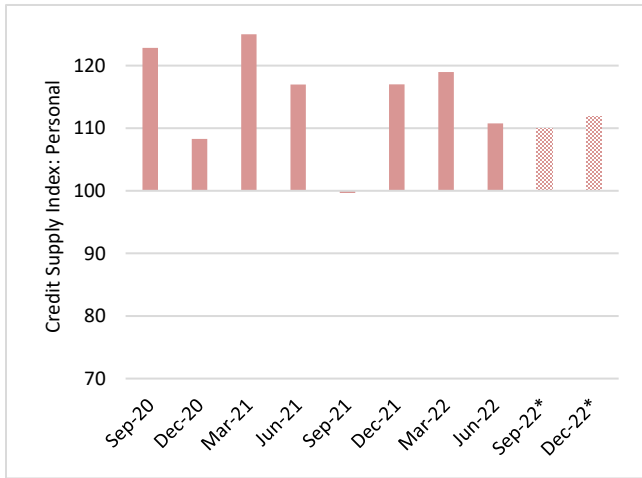
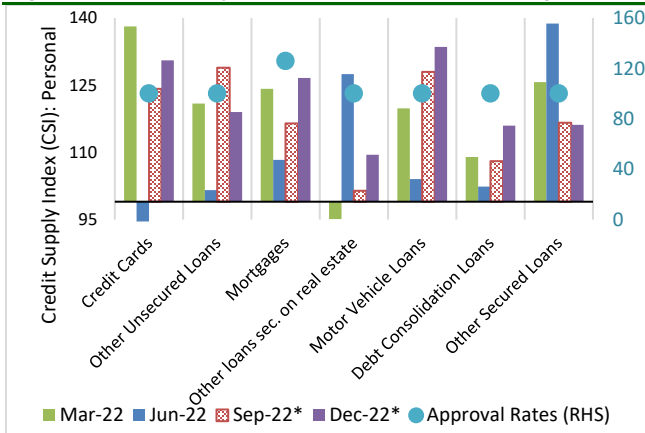


Figure 6b: Availability of Credit for Personal Lending



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

Growth in the demand for personal credit for the June 2022 quarter increased relative to the March 2021 quarter. This was reflected by a CDI of **109.2** for the quarter. The expansion in demand was evident in all categories of lending, except debt consolidation, credit cards and other unsecured personal loans for which demand declined (see **Figure 7a** and **7b**). Respondents posited that this increased demand may be attributed to the economic recovery following the

downturn caused by the pandemic. An indicator of this improvement in economic activity was the lower unemployment rate for the quarter.

For the September 2022 and December 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 7a: Demand for Personal Loans

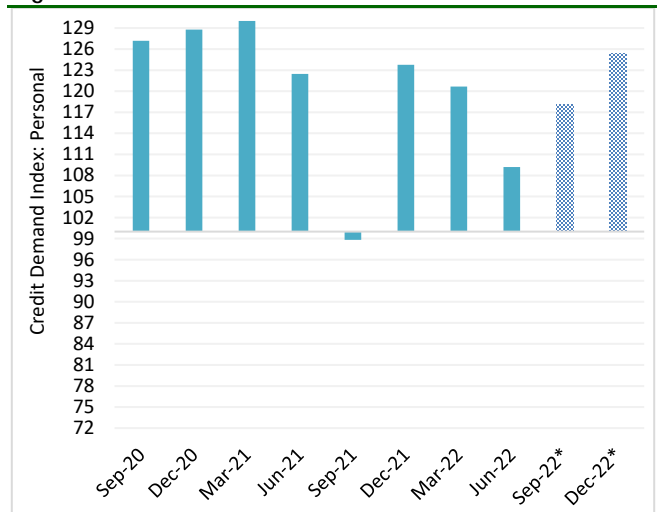
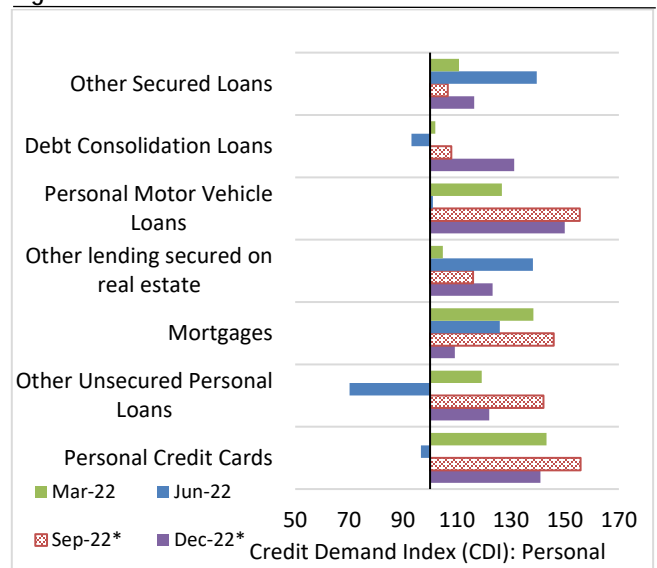


Figure 7b: Demand for Personal Loans





Price of Credit⁷

Average indicative loan rates on new personal loans offered by participating institutions increased for the review period to **15.88 per cent** from **15.38 per cent** in the previous survey. The increased rates were evident in credit cards. (See **Table 2**).

For the September 2022 quarter⁸, lenders reported that they plan to reduce interest rates by **14 bps** to **15.74 per cent** but increase rates by **26 bps** to **16.00 per cent** for the December 2022 quarter.

Table 2: Interest Rates on Personal Loans⁹

	March 2022 Survey			June 2022 Survey			Quarterly Change
	Mar-22	Jun-22*	Sep-22*	Jun-22	Sep-22*	Dec-22*	
Credit Cards	34.46	39.63	40.40	38.22	39.22	39.92	3.76
Other Unsecured	18.13	17.28	17.40	17.46	15.76	16.35	-0.67
Mortgages	8.17	7.20	7.22	7.89	6.99	7.00	-0.28
Motor Vehicle	7.94	8.63	9.14	7.72	8.92	8.89	-0.22
Other Secured	8.22	7.88	7.88	8.13	7.84	7.83	-0.09
Average rates	15.38	16.12	16.41	15.88	15.74	16.00	0.50

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 June 2022 quarter, credit conditions faced by micro-sized businesses tightened with an index of **95.5** relative to the previous quarter (see **Figure 8a** and **Appendix A: Table 7**). The tightening was reflected in both secured and unsecured lending (see **Figure 8b**). This resulted from tightening in interest rates and loan monitoring requirement. Notwithstanding, some lenders were able to offer lower interest rates through partnerships with public entities which impacted the overall average indicative interest rates.

Lenders plan to tighten credit conditions for the September 2022 quarter for both secured and unsecured lending. Some lenders indicated that they plan to tighten credit terms such as interest rates and loan monitoring requirements.

For the December 2022 quarter credit conditions are expected to tighten, driven by unsecured lending while secured lending is expected to remain unchanged.

Figure 8a: Credit Conditions for Micro-sized Businesses

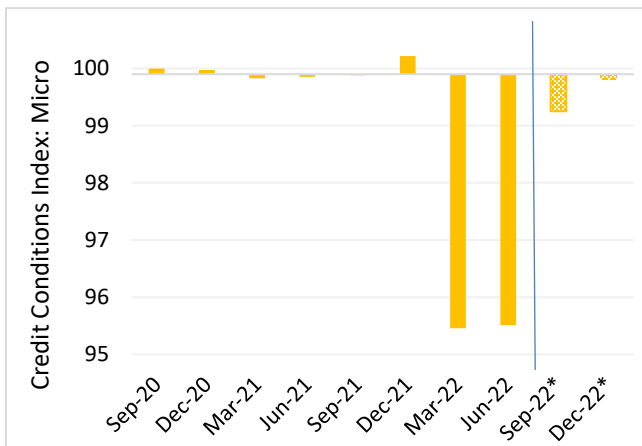
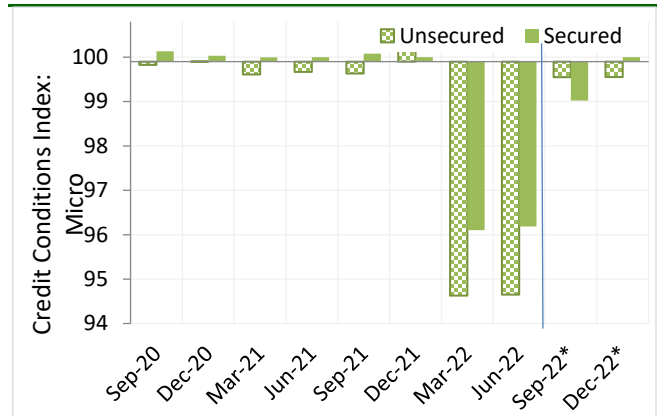


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



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 continued to decline relative to the previous quarter as evidenced by a CSI of **93.4**. This was reflected in credit made available to the *Manufacturing, Tourism and Distribution* industries.

For the September 2022 quarter, lenders reported plans to increase the supply of local currency credit to micro businesses particularly in the *Manufacturing, Tourism, Distribution and Entertainment* industries.

However, for the December 2022 quarter, some lenders reported plans to decrease the supply of local currency credit, which influenced the overall supply to micro businesses. The decline is expected in the *Construction & Land Development, Transportation, Storage & Communication, Professional & Other Services and Electricity Gas & Water* industries.



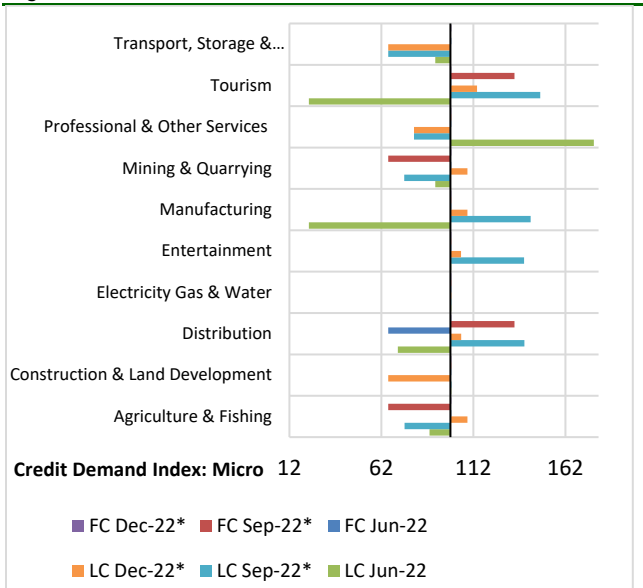
Credit Demand

For the June 2022 quarter, credit demand by micro businesses continued to decline. This was reflected by a CDI of **89.1** for the quarter in comparison to **95.2** in the previous quarter. This contraction in demand by micro-businesses was reflected in the demand for local currency loans which was reflected in Agriculture & Fishing, Mining & Quarrying, Manufacturing, Transportation, Storage & Communication, Tourism and Distribution industries. (See **Figure 9**). The demand for foreign currency loans also declined. Lenders indicated that demand for micro-sized businesses has contracted as a result of the increased loan requirements, that many applicants are challenged to meet.

For the September 2022 quarter, lenders reported that they expect an increase in demand for local loans, while foreign currency loans are expected to decline. For local currency loans this increase is expected in the *Manufacturing, Tourism, Distribution and Entertainment* industries. For foreign currency loans the decline is expected in the *Agriculture & Fishing, Mining & Quarrying and Transportation, Storage & Communication* industries.

For the December 2022 quarter, lenders reported that they expect continued growth in the demand for local currency loans which is expected in *Manufacturing, Tourism, Distribution and Entertainment* industries. For foreign currency loans demand is expected to decline.

Figure 9: Credit Demand for Micro-sized Businesses





Price of Credit¹⁰

For the review period, the indicative average lending rate on new local currency loans to micro businesses increased from **30.94 per cent** to **31.34 per cent** (see **Table 3**). This increase was evident in *Manufacturing, Professional & Other Services, Tourism, Mining & Quarrying* and *Transportation, Storage & Communication* industries.

Notwithstanding, the tightening reflected in interest rates by some lenders, other lenders indicated reductions in interest rates due to loan promotional activities to remain competitive. As a result, for the September 2022 quarter¹¹, there is an expected reduction in average interest rates by **114 bps** on local currency loans.

Similarly, for the December 2022 quarter lenders plan to continue promotional activities which is expected to

further reduce average rates for local currency loans by **290 bps** to **27.30 per cent**.

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

MICRO	Local Currency			
	Mar-22	Jun-22	Sep-22*	Dec-22*
Agriculture & Fishing	32.92	31.81	31.00	29.00
Construction & Land Development	30.63	30.48	30.00	26.67
Distribution	32.86	32.73	29.89	26.93
Electricity, Gas & Water	30.11	30.11	29.18	26.05
Entertainment	33.60	31.78	30.68	28.15
Manufacturing	30.71	31.65	30.91	30.38
Mining & Quarrying	26.89	27.12	26.57	22.67
Professional & Other Services	29.83	33.00	32.59	29.29
Tourism	32.16	34.25	31.89	28.04
Transport, Storage & Communication	29.70	30.53	29.32	25.88
Average	30.94	31.34	30.20	27.30

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 June 2022 quarter, overall credit conditions faced by small businesses tightened, relative to the previous quarter. This was reflected in a credit conditions index of **97.0** for the quarter (see **Figure 10a** and **Appendix A: Table 7**). The tightening was reflected in both secured and unsecured loans credit conditions (see **Figure 10b**).

For the September and December 2022 quarters, it is anticipated that overall credit conditions will tighten, which is reflected in both secured and unsecured loans to small businesses. Particularly in relation to secured loans, some lenders indicated that they plan to tighten credit terms such as interest rates and fees.

Figure 10a: Credit Conditions for Small Businesses

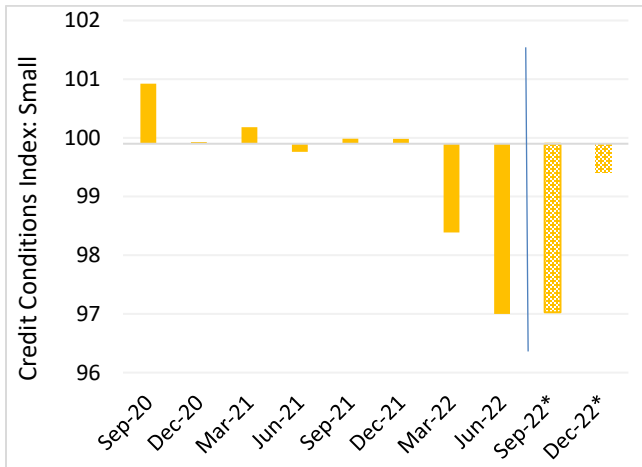
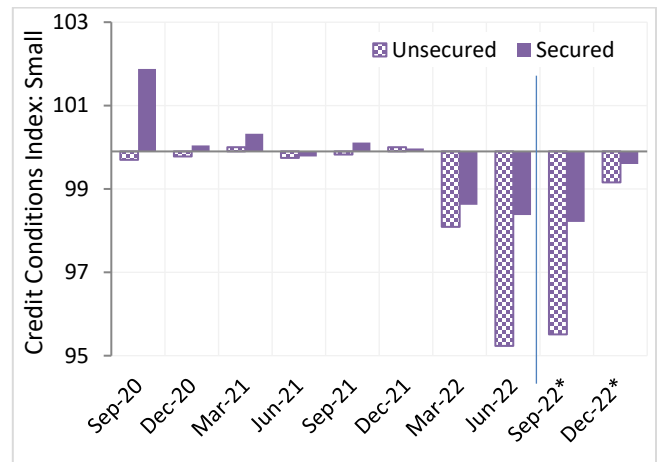


Figure 10b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



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 sized firms tightened which is reflected by an index of **97.8**. Lenders reported that there was a decline in the supply of local currency loans while the supply of foreign currency loans increased. For local currency loans, this decline was reflected in *Transportation, Storage & Communication, Tourism Professional & Other Services* and *Entertainment* industries. For foreign currency loans, the increase was reflected in the *Distribution* industry.

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

Credit Demand

The demand for loans by small businesses declined in the review quarter as evidenced by the CDI of **95.2**. The outturn reflected declines in both local and foreign currency loans. For local currency loans



declines were reflected in all industries except *Construction & Land Development* and *Distribution industries*, which showed increases, while *Electricity Gas & Water* remain unchanged. For foreign currency loans the declines were reflected in all industries except *Distribution and Professional & Other Services* which reflected increases, while *Manufacturing* remained unchanged.

For the September and December 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 June 2022 quarter, the indicative average lending rate on new local currency loans to small businesses rose by **44 bps** to **10.30 per cent**. The increase was reflected in all industries except for *Agriculture & Fishing, Construction & Land Development* and *Transportation, Storage & Communication* industries which reflected decreases. The average interest rate on foreign currency loans fell by **8 bps** to **8.07 per cent**, which was observed in *Construction & Land Development, Distribution, Entertainment* and *Professional & Other Services* industries.

Notwithstanding, plans by some lenders to increase interest rates marginally for the September 2022 quarter¹⁴, there is an expected reduction in average interest rates on both new local and foreign currency loans by **56 bps** and **55 bps** respectively. The reduction

is as a result of plans by other lenders to grant loan specials to small sized businesses.

For the December 2022 quarter, lenders reported a planned increase of average interest rates on both local currency loans and foreign currency loans by **4 bps** and **11 bps** respectively.

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

SMALL	Local Currency				Foreign Currency			
	Mar-22	Jun-22	Sep-22*	Dec-22*	Mar-22	Jun-22	Sep-22*	Dec-22*
Agriculture & Fishing	10.04	10.02	9.88	9.91	7.78	7.78	7.99	7.92
Construction & Land Development	10.03	9.98	9.69	9.69	7.62	7.54	7.69	7.79
Distribution	9.19	10.89	9.78	9.78	9.38	9.27	7.13	7.51
Electricity, Gas & Water	9.38	10.03	9.63	9.63	8.00	8.00	7.74	8.01
Entertainment	10.62	10.62	9.36	9.31	7.64	7.20	6.86	6.91
Manufacturing	10.93	12.19	9.83	9.83	n.a	n.a	n.a	n.a
Mining & Quarrying	10.01	10.38	9.28	9.61	7.95	8.00	7.68	7.76
Professional & Other Services	9.40	9.81	10.10	10.11	7.72	7.34	7.91	8.00
Tourism	9.88	10.15	9.54	9.54	8.10	8.10	7.34	7.38
Transport, Storage & Communication	9.14	8.95	10.35	10.35	9.20	9.38	7.32	7.43
Average	9.86	10.30	9.74	9.78	8.15	8.07	7.52	7.63

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 tightened in the June 2022 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **98.4** (see **Figure 11a** and **Appendix A: Table 7**). The tightening in credit terms for the June quarter was reflected in secured loans while unsecured loans remained unchanged (see **Figure 11b**).

For the September 2022 and December 2022 quarters, lenders reported that credit terms will continue to tighten for secured loans while terms for unsecured loans are expected to remain unchanged. The tightening in credit terms for secured loans will be reflected in planned increases in interest rates in the September quarter.

Credit Supply

Credit made available to medium-sized firms remained unchanged for the June 2022 quarter, relative to the March 2022 quarter. This was reflected in both local and foreign currency credit and across all industries.

For the September 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

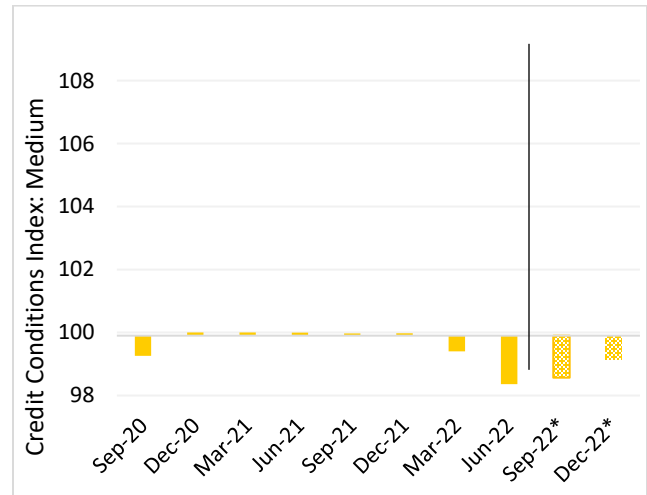
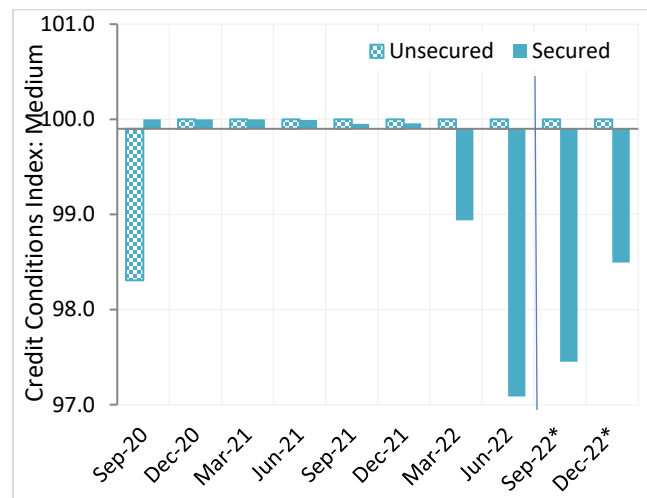


Figure 11b: Credit Conditions for Medium-sized Businesses



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



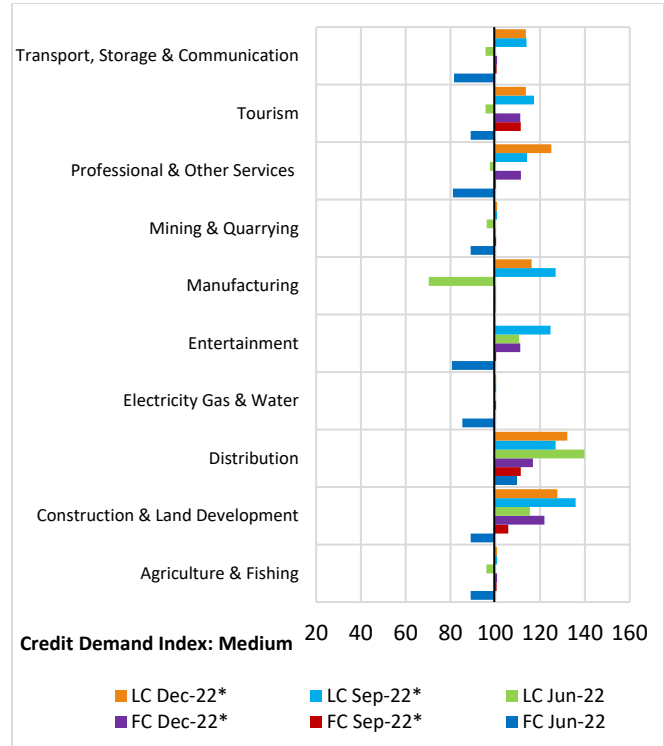
Credit Demand

The demand for credit from medium-sized businesses declined for the review period, which was indicated by a CDI of **95.6** when compared with **98.1** for the March 2022 quarter. The decline in the CDI was reflected by the reduction in demand for foreign currency loans while there was a marginal increase in credit demand for new local currency loans. The decline in demand for foreign currency loans was reflected in *Transport, Storage & Communication, Tourism, Electricity Gas & Water, Entertainment, Agriculture & Fishing, Construction & Land Development, Professional & Other Services and Mining & Quarrying*. For local currency loans, the increase was evidenced in *Construction & Land Development, Distribution, and Entertainment* (see **Figure 12**).

For the September 2022 quarter, lenders reported that they expect an expansion in the demand for both local and foreign currency loans from medium-sized firms relative to the June 2022 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 and *Electricity Gas & Water* which is expected to decline (see **Figure 12**).

For the December 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 September 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 a marginal 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 **8.25 per cent** from **8.22 per cent** in the previous quarter. This was evident in the increased interest rates to the *Manufacturing, Professional & Other Services* and *Transportation Storage & Communication* industries. Furthermore, the average lending rate on new foreign currency loans declined for the review quarter, which was evident in the *Distribution* and *Tourism* industries, while the lending rates on new foreign currency loans were unchanged for *Agriculture & Fishing, Entertainment, Construction & Land Development, Electricity Gas & Water, Mining & Quarrying* and *Transportation Storage & Communication*. (see **Table 5**).

Lenders expect to increase local currency lending rates for medium-sized firms by **34 bps** to **8.59 per cent** for the September 2022 quarter relative to the previous quarter.¹⁸ The increased rates are expected across all industries except for *Construction & Land Development* and *Professional & Other Services* industries. However, lenders plan to reduce interest rates on foreign currency credit in the September 2022 quarter to **7.46 per cent**.

For the December 2022 quarter, lenders plan to effect a marginal reduction to local currency lending rates to medium-sized firms by **10 bps** to **8.49 per cent** relative to the September 2022 quarter. Lenders also plan to decrease interest rates on foreign currency credit by **9 bps** to **7.37 per cent**.

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

MEDIUM	Local Currency				Foreign Currency			
	Mar-22	Jun-22	Sep-22*	Dec-22*	Mar-22	Jun-22	Sep-22*	Dec-22*
Agriculture & Fishing	7.64	7.55	8.10	7.94	7.44	7.44	7.48	7.33
Construction & Land Development	9.21	9.01	8.97	8.97	7.48	7.48	7.72	7.66
Distribution	8.39	8.25	8.27	8.20	6.28	6.09	7.11	6.84
Electricity, Gas & Water	8.32	8.32	8.56	8.79	8.10	8.10	7.59	7.42
Entertainment	7.71	7.71	8.56	8.53	7.98	7.98	7.47	7.42
Manufacturing	8.17	9.00	9.11	8.33	n.a	n.a	n.a	n.a
Mining & Quarrying	8.56	8.56	9.09	9.13	9.05	9.05	7.58	7.49
Professional & Other Services	8.64	8.68	8.49	8.64	7.50	7.50	7.28	7.37
Tourism	7.29	6.93	7.88	7.75	7.44	7.43	7.48	7.36
Transport, Storage & Communication	8.31	8.53	8.89	8.60	8.13	8.13	7.47	7.42
Average	8.22	8.25	8.59	8.49	7.71	7.69	7.46	7.37

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 tightened in the June 2022 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **98.8** (see **Figure 13a** and **Appendix A: Table 7**). Credit terms applied for secured and unsecured loans also tightened (see **Figure 13b**).

For the September 2022 quarter, lenders reported that overall credit conditions are expected to tighten driven by terms for secured loans while terms for unsecured loans are expected to ease marginally.

For the December 2022 quarter credit conditions are expected to tighten for secured loans, while terms for unsecured loans are expected to remain unchanged.

Figure 13a: Credit Conditions for Large Businesses

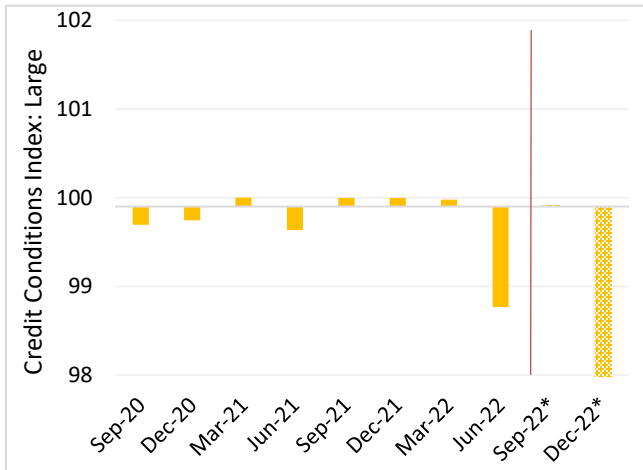
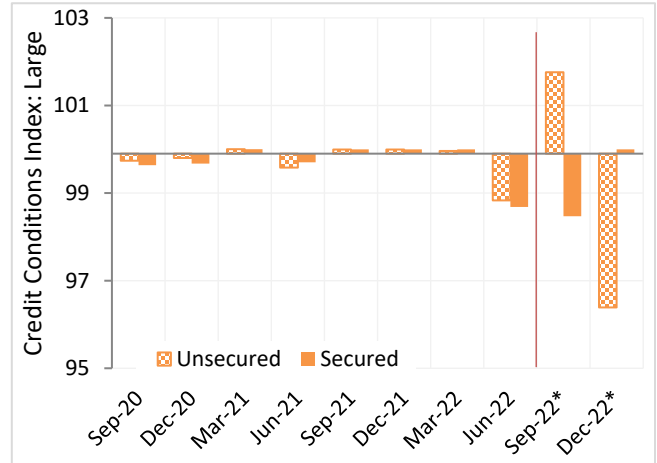


Figure 13b: Credit Conditions for Secured and Unsecured Loans to Large Businesses



- 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 made available to large businesses eased relative to the previous quarter. This was reflected in a CSI of **102.3** for the review quarter. The CSI reflected an increase in credit made available for local currency loans, which was channeled into the *Construction & Land Development, Agriculture & Fishing, Distribution and Professional & Other Services* industries. Foreign currency loans remained unchanged in all industries, except for the *Manufacturing* industry that marginally eased and the *Professional & Other Services* industry that tightened (see **Figure 14**)

For the September 2022, lenders plan to marginally increase the availability of local currency credit while the availability of foreign currency credit is expected to remain unchanged. The industries which reflected a

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



planned increase in local currency credit made available were *Agriculture & Fishing* and *Professional & Other Services* industries. As for the foreign currency credit, credit made available are expected to remain unchanged in all industries.

Similarly, for the December 2022 quarter, lenders also plan to marginally increase the availability of local currency credit, while foreign currency credit is expected to remain unchanged. For the local currency credit, the planned increase is expected in all industries except *Mining & Quarrying, Construction & Land Development, Transportation Storage & Communication, Tourism, Distribution* and *Entertainment* industries, which is expected to remain unchanged. All industries are expected to remain unchanged for the availability foreign currency credit.

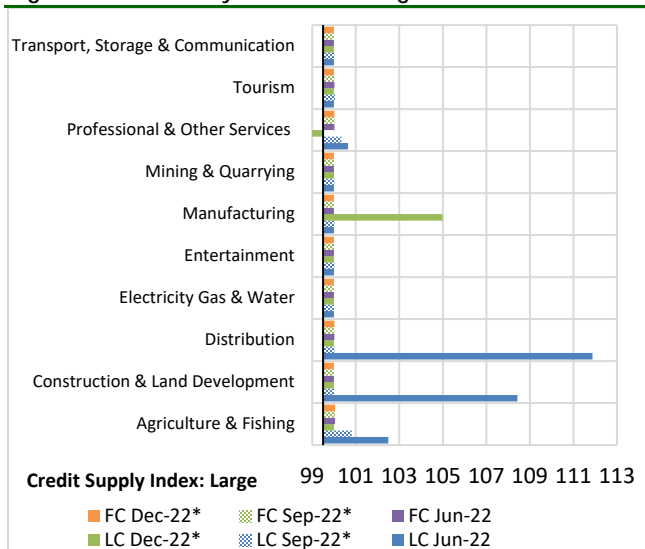
Credit Demand

The demand for credit from large businesses in the June 2022 quarter increased relative to the previous quarter. This was indicated by a CDI of **101.7** compared with **101.4** in the previous quarter. The outturn for the review quarter was reflected in the increase in the demand for local currency loans, while there was a decline in the demand for foreign currency loans. The increase in credit demand for local currency credit was reflected in *Agriculture & Fishing, Mining & Quarrying, Manufacturing, Construction & Land Development, Distribution* and *Professional & Other Services*. The decline in demand for foreign currency was reflected in *Professional & Other Services* industry (see Figure 15).

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

For the December 2022 quarter, lenders reported that they expected a marginal decrease in demand by large businesses. Lenders anticipate that the decrease in demand will be reflected in local currency loans, whilst foreign currency loans will remain unchanged.

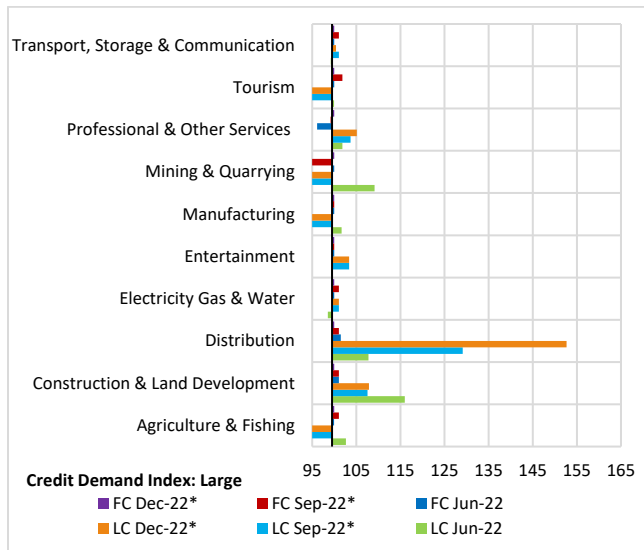
Figure 14: Availability of Credit to Large Businesses



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.



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 rose to **8.11 per cent** from **7.94 per cent** in the previous quarter. Foreign currency rates increased by **7 bps** to **5.90 per cent** (see **Table 6**). For local currency interest rates, the increase was evident in all industries except, *Agriculture & Fishing* and *Electricity Gas & Water* industries which showed decline, while *Tourism* and *Entertainment* industries remain unchanged. The increase in rates for foreign currency loans, was evident in all the industries except for *Agriculture & Fishing* and *Construction & Land Development* industries which showed decline.

For the September 2022 quarter, the average interest rate on new local currency credit to large firms is expected to rise by **54 bps** to **8.65 per cent**. Similarly,

the average interest rate on foreign currency credit is anticipated to rise by **77 bps** to **6.67 per cent**.

For the December 2022 quarter, lenders indicated a planned decline in average interest rates on new local currency credit to large firms by **3 bps** to **8.62 per cent**. Similarly, there is a planned reduction of **5 bps** in foreign currency credit **6.62 per cent**.

Table 6: Interest Rates on Local and Foreign Currency Loans to Large Businesses²²

LARGE	Local Currency				Foreign Currency			
	Mar-22	Jun-22	Sep-22*	Dec-22*	Mar-22	Jun-22	Sep-22*	Dec-22*
Agriculture & Fishing	8.22	8.01	8.45	8.35	6.09	5.59	6.46	6.32
Construction & Land Development	8.20	8.44	9.19	9.21	5.81	5.72	6.62	6.60
Distribution	7.89	8.11	8.59	8.65	5.21	5.28	6.50	6.21
Electricity, Gas & Water	8.25	8.18	8.73	8.86	5.88	5.93	6.63	6.67
Entertainment	7.57	7.57	8.60	8.65	6.10	6.20	6.90	6.72
Manufacturing	7.73	7.78	8.38	8.20	n.a	n.a	n.a	n.a
Mining & Quarrying	8.27	8.73	8.90	8.90	6.05	6.13	6.76	6.64
Professional & Other Services	7.40	7.97	8.40	8.28	5.32	6.13	6.68	6.88
Tourism	8.29	8.29	8.47	8.27	6.02	6.08	6.78	6.78
Transport, Storage & Communication	7.59	7.98	8.77	8.79	6.00	6.07	6.68	6.72
Average	7.94	8.11	8.65	8.62	5.83	5.90	6.67	6.62

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

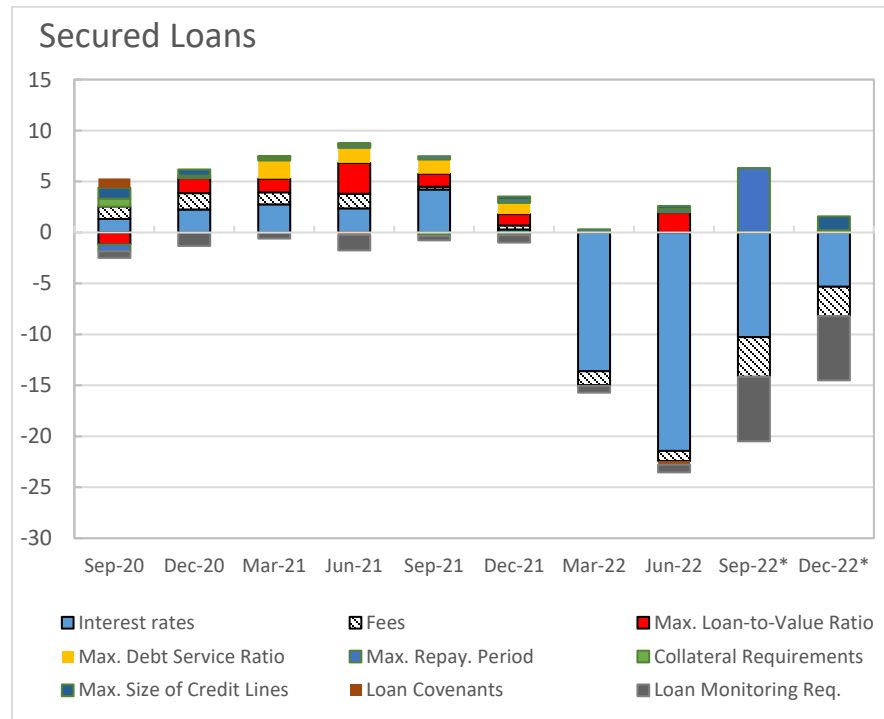
²¹ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

²² Methodology updated to address data gaps.



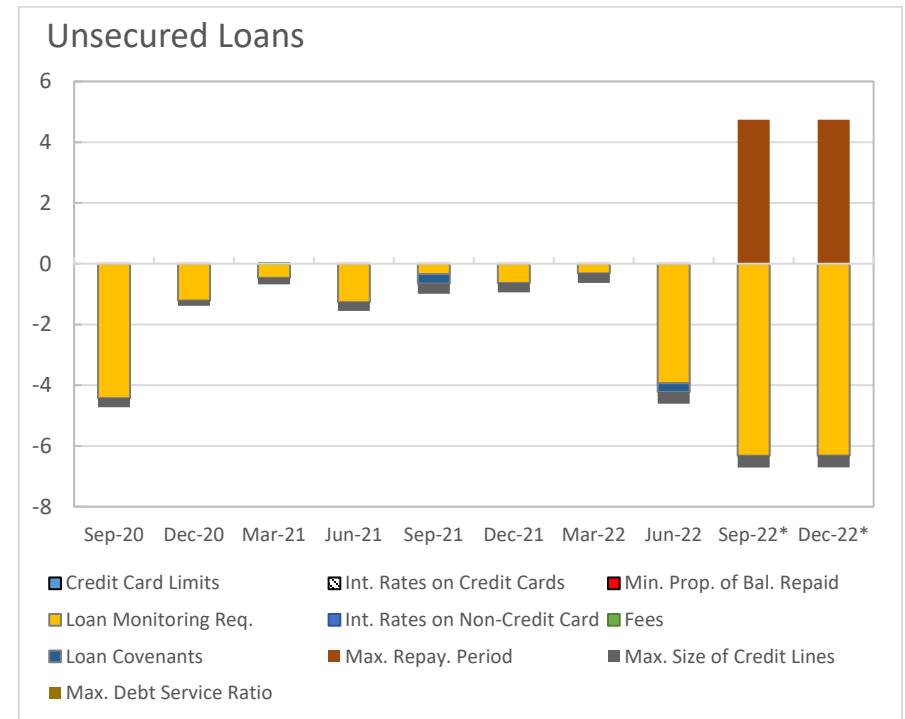
Appendix A: Overall Credit Market Conditions

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	Jun-21	Mar-22	Jun-22
Credit Conditions Index	100.6	98.3	97.6
Credit Supply Index	106.3	106.0	102.3
Credit Demand Index	107.6	105.1	100.4
Price of LC Credit	14.66	14.47	14.78
Price of FC Credit	7.65	7.39	7.36
PERSONAL	Jun-21	Mar-22	Jun-22
Credit Conditions Index	103.8	98.3	98.3
Credit Supply Index	117.0	119.0	110.8
Credit Demand Index	122.5	120.7	109.2
Price of LC Credit	16.57	15.38	15.88
ALL BUSINESSES	Jun-21	Mar-22	Jun-22
Credit Conditions Index	99.8	98.3	97.4
Credit Supply Index	101.0	99.5	98.1
Credit Demand Index	100.1	97.0	95.4
Price of LC Credit	14.19	14.24	14.50
Price of FC Credit	7.65	7.39	7.36
<i>o. w.</i> MICRO	Jun-21	Mar-22	Jun-22
Credit Conditions Index	99.9	95.5	95.5
Credit Supply Index	107.4	96.5	93.4
Credit Demand Index	106.0	95.2	89.1
Price of LC Credit	29.30	30.94	31.34
Price of FC Credit	7.77	7.86	7.78
<i>o. w.</i> SMALL	Jun-21	Mar-22	Jun-22
Credit Conditions Index	99.8	98.4	97.0
Credit Supply Index	96.5	100.7	97.8
Credit Demand Index	94.8	93.3	95.2
Price of LC Credit	10.76	9.86	10.30
Price of FC Credit	8.50	8.15	8.07
<i>o. w.</i> MEDIUM	Jun-21	Mar-22	Jun-22
Credit Conditions Index	100.0	99.4	98.4
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	98.9	98.1	95.6
Price of LC Credit	8.56	8.22	8.25
Price of FC Credit	8.26	7.71	7.69
<i>o. w.</i> LARGE	Jun-21	Mar-22	Jun-22
Credit Conditions Index	99.6	100.0	98.8
Credit Supply Index	100.2	100.7	101.2
Credit Demand Index	100.7	101.4	101.7
Price of LC Credit	8.12	7.94	8.11
Price of FC Credit	6.05	5.83	5.90



Figure 18: Drivers of the Supply of Credit

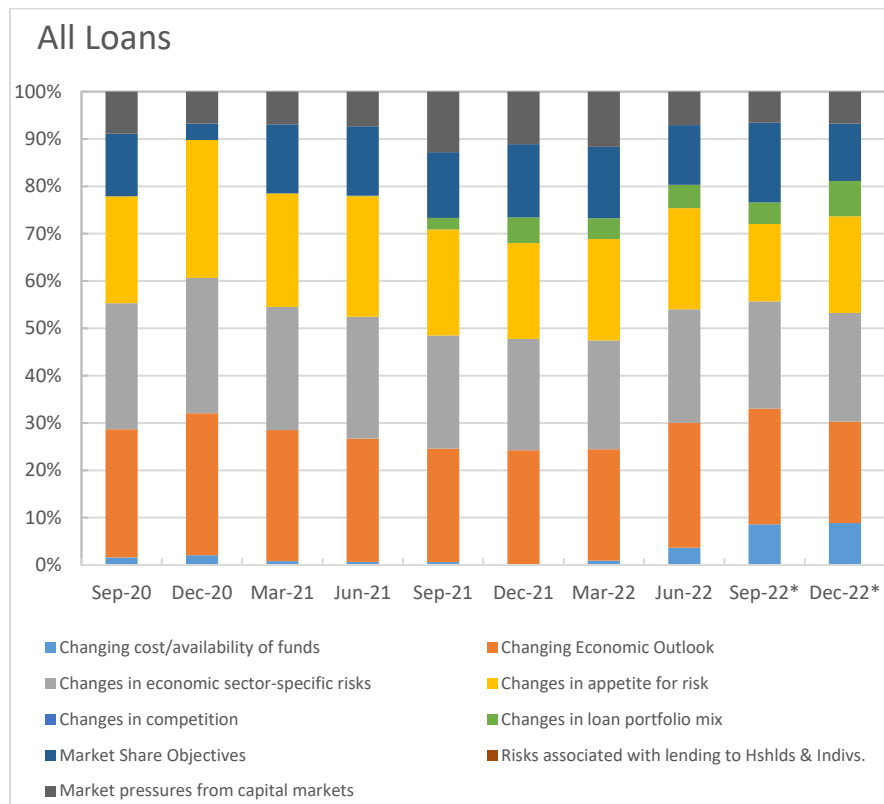




Figure 19: Drivers of the Demand for Secured Credit

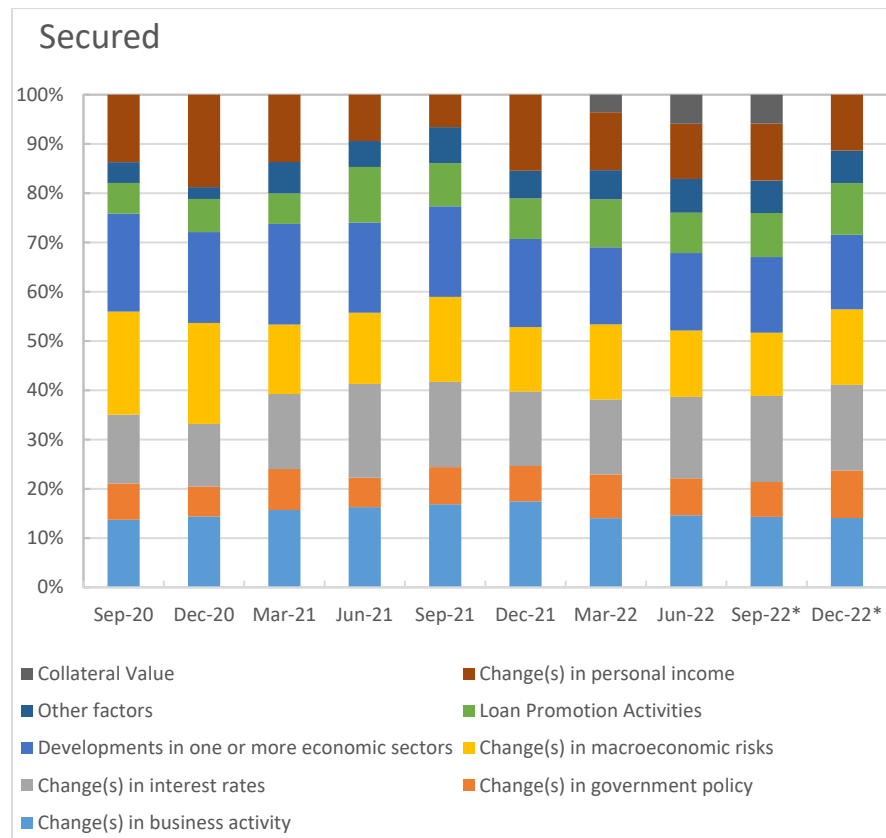
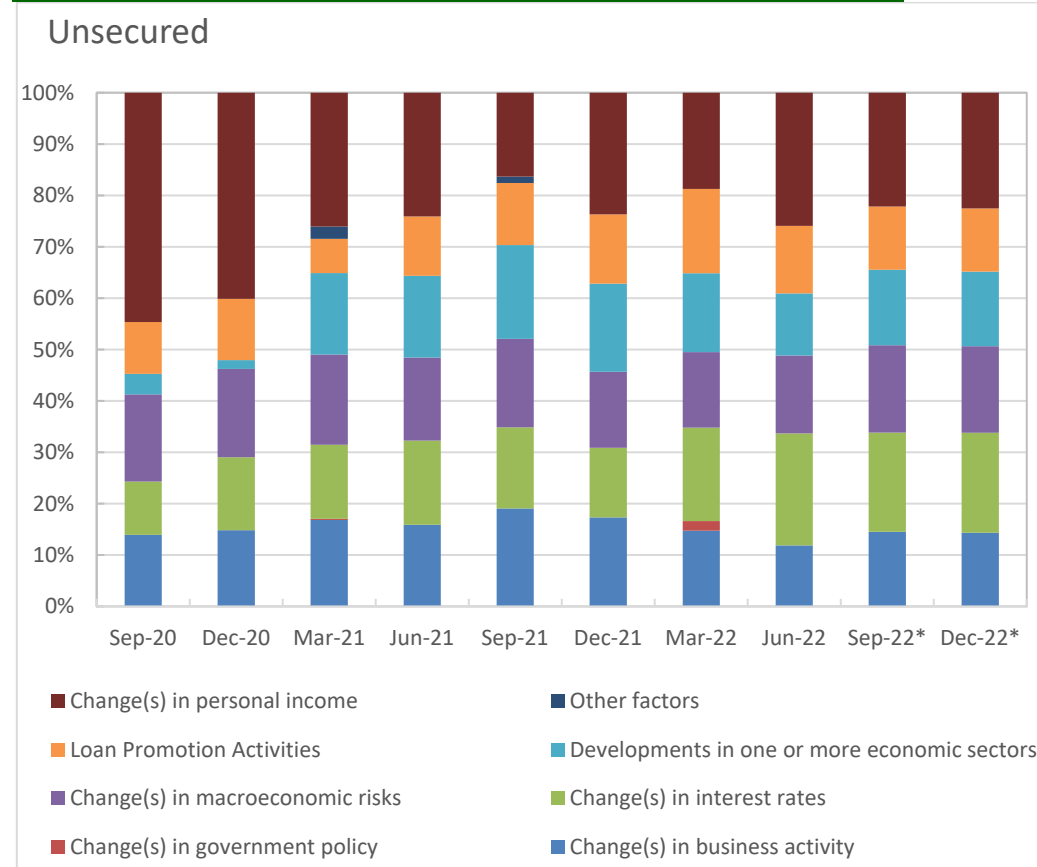


Figure 20: Drivers of the Demand for Unsecured Credit





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

Classification	Primary Indicator (J\$)	Secondary Indicator (For Guidance Purposes Only)
	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 Definitions²³

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*

²³ For completeness, the Bank added a definition for Large, Corporate & Commercial Businesses