

Quarterly Credit Conditions Survey Report



**September 2022
Quarter**

Prepared by the

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Research & Economic Programming Division**

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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 September 2022 survey which was conducted between 12 October 2022 and 2 November 2022.

Past survey reports are available on the BOJ website at <https://boj.org.im/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

The Bank estimates that the economy grew in the range of 3.5 per cent to 4.5 per cent for the September 2022 quarter, a slower pace of growth relative to the expansion of 4.8 per cent recorded for the June 2022 quarter. There was estimated growth in all industries for the review quarter, with the exception of Mining & Quarrying and Construction. The estimated growth for the September 2022 quarter reflects continued recovery in economic activity from the adverse impact of Covid-19.

Jamaica's unemployment rate at July 2022 was 6.6 per cent, 1.9 percentage points (pps) lower, relative to the rate at July 2021. The decline in the unemployment rate at July 2022 reflected an increase of 4.4 per cent (53 000) in the number of persons employed and a growth of 2.3 per cent (30 200) in the labour force.

Annual inflation was 9.3 per cent at September 2022, below the 10.9 per cent at June 2022. The outturn at September 2022 primarily reflected decelerations in Food & Non-Alcoholic Beverage (FNB) and Transport. The measure of core inflation that excludes food and fuel/energy prices, however, remained persistently high, driven by high inflation expectations, spill-overs from international price shocks to other prices in the economy, recovering albeit weak aggregate demand and past changes in regulated prices.

During the September 2022 quarter, Bank of Jamaica increased its policy interest rate by 100 basis points to 6.50 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.

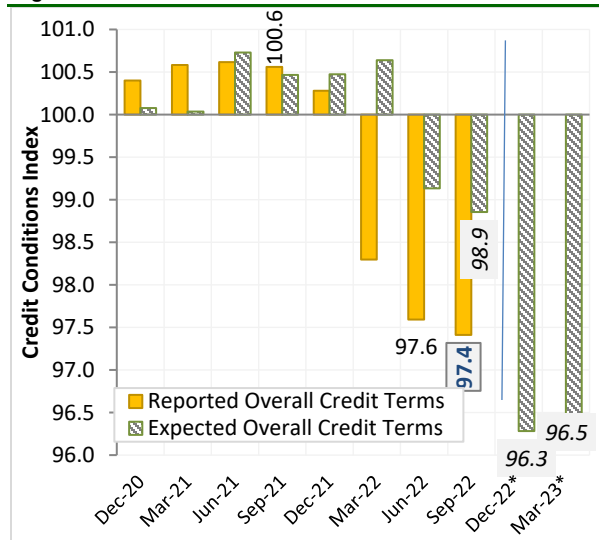
Liquidity conditions for the September 2022 quarter tightened relative to the June 2022 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of \$21.3 billion by deposit taking institutions (DTIs) and primary dealers, below the average of \$32.2 billion for the preceding quarter.



Credit Conditions (Overall)¹

In the context of the foregoing, overall credit conditions (i.e. lending institutions’ price and non-price loan terms agreed in loan contracts), tightened during the September 2022 quarter relative to the previous quarter (see **Figure 1a**). This outturn was reflected in 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, loan covenants and the maximum debt service ratio. 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**).

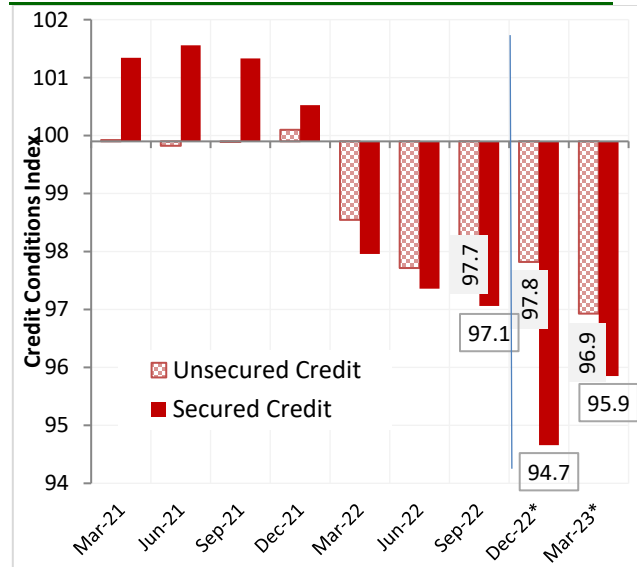
Figure 1a: Index of Overall Credit Market Conditions



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 September 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 indicates a tightening.

Lenders reported that they plan to continue to tighten credit conditions for the December 2022 quarter. While the pace of tightening is expected to marginally decelerate for the March 2023 quarter. This is as a result of some lenders planning to increase the maximum size of credit lines.

Credit Supply

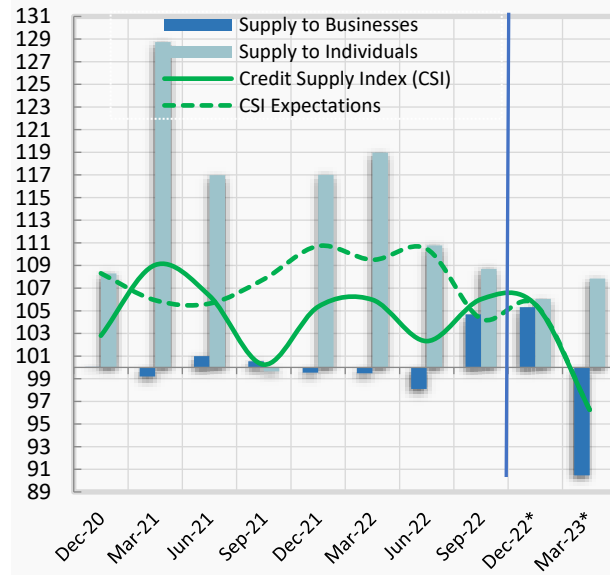
Growth in credit made available during the September 2022 quarter accelerated, as evidenced by the Credit Supply Index (CSI) of **106.0** relative to **102.3** recorded in June 2022 quarter (see **Figure 2** and **Appendix A: Table 7**). The acceleration was evidenced in credit made available to businesses while there was a moderation in credit made available to individuals.

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



Some lenders indicated that they were partnering with a public entity to disburse loans at a special rate as well as using their own funds to grow particular business segments.

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

Figure 3a: Distribution of Private Industry Credit²

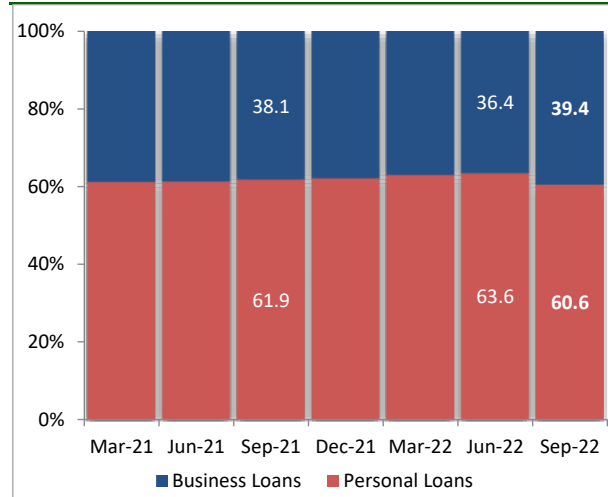
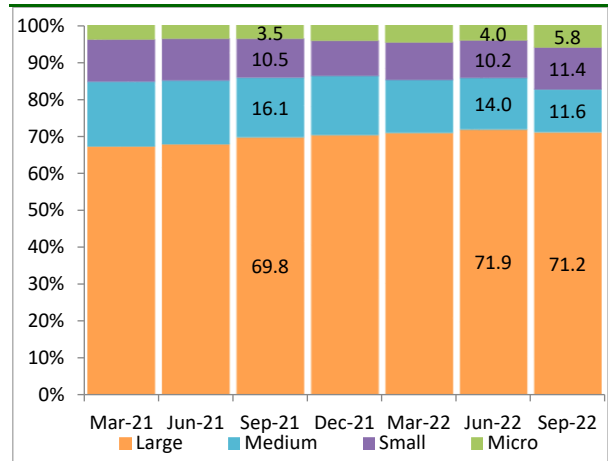


Figure 3b: Distribution of Private Industry Credit by Business Size



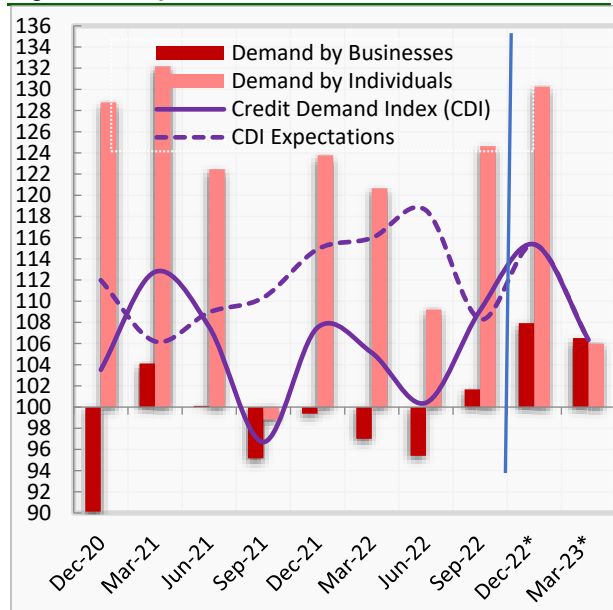
Credit Demand

For the September 2022 quarter, growth in the demand for credit accelerated as reflected by the Credit Demand Index (CDI) **109.1** relative to **100.4** in the June 2022 (see **Figure 4** and **Appendix A: Table 7**). This was reflected in personal credit and demand from Micro and Small business sizes. (**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 December 2022 quarter, lenders indicated that they expected overall demand for credit to increase but moderate in growth in the March 2023 quarter. The anticipated increase in demand for credit is expected to be reflected in demand by both individuals and all business sizes. Respondents expected demand to increase in December due to higher spending associated with the holiday period.

Price of Credit³

Based on the survey responses, average indicative interest rates on new local currency loans increased by approximately **28 bps to 14.46 per cent** during the review quarter, relative to the

previous quarter. The increase in the average rate reflected increases of **35 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 except small business sizes which declined. Some lenders indicated that the higher rates were indicative of higher cost of funds.

The interest rates on new foreign currency loans declined by **4 bps** relative to the previous quarter, restricting average indicative rates to **7.32 per cent**. These lower rates reflected lower rates to all business sizes except micro-sized business, which increased.

For the December 2022 quarter, lenders reported that they plan to increase interest rates on new local currency loans by **26 bps to 14.72 per cent** and effect further increase by **26 bps to 14.98 per cent** for the March 2023 quarter.⁴ The planned increase in local currency rates for the December 2022 and March 2023 quarters is expected to reflect lenders response to the increase in BOJ's policy rate.

For foreign currency loans, respondents indicated their intention to increase loan rates in the December 2022 quarter by **36 bps to 7.68 per cent** and effect further increase going into the March 2023 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**

	June 2022 Survey			September 2022 Survey			Sep-22 vs Jun-22 Quarterly Change
	Jun-22	Sep-22*	Dec-22*	Sep-22	Dec-22*	Mar-23*	
Local Currency (LC)							
Business loans	13.75	13.52	13.55	14.01	14.25	14.31	0.26
Personal loans	15.88	15.74	16.00	16.24	16.60	17.65	0.35
Average LC rates	14.18	13.96	14.04	14.46	14.72	14.98	0.28
Foreign Currency (FC)							
Business loans	7.36	7.71	7.71	7.32	7.68	7.85	-0.04
Reference rate	8.06	8.55	7.07	7.81	8.41	6.36	-0.25

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 September 2022 quarter. This was evidenced by an index of **98.1** (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 a higher maximum debt service ratio as well as increased interest rates and fees.

For the December 2022 and March 2023 quarters, lending conditions are expected to tighten conditions for secured loans while conditions for unsecured loans are expected to remain unchanged. The tightening reflects plans by some institutions to increase interest rates, fees and the maximum debt service ratio.

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

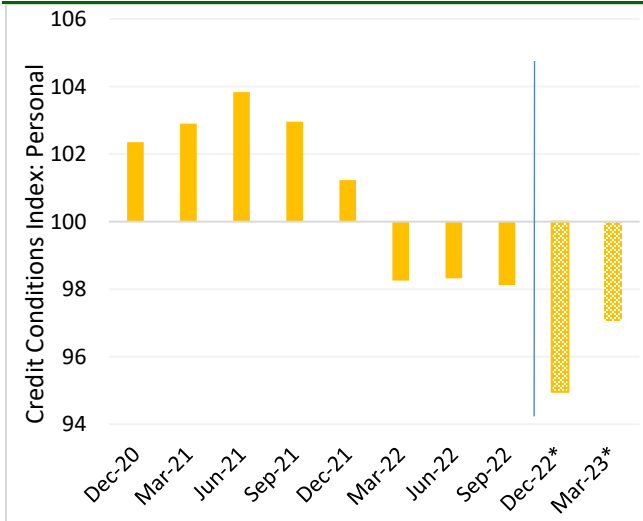
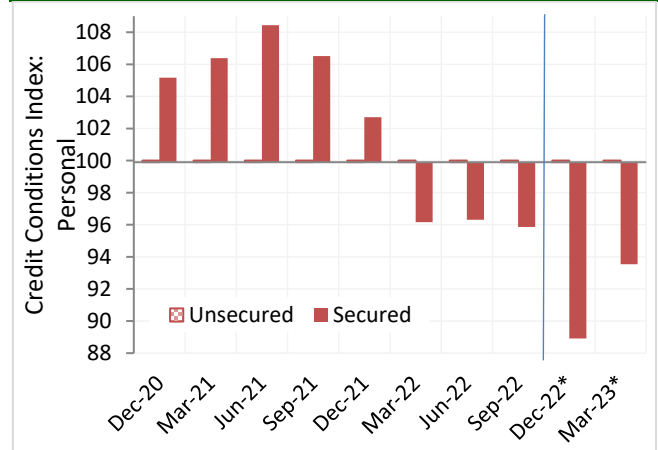


Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending



- 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 September 2022 quarter, growth in credit made available for personal loans moderated, which was evidenced by a CSI of **108.7** relative to **110.8** (see **Figure 6a**). Growth was evidenced in all categories of 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 December 2022 and March 2023 quarters, lenders expect to maintain the growth in credit made available for personal lending in line with what obtained for the September 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

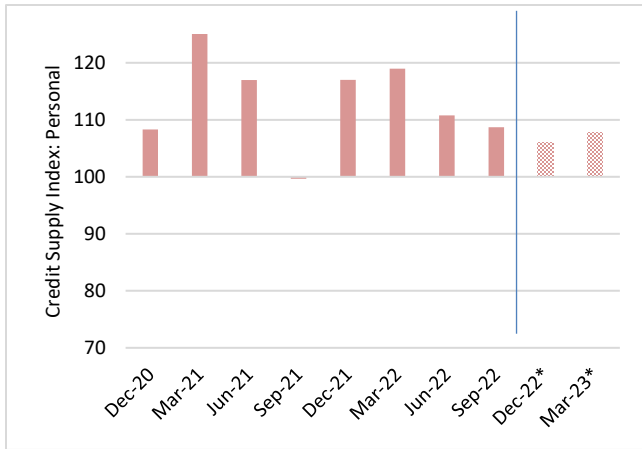
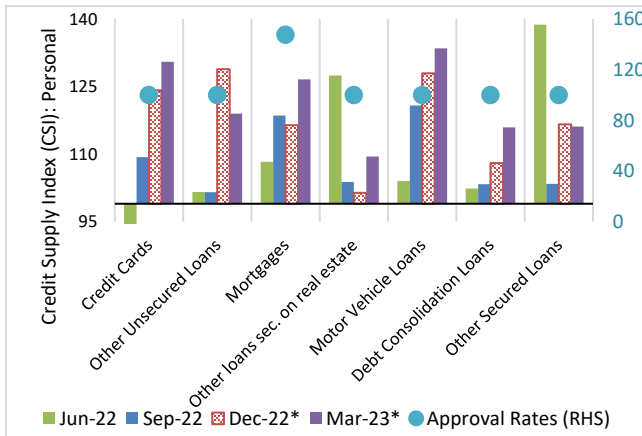


Figure 6b: Availability of Credit for Personal Lending



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

Credit Demand

Growth in the demand for personal credit for the September 2022 quarter increased relative to the June 2022 quarter. This was reflected by a CDI of **124.6** for the quarter. The expansion in demand was evident in all categories of lending, except personal credit cards and other unsecured personal loans for which demand declined (see **Figure 7a** and **7b**). Lenders reported that

increased demand was driven by back to school related expenses.

For the December 2022 quarter the CDI is expected to increase while in the March 2023 quarter the CDI is expected to moderate. The expectation for growth, reflects lenders’ optimism of increased demand for the December quarter due to holiday related expenses.

Figure 7a: Demand for Personal Loans

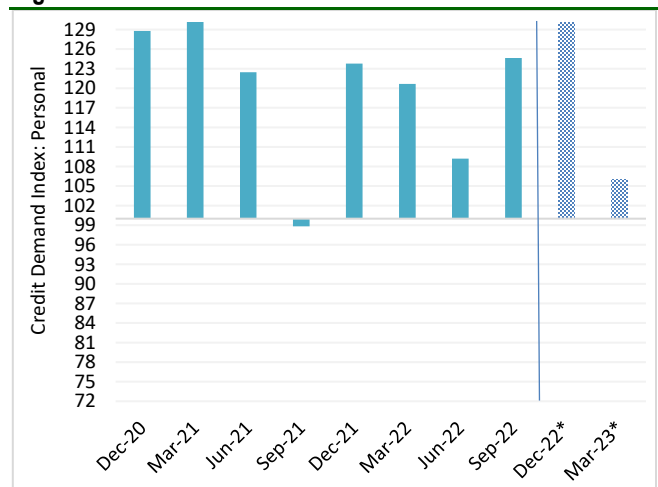
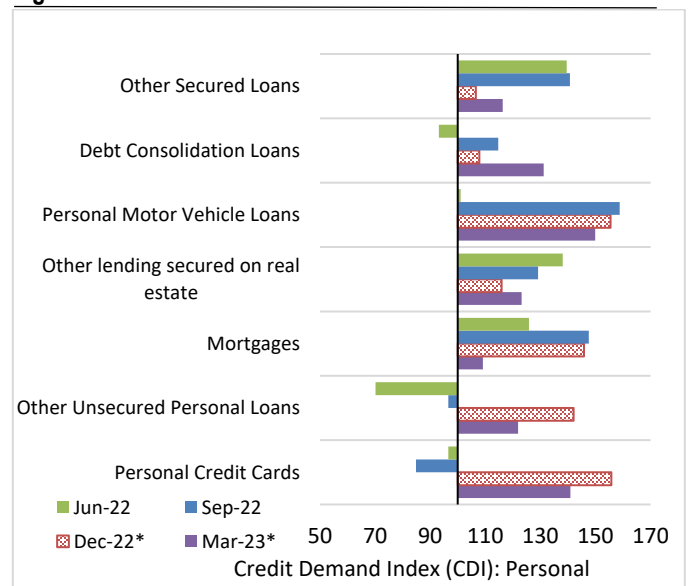


Figure 7b: Demand for Personal Loans





Price of Credit⁷

Average indicative loan rates on new personal loans offered by participating institutions increased for the review period to **16.24 per cent** from **15.88 per cent** in the previous survey. The increased rates were evident in all lending categories except mortgages. (See **Table 2**).

For the December 2022 quarter⁸, lenders reported that they plan to increase interest rates by **36 bps** to **16.60 per cent** then further increase rates by **105 bps** to **17.65 per cent** for the March 2023 quarter.

Table 2: Interest Rates on Personal Loans⁹

	June 2022 Survey			September 2022 Survey			Sep-22 vs Jun-22 Quarterly Change
	Jun-22	Sep-22*	Dec-22*	Sep-22	Dec-22*	Mar-23*	
Credit Cards	38.22	39.22	39.92	39.32	39.39	43.99	1.09
Other Unsecured	17.46	15.76	16.35	17.53	18.27	18.54	0.08
Mortgages	7.89	6.99	7.00	7.49	7.94	8.10	-0.40
Motor Vehicle	7.72	8.92	8.89	8.36	8.63	8.67	0.23
Other Secured	8.13	7.84	7.83	8.48	8.75	8.96	0.76
Average rates	15.88	15.74	16.00	16.24	16.60	17.65	0.35

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 September 2022 quarter, credit conditions faced by micro-sized businesses tightened with an index of **95.7** 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 a public entity which impacted the overall average indicative interest rates.

Lenders plan to tighten credit conditions for the December 2022 and March 2023 quarters for both secured and unsecured lending. Some lenders indicated that they plan to tighten credit terms such as interest rates and loan monitoring requirements.

Figure 8a: Credit Conditions for Micro-sized Businesses

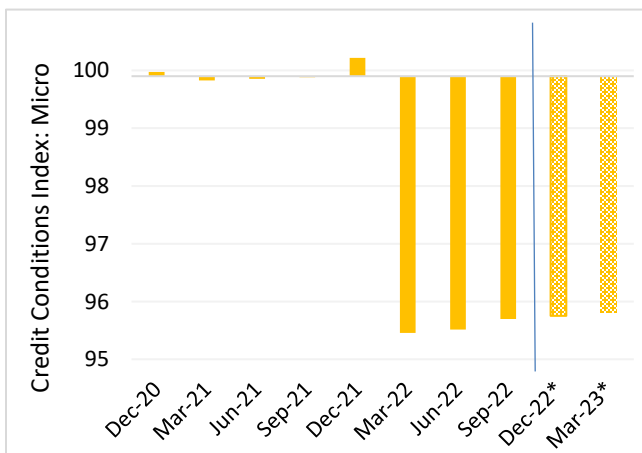
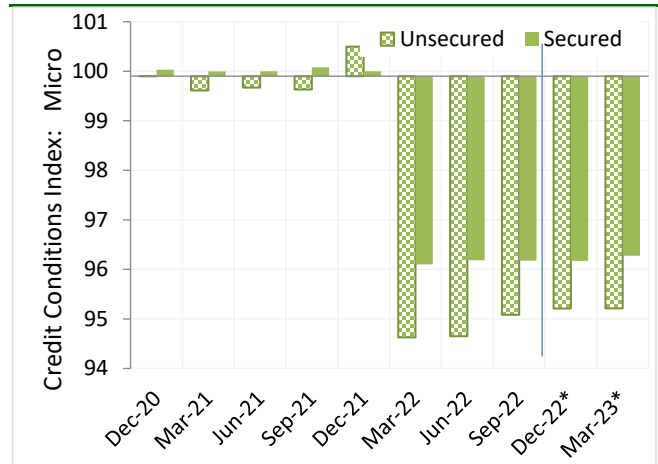


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



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 eased relative to the previous quarter, as evidenced by a CSI of **116.3**. This was reflected in increased foreign currency credit availability across all industries. However, credit made available in local currency tightened across all industries.

For the December 2022 quarter, some lenders reported plans to increase the supply of foreign currency credit. In relation to local currency credit, some lenders plan to reduce their supply to micro businesses across all industries.

For the March 2023 quarter, some lenders reported plans to reduce the supply of both local currency and foreign currency credit. Plans to reduce the supply is based on the depletion of funds received from a public entity. The decline is expected in all industries.



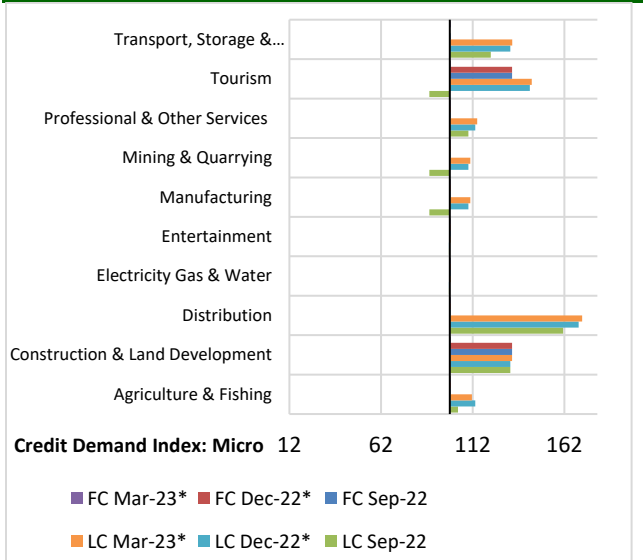
Credit Demand

For the September 2022 quarter, credit demanded by micro businesses increased. This was reflected by a CDI of **109.0** for the quarter in comparison to **89.1** in the previous quarter. This expansion in demand by micro-businesses was reflected in the demand for local currency loans which was reflected in Agriculture & Fishing, Construction & Land Development, Transportation, Storage & Communication, Distribution and Professional & Other Services industries. (See **Figure 9**). Lenders indicated that demand for micro-sized businesses expanded based on the awareness of the loan recovery programme offered by a public entity. Similarly, demand for foreign currency loans increased during the review quarter.

increase is expected in the *Construction & Land Development* and *Tourism* industries.

For the March 2023 quarter, lenders reported that they expect continued growth in the demand for local currency loans which is expected in all industries except *Electricity, Gas & Water* and *Entertainment* industries, which is expected to remain unchanged. For foreign currency loans, demand is expected to remain unchanged

Figure 9: Credit Demand for Micro-sized Businesses



For the December 2022 quarter, lenders reported that they expect an increase in demand for both local and foreign currency loans. For local currency loans this increase is expected in all industries except *Electricity, Gas & Water* and *Entertainment* industries, which is expected to decline. For foreign currency loans the



Price of Credit¹⁰

For the review period, the indicative average lending rate on new local currency loans to micro businesses increased from **28.34 per cent** to **28.96 per cent** (see **Table 3**). This increase was evident in *Construction & Land Development, Professional & Other Services, Mining & Quarrying* and *Transportation, Storage & Communication* industries.

Notwithstanding, the overall tightening reflected in interest rates in the September quarter, some lenders indicated reductions in interest rates due to the impact of partnerships with a public entity to issue loans at a reduced rate coupled with institutions steadily trying to grow their loan portfolio for micro sized businesses. As a result, for the December 2022 quarter¹¹, there is an expected reduction in average interest rates by **67 bps** on local currency loans.

Similarly, for the March 2023 quarter lenders plan to continue the partnership which is expected to further reduce average rates for local currency loans by **14 bps** to **28.15 per cent**.

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

MICRO	Local Currency			
	Jun-22	Sep-22	Dec-22*	Mar-23*
Agriculture & Fishing	29.21	28.69	28.41	29.19
Construction & Land Development	27.22	30.07	29.11	28.48
Distribution	30.26	28.98	26.80	26.69
Electricity, Gas & Water	26.13	26.13	25.25	25.53
Entertainment	28.74	28.74	27.33	28.03
Manufacturing	29.02	28.92	27.23	29.31
Mining & Quarrying	23.31	26.62	28.98	28.36
Professional & Other Services	30.57	30.61	29.66	28.17
Tourism	31.63	30.40	30.50	29.54
Transport, Storage & Communication	27.28	30.43	29.61	28.19
Average	28.34	28.96	28.29	28.15

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 September 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 December 2022 and March 2023 quarters, it is anticipated that overall credit conditions will tighten, which is reflected in both secured and unsecured loans to small businesses. In relation to secured loans, some lenders indicated that they plan to tighten credit terms such as interest rates, fees and loan monitoring requirements.

Figure 10a: Credit Conditions for Small Businesses

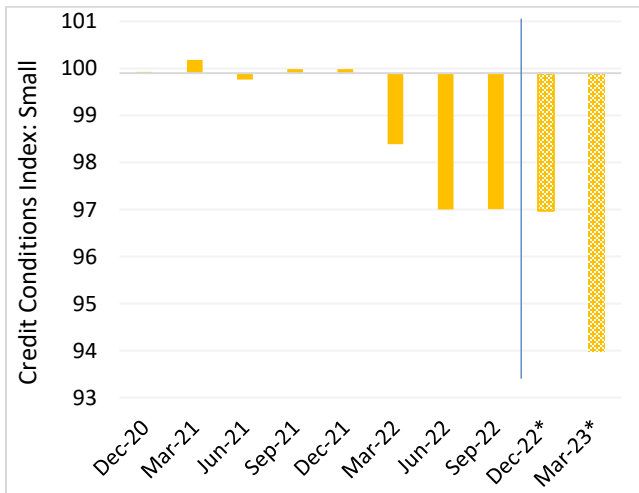
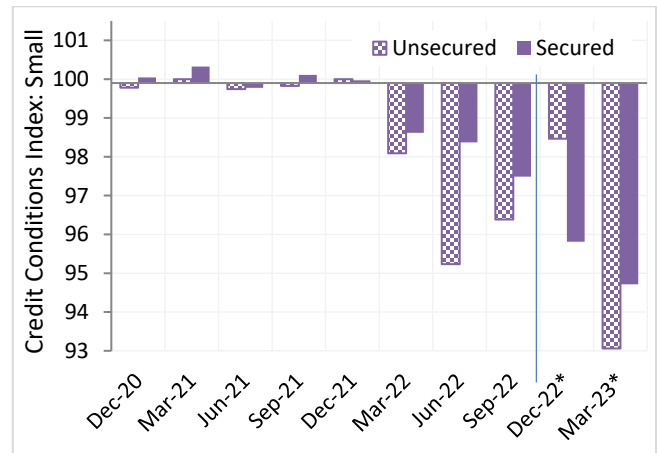


Figure 10b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



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 eased marginally in the September 2022 quarter which is reflected by an index of **100.9**. Lenders reported that there was an increase in the supply of both local and foreign currency loans. For local currency loans, the increase was reflected across all industries. For foreign currency loans, the increase was reflected in the *Manufacturing, Construction & Land Development, Transport, Storage & Communication, Distribution and Professional & Other Services* industries.

For the December 2022 and March 2023 quarters, lenders reported that they plan to further increase the supply to both local and foreign currency credit for small-sized businesses.



Credit Demand

The demand for loans by small businesses increased marginally in the review quarter as evidenced by the CDI of **100.3**. The outturn reflected an increase in local currency loans while foreign currency loans declined. For local currency loans increases were reflected in *Manufacturing, Construction & Land Development* and *Distribution* and *Professional & Other Services* industries. For foreign currency loans, the declines were reflected in all industries except *Manufacturing*, which remained unchanged.

For the December 2022 and March 2023 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 September 2022 quarter, the indicative average lending rate on new local currency loans to small businesses fell by **6 bps** to **10.24 per cent**. The decline was reflected in *Agriculture & Fishing, Distribution, Electricity, Gas & Water* and *Mining & Quarrying* industries. The average interest rate on foreign currency loans fell by **3 bps** to **8.04 per cent**, which was observed in the *Entertainment* industry.

Notwithstanding, plans by some lenders to increase interest rates for the December 2022 quarter,¹⁴ there is an expected reduction in average interest rates on both new local and foreign currency loans by **40 bps** and **66 bps** respectively. The reduction is as a result of

plans by selected lenders to grant loan specials to small sized businesses.

For the March 2023 quarter, lenders reported a planned increase of average interest rates on both local currency loans and foreign currency loans by **22 bps** and **11 bps** respectively.

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

SMALL	Local Currency				Foreign Currency			
	Jun-22	Sep-22	Dec-22*	Mar-23*	Jun-22	Sep-22	Dec-22*	Mar-23*
Agriculture & Fishing	10.02	9.90	10.08	10.25	7.78	7.78	7.72	7.75
Construction & Land Development	9.98	11.85	10.07	10.30	7.54	7.54	7.54	7.61
Distribution	10.89	8.89	9.78	10.07	9.27	9.27	7.41	7.40
Electricity, Gas & Water	10.03	9.98	9.70	9.93	8.00	8.00	7.47	7.83
Entertainment	10.62	10.89	9.12	9.26	7.20	6.93	6.53	6.53
Manufacturing	12.19	12.77	10.64	10.98	n.a	n.a	n.a	n.a
Mining & Quarrying	10.38	8.86	9.66	9.88	8.00	8.00	7.41	7.61
Professional & Other Services	9.81	9.86	9.80	10.05	7.34	7.34	7.61	7.79
Tourism	10.15	10.47	9.76	9.94	8.10	8.10	7.20	7.22
Transport, Storage & Communication	8.95	8.99	9.75	9.92	9.38	9.38	7.54	7.68
Average	10.30	10.24	9.84	10.06	8.07	8.04	7.38	7.49

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 September 2022 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **98.6** (see **Figure 11a** and **Appendix A: Table 7**). The tightening in credit terms for the September quarter was reflected in secured loans while unsecured loans remained unchanged (see **Figure 11b**).

For the December 2022 and March 2023 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, fees, and loan monitoring requirement for both quarters.

Credit Supply

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

For the December 2022 and March 2023 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

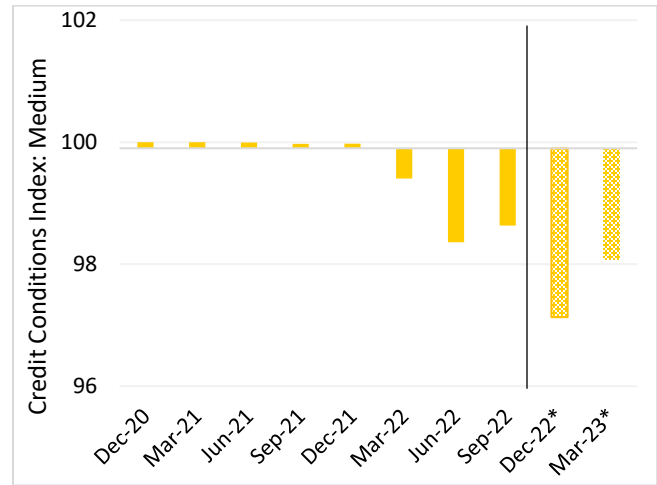
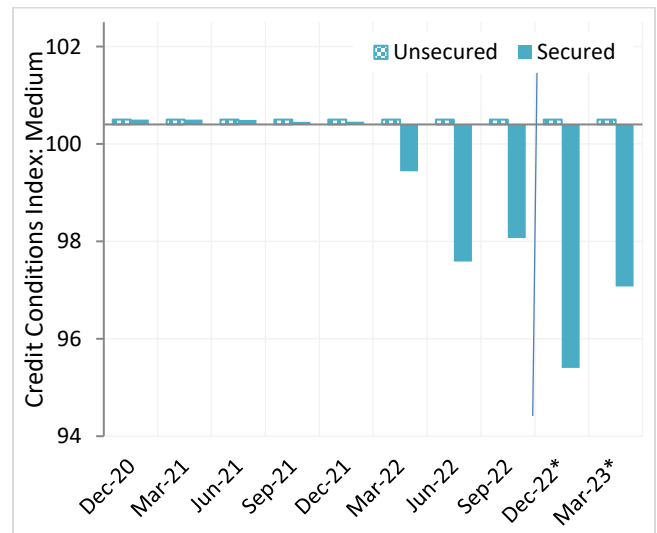


Figure 11b: Credit Conditions for Medium-sized Businesses



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.
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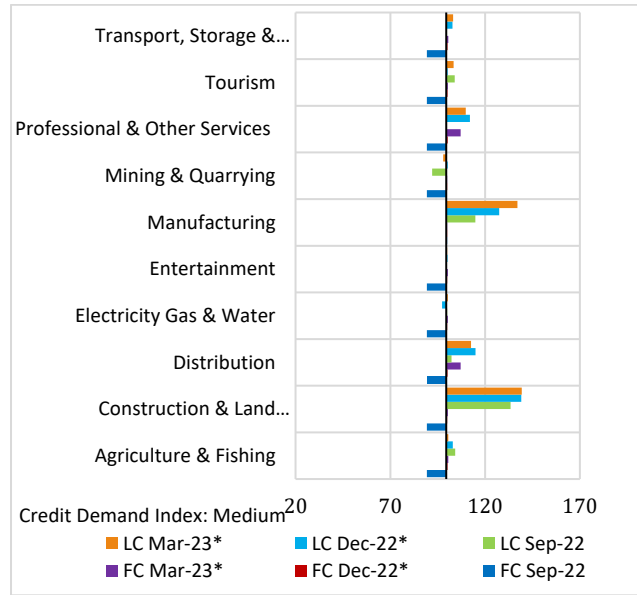
Credit Demand

The demand for credit from medium-sized businesses declined at a slower rate for the review period, which was indicated by a CDI of **97.7** when compared with **95.6** for the June 2022 quarter. The decline in the CDI was due to a 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 all industries except the *Manufacturing* industry which remain unchanged. For local currency loans, the increase was evidenced in *Agriculture & Fishing, Manufacturing, Construction & Land Development, Tourism, and Distribution industries*, (see **Figure 12**).

For the December 2022 quarter, lenders reported that they expect an increase in the demand for both local and foreign currency loans by medium-sized firms relative to the September 2022 quarter. For local currency loans, demand is expected to increase for all industries, except *Electricity Gas & Water* which is expected to decline. In relation to foreign currency credit, demand is expected to increase marginally in the *Agriculture & Fishing, Transport, Storage & Communication, Tourism, Distribution and Professional & Other Services* industries. (see **Figure 12**).

For the March 2023 quarter, lenders reported that they expect continued increase in the demand for both local and foreign currency loans by medium-sized firms relative to the December 2022 quarter. For local currency loans, demand is expected to increase in all industries except the *Mining & Quarrying Industry* which is expected to decline and 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 demand 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 **8.53 per cent** from **8.25 per cent** in the previous quarter. This was evident in increased interest rates to all industries except *Electricity, Gas & Water* and *Manufacturing industries* which declined. For new foreign currency loans, the average lending rate declined for the review quarter, which was evident in the *Agriculture & Fishing*, *Entertainment and Mining & Quarrying* industries. (see **Table 5**).

Lenders plan to increase local currency lending rates for medium-sized firms by **97 bps** to **9.50 per cent** for the December 2022 quarter relative to the previous quarter.¹⁸ The increased rates are expected across all industries. Lenders also plan to increase interest rates on foreign currency credit in the December 2022 quarter to **7.81 per cent**.

For the March 2023 quarter, lenders plan to increase local currency lending rates to medium-sized firms by **11 bps** to **9.61 per cent** relative to the December 2022 quarter. Lenders also plan to increase interest rates on foreign currency credit by **29 bps** to **8.10 per cent**.

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

MEDIUM	Local Currency				Foreign Currency			
	Jun-22	Sep-22	Dec-22*	Mar-23*	Jun-22	Sep-22	Dec-22*	Mar-23*
Agriculture & Fishing	7.55	8.11	9.55	9.58	7.44	7.11	7.75	8.13
Construction & Land Development	9.01	9.66	9.78	9.86	7.48	7.51	7.86	7.91
Distribution	8.25	8.28	9.24	9.32	6.09	6.83	7.73	7.81
Electricity, Gas & Water	8.32	8.00	9.42	9.69	8.10	8.20	7.78	8.07
Entertainment	7.71	8.14	9.07	9.42	7.98	7.64	7.85	8.32
Manufacturing	9.00	8.60	9.62	9.83	n.a	n.a	n.a	n.a
Mining & Quarrying	8.56	8.72	9.85	9.94	9.05	8.65	7.90	8.19
Professional & Other Services	8.68	8.99	9.36	9.55	7.50	7.55	7.78	8.12
Tourism	6.93	7.44	9.13	9.22	7.43	7.43	8.00	8.26
Transport, Storage & Communication	8.53	9.35	10.04	9.67	8.13	7.73	7.68	8.07
Average	8.25	8.53	9.50	9.61	7.69	7.63	7.81	8.10

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 September 2022 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **97.6** (see **Figure 13a** and **Appendix A: Table 7**). Credit terms applied for secured and unsecured loans also tightened (see **Figure 13b**).

For the December 2022 quarter, lenders reported that overall credit conditions are expected to tighten driven by terms for both secured and unsecured loans.

For the March 2023 quarter, credit conditions are expected to tighten for both secured and unsecured loans.

Figure 13a: Credit Conditions for Large Businesses

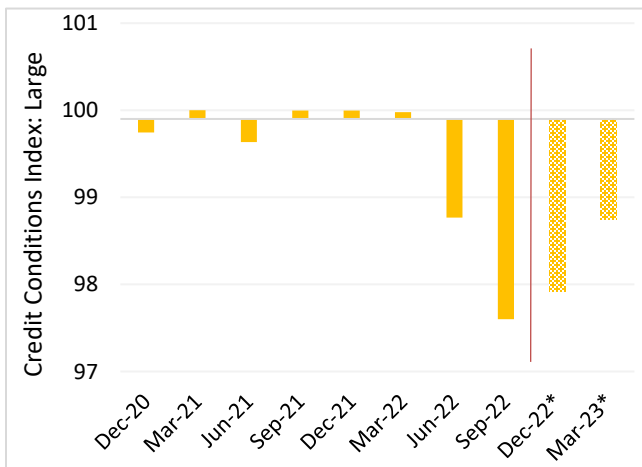
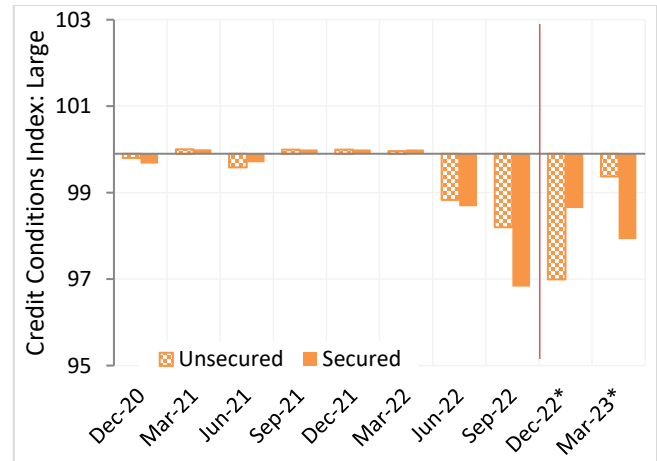


Figure 13b: Credit Conditions for Secured and Unsecured Loans to Large Businesses



- 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 increased relative to the previous quarter. This was reflected in a CSI of **101.6** for the review quarter. The CSI reflected an increase in credit made available for both local and foreign currency loans. Credit made available for local currency loans was channeled into the *Construction & Land Development, Agriculture & Fishing, Distribution, Manufacturing, Construction & Land Development, Transportation, Storage & Communication, Tourism, Distribution and Professional & Other Services* industries. While Foreign currency loans were channeled into *Construction & Land Development* (see **Figure 14**)

For the December 2022, lenders plan to marginally increase the availability of local currency credit while the availability of foreign currency credit is expected

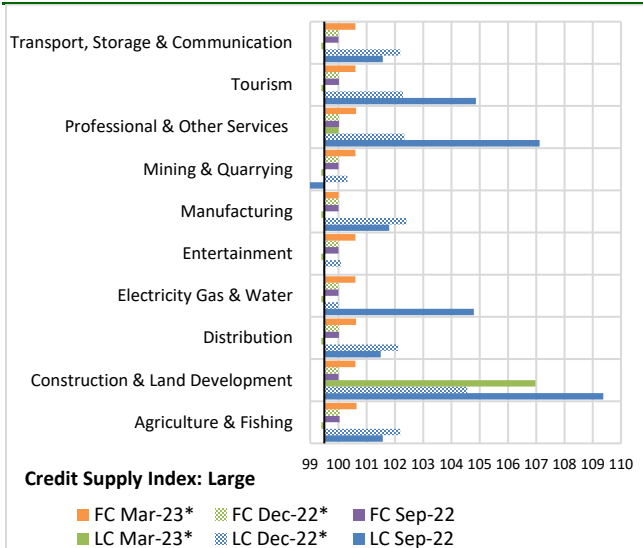
²⁰ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.



to remain unchanged. All industries reflected a planned increase for local currency credit made available except, *Electricity Gas & Water* industry which is expected to remain unchanged. As for the foreign currency credit, credit made available are expected to remain unchanged in all industries.

For the March 2023 quarter, lenders plan to marginally increase the availability of local currency and foreign currency credit. For the local currency credit, the planned increase is expected in all industries. The planned increase for the foreign currency credit is expected in all industries except for the *Manufacturing* industry which is expected to 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.

Credit Demand

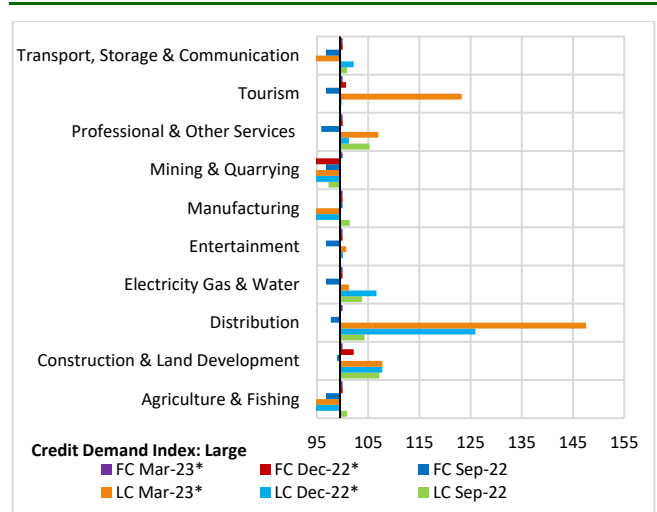
The demand for credit from large businesses in the September 2022 quarter declined relative to the previous quarter. This was indicated by a CDI of **99.6** compared with **101.7** in the previous quarter. The outturn for the review quarter was reflected in the

increase in the demand for local currency loans, while there was a decline in the demand for foreign currency loans. The increase in demand for local currency credit was reflected in *Agriculture & Fishing Manufacturing, Construction & Land Development, Transportation, Storage & Communication, Distribution, Professional & Other Services and Electricity Gas & Water* industries. The decline in demand for foreign currency loans was reflected in all industries except for the *Manufacturing* industry which remain unchanged. (see Figure 15).

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

For the March 2023 quarter, lenders reported that they expect a marginal increase in demand by large businesses. Lenders anticipate that the increase in demand will be reflected in local currency loans, whilst foreign currency loans will remain unchanged.

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 **8.32 per cent** from **8.11 per cent** in the previous quarter. Foreign currency rates declined by **8 bps** to **5.82 per cent** (see **Table 6**). For local currency interest rates, the increase was evident in all industries except, *Tourism* and *Transportation, Storage & Communication* industries. The decline in rates for foreign currency loans, was evident in all the industries except for the *Agriculture & Fishing*, *Construction & Land Development* and *Distribution* industries which showed increases.

For the December 2022 quarter lenders plan to increase the average interest rate on new local currency credit to large firms by **103 bps** to **9.35 per cent**. Similarly, for the average interest rate on foreign currency credit, lenders plan to effect an increase of **123 bps**.

For the March 2023 quarter, lenders indicated a planned increase in average interest rates on new local currency credit to large firms by **9 bps** to **9.44 per cent**. Similarly, there is a planned increase of **28 bps** in foreign currency credit **7.33 per cent**.

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

LARGE	Local Currency				Foreign Currency			
	Jun-22	Sep-22	Dec-22*	Mar-23*	Jun-22	Sep-22*	Dec-22*	Mar-23*
Agriculture & Fishing	8.01	8.61	9.57	9.67	5.59	5.63	7.10	7.28
Construction & Land Development	8.44	8.53	9.74	9.81	5.72	5.87	6.94	7.34
Distribution	8.11	8.50	9.26	9.47	5.28	5.46	6.90	7.05
Electricity, Gas & Water	8.18	8.25	9.36	9.53	5.93	5.85	6.79	7.31
Entertainment	7.57	7.69	9.33	9.30	6.20	6.04	7.26	7.57
Manufacturing	7.78	8.19	9.17	9.11	n.a	n.a	n.a	n.a
Mining & Quarrying	8.73	8.86	9.55	9.81	6.13	6.00	7.24	7.44
Professional & Other Services	7.97	8.58	9.30	9.26	6.13	5.75	6.95	7.28
Tourism	8.29	8.16	9.06	9.07	6.08	5.86	7.21	7.50
Transport, Storage & Communication	7.98	7.84	9.20	9.37	6.07	5.96	7.02	7.17
Average	8.11	8.32	9.35	9.44	5.90	5.82	7.05	7.33

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

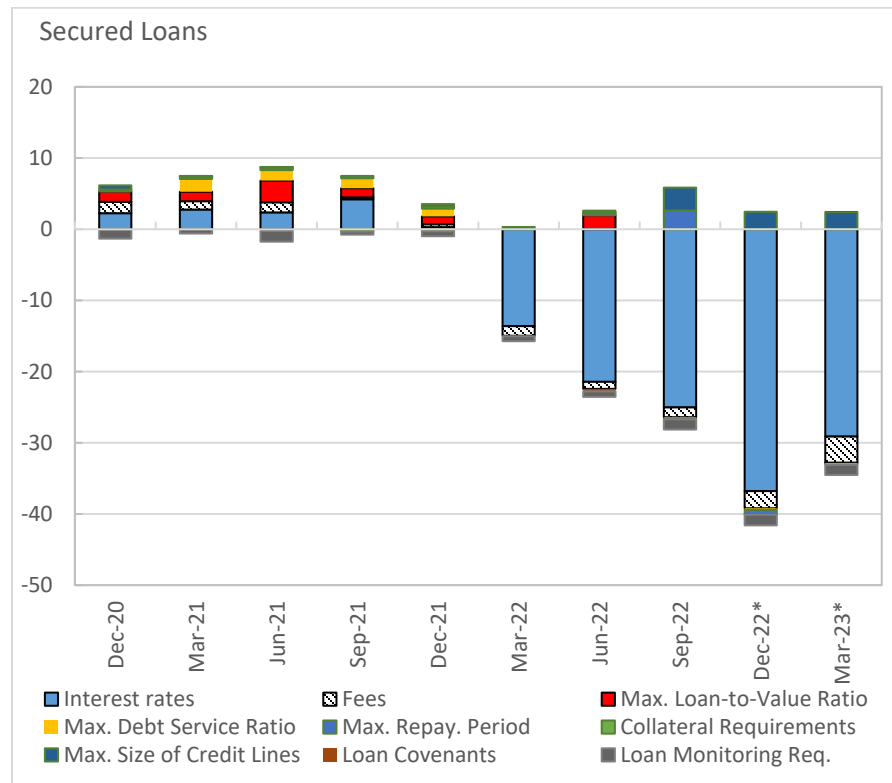
²¹ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

²² Methodology updated to address data gaps.



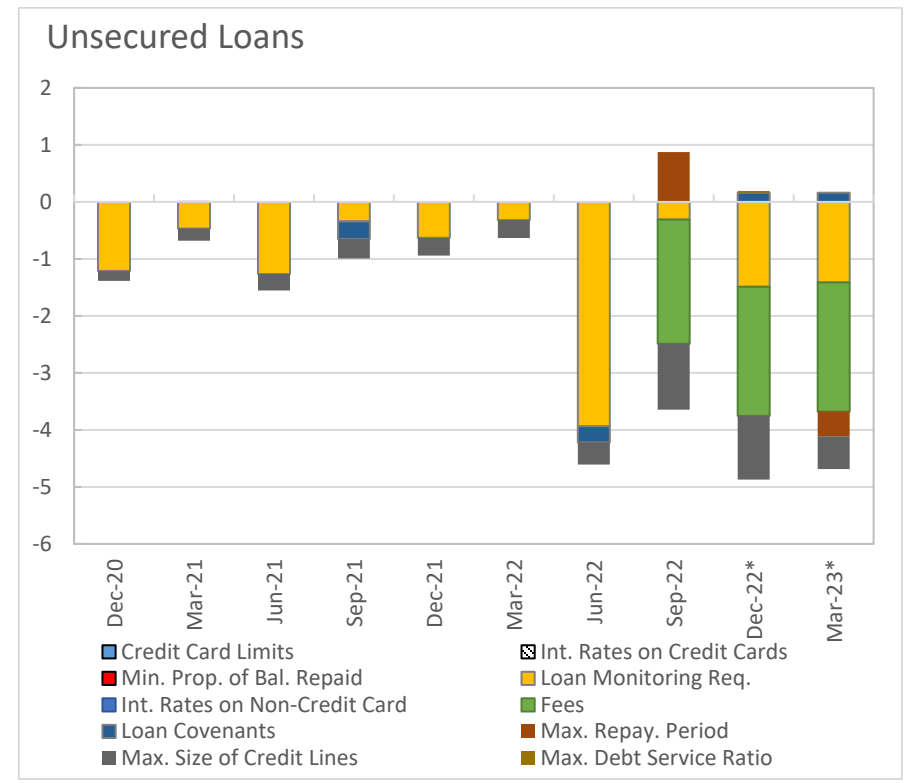
Appendix A: Overall Credit Market Conditions

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	Sep-21	Jun-22	Sep-22
Credit Conditions Index	100.6	97.6	97.4
Credit Supply Index	100.2	102.3	106.0
Credit Demand Index	96.7	100.4	109.1
Price of LC Credit	13.73	14.18	14.46
Price of FC Credit	7.48	7.36	7.32
PERSONAL	Sep-21	Jun-22	Sep-22
Credit Conditions Index	103.0	98.3	98.1
Credit Supply Index	99.7	110.8	108.7
Credit Demand Index	98.8	109.2	124.6
Price of LC Credit	16.10	15.88	16.24
ALL BUSINESSES	Sep-21	Jun-22	Sep-22
Credit Conditions Index	100.0	97.4	97.2
Credit Supply Index	100.5	98.1	104.7
Credit Demand Index	95.2	95.4	101.7
Price of LC Credit	13.13	13.75	14.01
Price of FC Credit	7.48	7.36	7.32
o. w. MICRO	Sep-21	Jun-22	Sep-22
Credit Conditions Index	99.9	95.5	95.7
Credit Supply Index	102.7	93.4	116.3
Credit Demand Index	90.6	89.1	109.0
Price of LC Credit	25.29	28.34	28.96
Price of FC Credit	7.10	7.78	7.78
o. w. SMALL	Sep-21	Jun-22	Sep-22
Credit Conditions Index	100.0	97.0	97.0
Credit Supply Index	98.5	97.8	100.9
Credit Demand Index	95.3	95.2	100.3
Price of LC Credit	10.65	10.30	10.24
Price of FC Credit	8.49	8.07	8.04
o. w. MEDIUM	Sep-21	Jun-22	Sep-22
Credit Conditions Index	100.0	98.4	98.6
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	94.9	95.6	97.7
Price of LC Credit	8.66	8.25	8.53
Price of FC Credit	8.44	7.69	7.63
o. w. LARGE	Sep-21	Jun-22	Sep-22
Credit Conditions Index	100.0	98.8	97.6
Credit Supply Index	101.0	101.2	101.6
Credit Demand Index	99.9	101.7	99.6
Price of LC Credit	7.92	8.11	8.32
Price of FC Credit	5.88	5.90	5.82



Figure 18: Drivers of the Supply of Credit

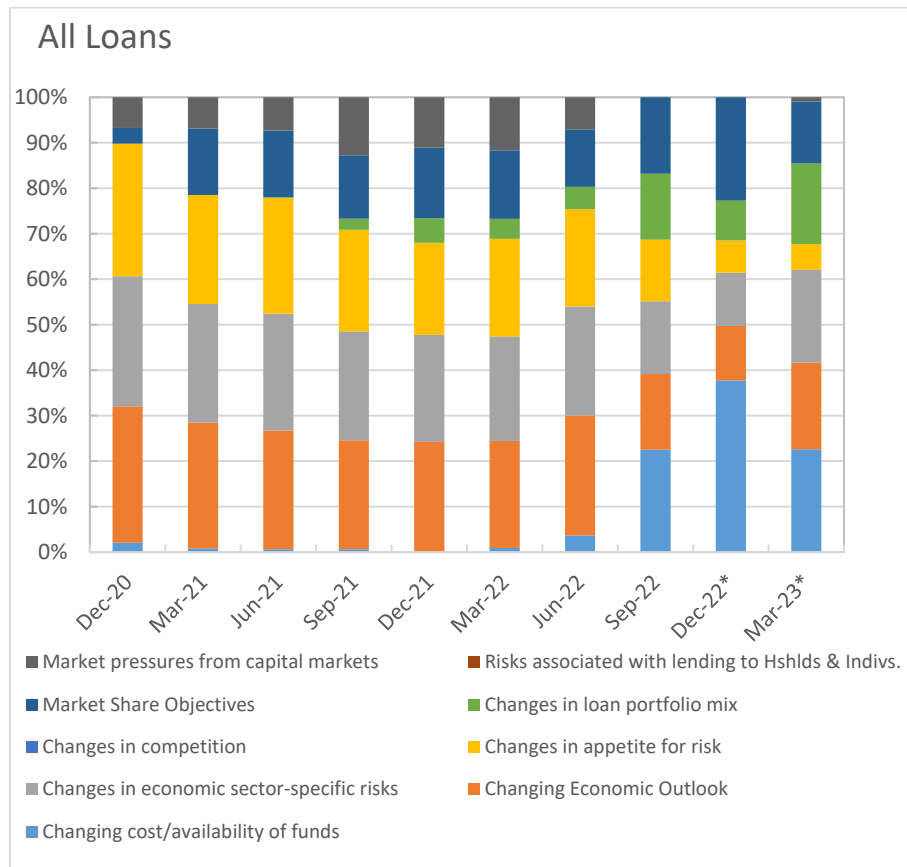




Figure 19: Drivers of the Demand for Secured Credit

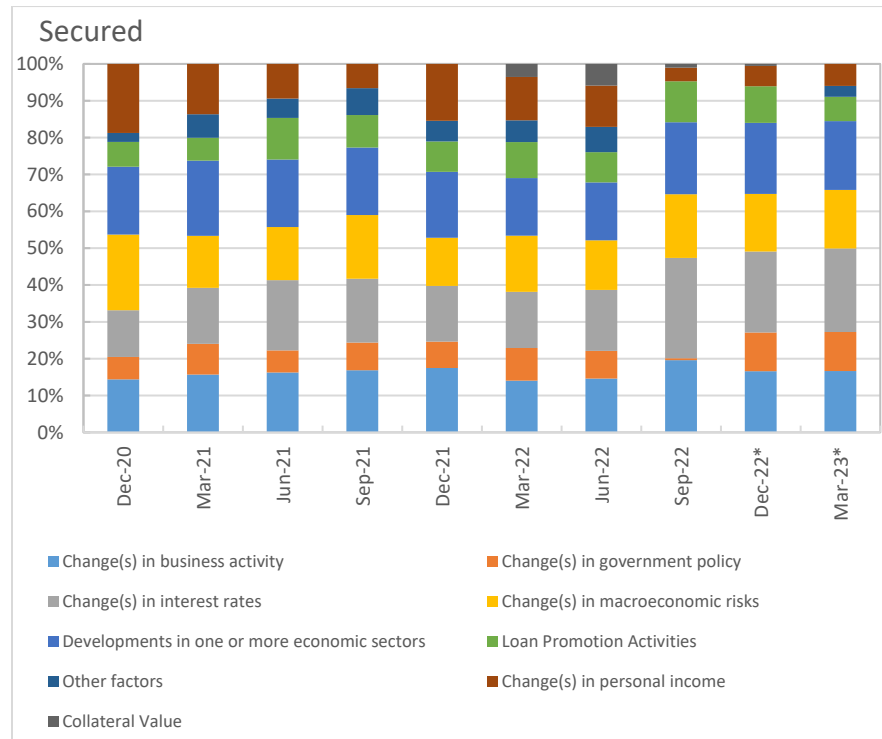
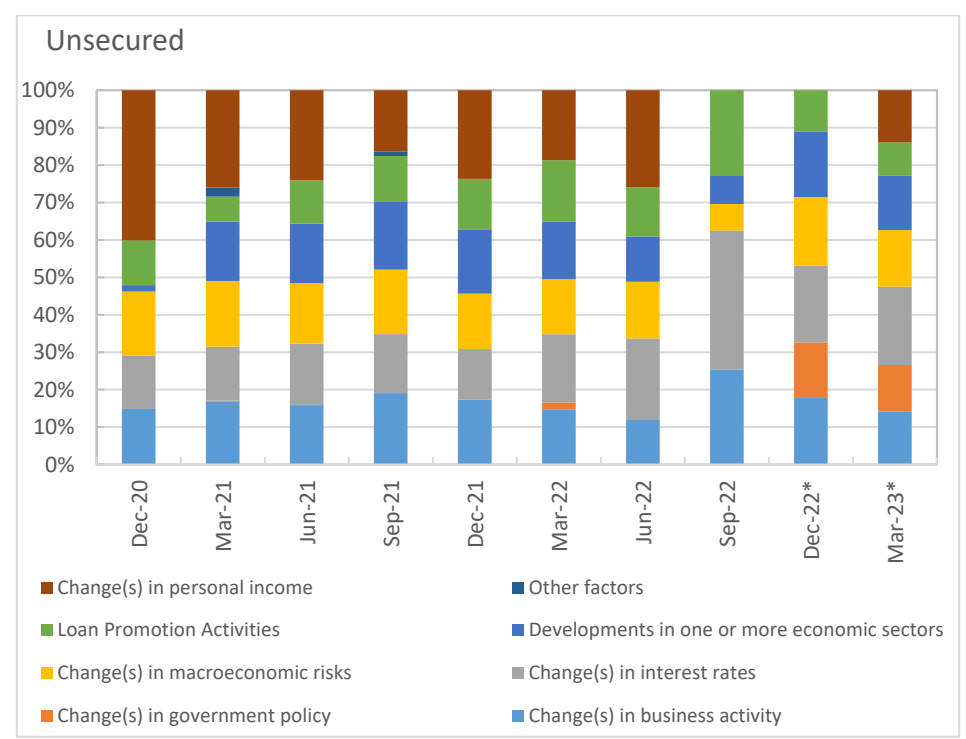


Figure 20: Drivers of the Demand for Unsecured Credit





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