

Quarterly Credit Conditions Survey Report



**March 2023
Quarter**

Prepared by the

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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 March 2023 survey which was conducted between 18 April 2023 and 9 May 2023.

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	1	1	1	1	1	1
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	21	21	21	21	21	21



Overview

Context

STATIN's estimate of GDP outturn for the March 2023 quarter indicated that the Jamaican economy grew by 4.2 per cent when compared to the March quarter of 2022. This was attributed to growth in the Services and Goods Producing Industries of 5.4 per cent and 1.0 per cent, respectively. This performance reflected the sustained recovery of the economy from the impact of the COVID-19 pandemic.

Annual inflation was 6.2 per cent at March 2023, below the 7.8 per cent at February 2023. The moderation in inflation relative to February 2023 mainly reflected reductions in energy and transport services inflation, stemming from lower fuel costs. This impact was slightly offset by higher inflationary pressure from agricultural prices and upward adjustments in regulated prices.

During the March 2023 quarter, Bank of Jamaica maintained its policy interest rate at 7.00 per cent. The Bank also continued to implement other measures to contain Jamaican dollar liquidity expansion and foster relative stability in the exchange rate as part of its efforts aimed at underpinning the return of inflation to the target range of 4.0 to 6.0 per cent. In relation to the Bank's liquidity management strategy, on 20 February 2023, the Bank announced its decision to increase by one percentage point (pp) the domestic and the foreign currency Cash Reserve Requirements (CRRs) applicable to deposit-taking institutions (DTIs), effective 01 April 2023.

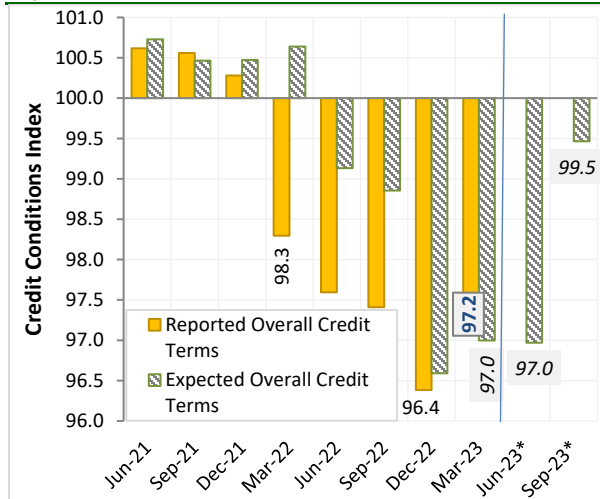
Liquidity conditions for the March 2023 quarter eased relative to the December 2022 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of \$26.5 billion by deposit taking institutions (DTIs) and primary dealers, above the average of \$18.9 billion for the preceding quarter.



Credit Conditions (Overall)¹

In the context of the Bank’s policy stance, overall credit conditions (i.e. lending institutions’ price and non-price loan terms agreed in loan contracts), tightened during the March 2023 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 maximum debt servicing ratio. Some respondents indicated that their decision to tighten terms was in response to the Bank’s tightening of its monetary policy since October 2021 and the expectations of future monetary policy actions. (See **Appendix A: Figures 16 & 17**).

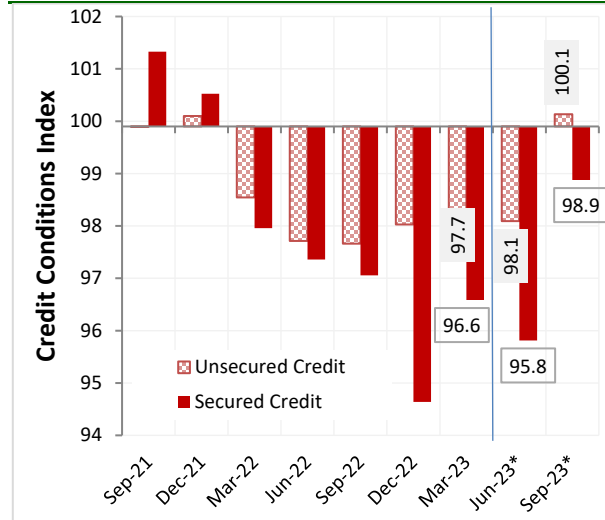
Figure 1a: Index of Overall Credit Market Conditions



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 March 2023 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 June 2023 quarter. They also plan to tighten conditions for the September 2023 quarter, although a marginal deceleration in the pace of tightening is expected.

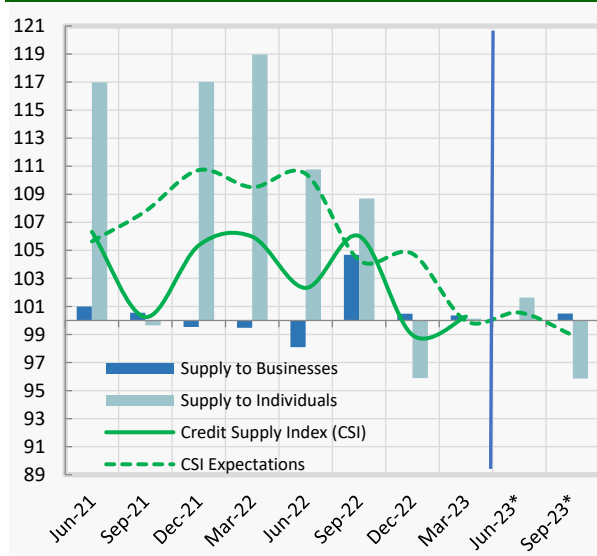
Credit Supply

Credit made available during the March 2023 quarter remained largely unchanged as evidenced by the Credit Supply Index (CSI) of **100.3** and was in contrast to the decline recorded in the December 2022 quarter (see **Figure 2** and **Appendix A: Table 7**).

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



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.

Lenders plan to increase the supply of credit marginally in the June 2023 quarter with a focus on personal lending. For the September 2023 quarter, lenders plan to reduce the amount of credit that will be available due to increased risk aversion.

Figure 3a: Distribution of Private Industry Credit²

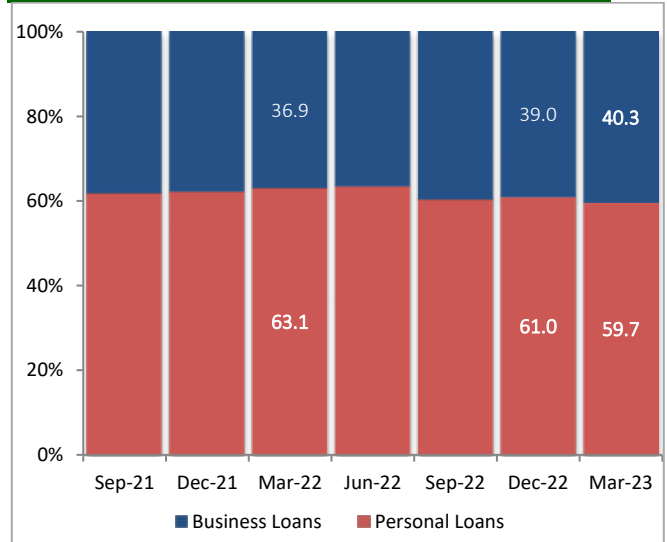
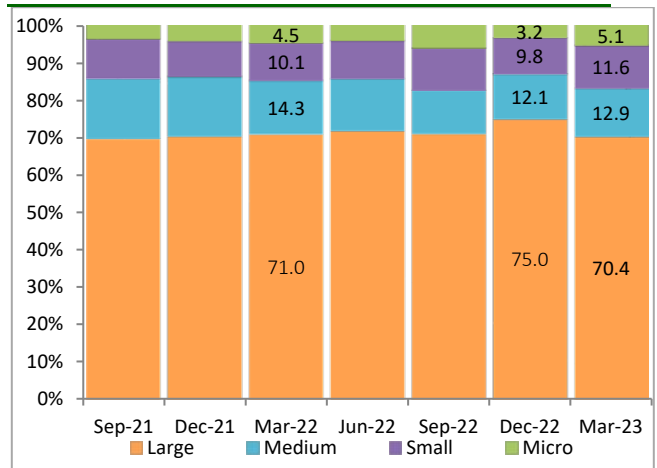


Figure 3b: Distribution of Private Industry Credit by Business Size



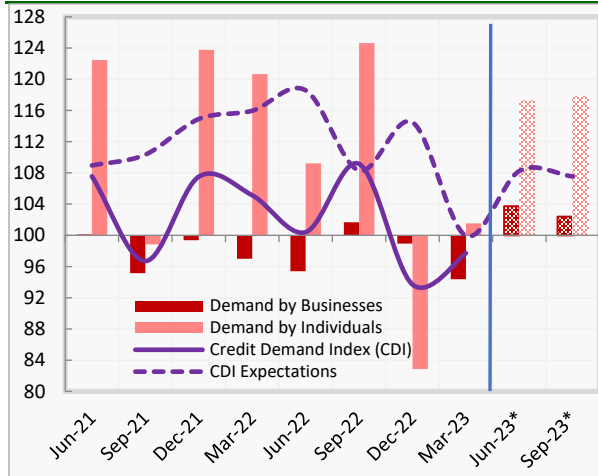
Credit Demand

For the March 2022 quarter, demand for credit declined as reflected by the Credit Demand Index (CDI) of 97.7 (see **Figure 4** and **Appendix A: Table 7**). This reduction was reflected in micro and medium-sized business. (**Appendix A: Table 7**).

² Figure 3 shows the distribution of credit outstanding 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 June 2023 and September 2023 quarters, lenders indicated that they expect overall demand for credit to increase but to reflect higher rate of growth in the June 2023 quarter. The anticipated increase in demand for credit is expected to be driven primarily by demand by individuals. The expected higher demand in the June 2023 quarter is reflective of plans by some respondents to introduce new loan products and loan promotions. Other institutions, through partnerships with public entities intend to offer lower rates which they expect to drive demand.

Price of Credit³

Based on the survey responses, average indicative interest rates on new local currency loans increased by approximately **48 bps to 15.25 per cent** during the review quarter, relative to the previous quarter. The increase in the average rate reflected increases of **60 bps** and **44 bps** in rates

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.

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 large-sized business sizes which declined. Some lenders indicated that the higher rates were indicative of higher cost of funds. In addition, interest rates on loans increased in a context where money market rates increased over the quarter.

The interest rates on new foreign currency loans increased by **20 bps** relative to the previous quarter, reflecting average indicative rates of **7.82 per cent**. These higher rates reflected increased rates to all business sizes except micro which remained unchanged.

For the June 2023 quarter, lenders reported that they plan to increase interest rates on new local currency loans by **73 bps to 15.98 per cent** and effect further increase by **20 bps to 16.18 per cent** for the September 2023 quarter.⁴ The planned increase in local currency rates for the June 2023 and September 2023 quarters reflect increased risk aversion. The outlook for loan rates also reflects lenders expectation that the change to the CRR will impact the availability and cost of funds.

For foreign currency loans, respondents indicated their intention to increase loan rates in the June 2023 and September 2023 quarters by **43 bps to 8.25 per cent** and **23 bps to 8.48 per cent** respectively.

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

	December 2022 Survey			March 2023 Survey			Quarterly Change
	Dec-22	Mar-22*	Jun-22*	Mar-23	Jun-23*	Sep-23*	
Local Currency (LC)							
Business loans	14.36	14.86	15.06	14.80	15.58	15.73	0.44
Personal loans	16.43	16.75	16.91	17.03	17.57	18.00	0.60
Average LC rates	14.77	15.24	15.43	15.25	15.98	16.18	0.48
Foreign Currency (FC)							
Business loans	7.62	8.11	8.34	7.82	8.25	8.48	0.20
Reference rate	8.17	8.60	8.17	8.16	8.70	7.57	-0.01

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 March 2023 quarter. This was evidenced by an index of **97.1** (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 increased interest rates, fees and a decline in the maximum debt service ratio.

For the June 2023 quarter, credit conditions are expected to tighten for secured loans while conditions for unsecured loans are expected to remain unchanged. For the September 2023 quarter conditions are expected to tighten marginally. The tightening reflects plans by some institutions to increase interest rates, fees and the loan monitoring requirements.

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

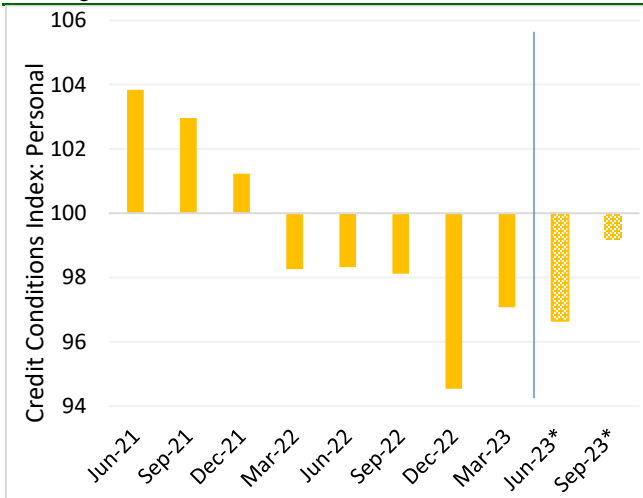
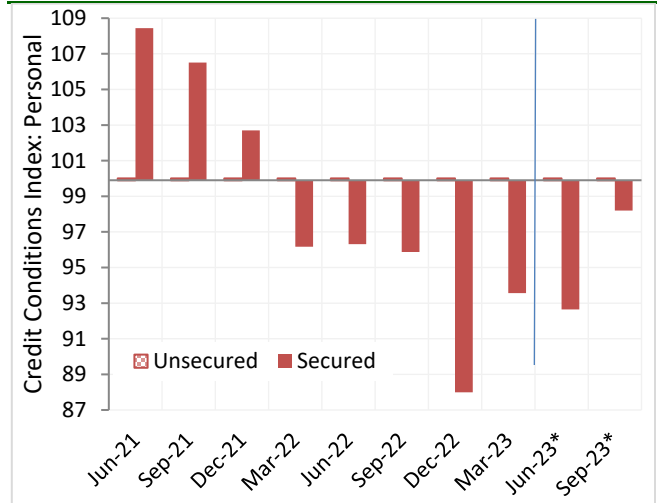


Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending



- 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 March 2023 quarter, credit made available for personal loans remained largely unchanged, which was evidenced by a CSI of **100.1** (see **Figure 6a**). This was characterized by an increase in credit availability for motor vehicle, debt consolidation, other secured personal loans, mortgages and loans secured on real estate. This was offset by a decrease in credit made available for credit card and other unsecured lending. (See **Figure 6b**).

For the June 2023 quarter, lenders plan to increase credit availability, as some entities partner with the National Housing Trust (NHT) to provide more credit for mortgages and other real estate related lending. For the September 2023 quarters, lenders plan to reduce the amount of credit made available for personal lending due to a reported increase in risk



aversion. Lenders also reported that the change in the CRR will limit their capacity to lend.

Figure 6a: Availability of Credit for Personal Lending

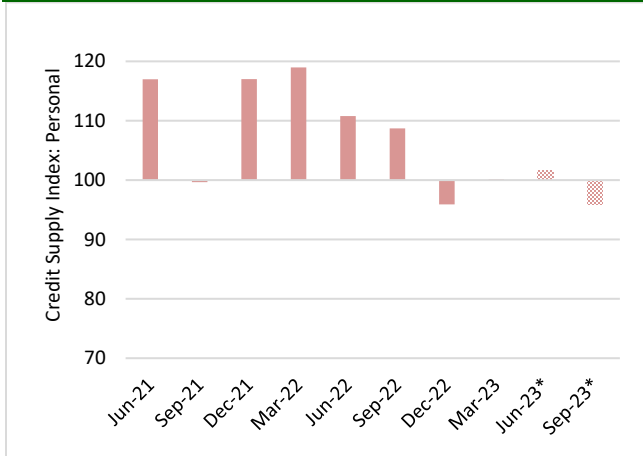
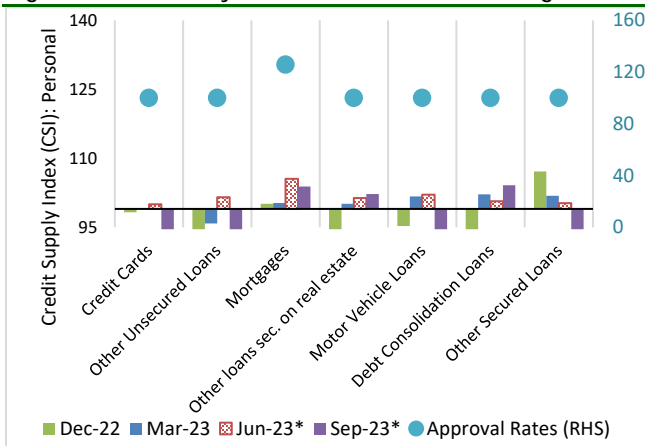


Figure 6b: Availability of Credit for Personal Lending



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

The demand for personal credit for the March 2023 quarter increased as reflected by a CDI of **101.5**. The increase in demand was evident in demand for mortgages, other lending secured on real estate, debt consolidation and other secured lending (see **Figure 7a** and **7b**). Lenders reported that the increased demand was driven by loan promotional activities as well as the introduction of new loan products.

For the June 2023 and September 2023 quarters the CDI is also expected to increase. Some lenders indicated their plans to partner with the NHT while the expectation is for loan demand to continue to be driven by promotions.

Figure 7a: Demand for Personal Loans

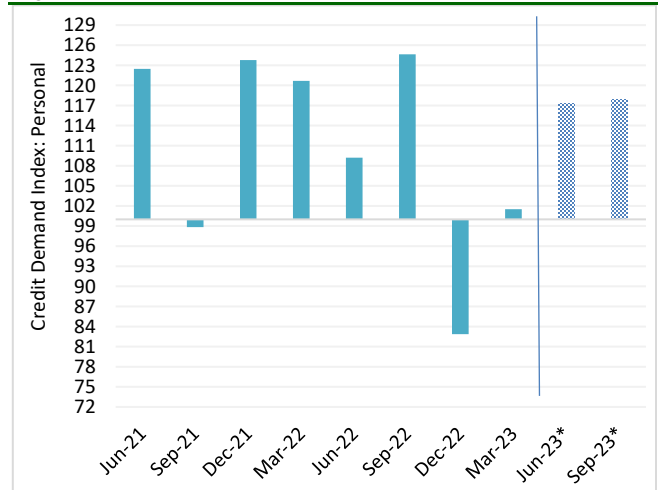
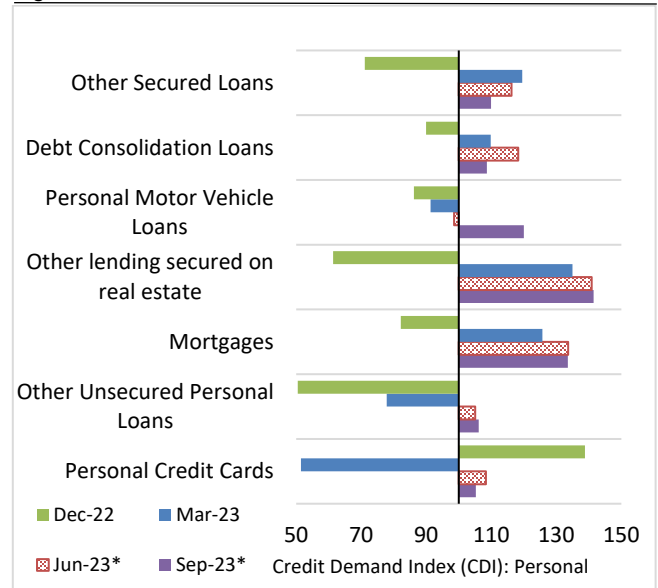


Figure 7b: Demand for Personal Loans





Price of Credit⁶

Average indicative loan rates on new personal loans offered by participating institutions increased for the review period to **17.03 per cent** from **16.43 per cent** in the previous survey. The increased rates were evident in all lending categories except other secured personal loans which remained largely unchanged. (See **Table 2**).

For the June 2023 quarter⁷, lenders reported that they plan to increase interest rates by **54 bps to 17.57 per cent** then further increase rates by **43 bps to 18.00 per cent** for the September 2023 quarter.

Table 2: Interest Rates on Personal Loans⁸

	December 2022 Survey			March 2023 Survey			Mar-23 vs Dec-22 Quarterly Change
	Dec-22	Mar-23*	June-23*	Mar-23	Jun-23*	Sep-23*	
Credit Cards	40.59	39.84	40.53	42.64	44.21	46.24	2.05
Other Unsecured	17.09	18.21	18.26	17.68	18.16	18.16	0.59
Mortgages	7.55	7.97	8.00	7.78	7.99	8.04	0.23
Motor Vehicle	8.60	8.63	8.67	8.73	8.44	8.49	0.13
Other Secured	8.32	9.10	9.08	8.33	9.03	9.06	0.01
Average rates	16.43	16.75	16.91	17.03	17.57	18.00	0.60

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

⁶ 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.

⁷ Respondent's expectations for future interest rates may include prime rates

⁸ Methodology updated to address data gaps.

Micro Business Lending

Credit Conditions

For the March 2023 quarter, overall credit conditions faced by micro-sized businesses further tightened with an index of **95.4** 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 requirements.

For the June 2023 quarter, lenders expect the overall credit conditions to continue to tighten reflected in both secured and unsecured lending. For the September 2023 quarter, lenders expect credit conditions to marginally tighten reflected in both secured and unsecured lending.

Figure 8a: Credit Conditions for Micro-sized Businesses

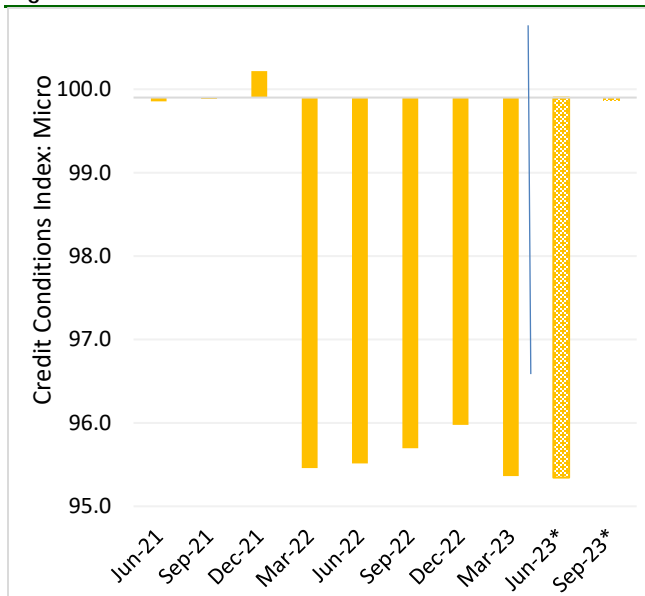
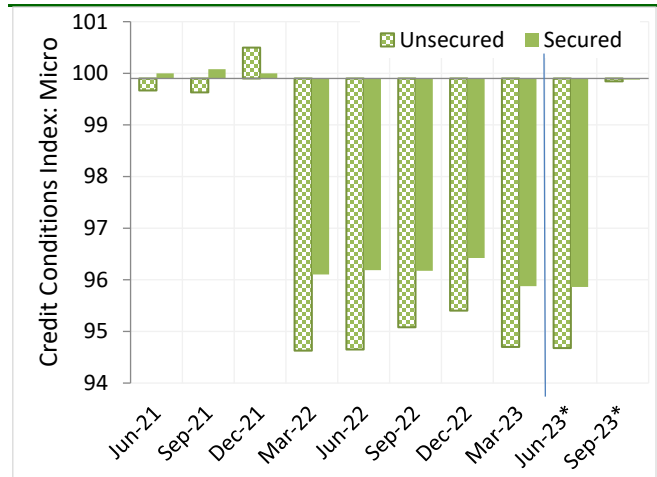


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



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

Credit Supply

Credit made available to micro sized firms for the review quarter tightened relative to the previous quarter, as evidenced by a CSI of **99.6**. Credit made available in local currency reflected the tightening, which was evidenced in all industries. At the same time, credit made available in foreign currency remained unchanged, which was evidenced across all industries.

For the June 2023 quarter, some lenders reported plans to reduce the supply of both local and foreign currency credit. For local currency credit the decline is projected to be reflected in all industries except *Agriculture & Fishing* which expected to increase. While for foreign currency credit, some lenders plan to reduce their supply to the *Tourism* industry.



For the September 2023 quarter some lenders plan to reduce the overall supply of credit to micro sized businesses. The planned reduction is expected in local currency credit while foreign currency credit is expected to remain unchanged.

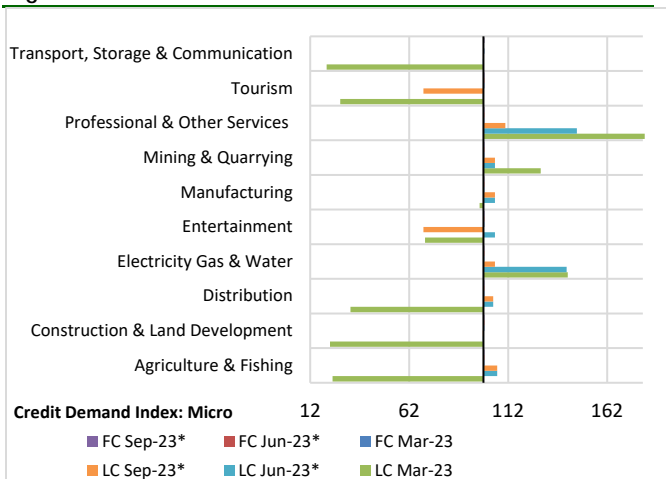
Credit Demand

For the March 2023 quarter, credit demanded by micro businesses declined which was reflected by a CDI of **81.9** for the quarter in comparison to **100.1** in the previous quarter. The decline in demand by micro-businesses was reflected in reduced demand for local currency loans while foreign currency loans remained unchanged. For local currency loans the declines were reflected in all industries except for *Professional & Other Services, Mining & Quarrying* and *Electricity, Gas & Water* industries which reflected increases (See **Figure 9**). While, the unchanged demand for foreign currency loans was reflected in all industries.

Development, Transport, Storage & Communication, and *Tourism* industries, which is expected to decline. For foreign currency loans all industries are expected to remain unchanged.

However, for the September 2023 quarter, lenders reported that they expect a decline in the demand for local currency loans which is expected in *Construction & Land Development, Transport, Storage & Communication, Tourism* and *Entertainment* industries. For foreign currency loans, demand is expected to remain unchanged.

Figure 9: Credit Demand for Micro-sized Businesses



For the June 2023 quarter, lenders reported that they expect an increase in demand for local currency loans while foreign currency loans are expected to remain unchanged. For local currency loans this increase is expected in all industries except *Construction & Land*



Price of Credit⁹

The indicative average lending rate for the March 2023 quarter on new local currency loans to micro businesses rose by **187 bps** to **30.70 per cent** (see **Table 3**). This increase was evident across all industries.

However, for the June 2023 quarter some respondents plan to marginally reduce interest rates due to a partnership with a Public Entity which is expected to reduce average rates for local currency loans by **11 bps** to **30.59 per cent**.

For the September 2023 quarter some lenders plan to increase average interest rates for local currency loans by **54 bps** to **31.13 per cent**.

Table 3: Interest Rates on New Local Currency Loans to Micro Businesses¹⁰

MICRO	Local Currency			
	Dec-22	Mar-23	Jun-23*	Sep-23*
Agriculture & Fishing	29.69	30.06	29.76	30.73
Construction & Land Development	29.17	32.73	32.03	32.03
Distribution	30.10	31.81	29.39	29.70
Electricity, Gas & Water	26.13	26.83	26.93	27.51
Entertainment	27.45	31.41	31.46	32.95
Manufacturing	28.62	29.33	29.79	32.25
Mining & Quarrying	26.42	28.11	30.92	30.92
Professional & Other Services	32.01	32.73	32.36	31.92
Tourism	31.27	32.19	32.01	32.01
Transport, Storage & Communication	27.46	31.82	31.27	31.27
Average	28.83	30.70	30.59	31.13

1. The asterisks (*) represent expectations provided by the respondents.

⁹ 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.

¹⁰ Methodology updated to address data gaps.

Small Business Lending

Credit Conditions

For the March 2023 quarter, overall credit conditions faced by small businesses further tightened, relative to the previous quarter. This was reflected in a credit conditions index of **95.8** for the quarter (see **Figure 10a** and **Appendix A: Table 7**). The tightening was reflected in both secured and unsecured loans (see **Figure 10b**).

For the June 2023 quarter, lenders anticipate that overall credit conditions will further tighten, which is reflected in both secured and unsecured loans to small businesses. In relation to credit terms, some lenders indicated plans to tighten credit terms such as interest rates, fees and loan monitoring requirements.

For the September 2023 quarter, lenders expect credit conditions to tighten albeit at a slower rate as reflected in both secured and unsecured loans.

Figure 10a: Credit Conditions for Small Businesses

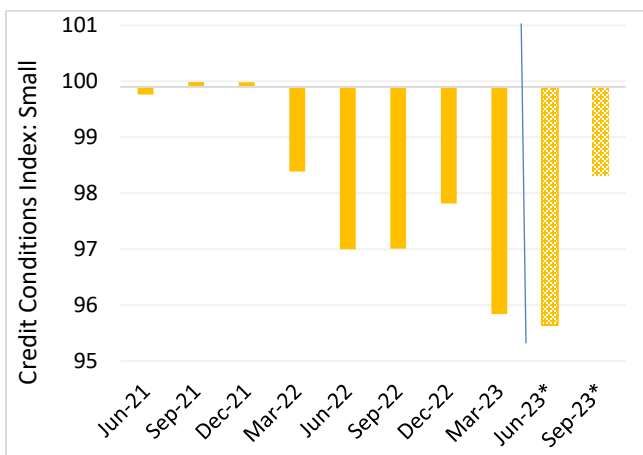
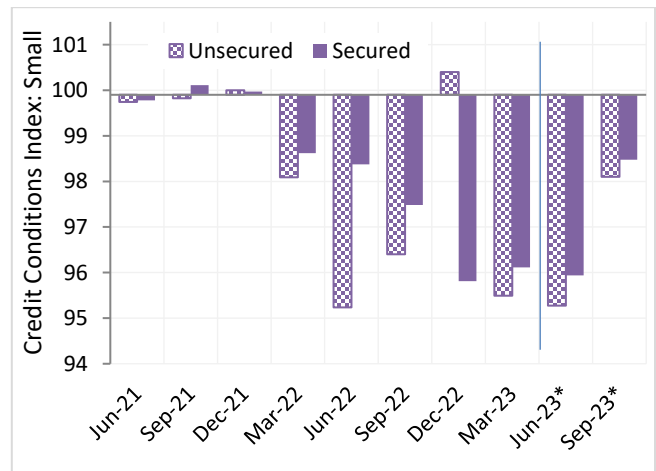


Figure 10b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



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

Credit Supply

Credit made available to small sized firms marginally eased in the March 2023 quarter which is reflected by an index of **100.1**. Lenders reported that there was an increase in the supply of local currency loans while foreign currency loans remained unchanged. For local currency loans, the increase was reflected across all industries except for *Distribution Electricity, Gas & Water and Entertainment* industries which declined. For foreign currency loans to all industries remained unchanged.

For the June 2023 and September 2023 quarters, some lenders indicated plans to further increase the supply of both local and foreign currency credit to small-sized businesses. This is as a result of some institutions disbursing loans on behalf of a Public Entity. The planned increase in the supply of local currency loans is expected across all industries for the June 2023 quarter. The planned increase in the supply of foreign



currency loans is expected in Agriculture & Fishing, Distribution and Professional & Other Services industries for the June 2023 quarter. For the September 2023 quarter the planned increase in local currency credit is reflected across all industries except *Construction & Land Development* industry which is projected to decline. For foreign loans increases are reflected across all industries except *Manufacturing* which is expected to remain unchanged.

Credit Demand

The overall demand for loans by small businesses marginally increased in the review quarter as evidenced by the CDI of **100.2**. The outturn reflected an increase for local currency loans while foreign currency loans declined. For local currency loans increases were reflected in *Transport, Storage & Communication, Distribution and Professional & Other Services industries*. For foreign currency loans, the declines were reflected in all industries except *Manufacturing*, which remained unchanged and *Distribution* which increased.

For the June 2023 and September 2023 quarters, lenders reported that they expect an increase in the demand for both local currency loans and foreign currency loans.

Price of Credit¹¹

For the March 2023 quarter, the indicative average lending rate on new local currency loans to small businesses rose by **33 bps** to **10.65 per cent**. The increase was reflected in all industries except *Electricity, Gas & Water, Entertainment and Mining & Quarrying* which reflected declines. The average interest rate on foreign currency loans also rose by **10**

bps to **8.54 per cent**, which was reflected in all industries.

For the June 2023 lenders plan to further increase interest rates for local currency loans by **63 bps**, while for foreign currency loans some lenders plan to reduce average interest rates by **58 bps**.¹² The reduction is as a result of plans by selected lenders to grant loan specials to small sized businesses.

For the September 2023 quarter, lenders reported a planned decline of **9 bps** in average interest rates for local currency loans and a planned increase of **22 bps** in average interest rates for foreign currency loans

Table 4: Interest Rates on New Local & Foreign Currency Loans to Small Businesses¹³

SMALL	Local Currency				Foreign Currency			
	Dec-22	Mar-23	Jun-23*	Sep-23*	Dec-22	Mar-23	Jun-23*	Sep-23*
Agriculture & Fishing	10.36	10.54	12.21	12.21	8.25	8.32	8.03	8.25
Construction & Land Development	11.24	11.33	10.64	10.68	8.04	8.08	8.09	8.25
Distribution	9.39	10.13	11.01	11.09	9.48	9.52	7.97	8.03
Electricity, Gas & Water	10.74	10.63	10.93	10.98	8.50	8.54	8.03	8.46
Entertainment	11.73	11.24	10.43	10.47	7.50	7.52	7.69	7.91
Manufacturing	11.26	12.36	11.60	11.68	8.25	8.32	8.03	8.03
Mining & Quarrying	9.19	9.09	11.44	11.48	8.63	9.34	7.97	8.44
Professional & Other Services	9.31	10.22	11.60	11.60	7.63	7.68	8.09	8.32
Tourism	10.81	10.85	11.97	10.78	8.41	8.44	7.63	7.78
Transport, Storage & Communication	9.16	10.06	10.95	10.94	9.68	9.70	8.09	8.32
Average	10.32	10.65	11.28	11.19	8.44	8.54	7.96	8.18

1. The asterisks (*) represent expectations provided by the respondents.

¹¹ 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.

¹² Respondent's expectations for future interest rates may include prime rates.

¹³ Methodology updated to address data gaps.



Medium-Sized Business Lending¹⁴

Credit Conditions

Lending conditions faced by medium-sized businesses tightened at a slower pace in the March 2023 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **99.2** (see **Figure 11a** and **Appendix A: Table 7**). The tightening in credit terms for the review quarter was reflected in secured loans while unsecured loans remained unchanged (see **Figure 11b**).

For the June 2023 quarter, lenders reported that credit terms will further tighten for secured loans while terms for unsecured loans are expected to remain unchanged. The credit terms for secured loans that are expected to tighten include planned increases in interest rates and fees. In the September 2023 quarter lenders reported that credit conditions are expected to remain unchanged.

Figure 11a: Credit Conditions for Medium-sized Businesses

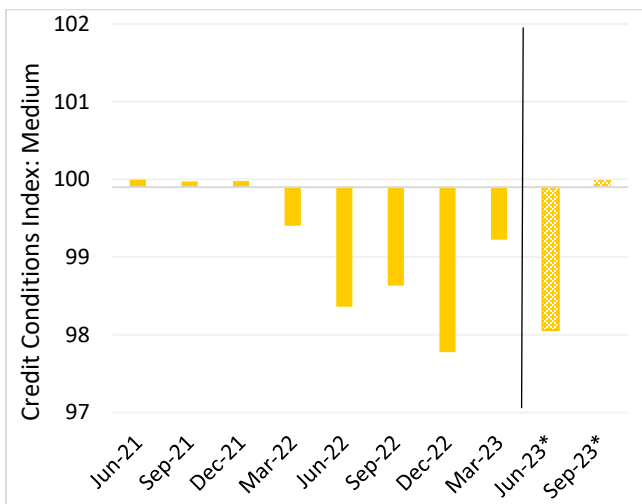
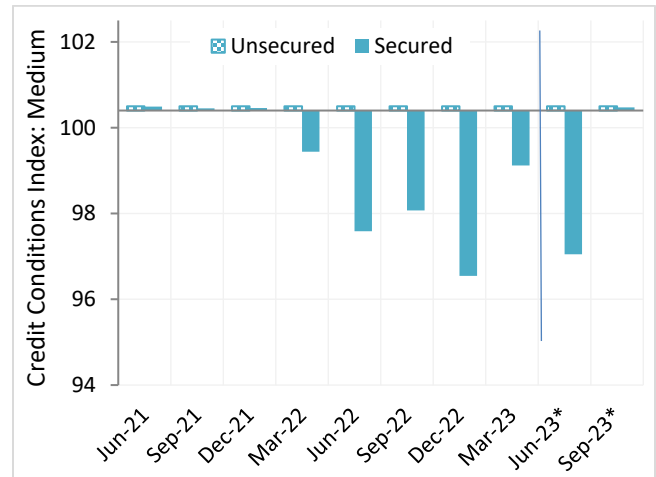


Figure 11b: Credit Conditions for Medium-sized Businesses



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

Credit Supply

Credit made available to medium-sized firms continued to remain unchanged for the March 2023 quarter, relative to the December 2022 quarter. This was reflected in both local and foreign currency credit and across all industries.

For the June 2023 and September 2023 quarters the CSI for medium-sized businesses is expected to remain unchanged for both local and foreign currency credit and across all industries.

Credit Demand

The demand for credit from medium-sized businesses further declined for the review period relative to the December 2022 quarter, which was indicated by a CDI of **94.7**. The decline in the CDI was due to a reduction

¹⁴ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.

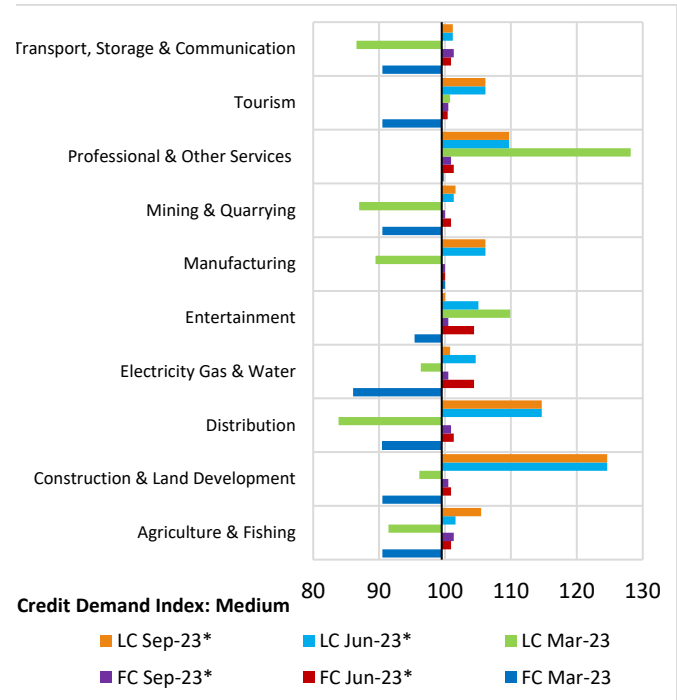


in demand for local and foreign currency loans. The decline in demand for local currency loans was reflected across all industries except *Tourism*, *Professional & Other Services* and *Entertainment* industries which reflected increases. For foreign currency loans the decline in demand was reflected in all industries except the *Manufacturing* industry which remain unchanged (see **Figure 12**).

For the June 2023 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 March 2023 quarter. For local currency loans, demand is expected to increase for all industries. In relation to foreign currency credit, demand is expected to increase marginally in all industries except *Manufacturing* industry which is expected to remain unchanged (see **Figure 12**).

For the September 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 June 2023 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 demand while an index greater than 100 indicates an increase.
2. The asterisk (*) represents forward looking expectations provided by the respondents.



Price of Credit¹⁵

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 **9.36 per cent** from **9.21 per cent** in the previous quarter. This was evident in increased interest rates to all industries except *Mining & Quarrying* industry which declined. For new foreign currency loans, the average lending rate increased by **39 bps** for the review quarter, which was evident in all industries. (see **Table 5**).

Lenders plan to further increase local currency lending rates for medium-sized firms by **154 bps** to **10.90 per cent** for the June 2023 quarter¹⁶ relative to the previous quarter. The increased rates are expected across all industries. Lenders also indicated plans to increase interest rates on foreign currency credit in the June 2023 quarter by **15 bps**.

For the September 2023 quarter, lenders plan to increase local currency lending rates to medium-sized firms by **16 bps** to **11.06 per cent** relative to the June 2023 quarter. Lenders also indicated plan to increase interest rates on foreign currency credit by **37 bps**.

Table 5: Interest Rates on Local and Foreign Currency Loans to Medium-sized Businesses¹⁷

MEDIUM	Local Currency				Foreign Currency			
	Dec-22	Mar-23	Jun-23*	Sep-23*	Dec-22	Mar-23	Jun-23*	Sep-23*
Agriculture & Fishing	8.57	8.68	10.75	10.89	7.48	7.86	8.43	8.97
Construction & Land Development	9.98	10.18	10.82	10.82	7.84	8.44	8.64	8.78
Distribution	8.84	9.02	10.32	10.45	7.11	7.51	8.35	8.44
Electricity, Gas & Water	8.50	8.64	10.81	11.16	8.65	9.10	8.58	8.91
Entertainment	8.64	8.79	10.32	10.53	8.02	8.39	8.58	9.16
Manufacturing	8.85	9.35	10.43	10.69	7.55	7.87	8.38	8.56
Mining & Quarrying	9.15	8.87	10.48	10.64	9.10	9.55	8.58	9.03
Professional & Other Services	9.32	9.39	10.52	10.92	7.78	7.88	8.48	8.84
Tourism	7.65	7.96	10.33	10.48	7.64	7.96	8.66	9.10
Transport, Storage & Communication	12.57	12.67	14.28	14.01	8.48	8.93	8.29	8.91
Average	9.21	9.36	10.90	11.06	7.96	8.35	8.50	8.87

1. The asterisks (*) represent expectations provided by the respondents.

¹⁵ 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.

¹⁶ Respondent’s expectations for future interest rates may include prime rates

¹⁷ Methodology updated to address data gaps.



Large Corporations and Commercial Lending¹⁸

Credit Conditions

Lending conditions faced by large firms tightened at a slower pace in the March 2023 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **98.6** (see **Figure 13a** and **Appendix A: Table 7**). Credit terms such as interest rates and fees reflected in both secured and unsecured loans tightened during the quarter (see **Figure 13b**).

For the June 2023 quarter, lenders reported that overall credit conditions to large sized businesses are expected to tighten at a slower rate relative to the March 2023 quarter. The expected tightening is reflected in secured loans which is expected to be partially offset by the marginal easing in unsecured loans.

For the September 2023 quarter, credit conditions are expected to remain unchanged. This reflects plans to tighten unsecured loans which is negated by plans to ease secured loans.

Figure 13a: Credit Conditions for Large Businesses

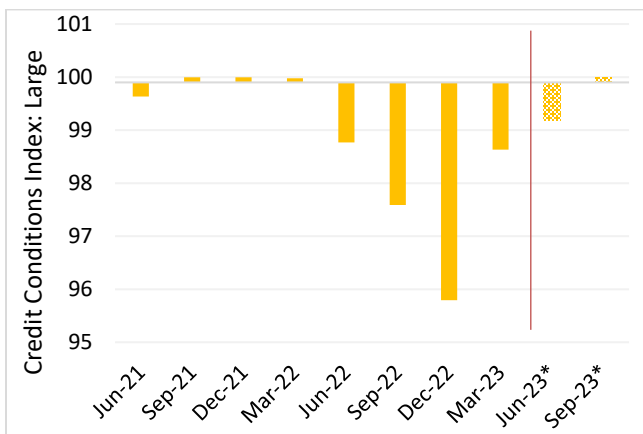
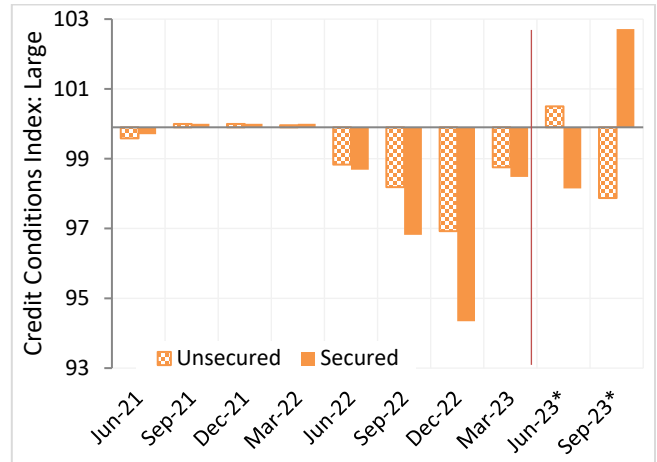


Figure 13b: Credit Conditions for Large Businesses



- 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 continued to increase which was reflected in a CSI of **101.7** for the review quarter relative to the previous quarter. The CSI reflected an increase in credit made available for both local and foreign currency loans. The increase in the supply of local currency loans was channeled into *the Construction & Land Development, Distribution, Tourism, Electricity Gas & Water and Professional & Other Services* industries. Foreign currency loans increases were channeled into *Distribution* industry (see **Figure 14**).

For the June 2023 quarter, lenders plan to marginally reduce the overall availability of credit to large businesses. This reflects plans to reduce foreign currency credit channeled to the *Distribution* industry. While for local currency credit lenders plan to increase

¹⁸ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.

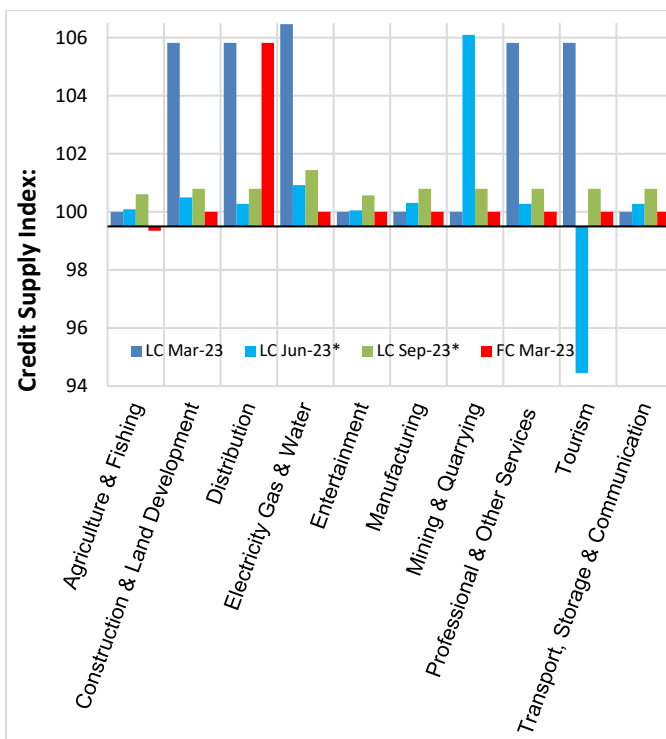


the availability of credit that will be channeled into all industries, except for the *Tourism* industry which is expected to decline.

For the September 2023 quarter lenders plan to increase credit made available to both local and foreign currency loans. For local currency the planned increase is reflected across all industries while for foreign currency loans the planned increase is reflected across all industries except for *Manufacturing* which is expected to remain unchanged.

quarter. The outturn for the review quarter was reflected in the increase in demand for local currency loans while the demand for foreign currency loans declined. The increase in demand for local currency credit was reflected in all industries except *Agriculture & Fishing, Mining & Quarrying and Transport, Storage & Communication* industries which reflected declines. The decline in demand for foreign currency loans was reflected in all industries except for the *Manufacturing* industry which remained unchanged and the *Distribution and Professional & Other Services* industries which increased (see Figure 15).

Figure 14: Availability of Credit for Large-sized 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.

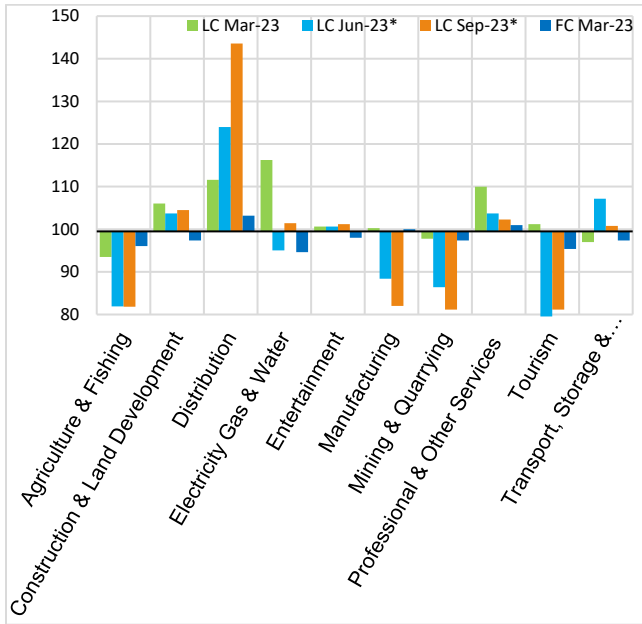
For the June 2023 quarter, lenders reported that they expect a decline in the overall demand for credit by large firms. This expectation was underpinned by anticipated reductions in demand for both local and foreign currency loans.

For the September 2023 quarter, lenders expect a decline in demand for credit by large businesses. This expectation was underpinned by anticipated reductions in demand for local currency loans while foreign loans are expected to remain unchanged.

Credit Demand

The demand for credit by large businesses in the March 2023 quarter increased which was indicated by a CDI of **100.7** compared with **98.9** in the previous
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Figure 15: Credit Demand by Large-sized 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 Credit¹⁹

For the review quarter, indicative lending rates on new local currency loans to large corporations fell to **8.50 per cent** from **9.07 per cent** in the previous quarter. This decline, which was evident in all industries resulted from a reduction in rates offered by public entities. However, foreign currency rates rose by **31 bps** to **6.40 per cent** (see Table 6). The increase in rates for foreign currency loans, was evident in all the industries.

For the June 2023 quarter lenders plan to increase the average interest rate on new local currency credit to large firms by **105 bps** to **9.55 per cent**. Similarly, for

the average interest rate on foreign currency credit, lenders plan to increase rates by **94 bps**.

For the September 2023 quarter, lenders indicated no change in average interest rates on new local currency credit to large firms. There is a planned increase of **32 bps** in foreign currency credit to **7.66 per cent**.

Table 6: Interest Rates on Local and Foreign Currency Loans to Large Businesses²⁰

LARGE	Local Currency				Foreign Currency			
	Dec-22	Mar-23	Jun-23*	Sep-23*	Dec-22	Mar-23	Jun-23*	Sep-23*
Agriculture & Fishing	9.48	8.70	9.47	9.47	5.93	6.16	7.51	7.78
Construction & Land Development	9.17	8.65	10.15	10.17	5.75	5.88	7.09	7.56
Distribution	9.13	9.01	9.77	9.70	5.45	6.53	7.27	7.50
Electricity, Gas & Water	8.78	7.90	9.42	9.73	6.26	6.76	7.11	7.75
Entertainment	8.57	7.52	9.83	9.40	6.06	6.18	7.46	7.69
Manufacturing	8.94	8.69	9.33	9.36	6.95	7.16	7.43	7.53
Mining & Quarrying	9.39	8.70	9.63	9.84	6.02	6.37	7.39	7.75
Professional & Other Services	9.64	9.39	9.46	9.38	5.93	6.09	7.32	7.78
Tourism	9.16	8.57	9.01	9.02	6.54	6.61	7.39	7.62
Transport, Storage & Communication	8.49	7.86	9.46	9.42	5.97	6.27	7.40	7.67
Average	9.07	8.50	9.55	9.55	6.09	6.40	7.34	7.66

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

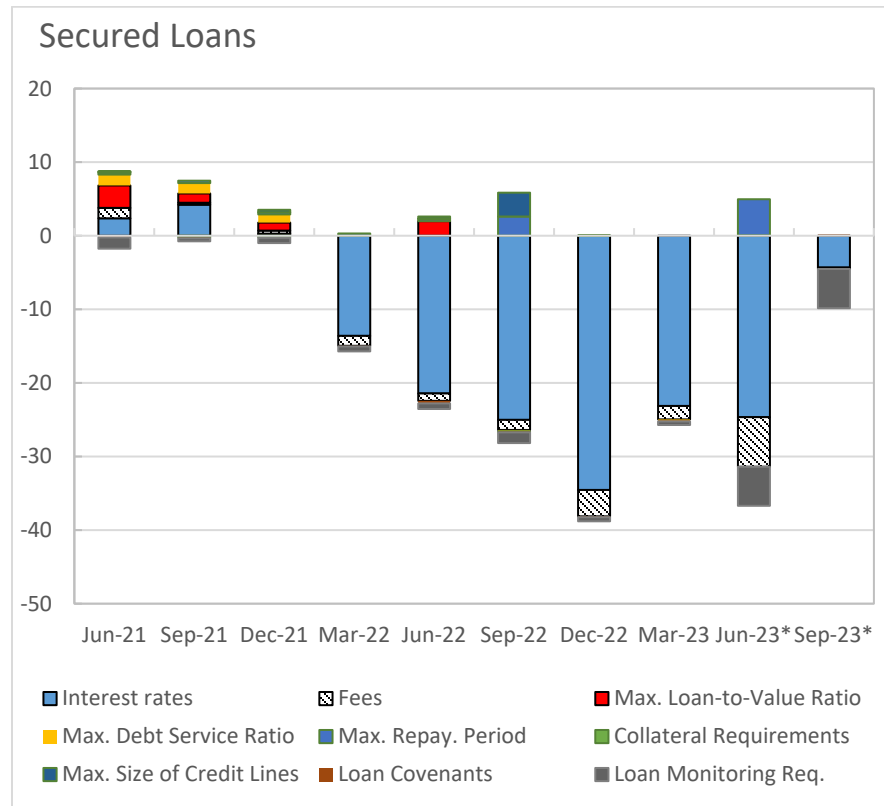
¹⁹ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

²⁰ Methodology updated to address data gaps.



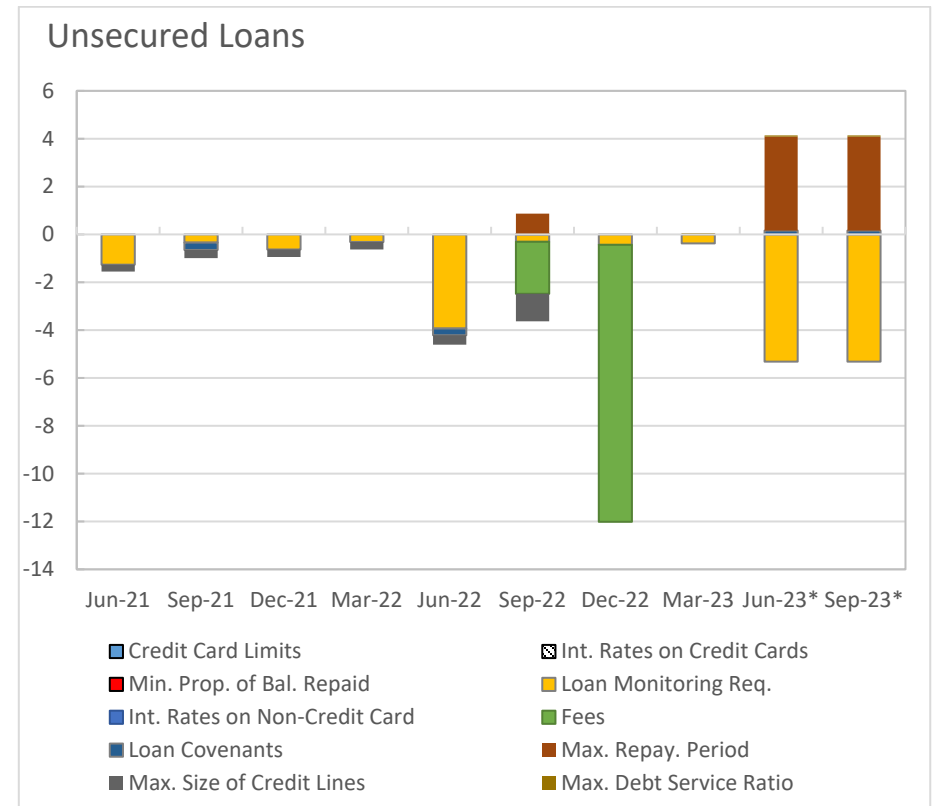
Appendix A: Overall Credit Market Conditions

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	Mar-22	Dec-22	Mar-23
Credit Conditions Index	98.3	96.4	97.2
Credit Supply Index	106.0	99.0	100.3
Credit Demand Index	105.1	93.7	97.7
Price of LC Credit	13.85	14.77	15.25
Price of FC Credit	7.40	7.62	7.82
PERSONAL	Mar-22	Dec-22	Mar-23
Credit Conditions Index	98.3	94.5	97.1
Credit Supply Index	119.0	95.9	100.1
Credit Demand Index	120.7	82.9	101.5
Price of LC Credit	15.38	16.43	17.03
ALL BUSINESSES	Mar-22	Dec-22	Mar-23
Credit Conditions Index	98.3	96.8	97.3
Credit Supply Index	99.5	100.5	100.4
Credit Demand Index	97.0	99.0	94.4
Price of LC Credit	13.47	14.36	14.80
Price of FC Credit	7.40	7.62	7.82
<i>o. w.</i> MICRO	Mar-22	Dec-22	Mar-23
Credit Conditions Index	95.5	96.0	95.4
Credit Supply Index	96.5	100.0	99.6
Credit Demand Index	95.2	100.1	81.9
Price of LC Credit	27.84	28.83	30.70
Price of FC Credit	7.86	7.92	7.92
<i>o. w.</i> SMALL	Mar-22	Dec-22	Mar-23
Credit Conditions Index	98.4	97.8	95.8
Credit Supply Index	100.7	100.3	100.1
Credit Demand Index	93.3	98.3	100.2
Price of LC Credit	9.86	10.32	10.65
Price of FC Credit	8.15	8.46	8.57
<i>o. w.</i> MEDIUM	Mar-22	Dec-22	Mar-23
Credit Conditions Index	99.4	97.8	99.2
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	98.1	98.5	94.7
Price of LC Credit	8.22	9.21	9.36
Price of FC Credit	7.71	8.01	8.40
<i>o. w.</i> LARGE	Mar-22	Dec-22	Mar-23
Credit Conditions Index	100.0	95.8	98.6
Credit Supply Index	100.7	101.7	101.7
Credit Demand Index	101.4	98.9	100.7
Price of LC Credit	7.94	9.07	8.50
Price of FC Credit	5.88	6.09	6.40



Figure 18: Drivers of the Supply of Credit

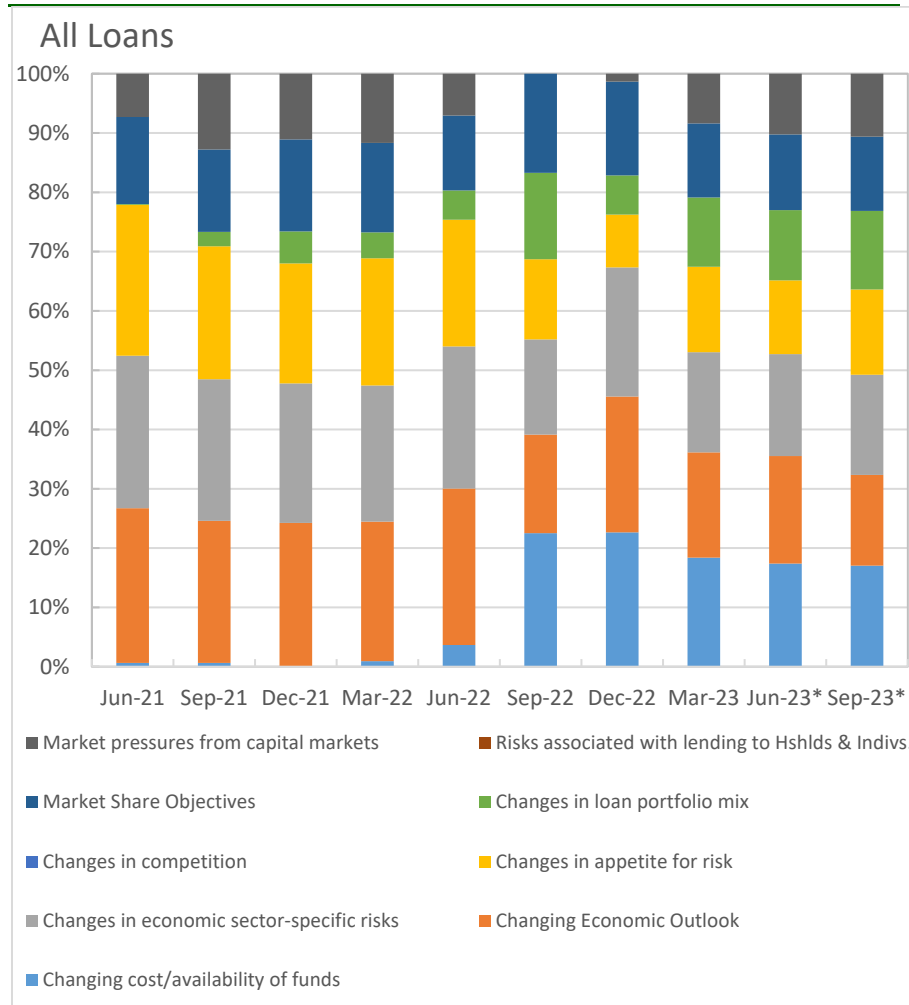




Figure 19: Drivers of the Demand for Secured Credit

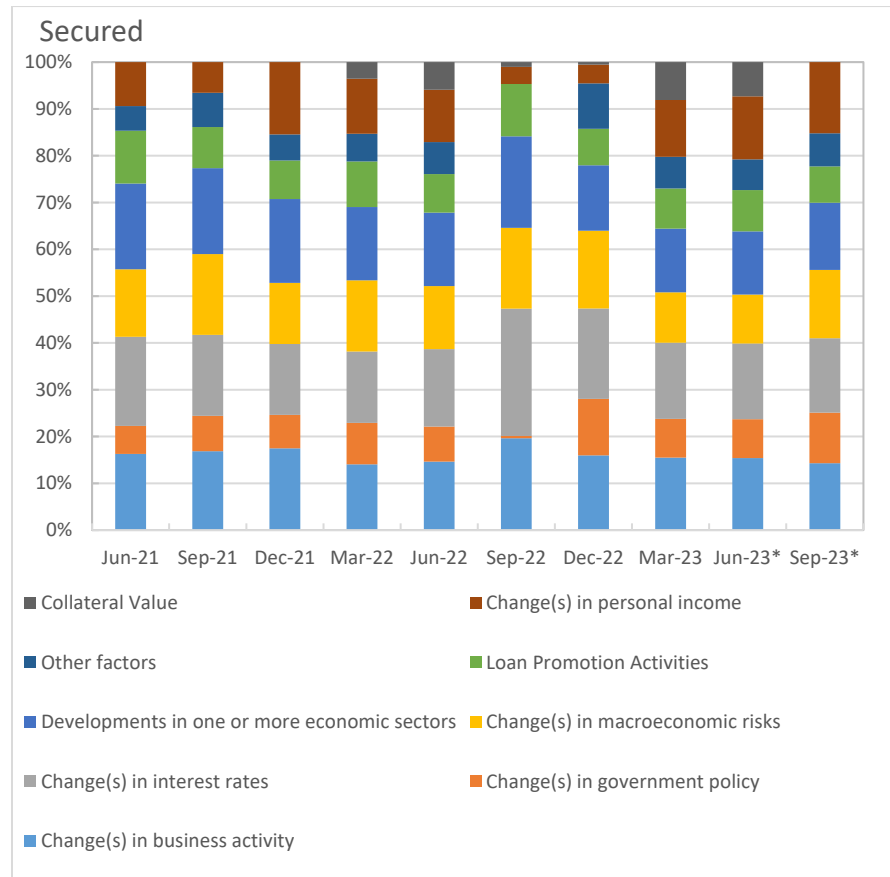
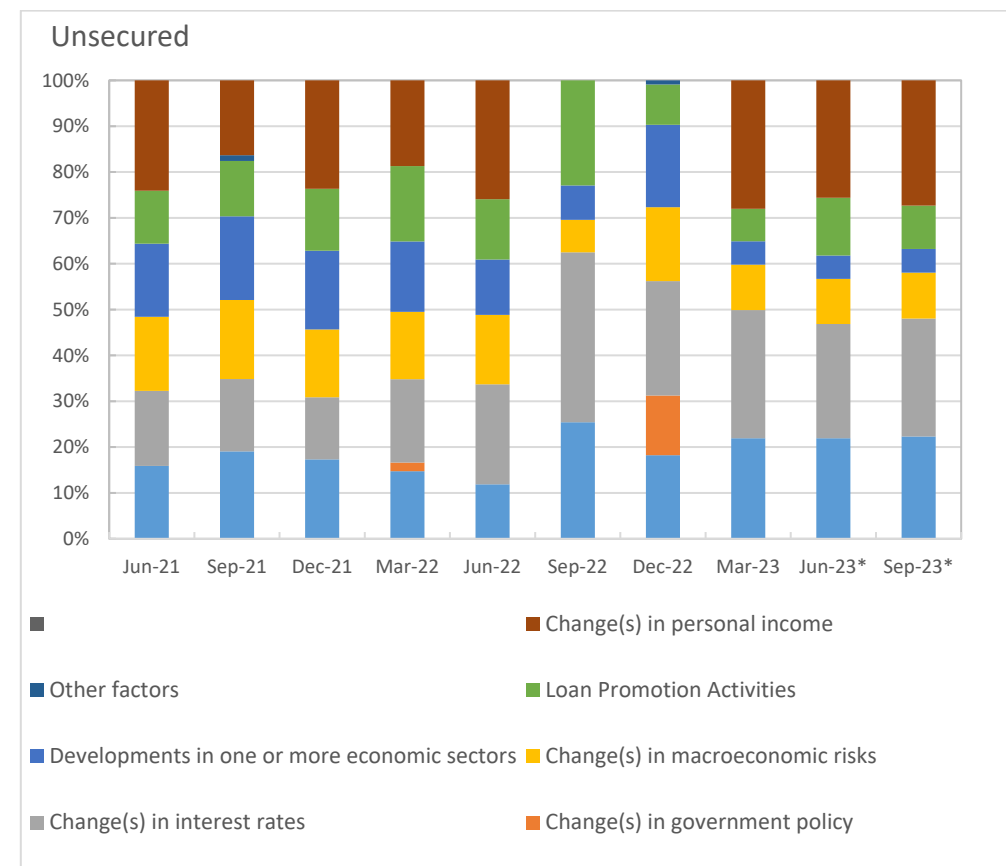


Figure 20: Drivers of the Demand for Unsecured Credit





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 Definitions²¹

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*

²¹ For completeness, the Bank added a definition for Large, Corporate & Commercial Businesses