

Quarterly Credit Conditions Survey Report



**September 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 September 2023 survey which was conducted between 13 October 2023 and 4 November 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	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 Jamaican economy, as measured by the Statistical Institute of Jamaica (STATIN), grew by 2.1 per cent during the September 2023 quarter when compared to the September 2022 quarter. This resulted from growth of 2.1 per cent in both the Services and Goods Producing Industries, reflecting economic buoyancy, continued recovery from the fallout in the mining industry and the COVID-19 pandemic.

Annual inflation was 5.9 per cent at September 2023, within the Bank's target range of 4.0 per cent to 6.0 per cent and lower than the outturn of 6.8 per cent at August 2023. The deceleration in inflation relative to August 2023 mainly reflected lower agricultural inflation as well as energy related inflation partly offset by an increase in services-related inflation due to higher education costs.

During the September 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 ensure that movements in the exchange rate did not further threaten to exceed the inflation target.

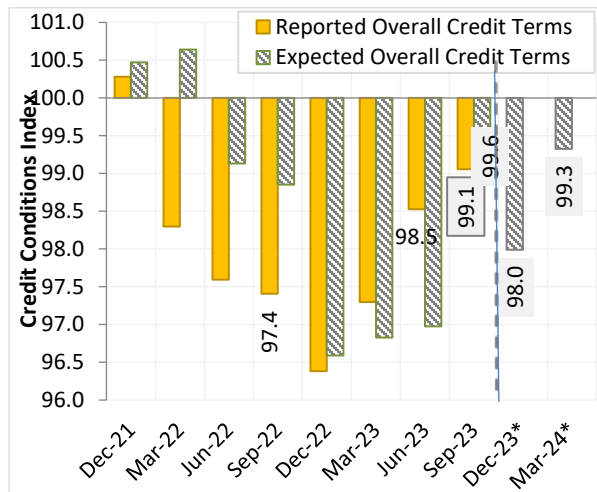
Liquidity conditions for the September 2023 quarter tightened slightly relative to the June 2023 quarter. Deposit taking institutions (DTIs) and primary dealers maintained average current account balances at Bank of Jamaica of \$27.4 billion, below the average of \$32.1 billion for the preceding quarter.



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 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**). For secured lending, the tightening was reflected in all lending terms with the exception of the maximum debt service ratio which eased marginally whilst collateral requirements and maximum repayment periods remained unchanged. For unsecured lending, the tightening was reflected in interest rates, loan covenants and loan monitoring requirements. Some respondents indicated that their decision to tighten terms was in response to the Bank’s tight monetary policy stance and the expectations of future monetary policy actions. (See **Appendix A: Figures 16 & 17**).

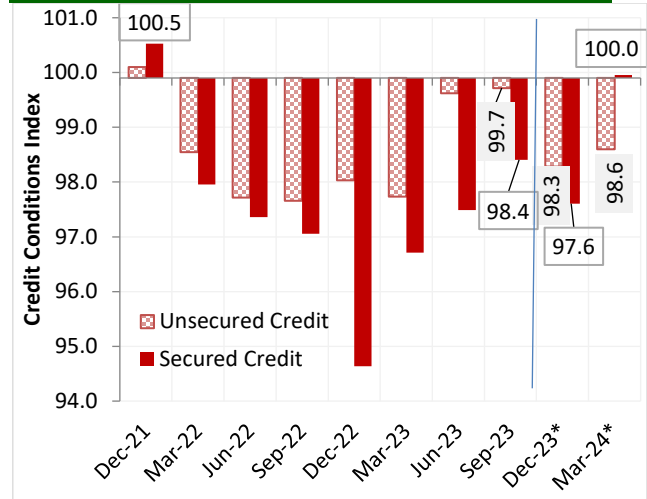
Figure 1a: Index of Overall Credit Market Conditions



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.

During the review quarter, credit conditions faced by individual borrowers and all business sizes tightened with the exception of micro-sized businesses which remained unchanged.

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



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

Lenders reported that they plan to continue to tighten credit conditions for the December 2023 and the March 2024 quarters.

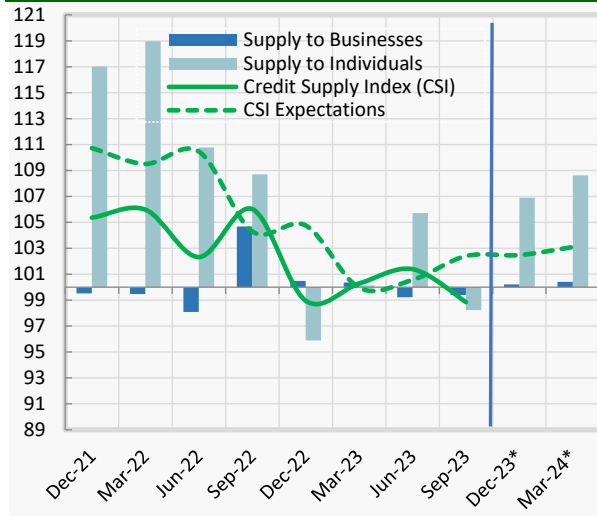
Credit Supply

Credit made available during the September 2023 quarter tightened as evidenced by the Credit Supply Index (CSI) of **99.0**. This was in contrast to the June 2023 survey where lenders planned to increase credit availability. The tightening in the review quarter reflects some lenders concerns about the possibility of an increase in non-performing loans in their portfolio. (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.

Notwithstanding these concerns, for the December 2023 and March 2024 quarters lenders plan to increase credit availability, mainly to individuals. Lenders indicated that the planned increase in credit availability for the December 2023 quarter is in anticipation of the increased economic activity for the holiday period which is expected to continue into the March 2024 quarter. Additionally, with some institutions' partnership with the National Housing Trust (NHT) there are plans to make more credit available for mortgages and other real estate lending.

Figure 3a: Distribution of Private Industry Credit²

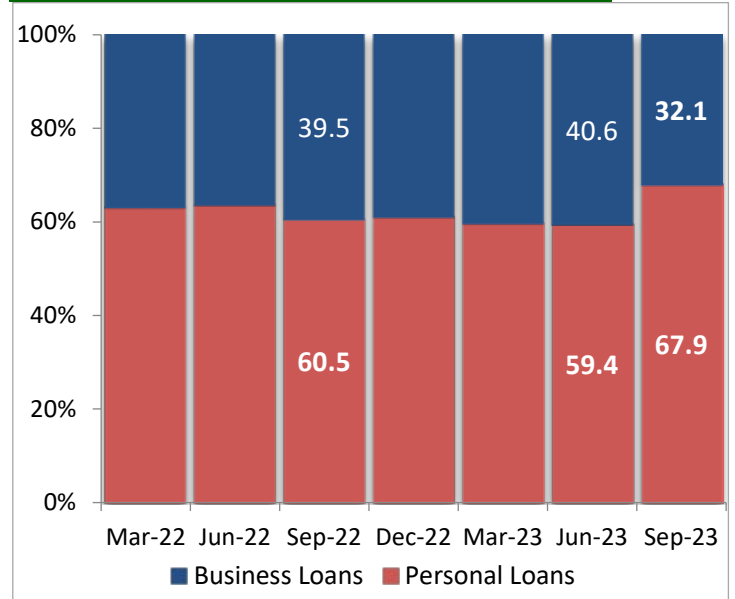
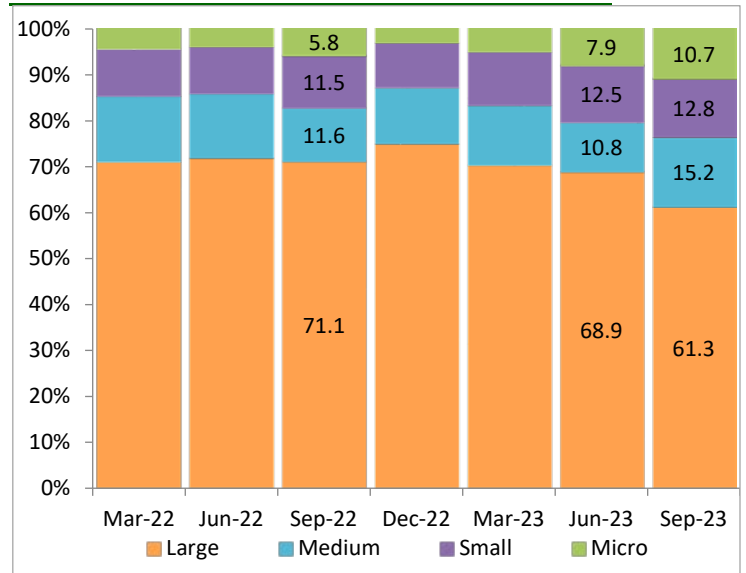


Figure 3b: Distribution of Private Industry Credit by Business Size



Credit Demand

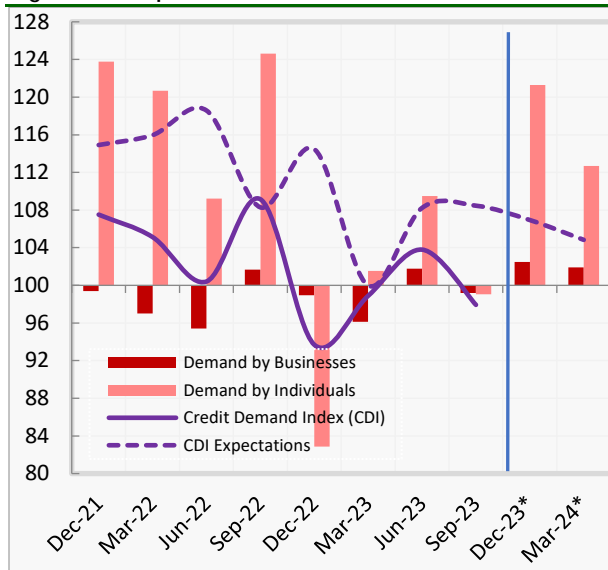
For the September 2023 quarter, the demand for credit declined as reflected by the Credit Demand Index (CDI) of 99.0 (see Figure 4 and Appendix A:

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.



Table 7). This decline was reflected in local currency demand from individuals and micro-sized businesses as well as demand for foreign currency credit by all business sizes. (**Appendix A: Table 7**).

Figure 4: Components of Credit Demand



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

For the December 2023 and March 2024 quarters, lenders indicated that they expect overall demand for credit to increase. The anticipated increase in demand for credit is expected to be driven primarily by individuals demand. This increased demand is expected to emanate from higher incomes as well as the increased demand 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 **19 bps** to **15.59 per cent**

cent during the review quarter, relative to the previous quarter. The increase in the average rates reflected an increase of **24 bps** in rates for business loans (see **Table 1** and **Appendix A: Table 7**). Higher rates to businesses were predominantly reflected in micro, small and large-sized businesses. Some lenders indicated that the higher rates were indicative of BOJ's contractionary monetary policy stance.

Interest rates on new foreign currency loans increased by **3 bps** relative to the previous quarter, reflecting an average indicative rate of **7.88 per cent**. These higher rates reflected increased rates to all business sizes except small which remained unchanged.

For the December 2023 quarter, lenders reported that they plan to increase interest rates on new local currency loans by **23 bps** to **15.82 per cent** and effect a further increase of **17 bps** to **15.99 per cent** for the March 2024 quarter.⁴ The planned increase in local currency rates for the December 2023 and March 2024 quarters reflect lenders risk appetite.

For foreign currency loans, respondents indicated their intention to increase loan rates in the December 2023 quarter by **45 bps** to **8.33 per cent** and further increase rates for the March 2024 quarter by **24 bps** to **8.57 per cent**.

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 2023 Survey			September 2023 Survey			Sep-23 vs Jun-23 Quarterly Change
	Jun-23	Sep-23*	Dec-23*	Sep-23	Dec-23*	Mar-24*	
Local Currency (LC)							
Business loans	14.94	15.49	15.72	15.18	15.41	15.59	0.24
Personal loans	17.25	17.45	17.76	17.22	17.44	17.59	-0.03
Average LC rates	15.40	15.88	16.12	15.59	15.82	15.99	0.19
Foreign Currency (FC)							
Business loans	7.85	8.30	8.54	7.88	8.33	8.57	0.03
Reference rate	8.21	8.62	7.54	8.06	8.61	7.55	-0.15

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 2023 quarter. This was evidenced by an index of **98.4** (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 and fees.

For the December 2023 quarter credit conditions are expected to tighten for secured loans while terms on unsecured loans are expected to remain unchanged. For the March 2024 quarter conditions are expected to tighten. The tightening reflects plans by some institutions to increase interest rates and fees.

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

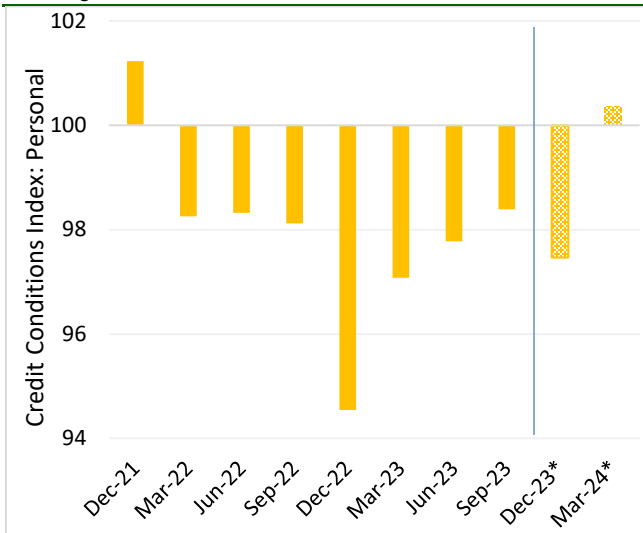
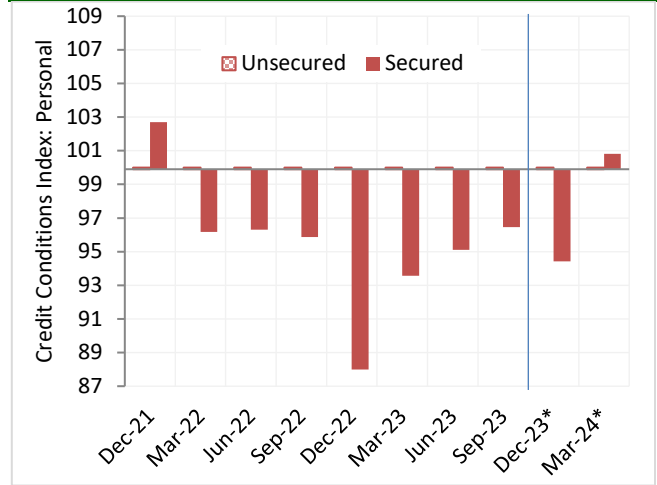


Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending



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

Credit Supply

For the September 2023 quarter, credit made available for personal loans declined, which was evidenced by a CSI of **98.2** (see **Figure 6a**). This was characterized by a decline in credit availability for all categories of personal lending except credit cards and unsecured personal loans (See **Figure 6b**).

For the December 2023 and March 2024 quarters, lenders plan to increase the availability of credit, as some entities partner with the NHT to provide more credit for mortgages and other real estate related lending. The increased credit availability for the December 2023 quarter also reflects lenders anticipation of increased borrowing to meet holiday expenses.



Figure 6a: Availability of Credit for Personal Lending

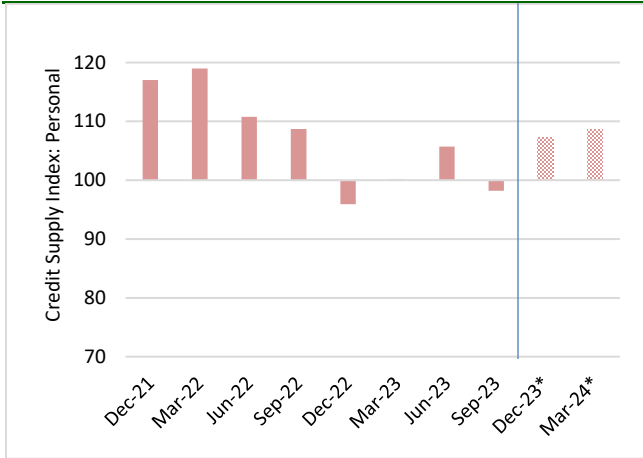
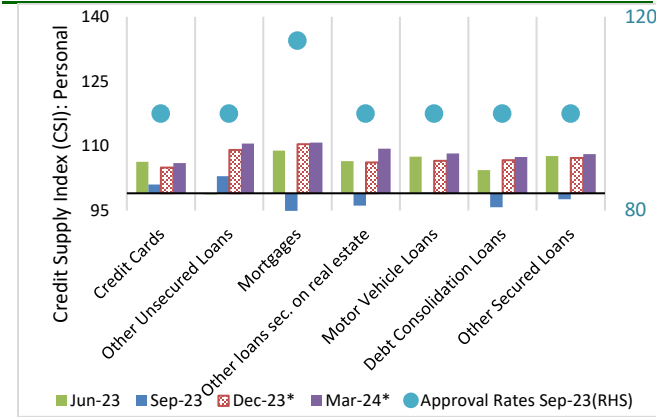


Figure 6b: Availability of Credit for Personal Lending



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 September 2023 quarter declined as reflected by a CDI of 99.1. This was evident in lower demand for credit cards, loans secured on real estate, debt consolidation and other secured loans (see **Figure 7a** and **7b**). Lenders reported that the decline in demand was driven by the increase in interest rates and fees.

For the December 2023 and March 2024 quarters demand is expected to increase. Some lenders

indicated that the holiday period coupled with loan promotions are expected to fuel demand.

Figure 7a: Demand for Personal Loans

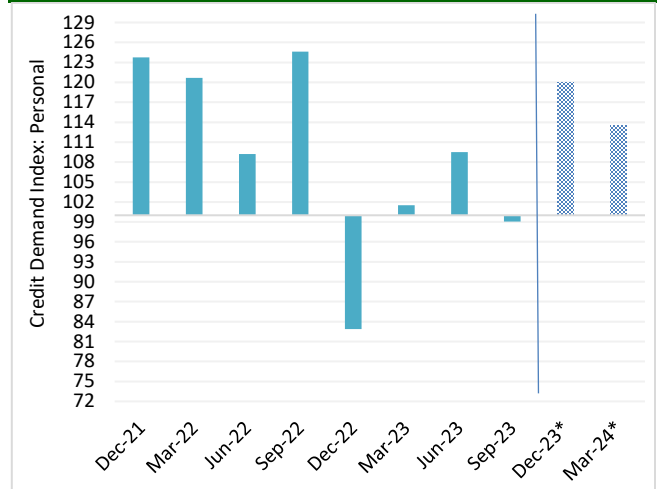
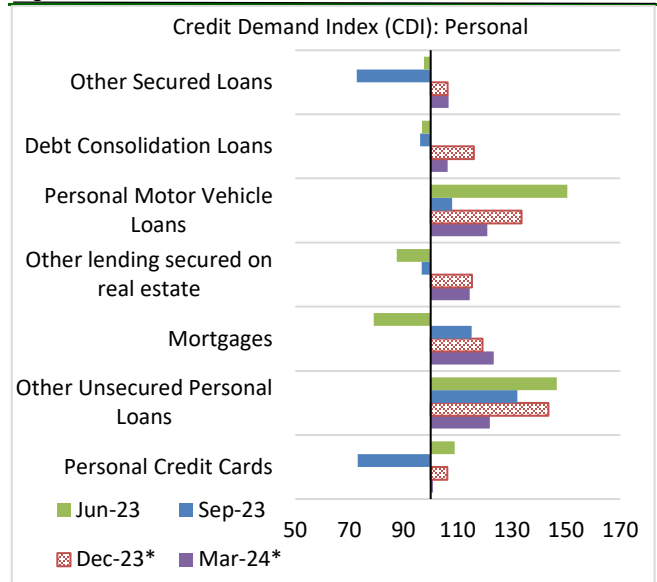


Figure 7b: Demand for Personal Loans





Price of Credit⁶

Average indicative loan rates on new personal loans offered by participating institutions marginally declined for the review period to **17.22 per cent** from **17.25 per cent** in the previous survey. The reduced rates mainly reflected lower interest rates on credit cards and other secured personal loans. Some institutions indicated that for the review period the majority of their loans to individuals were priced at the lower end of their interest rate band which resulted in lower weighted average rates. (See **Table 2**).

For the December 2023 quarter⁷, lenders reported that they plan to increase interest rates by **22 bps to 17.44 per cent** and then further increase rates by **15 bps to 17.59 per cent** for the March 2024 quarter.

Table 2: Interest Rates on Personal Loans⁸

	June 2023 Survey			September 2023 Survey			Sep-23 vs Jun-23 Quarterly Change
	Jun-23	Sep-23*	Dec-23*	Sep-23	Dec-23*	Mar-24*	
Credit Cards	42.06	42.74	44.41	41.84	42.29	43.33	-0.23
Other Unsecured	18.33	18.57	18.40	18.70	19.02	18.73	0.38
Mortgages	8.07	8.32	8.34	8.21	8.42	8.42	0.14
Motor Vehicle	9.01	8.49	8.52	8.99	8.51	8.50	-0.02
Other Secured	8.76	9.14	9.11	8.33	8.97	8.97	-0.43
Average rates	17.25	17.45	17.76	17.22	17.44	17.59	-0.03

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 September 2023 quarter, overall credit conditions faced by micro-sized businesses remain unchanged with an index of **100.0** relative to the previous quarter (see **Figure 8a** and **Appendix A: Table 7**). The unchanged condition was reflected in both secured and unsecured lending (see **Figure 8b**).

For the December 2023 quarter, lenders expect overall credit conditions to tighten and be reflected in both secured and unsecured lending. Credit conditions are expected to tighten at a slower pace for the March 2024 quarter.

Figure 8a: Credit Conditions for Micro-sized Businesses

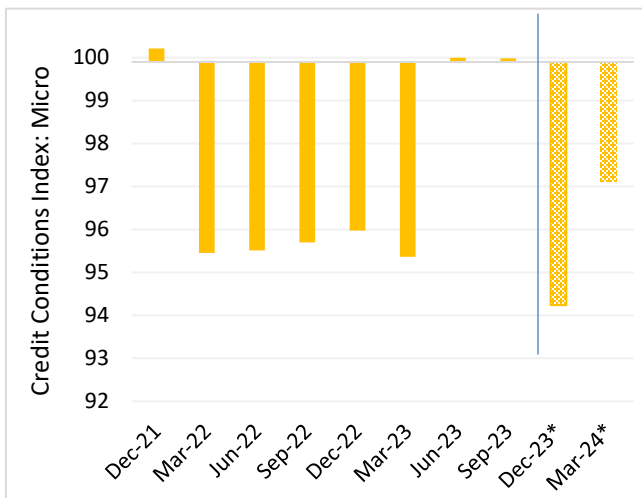
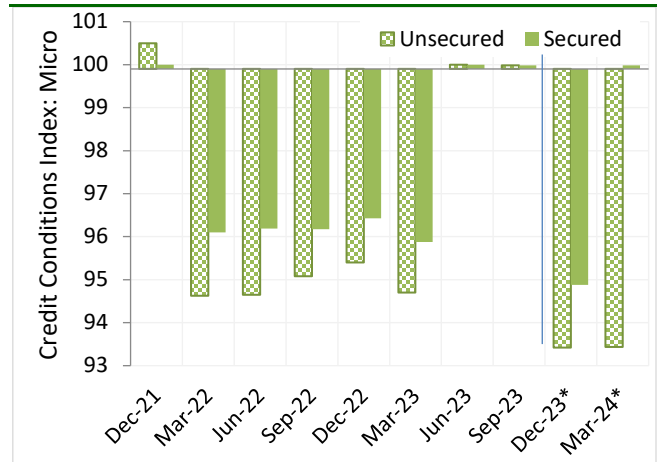


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



- 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 micro sized firms for the review quarter continued to tighten relative to the previous quarter, as evidenced by a CSI of **99.9**. Credit made available in local currency tightened, which was evidenced in all industries. However, credit made available for foreign currency lending, remained unchanged, which was evidenced across all industries.

For the December 2023 quarter, lenders reported plans to maintain the supply of local and foreign currency credit to all industries. For the March 2024 quarter, some lenders plan to increase the overall supply of credit to micro sized businesses. The planned increase is expected in local currency credit while foreign currency credit is expected to remain unchanged.

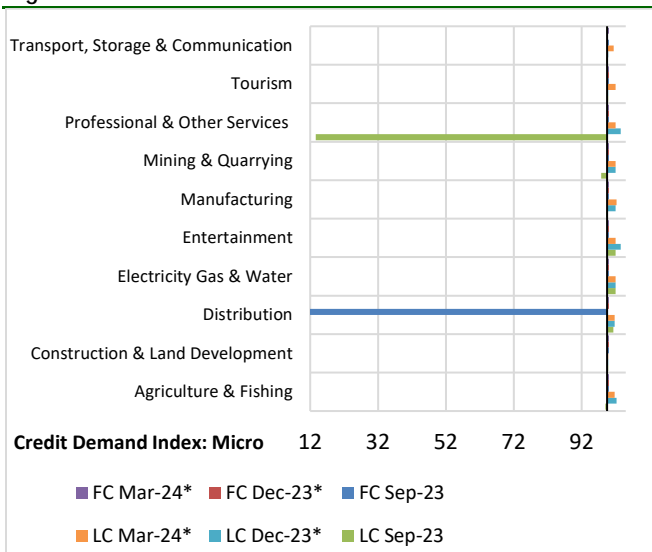


Credit Demand

For the September 2023 quarter, credit demanded by micro businesses fell which was reflected by a CDI of **90.4** for the quarter in comparison to **121.3** in the previous quarter. The decline in demand by micro-businesses was reflected in both local currency loans and foreign currency loans. For local currency loans, the declines were reflected in all industries except for the *Distribution, Electricity Gas & Water* and *Entertainment* industries which reflected increases (See **Figure 9**). For foreign currency loans, the decline in demand was reflected in the *Distribution* industry.

Similarly, for the March 2024 quarter, lenders reported that they expect increased demand for local currency loans except in the *Agriculture & Fishing, Manufacturing, Distribution* and *Professional & Other Services* industries. For foreign currency loans, demand is expected to remain unchanged across all industries.

Figure 9: Credit Demand for Micro-sized Businesses



For the December 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 Development, Transport, Storage & Communication*, and *Tourism* industries, which are expected to reflect declines. For foreign currency loans demand is expected to be unchanged in all industries.



Price of Credit⁹

The indicative average lending rate on new local currency loans to micro businesses increased by **50 bps** to **30.17 per cent** (see **Table 3**) for the September 2023 quarter. This increase was evident across all industries except the *Entertainment, Tourism* and *Transport, Storage & Communication* industries which declined.

However, for the December 2023 quarter, some respondents plan to reduce interest rates for local currency loans by **100 bps** to **29.17 per cent**.

For the March 2024 quarter, some lenders plan to further increase the average interest rates for local currency loans by **66 bps** to **29.83 per cent**.

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

MICRO	Local Currency			
	Jun-23	Sep-23	Dec-23*	Mar-24*
Agriculture & Fishing	28.79	29.05	28.16	28.85
Construction & Land Development	28.59	29.56	27.20	27.70
Distribution	29.58	31.21	30.57	32.75
Electricity, Gas & Water	26.83	28.41	26.52	27.02
Entertainment	30.91	30.78	30.27	31.52
Manufacturing	28.97	29.22	28.72	31.01
Mining & Quarrying	27.20	30.14	29.61	29.61
Professional & Other Services	31.54	31.88	31.24	30.44
Tourism	33.07	31.27	30.44	30.44
Transport, Storage & Communication	31.19	30.19	28.94	28.94
Average	29.67	30.17	29.17	29.83

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 September 2023 quarter, overall credit conditions faced by small businesses tightened at a slower pace, relative to the previous quarter. This was reflected in a credit conditions index of **99.7** for the quarter (see **Figure 10a** and **Appendix A: Table 7**). The tightening was reflected in both secured and unsecured loans (see **Figure 10b**). In relation to credit terms for secured loans, the tightening was reflected in interest rates, fees, loan monitoring requirements and loan covenant. Unsecured loans reflected tightening in the same terms with the exception of fees.

For the December 2023 quarter, lenders anticipate that overall credit conditions will tighten at a faster pace, which is expected to be reflected in both secured and unsecured loans. For the March 2024 quarter, lenders expect credit conditions to remain unchanged, which is expected to be reflected in both secured and unsecured loans.

Figure 10a: Credit Conditions for Small Businesses

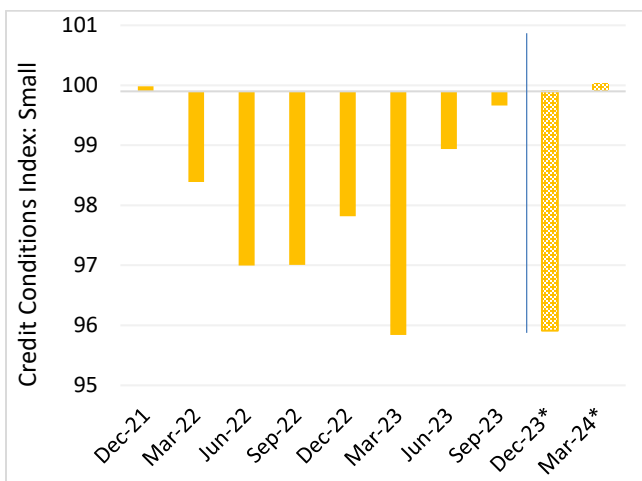
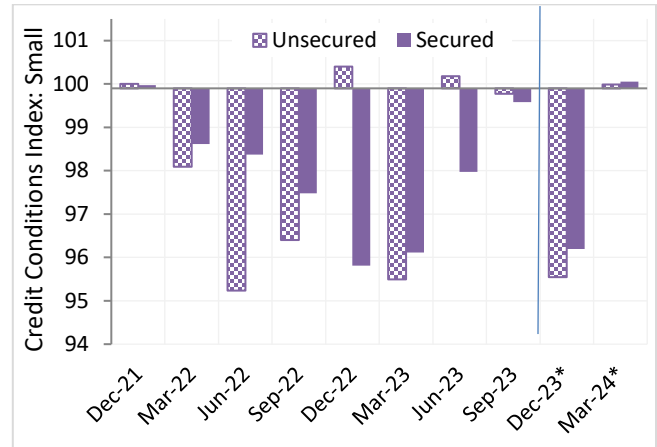


Figure 10b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



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 tightened in the September 2023 quarter which is reflected by an index of **96.8**. Lenders reported that there was a decline in the supply of local currency loans. This decline was reflected in *Mining & Quarrying, Manufacturing, Distribution, Professional & Other Services* and *Entertainment*. However, the supply of foreign currency loans remained unchanged.

Notwithstanding the expected tightening in credit conditions for the December 2023 quarter, some lenders indicated that they plan to increase the availability of local currency credit marginally. However, the supply of foreign currency credit is expected to remain unchanged.

For the March 2024 quarter, lenders indicated that they plan to reduce the supply of local currency credit while foreign currency credit is expected to remain unchanged.



Credit Demand

The overall demand for loans by small businesses declined in the review quarter as evidenced by the CDI of **99.5**. The outturn reflected a decline in demand for foreign currency loans which was partially offset by an increase in demand for local currency loans. For foreign currency loans, the declines were reflected in all industries except the *Manufacturing* industry which remained unchanged. For local currency loans, the increases were reflected in *Construction & Land Development* and *Professional & Other Services* industries.

For the December 2023 and March 2024 quarters, some lenders reported that they expect an increase in overall demand for local currency loans while demand for foreign currency loans is expected to decline.

Price of Credit¹¹

For the September 2023 quarter, the indicative average lending rate on new local currency loans to small businesses rose by **8 bps** to **11.73 per cent**. The increase was reflected in all industries except *Agriculture & Fishing*, *Manufacturing*, *Mining & Quarrying* and *Professional & Other Services* which declined. The average interest rate on foreign currency loans remained unchanged at **8.60 per cent**, which was reflected in all industries except *Distribution* which declined and *Manufacturing* which increased.

For the December 2023¹² quarter lenders plan to further increase interest rates for local currency loans

by **39 bps**, while for foreign currency loans some lenders plan to reduce interest rates which will result in a decline **43 bps** in the average interest rate. The reduction reflects plans by selected lenders to grant loan specials to small-sized businesses.

For the March 2024 quarter, lenders reported plans to reduce the average interest rate for local currency loans by **9 bps** and increase the average interest rates on foreign currency loans by **25 bps**.

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

SMALL	Local Currency				Foreign Currency			
	Jun-23	Sep-23	Dec-23*	Mar-24*	Jun-23	Sep-23	Dec-23*	Mar-24*
Agriculture & Fishing	12.52	12.41	12.48	12.48	9.31	9.31	8.26	8.51
Construction & Land Development	11.87	12.40	11.21	11.24	8.44	8.44	8.32	8.51
Distribution	10.54	10.68	12.66	11.44	8.26	8.22	8.07	8.15
Electricity, Gas & Water	10.81	10.99	11.15	11.19	8.90	8.90	8.25	8.72
Entertainment	11.25	11.97	10.89	10.85	7.68	7.68	7.89	8.13
Manufacturing	13.85	13.81	11.68	13.06	8.25	8.32	8.26	8.29
Mining & Quarrying	9.24	9.22	11.65	11.38	9.70	9.70	8.19	8.69
Professional & Other Services	12.84	10.74	12.45	14.15	8.41	8.41	8.32	8.58
Tourism	12.09	12.37	12.16	12.12	8.66	8.66	7.83	8.01
Transport, Storage & Communication	11.49	12.71	14.85	12.41	8.38	8.38	8.32	8.58
Average	11.65	11.73	12.12	12.03	8.60	8.60	8.17	8.42

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.

¹³ Methodology updated to address data gaps.

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



Medium-Sized Business Lending¹⁴

Credit Conditions

Lending conditions faced by medium-sized businesses continued to tighten in the September 2023 quarter, relative to the previous quarter. This was reflected in a credit conditions index of 99.3 (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 December 2023 quarter, credit terms are expected to tighten, while for the March 2024 quarter credit terms are expected to remain largely unchanged.

Credit Supply

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

For the December 2023 and March 2024 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

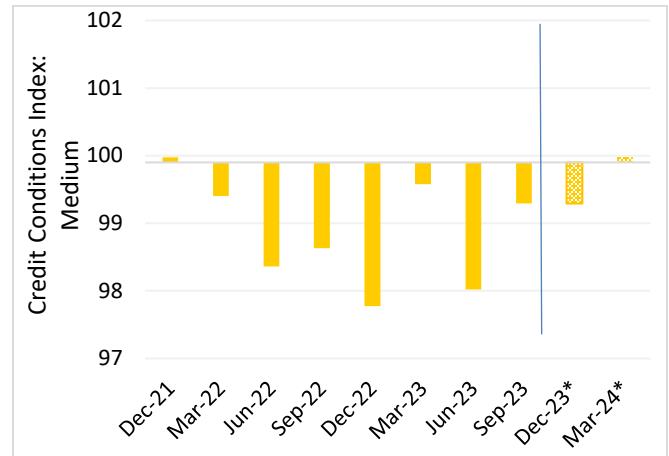
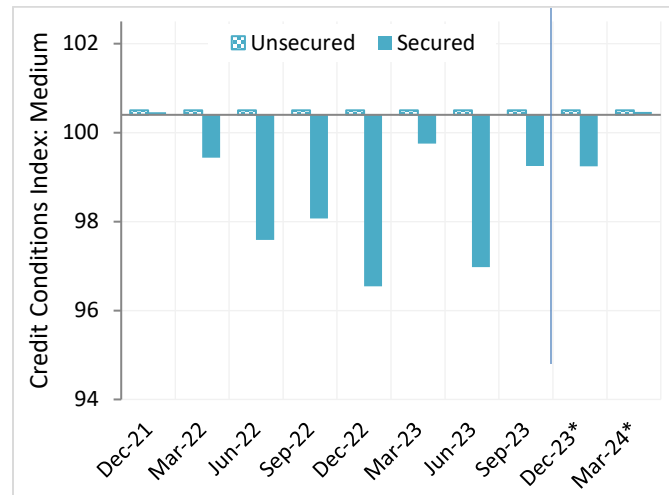


Figure 11b: Credit Conditions for Medium



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.

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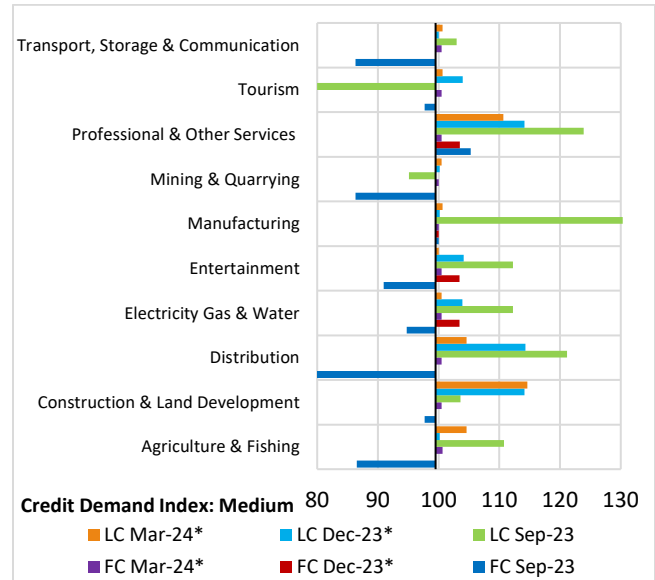
Credit Demand

The demand for credit for medium-sized businesses tightened albeit at a slower pace for the review period relative to the June 2023 quarter, which was indicated by a CDI of **99.9**. The tightening in the CDI was due to a reduction in the demand for foreign currency loans, while the demand for local currency loans increased. The reduction in demand for foreign currency loans was reflected across all industries, except for the *Manufacturing* industry which remained unchanged. The increased demand for local currency loans was reflected in all industries, with the exception of the *Mining & Quarrying* and *Tourism* industries. (see **Figure 12**).

For the December 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 September 2023 quarter. For local currency loans, demand is expected to increase for all industries except *Transportation, Storage & Communication* which is expected to remain unchanged. In relation to foreign currency credit, demand is expected to increase in *Professional & Other Services, Electricity Gas & Water* and *Entertainment* industries. (see **Figure 12**).

For the March 2024 quarter, lenders reported that they expect a continued increase in the demand for both local and foreign currency loans by medium-sized firms relative to the December 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 a marginal decline 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 fell by **11 bps** to **9.36 per cent** relative to the previous quarter. The reduction was underpinned by loans disbursed to the *Transportation Storage & Communication* industry at the lower end of lenders’ interest rate band. There were increased interest rates across all other industries. For new foreign currency loans, the average lending rate increased by **3 bps** for the review quarter, which was evident in the *Manufacturing* and *Professional & Other Services* industries. Lending rates for all other industries remained unchanged (see **Table 5**).

Lenders plan to increase local currency lending rates for medium-sized firms by **96 bps** to **10.32 per cent** for the December 2023 quarter¹⁶ relative to the previous quarter. The increased rates are expected across all industries. Lenders also plan to increase interest rates on foreign currency credit in the December 2023 quarter by **15 bps**.

For the March 2024 quarter, lenders plan to further increase local currency lending rates to medium-sized firms by **12 bps** to **10.44 per cent** relative to the December 2023 quarter. Lenders also plan to increase interest rates on foreign currency credit by **36 bps**.

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

MEDIUM	Local Currency				Foreign Currency			
	Jun-23	Sep-23	Dec 23*	Mar-24*	Jun-23	Sep-23	Dec 23*	Mar-24*
Agriculture & Fishing	8.69	8.83	10.56	10.68	7.86	7.86	8.43	8.97
Construction & Land Development	10.11	10.71	10.90	10.90	8.44	8.44	8.64	8.78
Distribution	9.81	10.17	10.24	10.37	7.51	7.51	8.47	8.44
Electricity, Gas & Water	8.64	8.82	10.29	10.58	9.10	9.10	8.58	8.91
Entertainment	8.79	8.96	10.19	10.38	8.56	8.56	8.58	9.16
Manufacturing	9.35	9.69	10.10	10.29	7.55	7.87	8.38	8.56
Mining & Quarrying	8.87	9.14	10.12	10.24	9.55	9.55	8.58	9.03
Professional & Other Services	9.51	9.70	10.21	10.53	7.85	7.87	8.47	8.83
Tourism	8.32	8.38	10.41	10.51	7.96	7.96	8.66	9.10
Transport, Storage & Communication	12.63	9.20	10.20	9.94	8.93	8.93	8.29	8.91
Average	9.47	9.36	10.32	10.44	8.33	8.36	8.51	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 continue to tighten relative to the June 2023 quarter. This was reflected in a credit conditions index of **97.9** (see **Figure 13a** and **Appendix A: Table 7**). Credit terms such as interest rates and maximum size of credit lines reflected tightening in secured loans, while interest rates and maximum debt service ratio reflected tightening in unsecured loans. (see **Figure 13b**).

For the December 2023 quarter, lenders reported that overall credit conditions to large sized businesses are expected to tighten relative to the September 2023 quarter. The tightening is expected to be reflected in both secured and unsecured loans.

Similarly, for the March 2024 quarter credit conditions are expected to tighten albeit at a faster pace.

Figure 13a: Credit Conditions for Large Businesses

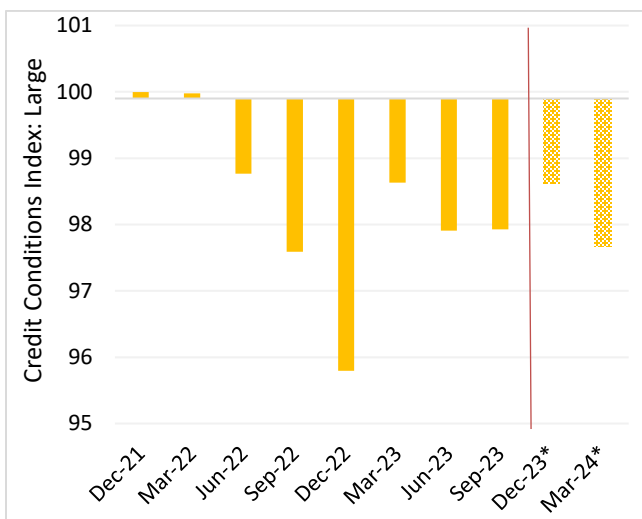
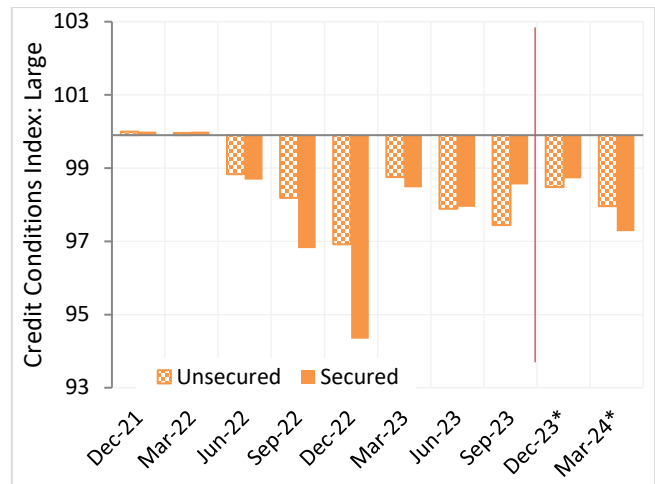


Figure 13b: Credit Conditions for Secured and Unsecured Loans to Large Businesses



- 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 declined for the review quarter. This was reflected in a CSI of 99.9 relative to the previous quarter. The CSI reflected declines in credit made available in both local currency and foreign currency loans. The decline in the supply of local currency loans was evidenced in the Manufacturing, Transport, Storage & Communication, Tourism, Professional & Other Services and Electricity Gas & Water industries. In relation to foreign currency loans, the declines were reflected in Manufacturing and Electricity Gas & Water industries. (see **Figure 14**)

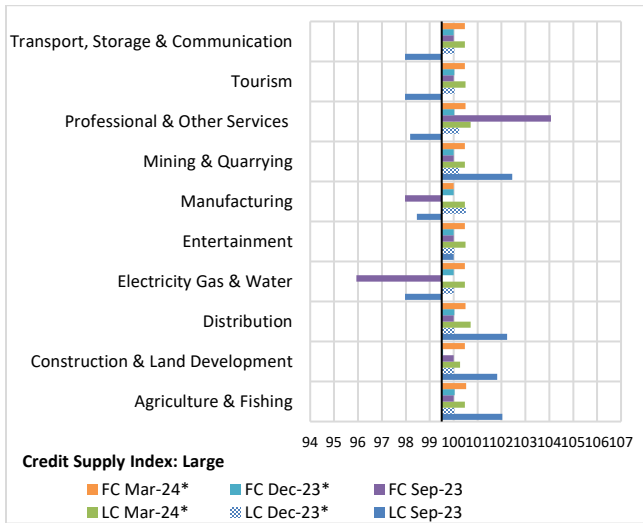
For the December 2023 quarter, lenders reported that the availability of credit to large businesses is expected to remain largely unchanged for both local currency and foreign currency loans.

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



For the March 2024 quarter lenders plan to increase credit made available for both local and foreign currency loans. For local currency credit, the planned increase is reflected across all industries while for foreign currency loans the planned increase is reflected across all industries except *Manufacturing*, 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

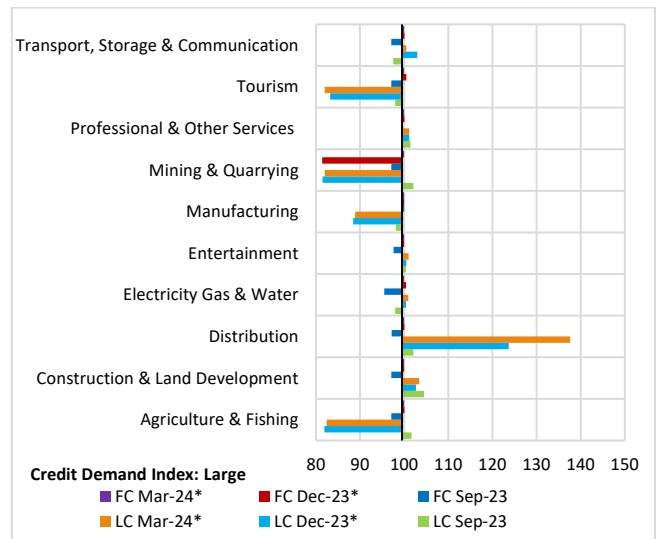
The demand for credit by large businesses in the September 2023 quarter declined which was indicated by a CDI of **98.9** compared with **100.2** in the previous quarter. The outturn for the review quarter was reflected in the decline in demand for foreign currency loans while local currency loans increased marginally. The decline in demand for foreign currency credit was reflected in all industries except the *Manufacturing* industry which remain unchanged. The increase in demand for local currency loans was reflected in all industries except the *Manufacturing, Transportation, Storage & Communication, Tourism and Electricity Gas*

& *Water* industries which reflected declines. (see **Figure 15**).

For the December 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 March 2024 quarter, lenders expect a decline in demand for credit by large businesses. This expectation was underpinned by an anticipated reduction in demand for local currency loans while foreign loans are expected to 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 Credit¹⁹

For the review quarter, indicative lending rates on new local currency loans to large corporations rose to **9.48 per cent** from **8.96 per cent** in the previous quarter. This increase was evident in all industries. Foreign currency rates rose by **12 bps** to **6.53 per cent** (see **Table 6**). The increase in rates for foreign currency loans, was evident in all the industries.

For the December 2023 quarter lenders plan to increase the average interest rate on new local currency credit to large firms by **57 bps** to **10.05 per cent**. For foreign currency credit, lenders plan to increase the average interest by **87 bps**.

For the March 2024 quarter, lenders plan to increase the average interest rates on new local currency credit to large firms by **2 bp**. Similarly, lenders plan to increase the average interest rate on foreign currency credit by **37 bps**.

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

LARGE	Local Currency				Foreign Currency			
	Jun-23	Sep-23	Dec-23*	Mar-24*	Jun-23	Sep-23	Dec-23*	Mar-24*
Agriculture & Fishing	10.03	9.51	10.06	10.21	6.04	6.10	7.48	7.75
Construction & Land Development	8.80	9.52	10.36	10.34	6.12	6.26	7.14	7.64
Distribution	9.46	9.92	10.31	10.01	6.49	6.73	7.28	7.57
Electricity, Gas & Water	8.04	9.11	9.85	10.23	6.79	6.83	7.25	7.96
Entertainment	8.03	9.34	10.07	10.06	6.12	6.20	7.65	7.84
Manufacturing	9.18	9.36	10.01	10.15	7.26	7.30	7.46	7.80
Mining & Quarrying	9.17	9.87	9.97	10.13	6.23	6.30	7.45	7.84
Professional & Other Services	9.72	9.91	10.00	10.05	6.24	6.62	7.51	7.87
Tourism	8.74	9.20	10.01	9.95	6.70	6.75	7.45	7.77
Transport, Storage & Communication	8.42	9.03	9.83	9.59	6.16	6.21	7.37	7.64
Average	8.96	9.48	10.05	10.07	6.41	6.53	7.40	7.77

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

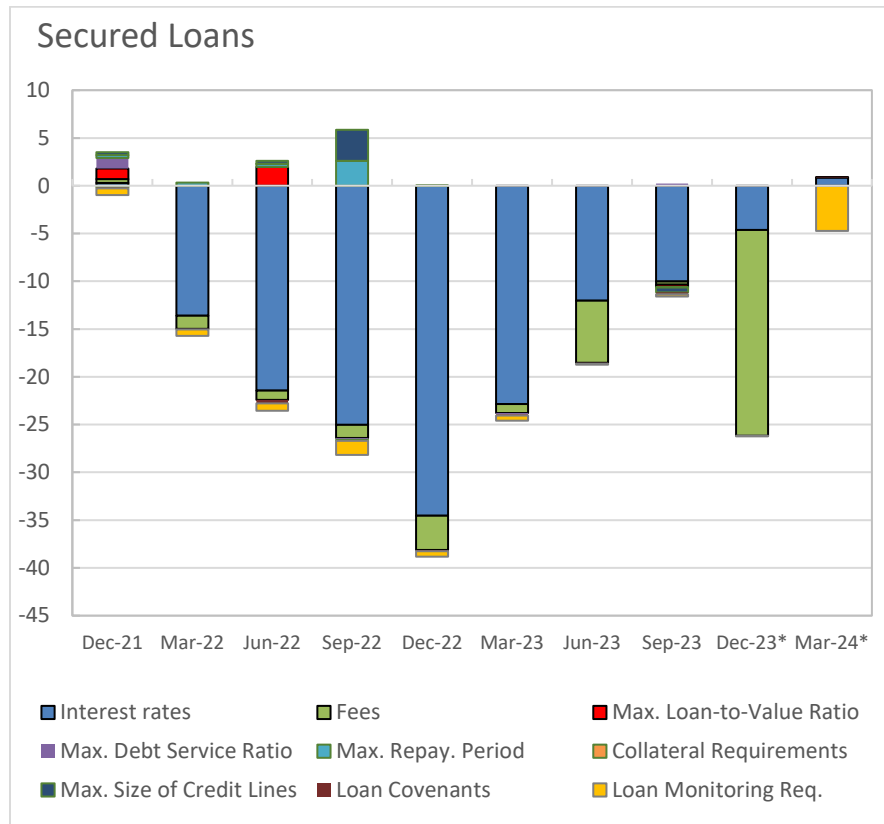
¹⁹ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

²⁰ Methodology updated to address data gaps.



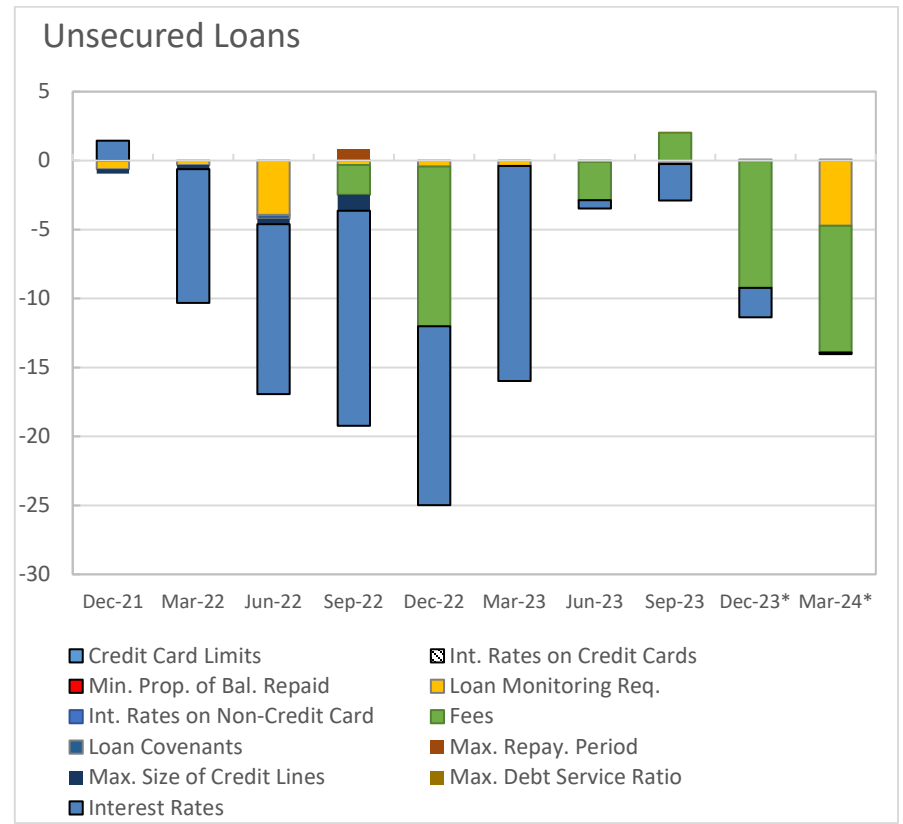
Appendix A: Overall Credit Market Conditions

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	Sep-22	Jun-23	Sep-23
Credit Conditions Index	97.4	98.5	99.1
Credit Supply Index	106.0	101.4	98.8
Credit Demand Index	109.1	103.8	97.9
Price of LC Credit	14.45	15.40	15.59
Price of FC Credit	7.33	7.85	7.88
PERSONAL	Sep-22	Jun-23	Sep-23
Credit Conditions Index	98.1	97.8	98.4
Credit Supply Index	108.7	105.7	98.2
Credit Demand Index	124.6	109.5	99.1
Price of LC Credit	16.20	17.25	17.22
ALL BUSINESSES	Sep-22	Jun-23	Sep-23
Credit Conditions Index	97.2	98.7	99.2
Credit Supply Index	104.7	99.2	99.2
Credit Demand Index	101.7	101.8	97.2
Price of LC Credit	14.01	14.94	15.18
Price of FC Credit	7.33	7.85	7.88
<i>o. w.</i> MICRO	Sep-22	Jun-23	Sep-23
Credit Conditions Index	95.7	100.0	100.0
Credit Supply Index	116.3	99.8	99.9
Credit Demand Index	109.0	121.3	90.4
Price of LC Credit	28.96	29.67	30.17
Price of FC Credit	7.78	7.92	7.92
<i>o. w.</i> SMALL	Sep-22	Jun-23	Sep-23
Credit Conditions Index	97.0	98.9	99.7
Credit Supply Index	100.9	96.9	96.8
Credit Demand Index	100.3	96.1	99.5
Price of LC Credit	10.24	11.65	11.73
Price of FC Credit	8.04	8.64	8.63
<i>o. w.</i> MEDIUM	Sep-22	Jun-23	Sep-23
Credit Conditions Index	98.6	98.0	99.3
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	97.7	90.2	99.9
Price of LC Credit	8.53	9.47	9.36
Price of FC Credit	7.63	8.42	8.42
<i>o. w.</i> LARGE	Sep-22	Jun-23	Sep-23
Credit Conditions Index	97.6	97.9	97.9
Credit Supply Index	101.5	100.2	99.9
Credit Demand Index	99.6	99.5	98.9
Price of LC Credit	8.32	8.96	9.48
Price of FC Credit	5.88	6.41	6.53



Figure 18: Drivers of the Supply of Credit

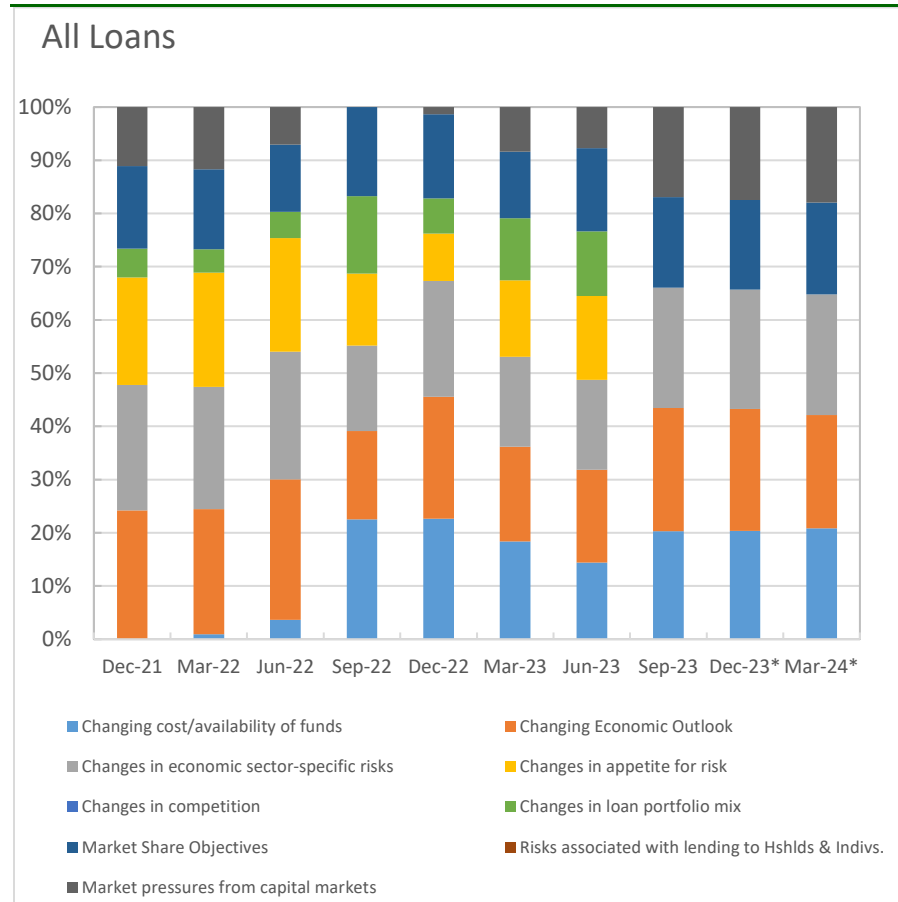




Figure 19: Drivers of the Demand for Secured Credit

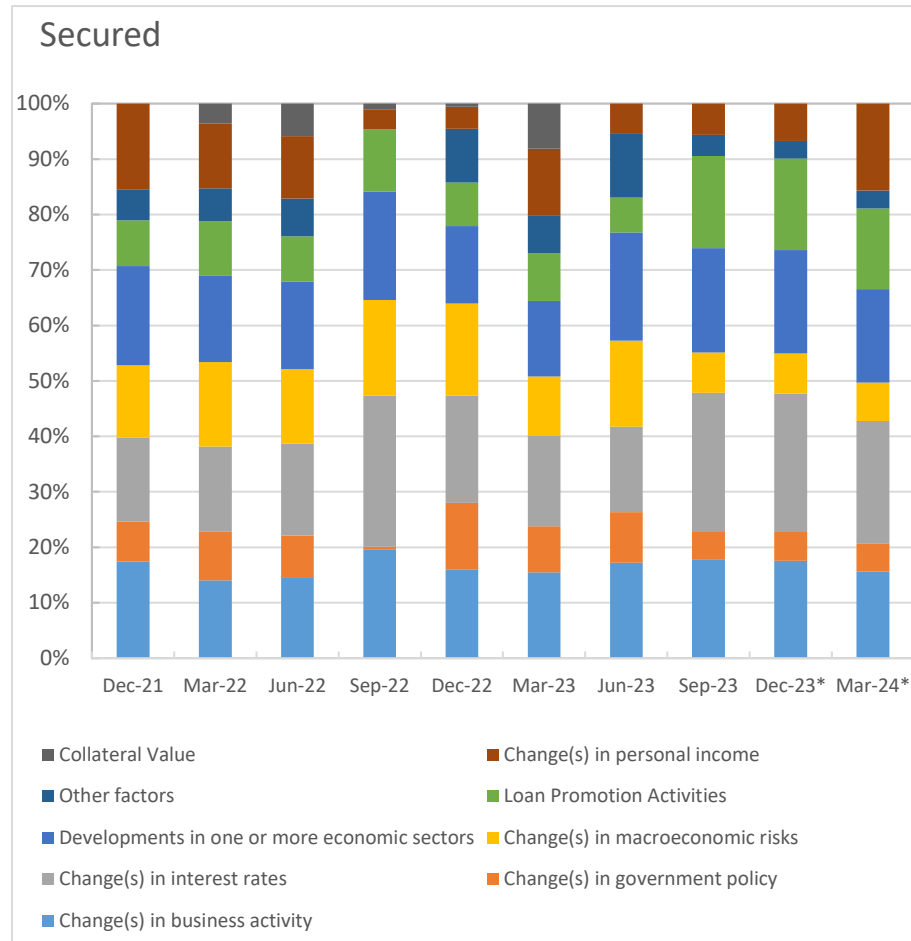
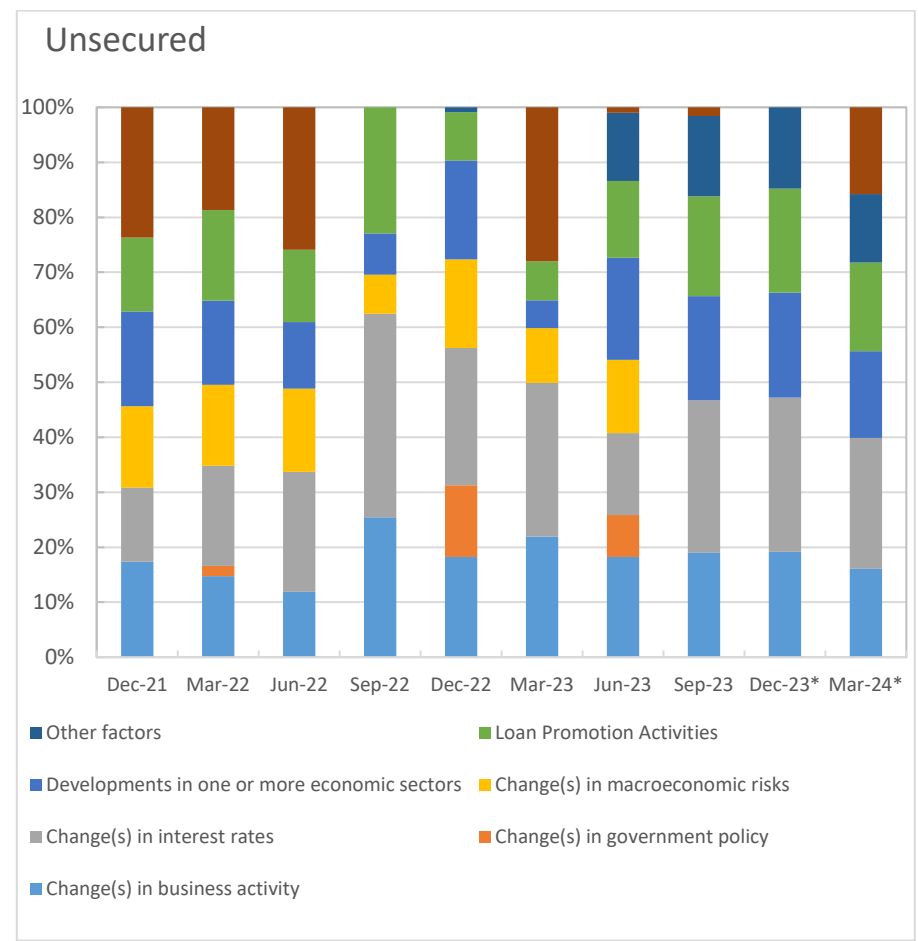


Figure 20: Drivers of the Demand for Unsecured Credit





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