

Quarterly Credit Conditions Survey Report



**December 2019
Quarter**

**Prepared by the
Statistics Department
Economic Intelligence and Survey Section
Research & Economic Programming Division**

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Background

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

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

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

This report represents the results of the December 2019 survey which was conducted between 15 January 2019 and 05 February 2020.

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

Surveys Completed by Each Institution

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



Overview

Context

STATIN's estimate of GDP growth for the December 2019 quarter indicated that GDP outturn remained relatively unchanged, compared to the growth of 2.0 per cent for the December 2018 quarter. The outturn was attributed to a 1.2 percent increase in the Services industries, the impact of which was offset by a 3.7 percent decline in the Goods industries. With the exception of the Mining & Quarrying and Construction industries, all the goods producing and the service industries recorded growth for the quarter.

The annual point-to-point inflation rate at December 2019 was 6.2 per cent, an acceleration relative to the 3.39 per cent recorded at end-September 2019 and also above the rate of 2.4 per cent at December 2018. The acceleration in inflation, relative to the preceding quarter, largely reflected the impact of increased electricity costs and higher prices for domestic agricultural commodities.

During the December 2019 quarter, Bank of Jamaica maintained the policy interest rate of 0.50 per cent. This decision was made in the context of the Bank's continued view that monetary conditions are generally appropriate to support inflation remaining within the inflation target of 4.0 per cent to 6.0 per cent

over the ensuing eight quarters. In the context of the maintenance in the policy rate, money market rates were unchanged during the December 2019 quarter.

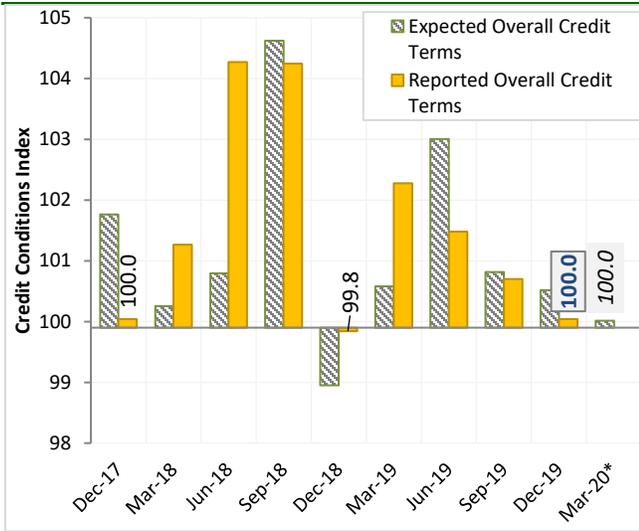
Liquidity conditions during the December 2019 quarter remained stable, relative to the September 2019 quarter. This was indicated by the maintenance by deposit-taking institutions (DTIs) of average current account balances at Bank of Jamaica of \$42.9 billion, broadly similar to the average of \$41.6 billion for the preceding quarter. A net injection of \$24.0 billion through BOJ operations during the December 2019 quarter was largely reflected an injection from BOJ FX operations of \$19.3 billion, partly offset by other BOJ operations, which absorbed \$6.0 billion. GOJ operations, however, net absorbed \$22.7 billion from the system during the quarter.

The US Federal Reserve maintained interest rates in December 2019 in the context of global economic and financial developments and muted inflation pressures. Inflation for items other than food and energy decelerated and remained below 2.0 per cent consistent with weak labour market conditions. In the context of the US Federal Reserve's accommodative posture and a decline in Jamaica's sovereign risk premium, the yields on GOJ global bonds declined over the quarter.

Credit Conditions (Overall)¹

In the context of the foregoing, overall credit conditions to the private sector during the December 2019 quarter (i.e. lending institutions’ price and non-price loan terms agreed in loan contracts) remained unchanged, relative to the previous quarter (see **Figure 1a**). This was evident in unsecured and secured lending terms (see **Figure 1a and 1b**). For unsecured loans, lenders reported lower interest rates however all other credit terms remained unchanged. In relation to secured loans, there was marginal reduction in interest rates and fees. (See **Appendix A: Figures 15 & 16**).

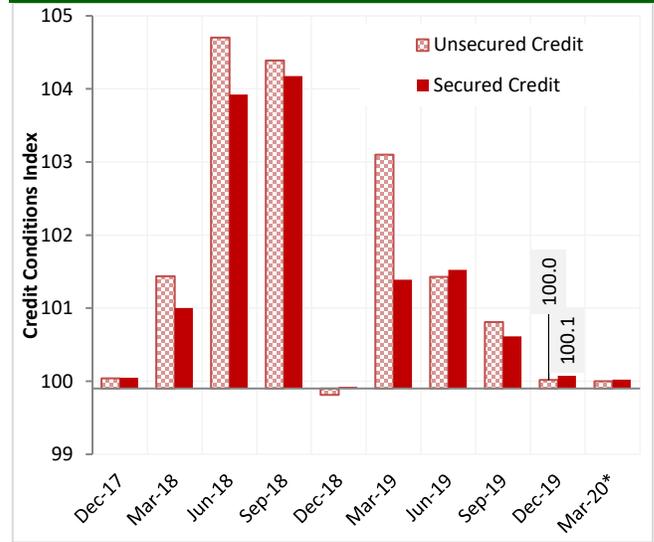
Figure 1a: Index of Overall Credit Market Conditions



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.

Credit conditions faced by all business types remained broadly unchanged during the December 2019 quarter.

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



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

Lenders reported that they expected credit conditions to continue to remain unchanged in the March 2020 quarter. This outlook reflected the expectation for unchanged credit terms for unsecured lending for individuals and all business types while credit terms for secured lending is expected to remain largely unchanged.

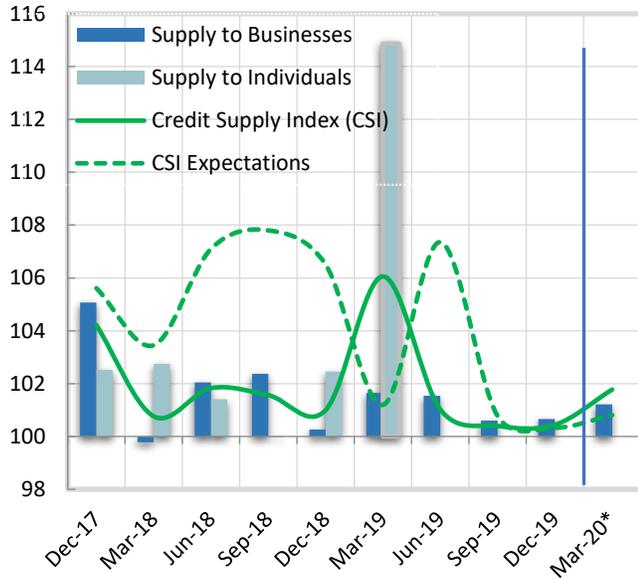
Credit Supply

There was marginal growth in credit availability during the December 2019 quarter, as measured by the Credit Supply Index (CSI) (see **Figure 2** and **Appendix A: Table 8**). This was evident in supply to businesses as there was no growth in supply to individuals. The growth in the supply of local currency credit made available to businesses mainly reflected credit to the *Tourism and Distribution* industries.

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.

The allocation of credit to businesses for the December 2019 quarter declined slightly relative to personal loans. In relation to the business portfolio, there was an increase in the share allocated to large firms, at the expense of medium size firms. Notably, large businesses continued to account for the largest share of the portfolio at end-December 2019 (see **Figure 3a** and **3b**).

Figure 3a: Distribution of Private Industry Credit²

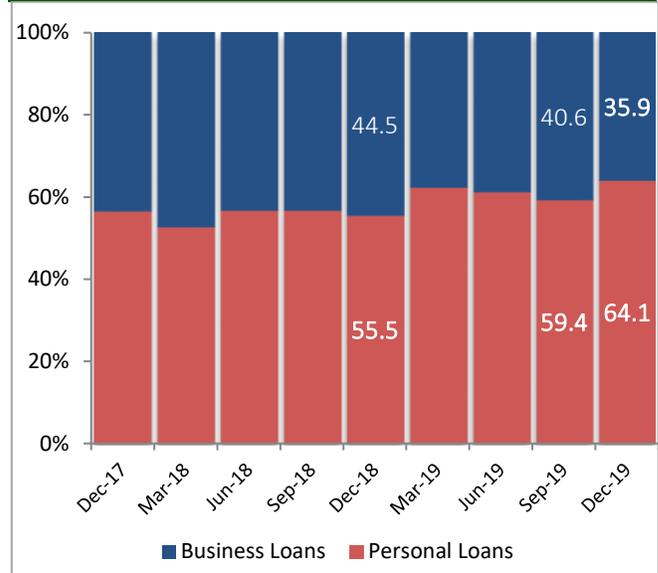
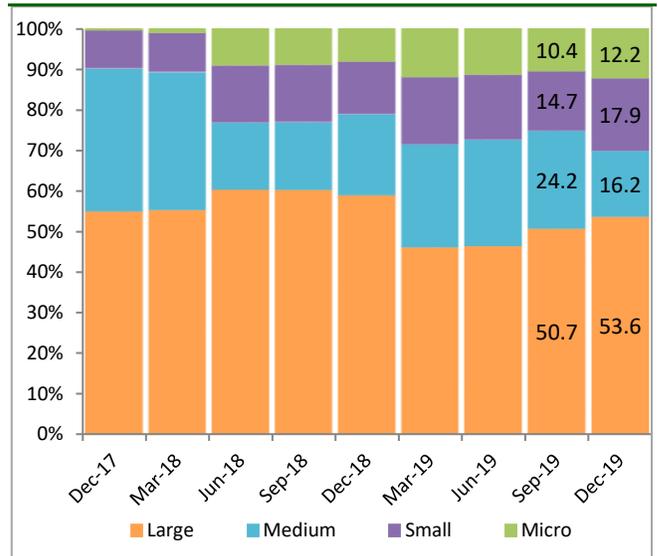


Figure 3b: Distribution of Private Industry Credit by Business Size



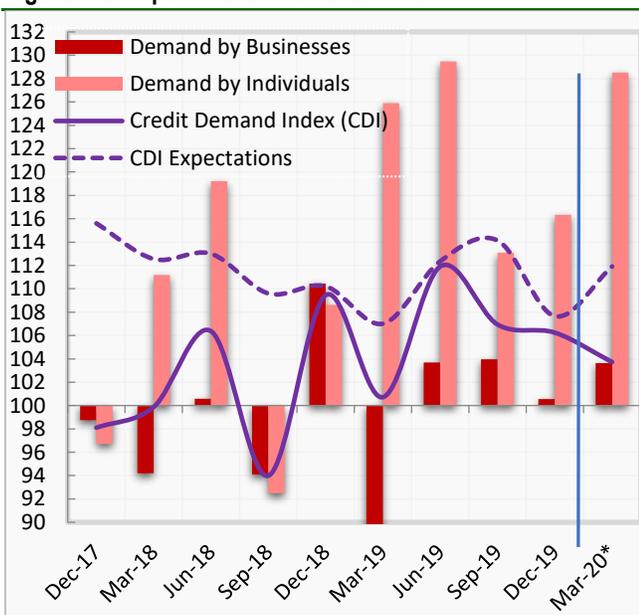
Credit Demand

Growth in credit demand, as measured by the Credit Demand Index (CDI), decelerated slightly for the December 2019 quarter, relative to the September

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.

2019 quarter (see **Figure 4**). The CDI for the quarter was **106.2** relative to **106.9** in the previous quarter (see **Appendix A: Table 8**). The growth in credit demand was also slightly lower than anticipated. This increased demand stemmed from faster growth in demand for personal loans which was partially offset by a deceleration in the growth in demand by businesses (see **Appendix A: Table 7 and Table 8**).

Figure 4: Components of Credit Demand



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

The deceleration in credit demand in the review quarter was reflected in a decline in local currency loans as there was an increase in foreign currency credit. For local currency loans, the fall in demand was mostly evident in the *Professional & Other Services*, *Electricity Gas & Water*, and *Tourism* industries while the growth in demand for foreign currency loans stemmed mainly from the *Transport, Storage &*

Communication, Professional & Other Services, and *Mining & Quarrying*. The decline in growth in demand was reflected in all business sizes with the exception of large and medium businesses. On the other hand, growth in demand for personal loans accelerated for the December 2019, relative to the September 2019 quarter.

For the March 2020 quarter, lenders indicated that they expected a continued increase in the overall demand for credit, particularly by individuals and to a lesser extent by medium and large businesses. This increase reflected respondents' expectation of changes in loan promotion activities and in interest rates.

Price of Credit³

Based on the survey responses, average indicative interest rates on new local currency loans rose by approximately **6 bps** to **12.76 per cent** during the review quarter, relative to the previous quarter. This reflected a growth of **24 bps** in rates for business loans, while there was a decrease of **66 bps** in the rates for personal loans (see **Table 1** and **Appendix A: Table 8**). Higher rates on business loans was primarily reflected by increased interest rates on loans to micro and large sized firms.

Conversely, the average indicative interest rate on new foreign currency loans rose by **4 bps** to **6.94 per cent**, which reflected higher rates on foreign currency loans to micro businesses.

For the December 2019 quarter⁴, lenders reported that they plan to increase interest rates on new local and foreign loans by **352 bps** and **58 bps** to **16.28 per cent** and **7.57 per cent**, respectively. For local currency

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 rate



loans the increased rates are expected to be seen in all business loans categories while foreign currency loan rate increase will impact mainly small, medium and large businesses.

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

	September 2019 Survey		December 2019 Survey	
	Sep-19	Dec-19*	Dec-19	Mar-20*
Local Currency (LC)				
Business loans	11.50	16.05	11.74	16.11
Personal loans	17.49	17.31	16.83	16.96
Average LC rates	12.70	16.30	12.76	16.28
Foreign Currency (FC)				
Business loans	6.90	7.32	6.94	7.52
Reference rate	6.94	6.75	6.83	7.57

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

Personal Lending⁵

Credit Conditions

Similar to the September 2019 quarter the overall credit conditions for personal loans was unchanged for the December 2019 quarter. This was evidenced by an index of **100.0** (see **Figure 5a** and **Appendix A: Table 8**). This unchanged credit condition was reflected in both unsecured and secured loans (see **Figure 5b**) which was underpinned by unchanged credit terms.

For the March 2020 quarter, lending conditions are expected to remain unchanged for both secured and unsecured loans.

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

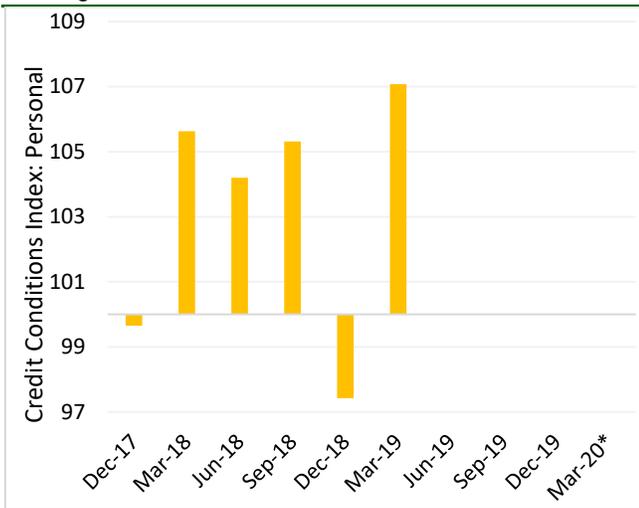
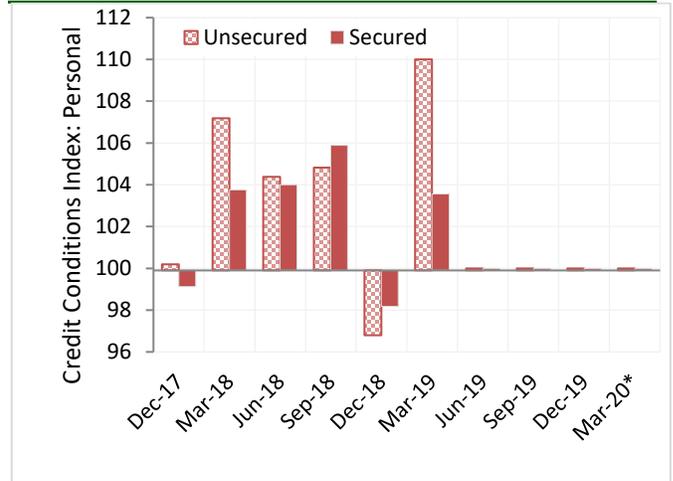


Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending



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

Credit Supply

For the December 2019 quarter, credit made available for personal loans was also unchanged, which was evidenced by a CSI of **100.0** (see Figure 6a). This was also evident across all categories of loans. Notably, approval rates for all categories of personal loans remained unchanged with the exception of mortgages which reflected an increase (See **Figure 6b**).

For the March 2020 quarter, the availability of personal credit is expected to remain unchanged relative to the December 2019 quarter.

⁵ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.

Figure 6a: Availability of Credit for Personal Lending

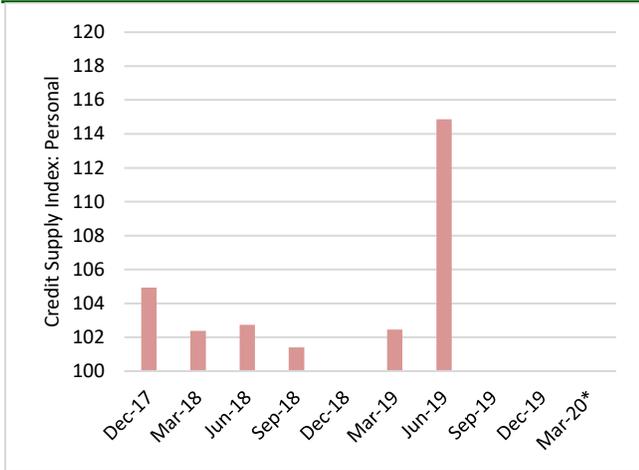
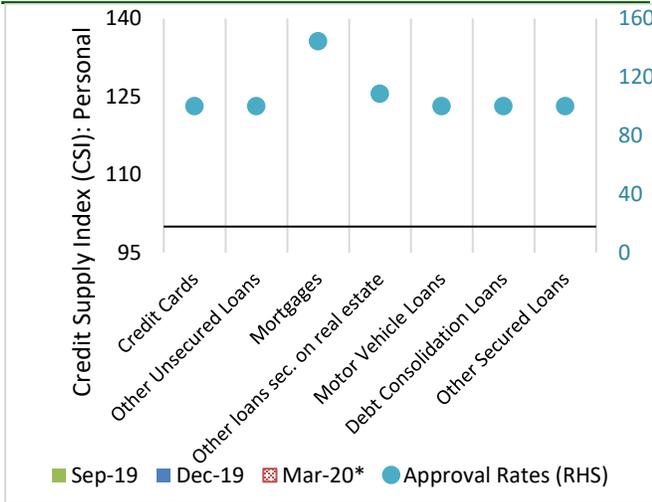


Figure 6b: Availability of Credit for Personal Lending



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

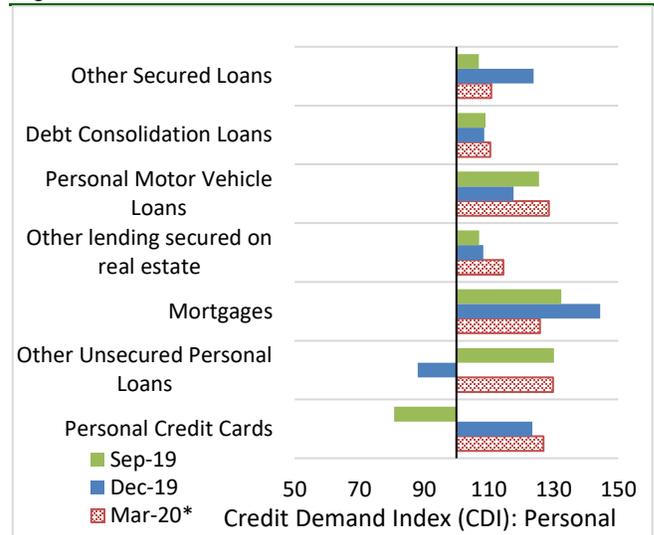
Credit Demand

For the December 2019 quarter, growth in the demand for personal credit accelerated relative to the pace of expansion in the September 2019 quarter. The CDI rose to **116.3** for the quarter from **113.1** in the previous quarter. The growth in demand was evident

in most categories of loans with the exception of other unsecured personal loans, which contracted (see **Figure 7**).

For the March 2020 quarter, the CDI is expected to increase further, reflecting accelerated growth in demand for all categories of loans relative to the growth in the December 2019 quarter.

Figure 7: Demand for Personal Loans



Price of Credit⁶

Average indicative loan rates on new personal loans offered by participating institutions fell for the review period to **16.83 per cent** from **17.49 per cent** in the previous survey. The decrease was evident in all categories with the exception of interest rate on motor vehicle which increased by **30 bps** (See **Table 2**).

For the March 2020 quarter⁷, lenders reported that they planned to increase interest rates by **13 bps** to **16.96 per cent**.

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

**Table 2: Interest Rates on Personal Loans**

	September 2019 Survey		December 2019 survey	
	Sep-19	Dec-19*	Dec-19	Mar-20*
Credit Cards	40.28	40.27	38.60	38.80
Other Unsecured	19.16	19.11	18.34	18.81
Mortgages	8.65	8.42	7.95	8.11
Motor Vehicle	10.52	10.26	10.82	10.77
Other Secured	8.84	8.47	8.43	8.31
Average rates	17.49	17.31	16.83	16.96

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

Micro Business Lending⁸

Credit Conditions

For the December 2019 quarter, credit conditions faced by micro-businesses eased marginally (see **Figure 8a** and **Appendix A: Table 8**). This was reflected in both unsecured and secured loans (see **Figure 8b**) which both had marginal easing in their interest rates.

Credit conditions for secured and unsecured lending are expected to remain unchanged for the March 2020 quarter.

Figure 8a: Credit Conditions for Micro-sized Businesses

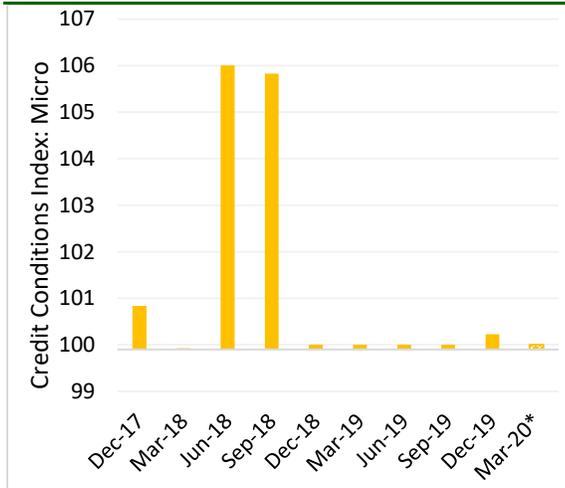
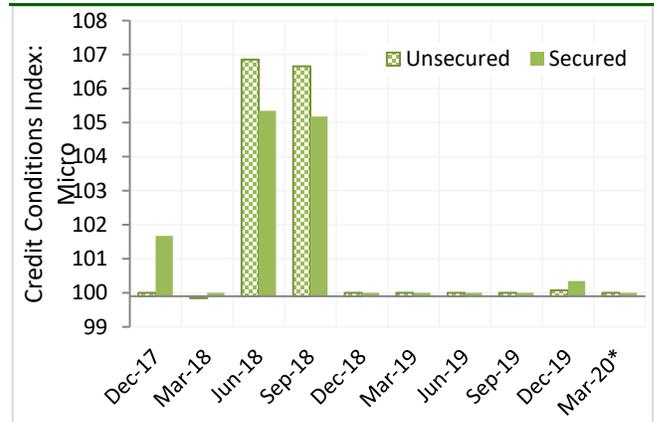


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



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

Credit Supply

Credit made available to micro firms for review the quarter remained unchanged relative to the previous quarter as evidenced by a CSI of **100.0**. This reflected no change in credit availability for both local and foreign currency loans across all industries.

For the March 2020 quarter, lenders reported that they expected to moderately increase the supply of local currency credit and maintain the supply of foreign currency credit to micro businesses relative to the review period.

Credit Demand

There was a decline in credit demand by micro businesses relative to the September 2019 quarter. This was reflected by a CDI of **95.2** for the quarter in comparison to **108.4** in the previous quarter. This

⁸ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.



decline reflected lower demand for local currency loans by the *Distribution, Mining & Quarrying, Transport, Storage & Communication and Professional & Other Services industries*. Growth in the demand for foreign currency loans decelerated relative to the previous quarter with the *Distribution* industry reflecting a major decline.

For the March 2020 quarter, lenders reported that they expected demand for both local and foreign currency loans to increase, relative to the December 2019 quarter.

Price of Credit⁹

For the review period, the indicative average lending rate on new local currency loans to micro businesses rose by **143 bps** to **20.78 per cent** (see **Table 3**). This increase was reflected in higher interest rates on loans across all sector

Interest rates on foreign currency loans to micro businesses rose by **47 bps** to **7.50 per cent** for the review quarter. This rise was evident in the *Distribution* industry albeit partially offset by a fall in the *Mining & Quarrying* industry.

For the March 2020 quarter¹⁰, lenders reported that they expected to rise interest rates on local currency loans but maintain interest rates on foreign currency loans to micro businesses.

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

MICRO	Local Currency		
	Sep-19	Dec-19	Mar-20*
Agriculture & Fishing	18.98	19.20	35.67
Construction & Land Development	15.97	17.38	33.29
Distribution	32.98	33.67	32.79
Electricity, Gas & Water	18.98	20.34	41.56
Entertainment	18.98	20.34	41.56
Manufacturing	18.98	20.34	41.56
Mining & Quarrying	16.24	20.34	34.67
Professional & Other Services	15.52	17.44	32.79
Tourism	18.98	20.34	41.56
Transport, Storage & Communication	17.87	18.47	34.67
Average	19.35	20.78	37.01

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.

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

Small Business Lending¹¹

Credit Conditions

For the December 2019 quarter, overall credit conditions faced by small businesses remained unchanged (see **Figure 9a** and **Appendix A: Table 8**). This was reflected in both unsecured and secured loans (see **Figure 9b**).

For the March 2020 quarter, lenders reported that they plan to tighten credit terms for secured loans offered to small businesses while they had no plans to change the credit conditions for unsecured loans offered to small businesses.

Credit Supply

Credit made available to small firms remained unchanged in comparison to the previous quarter. Lenders reported that growth in local currency loan supply remained unchanged for all industries, except for *Agriculture & Fishing* which saw a marginal decline. The credit made available for foreign currency loans was also unchanged across most industries, except for *Agriculture & Fishing*, which also saw a marginal decline.

For the March 2020 quarter, lenders reported that they had no plans to change the level of foreign or local currency credit made available to small businesses.

Figure 9a: Credit Conditions for Small Businesses

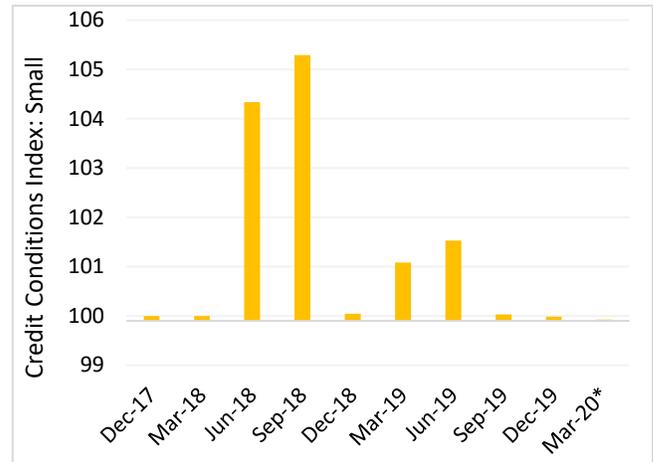
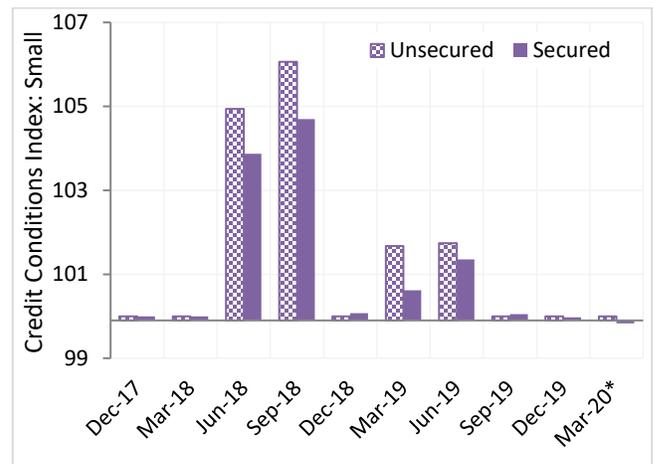


Figure 9b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



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

Credit Demand

Demand for loans by small businesses declined in the review quarter and was reflected in the CDI of **98.3** relative to **108.1** in the previous quarter. This decline was reflected in local currency demand, as demand for foreign currency loans increased. There was weaker

¹¹ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.



demand for local currency loans by the *Distribution, Agriculture & Fishing, Entertainment, Transport, Storage & Communication, and Manufacturing* industries. The increased in demand for foreign currency loan was largely reflected in the *Professional & Other Business Services* industries.

For the March 2020 quarter, lenders reported that they expected an increase in the demand for local currency and foreign currency loans by small firms.

Price of Credit¹²

For the review period, the indicative average lending rate on new local currency loans to small businesses fell to **9.78 per cent** from **10.88 per cent** for the December 2019 quarter. The reduction mainly reflected lower borrowing costs for the *Mining & Quarrying, Construction & Land Development, Tourism, Distribution* and *Entertainment* industries. Similarly, the average interest rate on foreign currency loans fell by approximately **20 basis points** to **7.42 per cent**, which was mainly observed in the *Tourism, Professional & Other Business Services, Entertainment, Electricity Gas & Water, and Manufacturing* industries.

For the March 2020 quarter¹³, lenders reported planned increases in interest rates on both new local and foreign currency loans to small business enterprises by **81 bps** and **90 bps** respectively.

Table 4: Interest Rates on New Local Currency Loans to Small Businesses

SMALL	Local Currency			Foreign Currency		
	Sep-19	Dec-19	Mar-20*	Sep-19	Dec-19	Mar-20*
Agriculture & Fishing	9.80	11.79	11.29	6.33	7.46	8.40
Construction & Land Development	10.59	9.34	10.58	6.33	7.50	8.60
Distribution	13.59	10.93	11.15	10.90	7.18	8.13
Electricity, Gas & Water	10.76	8.92	10.72	6.33	7.50	8.40
Entertainment	10.54	7.81	10.03	0.00	0.00	8.25
Manufacturing	9.76	10.59	10.74	0.00	0.00	0.00
Mining & Quarrying	10.76	8.88	10.57	6.33	7.50	8.60
Professional & Other Services	9.92	10.25	10.36	7.40	7.24	8.00
Tourism	10.76	7.81	10.03	6.33	7.46	8.08
Transport, Storage & Communication	12.31	11.44	10.36	11.00	7.50	8.40
Average	10.88	9.78	10.58	7.62	7.42	8.32

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

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

Medium-Sized Business Lending¹⁴

Credit Conditions

Lending conditions faced by medium-sized businesses remained unchanged in the December 2019 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **100** for the December quarter relative to the CCI of **101.8** in the previous quarter (see **Figure 10a** and **Appendix A: Table 8**). The unchanged credit terms for the December quarter was reflected in both unsecured and secured loans (see **Figure 10b**).

For the March 2020 quarter, lenders reported that they do not plan to change credit terms applied to both secured and unsecured loans.

Credit Supply

Credit made available to medium-sized firms remained unchanged for the December 2019 quarter, relative to the September 2019 quarter. Notwithstanding, there was marginal growth in local currency credit made available, which was primarily reflected in the *Tourism and Distribution* industry. The pace of growth in foreign currency credit made available remained unchanged and was reflected in all industries.

For the March 2020 quarter, the CSI for medium-sized businesses is expected to remain unchanged for both secured and unsecured lending.

Figure 10a: Credit Conditions for Medium-sized Businesses

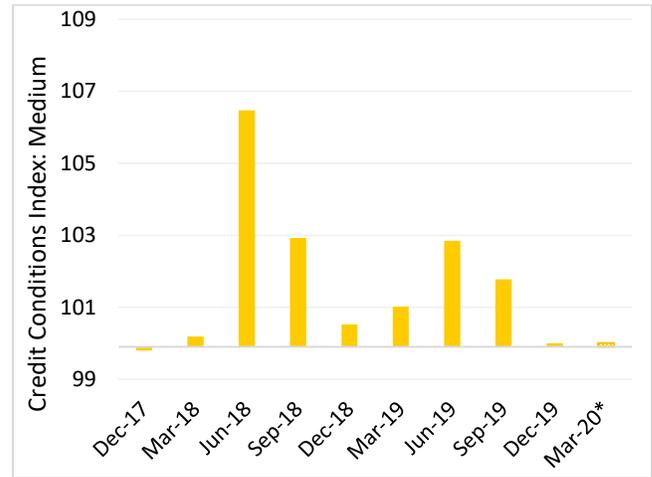
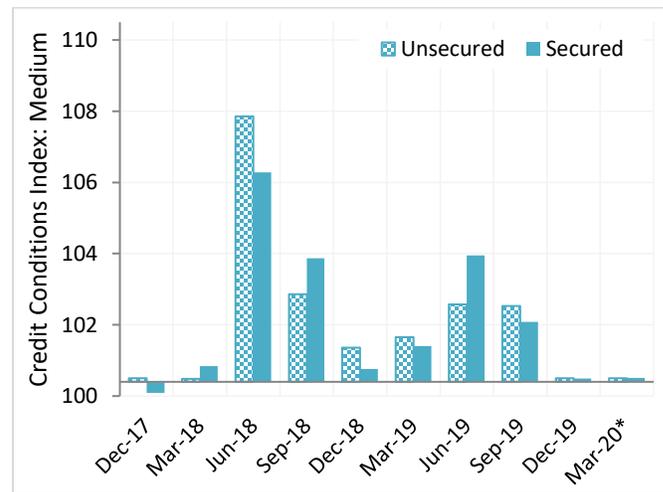


Figure 10b: Credit Conditions for Medium-sized Businesses



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

Credit Demand

Overall Demand for loans by medium-sized firms increased in the review quarter. This was reflected in

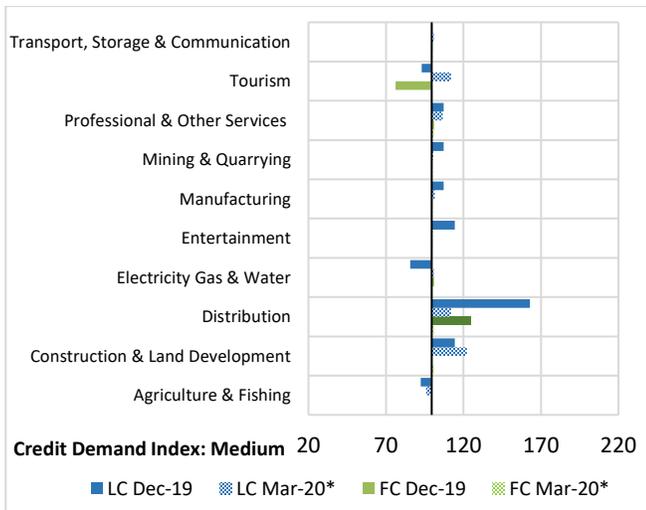
¹⁴ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.



a CDI of **104.4** compared to **97.2** in the previous quarter. The CDI reflected a notable acceleration in credit demand for local currency loans. This was largely evidenced in the Distribution industry. Credit demand for foreign currency loans marginally increased, which was evidenced in the Distribution, *Professional & Other Services and Electricity, Gas & Water* industries (see **Figure 11**).

For the December 2020 quarter, lenders reported that they expected a slower rate of expansion in the demand for both local and foreign currency loans from medium-sized firms relative to the September 2019 quarter. For both Local and Foreign currency, demand is expected to increase or remain unchanged for all industries with the exception of *Agriculture & Fishing* which is anticipated to reflect a contraction in demand.

Figure 11: Credit Demanded by Medium-sized Businesses



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

Price of Credit¹⁵

There was a fall in the indicative average lending rate on new local and foreign currency loans to medium-sized businesses for the review period. The average rate on local currency loans fell to **8.78 per cent** from **9.15 per cent** in the previous quarter. This was mostly evident in the *Tourism, Manufacturing and Transport, Storage & Communication* industries. Similarly, there was a fall of **3 bps** to **6.92 per cent** in the average rate on foreign currency loans for the review quarter. Of note, this fall was solely attributed to the Distribution industry as higher rates were experienced across all other industries. (see **Table 5**).

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

MEDIUM	Local Currency			Foreign Currency		
	Sep-19	Dec-19	Mar-20*	Sep-19	Dec-19	Mar-20*
Agriculture & Fishing	8.95	8.53	9.15	6.00	7.10	7.55
Construction & Land Development	9.40	10.50	9.33	6.00	7.00	7.43
Distribution	8.55	8.88	8.94	14.75	7.23	7.76
Electricity, Gas & Water	9.34	8.58	8.88	6.00	7.00	7.43
Entertainment	9.34	8.58	9.00	6.00	7.00	7.25
Manufacturing	9.17	8.42	9.15	0.00	0.00	0.00
Mining & Quarrying	9.34	9.28	9.04	6.00	7.00	7.55
Professional & Other Services	8.94	8.97	8.72	5.66	6.60	7.29
Tourism	9.26	7.85	8.50	6.17	6.36	7.19
Transport, Storage & Communication	9.17	8.19	8.72	6.00	7.00	7.29
Average	9.15	8.78	8.94	6.95	6.92	7.41

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

Lenders expect to rise local currency loan interest rates to medium sized firm by **17 bps** to **8.94 per cent**

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.



for the March 2020 quarter¹⁶. Higher rates are expected across most industries with *Manufacturing, Tourism and Agriculture & Fishing* expected to have

the largest increases. Interest rate on foreign currency credit is expected to rise by **49 bps** to **7.41 per cent** with higher rates expected on loans to all industries.

¹⁶ Respondent's expectations for future interest rates may include prime rates
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Large Corporations and Commercial Lending¹⁷

Credit Conditions

Lending conditions faced by large firms remained unchanged in the December 2019 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **100.0** for the quarter relative to the CCI of **101.7** in the previous quarter (see **Figure 12a** and **Appendix A: Table 8**). Credit terms applied to unsecured loans remained unchanged. However, credit terms applied to secured loans eased, albeit marginally (see **Figure 12b**). The improvement in credit conditions applied to secured loans was associated with lower interest rates on foreign currency loans and lower fees.

For the March 2020 quarter, lenders reported that they plan to continue to ease credit conditions applied to secured loans. This projected easing would be reflected in lower interest rates and fees on secured loans. Lenders however reported that they do not plan to change credit terms applied to unsecured loans.

Figure 12a: Credit Conditions for Large Businesses

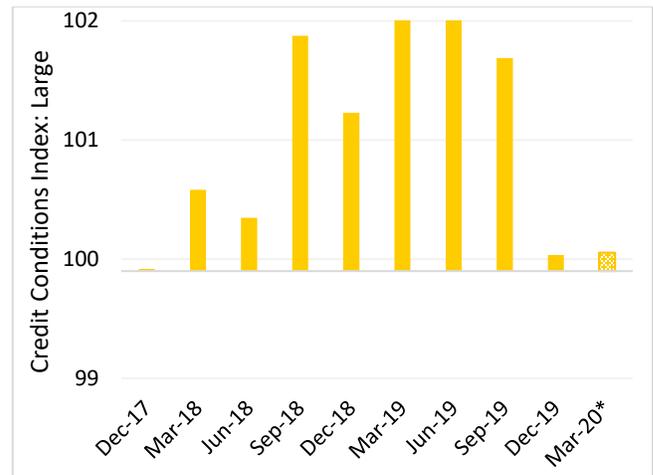
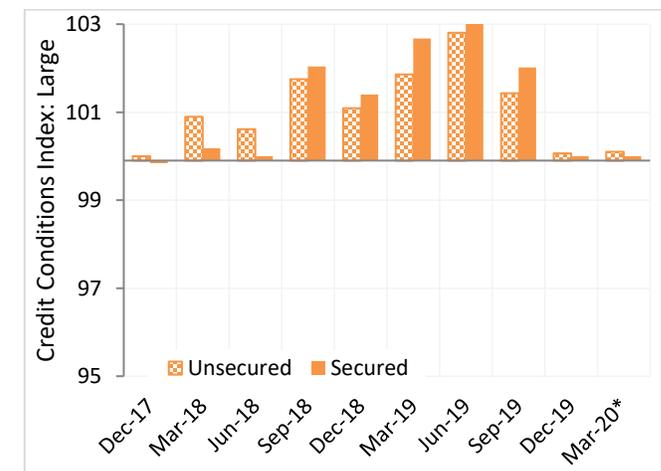


Figure 12b: Credit Conditions for Secured and Unsecured Loans to Large Businesses



- 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

Growth in the credit made available to large businesses eased marginally relative to the previous

¹⁷ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.

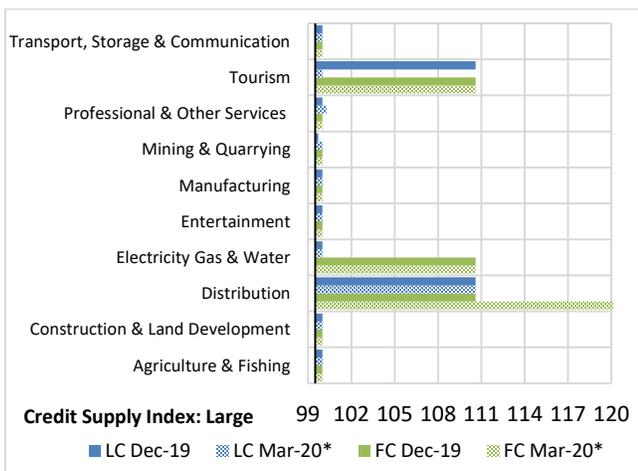
quarter. This was reflected in a CSI of **102.6** for the quarter, relative to **102.4** in the previous quarter. The CSI reflected marginal increases in credit made available for both local and foreign currency loans. For local currency loans, additional credit was channelled to the *Tourism* and *Distribution* industries. *The Tourism, Distribution, and Electricity, Gas & Water* industries benefitted from increased credit availability for foreign currency loans (see **Figure 13**). The growth in credit supply continued to reflect changes in lenders' risk appetite, market share objectives, loan portfolio mix and economic outlook of lenders.

For the March 2020 quarter, lenders plan to increase the availability of local currency credit particularly to the *Distribution* industry. Increased foreign currency credit to large businesses will be made available to the *Electricity, Gas & Water, Distribution and Tourism industries*

There was an acceleration in the growth rate of demand for credit from large businesses in the December 2019 quarter as indicated by a higher CDI of **104.5** compared with **102.2** in the previous quarter. This accelerated pace of growth was reflected in the demand for local currency loan while foreign currency loan demand increased at a decelerated rate. Growth in local currency loans in the review quarter stemmed mainly from the *Distribution, Electricity, Gas & Water and Manufacturing* industries (see **Figure 14**). On the other hand, the increase in foreign currency loans stemmed from the *Distribution, Tourism and Transport, Storage & Communication* industries. Lenders highlighted that important factors that influenced credit demand from large businesses were changes in business activities, Interest rates and macroeconomic risks, as well as developments in one or more economic industries.

For the March 2020 quarter, lenders reported that they expected faster rate of growth in the demand for credit by large firms relative to the expansion which occurred in the December 2019 quarter. This expectation was underpinned by anticipated growth in local currency loan demand, most notably from the *Distribution and Construction & Land Development* industries, as well as foreign currency loan demand in the *Distribution, Tourism and Construction & Land Development* industries.

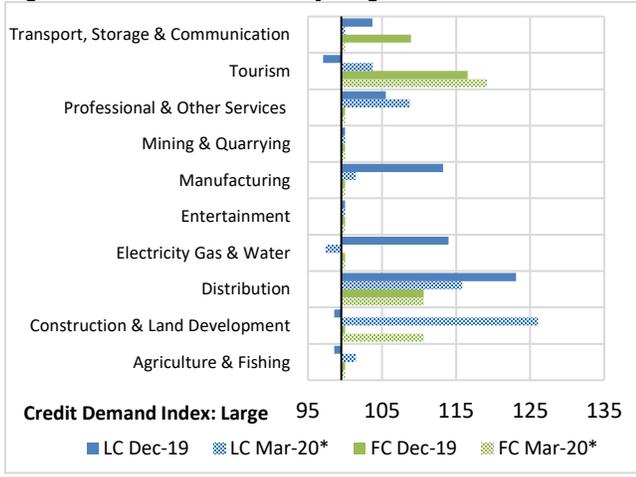
Figure 13: Availability of Credit to Large Businesses



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

Figure 14: 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 Credit¹⁸

For the review quarter, indicative lending rates on new local currency loans to large corporations rose by **102 bps to 7.63 per cent**. Foreign currency rates however fell by **7 bps to 5.92 per cent** (see **Table 6**). The rise in interest rates on local currency loans was evident across all industries except *Distribution* and *Construction & Land Development*, with loans to the, *Agriculture & Fishing*, *Transport, Storage & Communication* and *Mining & Quarrying* industries reflecting the largest increases. The lower rates on foreign currency loans were particularly evident for the *Electricity, Gas & Water*, *Entertainment* and *Mining & Quarrying* industries.

For the March 2020 quarter¹⁹, the average interest rate on new local currency credit to large firms is expected to rise by **26 bps to 7.89 per cent**. The

average interest rate on foreign currency credit is anticipated to rise by **92 bps to 6.83 per cent**.

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

LARGE	Local Currency			Foreign Currency		
	Sep-19	Dec-19	Mar-20*	Sep-19	Dec-19	Mar-20*
Agriculture & Fishing	5.75	7.42	0.00	5.00	6.00	7.00
Construction & Land Development	7.38	7.08	0.00	5.75	6.00	0.00
Distribution	7.42	7.17	0.00	6.50	6.75	6.67
Electricity, Gas & Water	5.88	6.63	0.00	7.17	5.97	0.00
Entertainment	5.75	6.88	0.00	6.00	5.50	0.00
Manufacturing	7.00	7.37	0.00	0.00	0.00	0.00
Mining & Quarrying	5.75	7.55	0.00	6.00	5.50	0.00
Professional & Other Services	7.21	8.33	0.00	5.10	5.94	0.00
Tourism	7.09	7.71	7.89	6.40	5.98	0.00
Transport, Storage & Communication	6.93	10.18	0.00	6.00	5.63	0.00
Average	6.61	7.63	7.89	5.99	5.92	6.83

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

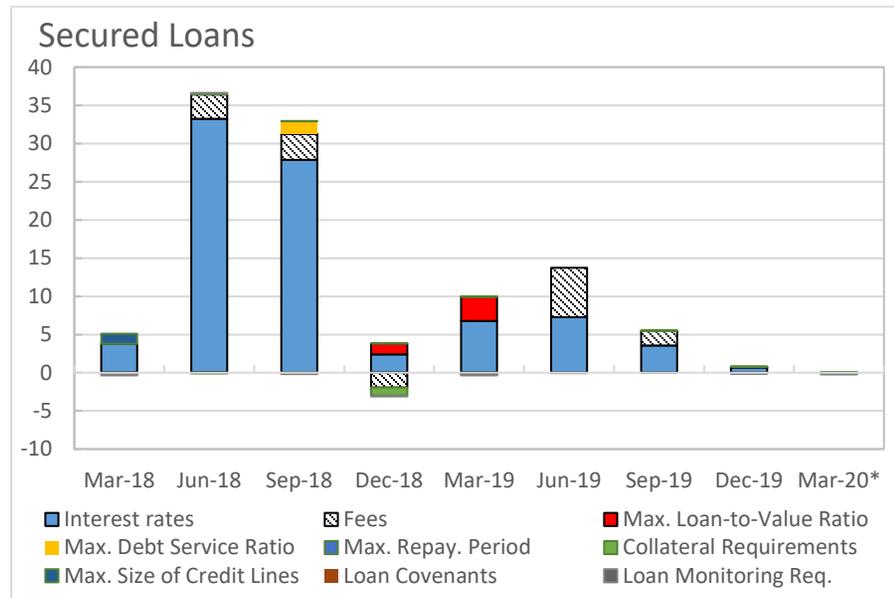
¹⁸ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

¹⁹ Respondent's expectations for future interest rates may include prime rates



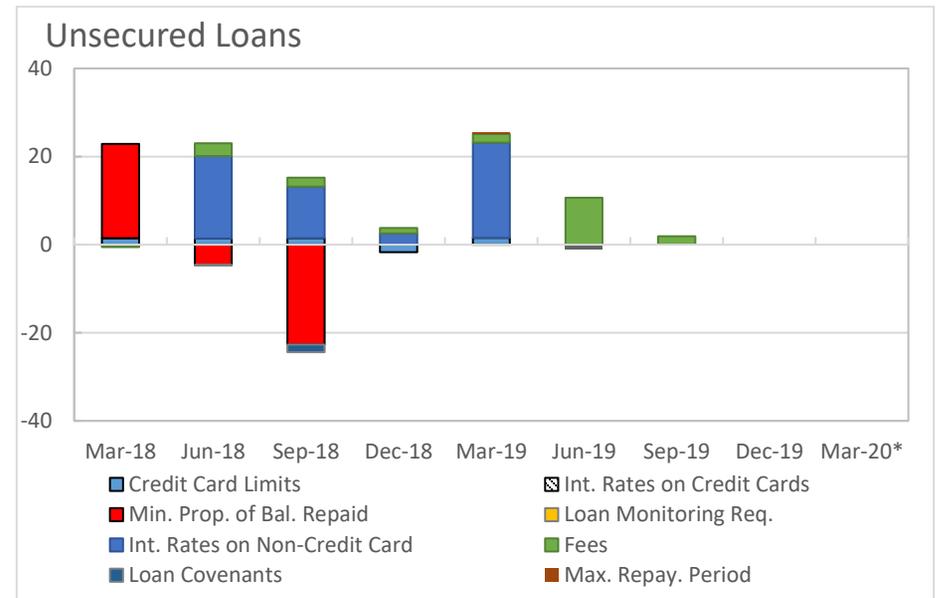
Appendix A: Overall Credit Market Conditions

Figure 15: 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 16: 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: Components of Credit Demand and Supply Indices

SUPPLY	December 2018 Survey		September 2019 Survey		December 2019 Survey	
	Dec-18	Mar-19*	Sep-19	Dec-19*	Dec-19	Mar-20*
Credit Supply Index	101.0	101.2	100.4	100.3	100.4	100.5
Credit to Businesses	100.3	100.0	100.6	100.5	100.7	100.8
Credit to Individuals	102.5	103.5	100.0	100.0	100.0	100.0
Local Currency Credit	100.2	100.0	100.5	100.3	100.5	100.5
Foreign Currency Credit	100.4	100.1	100.7	100.7	100.8	101.1
DEMAND	Dec-18	Mar-19*	Sep-19	Dec-19*	Dec-19	Mar-20*
Credit Demand Index	109.4	107.0	106.9	109.8	106.2	110.2
Demand by Businesses	110.5	102.5	104.0	104.2	100.6	103.2
Demand by Individuals	108.6	116.1	113.1	121.0	116.3	124.3
Local Currency Credit	110.4	103.5	102.5	106.0	99.3	103.2
Foreign Currency Credit	109.4	101.5	105.2	102.3	103.1	103.3

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

Table 8: Reported Indices and Interest Rates on New Loans

OVERALL	Dec-18	Sep-19	Dec-19
Credit Conditions Index	99.8	100.7	100.0
Credit Supply Index	101.0	100.4	100.4
Credit Demand Index	109.4	106.9	106.2
Price of LC Credit	14.58	12.70	12.76
Price of FC Credit	7.28	6.90	6.94
PERSONAL	Dec-18	Sep-19	Dec-19
Credit Conditions Index	97.4	100.0	100.0
Credit Supply Index	102.5	100.0	100.0
Credit Demand Index	108.6	113.1	116.3
Price of LC Credit	18.31	17.49	16.83
ALL BUSINESSES	Dec-18	Sep-19	Dec-19
Credit Conditions Index	100.4	100.9	100.1
Credit Supply Index	100.3	100.6	100.7
Credit Demand Index	110.5	104.0	100.6
Price of LC Credit	13.65	11.50	11.74
Price of FC Credit	7.28	6.90	6.94
o. w. MICRO	Dec-18	Sep-19	Dec-19
Credit Conditions Index	100.0	100.0	100.2
Credit Supply Index	99.9	100.0	100.0
Credit Demand Index	123.4	108.4	95.2
Price of LC Credit	26.02	19.35	20.78
Price of FC Credit	8.13	7.03	7.50
o. w. SMALL	Dec-18	Sep-19	Dec-19
Credit Conditions Index	100.0	100.0	100.0
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	117.3	108.1	98.3
Price of LC Credit	10.80	10.88	9.78
Price of FC Credit	8.05	7.62	7.42
o. w. MEDIUM	Dec-18	Sep-19	Dec-19
Credit Conditions Index	100.5	101.8	100.0
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	96.9	97.2	104.4
Price of LC Credit	9.39	9.15	8.78
Price of FC Credit	7.19	6.95	6.92
o. w. LARGE	Dec-18	Sep-19	Dec-19
Credit Conditions Index	101.2	101.7	100.0
Credit Supply Index	101.1	102.4	102.6
Credit Demand Index	104.2	102.2	104.5
Price of LC Credit	8.38	6.61	7.63
Price of FC Credit	5.76	5.99	5.92



- 1. Indices greater than 100 indicate an increase relative to the previous quarter, while indices less than 100 indicate a decline.

Figure 17: Drivers of the Supply of Credit

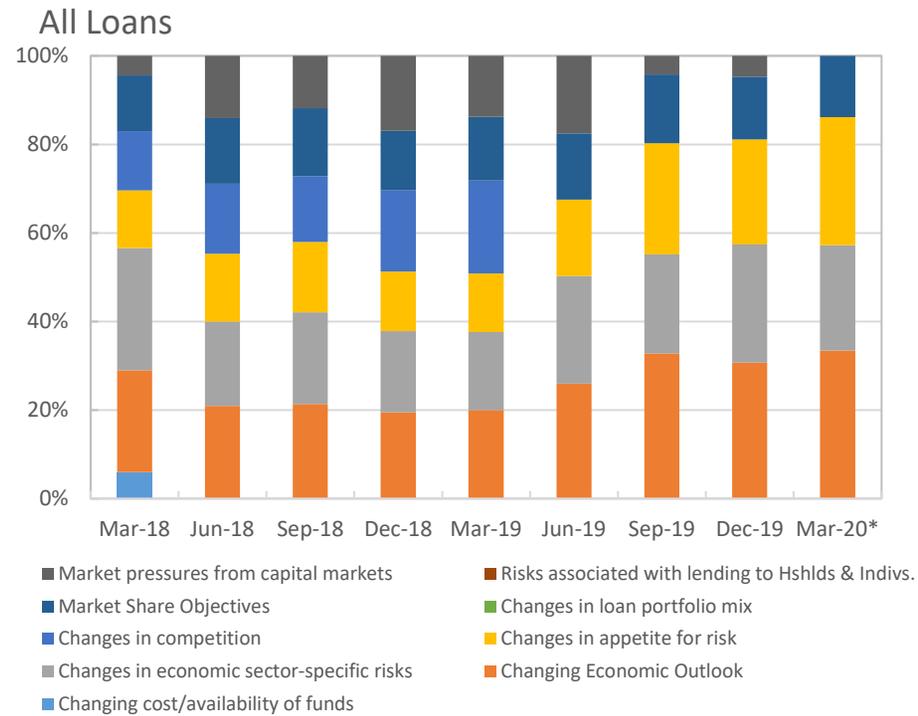




Figure 18: Drivers of the Demand of Secured Credit

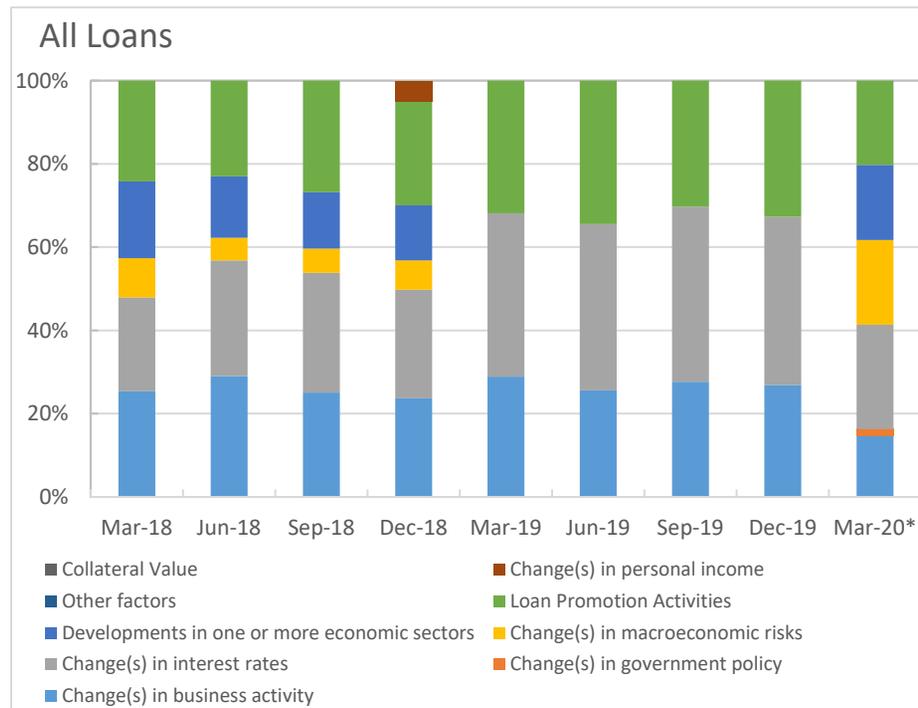
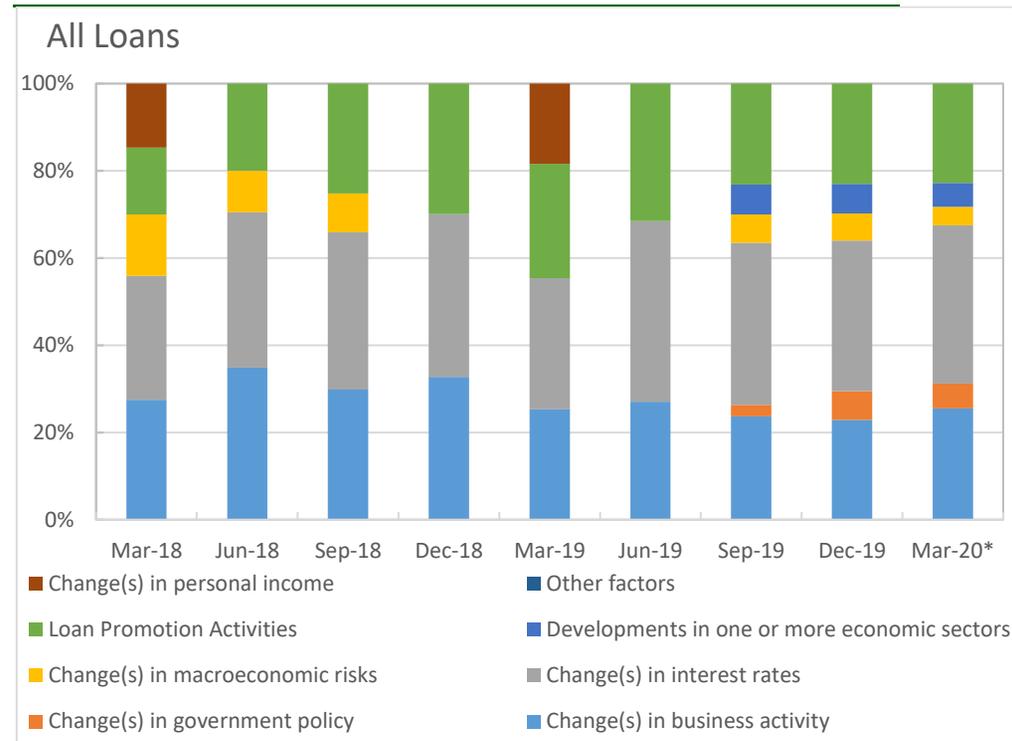


Figure 19: Drivers of the Demand of Unsecured Credit





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.