

Quarterly Credit Conditions Survey Report



**June 2017
Quarter**

Prepared by the
**Monetary Analysis & Programming
Department**
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 sector 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 interest rates presented in this report are based on weighted average interest rates reported by the respondents of the survey.

This report presents the results of the June 2017 survey which was conducted during the period 17 July and 10 August 2017.

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-sized Businesses	Large, Corporate & Commercial Businesses
Commercial Banks	6	6	6	6	6	6
Building Societies	3	3	3	3	3	3
Near Banks	2	2	2	2	2	2
Credit Unions	9	9	9	9	9	9
Public Entity	1	1	1	1	1	1
Total	21	21	21	21	21	21

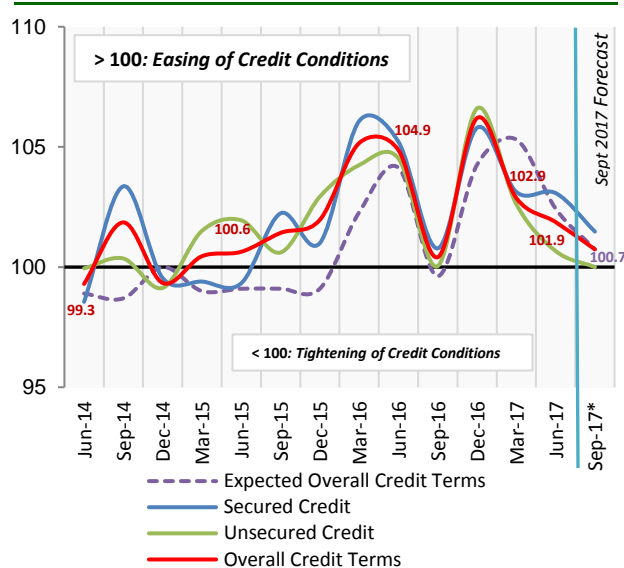
The Jamaican economy contracted by 0.1 per cent in the June 2017 quarter. The fall was mainly attributed to a decline of 3.3 per cent in the goods producing industries, particularly the *Agriculture, Forestry & Fishing* and the *Mining & Quarrying* industries. Annual inflation was 4.4 per cent at end-June 2017, relative to 4.1 per cent at end-March 2017 and 2.5 per cent for the corresponding period in 2016.

With respect to monetary policy developments, Bank of Jamaica relaxed its monetary policy stance during the June 2017 quarter. The Bank reduced the rate payable on its overnight and 30-day Certificates of Deposit (CDs) by 25 basis points to 3.75 per cent and 4.75 per cent, respectively. Correspondingly, the standard interest rate on the overnight Standing Liquidity Facility (SLF) was also lowered by 25 basis points (bps) to 6.75 per cent, thus maintaining the width of the interest rate corridor at 3.0 percentage points (pps) between the overnight lending rate and the overnight deposit rate. The policy action was informed by the Bank's assessment that inflation for FY2017/18 will be within BOJ's target range of 4.0 per cent to 6.0 per cent and was consistent with the Government's strong commitment to fiscal consolidation. During the quarter, the Bank also effected a further increase to the foreign currency reserve requirement ratio by 1.0 pp to 15.0 per cent with the aim of reducing the incentive to hold foreign currency liabilities.

In the context of the foregoing, overall credit conditions eased marginally during the June 2017 quarter, at a more moderate pace than was

anticipated and the outturn observed in the previous quarter (see **Figure 1**).

Figure 1: Index of Credit Market Conditions



Notes: (i) The asterisk (*) represents expectations provided by the respondents for the June 2017 quarter. (ii) The index was the average response for changes in eight credit terms reported in the Credit Conditions Survey.

Lenders reported that the easing in credit market conditions continued to reflect improvements in lending policies for both secured and unsecured loans in an effort to increase their market share in a more competitive market while maintaining the quality of their loan portfolios. The easing in secured loan conditions was evident in a reduction in *interest rates* and *fees* and an increase in *credit lines* and *repayment periods*. For unsecured loans, the easing in lending policies was evidenced by reductions in interest rates for *non-credit card* loans, a decline in the *minimum balance repaid* and increases in *credit card limits*. The impact of this easing was however partially offset by an

increase in fees (see **Appendix A: Figures 16 and 17**).

For the September 2017 quarter, continued easing in credit conditions is expected, albeit at a slower pace, relative to the June 2017 quarter.

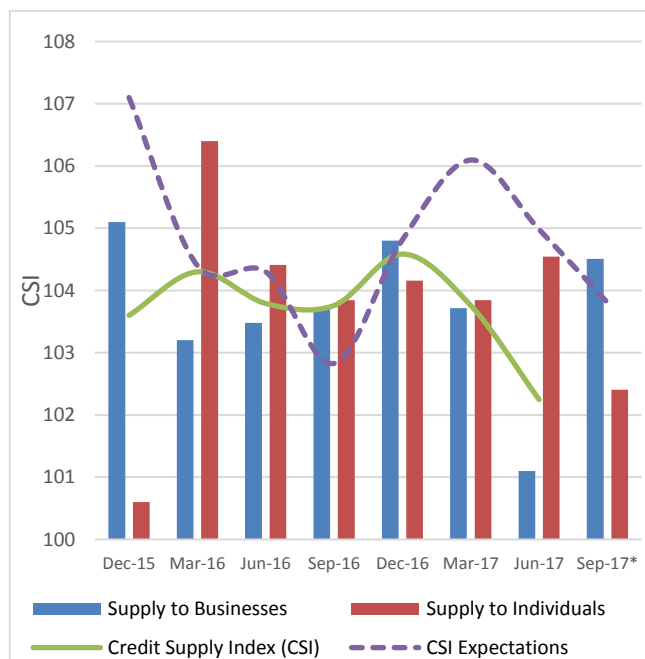
Credit Supply

The overall Credit Supply Index (CSI) moderated to **102.2** for the June 2017 quarter from **103.8** in the previous quarter (see **Figure 2**). This moderation was primarily due to a slowdown in the growth in credit supply to business, particularly micro and small businesses, relative to the previous quarter. Institutions' willingness to provide credit during the quarter continued to be driven by their economic outlook, market share objectives and competition (see **Appendix A: Figure 18**).

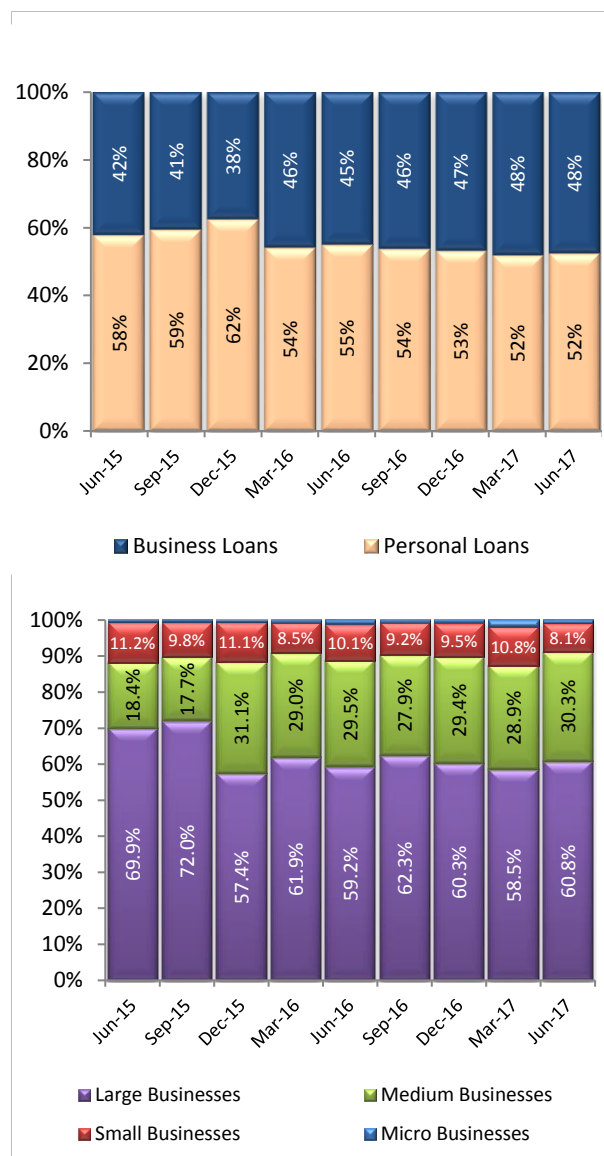
For the review quarter, the growth in the availability of local currency credit to individuals accelerated relative to the previous quarter, while there was a sharp reduction in the growth rate of local currency credit supplied to businesses, in particular, micro firms. The pace of expansion in the supply of foreign currency credit was relatively similar to that reported in the previous quarter.

The proportion of credit allocated to businesses and individuals remained unchanged during the June 2017 quarter, relative to the previous quarter. Credit to individuals accounted for **52 per cent** of the total (see **Figure 3**). With regard to businesses, there was a redistribution of credit made available to large and medium-sized firms from micro and small firms.

Figure 2: Components of Credit Supply



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

Figure 3: Distribution of Private Sector Credit¹


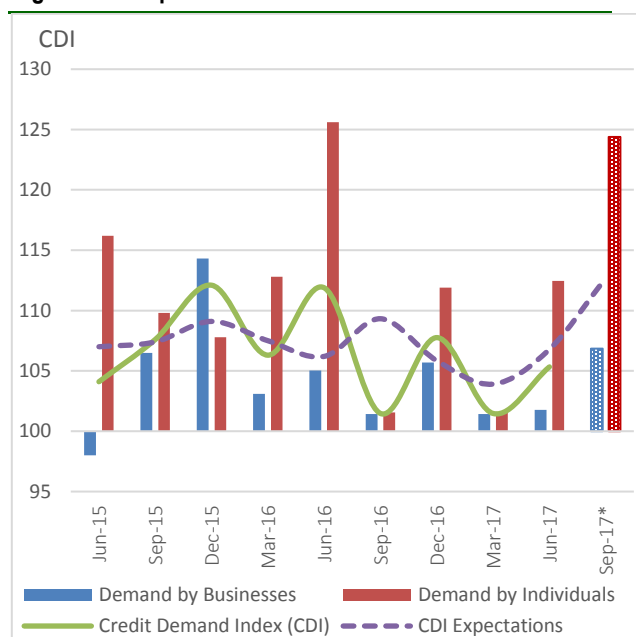
For the September 2017 quarter, lenders plan to increase the amount of credit made available to prospective borrowers, especially for businesses (see **Figure 2** and **Appendix A: Table 6**). This outlook is premised on creditors' plans to maintain or increase market share in the context of new

¹ Figure 3 shows the distribution of credit between households and businesses. Credit to businesses is further © Copyright 2017. Bank of Jamaica

entrants in the banking sector. The increased supply is expected across all business sizes for most economic sectors.

Credit Demand

Growth in credit demand, as measured by the Credit Demand Index (CDI), increased at a faster pace relative to the March 2017 quarter (see **Figure 4**). This expansion in credit demand was reflected in an increase in the CDI to **105.3** from **101.5** in the previous quarter and was related to increased demand for personal loans (see **Appendix A: Table 6**). Lenders reported that the increased demand for these loans was a reflection of borrowers' positive economic outlook.

Figure 4: Components of Credit Demand


1. Indices greater than 100 indicate an increase while indices less than 100 indicate a decline.

disaggregated to show total business loans distributed to firms of various sizes.



There continued to be an overall sluggish expansion in the demand for local currency business loans. There was, however, increased demand related to the *Professional & Other Services, Construction* and *Transportation* sectors. Notwithstanding, this was partially offset by a contraction in the demand for credit from the *Agriculture & Fishing, Manufacturing, Tourism* and *Entertainment* sectors. The demand for foreign currency credit remained relatively unchanged from the previous quarter as strong demand from the *Construction, Tourism* and *Distribution* sectors was offset by a contraction in demand for loans from the *Mining & Quarrying* and *Entertainment* sectors. Lenders reported that borrowers remained sensitive to interest rates and cited that the stability in the exchange rate in the month of June drove foreign currency earners to increase their demand for foreign currency loans to help offset their local currency liquidity challenges.

Credit demand continued to be driven by factors such as increased business activities, loan promotional activities, lower interest rates and developments in various economic sectors (see **Appendix: Figure 19**).²

For the September 2017 quarter, lenders indicated that they are anticipating an uptick in the demand for credit demand from both individuals and businesses. The CDI is consequently projected to rise to **112.7** from **105.3**.

Price of Credit

Based on the survey responses, average **indicative** interest rates on new local currency loans **increased** by approximately **16 basis points (bps)** to **13.92 per cent** during the review quarter, relative to the previous quarter. This reflected increases of **15 bps** and **19 bps** in rates for businesses and individuals, respectively. The increase in rates was associated with reported changes in lenders' risk appetite as well as their economic outlook for specific sectors (see **Table 1**).

In contrast, the **indicative** average interest rate on new foreign currency loans declined by **30 bps** to **7.43 per cent**.

For the September 2017 quarter, lenders reported that they plan to increase the price of credit on new local and foreign currency loans to businesses by **103 bps** and **42 bps** to **14.95 per cent** and **7.86 per cent**, respectively. However, they indicated that there is a planned reduction of **9 bps** in the interest rate on personal loans to **17.85 per cent**.³

² Developments in one or more economic sectors refers to the extent of credit demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors.

³ Note that the projected rates are usually higher than transaction rates as lenders generally resort to quoting their posted rates.



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

	March 2017 Survey		June 2017 Survey	
	Mar-17	Jun-17*	Jun-17	Sep-17*
Local Currency (LC) Loans				
Business loans	12.76	14.38	12.92	14.23
Personal loans	17.75	17.48	17.94	17.85
Reference rate	8.02	7.82	13.23	13.56
Average LC rates	13.76	15.00	13.92	14.95
Foreign Currency (FC) Loans				
Business loans	7.73	7.94	7.43	7.86
Reference rate	7.81	8.11	7.78	7.77

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

Personal Lending

Credit Conditions

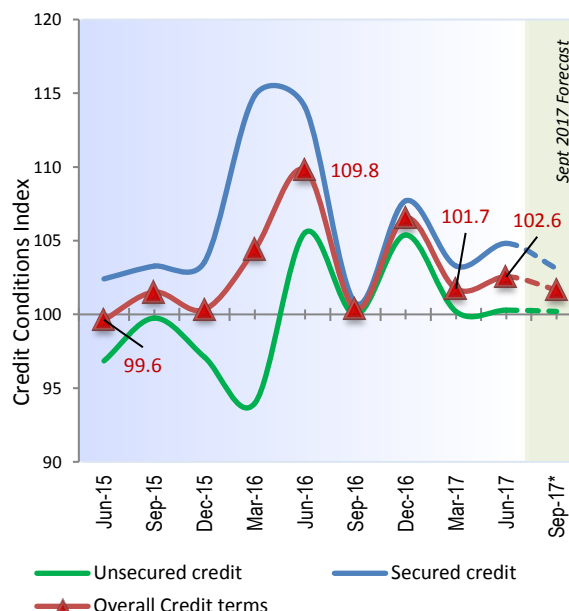
Overall lending conditions for personal loans continued to improve in the June 2017 quarter, which was evidenced by the index of **102.6** (see **Figure 5**). This improvement, which primarily reflected improvements in the credit conditions for secured personal loans, stemmed from lower overall *interest rates, fees*, higher *maximum loan to value ratios* and an increase in the *maximum repayment periods on loans*. Creditors remained confident about the overall economy and indicated that the risks associated with lending to households had declined.

For the September 2017 quarter, lending conditions are expected to ease moderately for both secured and unsecured personal loans. This moderation reflects plans by some lenders to impose higher fees and to reduce their loan to value and debt service ratios.

Credit Supply

The share of credit made available for personal reasons remained unchanged relative to the previous quarter and accounted for **52.0 per cent** of the total credit supplied (see **Figure 3**). For the June 2017 quarter, the supply of all categories of personal loans expanded, when compared to the previous quarter, with the exception of credit cards.

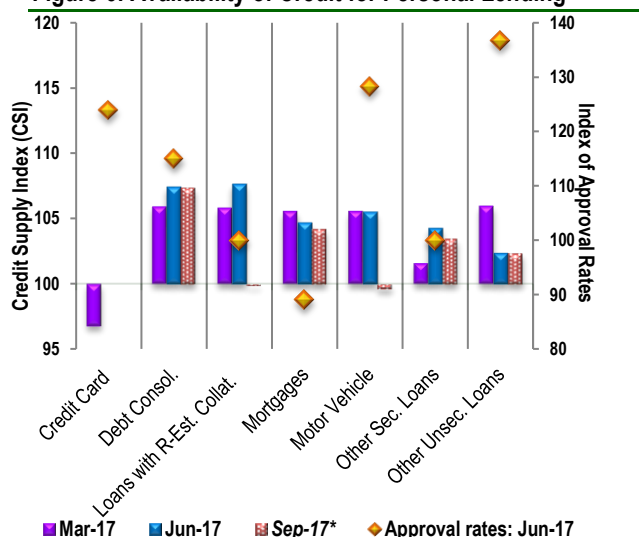
Figure 5: Credit Conditions for Personal Lending



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

Lenders stated that changes in competition, market share objectives and changes in their risk tolerance towards individuals, continued to be important factors fuelling the increased availability of loans.

For the September 2017 quarter, credit supply is expected to expand at a slower rate compared with the pace of expansion in the June 2017 quarter (see **Appendix A: Table 6 and Figure 6**). Lenders plan to reduce loans made available for motor vehicles and real estate purposes.

Figure 6: Availability of Credit for Personal Lending


1. CSI less than 100 indicates a decline in credit supply while a CSI greater than 100 indicates an increase.
2. An index less than 100 indicates a reduction in the approval rate while an index greater than 100 indicates an increase.
3. The asterisks (*) represent forward looking expectations provided by the respondents.

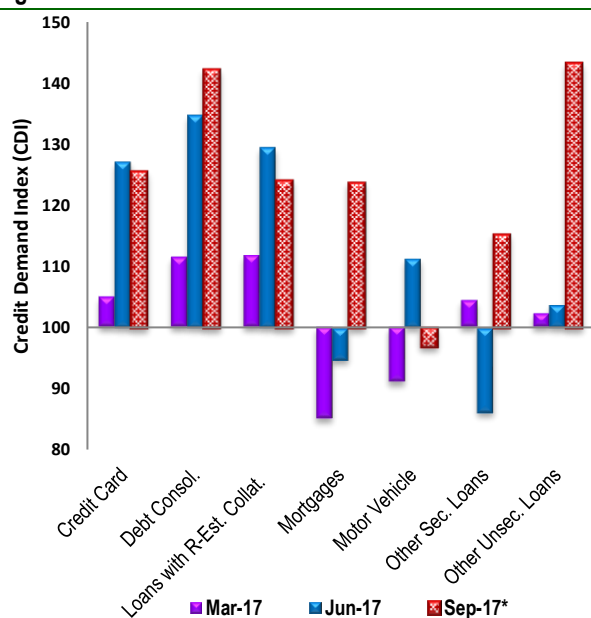
Credit Demand

There was a noticeable increase in the growth in demand for personal credit in the review quarter, relative to the previous quarter. The CDI increased to **112.5** from **101.6** in the previous quarter, with increased demand observed across all loan types, with the exception of *other secured loans* and *debt consolidation* (see **Figure 7** and **Appendix A: Table 6**).

Creditors highlighted that important drivers of demand in the review quarter included an increase in loan promotional activities and a reduction in interest rates.

For the September 2017 quarter, demand for personal credit is anticipated to remain robust mainly through continued easing in lending

conditions on other personal *unsecured loans* and *credit cards*.

Figure 7: Demand for Personal Loans


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

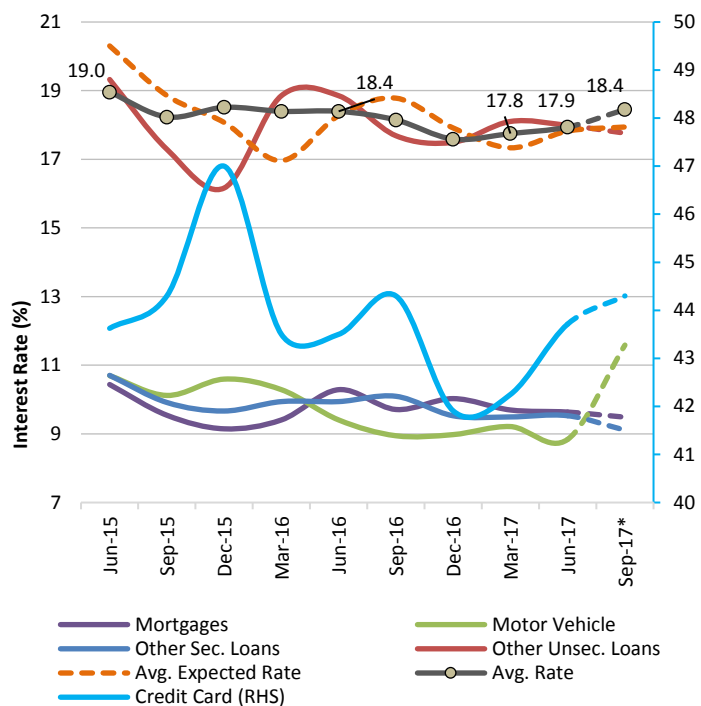
Price of Credit

Average **indicative** loan rates on new personal loans offered by participating institutions increased for the review period to **17.94 per cent** from **17.75 per cent** in the previous survey. This was also higher than the expected average rate of **17.5 per cent**. However, higher rates were only evident for credit cards and other unsecured personal loans (see **Figure 8**). This outturn was predominantly influenced by one lender who continued to report that liquidity challenges induced the institution to place more focus on *credit cards* and *other unsecured loans* which attracted higher rates.



Interest rates on personal loans are expected to be higher for the September 2017 quarter. Much of this increase is expected to be reflected in planned increases in the interest rates on motor vehicle loans and credit cards.

Figure 8: Interest Rates on Personal Loans



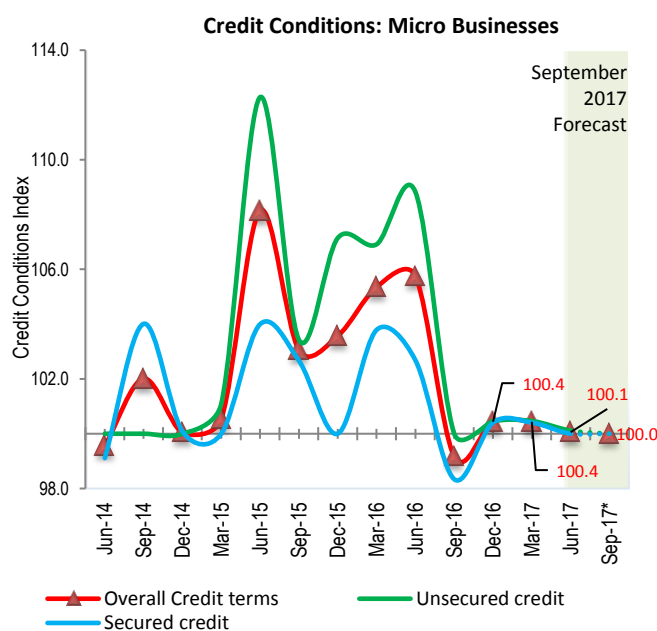
Micro Business Lending

Credit Conditions

For the June 2017 quarter, the overall credit terms faced by micro-businesses were relatively unchanged in comparison to the previous quarter (see **Figure 9**). The overall index moderated to **100.1** from **100.4** and primarily reflected a slight easing in the overall loan terms to micro businesses. For unsecured loans, the marginal easing emanated from a reduction in fees by one institution.

For the September quarter, credit conditions are expected to remain unchanged relative to the June 2017 quarter.

Figure 9: Credit Conditions for Micro-sized Businesses



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

Credit Supply

Consistent with the sluggish easing in credit terms, the supply of credit made available to micro firms contracted during the quarter. The CSI for the review quarter fell to **94.4** from **100.2** in the previous quarter. The significant contraction in supply was evident in local currency loans for most economic sectors, with exceptions in sectors such as *Professional & Other Services* and *Construction and Land Development*.

For the next quarter, lenders reported that they expect an increase in credit made available to micro businesses. The CSI is projected to increase from **94.4** to **109.5** as a major creditor plans to augment local currency credit made available to micro businesses.

Credit Demand

Consistent with the contraction in supply, the overall credit demanded by micro businesses also contracted for the period. However, sectors such as *Construction and Land Development*, *Professional & Other Services* and *Transportation* continued to show strong demand for local currency loans. Foreign currency loans were muted for the review period.

For the September 2017 quarter, the overall demand for credit by micro firms is expected to expand drastically relative to the previous quarter. Increased demand is expected to emanate from all economic sectors with the exception of *Electricity Gas & Water*.

Price of Credit

The average **indicative** interest rates on local currency loans to micro businesses increased by



21 bps to 20.90 per cent during the quarter (see **Table 2**). Despite the overall increase, there were declines in interest rates on loans to the *Construction, Transportation, Tourism* and *Distribution* sectors.

With respect to rates on foreign currency loans to micro businesses, there was a reduction of **90 bps to 9.15 per cent** for the quarter. This reduction was largely observed in interest rates on loans to the *Professional & Other Services* sector, as the other relevant sectors recorded higher rates for the quarter.

For the September 2017 quarter, average interest rates on local currency loans are expected to increase for all economic sectors with the exception of *Distribution* and *Transportation*. Average rates on foreign currency loans to micro businesses are expected to increase slightly.

Table 2: Interest Rates on Local and Foreign Currency Loans to Micro-sized Businesses

	Local Currency				Foreign Currency			
	March 2017 Survey		June 2017 Survey		March 2017 Survey		June 2017 Survey	
	Mar-17	Jun-17*	Jun-17	Sep-17*	Mar-17	Jun-17*	Jun-17	Sep-17*
Agriculture & Fishing	21.01	25.52	23.29	25.40	n.a	9.58	n.a	9.09
Construction & Land Development	18.13	25.15	17.60	25.00	n.a	9.58	n.a	9.09
Distribution	26.76	23.32	25.82	25.00	6.25	9.58	10.00	9.09
Electricity Gas & Water	17.52	25.15	18.77	25.00	n.a	9.58	n.a	9.09
Entertainment	19.39	24.06	20.69	25.40	n.a	9.58	n.a	9.09
Manufacturing	20.83	25.52	21.65	25.00	n.a	9.58	n.a	9.09
Mining & Quarrying	21.65	25.15	21.65	25.00	n.a	9.58	n.a	9.09
Professional & Other Services	15.27	23.32	16.43	23.17	15.75	9.58	9.58	9.09
Tourism	20.54	25.52	19.91	25.40	8.13	9.58	8.50	9.09
Transport, Storage & Communication	25.79	23.32	23.22	23.17	n.a	9.58	8.50	9.09
Average Rate	20.69	24.60	20.90	24.75	10.04	9.58	9.15	9.09

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

Small Business Lending

Credit Conditions

There was a marginal easing in credit conditions for small business enterprises for the June 2017 quarter. The index moderated to **100.1** from **104.3** in the previous quarter reflecting tighter lending policies applied to both secured and unsecured loans (see **Figure 10**). Lenders reported that these more restrictive credit terms were in response to the absence of financial statements for some small firms, which prevented some lenders from quantifying their credit risk exposure to these businesses.

Credit terms for small businesses are expected to tighten further in the September 2017 quarter as some institutions plan to increase interest rates on loans to these businesses. However, this is expected to be partly offset by an increase in the maximum loan to value ratio.

Credit Supply

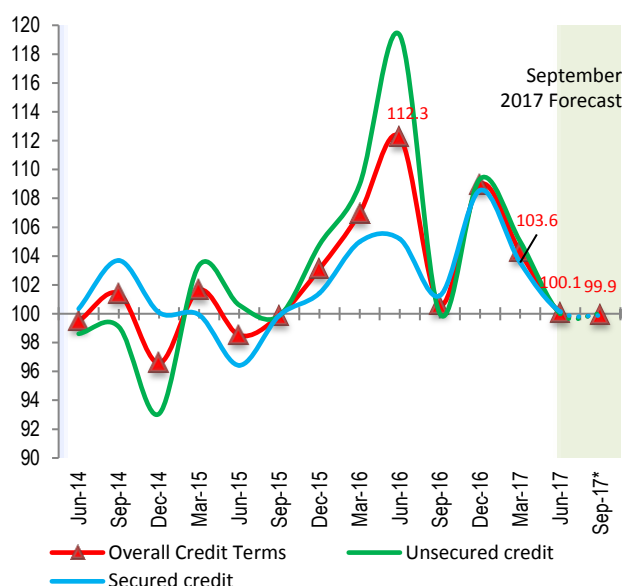
Credit to small businesses as a share of total credit fell to **8.1 per cent** for the June quarter, relative to **10.8 per cent** in the previous quarter.

In this context, the CSI for the June 2017 quarter declined to **99.9** from **100.6** in the previous quarter, indicating that the supply of credit fell for the quarter. There was an overall moderation in supply directed to most sectors, most notably in local and foreign currency loans to the *Construction* sector.

For the September 2017 quarter, the CSI for small businesses is expected to increase to **101.7**, which reflects an anticipated increase in local currency

credit to the *Tourism* and *Professional & Other Services* sectors.

Figure 10: Credit Conditions for Small Businesses



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

Credit Demand

Credit demand by small businesses increased for the June 2017 quarter relative to the March 2017 quarter. The CDI increased to **101.1** from **92.6** in the previous quarter. The demand was mainly reflected in local currency loans directed to all economic sectors, excluding *Agriculture*. Increased demand for foreign loans was reported for the *Agriculture* sector.



For the September 2017 quarter, the demand for local and foreign currency loans by small businesses is expected to remain relatively unchanged compared to the June 2017 quarter.

Price of Credit

For the review period, the **indicative** weighted average lending rate on new local currency loans to small businesses increased to **12.23 per cent** from **11.67 per cent**. This was, however, lower than the expected rate of **13.61 per cent** reported in the March 2017 survey (see **Table 3**). Similarly, the weighted average interest rate on foreign currency denominated loans increased by approximately **19 basis points** to **7.44 per cent**. These increases in the average rates, masked lower rates on local currency loans to the *Transportation, Distribution, Manufacturing and Professional & Other Services* sectors. With respect to foreign currency loans, lower rates were observed for the *Electricity, Gas & Water* and *Professional & Other Services* sectors.

For the September 2017 quarter, lenders reported a planned increase in interest rates on new local

and foreign currency loans to **13.12 per cent** and **8.11 per cent**, respectively.

Table 3: Interest Rates on New Local and Foreign Currency Loans to Small Businesses

	Local Currency				Foreign Currency			
	March 2017 Survey		June 2017 Survey		March 2017 Survey		June 2017 Survey	
	Mar-17	Jun-17*	Jun-17	Sep-17*	Mar-17	Jun-17*	Jun-17	Sep-17*
Agriculture & Fishing	10.65	13.28	11.05	12.86	6.90	8.11	6.80	7.85
Construction & Land Development	11.48	11.25	11.91	13.53	6.90	7.98	7.55	8.21
Mining & Quarrying	12.83	14.85	13.48	13.53	6.90	8.19	7.55	8.35
Entertainment	11.27	14.35	14.04	12.86	n.a	8.19	n.a	8.28
Distribution	12.70	13.98	12.13	12.65	6.68	8.34	7.87	7.99
Electricity Gas & Water	9.46	13.98	12.70	13.11	6.90	8.15	6.80	8.13
Manufacturing	12.86	13.26	11.42	12.76	6.90	7.98	7.20	7.85
Professional & Other Services	11.81	13.59	11.46	13.48	9.85	8.15	8.43	8.28
Tourism	10.18	14.35	11.54	12.98	7.31	8.19	7.37	7.99
Transport, Storage & Communication	13.43	13.26	12.57	13.48	6.90	7.98	7.37	8.13
Average rate	11.67	13.61	12.23	13.12	7.25	8.12	7.44	8.11

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

Medium-Sized Business Lending

Credit Conditions

Lending conditions faced by medium-sized enterprises in the June 2017 quarter improved appreciably. This improvement was reflected in an easing in credit terms applied to both secured and unsecured loans as some creditors reduced interest rates and fees. In this context, the overall index of credit conditions to medium-sized business was **106.7** for the quarter, compared with **108.7** in the previous quarter (see **Figure 11**).

For the September 2017 quarter, improvements in credit terms for medium-sized businesses are anticipated to be more moderate as most institutions reported a planned increase in rates applicable to secured loans and stronger loan monitoring requirements.

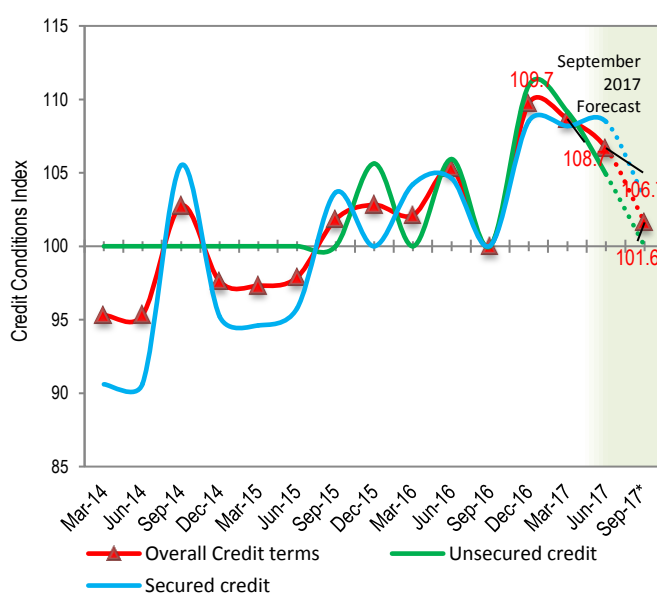
Credit Supply

Growth in the availability of credit to medium-sized firms for the June 2017 quarter moderated relative to the March 2017 quarter. This was evidenced by a reduction in the CSI to **100.9** from **101.9** in the previous quarter. However, lenders reported an increase in the supply of local currency credit to the *Manufacturing, Transportation and Distribution* sectors while, for foreign currency loans, supply increases were evident for the *Agriculture & Fishing, Mining and Quarrying and Manufacturing* sectors.

Lenders cited that market share objectives, changes in competition, as well as changes in the economic outlook, continued to be important factors influencing the supply of credit in the quarter.

For the September 2017 quarter, the CSI for medium-sized businesses is expected to fall marginally to **100.5** due to an expected increase in interest rates on foreign currency denominated loans.

Figure 11: Credit Conditions for Medium-sized Businesses



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

Credit Demand

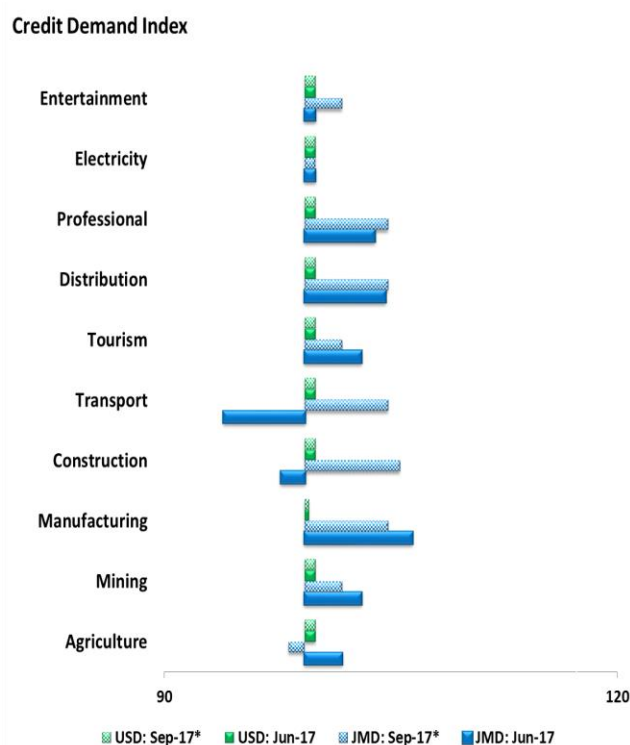
Demand for loans by medium-sized firms increased at a slower pace relative to the previous quarter. The CDI moderated to **100.7** from **110.6** in the previous quarter as creditors reported that demand from most sectors remained relatively unchanged. Of note, the demand for local currency loans increased at a slower pace, while there was a contraction in the demand for foreign



currency loans (see **Figure 12**). Despite the sluggish expansion, there was relatively strong demand for local currency loans from the *Manufacturing, Distribution and Professional and Other Services* sectors.

For the September 2017 quarter, an increase in the CDI is anticipated for local currency loans while no noticeable change in demand for foreign currency loans is expected.

Figure 12: Credit Demanded by Medium-sized Businesses



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

Price of Credit

Consistent with the improvement in credit terms for medium-sized firms, the **indicative** weighted average lending rate on new local currency loans to medium-sized businesses declined by **10 bps** to **9.77 per cent** during the review period. This outturn was lower than expected and mainly reflected lower rates on loans for *Construction & Land Development* as well as *Professional & Other Services* (see **Table 4**). However, the average lending rate on foreign currency loans to medium-sized firms increased by **10 bps** to **6.94 per cent** for the review quarter, which was evident across most sectors.

Lenders indicated that the average interest rate on new local currency credit is expected to remain stable for the September 2017 quarter. However, lenders plan to charge higher rates on foreign currency loans to most sectors, which should average **7.20 per cent**, representing an increase of **26 bps** relative to the June 2017 quarter.



Table 4: Interest Rates on Local and Foreign Currency Loans to Medium-sized Businesses

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

	Local Currency				Foreign Currency			
	March 2017 Survey		June 2017 Survey		March 2017 Survey		June 2017 Survey	
	Mar-17	Jun-17*	Jun-17	Sep-17*	Mar-17	Jun-17*	Jun-17	Sep-17*
Agriculture & Fishing	9.65	10.23	9.50	9.50	6.77	6.52	6.70	7.25
Construction & Land Development	11.91	10.87	10.27	10.27	6.77	6.52	7.09	7.55
Distribution	9.95	10.79	9.73	9.73	7.16	6.52	7.27	7.05
Electricity Gas & Water	9.09	10.15	9.50	9.50	6.77	6.52	7.15	7.05
Entertainment	9.34	10.01	9.25	9.25	6.77	6.52	6.70	7.25
Manufacturing	9.45	10.26	10.07	10.07	6.77	6.52	6.70	7.05
Mining & Quarrying	10.14	10.80	10.63	10.63	6.77	6.52	7.20	7.55
Professional & Other Services	10.16	10.17	9.70	9.70	6.77	6.52	7.15	7.05
Tourism	9.53	10.13	9.54	9.54	7.08	6.90	6.70	7.34
Transport, Storage & Communication	9.47	10.20	9.56	9.56	6.77	6.52	6.71	6.85
Average Rate	9.87	10.36	9.77	9.77	6.84	6.56	6.94	7.20

Large Corporations and Commercial Lending

Credit Conditions

Lending conditions to large businesses remained broadly unchanged in the review quarter. The overall credit terms index increased to **100.0** from **99.2** (see **Figure 13**). There was an easing in credit terms applied to secured loans reflecting a reduction in interest rates and an increase in maximum credit lines. The impact of this was, however, offset by an increase in fees and interest rates on non-credit card loans.

For the September 2017 quarter, credit conditions are expected to ease marginally as the index is anticipated to increase to **100.5**, largely owing to a reduction in interest rates on secured loans.

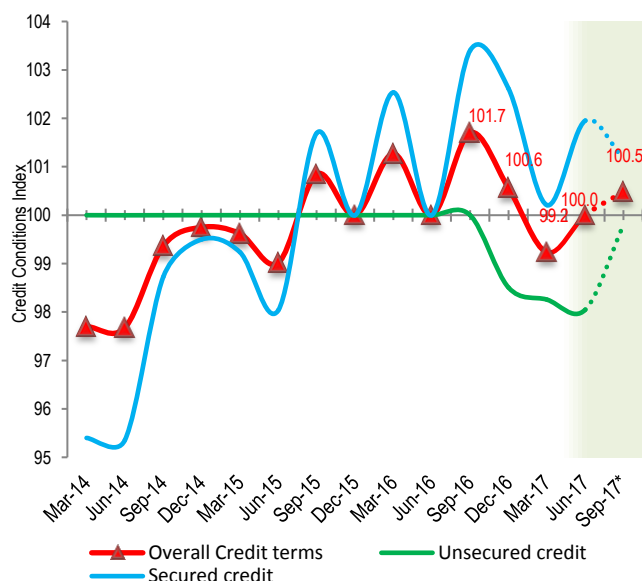
Credit Supply

In the context of the stability in the price and non-price credit terms facing large businesses, the amount of credit made available to large businesses continued to expand, albeit at a slower pace than the previous quarter. This was reflected in a CSI of **109.2** for the quarter, relative to **112.1** in the previous quarter (see **Figure 14**). The expansion emanated from growth in the supply of both local and foreign currency loans, largely concentrated in the *Manufacturing, Distribution* and *Tourism* sectors. However, this was partially offset by a contraction in credit made available to the *Construction & Land Development* sector. The expansion continued to reflect positive changes in lenders' risk appetite as well as an improvement in lenders' economic outlook.

For the September 2017 quarter, lenders plan to augment credit availability to large businesses but at a slower pace than what was observed in the

June 2017 quarter. A CSI of **107.9** is expected, which represents a moderation from 109.2 in the review quarter. This moderation in the index reflects an anticipated contraction in the supply of local currency loans to the *Mining & Quarrying* sector.

Figure 13: Credit Conditions for Large Businesses



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

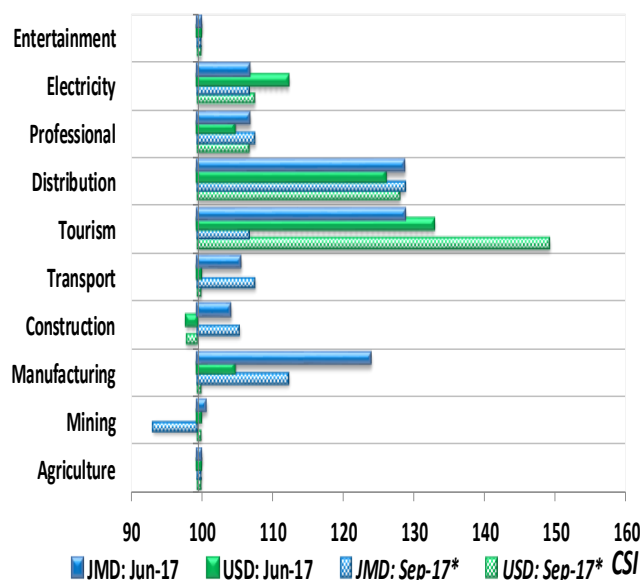
Credit Demand

The demand for credit increased in the June 2017 quarter and was reflected in both local and foreign currency credit. The CDI rose to **109.1** from **103.5** in the previous quarter. This outturn mainly reflected increased demand for credit from the *Construction & Land Development* sector. Of note, demand for credit to finance developments in the *Manufacturing, Transport, Storage &*



Communication and the Professional & Other Services sectors continued to decline (see **Figure 15**). The demand by large businesses for both secured and unsecured loans continued to be influenced by important factors such as changes in business activities, lower interest rates and reductions in macroeconomic risks.

Figure 14: Availability of Credit to Large 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 asterisks (*) represent forward looking expectations provided by the respondents.

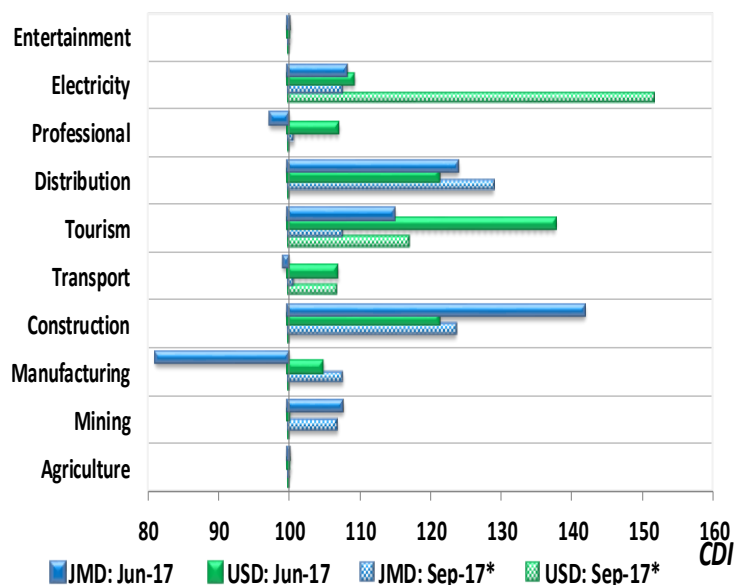
For the September 2017 quarter, growth in the demand for credit by large firms is expected to moderate relative to the June 2017 quarter as the CDI is expected to fall to **107.9** (see **Figure 15**). This moderation is underpinned by the anticipated softening in local currency demand from the *Tourism, Electricity and Construction* sectors.

Price of Credit

For the review quarter, **indicative** lending rates on new local currency loans to large corporations declined by **8 bps** to **8.75 per cent**. Similarly, foreign currency rates declined by **45 bps** to **6.36 per cent** (see **Table 5**). The lower rates on local and foreign currency loans were evident across most economic sectors.

For the September 2017 quarter, interest rates for both local and foreign currency new loans are expected to increase to **9.27 per cent** and **7.03 per cent**, respectively. The anticipated rate increase is expected across most sectors.

Figure 15: Credit Demanded by Large 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 asterisks (*) represent forward looking expectations provided by the respondents.



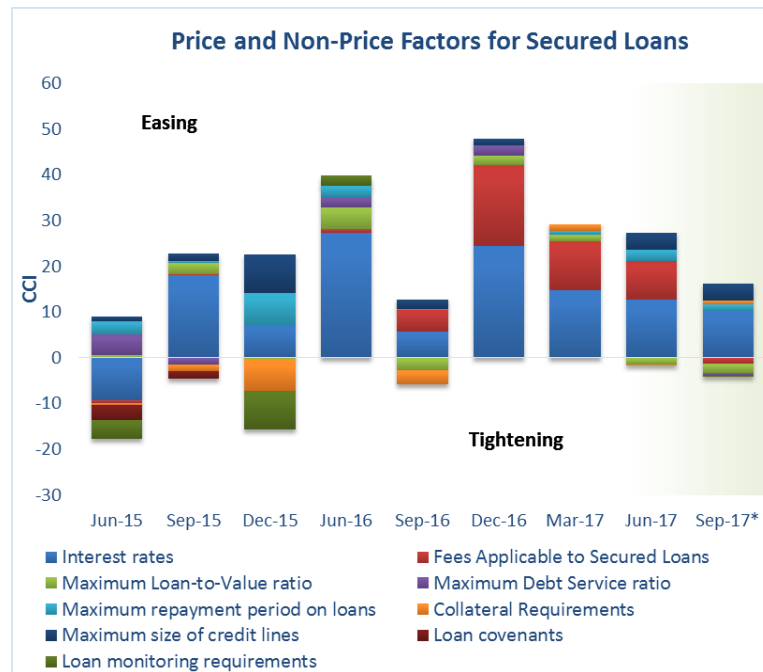
Table 5: Interest Rates on Local and Foreign Currency Loans to Large Businesses

	Local Currency				Foreign Currency			
	March 2017 Survey		June 2017 Survey		March 2017 Survey		June 2017 Survey	
	Mar-17	Jun-17*	Jun-17	Sep-17*	Mar-17	Jun-17*	Jun-17	Sep-17*
Agriculture & Fishing	9.28	8.90	8.50	9.15	7.23	7.45	5.55	7.03
Construction & Land Development	9.20	9.08	9.25	9.61	6.77	7.66	6.20	7.64
Distribution	9.14	9.29	9.22	9.54	6.82	7.17	6.52	7.22
Electricity Gas & Water	8.71	8.28	8.50	9.38	6.60	7.68	7.55	7.66
Entertainment	8.53	9.15	8.83	9.38	6.93	7.83	6.37	7.28
Manufacturing	8.77	9.36	8.71	9.46	6.60	7.45	5.91	5.88
Mining & Quarrying	8.53	8.90	8.50	9.38	6.60	7.58	6.37	7.03
Professional & Other Services	8.70	8.40	8.94	8.80	6.99	7.46	6.40	7.02
Tourism	8.59	9.14	8.59	8.80	6.45	6.87	6.33	6.43
Transport, Storage & Communication	8.90	8.85	8.50	9.20	7.10	7.96	6.37	7.12
Average Rate	8.83	8.94	8.75	9.27	6.81	7.51	6.36	7.03

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

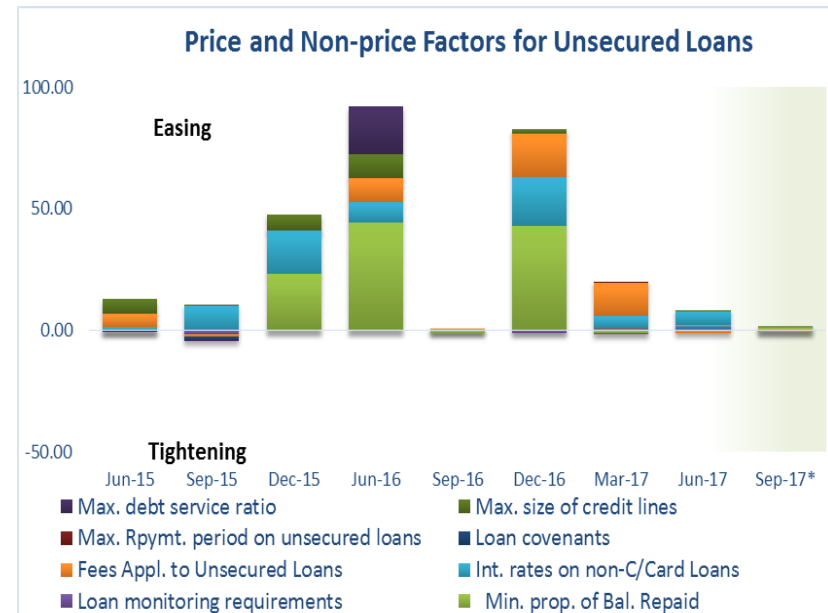
Appendix A: Overall Credit Market Conditions

Figure 16: Credit Conditions for Secured Loans



1. Bars above the zero line represent factors that would have contributed to an easing in credit conditions while bars below the line would have contributed to a tightening in credit conditions for the quarter.
2. Indices for the September quarter are computed based on forward looking expectations provided by respondents.

Figure 17: Credit Conditions for Unsecured Loans



1. Bars above the zero line represent factors that would have contributed to an easing in credit conditions while bars below the line would have contributed to a tightening in credit conditions for the quarter.
2. Indices for the September quarter are computed based on forward looking expectations provided by respondents



Table 6: Components of Credit Demand and Supply Indices

	June 2016 Survey		March 2017 Survey		June 2017 Survey	
Credit Supply Indices	Jun-16	Sep-16*	Mar-17	Jun-17*	Jun-17	Sep-17*
Credit Supply Index (CSI)	103.8	102.8	103.8	105.0	102.2	103.8
Credit to Businesses	103.5	102.2	103.7	104.0	101.1	104.5
Credit to Individuals	104.4	104.1	103.8	107.0	104.5	102.4
Local Currency Credit	104.4	98.5	104.2	104.2	102.3	106.8
Foreign Currency Credit	105.2	109.6	102.8	103.8	102.1	109.0
Credit Demand Indices	Jun-16	Sep-16*	Mar-17	Jun-17*	Jun-17	Sep-17*
Credit Demand Index (CDI)	111.9	109.3	101.5	106.8	105.3	112.7
Demand by Businesses	105.0	102.6	101.4	102.5	101.8	106.8
Demand by Individuals	125.6	122.7	101.6	115.4	112.5	124.4
Local Currency Credit	109.5	107.7	101.7	102.2	106.6	111.8
Foreign Currency Credit	103.0	102.2	101.0	102.8	102.7	101.9

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

Figure 18: Drivers of the Supply of Credit

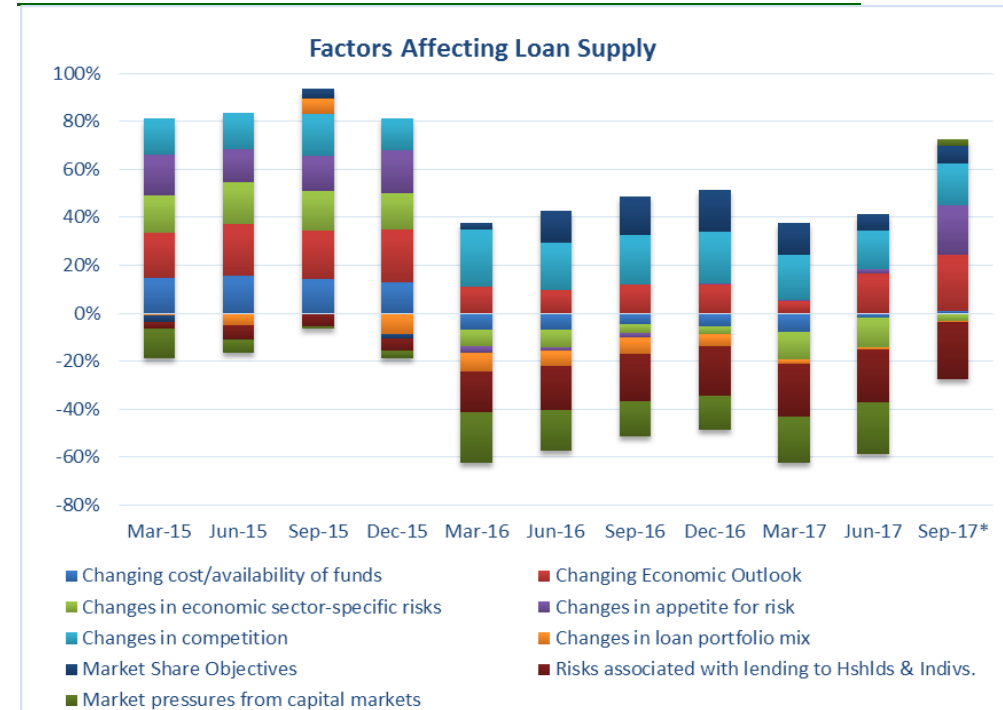
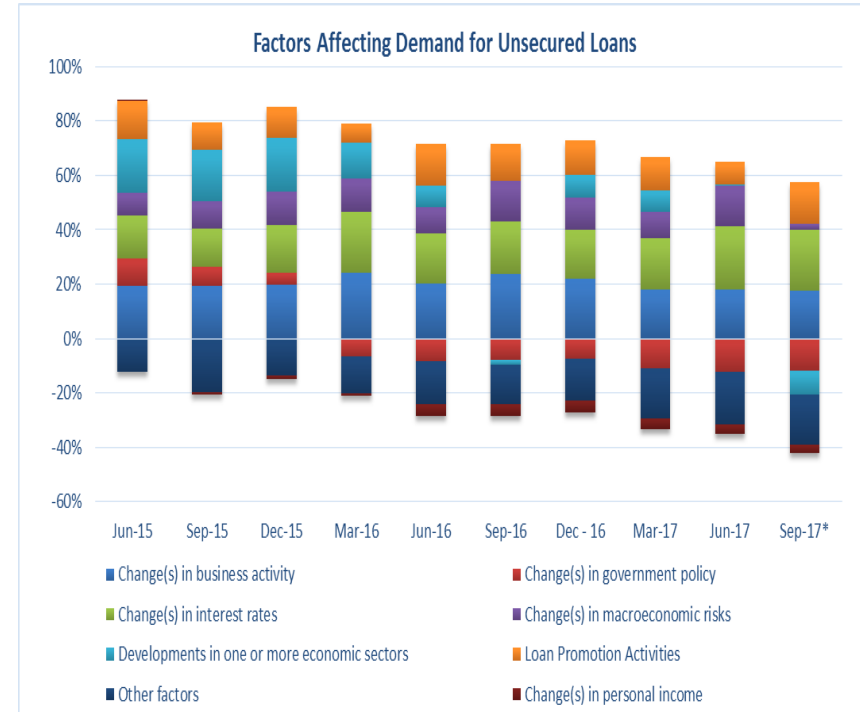
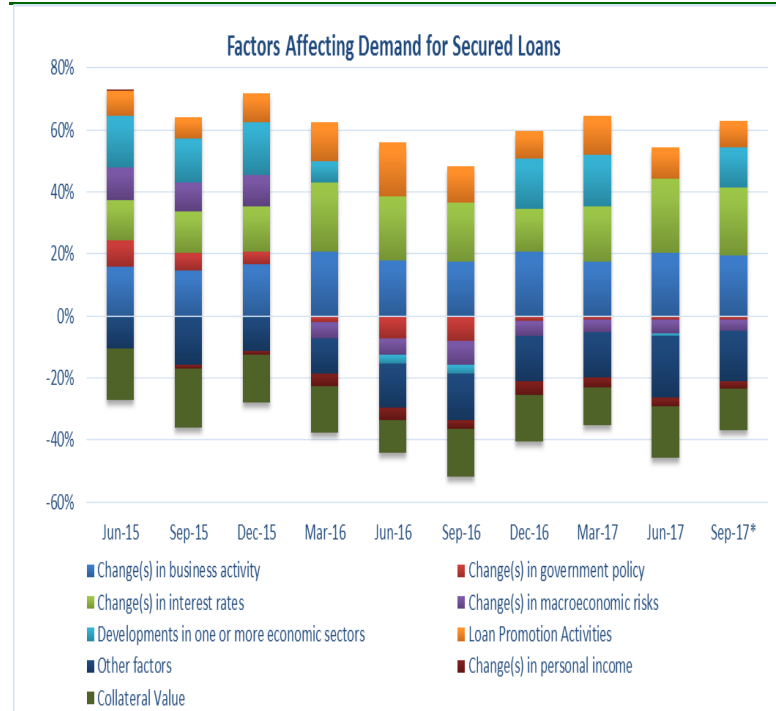




Figure 19: Drivers of the Demand of Credit





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:

$$DI = (ss + 0.5 \times ms) - (sw + 0.5 \times mw) * 100$$

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 -100 and +100. A negative DI indicates that the majority of the respondents view the variable in question as declining/ easing, while a positive DI indicates that the majority of the respondents view the variable in question as increasing/ tightening. An index of 100 indicates no change in the variable.

Credit Demand Index (CDI)–The average net balance of opinion of credit demand across firm sizes and economic sectors.

$$CDI = \left(\frac{\sum_{i=1}^n \left(\frac{\sum_{p=1}^n \text{net balance of opinion} * 100 + 100}{n} \right)}{n} \right)$$

where s = economic sector and i = firm size

Credit Supply Index (CSI)–The average net balance of opinion of credit availability across economic sectors 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 sector and i = firm size

Firms can either be classified by their loan size at origination or their annual turnover:

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 < \$US100,000	US\$100,000.00 < Sales < US\$5.0 million
Medium-sized Businesses	US\$100,000 < Loan Size < US\$1.0 million	US\$5.0 million < Sales < US\$25.0 million
Large, Corporate & Commercial Businesses	Greater than US\$1.0 million	Greater than US\$25.0 million

The following are definitions of some of the credit terms discussed in the report:

1. **Loan-to-value (LTV) ratio** - the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, for loans secured by real estate or other collateral.
2. **Debt service coverage (DSC) ratio** - the ratio of the amount borrowed to the reported income of the borrower.
3. **Credit lines** - credit line refers to a facility with a stated maximum amount, which an entity was entitled to borrow from an institution at any given time.
4. **Loan covenants** - an agreement or stipulation, expressed in loan contracts, in which the borrower pledges to take certain action (an affirmative covenant) or to refrain from taking a certain action (a negative covenant), and was consequently part of the terms and conditions of the loan.
5. **Loan monitoring requirements** - additional reporting required of the borrower as part of the conditions of the loan agreement (for example, regular reporting of inventory margins).