

Quarterly Credit Conditions Survey Report



**March 2019
Quarter**

Prepared by the
**Monetary Analysis & Programming
Department**
Research & Economic Programming Division

List of Figures & Tables	2
Overview	4
Personal Lending	9
Micro Business Lending	12
Small Business Lending	12
Medium-Sized Business Lending	16
Large Corporations and Commercial Lending	18
Appendix A: Overall Credit Market Conditions	21
Appendix B: Glossary and Definitions	25

List of Figures & Tables

Figure 1a: Index of Overall Credit Market Conditions.....	5
Figure 1b: Index of Credit Market Conditions for Secured & Unsecured Loans	5
Figure 2: Components of Credit Supply	6
Figure 3a: Distribution of Private Industry Credit	6
Figure 3b: Distribution of Private Industry Credit by Business Size	6
Figure 4: Components of Credit Demand	7
Table 1: Overall Average Lending Rates on Local and Foreign Currency Loans	8
Figure 5a: Index of Overall Credit Conditions for Personal Lending	9
Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending.....	9
Figure 6a: Availability of Credit for Personal Lending.....	10
Figure 6b: Availability of Credit for Personal Lending.....	10
Figure 7: Demand for Personal Loans	10
Table 2: Interest Rates on Personal Loans.....	11
Figure 8a: Credit Conditions for Micro-sized Businesses	12
Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses.....	12
Table 3: Interest Rates on New Local Currency Loans to Micro Businesses	13
Figure 9a: Credit Conditions for Small Businesses.....	14
Figure 9b: Credit Conditions for Secured and Unsecured Loans to Small Businesses	14
Table 4: Interest Rates on New Local Currency Loans to Small Businesses	15
Figure 10a: Credit Conditions for Medium-sized Businesses.....	16
Figure 10b: Credit Conditions for Medium-sized Businesses.....	16
Figure 11: Credit Demanded by Medium-sized Businesses	17
Table 5: Interest Rates on Local and Foreign Currency Loans to Medium-sized Businesses.....	17
Figure 12a: Credit Conditions for Large Businesses.....	18
Figure 12b: Credit Conditions for Secured and Unsecured Loans to Large Businesses	18
Figure 13: Availability of Credit to Large Businesses	19
Figure 14: Credit Demanded by Large Businesses	19
Table 6: Interest Rates on Local and Foreign Currency Loans to Large Businesses.....	20
Figure 15: Credit Conditions for Secured Loans.....	21
Figure 16: Credit Conditions for Unsecured Loans	21
Table 7: Components of Credit Demand and Supply Indices.....	22
Table 8: Reported Indices and Interest Rates on New Loans	22
Figure 17: Drivers of the Supply of Credit.....	23
Figure 18: Drivers of the Demand of Secured Credit	24
Figure 19: Drivers of the Demand of Unsecured Credit.....	24

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 March 2019 survey which was conducted between 15 April 2019 and 06 May 2019.

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	8	8	8	8	8	8
Public Entities	2	2	2	2	2	2
Total	21	21	21	21	21	21



Overview

Context

STATIN's estimate of GDP growth for the March 2019 quarter indicated that the economy grew by an estimated 1.7 per cent, above the 1.4 per cent recorded for the March 2018 quarter. This increase was attributed to both increases in the Goods and Services industries. All industries, except the Manufacturing, recorded growth for the quarter in particular Mining & Quarrying and Construction & Land Development.

The annual point-to-point inflation rate at March 2019 was 3.4 per cent, an acceleration relative to the 2.4 per cent recorded at end-December 2018 but below the rate 3.9 per cent at March 2018. The acceleration in inflation, relative to the preceding quarter, largely reflected the impact of higher prices for agricultural food crops, processed foods and other services.

During the March 2019 quarter, Bank of Jamaica reduced the policy interest rate by 50 bps on two occasions (21 February and 27 March) to end the quarter at 1.25 per cent. The policy actions were aimed at stimulating a pick-up in the rate of expansion in private sector credit, to generate higher economic activity and support inflation returning to the target range of 4.0 per cent to 6.0 per cent. The reduction in the signal rate, complemented by the liquidity injection from a 3.0 percentage point (or \$17.8 billion) reduction in the cash reserve requirement (CRR), facilitated a reduction in money market interest rates during the March 2019 quarter. In addition, the Bank implemented refinements to the monetary policy operational environment to improve the monetary policy transmission mechanism. In that regard, effective 01 March 2019, the overnight deposit facility

for deposit-taking institutions (DTIs) was discontinued and the Bank commenced paying interest on current account balances of DTIs. The applicable interest rate on these accounts consequently become the Bank Jamaica's policy rate.

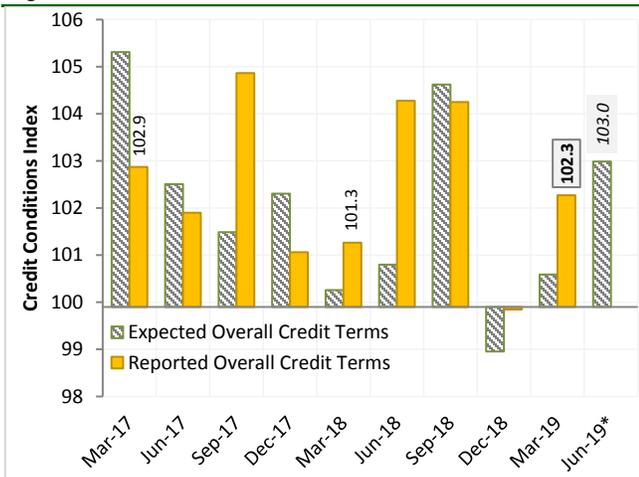
Liquidity conditions during the March 2019 quarter tightened slightly relative to the preceding quarter. This was indicated by a fall to \$42.9 billion in the average balance maintained on BOJ current account and overnight (O/N) deposits for the quarter, from an average of \$49.7 billion for the preceding quarter. Liquidity injection was provided by BOJ operations during the March 2019 quarter which largely reflected injection from BOJ FX operations and other BOJ injections associated with seasonal currency reflows and the reduction in the local currency CRR for DTIs. GOJ operations, however, net absorbed \$16.9 billion from the system during the quarter.

The US Federal Reserve maintained interest rates in March 2019 quarter 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 the Committee's symmetric 2.0 per cent objective, notwithstanding strong labour market conditions. In light of the US Federal Reserve's patient posture on future interest rate adjustments 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 March 2019 quarter (i.e. lending institutions’ price and non-price loan terms agreed in loan contracts) eased, relative to the previous quarter. The easing of credit conditions was fueled by more accommodative price and non-price lending policies applicable to both secured and unsecured lending (see **Figure 1a and 1b**). For secured loans, lenders reported lower interest rates, lower fees and increased maximum loan-to-value ratios. Improved conditions for unsecured loans were evidenced by reports of reduced interest rates, lower fees on credit card and non-credit card loans and increases in credit card limits (See **Appendix A: Figures 15 & 16**).

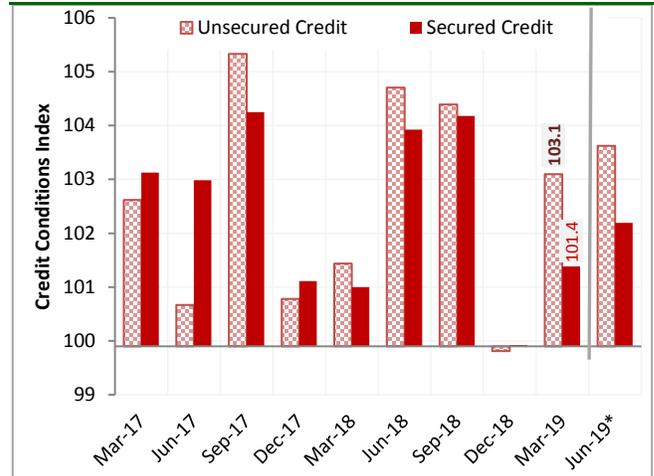
Figure 1a: Index of Overall Credit Market Conditions



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 sizes during the March 2019 quarter eased, with the exception of Micro businesses. This easing was mainly evident in the market for personal loans.

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 ease in the June 2019 quarter. This outlook reflected the expectation for lower interest rates and lower fees for both secured and unsecured loans. Secured loans are also expected to benefit from increased credit lines and lower collateral requirements. The prospective easing of credit conditions for unsecured loans was also attributed to eased loan covenants and reduced loan monitoring requirements.

Credit Supply

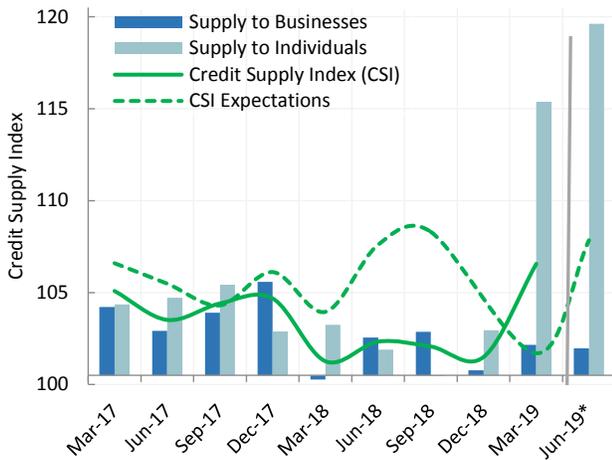
Growth in credit availability during the March 2019 quarter, as measured by the Credit Supply Index (CSI), accelerated when compared to the previous quarter (see **Figure 2** and **Appendix A: Table 8**). The CSI increased to **106.1** from **101.0** in the previous quarter and primarily reflected an increase in credit made available to individuals. For businesses, the acceleration in the growth of local currency credit

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



made available reflected increased availability to the *Distribution, Manufacturing, Tourism, Transport, Storage & Communication, and Agriculture & Fishing* industries. In relation to foreign currency loans, there was an increase in the credit made available to the *Tourism, Electricity Gas & Water, Distribution, and Agriculture & Fishing* industries.

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 March 2019 quarter declined relative to the previous quarter. The share of credit allocated to micro, small and medium-sized firms increased at the expense of large firms. Notwithstanding, large businesses continued to account for the largest share of business loan portfolio at end-March 2019 (see **Figure 3a** and **3b**).

Figure 3a: Distribution of Private Industry Credit²

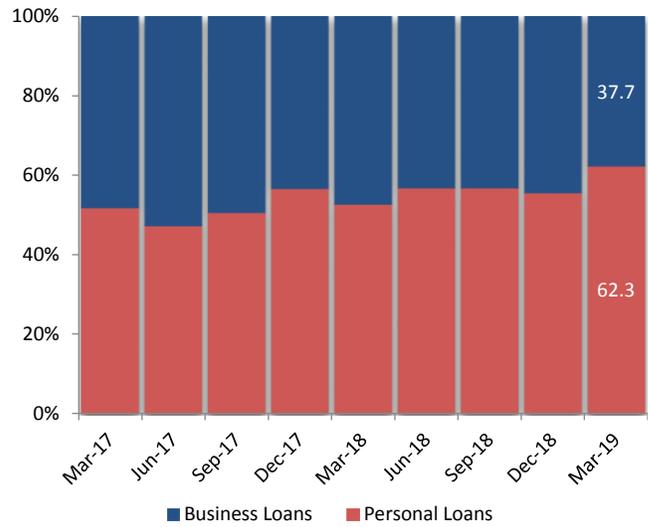
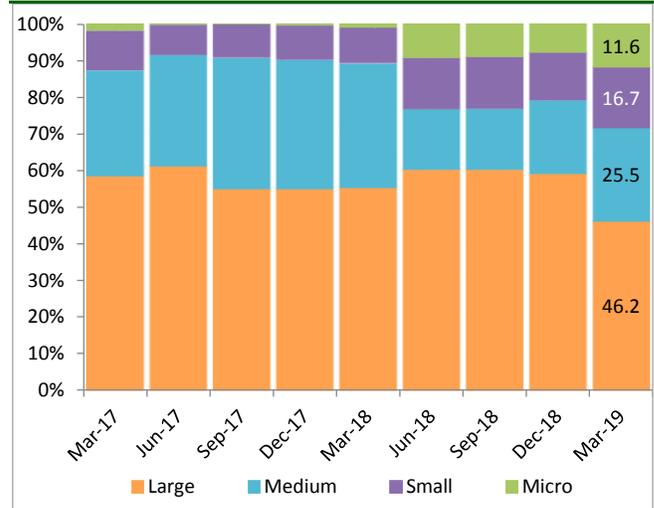


Figure 3b: Distribution of Private Industry Credit by Business Size



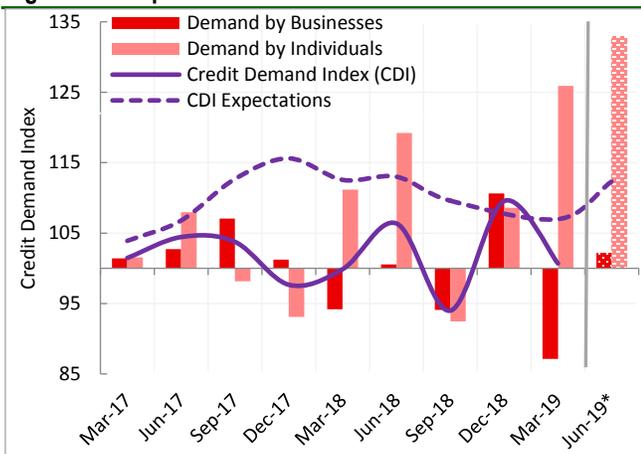
Lenders reported that they plan to increase the amount of credit made available to both businesses and individuals for the June 2019 quarter, (see **Figure 2** and **Appendix A: Table 7**).

² Figure 3 shows the distribution of credit between households and businesses. Credit to businesses is further disaggregated to show total business loans distributed to firms of various sizes.

Credit Demand

Growth in credit demand, as measured by the Credit Demand Index (CDI), decelerated for the March 2019 quarter, relative to the December 2018 quarter (see **Figure 4**). The CDI for the quarter was **100.7** relative to **109.6** in the previous quarter (see **Appendix A: Table 8**). This deceleration stemmed from lower demand for business loans, which was partially offset by an acceleration in demand for personal loans (see **Appendix A: Table 7**). Lenders reported that the deceleration in the CDI was influenced by changes in business activity and lending rates.

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 both local and foreign currency loans. For local currency loans, the weakening was mostly evident in the *Construction & Land Development, Transport, Storage & Communication, Manufacturing, Mining & Quarrying, Distribution, Electricity & Water* and *Entertainment* industries while deceleration in the growth in demand for foreign currency loans stemmed from the

Professional & Other Business Services, Distribution, Transport, Storage & Communication and Agriculture & Fishing industries. The decline in growth in demand was reflected in all business sizes with the exception large businesses.

For the June 2019 quarter, lenders indicated that they are anticipating an acceleration in the overall demand for credit, particularly for personal loans. This decline reflected respondents' expectation of changes in loan promotion activities and interest rates.

Price of Credit³

Based on the survey responses, average indicative interest rates on new local currency loans **increased** by approximately **22 bps** to **14.80 per cent** during the review quarter, relative to the previous quarter. This reflected an increase of **58 bps** in rates for business loans, while there was a decline of **125 bps** in the rates for personal loans. Higher rates on business loans primarily reflected the impact of increased interest rates on loans to micro sized firms (see **Table 1**).

Similarly, the average indicative interest rate on new foreign currency loans increased by **5 bps** to **7.33 per cent**, which reflected higher rates on foreign currency loans to small businesses.

For the June 2019 quarter, lenders reported that they plan to reduce the interest rates on new local and foreign currency loans by **65 bps** and **1.38 bps** to **14.15 per cent** and **5.95 per cent**, respectively.

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.

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

	December 2018 Survey		March 2019 Survey	
	Dec-19	Mar-19*	Mar-19	Jun-19*
Local Currency (LC)				
Business loans	13.65	14.43	14.23	15.88
Personal loans	18.31	18.39	17.06	16.93
Average LC rates	14.58	15.22	14.80	16.08
Foreign Currency (FC)				
Business loans	7.28	8.03	7.33	9.19
Reference rate	6.43	8.00	7.00	8.29

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

Personal Lending⁴

Credit Conditions

There was an easing in overall credit conditions for personal loans (i.e. lending institutions' actual price and non-price loan terms agreed in loan contracts) in the March 2019 quarter, evidenced by the index of **107.1** (see **Figure 5a** and **Appendix A: Table 8**). This easing was reflected in both unsecured and secured loans (see **Figure 5b**). For secured loans, the easing mainly reflected lower interest rates and increased maximum value-to-loan ratio. For unsecured loans, the easing was attributed to reduced interest rates on non-credit card loans and lower fees as well as longer maximum repayment periods for loans.

For the June 2019 quarter, lending conditions are expected to continue to ease for both secured and unsecured loans. This outlook reflects plans by lenders to reduce interest rates, increase the maximum loan-to-value ratio and to reduce fees on unsecured loans.

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

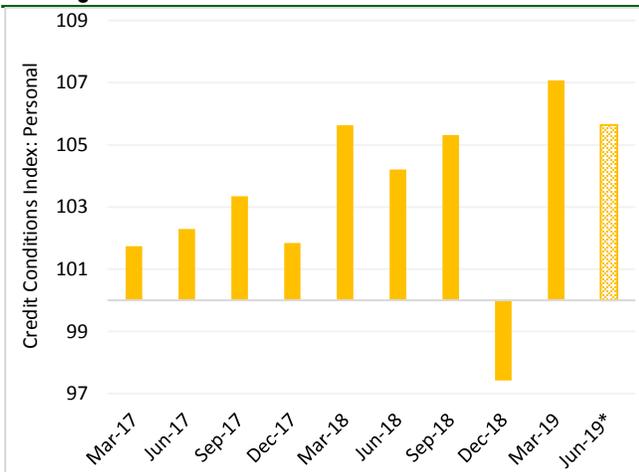
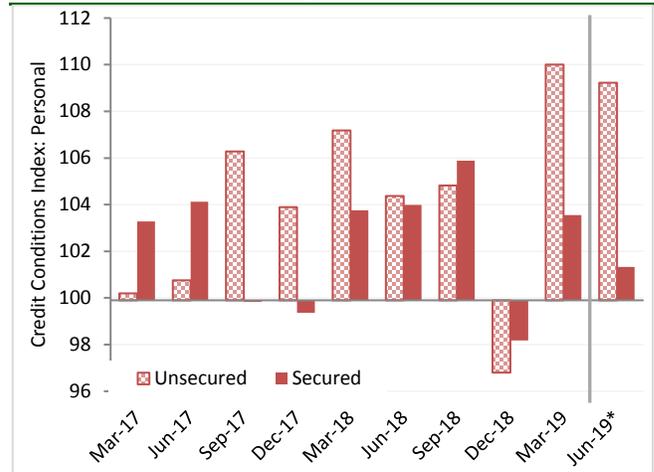


Figure 5b: Index of Credit Conditions for Secured and Unsecured Personal Lending



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 March 2019 quarter, credit made available for personal loans expanded, which was evidenced by a CSI of **114.9** (see **Figure 6a**). This expansion was evident across all categories of loans, with the exception of unsecured personal loans. Notably, approval rates for all categories of personal loans also increased (see **Figure 6b**).

For the June 2019 quarter, growth in personal credit made available is expected to accelerate relative to the pace of expansion in the March 2019 quarter. This increase is expected to impact all categories of personal loans.

⁴ 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

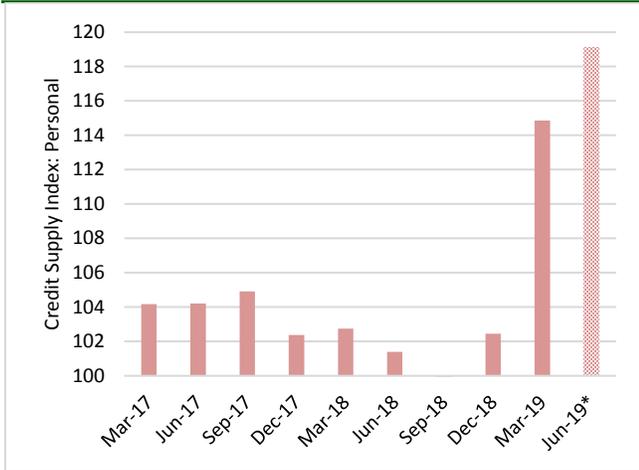
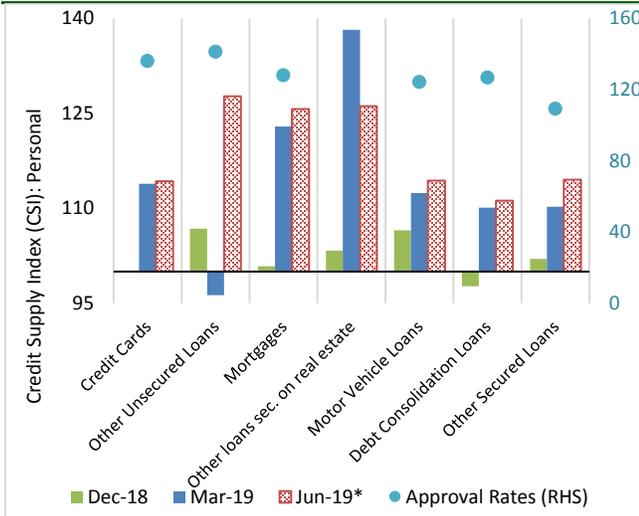


Figure 6b: Availability of Credit for Personal Lending



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.

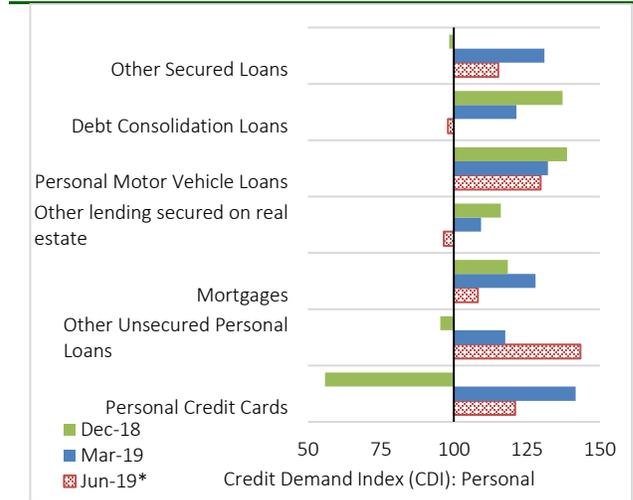
Credit Demand

Growth in the demand for personal credit accelerated in the review quarter. The CDI rose to **125.9** from **108.6** in the previous quarter. The increase in demand was evident in all categories of loans, in particular,

credit cards, motor vehicle and other secured loans (see **Figure 7**).

For the June 2019 quarter, the CDI is expected to increase, reflecting accelerated growth in demand for all categories of loans, particularly for other unsecured loans and loans with real estate as collateral, relative to the growth in the March 2019 quarter.

Figure 7: Demand for Personal Loans



Price of Credit⁵

Average indicative loan rates on new personal loans offered by participating institutions **declined** for the review period to **17.06 per cent** from **18.31 per cent** in the previous survey. Lower rates for the review quarter was evident in all categories except other secured loans (see **Table 2**). Interest rates on motor vehicle loans and other unsecured loans saw the greatest reductions.

For the June 2019 quarter, lenders reported a planned reduction in interest rates of **13 bps** to **16.93 per cent**.

⁵ 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.

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

	December 2018 Survey		March 2019 survey	
	Dec-18	Mar-19*	Mar-19	Jun-19*
Credit Cards	40.24	40.24	40.01	40.05
Other Unsecured	21.07	22.43	18.64	18.45
Mortgages	8.64	8.72	8.15	8.15
Motor Vehicle	12.65	11.65	9.52	9.55
Other Secured	8.97	8.92	9.00	8.44
Average rates	18.31	18.39	17.06	16.93

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

Micro Business Lending⁶

Credit Conditions

For the March 2019 quarter, credit conditions faced by micro-businesses (i.e. lending institutions' actual price and non-price loan terms agreed in loan contracts) remained unchanged (see **Appendix A: Table 8**). This was reflected in both unsecured and secured loans (see **Figure 8a**).

Credit conditions for secured and unsecured lending are also expected to remain unchanged for the June 2019 quarter.

Figure 8a: Credit Conditions for Micro-sized Businesses

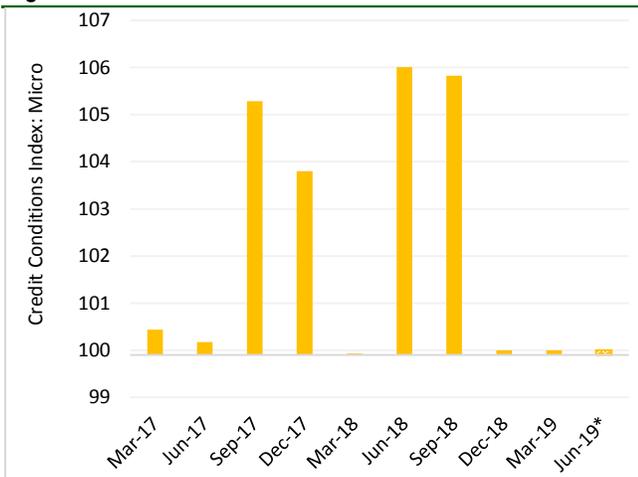
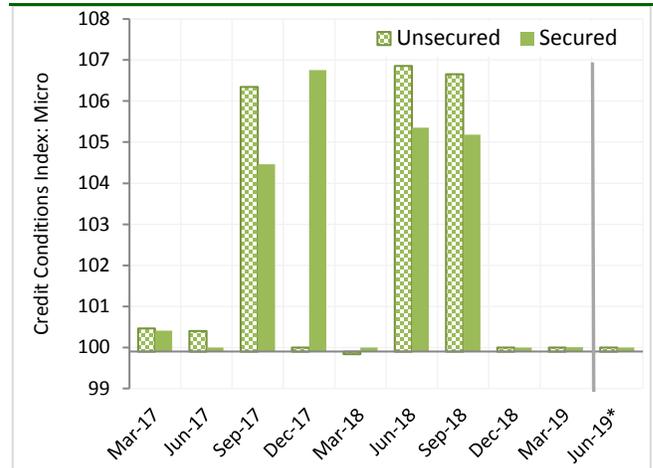


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



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

Credit Supply

Credit made available to micro firms declined marginally as evidenced by a CSI of **99.9** for the quarter. This reflected a marginal decline in credit availability for local currency loans across all industries while credit made available for foreign currency loans remained unchanged.

For the June 2019 quarter, lenders reported that they expect to further reduce the supply of both local and foreign currency credit to micro businesses.

Credit Demand

Credit demand by micro businesses contracted significantly for the March 2019 quarter. This was reflected by a CDI of **73.1** for the quarter in comparison to **124.0** in the previous quarter. This

⁶ 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 *Mining & Quarrying, Construction & Land Development, Manufacturing, Transport, Storage & Communication, Tourism* and *Distribution* industries. The demand for foreign currency loans also declined and reflected a reduction in demand by the *Distribution* and *Professional & Business* industries.

For the June 2019 quarter, lenders reported that they expected demand for both local and foreign currency loans to remain largely unchanged, relative to the March 2019 quarter.

Price of Credit⁷

For the review period, the indicative average lending rate on new local currency loans to micro businesses increased by **378 bps** to **29.80 per cent** (see **Table 3**). This increase was predominantly reflected in higher interest rates on loans to the *Manufacturing, Professional & Other Business Services, Entertainment, and Electricity, Gas & Water* industries.

Interest rates on foreign currency loans to micro businesses remained unchanged at **8.13 per cent** for the review quarter.

For the June 2019 quarter, lenders reported that they expected to further increase interest rates on local and foreign currency loans to micro businesses.

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

MICRO	Local Currency		
	Dec-18	Mar-19	Jun-19*
Agriculture & Fishing	39.08	38.15	32.52
Construction & Land Development	20.00	16.63	27.36
Distribution	29.57	31.24	26.94
Electricity, Gas & Water	28.16	38.30	38.30
Entertainment	28.16	38.30	38.30
Manufacturing	21.08	38.30	31.22
Mining & Quarrying	17.69	18.98	31.22
Professional & Other Services	19.21	31.07	31.07
Tourism	28.16	18.98	38.22
Transport, Storage & Communication	29.06	28.09	27.59
Average	26.02	29.80	32.27

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.

⁷ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

Small Business Lending⁸

Credit Conditions

For the March 2019 quarter, overall credit conditions faced by small businesses (i.e. lending institutions' actual price and non-price loan terms agreed in loan contracts) eased, relative to the previous quarter. This was evidenced by an overall credit conditions index of **101.1** for the quarter relative to **100.0** in the previous quarter (see **Figure 9a** and **Appendix A: Table 8**). This easing was reflected in both unsecured and secured loans (see **Figure 9b**). For secured loans, the easing of credit conditions reflected lower fees. For unsecured loans, the easing was attributed to reduced interest rates and fees.

For the June 2019 quarter, lenders reported that they plan to improve credit terms for both secured and unsecured loans offered to small businesses.

Credit Supply

Credit made available to small firms increased over the quarter as evidenced by an index of **101.1** in comparison to the previous quarter. Lenders reported increased local currency credit made available to the *Agriculture & Fishing, Manufacturing, Transport, Storage & Communication and Distribution* industries. There were no reported changes in credit made available for foreign currency loans across most industries, except for *Agriculture & Fishing* industry which slightly increased.

For the June 2019 quarter, lenders reported that they had plans to improve the supply of local currency loans to small business while they had no plans to change the level of foreign currency credit made available to small businesses.

Figure 9a: Credit Conditions for Small Businesses

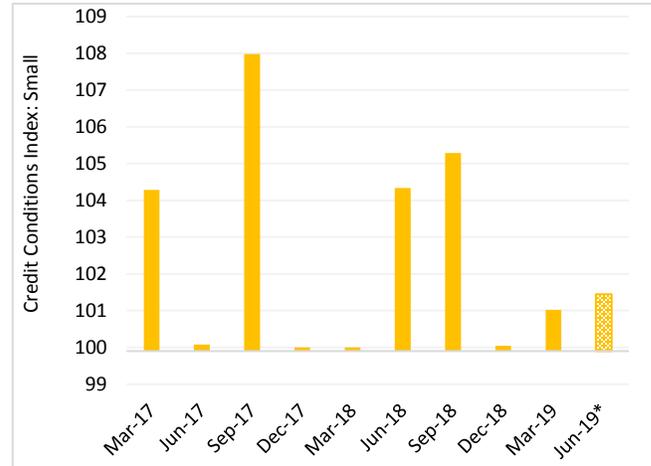
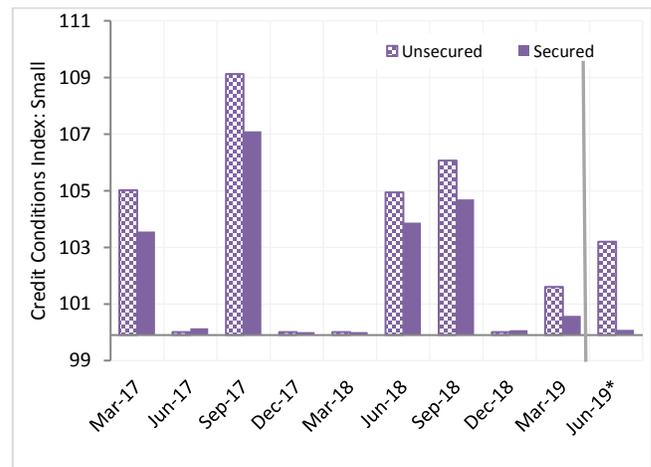


Figure 9b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



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 significantly in the review quarter and was reflected in the CDI of **82.1** relative to **117.4** in the previous quarter. This decline was reflected in both local and

⁸ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.
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foreign currency demand. There was weaker demand for local currency loans by the *Manufacturing, Mining & Quarrying, Distribution, Construction & Land Development, Transport, Storage & Communication, Electricity* and *Gas & Water* industries. The fall in foreign currency loan demand was reflected in the *Distribution, Professional & Other Business Services, Transport, Storage & Communication* and *Agriculture & Fishing* industries.

For the June 2019 quarter, lenders reported that they expect a large increase in the demand for local currency loans by small firms, while demand for foreign currency loans is expected to decline.

Price of Credit⁹

For the review period, the indicative average lending rate on new local currency loans to small businesses declined to **10.77 per cent** from **10.80 per cent** for the December 2018 quarter. The reduction mainly reflected lower borrowing costs for the *Electricity, Gas & Water, Tourism, Transport, Storage & Communication* and *Mining & Quarrying* industries. On the other hand, the weighted average interest rate on foreign currency loans increased by approximately **144 basis points** to **9.49 per cent**, which was mainly observed in the *Tourism* and *Professional & Other Business Services* industries.

For the June 2019 quarter, lenders reported planned increases in interest rates on both new local and foreign currency loans to small business enterprises.

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

SMALL	Local Currency		Foreign Currency	
	Dec-18	Mar-19	Dec-18	Mar-19
Agriculture & Fishing	10.27	12.91	7.83	7.75
Construction & Land Development	10.48	12.06	7.75	n.a.
Distribution	11.61	11.93	8.90	7.96
Electricity, Gas & Water	11.28	7.03	7.75	n.a.
Entertainment	9.02	9.03	n.a.	n.a.
Manufacturing	11.71	14.20	n.a.	n.a.
Mining & Quarrying	10.58	9.81	7.75	n.a.
Professional & Other Services	11.27	12.61	8.88	11.25
Tourism	9.27	7.03	7.75	11.00
Transport, Storage & Communication	12.52	11.08	7.75	n.a.
Average	10.80	10.77	8.05	9.49

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

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.

Medium-Sized Business Lending¹⁰

Credit Conditions

Lending conditions faced by medium-sized businesses (i.e. lending institutions’ actual price and non-price loan terms agreed in loan contracts) eased at a faster rate in the March 2019 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **101.0** for the quarter relative to the CCI of **100.5** in the previous quarter (see **Figure 10a** and **Appendix A: Table 8**). Easing was reflected both unsecured and secured loans (see **Figure 10b**). The improvement in credit conditions was associated with lower interest rates and fees.

For the June 2019 quarter, lenders reported that they expected to ease credit terms applied to both secured and unsecured loans. This projected easing would be reflected in lower interest rates and fees on secured loans.

Credit Supply

Credit made available to medium-sized firms remained unchanged for the March 2019 quarter, relative to the December 2018 quarter. Notwithstanding, local currency credit made available experienced marginal growth, which was primarily reflected in the *Manufacturing* industry. This growth was wholly offset by a contraction in foreign currency credit made available, particularly to the *Construction & Land Development* industry.

For the June 2019 quarter, the CSI for medium-sized businesses is expected to accelerate at a faster rate, with an index of **101.4**.

Figure 10a: Credit Conditions for Medium-sized Businesses

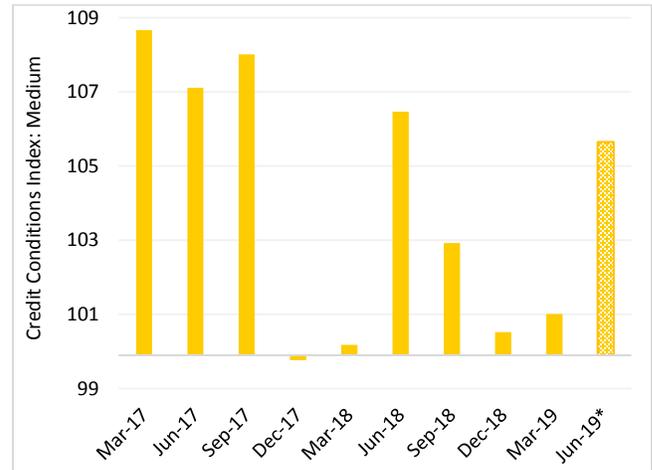
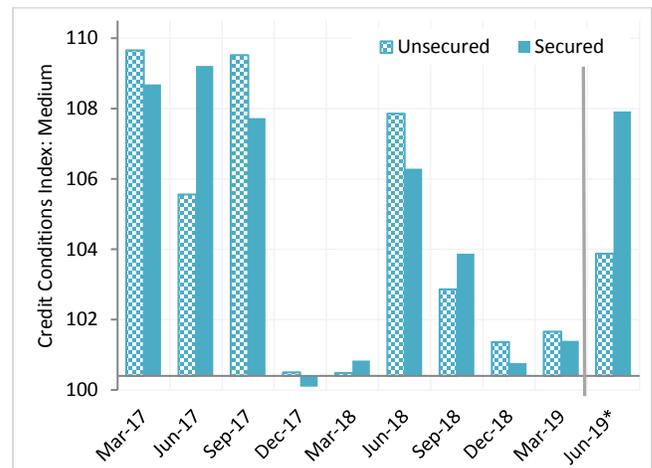


Figure 10b: Credit Conditions for Medium-sized Businesses



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

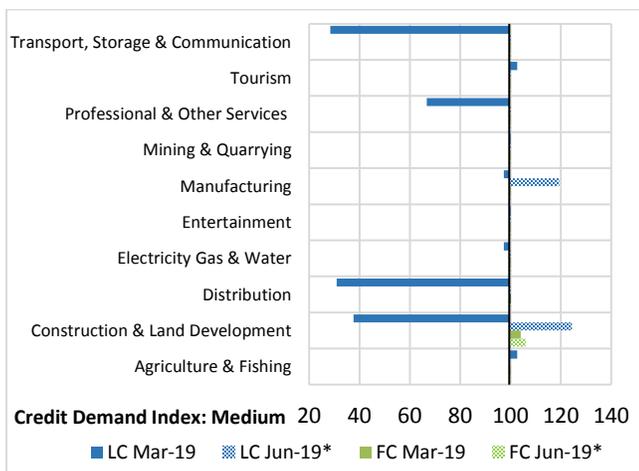
Demand for loans by medium-sized firms experienced continued contraction in the review quarter. This was reflected in a CDI of **88.4** compared to **96.9** in the

¹⁰ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.

previous quarter. The CDI reflected a significant decline in credit demand for local currency loans. This was largely evidenced in the *Transport, Manufacturing Storage & Communication, Distribution, Construction & Land Development, Electricity, Gas & Water* and *Professional & Other Services* industries. Credit demand for foreign currency loans increased marginally, which was evidenced in the *Construction & Land Development* industry (see **Figure 11**).

For the June 2019 quarter, lenders reported that they expected the demand for both local and foreign currency loans from medium-sized firms to increase.

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 Credit¹¹

There was a decline 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 declined to **9.10 per cent** from **9.39 per cent** in the previous quarter. This was mostly evident in the *Electricity, Gas & Water*,

Transport, Storage & Communication and *Entertainment* industries. Similarly, there was a decline of **39 bps** to **6.80 per cent** in the average rate on foreign currency loans for the review quarter. Lower rates were reported for the *Tourism* and *Agriculture & Fishing* industries (see **Table 5**).

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

MEDIUM	Local Currency			Foreign Currency		
	Dec-18	Mar-19	Jun-19*	Dec-18	Mar-19	Jun-19*
Agriculture & Fishing	9.35	9.42	9.75	7.17	7.00	8.33
Construction & Land Development	9.16	10.56	9.99	6.41	7.45	8.97
Distribution	9.66	9.16	9.61	7.44	7.75	8.00
Electricity, Gas & Water	9.56	7.75	9.00	7.25	n.a	8.50
Entertainment	9.78	9.00	11.19	7.75	n.a	8.83
Manufacturing	10.01	9.65	9.92	n.a	n.a	n.a
Mining & Quarrying	10.85	11.00	10.00	7.25	n.a	9.00
Professional & Other Services	9.47	9.67	9.14	8.17	n.a	7.83
Tourism	7.03	6.75	8.67	6.54	5.00	6.75
Transport, Storage & Communication	9.01	8.05	9.14	6.75	n.a	9.25
Average	9.39	9.10	9.64	7.19	6.80	8.39

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 increase the interest rate to medium sized firm by **54 bps** to **9.64 per cent** for the June 2019 quarter. Higher rates are expected across most industries with *Entertainment, Tourism Electricity, Gas & Water* and *Transport, Storage & Communication* expected to have the largest increases. Interest rate on foreign currency credit is expected to increase by **159 bps** to **8.39 per cent** with higher rates expected on loans to all industries.

¹¹ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

Large Corporations and Commercial Lending¹²

Credit Conditions

Lending conditions faced by large firms (i.e. lending institutions' actual price and non-price loan terms agreed in loan contracts) eased at a faster rate in the March 2019 quarter, relative to the previous quarter. This was reflected in a credit conditions index of **102.2** for the quarter relative to the CCI of **101.2** in the previous quarter (see **Figure 12a** and **Appendix A: Table 8**). Easing was reflected in both unsecured and secured loans (see **Figure 12b**). The improvement in credit conditions was associated with lower interest rates and fees.

For the June 2019 quarter, lenders reported that they plan to continue to ease credit conditions applied to both secured and unsecured loans. This projected easing would be reflected in lower interest rates and fees on secured loans.

Figure 12a: Credit Conditions for Large Businesses

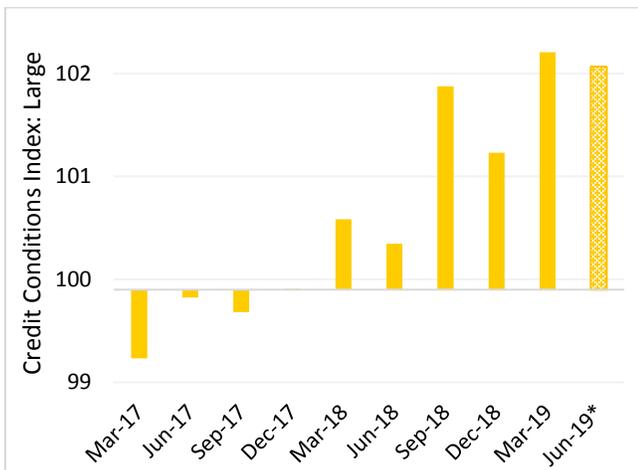
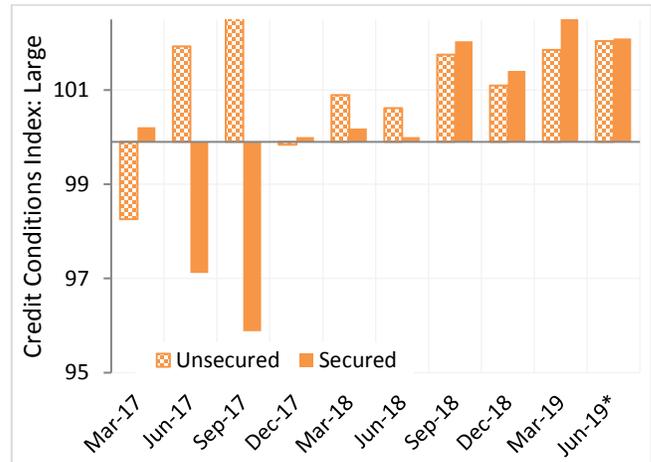


Figure 12b: Credit Conditions for Secured and Unsecured Loans to Large Businesses



- 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

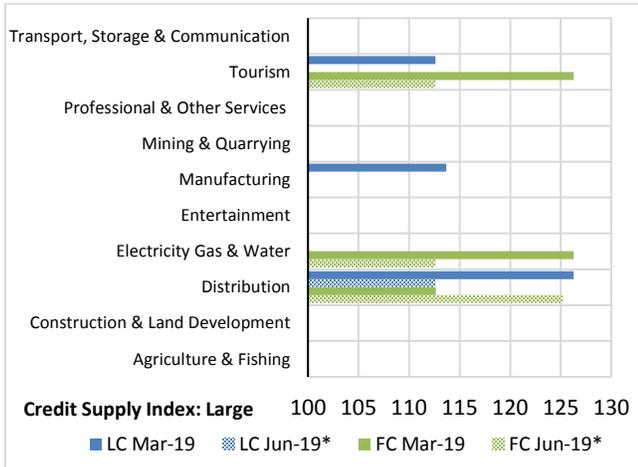
Growth in the credit made available to large businesses during the quarter accelerated relative to the previous quarter. This was reflected in a CSI of **105.5** for the quarter, relative to **101.1** in the previous quarter. The CSI reflected acceleration in the growth of credit made available for both local and foreign currency loans. For local currency loans, additional credit was channelled to the *Manufacturing, Tourism and Distribution* industries. *Distribution, Tourism, Electricity, Gas & Water and Agriculture & Fishing* 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 and economic outlook of lenders.

¹² Previously published data points have been revised as our methodology and other review processes have been updated for consistency.

For the June 2019 quarter, lenders plan to increase foreign currency credit availability to large businesses, specifically to *Distribution, Electricity, Gas & Water* and *Tourism*.

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.

Figure 13: Availability of Credit to Large Businesses



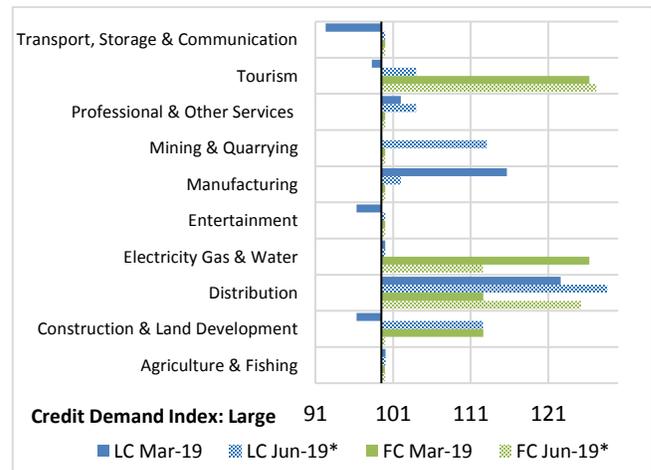
1. An index less than 100 indicates a reduction in credit availability while an index greater than 100 indicates an increase.
2. The asterisks (*) represent forward looking expectations provided by the respondents.

Credit Demand

There was an acceleration in the growth rate of demand for credit from large businesses in the March 2019 quarter as indicated by higher CDI of **105.0** compared with **104.2** in the previous quarter. This acceleration was reflected in local and foreign currency loan demand. The increase in demand for local currency loans in the review quarter stemmed mainly from the *Manufacturing, Distribution* and *Professional & other Services* industries (see **Figure 14**). Growth in foreign currency loan demand primarily stemmed from the *Construction & Land Development, Transport, Storage & Communication, Tourism, Electricity & Water* and *Distribution* industries. Lenders highlighted that important factors that

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

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 Credit¹³

For the review quarter, indicative lending rates on new local currency loans to large corporations declined by

¹³ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.



112 bps to 7.26 per cent. Foreign currency rates also declined by **86 bps to 4.90 per cent** (see **Table 6**). The decline in interest rates on local currency loans was evident across all industries, with loans to the *Transport, Storage & Communication, Agriculture & Fishing, Manufacturing and Professional & Other Services* industries reflecting the largest declines. The lower rates on foreign currency loans were evident for all sectors except the *Professional & Other Services* and *Agriculture & Fishing* industries.

For the June 2019 quarter, the average interest rate on new local currency credit to large firms is expected to increase by **85 bps to 8.11 per cent**. Higher rates are expected in the *Tourism* industry. The average interest rate on foreign currency credit is anticipated to increase by **274 bps to 7.89 per cent** with higher rates expected for the *Agriculture & Fishing* and *Distribution* industries.

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

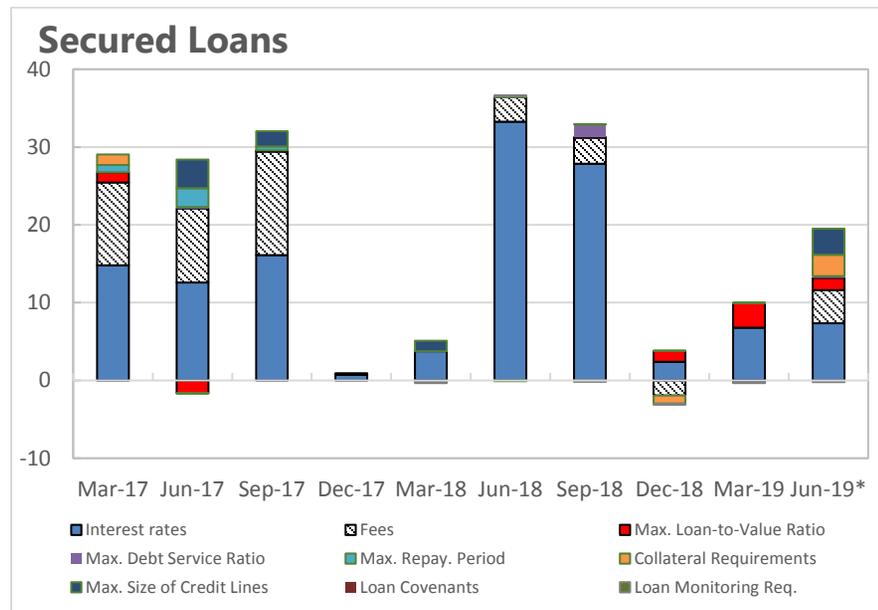
LARGE	Local Currency		Foreign Currency	
	Dec-18	Mar-19	Dec-18	Mar-19
Agriculture & Fishing	9.00	7.11	5.16	5.25
Construction & Land Development	8.50	7.35	6.25	3.80
Distribution	7.59	7.46	6.23	5.83
Electricity, Gas & Water	7.94	7.23	6.69	5.81
Entertainment	6.25	5.70	5.00	3.80
Manufacturing	8.75	7.11	n.a	n.a
Mining & Quarrying	10.00	8.65	5.00	3.80
Professional & Other Services	9.67	8.04	5.13	5.88
Tourism	7.06	6.89	6.47	6.16
Transport, Storage & Communication	9.04	7.10	5.88	3.80
Average	8.38	7.26	5.76	4.90

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



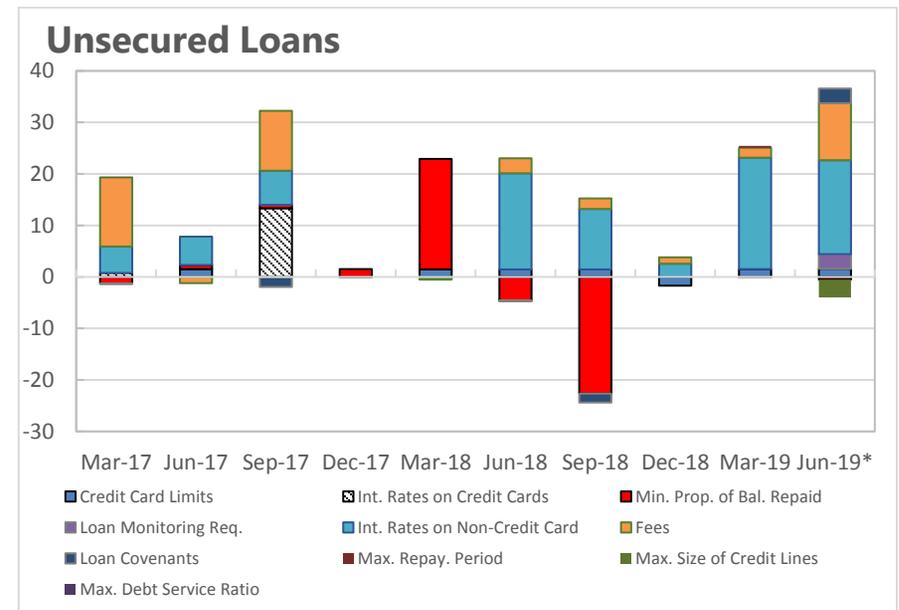
Appendix A: Overall Credit Market Conditions

Figure 15: 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. The asterisks (*) represent expectations provided by the respondents.

Figure 16: 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. The asterisks (*) represent expectations provided by the respondents.



Table 7: Components of Credit Demand and Supply Indices

SUPPLY	March 2018 Survey		December 2018 Survey		March 2019 Survey	
	Mar-18	Jun-18*	Dec-18	Mar-19*	Mar-19	Jun-19*
Credit Supply Index	100.8	106.9	101.0	101.2	106.1	107.3
Credit to Businesses	99.8	106.0	100.3	100.0	101.7	101.5
Credit to Individuals	102.7	108.7	102.5	103.5	114.9	119.1
Local Currency Credit	99.5	107.4	100.2	100.0	101.8	101.7
Foreign Currency Credit	100.1	104.6	100.4	100.1	101.5	101.3
DEMAND	Mar-18	Jun-18*	Dec-18	Mar-19*	Mar-19	Jun-19*
Credit Demand Index	99.9	113.1	109.6	107.0	100.7	112.3
Demand by Businesses	94.2	109.4	110.6	102.5	87.1	102.1
Demand by Individuals	111.2	120.5	108.6	116.0	125.9	132.9
Local Currency Credit	90.0	115.6	110.4	103.4	82.7	103.5
Foreign Currency Credit	98.5	103.3	109.6	101.5	93.5	100.6

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	Mar-18	Dec-18	Mar-19
Credit Conditions Index	101.3	99.8	102.3
Credit Supply Index	100.8	101.0	106.1
Credit Demand Index	99.9	109.6	100.7
Price of LC Credit	14.80	14.58	14.80
Price of FC Credit	6.44	7.28	7.33
PERSONAL	Mar-18	Dec-18	Mar-19
Credit Conditions Index	105.6	97.4	107.1
Credit Supply Index	102.7	102.5	114.9
Credit Demand Index	111.2	108.6	125.9
Price of LC Credit	17.60	18.31	17.06
ALL BUSINESSES	Mar-18	Dec-18	Mar-19
Credit Conditions Index	100.2	100.4	101.1
Credit Supply Index	99.8	100.3	101.7
Credit Demand Index	94.2	110.6	87.1
Price of LC Credit	14.10	13.65	14.23
Price of FC Credit	6.44	7.28	7.33
o. w. MICRO	Mar-18	Dec-18	Mar-19
Credit Conditions Index	99.9	100.0	100.0
Credit Supply Index	100.3	99.9	99.9
Credit Demand Index	93.0	124.0	73.1
Price of LC Credit	29.40	26.02	29.80
Price of FC Credit	6.77	8.13	8.13
o. w. SMALL	Mar-18	Dec-18	Mar-19
Credit Conditions Index	100.0	100.0	101.1
Credit Supply Index	98.9	100.0	101.1
Credit Demand Index	82.0	117.4	82.1
Price of LC Credit	10.25	10.80	10.77
Price of FC Credit	6.65	8.05	9.49
o. w. MEDIUM	Mar-18	Dec-18	Mar-19
Credit Conditions Index	100.2	100.5	101.0
Credit Supply Index	100.6	100.0	100.0
Credit Demand Index	101.0	96.9	88.4
Price of LC Credit	9.31	9.39	9.10
Price of FC Credit	6.70	7.19	6.80
o. w. LARGE	Mar-18	Dec-18	Mar-19
Credit Conditions Index	100.6	101.2	102.2
Credit Supply Index	99.3	101.1	105.5
Credit Demand Index	100.9	104.2	105.0
Price of LC Credit	7.46	8.38	7.26
Price of FC Credit	5.64	5.76	4.90



- 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

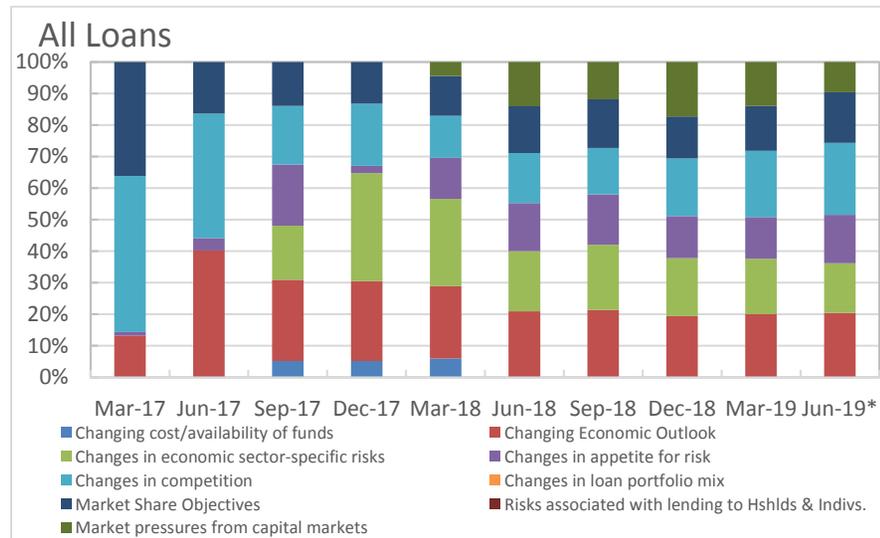




Figure 18: Drivers of the Demand of Secured Credit

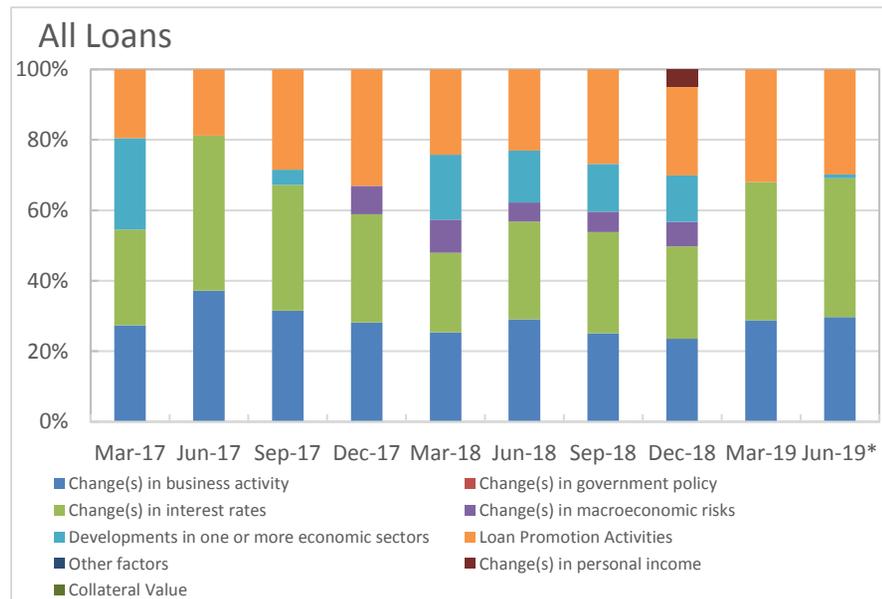
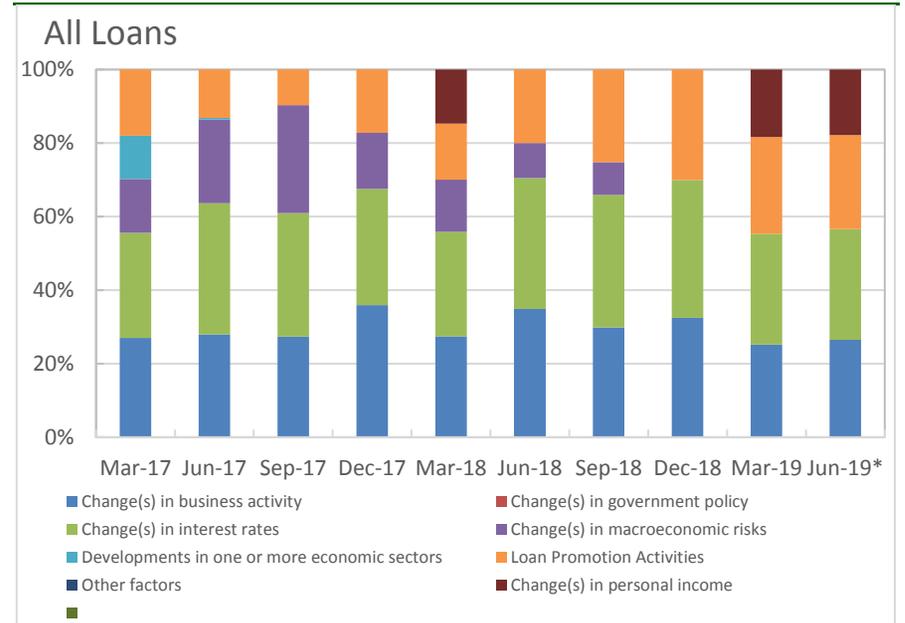


Figure 19: Drivers of the Demand of Unsecured Credit





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:

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

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 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 s = 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.