

Quarterly Credit Conditions Survey Report



September 2019 Quarter

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Background

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

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

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

This report represents the results of the September 2019 survey which was conducted between 16 October 2019 and 01 November 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	7	7	7	7	7	7
Public Entities	1	1	1	1	1	1
Total	19	19	19	19	19	19



Overview

Context

STATIN's estimate of GDP growth for the September 2019 quarter indicated that the economy grew by an estimated 0.6 per cent, compared with the 1.9 per cent recorded for the September 2018 quarter. The outturn was attributed to a 1.1 percent increase in the Services industries the impact of which was partially offset by a 1.0 per cent decline in the Goods industries. With the exception of Agriculture, Forestry and Fishing, Mining and Quarrying and Construction, all the goods producing and the service industries recorded growth for the quarter.

The annual point-to-point inflation rate at September 2019 was 3.4 per cent, a deceleration relative to the 4.2 per cent recorded at end-June 2019 and below the 4.3 per cent at September 2018. The deceleration in inflation, relative to the preceding quarter, largely reflected the impact of a decline in the rate of growth in prices for alcoholic beverages and tobaccos, furnishings and household equipment, restaurants and accommodation.

Bank of Jamaica reduced the policy interest rate by 25 bps to 0.50 per cent during the September 2019 quarter. This reduction was aimed at mitigating the risk of inflation falling below the 4.0 - 6.0 per cent target range over the near term. The reduction in the policy rate prompted reductions in money market rates for the September 2019 quarter.

Liquidity conditions during the September 2019 quarter remained fairly stable, relative to the June 2019 quarter. This was indicated by the maintenance by deposit-taking institutions (DTIs) of average current account balances at Bank of Jamaica of \$41.6 billion,

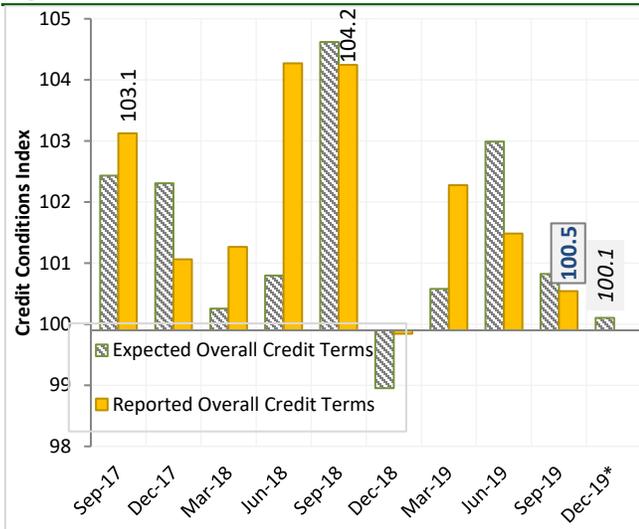
broadly similar to the average of \$42.6 billion for the preceding quarter.

The US Federal Reserve reduced interest rates in September 2019 in the context of muted inflation pressures. Inflation for items other than food and energy accelerated to 2.4 per cent. The yields on GOJ global bonds also declined over the quarter.

Credit Conditions (Overall)¹

In the context of the foregoing, overall credit conditions to the private sector during the review 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 evidenced by more lending terms applicable to both secured and unsecured lending (see **Figure 1a and 1b**). More specifically, lenders reported that lower interest rates and fees for secured loans and lower fees for unsecured loans contributed to the improved lending conditions. (See **Appendix A: Figures 15 & 16**).

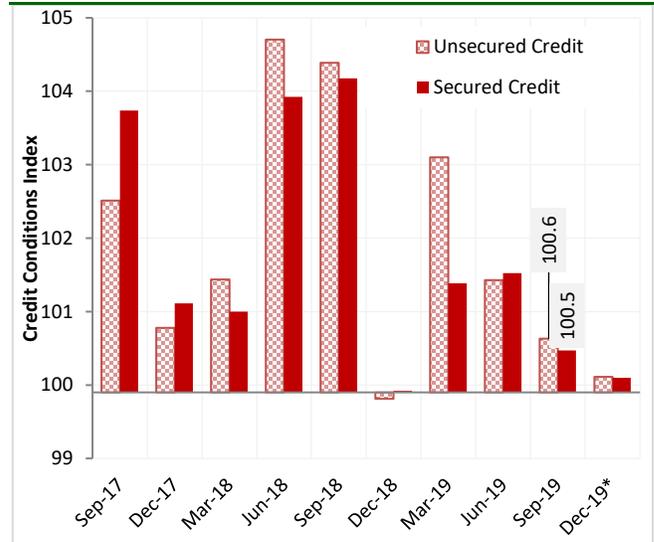
Figure 1a: Index of Overall Credit Market Conditions



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 large and medium sized businesses during the September 2019 quarter eased while credit conditions faced by micro and small businesses remained unchanged.

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



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

Lenders reported that they expected credit conditions to continue to ease in the December 2019 quarter, albeit at a decelerated pace. This outlook reflected the expectation for lower interest rates and lower fees for both secured and unsecured lending, particularly to large businesses.

Credit Supply

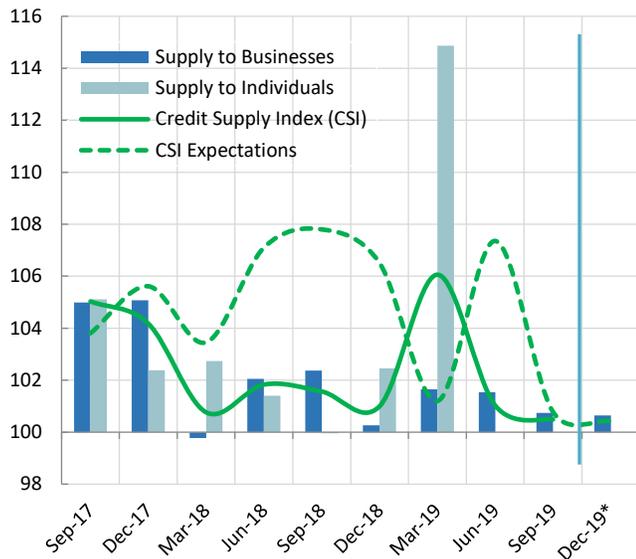
Growth in credit availability during the September 2019 quarter, as measured by the Credit Supply Index (CSI) decelerated when compared to the previous quarter (see **Figure 2** and **Appendix A: Table 7 and Table 8**). The CSI moderated to **100.5** from **100.8** in the previous quarter and primarily reflected a deceleration in the growth of credit made available to businesses and was mostly evidenced for local currency credit. The slower growth in the supply of

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



local currency credit made available to businesses mainly reflected decline in credit to the *Agriculture & Fishing, Mining and Electricity, Gas & Water* industries. Growth in foreign currency loan availability also decelerated and was most evident in the *Agriculture & Fishing* industry.

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 September 2019 quarter remained broadly unchanged. Allocations to large businesses continued to account for the largest share of respondents' business loan portfolio at end-September 2019 (see **Figure 3a and 3b**).

Figure 3a: Distribution of Private Industry Credit²

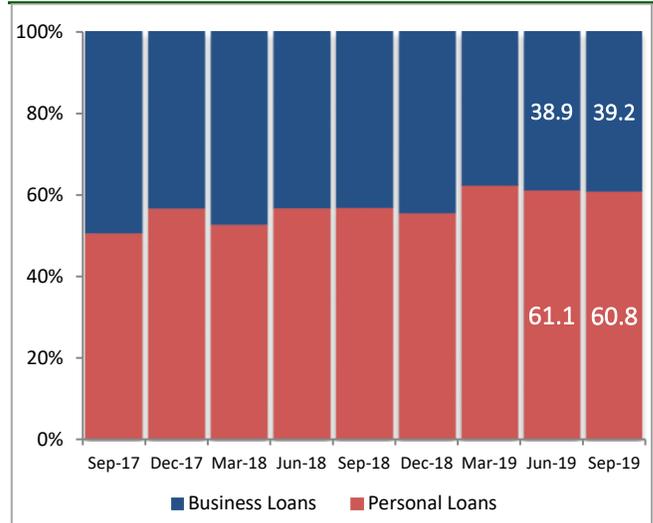
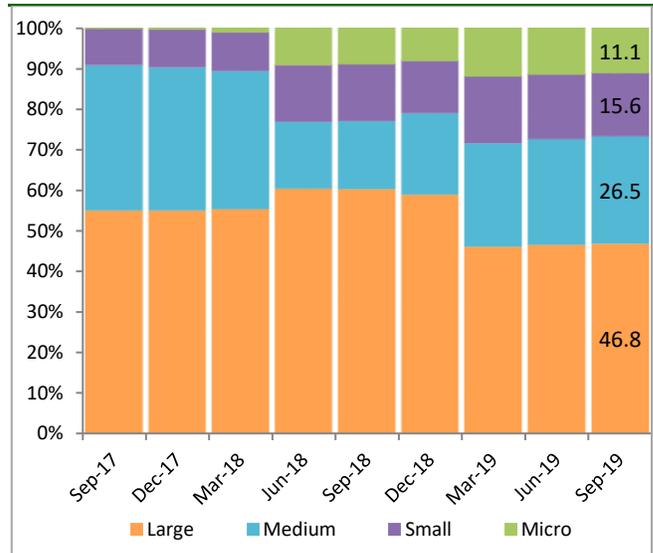


Figure 3b: Distribution of Private Industry Credit by Business Size



Lenders reported that they plan to maintain the amount of credit made available to individuals but increase the credit made available to businesses for the December 2019 quarter, albeit at a decelerated rate. This was evidenced by a by a CSI of **100.0** for

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.



individual loans and **100.4** for business loans (see **Figure 2** and **Appendix A: Table 7**).

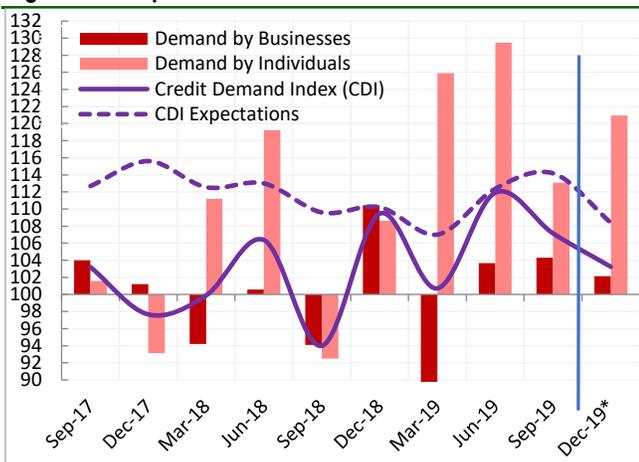
Credit Demand

Growth in credit demand, as measured by the Credit Demand Index (CDI), decelerated for the September 2019 quarter, relative to the June 2019 quarter (see **Figure 4** and **Appendix A: Table 7**). The CDI for the quarter was **107.2** relative to **111.9** in the previous quarter (see **Appendix A: Table 8**). The growth in credit demand was also lower than was anticipated. This deceleration in demand stemmed from slower demand for all business sizes, in particular medium firms. In contrast, there was an acceleration in demand for personal loans (see **Appendix A: Table 7**).

demand for foreign currency loans particularly contracting demand from the *Mining & Quarrying, Construction & Land Development, Transport, storage & Communication*. In contrast there was an increase in the demand for local currency loans, which was mostly evident in the *Mining & Quarrying, Construction & Land Development, Distribution, Transport, Storage & Communication* and *Electricity, Gas & Water industries*.

For the December 2019 quarter, lenders indicated that they expected a continued increase in the overall demand for credit. Growth in demand for individual loans is expected to accelerate while the growth in demand by businesses is expected to slow (see **Table 1** and **Appendix A: Table 8**).

Figure 4: Components of Credit Demand



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

The deceleration in credit demand in the review quarter was reflected in a slowdown in the growth in

Price of Credit³

Based on the survey responses, average indicative interest rates on new local currency loans declined by approximately **123 bps** to **12.70 per cent** during the review quarter, relative to the previous quarter. This reflected a decline of **154 bps** in rates for business loans, while there was an increase of **2 bps** in the rates for personal loans (see **Table 1**). Lower rates on business loans was primarily reflected by reduced interest rates on loans to micro and large sized firms.

Conversely, the average indicative interest rate on new foreign currency loans increased by **8 bps** to **6.90 per cent**, which reflected higher rates on foreign currency loans to small and large businesses.

For the December 2019 quarter⁴, lenders reported that they plan to increase interest rates on new local and foreign loans by **360 bps** and **42 bps** to **16.30 per**

³ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

⁴ Respondent’s expectations for future interest rates may include prime rate



cent and 7.32 per cent, respectively. For local currency loans the increased rates is expected to be seen mainly for micro and large business loans while foreign currency loan rate increase will impact mainly small and large.

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

	June 2019 Survey		September 2019 Survey	
	Jun-19	Sep-19*	Sep-19	Dec-19*
Local Currency (LC)				
Business loans	13.04	13.74	11.50	16.05
Personal loans	17.47	17.40	17.49	17.31
Average LC rates	13.93	14.47	12.70	16.30
Foreign Currency (FC)				
Business loans	6.82	7.54	6.90	7.32
Reference rate	6.54	7.58	6.94	6.75

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



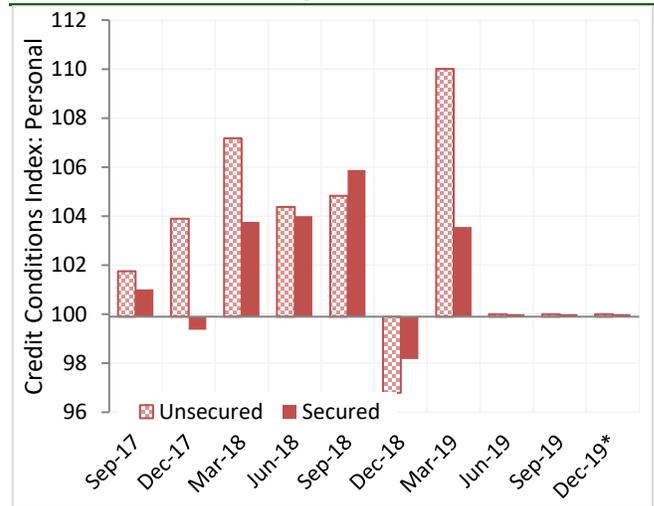
Personal Lending⁵

Credit Conditions

Similar to the June 2019 quarter the overall credit conditions for personal loans (i.e. lending institutions' actual price and non-price loan terms agreed in loan contracts) was unchanged for the September 2019 quarter. This was evidenced by the index of **100.0** (see **Figure 5a** and **Appendix A: Table 8**). This unchanged credited condition was reflected in both unsecured and secured loans (see **Figure 5b**) which was underpinned by unchanged interest rates and fees applicable to loans

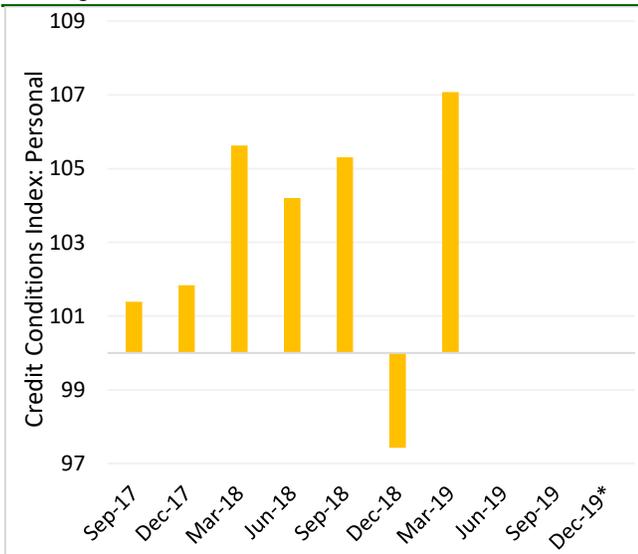
For the December 2019 quarter, lending conditions are expected to continue to remain unchanged for both secured and unsecured loans. This outlook reflects plans by lenders to maintain interest rates, maximum loan-to-value ratio and fees on both secured and unsecured loans.

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.

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



Credit Supply

For the September 2019 quarter, credit made available for personal loans was also unchanged, evidenced by a CSI of **100.0** (see Figure 6a). This was

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



evident across all categories of loans⁶, with the exception of mortgages which reflected an increase. (See **Figure 6b**).

Lenders reported that For the December 2019 quarter they expect to maintain the supply of credit made available for individual loans.

Figure 6a: Availability of Credit for Personal Lending

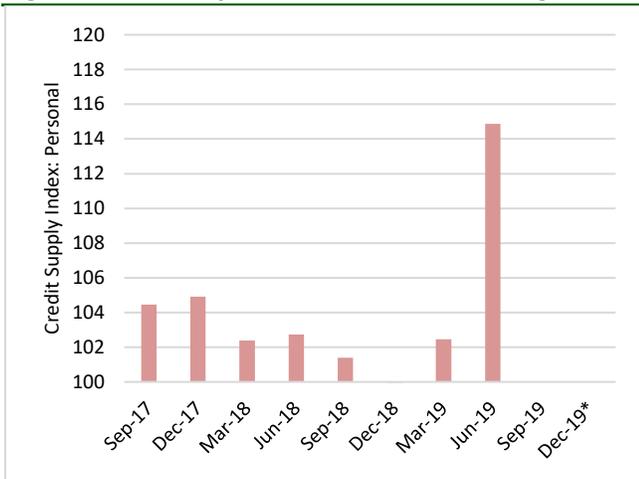
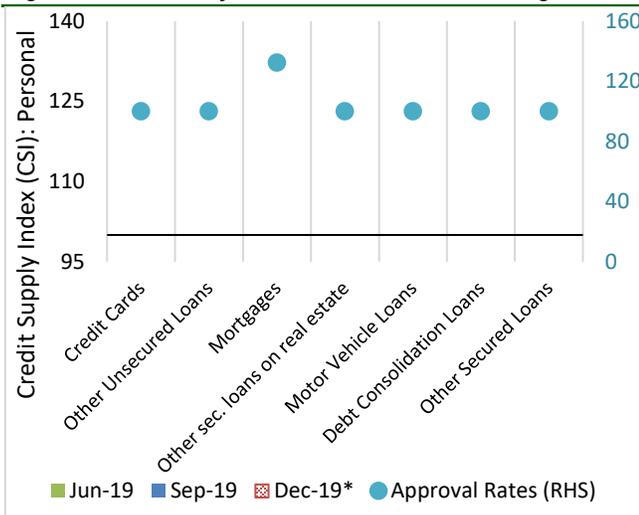


Figure 6b: Availability of Credit for Personal Lending



⁶ Categories of personal loans: credit card lending, unsecured personal loans, mortgages & real estate, other secured personal loans, motor vehicle loans, debt consolidation secured loans collateralized on real estate

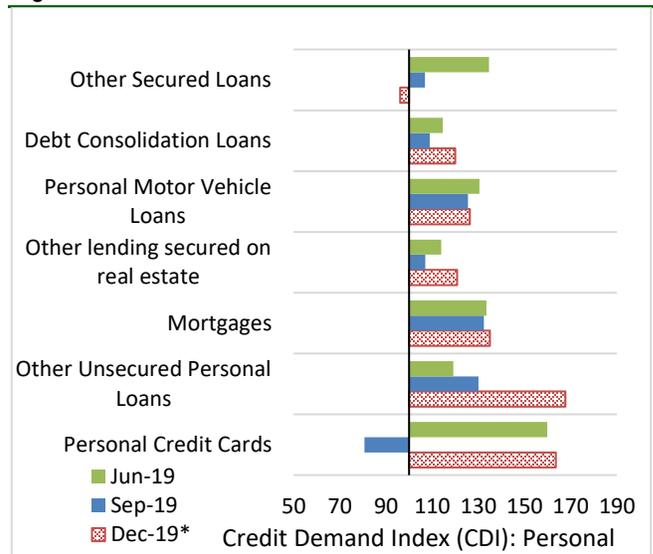
1. CSI less than 100 indicates a decline in credit availability while a CSI greater than 100 indicates an increase.
2. The asterisk (*) represents forward looking expectations provided by the respondents.

Credit Demand

For the September 2019 quarter, growth in the demand for personal credit decelerated relative to the pace of expansion in the June 2019 quarter. The CDI moderated to **113.1** from **125.9** in the previous quarter. The growth in demand was evident in all categories of loans with the exception of credit cards (see **Figure 7**).

Lenders reported that for the December 2019 quarter, they expect the CDI to increase, reflecting accelerated growth in demand for all categories of loans, except for other secured loans.

Figure 7: Demand for Personal Loans



Price of Credit⁷

Average indicative rates on new personal loans offered by participating institutions marginally

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.



increased for the review period to **17.49 per cent** from **17.47 per cent** in the previous survey. This increase was reflected in credit card and motor vehicle loans rates, with interest rates on motor vehicle loans showing the greater increase. (See **Table 2**).

For the December 2019 quarter⁸, lenders reported a planned reduction in interest rates of **18 bps** to **17.31 per cent**.

Table 2: Interest Rates on Personal Loans

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

	June 2019 Survey		September 2019 survey	
	Jun-19	Sep-19*	Sep-19	Dec-19*
Credit Cards	40.26	40.31	40.28	40.27
Other Unsecured	19.70	19.63	19.16	19.11
Mortgages	8.93	9.13	8.65	8.42
Motor Vehicle	9.62	9.21	10.52	10.26
Other Secured	8.87	8.72	8.84	8.47
Average rates	17.47	19.57	17.49	17.31

⁸ Respondent's expectations for future interest rates may include prime rates

Micro Business Lending⁹

Credit Conditions

For the fourth consecutive 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 8b).

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

Figure 8a: Credit Conditions for Micro-sized Businesses

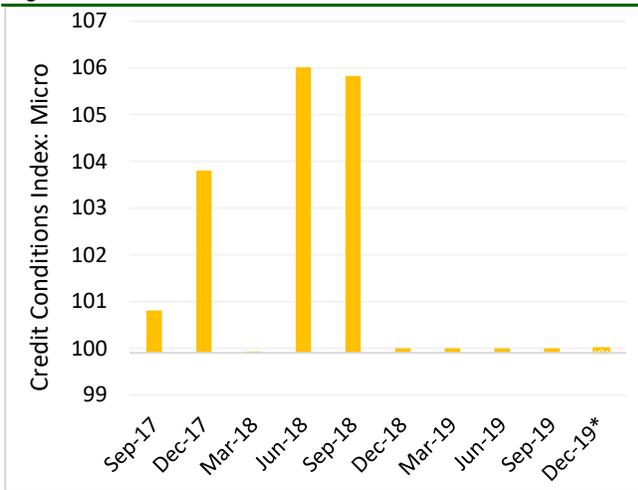
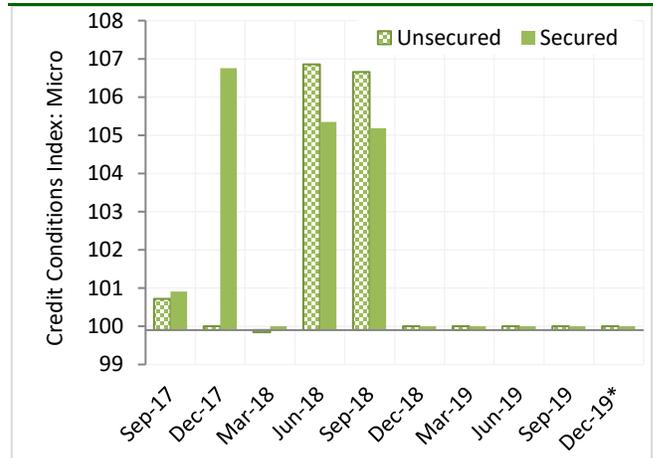


Figure 8b: Credit Conditions for Secured and Unsecured Loans to Micro-sized Businesses



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

Credit Supply

Credit made available to micro firms remained unchanged during the September quarter relative to the previous quarter as evidenced by a CSI of **100** for the quarter. This reflected no change in credit available for foreign currency loans across all industries while credit made available for local currency loans exhibited continued contraction albeit marginal.

For the December 2019 quarter, lenders reported that they expected to further reduce the supply of both local and foreign currency credit to micro businesses relative to the review period.

Credit Demand

⁹ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.



Growth in credit demand by micro businesses decelerated relative the pace of expansion in the September 2019 quarter. This was reflected by a CDI of **108.4** for the quarter in comparison to **121.3** in the previous quarter. This deceleration reflected lower demand for local currency loans by the *Agriculture & Fishing, Manufacturing, Tourism and Professional & Other Services industries*. Growth in the demand for foreign currency loans also decelerated relative to the previous quarter with only the *Distribution* industry reflecting an accelerated pace of growth, albeit marginal.

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

Price of Credit¹⁰

For the review period, the indicative average lending rate on new local currency loans to micro businesses decreased by **667 bps** to **19.35 per cent** (see **Table 3**). This decreased was predominantly reflected in lower interest rates on loans to the *Agriculture and Fishing, Construction & Land Development, Tourism, Professional & Other Business Services, Transport, Storage & Communication, Entertainment, and Electricity, Gas & Water industries*.

Interest rates on foreign currency loans to micro businesses fell by **110 bps** to **7.03 per cent** for the review quarter.

For the December 2019 quarter¹¹, lenders reported that they expected to increase interest rates on local currency loans but maintain interest rates on foreign currency loans to micro businesses.

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

MICRO	Local Currency		
	Jun-19	Sep-19	Dec-19*
Agriculture & Fishing	39.08	18.98	36.39
Construction & Land Development	20.00	15.97	31.10
Distribution	29.57	32.98	30.93
Electricity, Gas & Water	28.16	18.98	40.52
Entertainment	28.16	18.98	40.52
Manufacturing	21.08	18.98	36.39
Mining & Quarrying	17.69	16.24	33.08
Professional & Other Services	19.21	15.52	32.54
Tourism	28.16	18.98	40.52
Transport, Storage & Communication	29.06	17.87	29.21
Average	26.02	19.35	35.12

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.

¹⁰ 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.

¹¹ Respondent's expectations for future interest rates may include prime rates

Small Business Lending¹²

Credit Conditions

For the September 2019 quarter, overall credit conditions faced by small businesses (i.e. lending institutions' actual price and non-price loan terms agreed in loan contracts) remained unchanged relative to the previous quarter. This was evidenced by an overall credit conditions index of **100.0** for the quarter (see **Figure 9a** and **Appendix A: Table 8**). This was reflected in both unsecured and secured loans (see **Figure 9b**). This is an indication that lenders were satisfied with the loan terms for the preceding quarter.

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

Credit Supply

Growth in credit made available to small firms remained unchanged over the quarter as evidenced by an index of **100.0**. Lenders reported a slower rate of expansion in local currency credit made available to the *Manufacturing* and *Distribution* industries, while lending to other industries remained largely unchanged. There were no reported changes in credit made available for foreign currency loans across all industries.

For the December 2019 quarter, lenders reported that they had plans to make slight increases to the supply of local currency loans to small business, particularly to the *Transport, Storage & Communication* industry 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

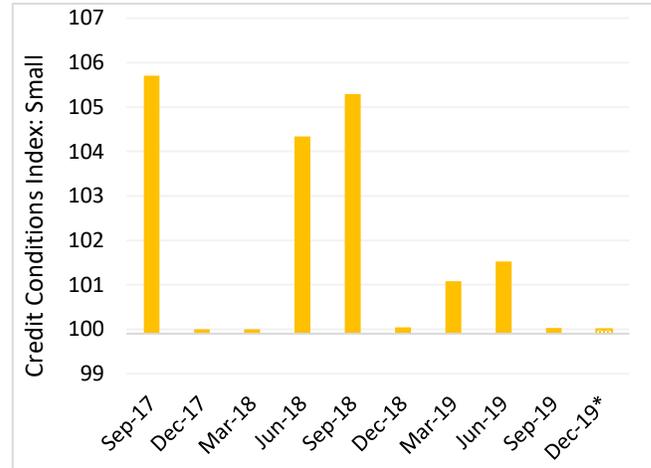
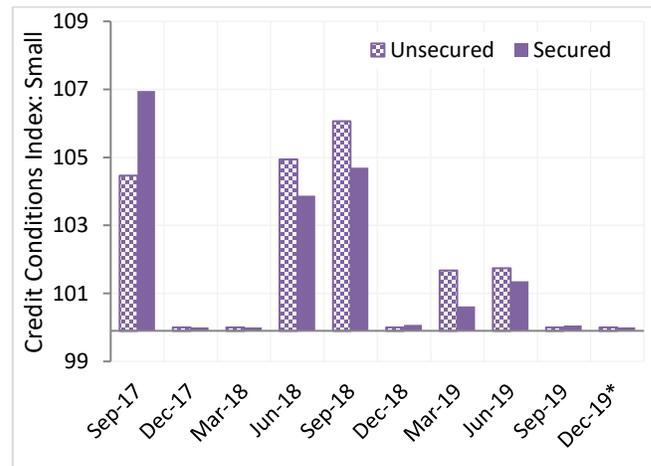


Figure 9b: Credit Conditions for Secured and Unsecured Loans to Small Businesses



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 increased in the review quarter and was reflected in the CDI of **108.2** relative to **90.8** in the previous quarter. This increase was reflected in both local and foreign currency

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



demand. There was increased demand for local currency loans by the *Construction & Land Development, Distribution, Electricity, Gas & Water, Transport, Storage & Communication, and Mining & Quarrying* industries. The increase in foreign currency loan demand was reflected in the *Distribution, Construction & Land Development, Professional & Other Business Services and Transport* industries.

For the September 2019 quarter, lenders reported that they expect an increase in the demand for local currency and foreign currency loans by small firms.

Price of Credit¹³

For the review period, the indicative average lending rate on new local currency loans to small businesses increased to **10.88 per cent** from **9.97 per cent** for the September 2019 quarter. The increase reflected higher borrowing costs for the industries except the *Manufacturing, Construction & Land Development, Transport and Agriculture* industries. Similarly, the average interest rate on foreign currency loans increased by approximately **66 basis points** to **7.62 per cent**, which was mainly observed in the *Distribution and Transport, Storage & Communication* industries.

For the December 2019 quarter¹⁴, lenders reported planned increases in interest rates on both new local and foreign currency loans to small business enterprises by **61 bps** and **45 bps** respectively.

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

SMALL	Local Currency			Foreign Currency		
	Jun-19	Sep-19	Dec-19*	Jun-19	Sep-19	Dec-19*
Agriculture & Fishing	10.61	9.80	10.47	6.93	6.33	7.83
Construction & Land Development	11.47	10.59	10.52	6.70	6.33	8.00
Distribution	10.49	13.59	11.59	6.93	10.90	7.97
Electricity, Gas & Water	9.30	10.76	11.89	6.70	6.33	8.33
Entertainment	8.10	10.54	12.42	0.00	n.a.	8.42
Manufacturing	11.01	9.76	12.31	0.00	n.a.	n.a.
Mining & Quarrying	9.96	10.76	10.84	6.70	6.33	8.00
Professional & Other Services	9.37	9.92	12.06	6.87	7.40	8.18
Tourism	8.10	10.76	10.69	8.13	6.33	8.08
Transport, Storage & Communication	11.28	12.31	12.06	6.70	11.00	7.83
Average	9.97	10.88	11.49	6.96	7.62	8.07

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

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.

¹⁴ Respondent's expectations for future interest rates may include prime rates

Medium-Sized Business Lending¹⁵

Credit Conditions

Lending conditions faced by medium-sized businesses (i.e. lending institutions’ actual price and non-price loan terms agreed in loan contracts) improved at a slower rate in the September 2019 quarter, relative to the improvement in the previous quarter. This was reflected in a credit conditions index of **101.8** for the quarter relative to a CCI of **102.9** in the previous quarter (see **Figure 10a** and **Appendix A: Table 8**). Although easing was reflected in both unsecured and secured loans, it was most notable in unsecured loans (see **Figure 10b**). The improvement in credit conditions was associated with lower interest rates and fees.

For the December 2019 quarter, lenders reported that they expected to ease credit terms applied to both secured and unsecured loans, albeit at a slower rate than the September quarter. 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 largely unchanged for the September 2019 quarter, relative to the June 2019 quarter. The outturn was evidenced in the growth in foreign currency credit made available which remained unchanged. There was marginal deceleration in growth in local currency credit made available, which was primarily reflected in the *Agriculture & Fishing* industry.

For the December 2019 quarter, the CSI for medium-sized businesses is expected to remain stable for both secured and unsecured lending.

Figure 10a: Credit Conditions for Medium-sized Businesses

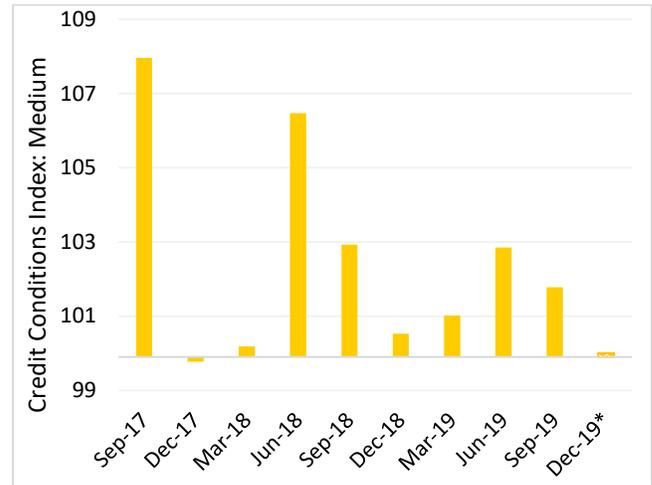
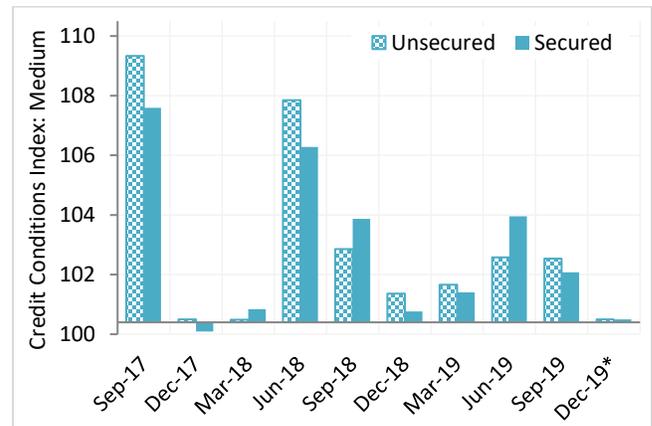


Figure 10b: Credit Conditions for Medium-sized Businesses



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

Credit Demand

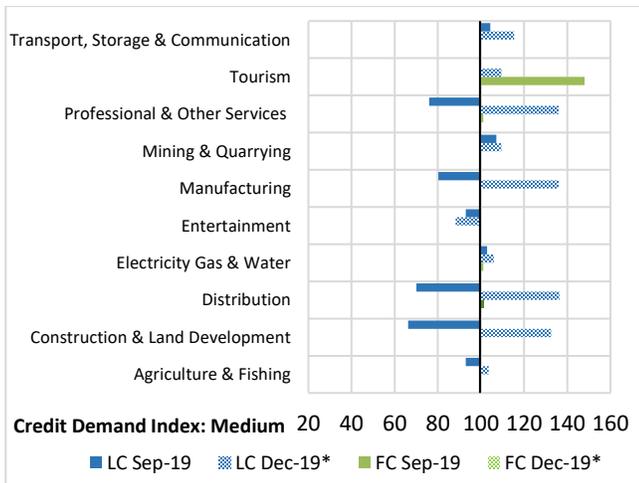
Demand for loans by medium-sized firms continued to contract in the review quarter. This was reflected in a CDI of **97.2** compared to **96.3** in the previous quarter. The CDI reflected a significant decline in credit

¹⁵ Previously published data points have been revised as our methodology and other review processes have been updated for consistency.
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demand for local currency loans. This was largely evidenced in the *Agriculture & Fishing, Manufacturing, Professional & Other Services and Entertainment* industries. These industries are likely to have increased their use of financing from the corporate bond market. Credit demand for foreign currency loans, however, increased which was evidenced in the *Distribution, Tourism, Professional & Other Services, and Electricity & Water* industries (see **Figure 11**).

For the December 2019 quarter, lenders reported that they expected the demand for both local and foreign currency loans from medium-sized firms to increase. For Local currency demand is expected to increase for all industries with the exception of *Entertainment* which is anticipated to reflect a contraction in demand.

Figure 11: Credit Demanded by Medium-sized Businesses



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

Price of Credit¹⁶

¹⁶ 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.

There was an increase 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 increased to **9.15 per cent** from **8.90 per cent** in the previous quarter. This was mostly evident in the *Entertainment, Tourism and Construction & Land Development* industries. Similarly, there was an increase of **24 bps** to **6.95 per cent** in the average rate on foreign currency loans for the review quarter. Higher rates were reported for the *Distribution* industry. (see **Table 5**).

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

MEDIUM	Local Currency			Foreign Currency		
	Jun-19	Sep-19	Dec-19*	Jun-19	Sep-19	Dec-19*
Agriculture & Fishing	8.76	8.95	9.11	6.93	6.00	6.42
Construction & Land Development	8.88	9.40	9.61	6.70	6.00	6.75
Distribution	9.17	8.55	9.44	6.91	14.75	6.58
Electricity, Gas & Water	9.30	9.34	9.47	6.70	6.00	6.83
Entertainment	8.10	9.34	9.54	6.47	6.00	6.67
Manufacturing	8.90	9.17	9.29	0.00	0.00	0.00
Mining & Quarrying	9.32	9.34	9.40	6.70	6.00	6.67
Professional & Other Services	8.89	8.94	9.33	6.80	5.66	6.58
Tourism	8.10	9.26	9.33	6.56	6.17	6.56
Transport, Storage & Communication	9.58	9.17	9.33	6.70	6.00	6.71
Average	8.90	9.15	9.38	6.72	6.95	6.64

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 local currency loan interest rates to medium sized firm by **23 bps** to **9.38 per cent** for the December 2019 quarter¹⁷. Higher rates are expected across all industries particularly *Distribution,*

¹⁷ Respondent’s expectations for future interest rates may include prime rates



Construction & Land Development and Professional & other Services which are expected to have the largest increases. Interest rate on foreign currency credit is

expected to decline by **31 bps** to **6.64 per cent** with higher rates expected on loans to all industries except the *Distribution* industry.

Large Corporations and Commercial Lending¹⁸

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 slower rate in the September 2019 quarter, relative to the improvement in the previous quarter. This was reflected in a credit conditions index of **100.9** for the quarter relative to the CCI of **103.0** 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 December 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, particularly those on local currency loans and fees on secured loans.

Figure 12a: Credit Conditions for Large Businesses

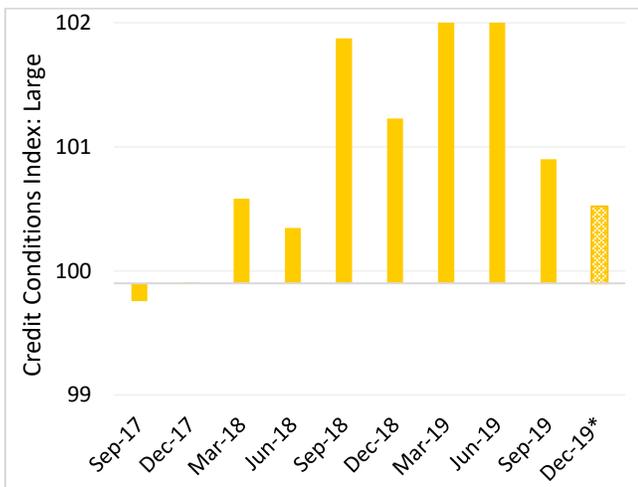
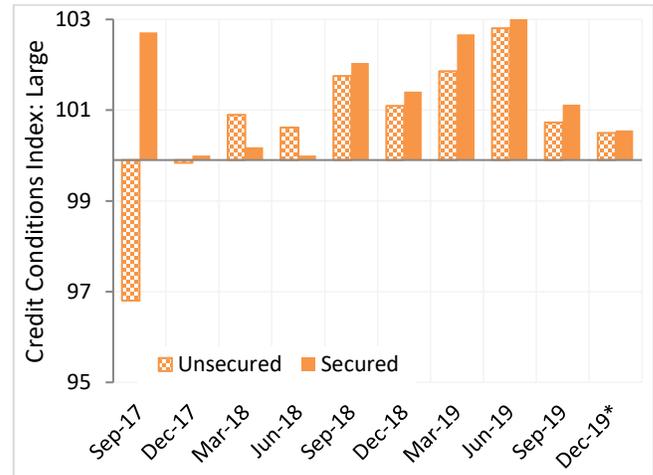


Figure 12b: Credit Conditions for Secured and Unsecured Loans to Large Businesses



- 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

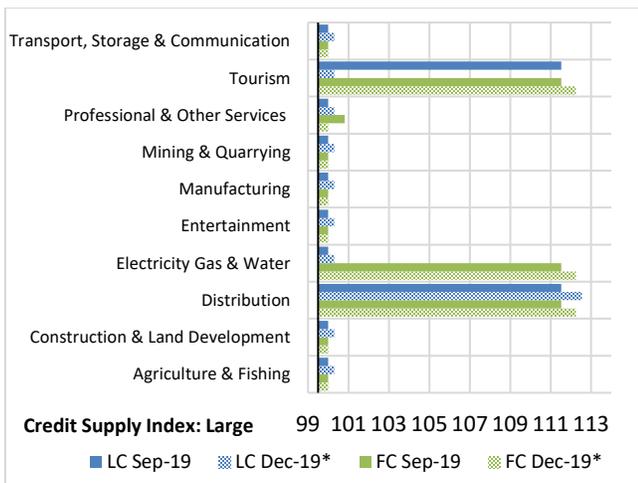
Growth in the credit made available to large businesses during the quarter continued to decelerate relative to the previous quarter. This was reflected in a CSI of **102.9** for the quarter, relative to **105.0** in the previous quarter. The CSI reflected deceleration in the growth of credit made available for both local and foreign currency loans. For local currency loans the deceleration was reflected in slower growth in credit supply to the *Mining & Quarrying* industry. However, increased credit was made available for foreign currency loans by way of the *Tourism, Distribution and Electricity, Gas & Water industries* (see **Figure 13**). The growth in credit supply continued to reflect changes in lenders' risk appetite, market share objectives and economic outlook of lenders.

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

For the December 2019 quarter, lenders plan to increase the availability of local currency credit particularly to the *Distribution* and *Tourism* industries. Increased foreign currency credit to large businesses will particularly be made available to the *Electricity, Gas & Water, Distribution and Tourism* industries

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



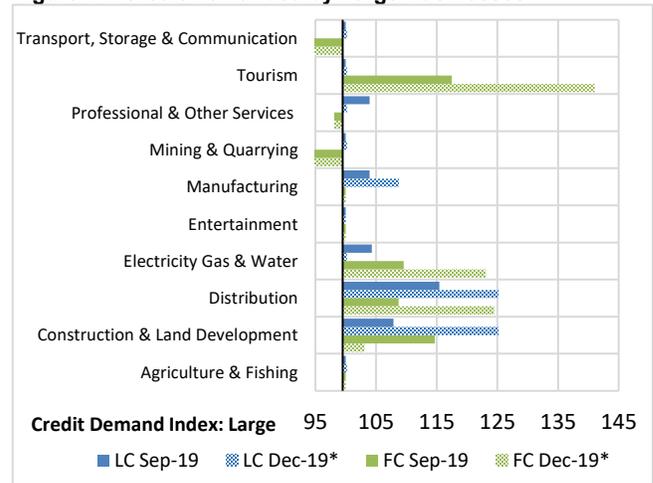
1. An index less than 100 indicates a reduction in credit availability while an index greater than 100 indicates an increase.
2. The asterisks (*) represent forward looking expectations provided by the respondents.

Credit Demand

The increase in demand for credit from large businesses in the September 2019 quarter decelerated as indicated by CDI of **103.4** compared with **106.3** in the previous quarter. Growing demand was however reflected in local and foreign currency loan demand. The deceleration in demand for local currency loans in the review quarter stemmed mainly from the *Agriculture & Fishing, Construction & Land Development* and *Tourism* industries (see **Figure 14**). Slower rate of growth in foreign currency loan demand primarily stemmed from the *Mining & Quarrying, Construction & Land Development, Transport and Professional & other* industries. Lenders highlighted that important factors that influenced credit demand

For the December 2019 quarter, lenders reported that they expected the rate of growth in the demand for credit by large firms to increase relative to the expansion which occurred in the September 2019 quarter. This expansion was underpinned by anticipated growth in both local currency loan demand across most industries with the exception of *Entertainment* which will remain unchanged, as well as foreign currency loan demand in the *Distribution, Electricity, Gas & Water* and *Tourism* 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 Credit¹⁹

For the review quarter, indicative lending rates on new local currency loans to large corporations declined by **67 bps** to **6.61 per cent**. Foreign currency rates however, increased by **51 bps** to **5.99 per cent** (see **Table 6**). The decline in interest rates on local currency loans was evident across all industries except *Distribution*, with loans to the, *Agriculture & Fishing*, *Entertainment and Mining & Quarrying* industries reflecting the largest declines. The higher rates on foreign currency loans were evident for all sectors except the *Professional & Other Services* and *Agriculture & Fishing* industries.

For the December 2019 quarter²⁰, the average interest rate on new local currency credit to large firms is expected to increase by **159 bps** to **8.20 per cent**. The average interest rate on foreign currency credit is anticipated to increase by **155 bps** to **7.54 per cent**.

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

LARGE	Local Currency			Foreign Currency		
	Jun-19	Sep-19	Dec-19*	Jun-19	Sep-19	Dec-19*
Agriculture & Fishing	6.95	5.75	0.00	6.13	5.00	7.33
Construction & Land Development	8.38	7.38	0.00	5.47	5.75	0.00
Distribution	6.91	7.42	0.00	5.66	6.50	7.75
Electricity, Gas & Water	6.97	5.88	0.00	6.86	7.17	0.00
Entertainment	6.95	5.75	0.00	4.70	6.00	0.00
Manufacturing	7.29	7.00	0.00	0.00	0.00	0.00
Mining & Quarrying	6.95	5.75	0.00	4.70	6.00	0.00
Professional & Other Services	8.07	7.21	0.00	5.15	5.10	0.00
Tourism	7.41	7.09	8.20	5.95	6.40	0.00
Transport, Storage & Communication	6.98	6.93	0.00	4.70	6.00	0.00
Average	7.28	6.61	8.20	5.48	5.99	7.54

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

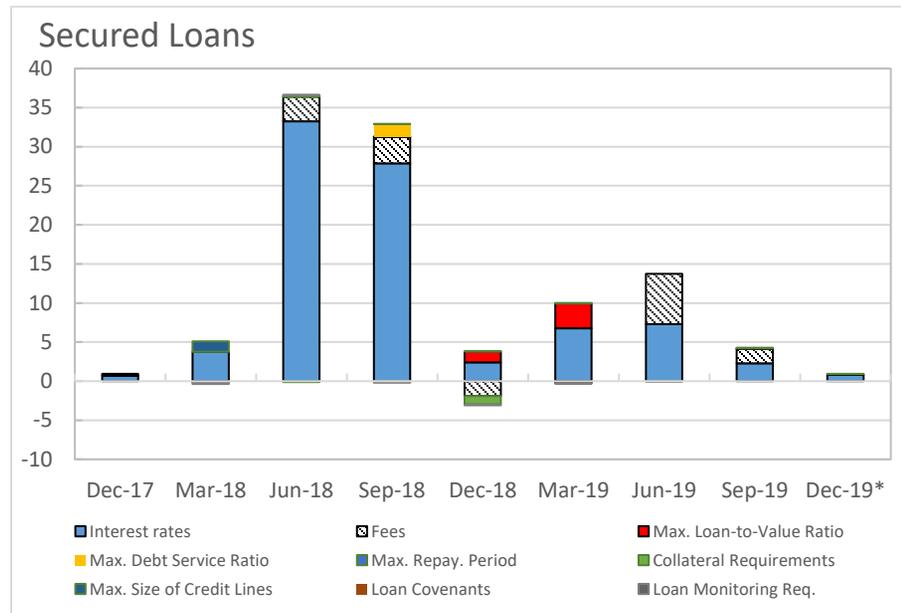
¹⁹ The summary of interest rates presented in this report are the simple averages of the weighted average interest rates reported by the respondents of the survey.

²⁰ Respondent's expectations for future interest rates may include prime rates



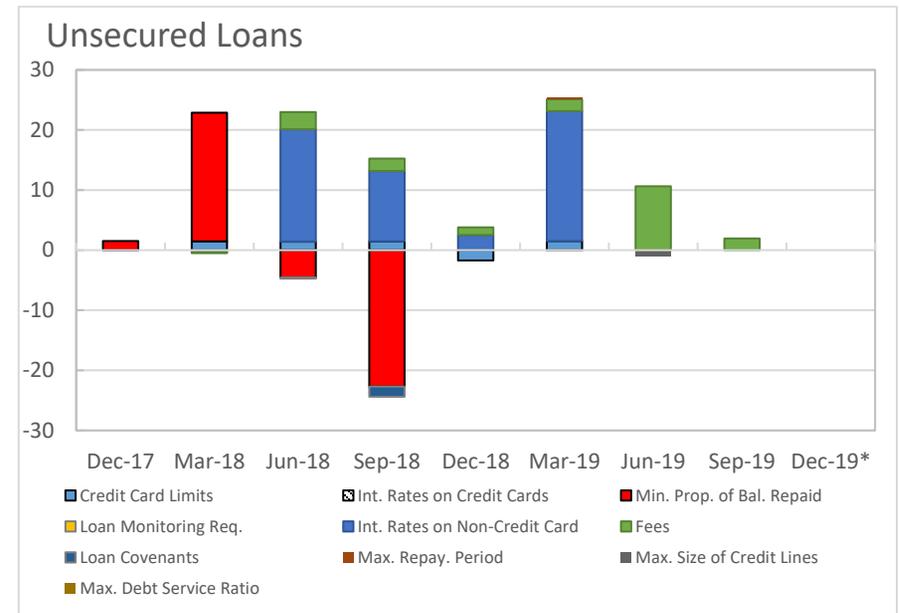
Appendix A: Overall Credit Market Conditions

Figure 15: Change in Components of Credit Conditions for Secured Loans



1. Bars above the zero line represent factors that contributed to an easing in credit conditions while bars below the line contributed to a tightening in credit conditions for the quarter.
2. The asterisks (*) represent expectations provided by the respondents.

Figure 16: Change in Components of Credit Conditions for Unsecured Loans



1. Bars above the zero line represent factors that contributed to an easing in credit conditions while bars below the line contributed to a tightening in credit conditions for the quarter.
2. The asterisks (*) represent expectations provided by the respondents.



Table 7: Components of Credit Demand and Supply Indices

SUPPLY	September 2018 Survey		June 2019 Survey		September 2019 Survey	
	Sep-18	Dec-18*	Jun-19	Sep-19*	Sep-19	Dec-19*
Credit Supply Index	101.6	106.5	101.0	100.8	100.5	100.4
Credit to Businesses	102.4	102.1	101.5	101.2	100.7	100.6
Credit to Individuals	100.0	115.2	100.0	100.0	100.0	100.0
Local Currency Credit	101.4	101.0	101.8	101.4	100.6	100.4
Foreign Currency Credit	103.3	103.2	101.2	100.9	100.9	101.2
DEMAND	Sep-18	Dec-18*	Jun-19	Sep-19*	Sep-19	Dec-19*
Credit Demand Index	94.0	110.2	111.9	114.2	107.2	108.4
Demand by Businesses	94.1	104.9	103.7	104.9	104.3	102.1
Demand by Individuals	92.5	120.7	129.5	132.8	113.1	120.9
Local Currency Credit	90.3	104.4	99.2	105.3	102.1	101.4
Foreign Currency Credit	99.2	105.5	107.1	104.5	106.2	103.2

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	Sep-18	Jun-19	Sep-19
Credit Conditions Index	104.2	101.5	100.5
Credit Supply Index	101.6	101.0	100.5
Credit Demand Index	94.0	111.9	107.2
Price of LC Credit	14.76	13.93	12.70
Price of FC Credit	7.54	6.82	6.90
PERSONAL	Sep-18	Jun-19	Sep-19
Credit Conditions Index	105.3	100.0	100.0
Credit Supply Index	100.0	100.0	100.0
Credit Demand Index	92.5	129.5	113.1
Price of LC Credit	17.14	17.47	17.49
ALL BUSINESSES	Sep-18	Jun-19	Sep-19
Credit Conditions Index	104.0	101.9	100.7
Credit Supply Index	102.4	101.5	100.7
Credit Demand Index	94.1	103.7	104.3
Price of LC Credit	14.16	13.04	11.50
Price of FC Credit	7.54	6.82	6.90
o. w. MICRO	Sep-18	Jun-19	Sep-19
Credit Conditions Index	105.8	100.0	100.0
Credit Supply Index	102.3	99.9	100.0
Credit Demand Index	83.6	121.3	108.4
Price of LC Credit	25.66	26.02	19.35
Price of FC Credit	7.93	8.13	7.03
o. w. SMALL	Sep-18	Jun-19	Sep-19
Credit Conditions Index	105.3	101.5	100.0
Credit Supply Index	100.0	100.9	100.0
Credit Demand Index	90.2	90.8	108.2
Price of LC Credit	11.29	9.97	10.88
Price of FC Credit	8.63	6.96	7.62
o. w. MEDIUM	Sep-18	Jun-19	Sep-19
Credit Conditions Index	102.9	102.9	101.8
Credit Supply Index	100.0	100.4	100.0
Credit Demand Index	94.8	96.3	97.2
Price of LC Credit	10.88	8.90	9.15
Price of FC Credit	7.67	6.72	6.95
o. w. LARGE	Sep-18	Jun-19	Sep-19
Credit Conditions Index	101.9	103.0	100.9
Credit Supply Index	107.2	105.0	102.9
Credit Demand Index	107.7	106.3	103.4
Price of LC Credit	8.82	7.28	6.61
Price of FC Credit	5.94	5.48	5.99



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

Figure 17: Drivers of the Supply of Credit

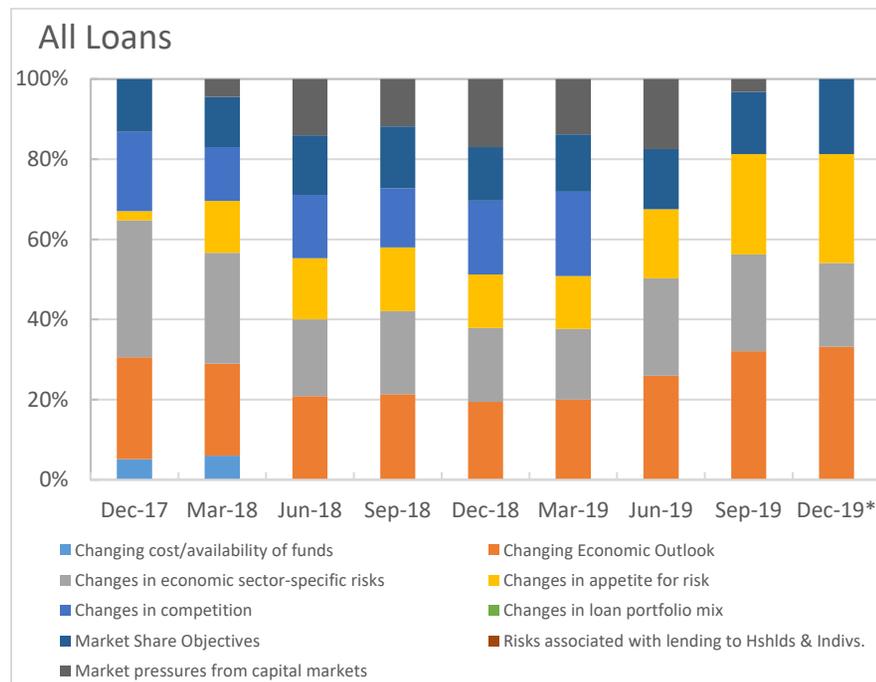




Figure 18: Drivers of the Demand of Secured Credit

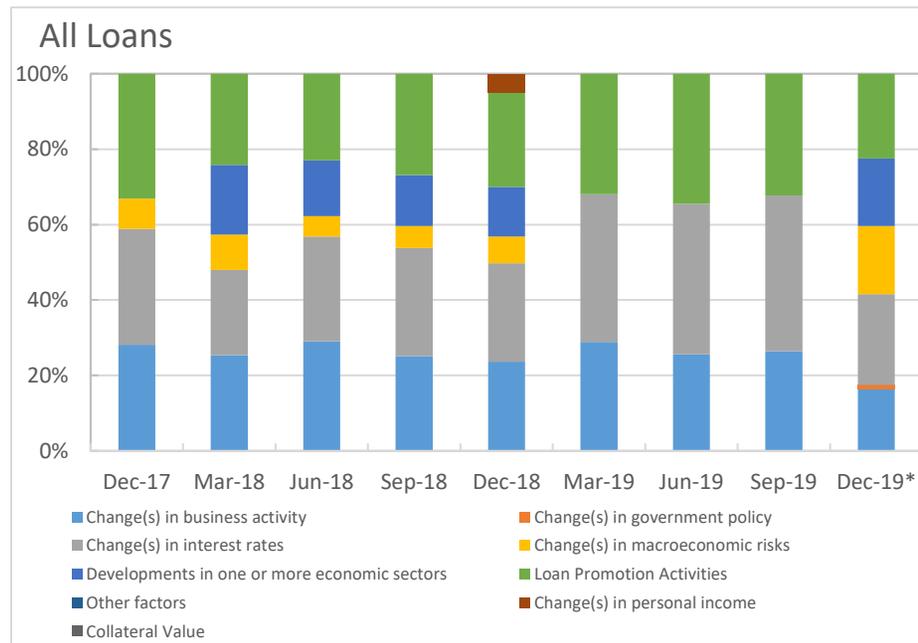
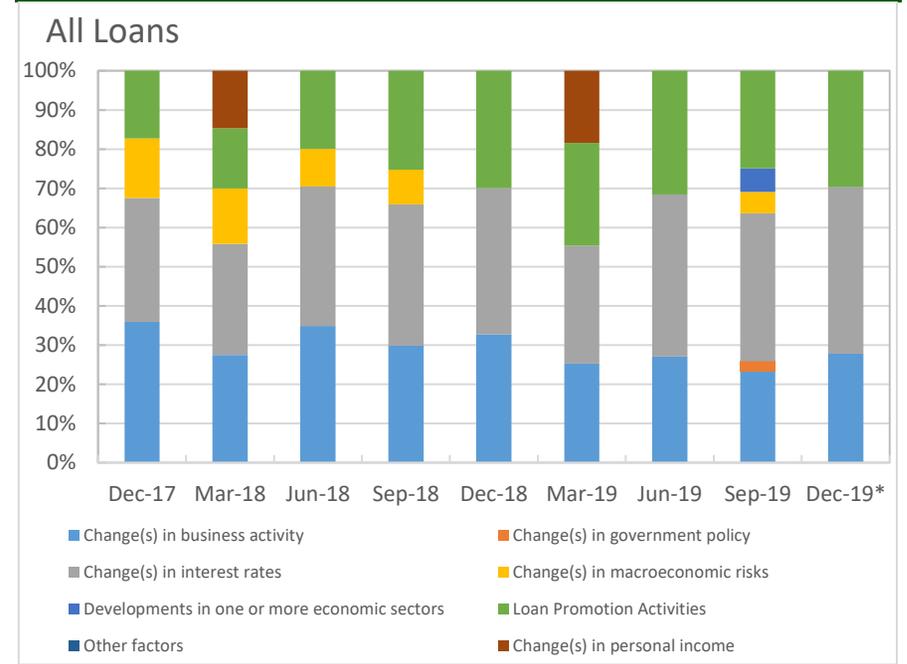


Figure 19: Drivers of the Demand of Unsecured Credit





Appendix B: Glossary and Definitions

Diffusion Index (DI) – This is used to compute the various indices used in the report and is a method of summarizing the common tendency of a group of statistical series. The DI value is calculated as:

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

Where

ss = percentage of respondents selecting “substantially stronger” or “substantially tightened”

ms = percentage of respondents selecting “moderately stronger” or “moderately tightened”

sw = percentage of respondents selecting “substantially weaker” or “substantially eased”

mw = percentage of respondents selecting “moderately weaker” or “moderately eased”

By construction, lenders who report that credit conditions have “changed substantially” are assigned twice the score as those who report that the index has “changed moderately”. The use of the fixed weight (0.5) relating to the proportion of respondents selecting either moderately stronger or moderately weaker distinguishes between the level of conviction in the respondents’ answers. The scores are then weighted by the market share of the respondents. The diffusion index (DI) is therefore the net percentage balance of opinion, computed as the difference between the weighted balance of lenders reporting an increase in the index and those reporting a decline.

Credit Conditions Index of Price and Non-Price Loan Terms

CCI = Average (DI for Secured Loans, DI for Unsecured Loans)

Relative to the previous quarter,

Unchanged Credit Conditions: CCI = 100

Easing of Credit Conditions: CCI > 100

Tightening of Credit Conditions: CCI < 100

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

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



where p = economic industry and i = firm size

CDI = Average (Local Currency Demand by Firm Size, Foreign Currency Demand by Firm Size, Demand for Personal Credit)

Relative to the previous quarter,

Unchanged Credit Demand: CDI = 100

Increase in Credit Demand: CDI > 100

Reduction in Credit Demand: CDI < 100

Credit Supply Index (CSI) - The average net balance of opinion of credit availability across economic industries and firm sizes.

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

where s = economic industry and i = firm size

CSI = Average (Local Currency Supply by Firm Size, Foreign Currency Supply by Firm Size, Supply of Personal Credit)

Relative to the previous quarter,

Unchanged Credit Made Available: CSI = 100

Increase in Credit Made Available: CSI > 100

Reduction in Credit Made Available: CSI < 100

The following are definitions of the price and non-price credit conditions discussed in the report:

1. **Interest rates** - changes in the annual percentage interest rates on loans.
2. **Fees applicable to loans** - fixed fees charged when a new loan is being taken out.
3. **Repayment period** - refers to the maximum duration of credit that is extended to the customer.
4. **Debt service ratio** - the ratio of the amount borrowed to the estimated or reported income of the customer, usually taken into consideration in relation to loans secured on dwellings. It is considered as a more general concept of 'affordability'.
5. **Size of credit lines** - assesses changes in total credit lines (drawn or not) offered to *businesses*. The term "credit line" refers to a facility with a stated maximum amount, which a corporate is entitled to borrow from an institution at any given time.



6. **Loan monitoring requirements** - additional reporting required of the *business* borrower as part of the conditions of the loan agreement (e.g. regular reporting of inventory margins).
7. **Loan covenants** - an agreement or stipulation expressed in loan contracts by which the *business* borrower pledges to take certain action (an affirmative covenant) or to refrain from taking a certain action (a negative covenant), and is consequently part of the terms and conditions of the loan.
8. **Collateral requirements** – changes in the requirements for the types of assets used to secure loans, for example, receivables, property, plant & equipment.
9. **Loan to value (LTV) ratio** – the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, usually taken into consideration in relation to loans secured on dwellings.
10. **Credit card limits** - changes in the limits applicable to an institution’s main credit card products offered to individuals
11. **Minimum proportion of balance paid** – the minimum proportion of the outstanding balance on a credit card which must be repaid by the individual borrower.
12. **Interest rates on non- credit card lending** – changes in interest rates on non-credit card unsecured loan products offered to individuals
13. **Interest rates on credit card lending** - changes in the annual percentage interest rates on credit card products offered to individuals.