

# Survey of Credit Conditions Compilation Guidelines

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In order to meet its core purposes of monetary and financial stability, the Bank of Jamaica welcomes information on lending policies as well as developments regarding demand and supply conditions in the credit market. These developments are important influences on the behavior of households and corporate firms, and hence on the overall economic outlook. They also contribute to the assessment of systemic risks.

The Bank therefore continues to appraise a wide range of data on lending and borrowing. It supports this surveillance with a regular qualitative Survey of Credit Conditions. This exercise is conducted on a quarterly basis, and covers personal lending, micro-business lending, small business lending, medium-sized business lending as well as large corporate and commercial lending. Personal lending comprises unsecured and secured lending to individuals and households. Small business lending as well as lending to medium-sized and large corporates comprises primarily secured loans to commercial entities.

This guide is intended to help participants in the survey complete the questionnaires. This is a mandatory exercise, and as such responses will be verified against other returns.

The Bank of Jamaica greatly appreciates the involvement of the participants as well as the completion of the survey in the most accurate and timely manner possible.

For additional information, please contact:

The Chief Economist, Monetary Analysis & Programming Department,  
Research & Economic Programming Division,  
Bank of Jamaica,  
Nethersole Place,  
Kingston,  
Jamaica  
P.O. Box 621

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## 1.0 Background

1.1 The Bank of Jamaica Survey of Credit Conditions is primarily qualitative in nature and is intended to assess lending activity to Jamaican resident households, micro enterprises, small businesses, medium-sized firms and large corporate and commercial firms (in both domestic and foreign currency) by regulated institutions operating in Jamaica. The survey is administered to commercial banks, building societies, merchant banks, credit unions as well as institutions engaged in micro and small business lending. The survey comprises five questionnaires: (i) personal lending, (ii) micro business lending (ii) small business lending, (iii) lending to medium-sized businesses and (iv) large corporate and commercial lending. The survey represents a prudential return, similar to other returns made to the Bank's Financial Institution Supervisory Division.

1.2 The Bank of Jamaica is primarily interested in the level of demand for credit, lending policies and market developments over a three-month horizon as this falls within the Bank's forecast and Quarterly Monetary Policy Assessment framework. Similar surveys are conducted by the Bank of England, the Federal Reserve and the European Central Bank.

## 2.0 Notes on accessing the Survey

2.1 The survey is conducted on a quarterly basis during April, July, October and January. Participants will be notified that the survey is available for completion via email or mail. The survey should be completed within ten (10) working days. Aggregate results will usually be published at the end of the survey month.

2.2 The survey questionnaires are presented in electronic format and are available only at the invitation of the Bank of Jamaica. Designated participants are asked to report on past and expected changes in the demand for and supply

of loanable funds as well as lending terms and conditions, by selecting from a range of qualitative options provided for each question. Participants should complete all questions, even if there has been no change in their outlook. Participants are asked to select the 'n/a' boxes where appropriate.

2.4 The Bank welcomes financial institutions' assessments of credit conditions and developments based on the most timely and most accurate data available, but notes that it may be difficult for participants to provide information precisely on their activity over the past three months. As such, participants may provide additional comments in the relevant boxes which clarify the context in which a particular response has been selected.

2.5 The questions relate to changes over the past three months relative to the previous three months and expected changes over the next three months relative to the latest three months. For instance, for the April survey, retrospective questions review changes in the period between January and March relative to the period between October and December. The prospective questions would forecast expected changes during the period between April and June relative to the period between January and March.

2.6 When answering the questions, respondents should choose from the range of options provided. For example in response to a question on the availability of credit, the series of response options provided would include: 'increased substantially', 'increased moderately', 'about the same', 'declined moderately' and 'declined substantially'. As the survey is largely qualitative in nature, no quantitative guidelines are provided to respondents as to what constitutes 'substantially' and 'moderately'. Respondents are required to refer to their responses to previous surveys when judging whether demand, supply and market conditions have changed 'substantially' or 'moderately'

and to use the available response options accordingly. Participants may request to see their previous survey responses. Requests for this information should be sent to the Chief Economist, Monetary Analysis & Programming, Research & Economic Programming Division, Bank of Jamaica, Nethersole Place, Kingston, Jamaica P.O. Box 621.

2.7 Participants are asked to report changes in lending market conditions. The questionnaire requests information on changes in the value of new approved lending, after taking into account normal seasonal variations. If conditions have been, or are expected to remain, broadly unchanged in the past three months relative to the previous three months, respondents are asked to select the 'about the same' option.

2.8 Participants are asked to take account of seasonality when answering the questions. For example, the demand for unsecured lending may always be strong in the three months to December due to the impact of Christmas on consumer spending patterns. Participants are asked to abstract from these effects.

2.9 Changes in lending driven by one-off factors such as the acquisition/disposal of a portfolio or business should be reported in the survey responses. In such cases, the comment boxes should be used to alert the Bank of Jamaica to these factors.

### 3.0 How to complete the questionnaires

3.1 Questions have multiple parts (e.g. see screenshot on this page). For each question and each part thereof, respondents are asked to select one of the response options provided. Unanswered questions will remain highlighted and the participant will not be able to view the next page until the current page is completed. If the question is not applicable, please select the 'n/a' option.

3.2 The following screenshot shows how the Survey of Credit Conditions will appear on screen.

Participants should click on one of the options presented. Questions and parts that have not been completed will appear in red text, with a note reminding participants that the question and parts thus shaded, are mandatory and must be completed in order to continue to the next page of the survey (see the section bordered in red in the screenshot above).

\* To what factors do you attribute the increase in demand for the December 2012 quarter?

This question is mandatory. Please complete all parts.

	Very Important	Somewhat Important
Increase in Income	<input type="radio"/>	<input type="radio"/>
Decrease in Income	<input type="radio"/>	<input type="radio"/>
Decline in Interest Rates	<input type="radio"/>	<input type="radio"/>
Changes in Government Policy	<input type="radio"/>	<input type="radio"/>
Increase in Collateral Value	<input type="radio"/>	<input type="radio"/>
Developments associated with one or more economic sectors	<input type="radio"/>	<input type="radio"/>
Other factors	<input type="radio"/>	<input type="radio"/>

On completion of all questions on a page, this reminder will disappear and the participant will be allowed to continue to the next page.

3.3 Additional written comments explaining the answers selected are very welcome. These may be included in the comment box at the end of the survey questionnaire. There is no word limit to the content of the comment boxes, although only approximately 750 characters will be visible in the comment box on screen. If participants wish to provide more detailed comments, we are happy to receive these in word via email, mail or fax.

3.4 The Bank may on occasion add *ad hoc* questions to the survey based on credit market

developments and related issues of current interest.

## 4.0 Completing the survey in stages

4.1 Participants should not feel obliged to complete an entire questionnaire at once. By selecting the “**save and resume**” option at the end of each page, participants are able to return to a partially completed survey questionnaire at a later date. The “**save and resume**” option requests a password for saving unfinished surveys. This password is required to access the survey for completion. Respondents are reminded that the questionnaires should be completed and submitted within the allotted period of ten (10) working days.

## 5.0 Frequently asked questions

**5.1 Question:** Will my institution’s inclusion in the sample be publicized? Will the market shares be made known?

**Answer:** No. The Bank of Jamaica will not publish details of the sample sizes, the sample members or the weights applied to each respondent’s results.

**5.2 Question:** What happens if my institution misses a round due to internal workloads? Does this preclude us from future surveys?

**Answer:** The surveys are mandatory for all institutions supervised by the Bank of Jamaica. For institutions which are not supervised by the Bank, missing a round of surveys does not preclude their participation in other survey. Responses that are not submitted by the publicized deadline will simply not be included in that round’s published aggregate results.

**5.3 Question:** How will participants benefit?

**Answer:** This survey will increase the Economic Policy Committee’s understanding of changes in trends in credit conditions as well as lending and hence help promote macroeconomic stability. Participants may also find the aggregate results useful in their own analyses. The fullest participation is encouraged so as to improve the accuracy of the results.

## 6.0 Personal Lending Questionnaire

This section provides question-by-question guidance on the content of the personal lending questionnaire. Personal lending is likely to be made under different terms and conditions from lending to commercial entities.

Questions elicit information on the demand for unsecured and secured personal loans; the factors underpinning loan demand; loan approvals rates, credit availability, the price and non-price terms of lending as well as the factors underpinning the change in lending to households and individuals.

Participants should complete all questions, even if there has been no change in their outlook. Participants are asked to check the ‘n/a’ boxes where appropriate. A comment box at the end of the survey is available for additional detail.

### 1 – Proportion of personal loans which are unsecured

This question is designed to assess the proportion of personal loans which are unsecured.

### 2 - Demand for types of personal loans

This question is designed to assess the extent of change in demand for various types of unsecured and secured personal loans. Demand refers to the number and value of new loan applications.

**Credit card lending** – the value of non-revolving, unsecured loans issued to consumers via credit card contracts.

**Other unsecured loans** – Mainly comprises unsecured personal loans which are not classified as credit card loans.

**Mortgages** – new lending specifically for the purposes of house purchase, of which: Remortgaging pertains to lending which occurs when a borrower refinances all or part of their existing mortgage with a new loan secured on the same property. Borrowing exceeding customers' previous mortgages should be recorded as **other lending secured on real estate**.

**Other lending secured on real estate** – this is intended to measure any lending secured on residential property to finance consumption (e.g. to buy home entertainment equipment or to repay other debt). It includes additional borrowing arising when a borrower increases their overall mortgage debt with the same lender.

**Motor vehicle loans** – lending secured on motor cars.

**Debt Consolidation loans** – Loans for the purpose of consolidating debt.

**Other secured loans** - Includes all other secured loans not described above, such as loans for Household Goods, Hire-Purchase Loans, Educational Loans and other secured loans.

### 3 - Factors driving changes in demand for secured personal loans

This question is designed to assess the factors which underpin the increase or decrease in secured demand for personal loans.

The demand for secured lending from households may be driven by several factors:

**Change in personal income** – the extent of loan demand associated with changes in personal income of borrowers and/or the allocation of their income between investment and consumption.

**Change in interest rates** – the extent of loan demand associated with changes in market lending rates as well as interest rates on investment instruments.

**Change in collateral value** - the extent of loan demand associated with changes in the value of collateral used to secure personal loans. Collateral - the security given by a borrower to a lender as a pledge for repayment of a loan.

**Loan Promotion activity** - significant changes in marketing loans in the financial services industry.

**Macroeconomic risks** - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

**Changes in government policy** – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

**Other factors** – extent of loan demand associated with changes in legislation; and/or new developments in the lending market such as technological changes or the entry of new lending institutions.

### 4 - Factors driving changes in demand for unsecured personal loans

This question is designed to assess the factors which underpin the increase or decrease in demand for unsecured personal loans.

The demand for unsecured lending from households may be driven by several factors:

*Change in personal income* – the extent of loan demand associated with changes in personal income of borrowers and/or the allocation of their income between investment and consumption.

*Change in interest rates* – the extent of loan demand associated with changes in market lending rates as well as interest rates on investment instruments.

*Loan Promotion activity* - significant changes in marketing loans in the financial services industry

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Changes in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the lending market such as technological changes or the entry of new lending institutions.

## 5 -The availability of credit on personal loans

This question is designed to gauge policy changes in the availability of credit for

unsecured and secured personal loans. Respondents are asked to assess current and future increases or contractions in the supply of credit in the stated categories.

## 6 - Changes in Price and Non-Price lending terms –secured loans

This question is designed to assess policy changes in an institution's lending terms on *secured personal loans*, in particular the price and non-price terms of lending.

*Fees applicable to loans* - Fixed fees charged when a new loan is being taken out

*Maximum 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. Collateral - the security given by a borrower to a lender as a pledge for repayment of a loan.

*Maximum 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. Some participants consider a more general concept of 'affordability'. These participants should interpret this question as asking whether their affordability criteria have/are expected to change.

*Maximum repayment period* - this question refers to the maximum duration of credit that is extended to the customer.

*Collateral requirements* – changes in the requirements for the types of assets used to secure loans, for example, receivables, property, plant & equipment.

## 7 - Changes in Price and Non-Price lending terms –unsecured loans

This question is designed to assess policy changes in an institution's lending terms on



*unsecured personal loans*, in particular the price and non-price terms of lending.

*Interest rates on credit card lending* - changes in the annual percentage interest rates on credit card products

*Minimum proportion of balance paid* – the minimum proportion of the outstanding balance on a credit card which must be repaid by the borrower

*Credit card limits* - changes in the limits applicable to an institution's main credit card products

*Interest rates on non- credit card lending* – changes in interest rates on non-credit card unsecured loan products

*Fees applicable to unsecured loans* – Fixed fees charged when a new unsecured loan is being taken out

*Maximum repayment period on unsecured loans* – the maximum duration of unsecured credit that is extended to the customer

## 8 - Loan approval rates

This question is designed to gauge the overall effects of loan demand and supply on the approval rate. Changes in criteria may alter the approval rate for a given level of demand.

Alternatively changes in the quality of demand, holding criteria fixed, may also alter the approval rate. This question is aimed at gauging the net effect of these factors.

## 9 – Factors influencing the change in personal loans

This question is designed to assess the importance of the factors explaining the change in personal loans.

*Changing economic outlook* – changes in the outlook for output (income), employment and

inflation. Any economic factors not encompassed by this list, but which are thought to affect credit availability, can be explained in the comments box provided at the end of this survey.

*Market share objectives* – changes in activity/loan supply that are driven by changes in competitive objectives and behavior, as opposed to underlying economic fundamentals. For example, lenders may adjust their spreads, or change the level of promotional activity, relative to other lenders in the market.

*Changes in loan portfolio mix* - changes in loan supply driven by a reallocation of available loanable funds to different segments of the lending market.

*Changing appetite for risk* – changes in lending behavior that are attributable to changes in lenders' risk preferences.

*Changing cost/availability of funds* – the impact on loan supply of changes in wholesale funding markets

*Changes in risks associated with lending to households and individuals* - the impact of any developments within or relevant to the household sector which materially change the risks/rewards of lending to households and individuals

## 10 – Weighted average lending rate for loans issued during the review quarter

This question seeks to determine the weighted average lending rates (%) which have been applied to new personal loans and advances disbursed during the specified review quarter in the following categories: credit card lending, other unsecured personal loans, mortgages and other secured personal loans.

## 11 – Expected weighted average lending rate for loans to be issued in the coming quarter



This question seeks to determine the weighted average lending rates (%) which will be applied to new personal loans and advances during the coming quarter in the following categories: credit card lending, other unsecured personal loans, mortgages and other secured personal loans.

## 7.0 Micro Business Lending Questionnaire

This section provides question-by-question guidance on the content of the micro business lending questionnaire. Micro business lending mainly comprises secured and unsecured lending to micro businesses.

A micro business firm may be classified by loan size or annual turnover:

1. Classification by loan size: if the loan is less than the equivalent of US\$10 000 at origination
2. Classification by turnover: if firm annual sales/turnover is less than the equivalent of US\$100 000

Questions elicit information on the demand for domestic and foreign currency loans; drivers of changes in demand; credit availability; changes in the price and non-price terms of secured and unsecured lending to this market segment; the loan approval rate; and factors underpinning changes in lending to micro businesses.

We acknowledge that trends in the micro business segment can be very different, so we ask lenders to make a judgment as to the overall trend in this market. Additional details relating to each segment may be provided in the comment box at the end of the questionnaire.

Where the survey asks about changes in demand or supply of lending, it refers to

**changes in the value of domestic and foreign currency lending.**

### 1 – Proportion of business loans which are extended to micro businesses

This question is designed to assess the proportion of a lending institution's business loan portfolio which is allocated to micro business lending.

### 2 - Demand for various types micro business loans

This question asks about demand from micro businesses for different types of secured and unsecured loans, based on the purpose of the loan. Demand refers to the number and value of new loan applications.

*Credit card* - credit cards assigned to customers at a specified credit limit.

*Inventory and working capital financing* - financing in order to acquire stock and/or other current assets, provide for operating expenses, meet short-term liabilities and address temporary liquidity shortfalls in business operations.

*Commercial motor vehicles* - motor trucks, buses, minibuses, trailers, taxi-cabs, cars for car rental firms and cars registered for CMC.

*Plant & equipment* - fixed assets in the form of machinery and equipment, including specialized industrial equipment, professional equipment, computer equipment and office equipment; Excludes motor vehicles;

*Commercial real estate* - office buildings, industrial property, medical centers, hotels, malls, retail stores, farm land, multifamily housing buildings, warehouses, and garages;

*Balance sheet restructuring* – refers to the extent to which corporate borrowing is being used to restructure the firm's portfolio of liabilities.

*Loan refinancing* - new loans obtained to replace existing debt, typically at lower interest rates and/or on better lending terms and conditions.

*Unsecured loans* - loans without collateral requirements.

*Other loans* - loans for all other purposes

*Line of Credit* - A line of credit represents an agreement between a client and the lending institution that it will entertain requests from that client for a loan up to a predetermined amount. The line of credit is established when the lending institution gives a letter to the client stating the dollar amount of the line, the time period for which it is in effect (e.g., 1 year), and other conditions or provisions of the arrangement.

*Loan guarantees* - arrangements with clients which entail the lending institution becoming a guarantor, in the event that primary and secondary sources of loan repayment are unable to satisfy a debt.

### 3 – Demand for local currency loans by micro businesses

This question asks about actual/expected changes in the number and value of new applications for *local currency denominated loans* from micro businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

Changes in the value of loan demand should be based on changes in the value of new **Jamaica dollar** loan applications.

### 4 – Demand for foreign currency loans by micro businesses

This question asks about actual/expected changes in the number and value of new applications for *foreign currency denominated loans* from micro businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

Changes in the value of loan demand should be based on changes in the value of **new foreign currency loan applications measured in US dollars**.

### 5 - Drivers of changes in the demand for secured loans from micro businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for loans by micro businesses. The demand for these loans may be driven by several factors:

*Changes in business activity* - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

*Change(s) in market lending rates* – the extent of loan demand associated with changes in market lending rates.

*Loan Promotion activity* - significant changes in the marketing of loans within the banking industry.

*Balance Sheet Restructuring* - this question asks about the extent to which corporate borrowing is being used to restructure the firm's portfolio of liabilities (for example, are companies using bank loans to finance existing loans)

*Loan Refinancing* - This arises where borrowers obtain a new loan, typically at a lower interest rate or on improved terms, to settle or extinguish an existing loan. The refinancing is usually at borrowers' discretion and occurs only when it is to their advantage.

*Developments in one or more economic sectors* - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. **Appendix A** in this **Survey Compilation Guide** provides a description of each economic sector. In the box provided at the end of the survey questionnaire please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the market for bank lending such as technological changes or the entry of new banks

## 6 - Drivers of changes in the demand for unsecured loans from micro businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for loans by micro businesses. The demand for these loans may be driven by several factors:

*Changes in business activity* - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

*Change(s) in market lending rates* – the extent of loan demand associated with changes in market lending rates.

*Loan Promotion activity* - significant changes in the marketing of loans within the banking industry.

*Developments in one or more economic sectors* - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. **Appendix A** in this **Survey Compilation Guide** provides a description of each economic sector. In the box provided at the end of the survey questionnaire please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the market for bank

lending such as technological changes or the entry of new banks

### 7- Availability of credit to micro businesses

This question is designed to gauge policy changes by a lending institution with respect to the availability of credit to micro businesses classified by specific economic sectors.

Respondents are asked to assess current and expected future increases or contractions in the supply of credit to micro businesses in each of these sectors, where relevant. **Appendix A** of this **Survey Compilation Guide** provides a description of each economic sector.

### 8 - Price and non-price terms of secured lending to micro businesses

This question assesses the actual and expected changes in specific price and non-price terms of secured lending to micro businesses.

*Fees applicable to loans* - Fixed fees charged when a new loan is being taken out.

*Maximum loan-to-value (LTV) ratio* - the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, for loans secured on real estate or other collateral.

*Maximum Debt Service ratio* - the ratio of the amount borrowed to the reported income of the borrower.

*Maximum repayment period* - this question refers to the maximum duration of credit that is extended to the customer.

*Collateral requirements* - changes in the requirements for the types of assets used to secure loans, for example, receivables, property, plant & equipment.

### 9 - Price and non-price terms on unsecured lending to micro businesses

This question assesses the actual and expected changes in specific price and non-price terms of unsecured lending to micro businesses.

*Interest rates on credit card lending* - the interest rate charged to micro businesses for credit card products.

*Minimum proportion of balance paid* - this question refers to changes in the required minimum payment (either in percentage terms or in absolute terms).

*Credit card limits* - the maximum amount a customer can borrow on their credit card.

*Interest rates on revolving and other loans* - the interest rate charged to micro businesses for revolving and other loan products.

*Fees applicable to unsecured loans* - Fixed fees charged when a new unsecured loan is being taken out.

*Maximum repayment period on unsecured loans* - this question refers to the maximum duration of unsecured credit that is extended to the customer.

### 10 – Loan approval rate: micro businesses

This question assesses the joint effects of loan supply and loan demand on the loan approval rate.

Changes in lending criteria for a given level of demand may alter the approval rate. Conversely changes in the level of demand holding the lending criteria constant can also alter the loan approval rate. Similarly, changes in the quality of loan applications may alter the loan approval rate.

*Inventory and working capital financing* - financing in order to acquire stock and/or other current assets, provide for operating expenses, meet short-term liabilities and address

temporary liquidity shortfalls in business operations.

*Commercial motor vehicles* - motor trucks, buses, minibuses, trailers, taxi-cabs, cars for car rental firms and cars registered for CMC.

*Plant & equipment* - fixed assets in the form of machinery and equipment, including specialized industrial equipment, professional equipment, computer equipment and office equipment; Excludes motor vehicles

*Commercial real estate* - office buildings, industrial property, medical centers, hotels, malls, retail stores, farm land, multifamily housing buildings, warehouses, and garages;

*Other secured loans* - loans for all other purposes with collateral requirements.

*Unsecured loan* - loans without collateral requirements.

#### 11 – Factors underpinning changes in lending to micro businesses

This question assesses the underlying factors which explain changes in bank policy with respect to the availability of credit to micro businesses.

*Changing economic outlook* - Changes in the outlook for output (income), employment, and inflation.

*Market share objectives* - changes in loan supply which are driven by changes in the competitive objectives, strategies and behavior within the banking and financial services industry, where relevant, rather than the underlying economic fundamentals.

*Changes in loan portfolio mix* - changes in loan supply driven by a reallocation of available loanable funds to different segments of the lending market.

*Market pressures from capital markets* - the extent to which capital market activity either through spreads or flow of business competes with lenders to supply credit.

*Changing appetite for risk* - changes in lending behavior which are caused by changes in the risk preferences of lenders

*Changing cost/availability of funds* - the impact on credit supply of changes in interest rates/liquidity in the swap/wholesale markets

*Changes in economic sector-specific risks* - the impact of any sector-specific developments which materially change the risks/rewards of lending to one or more sectors

Questions 12 and 13 seek to determine the weighted average lending rates which were applied to new local currency and foreign currency loans and advances approved and issued to micro businesses during the specified review quarter. Definitions of the respective economic sectors are contained in Appendix A.

Questions 14 and 15 seek to determine the weighted average lending rates that will be applied to new local currency and foreign currency loans and advances that will be disbursed in the coming quarter. Definitions of the respective economic sectors are contained in Appendix A.

## 8.0 Small Business Lending Questionnaire

This section provides question-by-question guidance on the content of the small business lending questionnaire. Small business lending mainly comprises unsecured and secured lending to small businesses.

A small business firm may be classified by loan size or annual turnover:

1. Classification by loan size: if the loan is more than the equivalent of US\$10 000 and less than the equivalent of US\$100 000 at origination
2. Classification by turnover: if firm annual sales/turnover is more than the equivalent of US\$100 000 and less than the equivalent of US\$5.0 million

Questions elicit information on the demand for domestic and foreign currency loans; drivers of changes in demand; credit availability; changes in the price and non-price terms of unsecured and secured lending to this market segment; the loan approval rate; and factors underpinning changes in lending to small businesses.

We acknowledge that trends in the small business segments can be very different, so we ask lenders to make a judgment as to the overall trend in this market. Additional details relating to each segment may be provided in the comment box at the end of the questionnaire.

Where the survey asks about changes in demand or supply of lending, it refers to **changes in the value of domestic and foreign currency lending**.

### 1 – Proportion of business loans which are extended to small businesses

This question is designed to assess the proportion of a lending institution's business loan portfolio which is allocated to small business lending.

### 2 - Demand for various types small business loans

This question asks about demand from small businesses for different types of unsecured and secured loans, based on the purpose of the loan. Demand refers to the number and value of new loan applications.

*Credit card* - credit cards assigned to customers at a specified credit limit.

*Inventory and working capital financing* - financing in order to acquire stock and/or other current assets, provide for operating expenses, meet short-term liabilities and address temporary liquidity short-falls in business operations.

*Commercial motor vehicles* - motor trucks, buses, minibuses, trailers, taxi-cabs, cars for car rental firms and cars registered for CMC.

*Plant & equipment* - fixed assets in the form of machinery and equipment, including specialized industrial equipment, professional equipment, computer equipment and office equipment; Excludes motor vehicles;

*Commercial real estate* - office buildings, industrial property, medical centers, hotels, malls, retail stores, farm land, multifamily housing buildings, warehouses, and garages;

*Balance sheet restructuring* – refers to the extent to which corporate borrowing is being used to restructure the firm's portfolio of liabilities.

*Loan refinancing* - new loans obtained to replace existing debt, typically at lower interest rates and/or on better lending terms and conditions.

*Unsecured loan* – loans without collateral requirements.

*Other loans* - loans for all other purposes.

*Line of Credit* - A line of credit represents an agreement between a client and the lending institution that it will entertain requests from that client for a loan up to a predetermined amount. The line of credit is established when the lending institution gives a letter to the client stating the dollar amount of the line, the time



period for which it is in effect (e.g., 1 year), and other conditions or provisions of the arrangement.

*Loan guarantees* - arrangements with clients which entail the lending institution becoming a guarantor, in the event that primary and secondary sources of loan repayment are unable to satisfy a debt.

### 3 – Demand for local currency loans by small businesses

This question asks about actual/expected changes in the number and value of new applications for *local currency denominated loans* from small businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

### 4 – Demand for foreign currency loans by small businesses

This question asks about actual/expected changes in the number and value of new applications for *foreign currency denominated loans* from small businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

Changes in the value of loan demand should be based on changes in the value of new **Jamaica dollar** loan applications.

### 5 - Drivers of changes in the demand for secured loans from small businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for loans by & small businesses. The demand for these loans may be driven by several factors:

*Changes in business activity* - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

*Change(s) in market lending rates* – the extent of loan demand associated with changes in market lending rates.

*Loan Promotion activity* - significant changes in the marketing of loans within the banking industry.

*Balance Sheet Restructuring* - this question asks about the extent to which corporate borrowing is being used to restructure the firm's portfolio of liabilities (for example, are companies using bank loans to finance existing loans)

*Developments in one or more economic sectors* - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. **Appendix A** in this **Survey Compilation Guide** provides a description of each economic sector. In the box provided at the end of the survey questionnaire please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country

risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the market for bank lending such as technological changes or the entry of new banks

## 6 - Drivers of changes in the demand for unsecured loans from small businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for loans by small businesses. The demand for these loans may be driven by several factors:

*Changes in business activity* - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

*Change(s) in market lending rates* – the extent of loan demand associated with changes in market lending rates.

*Loan Promotion activity* - significant changes in the marketing of loans within the banking industry.

*Developments in one or more economic sectors* - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. **Appendix A** in this **Survey Compilation Guide** provides a description of each economic sector.

In the box provided at the end of the survey questionnaire please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the market for bank lending such as technological changes or the entry of new banks

## 7- Availability of credit to small businesses

This question is designed to gauge policy changes by a lending institution with respect to the availability of credit to small businesses classified by specific economic sectors.

Respondents are asked to assess current and expected future increases or contractions in the supply of credit to small businesses in each of these sectors, where relevant. **Appendix A** of this **Survey Compilation Guide** provides a description of each economic sector.

## 8 - Price and non-price terms of secured lending to small businesses

This question assesses the actual and expected changes in specific price and non-price terms of secured lending to small businesses.

*Fees applicable to loans* - Fixed fees charged when a new loan is being taken out.

*Maximum loan-to-value (LTV) ratio* - the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, for loans secured on real estate or other collateral.

*Maximum Debt Service ratio* - the ratio of the amount borrowed to the reported income of the borrower.

*Maximum repayment period* - this question refers to the maximum duration of credit that is extended to the customer.

*Collateral requirements* - changes in the requirements for the types of assets used to secure loans, for example, receivables, property, plant & equipment.

#### **9 - Price and non-price terms on unsecured lending to small businesses**

This question assesses the actual and expected changes in specific price and non-price terms of unsecured lending to small businesses.

*Interest rates on credit card lending* - the interest rate charged to small businesses for credit card products.

*Minimum proportion of balance paid* - this question refers to changes in the required minimum payment (either in percentage terms or in absolute terms).

*Credit card limits* - the maximum amount a customer can borrow on their credit card.

*Interest rates on revolving and other loans* - the interest rate charged to small businesses for revolving and other loan products.

*Fees applicable to unsecured loans* - Fixed fees charged when a new unsecured loan is being taken out.

*Maximum repayment period on unsecured loans* - this question refers to the maximum duration of unsecured credit that is extended to the customer.

#### **10 – Loan approval rate: small businesses**

This question assesses the joint effects of loan supply and loan demand on the loan approval rate.

Changes in lending criteria for a given level of demand may alter the approval rate. Conversely changes in the level of demand holding the lending criteria constant can also alter the loan approval rate. Similarly, changes in the quality of loan applications may alter the loan approval rate.

*Inventory and working capital financing* - financing in order to acquire stock and/or other current assets, provide for operating expenses, meet short-term liabilities and address temporary liquidity short-falls in business operations.

*Commercial motor vehicles* - motor trucks, buses, minibuses, trailers, taxi-cabs, cars for car rental firms and cars registered for CMC.

*Plant & equipment* - fixed assets in the form of machinery and equipment, including specialized industrial equipment, professional equipment, computer equipment and office equipment; Excludes motor vehicles

*Commercial real estate* - office buildings, industrial property, medical centers, hotels, malls, retail stores, farm land, multifamily housing buildings, warehouses, and garages;

*Other secured loans* - loans for all other purposes with collateral requirements.

*Unsecured loan* – loans without collateral requirements.

## 11 – Factors underpinning changes in lending to small businesses

This question assesses the underlying factors which explain changes in bank policy with respect to the availability of credit to small businesses.

*Changing economic outlook* - Changes in the outlook for output (income), employment, and inflation.

*Market share objectives* - changes in loan supply which are driven by changes in the competitive objectives, strategies and behavior within the banking and financial services industry, where relevant, rather than the underlying economic fundamentals.

*Changes in loan portfolio mix* - changes in loan supply driven by a reallocation of available loanable funds to different segments of the lending market.

*Market pressures from capital markets* - the extent to which capital market activity either through spreads or flow of business competes with lenders to supply credit.

*Changing appetite for risk* - changes in lending behavior which are caused by changes in the risk preferences of lenders

*Changing cost/availability of funds* - the impact on credit supply of changes in interest rates/liquidity in the swap/wholesale markets

*Changes in economic sector-specific risks* - the impact of any sector-specific developments which materially change the risks/rewards of lending to one or more sectors

**Questions 12 and 13 seek to determine the weighted average lending rates which were applied to new local currency and foreign currency loans and advances approved and issued to small businesses during the specified**

**review quarter.** Definitions of the respective economic sectors are contained in **Appendix A.** **Questions 14 and 15 seek to determine the weighted average lending rates that will be applied to new local currency and foreign currency loans and advances that will be disbursed in the coming quarter.** Definitions of the respective economic sectors are contained in **Appendix A.**

## 9.0 Medium-sized Business

### Lending Questionnaire

This section provides question-by-question guidance on the content of the medium-sized business lending questionnaire. Medium-sized business lending mainly comprises unsecured and secured lending to medium-sized businesses.

A medium-sized business firm may be classified by loan size or annual turnover:

1. Classification by loan size: if the loan is more than the equivalent of US\$100 000 and less than the equivalent of US\$1.0 million at origination
2. Classification by turnover: if firm annual sales/turnover is more than the equivalent of US\$5.0 million and less than the equivalent of US\$25.0 million

Questions elicit information on the demand for domestic and foreign currency loans; drivers of changes in demand; credit availability; changes in the price and non-price terms of unsecured and secured lending to this market segment; the loan approval rate; and factors underpinning changes in lending to medium-sized businesses.

We acknowledge that trends in the medium-sized business segments can be very different, so we ask lenders to make a judgment as to the

overall trend in this market. Additional details may be provided in the comment box at the end of the questionnaire.

Where the survey asks about changes in demand or supply of lending, it refers to **changes in the value of domestic and foreign currency lending**.

### 1 – Proportion of business loans which are extended to medium-sized businesses

This question is designed to assess the proportion of a lending institution's business loan portfolio which is allocated to medium-sized business lending and the proportion of unsecured loans extended to these businesses.

### 2 - Demand for various types of medium-sized business loans

This question asks about demand from medium-sized businesses for different types of unsecured and secured loans, based on the purpose of the loan. Demand refers to the number and value of new loan applications.

*Inventory and working capital financing* - financing in order to acquire stock and/or other current assets, provide for operating expenses, meet short-term liabilities and address temporary liquidity short-falls in business operations.

*Commercial motor vehicles* - motor trucks, buses, minibuses, trailers, taxi-cabs, cars for car rental firms and cars registered for CMC.

*Plant & equipment* - fixed assets in the form of machinery and equipment, including specialized industrial equipment, professional equipment, computer equipment and office equipment; Excludes motor vehicles.

*Commercial real estate* - office buildings, industrial property, medical centers, hotels,

malls, retail stores, farm land, multifamily housing buildings, warehouses, and garages;

*Mergers & Acquisitions*- The extent to which corporate borrowing is being used to finance mergers and acquisitions, of both domestic and foreign companies.

*Other loans* - loans for all other purposes

### 3 – Demand for local currency loans by medium-sized businesses

This question asks about actual/expected changes in the number and value of new applications for *local currency denominated loans* from medium-sized businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

### 4 – Demand for foreign currency loans by medium-sized businesses

This question asks about actual/expected changes in the number and value of new applications for *foreign currency denominated loans* from medium-sized businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

Changes in the value of loan demand should be based on changes in the value of **new foreign currency loan applications measured in US dollars**.

### 5 - Drivers of changes in demand for secured loans from medium-sized businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for secured loans by medium-sized businesses. The demand for these loans may be driven by several factors:

*Changes in business activity* - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

*Change(s) in market lending rates* – the extent of loan demand associated with changes in market lending rates.

*Loan Promotion activity* - significant changes in the marketing of loans within the banking industry

*Developments in one or more economic sectors* - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. **Appendix A** in this **Survey Compilation Guide** provides a description of each economic sector. In the box provided at the end of the survey questionnaire please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates,

import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the market for bank lending such as technological changes or the entry of new banks

## 6 - Drivers of changes in demand for unsecured loan from medium-sized businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for unsecured loans by medium-sized businesses. The demand for these loans may be driven by several factors:

*Changes in business activity* - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

*Change(s) in market lending rates* – the extent of loan demand associated with changes in market lending rates.

*Loan Promotion activity* - significant changes in the marketing of loans within the banking industry

*Developments in one or more economic sectors* - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. **Appendix A** in this **Survey Compilation Guide** provides a description of each economic sector. In the box provided at the end of the survey questionnaire please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk



(unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the market for bank lending such as technological changes or the entry of new banks

## 7 - Availability of credit to medium-sized businesses

This question is designed to gauge policy changes by a lending institution with respect to the availability of credit to medium-sized businesses classified by specific economic sectors.

Respondents are asked to assess current and expected future increases or contractions in the supply of credit to medium-sized businesses in each of these sectors, where relevant. **Appendix A** of this **Survey Compilation Guide** provides a description of each economic sector.

## 8 - Price and non-price terms of secured lending to medium-sized businesses

This question assesses the actual and expected changes in specific price and non-price terms of unsecured lending to medium-sized businesses.

*Interest rates* - changes in the annual percentage interest rates on secured loans to medium-sized businesses

*Fees applicable to loans* - Fixed fees charged when a new loan is being taken out.

*Maximum loan-to-value (LTV) ratio* - the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, for loans secured on real estate or other collateral.

*Maximum Debt Service ratio* - the ratio of the amount borrowed to the reported business income of the borrowing firm.

*Maximum size of credit lines* - This question is intended to assess changes in total credit lines (drawn or not) offered to medium-sized 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. Responses to this question would provide a useful proxy to changes in loan supply.

*Loan covenants* - an agreement or stipulation expressed in loan contracts by which the 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.

*Loan monitoring requirements* - additional reporting required of the borrower as part of the conditions of the loan agreement (e.g. regular reporting of inventory margins).

## 9 - Price and non-price terms on unsecured lending to medium-sized businesses

This question assesses the actual and expected changes in specific price and non-price terms of unsecured lending to medium-sized businesses.

*Interest rates* - changes in the annual percentage interest rates on secured loans to medium-sized businesses.

*Fees applicable to loans* - Fixed fees charged when a new loan is being taken out.

*Maximum Debt Service ratio* - the ratio of the amount borrowed to the reported business income of the borrowing firm.

*Maximum size of credit lines* - This question is intended to assess changes in total credit lines (drawn or not) offered to medium-sized 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. Responses to this question would provide a useful proxy to changes in loan supply.

*Loan covenants* - an agreement or stipulation expressed in loan contracts by which the 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.

*Loan monitoring requirements* - additional reporting required of the borrower as part of the conditions of the loan agreement (e.g. regular reporting of inventory margins).

#### **10 – Loan approval rate: medium-sized businesses**

This question assesses the joint effects of loan supply and loan demand on the loan approval rate.

Changes in lending criteria for a given level of demand may alter the approval rate. Conversely, changes in the level of demand holding the lending criteria constant can also alter the loan approval rate. Similarly, changes in the quality of loan applications may alter the loan approval rate.

#### **11 – Factors underpinning changes in lending to medium-sized businesses**

This question assesses the underlying factors which explain changes in bank policy with respect to the availability of credit to medium-sized businesses.

*Changing economic outlook* - Changes in the outlook for output, income, employment, and inflation.

*Market share objectives* - changes in loan supply which are driven by changes in the competitive objectives, strategies and behavior within the banking and financial services industry, where relevant, rather than the underlying fundamentals.

*Changes in loan portfolio mix* - changes in loan supply driven by a reallocation of available loanable funds to different segments of the lending market.

*Market pressures from capital markets* - the extent to which capital market activity either through spreads or flow of business competes with lenders to supply credit.

*Changing appetite for risk* - changes in lending behavior which are caused by changes in the risk preferences of lenders

*Changing cost/availability of funds* - the impact on credit supply of changes in interest rates/liquidity in the swap/wholesale markets

*Changes in economic sector-specific risks* - the impact of any sector-specific developments which materially change the risks/rewards of lending to one or more sectors

**Questions 12 – 15 refer weighted average lending rates for the review quarter and the forecast for the coming quarter in both local currency and foreign currency loans. Definitions of the respective economic sectors are contained in Appendix A of Survey Compilation Guide.**

## 10.0 Large Corporate & Commercial Business Lending Questionnaire

This section provides question-by-question guidance on the content of the large corporate and commercial lending questionnaire. Large corporate and commercial lending mainly comprises unsecured and secured lending to large corporate and commercial firms.

A large corporate and commercial business firm may be classified by loan size or annual turnover:

1. Classification by loan size: if the loan is more than the equivalent of US\$1.0 million at origination
2. Classification by turnover: if firm annual sales/turnover is more than the equivalent of US\$25.0 million

Questions elicit information on the demand for domestic and foreign currency loans; drivers of changes in demand; credit availability; changes in the price and non-price terms of unsecured and secured lending to this market segment; the loan approval rate; and factors underpinning changes in lending to large corporate and commercial firms.

We acknowledge that trends in the large corporate and commercial segments can be very different, so we ask lenders to make a judgment as to the overall trend in this market. Additional details may be provided in the comment box at the end of the questionnaire.

Where the survey asks about changes in demand or supply of lending, it refers to **changes in the value of domestic and foreign currency lending**.

**1 – Proportion of business loans which are extended to large corporate and commercial**

**firms and the proportion of these loans which is unsecured**

This question is designed to assess the proportion of a lending institution's business loan portfolio which is allocated to large corporate and commercial lending and the proportion of these loans which is unsecured.

**2 - Demand for various types of large corporate and commercial loans**

This question asks about demand from large corporate and commercial for different types of unsecured and secured loans, based on the purpose of the loan. Demand refers to the number and value of new loan applications.

*Inventory and working capital financing* - financing in order to acquire stock and/or other current assets, provide for operating expenses, meet short-term liabilities and address temporary liquidity short-falls in business operations.

*Commercial motor vehicles* - motor trucks, buses, minibuses, trailers, taxi-cabs, cars for car rental firms and cars registered for CMC.

*Plant & equipment* - fixed assets in the form of machinery and equipment, including specialized industrial equipment, professional equipment, computer equipment and office equipment. Excludes motor vehicles

*Commercial real estate* - office buildings, industrial property, medical centers, hotels, malls, retail stores, farm land, multifamily housing buildings, warehouses, and garages

*Balance Sheet Restructuring* - this question asks about the extent to which corporate borrowing is being used to restructure the firm's portfolio of liabilities.

**Loan refinancing** - new loans obtained to replace existing debt, typically at lower interest rates and/or on better lending terms and conditions.

**Mergers & acquisitions** - this question asks about the extent to which corporate borrowing is being used to finance mergers and acquisitions, of both domestic and foreign companies.

**Other loans** - All other loans

**Line of Credit** - A line of credit represents an agreement between a client and the lending institution that it will entertain requests from that client for a loan up to a predetermined amount. The line of credit is established when the lending institution gives a letter to the client stating the dollar amount of the line, the time period for which it is in effect (e.g., 1 year), and other conditions or provisions of the arrangement.

**Loan Guarantees** - Arrangements with clients which entail the lending institution becoming a guarantor, in the event that primary and secondary sources of loan repayment are unable to satisfy a debt.

### 3 – Demand for local currency loans by large corporate and commercial businesses

This question asks about actual/expected changes in the number and value of new applications for **local currency denominated loans** from large corporate and commercial businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

### 4 – Demand for foreign currency loans by large corporate and commercial businesses

This question asks about actual/expected changes in the number and value of new

applications for **foreign currency denominated loans** from large corporate and commercial businesses during the specified quarter.

Changes in the level of loan demand should be noted in relation to specific economic sectors. **Appendix A** of this **Survey Compilation Guide** contains a detailed description of each economic sector.

Changes in the value of loan demand should be based on changes in the value of **new foreign currency loan applications measured in US dollars**.

### 5 - Drivers of changes in demand for secured loan from large corporate and commercial businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for loans by large corporate and commercial businesses. The demand for these loans may be driven by several factors:

**Changes in business activity** - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

**Change(s) in market lending rates** – the extent of loan demand associated with changes in market lending rates.

**Loan Promotion activity** - significant changes in the marketing of loans within the financial services industry.

**Developments in one or more economic sectors** - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. **Appendix A** in the **Compilation Guide** provides a description of each economic sector. In the box provided at the end of the survey questionnaire

please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the lending market such as technological changes or the entry of new lending institutions.

## 6 - Drivers of changes in demand for unsecured loan from large corporate and commercial businesses

This question is designed to assess the factors which underpin the increase or decrease in demand for loans by large corporate and commercial businesses. The demand for these loans may be driven by several factors:

*Changes in business activity* - the extent of loan demand associated with changes in the level of annual sales/turnover for the firm. In the box provided at the end of the questionnaire, please note whether the change(s) in business activity reflect seasonal and/or other market developments.

*Change(s) in market lending rates* – the extent of loan demand associated with changes in market lending rates.

*Loan Promotion activity* - significant changes in the marketing of loans within the financial services industry.

*Developments in one or more economic sectors* - the extent of loan demand associated with technological or market developments, foreign and/or local investments and/or other business activities in one or more economic sectors. Appendix A in the Compilation Guide provides a description of each economic sector. In the box provided at the end of the survey questionnaire please enumerate and briefly describe these developments.

*Macroeconomic risks* - exposures caused by uncertainty in the country's macroeconomic conditions. These pertain to financial risk (unanticipated changes in interest rates and the cost of financing); currency risk (unanticipated changes in the exchange rate and inflation rate of domestic and foreign currencies); and country risk (unanticipated changes in the country's monetary and fiscal policy regimes).

*Change(s) in government policy* – the extent of loan demand associated with changes in government policy, such as changes in tax rates, import restrictions, other changes in public policy.

*Other factors* – extent of loan demand associated with changes in legislation; and/or new developments in the lending market such as technological changes or the entry of new lending institutions.

## 7 - Availability of credit to large corporate and commercial businesses

This question is designed to gauge policy changes by a lending institution with respect to the availability of credit to large corporate and commercial businesses classified by specific economic sectors.

Respondents are asked to assess current and expected future increases or contractions in the

supply of credit to large corporate and commercial businesses in each of these sectors, where relevant. **Appendix A** of this **Survey Compilation Guide** provides a description of each economic sector.

## 8 - Price and non-price terms on secured lending to large corporate and commercial businesses

This question assesses the actual and expected changes in specific price and non-price terms of secured lending to large corporate and commercial businesses.

*Interest rates* - changes in the annual percentage interest rates on secured loans to large corporate & commercial businesses

*Fees applicable to loans* - Fixed fees charged when a new loan is being taken out.

*Maximum loan-to-value (LTV) ratio* - the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, for loans secured on real estate or other collateral.

*Maximum debt service ratio* - the ratio of the amount borrowed to the reported income of the borrower

*Maximum size of credit lines* - This question is intended to assess changes in total credit lines (drawn or not) offered to medium-sized 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. Responses to this question would provide a useful proxy to changes in loan supply.

*Loan covenants* - an agreement or stipulation expressed in loan contracts by which the 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.

*Loan monitoring requirements* - additional reporting required of the borrower as part of the conditions of the loan agreement (e.g. regular reporting of inventory margins).

## 9 - Price and non-price terms on unsecured lending to large corporate and commercial businesses

This question assesses the actual and expected changes in specific price and non-price terms of unsecured lending to large corporate and commercial businesses

*Interest rates* - changes in the annual percentage interest rates on secured loans to large corporate & commercial businesses

*Fees applicable to loans* - Fixed fees charged when a new loan is being taken out.

*Maximum loan-to-value (LTV) ratio* - the ratio of the amount borrowed to the appraisal or market value of the underlying collateral, for loans secured on real estate or other collateral.

*Maximum debt service ratio* - the ratio of the amount borrowed to the reported income of the borrower

*Maximum size of credit lines* - This question is intended to assess changes in total credit lines (drawn or not) offered to medium-sized 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. Responses to this question would provide a useful proxy to changes in loan supply.

*Loan covenants* - an agreement or stipulation expressed in loan contracts by which the 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.

*Loan monitoring requirements* - additional reporting required of the borrower as part of the conditions of the loan agreement (e.g. regular reporting of inventory margins).

#### 10 – Loan approval rate: large corporate and commercial businesses

This question assesses the joint effects of loan supply and loan demand on the loan approval rate.

Changes in lending criteria for a given level of demand may alter the approval rate. Conversely changes in the level of demand holding the lending criteria constant can also alter the loan approval rate. Similarly, changes in the quality of loan applications may alter the loan approval rate.

#### 11 – Factors underpinning changes in lending to large corporate and commercial businesses

This question assesses the underlying factors which explain changes in bank policy with respect to the availability of credit to large corporate and commercial businesses.

*Changing economic outlook* - changes in the outlook for output (income), employment, and inflation.

*Market share objectives* - changes in loan supply which are driven by changes in the competitive objectives, strategies and behavior within the banking and financial services industry, where relevant, rather than the underlying fundamentals

*Changes in loan portfolio mix* - changes in loan supply driven by a reallocation of available loanable funds to different segments of the lending market

*Market pressures from capital markets* - the extent to which capital market activity either through spreads or flow of business competes with lenders to supply credit.

*Changing appetite for risk* - changes in lending behaviour which are caused by changes in the risk preferences of lenders

*Changing cost/availability of funds* - the impact on credit supply of changes in interest rates/liquidity in swap/wholesale funding markets

*Changes in economic sector-specific risks* - the impact of any sector-specific developments which materially change the risks/rewards of lending to one or more specific sectors

#### 12 – Weighted average lending rate for local currency loans issued during the review quarter

This question seeks to determine the weighted average lending rates which have been applied to new loans and advances approved and issued to large corporate and commercial businesses during the specified review quarter.

Definitions of the respective economic sectors are contained in **Appendix A** of this **Survey Compilation Guide**.

#### 13 – Weighted average lending rate for foreign currency loans issued during the review quarter

This question seeks to determine the weighted average lending rates which have been applied to new foreign loans and advances approved and issued to large corporate and commercial businesses during the specified review quarter.

Definitions of the respective economic sectors are contained in **Appendix A** of this **Survey Compilation Guide**.

**14 – Weighted average lending rate for local currency loans to be disbursed in the upcoming quarter**

This question seeks to determine the weighted average lending rates which will be applied to new loans and advances disbursed to large corporate and commercial businesses during the specified review quarter.

Definitions of the respective economic sectors are contained in **Appendix A** of this **Survey Compilation Guide**.

**15 – Weighted average lending rate for foreign currency loans issued during the upcoming quarter**

This question seeks to determine the weighted average lending rates which will be applied to new foreign loans and advances approved and

issued to large corporate and commercial businesses during the specified review quarter. Definitions of the respective economic sectors are contained in **Appendix A** of this **Survey Compilation Guide**.

## Appendix A – Description Of Economic Sectors

### AGRICULTURE

#### *Production*

- (i) Sugar Cane--include lending to estates for sugar cane cultivation;
- (ii) Other Domestic Food Crops--include vegetables, tree crops, tubers and crops other than those listed
- (iii) Livestock--include poultry and bee-keeping;
- (iv) Other--includes forestry, logging and services related to agricultural production, e.g. land preparation, irrigation, spraying and packaging.

#### *Marketing*

Include credit granted for the marketing of export crops as well as crops for domestic consumption.

#### *Land Acquisition*

(Agricultural Land) -- credit granted for the acquisition of land for agricultural purposes.

### MINING, QUARRYING AND PROCESSING

Include processing of alumina; do not include mining where it forms a minor part in manufacturing process, e.g. gypsum.

### MANUFACTURING

Include credit for the purpose of processing and manufacturing the products listed.

- (i) Sugar, Rum and Molasses--exclude advances to estates for sugar cane cultivation.
- (ii) Other Food and Drink--include credit for the manufacture of beer, aerated waters and other kinds of bottled drinks other than rum; also for the manufacture of animal and poultry feeds and of food for human consumption, e.g. the slaughtering, preparation and preserving of meat; the canning and preserving of fruits, vegetables and fish and other sea foods; and the manufacture of bakery, dairy and grain mill products;
- (vi) Furniture, Fixtures and Wood Products--include credit for the manufacture of furniture, metal and wooden; also for the processing of wood and manufacture of other wooden products;
- (viii) Cement and Clay Products--include loans for the manufacture of cement, building blocks, bricks, tiles, glass, pottery, etc;
- (ix) Chemicals and Chemical Products--include credit for the manufacture of such products as dyes and dye-stuffs, disinfectants, fertilizers, plastic, synthetic materials, pharmaceuticals and drugs, paints and varnishes, sulphuric acid, soaps, cosmetics, and candles and oil refining.

### CONSTRUCTION AND LAND DEVELOPMENT

- (i) Construction--include credit to establishments engaged in the construction, repair and demolition of buildings, highways and streets; the heavy construction of such projects as sewers and water mains, piers, bridges, dams, drainage projects, irrigation and flood control projects, hydroelectric plants, other industrial plants; marine construction, such as dredging, pile driving, land reclamation and harbor construction; airport construction and all other construction;

- (ii) Land Development--include loans for the development of land for commercial, industrial or residential purposes;
- (iii) Land Acquisition--credit granted for the acquisition of undeveloped land for purposes other than agriculture.

### **TRANSPORT, STORAGE AND COMMUNICATION**

Include credit to enterprises engaged in providing transportation by land, water and air, harbor facilities, storage and warehousing, telephone, wireless and other means of communications.

### **ELECTRICITY, GAS AND WATER**

Include credit to enterprises engaged in providing electric light and power, water and the manufacturing and distribution of gas for industrial, commercial and domestic use.

### **DISTRIBUTION**

Include loans to persons and institutions engaged in retail and wholesale business and to importers and exporters. Credit for the marketing of agricultural production is classified with Agriculture

### **TOURISM**

Include loans to establishments which cater for guests (whether local or overseas), e.g. hotel and guest houses.

### **ENTERTAINMENT**

Include credit to establishments or persons engaged in the entertainment field, e.g. cinemas, clubs, theatres, radio and television broadcasting, phonograph recording, sports and exhibitions, racing, circuses and amusement centres.

### **PROFESSIONAL AND OTHER SERVICES**

- i) Professional and Business Services--include loans for the provision of professional and business services, e.g. legal, accounting, auditing, engineering, architectural and technical services; medical and dental services; advertising, real estate and data processing services;
- ii) Real Estate Services--include buying, selling, renting, managing and appraising real estate on a contract or fee basis;
- iv) Other services--include services provided by educational, religious, health and welfare institutions and trade associations.

### **PERSONAL**

Include loans to individuals for non-business purposes only, e.g. for home improvement, education, purchase of motor cars for private use, purchase of other consumer durables, consolidation of debts. Loans to individuals for business purposes should be put under other categories according to the nature of the business activity engaged in. These instructions are applicable whether the loans are on an installment basis or not.

### **LOANS TO OVERSEAS RESIDENTS**

This should reflect total credit extended to overseas residents. Overseas residents cover all persons not permanently residing in Jamaica and institutions incorporated or registered abroad which, though possibly represented, do not carry on business or non-profit activities in Jamaica.