
**SUMMARY OF THE RESULTS OF THE COMMERCIAL BANK SENIOR
LOAN OFFICERS' OPINION SURVEY ON CREDIT MARKET
CONDITIONS IN THE ECCU (JULY TO DECEMBER 2016)**



**EASTERN CARIBBEAN CENTRAL BANK
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1. INTRODUCTION

In accordance with its function to regulate the availability of money and credit in the Eastern Caribbean Currency Union (ECCU), the Eastern Caribbean Central Bank (ECCB) conducts a bi-annual survey to capture information on the qualitative (non-price) factors affecting the demand for and supply of credit. The self-administered questionnaire targets the senior loan officers at the commercial banks in the ECCU and contains questions covering the business and household sectors. The information gathered helps to enhance the knowledge of the trends and developments in credit conditions in the Currency Union which serves as an input into monetary policy decisions at the Central Bank.

The results of the survey are reported using the net percentage indicator.¹ Declines in the net percentage indicator denote worsening conditions in the environment, while increases denote an improvement.

For the survey period July to December 2016, responses were received from all of the 35 banks² surveyed. The table below shows the response rate.

Table 1-Response Rate

Country	Number of Banks in Country	Number of Banks Responded	% of Total Banks Responded	% of Total Asset Contribution
Anguilla	3	3	100.0%	100.0%
Antigua and Barbuda	6	6	100.0%	100.0%
Dominica	4	4	100.0%	100.0%
Grenada	5	5	100.0%	100.0%
Montserrat	2	2	100.0%	100.0%
St Kitts and Nevis	6	6	100.0%	100.0%
Saint Lucia	5	5	100.0%	100.0%
St Vincent and the Grenadines	4	4	100.0%	100.0%
ECCU	35	35	100.0%	100.0%

¹ See Appendix I for further explanation.

² In 2015, the number of licensed commercial banks in the Eastern Caribbean Currency Union (ECCU) declined from 40 banks to 36 banks. The banking operations of the Royal Bank of Trinidad and Tobago (RBTT) Limited in Antigua and Barbuda, St Kitts and Saint Lucia were merged with the Royal Bank of Canada in the respective territories and the Antigua and Barbuda Investment Bank (ABI) was acquired by the Eastern Caribbean Amalgamated Bank (ECAB). In April 2016, the number of banks was reduced to 35 as National Bank of Anguilla and the Caribbean Commercial Bank (Anguilla) Limited were placed in receivership on 22 April 2016. On 25 April 2016, the newly licensed National Commercial Bank of Anguilla commenced operations in the ECCU.

SUMMARY OF THE RESULTS³

A. Credit to Businesses and Households

At the ECCU level over the period July to December 2016, the overall lending terms and conditions tightened (credit underwriting practices tightened) for all types of loans to businesses⁴. This is consistent with the banks' expectations for these loans as indicated in the previous survey. The main factors which influenced the tightening in overall lending terms and conditions for all the business loans were risks related to the general economic conditions, head office directives, and the credit worthiness of customers. Of note, the interest rates for lending to all business loans eased during the period. The results of the current survey are also consistent with that of the first half of 2016, where the overall lending conditions tightened for all business loans except commercial real estate loans (**Table 2**).

In terms of household⁵ loans, at the ECCU level, overall lending terms and conditions eased (average lending rates declined) for both mortgages and other consumer loans. This is consistent with expectations for easing in overall lending terms and condition for both types of loans indicated in the previous survey. The easing in lending terms and conditions for mortgages and consumer loans was largely attributable to risks related to the expected general economic conditions and competition from other financial institutions. For the previous survey period (January to June 2016) overall lending terms and conditions tightened in regards to mortgages and eased for other consumer loans (**Table 6**).

For the first half of 2017, overall lending terms and conditions are expected to tighten for all types of business loans (**Table 4**). The expectation for tightening in the overall terms and conditions for business loans is based mainly on general economic conditions and the need to manage the

³ The results represent the opinions of the senior loan officers at the commercial banks and may not be reflective of the general credit supply and demand conditions in the ECCU. The ECCB does not undertake any assessment of the results of the survey but only reports the views of respondents as expressed.

⁴ Loans to businesses are categorised into commercial real estate loans, loans to large businesses and loans to small and medium sized businesses.

⁵ Loans to households are categorised into mortgages and other consumer loans.

associated risks. In regard to household loans, expectations are for overall lending terms and conditions to tighten for mortgages and ease for other consumer loans (**Table 8**).

At the ECCU level, demand increased for all types of business loans except for short-term and long-term loans to large businesses. This is consistent to expectations for an increase in demand for all types of loans to businesses in the previous survey (**Table 5**). For the previous survey period (January to June 2016), demand declined for all types of business loans. In terms of household loans, demand increased for both mortgage loans and consumer loans (**Table 9**). This outcome is consistent with the expectation for overall increases in demand for both types of loans and continues the trend of increase in demand reported since January to June 2015. Changes in interest rates was the main factor influencing the increase in demand for loans to commercial real estate loans, loans to small to medium-sized loans as well as mortgages and other consumer loans.

For the period January to June 2017, expectations are for overall increases in the demand for all types of business and household loans. The expectation for an increase in the demand for loans is based on prospects for increase in economic activity as governments embark on infrastructural developments and housing projects and several private sector investment projects are expected to commence.

APPENDIX I: Net Percentage Indicator

The indicator is calculated as the difference between the percentage of banks reporting responses of “eased considerably” or “eased somewhat” and the percentage of banks reporting responses of “tightened considerably” or “tightened somewhat”. This result is then weighted, with the weights being determined for each of the three major categories of loan according to the banks’ contribution to the total value of loans made in that category. For example, if bank X contributes 70 per cent of the total mortgage loans in the ECCU, then that bank's response is weighted by 70 per cent of the overall results for each question relating to mortgage loans. All responses pertaining to small-medium sized businesses, large businesses or commercial real estate are weighted by the corresponding bank’s contribution to total business loans in the ECCU.

APPENDIX II: Survey Results

Table 2 - Overall Conditions of Lending to Businesses (Net Percentage Indicator)

	Commercial Real Estate		Large Businesses		Small/Medium Sized Businesses	
	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016
Anguilla	-72.5	0.0	-72.5	0.0	-72.5	0.0
Antigua and Barbuda	-11.2	0.0	-11.2	0.0	-11.2	0.0
Dominica	0.0	-14.9	0.0	-14.9	0.0	-14.9
Grenada	0.0	0.0	0.0	7.0	0.0	0.0
Montserrat	0.0	0.0	0.0	0.0	0.0	0.0
St Kitts and Nevis	0.0	8.9	0.0	8.9	0.0	8.9
Saint Lucia	0.0	16.8	-29.0	-5.9	-29.0	-5.9
St Vincent and the Grenadines	0.0	0.0	0.0	0.0	0.0	0.0
ECCU	-7.2	5.3	-17.8	-1.4	-17.8	-2.3
Indigenous Banks	-13.0	-9.2	-34.0	-21.7	-34.0	-21.7
Foreign Owned Banks	-3.2	15.2	-3.2	16.7	-3.2	15.2

Table 3 - Demand for Business Loans (Net Percentage Indicator)

	Commercial Real Estate		Loans to Large Businesses				Loans to Small/Medium Sized Businesses			
			Short-term		Long-term		Short-term		Long-term	
	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016
Anguilla	0.0	-82.6	0.0	-82.6	0.0	-82.6	0.0	-82.6	0.0	-82.6
Antigua and Barbuda	68.5	-11.2	26.8	14.2	16.5	14.2	48.4	-23.2	31.9	-29.6
Dominica	-79.1	-77.3	-63.9	-54.6	-79.1	-69.5	-55.4	-42.5	-48.6	-65.2
Grenada	27.9	-7.7	0.0	7.0	0.0	54.4	0.0	47.4	0.0	47.4
Montserrat	-100.0	91.0	-100.0	-4.5	-100.0	91.0	-100.0	-100.0	-100.0	-100.0
St Kitts and Nevis	0.0	11.9	0.0	0.0	0.0	0.0	0.0	-11.9	0.0	-11.9
Saint Lucia	22.9	-48.7	0.0	-52.4	0.0	-52.4	11.6	-52.4	11.6	-52.4
St Vincent and the Grenadines	0.0	-21.2	0.0	-21.2	0.0	21.2	0.0	21.2	0.0	21.2
ECCU	17.9	-30.0	-0.3	-27.4	-2.9	-20.5	9.0	-27.7	6.6	-30.4
Indigenous Banks	11.6	-46.6	-10.1	-28.3	-7.3	-28.0	14.1	-42.4	2.4	-44.7
Foreign Owned Banks	23.6	-18.7	8.3	-26.6	1.2	-13.8	4.3	-14.5	10.3	-17.6

**Table 4 - Outlook for Lending Policies for Business Loans
January to June 2017 (Net Percentage Indicator)**

	Commercial Real Estate	Loans to Large Business		Loans to Small/Medium Sized Businesses	
		Short-term	Long-term	Short-term	Long-term
Anguilla	-72.5	-72.5	-72.5	-72.5	-72.5
Antigua and Barbuda	15.4	17.0	15.4	17.0	1.6
Dominica	-15.3	-79.1	-79.1	-15.3	-15.3
Grenada	0.0	0.0	0.0	0.0	0.0
Montserrat	0.0	0.0	0.0	0.0	0.0
St Kitts and Nevis	0.0	0.0	0.0	0.0	0.0
Saint Lucia	0.0	0.0	0.0	0.0	0.0
St Vincent and the Grenadines	-47.7	0.0	-47.7	0.0	-47.7
ECCU	-5.2	-6.9	-9.7	-2.5	-7.7
Indigenous Banks	-14.5	-18.0	-23.8	-8.7	-13.9
Foreign Owned Banks	3.1	3.1	3.1	3.1	-2.0

**Table 5 - Outlook for Demand for Business Loans
January to June 2017 (Net Percentage Indicator)**

	Commercial Real Estate	Loans to Large Business		Loans to Small/Medium Sized Businesses	
		Short-term	Long-term	Short-term	Long-term
Anguilla	0.0	0.0	0.0	0.0	0.0
Antigua and Barbuda	70.7	26.6	62.6	23.4	30.3
Dominica	15.3	0.0	15.3	0.0	0.0
Grenada	0.0	0.0	0.0	5.7	0.0
Montserrat	-100.0	-100.0	-100.0	0.0	0.0
St Kitts and Nevis	8.0	8.0	0.0	0.0	0.0
Saint Lucia	22.9	34.5	0.0	34.5	0.0
St Vincent and the Grenadines	17.9	17.9	17.9	17.9	17.9
ECCU	24.2	20.0	13.7	19.3	6.2
Indigenous Banks	18.5	12.0	20.0	9.1	1.9
Foreign Owned Banks	29.4	27.3	8.9	28.6	10.1

Table 6 - Overall Conditions of Lending to Households (Net Percentage Indicator)

	Mortgages		Other Consumer Loans	
	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016
Anguilla	-64.3	79.1	38.6	-31.6
Antigua and Barbuda	65.5	0.0	68.7	25.4
Dominica	18.8	-6.4	55.0	5.2
Grenada	10.5	43.3	52.2	5.5
Montserrat	0.0	-94.6	0.0	-81.6
St Kitts and Nevis	19.3	13.4	68.1	5.1
Saint Lucia	-24.8	-48.3	28.2	34.3
St Vincent and the Grenadines	25.3	0.0	51.4	0.0
ECCU	12.6	-1.5	49.8	11.8
Indigenous Banks	-33.4	-17.3	-23.7	-25.9
Foreign Owned Banks	48.2	10.8	-23.7	-25.9

Table 7 - Demand for Household Loans (Net Percentage Indicator)

	Mortgages		Other Consumer Loans	
	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016
Anguilla	5.4	-63.6	6.3	65.0
Antigua and Barbuda	18.5	32.1	42.8	35.6
Dominica	30.1	20.1	21.5	9.3
Grenada	11.3	59.4	8.3	16.1
Montserrat	-95.3	94.6	-85.7	81.6
St Kitts and Nevis	0.0	31.9	5.2	0.0
Saint Lucia	-21.1	-57.7	34.4	-39.1
St Vincent and the Grenadines	0.0	0.0	0.0	-9.3
ECCU	0.5	9.4	18.9	9.1
Indigenous Banks	-22.6	-4.8	37.0	14.9
Foreign Owned Banks	18.2	26.9	13.3	6.4

**Table 8 - Outlook for Lending Policies for Household Loans
January to June 2017 (Net Percentage Indicator)**

	Mortgages	Other Consumer Loans
Anguilla	-94.6	-27.6
Antigua and Barbuda	-12.7	28.0
Dominica	-11.5	13.2
Grenada	24.2	0.0
Montserrat	95.3	85.7
St Kitts and Nevis	-19.3	5.2
Saint Lucia	3.7	14.1
St Vincent and the Grenadines	-25.3	0.0
ECCU	-7.5	7.9
Indigenous Banks	11.0	0.2
Foreign Owned Banks	-21.9	10.1

**Table 9 - Outlook for Demand for Household Loans
January to June 2017 (Net Percentage Indicator)**

	Mortgages	Other Consumer Loans
Anguilla	5.4	6.3
Antigua and Barbuda	37.0	28.0
Dominica	12.5	13.2
Grenada	80.2	31.3
Montserrat	-90.7	-100.0
St Kitts and Nevis	0.0	5.2
Saint Lucia	11.1	34.4
St Vincent and the Grenadines	0.0	31.2
ECCU	21.2	24.5
Indigenous Banks	20.7	59.9
Foreign Owned Banks	21.7	14.1

APPENDIX III: Survey Questions

Part I. Credit to Businesses and Households

- 1. How have the terms and conditions of lending changed over the past six months?**
- 2. How have the following factors affected your bank's lending policies over the past six months?**
- 3. How has the demand for credit by businesses changed at your bank over the past six months, apart from normal seasonal fluctuations?**
- 4. How has the demand for loans by households changed over the past six months, apart from normal seasonal fluctuations?**
- 5. How have the following factors affected the demand for credit over the past six months?**
- 6. Please indicate how you expect your bank's terms and conditions of lending to businesses to change over the next six months.**
- 7. Please indicate how you expect the demand for credit by businesses to change over the next six months, apart from normal seasonal fluctuations?**
- 8. Please indicate how you expect your bank's lending policies for household lending to change over the next six months.**
- 9. Please indicate how you expect the demand for loans to households to change over the next six months, apart from normal seasonal fluctuations?**

New Products

10. What new product(s) have you introduced during the past six months? Please name the product and rate its performance.

11. What new product(s) do you plan to introduce over the next six months?