

Survey on Credit Supply



STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

(Trends in the 1st Quarter 2019 & Outlook for the 2nd Quarter 2019)

The Credit Supply Survey covers all Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) (Banking Sector) from which information on all lending categories, namely Corporate, Retail, Small and Medium Enterprises (SMEs) and State Own Enterprises (SOEs) are obtained.

Indices on willingness to lend, demand for loans, non-performing loans and rejected loan applications are calculated as 'Diffusion Indices', that take values between 0 and 200, by weighting responses of the licensed banks using exposure of each bank to Total Gross Loan Portfolio of the banking sector. **Index value more than 100 indicates an expansion whereas index value less than 100 indicates a contraction while index value equals to 100 indicates neutral state in the respective index on quarter-on-quarter (Q-o-Q) basis.**

Executive Summary

• Willingness to lend contracted

Willingness to lend contracted at a slower pace in 2019 Q1 and the contraction was notable in retail and SME categories. Expectations to lend continued to contract for 2019 Q2.

• Demand for loans contracted

Demand for loans contracted in 2019 Q1 compared to 2018 Q4. This was observed in all lending categories, except the retail category. However, demand for loans is expected to expand in 2019 Q2.

• Gross Loan Portfolio of the banking sector contracted

Total gross loan portfolio of the banking sector contracted on Q-o-Q basis in 2019 Q1, for the first time since 2014 Q1. This indicates that the amount of new loans granted by banks were lower than the capital repayments of existing loans during 2019 Q1.

• Number of non-performing loans (NPLs) expanded

NPLs expanded in 2019 Q1 compared to 2018 Q4, in all lending categories, namely, corporate, retail, SMEs and SOEs. The expectations on NPLs for 2019 Q2 indicate an expansion, yet at a slower rate.

