

# Survey on Credit Supply

(Trends in the 2<sup>nd</sup> Quarter 2019 & Outlook for the 3<sup>rd</sup> Quarter 2019)



STATISTICS DEPARTMENT  
CENTRAL BANK OF SRI LANKA

## Executive Summary

- **Willingness to lend contracted**

Willingness to lend continued to contract in 2019 Q2, yet at a slower pace, compared to 2019 Q1 and the contraction was notable in retail and SME categories. Expectations for 2019 Q3 remained just below the threshold level indicating a contraction.

- **Demand for loans contracted**

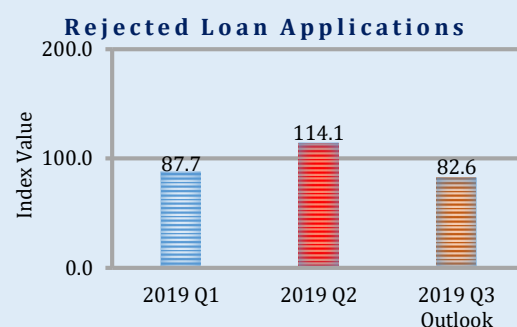
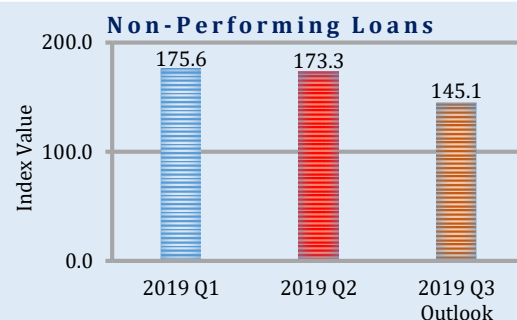
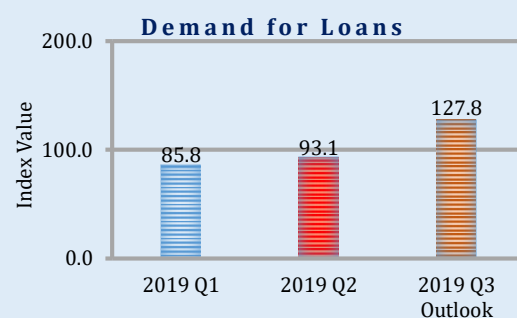
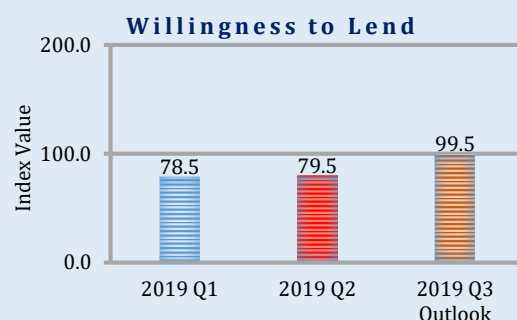
Demand for loans contracted at a slower pace in 2019 Q2 compared to 2019 Q1. Except the retail category, demand for loans contracted in all lending categories. However, demand for loans is expected to expand in 2019 Q3.

- **Number of non-performing loans (NPLs) increased**

Number of NPLs expanded at a slower pace in 2019 Q2 compared to 2019 Q1. The expectations on NPLs for 2019 Q3 indicated an expansion, yet at a slower pace.

- **Number of rejected loan applications increased**

Number of rejected loan applications expanded in 2019 Q2 compared to 2019 Q1 and the expansion was notable in SME and retail categories. However, rejection of loan applications is expected to contract in 2019 Q3.



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 (increase) whereas index value less than 100 indicates a contraction (decrease) while index value equals to 100 indicates neutral (unchanged) state in the respective index on quarter-on-quarter (Q-o-Q) basis.**