

CREDIT SUPPLY SURVEY

(Trends in 4th Quarter 2021 & Outlook for 1st Quarter 2022)

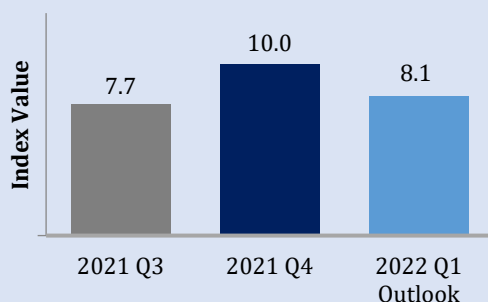


STATISTICS DEPARTMENT
CENTRAL BANK OF SRI LANKA

Survey concluded on 18.01.2022

Executive Summary

Willingness to Lend



- Banks' overall willingness to lend increased further at a higher pace in 2021 Q4 compared to 2021 Q3.
- The continuous increase in willingness to lend was driven by the positive business outlook amid the ease of pandemic related restrictions, the growing economic activities and the significant improvements in international tourist arrivals.
- Meanwhile, willingness to lend is expected to increase further at a slightly slower pace in 2022 Q1 in line with the positive economic outlook amid the relaxed pandemic related restrictions.

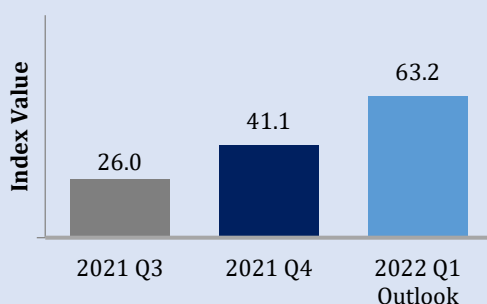
Key to Interpretation

- *Index value > 0 : increase*
 - *Index value < 0 : decrease*
 - *Index value = 0 : unchanged*
- on quarter-on-quarter (Q-o-Q) basis*

The Credit Supply Survey covers all Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs), from which information on all lending categories are obtained.

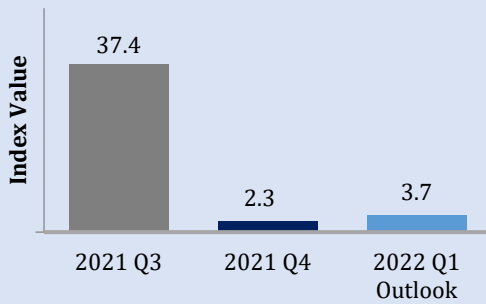
Indices are calculated as 'Diffusion Indices', that take values between -100 and 100, by weighting responses of the licensed banks using exposure of each bank to Total Gross Loan Portfolio of the banking sector.

Demand for Loans



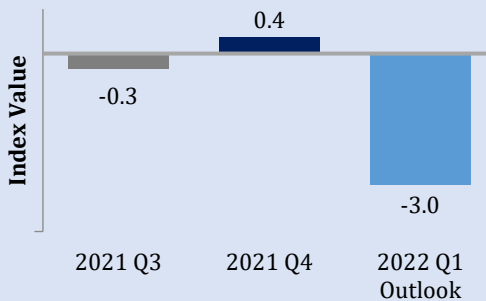
- The overall demand for loans increased at a higher pace in 2021 Q4 compared to 2021 Q3 despite the tighter mobility restrictions prevailed in October 2021 to arrest the spread of the delta variant.
- This continuous increase in demand for loans is due to economic activities returning to normalcy with the ease of mobility restrictions and the vaccination program in addition to the attractive lending rates.
- Demand for loans is expected to increase at a significantly higher pace in 2022 Q1 with the anticipated improvements in appetite for credit amid the positive economic outlook, increase in prices and new infrastructure projects related to SOE category.

Non-Performing Loans (NPL)



- The overall number of NPL increased, yet at a significantly slower pace, in 2021 Q4 compared to 2021 Q3.
- The extended concessions towards the affected parties amid continuous spread of the third wave of the COVID-19 pandemic drove this slower increase in NPL.
- Even though moratoriums are expiring, NPL are expected to increase only at a slightly higher pace in 2022 Q1 supported by the gradual improvements in revenues amid the relaxed pandemic related restrictions.

Rejected Loan Applications

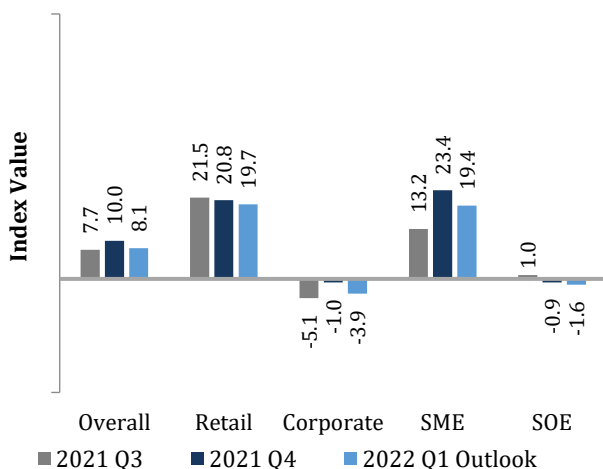


- The overall number of rejected loan applications increased slightly in 2021 Q4 compared to 2021 Q3.
- Meanwhile, rejections are expected to decrease in 2022 Q1 in line with the expected improvements in willingness to lend amid the positive economic outlook with the continuation of relaxed restrictions.

Detailed Report

Willingness to Lend

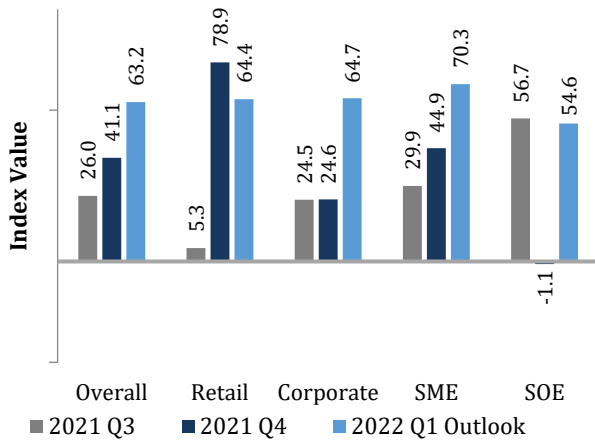
Willingness to Lend by Category



- Banks' overall willingness to lend increased further at a higher pace in 2021 Q4 compared to 2021 Q3.
- This increase was supported by the increase in willingness to lend towards retail and SME categories.
- The continuous increase in willingness to lend was driven by the positive business outlook amid the ease of pandemic related restrictions, the growing economic activities and the significant improvements in international tourist arrivals.
- Nevertheless, the lending appetite towards certain sectors is being affected by the resurfaced uncertainties amid the recurrent waves of the COVID-19 pandemic, risk exposure limits and the foreign exchange liquidity limitations.
- Meanwhile, willingness to lend is expected to increase further at a slightly slower pace in 2022 Q1 in line with the positive economic outlook amid the relaxed pandemic related restrictions.

Demand for Loans

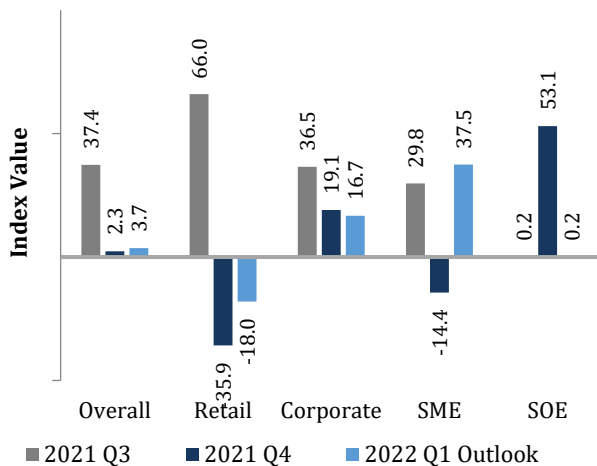
Demand for Loans by Category



- The overall demand for loans increased at a higher pace in 2021 Q4 compared to 2021 Q3 despite the tighter mobility restrictions prevailed in October 2021 to arrest the spread of the delta variant.
- Increase in demand for loans was observed across retail, SME and corporate lending categories.
- This continuous increase in demand for loans is due to economic activities returning to normalcy with the ease of mobility restrictions and the vaccination program in addition to the attractive lending rates.
- Meanwhile, loans demanded by the corporate category for the purposes of working capital and debt restructuring increased, while that of business expansions declined in 2021 Q4.
- Demand for loans is expected to increase at a significantly higher pace in 2022 Q1 with the anticipated improvements in appetite for credit amid the positive economic outlook, increase in prices and new infrastructure projects related to SOE category.

Non-Performing Loans (NPL)

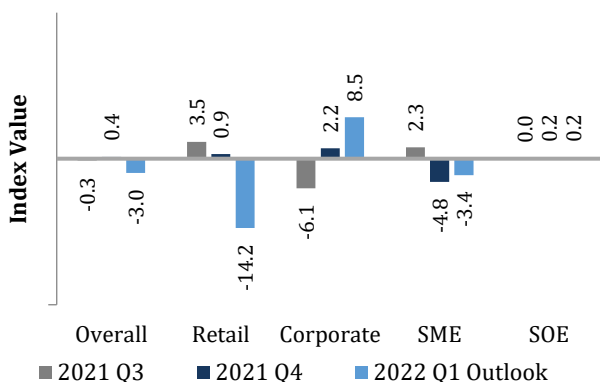
Non-Performing Loans by Category



- The overall number of NPL increased, yet at a significantly slower pace, in 2021 Q4 compared to 2021 Q3.
- The extended concessions towards the affected parties amid continuous spread of the third wave of the COVID-19 pandemic drove this slower increase in NPL. Nevertheless, NPL in SOE and corporate sectors showed an increase during the quarter.
- Even though moratoriums are expiring, NPL are expected to increase only at a slightly higher pace in 2022 Q1 supported by the gradual improvements in revenues amid the relaxed pandemic related restrictions.

Rejected Loan Applications

Rejected Loan Applications by Category



- The overall number of rejected loan applications increased slightly in 2021 Q4 compared to 2021 Q3.
- Rejected loan applications of retail, corporate and SOE categories observed an increase, while that of SME category observed a decline.
- Meanwhile, rejections are expected to decrease in 2022 Q1 in line with the expected improvements in willingness to lend amid the positive economic outlook with the continuation of relaxed restrictions.