



# Quarterly International Investment Position Report

*International Accounts Unit*

*Economic Information and Publications Department*

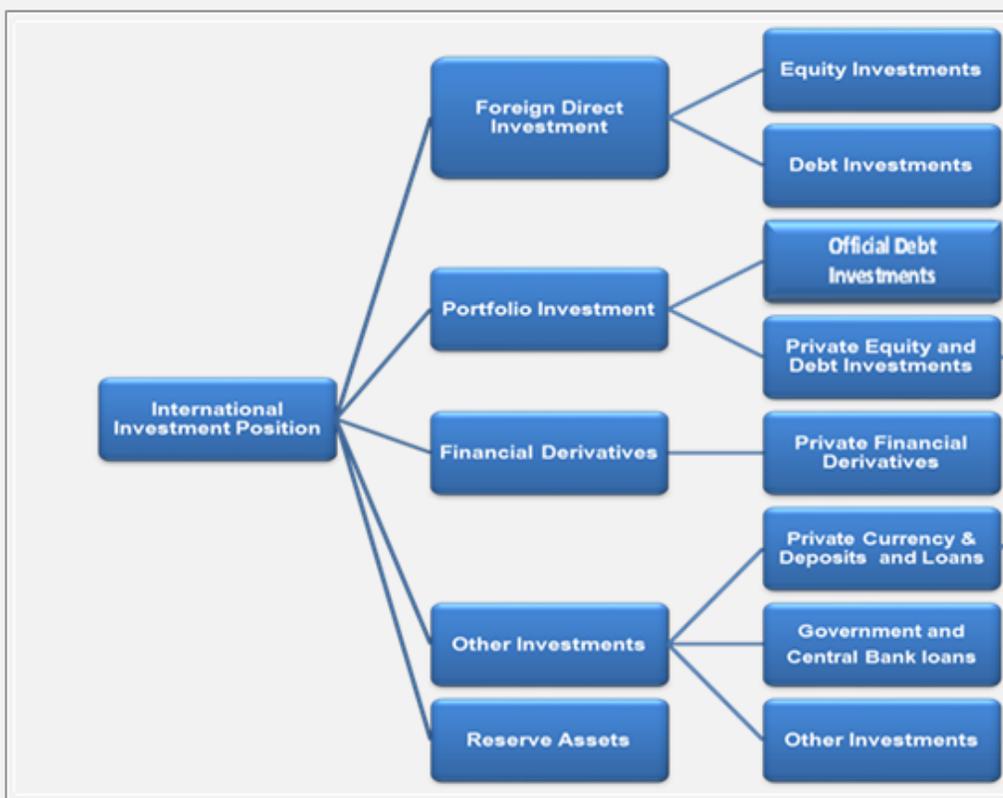
*Research and Economic Programming Division*

**June 2015 Quarter**

**Box 1: Jamaica's International Investment Position**

The International Investment Position (IIP) is a statistical statement that summarizes Jamaica's external financial assets and liabilities. The IIP shows the stock of financial assets and liabilities as at a given point in time, where changes in the stock between two periods would reflect the sum of all transactions, valuation changes and other changes. External financial assets represent Jamaica's claims on non-residents while external liabilities reflect claims on Jamaica by non-resident parties. Generally, a build-up of external liabilities reflects sources of financing or inflows of foreign capital to the economy, whilst an increase in external assets reflects foreign capital outflows. The net international investment position is the difference between the holdings of financial assets and incurrence of liabilities. Notably, a deteriorating net IIP balance is generally associated with current account deficits which must be financed by an increase in external liabilities. The IIP is also affected by exchange rate changes that results in changes in the value of the financial assets and liabilities over time.

**Figure 1- Components of External Assets and Liabilities**



1. Non-FDI private capital flows is the sum of private portfolio flows, private currency and deposits and loans.

Table 1 Net International Investment Position Summary Table (USD Millions)

Net International Investment Position (USD Millions)							
	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Quarterly Change	Annual Change
<b>Net Position</b>	<b>(20 477.7)</b>	<b>(20 691.0)</b>	<b>(20 706.6)</b>	<b>(21 035.9)</b>	<b>(21 250.2)</b>	<b>( 214.3)</b>	<b>( 772.5)</b>
<b>IIP-to-GDP Ratio (%)</b>	<b>( 146.0)</b>	<b>( 148.9)</b>	<b>( 149.1)</b>	<b>( 151.3)</b>	<b>( 154.6)</b>	<b>( 3.3)</b>	<b>( 8.6)</b>
<b>Net Direct investment</b>	<b>(12 711.0)</b>	<b>(12 850.7)</b>	<b>(12 992.6)</b>	<b>(13 154.5)</b>	<b>(13 294.7)</b>	<b>( 140.2)</b>	<b>( 583.6)</b>
<b>Net Portfolio investment</b>	<b>(1 241.4)</b>	<b>(1 848.8)</b>	<b>(1 764.2)</b>	<b>(1 925.5)</b>	<b>(1 726.3)</b>	<b>199.2</b>	<b>( 484.8)</b>
Equity and investment fund shares	( 142.3)	( 171.2)	( 215.5)	( 744.9)	( 858.1)	( 113.3)	( 715.8)
Debt securities	(1 099.1)	(1 677.6)	(1 548.8)	(1 180.7)	( 868.1)	312.5	230.9
o/w Government issued securities	(2 303.7)	(3 046.4)	(2 829.8)	(2 854.3)	(2 681.6)	172.7	( 377.9)
Private debt securities	1 204.6	1 368.7	1 281.0	1 673.6	1 813.4	139.8	608.8
<b>Net Financial derivatives</b>	<b>2.5</b>	<b>0.9</b>	<b>0.9</b>	<b>0.0</b>	<b>20.3</b>	<b>20.3</b>	<b>17.9</b>
<b>Net Other investment</b>	<b>(8 544.2)</b>	<b>(8 707.6)</b>	<b>(8 424.5)</b>	<b>(8 645.7)</b>	<b>(8 786.9)</b>	<b>( 141.2)</b>	<b>( 242.6)</b>
o/w Currency and Deposits	1 204.0	902.6	1 009.4	736.3	896.7	160.4	( 307.3)
Loans	(8 883.3)	(8 808.2)	(8 677.3)	(8 655.0)	(8 951.8)	( 296.9)	( 68.5)
SDR Liabilities	404.5	387.9	379.1	360.9	368.0	7.0	( 36.5)
<b>Reserve assets</b>	<b>2 016.5</b>	<b>2 715.3</b>	<b>2 473.9</b>	<b>2 689.7</b>	<b>2 537.3</b>	<b>( 152.5)</b>	<b>520.7</b>

Preliminary estimates indicate that Jamaica's Net International Investment Position (NIIP) was - **US\$21.3 billion (-154.6 per cent of GDP)** at end-June 2015 (see Table 1). This stock reflected a deterioration of **US\$214.3 million (3.3 per cent of GDP)** relative to the March 2015 quarter. The deterioration occurred in a context of where the increase in the stock of liabilities (**US\$449.0 million**) exceeded the increase in the stock of assets (**US\$234.7 million**).

The change of **US\$214.3 million** in the NIIP largely reflected *net incurrence of financial liabilities* of **US\$103.78 million**. This was further worsened by price changes, exchange rate changes, and other changes in volume and valuation amounting to **US\$110.52 million**.

For the quarter, the deterioration in the NIIP was largely due to a reduction of **US\$152.5 million** in the *gross reserve assets*. Additionally, there was an

increase in the liabilities on the *other investment* account of **US\$141.2 million** mainly due to loan obligations of domestic residents in the amount of **US\$296.9 million**. There was net inward *direct investment* of **US\$140.2 million** for the quarter

The impact of these transactions was partially offset by a reduction of **US\$199.2 million** in the stock of net portfolio investment liabilities as well as an increase of **US\$20.3 million** in the net stock of financial derivatives.

On an annual basis, the NIIP deteriorated by **US\$772.5 million (8.6 per cent of GDP)**. This was driven by an increase in inward foreign direct investment of **US\$583.6 million**; a build-up of **US\$484.8 million** in net portfolio investment liabilities; and an increase of **US\$242.6 million** in other investments liabilities. These liability inflows were partly offset by a build-up of **US\$520.7 million** in the gross reserve assets.

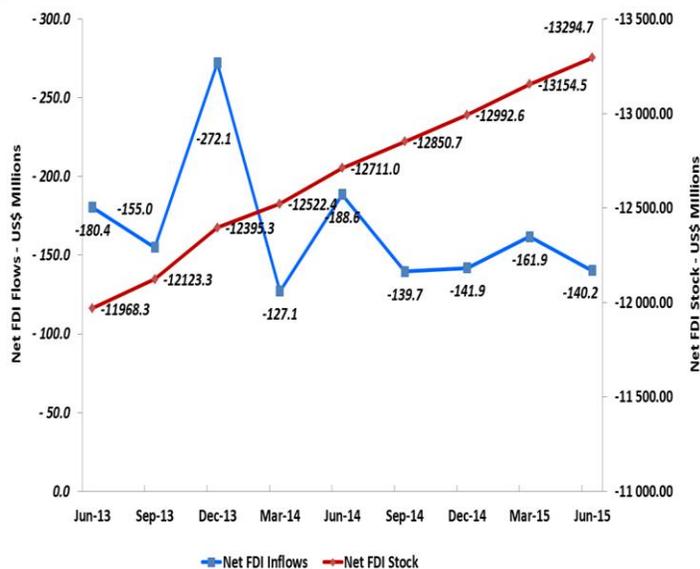
## Foreign Direct Investment

Preliminary estimates of net inward direct investment for the June 2015 quarter indicated FDI flows of **US\$140.2 million** relative to the revised estimate of **US\$161.9 million** for the March quarter (see **Table 1**). The flows for the quarter brought the stock of Net Direct Investment liabilities to **US\$13.3 billion** at end-June 2015 relative to stock of **US\$13.2 billion** at end-March 2015 ( See **Figure 1**).

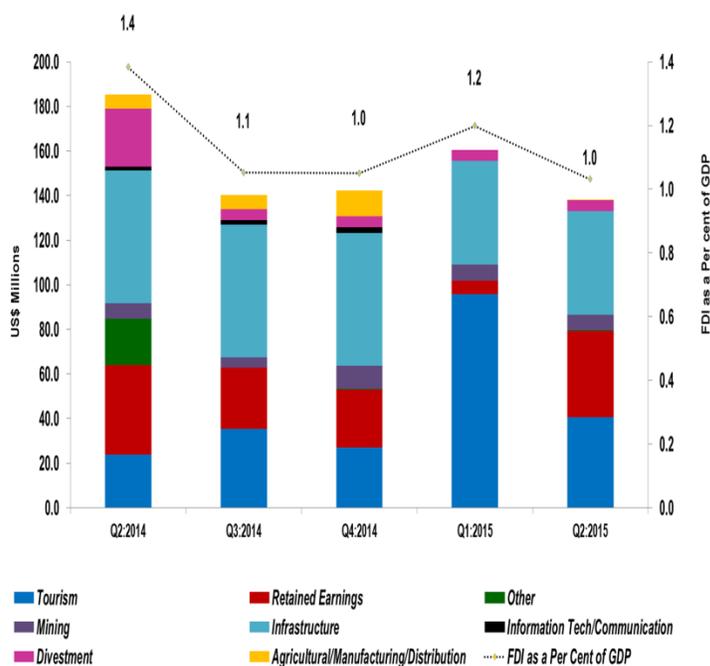
The increase in FDI for the quarter predominantly reflected inflows of capital to finance tourism and infrastructure related projects. These flows were mainly related to the continued construction of Highway 2000 as well as the continued development of various hotels and other accommodations within the tourism sector (see **Figure 2**).

On annual basis, the stock of net inward direct investment rose by **US\$583.6 million**. Similar to the quarterly profile, inward direct investment flows since June 2014 quarter has been largely related to infrastructure and tourism projects. In addition to these flows, a significant portion of the annual flows reflect reinvested earnings of direct investment enterprises in Jamaica.

**Figure 1: Quarterly Change in the Stock of Net Direct Investment (US\$ Millions)**



**Figure 2: Inward Direct Investment by Sector (US\$ Millions)**



### Portfolio Investment

At June 2015, the stock of net portfolio investment declined to **US\$1 726.3 million** from the existing stock of **US\$1 925.5 million** at end March 2015. This outturn reflected a decline of **US\$199.2 million** in Jamaica’s external portfolio obligations (see **Table 1**).

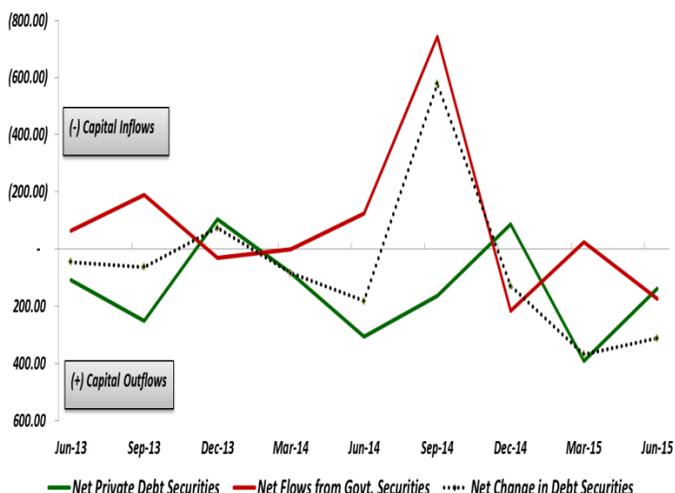
The change in the outstanding portfolio liabilities for the period reflected a decline of **US\$312.5 million** in the outstanding stock of liabilities from debt securities (see **Figure 3**). This decline was partially offset by an increase of **US\$113.3 million** in the stock of equity investment liabilities (see **Table 1**).

The change in debt securities emanated from an increase of **US\$139.8 million** in the acquisition by the private sector of externally issued securities and a reduction of **US\$172.7 million** in non-residents holdings of Government of Jamaica (GOJ) global bonds. This declined resulted from a global bond maturity during the quarter (see **Figure 3**).

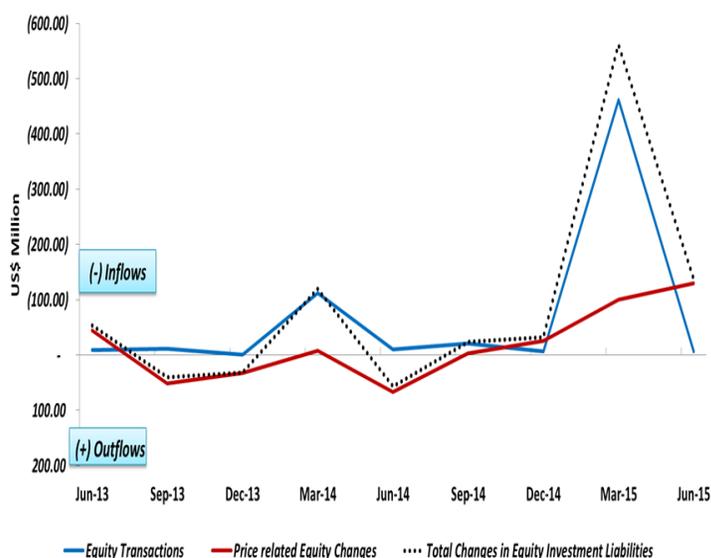
On the other hand, the increase in the stock of equity investment liabilities was mostly attributable to higher domestic equity prices that raised the value of Jamaica’s portfolio investment liabilities (see **Figure 4**). This was partially offset by the depreciation of Jamaica Dollar relative to the US

dollar that slightly lowered the value of the liabilities in US dollar terms.

**Figure 3: Quarterly Flows from Debt Securities (USD Millions)**



**Figure 4: Quarterly Equity Investment Inflows (Liability) (USD Millions)**



### Other Investment

Other investments in the IIP comprise predominantly of loan obligations of private and public sector entities and cross-border banking deposit.

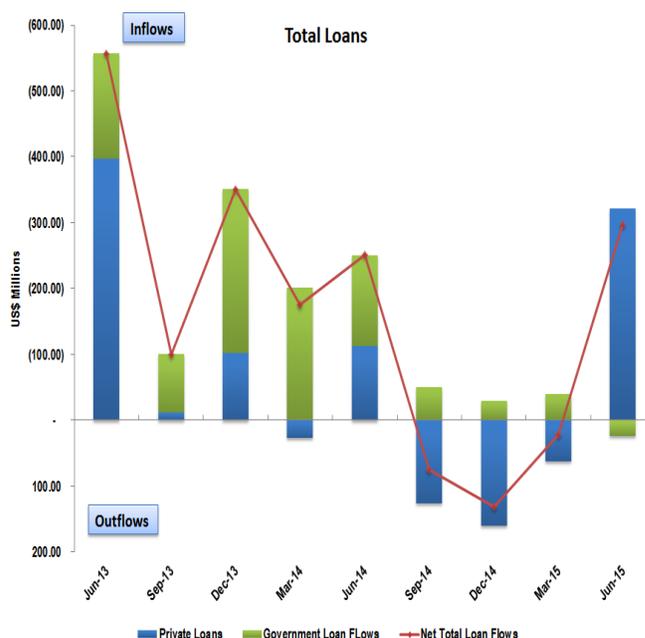
For the review quarter, net liabilities from other investments increased by **US\$141.2 million** relative to the previous quarter (see **Table 1**). This net increase was largely attributable to new loan obligations of **US\$296.9 million** (see **Figure 5**). Of the total loan inflows, **US\$321.3 million** predominantly reflected the issue of a new round of debt financing by the domestic financial sector. The impact of this was partially offset by net repayment of **US\$24.4** by Central Government. The impact of the loan inflows was partly offset by a net build-up of cross border banking deposits amounting to **US\$160.4 million**.

The increase of **US\$7.0 million** in SDR liabilities reflects a devaluation of the SDR rate relative to the US dollar, which resulted in a higher US dollar value for Jamaica’s SDR allocation.

On an annual basis, other investment liabilities increased by **US\$242.6 million**. This outturn reflected a reduction of **US\$307.3 million** in net currency and deposit assets

held abroad. The decline in the currency stock largely reflected a drawdown on the stock of deposits held abroad by the banking sector as well as the non-bank private sector. In addition, there was an increase in net loan flows of **US\$68.5 million**. This was mainly attributable to inflows to the private sector. These inflows were offset by net repayment of loans from the General Government. On an annual basis, total inflows of loans to the private sector amounted to **US\$116.7 million** while net repayment from General Government amounted to **US\$48.25 million**.

**Figure 5: Quarterly Change in the stock of Net External Loan Obligations (USD Millions)**



### Financing the Current Account Deficit

For quarter, the current account deficit was **US\$85.5 million (-0.6 per cent of GDP)**.

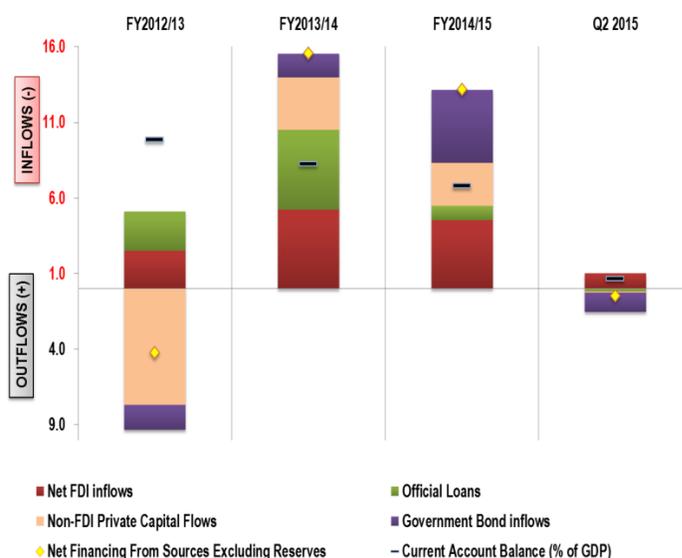
The deficit was largely financed by net inward direct investment totaling **US\$140.2 million (1.0 per cent of GDP)** as well as drawdown of **US\$152.5 million (1.1 per cent of GDP)** on the gross reserves.

The drawdown on the gross reserves was necessitated by significant capital outflows from other sources that would have offset the impact of the **US\$140.2 million** in inward direct investment (see **Figure 6**). The aforementioned outflows include the repayment of a maturing sovereign global bond that had a nominal amount of **US\$175.0 million** outstanding to non-residents. Other sources of capital outflow for the quarter include the repayment of sovereign loan obligations and other outflows from the private sector. Total outflows from these sources amounted to **US\$36.1 million** or **0.3 per cent of GDP**.

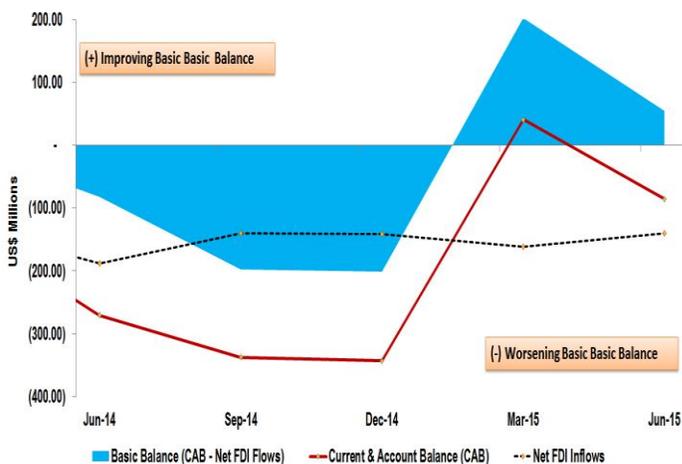
The average basic balance, which captures the sustainability of financing the current account balance from FDI flows, recorded a balance of **US\$54.8 million** for June 2015 (see **Figure 7**). The positive change is consistent with the improvements observed in

the current account balance since the March 2015 quarter. The balance for June follows a balance of **US\$202.6 million** in the March quarter when the current account recorded a surplus of **US\$40.7 million**.

**Figure 6: Sources of Financing for the Current Account (Per Cent of GDP)**



**Figure 7 Average Basic Balance (2013 –2015) (US\$ Millions)**



## Appendix 1

International Investment Position (USD Millions)											
	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Quarterly Change	Annual Change
<b>Net IIP (Assets - Liabilities)</b>	<b>(19 497.3)</b>	<b>(19 818.0)</b>	<b>(20 010.9)</b>	<b>(20 383.6)</b>	<b>(20 477.7)</b>	<b>(20 691.0)</b>	<b>(20 706.6)</b>	<b>(21 035.9)</b>	<b>(21 250.2)</b>	<b>( 214.3)</b>	<b>( 772.5)</b>
<b>IIP-to-GDP Ratio (%)</b>	<b>( 134.1)</b>	<b>( 137.0)</b>	<b>( 140.9)</b>	<b>( 145.1)</b>	<b>( 146.0)</b>	<b>( 148.9)</b>	<b>( 149.1)</b>	<b>( 151.3)</b>	<b>( 154.6)</b>	<b>( 3.3)</b>	<b>( 8.6)</b>
<b>Assets</b>	<b>6 023.5</b>	<b>5 923.4</b>	<b>6 293.1</b>	<b>6 264.3</b>	<b>6 745.4</b>	<b>7 203.3</b>	<b>6 991.7</b>	<b>7 395.5</b>	<b>7 630.2</b>	<b>234.7</b>	<b>884.8</b>
<b>Direct investment</b>	<b>427.5</b>	<b>435.2</b>	<b>316.6</b>	<b>316.8</b>	<b>313.5</b>	<b>314.0</b>	<b>314.5</b>	<b>313.5</b>	<b>311.5</b>	<b>( 2.0)</b>	<b>( 2.0)</b>
<b>Portfolio investment</b>	<b>1 446.1</b>	<b>1 534.0</b>	<b>1 557.3</b>	<b>1 629.9</b>	<b>2 061.6</b>	<b>2 201.6</b>	<b>2 096.5</b>	<b>2 579.3</b>	<b>2 760.5</b>	<b>181.2</b>	<b>699.0</b>
Equity and investment fund shares	150.2	162.0	176.4	170.3	244.7	239.8	227.4	259.2	281.7	22.5	37.0
Debt securities	1 295.9	1 372.0	1 380.9	1 459.7	1 816.9	1 961.8	1 869.0	2 320.1	2 478.8	158.7	661.9
<b>Financial derivatives</b>	<b>81.8</b>	<b>97.8</b>	<b>97.1</b>	<b>33.4</b>	<b>25.4</b>	<b>25.5</b>	<b>13.8</b>	<b>1.8</b>	<b>41.4</b>	<b>39.6</b>	<b>16.0</b>
<b>Other investment</b>	<b>2 186.9</b>	<b>2 142.9</b>	<b>2 504.5</b>	<b>2 235.5</b>	<b>2 328.4</b>	<b>1 946.9</b>	<b>2 093.1</b>	<b>1 811.1</b>	<b>1 979.5</b>	<b>168.4</b>	<b>( 348.9)</b>
o/w Currency and Deposits	1 802.7	1 757.0	2 071.7	1 768.8	1 901.4	1 547.6	1 668.0	1 380.3	1 564.1	183.8	( 337.3)
Loans	325.8	331.1	290.6	295.2	286.3	273.2	261.6	261.8	241.4	( 20.4)	( 44.9)
Insurance, Pension and Standardized guarantee Schemes	10.6	8.3	14.1	9.2	13.7	14.1	9.5	9.5	11.9	2.3	( 1.8)
Trade Credit and Advances	22.7	22.4	22.1	22.0	22.6	22.6	21.6	25.5	25.8	0.3	3.2
Other accounts receivable/Other	25.1	24.1	106.0	140.3	104.4	89.3	132.3	134.0	136.3	2.3	31.9
<b>Reserve assets</b>	<b>1 881.1</b>	<b>1 713.5</b>	<b>1 817.6</b>	<b>2 048.6</b>	<b>2 016.5</b>	<b>2 715.3</b>	<b>2 473.9</b>	<b>2 689.7</b>	<b>2 537.3</b>	<b>( 152.5)</b>	<b>520.7</b>
<b>Liabilities</b>	<b>25 520.7</b>	<b>25 741.4</b>	<b>26 304.0</b>	<b>26 647.9</b>	<b>27 223.1</b>	<b>27 894.2</b>	<b>27 698.3</b>	<b>28 431.4</b>	<b>28 880.4</b>	<b>449.0</b>	<b>1 657.3</b>
<b>Direct investment</b>	<b>12 395.8</b>	<b>12 558.5</b>	<b>12 712.0</b>	<b>12 839.3</b>	<b>13 024.5</b>	<b>13 164.7</b>	<b>13 307.1</b>	<b>13 467.9</b>	<b>13 606.1</b>	<b>138.2</b>	<b>581.6</b>
<b>Portfolio investment</b>	<b>3 046.1</b>	<b>3 019.0</b>	<b>3 070.1</b>	<b>3 184.1</b>	<b>3 303.0</b>	<b>4 050.4</b>	<b>3 860.7</b>	<b>4 504.8</b>	<b>4 486.8</b>	<b>( 18.0)</b>	<b>1 183.8</b>
Equity and investment fund shares	396.1	356.0	324.0	443.5	387.0	411.0	442.9	1 004.0	1 139.8	135.8	752.8
Debt securities	2 650.0	2 663.0	2 746.0	2 740.6	2 916.0	3 639.4	3 417.8	3 500.8	3 347.0	( 153.8)	431.0
o/w Govt. Issued Securities	2 022.2	2 211.4	2 181.4	2 180.2	2 303.7	3 046.4	2 829.8	2 854.3	2 681.6	( 172.7)	377.9
<b>Financial derivatives</b>	<b>75.7</b>	<b>84.6</b>	<b>91.9</b>	<b>26.3</b>	<b>23.0</b>	<b>24.6</b>	<b>12.9</b>	<b>1.8</b>	<b>21.1</b>	<b>19.2</b>	<b>( 1.9)</b>
<b>Other investment</b>	<b>10 003.1</b>	<b>10 079.3</b>	<b>10 430.1</b>	<b>10 598.3</b>	<b>10 872.6</b>	<b>10 654.5</b>	<b>10 517.6</b>	<b>10 456.8</b>	<b>10 766.4</b>	<b>309.6</b>	<b>( 106.2)</b>
o/w Currency and Deposits	696.8	667.2	636.1	630.6	697.4	644.9	658.7	644.0	667.3	23.3	( 30.0)
Loans	8 331.8	8 437.6	8 748.2	8 928.0	9 169.6	9 081.4	8 938.9	8 916.8	9 193.3	276.5	23.7
Insurance, Pension and Standardized guarantee Schemes	51.4	51.6	50.8	50.5	51.4	49.5	46.7	43.8	45.2	1.4	( 6.3)
Trade Credit and Advances	408.9	406.3	408.2	408.9	409.0	408.1	406.8	409.6	409.9	0.3	1.0
Other accounts payable/Other	120.7	115.2	183.9	175.9	140.8	82.6	87.5	81.7	82.7	1.0	( 58.1)
SDR Allocation from the IMF	393.5	401.4	402.9	404.4	404.5	387.9	379.1	360.9	368.0	7.0	( 36.5)