



Quarterly International Investment Position Report

International Accounts Unit

Economic Information Publications Department

March 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)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2015 Change	FY2014/2015 Change
Net International Investment Position	(20 383.7)	(20 436.7)	(20 709.1)	(20 661.8)	(20 902.5)	(240.7)	(518.8)
IIP-to-GDP Ratio	(145.1)	(145.7)	(149.0)	(148.8)	(150.3)	(1.5)	(5.2)
Net Direct investment	(12 522.4)	(12 670.0)	(12 809.7)	(12 951.6)	(13 099.9)	(148.3)	(577.4)
Net Portfolio investment	(1 554.2)	(1 241.4)	(2 074.8)	(1 762.4)	(1 928.6)	(166.2)	(374.4)
Equity and Investment Fund Shares	(273.2)	(142.3)	(393.8)	(213.7)	(722.3)	(508.6)	(449.1)
Debt securities	(1 280.9)	(1 099.1)	(1 681.1)	(1 548.8)	(1 206.3)	342.4	74.6
Government Issued Portfolio Securities	(2 180.2)	(2 303.7)	(3 047.4)	(2 829.8)	(2 854.3)	(24.5)	(674.1)
Private Debt Securities	899.3	1 204.6	1 366.3	1 281.0	1 648.0	367.0	748.7
Net Financial derivatives	7.2	2.5	0.9	0.9	0.0	(0.9)	(7.2)
Net Other investment	(8 362.8)	(8 544.2)	(8 707.6)	(8 422.5)	(8 563.7)	(141.1)	(200.9)
o/w Currency and Deposits	1 138.2	1 204.0	902.6	1 009.4	787.3	(222.1)	(350.9)
Loans	(8 632.8)	(8 883.3)	(8 808.2)	(8 675.3)	(8 623.4)	51.9	9.4
SDR (Liabilities)	(404.4)	(404.5)	(387.9)	(379.1)	(360.9)	18.1	43.5
Reserve assets	2 048.6	2 016.5	2 715.3	2 473.9	2 689.7	215.9	641.1
Notes:							
1. A negative number represents an increase in external liabilities or net capital inflow							
2. A positive number represents an increase in external assets or net capital outflow							
3. Net international investment position is the sum of net direct investment, net portfolio investment, net other investments, net financial derivatives and reserves							
4. Government issued securities in portfolio investments are GOJ global bonds							

Preliminary estimates indicates that Jamaica's Net International Investment Position (NIIP) was **-US\$20.9 billion (-150.3 per cent of GDP)** at end-March 2015 quarter. Relative to the December quarter, this outturn reflected a net deterioration of **US\$240.7 million (1.6 per cent of GDP)** (see Table 1).

The deterioration in the NIIP was largely due to increases in net portfolio investments liabilities of **US\$166.2 million**, net inward direct investment of **US\$148.3 million** and other investment liabilities of **US\$141.1 million**. The impact of these transactions was partially offset by an increase of **US\$215.9 million** in the stock of gross reserve assets.

For the fiscal year 2014/15, the NIIP deteriorated by **US\$518.8 million (5.2 per cent of GDP)**. This deterioration was largely driven by an increase in inward foreign direct investment of **US\$577.4 million** and a build-up of **US\$374.5 million** in net portfolio investment liabilities.

The impact of these liability inflows was partly offset by an increase of **US\$641.1 million** in the holdings of reserve assets. Notably, the build-up in the reserve assets for the fiscal year broadly reflected the proceeds of the **US\$800.0 million** Eurobond issued by the Government in the September 2014 quarter.

Foreign Direct Investment

Net inward direct investments increased by **US\$148.3 million** for the March 2015 quarter (see **Figure 1**). At end-march 2015, the stock of net inward foreign direct investment was **US\$13.1 billion**, reflecting an increase of **US\$577.4 million** for FY2014/15.

The increase in FDI Inflows for the quarter predominantly reflected inflows of capital to finance tourism and infrastructure related projects (see **Figure 2**). These flows are related to the construction of Highway 2000 as well as the construction/renovation of various hotels.

Figure 2 Sectorial Composition of FDI

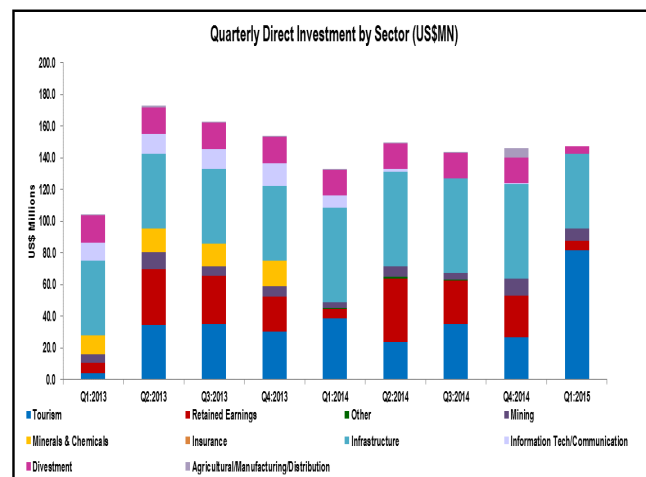
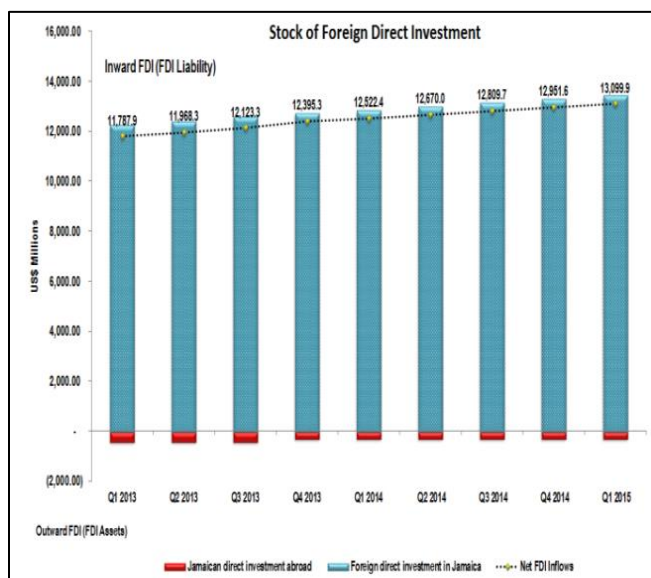


Figure 1 Stock of Foreign Direct Investment



Portfolio Investment

The stock of net portfolio investment inflows totalled **US\$1.9 billion** at end-March 2015. This outturn reflected an increase of **US\$166.2 million** relative to end-December 2014. Relative to end-March 2014, net portfolio investment inflows increased by **US\$374.5 million** (see **Table 1**). Net inflows of portfolio investments for both periods reflected the net acquisition of domestic equity and debt securities by non-residents.

Portfolio investment liabilities for the March quarter was due to a increase of **US\$508.7 million** in non-residents' holdings of domestic equity securities. The impact of this transaction was partially offset by net outflows of **US\$342.4 million** in externally issued debt securities held by residents. Of the **US\$342.4 million** outflows from debt securities, **US\$367.0 million** reflected the acquisition of externally issued bonds and notes by residents. This was partially offset by **US\$24.5**

million in net purchase of GOJ global bonds on the secondary market by non-residents.

million relative to the previous quarter. This increase was largely attributable to a net drawdown of **US\$222.1 million** in deposits held abroad by residents, and an increase of **US\$51.9 million** via the net receipts of loans from non-residents.

Net portfolio investments for FY2014/15 included net inflows of equity investments amounting to **US\$499.1 million**. This was partially offset by net outflows of **US\$74.6 million** in debt securities. Investments in debt securities for the period resulted from inflows of **US\$674.1 million** via GOJ global bonds. Inflows from GOJ global bonds was fully offset by outflows of **US\$748.7 million** through residents' investments in externally issued bonds and notes.

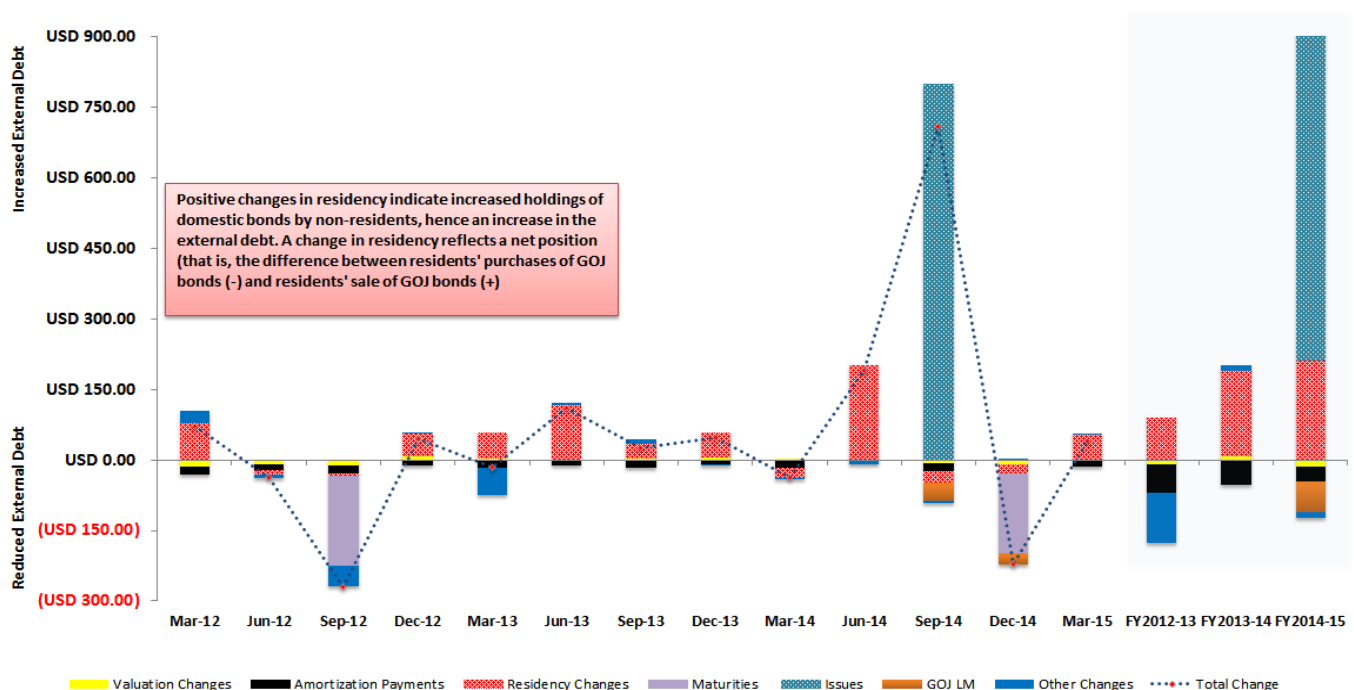
For the Fiscal year, other investment liabilities increased by **US\$200.9 million**. This outturn reflected a reduction of **US\$350.9 million** in net currency and deposit assets held abroad. The decline in the currency stock largely reflected a drawdown on the stock of deposits held abroad by the non-bank non-financial private sector. In addition, there was an increase in net loan inflows of **US\$9.4 million**. This was mainly attributable to inflows to the General Government, particularly in the form of receipts from multilateral organizations and PetroCaribe loans inflows. These inflows were offset by net repayment of loans from the private sector.

Other Investment

Other investments in the IIP comprise predominantly of loans of the private and public sector and cross-border banking deposits.

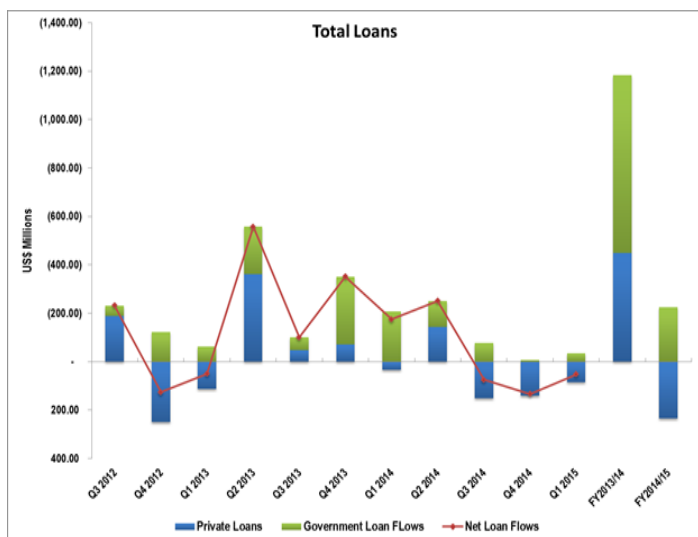
For the review quarter, net liabilities from the other investments sub-category increased by **US\$141.1**

Figure 3 Changes in GOJ External Bond Liability



Total inflows of loans to the General Government totaled **US\$224.9 million** while net repayment from the private sector amounted to **US\$234.4 million** (see **Figure 4**).

Figure 4 Changes in Total Loans



Financing the Current Account Deficit

For the March quarter, the main sources of financing for the current account were non-FDI private capital flows and net FDI inflows (see **Figure 5**).

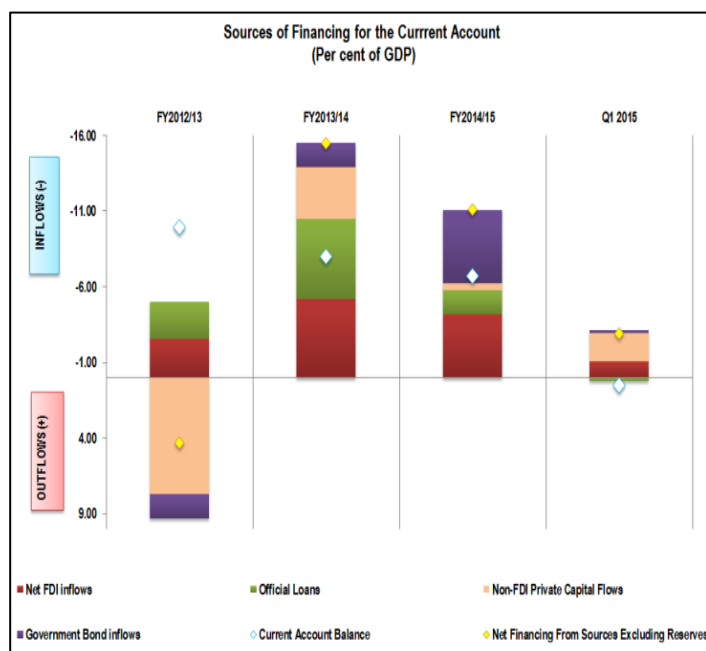
These flows amounted to **US\$262.2 million (1.9 per cent of GDP)** and **US\$148.3 million (1.1 per cent of GDP)**, respectively (see **Figure 5**). Capital inflows for the period was supported by the current account

surplus and contributed to a build-up of **US\$215.9 million** in the gross reserve assets for the period.

For FY2014/15, capital inflows from the primary sources amounted to **US\$1640.5 million**. Inflows from the issue of government bonds and foreign direct investment were the main sources of foreign capital. These sources accounted for **US\$675.7 million (4.9 per cent of GDP)** and **US\$577.4 million (US\$4.2 per cent of GDP)**.

Capital flows for the fiscal year was more than sufficient to finance the deficit of **US\$961.2 million** on the current account. This contributed to a build-up of **US\$641.1 million** in the gross reserve assets.

Figure 5 Sources of Financing for the Current Account





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