



# THE BALANCE OF PAYMENTS

## International Investment Position Update 2007

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## *Jamaica's International Investment Position*

**Table 1**

<b>Jamaica's International Investment Position</b>			
(US\$MN)			
	2005	2006	2007
<b>Net Position</b>	<b>-10,824.5</b>	<b>-12,597.9</b>	<b>-13,654.7</b>
<b>Assets</b>	<b>3,616.4</b>	<b>4,463.4</b>	<b>5,075.1</b>
Direct Investment Abroad	48.6	96.0	211.0
Portfolio Investment	602.6	1,114.8	1,462.5
Financial Derivatives	19.4	2.8	17.6
Other Investment	858.5	932.3	1,506.2
<i>Trade Credits</i>	30.5	37.6	121.8
<i>Loans</i>	26.9	29.4	60.5
<i>Currency and Deposits</i>	623.2	594.4	914.7
<i>Other Assets</i>	177.9	270.9	409.2
Reserve Assets	2,087.4	2,317.6	1,877.7
<b>Liabilities</b>	<b>14,440.9</b>	<b>16,696.3</b>	<b>18,729.8</b>
Direct Investment in Jamaica	6,918.5	7,800.7	8,667.2
Portfolio Investment	357.5	518.5	578.3
Financial Derivatives	11.3	0.0	11.5
Other Investment	7,153.5	8,377.1	9,472.7
<i>Trade Credits</i>	48.4	654.9	1,094.3
<i>Loans</i>	6,545.1	6,879.7	7,488.9
<i>Currency and Deposits</i>	386.7	777.9	827.4
<i>Other Liabilities</i>	173.3	64.6	62.1

### *Introduction*

The IIP is a statistical statement that shows an economy's stock of external financial assets and liabilities of the public and private sectors at a particular point in time<sup>1</sup>. The difference between the stock of external assets and the stock of external liabilities indicates the net international investment position.

Within the IIP, there are five functional types of investment: direct investment, portfolio investments, financial derivatives, other investments and reserve assets (Table 1). For all investments, the distinction between assets and liabilities depends on whether the investment was made by non-residents or residents made the investment. The investments by residents abroad are external assets while nonresident investments locally are foreign liabilities.

The concept of the IIP was mainly developed with the widespread liberalization of financial markets in the early 1990s, which facilitated the free movement of capital across borders. As a result, countries became more exposed to the risk of a sudden and significant outflow of capital, which increased their vulnerability to external shocks. The IIP is therefore viewed as an indicator of vulnerability and serves to strengthen and complement Balance of Payments (BOP) statistics.

### *Jamaica' IIP*

As at end 2007 Jamaica recorded a net negative position of US\$13.65 billion (Table 1). This position reflects assets of US\$5.08 billion and liabilities of US\$18.73 billion. The negative position resulted from

<sup>1</sup> International Investment Position: A guide to Data Sources, IMF

significant net liability in the categories direct investment and other investments. Portfolio investments and financial derivatives recorded net positive positions.

**Table 2**

<b>Jamaica's Net International Investment Position (US\$MN)</b>			
	2005	2006	2007
<b>Net Position</b>	<b>-10,824.5</b>	<b>-12,597.9</b>	<b>-13,654.7</b>
Direct Investment Abroad	-6,869.9	-7,704.7	-8,456.2
Portfolio Investment	245.1	596.2	884.2
Financial Derivatives	8.0	2.8	6.1
Other Investment	-6,295.1	-7,444.8	-7,966.5
<i>Trade Credits</i>	-17.8	-617.3	-972.5
<i>Loans</i>	-6,518.2	-6,850.4	-7,428.5
<i>Currency and Deposits</i>	236.5	-183.4	87.3
<i>Other Assets</i>	4.5	206.3	347.1
Reserve Assets	2,087.4	2,317.6	1,877.7

At the end of 2007 direct investment in the country by nonresidents was estimated to US\$8.7 billion. This resulted from significant investment the tourism industry, mining sector and financial services. Investments in Jamaica by foreigners are a liability to the country. Investment abroad by residents was estimated at US\$211.0 million. Net Direct investment at the end of 2007 was estimated at US\$8.5 billion.

The estimate of resident's portfolio investments abroad at the end of 2007 was US\$1,462.5 million. This largely reflected ownership of debt securities. The estimate for liabilities in this category was US\$578.3 million. As a result, there was a net position of US\$884.2 million (Table 2). Financial derivatives recorded a net asset position of US\$6.1 million.

In relation to the category other investment, estimates for 2007 reflects, liabilities of US\$9.5 billion and assets of US\$1.5 billion, a net negative position of US\$8.0 billion. The sub-components of other investment are trade credits, loans, currency & deposits and other investment. Liabilities at the end of 2007 were significantly influenced by loans of US\$7.5 billion, with the government's external debt accounting for US\$6.1 billion.

Jamaica's Net IIP as at end 2007 reflects a deterioration of US\$1.4 billion relative to the end of 2006. This deterioration primarily reflects an increase in direct investment liabilities of US\$866.5 million.