



Quarterly International Investment Position Report

International Accounts Unit

Economic Information and Publications Department

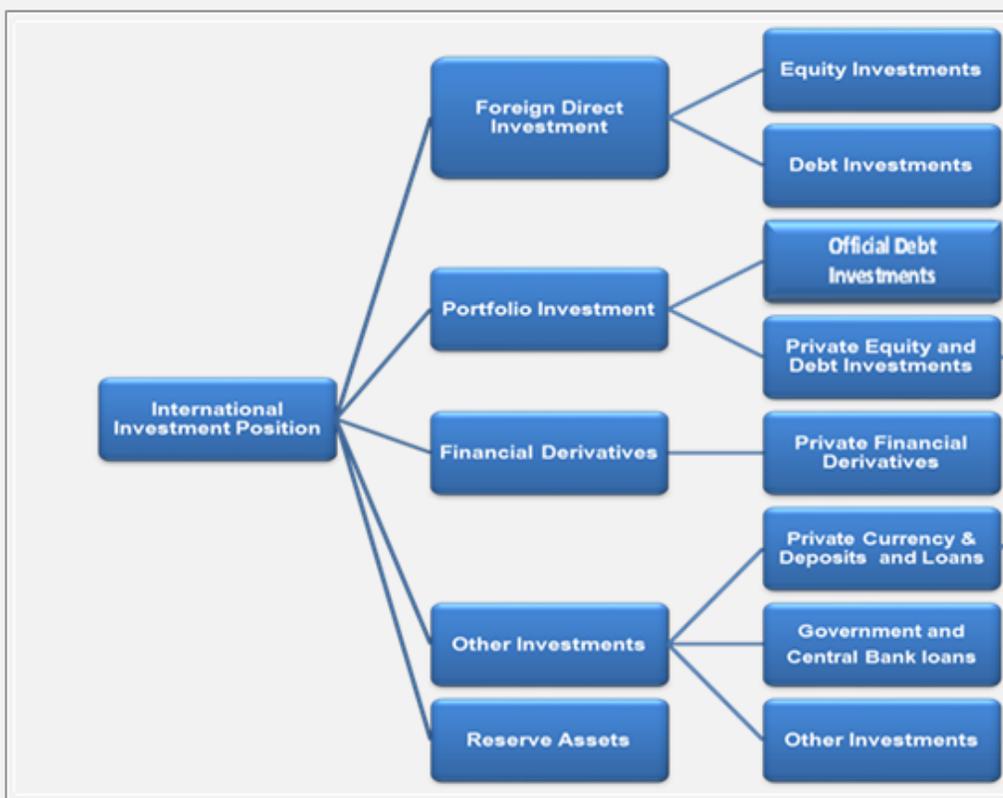
Research and Economic Programming Division

September 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)							
	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Quarterly Change	Annual Change
Net Position	(20 691.0)	(20 702.6)	(20 598.1)	(20 770.1)	(20 022.2)	747.9	668.8
NIIP-to-GDP Ratio (%)	(148.9)	(149.0)	(148.1)	(150.2)	(147.9)	2.3	1.0
Net Direct investment	(12 850.7)	(12 988.6)	(13 136.6)	(13 282.9)	(13 410.7)	(127.8)	(560.0)
Net Portfolio investment	(1 848.8)	(1 764.2)	(1 508.2)	(1 308.1)	(3 329.4)	(2 021.4)	(1 480.6)
Equity and investment fund shares	(171.2)	(215.5)	(327.6)	(414.3)	(436.1)	(21.8)	(264.9)
Debt securities	(1 677.6)	(1 548.8)	(1 180.7)	(893.7)	(2 893.3)	(1 999.6)	(1 215.7)
o/w Government issued securities	(3 046.4)	(2 829.8)	(2 854.3)	(2 681.6)	(4 579.3)	(1 897.7)	(1 532.9)
Private debt securities	1 368.7	1 281.0	1 673.6	1 787.8	1 685.9	(101.9)	317.2
Net Other investment	(8 707.6)	(8 424.5)	(8 643.0)	(8 736.8)	(6 192.2)	2 544.6	2 515.5
o/w Currency and Deposits	902.6	1 009.4	739.5	889.1	718.0	(171.1)	(184.7)
Loans	(8 808.2)	(8 677.3)	(8 655.0)	(8 894.1)	(6 177.6)	2 716.5	2 630.6
SDR Liabilities	387.9	379.1	360.9	368.0	367.3	(0.7)	(20.6)
Reserve assets	2 715.3	2 473.9	2 689.7	2 537.3	2 890.5	353.2	175.2

Preliminary estimates indicate that Jamaica's Net International Investment Position (NIIP) improved by **US\$747.9 million (2.3 per cent of GDP)** from end-June 2015 to end-September 2015. This reflected a reduction of **US\$629.0 million** in the stock of liabilities as well as an increase of **US\$118.9 million** in the stock of assets (See **Appendix 1**).

The improvement in the NIIP for the quarter was largely due to a reduction in liabilities on the *Other Investment* account of **US\$2,716.5 million** mainly reflecting repayment of loans to Petróleos de Venezuela, S.A (PDVSA) during the review quarter. Also supporting the improvement in the NIIP was an increase in the *Gross Reserve Assets* of **US\$353.2 million** (See **Table 1**).

The impact of these improvements were however, partially offset by an increase of **US\$2,021.4 million** in the stock of net portfolio investment liabilities primarily reflecting the bond issues by the Government - and net inward *direct investment* of **US\$127.8 million** for the quarter.

On an annual basis, the NIIP improved by **US\$668.8 million (1.0 per cent of GDP)**. This was driven by a reduction of **US\$2 630.6 million** in the net stock of loan liabilities and a build-up of **US\$175.2 million** in the gross reserve assets. Offsetting impulses were observed in the increase of **US\$1 480.6 million** in net portfolio investment liabilities and net inward direct Investments of **US\$560 million**.

Foreign Direct Investment

Preliminary estimates for the September 2015 quarter indicated *Net Inward Direct Investment* flows of **US\$127.8 million** relative to the revised estimate of **US\$146.3 million** for the June 2015 quarter (see **Table 1**). The flows for the quarter brought the stock of *Net Direct Investment* liabilities to **US\$13.4 billion** at end-September 2015 relative to stock of **US\$13.3 billion** at end-June 2015 (See **Figure 1**).

Direct Investment flows during the quarter reflected capital used 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 accomodations within the tourism sector (see **Figure 2**).

Preliminary estimates indicate that on an annual basis, the stock of net inward direct investment rose by **US\$560.0 million**. Similar to the quarterly profile, inward direct investment flows since June 2014 quarter has been largely related to infrastructure and tourism related projects.

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

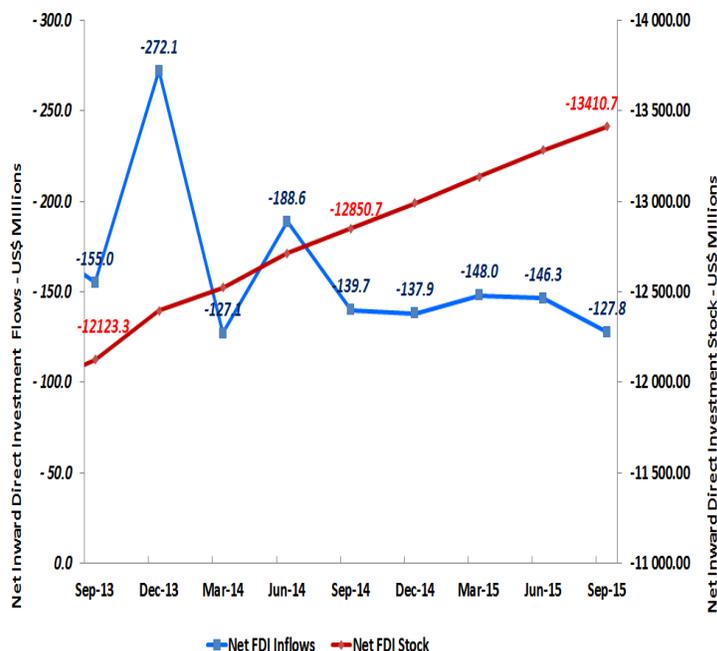
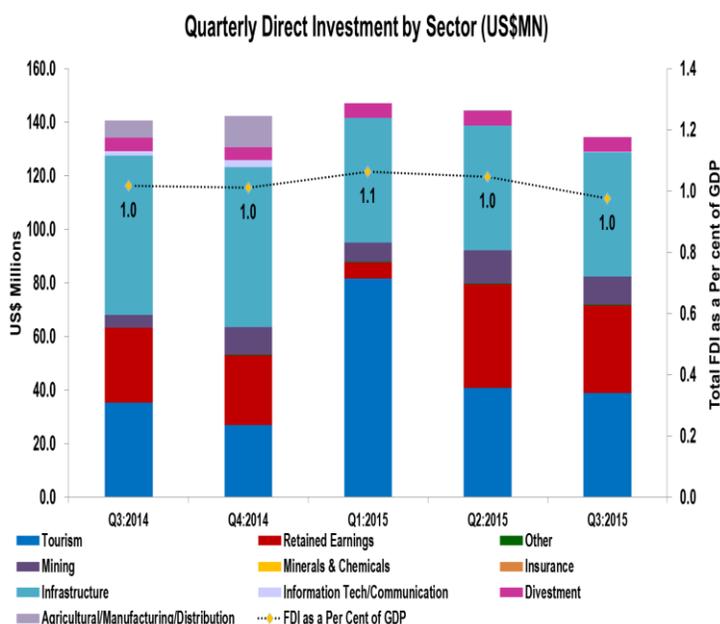


Figure 2: Inward Direct Investment by Sector (US\$ Millions)



Portfolio Investment

At end-September 2015, the stock of *Net Portfolio Investment* liabilities – net foreign holdings of Jamaica’s securities, increased to **US\$3,329.4 million** from the existing stock of **US\$1,308.1 million** at end June 2015 (see **Table 1**). This outturn reflected an increase of **US\$2,021.4 million** in the portfolio related claims that non-residents have on Jamaica’s residents

The change in the outstanding portfolio liabilities for the period reflected financial transactions of **US\$1,764.5 millions**, mainly from the purchase of sovereign bonds by non-residents (see **Figure 3**). The financial transactions were partly offset by other volume changes of **US\$253.5 million**, and minor exchange rate changes as the Jamaica dollar depreciation marginally reduced the value of Jamaica’s equity investment liabilities.

Foreign holdings of Government of Jamaica (GOJ) Globals was **US\$4,573.9 million** at end-September 2015 relative to **US\$2,681.6 million** at end-June 2015 (see **Figure 4**). The increase was predominantly due to the issue of new securities during the quarter, most of which were held by non-residents. The increase also reflected an additional purchase of **US\$21.0 million** in securities on the secondary market. This occurred in a context where non-residents received payments from a maturity of a sovereign bond during the quarter.

Figure 3: Quarterly Flows from Portfolio Investments (USD Millions)

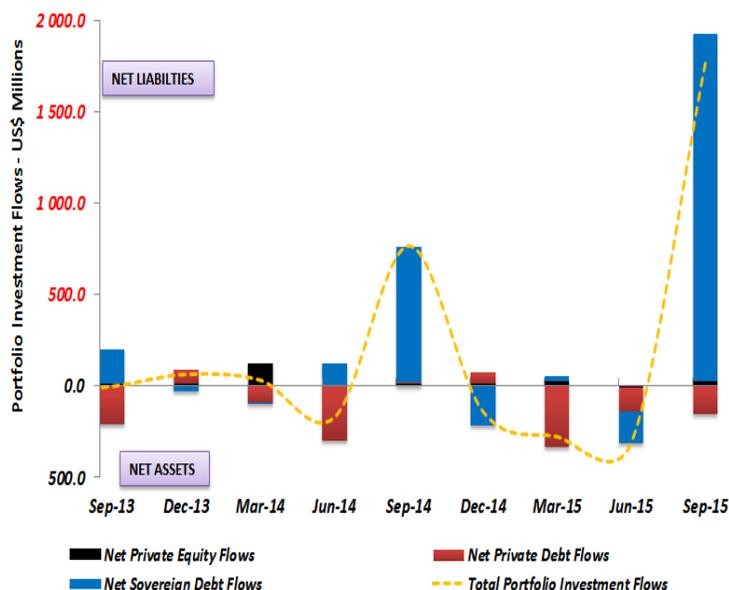
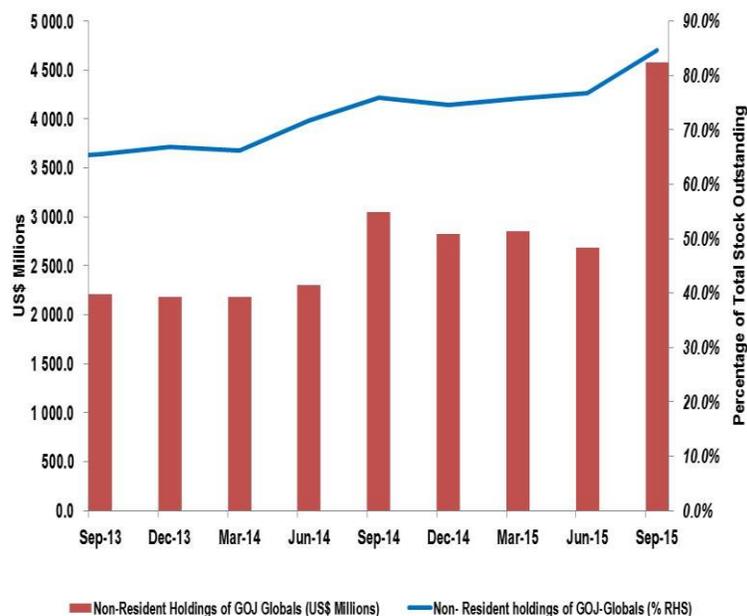


Figure 4: Non-Residents’ Holdings of GOJ Global Bonds (USD Millions)



Other Investment

At end-September 2015, the stock of *Net Other Investment liabilities* was **US\$6,192.2 million** (see **table 2**). This reflects a decline of **US\$2,544.6 million** for the review quarter relative end-June 2015 (see **Table 1**). The decline in *Other Investments* was largely attributable to the repayment of liabilities due to PDVSA, which was incurred under the PetroCaribe agreement. However, partly offsetting this decline was net incurrence of **US\$17.5 million** in loan liabilities by the private sector as well as a net withdrawal of **US\$214.9 million** in deposits held abroad.

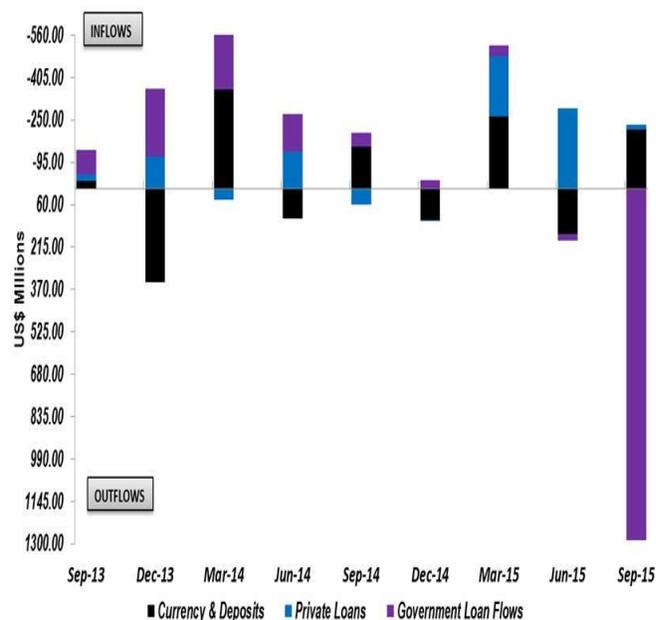
Table 2 Stock of Net Other Investments (USD Millions)

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
<i>Net Other Investments</i>	-8707.7	-8424.5	-8643.0	-8736.8	-6192.2
Cross Border Deposits	902.6	1009.4	739.5	889.1	718.0
Loans	-8808.2	-8677.3	-8655.0	-8894.1	-6177.6
Insurance and Pension	-35.4	-37.2	-34.8	-33.3	-32.3
Trade Credit and Advances	-385.5	-385.2	-384.1	-384.1	-383.6
Payables/Receivables	6.7	44.8	52.2	53.6	50.7
SDR Allocation from the IMF	-387.9	-379.1	-360.9	-368.0	-367.3

1/ Negative (-) values reflect net liabilities; positive (+) values reflect net assets

On an annual basis, the stock of *Other Investment liabilities* declined by **US\$2,515.5 million**. This also largely reflects a decline of **US\$2,630.6 million** in the stock of loan liabilities – also reflecting the repayment to PDVSA. However, offsetting financial transactions stemmed from the withdrawal of **US\$184.7 million** in deposits held abroad by the private sector.

Figure 5: Quarterly Cross Border Banking Flows (USD Millions)

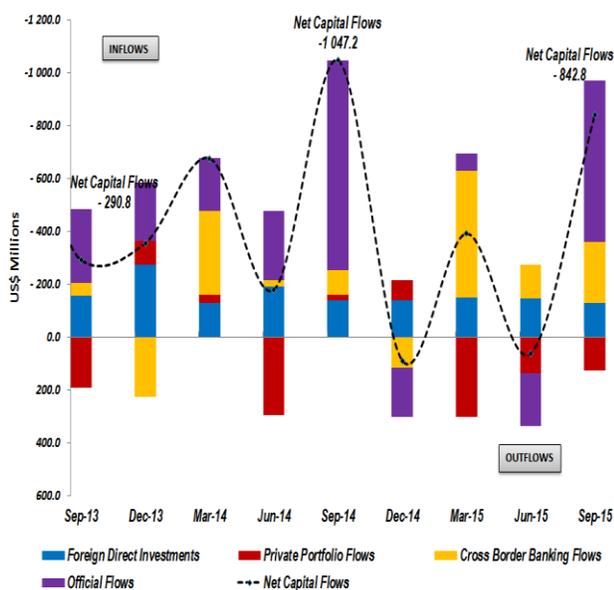


Financing the Current Account Deficit

The current account deficit was **US\$107.3 million (-0.8 per cent of GDP)**. The deficit for the quarter was financed by *net total capital inflows* which amounted to **US\$842.8 million for the quarter (See Figure 6)**. The excess of the total capital inflows relative to the current account balance facilitated a build-up of **US\$353.2 million** in the gross reserve assets for the quarter.

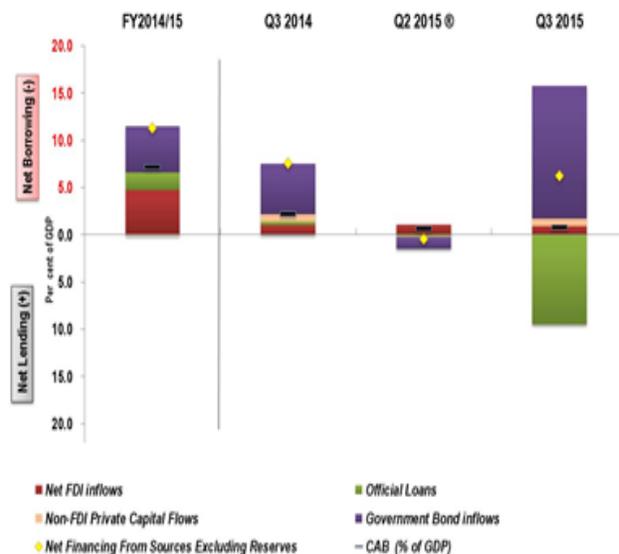
from the issue of sovereign debt securities on the international capital market in July 2015 (see **Figure 7**). Other sources of capital flows were net inward *Direct Investment* of **US\$127.8 million (0.9 per cent of GDP)** and *net private capital flows* of **US\$103.9 million (0.8 per cent of GDP)**.¹ The main source of capital outflows was loan outflow of **US\$1,395.8 million (9.5 per cent of GDP)** which reflect principal repayment to PDVSA under the PetroCaribe repurchase arrangement.

Figure 6: Net Capital Flows (US\$ Millions)



2/ 'Total capital flows' is defined as the sum of FDI, private portfolio flows, official flows and cross-border banking flows.

Figure 6: Main Sources of Capital Flows (Per cent of GDP)



The primary sources of capital inflows for the quarter are official portfolio flows of **US\$1,897.7 million (14.0 per cent of GDP)** -

¹ Net private capital flows is the sum of net cross-border banking flows and net private portfolio flows (debt and equity).

Appendix 1

International Investment Position (USD Millions)							
	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Quarterly Change	Annual Change
Net IIP (Assets - Liabilities)	(20 691.0)	(20 702.6)	(20 601.3)	(20 770.1)	(20 022.2)	747.9	668.8
IIP-to-GDP Ratio (%)	(148.9)	(149.0)	(148.2)	(150.2)	(147.9)	2.3	1.0
Assets	7 203.3	6 991.7	7 395.3	7 595.7	7 714.6	118.9	511.3
Direct investment	314.0	314.5	313.5	311.5	318.0	6.5	4.0
Portfolio investment	2 201.6	2 096.5	2 579.3	2 734.8	2 610.8	(124.0)	409.3
Equity and investment fund shares	239.8	227.4	259.2	281.6	276.5	(5.1)	36.7
Debt securities	1 961.8	1 869.0	2 320.1	2 453.2	2 334.3	(118.9)	372.5
Financial derivatives	25.5	13.8	1.8	41.4	39.9	(1.5)	14.4
Other investment	1 946.9	2 093.1	1 810.9	1 970.7	1 855.4	(115.3)	(91.5)
o/w Currency and Deposits	1 547.6	1 668.0	1 380.3	1 555.2	1 411.6	(143.7)	(136.0)
Loans	273.2	261.6	261.8	241.5	272.1	30.6	(1.2)
Insurance, Pension and Standardized guarantee Schemes	14.1	9.5	9.3	11.9	11.6	(0.2)	(2.5)
Trade Credit and Advances	22.6	21.6	25.5	25.8	25.9	0.1	3.2
Other accounts receivable/Other	89.3	132.3	134.0	136.3	134.2	(2.1)	44.9
Reserve assets	2 715.3	2 473.9	2 689.7	2 537.3	2 890.5	353.2	175.2
Liabilities	27 894.2	27 694.3	27 996.6	28 365.8	27 736.8	(629.0)	(157.4)
Direct investment	13 164.7	13 303.0	13 450.1	13 594.3	13 728.7	134.4	563.9
Portfolio investment	4 050.4	3 860.7	4 087.5	4 042.9	5 940.2	1 897.4	1 889.8
Equity and investment fund shares	411.0	442.9	586.8	695.9	712.6	16.7	301.6
Debt securities	3 639.4	3 417.8	3 500.8	3 347.0	5 227.6	1 880.7	1 588.2
o/w Govt. Issued Securities	3 046.4	2 829.8	2 854.3	2 681.6	4 579.3	1 897.7	1 532.9
Financial derivatives	24.6	12.9	1.8	21.1	20.3	(0.7)	(4.3)
Other investment	10 654.5	10 517.6	10 457.1	10 707.5	8 047.6	(2 660.0)	(2 607.0)
o/w Currency and Deposits	644.9	658.7	644.0	666.1	693.6	27.5	48.7
Loans	9 081.4	8 938.9	8 916.8	9 135.6	6 449.7	(2 685.9)	(2 631.8)
Insurance, Pension and Standardized guarantee Schemes	49.5	46.7	44.1	45.2	44.0	(1.2)	(5.5)
Trade Credit and Advances	408.1	406.8	409.6	409.9	409.5	(0.5)	1.3
Other accounts payable/Other	82.6	87.5	81.7	82.7	83.6	0.8	0.9
SDR Allocation from the IMF	387.9	379.1	360.9	368.0	367.3	(0.7)	(20.6)

Glossary²

Direct Investment- Direct investment is a category of cross-border investment associated with a resident in one economy having control (greater than 10 per cent) or a significant degree of influence on the management of an enterprise that is resident in another economy. A direct investment relationship arises when an investor resident in one economy makes an investment that gives control or a significant degree of influence on the management of an enterprise that is resident in another economy.

Portfolio Investment- Portfolio investment is defined as cross border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets. Portfolio investment covers, but is not limited to, securities traded on organized or other financial markets. Of note, equity not in the form of securities (e.g., in unincorporated enterprises) is not included in portfolio investment, it is included in direct or other investment.

Other investments- Other investment is a residual category that includes positions and transactions other than those included in direct investment, portfolio investment, financial derivatives and employee stock options, and reserve assets. Other investment includes:

- (a) Other equity;
- (b) Currency and deposits;
- (c) Loans (including use of IMF credit and loans from the IMF);
- (d) Nonlife insurance technical reserves, life insurance and annuities entitlements, pension entitlements, and provisions for calls under standardized guarantees
- (e) Trade credit and advances;
- (f) Other accounts receivable/payable; and
- (g) SDR allocations (SDR holdings are included in reserve assets).

² Definitions for these items were taken from the IMF's Balance of Payments and International Investment Position Manual-Sixth Edition (BPM6), see <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>



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