

Quarterly International Investment Position Report

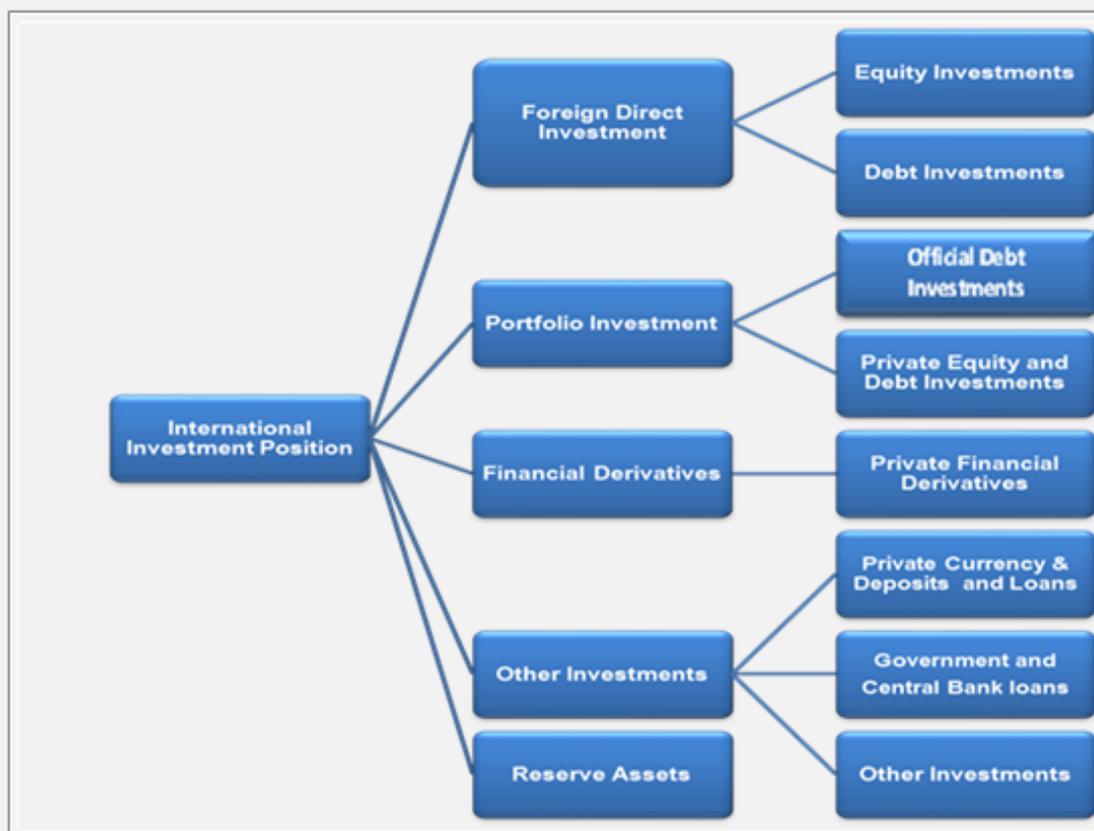


SEPTEMBER 2016 QUARTER

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-15	Dec-15	Mar-16	Jun-16	Sep-16	Quarterly Change	Annual Change
Net Position	(20 285.8)	(21 009.6)	(20 799.2)	(20 712.5)	(20 266.6)	445.9	19.2
IIP-to-GDP Ratio (%)	(143.6)	(147.8)	(146.1)	(145.9)	(143.5)	2.5	0.1
Net Direct investment	(13 622.5)	(13 852.1)	(14 115.0)	(14 097.4)	(14 279.8)	(182.4)	(657.3)
Net Portfolio investment	(3 443.3)	(3 960.2)	(3 627.5)	(3 679.0)	(3 427.9)	251.1	15.4
Equity and investment fund shares	(438.3)	(952.7)	(907.5)	(963.0)	(947.4)	15.6	(509.1)
Debt securities	(3 005.0)	(3 007.5)	(2 720.0)	(2 716.0)	(2 480.5)	235.5	524.5
o/w Government issued securities	(4 579.2)	(4 455.8)	(4 261.0)	(4 454.9)	(4 423.9)	31.0	155.3
Private debt securities	1 574.3	1 448.3	1 540.9	1 738.9	1 943.5	204.5	369.2
Net Financial derivatives	19.7	27.5	12.6	27.9	27.8	(0.1)	8.1
Net Other investment	(6 130.1)	(6 138.8)	(5 963.5)	(5 783.8)	(5 642.7)	141.1	487.4
o/w Currency and Deposits	800.6	828.8	1 030.1	1 049.8	1 193.6	143.8	393.0
Loans	(6 198.6)	(6 230.0)	(6 246.4)	(6 101.7)	(6 118.6)	(16.9)	80.0
SDR Liabilities	(367.3)	(362.6)	(368.6)	(366.0)	(365.2)	0.8	2.1
Reserve assets	2 890.5	2 914.1	2 894.3	2 819.9	3 056.2	236.3	165.7

1/ Figures in brackets represent net liabilities or capital inflows.

At end-September 2016, the net international investment position (IIP) was **US\$20 266.6 million (143.5 per cent of GDP)** (See Table 1). This reflects an improvement of **US\$455.9 million (2.5 percentage points)** from the revised estimate for June 2016. The improvement in the net external position resulted from an increase of **US\$599.8 million** in the stock of assets which was partially offset by an increase of **US\$153.0 million** in the stock of liabilities (see Table 2).

The change in the estimate relative to the June 2016 quarter reflects for the quarter includes net lending of **US\$287.0 million** on the financial account. This was however, partly offset by asset valuation changes of approximately.

Specifically, quarterly IIP position was largely influenced by an increase of **US\$236.3 million** in

the *Gross Reserve Assets*, a net build-up of deposits of **US\$141.1 million** as well as net a net reduction of **US\$251.1 million** in *Net Portfolio Investment liabilities*. However, partially offsetting the impact of these transactions was the increase in the *Inward Direct Investment liabilities* of **US\$182.3 million**.

On an annual basis, the net IIP deteriorated by **US\$19.2 million (0.1 percentage points of GDP)**. The annual change of the IIP largely reflects the impact of *Inward Direct Investment liabilities* of **US\$657.3 million** and net *Portfolio Investment over the period amounting to US\$15.1 million. There were offsetting impulses of **US\$487.4 million** from *Other Investment*, largely reflecting the impact of institutions building bank balances abroad. Additionally, *Gross Reserve Assets* held by the BOJ increased by **US\$165.7 million** over the period.*

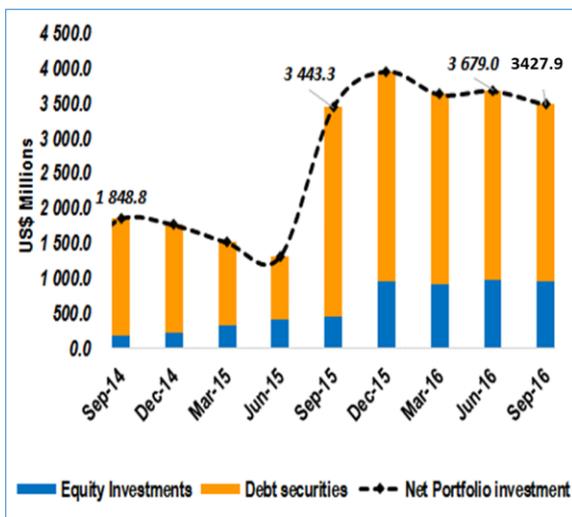
Table 2 Net International Investment Position Assets and Liabilities (USD Millions)

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Quarterly Change	Annual Change
Net IIP (Assets - Liabilities)	(20 285.8)	(21 009.6)	(20 799.2)	(20 712.5)	(20 266.6)	445.9	19.2
IIP-to-GDP Ratio (%)	(143.6)	(147.8)	(146.1)	(145.9)	(143.5)	2.5	0.1
Assets	7 693.6	7 654.5	7 891.3	8 332.7	8 932.5	599.8	1 238.9
Direct investment	318.0	318.8	322.3	533.1	533.0	(0.1)	215.0
Portfolio investment	2 506.7	2 410.8	2 491.7	2 717.5	2 913.0	195.5	406.3
Equity and investment fund shares	280.9	285.7	293.5	287.2	306.3	19.1	25.5
Debt securities	2 225.9	2 125.1	2 198.2	2 430.3	2 606.7	176.4	380.8
Financial derivatives	40.0	44.4	28.8	32.4	47.1	14.7	7.1
Other investment	1 938.5	1 966.4	2 154.0	2 229.9	2 383.3	153.5	444.9
o/w Currency and Deposits	1 494.2	1 507.2	1 717.0	1 759.3	1 885.9	126.6	391.7
Loans	272.1	291.3	270.5	301.4	332.2	30.9	60.1
Insurance, Pension and Standardized guarantee Schemes	11.6	9.3	9.5	12.1	8.6	(3.5)	(3.1)
Trade Credit and Advances	26.5	25.5	24.4	23.2	24.1	0.9	(2.4)
Other accounts receivable/Other	134.0	133.2	132.5	133.9	132.5	(1.4)	(1.4)
Reserve assets	2 890.5	2 914.1	2 894.3	2 819.9	3 056.2	236.3	165.7
Liabilities	27 979.4	28 664.1	28 690.4	29 045.2	29 199.1	153.9	1 219.7
Direct investment	13 940.5	14 170.9	14 437.4	14 630.5	14 812.8	182.3	872.3
Portfolio investment	5 950.0	6 371.0	6 119.3	6 396.5	6 340.9	(55.6)	390.9
Equity and investment fund shares	719.2	1 238.4	1 201.0	1 250.2	1 253.7	3.5	534.6
Debt securities	5 230.8	5 132.6	4 918.3	5 146.3	5 087.2	(59.1)	(143.7)
o/w Govt. Issued Securities	4 579.2	4 455.8	4 261.0	4 454.9	4 423.9	(31.0)	(155.3)
Financial derivatives	20.3	16.9	16.3	4.5	19.3	14.8	(1.0)
Other investment	8 068.6	8 105.3	8 117.6	8 013.7	8 026.1	12.4	(42.5)
o/w Currency and Deposits	693.6	678.4	686.9	709.5	692.3	(17.2)	(1.3)
Loans	6 470.7	6 521.3	6 516.9	6 403.0	6 450.8	47.8	(19.9)
Insurance, Pension and Standardized guarantee Schemes	44.0	48.6	56.8	47.4	42.6	(4.7)	(1.3)
Trade Credit and Advances	409.4	409.5	405.2	404.8	392.5	(12.3)	(16.9)
Other accounts payable/Other	83.6	85.0	83.0	83.0	82.6	(0.4)	(1.0)
SDR Allocation from the IMF	367.3	362.6	368.6	366.0	365.2	(0.8)	(2.1)

Portfolio Investment

The stock of *Net Portfolio Investment* liabilities declined to **US\$3 427.9 million** at end September 2016 from the stock of **US\$3 679.0 million** at end-June 2016 (see **Figure 1**). This reflected a net reduction of **US\$251.1 million** in the portfolio related claims that non-residents have on Jamaican residents

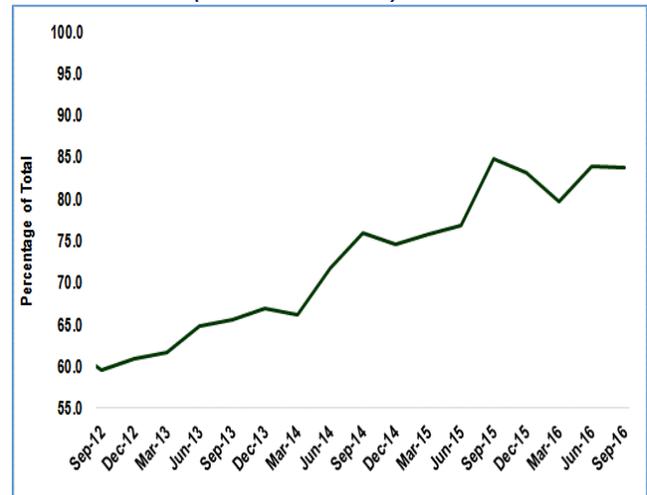
Figure 1 Net Portfolio Investment Liabilities



The change in the outstanding portfolio investment mainly reflected an increase of **US\$235.5 million** in externally-issued portfolio assets held by domestic investors (see **Table 1**). Additionally, non-residents reduced their holdings of domestically-issued securities by **US\$31.0 million**. These movements largely occurred in a context where: (1) domestic investors purchased significant amount of foreign issued securities and (2) an international investment

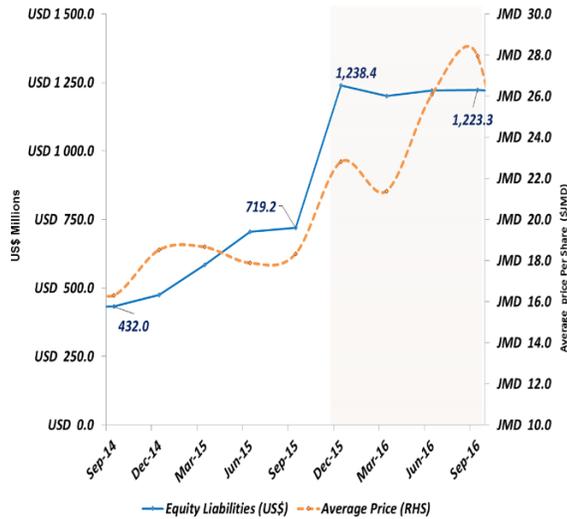
company issued a local currency bond in the domestic market in the quarter (3) residents net-purchased GOJ issued securities on the secondary market (see **Figure 2**).

Figure 2 GOJ Globals: Foreign Holdings (Per Cent of Total)



Net Portfolio Investment Liabilities increased by **US\$15.4 million** for September 2016 relative to September 2015. This movement was attributable to movement in both the domestic equity market and the international capital market. In Particular, equity investment liabilities increased by **US\$509.1 million** on an annual basis. This occurred in a context of the boom in equities listed on the Jamaica Stock Exchange in the second half of 2015. In this regard, the prices of domestic equities traded on the exchange increased significantly during Q4 2015 and resulted in an increase in the value of non-residents' investments in domestic stocks (see **Figure 3**).

Figure 3 Equity Liabilities of Non-residents



The increase in *Net Portfolio Investment Liabilities* from equity investments was partially offset by a net decline of **US\$525.5 million** in the holdings of debt securities. This movement occurred in the context of a decline of **US\$155.3 million** in the holdings of GOJ securities and an increase of **US\$369.2 million** in the holdings by domestic investors of externally issued securities.

Direct Investment

Estimates for the September 2016 quarter indicated *Net Inward Direct Investment* flows of **US\$182.4 million** relative to the revised estimate for a net outflow of **US\$115.7 million** for the June 2016 quarter (see **Figure 5**). The flows for the quarter brought the stock of *Net Direct Investment* liabilities to **US\$14.28 billion** at end-

September 2016 relative to stock of **US\$14.07 billion** at end-June 2016 (See **Figure 5**). Direct Investment flows in Q3 2016 largely reflected increased inflows to the Tourism sector, and Agriculture sector as well as profit re-investments by non-residents. (See **Figure 6**).

Figure 4 Stock of Inward Direct Investment (US\$ Millions)

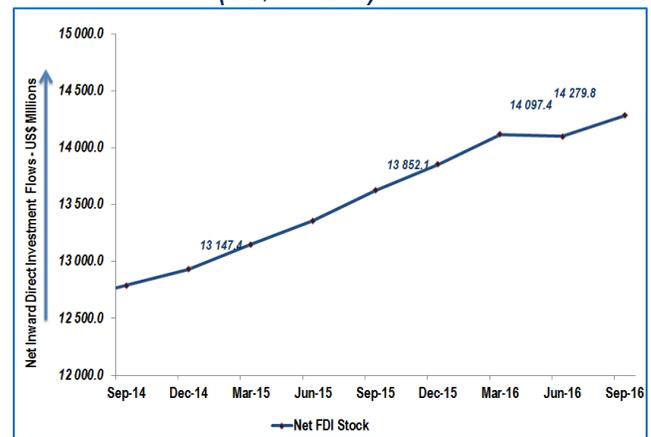
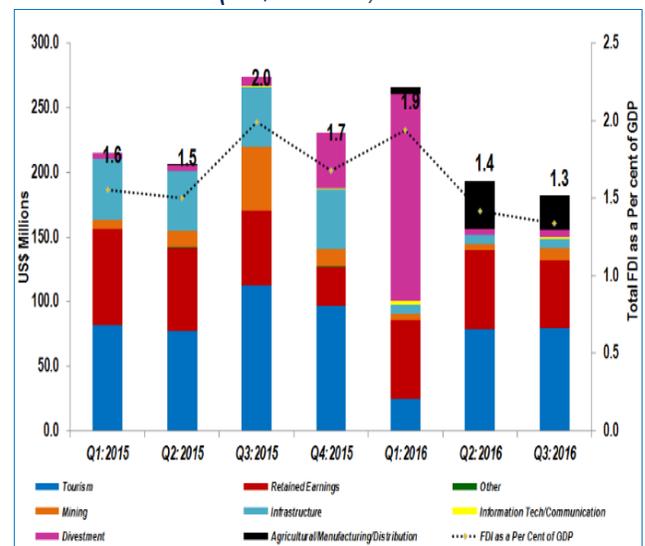


Figure 5 Inward Direct Investment by Sector (US\$ Millions)

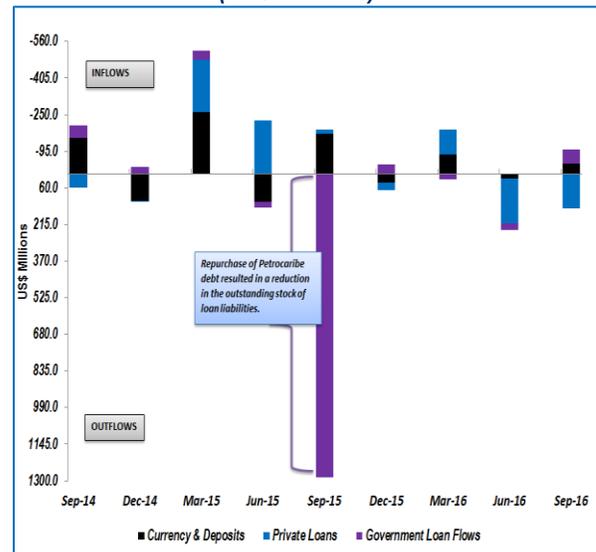


On an annual basis, the stock of net inward direct investment rose by **US\$657.3 million**. Similarly, to the quarterly profile, inward direct investment flows for the year largely reflected significant investments in the Tourism, Agriculture sector as well as reinvestment of earnings.

Other Investments

The stock of *Net Other Investment liabilities* at end-September 2016 was **US\$5 642.7 million** (see **Table 1**). This reflects an improvement of **US\$141.0 million** relative to end-June 2016. The decrease in *Other Investments liabilities* was attributable to a build-up of **US\$143.8 million** in deposits held abroad by residents (see **Figure 7**).

Figure 6 Cross Border Banking Flows (US\$ Millions)



Annually, the change, the stock of *Other Investment liabilities* declined by **US\$487.4 million**. This largely reflects a build-up of **US\$393 million** in deposits held abroad by residents which was supported by a decline of **US\$80.0 million** in the stock of loan liabilities for both the private and public sector.

Glossary¹

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

¹ 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>

(g) SDR allocations (SDR holdings are included in reserve assets).

BANK OF JAMAICA

Nethersole Place

P.O. Box 621

Kingston, Jamaica

Telephone: 876 922 0750

Website: www.boj.org.jm