

# Quarterly International Investment Position Report

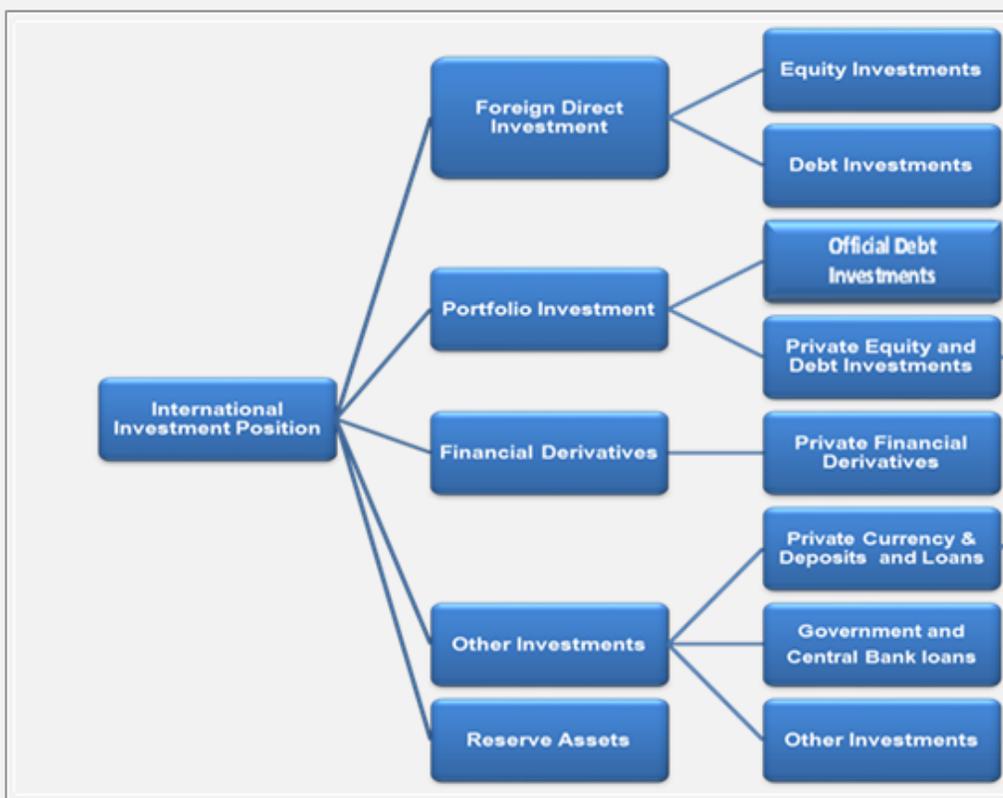


*DECEMBER 2015 QUARTER*

**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)							
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Quarterly Change	Annual Change
<b>Net Position</b>	<b>(20 702.8)</b>	<b>(20 651.7)</b>	<b>(20 856.8)</b>	<b>(20 330.3)</b>	<b>(20 951.6)</b>	<b>( 621.3)</b>	<b>( 248.8)</b>
<b>NIIP-to-GDP Ratio (%)</b>	<b>( 149.0)</b>	<b>( 148.5)</b>	<b>( 150.8)</b>	<b>( 150.2)</b>	<b>( 155.6)</b>	<b>( 5.4)</b>	<b>( 6.5)</b>
<b>Net Direct investment</b>	<b>(12 992.6)</b>	<b>(13 187.0)</b>	<b>(13 369.6)</b>	<b>(13 605.3)</b>	<b>(13 782.7)</b>	<b>( 177.4)</b>	<b>( 790.1)</b>
<b>Net Portfolio investment</b>	<b>(1 760.4)</b>	<b>(1 508.2)</b>	<b>(1 308.1)</b>	<b>(3 443.3)</b>	<b>(3 952.4)</b>	<b>( 509.2)</b>	<b>(2 192.0)</b>
Equity and investment fund shares	( 215.5)	( 327.6)	( 414.3)	( 438.3)	( 951.6)	( 513.3)	( 736.1)
Debt securities	(1 544.9)	(1 180.6)	( 893.7)	(3 005.0)	(3 000.8)	4.1	(1 455.9)
o/w Government issued securities	(2 822.6)	(2 854.3)	(2 681.6)	(4 579.2)	(4 455.9)	123.3	(1 633.3)
Private debt securities	1 277.7	1 673.6	1 787.8	1 574.3	1 455.1	( 119.2)	177.4
<b>Net Other investment</b>	<b>(8 424.5)</b>	<b>(8 646.2)</b>	<b>(8 736.8)</b>	<b>(6 191.8)</b>	<b>(6 157.7)</b>	<b>34.0</b>	<b>2 266.8</b>
o/w Currency and Deposits	1 009.4	736.3	889.1	718.0	889.7	171.6	( 119.7)
Loans	(8 677.3)	(8 655.0)	(8 894.1)	(6 177.6)	(6 311.7)	( 134.2)	2 365.6
SDR Liabilities	379.1	360.9	368.0	367.3	362.6	( 4.7)	( 16.5)
<b>Reserve assets</b>	<b>2 473.9</b>	<b>2 689.7</b>	<b>2 537.3</b>	<b>2 890.5</b>	<b>2 914.1</b>	<b>23.6</b>	<b>440.2</b>

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

The net international investment position (NIIP) deteriorated by **US\$621.3 million (5.4 per cent of GDP)** from end-September 2015 to end-December 2015. This reflected an increase of **US\$732.5 million** in the stock of liabilities which was partially offset by an increase **US\$111.2 million** in the stock of assets (see **Appendix 1**).

The deterioration in the NIIP for the quarter was largely due to an increase in the stock of *Portfolio Investment* liabilities of **US\$509.2 million** mainly reflecting the strong performance of the Jamaican stock market in the December 2015 quarter. The improvement in the stock market led to an increase in the value of several Jamaican equities and as a consequence, resulted in an increase of **US\$513.3 million** in the stock of equity investment liability held by non-residents. Also supporting the increase in the liabilities was net direct investment inflows of **US\$177.4 million** in the December 2015 quarter,

mainly attributable to investment in tourism and infrastructure.

On annual basis, the NIIP deteriorated by **US\$248.8 million (6.5 per cent of GDP)**. This was driven by an increase of **US\$979.2 million** in the stock of liabilities, which was partially offset by an increase of **US\$730.5 million** in the stock of assets (see **Appendix 1**).

Increased liabilities reflected higher portfolio investments of **US\$2.5 billion** – resulting from a combination of the 2015 GOJ global bond issues and increased equity liabilities of **US\$1.7 billion** and **US\$795.5 million**, respectively. There was also inflow of **US\$794.5 million** in direct investment. The impact of these was partially offset by a reduction of **US\$2.3 billion** in the outstanding stock of loans – mainly reflecting the repurchase of the PetroCaribe loan.

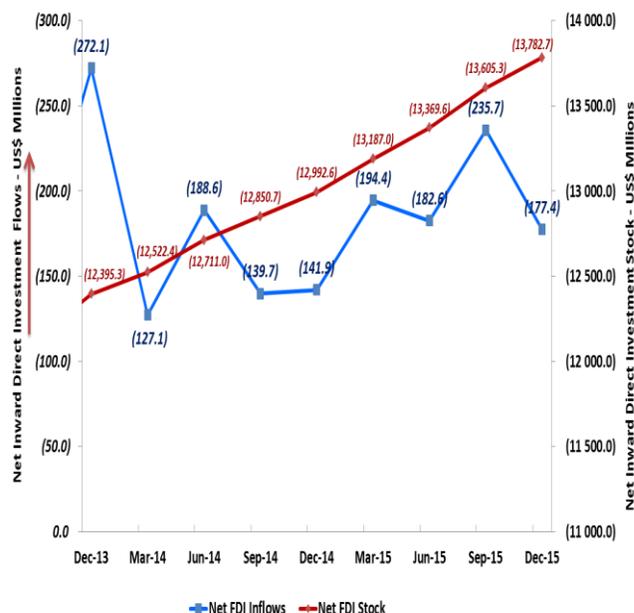
### Foreign Direct Investment

Preliminary estimates for the December 2015 quarter indicated *Net Inward Direct Investment* flows of **US\$177.4 million** relative to the revised estimate of **US\$235.7 million** for the September 2015 quarter (see **Figure 1**). The flows for the quarter brought the stock of *Net Direct Investment* liabilities to **US\$13.8 billion** at end-December 2015 relative to stock of **US\$13.6 billion** at end-September 2015 ( See **Figure 1**).

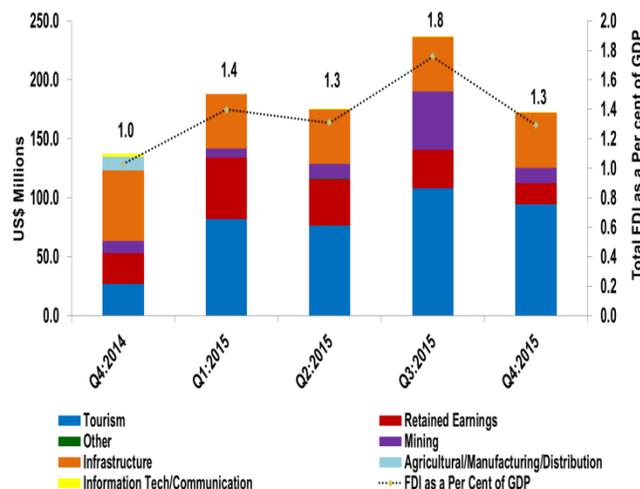
*Direct Investment* flows during the quarter reflected capital used for the continued development of various hotels and other accommodations within the tourism sector. Other flows related to the construction of the North-South leg of Highway 2000 in the December quarter (see **Figure 2**).

Preliminary estimates indicate that on an annual basis, the stock of net inward direct investment rose by **US\$790 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

The stock of *Net Portfolio Investment* liabilities increased to **US\$3 952.4 million** at end December 2015 from the stock of **US\$3 443.3 million** at end-September 2015 (see **Table 1**). This reflected an increase of **US\$509.2 million** in the portfolio related claims that non-residents have on Jamaica's residents

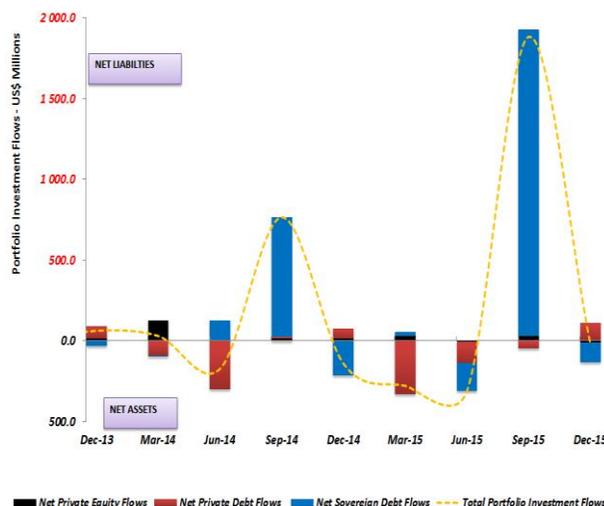
The change in the outstanding portfolio investment liabilities for the period reflected an increase of **US\$513.3 million** in the stock of equity investment liabilities which was partly offset by a slight decline of **US\$4.1 million** in the net stock of outstanding debt security liabilities (see **Table 1**). The movement in the equity liabilities reflected the strong performance of the Jamaican stock market in the December 2015 quarter. Primarily as a result of the high capital gains, the value of non-residents' equity holdings increased by **US\$519.2 million** (see Figure 4).

The movement in prices on the stock market in the December 2015 quarter were indicative of strong market fundamentals as a number of firms saw improved earnings during the period.<sup>1</sup>

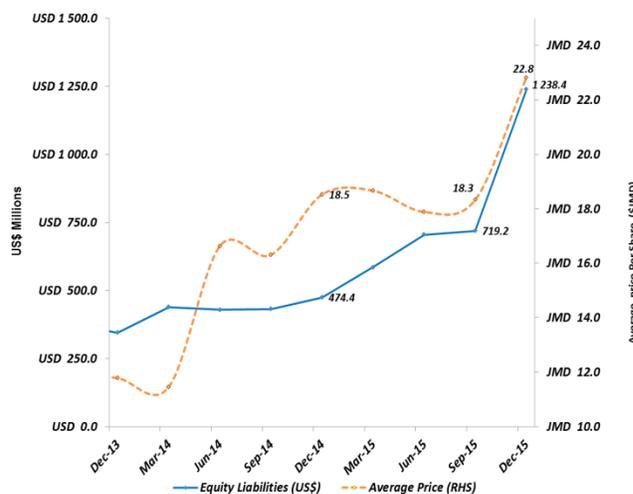
The change in debt securities reflected a net sale of **US\$123.3 million** in GOJ global securities by

non-residents, which resulted in a decline in the outstanding stock of liabilities. However, this was partially offset by a net reduction of **US\$119.2 million** in residents asset holdings of externally issued debt securities.

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



**Figure 4: Equity Investment Liabilities (USD Millions)**



<sup>1</sup> See Bank of Jamaica, Quarterly Monetary Policy Report- December 2015 quarter

### Other Investment

The stock of *Net Other Investment liabilities* at end-December 2015 was **US\$6 157.7 million** (see **Table 2**). This reflects a decline of **US\$34.0 million** relative to end-September 2015 (see **Table 1**). The decline in *Other Investments* was attributable to a build-up of **US\$171.6 million** in deposits held abroad by residents. However, partly offsetting this decline was net incurrence of **US\$134.2 million** in loan liabilities by the public and private sector.

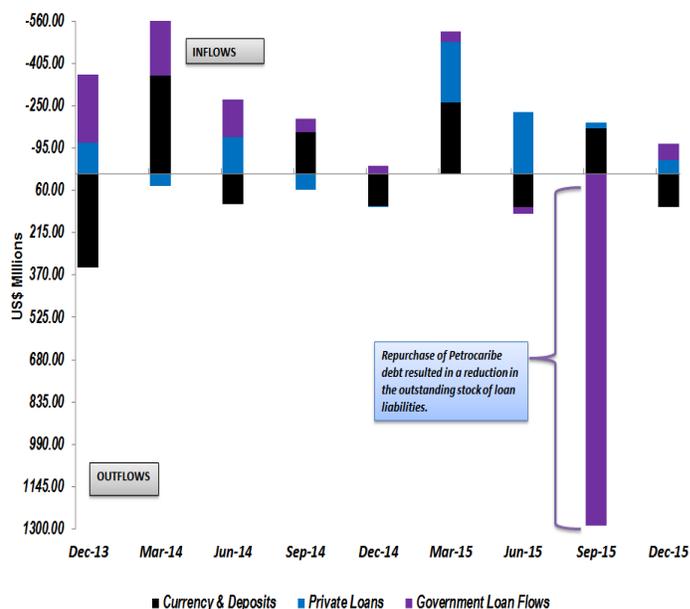
On an annual basis, the stock of *Other Investment liabilities* declined by **US\$2 266.8 million**. This largely reflects a decline of **US\$2 365.6 million** in the stock of loan liabilities *mainly reflects the repayment of loans to Petróleos de Venezuela, S.A (PDVSA) during the September 2015 quarter*. However, offsetting financial transactions stemmed from the withdrawal of **US\$119.7 million** in deposits held abroad by the private sector (See **Table 1**).

**Table 2 Stock of Net Other Investments (USD Millions)**

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Net Other Investments	(8 424.5)	(8 643.0)	(8 736.8)	(6 191.8)	(6 157.7)
Cross Border Deposits	1 009.4	739.5	889.1	718.0	889.7
Loans	(8 677.3)	(8 655.0)	(8 894.1)	(6 177.6)	(6 311.7)
Insurance & Pension	(37.2)	(34.8)	(33.3)	(32.3)	(37.3)
Trade Credits & Advances	(385.2)	(384.1)	(384.1)	(382.9)	(384.0)
Payables & Receivables	44.8	52.2	53.6	50.3	48.1
SDR Allocation from IMF	(379.1)	(360.9)	(368.0)	(367.3)	(362.6)

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

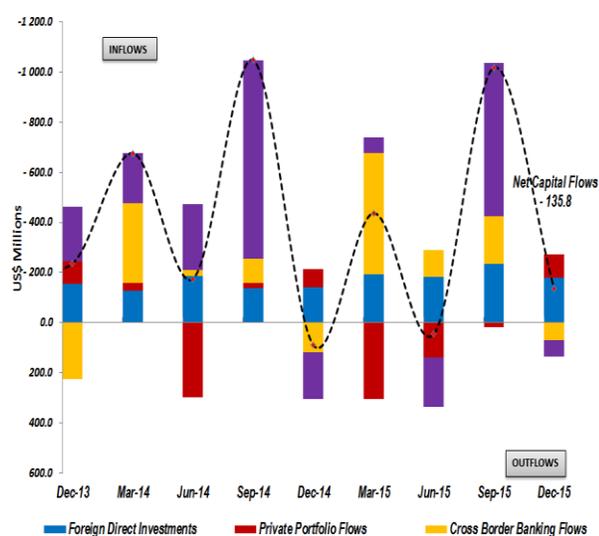
**Figure 5: Quarterly Cross Border Banking Flows (USD Millions)**



### Financing the Current Account Deficit

For the review quarter, the current account deficit was **US\$72.9 million (-0.5 per cent of GDP)**. The deficit for the quarter was financed by *net total capital inflows* which amounted to **US\$135.8 million (See Figure 6)**. The excess of the total capital inflows relative to the current account balance facilitated a build-up of **US\$23.6 million** in the gross reserve assets for the quarter.

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

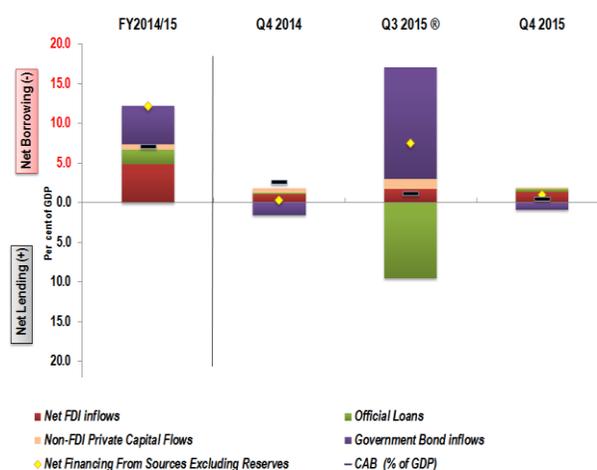


2/ 'Total capital flows' is defined as the sum of FDI, private portfolio flows, official flows and cross-border banking flows.

The primary sources of capital inflows for the quarter were net direct investment flows of **US\$177.4 million (1.3 per cent of GDP)** - (see **Figure 7**). Other sources of capital flows were non-FDI Private Capital flows of **US\$24.4 million (0.2 per cent of GDP)** and loans of **US\$57.4**

**million (0.4 per cent of GDP).**<sup>2</sup> The sole source of capital outflows was the net sale of GOJ global bonds of **US\$123.3 million** in Government bonds.

Figure 7: Main Sources of Capital Flows (Per cent of GDP)



Though an important source of financing for the current account, non-FDI private capital flows continue to be volatile. However, inflows from this source have improved for CY2015 relative to CY2014. For the CY2015 quarter, net private capital inflows is estimated at **US\$342.3 million** relative to net inflows of **US\$294.7 million** for CY2014. This may be a signal of improved confidence in the domestic economy and that residents may be switching their portfolio holdings from foreign to domestic assets.

<sup>2</sup> 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)							
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Quarterly Change	Annual Change
<b>Net IIP (Assets - Liabilities)</b>	<b>(20 702.8)</b>	<b>(20 651.7)</b>	<b>(20 856.8)</b>	<b>(20 330.3)</b>	<b>(20 951.6)</b>	<b>( 621.3)</b>	<b>( 248.8)</b>
<b>IIP-to-GDP Ratio (%)</b>	<b>( 149.0)</b>	<b>( 148.5)</b>	<b>( 150.8)</b>	<b>( 150.2)</b>	<b>( 155.6)</b>	<b>( 5.4)</b>	<b>( 6.5)</b>
<b>Assets</b>	<b>6 991.7</b>	<b>7 395.3</b>	<b>7 595.7</b>	<b>7 610.9</b>	<b>7 722.1</b>	<b>111.2</b>	<b>730.5</b>
<b>Direct investment</b>	<b>314.5</b>	<b>313.5</b>	<b>311.5</b>	<b>318.0</b>	<b>318.9</b>	<b>0.9</b>	<b>4.4</b>
<b>Portfolio investment</b>	<b>2 096.5</b>	<b>2 579.3</b>	<b>2 734.8</b>	<b>2 506.7</b>	<b>2 418.7</b>	<b>( 88.0)</b>	<b>322.2</b>
<i>Equity and investment fund shares</i>	227.4	259.2	281.6	280.9	286.8	5.9	59.4
<i>Debt securities</i>	1 869.0	2 320.1	2 453.2	2 225.9	2 131.9	( 94.0)	262.8
<b>Financial derivatives</b>	<b>13.8</b>	<b>1.8</b>	<b>41.4</b>	<b>40.0</b>	<b>44.1</b>	<b>4.2</b>	<b>30.3</b>
<b>Other investment</b>	<b>2 093.1</b>	<b>1 810.9</b>	<b>1 970.7</b>	<b>1 855.8</b>	<b>2 026.4</b>	<b>170.6</b>	<b>( 66.7)</b>
<i>o/w Currency and Deposits</i>	1 668.0	1 380.3	1 555.2	1 411.6	1 568.1	156.5	( 100.0)
<i>Loans</i>	261.6	261.8	241.5	272.1	291.3	19.2	29.7
<i>Insurance, Pension and Standardized guarantee Schemes</i>	9.5	9.3	11.9	11.6	8.4	( 3.3)	( 1.2)
<i>Trade Credit and Advances</i>	21.6	25.5	25.8	26.5	25.5	( 1.0)	3.9
<i>Other accounts receivable/Other</i>	132.3	134.0	136.3	134.0	133.2	( 0.8)	0.9
<b>Reserve assets</b>	<b>2 473.9</b>	<b>2 689.7</b>	<b>2 537.3</b>	<b>2 890.5</b>	<b>2 914.1</b>	<b>23.6</b>	<b>440.2</b>
<b>Liabilities</b>	<b>27 694.5</b>	<b>28 047.0</b>	<b>28 452.5</b>	<b>27 941.2</b>	<b>28 673.7</b>	<b>732.5</b>	<b>979.2</b>
<b>Direct investment</b>	<b>13 307.1</b>	<b>13 500.5</b>	<b>13 681.1</b>	<b>13 923.3</b>	<b>14 101.5</b>	<b>178.2</b>	<b>794.5</b>
<b>Portfolio investment</b>	<b>3 856.9</b>	<b>4 087.5</b>	<b>4 042.9</b>	<b>5 950.0</b>	<b>6 371.1</b>	<b>421.1</b>	<b>2 514.2</b>
<i>Equity and investment fund shares</i>	442.9	586.8	695.9	719.2	1 238.4	519.2	795.5
<i>Debt securities</i>	3 414.0	3 500.8	3 347.0	5 230.8	5 132.7	( 98.1)	1 718.7
<i>o/w Govt. Issued Securities</i>	2 822.6	2 854.3	2 681.6	4 579.2	4 455.9	( 123.3)	1 633.3
<b>Financial derivatives</b>	<b>12.9</b>	<b>1.8</b>	<b>21.1</b>	<b>20.3</b>	<b>16.9</b>	<b>( 3.4)</b>	<b>4.0</b>
<b>Other investment</b>	<b>10 517.6</b>	<b>10 457.1</b>	<b>10 707.5</b>	<b>8 047.6</b>	<b>8 184.1</b>	<b>136.5</b>	<b>(2 333.5)</b>
<i>o/w Currency and Deposits</i>	658.7	644.0	666.1	693.6	678.4	( 15.2)	19.7
<i>Loans</i>	8 938.9	8 916.8	9 135.6	6 449.7	6 603.0	153.3	(2 335.8)
<i>Insurance, Pension and Standardized guarantee Schemes</i>	46.7	44.1	45.2	44.0	45.6	1.7	( 1.1)
<i>Trade Credit and Advances</i>	406.8	409.6	409.9	409.4	409.5	0.0	2.6
<i>Other accounts payable/Other</i>	87.5	81.7	82.7	83.6	85.0	1.4	( 2.5)
<i>SDR Allocation from the IMF</i>	379.1	360.9	368.0	367.3	362.6	( 4.7)	( 16.5)

## Glossary<sup>3</sup>

**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).

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<sup>3</sup> 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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