

FINANCIAL SYSTEM STABILITY COMMITTEE

STATEMENT ON THE 2016 FINANCIAL STABILITY REPORT

The Financial System Stability Committee of Bank of Jamaica has reviewed the 2016 Financial Stability Report which is being published by Bank of Jamaica on 31 March 2017. The report provides a range of assessments of financial system stability in Jamaica, including vulnerabilities that may stem from the financial cycle or the structure of the financial system.

The main theme of the report is the deepening of the financial sector in 2016, which was supported by the stable and growing economy. Experience has shown, however, that seeds of future financial system instability are often planted during periods of economic growth, as markets sometime demonstrate exuberance in credit growth or in the creation of other structural imbalances. Notwithstanding, for the review year, Bank of Jamaica assessed credit growth to be below levels warranting concern or the need for counter-cyclical macro-prudential policy action.

In the 2016 Financial Stability Report, Bank of Jamaica also noted the increase in the debt burden of households and corporations. This can serve as a source of systemic weakness in the event of a downturn in the financial cycle or shocks to the financial system. In this regard, both deposit-taking and non-deposit-taking financial institutions were assessed as being largely resilient to a broad range of hypothetical macroeconomic shocks due to their strong levels of capital.

Bank of Jamaica's outlook for financial stability is generally positive as further regulatory strengthening is expected in 2017. This will include consolidated capital adequacy requirements for financial holding companies and the prudential strengthening of standards for non-deposit-taking financial institutions.

At its meeting on 28 March 2017, the Financial System Stability Committee endorsed the conclusions drawn in the report. The report is available at <http://boj.org.jm/publications>.

Financial System Stability Committee
31 March 2017