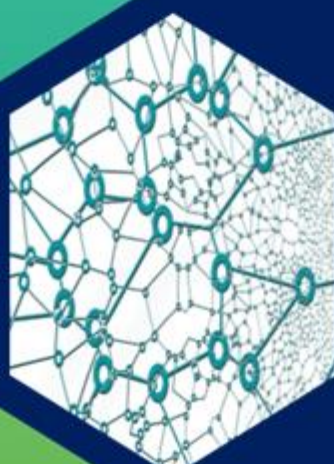
MITIGATE AND PREVENT EXCESSIVE CREDIT GROWTH AND LEVERAGE

MITIGATE AND PREVENT EXCESSIVE MATURITY MISMATCHES AND MARKET ILLIQUIDITY

LIMIT DIRECT AND INDIRECT EXPOSURE CONCENTRATIONS

LIMIT THE IMPACT OF INTERCONNECTED-NESS, SYSTEMIC IMPORTANCE AND MISALIGNED INCENTIVES



STRENGTHEN THE RESILIENCE OF THE FINANCIAL SYSTEM & INFRASTRUCTURE

BANK OF JAMAICA

Macroprudential Policy Report

Highlights

September 2024

Preface

Bank of Jamaica frequently conducts assessments of the resilience and strength of the financial system. These financial system stability assessments inform the Bank's macroprudential policy. This report provides highlights of those assessments for the reporting quarter. The aim of the report is to:

- *Convey Bank of Jamaica's financial system stability assessment.*
- *Make clear the link between the Bank's assessment and any policy action taken.*
- *Provide information on matters related to financial system stability.*

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Overview

The domestic financial system remained stable during the September 2024 quarter. This stability occurred within a context of general moderation in inflation - both globally and locally - and the resultant easing of monetary policy over the period. Bank of Jamaica (BOJ) reduced its policy interest rate by 50 bps during the quarter and committed to reducing its absorption of liquidity from the system through open market operations. Similarly, the US Federal Reserve along with other major monetary authorities reduced their policy interest rates during the quarter. However, domestic credit conditions among the main financial actors continued to tighten during the quarter, reflecting the lagged impact of past monetary policy decisions. The Jamaican economy was adversely affected by the passage of Hurricane Beryl in July 2024 but every indicator pointed to a fairly moderate impact on production and prices.

The stability of the domestic financial system was reflected in key financial soundness indicators. Leverage, exchange rate risk and deposit taking institution's (DTIs') asset quality remained relatively stable over the period. However, somewhat higher past due loan (PDL) ratios precipitated increased credit risk management by some institutions. DTIs also continued to maintain high levels of loan loss provisioning. The financial system reflected improvements in liquidity over the review period while fair values losses improved. The capital base for all the sub-sectors within the system remained above prudential norms.

Notwithstanding the general positive environment, a few downside risks could adversely affect financial institutions' profitability going forward. Escalation of global geopolitical tensions could increase volatility in bond markets. Slower than anticipated reductions in inflation could cause the monetary authorities to slow or pause rate cuts, which could adversely affect fair valuations in the system. Liquidity conditions in the domestic market remain robust and will need to be prudently managed in order to safeguard against related risks.

Stress tests were simulated to determine financial institutions' resilience to various credit-related and market risk shocks. The results of the assessments indicate that the financial sub-sectors' capital buffers remain sufficient to absorb the contemplated macro-financial shocks.

The supervisors will continue to advance relevant policies and regulations, in addition to monitoring and assessing emerging risks, in order to promote financial stability.

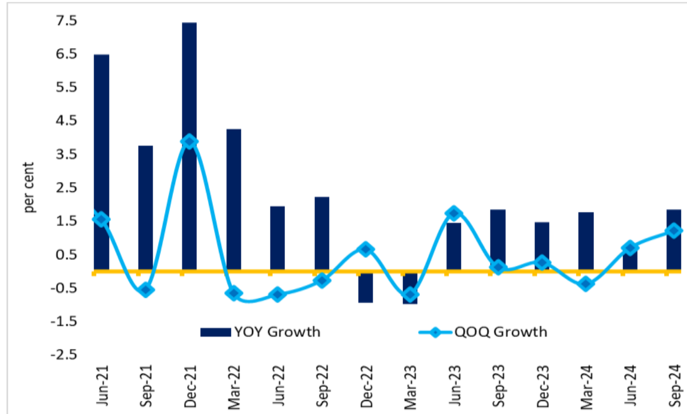
1.0 Macroeconomic/Macro Financial Developments

1.1 An estimated decline in the economy for the September 2024 was largely due to the adverse impact of Hurricane Beryl on production activities. Real GDP is estimated by the Planning Institute of Jamaica to have declined by 2.8 per cent in the September 2024 quarter following a marginal increase of 0.2 per cent for the June 2024 quarter. While GDP is estimated to decline for the December 2024 quarter, it is expected to gradually rebound thereafter.

1.2 The general moderation in domestic inflation in evidence since the beginning of the calendar year was temporarily disrupted by the impact of Hurricane Beryl on agricultural supplies. The annual point to point inflation rate jumped to 6.5 per cent, from 5.1 per cent a month earlier, but moderated back within the Bank's target range in September 2024 (5.7 per cent). The Bank's inflation projections are also likely to be revised downward given a lower-than-anticipated impact of Hurricane Beryl on agricultural supplies.

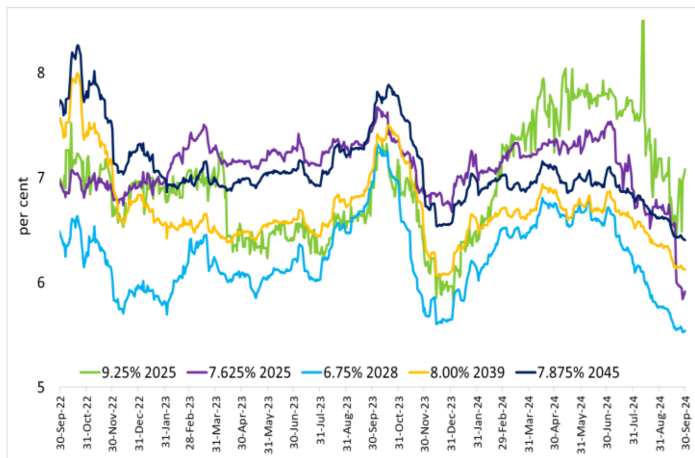
The Jamaican foreign exchange market was relatively less stable during the review quarter. The exchange rate depreciated by 1.95 per cent on an annual basis at end September 2024 compared to a depreciation of 0.74 per cent at end June 2024 (see **Chart 1.1)**.

Chart 1.1 Exchange Rate Movements



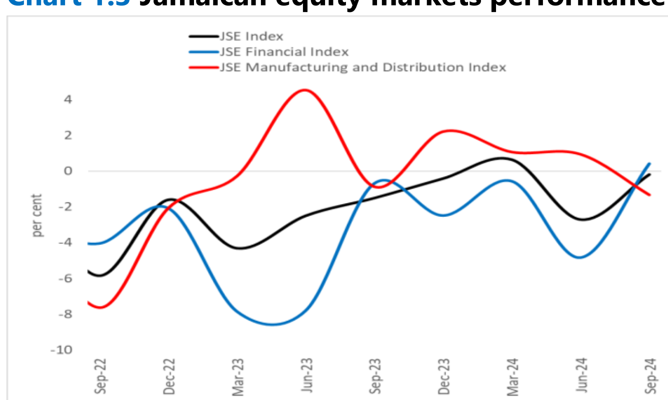
Source: Bank of Jamaica

Chart 1.2 GOJ Global Bond Yields



Source: Bank of Jamaica

Chart 1.3 Jamaican equity markets performance



Source: Bank of Jamaica

1.3 Over the September 2024 quarter, the weighted average of the indicative yields on GOJ's Eurobonds fell in the context of the outlook for the path of the FED's policy rate. A disaggregation of the yields shows that the longer term GOJGBs (6.75% 2028, 8.00% 2039, and 7.875% 2045) declined by 105.8, 62.4 and 57.8 bps, respectively, at end September 2024, relative to end June 2024 (see **Chart 1.2**).[1,2]

1.4 The JSE Main Market Index declined by 0.2 per cent for the September 2024 quarter, compared with a larger decline of 2.7 per cent for the June 2024 quarter. For the first time since September 2023, the JSE Financial Index performed above both the Main Index and the JSE Manufacturing and Distribution (M&D) Index (see **Chart 1.3**).[3,4] In spite of the decline in the JSE M&D Index, the relative improvement in the JSE Main Index could be reflecting improved investor sentiments as it relates to the local equities market.

1.5 During the September 2024 quarter, there were increases in selected global stock market indices relative to the June 2024 quarter. Specifically, the Dow Jones Industrial Average, S&P 500, Eurofirst 300, and FTSE increased by 8.2 per cent, 5.5 per cent, 1.8 percent, and 0.9 per cent, respectively. The increases in the US indices occurred in the context of the FED's loosening of monetary policy and an economic expansion driven by strong consumer and business spending in the September 2024 quarter.[5]

Macroprudential Indicators

1.6 Aggregate measures of financial stability in Jamaica reflected relative weakening in the macro-financial conditions compared to the previous quarter. The macro-financial index (MaFI) weakened slightly to 11.0 points for the September 2024 quarter, relative to 8.0 points for the June 2024 quarter.[6] The continued stability in the index primarily reflected lower annual GDP growth (see **Chart 1.4**).

[1] The GOJGB Yields reflect Bid Prices.

[2] The weighted average GOJ Eurobonds' yield fell, declining by 61.2 bps at end-September 2024 from end-June 204 compared to a marginal increase of 12.2bps for the June 2024 quarter. The longer term GOJGBs 6.75% 2028, 8.00% 2039, and 7.875% 2045 declined by 105.8, 62.4 and 57.8 bps for the June 2024 compared to increases of 12.7, 10.0, and 8.7bps for the March 2024 quarter, respectively.

[3] The JSE Financial Index (FI) measures the performance of only the financial companies listed on the Main Market and Junior Market. The JSE manufacturing and distribution (M&D) Index measures the performance of only the manufacturing and distribution companies listed on the Main Market and Junior Markets.

[4] The JSE Financial Index increased by 0.4 percent compared to a 4.8 percent decline in the previous quarter while the JSE Manufacturing and Distribution Index declined by 1.3 percent compared to a 1.0 percent increase in the previous quarter.

[5] The advanced estimate from the BEA showed that the US economy expanded by 2.8 per cent in the September 2024 quarter, marginally below the 3 per cent forecasts and the 3 per cent expansion in the June 2024 quarter.

[6] The MaFi is a signal-based index computed using scores for indicators based on the number of standard deviations of each indicator from its 'tranquil period' mean value. The tranquil period for both indices span the period March 2002 to March 2003. The scores range from 0 to 5 with a score of 5 representing the most severe signal. The higher the aggregate score, the more severe the signal.

1.7 Similarly, the micro-prudential index (MiPI) declined to 31.0 points for August 2024, relative to 26.0 points for the June 2024 quarter. This outturn primarily reflected a downturn in the ratio of loan and security losses provisions to total assets (see **Chart 1.5**).[7]

Chart 1.4 Macro-Financial Index

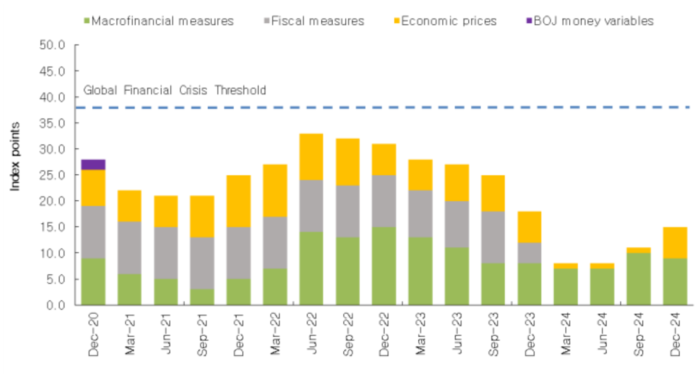
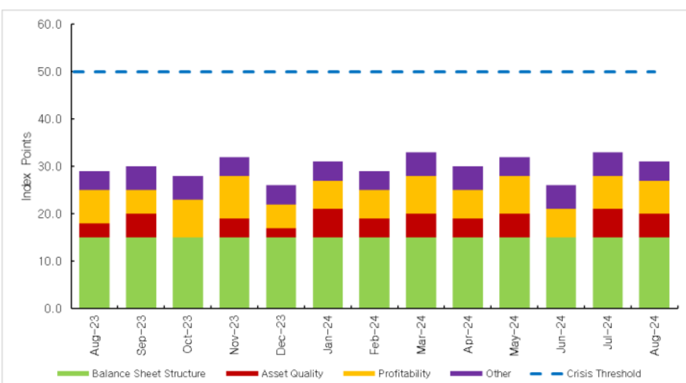


Chart 1.5 Micro-Prudential Index



2.0 Macroprudential Risk Assessment

Credit Risks

2.1 **DTIs' asset quality remained fairly stable over the review period.** DTIs' NPLs declined by 2.6 per cent to $34.7 billion at end-August 2024, relative to end-June 2024.[8] In this context, DTIs' NPL ratio, measured by the ratio of NPLs to gross loans, improved by 0.1 percentage point to 2.3 per cent at the end-August 2024, relative to end-June 2024. This outturn was driven by growth in DTIs' total loans, relative to the decline in NPLs.

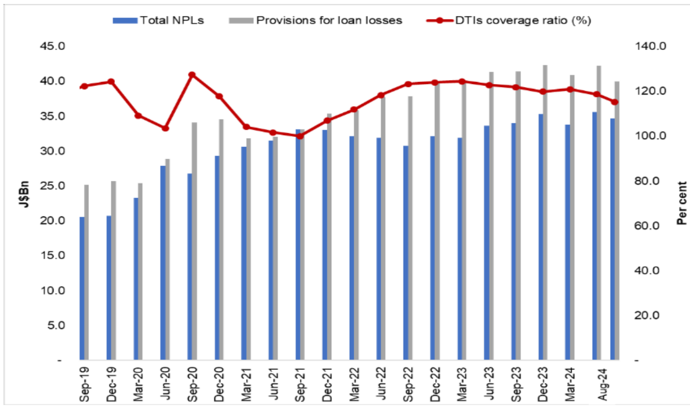
2.2 **Similarly, household loan quality remained moderately stable over the review quarter.** The ratio of mortgage NPLs to total mortgage loans remained flat at 1.7 per cent over the review period. Furthermore, the mortgage PDL ratio remained relatively unchanged at 4.5 per cent at end-August 2024, relative to end-June 2024.

2.3 **To mitigate credit risk, DTIs continued to maintain high levels of provisioning during the review period.** DTIs' NPL coverage ratio decreased by 3.4 percentage points to 115.2 per cent at end-August 2024 but remained well above 100.0 per cent prudential benchmark (see **Chart 2.1**).

7 The Micro-prudential Index, comprising 21 key financial indicators for the banking sector, monitors micro-financial indicators of the banking sector using the same signals-based approach as that which is used in the MaFI

8 The decline in NPLs was mainly driven by a 51.5 per cent reduction in NPLs to overseas residents.

Chart 2.1 Provisions to NPLs in the DTI Sector



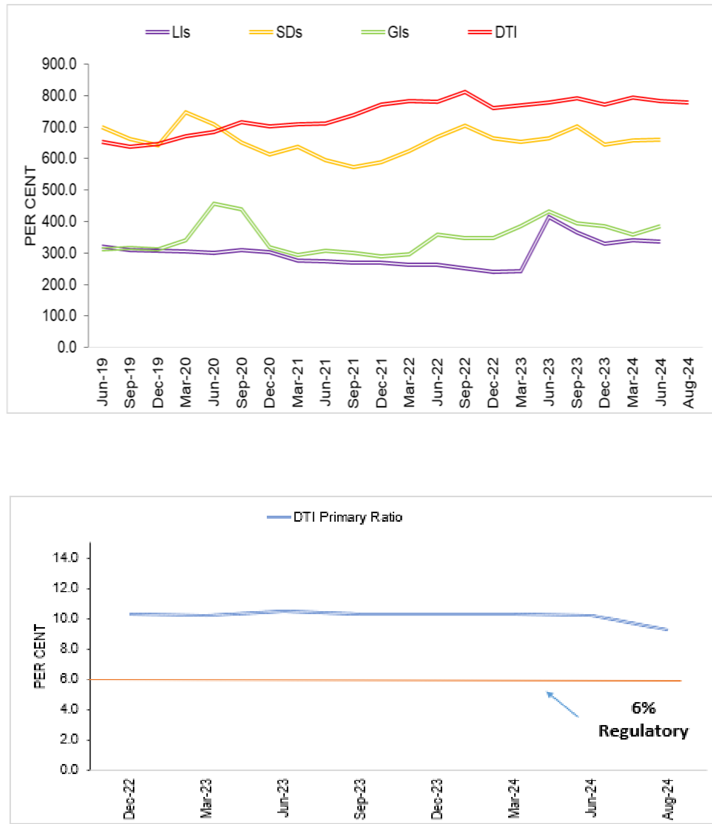
Source: Bank of Jamaica

2.4 The leverage ratio for DTIs, which measures the extent to which financial institutions use debt to fund asset expansion, declined (improved) for the period ended August 2024 relative to end-June 2024.[9] In particular, the leverage ratio for DTIs declined by 3.5 percentage points to 778.6 per cent, which reflected the increased use of equity rather than debt to fund asset expansion (see **Chart 2.2).**[10,11]

2.5 Of note, the reporting period for SDs and Insurance companies is end-June 2024 rather than end-August 2024. Accordingly, the leverage metric for the life insurance sector improved; but worsened for SDs and General Insurance companies during the review period. The leverage metric for life insurance improved due to an increase in equity relative to assets, while the metric for the SDs and general insurance worsened due to the increase in assets relative to equity.

2.6 The primary ratios for all DTIs at end-August 2024, remained above the regulatory requirement of 6.0 per cent, indicating the absence of overleverage.[12]

Chart 2.2 Leverage – DTIs, securities dealers, life and general insurance companies



Source: Bank of Jamaica and Financial Services Commission

Market Risks

2.7 **Foreign currency risk within the DTI and SD sector remained fairly stable over the review**

[9] The leverage ratio is calculated as the ratio of total financial assets to equity

[10] The improvement in the metric for the DTIs reflected an increase in equity which was primarily driven by an increase in amounts held in the Statutory Reserve Fund which was partially offset by reductions in the Retained Earnings Reserve Fund.

[11] Data for the NDTFI sector was not available for August.

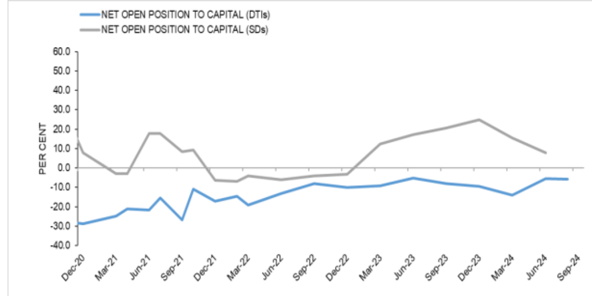
[12] The primary ratio is calculated as the ratio of total equity to total assets.

quarter. DTIs' foreign currency investment holdings as a proportion of total investments marginally increased to 30.5 per cent at end-August 2024, from 30.2 per cent at end-June 2024. Furthermore, the ratio of DTIs' foreign currency deposits to total deposits was unchanged at approximately 36.1 per cent at end-August 2024, relative to the previous quarter.[13] However, SDs' foreign currency investment holdings as a proportion of total investments marginally decreased to 51.5 per cent at end-June 2024, from 51.6 at end-March 2024.

2.8 At end-August 2024, the DTI sector recorded a net open *short* FX position to capital of 5.7 per cent, relative to a *short* position of 5.6 per cent at end-June 2024, reflecting the continued effort to reduce their FX risk exposure.

2.9 The SD sector recorded a net open *long* FX position to capital of 7.7 per cent, relative to a long position of 15.1 per cent at end-March 2024, which also signals a reduction in FX risk exposure (see **Chart 2.3**).[14, 15]

Chart 2.3 Net Open Position to Capital



Source: Bank of Jamaica and Financial Services Commission

2.10 In the context of a moderation in interest rates over the review period, DTIs' unrealized fair value losses fell by $1.7 billion to $6.3 billion at end-August 2024, relative to the June 2024 quarter.[16] Against this backdrop, the ratio of DTIs' fair value losses to capital decreased to 2.3 per cent at end-August 2024, compared to 3.0 per cent for the previous quarter (see **Chart 2.4**).

2.11 Based on available data for SDs at end-June 2024, SDs' fair value losses increased marginally by $0.5 billion to $13.6 billion for the June 2024 quarter. In this context, the ratio of SDs' fair value losses to capital worsened slightly by 0.4 percentage point to 9.9 per cent at end-June 2024, compared to end-March 2024 (see **Chart 2.5**).

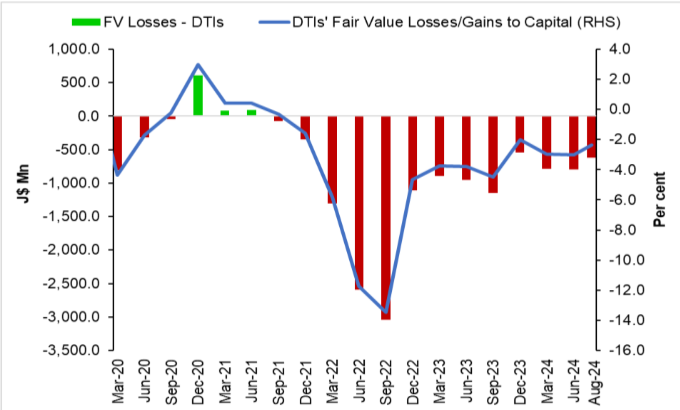
[13] Total deposits are the aggregate of all domestic and foreign currency funds held in demand (including current and savings accounts) and term accounts on behalf of financial (excluding deposit-taking institutions) and non-financial customers.

[14] These positions were within the prescribed range of +15 per cent/–25 per cent established by the Bank.

15 The net open position across the selected foreign currencies for each institution is the sum of the foreign currency spot position, net forward position and the foreign currency guarantees that are certain to be called and likely irrevocable. The spot position is calculated as foreign currency assets less foreign currency liabilities and capital items.

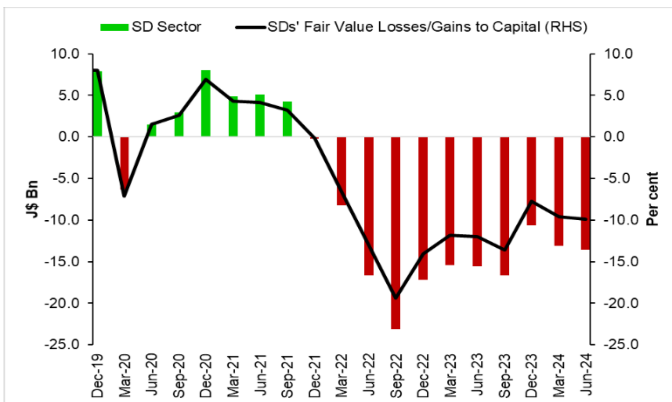
[16] A decomposition of DTIs' fair value adjustments on investments showed that the reduction in DTIs' fair value losses mainly reflected some DTIs reducing their GOJ global bond holdings to acquire more attractive US government treasury bonds as the Fed has started to cut their policy rate. Notwithstanding, DTIs heightened exposure to market risks continued to be primarily driven by DTIs holdings of fixed-rate, medium- to long-term GOJ securities (accounting for just over 40% of DTIs total investments), which were acquired prior to the Covid-19 pandemic and elevated inflation environment.

Chart 2.4 Trends in Fair Value Losses for DTIs



Source: Bank of Jamaica

Chart 2.5 Trends in Fair Value Losses for SDs



Source: Bank of Jamaica

2.12 **SDs' and DTIs' exposure to equities remained low.** DTIs' equity investments to assets and equity investments to capital was relatively unchanged at 0.2 and 2.6 per cent, respectively, at end-August 2024 compared to end-June 2024 (see **Table 2.0**).

2.13 SDs' exposure to equities relative to assets was relatively higher than for the DTI sector. The ratios for securities dealers was 4.8 per cent at end-June-24, while general and life insurance companies recorded respective ratios of 4.8 per cent and 11.2 per cent at end-March 2024.

Table 2.0 Trends in Equities Concentration

	Sep-23	Dec-23	Mar-24	Jun-24	Aug-24
Investments in Equities to Assets (%)					
DTIs	0.2	0.2	0.2	0.2	0.2
Life Insurance	11.6	11.5	11.2	-	-
General Insurance	4.1	4.5	4.8	-	-
Securities Dealers	4.7	4.6	4.8	4.8	-
Investments in Equities to Capital (%)					
DTIs	2.8	2.6	2.7	2.7	2.6
Life Insurance	46.7	41.9	41.8	-	-
General Insurance	12.1	12.9	12.7	-	-
Securities Dealers	34.4	29.8	33.3	33.4	-

2.14 **The maturity transformation ratio for the financial system, which measures the maturity mismatch between assets and liabilities, remained fairly stable and within historical trends.** For the period ended-August 2024 quarter, the maturity transformation risk metric for DTIs remained stable at 45.0 per cent relative to 45.1 at end-June 2024.[17] The stability of the system metric reflected a slight increase in long term assets relative to long term liabilities and equity, coupled with an increase in total assets.

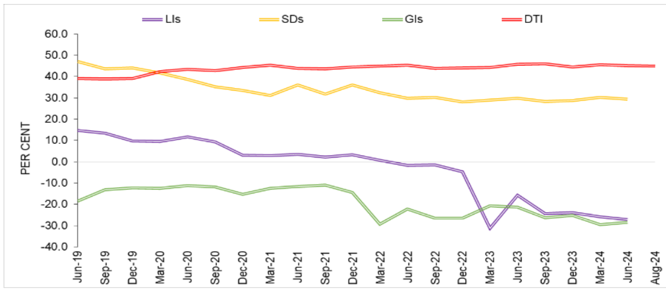
2.15 For the SD sector, the metric for the June 2024 quarter was 29.4, a slight improvement relative to a value of 30.2 for the March 2024 quarter. This was driven by an increase in long-term liabilities and equity relative to the decline in long term assets. Similarly, the metric for life and general insurance companies was relatively stable during the June 2024 quarter (see **Chart 2.6**).[18]

[17] Calculation of the maturity metric for the system utilized data at end June 2024 for DTIs , while for SDs Lis and GIs the metric used data at end March 2024. It is calculated as the follows :

$$\frac{Long\ term\ assets - long\ term\ liabilities - equity}{Total\ assets}$$

[18] For LIs and GIs the maturity metric was −27.1 and −28.5 respectively at end−June 2024 compared to −25.9 and −29.55 at end−March 2024.

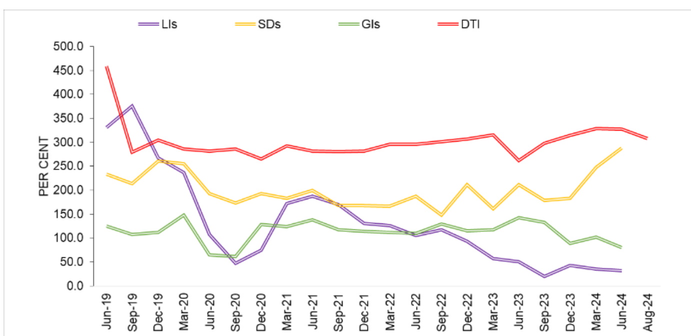
Chart 2.6 Maturity transformation (long term) DTIs, securities dealers, life and general insurance companies



Source: Bank of Jamaica and Financial Services Commission

Liquidity Risks

Chart 2.7 Liquidity Transformation – DTIs, securities dealers, life and general insurance companies



Source: Bank of Jamaica and Financial Services Commission

2.16 **The liquidity transformation risk metric for the DTI sector (which measures the extent of coverage of short-term liabilities by liquid assets) improved for the period ended-August 2024, relative to the June 2024 quarter.** More specifically, the metric declined by 20.6 percentage points to 328.0 per cent at end-August 2024 (see **Chart 2.7**).[19,20] This performance reflected an increase in liquid assets relative to the growth in short term liabilities. The outturn mainly reflected improvements within the DTI sector as liquid assets increased due to increases in BOJ Current Accounts by several commercial banks.

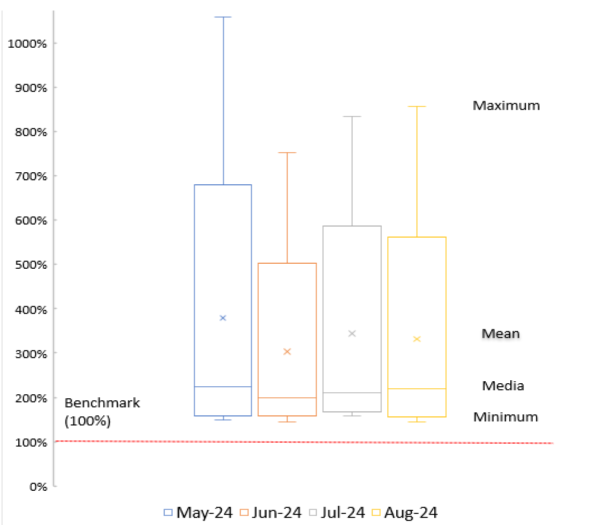
2.17 In terms of the NDFTI sector, the liquidity transformation metric for SDs worsened as liquid assets recorded a greater decline relative to short term liabilities.[21] On the other hand, the insurance sector recorded improvements in this metric, mainly driven by a decline in short term liabilities coupled with a slight increase in liquid assets. The general insurance sector however recorded a greater increase in liquid assets relative to short term liabilities.[22]

[19] The liquidity transformation metric is calculated as the ratio of short-term liabilities to liquid assets.
[20] At end-June 2024 short-term liabilities grew by 1.1 per cent while liquid assets grew by 1.9 per cent relative to March 2024.
[21] SDs liquid assets declined by 13.9 per cent while short term liabilities declined by only 0.1 per cent. Maturing liquid assets were re-invested in longer term assets during the review period.

[22] For LIs, liquid assets increased by 1.48 per cent relative to a decline of 9.1 percent in short term liabilities. For GIs liquid assets increased by 28.34 per cent relative to an increase of 1.0 percent in short term liabilities.

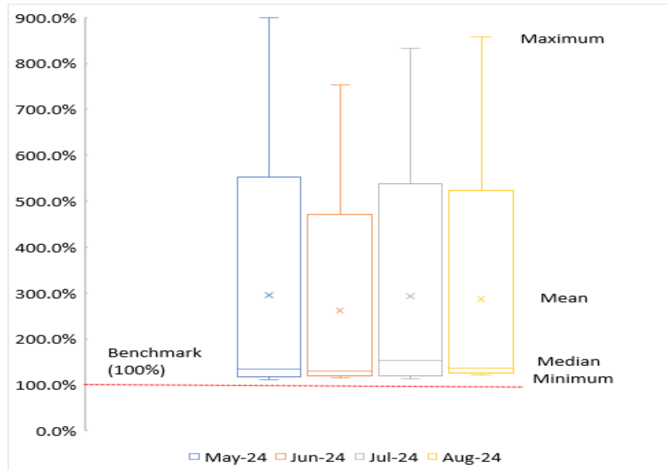
2.18 **The liquidity coverage ratio (LCR) demonstrated that DTI liquidity remained strong.**[23] At end-August 2024, the average LCR ratio for the sector declined marginally to 271.3 from 274.4 percent at end June 2024. Additionally, all DTIs exceeded the LCR benchmark of 100.0 per cent for both Jamaican and U.S. dollar denominated LCR and the Jamaican dollar denominated LCR. (see **Charts 2.8** and **2.9**). These declines were mainly driven by a slight uptick in total net cash outflows, outpacing the growth in high quality liquid assets (HQLAs) across several institutions.

Chart 2.8 Liquidity Coverage Ratio (JMD and USD Equivalent) at end-June 2024 – DTIs



Source: Bank of Jamaica

Chart 2.9 Liquidity Coverage Ratio (JMD only) at end-August 2024 – DTIs



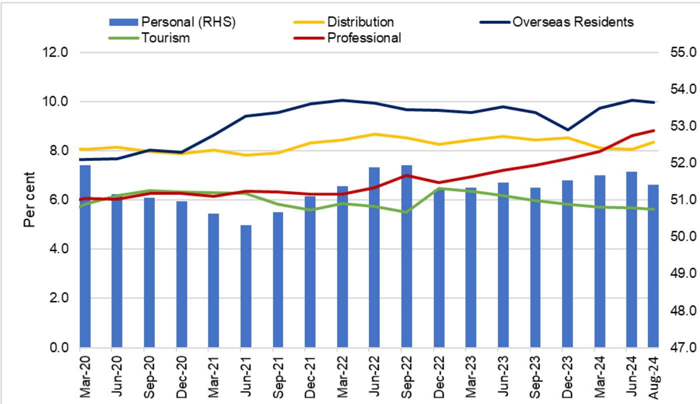
Source: Bank of Jamaica

3.0 Sectoral Vulnerabilities

3.1 **DTIs' credit to the top 5 economic sectors, as a share of DTIs' total loans, remained relatively unchanged at 84.2 per cent, relative to end-June 2024.** However, there were marginal increases in the share of DTIs' credit to the *Distribution* and *Professional services* sectors at the expense of credit to *Households*, *Overseas residents* and *Tourism* sectors (see **Chart 3.1**).

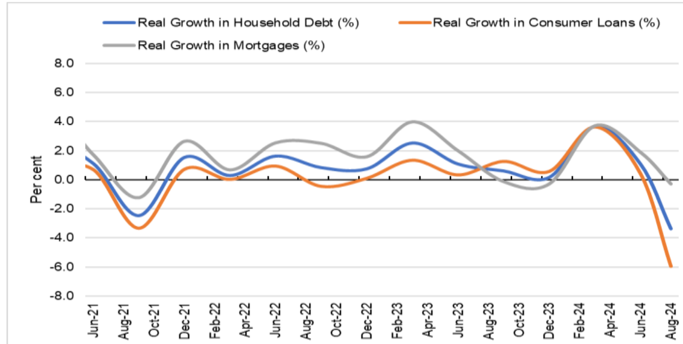
[23] LCR is a requirement under Basel III whereby banks are required to hold an amount of high-quality liquid assets (HQLA) that's enough to fund cash outflows for 30 days.

Chart 3.1 DTIs' Share of Credit to the Top 5 Economic Sectors



Source: Bank of Jamaica

Chart 3.2 Real growth in HH debt and its sub-components for DTIs



Source: Bank of Jamaica

3.2 **DTIs' exposure to the household (HH) sector fell over the September quarter.**[24] In real terms, HH sector debt declined by 3.4 per cent at end-August 2024, relative to growth of 1.1 per cent for the previous quarter (see Chart 3.2).[25]

3.3 **The deceleration in the growth in HH debt was largely due to a decline in real growth in consumer loans for the review period.** Against this backdrop, HH debt to DTIs' total assets declined marginally by 0.5 percentage point to 27.7 per cent at end-August 2024, relative to end-June 2024.

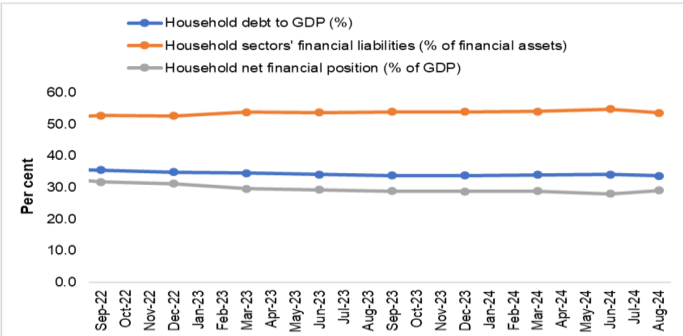
3.4 **Debt sustainability measures for households improved marginally over the review period.** In particular, the debt servicing capacity of the HH sector, measured by the ratio of HH debt to GDP, decreased by 0.4 percentage point to 33.7 per cent at end-August 2024, relative to end-June 2024 (see **Chart 3.3**). [26]

3.5 **DTIs' exposure to the corporate sector, as measured by corporate sector debt to DTIs' assets, remained fairly stable at end-August 2024.** In particular, this ratio increased marginally to 19.2 per cent at end-August 2024, from 19.0 per cent at end-June 2024 (see **Chart 3.4**). However, in real terms, DTIs' holdings of corporate sector debt decreased slightly by 0.8 per cent over the review period.

[25] Personal Loans is used as a measure of household debt. It excludes NHT loans.

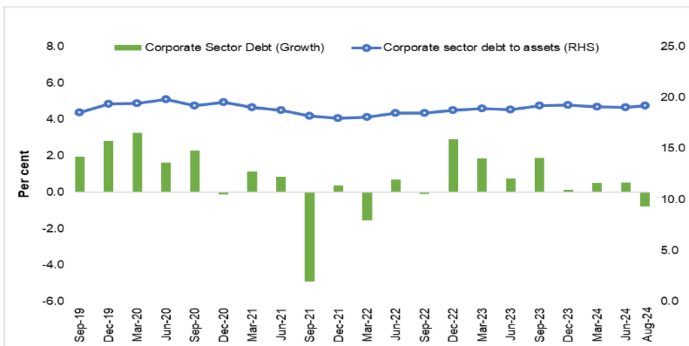
[26] Total HH debt is proxied by the sum of residential mortgage loans, consumer loans (which includes credit card receivables) and National Housing Trust loans.

Chart 3.3 HH sector indebtedness indicators



Source: Bank of Jamaica

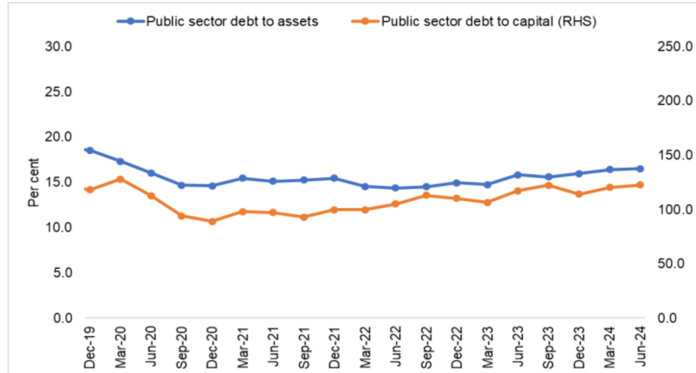
Chart 3.4 Real growth in corporate debt held by DTIs & corporate debt as a share of DTIs' assets



Source: Bank of Jamaica

3.6 **SDs' exposure to the public sector moderated over the June 2024 quarter but continued along an upward trajectory.** SDs' holdings of public sector debt increased marginally by 1.1 per cent, relative to growth of 5.4 per cent for the March 2024 quarter, causing the ratio of SDs' public sector debt to total assets to increase slightly by 0.1 percentage point to 16.5 per cent at the end of the review quarter, compared to growth of 0.4 percentage point for the end of the previous quarter (see **Chart 3.5**).

Chart 3.5 Public sector debt holdings to assets & capital for securities dealers



Source: Bank of Jamaica

4.0 Stress Tests

Context

4.1 **Credit-related and market-based stress tests were performed to test financial institutions' resilience to various macro-financial shocks**. Furthermore, given the highly interconnected nature of the Jamaican financial system and the existence of systemically important financial institutions (SIFIs), any stress by a financial institution from shocks has the potential for spill over and contagion risks.

4.2 **Four single-factor stress tests, an aggregated stress test as well as a second-round contagion impact assessment, were conducted as follows**: (a) increases in NPLs, (b) declines in equity prices, (c) increases in bond yields, (d) foreign currency depreciation, and (e) interbank contagion effects.

4.3 The findings from the various stress tests show that DTIs remain generally resilient to the stipulated shocks.

5.0 Macroprudential Policy Summary

5.1 Macro-financial conditions remained stable for the September 2024 quarter. This was reflected in the composite indices of macro-financial performance, which have all performed better than the relevant averages recorded over the past 3 years. Furthermore, financial entities were largely found to be adequately capitalized, liquid and profitable.

5.2 Notwithstanding the stable macroeconomic environment, hypothetical stresses were invoked to assess the potential consequences on the domestic financial sector from the emerging risks. The results of these stress tests indicate that the financial sector remains largely resilient to these shocks.

Appendix

State of the Financial System

Table 1.0 Select Financial Soundness Indicators

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Aug-24
Asset to GDP (%)												
DTI	105.6	108.9	101.4	94.2	93.8	94.4	94.7	89.5	89.4	88.9	89.3	109.8
SDs	35.7	27.1	33.6	32.5	31.8	31.6	32.3	29.7	29.7	30.7	31.7	n/a
LIs	18.3	22.6	16.4	15.7	15.4	14.7	14.5	14.2	14.5	n/a	n/a	n/a
GIs	4.7	4.7	4.8	4.6	4.3	3.5	4.1	3.4	3.3	n/a	n/a	n/a
Capital Adequacy (%)												
DTI (CAR)	14.2	14.3	14.1	13.8	14.2	14.2	14.9	14.5	14.6	14.3	14.5	14.5
SDs (CAR)	21.4	21.4	22.3	19.9	21.9	21.0	21.2	20.5	21.2	n/a	n/a	n/a
LIs (MCSSR)	211.1	212.8	232.8	254.4	270.7	273.3	190.0	187.6	192.5	n/a	n/a	n/a
GIs (MCT)	281.9	276.3	268.9	296.7	304.5	221.1	200.4	196.1	212.0	n/a	n/a	n/a
ROA (%)												
DTI	0.3	(0.0)	0.5	0.5	0.4	0.4	0.4	0.6	0.8	0.4	0.4	0.4
SDs	0.3	0.2	0.4	0.1	0.2	0.2	0.2	0.03	0.03	n/a	n/a	n/a
LIs	2.3	1.7	2.8	2.1	2.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GIs	0.5	(0.1)	(0.2)	0.3	0.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Liquidity (%)												
DTIs Liquidity Coverage Ratio (LCR)	260.2	231.0	211.6	199.3	339.8	308.8	296.5	276.3	285.4	231.9	274.4	271.3
DTIs (liquid assets to short-term liabilities)	27.8	29.5	30.2	29.6	27.5	26.3	30.7	27.1	26.6	26.4	25.1	27.0
SDs (liquid assets to short-term liabilities)	18.2	17.3	16.4	16.9	16.5	17.0	16.6	17.7	n/a	n/a	n/a	n/a
LIs (liquid assets to total liabilities)	24.9	22.7	24.2	24.8	30.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GIs (liquid assets to total liabilities)	67.8	69.4	69.6	66.6	70.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Performing Loans to Total Loans (%)												
DTIs	2.9	2.8	2.7	2.5	2.5	2.4	2.5	2.5	2.5	2.3	2.4	2.3
SDs	0.8	0.6	0.9	0.7	0.7	0.9	1.0	1.1	0.9	n/a	n/a	n/a
Past Due Loans to Total Loans (%)												
DTIs	2.58	3.03	2.69	2.97	2.99	2.48	3.50	2.80	3.13	2.96	3.01	3.20

Source: Bank of Jamaica and Financial Services Commission

Chart 1.0 Network Metrics for the Interbank Gross Funding Network[27]

J$ Billions	Sep-23	Dec-23	Mar-24	Jun-24
Total System Funding to Exposure	462.9	455.5	348.8	401.3
Network Metrics				
Network Mean	1.0	1.0	0.8	0.9
Reciprocity[28] (%)	59.7	58.4	58.5	48.8
Density[29] (%)	29.0	29.7	28.1	27.5
Systemic Risk Score[30]	4.7	5.3	5.3	5.9
Fragility Score[31]	16.3	16.9	16.2	15.1
Diameter[32]	6	5	6	4

Source: Bank of Jamaica

Note: The significant increase in total funding exposure for September and December 2023 was due to increased exposure by one DTI due to securitisation exercises with foreign entities.

[27] Network Metrics are based on interbank gross "funding to" data of domestic DTIs, securities dealers and foreign institutions.

[28] Reciprocity reflects the proportion of bi-directional funding relationships (Entity X both sends and receives funding from Entity Y and vice versa) that exist in the network.

[29] Density measures the proportion of actual funding relationships in the system against the total number of potential funding relationships in the network.

[30] The systemic risk score quantifies systemic risk in the financial system by combining each institution's contribution to interbank network risk for a specific period weighted by its overall ranking in the financial system. This score excludes foreign institution relationships.

[31] Fragility refers to how quickly the failure of any one institution would trigger failures across the network. The greater the degree of concentration in a few institutions the higher the fragility. Scores above 2 are considered fragile.

[32] Diameter indicates the "speed" of contagion, the more institutions on the diameter the slower the "speed" of contagion.