



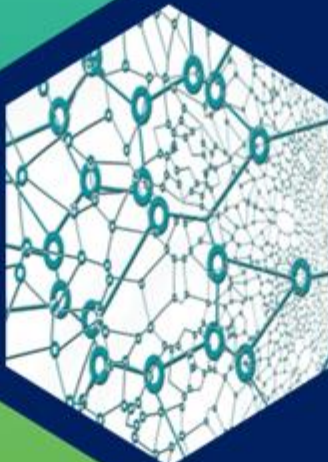
MITIGATE AND PREVENT EXCESSIVE CREDIT GROWTH AND LEVERAGE

MITIGATE AND PREVENT EXCESSIVE MATURITY MISMATCHES AND MARKET ILLIQUIDITY



LIMIT DIRECT AND INDIRECT EXPOSURE CONCENTRATIONS

LIMIT THE IMPACT OF INTERCONNECTEDNESS, SYSTEMIC IMPORTANCE AND MISALIGNED INCENTIVES



STRENGTHEN THE RESILIENCE OF THE FINANCIAL SYSTEM & INFRASTRUCTURE

Macroprudential Policy Report

Highlights

June 2025

Preface

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

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



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Overview

Jamaica's macro-financial environment remained broadly stable throughout the June 2025 quarter, reflecting economic resilience. This stability was underpinned by favourable economic indicators, such as real GDP growth, moderate inflation, a lower policy interest rate and easing global trade tensions, which resulted in relatively stable financial market conditions. The Bank's composite measures of financial stress remained below predetermined crisis thresholds, signalling continued financial system health. Furthermore, the main financial sub-sectors continued to demonstrate sound performance across key metrics including solvency, asset quality, liquidity and profitability.

Despite overall macro-financial stability during the June 2025 quarter, persistent geopolitical tensions and trade uncertainties pose risks to stability. If these escalate, they could constrain monetary policy flexibility, increase financial market volatility, and slow economic growth. These developments may lead to falling asset prices and reduced profitability for the financial sector. Moreover, the interconnected nature of the financial system and the presence of systemically important institutions amplify the potential for stress in one entity to trigger broader contagion across the system.

Regarding resilience, stress tests and systemic risk assessments were simulated to determine financial institutions' resilience to credit-related, liquidity and market risk shocks. The results indicated that the respective financial system subsectors' have sufficient capital buffers to absorb macro-financial shocks. However, while capital buffers across financial sub-sectors are generally adequate, specific vulnerabilities exist within financial groups that would need to be remedied by additional capital injections and robust risk management.

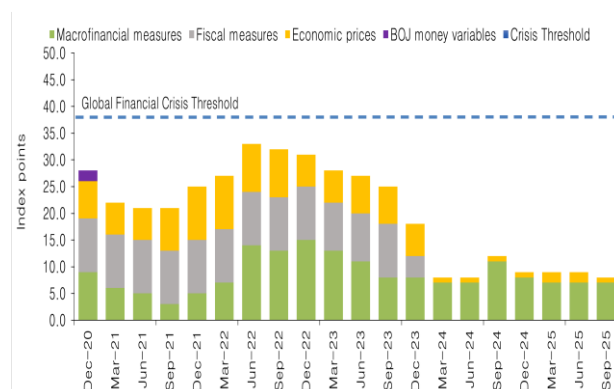
Financial sector supervisors will maintain active monitoring and risk assessments, particularly of financial groups, to guide timely policy responses that safeguard stability. The Bank will also evaluate the impact of its reform initiatives (such as Basel III implementation, the establishment of a special resolution framework and transition to the Twin Peaks model of supervision) and adjust implementation pace as needed to minimize risk and ensure sector resilience.

1.0 Macroeconomic/Macro-Financial Development and Risks

Macro-Financial Index

1.1 Overall macro-financial conditions in Jamaica during the June 2025 quarter were broadly unchanged, indicating continued stability in the financial system.¹ The macro-financial index (MaFI) remained at 9.0 points for the review quarter, relative to the March 2025 quarter and stayed well below the threshold that signals the emergence of a crisis (see **Chart 1.1**).² Additionally, both inflation and the foreign exchange market exhibited low volatility.

Chart 1.1 Macro-Financial Index



Source: BOJ

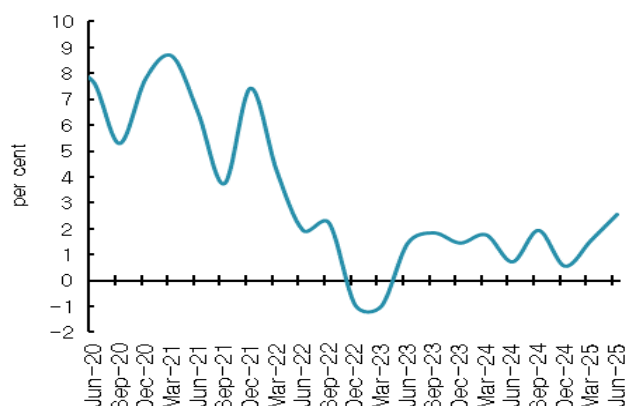
- 1.2 Real Gross Domestic Product (GDP) for the Jamaican economy is estimated to have grown by 1.3 per cent for the June 2025 quarter, relative to June 2024. This follows a 1.1 per cent expansion in the March 2025 quarter. Notably, the Construction sector has returned to growth over the last two quarters. However, there is continued weakness in the residential and business real estate as indicated by modest growth in cement sales.
- 1.3 The annual point-to-point (ptp) inflation rate was 3.8 per cent at end-June 2025, below the Bank's 4.0 to 6.0 per cent target range, the first such occurrence since April 2021. Inflation is projected to remain below the target over the next two quarters, before generally normalising to the range. Potential changes in economic policies among Jamaica's main trading partners could pose the main upside risk to the domestic inflation projections. The direct impact is expected to be moderate but there could be second-round effects that are not anticipated in the Bank's baseline forecast.
- 1.4 The J\$:US\$ exchange rate depreciated by 2.6 per cent year over year (y-o-y) at end-June 2025 compared to a depreciation of 1.6 per cent at end-March 2025 (see **Chart 1.2**), notwithstanding a surplus on Jamaica's external accounts and B-FXITT Sale Operations.

¹ The index trended up during the latter part of 2024 capturing weak economic growth due to Beryl but subsequently improved.

² In March 2024, the index fell, reflecting a macro-financial environment characterized by stable annual inflation and improved fiscal discipline. During the peak of post-COVID-19 disruptions, Jamaica experienced elevated inflation, reaching 9.6% in December 2022. However, in the subsequent five quarters leading up to March 2024, annual point-to-point inflation stabilized within a narrower band. This relative consistency—compared to the more volatile price movements in 2022—reflects lower inflation volatility, which is a critical contributor to financial system stability. Lower volatility reduces uncertainty for households, businesses, and investors, promoting more predictable financial conditions, and reducing risk premiums. Simultaneously, in March 2024, Jamaica's external debt ratio dropped below 70.0% for the first time, helped by prudent tax reforms.

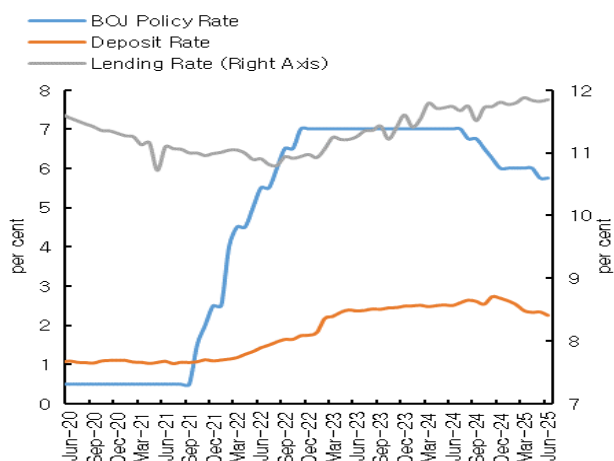
1.5 The Bank continued to ease its monetary policy stance during the June 2025 quarter in the context of the moderation in domestic inflation. The policy rate was reduced to 5.75 per cent at end-June 2025 from 6.0 per cent at end-March 2025 (see **Chart 1.3**). While DTIs' deposit rates continued to be more responsive to the Bank's policy signal, the pass-through to lending rates continued to be low.

Chart 1.2 Y-O-Y Percentage Change in J\$:US\$ WASR



Source: BOJ

Chart 1.3 Movement in Interest Rates



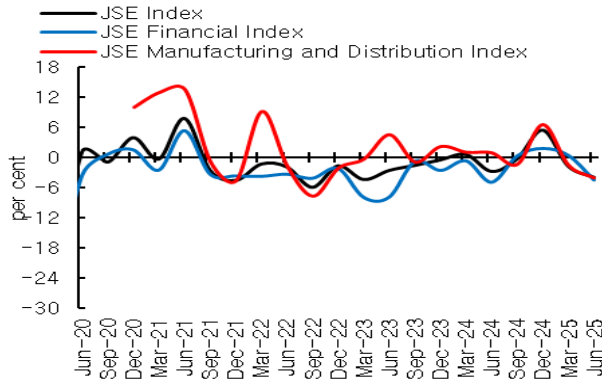
Source: BOJ

1.6 The weighted average GOJ Eurobonds' yield declined by 20.8 bps at end-June 2025 relative to end-March 2025. The yields show that the longer term GOJGBs (6.75% 2028, 8.00% 2039, and 7.875% 2045) declined by 54.6, 21.7 and 12.8 bps, respectively, at end-June 2025, relative to end-March 2025.

1.7 In relation to equities, domestic prices declined for the quarter. The JSE's Main Market, Financial (FI) and Manufacturing & Distribution (M&D) Indices declined by 0.5, 1.7 and 0.6 per cent (y-o-y) for the June 2025 quarter, respectively. Similarly, the indices declined quarter to quarter (q-o-q) by 3.9, 4.4, and 4.0 per cent, respectively (see **Chart 1.4**). The results of the JSE Indices occurred in the context of generally lower quarterly profits for Main Market firms during the June 2025 quarter, compared to June 2024 quarter. Furthermore, the Main Market capitalization was lower at end-June 2025 compared to end-June 2024 which signals waning investor confidence.

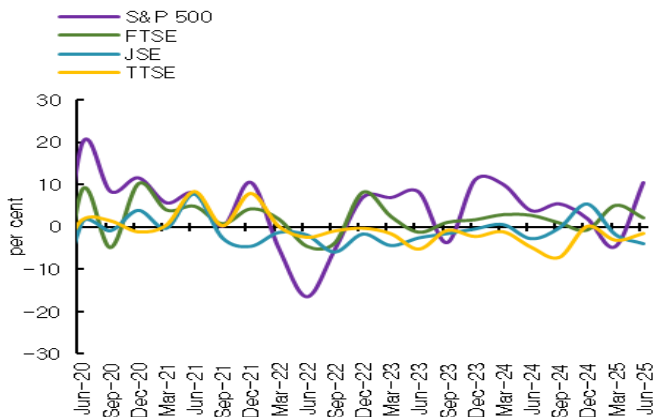
1.8 The annual growth of selected global stock market indices displayed mixed results at end-June 2025 relative the March 2025 (see **Chart 1.5**). The S&P 500 and FTSE increased by 13.6 per cent and 7.3 per cent (y-o-y), respectively, while the TTSE declined by 11.6 per cent. Similarly, the S&P 500 and FTSE increased q-o-q by 10.6 per and 2.1 per cent, respectively, while the TTSE declined by 1.6 per cent. The strong increase in the S&P 500 was supported by expectations of Federal Reserve rate cuts and declining Treasury yields, strong earnings in technology and industrial sectors and improved investor sentiment amid clearer trade policy enforcement.

Chart 1.4 Quarterly Growth in Select JSE Indices



Source: Jamaica Stock Exchange

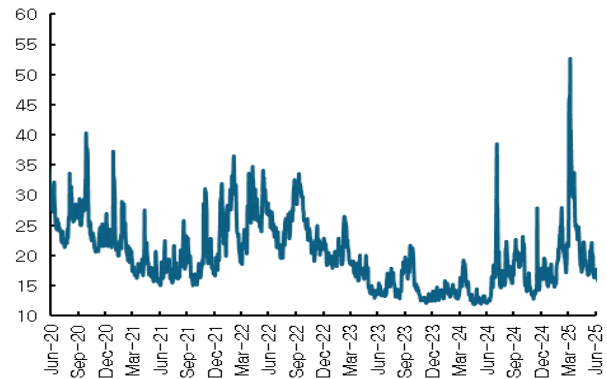
Chart 1.5 Quarterly Growth in Select Global Stock Market Indices



Source: Bloomberg, Jamaica Stock Exchange, and Trinidad and Tobago Stock Exchange

1.9 External market volatility moderated over the review period, signalling a moderation investor anxiety. In this context, the Chicago Board Options Exchange Volatility Index (VIX) declined by 5.6 percentage points to 16.7 per cent at end June 2025 from 22.3 per cent at end-March 2025 (see **Chart 1.6**).

Chart 1.6 Chicago Board Options Exchange VIX



Source: Bloomberg

System Evolution

Balance Sheet Indicators – Financial System

1.10 **The financial system expanded over the review period, amid generally favourable macro-financial conditions.** Specifically, the asset base of the financial system grew by 8.9 per cent (y-o-y) (144.7 per cent of GDP) at end-June 2025, accelerating from 6.2 per cent growth (142.0 per cent of GDP). This performance was primarily driven by the DTI sector, which accounted for 56.3 per cent of total system assets at the end of the review period.³

Micro-Prudential Index

1.11 The Bank’s micro-prudential index (MiPI), which monitors the health of the Jamaican banking sector, improved for the June 2025 quarter, reflecting generally improved macro-financial

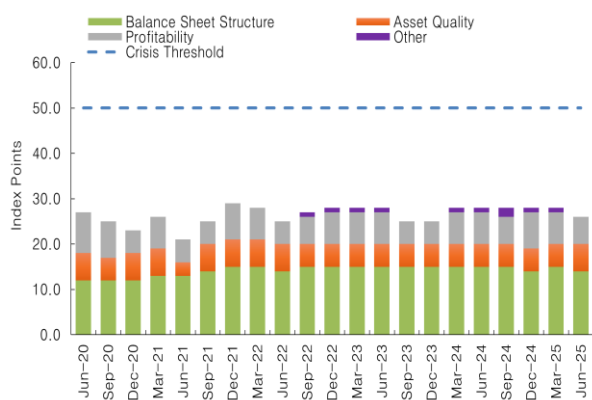
³ Financial system assets include assets of commercial banks, building societies, FIA licensees, securities dealers, credit unions, insurance companies (both life and general), pensions, and unit trust and CIS.

conditions. Specifically, the MiPI fell to 26.0 points for the June 2025 quarter, compared to the March 2025 quarter, primarily driven by improvements in the net income to total assets and financial institution loans to total loans ratios. This index therefore remained below the crisis threshold of 50.0 points. Additionally, there was an improvement in the 12-month growth in deposits which was partially offset by a deterioration in the non-performing loans to assets ratio. Notwithstanding, the sector’s overall asset quality and balance sheet indicators remained fairly stable over the review period (see **Chart 1.7**).

consecutive quarters of decelerating growth prior to the March 2025 quarter.

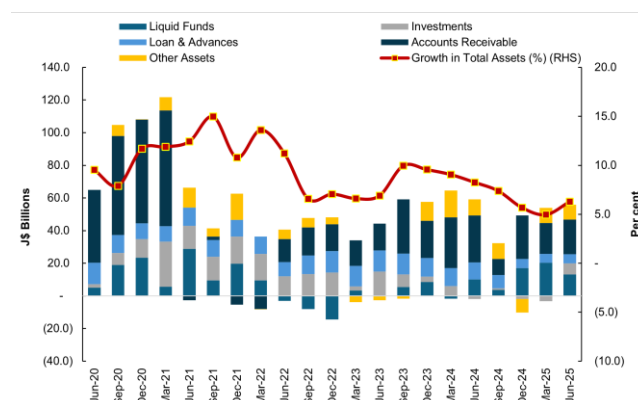
1.13 The uptick in asset growth was primarily driven by increases of 13.1 per cent and 5.6 per cent in Liquid Funds and Loans, Advances & Discounts, respectively. Investments also grew by 6.7 per cent, following two consecutive quarters of contraction (see **Chart 1.8**). Growth in these assets occurred as DTIs sought to bolster interest income and store excess foreign currency liquidity, as such, the increased placements with overseas banks and BOJ leading to growth in cash and bank balances.

Chart 1.7 Micro-Prudential Index



Source: BOJ

Chart 1.8 Annual Change in DTI sector composition of Assets (including growth rate)

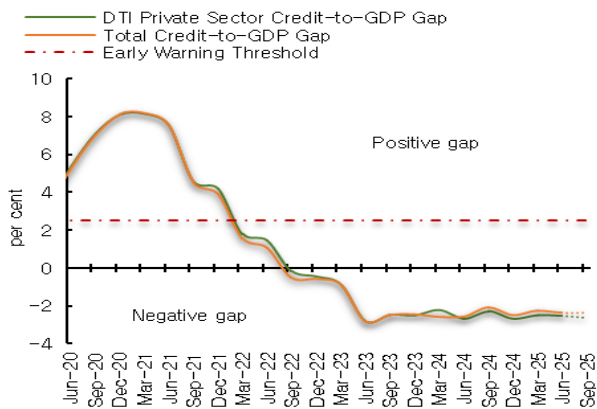


Source: BOJ

Balance Sheet Indicators – DTIs

1.12 **Assets for the DTI sector expanded over the review period, amidst continued growth in the real economy and a generally improved macroeconomic environment.** Specifically, DTIs’ assets grew by 8.0 per cent (y-o-y) to \$ 945.9 billion at end-June 2025, this outturn shows an increase in growth relative to the 6.3 per cent recorded at-March 2025 and underscores a turnaround, following six

Chart 1.9 Credit-to-GDP Gap Indicators

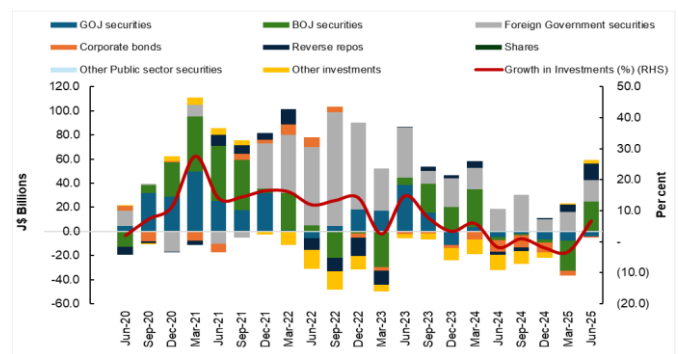


Source: BOJ

1.14 In the context of the evolution of DTI credit during the June 2025 quarter, the credit-to-GDP gap indicator continued to reflect soft credit conditions.^{4,5} The total credit-to-GDP gap declined marginally to -2.3 per cent at end-June 2025 compared to -2.2 per cent at end-March 2025 (see **Chart 1.9**).⁶ The total credit-to-GDP gap is projected to decline at end-September 2025, continuing to reflect relatively soft credit conditions.

1.15 In the context of more favourable economic conditions, DTI investments expanded following consecutive periods of contraction. This outturn was primarily driven by an increase in BOJ Securities, which was augmented by an expansion in Foreign Government Securities.²¹ Notably, DTIs continued to reduce significant holdings of GOJ global bonds, which had exposed the sector to significant fair value losses on their balance sheets and shift towards reverse repo agreements market risk (see **Chart 1.10**).

Chart 1.10 Annual Change in DTI Investment Composition



Source: BOJ

⁴ The credit-to-GDP gap indicator measures the deviation of credit-to-GDP from its long-term trend. It is a systemic risk indicator associated with financial cycles which signals the extent of credit risk accumulation. A positive outturn indicates credit is growing faster than its long-term trend and may signal excessive credit expansion. Negative values indicate credit is below its long-term trend and may indicate tight credit conditions or deleverage in the economy.

⁵ Total credit used to calculate the credit-to-GDP gap is comprised of private sector credit, credit issued to the public sector and corporate securities held by DTIs. Nominal GDP is annualized by calculating a 4-quarter moving sum. The trend in credit/GDP is estimated using the Hodrick Prescott (HP) filter data smoothing econometric technique.

⁶ This outturn was below both the Bank of International Settlements' (BIS) upper threshold of 10.0 per cent and BOJ's early warning threshold of 2.5 per cent for financial-cycle-related credit risks.

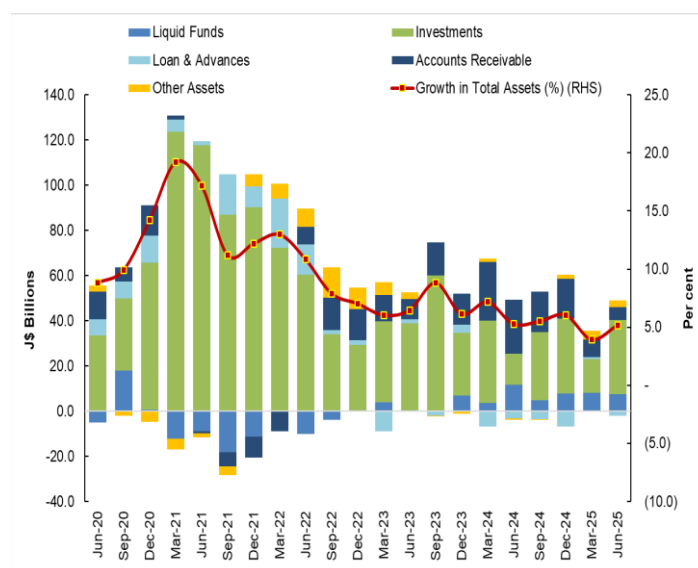
1.16 **On the liabilities side, there was continued growth over the review period.** Moreover, the growth in DTIs' assets over the year to June 2025 was primarily funded by the growth in their deposits. The sector's total deposits at end June 2025 were higher by 10.2 per cent, relative to the stock at end June 2024. This rate of growth was faster than the 8.02 per cent and 8.5 per cent recorded at end-March 2025 and end-June 2024, respectively. The growth in deposits was consistent with the Bank's estimated growth in nominal GDP for the quarter and the generally favourable macroeconomic conditions.

Balance Sheet Indicators - Securities Dealers

1.17 Similar to the DTIs, there was an acceleration in the pace of growth in Securities dealers' (SDs) total assets, driven by a turnaround in the growth in their investments. SDs total assets grew by 5.2 per cent (y-o-y) at end-June 2025, faster than the previous quarter's growth of 3.9 per cent. This growth/acceleration was primarily driven by an increase of 4.5 per cent in Investments (see **Chart 1.11**).

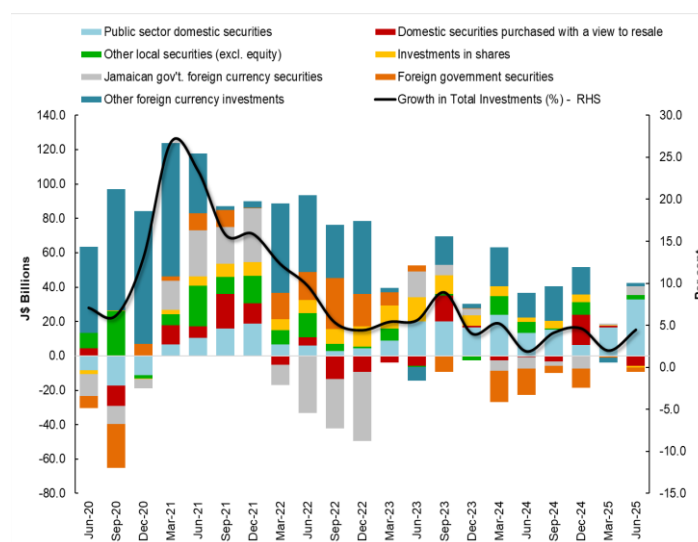
1.18 The growth in SDs' investments was mainly driven by a 21.8 per cent (y-o-y) increase in Public Sector domestic securities at end-June 2025, relative to end-March 2025 (see **Chart 1.12**). These portfolio shifts continue to reflect SDs' cautious investment posture, as dealers remain vigilant in navigating continued global uncertainties.

Chart 1.11 Annual change in securities dealers' asset composition



Source: FSC

Chart 1.12 Composition of SDs' investments



Source: FSC

1.19 The growth in SDs' funding continued to support asset expansion during the review period, primarily through repo liabilities. Total funding increased by 4.2 per cent (y-o-y) at

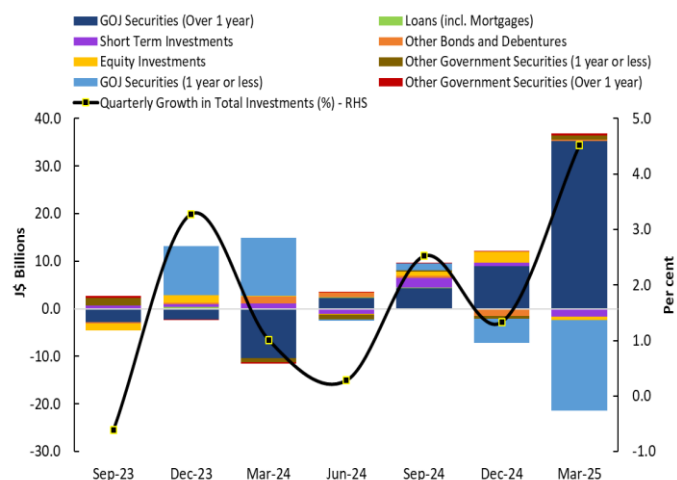
end- June 2025, primarily driven by a 4.0 per cent increase in repo liabilities. Growth in the repo portfolio was largely attributed to an 11.7 per cent increase in Repo liabilities with *Non-Financial Corporate Clients (NFCCs)*, while the SDs continued to reduce their funding from other non-DTI financial entities during the quarter.

Balance Sheet Indicators - Insurance Sector

1.20 In the context of the generally favourable macro-financial conditions, the asset base of the Insurance sector grew by 9.6 per cent (y-o-y) at end-March 2025, faster than growth of 6.7 per cent (y-o-y) at December 2024. This growth was fuelled by strong expansions in investments (7.4 per cent) and other assets (16.5 per cent), the latter being largely reflective of increased cash holdings.

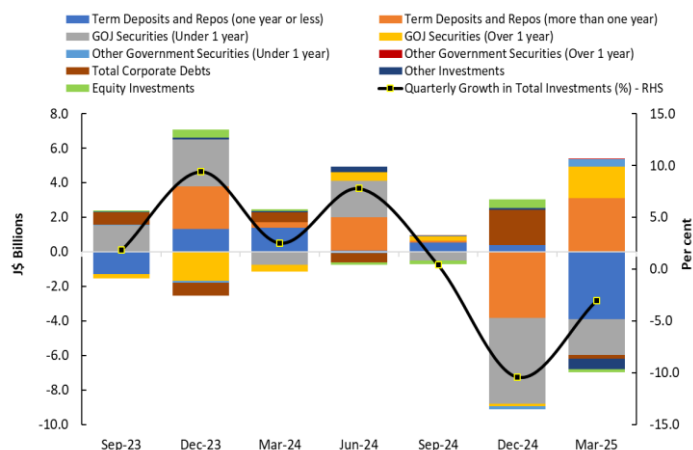
1.21 Insurance companies continued to rebalance their investment portfolios to improve their investment returns and address the ongoing profitability challenges faced by the sector. In particular, both life and general insurance sectors adopted slightly longer investment strategies. Similar to the previous quarter, the life insurance sector continued to reduce its holdings of short-term *GOJ securities (1 year or less)*, in favour of longer-term, *GOJ securities (over 1 year)* (see **Chart 1.13**). The general insurance sector reallocated its portfolio towards *Term deposits and Repos (more than one year)*, and *GOJ securities (Over 1 year)*, whilst reducing holdings of *GOJ securities (Under 1 year)*, and *Term deposits and Repos (one year or less)* (see **Chart 1.14**).

Chart 1.13 Annual change in life insurance investment composition



Source: FSC

Chart 1.14 Quarterly change in general insurance investment composition



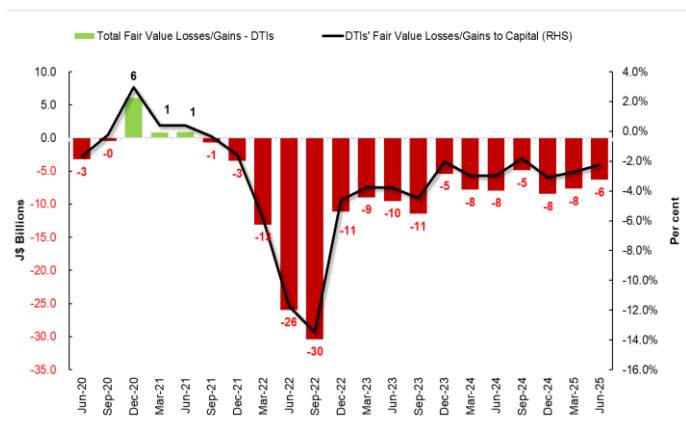
Source: FSC & BOJ

1.22 Asset growth in the insurance sector, continued to be supported by growth in total liabilities during the review period, particularly through *Insurance Contract Liabilities*. The industry's total liabilities grew by 9.0 per cent (y-o-y) at end-March 2025. This growth continued to be primarily due to an increase in *Insurance Contract Liabilities*, which grew by 10.8 per cent during the review period.

Fair Value Losses

1.23 DTIs' unrealized fair value losses improved by \$1.3 billion to \$6.3 billion at end-June 2025, relative to the March 2025 quarter.⁷ Similarly, the ratio of DTIs' fair value losses to capital decreased to 2.2 per cent at end-June 2025, compared to 2.7 per cent as at the previous quarter (see **Chart 1.15**).

Chart 1.15 Trends in Fair Value Losses for DTIs



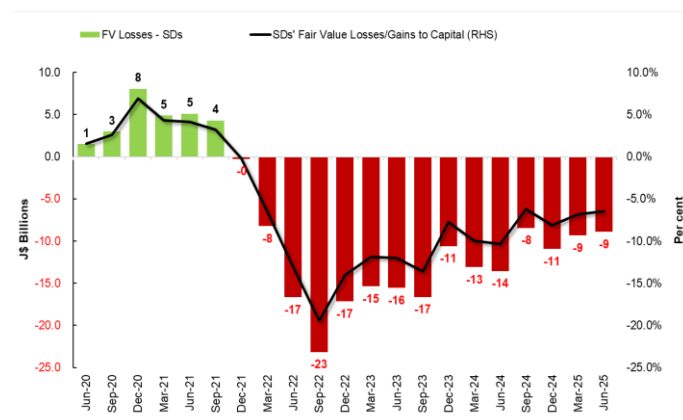
Source: BOJ

1.24 At end-June 2025, SDs' fair value losses decreased by \$0.4 billion to \$8.9 billion relative

⁷ Notably, DTIs continue to reduce their holdings of GOJ bonds in favor of foreign securities.

to March 2025 quarter. Furthermore, the ratio of SDs' fair value losses to capital improved by 0.3 percentage point to 6.5 per cent at end-June 2025, compared to the previous quarter (see **Chart 1.16**).

Chart 1.16 Trends in Fair Value Losses for SDs



Source: FSC

2.0 Macroeconomic Exposures/Vulnerabilities

Credit Risks

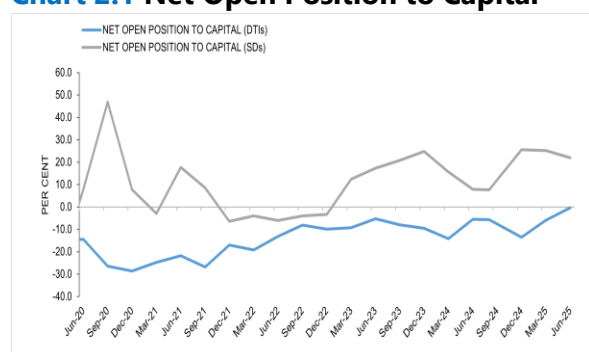
2.1 Indicators of credit risk within the DTI sector showed mixed results at end-June 2025, reflecting the impact of easing financial conditions. Aggregate Past due loans (PDLs) decreased by 2.44 per cent (y-o-y), compared to an increase of 7.97 per cent in the March 2025 quarter. The decline was mainly driven by reductions in PDLs across the Tourism, Construction and Professional & Other Services sectors. Resultantly, the ratio of PDLs to Gross Loans declined to 2.8 per cent (y-o-y) relative to 3.0 per cent in the March 2025 quarter.

Market Risks

Foreign Exchange Risk

- 2.2 At end-June 2025, the DTI sector recorded a net open *short* FX position of 0.3 per cent of their capital base, relative to a *short* position of 5.9 per cent at end-March 2025, reflecting the continued effort to reduce their FX risk exposure.⁸ Historically the DTI section has been holding a short position. There has been an upward trend since Dec-24 with improvement on the DTI sector, leading to the smallest short position thus far. This outturn could be indicative of mitigating depreciation risk.
- 2.3 The SD sector recorded a net open *long* FX position of 22.0 per cent of their capital base at end-June 2025, relative to a long position of 25.5 per cent at end-March 2025. This decrease in FX risk exposure was attributable to decreased USD assets of one SD connected to a SIFI group (see **Chart 2.1**).⁹

Chart 2.1 Net Open Position to Capital



Source: BOJ and FSC

Maturity Transformation Risks

- 2.4 The maturity transformation ratio for the financial system, which measures the maturity mismatch between assets and liabilities, remained fairly stable and within a historical range, however the ratio for the DTI sector continued to exhibit an upward trend.¹⁰ For the period ended June 2025 the maturity transformation risk metric for DTIs increased to 48.6 per cent, up from 47.7 per cent at end-March 2025. This uptick (deterioration) reflected an increase in long-term assets relative to long-term liabilities and equity. (see **Chart 2.2**). This increase in long term assets reflected increased acquisition of domestic currency BOJ securities and foreign government securities, mainly US T-bills, as some licensees continue to adjust portfolios to the prevailing interest rate environment.

⁸ The net open (FX) 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.

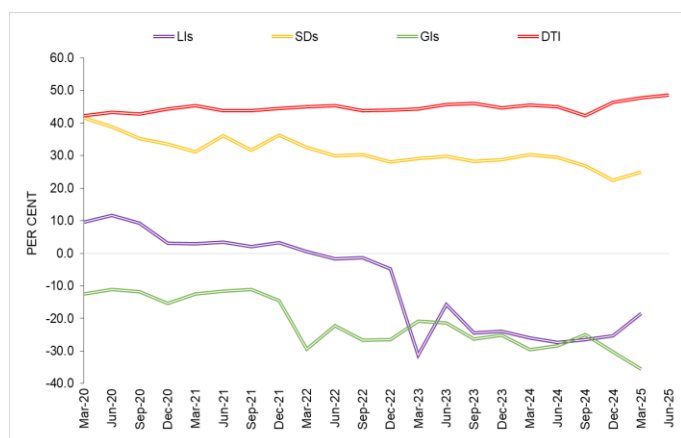
⁹ These positions were within the prescribed range of +15 per cent/-25 per cent established by the Bank.

¹⁰ Calculation of the maturity metric for the system utilized data at end-March 2025 for DTIs, while for SDs Lis and GIs the metric used data at end-December 2024. It is calculated as the follows :

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

2.5 For the SD sector, the maturity transformation index increased to 25.0 per cent at end-March from 22.4 per cent at end-December 2024. This increase (deterioration) primarily reflected an increase in long-term assets relative to the increase in long-term liabilities and equity, resulting in a wider maturity gap. The metric for general insurance companies declined further to -35.6 per cent from -30.2 per cent, which reflected a larger decline in long term assets relative to long term liabilities. Additionally, life insurance companies recorded a modest improvement to -18.4 per cent from -25.4 per cent as long term assets became more aligned with long term liabilities and equity (see **Chart 2.2**).¹¹

Chart 2.2 Maturity transformation (long term) DTIs, securities dealers, life and general insurance companies

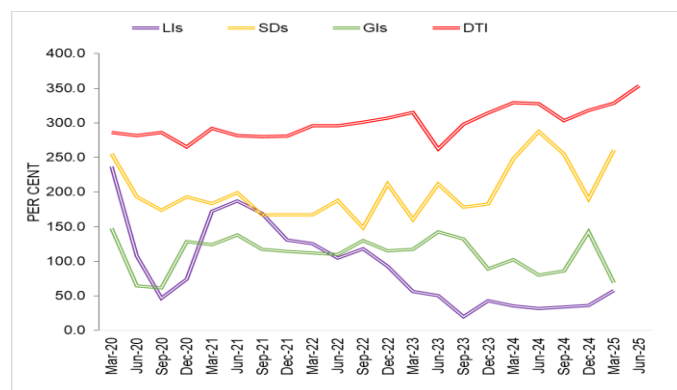


Source: BOJ

Liquidity Risks

¹¹ Negative values for these institutions are typical and reflect the nature of their business models, where long-term liabilities and equity tend to exceed long-term assets. This structure is generally appropriate for insurance companies, given their predictable liability profiles and long-term investment strategies, and does not necessarily indicate elevated maturity risk.

Chart 2.3 Liquidity Transformation – DTIs, securities dealers, life and general insurance companies



Source: BOJ and FSC

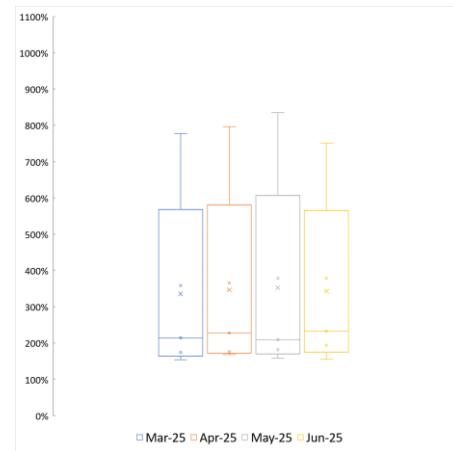
2.6 The liquidity transformation risk metric for the DTI sector deteriorated at end June 2025, relative to the March 2025 quarter. DTIs liquidity transformation risk metric (which measures the extent of coverage of short-term liabilities by liquid assets) increased (deteriorated) to 353.9 per cent from 328.7 per cent. This outturn reflected a growth in short-term liabilities coupled with a decline in liquid assets (see **Chart 2.3**).¹²

¹² The liquidity transformation metric is calculated as the ratio of short-term liabilities to liquid assets.

2.7 Similarly, for the SD and life insurance sectors, the liquidity transformation metric deteriorated, increasing to 260.7 and 57.8 per cent at end-March 2025 compared to 190.2 and 36.0 at end-December respectively. The outturn largely reflected an increase in short-term liabilities coupled with a decline in liquid assets for the review period. For general insurers, the metric improved reflecting a decline in short term liabilities coupled with an increase in liquid assets.

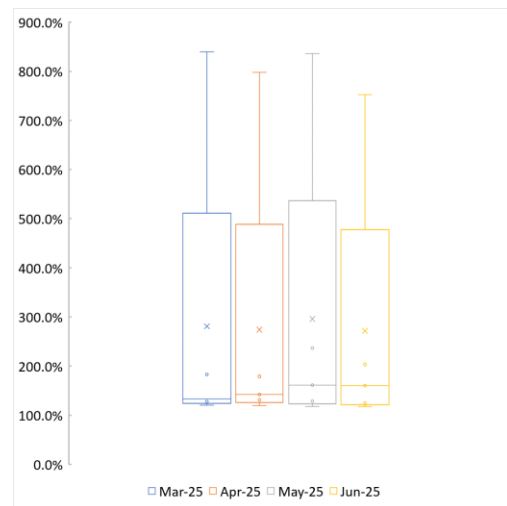
2.8 **The liquidity coverage ratio (LCR) demonstrated that DTI liquidity remained resilient to shocks, with all institutions maintaining LCRs above the 100 percent regulatory benchmark as at end-June 2025.**¹³ Jamaican dollar LCRs ranged from 156 to 752 percent, reflecting an improvement over the 154 to 640 percent range recorded at end-March 2025, driven by increased holdings of high-quality liquid assets (HQLAs) and reduced net cash outflows. (see **Figures 2.4 and 2.5**).¹⁴

Chart 2.4 Liquidity Coverage Ratio (JMD and USD Equivalent) at end-March 2025 – DTIs



Source: BOJ

Chart 2.5 Liquidity Coverage Ratio (JMD only) at end-March 2025 – DTIs



Source: BOJ

¹³ 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.

¹⁴ BOJ plans to implement a revised framework that proposes a prudential LCR minimum at 110%. Early warning thresholds will be set above the 110% minimum to encourage banks to build extra liquidity buffers.

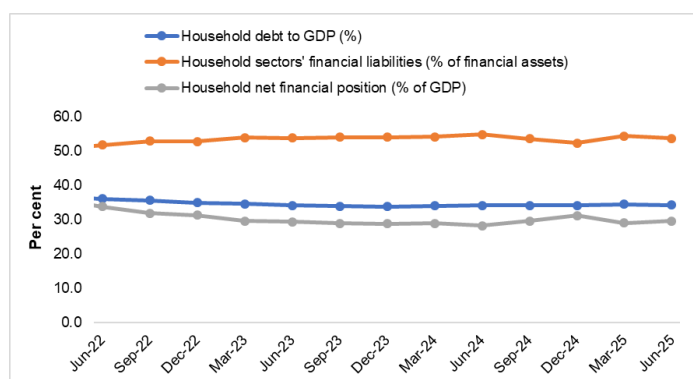
3.0 Sectoral Vulnerabilities

Household Sector

3.1 DTIs' loan portfolio continued to be dominated by household (HH) loans. HH loans accounted for 52.7 per cent of DTIs' total loans and 27.8 per cent of total assets at end-June 2025, remaining fairly stable compared to the previous quarter. Notably, households' debt-to-GDP ratio (an indicator of debt sustainability) increased (declined) marginally by 0.1 percentage point to 34.3 per cent, indicative of a slight improvement in households debt sustainability (see **Charts 3.1 and 3.2**).

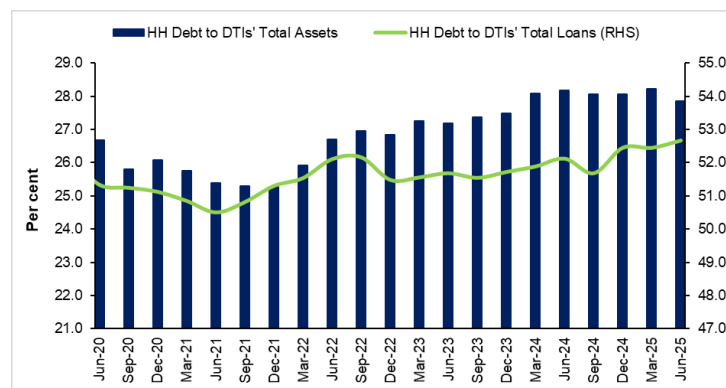
3.2 The quality of loans extended to the HH sector by the DTIs deteriorated marginally over the review quarter. The ratio of HH NPLs to total HH loans declined marginally to 3.4 per cent at end-June 2025, compared to 3.5 per cent in the previous quarter.

Chart 3.1 HH sector indebtedness indicators



Source: BOJ

Chart 3.2 HH debt as a share of DTIs' loans & assets



Source: BOJ

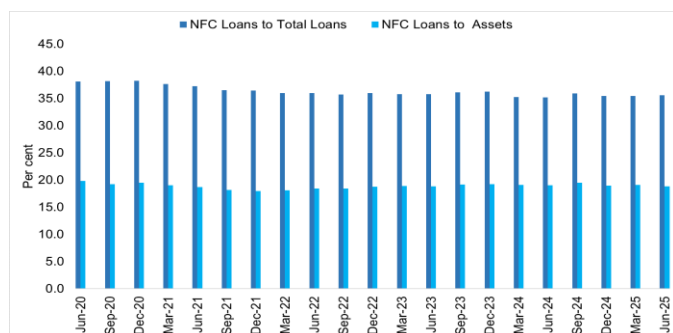
3.3 Notwithstanding, DTIs continued to maintain sufficient coverage of NPLs, as the sector's loan loss provisions to non-performing HH loans ratio remained above 100 per cent for the review period.

Non-Financial Corporate Sector

3.4 Lending to the NFC sector remained a key component of DTIs' balance sheet, accounting for 18.8 per cent of total assets at end-June 2025, a marginal increase when compared to 19.1 per cent at end-March 2025. Additionally, NFC sector loans remained relatively stable at 35.6 per cent of total loans over the same period of comparison (see **Chart 3.3**).

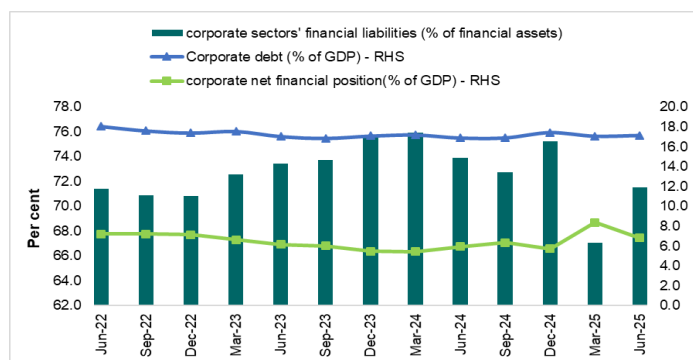
3.5 The corporate sector’s debt-to-GDP ratio also remained relatively stable at 17.2 per cent at end-June 2025, consistent with the previous quarter. Furthermore, the sector’s financial liabilities as a share of total assets declined by 0.3 percentage point to 71.2 per cent over the review period. Notwithstanding, the sector’s net financial position relative to GDP grew by 0.1 percentage point to 6.9 per cent, reflecting moderate liability and GDP growth, alongside asset accumulation (see **Chart 3.4**)

Chart 3.3 Real growth in corporate debt held by DTIs & corporate debt as a share of DTIs’ assets and DTIs’ loans



Source: BOJ

Chart 3.4 Corporate sector indebtedness indicators



Source: BOJ

Collateral Call Assessment: An Update

- 3.6 The market value of collateral calls from the Jamaica Central Securities Depository (JCSD) generally trended downwards since its peak value of J\$6.3 billion on 17 June 2022.
- 3.7 Notably, the liquidity position of the sector, measured as the value of unencumbered assets reported by the securities dealers, has been more than sufficient to fund the collateral calls.

4.0 Stress Tests

Background

- 4.1 Routine stress tests were conducted to assess the resilience of domestic financial institutions to various macro-financial shocks.
- 4.2 Six single-factor stress tests, an aggregated stress test as well as a second-round contagion assessment, were conducted. The tests evaluated vulnerabilities to increases in bond yields, declines in equity prices, foreign currency depreciation, higher funding costs, deposit/repo withdrawals, rising non-performing loans (NPLs) and interbank contagion.
- 4.3 The combined risk assessment shows that the DTIs, securities dealers and life insurance sectors remained broadly resilient under the contemplated scenarios.

5.0 Macprudential Policy Summary

- 5.1 There remains some level of volatility in the path for global and domestic macro-financial conditions given the current geopolitical tensions. However, macro-financial conditions remained healthy and stable for the June 2025 quarter compared to previous reporting period. This was reflected in the composite indices of macro-financial performance and relevant sectoral financial soundness indicators. Furthermore, financial entities were generally found to be adequately capitalized, liquid and profitable.
- 5.2 Notwithstanding current conditions and the overall macroeconomic environment, hypothetical stresses were conducted to assess the potential consequences on the domestic financial sector from the emerging risks domestically and globally. The results of the macroprudential stress tests showed that the DTI and SD sectors were broadly resilient to the contemplated shocks.

Appendix

State of the Financial System

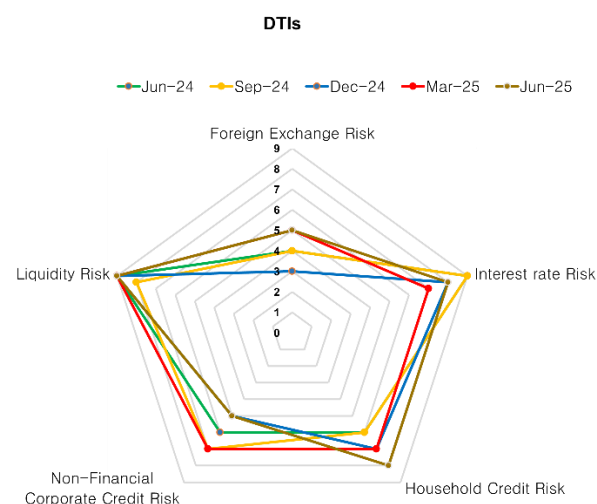
Table 1.0 Select Financial Soundness Indicators

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Asset to GDP (%)																						
DTI	87.4	92.9	100.6	102.9	106.9	105.4	104.4	105.6	108.9	101.4	94.2	93.8	94.4	94.7	89.5	89.3	88.6	88.9	89.4	90.5	90.0	93.7
SDs	27.9	30.8	33.5	35.2	36.2	35.6	35.7	35.7	27.1	33.6	32.5	31.8	31.6	32.3	29.7	29.5	29.9	29.7	30.6	30.2	n/a	30.0
LIs	16.6	17.7	18.1	18.7	19.1	18.3	18.0	18.3	22.6	16.4	15.7	15.4	14.7	14.5	14.2	14.5	14.5	14.6	14.8	15.1	n/a	n/a
GIs	4.2	4.8	4.8	4.7	4.6	5.1	4.9	4.7	4.7	4.8	4.6	4.3	3.5	4.1	3.4	3.3	3.1	3.2	3.4	3.3	n/a	n/a
Capital Adequacy (%)																						
DTI (CAR)	14.2	14.2	14.2	14.3	14.3	14.3	14.4	14.2	14.3	14.1	13.8	14.2	14.2	14.9	14.5	14.6	14.3	14.5	14.5	14.6	14.8	14.6
SDs (CAR)	18.6	21.2	22.4	22.3	21.8	19.8	21.6	21.4	21.4	22.3	19.9	21.9	21.0	21.2	20.5	20.8	20.0	20.0	20.1	20.2	n/a	21.9
LIs (MCSSR)	225.6	243.2	207.2	214.6	215.0	205.0	210.8	211.1	212.8	232.8	254.4	270.7	273.3	190.0	187.6	192.5	195.3	198.6	206.9	228.6	n/a	n/a
GIs (MCT)	251.3	223.1	263.1	281.1	266.4	277.4	276.7	281.9	276.3	268.9	296.7	304.5	221.1	200.4	196.1	212.0	220.6	218.1	221.6	246.9	n/a	n/a
ROA (%)																						
DTI	0.3	0.2	0.3	0.6	0.4	0.9	0.6	0.3	(0.0)	0.5	0.5	0.4	0.4	0.4	0.6	0.7	0.4	0.4	0.5	0.3	0.3	0.5
SDs	(0.1)	0.2	0.9	0.7	0.6	0.9	0.6	0.3	0.2	0.4	0.1	0.2	0.2	0.2	0.0	0.3	0.1	(0.0)	(0.5)	0.1	n/a	0.3
LIs	1.5	3.1	4.7	3.4	1.3	1.2	2.7	2.3	1.7	2.8	2.1	2.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GIs	0.0	0.5	0.6	0.7	0.4	0.6	0.4	0.5	(0.1)	(0.2)	0.3	0.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Liquidity (%)																						
DTIs Liquidity Coverage Ratio (LCR)		156.1	204.4	211.3	211.8	258.2	259.2	260.2	231.0	211.6	199.3	339.8	308.8	296.5	276.3	285.4	231.9	274.4	282.6	294.4	314.5	321.9
DTIs (liquid assets to short-term liabilities)	29.3	28.7	28.1	30.5	28.6	28.2	28.3	27.8	29.5	30.2	29.6	27.5	26.3	30.7	27.2	26.4	25.4	26.0	27.2	26.4	n/a	23.6
SDs (liquid assets to short-term liabilities)	16.8	16.2	15.6	14.6	20.2	18.8	21.1	18.2	17.3	16.4	16.9	16.5	17.0	16.6	17.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LIs (liquid assets to total liabilities)	28.7	26.0	23.4	21.1	23.5	22.7	22.2	24.9	22.7	24.2	24.8	30.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GIs (liquid assets to total liabilities)	65.7	66.1	64.7	63.9	65.2	65.6	64.8	67.8	69.4	69.6	66.6	70.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Performing Loans to Total Loans (%)																						
DTIs	2.4	2.9	2.7	2.8	2.9	2.9	3.0	2.9	2.8	2.7	2.5	2.5	2.4	2.5	2.5	2.5	2.3	2.4	2.4	2.5	2.5	2.5
SDs	3.2	2.6	2.5	2.4	2.6	2.5	1.4	0.8	0.6	0.9	0.7	0.7	0.9	1.0	1.1	0.9	1.3	1.7	1.6	1.5	n/a	1.8
Past Due Loans to Total Loans (%)																						
ZDTIs	3.5	3.6	4.9	3.0	3.4	3.7	3.0	2.6	3.0	2.7	3.0	3.0	3.0	3.1	3.2	3.0	2.9	3.0	3.1	3.2	3.0	2.9

Source: BOJ and FSC



Chart 1.0 Evolution of risk exposure indicators¹⁵



Risk exposure indicators:

- Credit Risk - NPLs/Loans (SDs); NPLs (net)/ Capital
- Interest Rate Risk - Cumulative maturity gap < 30 days, < 90 days, < 360 days/Assets, DVBP/Capital
- Foreign Exchange Risk - NOP/Capital, FX liabilities/Total liabilities
- Liquidity Risk – Liquid assets/total assets, liquid assets to short-term liabilities

¹⁵ The cobweb diagram is a graphical representation of financial stability. Each ray represents a key risk or condition. The centre band is the median ranking for each dimension and represents a normal level of risk. Movements away from the centre of the diagram represent an increase in financial stability risks. It is computed by: firstly, calculating weighted average of z-scores of each indicator in the dimensions. Secondly, converting the weighted standardized indicator indicators into empirical cumulative probability distributions. This is done by ordering the weighted z-scores for each dimension from lowest to highest. Finally, convert these cumulative probability scores into ordinal rankings on a scale of 1 – 9 based on the percentiles of the empirical cumulative probability distributions.



Chart 2 Network Metrics for the Interbank Gross Funding Network¹⁶

J\$ Billions	Sep-24	Dec-24	Mar-25	Jun-25
Total System Funding to Exposure	407.9	399.2	485.6	495.7
Network Metrics				
Network Mean	0.9	0.9	1.1	1.1
Reciprocity⁷⁸ (%)	62.3	57.7	55.8	54.9
Density⁷⁹ (%)	29.9	30.7	31.8	30.7
Systemic Risk Score⁸⁰	4.7	4.7	4.8	7.3
Fragility Score⁸¹	17.1	16.9	17.3	17.0
Diameter⁸²	5	6	7	5

Source: BOJ

¹⁶ Network Metrics are based on interbank gross “funding to” data of domestic DTIs, securities dealers and foreign institutions.

