



MACROPRUDENTIAL POLICY REPORT 2025



September
Highlights

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

The domestic financial system had been stable during the September 2025 quarter, underpinned by enhanced prudential oversight and favourable macroeconomic conditions. Key contributing factors included real gross domestic product (GDP) growth, low inflation and a general easing of monetary policy globally, which supported the orderly functioning of the financial markets. In this context, the core elements of the financial sector continued to demonstrate sound performance across key metrics, including adequate capital, solvency, asset quality, liquidity and profitability.

However, the recent passage of Hurricane Melissa is expected to adversely affect domestic GDP growth over the coming quarters. In addition to key sectors directly impacted by the hurricane—such as Tourism and Agriculture—households in the affected sections of the country are expected to experience weakened debt servicing capacity, potentially leading to an uptick in non-performing loans. Notwithstanding the negative impact on credit quality, the deposit-taking sector remains well positioned to absorb this deterioration owing to historically low non-performing loans, high levels of provisioning and robust capital positions. While insurance claims are likely to increase, this should not significantly impair insurer solvency due to strong reinsurance coverage coupled with low property insurance penetration in some affected parishes. The overall impact on the economy is anticipated to be mitigated by financial transfers and gifts in kind from several jurisdictions and agencies to aid the recovery and rehabilitation process as well as the activation of the Government of Jamaica's disaster risk financing framework, which could provide significant budgetary support.

Bank of Jamaica (BOJ), in assessing financial system resilience, conducted stress tests and systemic risk evaluations to gauge the financial sector's ability to withstand credit, liquidity, and market risk shocks. The preliminary results indicated that the respective financial system sub-sectors possess sufficient capital and liquidity to absorb the negative impact of Hurricane Melissa and to support the uptick in cash demand as the recovery efforts commence. While institution specific factors, including internal policies and risk-appetite may result in varied approaches to the provision of customer relief, financial institutions are well positioned to support the recovery effort. This includes currency supply, processing of verified

insurance-related payments and, where appropriate, offering temporary deferral of credit-related facilities. BOJ stands ready to provide the necessary liquidity support to deposit-taking institutions should the need arise and to maintain orderly conditions in the foreign exchange market.

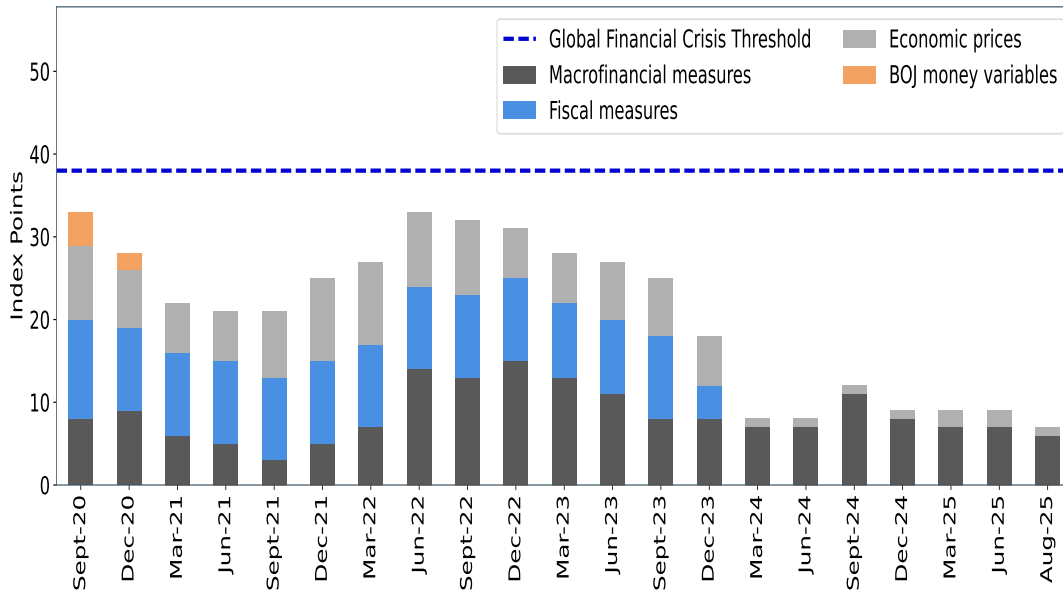
Climate-related shocks will remain a significant risk to our jurisdiction. To address this risk, authorities have committed to measures aimed at strengthening the financial sector's climate resilience in the long term. Financial system supervisors will remain vigilant, actively monitoring the risks and evaluating appropriate policy responses to preserve financial stability in the context of the increasing frequency and intensity of natural disasters. Additionally, financial system supervisors will ensure that climate risk mitigation and resilience are effectively integrated into the business models of the financial sector. These efforts form part of a broader agenda to enhance systemic resilience and to protect vulnerable sectors.

1 Macro-Financial Environment

Macro-financial conditions in Jamaica strengthened during the September 2025 quarter, supported by favourable financial and economic developments. Credit risk within the DTI sector showed mixed movements, as past-due loans rose amid prolonged elevated lending rates—particularly in the Professional & Other Services and Construction sectors. Nonetheless, non-performing loans declined, and provisioning levels strengthened, reflecting improved credit quality and prudent risk management across the sector. Liquidity conditions remained robust, with all DTIs maintaining liquidity coverage ratios above the regulatory benchmark. Foreign exchange risk within the financial system remained contained during the review quarter, as both DTIs and securities dealers maintained manageable net open positions, reflecting reduced vulnerability to exchange rate movements.

Macro-Financial Index

Figure 1.1
Macro-Financial Index



Source: BOJ

1.1 The overall macro-financial conditions in Jamaica during the September 2025 quarter improved, indicating continued stability in the financial system.¹ The macro-financial index (MaFI) eased to 7.0 points for the review quarter, relative to 9.0 points for June 2025 and stayed well below the threshold that signals the emergence of a crisis (see [Figure 1.1](#)).² The September 2025 quarter was characterized by improved stock market performance and favourable interest rate differentials, indicative of strengthened investor confidence and supportive financial conditions. The relatively favorable interest rate environment coincided with increased capital inflows to Jamaica, reflecting improved investor appetite for local assets. At the same time, low inflation, declining fiscal debt levels and relative stability in the foreign exchange market reinforced overall financial system resilience and reduced short-term macro-financial vulnerabilities.³

1.2 Real gross domestic product (GDP) for the Jamaican economy is estimated to have grown by 3.3 per cent for the September 2025 quarter, relative to the September 2024 quarter. This follows a 1.6 per cent expansion in the June 2025 quarter. Notably, the faster growth in the September 2025 quarter is largely attributed to improved weather conditions compared to the previous year. The main contributors to the estimated growth in the September 2025 quarter are *Electricity & Water Supply, Agriculture* and *Tourism* and its allied services. The real economy is projected to gradually return to its long run growth rate of approximately 1.0 per cent in 2026. The projected path for growth reflects continued normalisation in economic activity given the weather-related shocks that affected a large segment of the economy in the second half of 2024. The main sectors contributing to the growth projection are *Agriculture, Mining,* and *Tourism*.

1.3 The annual point-to-point (ptp) inflation rate was 2.1 per cent at end-September 2025, which was below the Bank's 4.0 to 6.0 per cent target range for the fourth consecutive outturn since June 2025. The main driver of the relatively low headline inflation at end-September 2025 is the improvement in supply conditions in sectors that had large price increases due to the weather-related shocks in the previous year.

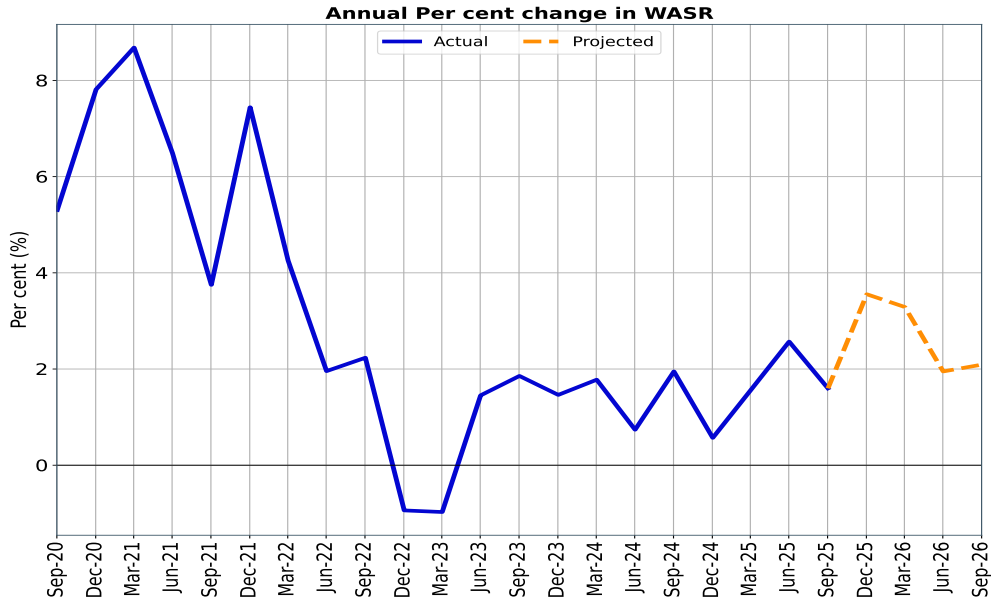
¹The index trended up during the latter part of 2024 capturing weak economic growth due to Beryl but subsequently improved.

²In 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.

³Interest rate differential refers to the difference between the interest rates of two comparable interest-bearing assets or investments.

Inflation is projected to remain below the target for the remainder of 2025, before returning to the target range in the March 2026 quarter. The risk to the inflation projection is skewed to the upside as higher inflation could result from unanticipated increases in tariffs faced by the main trading partners of the US as well as their second-round impact.

Figure 1.2
Annual changes and monthly volatility in J\$:US\$WASR reflect lower inflation



Source: BOJ

1.4 The J\$:US\$ exchange rate depreciated by 1.6 per cent year over year (y-o-y) at end-September 2025 compared to a depreciation of 2.6 per cent at end-June 2025 (see [Figure 1.2](#)). While the exchange rate depreciated, the annualized one-year rolling window volatility was lower at 1.8 per cent at end September-2025 compared to 1.9 per cent at end June 2025 ([Figure 1.2](#)).⁴ Notably, the improved differential between domestic and external interest rates and a projected surplus on Jamaica’s current account over the near term should support stability in the foreign exchange market.⁵ The pace of exchange rate depreciation is projected to marginally increase over the next four quarters. Notwithstanding the projected depreciation

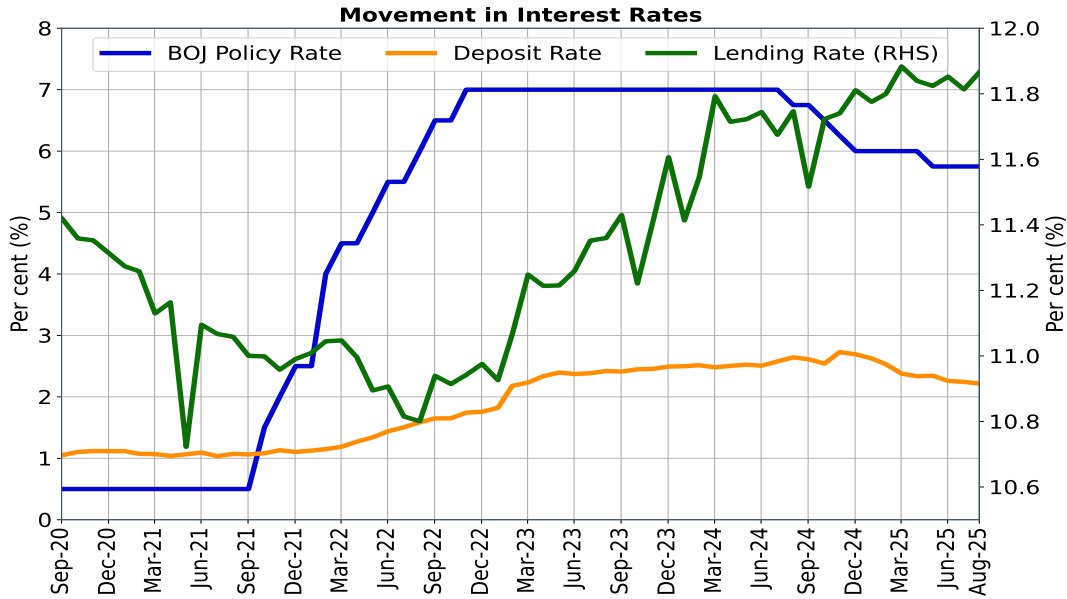
⁴The log returns of the monthly J\$:US\$ exchange rate was calculated. A rolling standard deviation of these returns was then calculated for the six-month, one-year and two-year windows. The result was annualized by scaling with the square root of the number of months in a year. This measure reflects the evolution of exchange rate uncertainty, supporting the assessment of external risks to financial system stability.

⁵On September 17 2025, the Board of Governors of the US Federal Reserve System voted to lower its federal funds rate by 0.25 percentage points. This brings their target range to 4.00 to 4.25 per cent.

of the exchange rate, the annualized one-year rolling window volatility would be generally lower over the period. Notably, the projection signals a reduction in exchange rate uncertainty over the four quarters, absent any major shocks to the foreign exchange market.

Figure 1.3

The de-escalation of global political tensions has exerted downward pressure on domestic interest rates and GOJ global bond yields



Source: BOJ

1.5 The Bank maintained its monetary policy stance during the September 2025 quarter in the context of low domestic inflation, global uncertainties and evolving interest rate trajectories in major developed countries. The policy rate was unchanged at 5.75 per cent at end September 2025 compared to end June 2025 (see **Figure 1.3**). While DTIs’ deposit rates continued to be more responsive to the Bank’s policy signal, there was a marginal uptick in lending rates.⁶

1.6 The weighted average GOJ Eurobonds’ yield declined by 30.4 basis points (bps) at end September 2025 relative to end June 2025. This occurred in the context of continued de-escalation of global trade tensions amidst ongoing negotiations and a Federal Funds rate cut.⁷ A disaggregation of the yields shows

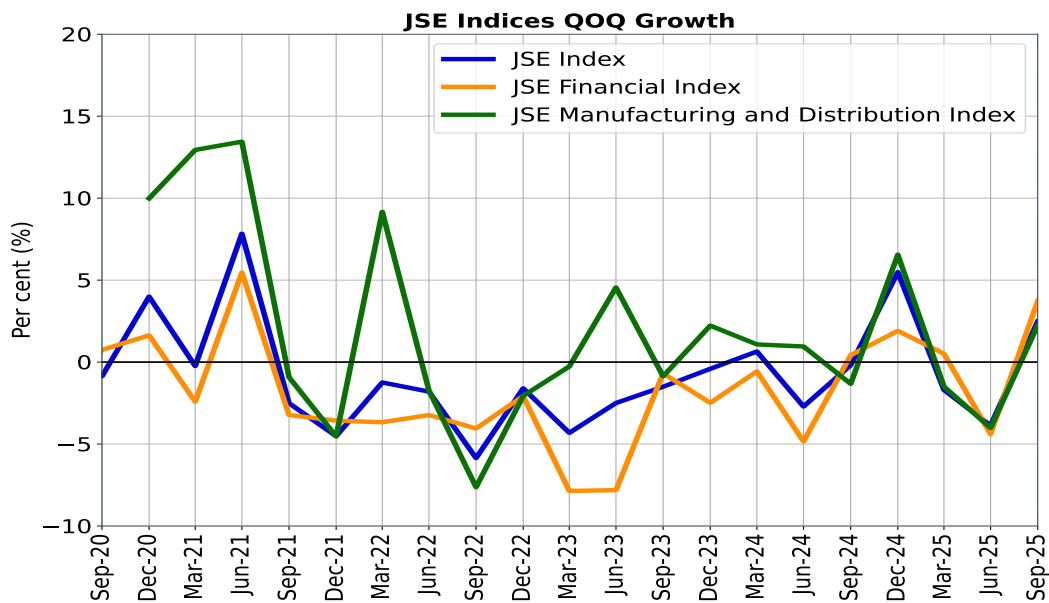
⁶DTIs’ average lending rate increased marginally by 1.5 bps at end-August 2025 relative to end-June 2025. However, DTIs’ average deposit rate declined by 4.2 bps over the same period.

⁷Given the 2025 bonds’ maturity dates in July 2025 and October 2025, the weighted average GOJ Eurobonds’ yield is calculated as a composite of the longer term GOJGBs 6.75% 2028, 8.00% 2039 and 7.875% 2045 bond yields.

that the longer term GOJGBs (6.75% 2028, 8.00% 2039 and 7.875% 2045) declined by 37.1, 36.8 and 31.9 bps, respectively, at end September 2025, relative to end June 2025 (see [Figure 1.3](#)).^{8,9}

1.7 In the context of the fall in yields, bid prices for the longer term GOJGBs increased. The longer term GOJGBs (6.75% 2028, 8.00% 2039, and 7.875% 2045) increased by US\$0.61, US\$3.61, and US\$3.95 at end September 2025 relative to end June 2025.

Figure 1.4
Domestic equities market trends upward, supported by stable economic conditions



Source: Jamaica Stock Exchange

1.8 Domestic Equity Prices increased for the quarter. The JSE’s Main Market, Financial (FI) and Manufacturing & Distribution (M&D) Indices increased by 2.2, 1.6 and 3.0 per cent (y-o-y) for the September 2025 quarter, respectively (see [Figure 1.4](#)).¹⁰ Similarly, the indices increased quarter to quarter (q-o-q) by 2.5, 3.7, and 2.3 per cent, respectively (see [Figure 1.4](#)). The increases in the JSE Indices represents

⁸The GOJGB Yields reflect Bid Prices.

⁹The longer term GOJGBs 6.75% 2028, 8.00% 2039 and 7.875% 2045 declined by 37.1, 36.8 and 31.9 bps for the September 2025 quarter compared to decreases of 54.6, 21.7 and 12.8 bps for the June 2025 quarter, respectively.

¹⁰The JSE FI measures the performance of only the financial companies listed on the Main Market and Junior Market. The JSE M&D Index measures the performance of only the manufacturing and distribution companies listed on the Main Market and Junior Market.

a reversal of the declines that occurred for the June quarter.¹¹ The y-o-y growth in the Main Market Index occurred in the context of higher volume, value and number of transactions.¹² The q-o-q growth in the Main Market Index occurred in the context of lower volume and value, but higher number of transactions. The volume, value and number of transactions for the Main Market Index suggest healthy liquidity over the long term, but thin liquidity in the short term indicating that investors are cautiously optimistic.

¹¹Notably, upward movements in the JSE Indices in late September 2025 correlated with S&P Global Ratings' September 25 2025 announcement to upgrade Jamaica's long-term foreign and local currency credit ratings. The ratings were upgraded from "BB-" to "BB", maintaining a positive outlook. The correlation suggests investor sentiments improved following the upgrade and the market may be pricing in lower sovereign risk, better macroeconomic stability and the potential for future growth.

¹²Volume refers to the total number of shares traded during the period, value represents the dollar value of those trades, and number of transactions captures the count of individual trades executed.

System Evolution

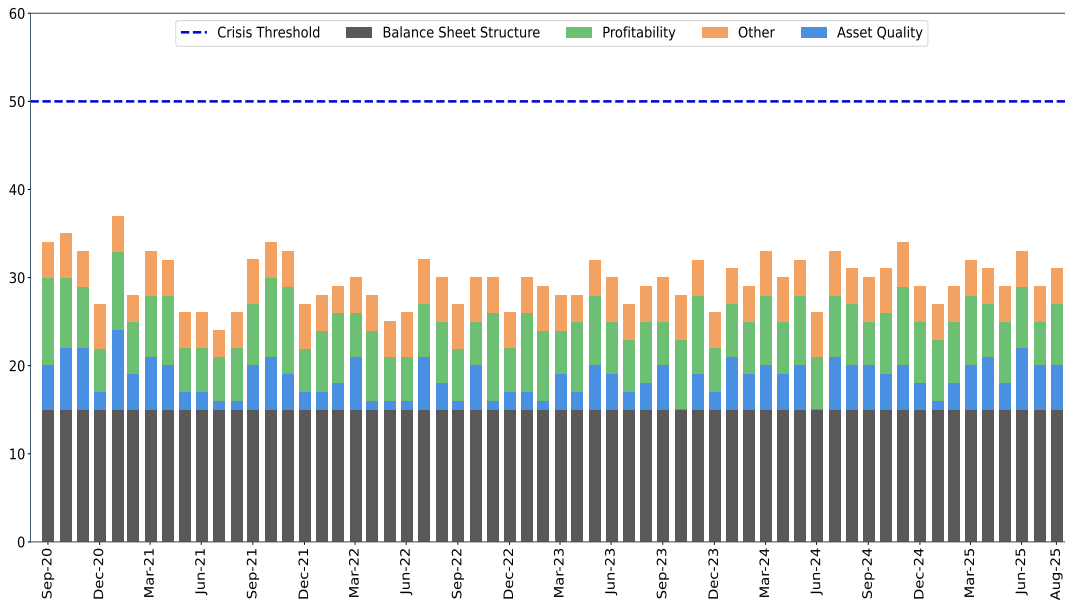
Balance Sheet Indicators - Financial System

1.9 Amid generally favourable macro-financial conditions, the financial system continued to expand over the review period, reflecting improved investor confidence and ongoing credit intermediation. The system’s asset base grew by 8.2 per cent (y-o-y) to \$5 209.9 billion (146.3 per cent of GDP) at end-August 2025, compared with 8.1 per cent growth at end-June 2025. Growth was led by the DTI sector, which remained the dominant sub-sector, accounting for 57.3 per cent of total system assets at the end of the review period.¹³

Micro-Prudential Index

Figure 1.5

The Micro-Prudential Index shows improvement, remaining below the crisis threshold.



Source: BOJ

1.10 The Bank’s Micro-prudential Index (MiPI), which tracks the health of the Jamaican banking sector, improved in August 2025 amid continued strengthening in macro-financial conditions. The MiPI fell to 31.0

¹³Financial system assets include those of commercial banks, building societies, FIA licensees, securities dealers, credit unions, insurance companies (both life and general), pensions, and unit trust and collective investment schemes (CIS).

points at end-August 2025 from 33.0 points at end-June 2025, remaining well below the 50.0 point crisis threshold. This outturn was primarily driven by improvements in the non-performing loans to assets ratio, as well as the ratio of provisions for loan losses to assets. Notably, the sector's balance sheet indicators remained broadly stable over the review period, reinforcing the overall resilience of the banking system (see [Figure 1.5](#)).¹⁴

Balance Sheet Indicators - DTIs

1.11 DTI assets expanded over the review period, supported by continued real sector growth, low unemployment, and improved business and consumer confidence. Specifically, the asset base of DTIs' grew by 8.0 per cent (y-o-y) to \$2 984.0 billion at end-August 2025, maintaining the pace recorded at end-June 2025. Of note, this outturn reflects the third consecutive quarter of non-decreasing asset growth. The stability in asset expansion relative to the previous period reflects sustained credit demand and active DTI intermediation amid a dynamic interest rate environment.

1.12 The expansion in DTI assets was primarily driven by increases in *Loans, Advances & Discounts* and *Investments*, which rose by 6.3 per cent and 12.8 per cent respectively (see [Figure 1.6](#)). Asset growth was further supported by a 5.8 per cent increase in *Liquid Funds*, reflecting higher placements with overseas banks and the BOJ amid elevated foreign-currency liquidity, leading to an uptick in cash and bank balances.¹⁵

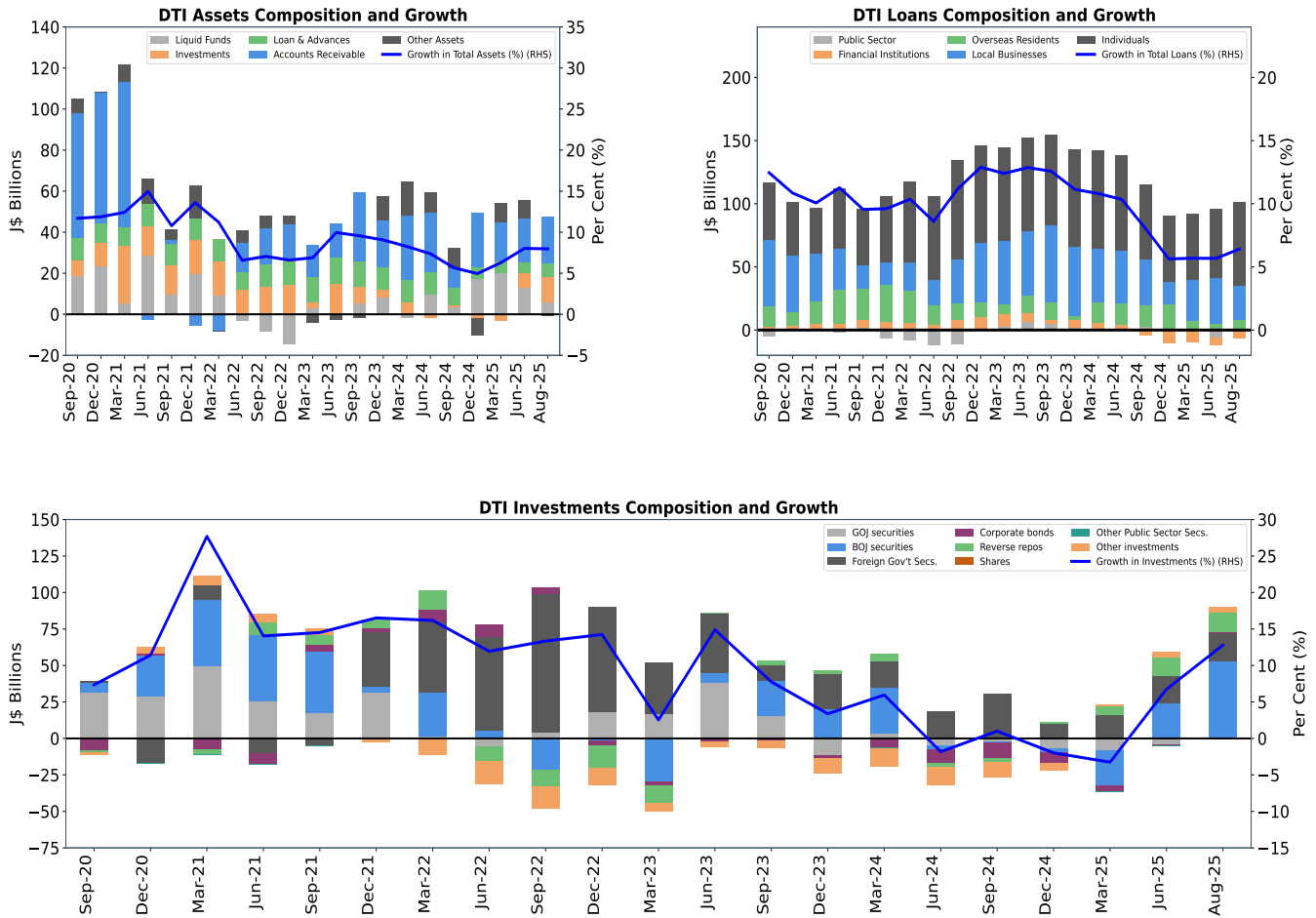
1.13 Amidst favorable economic conditions, DTI investments expanded at an accelerated pace, marking two consecutive periods of growth. This performance was primarily driven by increased holdings of *BOJ Securities*, augmented by a rise in *Foreign Government Securities* as DTIs continued to channel excess liquidity into lower-risk instruments.¹⁶ Additionally, DTIs further reduced their exposures to GOJ global bonds which had exposed the sector to significant fair value losses on their balance sheets, opting instead for reverse repo agreements to mitigate market risk (see [Figure 1.6](#); also Chapter 1—Fair

¹⁴The 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.

¹⁵Additionally, some licensees continued to reduce their holdings of GOJ globals via sales and maturities, reallocating into safer short- to medium-term BOJ instruments and foreign government securities.

¹⁶The sharp decline in BOJ securities during the March 2025 quarter was driven by maturities in short to medium-term domestic currency BOJ securities across the sector. Most licensees subsequently reacquired these low-risk securities to maintain steady interest earnings. Notably, the expansion in holdings due to reacquisition continued over the review period.

Figure 1.6
Annual Change in DTI Assets, Loans and Investments Composition



Source: BOJ

Value Losses).¹⁷

1.14 In the context of easing credit conditions, DTIs’ loan portfolios recorded accelerated growth, reflecting stronger credit demand and improved borrower confidence. Specifically, DTIs’ loan portfolio expanded by 6.4 per cent (y-o-y) at end-August 2025, outpacing growth of 5.7 per cent (y-o-y) recorded in the previous period. This performance was primarily driven by an 8.7 per cent increase in loans to individuals, supported by a 5.1 per cent expansion in credit to local businesses (see **Figure 1.6**). Notably, domestic currency loans grew by 7.5 per cent, while foreign currency loans increased by a more modest

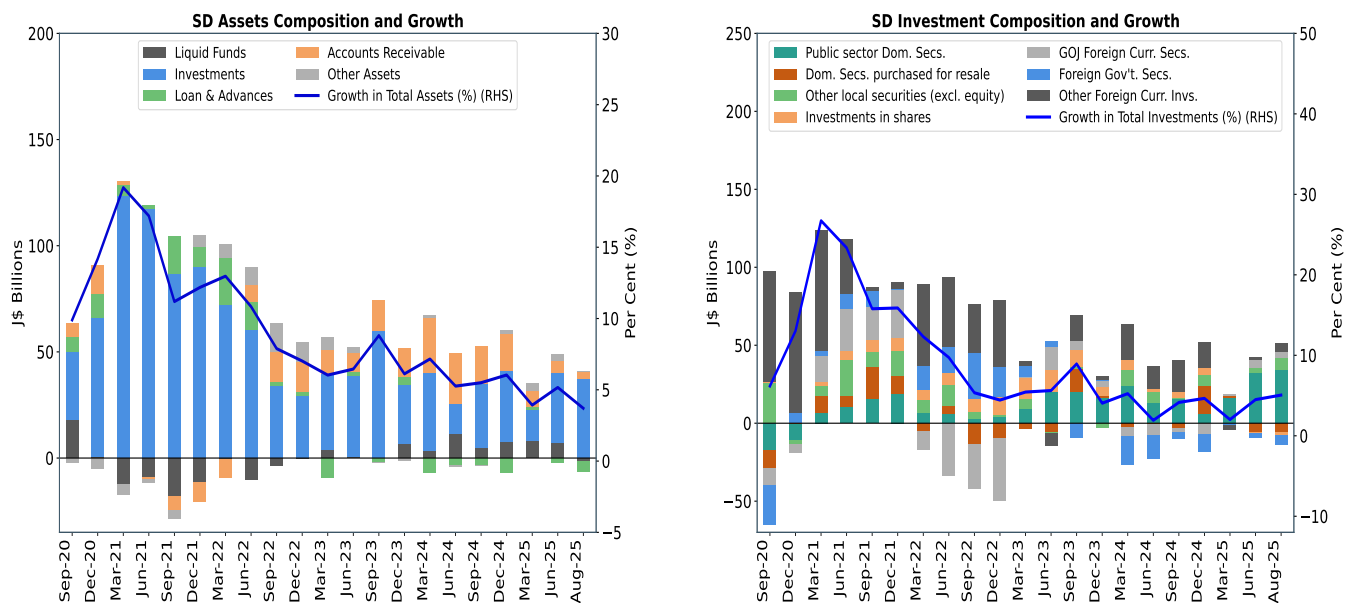
¹⁷The decline in DTIs' holdings of corporate bonds was mainly driven by maturities in local domestic currency corporate bonds, which fell to \$6.3 billion as at June 2025 from \$10.0 billion in December 2022.

1.1 per cent, consistent with the continued preference for local currency financing amid reduced exchange rate volatility and relatively stable domestic interest rates.

1.15 DTIs’ asset expansion over the period ended August 2025, continued to be primarily funded by the growth in deposits. In particular, total deposits grew by 10.0 per cent at end-August 2025, broadly in line with the 10.2 per cent growth recorded at end-June 2025, which was the fastest recorded pace since December 2023. Notably, deposit growth remained concentrated in low-risk retail funding, while wholesale funding declined, indicating a shift toward more stable and lower-cost sources of financing.¹⁸ The sustained growth in deposits was broadly consistent with the Bank’s estimated growth in nominal GDP for the quarter, and underpinned by generally favourable macroeconomic conditions.

Balance Sheet Indicators - Securities Dealers

Figure 1.7
Annual Change in Securities Dealers’ Asset and Investment Composition



Source: FSC

¹⁸The remaining growth in assets was funded through an increase in reserves, particularly the retained earnings reserve fund and other reserves, partially offset by a decline in unappropriated profits.

1.16 Securities dealers' (SDs) total assets continued to grow over the review period, albeit at a slower pace relative to the previous quarter. At end-August 2025, SDs total assets grew by 3.7 per cent (y-o-y), compared to growth of 5.2 per cent in the previous quarter.^{19,20} This growth continued to be primarily driven by an expansion in *Investments* which rose by 5.1 per cent (see **Figure 1.7**), and represented the largest contributor to asset growth during the review period.²¹

1.17 Growth in SDs' investments continued to be primarily driven by increased holdings of *Public sector domestic securities*, which rose by 22.4 per cent (y-o-y) at end-August 2025, relative to end-June 2025 (see **Figure 1.7**).²² The strong preference for public sector domestic securities continued to reflect a strategic reallocation toward safer, lower-risk assets, shaped by stable domestic macro-financial conditions and a cautious stance amid ongoing global uncertainties.

1.18 SDs' asset expansion continued to be supported by growth in total funding during the review period, primarily through repo liabilities. Total funding increased by 3.1 per cent (y-o-y) at end-August 2025, driven mainly by a 2.6 per cent increase in repo liabilities.²³ The growth in the repo portfolio was largely attributed to an 10.5 per cent increase in Repo liabilities with *Non-Financial Corporate Clients (NFCCs)*, while funding from other non-DTI financial entities declined over the period.²⁴

¹⁹The SDs sector comprises thirty-three (33) licensed securities dealers, of which twenty-six (26) are primary or core dealers. This analysis focuses on the top 10 dealers, which account for over 90.0% of the sector based on available data up to the end- June 2025.

²⁰SDs' total assets grew by 5.2% (\$16.5 billion) at end-June 2025 relative to end-March 2025, primarily due to an increase in *Investments*.

²¹Investments continued represent the largest component of SDs' asset base at end-August 2025, accounting for 83.4%, up from 79.7% in the prior year.

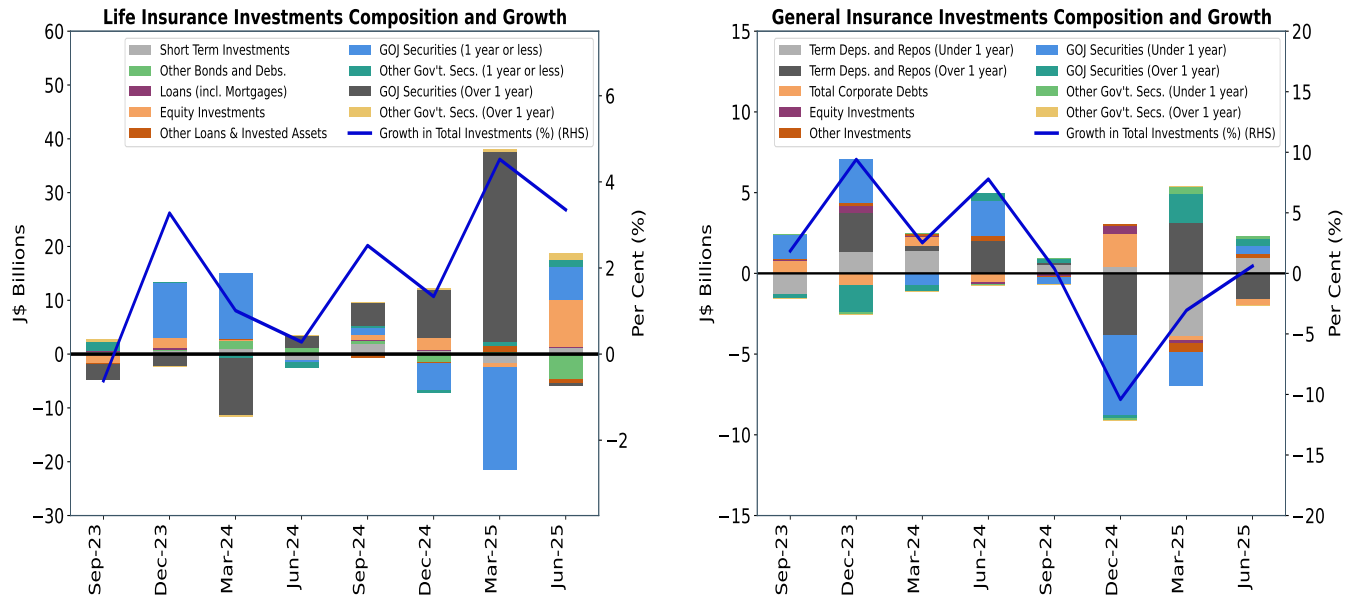
²²The sector continued to reduce its exposure to *Domestic securities purchased with a view to resale* and *Foreign Government Securities*, which declined by 11.4 per cent and 18.2 per cent, respectively. Additionally, consistent with the ongoing underperformance of the domestic stock market, SDs' equity investments fell by 3.9 per cent.

²³Repo liabilities remained the primary source of funding, accounting for just over 80.0% of SDs' total funding at end-August 2025.

²⁴Non-repo funding sources, including *Other Liabilities*, *Sundry Current Liabilities*, and *Borrowings*, rose by 30.1%, 7.0%, and 4.6%, respectively. In contrast, *Client Funds (not under repo agreements)* declined by 25.0 per cent.

Balance Sheet Indicators - Insurance Sector

Figure 1.8
Quarterly Change in Life and General Insurance Investment Composition



Source: FSC

1.19 Buoyed by improving macro-financial conditions, the Insurance sector’s asset base expanded by 9.8 per cent (y-o-y) at end-June 2025, accelerating from 9.6 per cent (y-o-y) at end-March 2025, reflecting renewed momentum in financial intermediation and portfolio rebalancing.^{25,26} This expansion was underpinned by robust increases in *Investments* (9.4 per cent) and other assets (10.9 per cent), the latter primarily reflecting growth in *Reinsurance Contract Held Assets*, and signalling insurers’ strategic response to a more favourable macro-financial environment.

1.20 The strong growth in the investment portfolio for the June 2025 quarter was primarily driven by the life insurance sub-sector, whose investments increased by 12.2 per cent (y-o-y) (or \$43.1

²⁵The growth in the industry’s total assets continued to be primarily driven by the life insurance sector, which grew by 9.5 per cent to \$490.3 billion at end-June 2025, representing 81.9% of the industry’s total assets. The general insurance sector’s total assets also grew by 11.5% to \$108.0 billion over the same period.

²⁶The insurance industry data was revised to account for the implementation of IFRS17, which is an International Financial Reporting Standard that took effect on 01 January 2023 to replace IFRS 4 on accounting for insurance contracts.

billion), up from 8.9 per cent (or \$31.3 billion) at end-March 2025.²⁷ This acceleration reflects life insurers' continued portfolio expansion in response to favourable market conditions. In contrast, general insurance companies experienced a deeper contraction in its investment holdings, which fell by 8.2 per cent (y-o-y) (or \$4.6 billion) at end-June 2025, compared to a 2.9 (y-o-y) (or \$1.5 billion) decline in the previous quarter.

1.21 The composition of the life insurance sector's investment portfolio shifted notably during the June 2025 quarter, reflecting strategic rebalancing amid improving macro-financial conditions, and continued efforts to reduce potential asset-liability mismatches by unwinding previously acquired GOJ instruments. Life insurers significantly reduced their holdings of *GOJ securities (over 1 year)*, which had been accumulated over the past four quarters to hedge against elevated interest rate and inflation risks (see **Figure 1.8**). Meanwhile, modest increases in *Equity Investments*, and *Government Securities (1 year or less)*, suggest a temporary shift in duration preference aimed at managing valuation risks and maintaining portfolio flexibility, reflecting a more balanced and growth-oriented response to improving macro-financial conditions.^{28,29}

1.22 On the other hand, the general insurance sector reallocated its portfolio towards shorter-duration instruments at end-June 2025, increasing its holdings of *Term deposits and Repos (one year or less)*, *GOJ securities (Under 1 year)*, and to a lesser extent *GOJ securities (Over 1 year)* (see **Figure 1.8**). This reallocation was accompanied by a drawdown in longer-term positions, particularly *Term Deposits and Repos (more than one year)*, signaling a tactical pivot toward enhanced liquidity and reduced exposure to interest rate risk. Despite improving macro-financial conditions, this conservative repositioning likely reflects the general insurers' need to maintain high liquidity buffers, manage interest rate risk, and preserve capital flexibility in the context of persistent market uncertainties and shorter liability horizons.³⁰ These contrasting portfolio adjustments across the life and general insurance sub-sectors may suggest a renewed

²⁷Life insurers total investments increased by 3.4% (q-t-q) at end-August 2025, when compared to end-June 2025. Similarly, the general insurance sub-sector's investments grew modestly by 0.6%.

²⁸This reflects life insurance companies' tactical efforts to manage asset-liability mismatches and valuation risks, following prior shifts in portfolio composition during periods of heightened macroeconomic and geopolitical uncertainty.

²⁹Life insurance companies invest primarily in long-term instruments, consistent with long-term liabilities associated with life insurance policies, such as death benefits and annuities. This minimizes risks associated with asset-liability mismatch, ensuring that they can meet their future obligations as they become due.

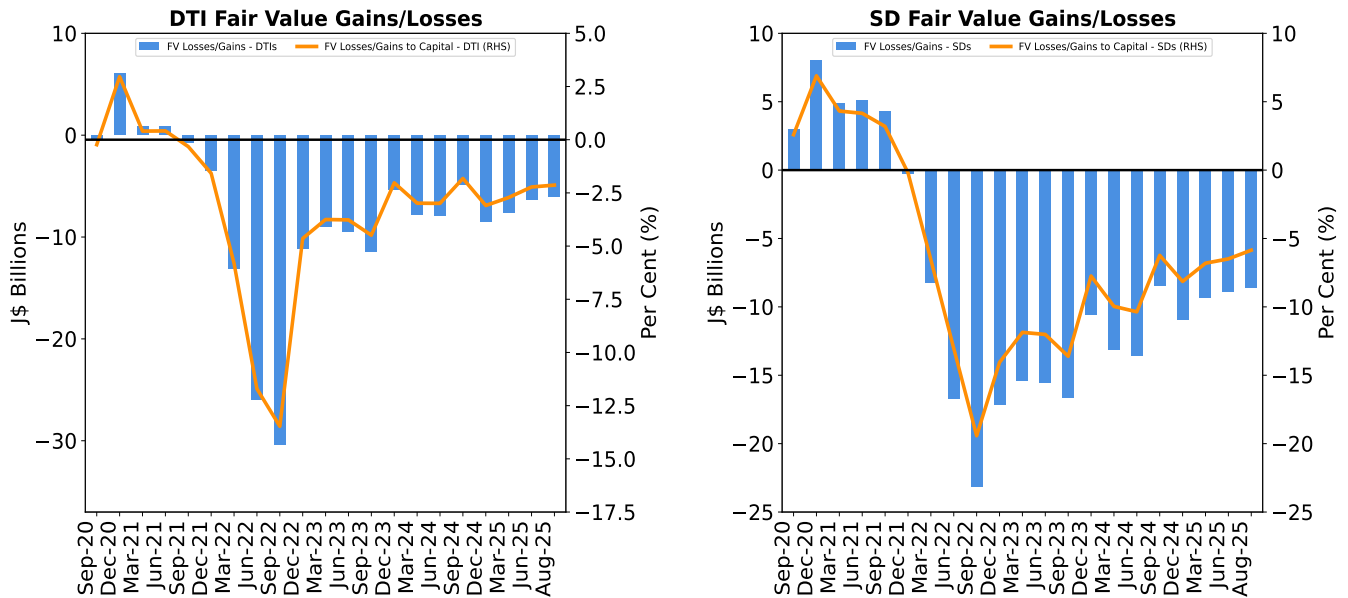
³⁰Notably, the general insurance sub-sector's investment portfolio continued to be concentrated in Term Deposits and Repurchase agreements (particularly with other domestic financial institutions), accounting for 45.3% of the sector's total investments at end-March 2025.

divergence in investment strategies, driven by differences in liability structures and market exposures across the sub-sectors, amid improving macro-financial conditions.

1.23 Asset growth in the insurance sector, continued to be supported by growth in total liabilities during the review period. The industry’s total liabilities grew by 9.9 per cent (y-o-y) at end-June 2025, relative to the previous quarter. This growth continued to be primarily due to an increase in Insurance Contract Liabilities, which grew by 8.3 per cent during the review period.³¹

Fair Value Losses

Figure 1.9
Fair value losses continue to moderate amid bond market improvements



Source: BOJ

1.24 While the policy rate has been held constant since May 2025, the bond yields continue to decline due to lower than expected inflation outturn as well as ongoing macroeconomic stability which culminated in an upgrading of Jamaica’s credit rating. Resultantly, DTIs’ fair value losses improved by \$0.3 billion to

³¹ Asset expansion within the insurance sector was also supported by growth of 11.0% (or \$12.4 billion) (y-o-y) in retained earnings, due to positive profit performance for the June 2025 quarter, compared to growth of 12.8% (or \$13.9 billion) for March 2025. This may suggest that earnings from the prior periods are brought forward and reinvested.

\$6.1 billion at end-August 2025 leading to a slight improvement of the ratio of losses to capital by 0.1 per cent to 2.1 per cent relative to the previous period (see [Figure 1.9](#)).

1.25 Similarly, fair value losses for SDs decreased by \$0.3 billion to \$8.6 billion relative to the previous quarter which leads to the ratio of fair value losses to capital improving by 0.6 percentage point to 5.9 per cent at end-August 2025 relative to the previous quarter (see [Figure 1.9](#)).³²

³²This outturn was primarily driven by the performance of JMMB whose fair value losses were reduced by 38 per cent during the period.

2 Macroeconomic Exposures/Vulnerabilities

The Jamaican economy continued to strengthen during the review period, supported by broad-based recoveries in key productive sectors such as agriculture, utilities, and tourism, following the weather-related disruption of the previous year. Inflation remained low and stable, reflecting improved supply conditions, while exchange rate movements were moderate, accompanied by reduced volatility. Against this backdrop, the financial system expanded, driven by robust growth in deposits, lending, and investments. Financial market conditions improved further with a decline in valuation losses, supported by stronger investor confidence and Jamaica's upgraded credit rating. Profitability and capital positions strengthened across all major sectors, underscoring the continued soundness of the domestic financial system.

Credit Risks

2.1 Indicators of credit risk within the DTI sector were mixed at end-August 2025, reflecting easing financial conditions and elevated interest rates by DTIs. Aggregate Past due loans (PDLs) increased by 14.0 per cent (y-o-y), compared to a decrease of 2.4 per cent in the June 2025 quarter. This uptick was primarily driven by expansions in PDLs within the *Professional & Other Services* and *Construction* sectors. Consequently, the ratio of PDLs to Gross Loans rose to 3.5 per cent relative to 2.8 per cent in the June 2025 quarter. Following this shift in loan performance, Non-performing loans (NPLs) declined to 15.0 per cent (y-o-y) at end August 2025, down from an 18.5 per cent (y-o-y) increase in the June 2025 quarter. The improvement was largely attributed to relative stability across most sectors, except for the *Distribution* sector, which registered a marginal increase of 0.1 percentage point, signalling a subtle deterioration in that segment. As a result, the NPL to gross loans ratio declined slightly to 2.6 per cent, down from 2.7 per cent in the prior quarter.

2.2 Provisioning levels improved among DTIs during the review period, enhancing the sector's capacity to absorb potential loan losses.^{33,34} The NPL coverage ratio rose to 105.6 per cent at end-

³³NPL coverage ratio measures a bank's ability to absorb potential losses from its non-performing loans. It is calculated as provisions for impairment under the International Financial Reporting Standards (IFRS) plus prudential provisions for expected losses based on regulatory criteria as a ratio to NPLs.

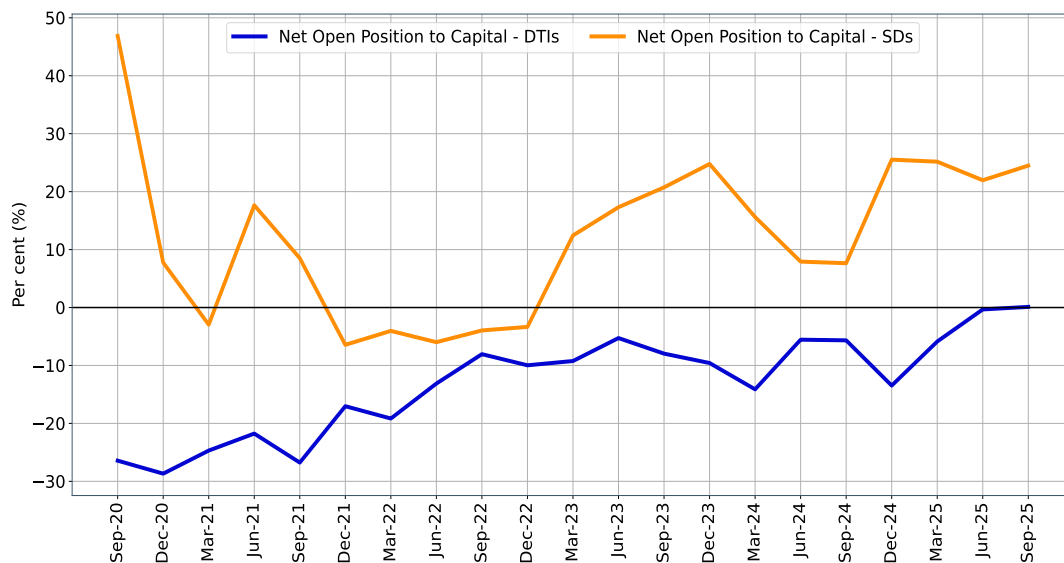
³⁴The prudential benchmark for the NPL coverage ratio is 50.0 per cent.

August 2025, from 104.7 per cent at end-June 2025, primarily reflecting a decline in the growth of DTIs' NPLs relative to the growth in provisions for the review period.³⁵ Meanwhile, the loan loss provisioning rate, as measured by the ratio of loan loss provisions to total loans, remained stable at 2.8 per cent at end-August 2025, unchanged from the June 2025 quarter.

Market Risk Exposures

Foreign Exchange Risk Exposures

Figure 2.1
Net Open FX Position to Capital



Source: BOJ and FSC

2.3 At end-August 2025, the DTI sector recorded a net open long FX position of 0.1 per cent of their capital base, relative to a short position of 0.3 per cent at end June 2025, reflecting the continued effort to manage their FX risk exposure.^{36,37} Historically the DTI sector has been holding a short position while there

³⁵ Loan loss provisions represent the net new allowances that DTIs make in the period against bad or impaired loans. This is done based on their judgement as to the likelihood of losses. Under the IFRS, it is calculated as provisions of impairment plus prudential provisions as a percentage of total loans. Prudential provisions under IFRS refers to the timelier recognition of liabilities and expenses than of assets and income. It is relevant for financial instruments, where there has been no significant increase in credit risk since initial recognition.

³⁶ The net open (FX) position across the selected foreign currencies for each institution is the sum of 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.

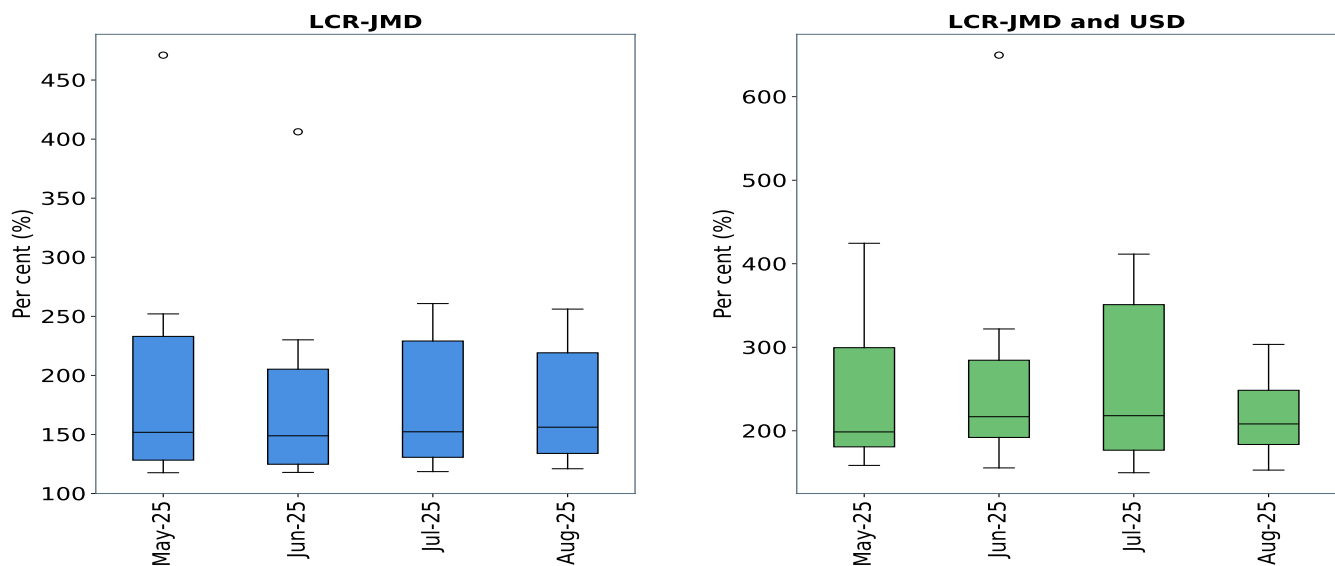
³⁷ These positions were within the prescribed range of +15 per cent/-25 per cent established by the Bank.

has been a general, albeit stable, depreciation of the domestic currency. There has been an upward trend in the net open FX position since end-December 2024, leading to the first net open long position since pre-COVID19. The more general upward trend is supported by lower volatility in the foreign exchange market amidst a relatively more stable domestic currency and tighter system liquidity.³⁸

2.4 Similarly, the SD sector recorded an increase in its net open long FX position to 24.4 per cent of their capital base at end-August 2025, relative to a long position of 22.0 per cent at end-June 2025. The sector’s increase in net open long FX position was mainly driven by a reversal from a short to a long position by one SIFI (see **Figure 2.1**).

Liquidity Risks

Figure 2.2
JMD and USD Liquidity Coverage Ratio



Source: BOJ

2.5 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

³⁸See Bank of Jamaica Signals Tightening in Monetary Policy

2025.³⁹ Total Jamaican dollar LCRs ranged from 153 to 303 percent for the majority of DTIs, compared to 156 to 300 percent range recorded at end-June 2025 with both holdings of high-quality liquid assets (HQLAs) and net cash outflows increasing across the sector. This range excludes two DTIs that recorded unusually high LCRs , largely due to differences in business models and market positioning.⁴⁰ (see **Figures 2.2**).

³⁹LCR 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.

⁴⁰These outlier institutions reported LCRs of 524 and 822 per cent. They represent business models that focus exclusively on corporate banking or are smaller institution. When focusing on corporate banking institutions tend to experience lower and more predictable cash outflows, enabling them to sustain high LCRs with relatively lower liquidity risk. Meanwhile, smaller institutions with limited competitive lending capacity often retain a larger portion of their liquid funds in HQLAs. This results in elevated LCRs that reflect strong liquidity buffers but also points to underutilized lending potential within the sector.

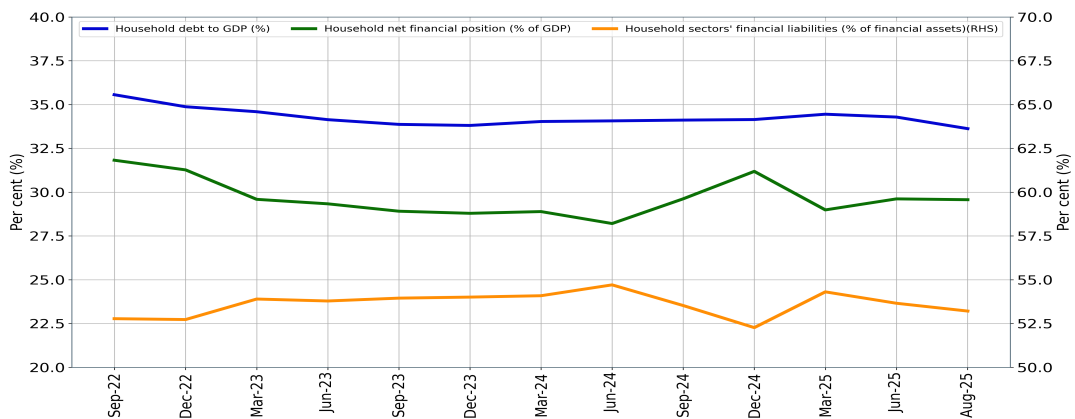
3 Sectoral Vulnerabilities

Credit conditions across the household and corporate sectors remained broadly stable during the September 2025 quarter, supported by favourable macroeconomic conditions and sustained loan demand. Household lending continued to expand, led by growth in mortgage and consumer loans, while household debt sustainability and loan quality showed slight strengthening. Corporate credit growth moderated amid mixed sectoral performance, but overall loan quality and liquidity conditions remained sound. Adverse weather-related disruptions, however, are expected to pose near-term credit risks, particularly to the Construction, Agriculture, and Tourism sectors, where potential declines in output and cash flows could weaken loan quality and lead to higher NPLs if real-sector recovery is delayed. Meanwhile, collateral call activity within the securities dealer sector remained contained, reinforced by strong liquidity buffers and ample unencumbered assets, underscoring continued resilience in overall credit and market conditions.

Household Sector

Figure 3.1

Household debt to GDP declined from June levels, household financial liabilities relative to financial assets eased slightly, and household net financial position to GDP remained stable, signaling modest improvement in overall balance sheet health



Source: BOJ

3.1 DTIs' loan portfolio continued to be dominated by household (HH) loans, which accounted for 52.7 per cent of DTIs' total loans and 27.9 per cent of total assets at end-August 2025, remaining fairly stable

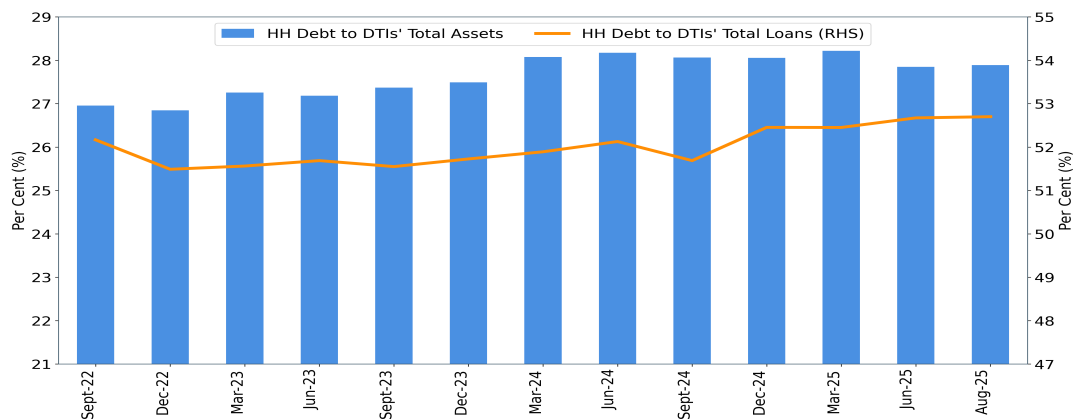
compared to the June 2025 quarter (see [Figure 3.1](#)).

3.2 HH loan growth accelerated to 7.7 per cent (y-o-y) at end-August 2025, up from 6.8 per cent at the end of the June 2025 quarter. The uptick was primarily driven by increased demand for residential mortgages and consumer loans at end-August 2025. Interest rates on personal loan facilities, especially on mortgages, remained broadly unchanged relative to the June 2025 quarter. As a result, households continued to face relatively elevated and stable mortgage rates, despite improving credit conditions, gains in employment and economic growth.^{41,42,43}

3.3 Notably, households’ debt-to-GDP ratio declined by 0.7 percentage point to 33.6 per cent, suggesting a slight improvement in households debt sustainability (see [Figure 3.2](#)).

Figure 3.2

Household debt relative to DTIs’ total assets edged up slightly from June, while debt relative to DTIs’ total loans held steady, reflecting overall stability in household leverage



Source: BOJ

3.4 The quality of loans extended to the HH sector by DTIs improved marginally over the review period. The ratio of HH NPLs to total HH loans declined slightly to 3.3 per cent at end-August 2025, compared to 3.4 per cent in the June 2025 quarter. A disaggregation of the portfolio reveals that the mortgage PDL ratio

⁴¹ As at August 2025, the weighted market loan rates were 12.1 per cent, 8.5 per cent and 9.7 per cent for commercial banks, building societies and merchant banks respectively.

⁴² As at August 2025, lending rates on personal loans, instalment credit and mortgages from DTIs grew by 0.27 pp, 0.05 pp and 0.01 pp, respectively, compared to the June 2025 quarter.

⁴³ See [QMPR Press Presentation 21 Aug 2025](#)

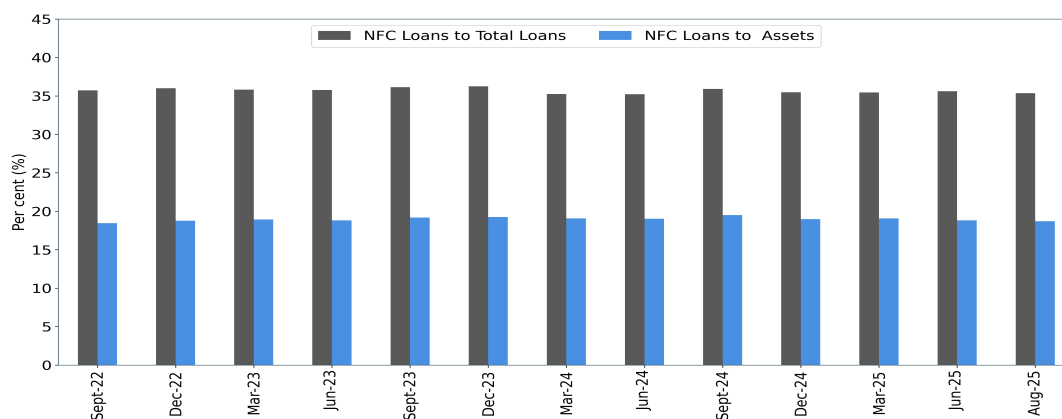
continued to exceed that of consumer loans, although the latter showed improvement for at end-August 2025.

3.5 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 at end-August 2025.

Non-Financial Corporate (NFC) Sector

Figure 3.3

NFC loans relative to assets dipped slightly, while their share of total loans also eased, indicating a marginal slowdown in corporate debt growth



Source: BOJ

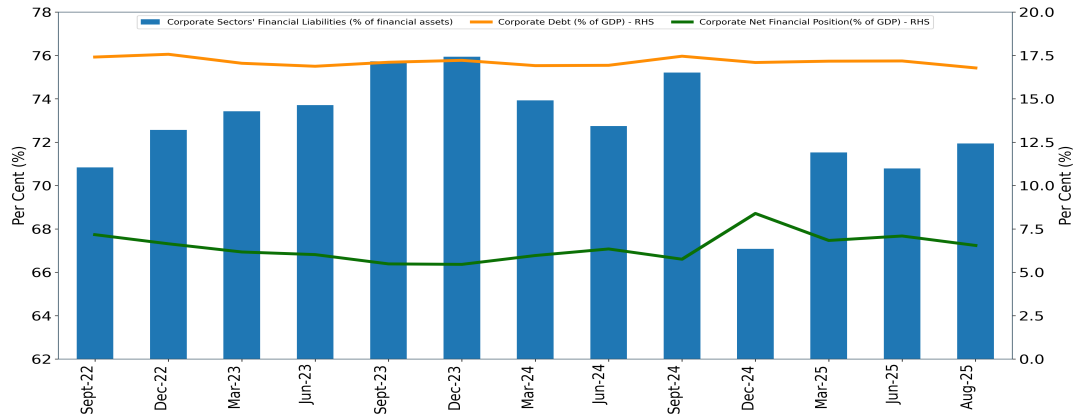
3.6 Lending to the NFC sector remained a key component of DTIs’ balance sheet, accounting for 18.7 per cent of total assets at end-August 2025, a marginal decline from 18.8 per cent at end-June 2025. Similarly, NFC sector loans remained relatively stable at 35.4 per cent of total loans over the same period of comparison (see **Figure 3.3**). Despite this stability in portfolio share, NFC sector loan growth decelerated to 2.6 per cent (y-o-y) at end-August 2025, down from 3.0 per cent in the June 2025 quarter. The slowdown was primarily driven by a contraction in private sector loans, partially offset by stronger growth in personal loans.

3.7 The corporate sector’s debt-to-GDP declined to 16.8 per cent at end-August 2025, compared to 17.2 per cent in the June 2025 quarter. Meanwhile, the sector’s financial liabilities as a share of total assets rose by 1.1 percentage points to 71.9 per cent at end-August 2025. Notwithstanding, the sector’s net

financial position relative to GDP fell by 0.6 percentage point to 6.5 per cent, driven by moderated GDP growth and continued asset accumulation (see [Figure 3.4](#)).

Figure 3.4

Corporate debt declined from June levels, financial liabilities eased slightly, and the net financial position stayed stable, signaling modest improvement in household balance sheets



Source: BOJ

3.8 The performance across the top five NFC sectors was mixed over the September 2025 quarter. Loans to the *Manufacturing* and *Tourism* sectors declined by 3.2 per cent and 0.3 per cent, respectively, relative to the June 2025 quarter. In contrast, *Professional & Other Services*, which holds the largest share of NFC loans, grew by 2.0 per cent compared to 2.4 per cent in the June quarter. The *Distribution* sector also experienced a sharp deceleration, expanding only by 0.6 per cent compared to 5.6 per cent in the June 2025 quarter. Meanwhile, the *Construction* sector rebounded with a 0.5 per cent increase, up from a decline of 1.6 per cent in the June 2025 quarter. Despite the mixed performance, DTIs' credit extended to the sector expanded for the review quarter by 2.6 per cent (y-o-y) during the review period.

4 Stress Tests

Standard stress tests conducted during the review period reaffirmed the overall resilience of Jamaica's financial system to a range of severe but plausible macro-financial shocks. The assessments, which covered market, credit, liquidity, and contagion risks, indicated that while a few institutions experienced marginal declines in capital adequacy, sector-wide capital and liquidity buffers remained sufficient to absorb potential losses. Reverse stress testing further demonstrated that DTIs and securities dealers would maintain capital adequacy ratios above prudential thresholds even under extreme scenarios involving sharp increases in interest rates, liquidity outflows, and equity price declines. Historical comparisons showed that resilience within the DTI sector remained steady, while the securities dealers sector recorded gradual strengthening over the past year. Contagion assessments pointed to limited systemic spillover risks, though linkages involving systemically important financial institutions continued to represent key channels of potential vulnerability within the financial network.

Stress Testing Shock Assumptions⁴⁴

4.1 Market risk stress tests assessed the impact of increases in bond yields, funding cost, reductions in equity prices as well as foreign currency depreciations on DTIs' and securities dealers' capital adequacy ratios (CARs).

4.2 The credit risk stress test assessed the impact of a rise in non-performing loans on the solvency of financial institutions.⁴⁵ The credit risk shock simulates the impact of an overall increase in non-performing loans of 50.0 per cent. The aggregate stress test gives the combined impact of the market and credit risk shocks on the capital adequacy ratio.

4.3 Simulations were also conducted to evaluate the second-round contagion impact on the financial system of the combined shocks noted above. The contagion stress test examines the potential for distress from one financial institution to spill over onto other institutions within the financial system.

⁴⁴Stress testing shocks were broadly determined by using historical distribution of stress periods coupled with expert judgement to account for current and future expectations regarding global and domestic macroeconomic conditions.

⁴⁵The credit shock impacts provisioning for NPLs and loss in interest income. Thereafter, the post-shock CAR is calibrated.

5 Outlook

5.1 Jamaica's recent credit-rating upgrade reflects improved policy credibility and resilience, reinforcing investor confidence and access to external financing on favourable terms. Nonetheless, global financial tightening and shifts in investor sentiment could elevate refinancing costs and increase exposure to exchange-rate risk.

5.2 The recent passage of Hurricane Melissa and the resultant economic disruptions are expected to pose near-term credit risks, particularly to the *Construction*, *Agriculture*, and *Tourism* sectors, as potential declines in output and cash flows could weaken loan quality and lead to higher NPLs if real-sector recovery is delayed.

5.3 However, Financial institutions maintain robust capital and liquidity buffers, supported by sound profitability and active risk management. The ongoing implementation of Basel III standards, including the Capital Conservation Buffer and consistent with the Systemic Risk Buffer (SyRB) framework continues to enhance resilience. The introduction of an LCR early-warning mechanism further bolsters liquidity monitoring, thereby supporting proactive supervisory intervention where needed. These reforms will further reinforce the capacity of the financial system to absorb shocks and sustain credit intermediation.

5.4 There remains a need for vigilance and proactive policy coordination among financial regulators. Maintaining robust capital and liquidity buffers, strengthening supervisory frameworks, and expanding risk monitoring to include new sources of systemic vulnerability will be critical to preserving financial stability in an increasingly complex environment.

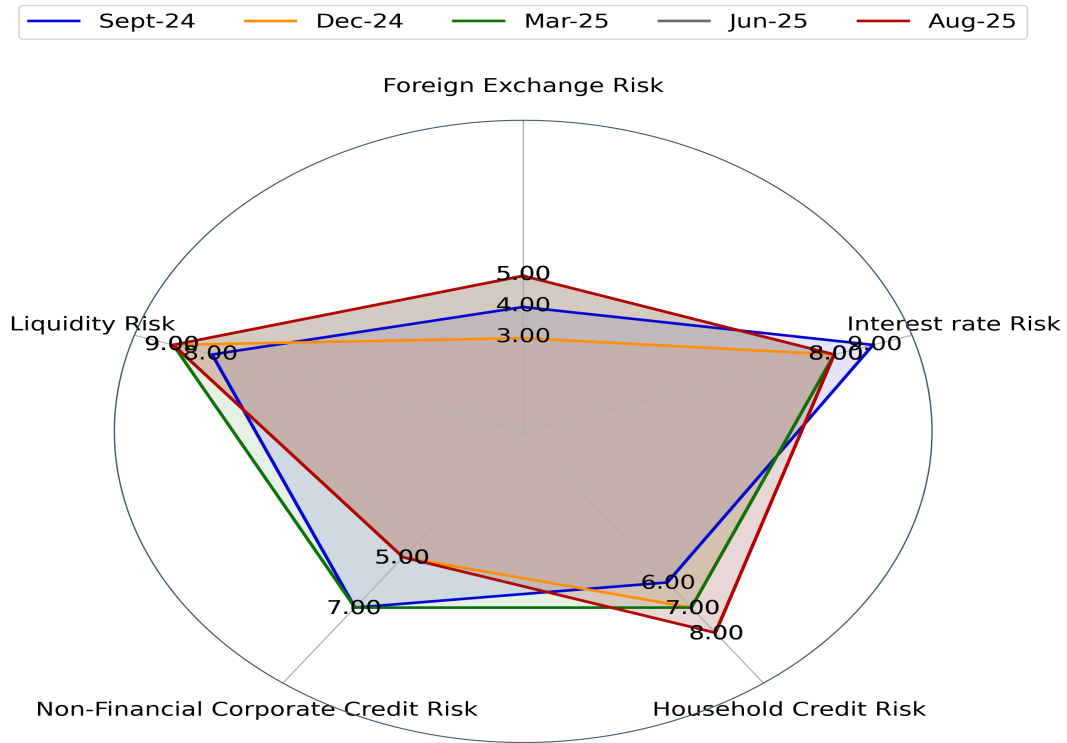
6 Appendix

Figure 6.1
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	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	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	14.6	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 (%)																						
DTIs	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 & FSC

Figure 6.2
Evolution of risk exposure indicators



Risk exposure indicators:

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

Figure 6.3
Network Metrics for the Interbank Gross Funding Network

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
Reciprocity⁴⁶(%)	62.3	57.7	55.8	54.9
Density⁴⁷(%)	29.9	30.7	31.8	30.7
Systemic Risk Score⁴⁸	4.7	4.7	4.8	7.3
Fragility Score⁴⁹	17.1	16.9	17.3	17.0
Diameter⁵⁰	5	6	7	5

Source: BOJ

⁴⁶Reciprocity 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.

⁴⁷Density measures the proportion of actual funding relationships in the system against the total number of potential funding relationships in the network.

⁴⁸The 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.

⁴⁹Fragility 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.

⁵⁰Diameter indicates the “speed” of contagion, the more institutions on the diameter the slower the “speed” of contagion.