



JAMAICA

2025 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

June 2025

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV Consultation with Jamaica, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis following discussions that ended on May 7, 2025, with the officials of Jamaica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 2, 2025.
- An **Informational Annex** prepared by the IMF staff.

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IMF Executive Board Concludes 2025 Article IV Consultation with Jamaica

FOR IMMEDIATE RELEASE

- *The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation with Jamaica on June 12, 2025.*
- *Over the last decade, Jamaica has established an enviable track record of investing in institutions and prioritizing macroeconomic stability which allowed it meet recent shocks and natural disasters in an agile, prudent, and growth-supportive manner.*
- *The continued reforms will increase resilience to future shocks and natural disasters. They need to combine with a multipronged approach to overcome supply-side constraints to growth in support of growth.*

Washington, DC – June 25, 2025: On June 12, 2025, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Jamaica and considered and endorsed the staff appraisal without a meeting. The authorities have consented to the publication of the Staff Report prepared for this consultation.²

Over the last decade, Jamaica has successfully reduced its public debt, firmly anchored inflation and inflation expectations, and strengthened its external position. It has built an enviable track record of investing in institutions and prioritizing macroeconomic stability. Jamaica has met recent global shocks and natural disasters in an agile, prudent, and growth-supportive manner. GDP declined in FY2024/25 due to hurricane Beryl and tropical storm Raphael which damaged agriculture and infrastructure and undermined tourism. Nonetheless, economic activity is projected to normalize as these effects wane. Unemployment has fallen to all-time low levels (3.7 percent in January 2025) and inflation has converged to the Bank of Jamaica (BOJ)'s target band of 4-6 percent. The current account has been in surplus for the last two fiscal years with strong tourism revenues and high remittances. The international reserves' position has continued to improve.

The outlook points to growth settling at its potential rate once the FY2025/26 recovery is complete, with inflation stabilizing within the BOJ's target range. Nonetheless, global developments require continued close monitoring as downside risks emanating from tighter global financial conditions, lower growth in key source markets for tourism, and trade policy disruptions remain high. Finally, extreme weather events could negatively affect economic activity. The Jamaican authorities are implementing sound macroeconomic policies in the

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Jamaica page.

context of strong policy frameworks. A prudent fiscal stance supports a reduction in public debt towards the target in the Fiscal Responsibility Law. The Bank of Jamaica has anchored inflation around the mid-point of the inflation target band and inflation expectations have declined to close to the upper band of the BOJ's target range. The lowering of the policy rate in 2024 was justified in view of the temporary nature of the weather-related shocks and the expected convergence of inflation to the BOJ's target. The current fiscal-monetary policy mix places Jamaica in a good position to respond to the various downside global risks, should they realize.

Executive Board Assessment

"In concluding the 2025 Article IV consultation with Jamaica, Executive Directors endorsed staff's appraisal, as follows:

"Over more than a decade, Jamaica has been implementing sound macroeconomic policies supported by strong policy frameworks. These efforts have allowed Jamaica to accumulate meaningful policy buffers, reduce public debt, anchor inflation, and improve its external position.

"Recent policy efforts have further strengthened fiscal responsibility, improved the effectiveness of public sector compensation, bolstered tax and customs administration, enhanced financial oversight, and built resilience to climate change including in the context of the recently completed PLL/RSF arrangements. These advances allowed agile, prudent, and growth-supportive responses to recent global shocks and natural disasters.

"The economy, which declined in FY2024/25 due to the weather events, is rebounding this year and is projected to grow at its potential rate with risks broadly balanced. The recovery is supported by a rebound in agriculture and tourism and its spillovers to other sectors. Risks comprise extreme weather events posing downside risks for tourism and agriculture, trade policy shocks, and disruptions to tourism or the flow of remittances. Upside risks include a faster-than-expected recovery from recent weather events, favorable tourism trends, and favorable commodity price developments.

"Maintaining primary fiscal surpluses to reach the FRL's ceiling of 60 percent of GDP by FY2027/28 remains essential. However, fiscal policy could become too pro-cyclical in the face of severe shocks when the debt-to-GDP ratio reaches the FRL's target. Incorporating an explicit operational medium-term debt anchor in the FRL at a level below 60 percent of GDP would help guide policies and ensure that debt is kept at moderate levels, creating fiscal buffers to respond to adverse events. The timeline for the eventual adoption of an operational debt anchor should be assessed in the context of heightened uncertainties, which could limit the country's ability to meet a lower debt anchor in the medium-term.

"The authorities continue to improve the fiscal policy framework. The IFC became operational in January 2025 and assessed the consistency of current fiscal plans with the FRL. The A-PEFA assessment was completed in June 2024, providing recommendations to enhance public financial management. Reforms of tax and customs administration are supporting revenue mobilization, and sound debt management continues. The wage bill reform eliminating distortions and improving the transparency and competitiveness of the public pay to help retain skilled employees was completed last FY.

"Ongoing efforts to bolster the monetary and financial policy frameworks should continue. Staff supports the BOJ's cautious data-dependent monetary policy, noting that there should be

scope to lower the policy rate but the heightened global uncertainties call for a cautious approach. An inflation targeting regime with a strong international reserves' position and stable FX markets have served Jamaica well. Going forward, there is scope to deepen FX markets by reducing surrender requirements and scaling back the BOJ's FXI. Deepening capital markets, further de-dollarizing the economy, and boosting banking sector competition would improve resource allocation and help strengthen monetary transmission. The adoption of Basel III, the expansion of the BOJ supervisory remit, and unification of financial supervision under a twin-peaks regime are all going in the right direction. Jamaica exited FATF's increased monitoring (grey list) in June 2024. Building on this achievement, the authorities continue to strengthen AML/CFT and are preparing for the fifth round of the Mutual Evaluation Process (expected by mid-2026).

"A multipronged approach is required to overcome supply-side constraints to growth. Low productivity resulting from the misallocation of resources is amplified by structural impediments including high crime, barriers to competition, poor educational outcomes, inadequate infrastructure, and barriers to trade. The authorities are addressing these barriers through product and labor market reforms, education, infrastructure, trade, and climate-aware reforms including by completing reform measures under the RSF completed last September. These reforms have the potential to catalyze private sector financing for climate-related investment."

Table. Jamaica: Selected Economic Indicators

Population (2023): 2.84 million
Quota (current; millions SDRs/% of total): 382.9/0.08
Main products and exports: alumina, tourism, chemicals, mineral fuels, bauxite
Key export markets: U.S., U.K., Canada

Per capita GDP (2023): US\$6,850
Literacy rate (2022)/Poverty rate (2021): 91.7%/16.7%
Unemployment rate (January 2025): 3.7%

	2022/23	2023/24	2024/25	2025/26
	Act.	Act.	Proj.	Proj.
Output				
Real GDP growth (%)	4.7	1.8	-0.8	2.2
Employment				
Unemployment (%) 1/	4.5	4.2	3.7	...
Prices				
Inflation, end of period (%)	6.2	5.6	5.0	5.0
Inflation, average (%)	9.5	6.2	5.1	5.0
Central government finances 2/				
Budgetary revenue (% of GDP)	30.1	30.6	33.3	31.7
Budgetary expenditure (% of GDP)	29.8	30.5	33.0	31.7
Budget balance (% of GDP)	0.3	0.0	0.3	0.0
Of which: central government primary balance	5.8	5.7	5.9	5.2
Public entities balance (% of GDP)	1.4	2.3	1.7	0.0
Public sector balance (% of GDP)	1.7	2.3	2.0	0.0
Public debt (% of GDP)	77.0	73.4	69.2	64.9
Money and credit				
Broad money (% change)	9.8	9.1	6.2	9.1
Credit to the private sector (% change)	10.5	9.4	6.1	9.4
Treasury bill rate, end-of-period (%)	8.3	8.1	5.7	...
Treasury bill rate, average (%)	8.2	8.1	7.1	...
Balance of payments				
Current account (% of GDP)	1.9	3.1	2.6	1.3
FDI, net (% of GDP)	1.9	1.5	1.0	1.3
Gross international reserves (months of imports)	5.6	6.4	7.2	6.8
External debt (% of GDP)	78.8	69.6	62.6	58.5
Exchange rate				
End-of-period REER (appreciation +)	5.4	-0.7	...	...

Sources: Jamaican authorities; UNDP Human Development Report; Information Notice System; and Fund staff estimates and projections.

1/ As of April. In FY2024/25 January 2025.

2/ Fiscal year: April 1 to March 31. Government finances according to the authorities' definitions.



JAMAICA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

KEY ISSUES

June 2, 2025

Context. Over the last decade, Jamaica has successfully reduced its public debt, firmly anchored inflation and inflation expectations, and strengthened its external position. It has built an enviable track record of investing in institutions and prioritizing macroeconomic stability. Jamaica has met recent global shocks and natural disasters in a manner that is agile, prudent, and supportive of growth.

Outlook and Risks. Growth declined in FY2024/25 due to hurricane Beryl and tropical storm Raphael's impact on the economy but is projected to accelerate as these effects wane. Inflation is expected to remain close to the mid-point of the central bank's target band. Public debt is expected to fall to about 60 percent of GDP by FY2027/28 due to continued prudent fiscal policies. Tighter global financial conditions, lower global growth, trade policy disruptions, and the potential for storms and hurricanes all pose downside risks. Upside risks include a faster-than-expected recovery from recent weather events, favorable tourism trends and commodity price developments.

Policy Discussions. Current policies have strengthened Jamaica's resilience to adverse shocks (as evidenced by the impact of the Beryl/Raphael storms). Policy reforms to bolster the credibility and efficiency of Jamaica's fiscal and monetary policy frameworks, strengthen financial stability, and support growth would deepen this resilience. Such reforms include adoption of an operational debt anchor, improving effectiveness of monetary transmission mechanism, deepening and developing of foreign exchange markets and advancing the reforms for financial stability. Tackling supply side constraints and raising productivity by addressing challenges due to crime, barriers limiting competition and constraining development of human capital as well as improving infrastructure are critical to raising potential growth.

Approved By
Nigel Chalk (WHD)
and Jay Peiris (SPR)

Discussions took place in Kingston and virtually during April 30–May 7, 2025. The staff team comprised Mauricio Villafuerte (head), Siyao Chen, Pierre Guérin, Mariusz Sumliński (all WHD), Nicoletta Feruglio (FAD), and Samah Torchani (STA). Sandra Frances (WHD) provided editorial assistance. Ms. Cunningham (Senior Advisor, OED) participated in the discussions. The team met with Minister of Finance Ms. Fayval Williams, Central Bank Governor Richard Owen Byles, and other senior officials.

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CONTEXT

1. During the past decade, Jamaica invested in its macroeconomic policy frameworks.

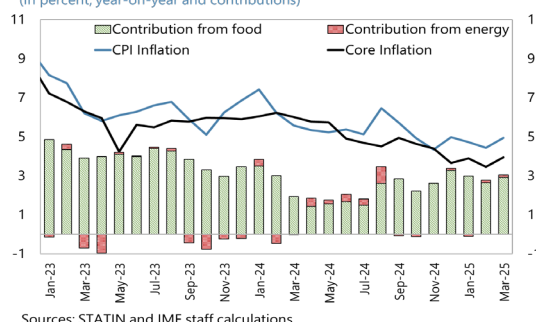
These efforts have resulted in the creation of meaningful policy buffers that can be deployed in response to unforeseen negative events. In particular, Jamaica has reduced its public debt, lowered its financing costs, anchored inflation, seen an increase in banks' capital and liquidity, built up international reserves, and improved its external position. A fiscal responsibility law, a fiscal commission, an inflation targeting framework, and improved financial oversight have all been institutionalized. Recent policy efforts have focused on further strengthening fiscal responsibility, improving the effectiveness of public sector compensation, bolstering tax and customs administration, increasing financial oversight, and building resilience to the effects of climate change.

2. Additionally, Jamaica has successfully completed the Precautionary and Liquidity Line/Resilience and Sustainability Facility (PLL/RSF) arrangements in 2024/25. The PLL has supported the authorities' efforts to enhance consolidated supervision of financial conglomerates, improve the framework for the resolution of financial institutions, bring the AML/CFT framework to international best practice, and improve data adequacy. The reform measures met under the RSF helped to accelerate the transition to renewables, increase resilience to climate change, enhance the climate focus in fiscal policy frameworks, and strengthen the management of climate risks by financial institutions. Jamaica meets the condition for initiating a Post-Financing Assessment (PFA), as its outstanding credit to the RST exceeds the established threshold.¹ However, the Management, in line with the PFA policy, is not recommending the initiation of a PFA for Jamaica, as it is unwarranted because Jamaica has strong economic fundamentals, strong fiscal and external positions, and sound policy frameworks (as noted in the Staff's Appraisal below), such that it does not pose a material risk to the Fund's balance sheet. Jamaica's capacity to repay the Fund is projected to be adequate (see Annex XIII).

RECENT DEVELOPMENTS, OUTLOOK AND RISKS

3. The economy is projected to contract by 0.7 percent in FY2024/25 due to hurricane Beryl and tropical storm Raphael. The storms damaged agriculture and infrastructure and undermined tourism. Nonetheless, unemployment at 3.7 percent in January close to its all-time low suggests an incipient recovery.

CPI Inflation by Major Components
(In percent, year-on-year and contributions)

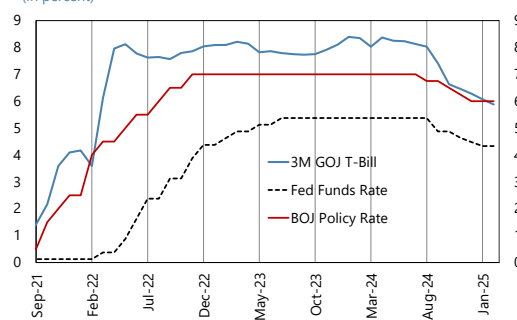


¹ The RST PFA threshold was set in the [Proposal to Establish a Resilience and Sustainability Trust](#) approved in April 2022. The PFA threshold for total Fund exposure (200 percent of quota) is not triggered for Jamaica. See the [2017 Guidance Note on Post-Program Monitoring](#) (renamed PFA), paragraph 26.

4. Inflation has converged to the Bank of Jamaica (BOJ)'s target band of 4-6 percent. The

BOJ's policy tightening in response to the post-pandemic surge in inflation lifted the monetary policy rate to 7 percent. As inflation fell toward the BOJ's target midpoint, the policy rate started to be lowered in August 2024. In March 2025, headline and core inflation were at 5.0 and 3.9 percent.²

Monetary Policy Response
(In percent)



Sources: IMF staff calculations

5. The external current account has been in a surplus for the last three fiscal years. The rebound

in tourism and still high remittances had offset the impact of higher oil prices. FDI remains below historical averages. The current account was negatively affected by Beryl/Raphael in FY2024/25. Net international reserves were about US\$5.8 billion at end-March, and the 2024 external position is assessed to be broadly in line with medium-term level implied by fundamentals and desirable policies (Annex III).

6. Public debt recently fell below 70 percent of GDP according to the authorities' estimations.

Despite an increase in disaster-recovery expenditures, subsidies to public entities, and the start of a large-scale road repair project (SPARK) the primary surplus is estimated to have risen to 5.9 percent of GDP in FY2024/25. The securitization of future revenue flows from the Kingston airport³ and a payout from CCRIF's tropical cyclone and excess rainfall insurance policy supported the fiscal position while higher corporate income tax receipts were able to offset weaker international trade tax revenues. Ratings agencies have put Jamaica on a positive outlook and sovereign spreads have fallen to around 160 bps in early May.

7. The financial system is well-capitalized and liquid. Banks' capital adequacy ratio was 14.5 percent at end-2024, well above the 10 percent minimum. NPLs and past due loans ratios, at 2.5 and 3.2 percent of total loans, respectively, remain low. Banks are highly liquid. High-quality liquid assets are nearly twice the net cash outflows and liquid assets are nearly three times the prescribed share of short-term liabilities. Recent BOJ solvency and liquidity stress tests show banks are resilient to a deterioration in loan quality, a decline of equity prices, higher bond yields, an exchange rate depreciation, and interbank contagion effects.⁴ Macroprudential analysis of household and corporate balance sheets show them to be in a generally healthy position and banks' exposure to sovereign debt is moderate (see Annex IV). The financial institutions' credit ratings have benefitted from recent sovereign upgrades. Jamaica continues to work to fully put in place Basel III

² The core inflation measure excludes food, fuel, alcohol and tobacco, and transportation components.

³ The authorities consider the proceeds of this operation as non-tax revenue, improving the fiscal balance (and reducing the stock of debt). Under the 2014 GFSM methodology, staff considers that the NMIA securitization should be recorded as a debt accumulation instead of revenue. This would lower the primary surplus and raise the debt relative to the authorities' definition.

⁴ The annual Financial Stability Report and quarterly Macro Prudential Reports reporting the tests' results are available on the BOJ's website. See: <https://boj.org.jm/boj-publications/annual-publications/> and <https://boj.org.jm/boj-publications/quarterly-reports/>.

standards, consolidated supervision, an effective crisis resolution framework, and stronger controls to ensure financial integrity.

8. Following the recovery in FY2025/26, growth is expected to settle at its potential rate of 1.6 percent with risks broadly balanced around this path. The primary surplus is expected to remain above 4 percent of GDP over the medium term, bringing debt to about 60 percent of GDP by FY2027/28. Inflation should stabilize at 5 percent in 2025, and bank credit is expected to expand modestly as a share of GDP. Fluctuations of the exchange rate and/or oil prices pose two-sided risks to inflation.⁵ The current account is expected to settle close to a balanced position over the medium term. Tax collections should remain stable, with primary spending staying near 26 percent of GDP.

9. Tighter global financial conditions, lower growth in key source markets for tourism, and trade policy disruptions all represent important downside risks (Annex II). Extreme weather events—such as floods, hurricanes, or earthquakes—all pose downside risks, especially for tourism and agriculture. Disruptions to tourism or the flow of remittances would also have a negative impact. Tourism would be especially vulnerable to the impact of trade policy shocks and geoeconomic fragmentation should they result in lower global growth. Nevertheless, those vulnerabilities would be mitigated by a more resilient economy supported by strong policy frameworks and buffers which would allow it to meet potential shocks in an agile and prudent manner (see Annex XIII). Upside risks include a faster-than-expected recovery from recent weather events, favorable tourism trends and favorable commodity price developments.

Text Table 1. Jamaica: Medium-Term Macroeconomic Framework
(Percent of GDP unless otherwise specified)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
					Est.	Projections				
Growth and Prices										
GDP growth	-11.0	8.2	4.7	1.8	-0.8	2.2	1.5	1.5	1.5	1.5
Consumer price inflation (e.o.p.)	5.2	11.3	6.2	5.6	5.0	5.0	5.0	5.0	5.0	5.0
Government Finances 1/										
Central government revenue	29.5	31.0	30.1	30.6	33.3	31.7	30.1	30.2	30.2	30.2
Central government expenditure	32.6	30.1	29.8	30.5	33.0	31.7	30.4	30.1	29.8	29.7
Budget balance	-3.1	0.9	0.3	0.0	0.3	0.0	-0.2	0.1	0.4	0.4
Central government primary balance	3.5	6.8	5.8	5.7	5.9	5.2	4.4	4.3	4.2	4.2
Consolidated public sector debt	109.7	94.2	77.0	73.4	69.2	64.9	62.4	60.0	57.7	55.6
Consolidated public sector debt (adjusted definition) 1/	109.7	94.2	77.0	73.4	71.6	67.0	64.2	61.6	59.1	56.7
Balance of Payments										
Current account	-1.3	-0.7	1.9	3.1	2.6	1.3	0.6	-0.2	-0.4	-0.1
Foreign direct investment	1.3	1.9	1.9	1.5	1.0	1.3	1.4	1.4	1.5	1.5
Gross reserves (US\$million)	4,244	4,324	4,685	5,232	5,826	5,826	5,876	5,926	5,976	6,026

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Under the 2014 GFSM methodology, the 2024 Norman Manley International Airport securitization is recorded as a debt accumulation not a non-tax revenue inflow. Therefore, in the year of securitization the respective net balances are lower, and the debt balances are higher than under the FRL definition.

10. Global developments and potential strains in the financial system are being closely monitored. The impacts from trade policy shocks have yet to fully manifest although, for now, they

⁵ See Annex IX in “Staff Report For 2024 Article Iv Consultation And Second Reviews Under The Arrangement Under The Precautionary And Liquidity Line And Arrangement Under The Resilience And Sustainability Facility”.

appear manageable for Jamaica. The BOJ regularly conducts solvency and liquidity stress tests and contagion simulation analysis. The results show that financial institutions are resilient to a range of risks and that systemic financial stability risks are modest.⁶ In addition, supervisory authorities conduct enhanced close monitoring of risks—including macroprudential analysis of household and corporate balance sheets—and the exposure of banks to the sovereign remains low (see Annex IV). Staff considers that the evolving macroprudential policy toolkit—comprising limits on leverage ratios, liquidity coverage ratios differentiated by currency, limits on FX net open positions, and limits on the size of exposures between financial institutions—will help further reduce vulnerabilities. Ongoing implementation of Basel III standards, consolidated supervision, crisis resolution, and financial integrity strengthens resilience to shocks and buttresses the prudential frameworks.

11. Jamaica’s capacity to repay the Fund remains adequate with risks mitigated by Jamaica’s policy frameworks which are stronger than at the initiation of the PLL, a strong track record of policy implementation, and by the low level of outstanding credit. By end-2026, Jamaica’s credit outstanding to the Fund arises only from disbursements under the RSF and amounts to SDR 574.4 million (150 percent of quota and 13.5 percent of the gross international reserves; Table 6). It remains at 150 percent of quota until 2034 when the RSF principal payments start. Even after repayments of the RSF principal begin, payments to the Fund remain below 2 percent of Jamaica’s gross international reserves. Jamaica has an excellent track-record of meeting its obligations to the Fund, its capacity to repay (CtR) to the Fund compares favorably to other GRA borrowers, and it does not belong among the largest debtors to the Fund. Finally, Jamaica’s CtR remains adequate under plausible shocks (see Annex XIII).

Authorities’ Views

12. The authorities agreed with staff’s assessment of the economic outlook and risks. They expect growth to converge to potential after the recovery from Beryl/Raphael is complete and inflation to remain anchored within the target band. They stressed that main downside risks were external and that they continued to assess their potential implications. They remained confident their policies were appropriate to secure macroeconomic stability going forward. They agreed with the staff’s assessment that the external position was broadly in line with medium-term level implied by fundamentals and desirable policies and reserves are broadly adequate.

POLICY DISCUSSIONS

A. Strengthening Fiscal Institutions

13. The steady reduction in the public debt-to-GDP ratio is expected to continue. A primary surplus of 5.2 percent of GDP is expected for FY2025/26 leading public debt to fall to 65 percent of GDP by the end of the fiscal year, the lowest level in 25 years. Tax revenues are expected

⁶ The annual Financial Stability Report and quarterly Macro Prudential Reports reporting the tests’ results are available on the BOJ’s website. See: <https://boj.org.jm/boj-publications/annual-publications/> and <https://boj.org.jm/boj-publications/quarterly-reports/>.

to remain broadly unchanged, but nontax revenues will fall by 1½ percent of GDP (due to smaller one-off receipts than in FY2024/25). Spending is budgeted to fall as emergency-related outlays cease while capital outlays are expected to gradually rise over the medium term. Debt is expected to reach the Fiscal Responsibility Law ceiling of 60 percent of GDP by FY2027/28 according to the authorities' estimations. Public debt is assessed to be sustainable (Annex IV).

14. An Independent Fiscal Commission (IFC) came into effect on January 1, 2025, which should help increase transparency and public awareness of fiscal policies. The IFC is overseen by a Fiscal Advisory Committee comprising a chair and four members that represent the trade unions, civil society, academia, and the private sector. The IFC is tasked with assessing the macroeconomic and fiscal forecasts, the consistency of the budget with fiscal rules, and debt sustainability. In February, it issued a broadly positive assessment of the FY2025/26 budget. In addition to the IFC, fiscal management is benefitting from an institutionalized Public Investment Management Information System.

15. The FRL could be strengthened with the adoption of an explicit operational debt anchor. The Fiscal Responsibility Law (FRL)—which, since 2014, has targeted reducing public debt to 60 percent of GDP—has been a bedrock of fiscal policy. However, as the debt-to-GDP ratio reaches the 60 percent of GDP goal, the FRL will become less of a binding constraint on fiscal decision making. Adapting the FRL to incorporate an explicit operational medium-term debt anchor—that is set at a level somewhat below 60 percent of GDP—would help guide policies, ensure the debt is kept at moderate levels, and create fiscal buffers to respond in the event of adverse events. Adoption of such a fiscal anchor would not impact the existing debt ceiling of 60 percent. The explicit escape clauses, as well as a “catch-up” rule to ensure that debt returns to its previous path following the triggering of the escape clause (or in the event of other shocks) would continue to apply to the debt limit of 60 percent of GDP. The benefits of the proposed adoption of a debt anchor should be assessed by the IFC including in the context of heightened uncertainties. Staff's analysis (Box 1 and Annex IX) suggests that a medium-term debt anchor of 50 percent of GDP (or lower depending on updated assessments of emerging fiscal risks such as more severe and frequent natural disasters) would be appropriate for Jamaica.

16. A wage bill reform was completed in FY2024/25 to increase the competitiveness of the public sector as an employer and improve pay transparency. Wages were increased as part of this reform to reduce the public-private sector pay gap (which has grown over the past decade). The authorities are now preparing a performance management framework, which will become operational in FY2025/26 to ensure that the higher public wages result in improved public services. The wage bill reform has been carefully managed. It has increased the gross wage bill by 3.7 percentage points of GDP, partially offset by reduced programme spending (1 percent of GDP), and higher personal income tax revenue as the increase in base salaries moved employees into higher income tax brackets (1 percent of GDP). The wage bill is expected to remain around 13½ percent of GDP over the medium term, but this will require careful application of the new performance management framework.

Box 1. Operational Debt Anchor in Jamaica

Jamaica's public debt-to-GDP ratio is rapidly approaching the 60 percent target mandated by the Fiscal Responsibility Law (FRL) for FY2027/28. To improve Jamaica's fiscal policy risk management, Jamaica could adopt an operational debt anchor of 50 percent of GDP (or lower depending on updated assessment of emerging fiscal risks such as more severe and frequent natural disasters), which would require amending the FRL. This change could mitigate excessive pro-cyclicality in fiscal policy and ensure debt sustainability under adverse scenarios. The choice of an operational debt anchor is superior to the introduction of a fiscal balance rule, which while simple and easy to communicate may lead to a pro-cyclical fiscal stance.

Jamaica's public debt had been significantly reduced, achieving the largest debt reduction among emerging markets since 2008. The elevated debt level necessitated a robust fiscal framework to ensure continued fiscal stability and credibility. That framework has been anchored around the FRL, which mandates a debt-to-GDP ratio of 60 percent or less by FY2027/28. The FRL includes fiscal rules, a medium-term fiscal framework, and an independent fiscal institution to assess macroeconomic and fiscal forecasts. Jamaica's public debt-to-GDP ratio is rapidly approaching the 60 percent target mandated by the Fiscal Responsibility Law (FRL) for FY2027/28.

Staff analysis (Annex IX) suggests that the adoption of an operational debt anchor would enhance fiscal policy risk management since maintaining debt at the FRL-mandated 60 percent of GDP level could lead to occasional breaches following large economic shocks. The analysis suggests that an operational debt anchor below 60 percent would provide a fiscal buffer to accommodate such shocks, reducing the pro-cyclicality of fiscal policy. The anchor should be reached on the basis of a smooth primary deficit path which avoids sudden fiscal easing and large expansions. Specifically, a debt anchor of 50 percent of GDP is shown to help ensure that public debt remains below the 60 percent of GDP limit with high probability under different shock scenarios. This approach would strengthen fiscal policy by achieving a balance between flexibility to accommodate shocks and credibility to avoid breaching the debt limit. Jamaica's exposure to climate shocks further justifies the need for such prudent operational debt anchor to safeguard fiscal sustainability.

17. Following the hurricane and tropical storm, the government announced several measures to support the population and small businesses. An earned income tax credit was put in place for lower income individuals and a subsidy for bus fares has been provided to students (alongside an expansion of bus routes in rural areas). The general consumption tax (GCT) on electricity was lowered to 7 percent and a GCT rebate was made available to households using less than 250 kilowatts per month. The government expects that the lower electricity prices may lead to increased metered connectivity (some 30 per cent of customers are unable to pay their electricity bills which contributes to illegal connections to the grid). The effectiveness of the adopted measures to increase legal grid connectivity should be regularly reviewed with a view of their overall effectiveness and to adjust them if the intended effects fail to materialize. Qualified households can also receive subsidies to make their residences more climate resilient and an amnesty is in place for pensioners and poor households with unpaid water bills. Partially financed by hotel owners and operators, qualified service workers will be eligible for new housing. Finally, fees were waived for certain small businesses affected by the fall in tourism from this weather event.

18. Tax and customs administration improvements are increasing compliance. The tax administration and customs agencies have enhanced their digital capacity and improved their risk-based approach to tax collection and border management. The digitalization would also benefit from the implementation of electronic notifications with the appropriate legal power and electronic mailboxes in line with the Fund's TA recommendations. The MOFPS has launched a Special Arrears Settlement Program offering individuals an opportunity to clear their tax arrears without incurring unpaid interest, penalties, and surcharges. Modernization of tax collection procedures would also help lower costs. The Automated Systems for Customs Data has been updated and the Single Window for Trade now covers more than 10,000 users with digitized permit, license, and certificate services. A new Customs Act was submitted to the upper parliament chamber in December 2024 to bring customs regulations in line with international practices and to allow for a fully electronic customs system.

19. An Agile Public Expenditure and Financial Accountability (A-PEFA) assessment was completed in June 2024 (Annexes V and VI). The assessment found that Jamaica's budget was generally reliable at an aggregate level with revenues and expenditure outcomes broadly aligned with budget estimates (although less so at a sub-aggregate level). Both fiscal strategy and budgeting planning have been improved, including through the introduction of a medium-term budget framework. Furthermore, the external scrutiny and audit process is robust with a timely submission of audit reports. There is scope to reduce the reliance on supplementary budgets, improve the composition of expenditures, and better control commitments to reduce the risk of arrears to suppliers. Fiscal risk reporting could be strengthened, and a comprehensive asset management policy and centralized asset registry should be developed. Standardized procedures for project evaluation and monitoring would improve the management of public investment projects.

Authorities' Views

20. The authorities stressed their commitment to safeguarding fiscal sustainability and advancing public finance reforms. They highlighted the operationalization of the Independent Fiscal Commission and welcomed its assessment of this FY's budget. They stated that high primary surpluses will continue to underpin the fiscal consolidation. To that effect, they noted that reforms to enhance revenue mobilization, arrears management, and the passage of the revised customs act would support their policy objectives. The completed wage bill reform creates in their view an equitable, efficient, and competitive wage structure that will help retain skilled employees. To improve the budget's efficiency, the authorities will consider the recommendations proposed by the Agile-PEFA evaluation. Jamaica is considering the development of a framework to further reduce the debt to below 60 percent of GDP over the medium term after the achievement of the target in FY2027/28. However, the specific target is yet to be determined.

B. Bolstering the Framework for Monetary and FX Policy

21. The BOJ's approach to monetary policy has anchored inflation around the mid-point of the inflation target band and inflation expectations have fallen to close to the upper band of the BOJ's target range. The recent lowering of the policy rate was appropriate in view of the weather-related shocks and the expected convergence of inflation to the BOJ's target. Nevertheless, the lending rates have remained elevated reflecting impediments to monetary transmission (see below and Annex VIII). With the economy operating at close to potential and inflation expected to remain close to the mid-point of the BOJ's target, there should be scope to further lower the policy rate toward neutral. However, the heightened global uncertainties complicate the assessment of the balance of risks and a cautious approach is warranted.

22. Shallow capital and securities markets, low competition in the financial sector, and high financial dollarization all limit monetary transmission. The BOJ is developing a centralized digital Know Your Customer repository and the Account Portability Project that will help streamline the opening of bank accounts, increasing depositor mobility and helping to enhance competition. In addition, in November 2024 the government began issuing identification cards under the Integrated National Identification System which allow for the instantaneous verification of identity and performance of digital transactions.

Box 2. Monetary Transmission Mechanism in Jamaica

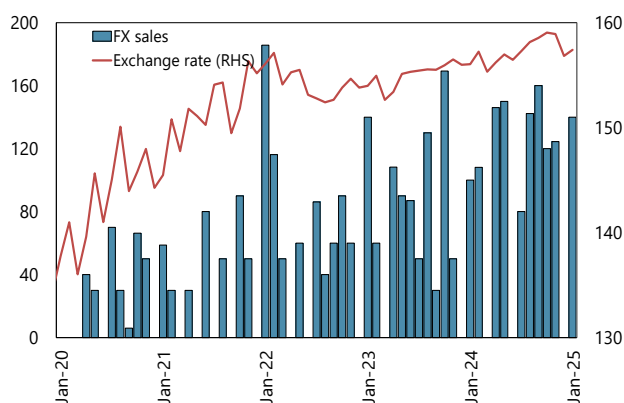
Many emerging markets, including Jamaica, face impediments to an effective monetary transmission mechanism (MTM), such as high dollarization and subpar lending opportunities, which create frictions in the transmission from policy rate changes to inflation. The efficiency of the MTM in Jamaica has strengthened over the last ten years with a stronger transmission of policy rate changes to inflation and exchange rate compared with the two preceding decades, pointing to the significant achievements of the BOJ's inflation targeting regime (Annex VIII). Nevertheless, a weakened transmission to lending rates during the tightening episode of 2022-23 points to the prevalence of impediments to the MTM. Continuing efforts to deepen capital market and liquidity, de-dollarize the economy, and boost banking sector competition would further strengthen the MTM.

23. The BOJ's foreign exchange intervention continues to be guided by the prevention of disruptive market conditions that could translate into undue exchange rate volatility. Given Jamaica's shallow FX markets, high financial dollarization, the high passthrough from exchange rate to inflation, and exposure to large global shocks (Box 3 and Annex VII), FXI may be part of the policy toolkit. The BOJ typically acquires FX via surrender requirements (from authorized dealers and cambios) and, over the last two years, has sold around half of this surrendered FX through the Foreign Exchange Intervention and Trading Tool.

In the context of the CFM framework and underdeveloped hedging instruments, the BOJ's FXI's are frequent. The de facto exchange rate regime is classified as a crawl-like arrangement (the de jure classification is floating). A deeper FX market and greater exchange rate flexibility would strengthen monetary policy transmission and lessen financial dollarization. With international reserves at comfortable levels, the BOJ's participation in the FX market should be progressively reduced through a lowering of surrender requirements. This would increase trading volumes in the FX market. FXIs should be limited to periods of disruptive market conditions (e.g. those that are triggered by large shocks such as natural disasters or shifts in the external environment). The development of FX hedging products would also be incentivized by deepening the private FX market (through reduced surrender requirements and a lesser footprint of FXI).

Monthly FX Sales

(In millions of USD)



Sources: BOJ, IMF staff calculations.

24. The BOJ has eliminated nominal limits on banks' FX Net Open Positions (CFM/MPM) in November 2023 while maintaining a prudential limit of 25 percent of regulatory capital for short positions and 15 percent for long positions. Such limits should be made symmetrical, and their level should be determined in a more systematic way, linked to assessed macroprudential risks arising from movements in the exchange rate. The BOJ continues to require approval for the issuance of FX bonds over US\$20 million.

Box 3. Jamaica through the lens of the IPF

Despite global economic headwinds, the BOJ has contained exchange rate volatility through foreign exchange interventions (FXI). The recently adopted IMF Integrated Policy Framework (IPF) allows for a structured, frictions-based approach to the use of FXIs, complementary to the general recommendation to counter disorderly market conditions. Under the IPF, monetary, financial and capital flow management policy frameworks are assessed jointly. The IPF recognizes three main frictions that may warrant the use of FXI to complement the policy toolkit in cases of excessive exchange rate volatility that endangers financial stability or jeopardizes the central bank's inflation objective. Relative to them, a specific analysis undertaken for Jamaica (Annex VII) had the following findings:

- *Shallow FX markets:* The volume of FX transactions is thin, and bid-ask spreads are large. The uncovered interest parity (UIP) premium is on average positive, its volatility is high, and there are spikes during global shocks.
- *FX mismatches:* Sectoral balance sheets show some persistent imbalances in FX positions. Non-financial corporations have large FX borrowings, mainly led by the tourism sector, non-resident sector, and electricity, gas, and water sector. FX hedging instruments are not developed. Yet, the tourism and non-resident sectors are "naturally hedged" as their revenues are predominantly denominated in FX, pointing to limited risks from currency mismatches for those sectors in normal times.
- *De-anchoring of inflation expectations:* The BOJ's survey of businesses' inflation expectations survey started in 2013 and points to backward-looking expectations. The empirical analysis suggests a strong exchange rate passthrough to consumer price inflation.
- *Existing frictions in FX markets, as well as exposure to large global shocks and to natural disasters, justify inclusion of targeted FXIs in Jamaica's policy toolkit. Nonetheless, gradual reforms in the CFM framework can help develop FX markets, reduce the need for FXI, and enhance the role of the exchange rate as a buffer to global shocks. Gradually reducing surrender requirements and associated sales would channel more FX inflows to private parties, deepen FX markets and increase incentives for the private sector to develop FX hedging instruments.*

25. The BOJ is making good progress in implementing safeguards recommendations. It implemented most recommendations from the 2023 safeguards assessment, including enhancing capacity in risk management and the coverage of internal audit. Work is underway to further enhance the BOJ's autonomy through amendments to the BOJ Act ahead of the transition to the "twin peaks" supervisory regime.

Authorities' Views

26. The authorities emphasized that data-dependent monetary policy secured inflation convergence to the target range and has been re-anchoring inflation expectations. They considered that the prospects to lower the policy interest rate further needs to be assessed against the rising uncertainties and risks. They noted that they were working to strengthen the monetary transmission mechanism by addressing its impediments including the low competitiveness in the banking system. They emphasized that the exchange rate regime is a "floating arrangement" contrary to the IMF's recent reclassification to a "crawl-like arrangement." They noted that further

reforms aiming to deepen the FX market must be subject to appropriate timing and sequencing, particularly in the context of the emerging risks and uncertainties. They pointed to recent reforms implemented to deepen FX markets, including elimination of absolute NOP limits, simplification of approvals for issuance of FX denominated instruments, and improvements in FX market oversight and post-trade process.

C. Advancing Financial Stability

27. The financial stability is advancing with the adoption of the ambitious reform agenda outlined below. The authorities are in the process of adopting Basel III. The minimum capital adequacy requirement is set at 10 percent and implementation of Pillar 2 is expected to be completed next year. This involves adopting processes for Internal Capital Adequacy Assessments and for Supervisory Review and Evaluation as well as determining how Domestic Systemically Important Financial Institutions will be defined. Pillar 3 is expected to be adopted in 2027 with the introduction of additional capital and liquidity requirements, including the Net Stable Funding Ratio.

28. The BOJ is in the process of implementing consolidated supervision of all financial holding companies (FHCs). The BOJ has licensed seven FHCs and is developing a framework to govern their capital, liquidity and intra-group transactions. Corporate governance of FHCs will be improved when an updated Standard of Sound Practice for Effective Corporate Governance of Deposit-Taking Institution (DTI)s and the FHC, currently under review by the industry, is issued. Amendments to the Financial Services Commission (FSC) Act were passed by parliament in November 2024 to empower the FSC (the current supervisor of non-bank financial institutions) to conduct group-wide supervision.

29. The BOJ is expected to become the sole prudential supervisor of the financial sector. In early 2023, the BOJ and the FSC were integrated with the BOJ governor appointed as the chair of the FSC. This was a temporary measure until the BOJ could become the single prudential supervisor of bank and nonbank institutions. The authorities have been advancing the legal framework for this transition and the BOJ and the FSC have conducted joint examinations of selected financial institutions. The FSC would then be given authority for market conduct and consumer protection. New legislation is also being prepared to give the BOJ supervisory authority over credit unions.

30. A new legal framework was submitted to Parliament in 2024 to strengthen the regime for resolving banks and nonbank institutions. The Act establishes mechanisms for resolution, funding arrangements, and a modified winding-up framework to resolve a failing financial institution while preserving vital economic functions, maintaining financial stability, and minimizing the use of public resources. Given the importance of this Act, Parliament should approve it promptly.

31. The BOJ is improving the infrastructure for its retail central bank digital currency. The digital currency accounts for only about 0.1 percent of cash in circulation and over ¼ million registered wallet users are equipped to use it. The BOJ and the government have operationalized a pilot use of this digital currency for payments of fees, taxes, and traffic tickets and have provided incentives for early adopters in the private sector. The National Commercial Bank has been

providing a digital wallet to customers and three more banks are working to develop their own digital wallets. An in-house pilot using point-of-sale machines to process digital currency transactions has been completed by the BOJ. The BOJ also installed the JAM-DEX® Disaster Recovery site for improved resilience.

32. Jamaica exited FATF's increased monitoring in June 2024. The authorities continue to work to implement the remaining three technical recommendations from FATF and will update their National Risk Assessment by end-2025. An amendment has been tabled in parliament to ensure the operational independence and autonomy of the Financial Investigation Division and to align relevant legislation with FATF/Egmont Group standards.

Authorities' Views

33. The authorities noted that they continued to strengthen policy frameworks with the ongoing adoption of the Basel framework, progress towards consolidated supervision of financial holding companies as well as steps towards the adoption of an enhanced resolution regime for financial institutions and the twin-peaks supervision regime. They emphasized a continued strengthening of the AML/CFT framework building on the recent exit from FATF's "grey list". They remain committed and continue to take steps to expand the reach and use of JAM-DEX®.

D. Removing Supply Side Constraints to Growth

34. Supply side constraints continue to act as a persistent headwind to growth.

- **Crime.** The authorities have extensively modernized law enforcement infrastructure and operations by investing and modernizing police facilities, investing in technology and communication systems, and increasing training resources. Jamaica has joined an IDB-sponsored Alliance for Security, Justice and Development and intends to share criminal records with other members of the alliance and engage in joint actions against transnational crime. Addressing crime in Jamaica will require an integrated, multifaceted, and sustained response. It would benefit from strengthening the legislative framework to target serious crimes, reimagining social intervention strategies, and enhancing the capacity of law enforcement to support their effectiveness.
- **Competition.** The implementation of the Fair Competition Act should increase competition across the economy. A reduced state's footprint and lower administrative burdens for businesses could foster entry of new firms and enhance resource allocation.⁷
- **Human capital.** Increased grants for school attendance, an expansion of the school meals program, and better transportation for students in rural areas could improve high school graduation rates. Scholarships for tertiary education could also be expanded.

⁷ See "Creating Markets in Jamaica" World Bank/IFC, May 2022.

- **Infrastructure.** The new investment program to improve the road network will help improve infrastructure and logistics. The government is working with the International Finance Corporation to further improve roads, water, healthcare, water and sanitation, and renewable energy.⁸
- **Open Trade.** There is scope to improve cooperation among border agencies and streamline border clearance through simpler customs regulations and improved data systems.

35. The authorities are working to establish a system of unemployment insurance and strengthen employment services including job counseling and job matching. The project also intends to create an integrated information system to improve implementation of social assistance programs with support from the World Bank.

36. The authorities continue to introduce measures to reduce pollution and incentivize the adoption of low carbon technologies. Parliament has recently increased fines and custodial sentences for environmental offences and controls of pollution by the bauxite and alumina industry are being strengthened. Import duties on electric motorbikes have been halved. Increasing the use of renewables should lower energy costs and improve the network's reliability as well as make Jamaica less vulnerable to shifts in global energy prices. The government is implementing several strategies to mitigate climate-related fiscal risks including strengthening the Public Investment Management (PIM) system including climate sensitive project appraisal and selection (including for PPPs); strengthening oversight of public bodies from a climate-aware perspective; climate-risk informed land use planning and building codes; use of geographic information systems (GIS) in the mapping of hazards and of existing and proposed asset exposures; the planned introduction of Climate Budget Tagging in budget preparation and reporting; development of asset registers with valuations; and building the capacity of MDAs on climate-aware planning.

37. The RSF, through its long-term financing, has supported Jamaica's goal of making the economy more resilient to climate change (Annex XII). The government met twelve reform measures under the RSF ranging from the analysis of climate-related fiscal risks and reforms to improve the public sector investment framework to the introduction of incentives for individuals' investment in renewable energy and a framework for green-bond issuance. These measures have the potential to catalyze climate financing going forward.

38. Following the 2023 roundtable,⁹ the Development Bank of Jamaica (DBJ) and the International Finance Corporation signed a memorandum of understanding to establish a blue-green financing facility. With financial support from the Green Climate Fund, the DBJ expects

⁸ See <https://www.ifc.org/en/pressroom/2024/ifc-and-the-government-of-jamaica-sign-mou-to-scale-up-public-private-partnerships-through-programmatic-approach>.

⁹ <https://www.imf.org/en/News/Articles/2024/04/17/pr24121-jamaica-international-financial-institutions-donors-collaborate-climate>.

to launch this facility in 2026 with the goal of providing up to 2 percent of GDP in new financing for low carbon projects.

39. The authorities have a comprehensive action plan to improve statistics. Following a Special Data Dissemination Standards (SDDS) assessment, an action plan has been developed to work toward subscribing to the SDDS. The statistics agency is working on a restructuring plan and is dedicating resources to attract qualified staff, close capacity gaps, and improve data systems.

Authorities' Views

40. The authorities agreed that the identified supply side constraints continue to act as barriers to growth and noted that fostering growth remains a priority. They emphasized that pursuing policies aimed at macroeconomic stability through debt sustainability will contribute to strengthened growth prospects. They remain committed to further enhancing public institutions and the business environment to boost inclusive growth. They agreed with the needs to reduce crime and to work on education, infrastructure and competition issues to improve productivity. They stressed the significant progress with crime reduction achieved in the last year. The authorities pointed to their commitment to introduce unemployment insurance, strengthen employment services, and social assistance programs to improve the functioning of the labor market. They continue to pursue their ambitious climate resilience agenda building on the reform measures completed under the recent RSF. The authorities reiterated their commitment to SDDS subscription and the need to reform the statistical agency since better statistics would aid with the formulation and evaluation of policies.

STAFF APPRAISAL

41. Over more than a decade, Jamaica has been implementing sound macroeconomic policies supported by strong policy frameworks. These efforts have allowed Jamaica to accumulate meaningful policy buffers, reduce public debt, anchor inflation, and improve its external position. Recent policy efforts have further strengthened fiscal responsibility, improved the effectiveness of public sector compensation, bolstered tax and customs administration, enhanced financial oversight, and built resilience to climate change including in the context of the recently completed PLL/RSF arrangements. These advances allowed agile, prudent, and growth-supportive responses to recent global shocks and natural disasters.

42. The economy, which declined in FY2024/25 due to the weather events, is rebounding this year and is projected to grow at its potential rate with risks broadly balanced. The recovery is supported by a rebound in agriculture and tourism and its spillovers to other sectors. Risks comprise extreme weather events posing downside risks for tourism and agriculture, trade policy shocks, and disruptions to tourism or the flow of remittances. Upside risks include a faster-than-expected recovery from recent weather events, favorable tourism trends, and favorable commodity price developments.

43. Maintaining primary fiscal surpluses to reach the FRL’s ceiling of 60 percent of GDP by FY2027/28 remains essential.

However, fiscal policy could become too pro-cyclical in the face of severe shocks when the debt-to-GDP ratio reaches the FRL’s target. Incorporating an explicit operational medium-term debt anchor in the FRL at a level below 60 percent of GDP would help guide policies and ensure that debt is kept at moderate levels, creating fiscal buffers to respond to adverse events. The timeline for the eventual adoption of an operational debt anchor should be assessed in the context of heightened uncertainties, which could limit the country’s ability to meet a lower debt anchor in the medium-term.

44. The authorities continue to improve the fiscal policy framework. The IFC became operational in January 2025 and assessed the consistency of current fiscal plans with the FRL. The A-PEFA assessment was completed in June 2024, providing recommendations to enhance public financial management. Reforms of tax and customs administration are supporting revenue mobilization, and sound debt management continues. The wage bill reform eliminating distortions and improving the transparency and competitiveness of the public pay to help retain skilled employees was completed last FY.

45. Ongoing efforts to bolster the monetary and financial policy frameworks should continue. Staff supports the BOJ’s cautious data-dependent monetary policy, noting that there should be scope to lower the policy rate but the heightened global uncertainties call for a cautious approach. An inflation targeting regime with a strong international reserves’ position and stable FX markets have served Jamaica well. Going forward, there is scope to deepen FX markets by reducing surrender requirements and scaling back the BOJ’s FXI. Deepening capital markets, further de-dollarizing the economy, and boosting banking sector competition would improve resource allocation and help strengthen monetary transmission. The adoption of Basel III, the expansion of the BOJ supervisory remit, and unification of financial supervision under a twin-peaks regime are all going in the right direction. Jamaica exited FATF’s increased monitoring (grey list) in June 2024. Building on this achievement, the authorities continue to strengthen AML/CFT and are preparing for the fifth round of the Mutual Evaluation Process (expected by mid-2026).

46. A multipronged approach is required to overcome supply-side constraints to growth. Low productivity resulting from the misallocation of resources is amplified by structural impediments including high crime, barriers to competition, poor educational outcomes, inadequate infrastructure, and barriers to trade. The authorities are addressing these barriers through product and labor market reforms, education, infrastructure, trade, and climate-aware reforms including by completing reform measures under the RSF completed last September. These reforms have the potential to catalyze private sector financing for climate-related investment.

47. It is recommended that the next Article IV consultation takes place on the standard 12-month cycle.

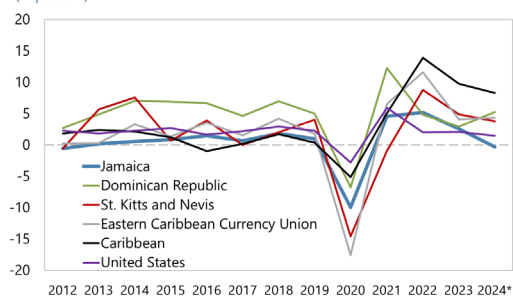
Figure 1. Jamaica: Real Sector Developments

Real GDP growth stalled in 2024 due to hurricane Beryl and tropical storm Raphael...

...but unemployment has fallen to historic lows.

Real GDP Growth

(In percent)

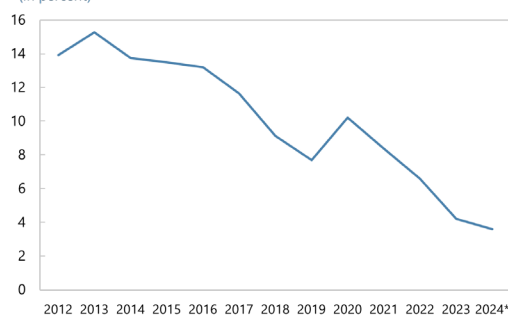


Sources: WEO, Bank of Jamaica, and IMF calculations.

*2024 an estimate

Unemployment

(In percent)



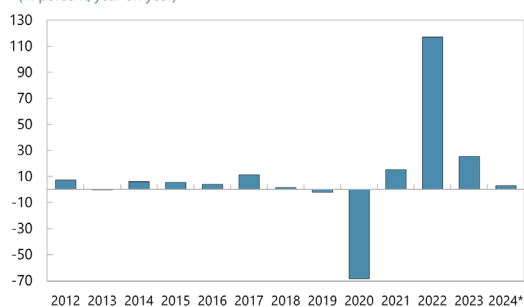
*Up to 2024Q3

The tourism and hospitality sector fully recovered from the pandemic.

Most sectors experienced a contraction in activity in 2024.

Annual Tourism Performance

(In percent, year on year)

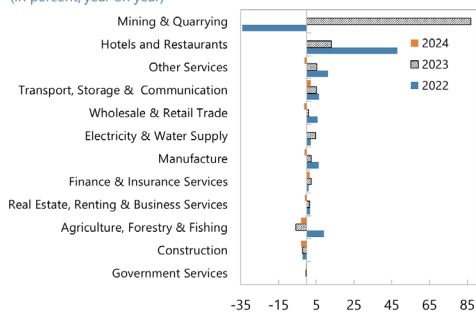


Sources: Jamaica Tourism Board, and IMF staff calculations.

*2024 an estimate

Real GDP: Sectors

(In percent, year on year)

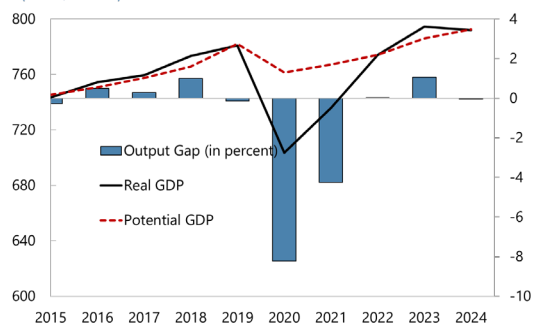


The output gap opened up prior to Beryl/Raphael's impact, but it is estimated to have closed in 2024...

...and inflation is within the target band.

Real GDP and Output Gap

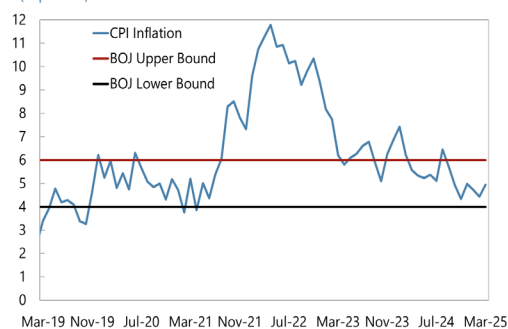
(In JMS billions)



*2024 an estimate

CPI Inflation Versus BOJ Target Band

(In percent)



Sources: STATIN and IMF staff calculations.

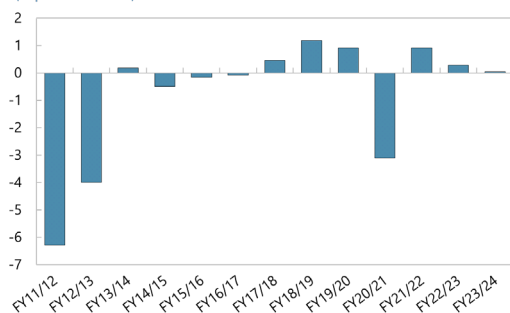
Sources: Jamaican authorities and IMF staff calculations.

Figure 2. Jamaica: Fiscal Sector Developments

The central government's overall balance is in surplus....

Central Government Balance

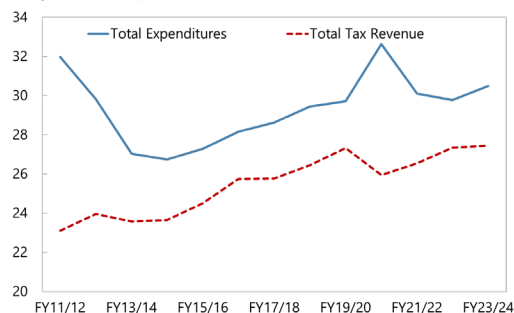
(In percent of GDP)



...due to elevated tax revenues.

Central Government Revenues and Expenditures

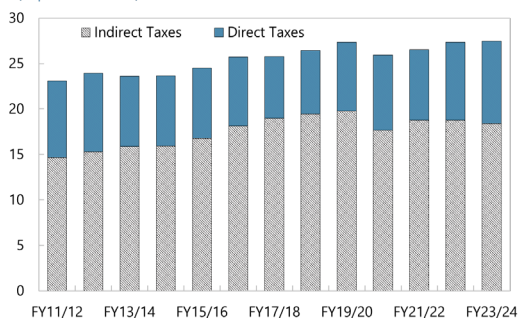
(In percent of GDP)



Which were due to strong direct tax collections...

Tax Revenue

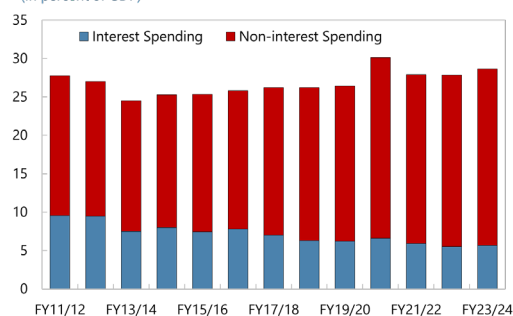
(In percent of GDP)



...while primary spending edged up in FY 23/24.

Central Government Current Spending

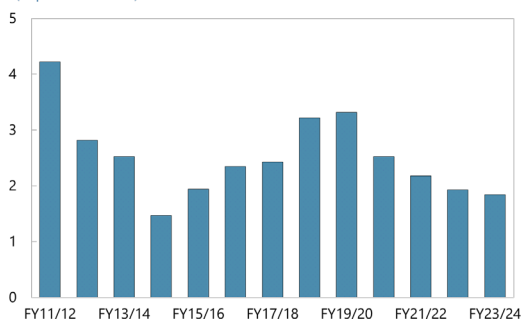
(In percent of GDP)



Capital spending continued to remain subdued.

Central Government Capital Spending

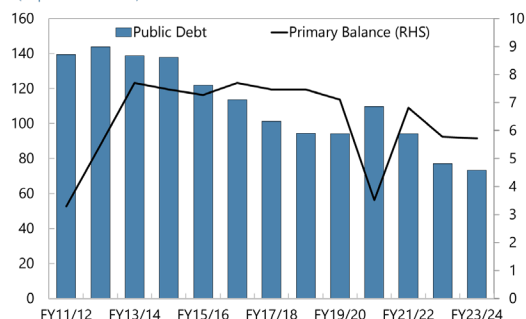
(In percent of GDP)



Public debt is on a firm path to meet the FRL debt target.

Public Debt and Primary Balance

(In percent of GDP)



Sources: Jamaican authorities and IMF staff calculations.

Figure 3. Jamaica: External Sector Developments

Remittances receipts have stabilized and remain above pre-Covid levels.

Monthly Remittances

(Percent (LHS), in billion USD (RHS), 12-month moving sum)



Sources: BOJ, IMF staff calculations.

Tourism has recovered across the board.

Total Visitor Arrivals and Travel Exports

(Visitors in millions and percent of GDP)

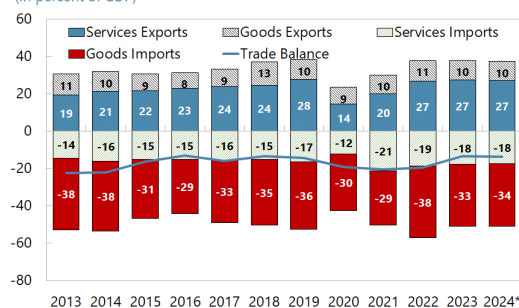


Sources: Jamaica Tourism Board, and IMF staff calculations.

The trade balance has improved due to lower imports...

Trade and Service Balance

(In percent of GDP)



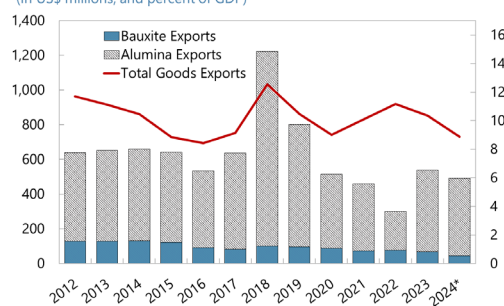
Sources: BOJ, and IMF staff calculations.

*An estimate

...and a pickup in exports.

Mining Exports

(In US\$ millions, and percent of GDP)



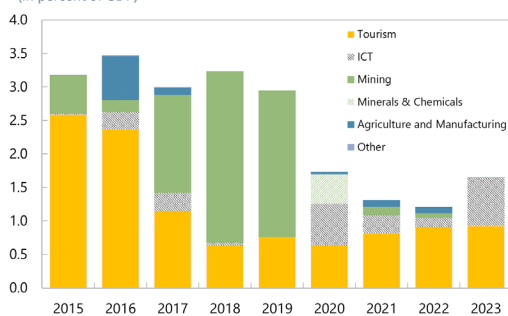
Sources: BOJ, and IMF staff calculations.

*January to September

FDI in tourism continued to grow in 2023 but overall FDI remains below historical levels.

FDI by Sector

(In percent of GDP)

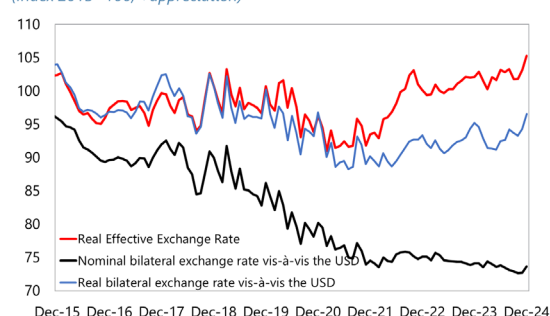


Sources: BOJ, and IMF staff calculations.

The real effective exchange rate has recently slightly appreciated.

Nominal and Real Effective Exchange Rate

(Index 2015=100, +appreciation)



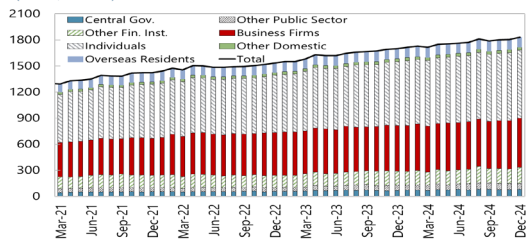
Sources: BOJ, and IMF staff calculations.

Figure 4. Jamaica: Monetary and Financial Sector Developments

Banking system deposits have been growing steadily with individuals and businesses dominating.

Commercial Bank Deposits

(In JMS\$ billions)

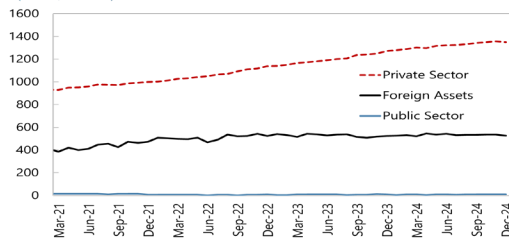


Sources: Bank of Jamaica (BOJ)

Private credit continues to grow reflecting economic rebound and good prospects going forward.

Evolution of Credit and Foreign Assets

(In JMS\$ billions)

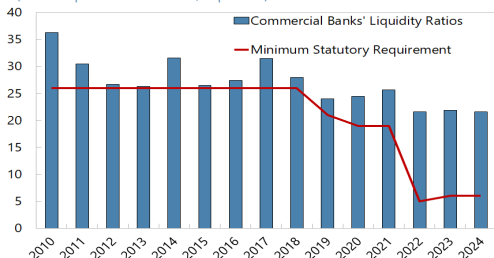


Sources: Bank of Jamaica (BOJ)

The depository institutions retain liquidity above the required minimum...

Domestic Currency Liquid Assets

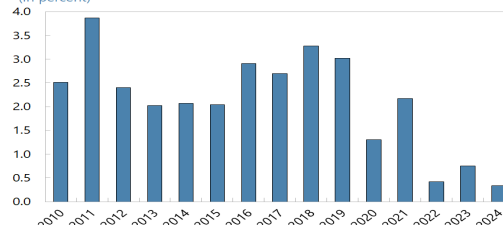
(Share of prescribed liabilities; in percent)



...with moderate, but steady profitability.

Return on Assets

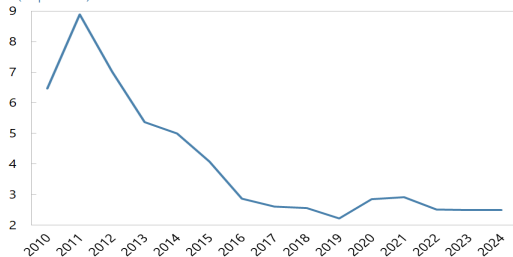
(In percent)



The NPL ratio is very low...

Asset Quality: NPLs/Loans

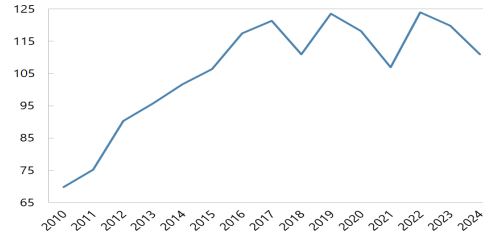
(In percent)



... and provisioning sufficient.

Asset Quality: Provision for Loan Losses/NPLs

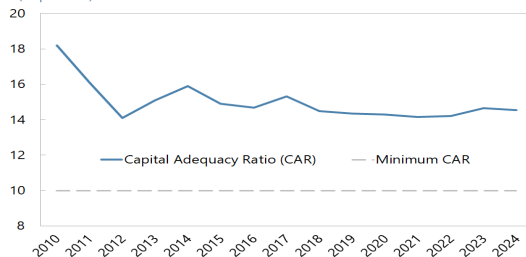
(In percent)



The capital buffers are kept well above the minimum...

Asset Quality: Capital Adequacy

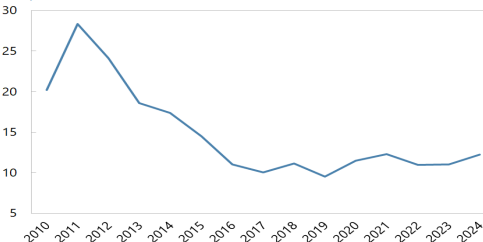
(In percent)



...and sufficient to absorb potential losses.

Asset Quality: NPLs/Capital + Provision for Loan Losses

(In percent)



Sources: Jamaican and IMF staff calculations.

Table 1a. Jamaica: Selected Economic Indicators (Fiscal Year) 1/

Population (2023): 2.84 million	Per capita GDP (2023): US\$6,850									
Quota (current; millions SDRs): 382.9	Literacy rate (2022)/Poverty rate (2021): 91.7%/16.7%									
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite	Unemployment rate (January 2025): 3.7%									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Projections									
	(Annual percent change, unless otherwise indicated)									
GDP and Prices										
Real GDP	-11.0	8.2	4.7	1.8	-0.8	2.2	1.5	1.5	1.5	1.5
Nominal GDP	-8.1	19.2	18.6	9.9	5.3	8.3	6.6	6.6	6.3	6.3
Consumer price index (end of period)	5.2	11.3	6.2	5.6	5.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	5.0	7.4	9.5	6.2	5.1	5.0	5.0	5.0	5.0	5.0
Exchange rate (end of period, J\$/US\$)	146.6	153.8	150.9	154.7	158.4	...	...	...	...	...
End-of-period REER (appreciation +, end of period) (INS)	-7.0	1.8	5.4	-0.7	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	1.5	6.4	8.3	8.1	5.7	...	...	...	...	...
Unemployment rate (percent) 2/	8.9	6.2	4.5	4.2	...	...	...	...	...	...
	(In percent of GDP)									
Government Operations										
Budgetary revenue	29.5	31.0	30.1	30.6	33.3	31.7	30.1	30.2	30.2	30.2
<i>Of which:</i> Tax revenue	25.9	26.5	27.3	27.5	27.8	27.5	27.5	27.6	27.6	27.6
Budgetary expenditure	32.6	30.1	29.8	30.5	33.0	31.7	30.4	30.1	29.8	29.7
Primary expenditure	26.0	24.2	24.3	24.8	27.3	26.6	25.7	25.9	25.9	26.0
<i>Of which:</i> Wages and salaries	10.7	9.6	11.5	12.5	13.3	13.4	13.4	13.4	13.3	13.3
Interest payments	6.6	5.9	5.5	5.7	5.6	5.1	4.6	4.2	3.9	3.7
Budget balance	-3.1	0.9	0.3	0.0	0.3	0.0	-0.2	0.1	0.4	0.4
<i>Of which:</i> Central government primary balance	3.5	6.8	5.8	5.7	5.9	5.2	4.4	4.3	4.2	4.2
Public entities balance	-0.1	0.2	1.4	2.3	1.7	0.0	0.0	0.0	0.0	0.0
Public sector balance	-3.2	1.1	1.7	2.3	2.0	0.0	-0.2	0.1	0.4	0.4
Public debt (FRL definition) 3/	109.7	94.2	77.0	73.4	69.2	64.9	62.4	60.0	57.7	55.6
External Sector										
Current account balance	-1.3	-0.7	1.9	3.1	2.6	1.3	0.6	-0.2	-0.4	-0.1
<i>Of which:</i> Exports of goods, f.o.b.	9.3	9.6	11.7	10.1	8.4	8.4	7.9	7.7	7.5	7.3
... of services	10.6	22.7	27.5	27.4	26.3	26.2	26.1	26.1	26.2	26.3
Imports of goods, f.o.b.	29.4	31.2	37.2	32.7	30.5	31.1	30.9	31.4	31.5	31.2
... of services	12.3	22.1	18.4	17.9	17.2	16.8	16.7	16.8	16.9	16.8
Gross international reserves (US\$ millions)	4,244	4,324	4,685	5,232	5,826	5,826	5,876	5,926	5,976	6,026
	(Percent of GDP)									
Money and Credit										
Net foreign assets	20.6	21.8	20.3	25.5	27.7	26.1	25.2	24.5	23.8	23.1
Net domestic assets	53.5	48.5	44.7	39.0	37.4	39.5	40.7	41.8	42.9	44.1
<i>Of which:</i> Credit to the private sector	57.7	52.8	49.2	48.9	49.3	49.8	50.5	51.3	52.2	53.3
Credit to the central government	19.2	15.2	13.2	9.2	9.4	9.6	8.1	8.4	9.1	9.1
Broad money	74.1	70.2	65.1	64.5	65.1	65.6	65.9	66.3	66.7	67.3
Memorandum Items:										
Nominal GDP (J\$ billions)	1,949	2,322	2,754	3,027	3,187	3,452	3,681	3,924	4,174	4,438
Public sector balance (adjusted definition, %GDP) 4/	-3.2	1.1	1.7	2.3	-0.4	0.2	-0.1	0.3	0.6	0.6
Public sector debt (adjusted definition, %GDP) 4/	109.7	94.2	77.0	73.4	71.6	67.0	64.2	61.6	59.1	56.7

Sources: Jamaican authorities; and Fund staff estimates and projections.

1/ Fiscal years run from April 1 to March 31.

2/ As of April in each period.

3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law (FRL).

4/ Under the 2014 GFSM methodology, the 2024 Norman Manley International Airport securitization is recorded as a debt accumulation not a non-tax revenue inflow. Therefore, in the year of securitization the respective net balances are lower, and the debt balances are higher than under the FRL definition.

Table 1b. Jamaica: Selected Economic Indicators (Calendar Year) 1/

Population (2023): 2.84 million

Per capita GDP (2023): US\$6,801

Quota (current; millions SDRs): 382.9

Literacy rate (2022)/Poverty rate (2021): 91.7%/16.7%

Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite

Unemployment rate (January 2025): 3.7%

	2020	2021	2022	2023	Est. 2024	2025	Projections 2026	2027	2028	2029
(Annual percent change, unless otherwise indicated)										
GDP and Prices										
Real GDP	-9.9	4.6	5.2	2.6	-0.7	2.1	1.5	1.5	1.5	1.5
Nominal GDP	-6.8	12.4	18.7	14.1	4.1	8.1	6.7	6.6	6.4	6.4
Consumer price index (end of period)	5.2	7.3	9.4	6.9	5.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	5.2	5.9	10.4	6.5	5.5	5.0	5.0	5.0	5.0	5.0
Exchange rate (end of period, J\$/US\$)	141.7	155.1	152.3	155.0	156.4	...	...	...	...	...
End-of-period REER (appreciation +, end of period) (INS)	-4.4	-2.9	7.1	1.9	3.5	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	0.9	4.3	8.2	8.5	8.1	...	...	...	...	...
Unemployment rate (average, percent)	10.2	8.4	6.2	4.4	4.2	...	...	...	...	...
(In percent of GDP)										
Government Operations 1/										
Budgetary revenue	29.5	31.0	30.1	30.6	33.3	31.7	30.1	30.2	30.2	30.2
<i>Of which:</i> Tax revenue	25.9	26.5	27.3	27.5	27.8	27.5	27.5	27.6	27.6	27.6
Budgetary expenditure	32.6	30.1	29.8	30.5	33.0	31.7	30.4	30.1	29.8	29.7
Primary expenditure	26.0	24.2	24.3	24.8	27.3	26.6	25.7	25.9	25.9	26.0
<i>Of which:</i> Wages and salaries	10.7	9.6	11.5	12.5	13.3	13.4	13.4	13.4	13.3	13.3
Interest payments	6.6	5.9	5.5	5.7	5.6	5.1	4.6	4.2	3.9	3.7
Budget balance	-3.1	0.9	0.3	0.0	0.3	0.0	-0.2	0.1	0.4	0.4
<i>Of which:</i> Central government primary balance	3.5	6.8	5.8	5.7	5.9	5.2	4.4	4.3	4.2	4.2
Public entities balance	-0.1	0.2	1.4	2.3	1.7	0.0	0.0	0.0	0.0	0.0
Public sector balance	-3.2	1.1	1.7	2.3	2.0	0.0	-0.2	0.1	0.4	0.4
Public debt (FRL definition) 2/	109.7	94.2	77.0	73.4	69.2	64.9	62.4	60.0	57.7	55.6
External Sector										
Current account balance	-1.1	1.0	-0.8	2.9	3.1	0.9	1.1	0.0	-0.3	-0.2
<i>Of which:</i> Exports of goods, f.o.b.	9.0	10.1	11.2	10.4	9.2	8.0	8.1	7.8	7.6	7.4
... of services	14.4	19.9	26.6	27.3	26.3	26.4	26.2	26.2	26.2	26.4
<i>Of which:</i> Imports of goods, f.o.b.	30.2	29.0	38.3	33.1	30.8	31.5	30.8	31.3	31.5	31.4
... of services	12.3	21.4	18.9	17.9	17.5	16.9	16.8	16.8	16.9	16.9
Gross international reserves (US\$ millions)	4,081	4,833	4,520	4,869	5,633	5,826	5,864	5,914	5,964	6,014
(Changes in percent of beginning period broad money)										
Money and Credit										
Net foreign assets	-0.2	9.3	2.5	9.2	10.1	0.2	1.2	1.3	1.3	1.2
Net domestic assets	18.7	4.2	6.0	2.7	-2.0	5.3	6.5	5.9	5.8	5.9
<i>Of which:</i> Credit to the private sector	8.3	6.1	8.1	8.0	4.3	6.1	6.3	6.3	6.4	6.7
<i>Of which:</i> Credit to the central government	16.0	-1.6	-1.7	-0.3	-0.7	-0.3	-0.8	0.7	1.8	1.1
Broad money	18.5	13.5	8.5	11.9	8.1	5.4	7.7	7.2	7.1	7.1
Memorandum Items:										
Nominal GDP (J\$ billions)	1,967	2,210	2,623	2,994	3,118	3,370	3,594	3,833	4,078	4,339
Public sector balance (adjusted definition, %GDP) 3/	-3.2	1.1	1.7	2.3	-0.4	0.2	-0.1	0.3	0.6	0.6
Public sector debt (adjusted definition, %GDP) 3/	109.7	94.2	77.0	73.4	71.6	67.0	64.2	61.6	59.1	56.7

Sources: Jamaican authorities; and Fund staff estimates and projections.

1/ Government operations presented on a fiscal-year basis. Fiscal year runs from April 1 to March 31.

2/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law (FRL).

3/ Under the 2014 GFSM methodology, the 2024 Norman Manley International Airport securitization is recorded as a debt accumulation not a non-tax revenue inflow. Therefore, in the year of securitization the respective net balances are lower, and the debt balances are higher than under the FRL definition.

Table 2a. Jamaica: Summary of Central Government Operations
(In millions of Jamaican dollars)

	2020/21	2021/22	2022/23	2023/24	Projections					
					2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Budgetary Revenue and Grants	575,404	720,224	827,775	925,283	1,060,442	1,095,847	1,109,197	1,185,711	1,258,940	1,338,919
Tax	505,685	616,368	752,841	831,574	884,622	949,258	1,014,084	1,083,229	1,150,865	1,223,924
Of which:										
Income and profits	161,428	180,183	235,812	274,142	306,896	329,261	351,125	374,306	398,068	423,337
Of which: Other companies	66,049	73,311	92,445	93,151	103,683	110,468	117,803	125,581	133,553	142,031
PAYE	67,956	76,661	107,456	134,620	147,633	157,896	168,381	179,498	190,892	203,011
Production and consumption	171,980	198,231	231,896	262,104	274,577	297,384	317,132	338,069	359,530	382,353
Of which: GCT (Local)	91,192	107,799	130,571	158,819	165,441	179,183	191,081	203,696	216,627	230,379
International Trade	168,130	232,559	278,518	288,998	296,356	315,255	339,433	363,677	386,763	411,316
Of which: GCT (Imports)	76,074	101,902	117,871	122,316	126,334	133,407	144,350	154,701	164,583	173,193
Non-tax	62,539	93,736	67,327	83,781	170,224	139,816	86,475	92,184	95,991	102,085
Grants	7,180	7,659	6,341	8,133	5,596	5,961	7,772	9,375	11,105	11,874
Budgetary Expenditure	635,911	698,895	819,989	924,111	1,050,900	1,095,286	1,117,804	1,181,541	1,242,818	1,319,623
Primary expenditure	506,873	561,848	668,614	751,945	870,891	917,753	947,282	1,017,107	1,081,673	1,153,805
Compensation of employees	222,996	241,751	338,126	403,618	446,767	495,799	526,716	560,747	592,169	628,788
Wage and salaries	207,912	222,680	317,885	378,213	423,004	463,432	493,642	526,478	556,369	590,715
Employer contributions	15,084	19,071	20,242	25,405	23,763	32,368	33,074	34,269	35,800	38,073
Programme expenditure 1/	234,693	269,587	277,303	292,464	366,668	359,358	344,899	367,669	391,009	415,831
Capital expenditure	49,184	50,510	53,185	55,864	57,456	62,596	75,668	88,691	98,495	109,186
Interest	129,038	137,048	151,375	172,165	180,009	177,533	170,522	164,434	161,145	165,818
Domestic	50,339	54,712	67,987	70,906	75,349	64,131	62,770	62,346	61,099	62,870
External	78,699	82,336	83,388	101,259	104,660	113,402	107,752	102,088	100,046	102,948
Budget Balance	-60,507	21,329	7,786	1,172	9,542	561	-8,607	4,171	16,122	19,296
Of which: Primary budget balance	68,530	158,377	159,161	173,338	189,551	178,094	161,915	168,604	177,266	185,114
Public Entities Balance 2/	-1,632	4,750	39,626	69,685	53,235	0	0	0	0	0
Public Sector Balance	-62,139	26,079	47,413	70,858	62,777	561	-8,607	4,171	16,122	19,296
Gross Financing Needs	219,593	138,462	154,836	136,399	310,213	205,158	206,005	262,690	366,941	282,120
Gross Financing Sources	219,593	138,462	154,836	136,399	310,213	205,158	206,005	262,690	366,941	282,120
Domestic	87,837	55,385	61,935	27,280	174,486	112,837	82,402	105,076	146,777	112,848
External	131,756	83,077	92,902	109,119	131,727	92,321	123,603	157,614	220,165	169,272
Memorandum Items:										
Nominal GDP (billion J\$)	1,949	2,322	2,754	3,027	3,187	3,452	3,681	3,924	4,174	4,438
Public sector debt (FRL definition, billion J\$) 3/	2,138	2,188	2,121	2,222	2,206	2,240	2,298	2,354	2,415	2,476
Public sector balance (adjusted definition) 4/	-62,139	26,079	47,413	70,858	-12,893	6,986	-2,009	10,962	23,110	26,439
Public sector debt (adjusted definition, billion J\$) 4/	2,138	2,188	2,121	2,222	2,281	2,312	2,362	2,416	2,465	2,517

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Programme expenditure include central government purchases of goods and services and central government transfers.

2/ Comprises non-commercial self-financed public bodies defined by the FRL. Provisional estimates for FY2023/24 and FY2024/25.

3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

4/ Under the 2014 GFSM methodology, the 2024 Norman Manley International Airport securitization is recorded as a debt accumulation not a non-tax revenue inflow. Therefore, in the year of securitization the respective net balances are lower, and the debt balances are higher than under the FRL definition.

Table 2b. Jamaica: Summary of Central Government Operations
(In percent of GDP)

	2020/21	2021/22	2022/23	2023/24	Projections					
					2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Budgetary Revenue and Grants	29.5	31.0	30.1	30.6	33.3	31.7	30.1	30.2	30.2	30.2
Tax	25.9	26.5	27.3	27.5	27.8	27.5	27.5	27.6	27.6	27.6
<i>Of which:</i>										
Income and profits	8.3	7.8	8.6	9.1	9.6	9.5	9.5	9.5	9.5	9.5
<i>Of which:</i> Other companies	3.4	3.2	3.4	3.1	3.3	3.2	3.2	3.2	3.2	3.2
PAYE	3.5	3.3	3.9	4.4	4.6	4.6	4.6	4.6	4.6	4.6
Production and consumption	8.8	8.5	8.4	8.7	8.6	8.6	8.6	8.6	8.6	8.6
<i>Of which:</i> GCT (Local)	4.7	4.6	4.7	5.2	5.2	5.2	5.2	5.2	5.2	5.2
International Trade	8.6	10.0	10.1	9.5	9.3	9.1	9.2	9.3	9.3	9.3
<i>Of which:</i> GCT (Imports)	3.9	4.4	4.3	4.0	4.0	3.9	3.9	3.9	3.9	3.9
Non-tax	3.2	4.0	2.4	2.8	5.3	4.1	2.3	2.3	2.3	2.3
Grants	0.4	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.3
Budgetary Expenditure	32.6	30.1	29.8	30.5	33.0	31.7	30.4	30.1	29.8	29.7
Primary expenditure	26.0	24.2	24.3	24.8	27.3	26.6	25.7	25.9	25.9	26.0
Compensation of employees	11.4	10.4	12.3	13.3	14.0	14.4	14.3	14.3	14.2	14.2
Wage and salaries	10.7	9.6	11.5	12.5	13.3	13.4	13.4	13.4	13.3	13.3
Employer contribution	0.8	0.8	0.7	0.8	0.7	0.9	0.9	0.9	0.9	0.9
Programme expenditure 1/	12.0	11.6	10.1	9.7	11.5	10.4	9.4	9.4	9.4	9.4
Capital expenditure	2.5	2.2	1.9	1.8	1.8	1.8	2.1	2.3	2.4	2.5
Interest	6.6	5.9	5.5	5.7	5.6	5.1	4.6	4.2	3.9	3.7
Domestic	2.6	2.4	2.5	2.3	2.4	1.9	1.7	1.6	1.5	1.4
External	4.0	3.5	3.0	3.3	3.3	3.3	2.9	2.6	2.4	2.3
Budget Balance	-3.1	0.9	0.3	0.0	0.3	0.0	-0.2	0.1	0.4	0.4
<i>Of which:</i> Primary budget balance	3.5	6.8	5.8	5.7	5.9	5.2	4.4	4.3	4.2	4.2
Public Entities Balance 2/	-0.1	0.2	1.4	2.3	1.7	0.0	0.0	0.0	0.0	0.0
Public Sector Balance	-3.2	1.1	1.7	2.3	2.0	0.0	-0.2	0.1	0.4	0.4
Gross Financing Needs	11.3	6.0	5.6	4.5	9.7	5.9	5.6	6.7	8.8	6.4
Gross Financing Sources	11.3	6.0	5.6	4.5	9.7	5.9	5.6	6.7	8.8	6.4
Domestic	4.5	2.4	2.2	0.9	5.5	3.3	2.2	2.7	3.5	2.5
External	6.8	3.6	3.4	3.6	4.1	2.7	3.4	4.0	5.3	3.8
Memorandum Items:										
Nominal GDP (billion J\$)	1,949	2,322	2,754	3,027	3,187	3,452	3,681	3,924	4,174	4,438
Public sector debt (FRL definition, billion J\$) 3/	2,138	2,188	2,121	2,222	2,205	2,241	2,296	2,355	2,409	2,466
Public sector debt (FRL definition, %GDP) 3/	109.7	94.2	77.0	73.4	69.2	64.9	62.4	60.0	57.7	55.6
Public sector balance (adjusted definition, %GDP) 4/	-3.2	1.1	1.7	2.3	-0.4	0.2	-0.1	0.3	0.6	0.6
Public sector debt (adjusted definition, billion J\$) 4/	2,138	2,188	2,121	2,222	2,281	2,312	2,362	2,416	2,465	2,517
Public sector debt (adjusted definition, %GDP) 4/	109.7	94.2	77.0	73.4	71.6	67.0	64.2	61.6	59.1	56.7

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Programme expenditure include central government purchases of goods and services and central government transfers.

2/ Comprises non-commercial self-financed public bodies defined by the FRL. Provisional estimates for FY2023/24 and FY2024/25.

3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

4/ Under the 2014 GFSM methodology, the 2024 Norman Manley International Airport securitization is recorded as a debt accumulation not a non-tax revenue inflow. Therefore, in the year of securitization the respective net balances are lower, and the debt balances are higher than under the FRL definition.

Table 3. Jamaica: Summary of Balance of Payments
(In millions of U.S. dollars)

	2020/21	2021/22	2022/23	2023/24	Projections					
					2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Current Account	-173	-101	345	610	524	273	125	-47	-99	-35
Trade balance	-2,736	-3,267	-4,578	-4,396	-4,463	-4,890	-5,145	-5,484	-5,718	-5,921
Exports (f.o.b.)	1,258	1,456	2,086	1,969	1,707	1,799	1,761	1,780	1,801	1,824
Imports (f.o.b.)	3,994	4,723	6,665	6,365	6,170	6,689	6,906	7,263	7,519	7,745
o/w Fuel (cif)	988	1,724	2,346	2,038	1,989	1,777	1,751	1,747	1,752	1,764
Services (net)	-225	97	1,635	1,848	1,848	2,014	2,080	2,161	2,237	2,361
o/w Travel (net)	608	2,368	3,714	4,060	4,038	4,273	4,405	4,559	4,714	4,924
Primary income (net)	-412	-486	-254	-286	-301	-340	-380	-415	-432	-421
Secondary income (net)	3,200	3,556	3,542	3,444	3,440	3,488	3,570	3,691	3,815	3,946
Government (net)	150	182	178	177	167	139	116	106	100	94
Private (net)	3,051	3,374	3,364	3,267	3,273	3,349	3,455	3,585	3,715	3,852
Capital Account (net)	-30	-31	-30	-19	-20	-23	-21	-21	-22	-21
Financial Account (net)	-394	-609	140	1,178	504	250	105	-68	-120	-57
Direct investment (net)	-181	-287	-338	-293	-211	-274	-315	-331	-347	-365
Portfolio investment (net)	-163	-87	705	760	463	-2	-17	-67	-317	-312
Financial derivatives (net)	7	0	-1	0	0	0	0	0	0	0
Other investment (net)	-612	-315	-588	164	-343	525	387	280	494	570
Reserve assets (change)	554	80	361	547	594	0	50	50	50	50
Net Errors and Omissions	-191	-476	-180	571	0	0	0	0	0	0
(In percent GDP)										
Current Account	-1.3	-0.7	1.9	3.1	2.6	1.3	0.6	-0.2	-0.4	-0.1
Trade balance	-20.1	-21.6	-25.6	-22.6	-22.1	-22.8	-23.1	-23.7	-23.9	-23.8
Exports (f.o.b.)	9.3	9.6	11.7	10.1	8.4	8.4	7.9	7.7	7.5	7.3
Imports (f.o.b.)	29.4	31.2	37.2	32.7	30.5	31.1	30.9	31.4	31.5	31.2
Services (net)	-1.7	0.6	9.1	9.5	9.1	9.4	9.3	9.3	9.4	9.5
o/w Travel (net)	4.5	15.7	20.7	20.9	20.0	19.9	19.7	19.7	19.7	19.8
Primary income (net)	-3.0	-3.2	-1.4	-1.5	-1.5	-1.6	-1.7	-1.8	-1.8	-1.7
Secondary income (net)	23.6	23.5	19.8	17.7	17.0	16.2	16.0	16.0	16.0	15.9
o/w Private (net)	22.5	22.3	18.8	16.8	16.2	15.6	15.5	15.5	15.6	15.5
Capital Account (net)	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Financial Account (net)	-2.9	-4.0	0.8	6.1	2.5	1.2	0.5	-0.3	-0.5	-0.2
o/w Direct investment (net)	-1.3	-1.9	-1.9	-1.5	-1.0	-1.3	-1.4	-1.4	-1.5	-1.5
Memorandum Items:										
Gross international reserves 1/	4,244	4,324	4,685	5,232	5,826	5,826	5,876	5,926	5,976	6,026
(in months of next year's imports of GNFS)	9.0	6.4	5.6	6.4	7.2	6.8	6.6	6.4	6.2	6.1
Net international reserves (NIR)	3,319	3,676	4,152	5,137	5,785	5,806	5,859	5,909	5,959	6,009
Exports of goods (percent change)	-17.8	15.7	43.3	-5.6	-13.3	5.4	-2.1	1.1	1.2	1.3
Imports of goods (percent change)	-26.6	18.2	41.1	-4.5	-3.1	8.4	3.2	5.2	3.5	3.0
Oil prices (composite, fiscal year basis)	48.6	76.0	92.4	80.2	77.4	71.0	67.9	66.8	66.3	66.0
Terms of trade (fiscal year basis)	112	97	93	97	99	102	104	105	106	107
GDP (US\$ millions)	13,588	15,131	17,903	19,453	20,218	21,492	22,318	23,115	23,887	24,857
Jamaican dollar/USD, period average	143	153	154	156	...	...	...	...	...	...

Sources: Jamaican authorities; and Fund staff

1/ Following the re-classification of the de-facto exchange rate regime effective July 2022 the ARA metric for non-floaters applies.

Table 4. Jamaica: Summary Monetary Survey 1/

	2020/21	2021/22	2022/23	2023/24	Projections					
					2024/25	2025/26	2026/27	2027/28	2028/29	2029/30

Sources: Bank of Jamaica, International Financial Statistics and Fund staff estimates and projections.

1/ Fiscal year runs from April 1 to March 31.

Table 5. Jamaica: Financial Soundness Indicators 1/

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Balance Sheet Growth (y/y)															
Capital	5.1	5.3	4.0	18.3	7.4	9.0	12.6	8.1	11.4	8.1	14.1	5.9	7.8	9.2	3.5
Loans	-1.4	4.8	12.9	14.1	6.6	9.3	18.3	7.2	14.8	17.2	10.9	9.6	12.9	11.2	5.7
NPLs	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.9	-2.6	10.1	4.1	41.9	12.6	-2.8	10.0	5.1
Liquidity															
Domestic currency liquid assets 2/	36.2	30.5	26.7	26.3	31.5	26.5	27.4	31.5	28.0	24.0	24.5	25.6	21.6	21.9	21.6
Asset Quality															
Prov. for loan losses/NPLs	69.9	75.2	90.3	95.7	101.6	106.4	117.5	121.3	111.0	123.5	118.2	106.9	123.9	119.8	111.0
NPLs/loans	6.5	8.9	7.0	5.4	5.0	4.1	2.9	2.6	2.6	2.2	2.8	2.9	2.5	2.5	2.5
Capital Adequacy															
NPLs/Capital+Prov. for loan losses	20.2	28.4	24.1	18.6	17.4	14.5	11.0	10.0	11.1	9.5	11.5	12.3	11.0	11.0	12.3
Capital Adequacy Ratio (CAR)	18.2	16.1	14.1	15.1	15.9	14.9	14.7	15.3	14.5	14.3	14.3	14.2	14.2	14.6	14.5
Profitability (calendar year) 3/															
Pre-tax profit margin	21.1	30.8	21.4	19.0	18.9	19.8	26.8	24.9	27.2	25.4	13.3	21.5	16.2	24.3	11.8
Return on average assets	2.5	3.9	2.4	2.0	2.1	2.0	2.9	2.7	3.3	3.0	1.3	2.2	0.4	0.8	0.3

Source: Bank of Jamaica.

1/ Commercial banks, building societies, and merchant banks.

2/ Percent of prescribed liabilities.

3/ The significant increase in profitability for 2011 is due to an up-stream dividend from one insurance subsidiary to its parent bank. Without such dividend pre-tax profit margin and return on average assets would be 18.1 and 2.3 percent, respectively.

Table 6. Jamaica: Indicators of Fund Credit 2025–44 1/
(In millions of SDRs, unless otherwise indicated)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Fund Obligations Based on Existing Credit																				
(millions of SDRs)																				
Principal	124.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
Charges and interest 2/	29.1	36.7	36.5	36.5	36.4	36.5	36.5	36.5	36.4	36.1	34.4	32.1	29.8	27.6	25.3	23.1	20.8	18.5	16.2	14.4
Fund Obligations Based on Existing Credit																				
Credit (millions of SDRs)	153.2	46.1	36.5	36.5	36.4	36.5	36.5	36.5	36.4	64.8	91.8	89.6	87.3	85.0	82.7	80.5	78.2	75.9	73.7	43.1
Principal	124.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
GRA	124.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
Charges and interest 3/	29.1	36.7	36.5	36.5	36.4	36.5	36.5	36.5	36.4	36.1	34.4	32.1	29.8	27.6	25.3	23.1	20.8	18.5	16.2	14.4
Total Obligations Based on Existing Credit																				
Credit	153.2	46.1	36.5	36.5	36.4	36.5	36.5	36.5	36.4	64.8	91.8	89.6	87.3	85.0	82.7	80.5	78.2	75.9	73.7	43.1
Millions of SDRs	153.2	46.1	36.5	36.5	36.4	36.5	36.5	36.5	36.4	64.8	91.8	89.6	87.3	85.0	82.7	80.5	78.2	75.9	73.7	43.1
Percent of exports of goods and services	2.8	0.8	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.9	1.2	1.1	1.1	1.0	0.9	0.9	0.8	0.8	0.7	0.4
Percent of gross international reserves	3.5	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.4	2.0	1.9	1.8	1.8	1.7	1.6	1.6	1.5	1.5	0.9
Percent of government revenue	3.0	0.9	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.9	1.3	1.2	1.1	1.0	1.0	0.9	0.9	0.8	0.7	0.4
Percent of public external debt service	17.1	4.6	3.6	3.4	4.9	3.9	5.2	5.0	4.9	8.1	11.0	10.4	9.7	9.0	8.4	7.9	7.3	6.8	6.4	3.6
Percent of GDP	1.0	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.1
Percent of quota	40.0	12.0	9.5	9.5	9.5	9.5	9.5	9.5	9.5	16.9	24.0	23.4	22.8	22.2	21.6	21.0	20.4	19.8	19.2	11.2
Principal	32.4	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5
GRA	32.4	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5
Outstanding IMF Credit Based on Existing																				
Drawings	583.8	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	545.6	488.2	430.8	373.3	315.9	258.5	201.0	143.6	86.2	28.7	0.0
Millions of SDRs	583.8	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	545.6	488.2	430.8	373.3	315.9	258.5	201.0	143.6	86.2	28.7	0.0
GRA	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	545.6	488.2	430.8	373.3	315.9	258.5	201.0	143.6	86.2	28.7	0.0
Percent of exports of goods and services	10.8	10.2	10.0	9.6	9.3	9.0	8.7	8.3	8.0	7.4	6.3	5.4	4.5	3.7	2.9	2.2	1.5	0.9	0.3	0.0
Percent of gross international reserves	13.5	13.1	13.0	12.9	12.8	12.7	12.6	12.5	12.4	11.7	10.4	9.1	7.8	6.6	5.3	4.1	2.9	1.7	0.6	0.0
Percent of government revenue	11.5	11.5	11.1	10.7	10.3	9.8	9.4	9.1	8.7	7.9	6.8	5.8	4.8	3.9	3.1	2.3	1.6	0.9	0.3	0.0
Percent of total public external debt	9.1	9.4	9.8	10.3	10.5	11.1	11.1	11.3	11.5	11.0	9.5	8.0	6.7	5.4	4.3	3.2	2.2	1.2	0.4	0.0
Percent of GDP	3.7	3.5	3.3	3.2	3.1	3.0	2.9	2.8	2.6	2.4	2.1	1.8	1.5	1.2	0.9	0.7	0.5	0.3	0.1	0.0
Percent of quota	152.5	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0
GRA	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0
Net Use of IMF Credit (millions of SDRs)																				
Disbursements	-124.0	-9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-28.7	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-28.7
Repayments and repurchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	124.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
Memorandum Items:																				
Exports of goods and services (millions of U.S. dollars)	7,265	7,541	7,756	8,003	8,291	8,602	8,924	9,259	9,606	9,967	10,341	10,728	11,131	11,548	11,981	12,431	12,897	13,381	13,883	14,403
Gross international reserves (millions of U.S. dollars)	5,826	5,876	5,926	5,976	6,026	6,076	6,126	6,176	6,226	6,276	6,326	6,376	6,426	6,476	6,526	6,576	6,626	6,676	6,726	6,776
Government revenue (million of U.S. dollars)	6,822	6,724	6,984	7,206	7,498	7,880	8,200	8,533	8,879	9,240	9,625	10,016	10,444	10,891	11,358	11,844	12,351	12,880	13,431	14,006
Total external debt, public (million of U.S. dollars)	8,598	8,192	7,882	7,490	7,368	6,966	6,952	6,846	6,739	6,659	6,929	7,210	7,519	7,841	8,176	8,526	8,891	9,272	9,669	10,083
External debt service, public (million of U.S. dollars)	1,205	1,335	1,371	1,432	1,001	1,273	944	971	1,004	1,074	1,118	1,163	1,213	1,265	1,319	1,375	1,434	1,496	1,560	1,627
Nominal GDP (millions of U.S. dollars)	21,492	22,318	23,115	23,887	24,857	25,866	26,916	28,008	29,145	30,328	31,559	32,840	34,246	35,712	37,240	38,835	40,497	42,231	44,039	45,924
Quota (millions of SDRs)	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9
USD/SDR exchange rate	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34

Source: IMF staff estimates and projections.

1/ Based on the existing scenario.

2/ Based on the GRA rate of charge of 3.598 percent as of May 8, 2025.

3/ Jamaica belongs to the RST interest Group C. Interest based on the RST rate of interest of 3.948 percent as of May 8, 2025.

Annex I. Progress on 2024 Article IV Policy Recommendations

Recommendations	Policy Actions
Growth Agenda	
Adopt policies to overcome factors hindering productivity associated with lack of skills, limited access to finance, high crime, and barriers to competition e.g. supply-side constraints to growth. Strengthen social safety net and close gender gaps. Pursue data improvement aiming at an SDDS subscription.	Ongoing. In late 2024, the government launched a growth strategy with the key pillars of human capital development; diversification of the country's economic base and development of new industries; infrastructure development; improving the business environment; security; and inclusive growth. It launched the Social Protection for Increased Resilience and Opportunity (SPIRO) project to strengthen social protection with support from the World Bank.
Climate Agenda	
Integrate climate risks into fiscal planning, incentivize investment in renewable energy, adopt a monitoring framework for data informing climate related stress testing, adopt a green bond issuance framework.	Ongoing. The agenda has advanced with the RSF arrangement completed on August 30, 2024. In addition, efforts continue to catalyze private climate financing and secure investments in renewable energy. Cooperation with development partners to leverage the RSF to secure private resources to climate proof the economy continues.
Fiscal Sector	
Maintain a prudent fiscal stance to support reduction in public debt.	The FY2024/25 budget advanced to the FRL's 60 percent of GDP debt target despite spending additional resources for hurricane recovery.
Address distortions in public sector compensation within the existing fiscal envelope, enhance quality of public expenditure and manage debt to lessen risks.	Ongoing. The cost of overhaul of public compensation was offset by reduced program spending and higher tax revenue as higher base salaries resulted in higher income taxes. The A-PEFA was delivered in spring 2024 to improve the quality of public spending. First ever international local currency bond issued in November 2023.
Operationalize the Independent Fiscal Commission (IFC), continue reforms to strengthen tax and customs administration, improve the financial management.	Ongoing. The IFC became operational in 2025. Tax Administration enhanced its digital capacity to enhance compliance, the customs agency has improved clearance procedures and adopted a risk management approach to border management. The ASYCUDA has been updated and a Single Window for Trade is in place.
Monetary and Financial Sector	
Secure inflation convergence to its target with data-dependent monetary policy to entrench macroeconomic stability, promote growth, enhance capacity to face adverse shocks and anchor inflation expectations	Ongoing. The BOJ has maintained data-dependent monetary policy to ensure price stability and re-anchor inflation expectations. The policy rate has been gradually lowered in line with macroeconomic developments supporting inflation convergence to the inflation target band.
Advance adoption of Basel III requirements, prepare for a supervision mandate's expansion to the financial holding companies and the credit unions. Strengthen the special resolution regime (SRR) for financial institutions to facilitate crisis management and protection of a budget. Advance towards a twin-peaks supervisory regime.	The BOJ has continued rolling out pillar two dealing with banks' own assessment of risks and them making the adequate provisions to absorb those risks. The expansion of the perimeter to the financial holding companies and preparation for adoption of twin-peaks regime are ongoing. The SRR law was tabled in parliament by end-June 2024. The law was assisted by MCM/LEG TA. Work is also ongoing on crisis management, consolidated supervision issues, and integration of climate risks in the supervisory activities.
Continue addressing weaknesses in AML/CFT framework per the plan agreed with FATF.	The Action Plan agreed with FATF was completed in early 2024. Jamaica exited the FATF's grey list in June 2024 and is preparing for the 5 th round of the Mutual Evaluation Process.
Advance JAM-DEX® (CBDC) adoption.	Ongoing. The footprint of JAM-DEX® is expanding; there has been progress with use of the POS machines for JAM-DEX® transactions.

Annex II. Risk Assessment Matrix¹

Source and Direction of Risk	Likelihood	Impact if Realized	Policy Response
External Risks			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	Medium	Calibrate monetary policy in a data-dependent manner with FX interventions to reduce volatility due to disorderly market conditions. Develop contingency plans to protect priority spending should financing become limited without jeopardizing the medium-term fiscal framework anchored in the FRL.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	Medium	Allow pass-through from international to domestic prices. Provide targeted support to vulnerable households and firms while preserving fiscal sustainability.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFIs in distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	Medium	Apply data-dependent monetary policy to hold inflation within the target band and anchor inflation expectations. Strengthen reserve buffers and limit interventions to curbing volatility. Continue developing the FX market and FX related instruments to increase the FX market's resilience to exchange rate volatility.
Structural/Domestic Risks			
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	High	Deploy Disaster Risk Management framework and the multilayered insurance scheme against climate events and the related institutional arrangements to guide reconstruction efforts.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High	High	Using data-dependent policy, control excess volatility due to disorderly market conditions. Strengthen reserve buffers and protect macro stability without sacrificing priority spending. Develop contingency plans if financing becomes limited. Allow pass-through to domestic prices with targeted, temporary support for the neediest.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	Medium	Medium	Continue strengthening cyber security measures including legal, institutional, and strategic frameworks and cross-sector framework to combat cyberattacks.

¹ As of February 2025. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Annex III. External Sector Assessment¹

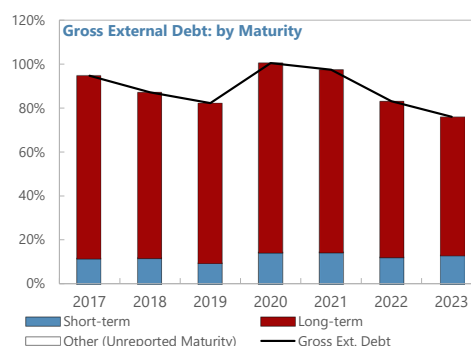
Overall Assessment: The external position of Jamaica in 2024 is assessed to have been broadly in line with the medium-term level implied by fundamentals and desirable policies. The current level of the real exchange rate would keep the NIIP sustainable according to the External Sustainability Approach. The current account (CA) model would suggest an exchange rate undervaluation of 37 percent. The EBA-lite CA model does not fully consider that the marginal propensity to consume (MPC) from remittance incomes in Jamaica is lower than estimated by the model. Furthermore, the EBA-lite CA norm is underestimated due to large negative NIIP/GDP. As current account deficits in line with the estimated CA norm would further deteriorate the NIIP, staff assessment is informed by the results of the External Sustainability (ES) model.

Potential Policy Responses: Contributions from policy gaps are largely due to global factors. In the medium-term, lower public savings as public debt converges to the target is expected to lower the aggregate savings while climate reforms will increase investments. Jamaica could address several constraints to its export base, including by fostering currently low tertiary education, continue to enhance trade facilitation, strengthening logistics, lowering crime, advocating in CARICOM for lower import tariffs, and seeking free trade agreements with countries outside the region.

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) is estimated to have continued to improve in 2023, falling to around -124 percent of GDP from -164 percent end-2018. IIP liabilities are dominated by direct investment which account for about 50 percent of the total. External debt is mainly long-term and has returned to its downward trend after a temporary increase due to the COVID shock in 2020.

Assessment. Although the negative NIIP is still sizeable, it is projected to decline further given the projected reduction in public external debt and relatively low current account deficits. According to the External Sustainability approach, under the current baseline scenario (which assumes constant real exchange rates) the NIIP would not deteriorate further in net present value terms and is therefore assessed to be sustainable.



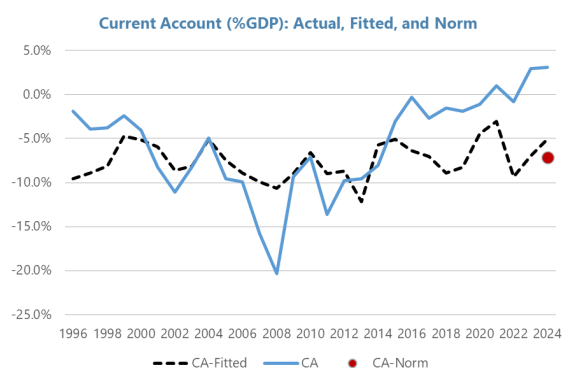
2024 (est.; % GDP)	NIIP: -116	Gross Assets: 70	Debt Assets: 33	Gross Liab. 186	Debt Liab.: 71
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¹ Dec-24 template.

Current Account

Background. The deficit in goods trade slightly increased in 2024 due to the impact from the hurricane Beryl and tropical storm Raphael on alumina and bauxite and agricultural exports. High levels of tourism receipts and steady freight costs held up the services trade balance. Remittances have continued trending down in terms of GDP towards their pre-pandemic levels. The 2024 CA is estimated at about 3.1 percent of GDP compared to the average of nil over the last five years. In the medium-term the CA is expected to settle close to a balanced position.

Assessment. The EBA-lite CA model results point to a positive CA gap of 10.3 percent of GDP, mostly due to a persistently large residual. The policy gap is mostly driven by global factors. The high norm for Jamaica's current account deficit is the result of its high migrant share – almost 40 percent – but a decade of low CA deficits suggests that the marginal propensity to consume from remittances is likely lower in Jamaica than implied by the cross-country coefficient. That period also coincides with the fiscal consolidation and rapidly declining debt resulting in a sustained large fiscal consolidation which is consistent with the large gaps between the fitted and actual current account balances. The remittances as a share of GDP have averaged about 15 percent of GDP over the 5 years prior to the pandemic, they averaged 21 percent of GDP during the pandemic, and in the medium-term are expected to average about 16 percent of GDP. This dynamic is consistent with the expectations that the low marginal propensity to consume from remittances in Jamaica will restrict the CA close to a balanced position supporting the assessment herein. Moreover, the CA model has limitations in analyzing tourism-based economies and does not sufficiently capture Jamaica's need to save externally to insure against the country's exposure to natural disasters. As such, the EBA-lite estimated CA norm overestimates the CA deficit that would be appropriate for Jamaica's circumstances. The CA deficit in a tourism dependent economy will be inherently lower than in an economy that does not depend on this sector. The over-estimated CA deficit does not account for this dependency – basing policy prescriptions on this estimate would be contradictory to the fundamental dynamics of the economy. This is illustrated by the addition of an ad-hoc adjustor to the model to account for the shocks that the tourism dependent economies suffered from during the pandemic. The cyclically adjusted CA is estimated at 3.2 percent of GDP (broadly in line with actual CA) and the norm at negative 7.1 percent of GDP. Further, the debt-stabilizing non-interest current account estimated at -1.7 percent of GDP is closer to the actual current account than to the CA model



Jamaica: EBA-lite Model Results, 2024

	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	3.1	
Cyclical contributions (from model) (-)	-0.1	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	3.2	
CA Norm (from model) 2/	-7.1	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-7.1	
CA Gap	10.3	1.5
o/w Relative policy gap	2.2	
Elasticity	-0.3	
REER Gap (in percent)	-36.9	-5.2

1/ Based on the EBA-lite 3.0 methodology

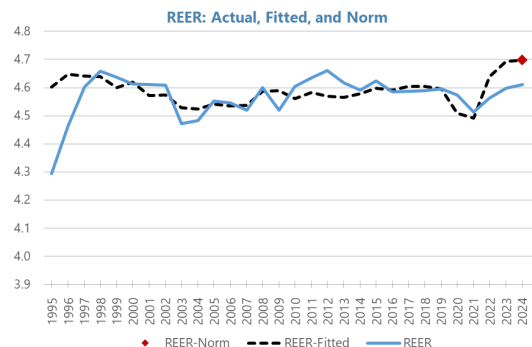
2/ Cyclically adjusted, including multilateral consistency adjustments.

estimate. Staff's CA assessment is also informed by the results of the ES model, suggesting that the CA surplus in 2024 and projected CA balances ensure the external sustainability over the medium-term.

Real Exchange Rate

Background. The average REER in 2024 appreciated by 1.3 percent relative to 2023 and was broadly at its 2019 level. The REER has been relatively stable in 2024 due to lower inflation volatility and a stable nominal exchange rate.

Assessment. The EBA-lite REER model results suggest a real exchange rate undervaluation of about 5 percent fully due to the model residual. The policy gap is marginal and largely driven by global factors. As in the case of the CA model, the REER model does not account for the unique features of the Jamaican economy: a much lower marginal propensity to consume (MPC) from remittances income in Jamaica than assumed by the models, the need for higher precautionary savings to insure against natural disasters, and the circumstances of tourism-based economies.



Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account is dominated by private flows. Foreign direct investment is estimated to have declined to 1.0 percent of GDP in 2024, down from 2 percent of GDP in 2023. Amid primary surpluses and a steady decline in public debt, public flows were dominated by amortization payments. 2024 saw net portfolio outflows from banks stabilizing at an estimated 1.9 percent of GDP with banks and corporates' net outflows on other investments amounting to an estimated 0.1 percent of GDP. The BOJ removed the absolute limits on the FX net open positions (NOP) of DTIs in November 2023. It requires approval for local corporate bond issuance in FX for issuance above US \$20 million.

Assessment. The financing structure of the external position supports external stability. Inflows are dominated by FDI and long-term private debt flows. Outflows largely consists of public debt amortization. In the medium-term, Jamaica would benefit from more diversified FDI inflows which could help export to diversify outside of tourism and mining and further economic development. Adjustments on FX NOP limits and loosening the requirements for the local issuances in FX may improve functioning of the FX market but are not expected to have any material impact on capital flows.

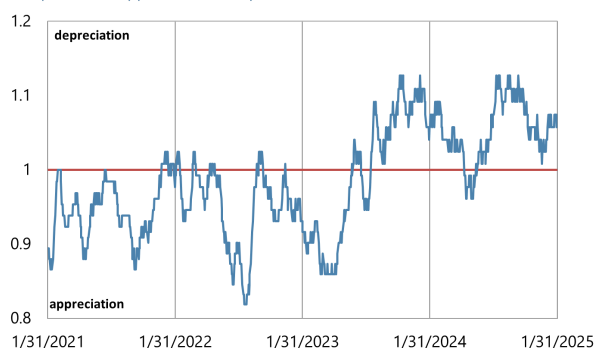
FX Interventions and Reserves Level

Background. Gross reserves reached US\$5.63 billion at end-2024, up from US\$4.86 billion at end-2023. NIR reached US\$5.58 bn at end-2024. The BOJ has continued to accumulate international reserves through surrender requirements. FX sales to the market helped limit volatility amidst heightened global uncertainty and still tight financial conditions. FX interventions have been net accumulative and the BOJ recycles to the market the FX acquired through surrender requirements. The BOJ uses auctions to sell FX. The incidence ratio of daily exchange rate movements indicates broadly balanced depreciation and appreciation incidences over the last year.

Assessment. Reserves are assessed as broadly adequate. Gross reserves reached 95 percent of the ARA metric for non-floating exchange rate regimes at end-2024 (136 percent of the “floating” ARA metric).² While marginally below the lower band of the recommended range of 100-120 percent of the ARA metric, the need for external buffers is mitigated by a strong fiscal position, rapidly declining debt, and sound macroprudential regulations which provide buffers against FX liquidity shocks. Going forward, it is important to maintain the adequate level of gross international reserves.

12-mo Incidence Ratio

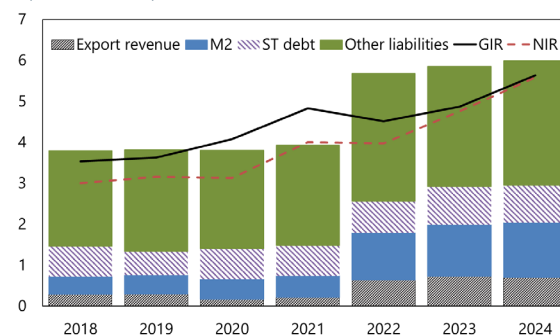
(depreciation/appreciation; 1=equal incidence)



Sources: BOJ, IMF staff calculations.

Assessing Reserve Adequacy Metric

(In billions of USD)

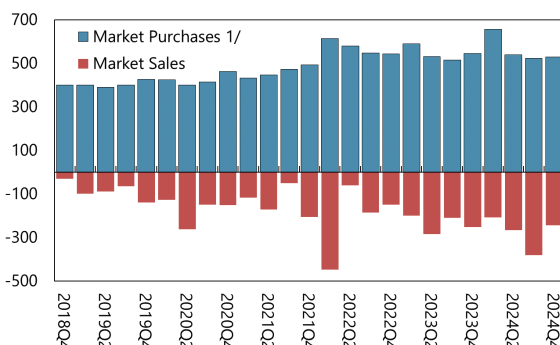


Sources: BOJ, IMF staff calculations.
Note: 2022-24 non-floating ARA metric.

Foreign Exchange Intervention

FX Flows

(in million USD)

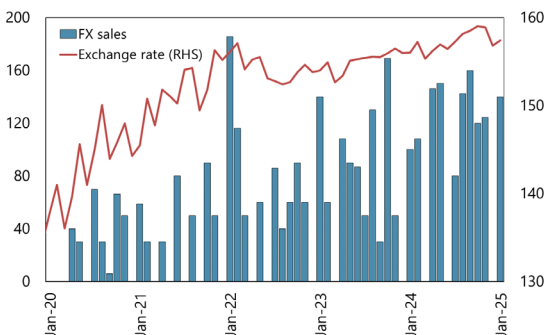


Sources: BOJ, IMF staff calculations.

1/ Market purchases mostly through surrender requirements.

Monthly FX Sales

(In millions of USD)



Sources: BOJ, IMF staff calculations.

² Jamaica's de facto exchange rate regime was re-classified from “stabilized” to ‘crawl-like arrangement’ effective March 26, 2024

Annex IV. Debt Sustainability Analysis

Jamaica's public debt is sustainable. Underpinned by the authorities' sustained fiscal consolidation efforts, public debt declined to 73 percent of GDP in FY2023/24 and is on a downward trajectory in line with the Fiscal Responsibility Law's debt target of 60 percent of GDP by FY2027/28. The authorities have been proactive in their debt management strategy to mitigate market-related costs and risks. Debt dynamics remain vulnerable to uncertainties linked to global commodity prices, natural disasters, and realization of contingent liabilities from public bodies.¹

1. Jamaica's public debt has been declining steadily because of strong fiscal consolidation efforts and prudent debt management. Jamaica's public debt fell from 110 percent of GDP in FY 2020/21 to 73 percent in FY2023/24. Debt reduction efforts resumed promptly following the pandemic. The authorities are committed to bringing public debt under the Fiscal Responsibility Law (FRL) definition below 60 percent of GDP by FY2027/28, although with a modest (two-year) delay from the original FY2025/26 target date under FRL.

2. The DSA baseline scenario reflects the medium-term macroeconomic assumptions, and fiscal targets stipulated under the fiscal rule. Following the recovery from the pandemic, growth is expected to converge to its potential over the medium term. Average inflation is projected to hover around 5 percent over the medium term, in line with the BOJ's inflation target. The fiscal overall balance is expected to be around 0 percent of GDP in the near term, in line with the MTF and FRL targets. Interest payments in relation to GDP are projected to fall in line with a declining debt-to-GDP ratio. External debt projections are based on a projected current account close to a balanced position over the medium term and planned disbursements of project loans by multilateral and bilateral creditors.

3. The authorities have been proactive in their debt management strategy to mitigate market-related costs and risks. In 2019, the Government of Jamaica conducted buybacks of outstanding global bonds coming due in 2022, 2025, and 2028, totaling around US\$1 billion. These buybacks, together with new bond issuances through the reopening of the global bond coming due in 2045, led to a substantial maturity extension. In November 2023, the Government of Jamaica issued the first ever J\$ denominated global bond for J\$ 46.6 billion (or US\$ 0.3 billion) coming due in 2030 to pay down outstanding US\$ global bonds coming due in 2025 and 2028. In April 2024, the Government of Jamaica executed the partial conversion of two US\$ IDB loans to J\$ loans, reducing the foreign currency component of public debt by US\$ 92.5 million. As part of their medium-term debt strategy, the authorities plan to continue to conduct opportunistic liability management operations to further mitigate costs and risks in the public debt portfolio. The public debt risk profile is benefitting from ongoing efforts to reduce reliance on FX-denominated borrowing and the development of the local currency bond market. The authorities built high cash buffers through the

¹ The analysis refers to the consolidated public sector debt under the FRL definition, which includes direct debt by the central government, guaranteed debt and debt of public bodies guaranteed by the government, excluding the central bank.

accumulation of government deposits of around 4 ½ percent of GDP in FY2023/24, partly unwound to address significant gross financing needs in FY2024/25.

Medium-Term Risk Analyses

4. The medium-term risk analysis is low consistent with mechanical signals.

- **Fan chart.** The debt fan chart index—measuring medium-term solvency risks—points to a moderate level of risk, reflecting the elevated fan chart width due to a history of high volatility of public debt in Jamaica. The baseline debt trajectory is on a downward trend, and the probability of debt not stabilizing is assessed to be limited. Overall, solvency risks are contained by the prudent fiscal stance. The natural disaster stress test is conducted to capture country-specific vulnerabilities using the magnitude of a public debt shock calibrated as a one-off increase of 8.8 percentage points of GDP consistent with the estimated damages from tropical cyclones “Charley” and “Ivan” in 2004. Such natural disaster shock would only temporarily increase public debt without jeopardizing the downward trend in public debt over the medium term.
- **Gross Financing Needs (GFN).** The GFN financeability index—measuring medium-term liquidity risks—indicates a low risk. Medium-term GFN are expected to remain contained as fiscal consolidation progresses. Additionally, there are reduced roll-over risks in the medium term since the authorities conduct opportunistic liability management operations to smooth debt service schedule, reduce exchange rate risk, and extend maturities—e.g., by issuing a J\$ denominated global bond to reduce the reliance on FX-denominated borrowing. GFN in FY2024/25 and FY2028/29 increase due to domestic and global bonds maturing simultaneously.

Long-Term Risk Analyses

5. Long-term risk is assessed to be moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP under the custom scenario. Climate-related expenditure is manageable and would not significantly impact debt sustainability. In the long run, the customized scenario assumes an increase of 0.5 percent of GDP per year in climate risks-related spending arising from adaptation and mitigation investment needs. In that scenario, public debt and GFN will increase relative to the baseline but will be on a downward trajectory over the 20-year horizon. While the current health care expenditure policies would not pose significant sustainability concerns, pension expenditures under the current system would lead to larger GFNs and an upwards debt trajectory in the long run. This points to the need to undertake parametric reforms of the current public pension system. Actuarial reviews, scheduled to take place every three years, should continue to inform parametric reforms to the National Insurance Scheme, while parametric adjustments to the pension scheme for public workers would reduce its fiscal costs.

6. Jamaica’s public debt is assessed to be sustainable. The projected debt trajectory remains vulnerable to the high degree of uncertainty from the size and duration of ensuing global shocks and the associated risks to growth, interest rates, exchange rate and fiscal revenues. However, the

strong policy track record, the authorities' commitment to meet the medium-term debt target sooner should growth overperform, and prudent debt management mitigate potential risks.

Annex IV. Table 1. Jamaica: Decomposition of Public Debt and Debt Service by Creditor, FY2023/24–FY2025/26 1/

	Debt Stock (end of period) 2023			Debt Service					
	(In US\$ millions)	(Percent total debt)	(Percent GDP)	2023 (In US\$ millions)	2024	2025	2023 (Percent GDP)	2024	2025
Total	14296.3	100.0	73.4	1995.0	3286.3	2405.5	10.2	15.7	11.1
External	9021.3	63.1	46.3	1393.9	1665.3	1208.8	7.2	8.0	5.6
Multilateral creditors ²	3461.0	24.2	17.8	771.7	966.5	487.5	4.0	4.6	2.2
IMF	833.6	5.8	4.3						
World Bank	985.5	6.9	5.1						
ADB/AfDB/IADB	1485.5	10.4	7.6						
Other Multilaterals	156.4	1.1	0.8						
o/w: list largest two creditors									
list of additional large creditors									
Bilateral Creditors	665.5	4.7	3.4	105.7	137.6	112.1	0.5	0.7	0.5
Paris Club	10.4	0.1	0.1						
o/w: list largest two creditors									
list of additional large creditors									
Non-Paris Club	655.1	4.6	3.4						
o/w: list largest two creditors									
list of additional large creditors									
Bonds	4894.9	34.2	25.1	516.6	561.2	609.3	2.7	2.7	2.8
Commercial creditors									
o/w: list largest two creditors									
list of additional large creditors									
Other international creditors									
o/w: list largest two creditors									
list of additional large creditors									
Domestic	5275.0	36.9	27.1	601.0	1621.0	1196.7	3.1	7.7	5.5
Held by residents, total									
Held by non-residents, total									
T-Bills	66.6	0.5	0.3						
Bonds	5208.4	36.4	26.8						
Loans									
Memo items:									
Collateralized debt ³									
o/w: Related									
o/w: Unrelated									
Contingent liabilities ⁴	399.0								
o/w: Public guarantees									
o/w: Other explicit contingent liabilities ⁵									
Nominal GDP	19465								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/ Contingent liabilities correspond to government guaranteed loans and public bodies' non guaranteed loans as at end-December 2023.

5/Includes other one-off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Table 2. Jamaica: Risk of Sovereign Stress

Horizon	Mechanical Signal	Final Assessment	Comments
Overall	...	Moderate	Jamaica's overall risk of sovereign stress is moderate, reflecting a moderate level of vulnerability in the near term and long term, and a low level of vulnerability in the medium term.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed as low on the basis of the strength of institutions. The fan chart suggests a moderate risk due to the volatility of key macroeconomic indicators, and public debt is on a declining path.
Fanchart	Moderate	...	The fan chart suggests a moderate risk due to the volatility of key macroeconomic indicators, and public debt is on a declining path.
GFN	Low	...	The GFN tool indicates a low risk reflecting low GFN needs and reduced rollover risks. The authorities have been proactive in reducing medium-term gross financing needs with prudent debt management policies and debt buybacks.
Stress test		...	
Long term	...	Moderate	Long-term risks are moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP under both the baseline and customized scenarios. Climate-related expenditure are manageable and would not significantly impact debt sustainability in the long run even under the customized scenario. Health care spending would not pose significant concerns to debt sustainability. Pension expenditures would lead to larger GFNs and an upwards debt trajectory in the long run, pointing to the need to undertake parametric reforms of the current public pension system.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Jamaica is at a moderate overall risk of sovereign stress. After the Covid-19 shock, sovereign debt promptly resumed its declining trend and is expected to decline under 60 percent of GDP by FY2027/28, as stipulated under the FRL. GFN needs over the medium term are low and the medium-term liquidity risks as analyzed by the GFN Module are low.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

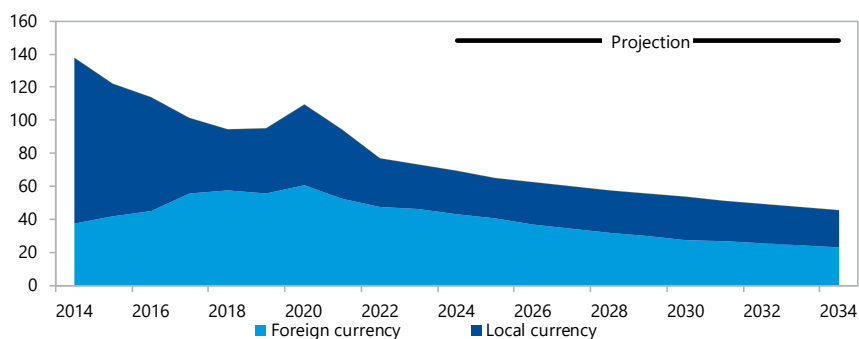
Figure 1. Jamaica: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/						CG					GG	NFPS	CPS	Other	Comments																																																																																																																	
1a. If central government, are non-central government entities insignificant?											Yes					Not applicable																																																																																																																
2. Subsectors included in the chosen coverage in (1) above:																																																																																																																																
Subsectors captured in the baseline											Inclusion																																																																																																																					
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes																																																																																																																										
				2	Extra budgetary funds (EBFs)	No																																																																																																																										
				3	Social security funds (SSFs)	No																																																																																																																										
				4	State governments	No																																																																																																																										
				5	Local governments	No																																																																																																																										
				6	Public nonfinancial corporations	Yes																																																																																																																										
				7	Central bank	No																																																																																																																										
				8	Other public financial corporations	No																																																																																																																										
3. Instrument coverage:											Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/																																																																																																																	
4. Accounting principles:											Basis of recording		Valuation of debt stock																																																																																																																			
											Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/																																																																																																																	
5. Debt consolidation across sectors:											Consolidated		Non-consolidated																																																																																																																			
Color code: chosen coverage Missing from recommended coverage Not applicable																																																																																																																																
Reporting on Intra-Government Debt Holdings																																																																																																																																
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<p>1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.</p> <p>2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.</p> <p>3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.</p> <p>4/ Includes accrual recording, commitment basis, due for payment, etc.</p> <p>5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).</p> <p>6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.</p> <p>7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.</p>																																																																																																																																
<p>Commentary: The DSA covers debt issued by central government, public bodies and debt guaranteed by central government. The authorities are improving coverage and quality of public finance data, including expanding the coverage to general government. Under the 2014 GFSM methodology, staff considers that the NMIA securitization should be recorded as a debt accumulation instead of revenue. This would lower the primary surplus in FY2024/25 and raise the debt relative to the authorities' definition.</p>																																																																																																																																

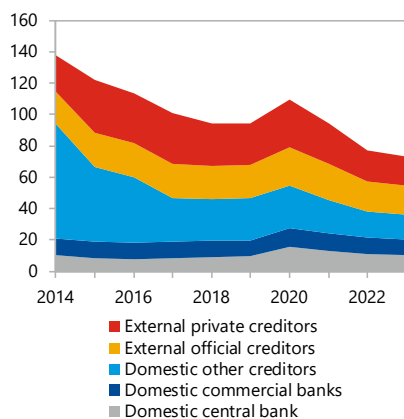
Figure 2. Jamaica: Public Debt Structure Indicators
(Fiscal Year)

Public Debt Structure Indicators

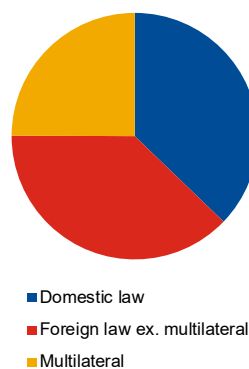
Debt by Currency (Percent of GDP)



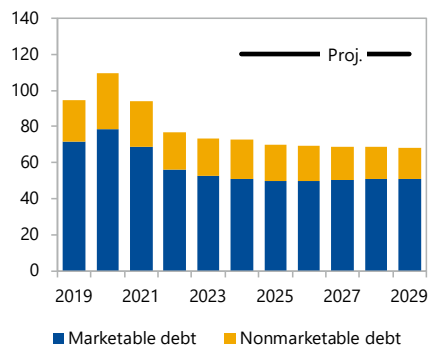
Public Debt by Holder (Percent of GDP)



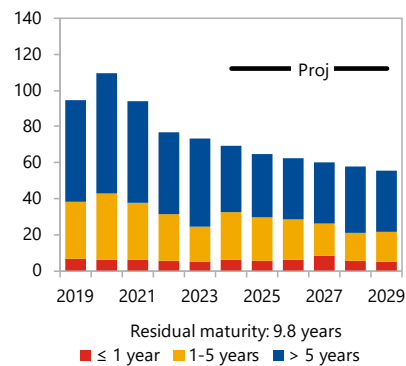
Public Debt by Governing Law, 2023 (Percent)



Debt by Instruments (Percent of GDP)



Public Debt by Maturity (Percent of GDP)



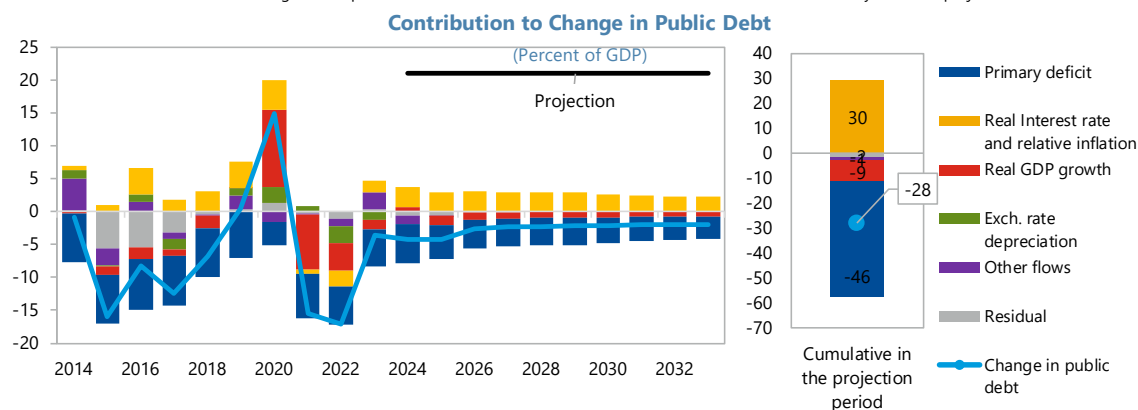
Note: The perimeter shown includes direct debt by the central government, guaranteed debt and debt of public bodies guaranteed by the government, excluding the central bank.

Commentary: The share of external debt is expected to decline over the medium-term as the authorities implement strategies and policies in support of continued development of the domestic debt market. Local currency debt is projected to decline with projected fiscal surpluses over the medium term and use of government deposits to pay down domestic debt. In terms of maturity structure most of the planned issuances are for medium to long-term maturity.

Table 3. Jamaica: Baseline Scenario
(Percent of GDP unless indicated otherwise; fiscal year)

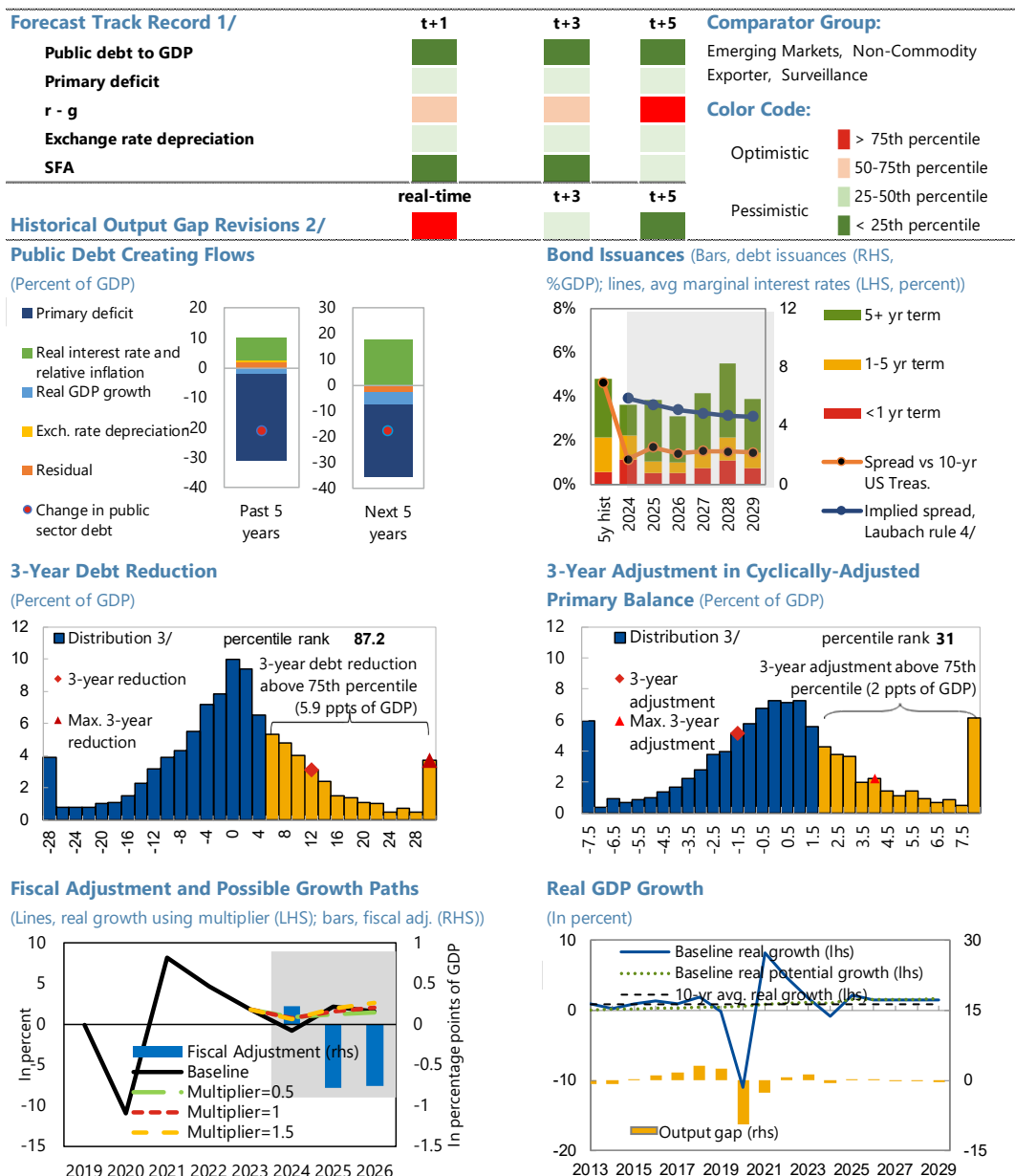
	Actual	Medium-term projection							Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	73.4	69.2	64.9	62.4	60.0	57.7	55.6	53.4	51.4	49.4	47.5	45.4
Change in public debt	-3.6	-4.2	-4.3	-2.5	-2.4	-2.3	-2.2	-2.2	-2.0	-2.0	-1.9	-2.0
Contribution of identified flows	-4.1	-3.6	-3.7	-2.3	-2.3	-2.3	-2.1	-2.1	-2.0	-2.0	-1.9	-2.0
Primary deficit	-5.7	-5.9	-5.2	-4.4	-4.3	-4.2	-4.2	-3.9	-3.6	-3.5	-3.4	-3.4
Noninterest revenues	30.6	33.3	31.7	30.1	30.2	30.2	30.2	30.5	30.5	30.5	30.5	30.5
Noninterest expenditures	24.8	27.3	26.6	25.7	25.9	25.9	26.0	26.5	26.8	27.0	27.1	27.1
Automatic debt dynamics	-0.8	3.7	1.5	2.1	2.0	2.0	2.0	1.8	1.7	1.5	1.4	1.4
Real interest rate and relative inflation	1.9	3.1	3.0	3.0	3.0	2.9	2.9	2.6	2.5	2.3	2.2	2.1
Real interest rate	0.1	1.4	1.4	1.9	1.9	2.0	2.1	1.8	1.8	1.6	1.5	1.5
Relative inflation	1.8	1.7	1.5	1.1	1.1	0.9	0.8	0.8	0.7	0.7	0.7	0.6
Real growth rate	-1.4	0.6	-1.5	-1.0	-1.0	-0.9	-0.9	-0.8	-0.8	-0.8	-0.8	-0.7
Real exchange rate	-1.3	...	...	...	...	...	...	...	...	...	...	...
Other identified flows	2.4	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	2.4	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual 1/	0.4	-0.6	-0.6	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	4.5	9.7	5.9	5.6	6.7	8.8	6.4	6.0	6.0	6.4	5.9	6.7
of which: debt service	10.2	15.7	11.1	10.0	11.0	13.0	10.5	10.0	9.6	9.9	9.3	10.1
Local currency	3.1	7.7	5.5	4.0	5.1	7.0	6.5	5.1	6.1	6.5	5.8	6.6
Foreign currency	7.2	8.0	5.6	6.0	5.9	6.0	4.0	4.9	3.5	3.5	3.4	3.5
Memo:												
Real GDP growth (percent)	1.8	-0.8	2.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Inflation (GDP deflator; percent)	8.0	6.1	6.0	5.0	5.0	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Nominal GDP growth (percent)	9.9	5.3	8.3	6.6	6.6	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Effective interest rate (percent)	8.1	8.2	8.2	8.1	8.2	8.3	8.6	8.3	8.2	8.1	8.0	8.0

1/ The contribution of the real exchange rate explains the non-zero value for the contribution of the residual in the initial year of the projection.



Commentary: Public debt is on track to meet the debt target of 60 percent of GDP by FY2027/28, in accordance with the Fiscal Responsibility Law. The authorities have been proactive in reducing near-term financing needs through liability management operations, buybacks and maturity extension (by issuing 2045 bonds and a J\$ denominated global bond to repay US\$ denominated global bonds). However, debt dynamics remain vulnerable to uncertainties surrounding global shocks, natural disaster susceptibility, and the realization of contingent liabilities from public bodies. The authorities have large GFN needs in FY2024/25 and FY2028/29.

Figure 3. Jamaica: Realism of Baseline Assumptions
(Fiscal Year)



Commentary: The realism analysis does not point to major concerns. Past forecast errors do not reveal any systematic biases and the projected debt reduction is within norms. Most of the debt reduction in the next five years is expected from the elevated primary balance surpluses, underpinned by the planned fiscal path under the MTFF, in line with the FRL. In terms of realism of fiscal adjustments, similar or bigger debt reductions were implemented by Jamaica in the past (during 2013-19 and 2021-2024), even though these are above the 75th percentile of the distribution as shown in the chart.

Source : IMF Staff.

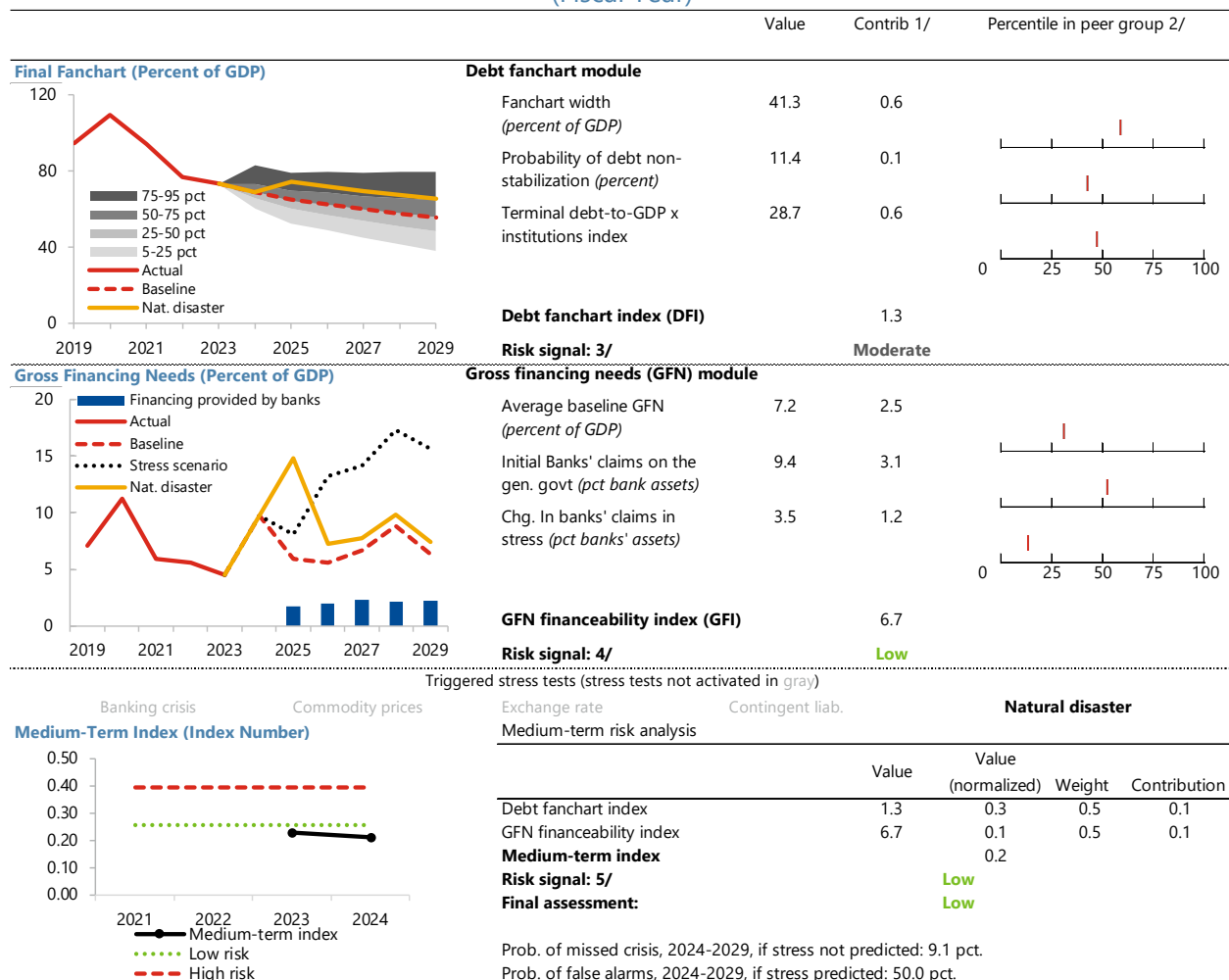
1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates)

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 4. Jamaica: Medium-Term Risk Analysis
(Fiscal Year)



Commentary: The GFN Financeability Module and the medium-term tools suggest low levels of risk. The Debt Fanchart Module points to a moderate level of risk, reflecting the elevated fanchart width at the end of the projection horizon due to a history of high volatility of public debt in Jamaica. In the natural disaster stress scenario, the GFN needs would temporarily increase without jeopardizing the downward trend in public debt over the medium term.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

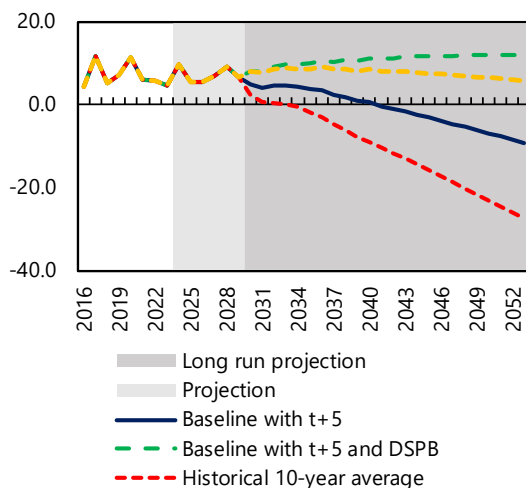
Figure 5. Jamaica: Long-Term Risk Analysis
(Fiscal Year)

Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

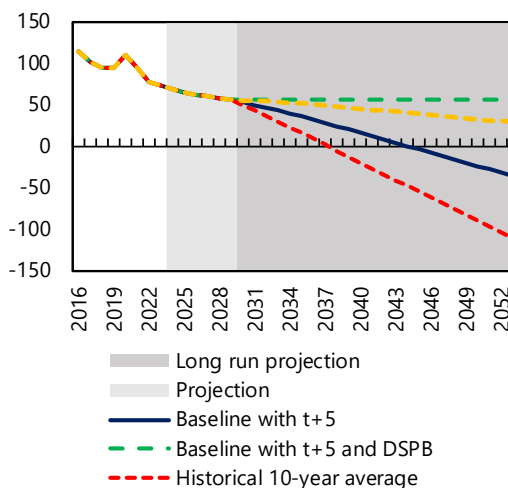
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Historical average assumptions	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Overall Risk Indication		<div></div>

Variable	2029	2033 to 2037 average	Custom Scenario
Real GDP growth	1.5%	1.5%	2.0%
Primary Balance-to-GDP ratio	4.2%	3.6%	1.0%
Real depreciation	-2.4%	-2.4%	-2.4%
Inflation (GDP deflator)	4.7%	4.7%	5.0%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

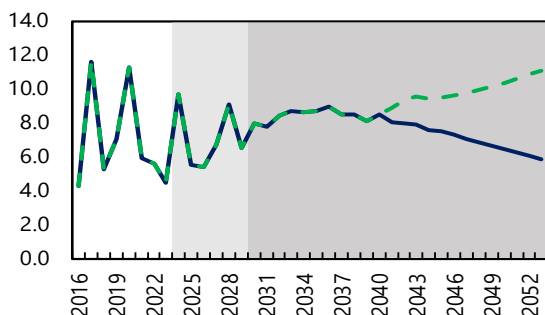


Commentary: Long-term risk is assessed to be moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP both under the baseline and customized scenarios. The customized scenario assumes real GDP growth of 2 percent, a GDP deflator of 5 percent, and a primary balance surplus of 1 percent of GDP. This primary balance surplus is significantly lower than the average of 6.6 percent recorded over the last ten years.

Figure 5. Jamaica: Long-Term Risk Analysis (Continued)
(Fiscal Year)

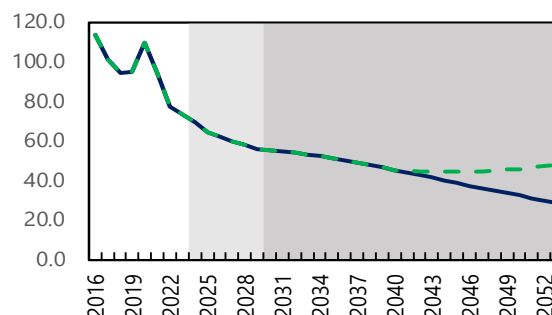
Demographics: Pensions

GFN-to-GDP Ratio



— Long run projection
— Projection
— Baseline: Custom
- - With pension cost increase

Total Public Debt-to-GDP Ratio

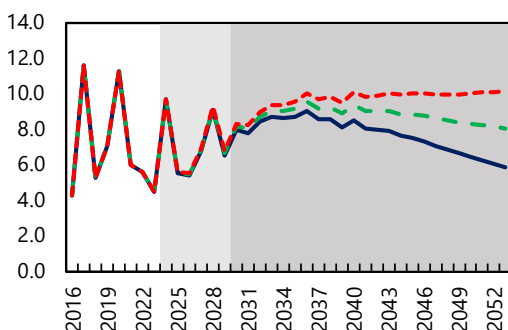


— Long run projection
— Projection
— Baseline: Custom
- - With pension cost increase

Commentary: Pension expenditures under the current system would lead to larger GFNs and cause a moderate rise in debt in the long run. This points to the need to undertake parametric reforms of the current public pension system. Actuarial reviews, scheduled to take place every three years, should continue to inform parametric reforms to the National Insurance Scheme to ensure that increased coverage does not compromise the fiscal sustainability of the National Insurance Scheme. Further, making parametric changes to the pension plan for public employees based on actuarial reviews would help reduce its financial burden on public finances going forward.

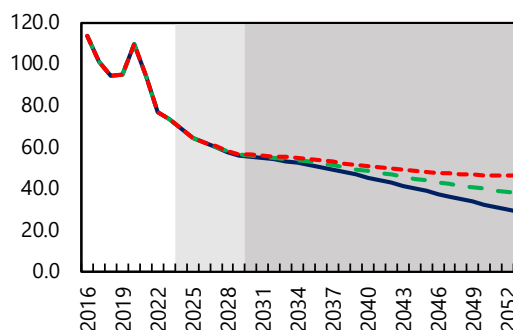
Demographics: Health

GFN-to-GDP Ratio



— Baseline: Custom
- - Health (Demographics)
- - Health (Demographics + ECG)

Total Public Debt-to-GDP Ratio



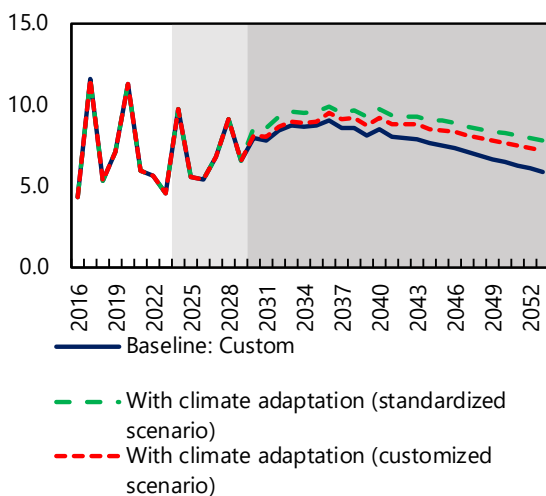
— Baseline: Custom
- - Health (Demographics)
- - Health (Demographics + ECG)

Commentary: Current health care expenditures would not pose significant sustainability concerns. A scenario of higher growth rate of healthcare costs (e.g., due to medical advances) suggests fiscal pressures that would prevent sustained declines in gross financing needs and public debt in the long run.

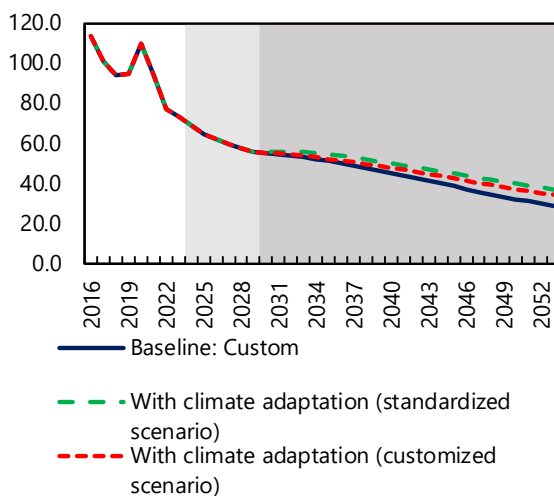
Figure 5. Jamaica: Long-Term Risk Analysis (Concluded)
(Fiscal Year)

Climate Change: Adaptation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Climate-related adaptation expenditures are manageable and would not significantly impact debt sustainability. The standardized and customized scenarios of the climate change adaptation module add costs associated with investments of 0.4 percent of GDP and 0.2 percent of GDP over the long run, respectively.

Table 4. Jamaica: External Debt Sustainability Framework, 2019–2029

(In fiscal year in percent of GDP, unless otherwise indicated)

	Actual					Projections						Debt-stabilizing non-interest current account 6/ -1.7	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Baseline: External debt	82.6	103.8	92.6	78.8	75.7	71.1	64.7	60.8	57.9	54.8	51.2		
Change in external debt	-3.2	21.2	-11.2	-13.9	-3.1	-4.6	-6.4	-3.9	-2.9	-3.1	-3.6		
Identified external debt-creating flows (4+8+9)	0.0	10.2	-12.4	-18.1	-11.2	-2.8	-4.0	-3.0	-2.3	-2.0	-2.2		
Current account deficit, excluding interest payments	-0.7	-1.1	-1.8	-4.0	-5.5	-4.8	-3.2	-2.6	-1.9	-1.6	-1.9		
Deficit in balance of goods and services	-87.8	-61.6	-85.6	-94.8	-88.2	-82.5	-82.4	-81.6	-82.0	-82.1	-81.7		
Exports	36.7	19.9	32.3	39.2	37.6	34.8	34.5	34.0	33.8	33.8	33.7		
Imports	-51.0	-41.7	-53.3	-55.6	-50.6	-47.7	-47.9	-47.7	-48.2	-48.3	-48.0		
Net non-debt creating capital inflows (negative)	-2.1	-3.8	-2.5	-1.8	-1.8	-0.8	-1.3	-1.5	-1.6	-1.5	-1.6		
Automatic debt dynamics 1/	2.8	15.1	-8.1	-12.3	-3.9	2.8	0.5	1.1	1.1	1.2	1.2		
Contribution from nominal interest rate	2.6	2.3	2.4	2.1	2.4	2.2	1.9	2.0	2.1	2.1	2.0		
Contribution from real GDP growth	0.1	10.5	-7.6	-3.7	-1.3	0.6	-1.5	-1.0	-0.9	-0.9	-0.8		
Contribution from price and exchange rate changes 2/	0.1	2.3	-3.0	-10.7	-5.0	...	...	...	...	...	...
Residual, incl. change in gross foreign assets (2-3) 3/	-3.2	11.0	1.2	4.2	8.1	-1.8	-2.4	-0.8	-0.7	-1.1	-1.3		
External debt-to-exports ratio (in percent)	224.9	521.9	286.6	201.2	201.6	204.4	187.4	179.1	171.1	162.3	152.1		
Gross external financing need (in billions of US dollars) 4/	2.6	2.1	2.7	2.1	2.1	2.7	2.7	3.0	3.2	3.0	2.6		
in percent of GDP	16.3	15.1	18.1	12.0	11.0	10-Year	10-Year	13.3	12.7	13.4	13.9	12.7	10.4
Scenario with key variables at their historical averages 5/						71.1	65.5	60.3	54.9	49.0	43.2	-4.3	
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation						
Real GDP growth (in percent)	-0.1	-11.0	8.2	4.7	1.8	0.9	4.9	-0.8	2.2	1.5	1.5	1.5	
GDP deflator in US dollars (change in percent)	-0.2	-2.7	2.9	13.0	6.7	2.6	4.8	4.8	4.0	2.3	2.0	1.8	2.5
Nominal external interest rate (in percent)	3.0	2.5	2.6	2.6	3.3	3.2	0.7	3.0	2.9	3.3	3.5	3.7	3.8
Growth of exports (US dollar terms, in percent)	-3.7	-53.1	81.0	43.3	4.2	10.8	34.4	-3.7	5.5	2.1	3.2	3.2	3.8
Growth of imports (US dollar terms, in percent)	-1.3	-29.3	42.3	23.5	-1.0	4.6	19.6	-2.1	6.7	3.4	4.7	3.6	3.3
Current account balance, excluding interest payments	0.7	1.1	1.8	4.0	5.5	1.5	2.2	4.8	3.2	2.6	1.9	1.6	1.9
Net non-debt creating capital inflows	2.1	3.8	2.5	1.8	1.8	4.2	2.4	0.8	1.3	1.5	1.6	1.5	1.6

1/ Derived as $[r - g - r(1+g) + ea(1+r)]/(1+g+r+gr)$ times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms,

g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as $[-r(1+g) + ea(1+r)]/(1+g+r+gr)$ times previous period debt stock. r increases with an appreciating domestic currency ($e > 0$) and rising inflation (based on GDP deflator).

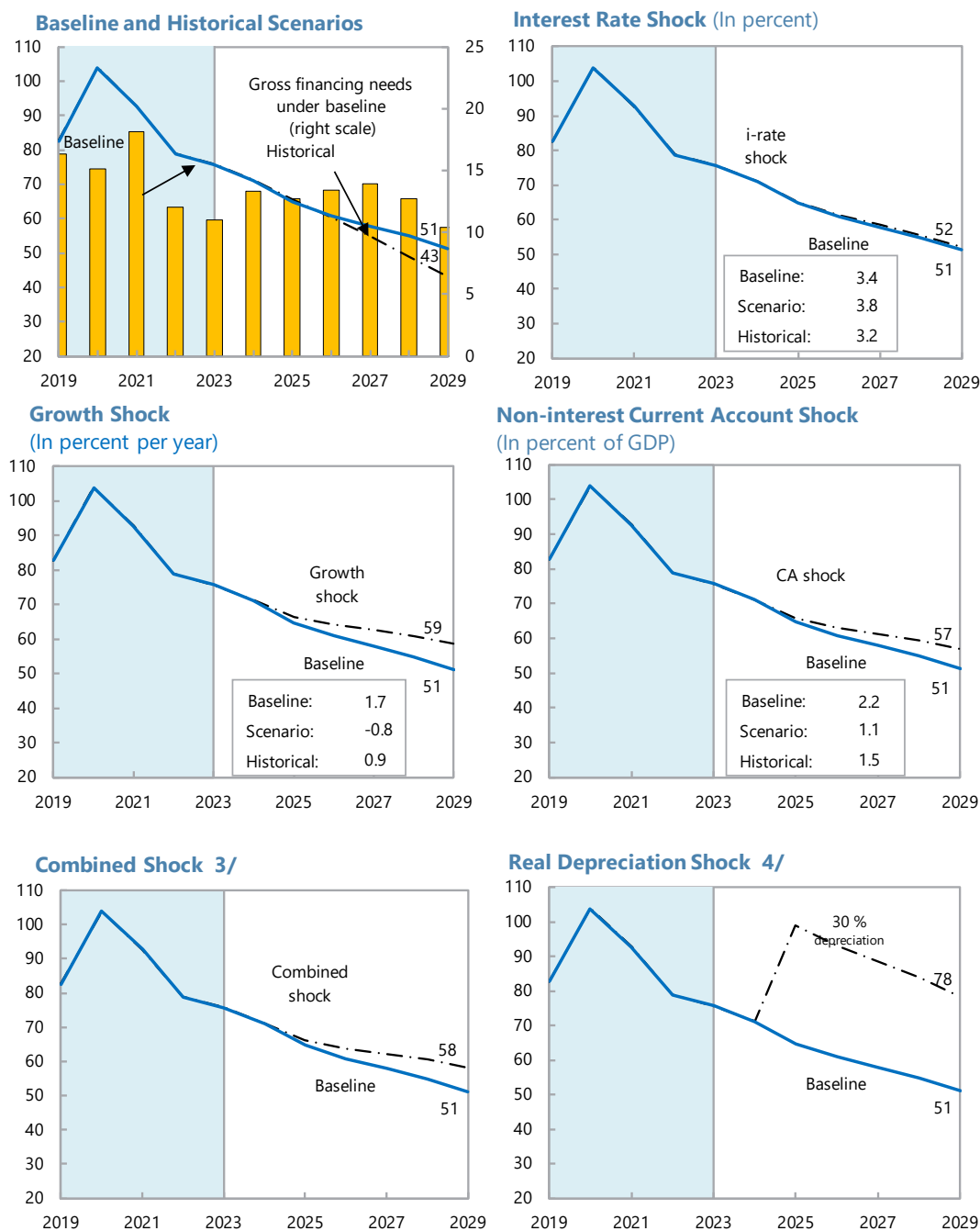
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 6. Jamaica: External Debt Sustainability: Bound Tests 1/ 2/
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2024.

Annex V. Capacity Development Strategy

Further developing institutional and analytical capacity and the SDDS subscription are key priorities for Jamaica over the medium term. This includes entrenching the AML/CFT framework within a strengthened governance framework, bolstering the operation of Jamaica's inflation targeting framework and the fiscal framework anchored around the fiscal rule, and strengthening financial sector supervision and regulation. The authorities' engagement on these issues remains strong, notwithstanding capacity constraints at the Statistical Agency of Jamaica (STATIN) and the Ministry of Finance and the Public Service (MOFPS) which have slowed progress at times.

Context

1. At end-February 2025, Jamaica's Precautionary and Liquidity Line (PLL) Arrangement expired. It was combined with the Resilience and Sustainability Facility arrangement (last review completed in August 2024) and followed on the heels of 6½ years of two successive financial arrangements. CD from the Fund was extensive in the more recent period and supported the achievement of the programs' objectives. It focused on the AML/CFT supervisory framework, revenue administration, quantification of climate risks relevant to fiscal performance, central bank management, operations and communication, financial sector risks (including climate risks) and supervision, Basel Framework II and III adoption, cyber security, risk-based supervision in the financial sector, comprehensive Crisis Management and Special Resolution Regime Framework for financial institutions, and improved statistics. Table 2 shows CD missions that took place since January 2018 and tentatively planned missions for 2025, highlighting how Jamaica will use Fund's CD going forward to advance implementation of the key reforms.

Collaboration

2. Fund's CD Engagement with Jamaica. Historically, Jamaica has had a strong CD engagement with the Fund, with critical public buy-in for reforms supported by effective communication from the authorities and monitored by organizations such as the Economic Program Oversight Committee (EPOC) established in 2013 to monitor the implementation of Jamaica's economic reforms under its agreement with the IMF. High staff turnover and understaffing at the MOFPS and STATIN pose risks to reform progress in key CD areas. The IMF team remains the main channel of engagement on CD going forward, in close coordination with CARTAC and CD providers at headquarters.

3. Integration of CD in Fund's surveillance. During the program period, CD delivery was fully aligned with the authorities' reform objectives, with the country team coordinating activities. This is expected to continue going forward, with objectives being guided by surveillance priorities and responding to any ad-hoc requests by the authorities. The country team, in consultation with the authorities and CD providers will coordinate appropriate sequencing of CD across reform workstreams, as necessary.

4. Collaboration with other partners has been strong, especially in the areas of disaster risk management, climate related reform measures under the recently concluded RSF which benefitted from the close coordination with the IDB and the World Bank, and social protection where the World Bank has taken the lead in line with their mandate.

CD Priorities

5. During the 2023-24 PLL/RSF engagements the authorities outlined a set of priority actions focused on strengthening institutions to guard against policy reversals. These priorities, fully supported by the country team, included establishing a Twin Peaks supervisory regime, maintaining a stable financial sector with improved risk-based supervision, and continued improvement of the effectiveness of the AML/CFT regime after Jamaica's exit from the FATF's grey list monitoring in June 2024. Fund's CD is expected to support these main reform areas.

6. Continue to enhance the AML/CFT regulatory framework in line with FATF recommendations ahead of a fifth mutual evaluation round expected in 2026. In June 2024, Jamaica exited the FATF's list of countries under increasing monitoring (grey list). To secure the exit from the grey list, Jamaica completed the AML/CFT action plan which included 13 actions in several areas for which measures were implemented to address vulnerabilities identified in the 2017 Mutual Evaluation Report. Following up on this progress the authorities are working to secure favorable ratings for the remaining three (out of 40) technical recommendations by mid-2025, to update their National Risk Assessment by end-2025 and prepare for an on-site mutual evaluation by mid-2026.

- *LEG/CARTAC: Financial Integrity (AML/CFT).* Planned CD will continue to support the authorities' efforts to address identified deficiencies in AML/CFT supervision for banks and non-banks (cambios and remittance sector). Assistance was previously provided in supporting initiatives to strengthen the legislative framework for the supervision of the microfinance sector). Fund CD has also been assisting the authorities to develop and implement an AML/CFT risk model and risk-based approach and methodology for conducting offsite activities, and work will continue as needed. Future work will include assistance in strengthening onsite supervisory tools. The World Bank and the IDB have assisted the authorities with preparation of the 2021 NRA and other anti-money laundering issues and the authorities are considering using the WB tool for the 2025 NRA update.

7. Maintain fiscal discipline and strengthen institutions to achieve fiscal rule targets.

Jamaica has succeeded in maintaining fiscal discipline benefitting from the strong implementation of the FRL and the commitment, with the civil society support, to macroeconomic and fiscal stability. Going forward, achieving the debt target under the fiscal rule will require robust fiscal institutions with strong analytical capacity.

- *FAD: Public Financial Management.* CD has supported the operationalization of the Fiscal Commission and preparation of the related legislation approved in 2021. The Commission was operationalized in January 2025. A C-PIMA was completed in 2023 and an Agile PEFA in June

2024. Staff stands ready to assist the authorities with formulation of the action plan to implement the recommendations.

- *MCM/CARTAC: Debt Management.* In the debt management area, the recent and going forward efforts have focused on capacity to develop effective investor relations by the debt management entity.
- *FAD: Revenue Administration.* FAD TADAT TA in 2015, 2021 and 2022 assisted the authorities in improving compliance, tracking taxpayers, and in prioritizing their efforts on timeliness in filing rates and accuracy in reporting tax arrears. FAD/CARTAC are focusing on develop and improving customs procedures, strengthening core business functions of the tax authorities and better management of corporate priorities with computation of cost of compliance.

8. Modernize monetary and foreign exchange frameworks and improve financial sector oversight. With the BOJ independence codified in the BOJ Law Act, ongoing modernization efforts and improvements of operational, management, risk procedures and data quality will be critical for BOJ to deliver on its core mandate of price stability.

- *MCM: Central bank operations and Monetary and Macprudential Policy.* CD supports development of tools to enhance consolidated supervision and analyze and control cyber and fintech risks including in the context of adoption in late 2022 of the CBDC by the BOJ. Other areas of focus include developing capacities for crisis management, supporting pillar 3 of Basel III implementation, and follow up on ICAP's implementation.
- *STA: Real sector.* Given deficiencies in data dissemination including timeliness, continued Fund support will be needed to improve the statistical capacity (at STATIN and MOFPS) to meet the SDDS subscription requirements. This workstream will support the production of high-quality and timely data that is essential for policy analysis. Supply and use tables (SUT) are significantly out of date and expenditure-based GDP estimates are only produced on an annual basis with significant lag. There are plans to improve the scope of the PPI by covering industries like electricity, gas, services, among others.
- *STA: Government Finance Statistics (GFS).* despite the progress made in compiling and disseminating some general government data on the NSDP, fiscal data suffer from shortcomings identified in the GFS TA reports including recording of the central government budget and lack of adoption of GFSM 2001/2014 methodology. Continued Fund support will be needed to improve the GFS capacity and recording and reporting practices.

Other Reform Areas

9. Other reform areas, which have benefited from important CD support in the past but are expected to require less extensive support going forward, include developing a tax administration reform strategy and strengthening the international and natural resource taxation regimes.

10. A newly established Independent Fiscal Commission (IFC) will receive CD support from the Fund. CD will be provided by CARTAC, FAD, and ICD and it will evolve over time to match the developing capacity and human resources of the IFC. The IFC will provide the public with an independent opinion on the soundness and sustainability of Jamaica's fiscal position and policies. It will assess macroeconomic and fiscal forecasts, the consistency of the budget with fiscal rules, and debt sustainability.

Challenges and *Mitigation Options*

11. CD priorities remain broadly unchanged and key workstreams aim at strengthening policy frameworks and institutions. Staff and the authorities generally agree on the CD priorities, although there have been some delays in the past due to lack of resources or prioritization. This has been compounded by high staff turnover.

Annex VI. Capacity Development Integration Matrix (As of February 2025)¹

Table 1. Jamaica: Reform Progress and IMF Capacity Development				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Enhancing the AML/CFT Supervisory Regulatory Framework				
<i>Make operational and legislative changes in line with FATF recommendations</i>				
AML/CFT Supervisory framework	Work towards addressing deficiencies identified in Jamaica's Mutual Evaluation Report in AML/CFT supervision with a view to exit the FATF intensified monitoring regime.	LEG: Series of missions to strengthen legal framework and develop and establish effective AML/CFT risk-based supervisory frameworks for deposit taking institutions and cambios and remittance institutions.	Progress made on key legal reforms including strengthening the Proceeds of Crime Act and the Terrorism Prevention Act, subjecting micro credit institutions to AML/CFT supervision and addressing other deficiencies identified in the 2017 CFATF Mutual Evaluation Report (MER).	Continue to address the issues as agreed in an action plan with the FATF action plan, primarily by continued strengthening of the legal framework and developing institutional capacity to implement and enforce risk-based supervision.
<i>Continue to support BOJ's efforts to strengthen its AML/CFT risk-based supervisory regime.</i>				
AML/CFT Supervisory framework	Following Jamaica's removal from the Financial Action Task Force (FATF) grey list in June 2024 work towards addressing deficiencies in the area of AML/CFT supervision with a view to refine tools and the related methodology.	LEG: Series of missions to develop and establish effective AML/CFT risk-based supervisory frameworks for deposit taking institutions, cambios, and remittance institutions.	Progress in finalizing offsite tools for DTIs and cambios and further developing offsite tools for the supervision of remittance institutions; work with the BOJ to enhance supervisory manuals and conduct a training workshop.	Continue to address the issues to help the authorities to develop and implement an AML/CFT risk model and risk-based approach and methodology for conducting offsite supervision and strengthening tools used for onsite supervision.

¹ This matrix illustrates the integration of capacity development and program objectives, guided by key recommendations in the IMF Board Paper 2018 Review of the Fund's Capacity Development Strategy. The acronyms in the table refer to the following IMF CD providers: Fiscal Affairs Department (FAD), Institute for Capacity Development (ICD); Legal Department (LEG), Monetary and Capital Markets Department (MCM); Caribbean Regional Training and Technical Assistance Center (CARTAC); Statistics Department (STA); World Bank (WB).

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Continued)				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Maintaining Fiscal Discipline and Strengthening Institutions				
<i>Achieve debt target under the fiscal rule supported by strong fiscal institutions and public bodies.</i>				
Macro-Fiscal Capacity Building	Strengthen macro/fiscal capacity through development of comprehensive framework.	CARTAC/ICD: customized FPP and FS courses, webinar series on macroframework implementation, implementation of Debt Dynamics Tool (DDT).	<ul style="list-style-type: none"> Over 40 officers trained. DSA in FY20/21 budget informed by DDT results. 	Use medium-term macroeconomic frameworks for policy formulation, enhanced officials' skills in macro analysis, policy advice and dissemination.
Revenue Administration	Improve revenue collections and efficiency of collection agencies.	<ul style="list-style-type: none"> FAD: Assessment of customs reforms; core tax administration functions; arrears management CARTAC: Develop and improve customs procedures; Strengthening Core Business Functions; Corporate Priorities better managed - Computation of Cost of Compliance. STX: Review of legislative proposals for Customs Law. FAD TADAT TA on revenue administration. 	<ul style="list-style-type: none"> Customs Act entering Joint Select Committee review in Parliament. Standard operating procedures and workload analysis developed for core functions at customs. Efficiency of post-clearance audits improved. IT system enhanced. 	<ul style="list-style-type: none"> New Customs Act approved in FY2024/25. Fiscal Commission operational in 2025. Continue to enhance revenue administration through introduction of performance management, improved HQ functions and computer audit techniques.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Continued)

Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Climate in Public Financial Management	Strengthen climate resilience of the public financial management and of the economy	<ul style="list-style-type: none"> FAD – applied C-PIMA to improve climate-related PIM processes and support green and sustainable economic growth; fiscal risk analysis from climate change 	<ul style="list-style-type: none"> C-PIMA completed and informed setting of Reform Measures (RM) under the RSF Climate risks reflected in FY2024/25 Fiscal Risk Statement 	<ul style="list-style-type: none"> The RSF's RMs successfully met improving climate resilience. Methodology to quantify climate impact on fiscal risks disseminated and to be used going forward
Public Financial Management	Improve operation of accounting systems and enhance fiscal institutions.	<ul style="list-style-type: none"> CARTAC/STX: Cash forecasting, and management. LTX: Analyzed government account balances held outside of the treasury account. CARTAC: Agile PEFA Performance Assessment; Follow-up PEFA Action Plan; Sensitivity analysis and forecasting 	<ul style="list-style-type: none"> Manuals for cash management and treasury developed. Report on account balances led to closure of accounts. Enhancements to chart of accounts developed and adopted . Basic cashflow forecasting capacity developed. 	<ul style="list-style-type: none"> Improved bank account monitoring and closure of unused and unnecessary accounts. Improved management of government cash resources. Increased capacity for better financial reporting. Improved operations in the Accountant General Department. Improved policy-based fiscal strategy and budgeting, macroeconomic forecasting, and cash management.
Public Bodies' Reforms	Strengthen fuel pricing mechanism.	FAD: Desk review of fuel pricing reform.	Report delivered outlining options for improving pricing mechanism.	Simplification of pricing formula and enhanced transparency via publication.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Continued)

Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Government Financial Statistics (GFS)	Report government financial statistics for the general government to meet SDDS standard.	STA: Guidance and training provided on producing general government statistics.	Systems and training in place to produce general government tables.	<ul style="list-style-type: none"> • Inclusion of general government statistics in Fiscal Policy Paper • Include appropriations in aid in budgetary central government statistics.
Public Debt Management	Enhance the primary dealer system and functioning of the debt market.	<ul style="list-style-type: none"> • MCM: Identified areas of improvement in the primary dealer system. • MCM/CARTAC: Debt Management Investor relations 	Initialized a review of the Primary Dealer Agreement.	<ul style="list-style-type: none"> • Improved coordination amongst main participants in PD system with MOFPS playing a more active coordinating role. • Effectively manage investor relations

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Continued)				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Modernizing Monetary, Foreign Exchange, and Financial Frameworks				
<i>Improving inflation targeting framework and strengthening financial sector oversight</i>				
Central Bank Operations	<p>Modernize organizational structure in line with BOJ Act and enhance modelling and forecasting techniques.</p> <p>Improve central bank risk management and security.</p> <p>Twin Peaks Regulation Scoping and Roadmap.</p> <p>Enhance financial stability analyses and assessments in the Bank of Jamaica (BOJ).</p>	<ul style="list-style-type: none"> • MCM: Series of hands-on on- and off/site TA missions on FPAS (subject to progress achieved by the authorities on the operational side and capacity building). • COM: Enhanced communications structure and messaging. • MCM: Organizational and operational structure; CB risk management and cybersecurity; enhance financial stability analyses and assessments in the BOJ. • MCM/CARTAC: Twin Peaks Regulation Scoping and Roadmap • CARTAC: CB communication workshop 	<ul style="list-style-type: none"> • Trained staff on the use of FPAS which now informs projections for monetary policy committee meetings. • Assisted with improving BOJ's cybersecurity risk management framework in a practical demonstration of key cybersecurity approaches and processes. • Assisted the authorities in transitioning to a Twin-Peak Model. 	<ul style="list-style-type: none"> • Revamped organizational structure in line with new Monetary Policy Committee functions. • Continued use and customization of the FPAS model. • Enhanced BOJ cybersecurity risk management including setting up a core Incident Management Team to respond to critical incidents. • Twin Peaks based supervision expected to be implemented in 2026. • Estimate sectoral credit risk models to enhance the forward-looking element of financial stability assessment

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Continued)

Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Bank and Financial Sector Supervision and Regulations	<ul style="list-style-type: none"> Implementing Basel II and III Framework. Improving supervisory oversight of financial conglomerates and other financial groups. 	<ul style="list-style-type: none"> CARTAC: Series of missions on implementing Basel II -III Framework and risk-based consolidated supervision and a related workshop. Improving Securities Market oversight. Basel Framework Pillar 2 Requirements Workshop Securities and Markets-Financial Supervision and Regulation Banking and Insurance Supervision and Regulation 		<ul style="list-style-type: none"> Banks have adequate capital and liquidity that is in line with the Basel II/III standards to cover their risks and contribute to financial system stability. Amended legal/regulatory and supervisory frameworks underpinning the implementation of risk-based consolidated supervision implemented. Improved supervisory process for market intermediaries and collective investment scheme addresses key risks in the securities sector.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Continued)

Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Financial Stability	Preserving financial sector stability.	<ul style="list-style-type: none"> • MCM/LEG: Design legislation for comprehensive Crisis Management and Special Resolution Regime Framework (subject to progress on earlier LEG/MCM recommendations). • MCM/STX: Work on contagion effects and risks around financial groups. • MCM/LEG: supported preparation of the Special Resolution Regime (SRR) law to strengthen the resolution of non-viable financial institutions while protecting financial stability and the public funds, in line with Fund staff recommendations. 	<ul style="list-style-type: none"> • Review and support drafting of cabinet submission and elements of legislation for the Resolution Authority. • SRR law submitted to parliament in June 2024 	<ul style="list-style-type: none"> • Passing legislation and regulations for crisis management framework and special resolution regime.
Macroprudential Policy	Develop Jamaica specific menu of macroprudential tools along with the requisite data and risk metric.	MCM: Upgrading macroprudential framework and designing capital flow safeguards and risk metric dashboards;		Planned macroprudential toolkit to be introduced.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Continued)

Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Balance of Payments Statistics	Identifying data gaps contributing to large errors and omissions in the Balance of Payments statistics and compilation of direct investment data.	<ul style="list-style-type: none"> • STA: Improving FDI position data. • CARTAC: BOP/IIP - Enhance Source Data; ESS Statistics 	<ul style="list-style-type: none"> • Authorities reporting BOP statistics on BPM6. • Relaunch an annual benchmark DI survey for NFCs in 2024 to collect quarterly data. • Strengthen external debt statistics, increase efforts to identify intercompany lending. • Improve the response rate for NFCs, amend the Bank of Jamaica Act to include sanctions for nonresponse 	<ul style="list-style-type: none"> • Strengthen BOP/IIP source data. • Incorporate information from the Tax Administration of Jamaica in BoP statistics. • Development an in-house Statistical Business Register. • Improve reporting of selected external debt components. • Collect data for the Coordinated Direct Investment Survey. • Identify Special Purpose Entities. • Adopt dissemination practices for selected datasets required for subscription to the SDDS.
Monetary and Financial Statistics	Strengthening the compilation of depository corporations survey, expanding the coverage of monetary statistics to include other financial corporations, and compiling financial soundness indicators.	STA: Guidance and training provided on producing monetary statistics including for other financial corporations using the Standardized Reporting Forms (SRFs) in line with the methodology of the Monetary and Financial Statistics Compilation Guide and Manual.	<ul style="list-style-type: none"> • Authorities submitting data on central bank and other depository corporations survey using SRF. • Authorities submitting data on other financial corporations using SRF 	<ul style="list-style-type: none"> • Improve coverage of monetary statistics to include other financial corporations. • Production of a key set of Financial Soundness Indicators. • Data on other financial corporations submitted to STA and integrated in the monetary survey

Table 1. Jamaica: Reform Progress and IMF Capacity Development (Concluded)

Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
National Accounts	Update the supply use tables and produce quarterly expenditure-based estimate of GDP.	<ul style="list-style-type: none"> • STA: Guidance and training provided on producing general government statistics. • STX/STATCAN: Review of updated supply and use tables. • CARTAC support of improvements to the estimates of GDP 	Both updated SUT and quarterly estimates are nearly completed.	<ul style="list-style-type: none"> • Publication of the quarterly expenditure-based estimates. • Publication of 2017 SUT. • Publish production and expenditure-based GDP after rebasing to 2015. • Publish the rebased annual data.
Price Statistics	Reweight Consumer and Produced Price Indices.	CARTAC: Provided feedback on preliminary CPI weights.	New and old baskets being used to produce CPI estimates in parallel.	<ul style="list-style-type: none"> • Publish CPI and PPI using new weights. • Improve coverage of the CPI by including additional cities, and PPI with additional industries including gas, electricity and services.

Table 2. Jamaica: IMF Capacity Development Missions Since 2018

TA/Training Mission	Provider	Date
Enhancing AML/CFT Regulatory Framework		
Strengthening BOJ's AML/CFT Supervisory Framework	LEG	Nov 2017, Jan–Feb, 2018, Sep 2018, April 2019, December 2019, August 14–18, 2023, August 29–September 4, 2024
Financial and Fiscal Law	LEG/CARTAC	Feb 2018–Mar 2018
Review of TPA and POCA	STX	October 2018
FATF Draft Action Plan	STX	March 2020
FATF Draft Action Plan	STX	April 2020
Strengthening Risk-Based Supervision at BOJ	LEG	Dec 2020, Mar 2021
Maintaining Fiscal Discipline and Strengthening Institutions		
Tax Policy Reforms		
Streamlining Cross Border Taxation	FAD	January 2018
Tax Administration		
TADAT on Tax Administration	FAD/TADAT	July 2022
Discretionary Tax Waivers	FAD/LEG	April 2021
Progressing to Higher Levels of Performance	FAD/CARTAC	January, 2019
Taking Stock of Customs Reforms and Next Steps	FAD/CARTAC	January 8–19, 2018, May 2024
Review of legislative proposals for Customs Law	STX	Feb 26 - Mar 9, 2018
Develop SOP for Core Procedures in Customs	CARTAC	July 2018
Strengthening Customs Administration	CARTAC	Feb, March 2019, May 2024
Workload Assessment for Customs	CARTAC	May, November 2019
Customs Administration	CARTAC	May 2019, May 2024
Implementation of Modern TA IT System	CARTAC	July 2019; May 2024
Training – Local Leadership and Management Workshop	CARTAC	August 2020
Strengthen HQ Function, Performance Management	CARTAC	Feb 2020
Business Impact Analysis (Risk Management)	CARTAC	March 2021
Training–Computer Audit Specialists	CARTAC	March, Sept-Oct 2021, Jan-Feb 2022,
TADAT Assessment and Post-TADAT mission	CARTAC	Sep 2021 and May 2022
Strengthened core tax administration functions – Revenue and Arrears Management; Corporate Priorities	CARTAC	April, Oct-Nov 2023; May 2024; Nov-Dec 2024; December 2024; May 2022

Table 2. Jamaica: IMF Capacity Development Missions Since 2018 (Continued)

TA/Training Mission	Provider	Date
Public Financial Management		
Treasury Single Account, Review of Financial Management	LTX	July 2017 to December 2018
Macro-Fiscal Capacity Development	STX	January 2018
Government Accounting and Financial Reporting	STX	March 2018
Cash Forecasting	STX	February 2018
Develop a Treasury Manual	STX	August 2018
Develop an Accounting Manual	STX	March 2018
Develop a Cash Management Manual	STX	November 2018
Finalization of Treasury Manual	STX	Feb 2021, Mar 2021
Improving Financial Reporting	CARTAC	Oct 2020
Agile PEFA and Follow up	CARTAC	June 2024, and TBD FY26
Sensitivity analysis and forecasting	CARTAC	TBD FY26
Improving Statistics		
Government Financial Statistics	STA	August 2018, November 2023
Macro/Fiscal Capacity Building		
Customized FPP Training	ICD/WHF/CARTAC	December 2020, July-September, 2021
Macroframework Foundation Tool (MFT)	CARTAC/ICD	May, October 2021, May-June, Sep-Nov 2022, July-Sept 2023
Fiscal Sustainability Course	ICD	October 2019
Webinar Series on FPP Implementation	ICD	September–November 2019
Blended On-Line and Face-to-Face Customized FPP Training	ICD/WHF	October–Dec 2018
Simplified DSA and Customized Training Follow-Up	ICD/WHF	Dec 2019
Customized FPP Follow-Up	ICD/WHF/CARTAC	Dec 2020, Mar, July 2021
Modernizing Monetary, Foreign Exchange, and Financial Frameworks		
Debt Market Development		
Developing the Debt Market and Reforming the Primary Dealer System	MCM	Dec 2–6, 2019
Debt Management and Capital markets	CARTAC	Sep 2020
Debt Management Development	CARTAC	Sep 2020, March 2025
Improving access to climate finance	MCM/CARTAC	February 2023
Stress Testing (ST) and Financial Stability		
Securities Market	MCM/STX	Mar 5–16, 2018; October 2021

Table 2. Jamaica: IMF Capacity Development Missions Since 2018 (Continued)

TA/Training Mission	Provider	Date
Insurance Sector	CARTAC	Sep 2–18, 2019, April 2021
Securities Sector	CARTAC	July–August 2020
Macroprudential Regulation of SIFIs	CARTAC	Dec 10–14, 2018
Monitoring and Detecting Systemic Risks	CARTAC	Oct 2020; March–May 2021; April 2022; September 2023
Credit Risk Supervision Process and Credit Risk Reviews	CARTAC	July 2019
Cyber Risk Regulation, Supervision and Resilience	MCM	October 2023, February 2024
Financial Sector Supervision and Regulation (Banks and Non-Banks)		
Implementing Basel II–III Capital Framework	CARTAC	July 2018; April 2025
Implementing Liquidity Coverage (Basel III)	MCM/STX	2019
Special Resolution Regime Framework	MCM/LEG	2017–24
Consolidated Risk-based Supervision of Banking Groups and Financial Conglomerates	CARTAC	September 2019, March–April 2021, February 2025
Improving Liquidity Requirements and Capital Adequacy Framework for oversight of Retail Repo Operations of Securities Dealers	CARTAC	July to August 2020
Liquidity Risk Management	CARTAC	July 2020
Consolidated Supervision	CARTAC	Oct 2020
Implement Pillars 1 and 2 of Basel II/III	CARTAC	October 2020; Jan, February, Apr, October 2021; July 2024;
Central Bank Governance	MCM	March 2021
Securities Dealers Workshop on Basel II/III Framework	CARTAC	10/18–22/2021; September 2023
Supervision of Financial Groups and Conglomerates	CARTAC	11/17–24/2021
Macroprudential Stress Testing	CARTAC	9/27–10/01/2022
The Management and Liberalization of Capital Flows	MCM	9/22–10/3/2022
Dynamic Stress Test for Banks	CARTAC	Sept–October 2021
Bank of Jamaica Modeling and Forecasting		
Strengthening Modeling and Forecasting	MCM/STX	Mar 5–16, 2018
Improving Modeling and Forecasting	MCM/STX	October 2018
Improving Modeling and Forecasting	STX	June 2019
Improving Modeling and Forecasting	STX	November 2019

Table 2. Jamaica: IMF Capacity Development Missions Since 2018 (Concluded)

TA/Training Mission	Provider	Date
Improving Modeling and Forecasting	MCM/STX	Dec 4, 2019
Financial Networking Analysis	CARTAC	Dec 16–20, 2019
Implementation of Macroprudential Tools	CARTAC	Aug 2020, Mar 2021
CB Risk Management, Fintech and Cybersecurity	LEG/MCM	March 2021, June–August 2021, Sept–October 2022
Bank of Jamaica Policy, Operations, and Communications		
Strengthening BOJ's Monetary and FX Policy, Operations, and Communications	MCM/COM/CARTAC	Dec 6–14, 2018; October 2024
Review of Organizational/Operational Structure	MCM	Dec 2020
CB Risk Management Fintech and Cybersecurity	MCM	8/15–9/16/2022
Twin Peaks Regulation Scoping and Roadmap	CARTAC/MCM	May 2023
Improving Statistics		
National Accounts Interactive Workshop	CARTAC	March 17–21, 2025
Review of National Accounts Statistics	CARTAC/STA	Jan 29–Feb 9, 2018, October 2020, October 2021, July 2023
Training on Sector Accounts	CARTAC	April 2018
Improving FDI Position Data	CARTAC	April 2018
Monetary Data Reported in SRF	STA	August 7–17, 2018
CPI/PPI Reweighting	CARTAC	Sep 16–27, 2019
Strengthening BOP/IIP Source Data	CARTAC/STA	Apr 2021, January 2022, February 2023
Monetary and Financial Statistics	STA	Sep, November 2020
Review of SNA 2018 Concepts and Methods	CARTAC	Oct 2020
STATIN Operations and Modernization Plan	STA	February 2024
SDDS subscription mission	STA	May 2023

Annex VII. Jamaica through the Lens of the Integrated Policy Framework¹

The Integrated Policy Framework

1. Under the Integrated Policy Framework (IPF), monetary, financial and capital flow management policy frameworks are assessed jointly. The IMF's Integrated Surveillance Decision specifies that Foreign Exchange Interventions (FXI) are justified in response to disorderly market conditions (DMCs). DMCs refer to situations which may be characterized, *inter alia*, by disruptive movements in a country's domestic currency exchange rate (IMF, 2012).² The recently adopted IPF, which modernizes the IMF's thinking about policy responses to shocks, takes a more nuanced approach to DMCs and provides the foundations for advice on FXI that is motivated by the recognition of frictions that gives a role to tools other than full exchange rate flexibility to respond to shocks. The IPF draws on insights from modeling, empirical analyses, and country cases to improve the assessment of policy instruments by investigating the coordinated use of monetary policy (MP), macroprudential measures (MPMs), capital flow management measures (CFMs), and FXI. The IPF recognizes three main frictions—shallow or temporarily illiquid FX markets, unhedged currency exposures of balance sheets of entities holding the FX, and inflation expectations de-anchoring due to high exchange rate pass-through—that may warrant the use of FXI to complement the policy toolkit in cases of excessive exchange rate volatility that endangers financial stability or jeopardizes the central bank's inflation objective.

2. Guided by this joint assessment of policies, the IPF offers general principles and specific use cases for FXI (IMF, 2023).³ The general principles are that FXI should: (i) be undertaken only in the presence of well-identified frictions; (ii) be used only if shocks are large enough to pose significant risks to central bank price and financial stability objectives; (iii) not substitute for a warranted adjustment of macroeconomic (fiscal and monetary) policies; (iv) be integrated within the overall policy response, i.e., balanced against other policy levers such as MP, MPMs, and CFMs; (v) be accompanied by strong central bank governance and transparent communication; (vi) consider intertemporal trade-offs in spending and accumulating FX reserves; and (vii) consider multilateral effects.

Policy Frameworks in Jamaica

3. The BoJ formally adopted an inflation targeting regime in 2020 and Jamaica has established a macroprudential framework.⁴ The BOJ's monetary policy objective is to keep inflation within a 4-6 percent target range using the policy rate as the main instrument to achieve it.

¹ Prepared by Pierre Guérin and Samah Torchani.

² IMF (2012), Modernizing the Legal Framework for Surveillance—An Integrated Surveillance Decision. *IMF Policy Papers*.

³ IMF (2023), Integrated Policy Framework—Principles for the Use of Foreign Exchange Intervention. *IMF Policy Papers*.

⁴ Amendments to the Bank of Jamaica Act were passed by both Houses of Parliament in December 2020 and brought into effect on 16 April 2021.

The BOJ has responded soundly to recent shocks—the COVID-19 pandemic and the inflation surge in 2021-23 (Annex VIII). The BOJ Act also assigns to the BOJ the institutional responsibility for macroprudential oversight. Recent changes to macroprudential and financial sector policies relevant for the FX market include establishing a Liquidity Coverage Ratio for significant currencies, adjustments in Net Open Position (NOP) limits, designating systemically important financial institutions, regulating issuance of the FX denominated instruments for the domestic market, and establishing consolidated and risk-based supervision.⁵

4. The capital flow management (CFM) framework is focused on ensuring FX market stability by limiting capital outflows from financial institutions. Resident individuals and non-financial firms have no restrictions on their holdings of FX or external investments, while non-residents also do not have any significant restrictions on their acquisition of domestic assets—with the exception of FDI in the financial sector. Key CFM measures include:

- *Surrender requirements: Authorized Dealers (ADs) and cambios must surrender 20 percent and 15 percent of their commercial FX purchases to the BOJ, respectively.⁶ Exporters are not subject to surrender requirements. The surrender requirements help the BOJ to recycle the FX balances to the market via ad-hoc sales, meet FX demand from public sector enterprises, and accumulate FX reserves. Jamaica is among 66 IMF members who, as of mid-2022, imposed some types of FX surrender requirements (IMF AREAER report, 2023). Yet, surrender requirements to the central bank are rare among regional peers. Regional peers that have surrender requirements to the central bank include Barbados, with an exchange rate peg to the USD and where FX dealers must surrender 5 percent of their FX purchases to the central bank.*
- *Caps on FX assets holdings for institutional investors: FX assets cannot exceed 10 percent of total assets of pension funds and insurance companies, and 25 percent for securities dealers and collective investment schemes. The BOJ also defines permissible FX assets that institutional investors can acquire.*
- *Local corporate bond issuance in FX needs approval from the BoJ and the FSC if the annual issuance exceeds US\$20 million. This measure primarily aims to limit large FX demand surges on the local FX market, to mitigate outflows, and to alleviate depreciation pressures on the FX market. The issuers are required to secure participation of investors typically involved in large corporate issuances with the requisite FX holdings.*

Jamaica's Foreign Exchange Interventions

5. The Bank of Jamaica (BOJ) participates in the FX markets through different channels. The BOJ's FX purchases are predominantly FX purchases through surrenders from ADs and cambios.

⁵ FX NOP limits were introduced in 2018 and are subject to periodic reviews. For short positions, the FX NOP limit is 25 percent of regulatory capital in JMD, while limits are equivalent to 15 percent of regulatory capital in JMD for long positions. Absolute limits on NOP were removed in November 2023.

⁶ The regular surrender requirement is 5 percent for both ADs and cambios. There is also a surrender requirement under the public sector entity facility that amounts to 15 percent of ADs' US dollar purchases from commercial clients and 10 percent of cambios' daily foreign exchange purchases from commercial clients.

The BOJ purchases also used to include FX swaps.⁷ The BOJ's FX sales/interventions primarily take place through auctions via the BOJ's Foreign Exchange Intervention Trading Tool (B-FXITT) and direct sales to key entities typically through the public sector entity facility.⁸ Finally, the BOJ provides banking services to the Government of Jamaica, including for FX transactions.

6. The authorities are encouraging the development of FX hedging markets. Although a forward FX market exists, it is relatively shallow. The BOJ and the Ministry of Finance and Public Service (MOFPS) are promoting the use of FX hedging instruments through industry consultations and public outreach. The BOJ has also taken steps to enhance oversight of FX market activities, including refining data reporting systems to improve functioning and surveillance of FX trading. To mitigate foreign exchange rate risk associated with its significant FX needs, Petrojam—a public enterprise that is Jamaica's only petroleum refinery—is also using “hybrid” FX forward instruments. These “hybrid” FX forward contracts resemble standard forward contracts except that the forward rate is the weighted average selling rate on the date of settlement plus a fixed spread. These contracts do not insure Petrojam against FX risk but reduce uncertainty for the procurement of large FX volumes. Other entities with substantial FX needs are considering adopting similar instruments.

7. In the context of the CFM framework and underdeveloped hedging instruments, the BOJ's FXIs are frequent. The BOJ's approach to FXI is to moderate excess volatility in the exchange rate as part of the strategy to anchor inflation expectations and ensure that the inflation target is achieved.⁹ FXIs through B-FXITT are frequent. For example, in 2023 and 2024, the BOJ sold FX through B-FXITT on 35 and 38 days, respectively. However, sales through the public sector entity facility have essentially stopped since mid-2023 (Figure 1, top left panel). FX market purchases by the BOJ are predominantly surrender receipts. Finally, the FX sales are positively correlated with FX market purchases, pointing to the tight relation between CFM framework and FXI (Figure 1, top right panel).

Underlying Frictions in FX Markets

⁷ The BOJ FX swap arrangement—implemented in January 2020 to provide US\$ liquidity to promote and encourage forward market transactions—is discontinued since March 2022, such that the BOJ no longer engages in new FX swap contracts. In 2023, purchases from surrenders and FX swaps amounted to US\$ 2.17 billion and US\$ 9.99 million, respectively.

⁸ In 2023, BOJ's FX sales through B-FXITT, FX swaps, and direct sales to key entities amounted to US\$936.8 million, US\$ 9.9 million, and US\$ 10.0 million, respectively.

⁹ 2023 Bank of Jamaica annual report.

FX Market Shallowness

8. The volume of FX transactions is thin, and bid-ask spreads are large. The spot FX market transactions are executed by ADs (which comprise commercial banks), cambios, exchange bureaus, and the BOJ.¹⁰ ADs are regulated and supervised by the BoJ. The daily FX spot market turnover as a share of GDP is less than ½ percent of GDP, and it has seen limited growth over the last decade (Figure 2, top left panel). Furthermore, the FX spot market turnover is smaller than in other emerging-market economies (Figure 2, top right panel). Moreover, unlike in those economies, the set of available FX instruments is narrow in Jamaica. The bid-ask spread for the spot exchange rate is also large in Jamaica compared to regional peers, further highlighting FX market shallowness (Figure 2, bottom left panel).

9. The uncovered interest parity (UIP) premium is on average positive, its volatility is high, and there are spikes during global shocks. The UIP condition relates interest rates to expected changes in the exchange rate. Under the UIP condition, the home currency is expected to depreciate if the home interest rate is higher than the foreign interest rate, offsetting this interest rate differential. However, a country with shallow spot FX markets or characterized by a lack of hedging instruments would exhibit a positive UIP premium as the interest rate would be expected to increase to compensate international investors for the risk of holding the country's local currency debt. This allows global investors to expect and earn positive excess returns from holdings in the domestic currency. The UIP premium for Jamaica is measured using the excess return of holding a Government of Jamaica 3-month treasury bill relative to a 3-month US treasury bill, after adjusting for the expected exchange rate change using the realized value for the bilateral JMD/USD exchange rate three-month ahead.¹¹ Figure 2 (bottom right panel) shows that the UIP premium for holding Jamaica's assets has declined over time, likely reflecting the improvements in the economic policy frameworks and the significant sovereign debt reduction, although it has remained positive over most of the last two decades. The UIP premium is positively correlated with the VIX and the price of oil, while negatively correlated with bond flows when the UIP premium is elevated.¹²

Financial Stability Risks from FX Mismatches

10. Sectoral balance sheets show some persistent imbalances in FX positions for the sovereign and the non-financial corporations (NFC) sector. Figure 3 (top left panel) shows the balance sheet analysis that summarizes the overall FX indebtedness and intersectoral exposures, highlighting FX mismatches for the sovereign and the NFC sector vis-à-vis the non-resident sector.

¹⁰ As of August 31, 2024, there were 11 ADs—eight commercial banks, one merchant bank, two building societies—and 45 cambios licensed by the BOJ.

¹¹ Survey expectations for the bilateral JMD-USD exchange rate are not readily available for Jamaica. The UIP premium for Jamaica uses the realized exchange rate as the proxy for the expected change in the exchange rate. Kalemli-Özcan and Varela (2025) document that the UIP wedge is positive on average in emerging markets, using survey data for expectations about future exchange rate changes. Kalemli-Özcan S., L. Varela. (2025). "Five Facts about the UIP Premium", NBER Working Paper 28923.

¹² The correlation of Jamaica's UIP premium with the VIX and the price of oil amounts to 0.2, while the correlation with bond flows from the EPFR dataset is -0.13 when the UIP premium spikes (i.e., when the UIP premium is in the top quartile of its distribution).

The external liabilities of NFC far exceed their external assets, mostly reflecting FDI inflows, which tend to be a more stable source of funding compared to other liabilities. Tourism and mining are the main drivers of FDI inflows. The FX sovereign debt is elevated. However, this risk is mitigated by the structure of public debt, which is predominantly composed of long-term bonds and multilateral debt, as well as the robustness of the fiscal framework and the ongoing rapid debt reduction (Annex IV). The financial sector has a broadly balanced FX position, reflecting FX regulations, notably NOP limits. The household sector is a net creditor in FX, as banks typically do not offer FX loans to households, while households hold sizeable FX deposits.

11. Supported by sound policy frameworks, the banking sector has made progress in de-dollarization, though further progress is needed. Figure 3 (top right panel) shows a steady decrease in the dollarization of loans and deposits over the last decade. The transition to an inflation-targeting framework and improvements in the fiscal framework have buttressed macroeconomic stability, contributing to financial de-dollarization. The decrease in dollarization is more pronounced for loans than deposits, potentially due to the asymmetric NOP regulations and persistent remittance inflows, which would explain the persistence of FX deposits. The assets and liabilities of deposit-taking institutions show that the foreign currency position of deposit takers is balanced, though the dollarization of their balance sheets reflects sources of their funding (Figure 3, bottom left panel). Non-financial corporations have large FX borrowings, mainly led by the tourism sector, non-resident sector, and electricity, gas, and water sector (Figure 3, bottom right panel). However, the tourism and non-resident sectors are “naturally hedged” as their revenues are predominantly denominated in FX, pointing to limited risks from currency mismatches for those sectors.

Risks to Price Stability from Exchange Rate Changes

12. The passthrough of an exchange rate shock to domestic consumer prices is high in Jamaica. Figure 4 (top left panel) shows the close association between inflation dynamics and exchange rate fluctuations. Further, the passthrough is estimated at 0.2, meaning that a one percent depreciation in the bilateral JMD-USD exchange rate results in 0.2 percentage point increase in Jamaica’s headline consumer price inflation at a 12-month horizon. This is noticeably higher than for many inflation-targeting economies in the LAC region and emerging markets (Figure 4 top right and bottom left panels).¹³ The analysis further suggests an asymmetric association between exchange rate depreciations and future core inflation (Figure 4, bottom right panel). For the four-quarter-ahead projection horizon, a depreciation of the JMD/USD exchange rate does not significantly affect the lower tail of the predictive distribution of core inflation. Conversely, a depreciation of the JMD/USD exchange rate significantly affects the upper tail of the predictive distribution of core inflation. This may reflect second-round effects of exchange rate depreciations, which are likely stronger when inflation is elevated, leading to a higher pass-through to core inflation from exchange rate fluctuations.

¹³ At 0.2, the exchange passthrough in Jamaica is in the upper tercile of the distribution of exchange rate passthrough among 71 emerging markets.

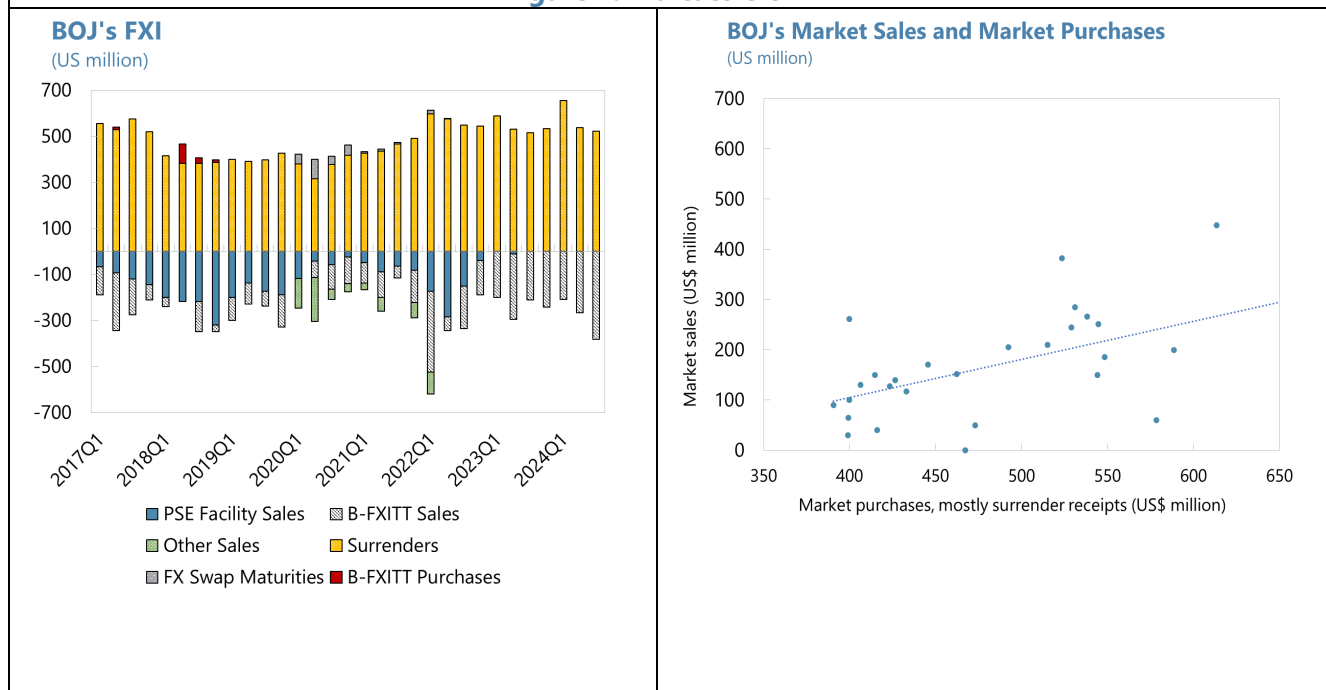
Policy Considerations

13. Frictions in FX markets, as well as exposure to large global shocks and to natural disasters, justify inclusion of targeted FXIs in the policy toolkit. The FX market is structurally shallow in Jamaica, pointing to the relevance of FXI to smooth destabilizing premia such as large increases in the UIP premia. Financial stability risks from FX mismatches are limited, but vulnerabilities could emerge following large shocks such as natural disasters that could affect sectors indebted in FX (e.g., the tourism sector). The passthrough from exchange rate to inflation is relatively high in Jamaica, suggesting that FXI could be considered when the cost of using monetary policy alone creates costly trade-offs for the BOJ's objectives (e.g., when output and inflation move in opposite directions), and when the cost of using FXI instead is assessed as low. Change in the monetary policy rate is the first line of defense given the risk of confusion regarding the nominal anchor associated with the systematic use of FXI for price stability.¹⁴

14. Nonetheless, gradual reforms in the CFM framework can help develop FX markets, reduce the need for FXI, and enhance the role of the exchange rate as a buffer to global shocks. The fiscal and monetary policy frameworks have strengthened recently, and Jamaica weathered recent shocks well (Annex VIII and Annex IX). Financial supervision continues to be strengthened. This creates the conditions conducive to reforms of the CFM framework and gradual reduction of the footprint of the BOJ in the FX market. Increased exchange rate flexibility will help buffer the impact of global shocks on domestic demand and support the BOJ's full-fledged inflation targeting framework. Reduced surrender requirements and associated sales would channel more FX inflows to private parties, deepening FX markets and increasing incentives for the private sector to develop FX hedging instruments. Continued review of other CFM restrictions—e.g., caps on FX assets for institutional investors or corporate bond issuance in FX—would also be beneficial for FX market development.

15. Strengthened incentives and capacity to use FX derivatives can also help manage volatility in commodity prices, reducing the need for FXI. The BOJ substantially reduced its direct sales to public entities since mid-2023, as Petrojam and other public entities have been purchasing needed FX in the market. This BOJ withdrawal from direct sales to public entities should continue to incentivize FX market participants turning to the FX market directly to meet their FX demand and to understand and use FX derivatives particularly where large, repeat FX transactions are involved. The "hybrid" forward instruments used by Petrojam could be replicated by others. A more active FX forward market would permit better management of impacts from swings in commodity prices and scale back the BOJ's footprint in the FX market

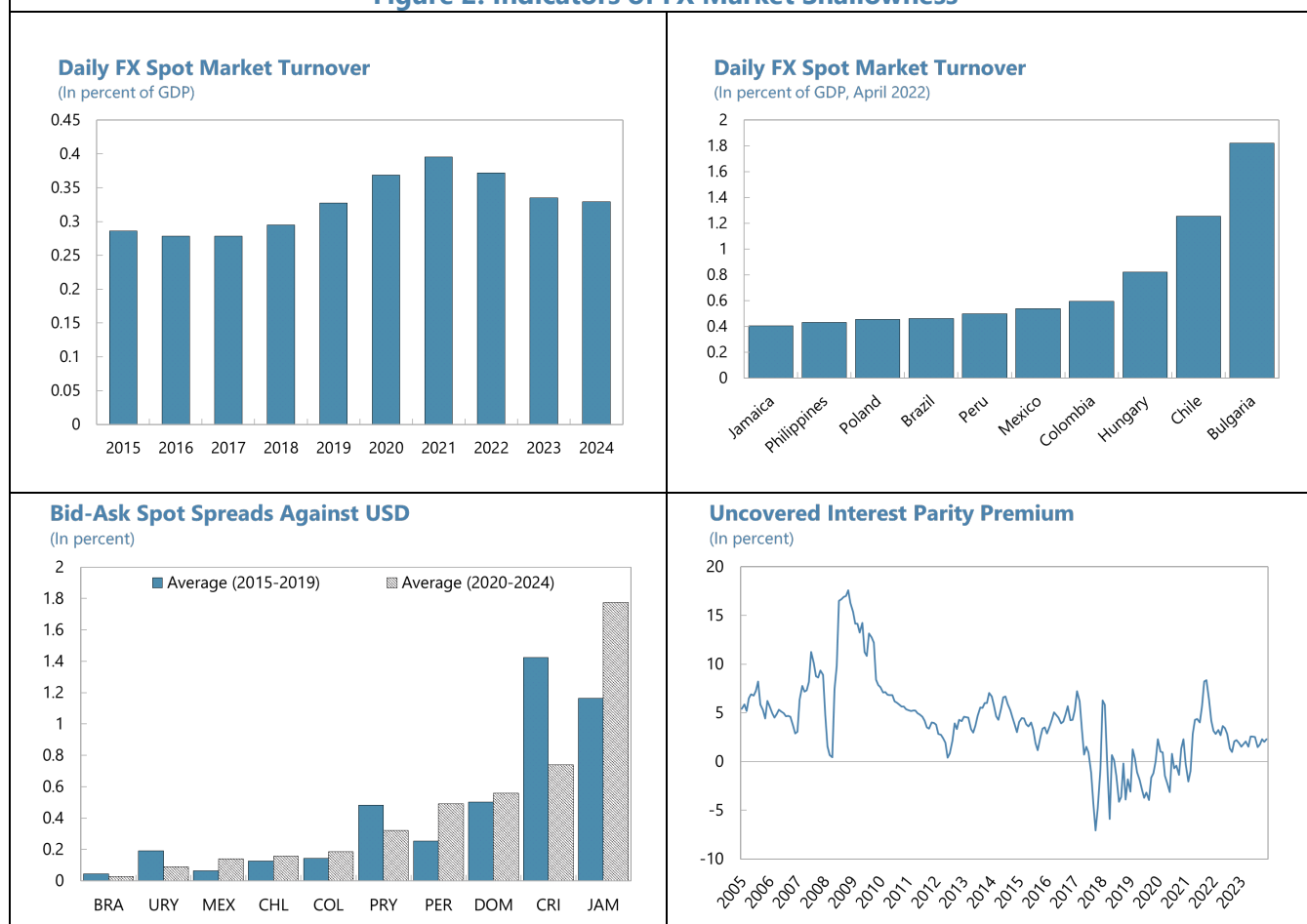
¹⁴ See IMF (2023), Integrated Policy Framework—Principles for the Use of Foreign Exchange Intervention. *IMF Policy Papers* Table 1 for a summary of the use cases for FXI under the IPF.

Figure 1. Indicators of FXI

Note: The left panel shows the BOJ's FX market purchases and FX market sales. In the right panel, market purchases are on the horizontal axis while market sales are on the vertical axis.

Source: Bank of Jamaica; and IMF staff calculations.

Figure 2. Indicators of FX Market Shallowness

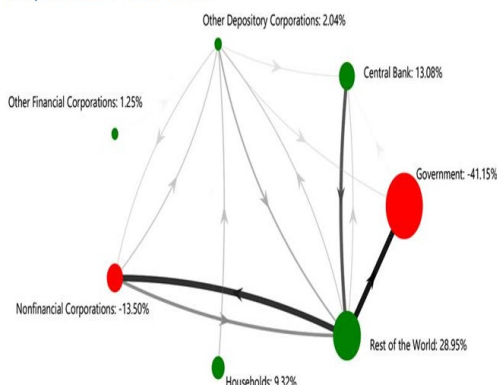


Note: In the top left panel, daily FX spot market turnover is calculated as the average over the calendar year of daily sales in USD relative to GDP. In the top right panel, daily market turnover is calculated as the average daily FX spot market turnover in April 2022. For countries other than Jamaica, daily averages are calculated on a “net-gross” basis, which corrects for double-counting of local (i.e., in the same country) inter-dealer positions but not for double-counting of cross-border inter-dealer positions. In the bottom left panel, the Bid-Ask spot spread is defined as $Bid - Ask\ spread_t = \frac{ask_t - bid_t}{1/2 \times (ask_t + bid_t)}$. In the bottom right panel, The UIP premium λ_{t+h}^e is defined as $\frac{i_t - i_t^{US}}{1 + i_t^{US}} = \frac{E_t S_{t+1} - S_t}{S_t}$, which in logarithmic terms can be written $\lambda_t^e = (i_t - i_t^{US}) + (s_t - s_t^e)$.

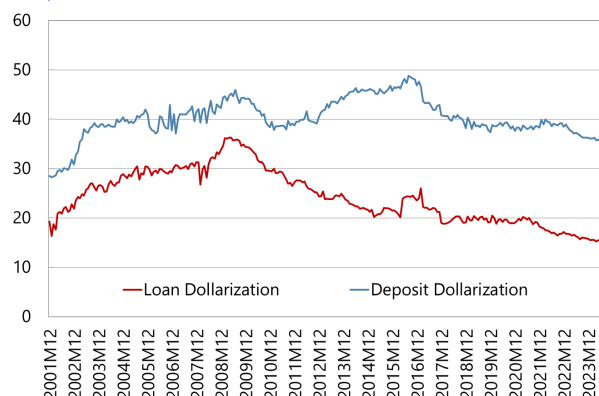
Source: Bank of Jamaica; Bank for International Settlements; and IMF staff calculations.

Figure 3. Currency Mismatch Indicators**Balance Sheet Exposure in FX**

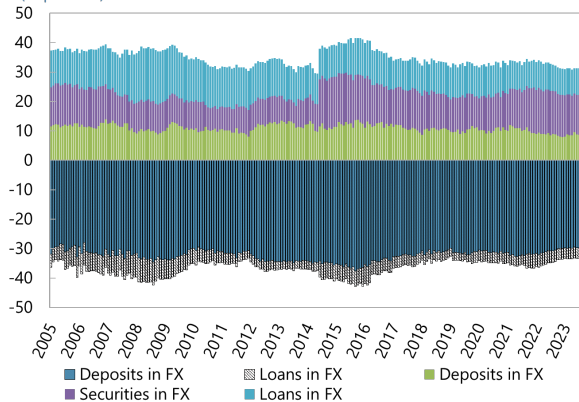
(In percent of GDP, 2023)

**Banking Sector Dollarization**

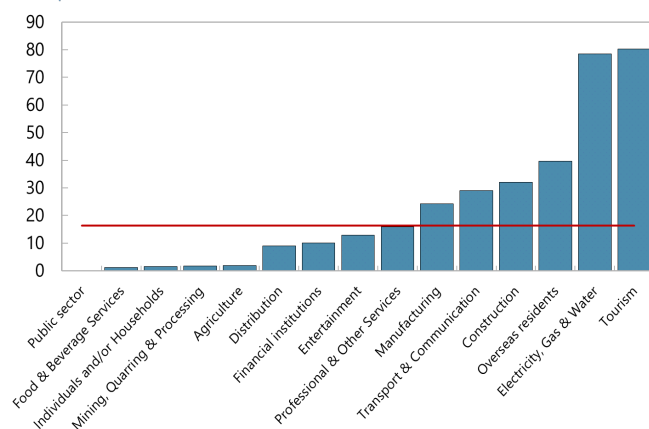
(In percent)

**FX Claims and Funding**

(In percent)

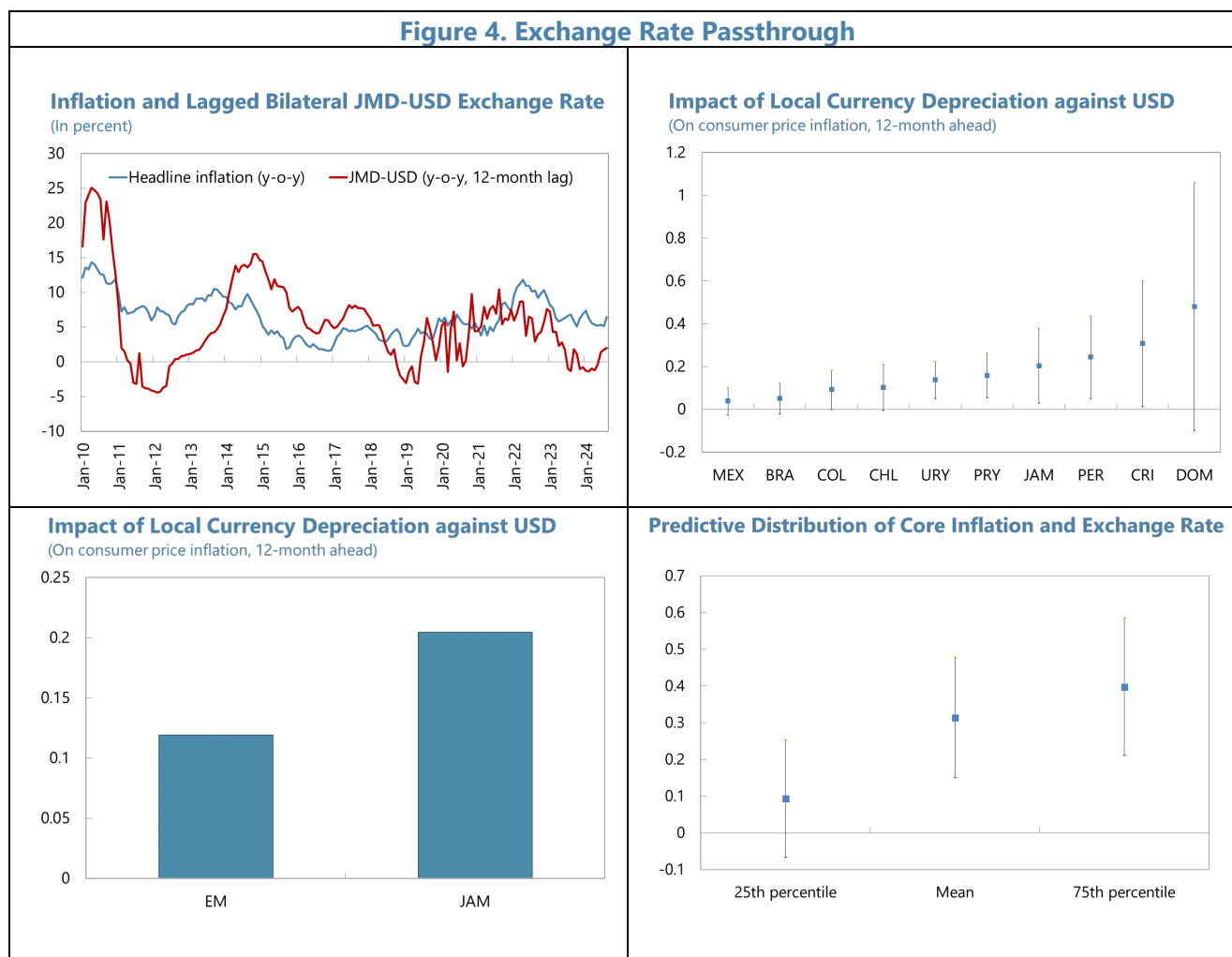
**FX Loans by Sector**

(In percent)



Note: In the top left panel, bubble size represents the financial footprint of a sector, calculated as the sum of financial assets and liabilities. Red bubbles indicate that a sector is a net FX borrower, while green bubbles indicate that a sector is a net FX creditor. Lines indicate relationships between sectors based on data availability. The top right panel and bottom left panel report data for deposit-taking institutions. The top right panel shows the share of FX loans and FX deposits in total loans and total deposits, respectively. The bottom left panel shows the FX claims (positive axis) and funding (negative axis) institutions in percent of total financial assets. The bottom right panel shows data for commercial banks only. In the bottom right panel, the horizontal bar refers to the share of FX loans in total loans across all sectors.

Source: Bank of Jamaica; and IMF staff calculations.

Figure 4. Exchange Rate Passthrough

Note: In the top left panel, a positive value for the JMD-USD bilateral exchange rate indicates a depreciation. The top right panel shows the exchange rate passthrough coefficients from country-specific regressions of 12-month ahead consumer price inflation on exchange rate (local currency against USD), lagged inflation, oil price, and food price. The regressions do not control for cyclical conditions, because a monthly indicator of economic conditions is not readily available for Jamaica. The estimation frequency is monthly. The estimation sample extends from January 2010 to the end of 2023 for most countries. The bottom left panel shows the median exchange rate passthrough in 71 emerging market economies and Jamaica. The bottom right panel shows the exchange rate passthrough on different quantiles of core inflation four-quarter ahead. The quantile regression includes the price of oil (WTI), exchange rate, GDP growth, and lagged core inflation. The estimation sample extends from 2005Q1 to 2024Q2. In the top right and bottom right panels, vertical bars indicate 90 percent confidence intervals

Source: Haver Analytics; and IMF Staff Calculations.

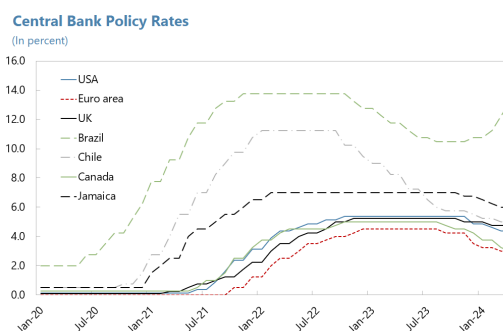
Annex VIII. Monetary Transmission Mechanism in Jamaica¹

Many emerging markets including Jamaica face impediments to an effective monetary transmission mechanism (MTM), such as high dollarization and subpar lending opportunities, which create frictions in the transmission from policy rate changes to inflation. This annex presents an empirical study of the MTM in Jamaica. It finds that the efficiency of the MTM in Jamaica has strengthened over the last ten years compared with the two preceding decades, pointing to the strong achievements of the Bank of Jamaica's inflation targeting regime. Nevertheless, a weakened transmission to lending rates during the tightening episode of 2022-23 points to the prevalence of impediments to the MTM.

Monetary Policy Regime and Impediments to the MTM

1. The Bank of Jamaica formally adopted an inflation targeting (IT) regime in 2020, although the transition to IT began earlier.² Its monetary policy objective target is to keep inflation within a 4-6 percent per annum range. The BOJ policy rate is the main instrument to achieve the inflation objective. Other policy tools used by the BOJ to influence monetary and financial conditions include open market operations, adjustments to reserve requirement ratios, and FXI. The BOJ uses its policy rate in the context of an interest rate corridor. It also conducts open market operations and makes occasional adjustments to the reserve requirements ratios, while managing the foreign exchange market in the context of the Government of Jamaica's policy of operating a flexible exchange rate regime.

2. Jamaica's IT regime has successfully withstood recent large shocks, but concerns about the effectiveness of the MTM remain. The BOJ was swift to ease monetary conditions at the start of the pandemic and tighten them in the second half of 2021 as inflation surged. The BOJ was an early tightener, particularly when compared to advanced economies. Inflation has been back within the BOJ's target range since March 2024 except for a brief uptick in August 2024 due to supply-side disruptions related to hurricane Beryl and tropical storm Raphael. Yet, in the 2022-23 tightening episode, lending rates were slow to adjust to the increase in the policy rate, suggesting that concerns remain on the strength of the MTM (Bytes, 2024).³



¹ Prepared by Pierre Guérin.

² The IT regime was formally passed into law when the Amendments the Bank of Jamaica Act were approved by parliament in December 2020. The transition to IT was effective earlier—e.g., the inflation target was announced in September 2017.

³ Jamaica's experience with the transmission mechanism during the tightening cycle following the inflation shock. Presentation to the panel of central bank presidents during the IDB 59th meeting of the Network of Central Banks and Finance Ministries, Washington DC, 17 April 2024.

Impediments Hindering the Monetary Policy Transmission Mechanism

3. There are several impediments to an effective MTM in emerging markets. Shallow capital markets impede the asset price channel of the MTM. The credit channel of monetary policy transmits policy rate changes to changes in loan supply and demand, which works better in a competitive financial sector with high-quality and transparent lending opportunities. The strength of the exchange rate channel depends on an open capital account and a freely floating exchange rate. High levels of financial dollarization may reduce the effectiveness of the MTM, since interest rates in foreign currency are mostly determined by external factors outside the control of the central bank. Remittances—a stable flow of interest-insensitive funds—expand bank balance sheets, by increasing banks' liquid assets, thus severing the link between policy rate and banks' funding cost (Barajas et al., 2018).⁴ A large share of food and energy prices in the CPI basket, whose prices respond largely to supply and global factors, can make it harder for the central bank to influence consumer prices.

4. Jamaica has impediments to an effective operation of the MTM, as do other emerging markets. Brown-Thompson (2022) reviews the literature on the MTM in Jamaica and points to limited competition in the banking sector, uneven or excess liquidity among banks, high dollarization, and information asymmetries as impediments hindering the effective operation of the MTM in Jamaica.⁵ Further, the weight of food and energy in Jamaica's consumer price basket is large, relationship lending appears common in Jamaica, and remittances at 18 percent of GDP are significant in Jamaica as another factor potentially hindering the MTM.⁶

Empirical Analyses of the Monetary Transmission Mechanism

Overall transmission channel

5. The impulse response analysis of a vector autoregressive (VAR) model is used to analyze the MTM. The overall strength of the monetary transmission mechanism is examined by concentrating on the transmission to consumer prices and the exchange rate. A VAR model—including GDP, consumer price index (CPI), credit to the private sector, and the BOJ policy rate⁷—is estimated using two sample periods—1997 to 2014 (the pre-inflation targeting sample) and 2015 to 2024 (the inflation targeting sample). This approach permits to assess time variation in the strength

⁴ Barajas, D., R. Chami, C. Ebeke, A. Oeking. 2018. "What's different about monetary policy transmission in remittance-dependent countries?" *Journal of Development Economics* 134:272-288.

⁵ Brown-Thomas, D. 2022. "Monetary Transmission Mechanism in Jamaica: A Systematic Overview of the Credit Channel—Empirical Literature." Bank of Jamaica Discussion Note DN/09/2022.

⁶ The weights of the "Food & Non-alcoholic Beverages" and the "Housing, Water, Electricity, Gas & Other Fuels" indices amount to 35.8 percent and 17.8 percent, respectively. Relationship lending, where firms repeatedly borrow from the same bank, leads to loan pricing less tied to firms' current default risk and more dependent on historical pricing, thus severing the link between policy rate and lending rates.

⁷ The BOJ's policy rate in the analysis is the interest rate paid on overnight balances in the current accounts of deposit-taking institutions at the Bank of Jamaica. Prior 1 March 2019, the policy rate was the interest rate paid on overnight deposits held by deposit-taking institutions at the Bank of Jamaica. Prior 1 July 2017, the policy rate was the interest rate paid on the BOJ 30-day certificate of deposits.

of the MTM.⁸ All variables are in log-levels except for the policy rate, which is in level. The VAR includes three lags and is estimated at a quarterly frequency. The monetary policy shock is identified with a Cholesky decomposition, placing the policy rate last in the VAR. This assumes that the central bank can react contemporaneously to changes in the macroeconomy (i.e., to the variables entering the VAR before the BOJ policy rate).

6. The analysis shows that the effectiveness of the transmission of policy rate changes to inflation has strengthened. In the inflation targeting period of 2015–24, a 100-basis points tightening shock to the policy rate is associated with a consumer price index lower by cumulative 1.2 percent ten quarters after the shock (Figure 1, top right panel). Further, following the 100-basis points tightening shock, the exchange rate appreciates by up to 2 percent at a 4-quarter horizon (Figure 1, bottom right panel). By contrast, in the pre-IT period (1997–2014) responses are typically not significantly different from zero and small in magnitude for the exchange rate and the consumer price level, pointing to a weaker exchange rate channel and overall MTM (Figure 1, left panels). The results are robust to an alternative identification scheme placing the policy rate purged from inflation and GDP fluctuations first in the VAR. The stronger reaction of consumer prices and the exchange rate to a monetary policy shock in the last decade is in line with the results presented in Williams and Robinson (2016), who estimate a time-varying factor-augmented VAR model and perform an impulse response analysis in 2000Q1 and 2012Q1.⁹

Passthrough from Policy Rate to Interbank Rate, Lending Rates, and Deposit Rates

7. Next, the interest rate channel of the MTM is examined focusing first on the passthrough from policy rate changes to lending rates. The passthrough from the BOJ's policy rate to selected lending rates—commercial, personal, installment, and mortgage loans as well as the overall lending rate—is investigated using a distributed lag regression with six lags of the policy rate change and consumer price inflation. The empirical analysis extends from November 1994 to October 2024. On average, the passthrough from policy rate to the overall lending rate and personal loans is estimated at 0.2 with a stronger passthrough close to 0.3 for interest rates charged on commercial loans, while the passthrough to mortgages and installment is not significantly different from zero (Figure 2, top left panel).^{10,11}

⁸ This sub-sample analysis is akin to using a regime-switching model with a known probability of regime shift corresponding to the transition to an inflation targeting regime. While Jamaica's inflation targeting framework was formally adopted in 2020, the transition began earlier (e.g., the inflation target was announced in September 2017).

⁹ Williams, C.-A. and W. Robinson. 2016. "Evaluating the Transmission Mechanism of Monetary Policy in Jamaica: A Factor-Augmented Vector Autoregressive (FAVAR) Approach with Time Varying Coefficients." Bank of Jamaica Working Paper.

¹⁰ A caveat of this analysis is that it refers to rates on the outstanding stock of loans rather than new loans. This suggests that the estimates may underestimate the strength of the interest rate passthrough from policy rate changes to lending rates, as not all loans are subject to variable rates, particularly mortgage rates and installment rates that have a pass-through not significantly different from 0 in the analysis.

¹¹ Countries use different reporting formats, sample designs, interest compounding formulas, averaging methods, and data presentations for series on interest rates in the IMF's International Financial Statistics (IFS) database, which
(continued)

8. The passthrough from policy rate changes to lending rates has weakened during the tightening episode of 2021-22.

A rolling-window analysis indicates a marked weakening of the passthrough from policy rates to lending rates during the recent monetary tightening episode. A distributed lag regression over a 20-year rolling window is estimated to assess the extent of time variation in the interest rate passthrough. Figure 2 (top right panel) shows that the transmission from policy rate to lending rate has weakened considerably in recent years to near 0, which aligns with the dynamics of the overall lending rate in the recent tightening episode, when the overall lending rate has edged up by only 80 basis points despite a 650 basis points increase of the policy rate (Figure 2, bottom left panel). A weak passthrough in the post-pandemic tightening cycle has also been experienced in European countries, where passthroughs to lending rates were two-thirds of those in previous tightening cycles (Beyer et al., 2024).¹²

9. Lending rates show stronger responses to policy rate cuts than to policy rate hikes, suggesting an asymmetric passthrough. The analysis then examines policy rate hikes and cuts separately to investigate potential asymmetries in how lending rates respond to policy rate changes. Asymmetric passthroughs can amplify credit cycles (if banks are slow to pass through rate cuts), reveal market imperfections (if policy rate hikes are slow to pass through deposit rates), and provide insights into bank behavior. Figure 1 (bottom right panel) shows that while the passthrough from policy rate to the interbank rate is equally strong for policy rate hikes and cuts, the passthrough to lending rates differ markedly. For policy rate cuts, the passthrough is typically positive and statistically significant for lending rates across overall, commercial, and personal lending rates, but not for policy rate hikes.

10. The passthrough to deposit rates is also explored and a stronger passthrough for short-term time deposits is detected. The same empirical framework as for lending rates passthrough is used to this effect. Figure 3 (top left panel) shows that policy rate changes have a near full passthrough to 1-month time deposits (i.e., a 100-basis points increase in the policy rate results in a 75 basis points increase in 1-month time deposit rate). The passthrough is lower for time deposits with a longer maturity as well as for demand and savings deposits. Finally, the passthrough to overall deposits—the average weighted rate across deposits—amounts to 0.3.¹³

11. There is evidence of an asymmetric passthrough, with a stronger reaction of deposit rates to policy rate cuts compared with policy rate hikes. For time deposits with maturity up to a month, the passthrough is equally strong for policy rate hikes and policy rates cuts. However, the passthrough is typically stronger and significantly different from 0 for policy rate cuts (e.g., for time

makes cross-country analyses based on this dataset hazardous. Keeping in mind this caveat, the passthrough to the overall lending rate appears stronger in the Dominican Republic (0.66) and Colombia (0.82), which report data to the IMF's IFS database similarly to Jamaica and have inflation-targeting central banks. For ECCU countries, Myrvoda and Reynaud (2018) estimate a passthrough from a key policy rate—the minimum saving deposit rate—to lending rate of 0.4 on average across the ECCU.

¹² Beyer, R., Chen, R., Li, C., Misch, F., Ozturk, E., and Ratnovski, L. (2024). Monetary Policy Pass-Through to Interest Rates: Stylized Facts from 30 European Countries. IMF Working Paper WP/24/9.

¹³ As of 2024, demand deposits, savings deposits, and time deposits amount to 27 percent, 51 percent, and 18 percent, respectively, with the remaining 4 percent corresponding to central government deposits.

deposits with maturity between 6 and 12 months, demand, and savings deposits) than for policy rate hikes (Figure 3, top right panel). This asymmetric reaction of deposit rates to policy rate changes may be due to a lack of competition in the banking sector.

Policy Considerations

12. The empirical analyses show an improvement in the transmission mechanism to consumer prices and the exchange rate and less than desirable passthrough to interest rates.

The improvement in the transmission from the BOJ's policy rate to consumer prices and exchange rate illustrated by the VAR analyses is consistent with an assumption that the central bank credibility increased with the adoption of IT that bolstered the BOJ's ability to anchor expectations. The improvement in the MTM over the last decade also benefitted from a reduction in fiscal dominance since the large reduction in public debt likely reduced the crowding out of private credit.¹⁴ However, the analysis of the passthrough of policy rate changes to lending and deposit rates reveals that the effectiveness of this channel is possibly weaker due to the impediments mentioned above.

13. Continuing efforts to deepen capital market and liquidity, de-dollarize the economy, and boost banking sector transmission would bolster monetary policy transmission. Last November, the government began issuing identification card (ID)s under the Integrated National Identification System. The IDs improve on existing identification documents, allow virtually instantaneous verification of identity and performance of digital transactions. In 2024, the BOJ unveiled plans to develop a centralized Know Your Customer (KYC) digital repository and the Account Portability Project to streamline the process for opening bank accounts and facilitate bank mobility. This would encourage stronger competition among banks amplifying the passthrough from the BOJ's policy rate to lending and deposit rates. Additionally, developing capital markets for government securities and corporate bonds would enhance the transmission of policy rate changes to market rates. Lastly, the improvement in the effectiveness of the MTM to consumer prices over the last decade coincided with a decrease in dollarization of loans and deposits (Annex VII). As de-dollarization progresses, it should strengthen the MTM.

¹⁴ Nonfinancial corporate debt increased from 10 percent of GDP in 2015 to 32.9 percent of GDP in 2023.

Figure 1. Overall transmission Mechanism from Policy Rate Changes to Consumer Price and Exchange Rate—VAR Analysis

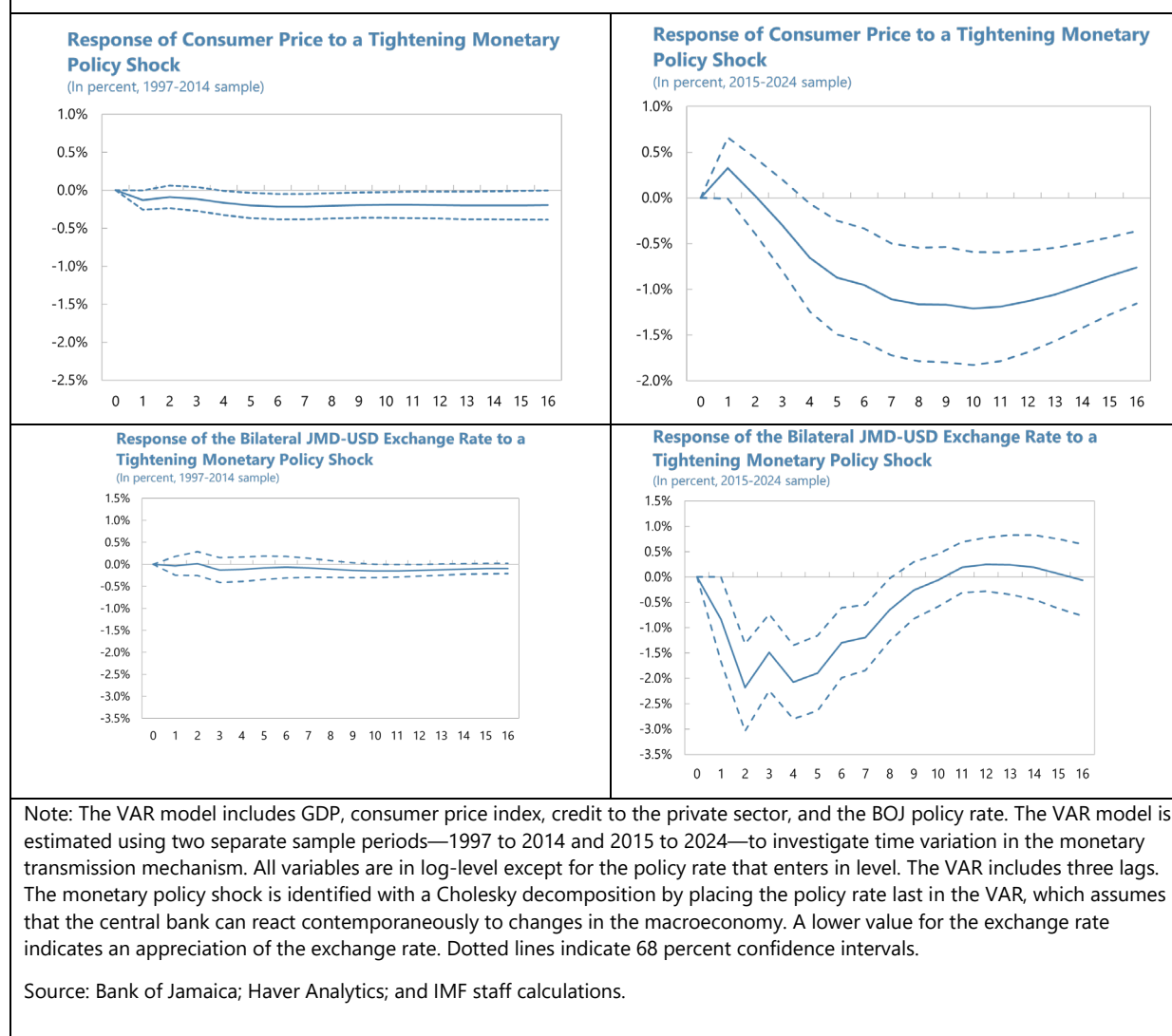


Figure 2. Transmission Mechanism from Policy Rate Changes to Lending Rates—Distributed Lag Analysis

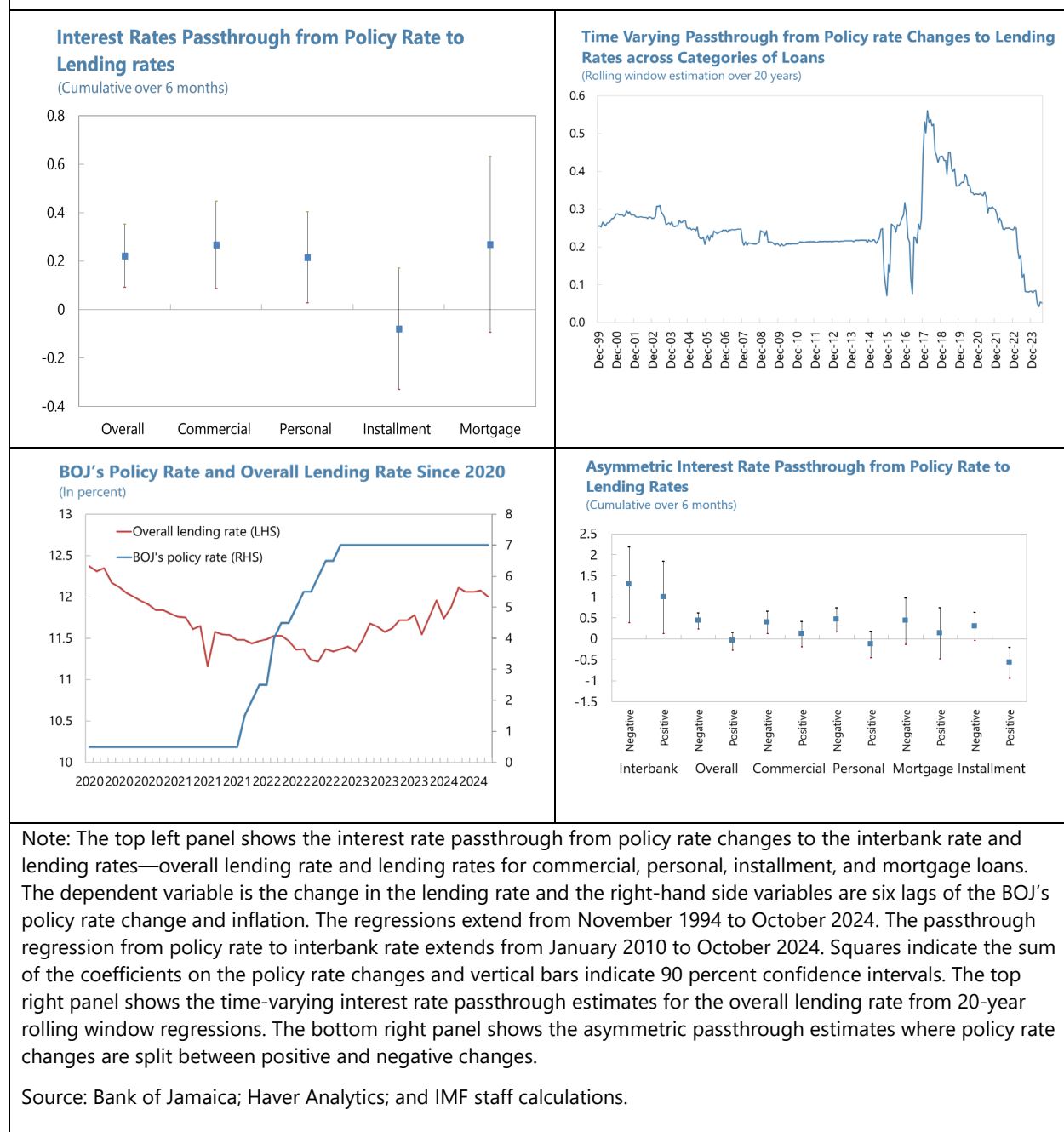
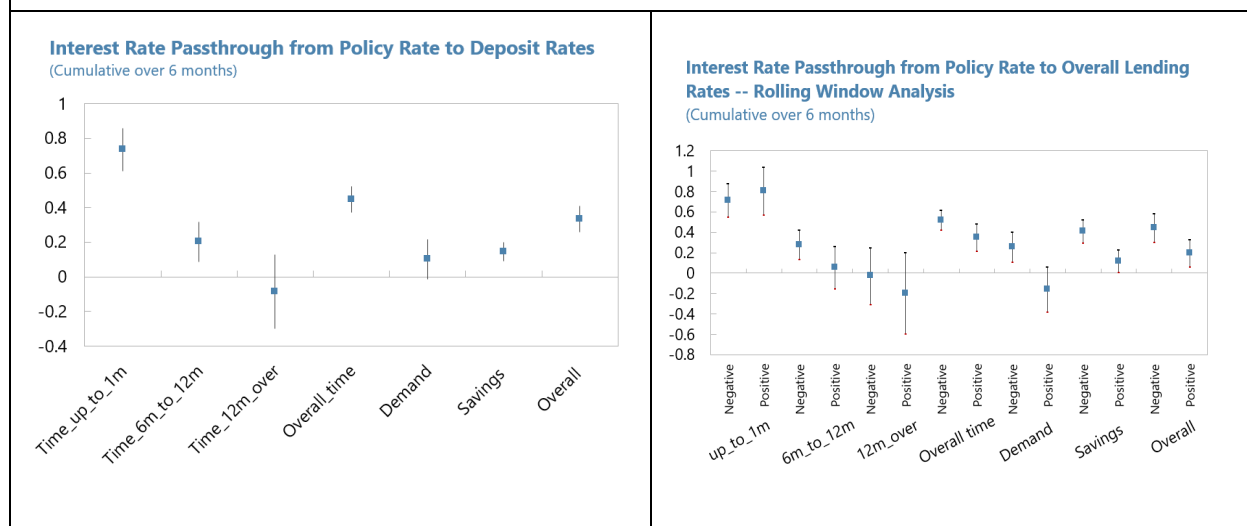


Figure 3. Transmission Mechanism from Policy Rate Changes to Deposit Rates—Distributed Lag Analysis



Note: The left panel shows the interest rate passthrough from policy rate changes to deposit rates—time deposits up to a one month, time deposits between 6 and 12 months, time deposits over 12 months, overall time deposits, demand, savings, and overall deposits. The dependent variable is the change in the deposit rate and the right-hand side variables are six lags of the BOJ's policy rate change and inflation. The regressions extend from November 1994 to October 2024. The right panel shows the asymmetric passthrough estimates where policy rate changes are split between positive and negative changes. Squares indicate the sum of the coefficients on the policy rate changes and vertical bars indicate 90 percent confidence intervals.

Source: Bank of Jamaica; Haver Analytics; and IMF staff calculations.

Annex IX. Operational Debt Anchor in Jamaica¹

Jamaica's public debt-to-GDP ratio is rapidly reaching the 60 percent of GDP target by FY2027/28. The Fiscal Responsibility Law (FRL) mandates that ratio to remain at (or below) this target thereafter, effectively making it a debt limit. Would the sustainability of this debt limit benefit from the adoption of an operational debt anchor (at a lower level) to shield the debt limit in case of severe shocks? The analysis shows the benefits of adopting such an anchor, particularly in terms of mitigating excessive pro-cyclicality in fiscal policy and ensuring that the debt limit is sustained under a wide range of adverse scenarios. Specifically, the analysis suggests that an operational medium-term debt anchor of 50 percent of GDP (or lower depending on the emerging fiscal risks such as more severe and frequent natural disasters) would be appropriate for Jamaica given the type of risks faced by the economy.

Fiscal Framework in Jamaica

1. Jamaica's FRL encompasses three key elements of an effective fiscal framework: (i) fiscal rules, (ii) a medium-term fiscal framework, and (iii) an independent fiscal institution (Caselli et al., 2022).^{2,3} Jamaica's fiscal rules mandate achieving a debt-to-GDP ratio of 60 percent by FY2027/28 and becoming a limit thereafter. The FRL specifies the overall fiscal balance required to meet the 60 percent debt-to-GDP ratio and provides an escape clause stipulating that the estimated impact of the shocks must cause at least 1.5 percentage points decline in GDP to trigger it.⁴ Further, correction mechanisms are included for any deviations from the overall fiscal balance target that may jeopardize the FRL mandated debt target.⁵ The authorities publish a medium-term fiscal framework prior to significant budget discussions, which includes medium-term projections of key macroeconomic variables and fiscal aggregates and medium-term expenditure estimates and budget ceilings by ministry. To round it off, the Independent Fiscal Commission came into effect in January 2025 to assess macroeconomic and fiscal forecasts, the consistency of the budget with fiscal rules, and prospects of debt sustainability.

2. A sound fiscal framework and a prudent fiscal stance has allowed Jamaica to achieve a significant debt reduction. At 73 percent of GDP at the end of FY2023/24, public debt is elevated

¹ Prepared by Pierre Guérin and Nicoletta Feruglio.

² Caselli, Francesca, Hamid Davoodi, Carlos Goncalves, and others. 2022. *The Return to Fiscal Rules*. IMF Staff Discussion Note 2022/002. Washington, DC: International Monetary Fund.

³ Part VII of the Financial Administration and Audit Act embodies the fiscal responsibility framework initially legislated in 2010 with significant changes in 2014 that outlines the fiscal rules and the requirements for the medium-term fiscal framework. The Independent Fiscal Commission Act was passed in 2021. In 2025, the Independent Fiscal Commission replaced Jamaica's Economic Programme Oversight Committee (EPOC), which was established in 2013 to monitor the implementation of economic reform measures under its arrangement with the IMF.

⁴ The fifth schedule of the Financial Administration and Audit Act specifies the overall fiscal balance to achieve the debt target as follows $fb^* = \frac{-n}{(1+n)((1+n)^N - 1)} (1 + n^N)d^* - d_0$ where fb^* is the overall fiscal balance target, n is the long-run nominal GDP growth, d_0 is the initial debt-to-GDP ratio, d^* is the debt target, and N is the number of years required to achieve the debt target.

⁵ Article 48CA outlines the automatic adjustments to the overall fiscal balance to implement in the succeeding financial year of the activation of the escape clause, which are at least 0.75 percent of GDP stronger overall fiscal balance compared with the overall fiscal balance needed to achieve the debt target as specified in the fifth schedule of the Financial Administration and Audit Act.

compared with other emerging markets (Figure 1). However, Jamaica achieved the largest public debt-to-GDP reduction among emerging markets since 2008, with the debt-to-GDP ratio falling from 144 percent in FY2012/13 to 73 percent in FY2023/24. The substantial debt reduction and the strength of the fiscal and monetary frameworks bolstered the credibility of the authorities and led to sovereign credit rating upgrades and relatively low—and decreasing—sovereign spreads. Public debt is projected to meet the 60 percent of GDP debt target by FY2027/28 (Annex IV).

3. This annex presents a calibration of an operational debt anchor creating a fiscal buffer (safety margin) to avoid breaching the 60 percent of GDP debt limit. In the medium run, maintaining public debt at or slightly below 60 percent of GDP could lead to occasional breaches of the debt limit following large enough shocks and could result in excessively procyclical fiscal policy linked to the correction mechanisms enforcing the return to the debt limit following shocks. The key benefit of an operational debt-to-GDP anchor below 60 percent is to accommodate shocks without breaching the FRL debt limit and thus reduce the procyclicality of fiscal policy. A debt anchor would help strengthen fiscal risk management by achieving a better balance of flexibility to accommodate shocks and credibility to sustainably avoid breaching the debt limit. This is the practice in Colombia for example, which has an operational debt anchor of 55 percent of GDP with a debt limit of 71 percent of GDP (IMF, 2024).⁶

Calibrating a Debt Anchor for Jamaica

4. The debt anchor is calibrated using a stochastic debt sustainability analysis (IMF, 2018).⁷ The analysis abstracts from the calibration of the debt limit in Jamaica, taking as given the 60 percent target in the FRL as the debt limit used in the calibration of the debt anchor.⁸ The calibration then involves two steps. First, each simulation will produce a path for macroeconomic variables—GDP growth, interest rates, and exchange rate—over the medium-term projection horizon drawing from a multivariate normal distribution with parameters calibrated on Jamaica’s annual data from 2003 to 2023. Second, the debt anchor is calculated as an initial debt level such that debt remains below the debt limit with a chosen probability over the medium term, which is a reverse engineering exercise. Hence, the difference between the operational debt anchor and the debt limit provides a safety margin in case of shocks.

5. The analysis considers two scenarios for the fiscal path to calculate the operational debt anchor. The first scenario considers a path for the primary balance broadly consistent with the projections in the February 2025 Fiscal Policy Paper medium-term fiscal framework, which assumes a gradual reduction in the primary balance surplus from 5.9 percent of GDP in FY2024/25 to 3 ½ percent of GDP in FY 2027/28 (*Scenario 1*). The second scenario considers a constant primary balance of 3 ½ percent of GDP throughout the projection horizon (from FY2024/25 to

⁶ IMF (2024), *Public Debt Dynamics in Latin America: Time to Rebuild Buffers and Strengthen Fiscal Frameworks*. Western Hemisphere Regional Economic Outlook (Background Paper 2.)

⁷ IMF (2018), *Fiscal Policy: How to Calibrate Fiscal Rules. A primer*. How to Notes 2018/002.

⁸ The Eastern Caribbean Currency Union also prescribes a debt limit of 60 percent of GDP.

FY2028/2029), a steady-state scenario most relevant for calibrating the debt anchor (*Scenario 2*). Both scenarios assume that the probability of breaching the debt limit is 10 percent and a 6-years projection horizon.⁹ The simulations do not account for contingent liabilities or stock-flow adjustments.

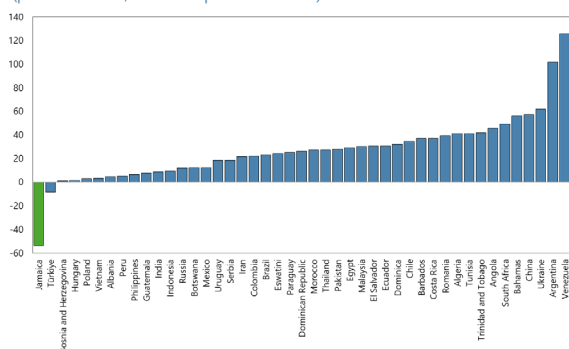
6. The operational debt anchor for Jamaica is estimated to be a debt-to-GDP ratio of 50 percent. Figure 2 (top left panel, *Scenario 1*) shows the median debt-to-GDP projection reaching 60 percent of GDP in FY2027/28, though there is a high probability of public debt exceeding 60 percent throughout the projection horizon given the initial high level of public debt. An initial debt level of 56 percent (operational debt anchor) would have ensured that public debt does not breach the 60 percent debt limit with 90 percent probability under different shocks (Figure 2, top right panel). Figure 2 (bottom left panel) shows that under the 2nd scenario the public debt would have less than 50 percent chance to reach the 60 percent of GDP ratio by FY2027/28. Figure 2 (bottom right panel) shows that an initial debt level of 51 percent (operational debt anchor) would have ensured that public debt does not breach the 60 percent debt limit with a 90 percent probability under different shocks. This is the recommended debt anchor given that it is associated with a primary balance most likely to prevail over the medium-term. Moreover, Jamaica's exposure to climate change is expected to make climate disasters more frequent and more severe, which would also justify the prudent operational debt anchor under the 2nd scenario.

Policy Considerations

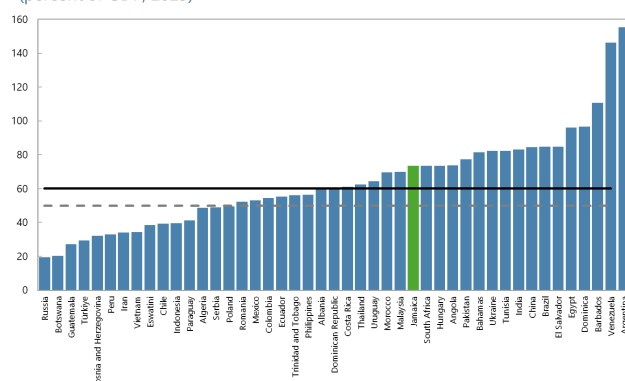
7. Adopting an operational debt anchor would strengthen Jamaica's fiscal policy risk management. Jamaica has a robust fiscal framework. Yet, it would be prudent to review the fiscal framework with a view to adapt it to changing conditions and evolving shocks. The adoption of an operational debt anchor would require an amendment of the FRL. Both the debt limit and the operational debt anchor should be described in the FRL in terms of their role in defining fiscal sustainability. The FRL could state that, to ensure fiscal sustainability, fiscal policy will use an operational debt-to-GDP anchor of 50 percent (or lower depending on the assessment of emerging fiscal risks such as more severe and frequent natural disasters) over the medium term to assure that the debt-to-GDP limit of 60 percent is not breached. A transitional arrangement for the public debt to converge to the operational debt anchor could be modeled after the current rule for the overall fiscal balance target.¹⁰

⁹ The safety margin for the debt anchor will grow with the length of the projection horizon, since longer horizon implies higher uncertainty and a larger margin is required to ensure that debt remains below the limit with high probability.

¹⁰ When public debt reaches the operational debt-to-GDP anchor of 50 percent, the rule on the overall fiscal balance target should be reviewed. For example, a primary balance operational rule consistent with stabilizing public debt at 50 percent of GDP could be implemented.

Figure 1. Public Debt Indicators for Emerging Markets**Change in Public Debt-to-GDP Ratio in Emerging Markets**
(percent of GDP, 2023 Compared with 2008)

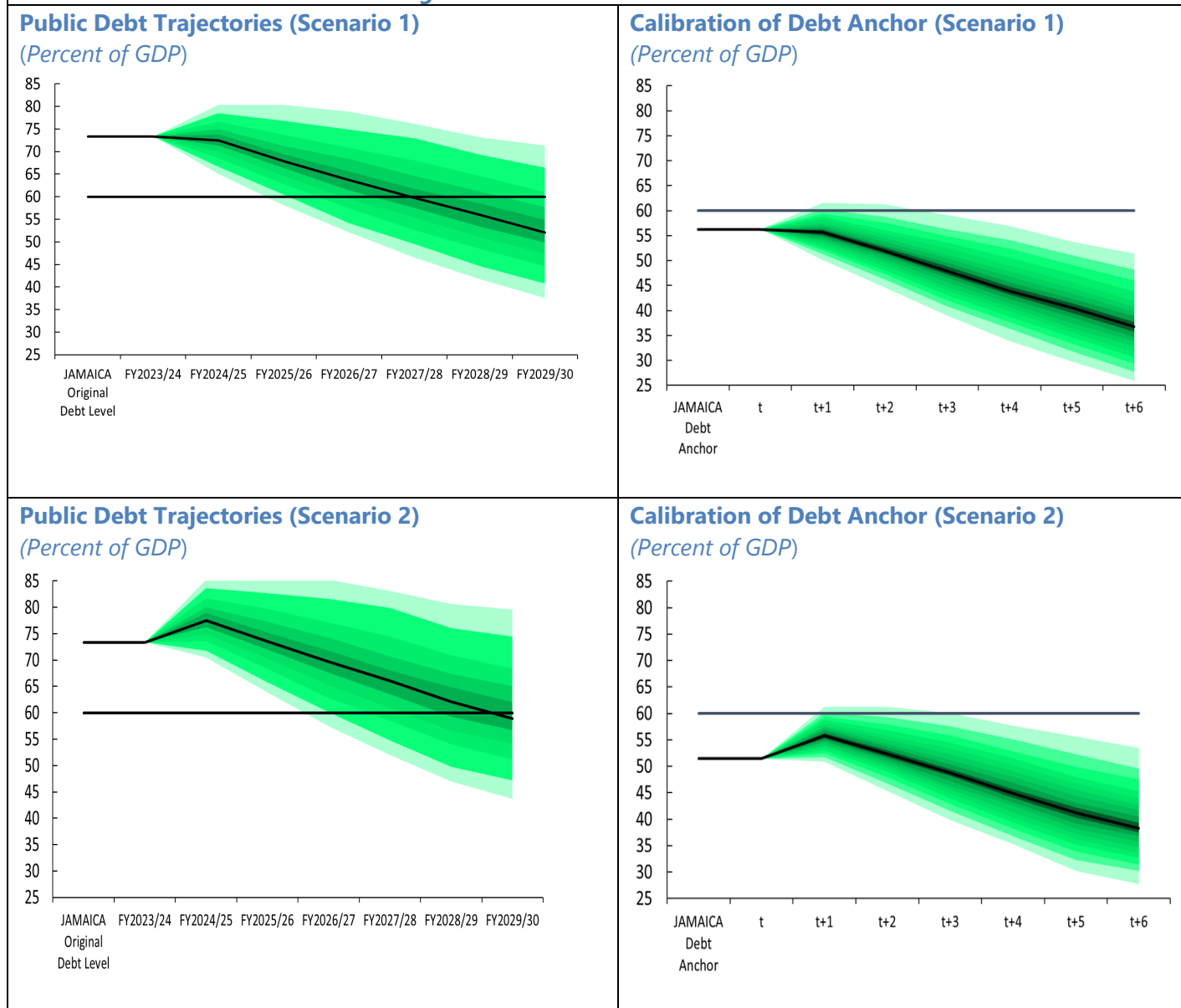
Sources: WEO and IMF staff calculations

Public Debt-to-GDP Ratio in Emerging Markets
(percent of GDP, 2023)

Sources: WEO and IMF staff calculations

Note: In the right panel, the solid horizontal line indicates a public debt-to-GDP ratio of 60 percent, while the dashed horizontal line indicates a public debt-to-GDP ratio of 50 percent.

Source: IMF, *World Economic Outlook* database; and IMF staff calculations.

Figure 2. Calibration of Debt Anchor

Note: Scenario 1 assumes a fiscal path consistent with the projections in the last medium-term fiscal framework that foresees a gradual reduction in the primary balance surplus from 5.9 percent of GDP in FY2024/25 to 3 ½ percent of GDP in FY2027/28. Scenario 2 instead assumes a looser primary balance surplus of 3 ½ percent of GDP throughout the projection horizon. Panels 1 and 3 present the fan charts for public debt using the actual initial public debt level of 73.4 percent of GDP in FY2023/24 as a starting point for the projections. In Panels 2 and 4, the debt anchor is the initial point of the simulations, and it is calibrated so that the fan chart stays below the maximum debt limit of 60 percent over a 6-year horizon with a 90 percent probability. Source: IMF, *World Economic Outlook* database; and IMF staff calculations.

Annex X. FSAP—Main Recommendations and Implementation¹ (As of May 6, 2025)

	Recommendations, Responsible Authorities, and References to Main Text	Time ¹	Implementation Status
	Financial Stability and Resources		
1	Increase supervisory resources (All)	I	<p>Consultants procured to design an appropriate organizational structure to facilitate efficient and effective discharge of duties under the Twin Peaks Regulatory Model.</p> <p>Following a review of the resources allocated to the examinations of DTIs and DTI Groups, the approved resources have increased to 46 full time employees from 31. Recruitment is ongoing.</p> <p>The BOJ is currently in the process of reviewing the resources and organizational structure to be allocated to the supervisory support functions including policy development, offsite monitoring, licensing and approvals. AML unit staffed with one department. The Organizational Review Department of the BOJ is currently reviewing this given the expanded mandate of consolidated supervision of financial groups for AML/CFT/CFT related activities.</p>
2	Enhance data collection and technical skills needed for risk-based supervision, including frequency, granularity, and quality, with a focus on exposures data for analysis (All)	I	Toronto Centre (TC) has been procured to provide consultancy services to the FSC for the development and implementation of a Market Conduct Risk-Based Supervision Framework for all financial institutions.
3	Strengthen the IT platform for supervisory data sharing and regulatory collaboration, including sharing costs (All)	I/NT	Shared data portal was established. The Bank of Jamaica is currently working on a technological solution for efficient collection and sharing of prudential reports across all regulated sectors under the Twin Peaks (TP) workstream.
	Microprudential Oversight		
4	Provide greater delegation to the BoJ to enact legally enforceable rules and include the most important Standards of Sound Practices in the binding set of prudential rules (Government)	I	<p>The BOJ has not yet made any progress with regard to this matter.</p> <p>The Bank is currently in the process of updating existing and introducing new Standards of Sound Practice. Key among this implementation framework is to have a suite of SSPs being codified into regulation. This will ensure that material risk areas are covered and will be made into legally enforceable rules.</p>
5	Fully deploy and implement risk-based supervision (BoJ, FSC)	I	<p>The FSC implemented its Risk Based Supervisory Framework (RBS) in 2021 following a three-year implementation schedule.</p> <p>BOJ supervises all licensees utilizing a risk-based approach. BOJ has completed a preliminary risk profile for licensees and is in varying stages of completing the full risk profile for each licensee. Ongoing monitoring and assessment [both on and off-site] of DTIs is informed by the RBS approach.</p>

¹ Information as reported by the authorities.

	Recommendations, Responsible Authorities, and References to Main Text	Time ¹	Implementation Status
6	Fully deploy and implement risk-based AML/CFT supervision for Deposit Taking Institutions (DTIs) and Cambios (BoJ)	NT	Done through implementation of Action Plan agreed with FATF in 2020 and with Technical Support from the Legal Department of the IMF. Risk rating methodologies have been implemented for all DTIs and the framework for Cambios is far advanced. Focus now is on embedding and automating these frameworks within the workflows of the respective Divisions while informing onsite and off-site surveillance leveraging these frameworks.
7	Implement consolidated supervision and intensify cross-agency cooperation (BoJ, FSC)	I	<p>The Bill to amend the FSC Act to enable the FSC to conduct group-wide supervision was tabled in Parliament in September 2023 and approved in November 2024.</p> <p>BOJ has licensed 7 of 8 FHCs under the Banking Services Act (BSA), and commenced monitoring for all licensees which operate a group as defined by the BSA. BOJ intensified collaboration with other regulatory agencies (both locally and regionally, across the Caribbean via MOUs) to further the BOJ's understandings of the risk profile of financial groups, which included hosting our targeted supervisory college as a home regulator for our largest financial conglomerate in June 2023 and will be hosting another college for another indigenous financial group by end Q1, 2025.</p>
8	Strengthen the regulatory framework by implementing Basel III capital adequacy requirements and liquidity requirements at the solo and group levels (BoJ)	NT	<p>The BOJ has since advanced Standards of Sound Practice in rolling out Basel III recommendations. These include the Liquidity Coverage Ratio SSP (2019) and Pillar 1 Capital Adequacy Framework (2022). As an extension to the Capital Adequacy Framework (2022), the BOJ has so far consulted with the industry on the Capital Conservation Buffer and Systemic Risk Buffer for inclusion in impending drafting instructions. The focus now is on commencing the process related to proposals for drafting instructions for the Regulations supporting Pillar 1 and the LCR.</p> <p>Since September 2022, the DTI Sector has been engaged in parallel reporting for Basel III Pillar 1 in addition to Basel I/II capital requirements specified in regulation.</p> <p>The consultation paper on the methodology of determining the capital surcharge for institutions that are deemed systemically important was published on August 2023, for consultation. Using an OMNIBUS approach, the FISC has sought to integrate the Systemic Risk Buffer, alongside the Capital Conservation Buffer and Basel III Pillar I Requirements in the proposals for drafting instructions for capital adequacy regulations.</p> <p>As it relates to the consolidated level, while work is to be initiated on building out the prudential standards for solvency, liquidity, large exposures and related parties, the Bank of Jamaica has made notable progress in establishing a reporting framework for consolidated prudential supervision. A draft reporting form, for FHCs, has since benefitted from industry consultation, which the Bank is currently reviewing prior to operationalization of ongoing prudential reporting,</p>

	Recommendations, Responsible Authorities, and References to Main Text	Time ¹	Implementation Status
			due Q3 2025.
9	Intensify dialogue with the industry (BoJ, FSC)	I	<p>The FSC's routine communication channels include:</p> <ul style="list-style-type: none"> • Quarterly meetings with the associations for each industry • Consultation papers where the members of the industries are asked to provide feedback on regulatory developments • Annual webinars • Technical working groups - for example IFRS17 and revisions to the risk-based capital tests <p>This has been a focus for the BOJ and has been done through a number of mechanisms including (i) Banker's Committee (ii) focus groups on a number of issues facing the industry such as fraud; (iii) increased meetings with individual Boards and Senior Management regarding findings of supervisory activities or introducing new regulatory policies and specific focus on corporate governance etc.</p>
	Securities Dealers		
10	Complete the retail repo reforms through the staged introduction of the mismatch ratio (FSC)	I/NT	Implementation of the ratio was being conducted in accordance with the implementation schedule. However, due to the pandemic and subsequent geopolitical issues. Full implementation was delayed. It will be incorporated in the consultations to implement the capital and liquidity reforms recommended in the 2020 CARTAC TA.
11	Securities dealers should be able to intermediate in a wider range of financial instruments, in particular, corporate debt and equity instruments (FSC)	MT	<p>The FSC has been in discussions with the Jamaica Securities Dealers Association (JSDA), the Jamaica Central Securities Depository and the Bank of Jamaica to operationalize the addition of cash to the retail repo framework and issued a consultation in 2020. Discussions are ongoing on the matter.</p> <p>In 2020, through collaboration with the FSC and JSDA the JSE launched a private market to enable trading in Exempt Distribution securities also facilitating an area for reporting secondary trades in the XD offerings and greater liquidity.</p> <p>The FSC also implemented its Risk Based Supervisory Framework in 2021 following a three-year implementation schedule.</p> <p>In the medium term the FSC is seeking to amend the requirements for Capital and Liquidity in accordance with TA recommendations made in 2020. This may include changes to risk weightings and in the case of liquidity, application based on the investment grade and overall liquidity of the instrument.</p>
12	Introduce the revised large exposure regime to improve resilience against contagion (FSC)	NT	The ratio was implemented in December 2021 in accordance with the schedule and currently stands at 25%. Due to the pandemic and subsequent geopolitical issues, the FSC has taken a case-by-case approach to maintaining compliance.

	Recommendations, Responsible Authorities, and References to Main Text	Time ¹	Implementation Status
13	Introduce formal arrangements for group-wide supervision of conglomerates which include securities dealers, both within the FSC and between the FSC and BoJ (FSC and BoJ)	NT	The Bill to amend the FSC Act to enable the FSC to conduct group-wide supervision was tabled in Parliament in September 2023. The management meeting at the FSC facilitates communication and joint examination among the sectoral divisions.
	Insurance Sector		
14	Enact binding regulations for asset-liability management and introduce regular stress tests for general insurers (Government, FSC)	MT	The regulations requiring insurers to include ALM in their risk management programs were passed in December 2022. The regulations also required all insurance companies (life and general) to perform annual stress tests.
15	Introduce a risk-based solvency regime, ideally at the time of adoption of IFRS 17 (Government, FSC)	NT	The Minimum Capital Test (MCT) for general insurance companies was updated to reflect IFRS17. Amendment to the insurance regulations to implement the new MCT was completed in December 2022. Quantitative impact studies to update the test for life insurers were conducted. Life Insurance Capital Adequacy (LICAT) was finalized in 2023 and is being used to supervise life insurers. Amendments to the Insurance Act are being drafted
	Macroprudential Policy and Framework		
16	Develop a toolkit for macroprudential policy (BoJ)	MT	BOJ intends to roll out a systemic risk buffer (SyRB) for Jamaican financial institutions (on a phased basis) in the next few years. The framework, which will be used to identify systemically important financial institutions, to which this buffer will apply, was published by the Bank on August 11, 2023. Proposals for Drafting Instructions for an omnibus legislative framework, integrating all capital requirements are to conclude in 2025. A related consultation paper is to be published by end-2025. Importantly, the SyRB is a macroprudential policy tool which is intended to strengthen the capacity of the financial institutions (including the insurance sector) designated under the framework as systemically important to withstand losses during times of stress.
17	Develop a communication strategy to convey financial stability assessments and link them to policy actions (BoJ)	MT	As it relates to the communication strategy, the macroprudential policy decisions of the Financial Policy Committee (FPC) are published in the form of macroprudential policy statements on the Bank's website. To facilitate this, the Financial System Stability Committee (FSSC), provides recommendations to the FPC for review, decision and ultimately communication to the public, based on deliberations on macroprudential policy at its scheduled meetings.
	Crisis Preparedness, Recovery Planning, and Resolution		
18	Introduce a special resolution regime (SRR) closely aligned with international best practice for resolving systemic financial institutions (Government)	NT	As at October 2023, the Bank issued a consultation on 'An Effective Special Resolution Regime for Financial Institutions in Jamaica'. This informed policy proposals for introduction of legislation to reform the current resolution framework for various financial institutions in Jamaica. The SRR is expected to be submitted to parliament by end-June 2024 as part of the 2023/24 PLL conditionality. The Financial Institutions Resolution and Winding-Up Act was

	Recommendations, Responsible Authorities, and References to Main Text	Time ¹	Implementation Status
			<p>tabled in the Senate on June 28, 2024. The Bill provides a framework to address the recovery and resolution of non-viable financial institutions in an orderly manner that minimises the need to resort to public funds whilst preserving vital economic functions.</p> <p>The Financial Institutions (Resolution and Winding Up) Act, 2024, allows for the regulator to intervene pre-emptively, where it deems necessary, to ensure orderly resolution of problem institutions. Part XI of the Bill addresses Cross-Border Co-operation and Treatment of Foreign Special Resolutions, which focuses on the mechanisms and frameworks necessary for effective collaboration between jurisdictions in resolving financial institutions that operate across borders.</p>
19	Finalize an MoU between BoJ and the Jamaica Deposit Insurance Corporation (JDIC) to allow JDIC to better prepare for possible resolution action (BoJ, JDIC)	I	This MOU was signed by Bank of Jamaica and the JDIC in 2024.
20	Develop a contingency plan for a systemic crisis (All)	MT	<p>The SRR is to address this as a part of the framework and is expected to be submitted to Parliament as part of the 2023/24 PLL conditionality.</p> <p>As a separate but related workstream, under the auspices of the FRC, a Technical Working Group was tasked with reviewing and updating the compendium of documents to the National Financial Crisis Management Plan to reflect current developments in the financial sector in the context of the existing legal and regulatory framework for DTIs and Non-DTIs until the SRR is implemented. In this body of work, the drafting of Playbooks for the early intervention and resolution of deposit-taking institution (DTI), insurance companies, securities dealers, and life Insurers commenced in November 2022 and is still ongoing. The playbook for DTI sector has been completed. The crisis management playbooks for the Non-DTI sector, MOFPS and JDIC are currently being drafted with an expected submission date of Q1 2024. Once all the Playbooks are completed, the FRC will commence simulation exercises at the agency and multi-agency level to test the efficacy of the plans. This is slated for mid-2025 via a crisis simulation exercise.</p> <p>This is being addressed under the Financial Institutions (Resolution and Winding Up) Act, 2024 that was tabled in the Senate on June 28, 2024.</p>
21	Develop guidance for FIs on recovery plans and begin a pilot project to request such plans from the most significant institutions on a rolling basis (BoJ, FSC, JDIC)	I	<p>This is to be a requirement under the SRR framework. Guidance to the industry on the development of recovery plans will be the responsibility of the supervisor (FISD).</p> <p>This initiative is part of the Bank's Strategic Objective for 2025, and involves the issuing of a consultation paper, with the expectation of full implementation by 2026.</p>
22	Develop strategy for funding of resolution, including whether to establish a resolution fund (All)	MT	This forms part of the SRR framework which is expected to be submitted to Parliament as part of the 2023/24 PLL conditionality.

	Recommendations, Responsible Authorities, and References to Main Text	Time ¹	Implementation Status
			This forms part of the Financial Institutions (Resolution and Winding Up) Act, 2024. Industry consultations are ongoing.

	Recommendations, Responsible Authorities, and References to Main Text	Time	Implementation Status
	Capital Market Development		
23	Adopt a strategy for capital markets deepening, including developing the short end of the yield curve for benchmarking (Government)	NT	BOJ led the coordination, monitoring and implementation of a capital market deepening programme, in collaboration with the FSC and the JSE. Work advanced in various focus areas notably, to facilitate increased transparency and price discovery in markets with the strengthening of trading microstructures. Initiatives to improve the ecosystem for the issuing, listing, trading and rating of Jamaican corporate securities were also implemented. In addition, work has advanced on the project to facilitate the GOJ domestic securities to be listed and traded on the JSE platform.

¹ I (immediate) = within one year; NT (near term) = 1–3 years; MT (medium term) = 3–5 years.

Annex XI. Data Issues (As of February 28, 2025)

Table 1. Jamaica: Data Adequacy Assessment Rating 1/B

B. The data provided to the Fund has some shortcomings but are broadly adequate for surveillance

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	A	B	B	A	B	B

Detailed Questionnaire Results

Data Quality Characteristics

Coverage	B	A	B	A	B	
Granularity	C		B	A	A	
3/			B		A	
Consistency			A	B		B
Frequency and Timeliness	A	A	A	B	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see *IMF Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. The data provided to the fund have some shortcomings but are broadly adequate for surveillance. Improving the coverage and granularity of the national accounts, government finance statistics, monetary and financial statistics and consistency and timeliness of the external sector statistics would enhance the adequacy of data for surveillance. The compilation of national accounts by expenditure, the update of the GDP base year, a better expenditure layout for fiscal statistics, and improved timeliness of the external sector would improve data quality. These improvements will help the country move towards the SDDS subscription.

Table 1. Jamaica: Data Adequacy Assessment Rating (Concluded)

Changes since the last Article IV consultation. The authorities have made significant progress towards the SDDS subscription as illustrated by completion in 2024 of the related structural benchmarks (SB) under the PLL (expired in February 2025): the MOFPS disseminated General Government data, albeit with some remaining gaps in coverage and limited granularity (2019 up to 2023) on the National Summary Data Page (NSDP), and the BOJ conducted the Non-Financial Corporations (NFC) survey to obtain data for Direct Investment Intercompany Lending positions for each quarter of 2023. In addition, the authorities submitted the provisional data on the non-depository financial corporations and are refining them with guidance from STA. Progress in addressing data gaps related to compiling the supply and use table, rebasing GDP, and compiling the industrial production index needs to continue. No new weaknesses have emerged since the last Article IV consultation.

Corrective actions and capacity development priorities. The authorities reiterated their commitment to the SDDS adherence. The modernization and restructuring framework laid out by the STA's February 2024 mission needs to be implemented with on-going CD assistance. They are considering engaging a long-term expert to assist their efforts. The BoJ is engaging STA virtually to assure the external sector data conform with the SDDS requirements. On the FSIs, the BOJ and the STA will engage to operationalize inclusion of the indicators in the IMF's FSI database. The BOJ expressed interest in STA's review of their FSI compilation methodology. The Statistical Institute of Jamaica (STATIN) has collaborated with STA to finalize a workplan for completing the 2015 Supply and Use Tables and rebasing the GDP to 2015. Additionally, they will continue updating macroeconomic statistics, including the development of an industrial production index to provide a timelier indicator for GDP.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Jamaica labor statistics data including on gender appears broadly adequate but adding data on private sector wages would enhance its comprehensiveness. Data related to climate change, including related to the experienced natural disasters, could be provided on a dedicated outlet.

Data Standards Initiatives

Jamaica participates in the Enhanced General Data Dissemination System (e-GDDS) and has been publishing the data on its National Summary Data Page since February 2017.

Table 2. Jamaica: Common Indicators Required for Surveillance
As of May 15, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Jamaica ⁸	Expected Timeliness ^{6,7}	Jamaica ⁸
Exchange Rates	Apr-25	May-25	M	2W	D	M	...	2W
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Apr-25	May-25	M	M	M	M	1M	1M
Reserve/Base Money	Feb-25	Mar-25	M	M	M	M	2M	2W
Broad Money	Mar-25	May-25	M	M	M	M	1Q	4W
Central Bank Balance Sheet	Feb-25	Mar-25	M	M	M	M	2M	2W
Consolidated Balance Sheet of the Banking System	Mar-25	May-25	M	M	M	M	1Q	4W
Interest Rates ²	14-May-25	15-May-25	D	D	M	M	...	1M
Consumer Price Index	Apr-25	May-25	M	15D	M	M	2M	15D
Revenue, Expenditure, Balance and Composition of Financing ³ –General Government ⁴	2023	Apr-25	A	A	A	A	3Q	12M
Revenue, Expenditure, Balance and Composition of Financing ³ –Central Government	Feb-2025	Mar-2025	M	M	Q	M	1Q	1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Dec-24	Jan-25	M	M	Q	M	2Q	1M
External Current Account Balance	2024Q3	2025Q1	Q	4M	Q	Q	1Q	4M
Exports and Imports of Goods and Services	Dec-24	Apr-25	M	12W	M	M	12W	12W
GDP/GNP	2024Q4	2025Q1	Q	Q	Q	Q	1Q	1Q
Gross External Debt	2024Q3	Feb-25	Q	4M	Q	Q	2Q	4M
International Investment Position	2024Q3	2025Q1	Q	Q	A	Q	3Q	4M

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
³ Foreign, domestic bank, and domestic nonbank financing.
⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
⁵ Including currency and maturity composition.
⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex XII. RSF Reform Measures: Content and Impact

The RSF-supported reforms were consistent with Jamaica's agenda to build resilience to climate change. The RMs aimed at preparing policy frameworks to make the goals in Jamaica's road map to address climate vulnerabilities feasible, with an efficient and transparent allocation of resources, thus helping catalyze the needed financing and reducing the prospective BOP needs. In line with this, reforms in public finance management targeted institutional changes to foster adaptation efforts and help improve budget planning and spending efficiency. Reforms focusing on mitigation targeted increased reliance on renewable energy and reduced energy consumption. And reforms in the third pillar supported financial sector resilience and expected catalytic effects to help Jamaica meet climate financing needs.

First Review

1. **RM1: The Ministry of Finance and Public Service (MOFPS) to adopt a National Natural Disaster Risk Financing (DRF) policy.**

- RM1 establishes a foundation for a development of the strategic approach to the disaster risk financing. It contributes to operationalization of Jamaica's Public Financial Management Policy for Disaster Risk. The policy adopts a comprehensive financing approach including use of an expanded set of insurance instruments and therefore enables identification and selection of the most cost-effective disaster risk insurance.
- Jamaica has availed itself of a diverse set of financial coverage tools in case of disasters. However, that diversity reflects more an opportune availability of an instrument rather than a strategic approach to DRM financing. The authorities developed a National Natural Disaster Risk Financing policy (NNDRFP) to develop a strategic approach to the DRM financing. The policy was submitted to public consultation. It deploys a robust assessment of explicit and implicit contingent liabilities matched against a suitable suite of the best fitting financial tools. The policy has three focus areas: i) budgeting for DRF – data processes and systems; ii) building financial and disaster risk resilience; and iii) building institutional capacity. The first area includes strategies and activities to improve budgeting and reporting of climate related expenses. The second area adopts a comprehensive financing approach including use of an expanded set of insurance instruments and therefore enables identification and selection of the most cost-effective disaster risk insurance. The third area focuses on improving competence in identifying and quantifying fiscal risks, including contingent liabilities related to natural disasters as well as strengthening capacity to evaluate alternative DRF instruments. The policy is complemented by an Implementation Plan that identifies the relevant parties for the implementation of the policy and its operationalization/implementation schedule. The policy is informed by the World Bank's 2018 report "Advancing Disaster Risk Finance in Jamaica" and the technical support of the World Bank during its preparation.

2. **RM2: The Development Bank of Jamaica in consultation with the MOFPS to modify the Policy and Institutional Framework for the Public-Private Partnership (PPP) policy Program of the Government of Jamaica to include climate requirements in PPP project agreements from project**

identification to contract management and revise the PPP Standard Operating Procedure Manual to reflect these requirements.

- Jamaica has made extensive use of public-private partnership (PPP) arrangements since 2011. The PPPs are likely to remain an important vehicle for use and blending of private and public resources to advance development. The PPPs are likely to gain in importance as an avenue to tackle climate related investment needs where resources and expertise of the public and private sector must come together to address the existential challenges facing the island. In that context, the clear structure for allocating the burdens and rewards of climate related investing is crucial to incentivize private partners and to manage the related expectations in a transparent and balanced way.
- However, the institutional PPP framework in Jamaica is lacking a structure for allocation of climate risks between the government and PPP partners. Consequently, the PPP project appraisal, selection, procurement and contract management procedures do not integrate climate-related analysis based on a standardized methodology. RM2 addresses these gaps. The transparent and up-front allocation of liabilities will support proper quantification of liabilities and securing of the matching resources to control them. To this end, the authorities amended the Policy and Institutional Framework for the Public-Private Partnership (PPP) policy Program to integrate climate-related analysis in PPP project appraisal, selection, procurement, and contract management procedures. Additionally, the authorities revised the PPP Standard Operating Procedure Manual to reflect these requirements. The Manual which operationalizes the Policy defines process and procedure to integrate climate considerations into the four critical PPP project's phases: i) project identification; ii) business case; iii) transaction; and iv) contract management. The procedures set by the Manual for each of the PPP project phases are summarized in the Box 1 below. The Manual also includes useful templates for each PPP project phase. The Manual is intended to be useful for the government entities in charge of PPP—the Development Bank of Jamaica (DBJ)—and the enterprises and other financial institutions and development organizations interested in exploring different aspects of PPP management. Both the Policy and the Manual benefitted from the technical assistance of the Inter-American Development Bank (IDB). In terms of Policy and Manual's impact, the transparent and up-front allocation of liabilities will support proper quantification of liabilities and securing of the matching resources to control them.

Box 1. Jamaica: The PPP Standard Operating Procedure Manual: Guidance by Project Phase

Embedding Climate Resilience at the PPP Project Identification Stage: the assessments and guidance in this section will help DBJ/Government of Jamaica (GoJ) PPP teams ensure that their projects align with GoJ development goals and objectives (see: 2.1.1-2.1.3) as well as provide guidance that will help project teams think through, at a high-level, how climate risks can affect the potential project.

Embedding Climate Resilience at the PPP Business Case Stage: this section provides guidance to help project teams think through how to embed climate resilience considerations into the various technical, financial, economic, environment analyses conducted to determine if the project is viable and best delivered as a PPP.

Embedding Climate Resilience at the PPP Transaction Stage: the guidance in this section of will help DBJ PPP teams/Enterprise teams think through how to embed climate resilience considerations into designing the contract, qualifying bidders, tendering the project, and evaluating bids received: the guidance in this section will help DBJ PPP teams/Enterprise teams think through how to embed climate resilience considerations into designing the contract, qualifying bidders, tendering the project, and evaluating bids received.

Embedding Climate Resilience at the PPP Contract Management Stage: the decision support tools in this section of the toolkit will help governments and project planners think through how to track any climate-related agreements set during the Transaction Stage and managing any unforeseen climate-related risks that occur over the life of the PPP.

Source: The PPP Standard Operating Procedure Manual, 2023.

3. RM8: The Ministry of Science, Energy and Technology (MSET) to submit to parliament the electric vehicles policy (EVP), in line with the objectives in paragraph 23 of the Written Communication.

- The electric vehicle policy sets functional standards and regulations for electric mobility, defines energy sector guidelines for electric mobility accommodation, develops operational codes to promote adoption of electric vehicles, and sets guidelines for the development of an electric mobility ecosystem. In Jamaica, mass public transportation is underdeveloped and there is over-reliance on cars and taxis, which leads to high per capita petrol consumption compared to regional peers. This consumption feeds into the high fuel import bill and the related vulnerabilities including most recently and prominently the related inflationary pressures which came to the fore following the war in Ukraine. There is an urgent need to transition to renewable energy. The measures envisaged in the EVP could result in a share of electric vehicles rising to about 12 percent of total privately owned fleet, 16 percent of public transport, and savings of 3 MTCO₂eq over the next decade.¹ The economy-wide and socio-financial impacts of the adoption of the electric vehicles are estimated as positive due to investments in infrastructure, fuel imports reductions, development of renewables and socio-financial (including health) savings due to the efficiency advantages in maintenance, emissions, and operations of the electric fleet over the combustible engine-based fleet.

¹ IDB Strategic Framework for Electric Mobility. Technical Cooperation Number JA-T1172 – Sustainable Transport and Renewable Energy-Powered Electric mobility April 2020, p.11, scenario 4.

- The electric vehicle policy (EVP) was developed based on the Strategic Framework of Electric Mobility (SFEM) adopted by the government in March 2021 and developed with the technical assistance of the IDB. The SFEM proposes different incentives, policies, regulatory frameworks, and business models in order to maximize the benefits of electric mobility deployment in the country, as well as the creation of a new ecosystem. The EVP comprises six building blocks: i) the establishment of different standards to enable electric mobility adoption including EV import standards requirements, EV registration procedures etc.; ii) the deployment of a public charging infrastructure network as a prerequisite to engage on this new technology transportation mode²; iii) the existence of a competitive EV infrastructure market ; iv) the proper management of batteries and other EV components second-life and recycling once EVs reach their end-of-life; v) the promotion of specific training programs to develop EV knowledge among technical experts (mechanics, first response fleet professionals such as firefighters and police etc.) to guarantee the viability of electric mobility deployment; and vi) the social awareness among Jamaican population to incentivize the EVs use through for instance communication campaigns, test rides etc.. The EVP policy complements the fiscal incentive to stimulate the purchase and promote the expansion of EVs throughout the country. ³

4. RM9: The MSET to approve guidelines adapted to the type and purpose of the structures, to reduce energy use in schools, hospitals, and public buildings for the existing and new structures.

- This RM promotes energy efficiency and conservation to free public funds through lower government bills and reduced oil imports, helping the government of Jamaica to create the fiscal space for productive spending whilst also contributing to greenhouse gas emissions' reduction. Previous energy conservation programs may be a good benchmark for the potential impact of this measure. The Energy Efficiency and Conservation Program implemented during 2012-2016 retrofitted public health, administrative and educational buildings, supported energy efficiency and conservation. It is estimated that the program saved some JD131.5 million (US\$1 million). A subsequent program developed over 2017- 2021 is estimated to have saved more than 0.6 million barrels of oil (equivalent to 8 percent of total crude volume imported in 2020) by equipping 30 public facilities with energy efficient systems.
- The guidelines collate the existing energy efficiency codes and standards to provide a centralized reference hub for practitioners and thus assure their use at different life stages of the investment project (design, procurement, construction, operation, and maintenance). The guidelines also mandate the use of appropriate expertise (engineers and architects) for the application of codes and standards, and set the measures to evaluate outcomes of enhanced energy efficiency and define the process to follow for new and existing structures as required by the RM. Among others, the guidelines set specific energy efficiency requirements for hospitals

² The establishment of the efficient charging infrastructure is one of the goals of the policy. According to the policy it is expected that actual charging infrastructure investment will be undertaken by the public and private stakeholders. Currently, the JPS, public electric utility, has been building charging stations.

³ Customs Tariff (Revision) (Amendment) (No. 2), Resolution, 2022, and the Road Traffic (License Duties) Order, 2022.

and schools in line with the RM. To assure verification of the application of required standards and codes, the guidelines establish procedures for monitoring, evaluation, measurement, and verification of their implementation.

Second Review

5. **RM3: The Public Investment Appraisal Branch (PIAB) to define a methodology to conduct climate impact assessments at project appraisal stage (*project proposal stage*) and incorporate the methodology in the Public Investment Management System (PIMS) handbook.**

- RM3 contributes to a climate resilient PIMS by defining a methodology to conduct climate impact assessments at a project appraisal stage. The requirement to incorporate the methodology in the PIMS handbook assures dissemination and mandatory use of the methodology across the spectrum of government agencies responsible for preparation of publicly funded investment projects.
- While the previous framework required screening for climate hazards—using the Caribbean Climate Online Risk and Adaptation Tool (CCORAL) and a climate impact assessment at respectively a concept and proposal stages—these assessments had not followed a uniform standard methodology. RM3 addresses this deficiency through a methodology that: (i) identifies the climate risks for capital projects through the lifecycle of the project; (ii) identifies the climate risks’ data sources; and (iii) defines processes and procedures to integrate climate risks analysis in the projects’ economic and financial analysis. The methodology focuses on the exposure of projects to damage from climate-related disasters and applies to projects proposed by ministries, departments, and agencies (MDAs), and public entities. Any project not meeting the climate impact criteria will not be included in the project pipeline or selected for financing.
- The methodology is informed by the IMF’s 2023 Climate Public Investment Management Assessment (C-PIMA) and benefitted from the technical assistance of the Inter-American Development Bank (IDB) during its preparation. It is available at: <https://www.mof.gov.jm/wp-content/uploads/Climate-Risk-Assessment-Methodology-202312.pdf>. It is also included in the Public Investment Management System (PIMS) handbook—the guide for project preparation and execution. The Ministry of Finance and Public Service (MOFPS) issued a circular mandating use of the methodology. It is available at: <https://www.mof.gov.jm/wp-content/uploads/Circular-34-Climate-Risk-Assessments-Incorporated-into-the-Appraisal-of-Public-Investment-Projects.pdf>.

6. **RM4: The Planning Institute of Jamaica (PIOJ) to define and publish project selection criteria including climate change criteria.**

- RM4 contributes to the PIMS by requiring identification of project selection criteria (applicable to any project) and their dissemination through publication and it contributes to climate

resilience of the PIMS by requiring identification of climate related project selection criteria and their dissemination through publication.

- Under the previous framework, capital projects in Jamaica have not been selected according to commonly applied and consistent project selection criteria. Furthermore, projects have not been selected based on commonly applied and consistent climate-related selection criteria. RM4 addresses both deficiencies. The PIOJ developed project selection criteria including: (i) a description of the institutional framework in charge of the project selection and a summary of the process; (ii) a worksheet describing the selection criteria and weights applied to each criterion; and (iii) detailed guidelines on the application of the project selection criteria including a software used to apply them and guidance for its use. As required by RM4, the selection criteria account for the vulnerability of the projects to climate hazards.
- RM4 was informed by the IMF's 2023 C-PIMA and benefitted from the technical support of the IDB during its preparation. The project selection criteria are available via Internet at: <https://www.pioj.gov.jm/government-of-jamaica-pims-project-selection-criteria/>.

7. RM6: The MOFPS to submit to parliament an amendment to the Financial Administration and Audit Act (FAA) to establish a National Natural Disaster Reserve Fund (NDRF) subaccount under the consolidated fund account. In parallel, the MOFPS to approve financial regulations for a transparent administration and reporting of the NDRF.

- RM6 complements RM1, which was completed in June 2023 with the approval of the National Natural Disaster Risk Financing policy. RM6 contributes to the transparent use and management of financial resources for disaster risks management by complementing the budget's accounts with an account that will receive and disburse resources to alleviate impact of catastrophic natural disasters. The use of the NDRF will be triggered in response to catastrophic events exceeding the related damage threshold defined in the amended Financial Administration and Audit Act (FAAA). The MOFPS approval of financial regulations for administration and reporting of the NDRF transactions assures transparent accounting of its receipts and outgoings and facilitates their audits. In addition, it should give confidence to international providers of financial assistance that the funds provided will be used for the intended purpose and accounted for in a transparent manner.
- The NDRF financial regulations specify roles, responsibilities as well as procedures and criteria to channel resources to respond to disasters. Key elements of the financial regulations include: (i) the definition of the fund's administrative body; (ii) identification of sources of financing and clear instructions for the fund's capitalization; (iii) a definition of the scope and types of interventions that trigger financing by the NDRF; (iv) timely fund disbursement procedures—in line with the 2019 Ministry of Finance and Public Service (MOFPS)'s post-disaster budget execution guidelines—to ensure that resources are made available in a timely and efficient manner; and (v) mechanisms for tracking, accounting, and reporting of fund's expenditures to ensure that comprehensive and timely information is available to policymakers and the public. International Public Sector Accounting Standard (IPSAS) are applied to the fund's accounting.

8. RM10: BOJ to publish a climate risks assessment (including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime) and define a timeline to embed these risks in supervisory activities and related databases for the development of climate risks assessments.

- RM10 is a first step to build capacity at the BOJ and the FSC to incorporate Climate-Related Financial Risks (CRFR) into their risk-based supervision, risk monitoring, and evaluation practices. The BOJ published a report on climate risk assessment, including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime in the Jamaican financial system. The identified risks will be included in the databases available to the financial sector and embedded in the supervisory activities according to a timeline proposed in the report.
- Domestic financial institutions are vulnerable to climate risks through lending to climate-exposed sectors. As a first step, as per RM10, the BOJ developed and published a climate risks assessment report that: (i) assesses climate risks in Jamaica, distinguishing between physical and transition risks; (ii) investigates transmission channels of these risks into the financial system; (iii) analyzes transmission channels in major economic sectors including agriculture, distribution, mining and manufacturing, tourism and transportation and energy; (iv) provides a review of peer practices in managing climate-related financial risks and discusses the current climate readiness of Jamaica's financial sector outlining, as well the national policies and regulatory framework in place; and (v) provides recommendations for both the BOJ and the financial sector to enhance their climate readiness.⁴
- The timeline to embed climate risks in supervisory activities is itemized in Table 16 of the BOJ report. Among others, the following are included: (i) initiate enhanced data collection and reporting frameworks relating to climate-related financial risks (early 2024); (ii) adopt a monitoring framework that improves data collection and establishes the reporting requirements for financial institutions (end-June 2024); (iii) conduct early climate stress testing exercises (end-2025); (iv) BOJ to become a full member of the NGFS secretariat and arrange bilateral meetings with peer supervisors to discuss climate risk management, climate disclosures and climate stress testing (end-2024); and (v) develop an own TCFD report (mid-2024). The BOJ received support from the *Agence Française de Développement (AFD)* to develop this report. The report is available via Internet at: <https://e2gobqetsqs.exactdn.com/wp-content/uploads/2023/12/Climate-Risks-Report.pdf>. The above timeline has experienced some delays. A process to procure a consultant to assist with this work is currently in train and is expected to be finalized by end-2025.

⁴ Building capacity in data collection is the first step for conducting climate risk stress tests. Identification and collection of climate data is a complex process that will take time and collaboration between climate scientists and financial sector experts; and is a key pre-requisite for conducting climate risk stress testing.

Third Review

9. **RM5: The MOFPS to conduct and publish in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.**

- RM5 contributes to a climate resilient fiscal framework by operationalizing a methodology to quantify climate impact on fiscal risks. The requirement to incorporate the methodology in the Fiscal Risk Statement (FRS) in The Policy Paper assures dissemination and mandatory use of the methodology at the most important moment in the budget preparation process.⁵
- While the previous FRSs included analysis of climate hazards and their estimated impact, these assessments had not followed a uniform standard methodology. RM5 addresses this deficiency through a methodology that: (i) identifies the climate risks through the lifecycle of the MTFF; (ii) identifies the climate risks' data sources; and (iii) defines processes and procedures to integrate climate risks analysis in the FRS. The methodology focuses on the past exposure to damage from climate-related disasters and calibrates these estimates for the forecasted FRS.
- RM5 was informed by the World Bank's (WB) 2018 report "Advancing Disaster Risk Finance in Jamaica" quantifying the fiscal disaster losses. RM5 deepened synergies with the WB efforts in this area and the WB considered it would contribute to the soundness of fiscal framework and the credibility of the budget. It was also informed by the IMF's Climate Public Investment Management Assessment (C-PIMA) and benefitted from the technical support of the IMF FAD delivered after C-PIMA completion (Fiscal Risks from Climate Change, Fisher L., October 2023). The C-PIMA was finalized in early 2023, identifying areas that would increase resilience of public investment to climate change.⁶

10. **RM7: The MOFPS to submit to parliament a bill to incentivize investment in renewables through fiscal measures.**

- RM7 introduces personal income tax rebates to incentivize take up of solar panels for residential generation. This measure was developed in-house. The authorities analyzed experiences of other countries where similar measures were adopted, including Barbados, Trinidad and Tobago, and the United States. The bill was passed by parliament on July 9, 2024. The rebates shall apply to solar panels acquired and installed on or after January 1, 2023.
- RM7 complements the existing incentives for investment in renewables. The existing incentives to support the continued expansion of low-carbon power in Jamaica comprise zero-rated VAT for inputs or raw materials supplied for the manufacture of solar and wind equipment, the suspension of the import duty for items on the priority list of renewable energy and energy efficiency until end-

⁵ Available at the MOFPS website at: <https://www.mof.gov.jm/wp-content/uploads/FPP-2024-Final.pdf>.

⁶ The Jamaica C-PIMA is at: <https://www.imf.org/en/Publications/CR/Issues/2023/06/28/Jamaica-Technical-Assistance-Report-Climate-Public-Investment-Management-Assessment-C-PIMA-535362>.

2025, favorable tariffs for imports of EVs, and net billing.⁷ In addition, in June the government tabled in parliament an amendment reducing the corporate income tax rate from 33⅓ to 25 percent for independent power producers generating at least ¾ of energy from renewable sources.

- RM7 was recognized as a high priority measure because the renewable generation environment needs incentives to develop a pace. The RM7 deepens synergies with the deep decarbonization strategy as spelled out in the WB's 2021 report "Jamaica's Long-Term Climate Change Strategy Recommendations" that notes importance of the appropriate incentives for advancement of climate related measures.
- The expected impact on residential solar panel adoption and power generation will depend on the public's take-up of the incentive and therefore is difficult to quantify. In addition to this positive impact the measure will impact the revenue collection since the rebates will be granted to those who would otherwise pay taxes. The authorities estimate the potential revenue loss from the measure at approximately J\$ 100 million. The volume of 2023 Net Billing applications was used to approximate the demand for the residential solar panels due to the income tax credit.

11. RM11: Adopt a monitoring framework that improves data collection and establishes the reporting requirements for financial institutions to implement Climate Related Financial Risks stress testing and for the BOJ to gradually integrate climate risks in supervision and macroprudential policy formulation.

- RM11 complements RM10 completed in December 2023.⁸ RM11 focused on the adoption of a monitoring framework to improve data collection and establish reporting requirements for financial institutions to implement climate-related stress testing and for the BOJ to gradually integrate climate risks in supervision and macroprudential frameworks. Future activities will comprise increasing collaboration between climate scientists and financial sector experts to operationalize climate related stress tests, conducting climate related stress tests, developing a monitoring framework to manage risks, and building capacity at the BOJ and the FSC for on-going assessment of climate-related risks.
- The data collection process will commence early in 2025 with the development of new collection forms and expansion of the existing forms expected by end-March 2025. In parallel, the

⁷ See Annex VIII in "[Staff Report For 2024 Article Iv Consultation And Second Reviews Under The Arrangement Under The Precautionary And Liquidity Line And Arrangement Under The Resilience And Sustainability Facility](#)" for an in-depth exposition.

⁸ RM10 was the first step to build capacity at the BOJ and the FSC to incorporate Climate-Related Financial Risks (CRFR) into their risk-based supervision, risk monitoring, and evaluation practices. The BOJ published a report on climate risk assessment, including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime in the Jamaican financial system. The identified risks will be included in the databases available to the financial sector and embedded in the supervisory activities according to a timeline proposed in the report. See the RM10 report available via Internet at: <https://e2gobqetsqs.exactdn.com/wp-content/uploads/2023/12/Climate-Risks-Report.pdf>. RM11 report is available via Internet at: <https://e2gobqetsqs.exactdn.com/wp-content/uploads/2024/06/Climate-Stress-Testing-Data-Managment-Framework-June-2024.pdf>

consultation and refinement of the framework will proceed through stakeholder engagement. The framework is expected to be finalized, and the related training of supervisors and supervisees rolled out by mid-2025. The first cycle of data submission is expected by end-September 2025 followed by a continual review and adjustment of the framework and the submission practice to be completed by end-2025. The BOJ expects to launch a climate risk data dashboard on its website by end-March 2026. The data to be collected have been identified through data gap analysis; there are gaps related to company specific financial and production data, sector-specific data that accounts for varying vulnerabilities to climate risks (such as the energy sector's exposure to transition risks compared to the agricultural sector's exposure to physical risks), detailed locational and physical attribute data, and emissions data in Jamaica. The climate risk reports that will utilize the data will feed quantitatively and qualitatively into the Supervisory Review and Evaluation Process assessment. The results of climate stress tests will play a pivotal role in shaping effective macro prudential policies to enhance the resilience of - and to improve risk management practices. They will help the BOJ to gain broad insights into the systemic risks posed by climate change for the financial sector. They will facilitate the development of disclosure and reporting standards and will raise awareness of the risk and adaptation needs in the financial sector. The supervisors will establish guidelines for reporting to ensure provision of accurate and standardized information. This process will also support an intersection of top-down climate stress tests with the bottom-up tests developed by the financial institutions. Their results will allow for more comprehensive and richer assessment of the institutional performance and level of preparedness for the impact of climate change. Stress testing exercises can further help in the formulation of climate-related government policies, such as national emissions reduction strategies and regional adaptation measures. The above timeline has experienced some delays. A process to procure a consultant to assist with this work is currently in train and is expected to be finalized by end-2025. The consultant will work with the BOJ and the industry to finalize the illustrative templates, populate a database, and carry out top-down stress tests. This work is supported by the Agence Française de Développement (AFD) and the European Union under the Latin America and Caribbean Investment Facility (LACIF).

- The BOJ received support from the AFD to develop RM11. RM11 was recognized as a high feasibility, high urgency measure informed by the BOJ's and the AFD's assessment of the needs to embed environmental risks in the supervisory activities. The assessment spurred a 2022 project "Assessing Climate Related Risks in the Jamaican Financial System" launched with assistance from the AFD.

12. RM12: Establish an institutional framework for green-bond issuance and trading.

- RM12 establishes an institutional framework for green-bond issuance and trading. RM12 is motivated by the authorities' intent to develop a green bond market to mobilize private sector financing for climate adaptation and emission reduction projects—these bonds would also signal commitment to address the impact of climate change and may catalyze other financing. The guide for green bond issuance is available on the Jamaica Stock Exchange website at <https://www.jamstockex.com/investors/green-bonds/>.

RM12 was recognized as a high feasibility measure building upon the outcomes of a project to develop guidance for green bond listing, capacity building, and education of market players supported with the 2019 Green Climate Fund (GCF) Readiness Grant (LAC-RS-003) of US\$0.6 million ("Towards a comprehensive national adaptation planning process in Jamaica" PIOJ, 2020, p. 6). RM12 deepened synergy with that project.

Annex XIII. Policy Frameworks, Economic Fundamentals and Capacity to Repay

1. Jamaica's Precautionary and Liquidity Line (PLL) and Resilience and Sustainability Trust (RSF) expired in February 2025 and September 2024, respectively.

During the PLL, Jamaica's demonstrated a commitment to further improve strong policy frameworks and macroeconomic policies, an excellent management of multiple shocks in recent years, and attained very strong fiscal and external positions as elaborated below

- Jamaica's policy frameworks are stronger than at the initiation of the PLL.* Prudent policies have been institutionalized through a Fiscal Responsibility Law (FRL), an independent fiscal commission (IFC), adoption of an inflation targeting framework (ITF), and improvements in financial oversight. Jamaica has a good standing on institutional quality and the effectiveness of the AML/CFT framework has been significantly enhanced. The IFC came into effect on January 1, 2025, the amendments to the Bank of Jamaica Act institutionalizing the ITF were passed by parliament in December 2020 and became effective on April, 16 2021, amendments to the Financial Services Commission (FSC) Act were passed by parliament in November 2024 and a new set of regulations was promulgated to govern this supervisory framework empowering the FSC to conduct group-wide supervision, and Jamaica exited FATF's increased monitoring (grey list) in June 2024. The Special Resolution Regime law was submitted to parliament in June 2024. At end-September 2023, the central bank published a methodology used to identify systemically important (bank and non-bank) financial institutions. Adoption of Basel III, risk-based supervision, crisis management and consolidated supervision have advanced during the PLL and continue to move forward.
- Sound macroeconomic policies have aided a continued buildup of policy buffers despite shocks.* Jamaica has responded nimbly to the recent external shocks within the boundaries of its medium-term frameworks while continuing to build sizeable fiscal and external buffers. Gross international reserves have increased since program approval and averaged 95 percent of the ARA metric over the past three years, marginally below the 100 percent PLL threshold. Public debt has declined from 142 percent of GDP in FY2009/10 to 73 percent of GDP in FY2023/24. The public debt risk profile is benefitting from ongoing efforts to reduce reliance on FX-denominated borrowing and the development of the local currency bond market. The authorities built high cash buffers through the accumulation of government deposits of around 4½ percent of GDP in FY2023/24 and subsequently drew on these deposits to address significant expenditure needs due to a hurricane-related damage in FY2024/25. In the medium-term, the risk to debt sustainability is low as evidenced by relatively low gross financing needs of about 7 percent of GDP on average. There is broad commitment to fiscal prudence across the political spectrum. The strong fiscal track record, the commitment to meet the FRL debt target, and prudent debt management mitigate potential risks. Large primary surpluses in the MTFF ensure debt sustainability.
- The management of shocks has been exemplary.* The response to recent shocks has strengthened the credibility of policy frameworks—including using flexibility in the FRL during COVID and

promptly returning to debt targets afterwards, and effectively responding to the shock on the cost-of-living through the inflation targeting framework. Jamaica's comprehensive natural disasters' financing framework—comprising five layers of instruments—allowed a prompt response to a hurricane and a tropical storm in 2024. Jamaica's instruments to insure against climate-related events include the Contingencies Fund and the National Natural Disaster Risk Fund, insurance with CCRIF, a Contingent Credit Facility with the IDB, and a catastrophe bond (CAT).

- *Jamaica's fiscal and external positions are strong, and its financial sector well capitalized and liquid.* Public debt is firmly on track to meet the 60 percent to GDP threshold mandated by the FRL, the government holds large deposits, and insurance against natural disasters of about 5 percent of GDP has been secured. Amid external current account surpluses, international reserves reached nearly US\$ 5.7 billion at end-2024, a record high. The financial sector remains profitable, well capitalized (CAR at 14.5 percent and NPLs at 2.5 percent) and liquid. The latest BOJ's stress tests suggest that the financial sector is resilient to tail events.

2. The IMF Executive Board have consistently endorsed staff assessment of the improvement in Jamaica's policy frameworks and economic policies.¹ Directors welcomed strong policy frameworks and institutional reforms and noticed that these have led to substantial improvements in public debt, international reserves, and macroeconomic stability, and supported a post-pandemic rebound in growth alongside declining inflation and unemployment. They commended the authorities' continued prudent fiscal policies and proactive debt management, and welcomed the independent Fiscal Commission, which will further strengthen the fiscal framework. Directors also welcomed continued efforts to strengthen financial supervision and the AML/CFT framework.

3. Jamaica's capacity to repay the Fund is projected to be adequate both in the baseline and plausible shock scenarios. Jamaica's overall credit outstanding to the Fund is well below nominal thresholds triggering a PFA, and only above the RST nominal PFA threshold by an amount equivalent to less than 5 percent of gross international reserves. By end-2026, the only credit outstanding to the Fund will be due to the RSF, remaining at 150 percent of quota until 2034 when the RSF principal payments will start.² Until then, charges and interest to the Fund will represent about 1 percent of Jamaica's gross international reserves. Even after principal obligations begin, payments to the Fund would never rise above 2 percent of gross international reserves. Jamaica has an excellent track-record of meeting its obligations to the Fund and its capacity to repay (CtR) to the Fund compares favorably to other GRA borrowers using various metrics on the stock of debt and associated debt service, taking into account an RSF grace period of 10.5 years (Figure 1, sections A

¹ See for example: "IMF Executive Board Completes the Third Reviews under the Precautionary and Liquidity Line and the Arrangement Under the Resilience and Sustainability Facility with Jamaica" available via Internet at <https://www.imf.org/en/News/Articles/2024/08/29/pr24314-jamaica-imf-exec-board-completes-3rd-rev-pll-arr-rsf> as well as prior endorsements available via Internet at: <https://www.imf.org/en/Countries/JAM>.

² RST repayments will end in 2044.

and B). In addition, it is worth noting that current Jamaica's exposure puts it outside of the set of largest peaks exposures as shown in Figure 1 part C.

4. The indicators of CtR remain robust under plausible shocks (Figure 2).³ Staff considered two plausible shocks (Table 1): (i) a shock in which the GDP is impacted by a relatively large hurricane (exceeding the impact of last year's hurricane Beryl) causing a three percentage point decline compared to the baseline and (ii) a permanent shock in oil prices (a 20 percent rise in 2026 followed by a 10 percent increase in 2027). In the first scenario, the economy declines by 1.4 percent in 2026 (from 1.5 percent growth rate assumed under the baseline) and then recovers over the next three years. There would be spillover effects on inflation, and fiscal and external accounts. In the second scenario, the external current account turns from surplus of 0.6 percent of GDP to a deficit of 1.5 percent of GDP 2026 and remains in deficit equal to about six time the baseline on average over the medium term, with a 1.2 percentage point loss in GDP growth in 2026 which returns to the baseline only in the third year after the shock, and an increase of the average inflation rate above the baseline. Under those two scenarios, the CtR indicators show mostly marginal deviations from their baseline values to levels that would not suggest a threat to the CtR to the Fund. This applies to indicators of the total fund credit outstanding (Figure 2, section A) and to indicators of the total debt service to the Fund (Figure 2, section B).

Table 1. Jamaica: Plausible Shock Scenarios

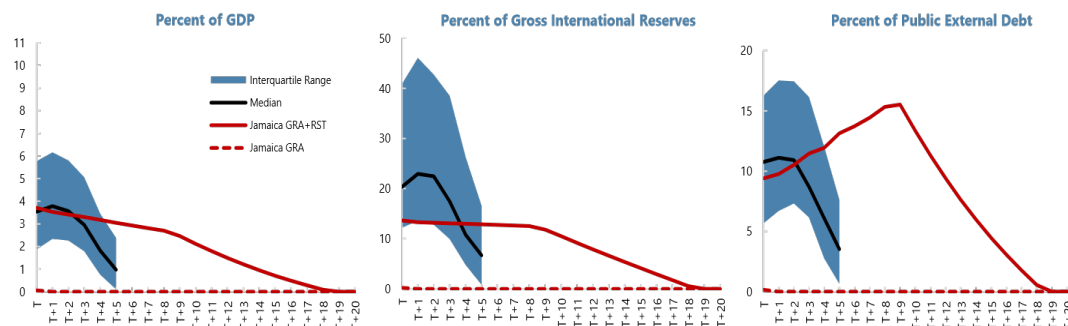
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Baseline (percent)						
GDP growth	-0.8	2.2	1.5	1.5	1.5	1.5
Inflation (average)	5.1	5.0	5.0	5.0	5.0	5.0
Fiscal balance (% of GDP)	0.3	0.0	-0.2	0.1	0.4	0.4
Current account balance (% of GDP)	2.6	1.3	0.6	-0.2	-0.4	-0.1
GDP growth shock						
GDP growth	-0.8	2.2	-1.4	3.0	2.3	1.8
Inflation (average)	5.1	5.0	5.8	5.4	4.7	5.0
Fiscal balance (% of GDP)	0.3	0.0	-2.3	-1.0	-0.2	0.0
Current account balance (% of GDP)	2.6	1.3	0.0	-0.5	-0.7	-0.4
Balance of payments shock						
GDP growth	-0.8	2.2	0.3	1.2	1.5	1.5
Inflation (average)	5.1	5.0	6.3	5.7	4.4	5.0
Fiscal balance (% of GDP)	0.3	0.0	-0.9	-0.6	-0.3	0.2
Current account balance (% of GDP)	2.6	1.3	-1.5	-1.3	-1.4	-1.2

³ Plausible shocks have been designed to be severe but not enough to trigger financing needs leading to a request for a Fund arrangement, which would in itself preclude initiation of a PFA. We assume that any financing needs due to the plausible shocks would be met through market access given Jamaica's persisting sound policy frameworks and strong economic fundamentals.

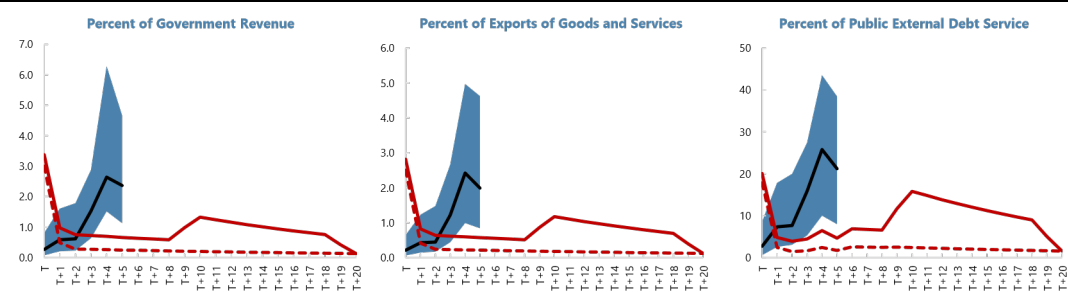
Figure 1. Jamaica: Capacity to Repay Indicators Compared to GRA-only Borrowing Countries, EFF.

(In percent of the indicated variable)

A. Total Fund Credit Outstanding

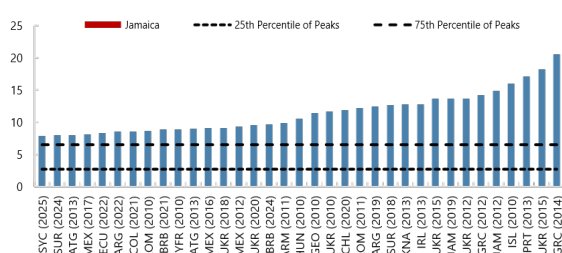


B. Total Debt Service to the Fund

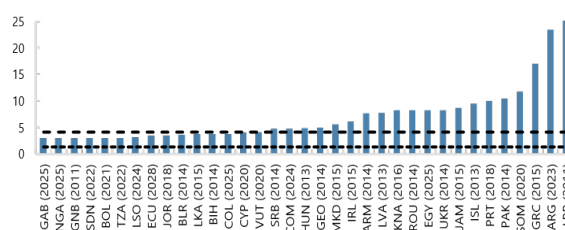


C. Largest Peaks

For Fund Credit Outstanding (Percent of GDP)



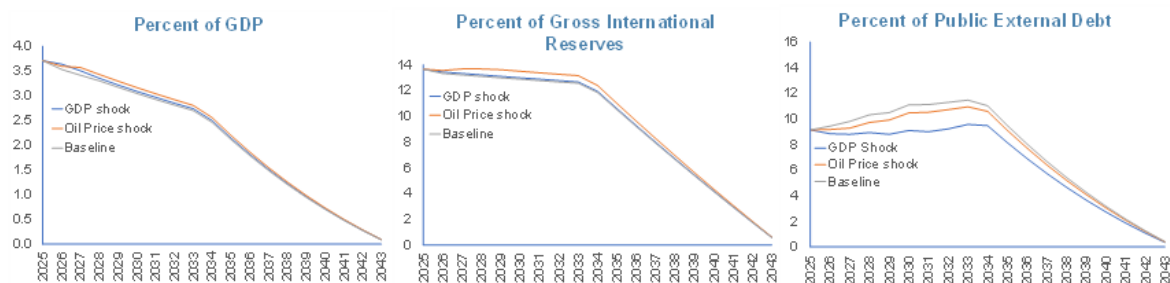
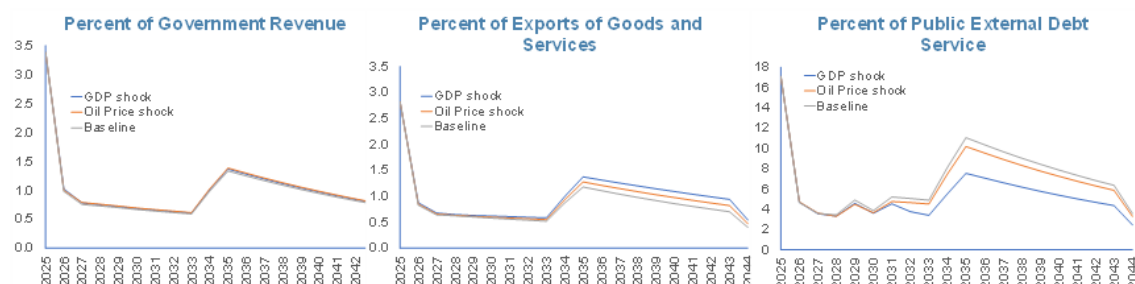
For Total Debt Service to the Fund (Percent of exports of goods and services)



Sources: IMF Finance Department, World Economic Outlook.

Notes:

- 1) T = date of GRA arrangement approval.
- 2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
- 3) The median, interquartile range, and comparator bars reflect all RFIs and UCT arrangements approved under the GRA (excluding blending arrangements) between 2008 and February 23, 2024.
- 4) Countries in the control group with multiple RFIs and/or GRA arrangements are entered as separate events in the database.
- 5) Comparator series is for GRA arrangements only and runs up to T+5.
- 6) Total Debt Service to the Fund consists of GRA, RST and SDR-related obligations. Reflects prospective payments, including for the current year.
- 7) All charts use data at the time of program approval with the exception of the chart on the right-hand side of section C, which uses ex-post data due to data limitations. The peak value for LBR (2011) is 81.7% and is not fully visible in the chart.

Figure 2. Jamaica: Capacity to Repay Indicators**A. Total Fund Credit Outstanding****B. Total Debt Service to the Fund**



JAMAICA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 2, 2025

Prepared By

Western Hemisphere Department

CONTENTS

FUND RELATIONS _____ 2

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FUND RELATIONS

(As of April 30, 2025)

Membership Status: Joined: February 21, 1963, Article VIII

General Resources Account:	SDR Million	% Quota
Quota	382.90	100.00
IMF's Holdings of Currency (Holdings Rate)	434.14	113.38
Reserve tranche position	27.35	7.14

SDR Department:	SDR Million	% Allocation
Net cumulative allocation	628.64	100.00
Holdings	179.07	28.48

Outstanding Purchases and Loans:	SDR Million	% Quota
Emergency Assistance ¹	47.86	12.50
RSF Arrangements	574.35	150.00
Extended Arrangements	30.68	8.01

^{1/} Emergency Assistance may include ENDA, EPCA, and RFI

Latest Financial Arrangements:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PLL	Mar 01, 2023	Feb 28, 2025	727.51	0.0
RSF	Mar 01, 2023	Sep 04, 2025	574.35	574.35
Stand-By	Nov 11, 2016	Nov 10, 2019	1,195.30	0.00

Outright Loans:

Type	Date of Arrangement	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	May 15, 2020	May 19, 2020	382.90	382.90

Jamaica: Overdue Obligations and Projected Payments to Fund 1/ (SDR Million; Based on Existing Use of Resources and Present Holdings of SDRs)					
	Forthcoming				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Principal	69.10	9.44			
Charges/Interest	<u>28.66</u>	<u>36.40</u>	<u>36.16</u>	<u>36.17</u>	<u>36.14</u>
Total	<u>97.76</u>	<u>45.84</u>	<u>36.16</u>	<u>36.17</u>	<u>36.14</u>

^{1/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section. Jamaica does not have overdue obligations to the Fund.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangements:

Jamaica's de-facto exchange rate regime is classified as a 'crawl-like arrangement'. On March 31, 2025, the Jamaican dollar was trading at around J \$157.67 to the U.S. dollar. Jamaica has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement. Jamaica maintains an exchange rate system free of restrictions on the making of payment and transfers for current international transactions and multiple currency practices.

Last Article IV Consultation and Program Relations

The last Article IV consultation was completed by the Executive Board in February 2024. Jamaica is on the standard 12-month consultation cycle.

FSAP & ROSCs

The Financial Sector Assessment Program (FSAP) Stability Module mission visited Jamaica in April and June 2018. The FSAP findings were discussed with the authorities during the Fourth Review of the SBA mission in September 2018. Ever since, the BOJ has been implementing key

reforms arising from the FSAP's recommendation. The notable advances continue with the roll out of the Basel III Capital Adequacy Framework, operationalization of the risk-based supervision on a solo and consolidated basis, and submission of a Special Resolution Regime (SRR) law for financial institutions to parliament in June 2024. In 2020, an approval of an amended BOJ Act strengthened the autonomy and governance arrangements of the BoJ. In mid-2021, BOJ initiated licensing and consolidated supervision of financial holding companies, and the FSC implemented the risk-based supervision of non-deposit taking institutions in 2021. The cross-agency cooperation has increased greatly and was evidenced in the response to the COVID crisis. The dialogue with the industry has intensified as well as evidenced by the numerous consultations with the industry preceding adoption of new rules or regulations. This is evidenced on the websites of the regulatory agencies. The current regulatory provisions and valuation accounting standards for deposit-taking institutions is IFRS 9. A toolkit for macroprudential policy has been developed together with a communication strategy explaining financial stability assessments and policy actions. The relevant reports are published regularly on the BOJ website. The implementation of the action plan agreed with FATF resulted in removal from the "grey list" in June 2024. The IFRS 17 was adopted in 2023. The completion of the PLL's structural conditionality during 2023-24 facilitated consolidated supervision by the FSC, financial stability management with the publication of the paper on identification of the systematically important financial institutions, and adoption of the special resolution regime. The Basel III adoption has completed Pillar I and moved to Pillar II in 2023. Pillar III will commence thereafter. The BOJ is monitoring the credit unions in anticipation of including them under its supervisory remit once the relevant legislation is adopted. No data ROSC is available.

A safeguards assessment of the BoJ was completed in April 2023 and found a relatively strong safeguards framework in place. It concluded that financial reporting practices and internal and external audits continue to be guided by international standards. The 2020 amendments to the BoJ Act have strengthened the bank's autonomy and governance. The BoJ has also developed a broad operational framework to support and mitigate risks from the newly introduced central bank digital currency (JAM-DEX). That said, the assessment made recommendations to further anchor the BoJ autonomy in the legislation and enhance external and internal audit practices.

Since then, the BOJ has made good progress in implementing safeguards recommendations.

The internal audit function's coverage was strengthened under the Audit and Risk Committee's oversight, and the external audit mechanism was enhanced through an auditor rotation requirement to address potential independence concerns. The BOJ is also making progress on further enhancing its autonomy through legal amendments ahead of the transition to a "twin peaks" supervisory regime.

Technical Assistance	
FAD	
Date	Subject
October 30–November 19, 2023	STX - Strengthened core tax administration functions - Revenue Accounts
October 18–31, 2023	HQ Mission - Fiscal Risks Analysis from Climate Change
October 18–31, 2023	Hybrid CP Participation - Fiscal Risks from Climate Change
April 17–21, 2023	STX - Strengthened core tax administration functions - Arrears Management
December 20, 2022–April 19, 2023	LTX Desk Related Work
May 20–November 18, 2022	STX - Corporate Priorities - Business Impact Analysis
May 13–27, 2022	Post TADAT mission
January 21–February 4, 2022	Follow up Training in computer audit techniques
September 10–October 1, 2021	Training audit specialists in computer audit techniques
September 6–30, 2021	TADAT Assessment - Corporate Priorities better managed
January 8–19, 2018	Take stock of reforms recommend next level reforms
January 8–19, 2018	Debt Management
July 3–14, 2017	Public bodies reform action plan
December 12–20, 2016	Property tax
November 29–December 12, 2016	Implementation of TSA and review of FIMS
August 17–25, 2016	Preparation of the macro-fiscal framework for 2017
July 6–19, 2016	Follow-up on general 2016 mission.
June–12, 2016	Social Protection Reform
October 12–26, 2015	TADAT
October 6–20, 2015	Treasury Restructuring
September 22–October 5, 2015	Public Bodies Reform
September 9–22, 2015	Tax Reform and Tax Expenditures
April 6–21, 2015	Expenditure Rationalization Follow-up
February 19–25, 2015	RA GAP
July 10–23, 2014	Cash and debt management
July 7–18, 2014	RA Gap

Technical Assistance (Continued)	
LEG	
Date	Subject
August 29–September 4, 2024	Support BOJ's AML/CFT risk-based supervisory regime
August 14–18, 2023	AML/CFT risk model and methodology for offsite activities
July 2–22, 2021	HQ based work-Staff
May 3–28, 2021	LTX Work
March 15–19, 2021	Strengthening Risk-Based Supervision BOJ
January 25–26, 2021	TA on Assistance in Review of Discretionary Tax Waivers
December 10–13, 2019	Strengthening AML/CFT Supervision
April 8–12, 2019	Strengthening BOJ's AML/CFT Supervisory Framework
September 24–28, 2018	Strengthening BOJ's AML/CFT Supervisory Framework
February 26–March 9, 2018	TA in Fiscal Tax Law: Customs
January 29–February 2, 2018	AML/CFT Mission
November 13–17, 2017	Risk-based Approach to AML/CFT Supervision
September 18–22, 2017	AML/CFT Scoping Mission
July 26–August 2, 2017	TA in Banking Law
July 5–July 18, 2017	TA in CB Balance Sheet, Governance and Legal Reforms
January 4–13, 2017	Program TA in Banking Resolution
December 1–8, 2015	Resolution of Banks/Securities Dealers
June 8–12, 2015	Program TA in Banking Resolution

Technical Assistance (Continued)	
MCM	
Date	Subject
February 12-16, 2024	Cyber Risk Regulation, Supervision and Resilience
October 3, 2023	IMF-CEMLA-ASBA Workshop on Cyber Resilience
May 15-19, 2023	With CARTAC Twin Peaks Regulation Scoping and Roadmap
September 22–October 3, 2022	The Management and Liberalization of Capital Flows
February 2-3, 2023	Seminar on improving access to climate finance (w/t CARTAC)
September 12-16, 2022	Central Bank Risk Management And Cybersecurity
September 27–October 1, 2021	Enhancing stress test for banks
June 1–August 31, 2021	Central Bank Risk Management, Fintech, And Cybersecurity
May 3–6, 2021	Mission continued from Apr 2021
May 1–6, 2021	VIRTUAL (COVID): CARTAC: Systemic Risk Monitoring
December 4-13, 2019	Modeling and Forecasting TA and Project Assessment
December 2-6, 2019	Debt Market Development/Primary Dealer System
September 2-13, 2019	CARTAC: Insurance Sector Stress Testing Framework Development
December 6-14, 2018	Monetary and Foreign Exchange Policy
October 29–November 9, 2018	Modeling and Forecasting
July 2-6, 2018	Implement Basel II/III Standards (Pillars 1) - Assessing implementation plan
March 5-16, 2018	Stress Testing (3 of 3)
January 23–February 3, 2017	Strengthening securities supervision
February 28–March 2, 2017	Strengthening Securities Supervision
December 11–15, 2017	Strengthening Securities Supervision
August 28– September 8, 2017	Stress Testing (1 of 3)
November 20–December 1, 2017	Stress Testing (2 of 3)
October 17-24, 2017	Strengthening Securities Supervision
October 9–20, 2017	Modeling and Forecasting
July 24-28, 2017	CARTAC: Consolidating Macro Prudential and Operational Framework Toolkit
July 5–18, 2017	Central Bank Balance Sheet Issues, Governance, and Legal Reforms
June 12–23, 2017	Strengthening Securities Supervision
June 7–22, 2017	Nonbank Regulation and Supervision
May 1–11, 2017	Reform of the Primary Dealer system
April 18–May 4, 2017	Foreign Exchange Operations
February 27–March 10, 2017	Strengthening Securities Supervision
February 20–March 3, 2017	TA to the Financial Services Commission of Jamaica
February 25–March 2, 2016	TA to the Financial Services Commission of Jamaica
May 1–10, 2016	TA to the Financial Services Commission of Jamaica

Technical Assistance (Continued)	
MCM	
Date	Subject
November 16–18, 2016	TA to the Financial Services Commission of Jamaica
February 25–March 2, 2016	Strengthening securities supervision
May 24–26, 2016	Strengthening securities supervision
August 23–25, 2016	Strengthening securities supervision
November 16–18, 2016	Strengthening securities supervision
November 16–18, 2016	Strengthening securities supervision
October 10–21, 2016	Modeling and Forecasting
June 20–24, 2016	Modeling and Forecasting
November 9–11, 2015	Supervision of Nonbank Financial Sector Supervision
October 13–26, 2015	Debt Management and FX Markets
September 23–October 6, 2015	Public Debt Management
September 16–18, 2015	Supervisory Intervention - Prompt Corrective Action (PCA)
July 13–17, 2015	Transition to the Retail Repo
June 22–26, 2015	CARTAC: Implementing Risk-based Supervision
May 5–6, 2015	Macro-Prudential Policy & Operational Frameworks
April 20–29, 2015	Reform of the Securities Dealers Sector
March 9–13, 2015	Contingency Planning
February 16–20, 2015	Preparation for Inflation Targeting Review
December 1–4, 2014	Monetary Policy Operations
November 3–7, 2014	Reform of the Securities Dealers Sector
September 30–October 8, 2014	Financial Crisis Management and Contingency Planning
July 7–11, 2014	Developing a Prudential Framework

Technical Assistance (Concluded)	
STA	
February 8-15, 2024	Diagnostic of STATIN Operations and Modernization Plan
November 13-17, 2023	Government Finance Statistics - IMF01
July 24- 28, 2023	TA - PIE - Improving GDP
May 1–13, 2023	TA - SDDS missions FY24
February 6-10, 2023	TA - BOP/IIP - Enhance Source Data
November 9-20, 2020	(Remote TA) Monetary and Financial Statistics
October 12– November 3, 2020	(Remote TA) CARTAC: National Accounts - Review of implementation of SNA 2008 concepts and methods
September 16-27, 2019	CARTAC: Consumer/Producer Price - Reweighting the CPI
August 13–24, 2018	Government Finance Statistics
August 7–17, 2018	Monetary Data Reported in SRF
April 21–27, 2018	CARTAC: Enhance FDI position data
January 29–February 9, 2018	CARTAC: Review of National Accounts Statistics
October 23–November 3, 2017	Government Finance Statistics
October 17–27, 2017	CARTAC: Producer and Import Price Indices
April 3–13, 2017	CARTAC: Balance of Payments Statistics
November 28–December 9, 2016	CARTAC: Real Sector Statistics - Follow-up on compiling institutional sector financial accounts
October 13–26, 2016	CARTAC: Consumer Prices/Producer Price
January 18-29, 2016,	CARTAC: National Accounts
August 10–21, 2015	CARTAC: Institutional Sector Accounts
April 27–May 8, 2015	CARTAC: Balance of Payments Statistics

CARTAC Technical Assistance to Jamaica in FY2020–FY2025		
Description	Start Date	End Date
Financial Sector Supervision		
Basel Core Principles for Effective Supervision Workshop	4/21/25	4/25/25
2nd Regional Central Bank Communication Workshop	10/9/24	10/11/24
Basel Framework Pillar 2 Requirements Workshop	7/22/24	7/26/24
Securities & Markets-Financial Supervision and Regulation	9/26/23	9/27/23
Enhance Systemic Risk Monitoring	9/19/23	9/28/23
Twin Peaks Regulation Scoping and Roadmap	5/15/23	5/19/23
Enhance Systemic Risk Monitoring	04/11/22	04/15/22
Workshop: Basel II/III Framework	10/12/21	10/21/21
Government Debt Market (Mission)	10/04/21	10/15/21
Dynamic Stress Test for Banks	10/02/21	10/08/21
Enhancing stress test for banks	09/27/21	10/01/21
Systemic Risk Monitoring - Monitoring Detecting System Risks	05/01/21	05/06/21
Systemic Risk Monitoring Detecting System Risks (FSR Writing)	04/28/21	05/07/21
Systemic Risk Monitoring Detecting System Risks (FSR Writing)	04/27/21	04/30/21
Consolidated Supervision of Insurance Groups	04/19/21	04/23/21
Bank of Jamaica - To Conduct Risk-Based Supervision	04/14/21	04/19/21
Strengthening Risk-Based Supervision BOJ	03/15/21	03/19/21
Basel II/III (Pillar 1) Implementation Follow-Up Mission	02/23/21	02/25/21
Financial Stability – Monitoring and Detection of Systemic Risks	02/08/21	02/21/21
Basel II/III (Pillar 1) Implementation Follow-Up Mission	10/02/20	10/15/20
Liquidity Risk Management and Capital Requirements - Securities Firms	07/31/20	08/14/20
Liquidity Risk Management and Capital Requirements - Securities Firms	07/26/20	08/14/20
Liquidity Risk Management and Capital Requirements - Securities Firms	07/01/20	07/03/20
Management of Credit Risk Supervisory Process and Conducting Credit Risk Reviews	07/08/19	07/12/19
Macroeconomic Program		
Final Project Assessment and Recommendations Duty station Work	06/05/23	09/11/23
6 JAM MFT delivery (w/t ICD)	09/08/22	11/30/22
5 JAM - Virtual delivery - MTF development mission (w/t ICD)	05/27/22	06/22/22
JAM MTF second development mission (w/t ICD)	10/11/21	10/15/21
Jamaica General Macroeconomic Analysis (w/t ICD)	07/13/21	09/23/21
Jamaica General Macroeconomic Analysis (w/t ICD)	07/17/21	07/19/21
JAM Remote support bet missions	06/24/21	10/08/21
Macroframework Foundation Tool (MFT) (w/t ICD)	05/17/21	05/21/21
Financial Programming and Policies	12/15/20	12/18/20
Public Financial Management		
Agile PEFA Performance Assessment	6/3/24	6/14/24
Tax Administration		
Jamaica-CARTAC - Customs Administration - FY16	5/13/24	5/15/24
Management of tax arrears/Peer-to-Peer engagement with CRA	5/6/24	5/7/24
Enable more effective delivery of strategy and reforms-ICT Strategy	5/1/24	5/1/24
STX - Strengthened core tax administration functions - Revenue	10/30/23	11/19/23
STX - Strengthened core tax administration functions - Arrears	04/17/23	04/21/23

CARTAC Technical Assistance to Jamaica in FY2020–FY2025 (Concluded)		
Description	Start Date	End Date
STX - Corporate Priorities better managed - Business Impact Analysis	05/20/22	11/18/22
Post TADAT mission	05/13/22	05/27/22
Follow up - Strengthen Audit Training in computer audit techniques	01/21/22	02/04/22
Strengthen Audit: Training specialists in computer audit techniques	09/10/21	10/01/21
TADAT Assessment	09/06/21	09/30/21
Statistics		
National Accounts Interactive Learning Workshop	3/17/25	3/21/25
Improving GDP Statistics	07/24/23	07/28/23
Jamaica - TA - BOP/IIP - Enhance Source Data	02/06/23	02/10/23
Jamaica - TA - BOP/IIP - Enhance Source Data	01/17/22	01/28/22
Real Sector – National Accounts	10/11/21	10/15/21
Review of Implementation of SNA 2008 Concepts and Methods	10/12/20	11/03/20

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

As of May 30, 2025, Jamaica collaborated with The World Bank Group, Inter-American Development Bank, and Caribbean Development Bank.

Further information can be obtained at the following hyperlinks.

International Financial Institution	Hyperlink
The World Bank Group	https://projects.worldbank.org/en/projects-operations/projects-summary?lang=en&countrycode_exact=JM
Inter-American Development Bank	https://www.iadb.org/en/who-we-are/country-offices/jamaica
Caribbean Development Bank	https://www.caribank.org/countries-and-members/borrowing-members/jamaica