GOVERNMENT OF JAMAICA

MEDIUM-TERM DEBT MANAGEMENT STRATEGY

FY2024/25 - FY2027/28

MOFPS
MINISTRY OF FINANCE AND THE PUBLIC SERVICE

Ministry Paper No:
February 15, 2024

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LIST OF ABBREVIATIONS

ABP	Annual Borrowing Plan
ATM	Average Time-to-Maturity
ATR	Average Time-to-Refixing
BIN	Benchmark Investment Note
BOJ	Bank of Jamaica
BOP	Balance of Payments
BPS	Basis Points
CaR	Cost at Risk
CBDC	Central Bank Digital Currency
CCaR	Conditional Cost at Risk
CCFaR	Conditional Cash Flow at Risk
CD	Certificate of Deposit
CFaR	Cash Flow at Risk
CCRIF-SPC	Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company
COVID-19	Coronavirus Pandemic
CNY	Chinese Yuan Renminbi
CPI	Consumer Price Index
CVaR	Conditional Value at Risk
CY	Calendar Year
DMB	Debt Management Branch
DRF	Disaster Risk Financing
DTI	Deposit Taking Institution
EM	Emerging Market
EMDE	Emerging Market and Developing Economy
EME	Emerging Market Economy
FAA Act	Financial Administration and Audit Act
FED	United States Federal Reserve Bank
FITP	Fixed Income Trading Platform
FR	Fixed-Rate
FRAN	Fixed-Rate Accreting Notes
FRF	Fiscal Responsibility Framework
FSC	Financial Services Commission
FY	Fiscal Year
FX	Foreign Exchange
GDP	Gross Domestic Product
GGL	Government Guaranteed Loan
GOJ	Government of Jamaica
ICM	International Capital Market

IDB	Inter-American Development Bank
IDR	Issuer Default Rating
IMF	International Monetary Fund
IR	Investor Relations
IRP	Investor Relations Programme
IRU	Investor Relations Unit
JAM-DEX	Jamaica's Central Bank Digital Currency
JAMAN	Jamaica's Global Bonds
JCSD	Jamaica Central Securities Depository
JMB	Jamaica Mortgage Bank
JMD	Jamaica Dollar
JSDA	Jamaica Securities Dealer Association
JSE	Jamaica Stock Exchange
LAC	Latin America and the Caribbean
LMO	Liability Management Operations
MTDS	Medium-Term Debt Management Strategy
NIR	Net International Reserves
NGL	Non-Guaranteed Loan
PB	Public Bodies
PBL	Policy-Based Loan
PBMA Act	Public Bodies Management and Accountability Act
PD	Primary Dealer
PDMA	Public Debt Management Act
RSF	Resilience and Sustainability Facility
RFI	Rapid Financing Instrument
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SLB	Sustainability-linked Bonds
SOFR	Secured Overnight Financing Rate
T-bill	Treasury Bill
USD	United States Dollar
VaR	Value at Risk
VR	Variable-Rate
WATBY	Weighted Average Treasury Bill Yield

FOREWORD

During FY2023/24, the Government of Jamaica (GOJ) remained committed to fiscal prudence, resulting in the Jamaican economy remaining resilient and buoyant, as evidenced by the steady improvements in economic indicators. The macro-fiscal outlook remains positive as the economy is expected to expand by 2.0 percent at the end of FY2023/24. Furthermore, the GOJ is on track to achieve the programmed primary balance target of 6.0 percent of GDP, and fiscal balance of 0.3 percent of GDP for FY2023/24. This achievement is in the context of a global environment characterised by tighter financial conditions, inflationary pressures, and the geopolitical tensions. Debt-to-GDP remained on a downward trajectory and is estimated to be 72.2 percent at end-FY2023/24, underpinned by expected growth in both real and nominal GDP, and is projected to be 55.1 percent at the end of the medium-term, meeting the legislated target of 60.0 percent or less by FY2027/28.

Resulting from these positive economic gains, the Government of Jamaica received credit rating upgrades from Standard and Poor's (S&P) and Moody's Ratings Agencies, which revised Jamaica's ratings from "B+" to "BB-", and "B" to "B1", respectively. In November 2023, the GOJ re-entered the international capital markets with the landmark issuance of a 7-year JMD-linked instrument. The ground-breaking transaction enabled the GOJ to tap international investors for local currency-linked debt, underpinning the Country's resilience by broadening, deepening and diversifying funding sources, which over time will assist with mitigating foreign currency risk in the debt portfolio.

The Medium-Term Debt Management Strategy (MTDS) for FY2024/25 - FY2027/28, governed by the Public Debt Management Act (PDMA), outlines the Government's financing strategy for the medium-term, based on a cost and risk assessment, modelled against macro-fiscal and financial market forecasts. The document also contains the GOJ's Annual Borrowing Plan for FY2024/25, detailing the various financing sources that the Government will utilize to meet its financing requirement for the fiscal year.

During the upcoming fiscal year, the GOJ will continue open dialogue and engagement with the market and other stakeholders through the Investor Relations Programme. Your comments on the MTDS are welcome at: invrelinfo@mof.gov.jm.

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February 15, 2024

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February 15, 2024

ACKNOWLEDGEMENTS

The Medium-Term Debt Management Strategy (MTDS) is prepared and published on an annual basis. The planned strategies and activities outlined in the document guide debt management operations to satisfy the Government of Jamaica's (GOJ's) financing needs at minimal costs and prudent levels of risk. It details the process through which alternate financing scenarios are assessed to select the GOJ's preferred strategy for the medium-term. The document also contains the Annual Borrowing Plan (ABP), inclusive of the Issuance Calendar, which outlines the GOJ's intended funding sources for the fiscal year.

We would like to offer thanks to the staff of the Debt Management Branch for their invaluable input in the preparation of the MTDS. The team worked diligently to ensure that the information presented is clear and accurate, and that the document meets international standards.

Sincere thanks to Darlene Morrison CD, Financial Secretary and the members of the Public Debt Management Committee for their input which contributed to the development of this document.

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February 15, 2024

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February 15, 2024

EXECUTIVE SUMMARY

The Government of Jamaica’s (GOJ) annual Medium-Term Debt Management Strategy (MTDS) is formulated in accordance with the Public Debt Management Act (PDMA), 2012. In order to achieve alignment with the Government's debt management objectives, the MTDS FY2024/25 – FY2027/28 utilizes a strategic approach to assess the costs and risks of the debt portfolio in relation to specified targets. The overarching objective of the Strategy is to raise sufficient funds at reasonable cost and risk levels while facilitating a well-developed, liquid, and stable domestic debt market.

The selected strategy corresponds with the current medium-term debt management strategy as it seeks to realign the debt portfolio towards greater reliance on domestic debt vis-à-vis external debt. The Strategy also aims to reduce the portfolio’s exposure to interest rate and refinancing risks by borrowing only at fixed rates across mainly longer tenors in the domestic market. To satisfy domestic market demand for shorter-tenor instruments, the GOJ will also issue securities with maturities of five years or less over the medium-term. Overall, the issuance strategy aims to satisfy demand at all segments of the yield curve, and should augur well for further development of the domestic debt market.

Over the period April 2023 to December 2023, the Jamaican economy demonstrated continued resilience, evidenced by a steady but modest recovery. Debt-to-GDP is expected to continue its downward trajectory led by anticipated growth in real and nominal GDP, as well as projected declines in total public debt over the medium-term. Debt-to-GDP is estimated to be 72.2 percent at end-FY2023/24, a 4.9 percentage point reduction relative to end-FY2022/23, on track to meet the legislated target of 60.0 percent or less at end-FY2027/28. The annual point-to-point inflation rate was subdued, from a decade high of 11.8 percent in April 2022 to 6.9 percent in December 2023, thanks in part to the measures implemented by the Bank of Jamaica (BOJ). As such, the Central Bank has halted rate hikes since November 2022, resulting in the 3-month weighted average Treasury bill yield (WATBY) declining by 11 basis points (bps) to 8.10 percent at end-December 2023 relative to 8.21 percent in March 2023.

Central Government cost and risk indicators displayed varying results but were generally improved. Foreign currency risk remains predominant, though the share of Central Government debt denominated in foreign currencies declined to 59.6 percent at end-December 2023. Interest rate movements throughout the period increased portfolio costs; nonetheless, the level of exposure decreased as the share of variable-rate debt declined and the average time-to-re-fixing extended. Inflation risks remained subdued, given the marginal share of inflation-linked debt in the Central Government portfolio. The share of debt maturing within the following year increased from 4.0 percent at end-March 2023 to 6.9 percent at end-December 2023. This resulted from an increase in both external and domestic debt maturing in one year or less. Notwithstanding, there was an increase in the portfolio's average time-to-maturity. The risk posed by contingent liabilities associated with Government guaranteed loans also decreased, with the GGL-to-GDP ratio decreasing by 0.8 percentage point to 2.0 percent, within the legislated ceiling of 3.0 percent for FY2026/27. The stock of public bodies' non-guaranteed loans was broadly unchanged over the period.

Comparative static simulations showed the debt portfolio being most sensitive to movements in the foreign exchange rate. A 3.0 percent depreciation of the Jamaica dollar relative to the US dollar in FY2024/25 is estimated to increase the debt stock and interest cost by $39,864.6 million and $1,827.5 million, respectively. This sensitivity to adverse exchange rate movements and the potential impact on adjusted portfolio costs supports the current debt management strategy to reduce foreign currency risk exposure.

The GOJ's financing requirement for FY2024/25 is $191,440.4 million, which is an increase of $51,967.9 million relative to FY2023/24. Financing is programmed through 53.5 percent from external sources and 46.5 percent from the domestic market. Though the financing mix for the upcoming fiscal year deviates from the selected medium-term financing strategy, **S1**, which prioritizes mainly domestic financing, an increase in domestic financing relative to external financing is programmed throughout the medium-term.

The GOJ is expected to achieve its budgeted fiscal targets while facilitating the expansion of the economy. As testament to the country's economic gains, Standard and Poor's (S&P) Ratings Agency upgraded the Government of Jamaica's Long-Term Foreign and Local Currency Issuer Default Rating (IDR) to 'BB-' from 'B+' with the outlook remaining 'Stable'. Similarly, Moody's upgraded the GOJ's Long-Term Issuer and Senior Unsecured Ratings to 'B1', revising the outlook to positive. These upgrades are grounded in the expectation that Jamaica will remain committed to macroeconomic and fiscal discipline and the continued downward trajectory of the debt burden.

SECTION I: INTRODUCTION

The Medium-Term Debt Management Strategy (MTDS) outlines the Government of Jamaica's (GOJ) objectives, plans, and strategies for the management of public debt over the medium-term. The MTDS, updated annually, builds on previous debt management strategies. The selected strategy is designed to achieve an appropriate balance of cost and risks in the debt portfolio. It is developed within the context of the Fiscal Responsibility Framework (FRF) and guided by the Public Debt Management Act (PDMA), 2012.

The formulation of the strategy is geared towards:

- satisfying the Government's borrowing needs at the lowest possible cost and prudent levels of risk;
- mitigating risks in the portfolio;
- enhancing the development of the domestic capital market; and
- facilitating continued transparency in debt operations.

Accordingly, the MTDS for FY2024/25 – FY2027/28 will continue to operationalize the strategy of issuing mainly domestic securities along all segments of the yield curve with emphasis on fixed interest-bearing instruments. The strategy document also increases the transparency of debt operations and provides an opportunity for prospective investors to configure their portfolios to successfully participate in GOJ issuances.

The Medium-term Debt Management Strategy FY2024/25-FY2027/28 includes:

- The debt-to-GDP trajectory, as the Government aims to meet the legislated target of 60.0 percent or less by end-FY2027/28;
- A review of the macroeconomic environment and debt portfolio during the first three quarters of FY2023/24;
- The stress-testing of variables and cost/risk assessment to determine portfolio sensitivity;
- Initiatives to minimize inherent risks including refinancing, interest rate and foreign currency in the Government's debt portfolio;
- An assessment of alternative financing strategies and the selection of a strategy;
- The Annual Borrowing Plan (ABP) for FY2024/25, reflecting the appropriate mix of domestic and external financing; and
- Planned activities to facilitate continued development of the domestic market.

The scope of the analysis covers total public debt, which includes Central Government debt and that of specified public bodies[1], net of any crossholdings. The stock of debt used in the analytical

[1] Public bodies certified by the Auditor General as primarily carrying out functions that are of a non-commercial nature. This excludes the Bank of Jamaica and the Jamaica Mortgage Bank.

toolkit includes Central Government debt and Government guaranteed loans currently serviced by the GOJ.

This document is divided into ten (10) sections, including the Introduction. The remainder of the document is organized as follows: **Section II** provides a profile of the public debt stock; and **Section III** presents the cost and risk analysis for the debt portfolio. **Section IV** highlights key risk factors that affect the portfolio and estimates the portfolio's sensitivity to specific market risks. **Section V** provides a general overview of the macroeconomic environment. **Section VI** discusses the modelling and selection of the medium-term debt management strategy. **Section VII** presents the Annual Borrowing Plan and Issuance Strategy. **Section VIII** discusses key developments in the domestic debt market and **Section IX** reviews the Investor Relations Programme. Section **X** concludes the Medium-Term Debt Management Strategy.

SECTION II: PUBLIC DEBT PROFILE

The stock of total public debt[2] at end-December 2023 was $2,204,603.3 million, reflecting an increase of $83,191.2 million or 3.9 percent, relative to the $2,121,412.1 million recorded at end-March 2023. This was driven by increases in both the external and domestic components of the Central Government debt portfolio which were partially offset by a decline in net public bodies' debt (see **Table 1**). Total public debt at end-FY2023/24 is projected to be $2,201,557.4 million or 72.2 percent of Gross Domestic Product (GDP). This represents a 4.9 percentage point decline in debt-to-GDP over the end-March 2023 position.

Table 1: Public Debt Profile

	Mar-23 J$ million	% Total Public Debt	Dec-23 J$ million	% Total Public Debt	YTD J$ mn	YTD %
Total Debt	**2,121,412.1**	**100.0**	**2,204,603.3**	**100.0**	**83,191.2**	**3.9**
Total Central Government Debt	**2,099,164.4**	**99.0**	**2,208,656.4**	**100.2**	**109,491.9**	**5.2**
Central Government Domestic Debt	**799,313.3**	**37.7**	**830,152.1**	**37.7**	**30,838.9**	**3.9**
Marketable Securities	**799,313.1**	**37.7**	**830,152.0**	**37.7**	**30,838.9**	**3.9**
Bonds	789,013.1	37.2	819,852.0	37.2	30,838.9	**3.9**
Treasury Bills	10,300.0	0.5	10,300.0	0.5	-	**-**
Loans	**0.2**	**0.0**	**0.2**	**0.0**	**-**	**-**
Perpetual Annuities	0.2	0.0	0.2	0.0	-	**-**
Central Government External Debt	**1,299,851.2**	**61.3**	**1,378,504.2**	**62.5**	**78,653.0**	**6.1**
Marketable Securities	**742,415.3**	**35.0**	**753,966.8**	**34.2**	**11,551.5**	**1.6**
Bonds	742,415.3	35.0	753,966.8	34.2	11,551.5	**1.6**
Loans	**557,435.9**	**26.3**	**624,537.4**	**28.3**	**67,101.5**	**12.0**
Bilateral	**107,761.8**	**5.1**	**109,527.2**	**5.0**	**1,765.4**	**1.6**
OECD	1,890.9	0.1	1,628.3	0.1	(262.6)	**(13.9)**
Non-OECD	105,870.9	5.0	107,899.0	4.9	2,028.1	**1.9**
Multilateral	**449,674.1**	**21.2**	**515,010.2**	**23.4**	**65,336.1**	**14.5**
IDB	238,519.3	11.2	235,050.2	10.7	(3,469.1)	**(1.5)**
IBRD	154,681.2	7.3	152,958.9	6.9	(1,722.3)	**(1.1)**
IMF	31,694.1	1.5	101,890.6	4.6	70,196.5	**221.5**
Other	24,779.4	1.2	25,110.5	1.1	331.1	**1.3**
Gross Public Bodies' Debt	**237,238.0**	**11.2**	**225,904.5**	**10.2**	**(11,333.5)**	**(4.8)**
Government Guaranteed Debt	76,094.6	3.6	62,368.2	2.8	(13,726.4)	**(18.0)**
Loans from Central Government	131,140.3	6.2	135,566.8	6.1	4,426.5	**3.4**
Non Guaranteed Debt	30,003.2	1.4	27,969.5	1.3	(2,033.7)	**(6.8)**
Investments with GOJ	83,850.1	4.0	94,390.8	4.3	10,540.7	**12.6**
Cross-holdings	**214,990.3**	**10.1**	**229,957.6**	**10.4**	**14,967.2**	**7.0**
Net Public Bodies	**22,247.7**	**1.0**	**(4,053.1)**	**(0.2)**	**(26,300.8)**	**(118.2)**

Source: Ministry of Finance and the Public Service

[2] Public debt is defined as the consolidated debt of the Specified Public Sector (SPS), net of any cross holdings.

2.1 Central Government Debt

At end-December 2023, total Central Government debt was $2,208,656.4 million, an increase of $109,491.9 million or 5.2 percent relative to the $2,099,164.4 million recorded at end-March 2023. This change reflected increases in the domestic and external portfolios resulting from net inflows, as well as the depreciation of the JMD relative to the USD. Central Government debt is projected to increase to $2,209,325.3 million at end-FY2023/24.

The stock of outstanding Central Government domestic debt increased by $30,838.9 million or 3.9 percent from $799,313.3 million at end-March 2023 to $830,152.1 million at end-December 2023 (see **Table 1**). The increase represents net financing inflows primarily from Benchmark Investment Notes (BINs), as the stock of Treasury bills was unchanged. At end-FY2023/24, the stock of Central Government domestic debt is expected to increase to $840,184.0 million, resulting mainly from financing inflows.

At end-December 2023, the stock of Central Government external debt grew by $78,653.0 million or 6.1 percent to $1,378,504.2 million, relative to the $1,299,851.2 million recorded at end-March 2023.The increase stemmed from inflows from the IMF's Rapid Financing Instrument (RFI) and Resilience and Sustainability Facility (RSF), amounting to $48,472.9 million and $39,490.3 million, respectively, as well as valuation effects associated with the depreciation of the JMD relative to the USD. This was partially offset by the net amortization of multilateral and bilateral loans. Central Government external debt is estimated to be $1,376,781.8 million at end-FY2023/24.

2.2 Public Bodies Debt

Gross public bodies (PBs) debt was $225,904.5 million at end-December 2023, reflecting a decrease of $11,333.5 million or 4.8 percent less than the $237,238.0 million recorded at end-March 2023. This decrease was attributed to an 18.0 percent and 6.8 percent reduction in Government Guaranteed and Non-Guaranteed Loans, respectively.

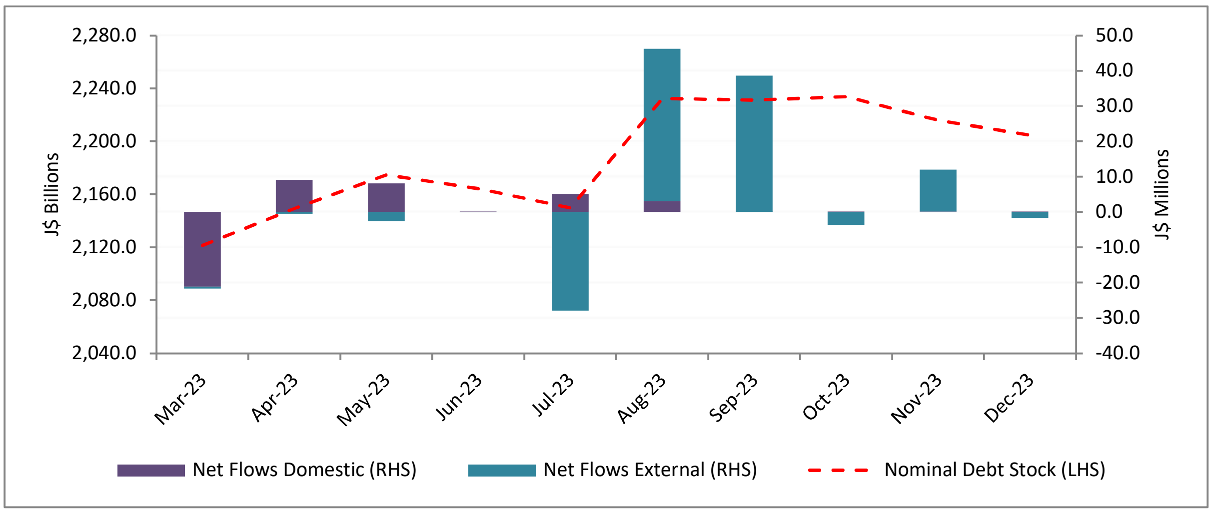
The net or consolidated public bodies debt[3] at end-December 2023 was -$4,053.1 million, representing a decrease of $26,300.8 million, or 118.2 percent compared to the $22,247.0 million recorded at end-March 2023. The reduction was driven mainly by the 18.0 percent decline in Government Guaranteed debt supported by a 7.0 percent increase in cross holdings. Net PBs debt is projected at -$15,408.5 million at end-March 2024.

[3] Net public bodies debt is calculated as gross public bodies' debt less cross holdings. Cross holdings include loans from Central Government or other PBs and PBs investment in GOJ securities.

2.3 Public Debt Trajectory and Net Financing Flows

Illustrated in **Figure 1** are net financing flows for the Central Government domestic and external debt portfolios, as well as the trajectory of the stock of total public debt from end-March 2023 to end-December 2023**.** Net flows of approximately $82,752.2 million to the Central Government debt portfolio reflected net inflows of approximately $25,595.7 million to the domestic portfolio and $57,165.5 million to the external portfolio. The net financing inflows in the external portfolio were mainly in respect of the drawdown of the IMF's RFI and RSF in August and September 2023, respectively, while domestic inflows were mainly related to BIN issuances. The net inflows to the Central Government portfolio over the period resulted in a 3.9 percent increase in total debt at end-December 2023 compared to end-March 2023.

Figure 1: Trajectory of the Public Debt Stock

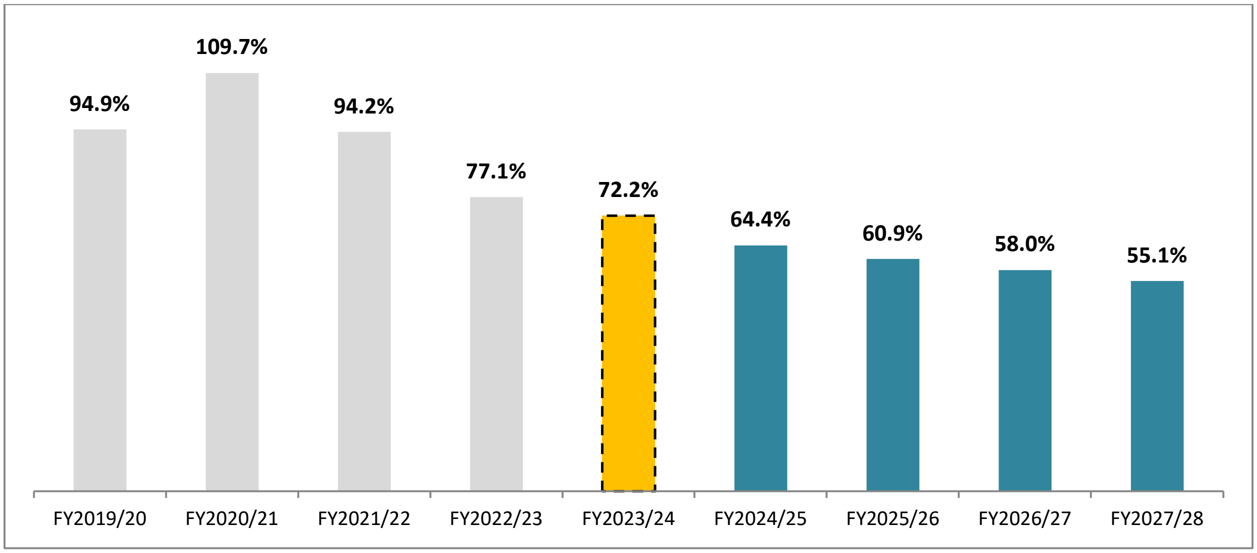


Source: Ministry of Finance and the Public Service

For the period under review, the fiscal balance was $2,167.3 million or 7.0 percent less than outlined in the Third Supplementary Estimates. While Expenditure was $7,162.7 million, or 1.1 percent less than budgeted, Revenues and Grants also underperformed by $9,330.0 million or 1.4 percent. Notwithstanding, programmed Central Government Operations for FY2023/24 are expected to generate a fiscal surplus of 0.3 percent of GDP, remaining unchanged relative to FY2022/23. The primary surplus is projected at 6.0 percent of GDP for end-FY2023/24, reflecting an increase of 0.2 percentage point when compared to the 5.8 percent reported at end-FY2022/23.

Real and nominal GDP for FY2023/24 are estimated to grow by 2.0 percent and 10.7 percent, respectively. Accordingly, debt-to-GDP at end-FY2023/24 is projected to decline by an estimated 4.8 percentage points to 72.2 percent despite an anticipated increase in total public debt. This expansion of the economy is projected to facilitate further improvements in the debt ratio, maintaining the downward trend, consistent with meeting the legislated target of 60.0 percent or less by end-FY2027/28 (see **Figure 2**).

Figure 2: Debt-to-GDP Trajectory



Source: Ministry of Finance and the Public Service

Box 1: Liability Management Operations Executed in FY2023/24

In accordance with Section 7.3 of the MTDS FY2023/24-FY2026/27, the Government of Jamaica committed to execute opportunistic liability management operations during FY2023/24. Accordingly, in November 2023, Jamaica successfully executed its inaugural JMD-linked transaction, based on prevailing appetite for local currency debt in the ICM. The transaction was aimed at mitigating foreign currency and refinancing risks; it involved the buyback of a portion of the outstanding global bonds due 2025 and 2028 for cash, and the issuance of a new 7-year JMD-linked SEC-Registered Senior Unsecured Notes due 2030 at a price of 99.376. The total issue amount was J$46,600.0 million, which was equivalent to US$300.0 million, with a coupon rate of 9.625% and yield of 9.75%.

Given that the targeted bonds were being traded at premium prices, the total purchase cost was US$237.37 million, including accrued interest of US$4.17 million or 1.8% above the total nominal value of US$233.20 million. Accounting for accrued interest of US$1.59 million, total cash paid by the GOJ for the tendered bonds amounted to US$238.96 million. The cash received from the new issuance was used for general budgetary purposes and to finance the repurchasing of the tendered bonds which were cancelled on the settlement date.

The MTDS for FY2023/24 to FY2026/27 estimated that based on historical movements in the JMD/USD exchange rate, there is a 95.0 percent probability that depreciation in the JMD relative to the USD would increase the debt stock by a maximum of J$112,420.0 million. Further analysis showed that based on the foreign currency-denominated composition of the debt stock at end-FY2022/23, a 3.0 percent and 5.0 percent depreciation in the JMD relative to the USD in FY2023/24 would increase the debt stock by approximately J$40,810.7 million and J$68,017.8 million, respectively. Notably, the effects of the depreciation on interest cost would be an increase of approximately J$2,033.8 million and J$3,389.7 million, respectively. The liability management transaction mitigated foreign currency risk by limiting the likely increases in the debt service costs and debt stock in Jamaica dollar terms. The nominal value of bonds totalling US$233.20 million was swapped into Jamaica dollar. The major highlights of the transaction are stated below:

- Moderate extension in the maturity profile of the Debt Portfolio, which mitigated refinancing risk.
- Buyback of USD debt with new JMD-linked notes has strengthened Jamaica's efforts to rebalance the debt stock in favour of JMD-denominated debt, by reducing the foreign currency risk exposure and the share of foreign currency-denominated debt in Central Government debt by 1.9 percentage points.
- De-dollarization of the Debt Portfolio addressed the rating agencies' expectation for Jamaica to lower the foreign currency-denominated debt stock, thus alleviating the pressure of high foreign currency-denominated debt.

SECTION III: COST AND RISK ANALYSIS

The continuous assessment of the relative costs and risks of the debt portfolio evaluates the consistency of debt operations with GOJ's objectives. While acknowledging that the risks to sovereign debt are varied, the MTDS focuses on market and refinancing risks, as well as those related to contingent liabilities in the form of Government Guaranteed and Non-Guaranteed Loans.

The main market risks evaluated in the portfolio arise from changes in the exchange rate, interest rate and inflation rate. Foreign currency risk continues to be significant for the debt portfolio. Despite a reduction in the share of foreign currency-denominated debt in total debt, the nominal stock of foreign currency-denominated debt remains high. While there was a marginal increase in the debt portfolio's weighted average interest cost resulting from higher external market rates, there was an improvement in interest rate risk exposure owing to a reduction in the share of variable-rate debt and an extension in the average time-to-re-fixing (ATR). Though the annual-point-to-point inflation rate at end-December 2023 was outside the upper limit of the BOJ's target, the portfolio's exposure to inflation risk is minimal, given that only a relatively small share of debt adjusts with changes in the Consumer Price Index (CPI). As it concerns refinancing risk, the issuance of longer-tenor debt contributed to an extension of the portfolio's average time-to-maturity (ATM), though there was an increase in the share of debt maturing in one year or less. Contingent liabilities associated with government guarantees remained within established limits as the ratio of GGLs to GDP is within the legislated ceiling for end-FY2026/27. **Table 2** highlights changes in key cost and risk indicators for the Central Government debt portfolio over the review period.

Table 2: Central Government Debt Cost and Risk Indicators

	Outcomes			Targets end-March 2024
	End-Mar 2023	End-Dec 2023	Change	
Implied Annual Interest Cost				
Domestic	8.5	8.5	0.0	
External	6.0	6.3	0.3	
Total	6.9	7.1	0.2	
Interest Rate Risk				
Domestic				
Variable-rate Debt (%)	17.8	17.2	(0.6)	20.0
Debt Re-fixing in 1 year (% of total)	18.1	22.6	4.5	
Average Time to Refixing (years)	9.1	9.0	(0.1)	
External				
Variable-rate Debt (%)	33.1	29.1	(4.0)	30.0
Debt Refixing in 1 year (% of total)	33.4	34.5	1.1	
Average Time to Refixing (years)	8.5	8.6	0.1	
Total				
Variable-rate Debt (%)	27.4	24.7	(2.7)	30.0
Debt Refixing in 1 year (% of total)	27.6	30.1	2.5	
Average Time to Refixing (years)	8.7	8.8	0.1	
Refinancing Risk				
Domestic				
Debt maturing in 1 year (% of total)	1.3	6.4	5.1	
ATM (years)	9.8	9.9	0.1	
External				
Debt maturing in 1 year (% of total)	5.7	7.2	1.5	
ATM (years)	10.7	11.1	0.4	
Total				
Debt maturing in 1 year (% of total)	4.0	6.9	2.9	<=10.0
ATM (years)	10.4	10.6	0.2	>=9.0
Foreign Currency Risk				
FX debt (as % of total debt)	61.2	59.6	(1.6)	<=62.0
Inflation Risk				
CPI-Linked debt (% of total debt)	3.0	3.0	0.0	
Contingent Liabilities				
Guaranteed Loans (% of GDP)	2.8	2.0	(0.8)	<=3.0

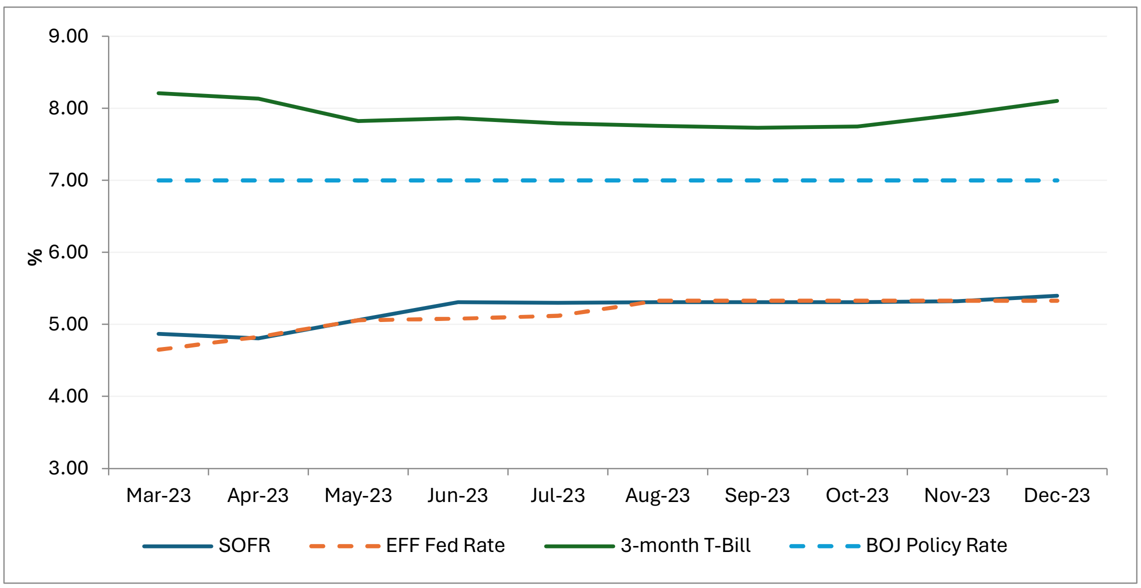
Source: Ministry of Finance and the Public Service

3.1 Interest Cost

At end-December 2023, the weighted average interest cost for Central Government debt was 7.1 percent, an increase of 0.2 percentage point when compared to end-March 2023 (see **Table 2**). This was due to an increase of 0.3 percentage point in the external interest cost from 6.0 percent at end-March 2023 to 6.3 percent at end-December 2023. The weighted average interest cost for the domestic portfolio at end-December 2023 was unchanged at 8.5 percent.

Figure 3 highlights the trajectory of benchmark interest rates for the period March 2023 to December 2023. Over the review period, the BOJ policy rate was unchanged at 7.00 percent[4]. This supported the relatively flat trajectory of the 3-month T-Bill rate, which decreased marginally by 11 bps over the review period. External reference rates also increased marginally over the review period. Specifically, the SOFR increased by 53 bps from 4.87 percent at end-March 2023 to 5.40 percent at end-December 2023. Similarly, the Federal Funds Rate increased by 68 bps over the period from 4.65 percent to 5.33 percent.

Figure 3: Reference and Benchmark Rates for the Debt Portfolio



Source: Bank of Jamaica, Ministry of Finance and the Public Service and Federal Reserve Bank of St. Louis

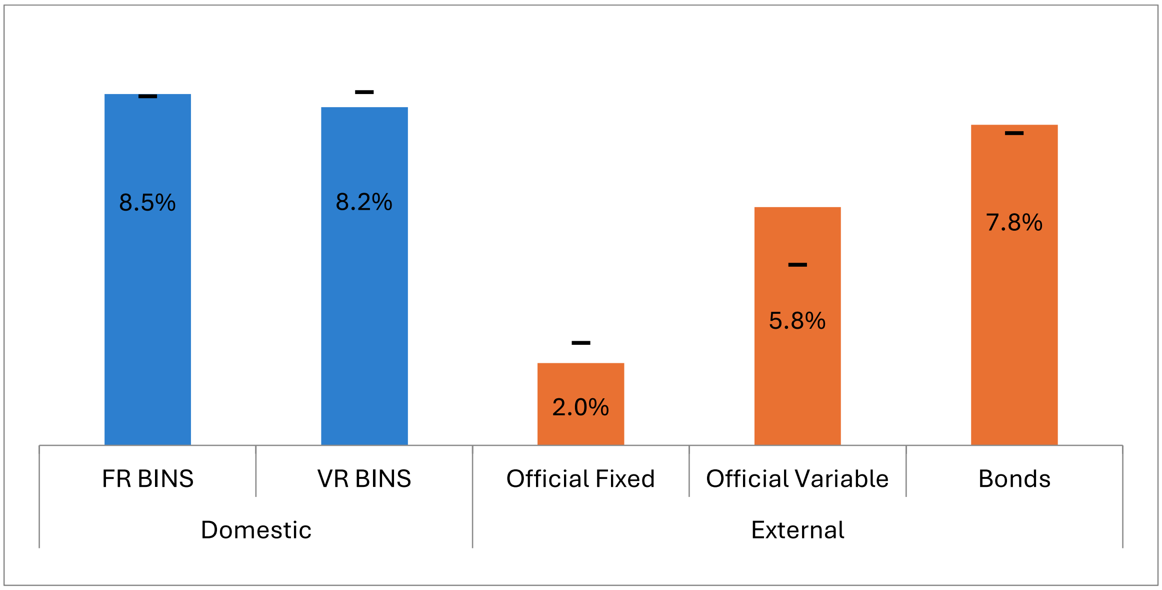
Figure 4 highlights the portfolios' weighted average interest cost by instrument at end-December 2023. External bonds remain the most costly external debt instrument with a weighted average cost of 7.8 percent. This was 0.2 percentage point higher than the outturn of 7.6 percent at end-March 2023. The average cost of fixed-rate Multilateral/Bilateral loans decreased by 0.5 percentage point from 2.5 percent at end-March 2023 to 2.0 percent at end-December 2023 as higher cost fixed–rate loans were amortized during the review period. The average cost of

[4] The BOJ policy rate was adjusted upwards from 6.50 percent to 7.00 percent in November 2022.

variable-rate Multilateral/Bilateral loans increased from 4.4 percent at end-March 2023 to 5.8 percent at end-December 2023 as a result of increasing reference rates.

Domestic variable-rate BINs recorded a weighted average interest cost of 8.2 percent, a reduction of 0.4 percentage point when compared to 8.6 percent at end-March 2023. The weighted average cost of the domestic fixed-rate BINs was unchanged at 8.5 percent.

Figure 4: Weighted Average Interest Cost by Instrument



Source: Ministry of Finance and the Public Service

Note: Bars show weighted average interest cost at end-December 2023, while markers depict weighted average interest cost at end-March 2023.

3.2 Interest Rate Risk

Interest rate risk in the Central Government debt portfolio refers to the potential changes in debt service costs due to fluctuations in interest rates, which can lead to volatility in the cash flows required to meet interest payments. Indicators used to measure interest rate risk include the portfolio's share of variable-rate debt, the share of debt re-fixing within 12 months or less and the portfolio's average-time-to-re-fixing (ATR).

At end-December 2023, the share of variable-rate Central Government debt was 24.7 percent, a decrease of 2.7 percentage points when compared to end-March 2023 (see **Table 2**). This was primarily driven by a 4.0-percentage point decrease in the external portfolio and a 0.6-percentage point reduction in the domestic portfolio.

The portfolio's share of debt re-fixing in one year or less increased by 2.5 percentage points to 30.1 percent at end-December 2023. The share in the domestic portfolio increased by

4.5 percentage points from 18.1 percent at end-March 2023 to 22.6 percent at end-December 2023, while the share in the external portfolio increased from 33.4 percent to 34.5 percent.

The ATR for the Central Government debt portfolio increased by 0.1 year, from 8.7 years to 8.8 years due to a 0.1-year increase in the external portfolio's ATR. The marginal improvement in the portfolio's ATR indicates a slightly longer average time until the re-fixing of interest rates, indicating a potentially lower frequency of interest rate adjustments.

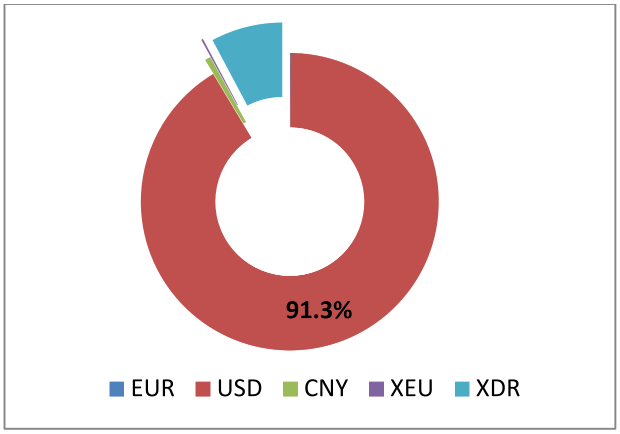
3.3 Foreign Currency Risk

Foreign currency risk refers to the variability in the debt stock and the associated debt service costs resulting from fluctuations in foreign currency exchange rates. This risk can be measured by the share and nominal exposure of foreign currency-denominated debt in the portfolio and the volatility of the exchange rate between the local currency and foreign currencies. Currently, foreign currency risk is limited to the external portfolio, as the domestic portfolio is denominated entirely in local currency.

At end-December 2023, foreign currency-denominated debt accounted for 59.6 percent of total outstanding Central Government debt, 1.6 percentage points less than the outturn of 61.2 percent at end-March 2023 (see **Table 2**). During the review period, the nominal value of foreign currency-denominated debt in US dollar terms decreased by US$7.5 million or 0.1 percent from US$8,507.7 million to US$8,500.2 million. This reduction was mainly driven by the buyback of a portion of JAMAN global bonds due 2025 and 2028 with a nominal value of US$233.2 million (see **Box 1**), which was partially offset by foreign currency-denominated inflows over the period. Additionally, the tendered bonds were replaced with new JMD-linked Notes due 2030 with nominal value of $46,600.0 million.

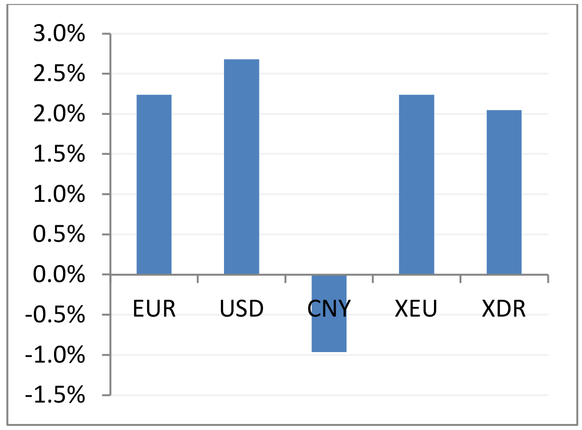
The Central Government debt portfolio was exposed to movements in the exchange rate of five currencies at end-December 2023. **Figure 5** shows that the US dollar continued to account for the overwhelming share of foreign currency-denominated debt at end-December 2023, and thus, the portfolio was most sensitive to changes in the JMD/USD exchange rate. **Figure 6** shows the rate of depreciation of the Jamaica dollar relative to the five currencies over the review period. The Jamaica dollar depreciated relative to all currencies except the Chinese Yuan Renminbi (CNY), which appreciated by 1.0 percent.

Figure 5: Currency Composition of Foreign Currency-denominated Debt at end-December 2023



Source: Ministry of Finance and the Public Service

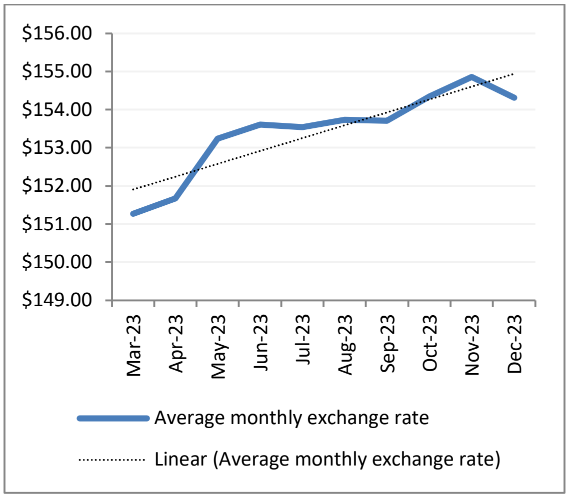
Figure 6: Rate of Depreciation of the JMD relative to Foreign Currencies for the period end-March 2023 to end-December 2023



Source: Ministry of Finance and the Public Service

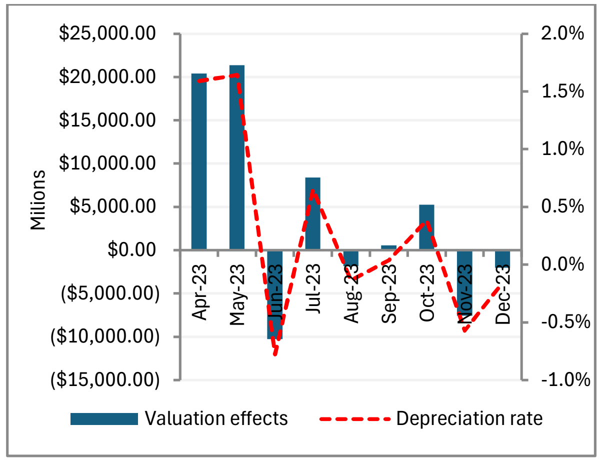
Figure 7 shows that the average monthly exchange rate of the JMD vis-à-vis the USD for the period March 2023 to December 2023 has trended upwards. Of note, the Jamaica dollar depreciated by 2.7 percent over the period, with the exchange rate moving from J$150.91:US$1 on March 31st, 2023, to J$154.95: US$1 on December 31st, 2023. At end-December 2023, outstanding foreign currency-denominated debt was equivalent to $1,317,108.3 million, compared to $1,289,512.1 million at end-March 2023, representing an increase in foreign currency-denominated debt in Jamaica dollar terms by $27,596.2 million or 2.1 percent. **Figure 8** shows the monthly rate of depreciation of the Jamaica dollar, as well as the associated valuation effects. Over the review period, depreciation of the Jamaica dollar relative to the US dollar increased the stock of foreign currency-denominated debt in local currency terms by approximately $34,340.9 million.

Figure 7: Average monthly exchange rate of the JMD vis-à-vis the US dollar



Source: Ministry of Finance and the Public Service

Figure 8: Monthly Movement in the Exchange Rate and Associated Valuation Effects



Source: Ministry of Finance and the Public Service

Notes: Changes in the outstanding foreign currency-denominated debt in J$ terms due to exchange rate movements are on the left axis and monthly change in the JMD/USD is on the right axis.

3.4 Inflation Risk

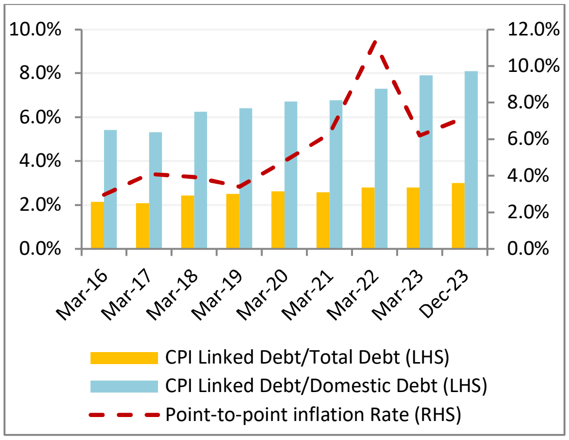
Inflation risk refers to the variability in the value of inflation-linked debt and the associated debt service costs occasioned by changes in the Consumer Price Index (CPI). The impact of changes in the CPI on the debt stock is contingent on the level of exposure, which is measured by the share of inflation-linked debt in total debt, as well as the inflation rate. Currently, only the domestic debt portfolio is exposed to inflation risk.

The December 2023 point-to-point inflation rate was 6.9 percent, 0.7 percentage point more than the rate recorded at end-March 2023. The BOJ projects that further inflationary pressures during the last quarter of the fiscal year will result in a point-to-point inflation rate of 7.5 percent at end-FY2023/24. However, inflation is expected to return to the 5.0 percent midpoint of the targeted band within the medium-term.

Since a relatively small proportion of the debt adjusts with changes in the CPI, the level of risk in the total and domestic debt portfolios remains low. For the fiscal year-to-date, the value of CPI-linked debt increased by $3,667.4 million or 5.8 percent to $67,066.0 million. This represented 8.1 percent of outstanding Central Government domestic debt and 3.0 percent of total Central Government debt (see **Figure 9**). Notably, the value of inflation-linked debt has increased by $30,367.0 million or 82.7 percent since the original issuances, due to movements in the CPI.

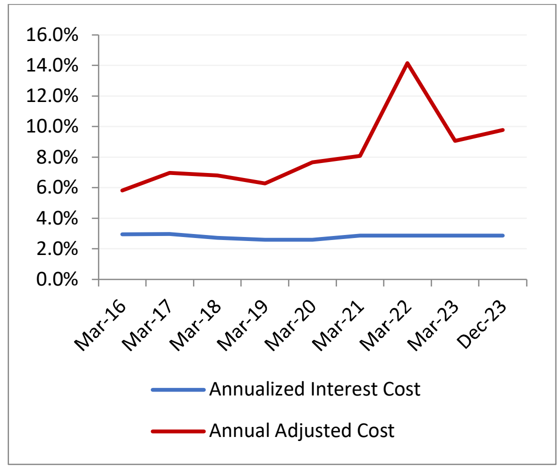
The weighted average annual interest cost on CPI-linked bonds was estimated at 2.9 percent at end-December 2023. The annualized adjusted cost, which takes into consideration inflation movements, was estimated at 9.8 percent, an increase of 0.7 percentage point when compared to end-March 2023. Additionally, when compared to fixed-rate BINs of comparable tenors, the adjusted cost of inflation-linked debt was 0.2 percentage point higher (see **Figure 10**).[5]

Figure 9: Share of CPI-Linked Debt in Central Government Debt



Source: Ministry of Finance and the Public Service

Figure 10: Cost of CPI-Linked Bonds



Source: Ministry of Finance and the Public Service

3.5 Refinancing Risk

Refinancing risk is the probability that debt will have to be rolled over at an unusually high cost, or, in extreme cases, cannot be rolled over. Refinancing risk is measured by the portfolio's ATM, the share of debt maturing in one year or less and the redemption profile.

The share of total debt maturing in one year or less was 6.9 percent at end-December 2023, 2.9 percentage points more than the 4.0 percent outturn at end-March 2023. This was due to an increase in both the domestic and external debt maturing in one year or less, from 1.3 percent to 6.4 percent and 5.7 percent to 7.2 percent, respectively.

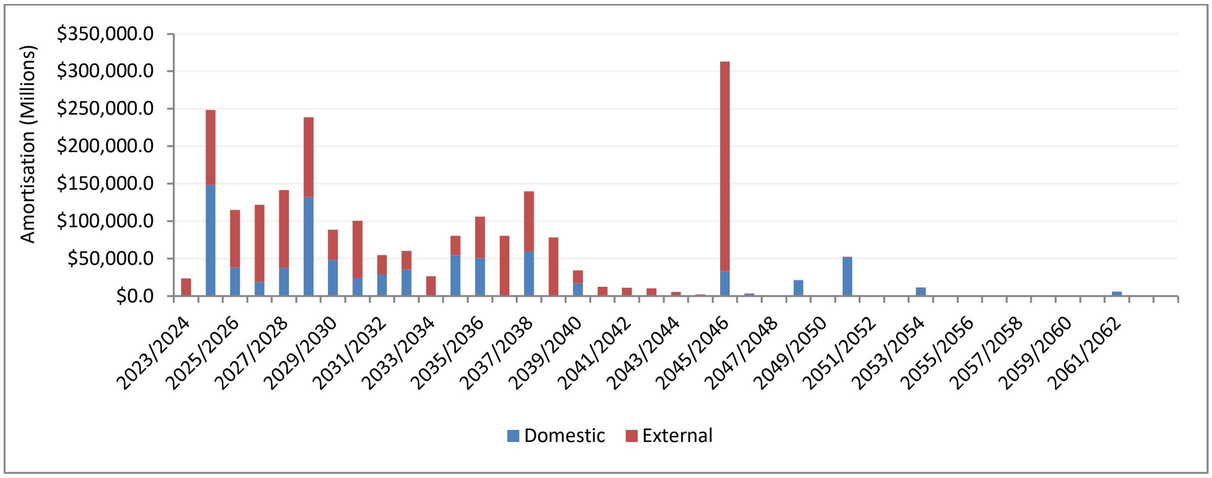
The ATM measures the weighted average time until all principal payments become due. It shows the average time taken to roll over the debt portfolio. A shortening of this indicator means that the portfolio is being rolled over more frequently, exposing the Government to more refinancing risk. The ATM for the domestic and external portfolio was 9.9 years and 11.1 years, reflecting increases of 0.1 year and 0.4 year, respectively. The combined changes resulted in an extension of the ATM for the total portfolio by 0.2 year from 10.4 years at end-March 2023 to 10.6 years at end-December 2023.

Figure 11 shows the redemption profile of the Central Government debt portfolio at end-December 2023. Large domestic maturities, which heighten refinancing risk, include the scheduled repayment of the $91,922.9 million Variable-Rate Step-Up BIN due in FY2024/25 and

[5] The weighted average cost of fixed-rate BINs with maturities in 2025, 2033 and 2040 is 9.6 percent.

the Fixed-Rate Accreting Notes (FRAN) with a current outstanding amount of $132,215.0 million due in FY2028/29. There are also large external maturities scheduled from FY2024/25 to FY2028/29 related to the IMF's Rapid Financing Instrument and JAMAN Fixed-Rate 6.75% global bond. The JAMAN Fixed-Rate 7.875% global bond with principal outstanding of US$1,815.0 million will become due in FY2045/46.

Figure 11: Redemption Profile of Central Government Debt at end-December 2023



Source: Ministry of Finance and the Public Service

3.6 Contingent Liability – Government Guaranteed Loans

Government guaranteed loans are explicit contingent liabilities which, if called or assumed, will increase the debt service costs of the GOJ. At end-December 2023, the stock of GGLs was $62,368.2 million, of which $36,840.7 million or 59.1 percent were external guarantees and $25,527.6 million or 40.9 percent were domestic guarantees (see **Table 3**). This represents a $13,726.4 million or 18.0 percent reduction in total guarantees, attributed to a $16,357.5 million or 30.7 percent reduction in external guarantees. This reduction was partially offset by a $2,631.2 million or 11.5 percent increase in domestic guarantees which resulted mainly from the revaluation of CPI-linked debt. The reduction in external guarantees was driven mainly by the US$89.3 million maturity of a guaranteed bond.

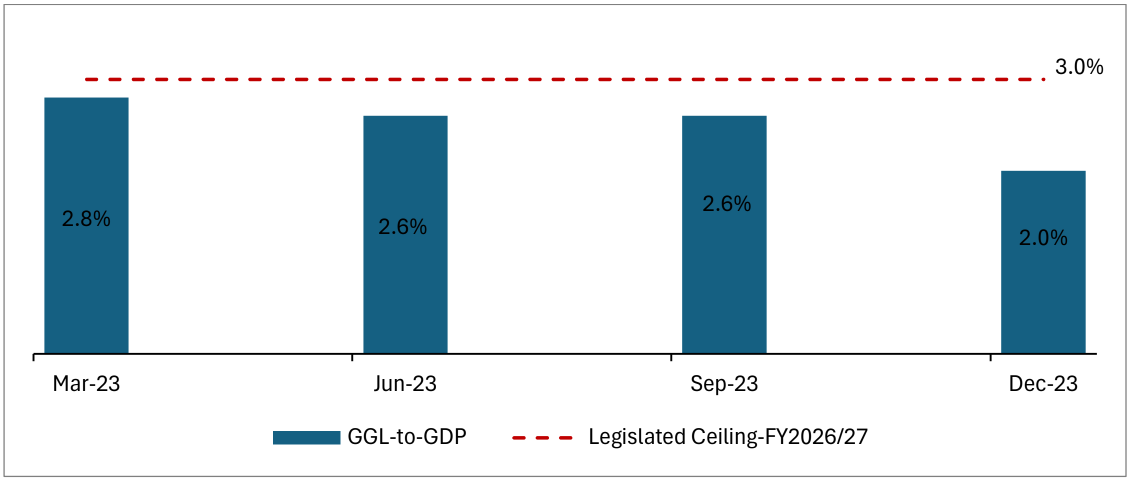
Table 3: Stock of Government Guaranteed Loans

	Mar-23		**Dec-23**		**Change**	
	J$mn	**% of total**	**J$mn**	**% of total**	**J$mn**	**%**
External GGL	53,198.2	69.9	36,840.7	59.1	(16,357.5)	(30.7)
Domestic GGL	22,896.4	30.1	25,527.6	40.9	2,631.2	11.5
Total	**76,094.60**		**62,368.2**		**(13,726.4)**	(18.0)

Source: Ministry of Finance and the Public Service

Figure 12 highlights the quarterly share of GGL-to-GDP relative to the legislated ceilings for FY2026/27[6]. At end-December 2023, the GGL-to-GDP ratio was 2.0 percent, which was 1.0 percentage point lower than the legislated ceiling for end-FY2026/27, and 0.8 percentage point lower than the ratio recorded at end-March 2023.

Figure 12: Government Guaranteed Loans as a Share of GDP



Source: Ministry of Finance and the Public Service

3.6.1 Cost and Risk Indicators for Government Guaranteed Loans

The Government continues to monitor the GGL portfolio with respect to key cost and risk indicators. **Table 4** compares key risk indicators for the portfolio at end-March 2023 and end-December 2023.

At end-December 2023, the weighted average interest cost for the GGL portfolio was 6.1 percent, which was 0.1 percentage point higher than that recorded at end-March 2023. This was attributed to a 0.2-percentage point increase in the interest cost for the external portfolio, as external reference rates increased over the period. The interest cost for the domestic portfolio also increased by 0.2 percentage point.

[6] The Public Debt Management Act (PDMA) limits the GGL-to-GDP ratio to no more than 3.0 percent at end-FY2026/27.

Table 4: GGL Portfolio Risk Indicators

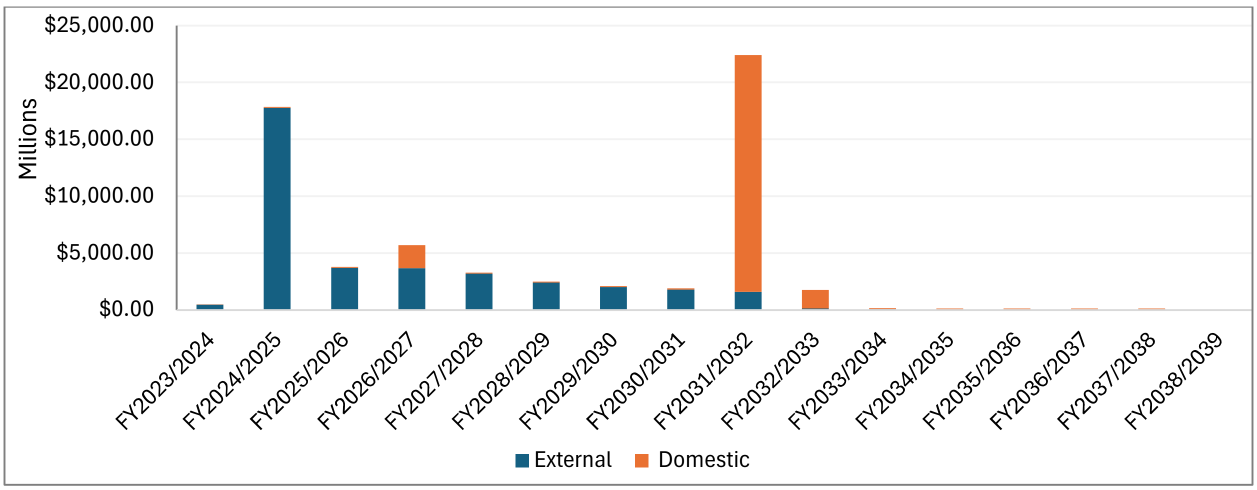
	Outcomes		
	end-Mar 2023	end-Dec 2023	Change
Implied Interest Cost			
Domestic	4.9	5.1	0.2
External	6.5	6.7	0.2
Total	6.0	6.1	0.1
Interest Rate Risk			
Domestic			
Variable Rate (%)	-	-	-
Debt Re-fixing in 1 year (%)	-	0.4	0.4
Average time to re-fixing (years)	9.7	7.8	(1.9)
External			
Variable Rate (%)	35.2	46.7	11.5
Debt Re-fixing in 1 year (%)	63.2	77.9	14.7
Average time to re-fixing (years)	3.9	1.0	(2.9)
Total			
Variable Rate (%)	24.6	27.6	3.0
Debt Re-fixing in 1 year (%)	44.2	46.2	2.0
Average time to re-fixing (years)	5.4	3.7	(1.7)
Refinancing Risk			
Domestic			
ATM (years)	8.7	7.8	(0.9)
External			
ATM (years)	2.9	2.9	-
Total			
ATM (years)	4.6	4.9	0.3
Foreign Currency (FX) Risk			-
FX debt (as % of total GGLs)	72.4	62.2	(10.2)
Inflation Risk			
CPI-Linked debt (as % of total GGLs)	25.5	33.2	7.7

Source: Ministry of Finance and the Public Service

The portfolio's exposure to interest rate risk increased over the period, as reflected in increases in both the variable-rate share of debt and the share of debt re-fixing in one year or less, as well as a reduction in the ATR. At end-December 2023, the GGL portfolio's share of variable-rate debt was 27.6 percent, 3.0 percentage points more than at end-March 2023. This was entirely attributed to the external portfolio, for which the share of variable-rate debt increased by 11.5 percentage points, owing to the amortization of a fixed-rate guaranteed bond. The domestic portfolio comprised only fixed-rate debt. The share of debt re-fixing in one year or less for the overall portfolio was 46.2 percent, representing a 2.0 percentage point increase. This resulted from a 0.4 percentage point and 14.7 percentage point increase in the domestic and external portfolios, respectively. The ATR was 3.7 years, reflecting a 1.7 year decrease relative to end-March 2023. This was driven by reductions in both the domestic and external portfolios.

The portfolio's exposure to refinancing risk decreased marginally over the review period, as the ATM increased from 4.6 years at end-March 2023 to 4.9 years. While the ATM for the domestic portfolio decreased from 8.7 years to 7.8 years, the ATM for the external portfolio was unchanged at 2.9 years. The redemption profile in **Figure 13** highlights the concentration of maturities in FY2024/25 and FY2031/32 relating to scheduled amortization amounts of $17,760.4 million and $22,412.0 million, respectively.

Figure 13: Redemption Profile of GGLs at end-December 2023



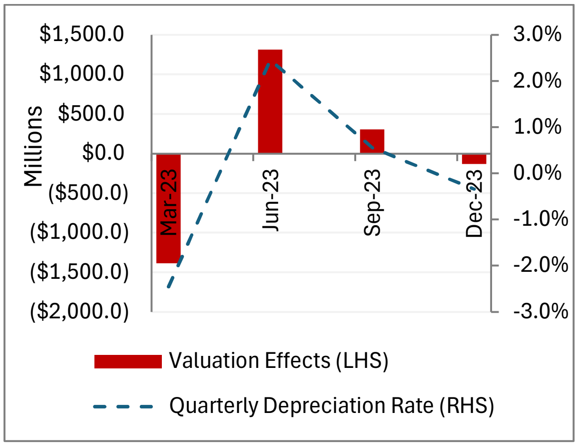
Source: Ministry of Finance and the Public Service

At end-December 2023, the foreign currency-denominated composition of guaranteed debt was US$250.2 million, equivalent to $38,762.1 million or 62.2 percent of total guarantees. This represents a 10.2 percentage point reduction in the foreign currency-denominated share of guaranteed debt, driven by a US$118.0 million reduction in foreign currency-denominated guarantees. Notwithstanding, the portfolio remains exposed to revaluation effects. Over the period, the JMD depreciated by 2.7 percent relative to the USD, adding $1,010.2 million to the stock in Jamaica dollar terms (see **Figure 14**).

At end-December 2023, the stock of inflation-linked GGLs was $20,732.7 million, an increase of $1,250.1 million when compared to end-March 2023. Inflation-linked GGLs accounted for 33.2 percent of total GGLs, an increase of 7.7 percentage points over the period (see **Figure 15**).

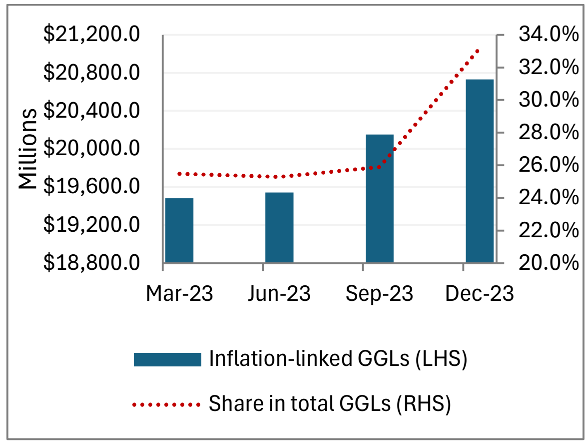
This increase was mainly attributed to the net amortization of non-inflation-linked debt over the period.

Figure 14: Quarterly Valuation Effects form Exchange Rate Changes



Source: Ministry of Finance and the Public Service

Figure 15: Nominal Value of Inflation-Linked GGLs



Source: Ministry of Finance and the Public Service

3.7 Contingent Liability – Public Bodies' Non-Guaranteed Loans

Public bodies' non-guaranteed loans (NGLs) are implicit contingent liabilities which, though not legally binding, may increase the Government of Jamaica's debt service cost due to moral obligations. NGLs are acquired by public bodies to fulfil mandated operational activities. At end-December 2023, the stock of NGLs was $27,969.5 million, a decline of $2,033.7 million or 6.8 percent when compared to $30,003.2 million at end-March 2023 (see **Table 5**). This was due to reductions of $1,785.8 million and $247.9 million in the domestic and external portfolios, respectively. The decrease in the domestic portfolio was mainly driven by the certification of the Jamaica Mortgage Bank (JMB) as a non-specified public sector entity, and was partially offset by the acquisition of new loans. The reduction in the external portfolio resulted from net amortization, which was partially offset by the depreciation of the JMD relative to the USD. At end-December 2023, 95.4 percent of NGLs were sourced domestically, reflecting an increase relative to 94.9 percent at end-March 2023.

Table 5: Stock of Public Bodies' Non-Guaranteed Loans

	Mar-23		Dec-23		Change	
	J$mn	**% of total**	**J$mn**	**% of total**	**J$mn**	**%**
External NGL	1,541.3	5.1	1,293.4	4.6	(247.9)	(16.1)
Domestic NGL	28,461.9	94.9	26,676.1	95.4	(1,785.8)	(6.3)
Total	**30,003.2**		**27,969.5**		**(2,033.7)**	(6.8)

Source: Ministry of Finance and the Public Service

3.7.1 Cost and Risk Indicators for Public Bodies' Non-Guaranteed Loans

Table 6 compares the cost and risk indicators for the NGL portfolio at end-March 2023 and end-December 2023. Overall, there was a reduction in the portfolio's risk exposure during the period, though there was an increase in portfolio costs.

Table 6: NGL Portfolio Risk Indicators

	Outcomes		
	End-March 2023	**End-December 2023**	**Change**
Annual Interest Cost			
Domestic	10.4	10.7	0.3
External	2.5	2.3	(0.2)
Total	10.0	10.3	0.3
Interest Rate Risk			
Domestic			
Variable Rate Debt (%)	-	1.7	1.7
Debt Re-fixing in 1 Year (%)	5.8	3.9	(1.9)
Average Time to Re-fixing (Years)	19.0	19.7	0.7
External			
Variable Rate (%)	-	-	-
Debt Re-fixing in 1 Year (%)	-	4.3	4.3
Average Time to Re-fixing (Years)	3.4	2.9	(0.5)
Total			
Variable Rate (%)	-	1.6	1.6
Debt Re-fixing in 1 Year (%)	5.5	3.9	(1.6)
Average Time to Re-fixing (Years)	18.2	19.0	0.8
Refinancing Risk			
Domestic			
Average Time to Maturity (Years)	19.0	19.8	0.8
External			
Average Time to Maturity (Years)	3.4	2.9	(0.5)
Total			
Average Time to Maturity (Years)	18.2	19.0	0.8
Foreign Currency Risk			
FX Debt (as % of total NGLs)	4.7	4.3	(0.4)

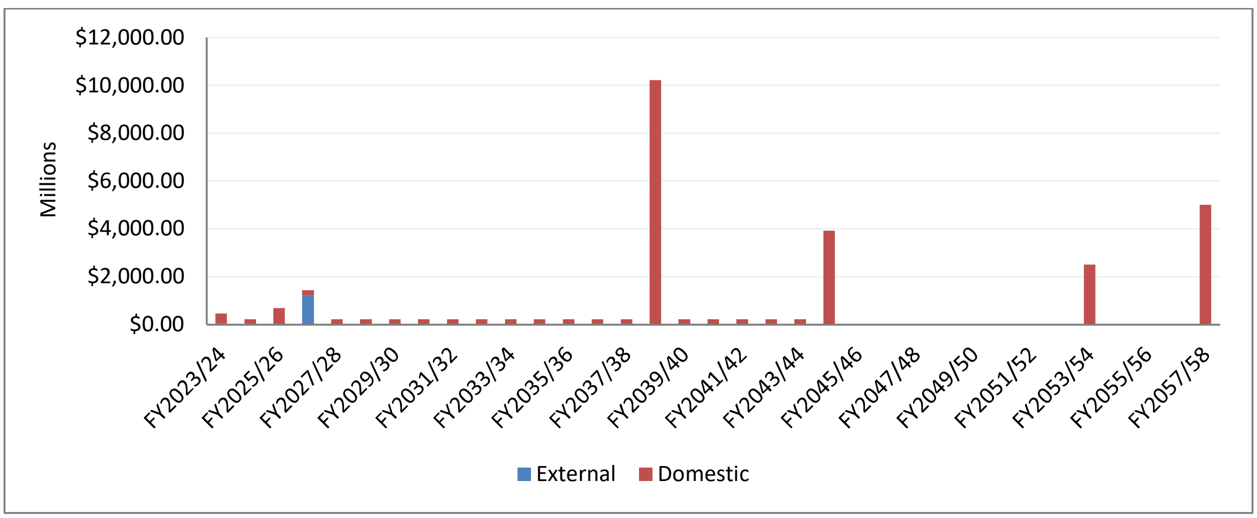
Source: Ministry of Finance and the Public Service

At end-December 2023, the weighted average interest cost for NGLs was 10.3 percent, representing a marginal increase relative to end-March 2023. The relatively high cost of NGLs was driven by the domestic portfolio, for which the weighted average interest cost was 10.7 percent, an increase of 0.3 percentage point resulting from the acquisition of new loans in the current high-interest rate environment. The weighted average cost for the external portfolio was 2.3 percent, a marginal reduction of 0.2 percentage point relative to end-March 2023.

The NGL portfolio comprised 1.6 percent variable-rate debt, an increase of 1.6 percentage points relative to the end-March 2023 position. Notwithstanding the increase in variable-rate loans, there was a 1.6 percentage point reduction in the portfolio's share of debt refixing in one year or less which resulted from a reduction in the share of NGLs maturing within one year. Consistent with the reduction in the share of debt refixing in a year or less, the portfolio's ATR increased by 0.8 year to 19.0 years, suggesting a reduction in interest rate risk exposure. This was mainly attributed to the domestic portfolio for which the ATR increased by 0.7 year to 19.7 years, while the external portfolio's ATR decreased by 0.5 year to 2.9 years.

At end-December 2023, the ATM for the NGL portfolio was recorded at 19.0 years. While the ATM for the external portfolio decreased by 0.5 year over the review period to 2.9 years, the domestic portfolio recorded a 0.8-year increase to 19.8 years, resulting in an overall improvement of 0.8 year. **Figure 16** shows the redemption profile for the NGL portfolio at end-December 2023. Despite the length of the maturity profile, there is a concentration of maturities in the portfolio for FY2038/39, FY2044/45, FY2053/54 and FY2057/58. Accordingly, it is crucial that the GOJ monitors the ability of public bodies to fulfil these amortization obligations in order to manage the risk to Central Government fiscal accounts.

Figure 16: Redemption Profile of NGLs at end-December 2023



Source: Ministry of Finance and the Public Service

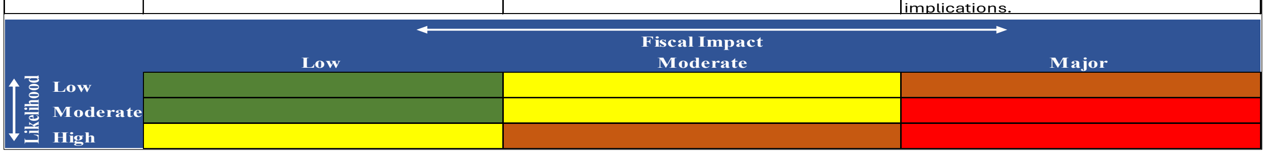
The nominal value of foreign currency-denominated NGLs was US$7.8 million at end-December 2023, US$1.5 million less than at end-March 2023, resulting from the net amortization of foreign currency-denominated debt over the period. As a result, the share of foreign currency-denominated NGLs in total NGLs decreased by 0.4 percentage point to 4.3 percent, thereby reducing the portfolio's level of exposure to foreign currency risk.

SECTION IV: RISK FACTORS AFFECTING THE DEBT PORTFOLIO

Public debt dynamics are susceptible to various exogenous factors such as health crises, natural disasters, deteriorating social dynamics and financial crises, through their impact on macroeconomic and market variables. The relative risk to the portfolio is determined by the probability of occurrence and the estimated fiscal impact. **Figure 17** outlines selected risk factors, the estimated likelihood of occurrence and the potential impact on the debt portfolio.

Figure 17: Selected Risk Factors and the Implicationns for the Debt Portfolio

Likelihood of Event \ Fiscal Impact	Low	Moderate	Major
Low	**Public Private Partnerships (PPPs):** The use of PPPs as a modality to mobilize investment, particularly in infrastructure development and energy and water generation are common in many developing economies. These types of arrangements impose potentially significant fiscal risks if not properly managed and monitored. The GOJ's PPP Policy provides a framework to support the monitoring of PPPs in Jamaica. PPPs are adjudged to pose minimal risk to the debt portfolio at this point in time. However, their growing popularity suggests the potential for increasing risks from PPPs over the medium term.	**Shocks in Commodity Prices:** Adverse shocks in commodity prices, especially oil prices, can have major effects on the Government's BOP and overall fiscal accounts. Though potentially large on the fiscal, the pass through to the debt portfolio is expected to be more moderate. While crude oil prices are expected to fall throughout the medium-term, risks to the outlook remain, such as a prolongment of the Russia-Ukraine crisis as well as the ongoing conflict between Israel and Palestine.	**Financial Crises:** Financial crises can have significant negative effects on the economy and the sovereign debt. The Jamaican financial crisis in the 1990s is estimated to have cost upwards of 40.0 percent of GDP. While there have been concerns in recent times surrounding bank fraud and the possibility of a financial crisis, strengthening of financial regulations and the adoption of best practices in Jamaica is expected to provide protection against this risk.
Moderate	**Government Guaranteed Loans (GGLs):** As public bodies aim to navigate the current macroeconomic and financial environment, in particular, increasing commodity prices, high inflation and the resultant high cost of financing, the risk of crystallization of guarantees has increased. However, consistent with the legislated limits as per the PDMA, the GOJ has been successfully reducing its exposure to risks from GGLs. The share of GGLs to GDP has decreased over the review period and is estimated at 2.0 percent at end-December 2023, within the legislated ceiling for FY2026/27.	**Weakened Fiscal Accounts:** The fiscal balance is projected at 0.3 percent of GDP for FY2024/25, unchanged relative to the estimate for FY2023/24. While Jamaica's medium-term growth outlook is positive, global risks and associated spill-over effects remain. High inflation and elevated interest rates may curtail demand, inducing recessions in major partner economies. This could impair the Government's fiscal accounts with mounting pressures also placed on the domestic financial markets.	**Natural Disasters:** Natural disasters pose significant fiscal risks to the GOJ. The annual average fiscal cost associated with hydrogeological events is estimated at 0.85 percent of GDP but has been as high as 26.0 percent of GDP. In June 2023, the National Natural Disaster Risk Financing Policy (NNDRFP) 2021-2026 was tabled and passed in the Houses of Parliament. The policy proposes a risk layered approach for the adoption of a suite of disaster risk finance instruments including indemnity type insurance coverage, contingent lines of credit, catastrophe bonds, as well as a dedicated Natural Disaster Reserve Fund to reduce the fiscal impact of natural disasters. **Health Crises:** In FY2020/21, the coronavirus pandemic led to a slowdown of economic activity, curtailing revenue generation while necessitating increased expenditure to address health, social and financial needs. In that year, the Government recorded a fiscal deficit of 3.1 percent of GDP, 3.8 percentage points lower than the budgeted surplus of 0.7 percent. Additionally, an 11.0 percent contraction in real GDP resulted in an uptick in debt-to-GDP of 14.9 percentage points. In an increasingly globalised world, the occurrence of pandemics have become more likely with potentially major fiscal impacts.
High		**High Crime Rate:** High rates of crime pose a significant risk to prospects for improvements in productivity and economic growth. Some estimates of the direct impact of crime on the health system are as high as $12.0 billion. Higher crime-related expenditures will also impact the budget directly. The attendant impact on economic growth (GDP) will affect the fiscal through low revenue generation and potentially higher demand for social spending, which could lead to increases in Government borrowing.	**Market Volatility:** Volatility in macroeconomic and market variables can result in higher debt service costs and stock valuation. It also has implications for governments' ability to access markets for financing which could impose liquidity challenges. Given the current state of the global economy, characterized by high rates of inflation, low levels of liquidity and high borrowing costs, this risk is assessed to be a high probability with potentially major financial implications.



4.1 Comparative Static Simulations of Changes in Key Macroeconomic and Market Variables on the Debt Portfolio

Table 7 outlines the results of comparative static simulations to determine the debt portfolio's sensitivity to changes in key macroeconomic and market variables. A 3.0 percent depreciation in the Jamaica dollar relative to the US dollar in FY2024/25 is projected to increase the debt stock and interest cost by an estimated $39,864.6 million and $1,827.5 million, respectively. Similarly, a 100-bp increase in benchmark domestic and external interest rates is estimated to increase interest costs by $2,010.8 million and $4,515.7 million, respectively. A 5.0 percent increase in the CPI would increase the debt stock by $4,403.1 million and increase the cost of inflation-linked debt by $134.6 million. The simulations show that the debt portfolio is most sensitive to movements in the foreign exchange rate, as the exchange rate adjustment is projected to account for 65.1 percent of combined effect of all three scenarios. This extreme sensitivity to adverse movements in the foreign exchange rate supports the current debt management strategy to reduce foreign currency risk exposure over the medium-term.

Table 7: Estimated Portfolio Effects of Changes in Key Market Variables

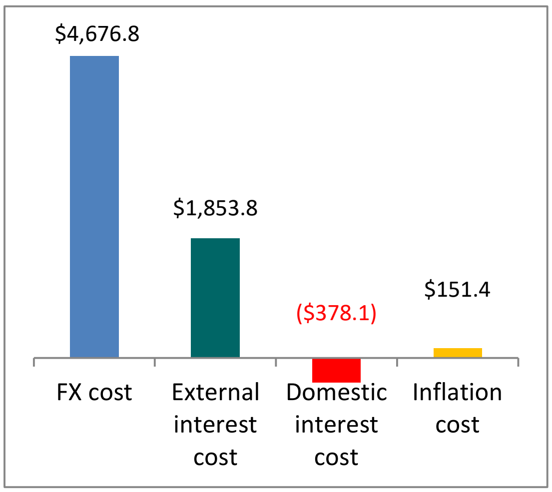
		Change in Macroeconomic Variables		
		1.0%	3.0%	5.0%
			J$ Millions	
Foreign Exchange Depreciation				
	Effect on Debt Stock	13,288.2	39,864.6	66,441.0
	Effect on Interest Cost	609.2	1,827.5	3,045.8
	Total	13,897.3	41,692.0	69,486.7
	% of GDP	0.4%	1.3%	2.1%
Increase in Benchmark Interest Rates				
	Domestic	2,010.8	6,032.5	10,054.2
	External	4,515.7	13,547.1	22,578.5
	Total	6,526.5	19,579.6	32,632.7
	% of GDP	0.2%	0.6%	1.0%
Inflation Rate				
	Effect on Debt Stock	880.6	2,641.9	4,403.1
	Effect on Interest Cost	26.9	80.8	134.6
	Total	907.5	2,722.6	4,537.7
	% of GDP	0.0%	0.1%	0.1%
Aggregated Effects				
	Total	**21,331.4**	**63,994.3**	**106,657.1**
	% of GDP	**0.6%**	**1.9%**	**3.2%**

Source: Ministry of Finance and the Public Service

Figure 18 highlights the estimated portfolio costs associated with actual financing flows and the changes in key macroeconomic and market variables over the review period. The Jamaica dollar depreciated by 2.7 percent relative to the US dollar, resulting in a $4,676.8 million increase in portfolio costs. For the external portfolio, a 57 bp increase in the 90-day average SOFR, resulted in an estimated $1,853.8 million increase in external interest costs. In contrast, declines in the GOJ Treasury bill rates resulted in a $378.1 million reduction in domestic interest costs. The effects of changes in the CPI were limited to interest payments, as there were no principal payments in respect of inflation-linked debt during the period. The associated cost increased by $151.4 million.

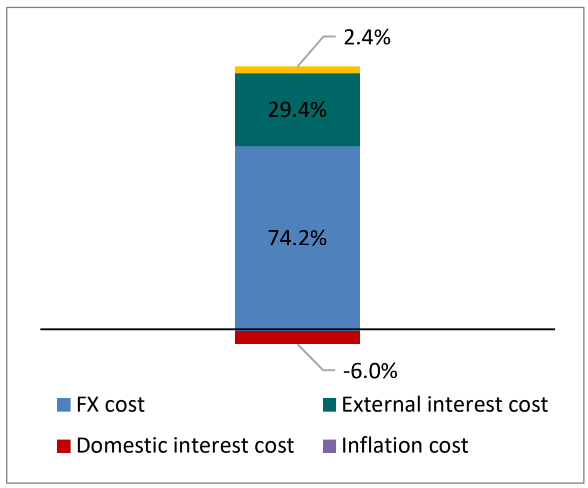
Fluctuations in the value of the Jamaica dollar relative to the US dollar accounted for 74.2 percent of the total variation in portfolio costs for the review period (see **Figure 19**). Changes in external benchmark interest rates contributed to 29.4 percent of the total variation in portfolio costs, while movements in domestic benchmark rates accounted for 6.0 percent. Given the negligible composition of inflation-linked debt in the portfolio, inflation accounted for only 2.4 percent of the total variation in portfolio costs.

Figure 18: Estimated Portfolio Cost Effect of Changes in Macroeconomic and Market Variables, April to December 2023 (millions)



Source: Ministry of Finance and the Public Service

Figure 19: Contribution of Changes in Macroeconomic and Market Variables to Total Change in Portfolio Costs, April to December 2023



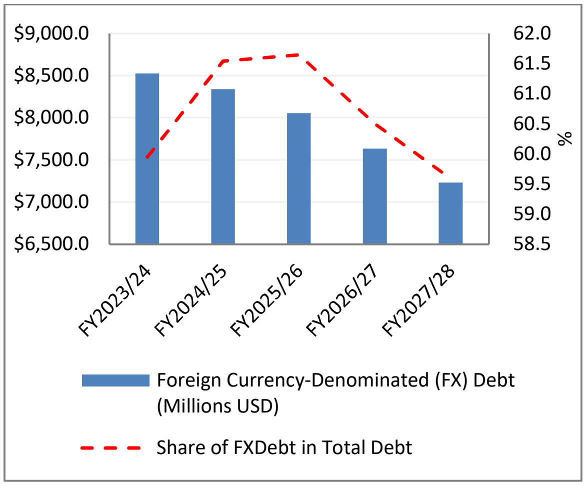
Source: Ministry of Finance and the Public Service

4.2 Dynamic Simulations of Changes in Key Macroeconomic Variables

Among the main strategic objectives of the MTDS is the reduction in the portfolio's nominal exposure to foreign currency and interest rate risks over the medium-term. Accordingly, the nominal value of foreign currency-denominated debt is expected to decrease by US$1,292.1 million or 15.6 percent over the medium-term, resulting in an estimated interest cost savings of $404.3 million. Consistent with the nominal reduction, the share of foreign currency-denominated debt in total debt is projected to decrease by 0.3 percentage point (see **Figure 20**).

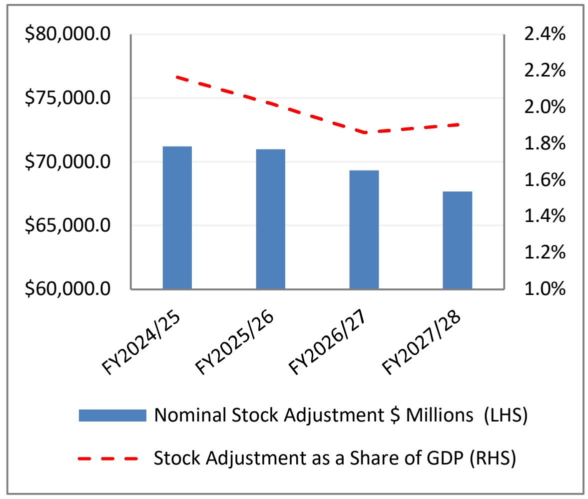
Figure 21 highlights the revaluation effects associated with a 5.0 percent shock to the baseline projection for the JMD/USD exchange rate in each year. The effect of the exchange rate revaluation on the debt stock is estimated to decline from $71,203.8 million or 2.2 percent of GDP in FY2024/25 to $67,674.1 million or 1.9 percent of GDP in FY2027/28. This indicates a reduction in exchange rate sensitivity over the medium-term.

Figure 20: Change in Foreign Currency-Denominated Debt over the Medium-Term



Notes: Figure shows foreign currency-denominated debt in millions of USD on the left axis and the share of foreign currency-denominated debt in total debt on the right axis.
Source: Ministry of Finance and the Public Service

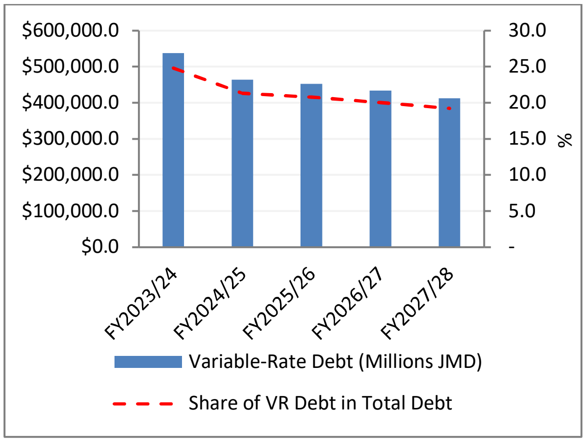
Figure 21: Sensitivity to Changes in the Exchange Rate over the Medium-Term



Notes: Figure shows nominal stock adjustment in millions of JMD on the left axis, and stock adjustment as a share of GDP on the right axis.
Simulation assumes a 5.0 percent shock to the projected JMD/USD exchange rate in each year.
Source: Ministry of Finance and the Public Service

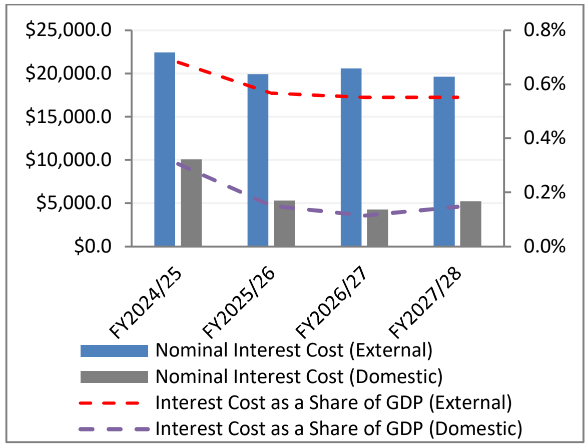
The nominal value of variable-rate debt and its share in total debt is projected to decrease over the medium-term by $124,917.7 million and 5.6 percentage points, respectively (see **Figure 22**). This reduction is driven by the domestic portfolio, for which the nominal value of variable-rate debt is expected to decrease by $91,924.9 million or 64.5 percent, supported by a $32,992.9 million or 8.4 percent reduction in variable-rate debt in the external portfolio. Concomitantly, the domestic portfolio's sensitivity to changes in benchmark interest rates is expected to decrease by 0.2 percent of GDP, compared to a 0.1-percent of GDP reduction for the external portfolio (see **Figure 23**).

Figure 22: Change in Variable-Rate Debt over the Medium-Term



Notes: Figure shows variable-rate debt in millions of JMD on the left axis and share of variable-rate debt in total debt on the right axis.
Source: Ministry of Finance and the Public Service.

Figure 23: Portfolio Sensitivity to Interest Rate Changes over the Medium-Term



Notes: Simulation assumes a 500-bp shock to baseline benchmark interest rates in each year.
Figure shows nominal adjusted costs in millions of JMD on the left axis, and adjusted cost as a share of GDP on the right axis.
Source: Ministry of Finance and the Public Service

4.3 Natural Disaster Shock Simulation

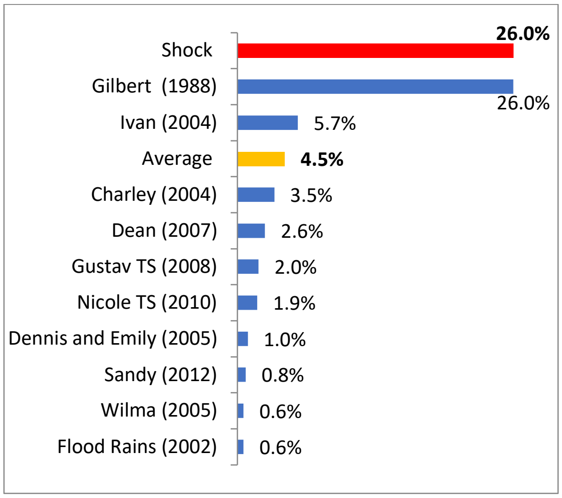
The IMF/World Bank MTDS toolkit was used to simulate the impact of a tropical cyclone on the medium-term debt trajectory, as well as key portfolio indicators. The modelled loss associated with the simulated natural disaster was estimated at $855,350.8 million or 26.0 percent of GDP in FY2025/26[7]. **Figure 24** compares the modelled losses to historical losses incurred under major weather events in Jamaica.

The modelled fiscal cost of the storm was limited to emergency losses[8], estimated at $137,011.0 million or 3.9 percent of GDP in the year of impact. These emergency losses were assumed to be financed from a suite of disaster risk financing (DRF) instruments available to the Government[9], estimated at $122,934.2 million. Given the available resources, the financing gap

[7] The World Bank Group (2018) Country Risk Profile for Jamaica estimates the probable maximum loss for hurricanes at 25.3 percent of GDP, with a return period of 1-in-250 years.
[8] These costs are inclusive of the costs associated with emergency repairs to public infrastructure, clean-up and relief and recovery activities, as well as social expenditure to assist the indigent and other vulnerable populations and are estimated at 15.0 percent of total losses.
[9] Applicable DRF instruments include the Caribbean Catastrophe Risk Insurance Facility-Segregated Portfolio Company (CCRIF-SPC) insurance policy for Tropical Cyclone (US$76.6 million) and Excess Rainfall (US$61.6 million), IDB Contingent Credit Facility (US$385.0 million), the Contingencies Fund ($5,104.2 million) and the National Disaster Fund ($500.2 million). Though the Catastrophe Bond issued in July 2021 matured in December 2023, the GOJ is currently working with the World Bank group to facilitate a new issuance. As such, the simulation assumes the GOJ reissues the bond prior to FY2025/26, with similar coverage (US$185.0 million).

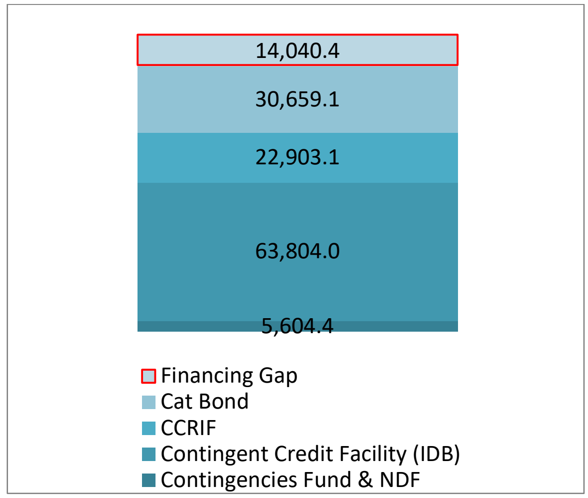
following the storm is estimated at approximately $14,040.4 million and is assumed to be sourced from the external market at less favourable terms than ex-ante financing (see **Figure 25**).

Figure 24: Estimated Impact of Natural Disasters as a Share of GDP



Source: Planning Institute of Jamaica and Ministry of Finance and the Public Service

Figure 25: Estimated Financing Gap for Major Hurricane ($mn)

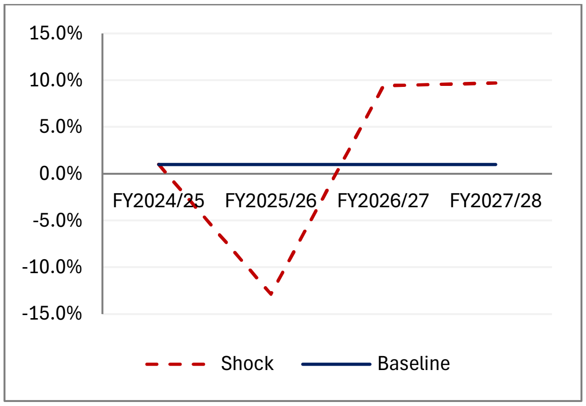


Notes: Figure shows an estimate of the financing gap associated with the tropical cyclone, given the DRF financing options that the GOJ currently has in place.
Source: Ministry of Finance and the Public Service

The associated impact on key macroeconomic and market variables was modelled using additive adjustments to baseline assumptions for real GDP growth, inflation, exchange rates, interest rates and the primary balance. The projected impact on real GDP growth is depicted in **Figure 26**. Baseline projections for real GDP growth indicate a growth rate of 1.0 percent in FY2025/26 and throughout the medium-term. However, the storm scenario estimates a 12.9-percent economic contraction in FY2025/26, followed by a rebound of 9.4 percent in FY2026/27. The simulation also assumes an increase of one standard deviation to the baseline rate of inflation in the year of impact, which would contribute to a nominal growth contraction of 6.0 percent, and an initial exchange rate depreciation which exceeds baseline assumptions by 3.7 percentage points. An outward shift of the domestic yield curve by 300 bps in FY2025/26 and FY2026/27 is estimated based on increased credit risk following a disaster. JAMAN yields are also estimated to increase by 300 bps in both years, after which the risk spread is assumed to return to the baseline. Bilateral rates were adjusted upward by 50 bps while multilateral rates were unchanged.

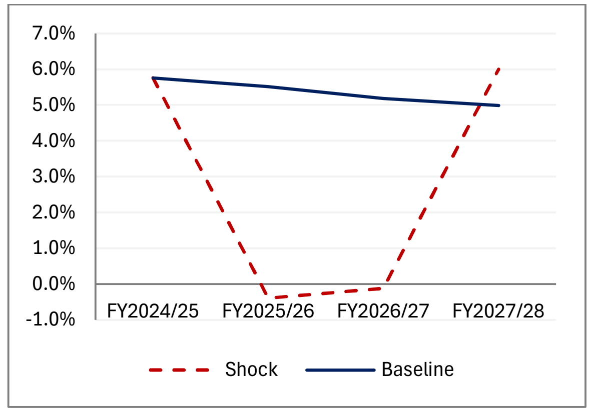
Slower economic activity in the advent of the storm is expected to contribute to an underperformance of revenue in the year of impact. Paired with the increase in expenditure to address disaster relief and recovery, a deterioration in the primary balance is assumed (see **Figure 27**). The pass-through in the year of impact is, however, mitigated by the availability of funding from the Contingencies Fund and NDF, CCRIF-SPC and the Catastrophe Bond.

Figure 26: Real GDP Growth under Baseline and Shock Scenario



Source: Bank of Jamaica, Planning Institute of Jamaica and Ministry of Finance and the Public Service

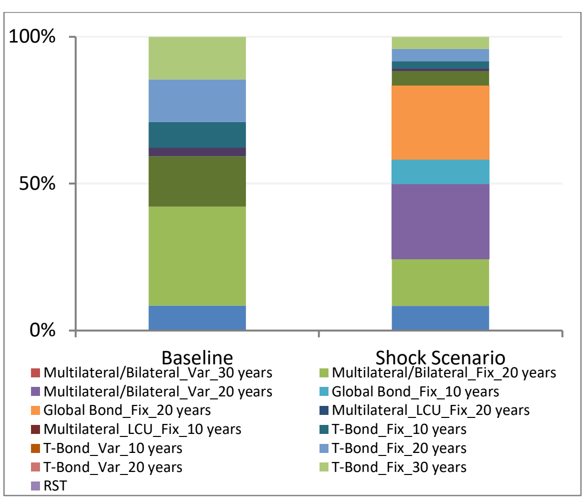
Figure 27: Primary Balance-to-GDP under Baseline and Shock Scenarios



Source: Ministry of Finance and the Public Service

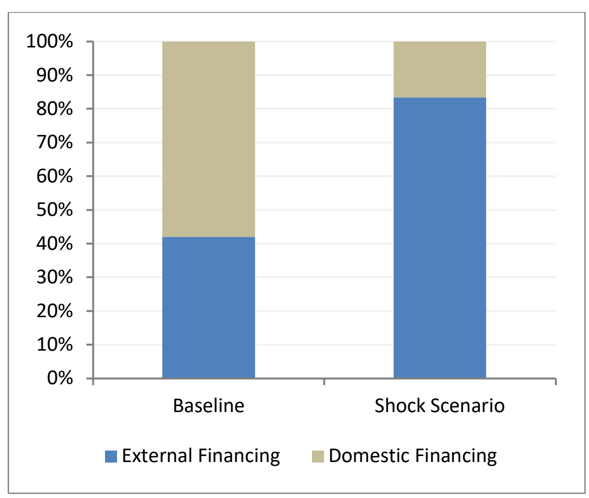
The additional financing requirement to address the costs associated with the disaster, along with the change in macroeconomic and market variables is projected to result in a change in the composition of the debt portfolio. In the year of impact, additional financing is necessary to fill the financing gap for emergency losses, as well as to compensate for lost revenue resulting from the economic contraction. This is estimated at $212,229.6 million and is assumed to be sourced primarily from multilateral sources and the international capital markets (ICM), as domestic market liquidity is likely to be constrained. The US$385.0 million contingent credit facility from the IDB represents variable-rate financing from a multilateral source. Otherwise, financing is assumed to be contracted at fixed interest rates and reasonably long tenors. The resultant change in the financing mix is highlighted in **Figures 28** and **29**.

Figure 28: Gross Financing by Instrument under Baseline and Shock Scenario FY2025/26



Source: Ministry of Finance and the Public Service

Figure 29: External and Domestic Financing under Baseline and Shock Scenario FY2025/26

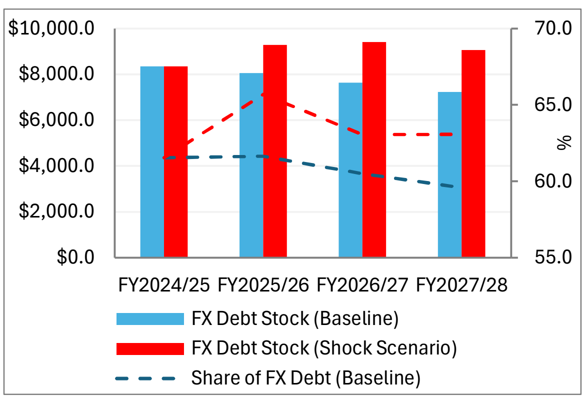


Source: Ministry of Finance and the Public Service

Figure 30 illustrates the projected change in foreign currency-denominated debt over the medium-term under the baseline and shock scenarios. While the stock of foreign currency-denominated debt is projected to decline by US$1,292.1 million under baseline assumptions, increased external borrowing resulting from the shock is projected to result in an increase of US$528.1 million or 6.2 percent. The stock of foreign currency-denominated debt at end-FY2027/28 is therefore estimated to be US$1,820.2 million greater than the baseline projection. Accordingly, the share of foreign currency-denominated debt in total debt is projected to increase by 3.1 percentage points over the medium-term, an increase of 3.5 percentage points relative to the baseline.

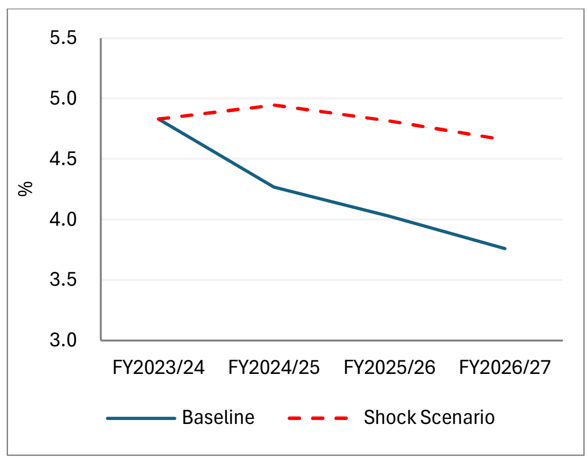
Increased credit risk in the aftermath of a disaster, as well as the need to seek relatively higher cost financing in the ICM is expected to increase interest cost-to-GDP. Over the medium-term, baseline interest cost-to-GDP is estimated at an average 4.2 percent. This increases by 0.6 percentage point to 4.8 percent under the shock scenario (see **Figure 31**).

Figure 30: Stock of Foreign Currency-Denominated Debt under Baseline and Shock Scenario



Notes: Figure shows stock of foreign currency-denominated debt in USD Millions on the left axis and the share of foreign currency-denominated debt in total debt on the right axis.
Source: Ministry of Finance and the Public Service

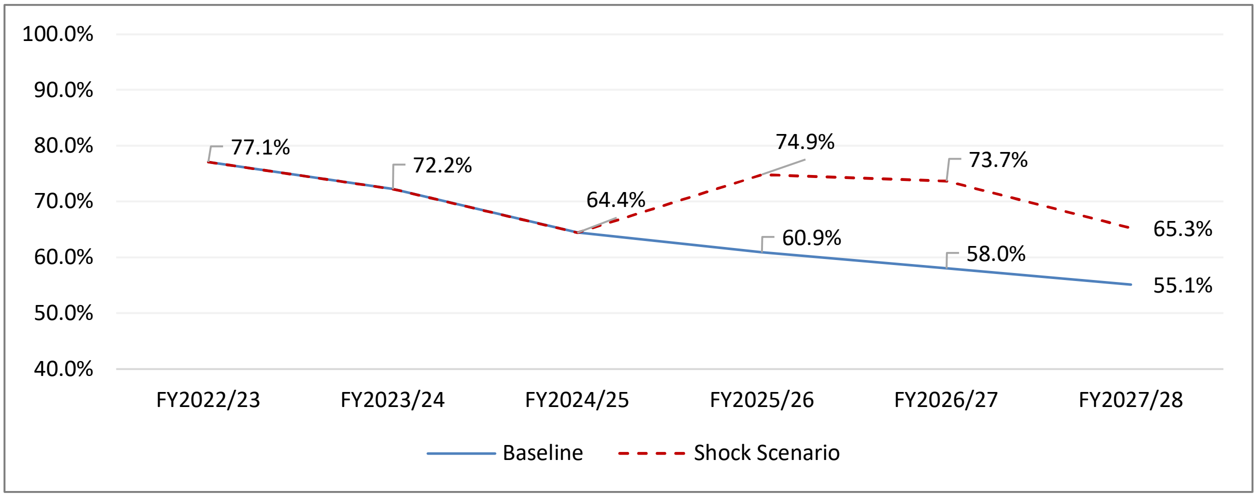
Figure 31: Interest Cost-to-GDP under Baseline and Shock Scenario



Source: Ministry of Finance and the Public Service

Figure 32 highlights the estimated impact of the natural disaster shock on the trajectory of debt-to-GDP over the medium-term. Following the disaster, debt-to-GDP is estimated to increase by 10.5 percentage points relative to end-FY2024/25, due to the increase in nominal debt, as well as the contraction in GDP. Subsequently, the ratio is projected to return to a downward trajectory as the economy recovers, ending FY2027/28 at 65.3 percent, which is 10.2 percentage points above the baseline projection, and 5.3 percentage points higher than the legislated ceiling for FY2027/28.

Figure 32: Trajectory of Debt-to-GDP under Baseline and Shock Scenario



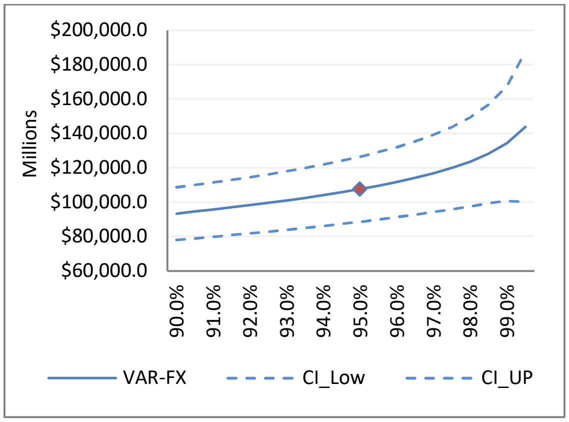
Source: Ministry of Finance and the Public Service

The GOJ is cognizant of the risk posed by natural disasters, and is therefore seeking to continuously expand its suite of disaster risk financing instruments in accordance with the National Natural Disaster Risk Financing Policy 2021-2026. Going forward, the Government will seek to bolster protection against the fiscal impact of natural disasters by building buffers, seeking additional indemnity insurance, and exploring the use of sustainable financing instruments, such as sustainability-linked bonds (SLBs).

4.4 Value at Risk (VaR) and Cost at Risk (CaR) Estimates for FY2024/25

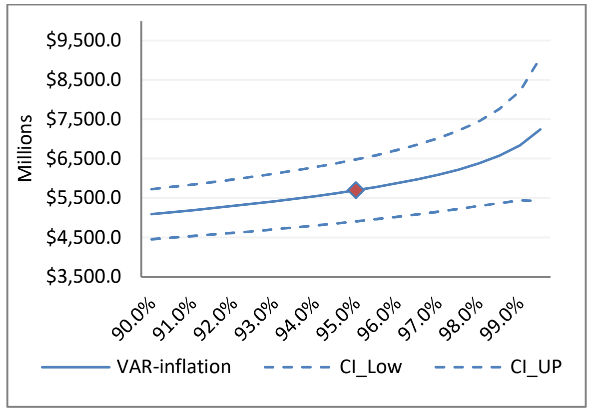
Value at Risk (VaR) and Cost at Risk (CaR) estimates for the Central Government debt portfolio evaluate the maximum likely increase in value and cost at a given confidence level based on the historical performance of macroeconomic and market variables. Conditional VaR (CVaR) and Conditional CaR (CCaR) capture tail risk by estimating extreme values beyond the VaR and CaR levels. VaR estimates for FY2024/25 suggest that there is a 95.0 percent probability that changes in the JMD/USD exchange rate and the inflation rate will increase the debt stock by a maximum of $107,611.9 million and $5,698.8 million, respectively (see **Figures 33 and 34**). CVaR estimates for FY2024/25 at the 95.0 percent confidence interval were $123,913.7 million for the JMD/USD exchange rate and $6,393.3 million for the inflation rate.

Figure 33: VaR-JMD/USD Exchange Rate



Source: Ministry of Finance and the Public Service

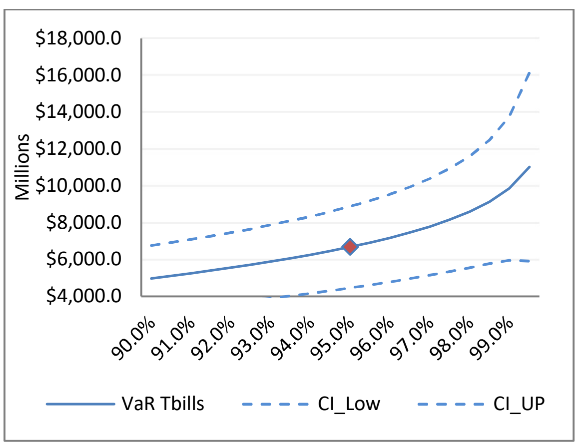
Figure 34: VaR-Inflation Rate



Source: Ministry of Finance and the Public Service

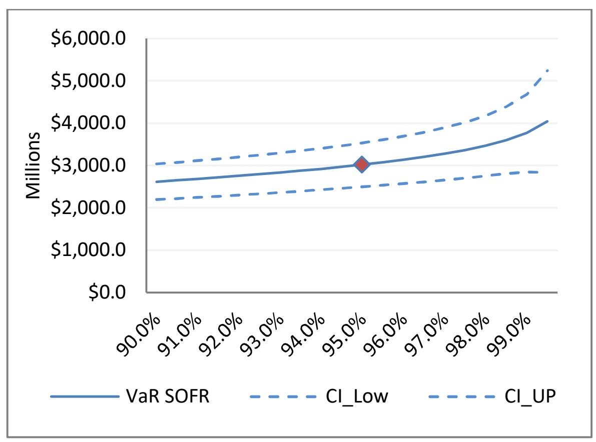
CaR estimates for changes in benchmark interest rates in the domestic and external markets suggest that there is a 95.0 percent probability that changes in the 3-month T-bill rate and the 3-month average SOFR will increase debt service costs by no more than $6,671.4 million in the upcoming fiscal year and $3,018.5 million in any given month, respectively[10] (**see Figures 35 and 36**). This compares to CCaR estimates of $8,626.5 million for the 3-month T-bill and $3,477.7 million for the 3-month SOFR.

Figure 35: CaR-Domestic Benchmark Interest Rate



Source: Ministry of Finance and the Public Service

Figure 36: CaR-External Benchmark Interest Rate



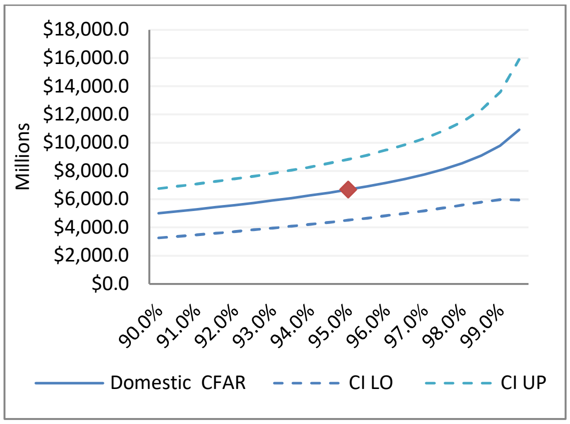
Source: Ministry of Finance and the Public Service

[10] Cost at risk for the external portfolio was calculated using monthly changes in the SOFR, while Cost at risk for the domestic portfolio was estimated using the yearly changes in the 3-month Treasury bill rate. This is due to the unavailability of sufficient yearly data points for the SOFR.

4.5 Cash Flow at Risk (CFaR) Estimates for FY2024/25

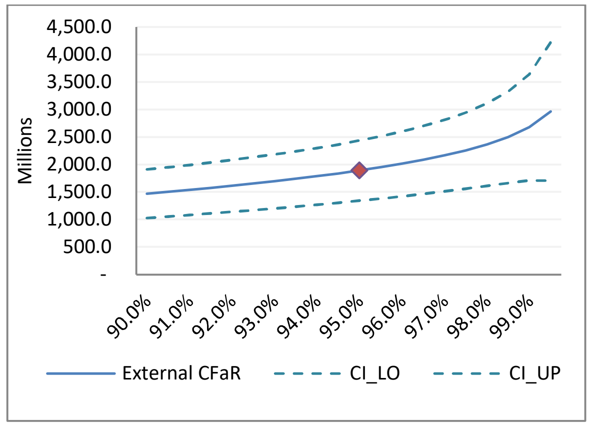
Cash Flow at Risk (CFaR) measures the maximum increase in debt service costs that is likely over a given period based on the historical realisation of market variables. The CFaR estimate for the domestic portfolio captures interest rate and inflation risks, while the estimate for the external portfolio accounts for foreign currency and interest rate risks. The 95.0 percent CFaR for the domestic and external portfolios were estimated at $6,679.6 million and $1,890.1 million, respectively (see **Figures 37 and 38**). The Conditional Cash Flow at Risk (CCFaR) for the domestic portfolio was estimated at $8,585.2 million and $2,373.0 million for the external portfolio[11].

Figure 37: CFaR for the Domestic Portfolio



Source: Ministry of Finance and the Public Service

Figure 38: CFaR for the External Portfolio



Source: Ministry of Finance and the Public Service

11 Cash flow at risk for the external portfolio was calculated using monthly changes in the SOFR, while Cash flow at risk for the domestic portfolio was estimated using the yearly changes in the 3-month treasury bill rate. This is due to the unavailability of sufficient yearly data points for the SOFR.

SECTION V: MACROECONOMIC OVERVIEW

The protracted tightening of global monetary conditions, China's prolonged property sector crisis, and relentless and mounting geopolitical tensions continued to weigh on economic activities throughout calendar year 2023. Consequently, the global economic recovery following the COVID-19 pandemic moderated to an estimated 3.0 percent growth rate in 2023 from 3.5 percent in 2022, and is expected to slow further to a projected 2.9 percent in 2024. The contraction in the growth projections of advanced and emerging economies resulted from a slowdown in the service and manufacturing sectors, a weakened financial industry caused by tight monetary policies, and a steep increase in energy prices, specifically among European countries reliant on Russian gas. Notwithstanding, gains were realized as headline inflation decelerated to an estimated 5.9 percent in 2023 from 9.2 percent in 2022, with a further deceleration of 1.1 percentage points expected in 2024.

Growth in advanced economies slowed from 2.6 percent in 2022 to 1.5 percent in 2023, despite a stronger-than-expected outturn for the US economy due largely to a strong business environment and a resilient growth in consumption. The slowdown in growth was spread across advanced and emerging Europe as the region's growth rate declined from 3.3 percent in 2022 to 0.7 percent in 2023, reflecting a significant terms-of-trade shock and the withdrawal of the energy-related fiscal support in the region. In the United Kingdom (UK), the growth rate declined to 0.5 percent in 2023 from 4.1 percent in 2022, as tight monetary policies and high energy costs persisted within the economy. Growth in advanced economies is expected to decline further to 1.4 percent in 2024.

Growth in emerging market economies is projected to decline by 0.1 percentage point to 4.0 percent in 2023 relative to 2022. This reflects a slowdown of economic activity in China, caused by a protracted property sector crisis resulting in a decline in investments. Growth in the Latin America and the Caribbean (LAC) sub-region slowed to an estimated 2.3 percent in 2023, down from an estimated 4.1 percent in 2022, and is expected to remain at 2.3 percent in 2024. The decline reflected a normalization of growth following a robust rebound from the impact of the COVID-19 pandemic, coupled with the effects of tighter financial conditions, weaker external demand, and lower commodity prices. Notwithstanding, some sectors within the sub-region have demonstrated resilience, including the agriculture, service and construction industries.

The global financial market remained unstable amidst an extended period of elevated policy rates and political uncertainties, restricting credit conditions and dampening business investments. The restrictive financial environment induced volatility in financial markets and led to capital outflows from many emerging and developing market economies. Rising interest rates and lower earnings growth reduced equity prices while market liquidity deteriorated significantly, particularly in the benchmark sovereign bond markets. Conditions in credit markets remained tight, resulting in higher government bond yields and wider credit spreads. Emerging market currencies generally depreciated against the US dollar, increasing the cost of servicing US dollar-denominated debt and increasing the risk of sovereign debt default. Nonetheless, risks to the financial market outlook are balanced with inflationary pressures already starting to ease and global growth expected to return to an upward trajectory over the near- to medium-term.

Relative to the Third Supplementary Estimates, the primary balance for the period April to December 2023 underperformed by $1,884.9 million or 2.1 percent. Similarly, the fiscal deficit was $2,167.3 million or 7.0 percent higher than the $31,078.2 million projected in the Third Supplementary Estimates. This was due to an underperformance in revenue which outstripped the shortfall in expenditure over the period. Notwithstanding, the Government of Jamaica's fiscal outlook remains positive, and the GOJ is expected to achieve its primary balance target of 6.0 percent of GDP and a fiscal balance of 0.3 percent of GDP for FY2023/24. This is expected to contribute to a continued reduction in public debt-to-GDP as the Government remains on track to meet the legislated target of 60.0 percent of GDP or less by end-FY2027/28.

The annual point-to-point inflation rate increased from 6.2 percent at end-March 2023 to 6.9 percent at end-December 2023, 0.9 percentage point above the upper limit of the 4.0 percent – 6.0 percent targeted band. This reflected increases in the index for Food and Alcoholic Beverages, Transport, and Restaurant and Accommodation Services. Inflation has declined significantly after peaking at 11.8 percent in April 2022, due in part to the measures implemented by the Central Bank, which included raising the policy rate and increasing the issuance volumes of the 30-day Certificates of Deposit (CDs). Since November 2022, the BOJ has halted rate hikes and maintained the policy rate at 7.00 percent. As a result, the yield on the 3-month T-bill fell by 11 bps to 8.10 percent at end-December 2023 relative to 8.21 percent at end-March 2023. While point-to-point inflation for FY2023/24 is projected to be 7.5 percent, 2.5 percentage points greater than previously budgeted, the inflation rate is expected to moderate to 5.0 percent over the medium-term in response to an anticipated fall in oil prices on the international market.

The Current Account balance for the 12-month period ending September 2023 was a surplus of US$787.9 million, an improvement over the US$467.5 million deficit recorded at end-September 2022. The increase resulted from improvements in the Current Transfers and Income Sub-Accounts. The Current Account surplus is projected to decline from 2.0 percent of GDP in FY2022/23 to 1.2 percent of GDP in FY2023/24. The deterioration is attributed to a larger deficit on the general merchandise trade balance and Income sub-account, as well as a lower surplus on the Current Transfers sub-account. This is partially offset by a higher surplus on the Services sub-account due to higher travel inflows. Over the medium-term, the current account balance is projected to average 1.0 percent of GDP. The stock of Net International Reserves (NIR) was US$4,748.1 million at end-December 2023, covering approximately 35 weeks of goods imports. This was an increase of US$595.8 million relative to end-March 2023.

Real GDP is projected to grow by 2.0 percent for FY2023/24, following a 4.7 percent expansion in FY2022/23. This represents an upward revision of 0.7 percentage point compared to the September 2023 projection of 1.3 percent. The growth projection is predicated on improvements in “Hotels and Restaurants”, “Manufacturing”, “Electricity & Water Supply”, and “Mining and Quarrying”. In the medium-term, real GDP growth is expected to average 1.0 percent, driven by further improvements in Tourism, Manufacturing, and Electricity & Water Supply. Risks to the growth prospects are skewed to the downside and include adverse weather conditions associated with climate change, escalation of geopolitical tensions and slower than expected growth in the economies of Jamaica’s main trading partners.

Table 8: Medium-Term Macroeconomic Framework

	FY2021/22 Actual	FY2022/23 Estimated	FY2023/24 Projected	FY2024/25 Projected	FY2025/26 Projected	FY2026/27 Projected	FY2027/28 Projected
Nominal GDP ($mn)	2,322,192.7	2,751,881.70	3,047,437.7	3,289,810.8	3,513,103.2	3,725,552.2	3,950,708.0
Nominal GDP Growth Rate (%)	19.2	18.5	10.7	8.0	6.8	6.0	6.0
Real GDP Growth Rate (%)	8.2	4.7	2.0	1.0	1.0	1.0	1.0
Annual Inflation Pt. to Pt.	11.3	6.2	7.5	5.8	5.0	5.0	5.0
Fiscal Balance (%)	0.9	0.3	0.3	0.3	0.0	0.1	0.2
Primary Balance (%)	6.8	5.8	6.0	5.6	4.9	4.5	4.3
Benchmark Interest Rates							
90-day Treasury Bill Yield (average)	2.57	7.9					
90-day Treasury Bill Yield (eop)	6.12	8.21					
Net International Reserves (NIR) (US$mn)	3,674.4	4,146.7	4,731.3	4,781.1	4,561.4	4674.1	5,413.90
Currenct Account Balance (US$mn)	-100.6	352.1	233.2	154.3	53.2	289.7	343.3
Current Account Balance (% GDP)	-0.7	2.0	1.2	0.7	0.3	1.3	1.5
Oil Prices (WTI) Average (US$/barrel)	77.0	89.8	76.8	77.4	80.6	73.9	72.4

Source: Ministry of Finance and the Public Service

SECTION VI: MODELLING OF THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY

The Medium-Term Debt Management Strategy (MTDS) for FY2024/25-FY2027/28 is developed through the quantitative assessment of five alternative strategies geared towards meeting established medium-term targets, using the IMF/World Bank MTDS Toolkit. The stock of debt used in the analysis includes Central Government debt and Government guaranteed loans currently serviced by the GOJ.

6.1 Baseline Assumptions and Exogenous Shock Scenarios

The modelling of the MTDS utilizes assumptions regarding the Government's fiscal balances, as well as key market and macroeconomic variables over the medium-term. Additionally, stress tests were conducted, whereby exogenous shocks were applied to baseline interest and exchange rate assumptions to determine the sensitivity of key portfolio indicators under the respective strategies. Four stress scenarios were examined:

- **Scenario 1** represents an extreme shock to the JMD/USD exchange rate and assumes that the rate depreciates by an additional 30.0 percent in year two of projections;
- **Scenario 2** is a moderate shock to interest rates in year two, and assumes 1.00-, 2.00- and 3.00- percentage point increases in interest rates (across the entire yield curve) for multilateral/bilateral loans, global bonds and domestic issuances, respectively;
- **Scenario 3** is an extreme interest rate shock and applies similarly to **Scenario 2**, but is twice the size; and
- **Scenario 4** combines a moderate exchange rate shock of an additional 15.0 percent in year two with the moderate interest rate shock described under **Scenario 2.**[12]

6.2 Medium-Term Targets

Table 9 highlights the projected outturn of key risk indicators for FY2023/24, relative to the targets established in the MTDS for FY2023/24 – FY2026/27, and new targets established for FY2024/25 and the end of the medium-term (FY2027/28). The indicators are expected to be generally in line with targets, with debt-to-GDP projected to be 2.8 percentage points lower than targeted, and on track to meet the medium-term target of 60.0 percent or less. For end-FY2023/24, the ATM is projected to be 9.8 years, approximately 0.8 year more than the lower limit of the established target. The share of debt maturing within one year at end-March 2024 is above the target due to the bunching of maturities within the portfolio for that year, particularly the scheduled maturity of the Variable-Rate Step-Up BIN in FY2024/25. The share of variable-rate debt is projected to end the fiscal year at 24.8 percent, below the target of 30.0 percent for end-FY2023/24. The share of

[12] All shocks are applied as additive adjustments to baseline assumptions for interest and exchange rates.

foreign currency-denominated debt is projected at 59.9 percent, 2.1 percentage points below the upper limit of the target for end-March 2024. The Government will continue to pursue strategies, including opportunistic liability management operations and the issuance of mainly local currency-denominated debt, to mitigate foreign currency risk in the portfolio.

Table 9: Key Portfolio Targets for FY2023/24 and the Medium-Term

Risk Indicators	Projected End-Mar 2024	Targets End-Mar 2024	End-Mar 2025	End-Mar 2028
Nominal Debt-to-GDP (%)	72.2	<=75	<=70.0	<=60.0
Refinancing Risk				
Average Time-to-Maturity (ATM - years)	9.8	>=9	>=9	>=9
Share Maturing within one year (%)	11.4	<=10.0	<=10	<=10
Interest rate Risk				
Domestic				
Share Variable-Rate (%)	16.0	<=20	<=20.0	<=20.0
Debt Refixing in 1 year (%)	22.6	35.0	30.0	30.0
Average Time-to-Refixing (ATR- years)	8.1	>=8.0	>=8.0	>=8.0
External				
Share Variable-Rate (%)	30.1	<=30.0	<=30.0	<=30.0
Debt Refixing in 1 year (%)	36.4	30.0	30.0	30.0
Average Time-to-Refixing (ATR- years)	8.1	>=8.0	>=8.0	>=8.0
Total				
Share Variable-Rate (%)	24.8	<=30.0	<=30.0	<=30.0
Debt Refixing in 1 year (%)	31.2	35.0	35.0	35.0
Average Time-to-Refixing (ATR- years)	8.1	>=8.0	>=8.0	>=8.0
Foreign Currency Risk				
Share of Foreign Currency Debt (%)	59.9	<=62.0	<=62.0	<=60.0

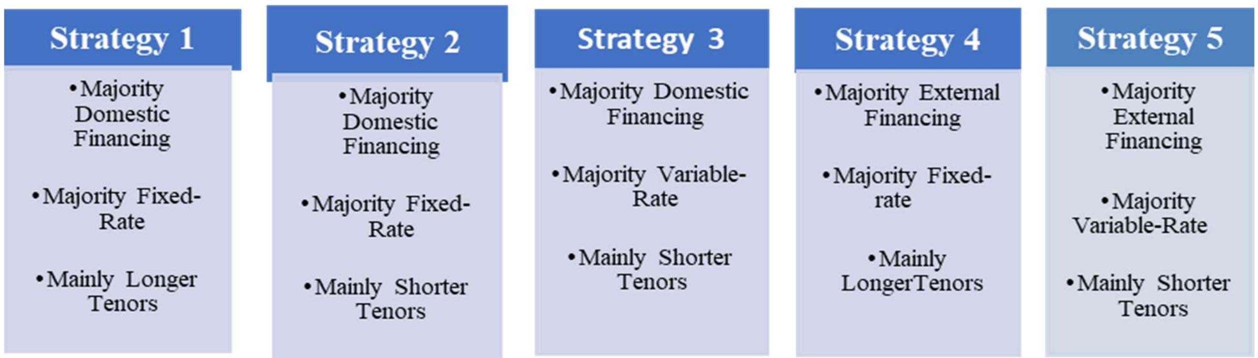
Source: Ministry of Finance and the Public Service

Risks to the achievement of the medium-term targets include a higher-than-projected rate of depreciation of the JMD relative to the USD, slower-than-anticipated economic growth, and exogenous shocks, such as natural disasters or the realization of other contingent liabilities.

6.3 Financing Strategies

The MTDS Analytical Toolkit was used to assess the cost/risk trade-offs of alternative financing strategies in order to arrive at the preferred option. Five contending strategies were formulated based on discussions with market participants and multilateral partners, as well as expectations regarding domestic and external market conditions over the medium-term. Three of the five strategies focus on majority domestic financing as a means of developing the domestic debt market and reducing the portfolio's exposure to foreign currency risk, while the remainder assume increased reliance on external financing[13] (see **Figure 39**).

Figure 39: Summary of Alternative Medium-Term Financing Strategies



Source: Ministry of Finance and the Public Service

Under **Strategy 1 (S1),** an average of 55.0 percent of financing will be sourced from the domestic market to mitigate foreign currency risk, and will be programmed along all segments of the yield curve to further develop the domestic debt market. This strategy seeks to reduce the portfolio's exposure to interest rate risk and refinancing risk by borrowing at fixed-rates and longer tenors in the domestic market. External market financing will be programmed through multilateral/bilateral loans.

Strategy 2 (S2) also assumes an operating target for domestic financing of 55.0 percent, all at fixed rates. However, this strategy seeks to more firmly anchor the domestic yield curve by increasing shorter tenor issuances over the medium-term. While mitigating the exposure to foreign currency risk and interest rate risk, this strategy increases refinancing risk. The focus on shorter tenors is expected to result in lower costs, but higher refinancing risk relative to **S1**. The assumptions relating to external financing are the same as **S1**.

Strategy 3 (S3) also assumes an operating target of 55.0 percent. However, financing is primarily sourced from shorter tenor issuances at variable-rates. Compared to **S1**, this strategy poses greater refinancing and interest rate risks, but potentially lower costs over the medium-term.

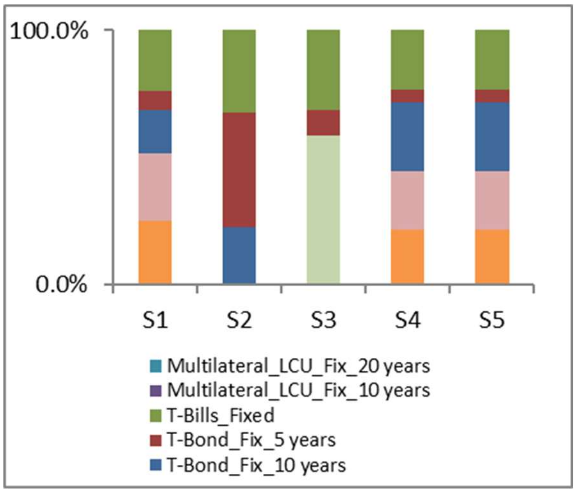
Strategies 4 (S4) and **5 (S5)** exacerbate the imbalance in the debt portfolio by increasing the reliance on external financing. Both strategies assume that the domestic market is not sufficiently deep and liquid to absorb total financing requirements and, as such, 70.0 percent of total financing needs will be sourced from the external market.

[13] The IMF/World Bank MTDS toolkit utilizes the currency criterion for differentiating between domestic and external financing. As such, for the purpose of the strategy assessment, domestic financing refers to local currency-denominated financing, while external financing refers to foreign currency-denominated financing.

S4 assumes most of the external financing will be sourced from private creditors through issuances in the international capital markets (ICM) and a small amount from official multilateral/bilateral partners. This strategy further assumes that all external financing will be at fixed-rates. The focus on ICM financing may be supported based on the strong performance of JAMAN bonds in the ICM.

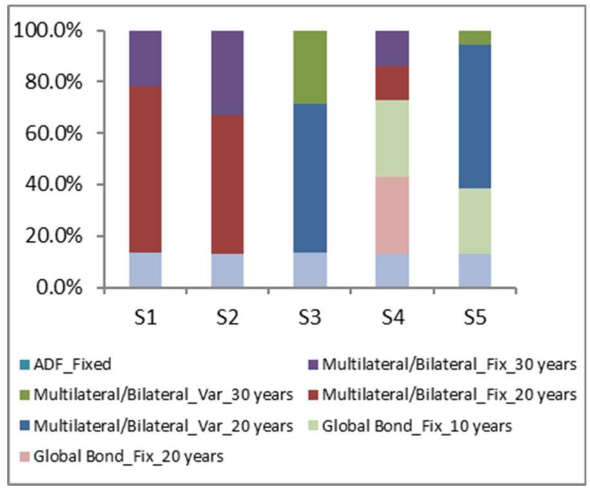
S5 assumes less favourable conditions in the ICM as investors become cautious about investing in emerging market (EM) bonds. This strategy assumes that external financing will be programmed through official multilateral/bilateral sources at variable rates.

Figure 40: Domestic Financing by Instrument



Source: Ministry of Finance and the Public Service

Figure 41: External Financing by Instrument

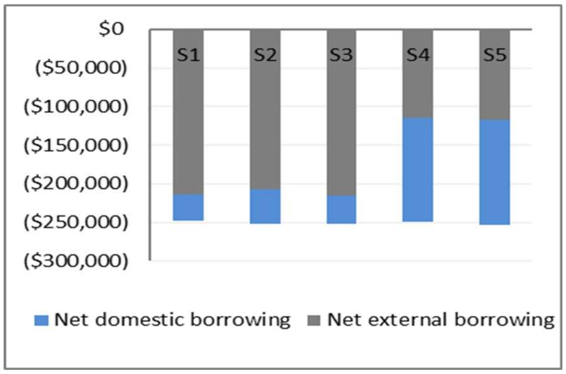


Source: Ministry of Finance and the Public Service

6.4 Toolkit Output – Results for Alternative Financing Strategies

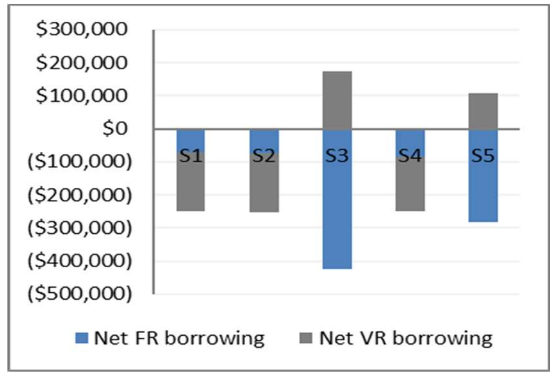
The MTDS Toolkit was used to assess the effectiveness of the five financing strategies in fulfilling the medium-term debt management objectives. **Figures 42** and **43** highlight the net financing flows to the domestic and external portfolios, and the fixed-rate and variable-rate portfolios, respectively. While **S1, S2 and S3** depict large net outflows for both portfolios, the net outflows from the external portfolio exceed those from the domestic portfolio, which is reflective of the strategies' focus on domestic financing. The opposite obtains for **S4** and **S5**. **S1**, **S2** and **S4** rebalance the portfolio towards more fixed-rate debt, while **S3** and **S5** record net inflows to the variable-rate portfolio.

Figure 42: Net Financing Flow to the External and Domestic Portfolio



Source: Ministry of Finance and the Public Service

Figure 43: Net Financing Flow to the FR and VR Portfolio



Source: Ministry of Finance and the Public Service

Table 10 outlines key cost and risk indicators projected for end-FY2027/28 for each strategy, as well as the quantitative score assigned to each strategy.

Table 10: Net Financing Flow to the FR and VR Portfolio

Cost and Risk Indicators		end-FY2023/24 (est)	as at end-FY2027/28				
			S1	S2	S3	S4	S5
Cost	Interest payment (% of GDP)	5.2	3.8	3.7	3.7	3.7	3.7
	Implied interest rate (%)	7.2	6.8	6.7	6.6	6.7	6.6
Refinancing risk	Debt maturing in 1yr (% of total)	11.4	12.7	13.0	13.1	12.2	12.2
	Debt maturing in 1yr (% of GDP)	8.8	6.9	7.0	7.1	6.7	6.6
	ATM External Portfolio (years)	10.4	10.3	10.4	10.3	10.5	10.0
	ATM Domestic Portfolio (years)	8.7	9.7	6.8	7.3	8.7	8.7
	ATM Total Portfolio (years)	9.8	10.1	8.9	9.1	9.8	9.5
Interest rate risk	ATR(years)	8.1	8.8	7.7	6.2	8.5	7.2
	Debt re-fixing in 1yr (% of total)	31.2	30.2	30.5	47.4	30.3	40.0
	Fixed-rate debt (% of total)	75.2	80.8	80.7	63.9	80.2	70.5
FX risk	FX debt (% of total)	59.9	59.6	60.0	59.6	64.4	64.3

Quantitative Ranking of Alternative Strategies				S1	S2	S3	S4	S5
Key	Scores							
Most Favoured Outcome	10	Portfolio Indicators	Weights	Scores				
Second Best Outcome	8	Cost	0.15	0.2	1.4	1.5	1.4	1.5
Third Best Outcome	6	Refinancing risk	0.25	1.8	0.7	0.5	2.2	2.2
Fourth Best Outcome	4	Interest rate risk	0.10	1.0	0.7	0.1	0.7	0.4
Least Favoured Outcome	1	FX risk	0.50	5.0	3.0	4.0	0.5	0.5
			1.00	**8.0**	**5.7**	**6.1**	**4.8**	**4.6**

Source: Ministry of Finance and the Public Service

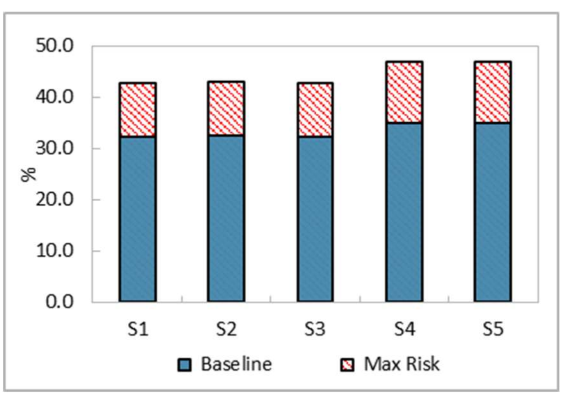
Based on a quantitative score of 8.0 out of 10.0, **S1** was selected as the preferred strategy. **S1** effectively mitigates refinancing risk, interest rate risk and foreign currency risk. While **S3** and **S5** had the lowest interest cost of all strategies, the focus on mainly shorter-tenor variable-rate debt increases the portfolio's exposure to interest rate risk and refinancing risk. Nonetheless, the portfolio's implied interest rate is projected to decrease by 0.4 percentage point over the medium-term with **S1**. Though **S4** augurs well for refinancing risk, the strategy's poor performance resulted from mainly external financing, which would increase the portfolio's share of foreign currency-denominated debt by 4.5 percentage points over the medium-term. Overall, **S3** performed second-best with a quantitative score of 6.1 out of 10. While the cost outturn is lower than that projected for **S1**, the projected balance of variable-rate debt is less desirable, with the share of variable-rate debt projected to increase by 11.3 percentage points over the medium-term.

6.4.1 Risk to Baseline Projections for the Respective Strategies under Stress Scenarios

The maximum risk for key portfolio indicators under each of the five financing strategies is depicted in **Figures 44** to **47**. Using projected outturns for end-FY2027/28, the maximum risk is determined by the largest impact on each of the indicators arising from the four stress scenarios outlined in **Section 6.1**. In all instances, the largest impact on the debt portfolio resulted from the extreme exchange rate shock. External debt-to-GDP is highest under **S4** with a projected outturn of 35.0 percent (see **Figure 44**). This compares to the lowest projected outturn of 32.3 percent under **S3**. Similarly, **S4** and **S5** project the highest maximum risk of 12.0 percentage points while **S3** projects the lowest at 10.4 percentage points.

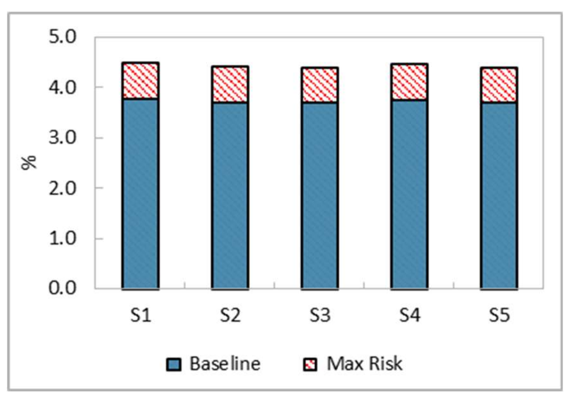
As it relates to interest cost-to-GDP, **S1** has an expected outturn, which is 0.1 percentage point higher than the cost-minimizing strategy (see **Figure 45**). This is due to the higher cost associated with longer-tenor debt, as well as the higher cost of debt in the domestic market relative to the external market. Despite the differences in cost, all five strategies display similar levels of sensitivity with maximum risk of 0.7 percentage point. External debt service-to-reserves is lowest under **S3**, with a projected outturn of 20.3 percent and a maximum risk of 6.0 percentage points (see **Figure 47**). However, **S1** performed second best, with a projected baseline outturn of 20.4 percent, and a maximum risk of 6.1 percentage points. Overall, assessment of the cost-risk trade-offs support the selection of **S1** as the optimal strategy.

Figure 44: Sensitivity of External Debt-to-GDP to Shocks



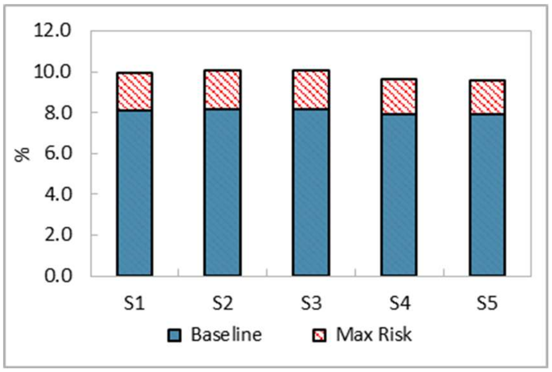
Source: Ministry of Finance and the Public Service

Figure 45: Sensitivity of Interest Cost-to-GDP to Shocks



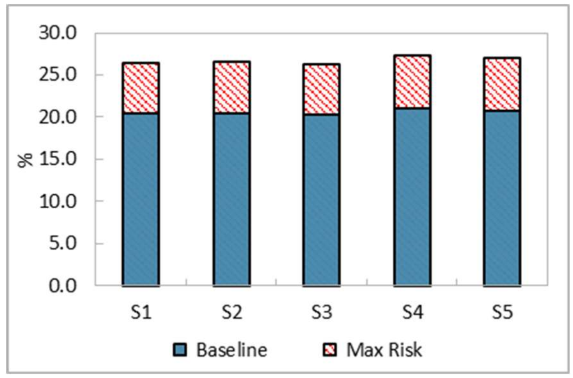
Source: Ministry of Finance and the Public Service

Figure 46: Sensitivity of Debt Service-to-GDP to Shocks



Source: Ministry of Finance and the Public Service

Figure 47: Sensitivity of External Debt Service-to-Net International Reserves



Source: Ministry of Finance and the Public Service

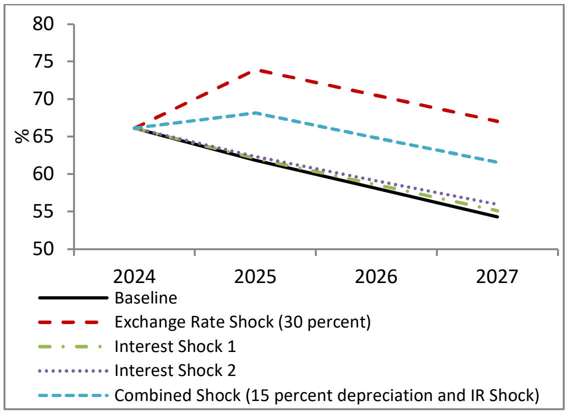
6.4.2 Dynamic Effects of Shocks to Baseline Macroeconomic Variables

Figures 48 to 51 show the dynamic effects of the four shock scenarios outlined in **Section 6.1**, on baseline projections for **S1** over the medium-term. Results show that shocks to the exchange rate have the most significant impact on the debt portfolio, as changes in the exchange rate between the JMD and USD have the largest impact on debt-to-GDP and debt service costs.

Scenario 1, which applies a 30.0 percent shock to the baseline exchange rate assumption for FY2025/26 is projected to add 12.7 percentage points to baseline debt-to-GDP at end-FY2027/28. The combined shock described in **Scenario 4** increases the baseline by 8.5 percentage points, while the moderate and extreme interest rate shocks (**Scenarios 2** and **3**) are estimated to add 0.8 percentage point and 1.7 percentage points, respectively (see **Figure 48**).

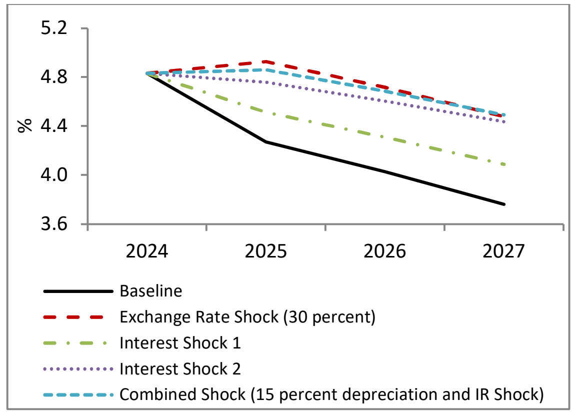
Baseline interest cost-to-GDP is projected to average 4.2 percent over the medium-term. When a 30.0 percent shock is applied to the exchange rate (**Scenario 1**), this average increases by 0.5 percentage point to 4.7 percent. An extreme shock to interest rates (**Scenario 3**) and the Combined Shock (**Scenario 4**) yielded similar results, while a moderate interest rate shock (**Scenario 2**) increased the average by 0.2 percentage point (see **Figure 49**). Debt service-to-GDP and external debt service were similarly affected, with the medium-term average for debt service-to-GDP increasing by as much as 1.3 percentage points, and external debt service by as much as US$235.9 million (see **Figures 50 and 51**).

Figure 48: Dynamic Sensitivity of Debt-to-GDP to Shocks



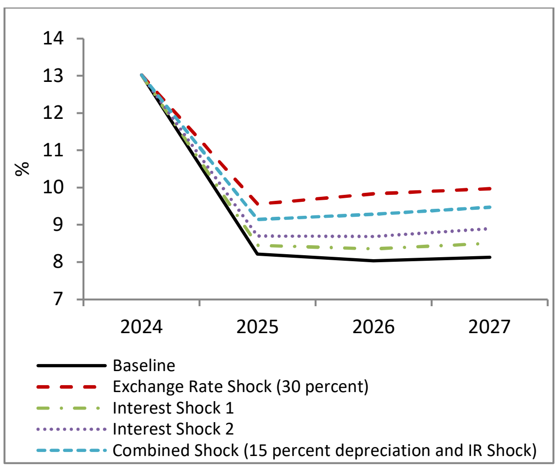
Source: Ministry of Finance and the Public Service

Figure 49:Dynamic Sensitivity of Interest Cost-to-GDP to Shocks



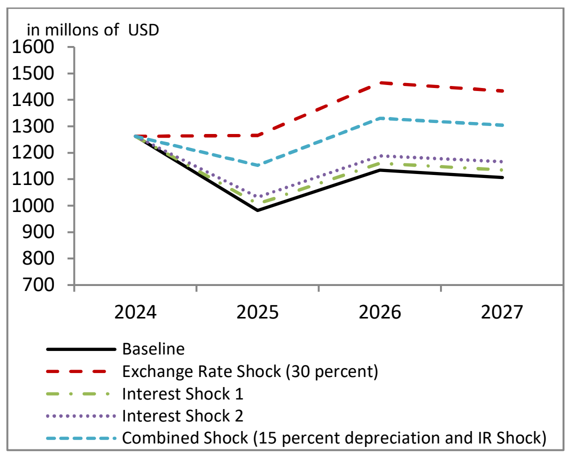
Source: Ministry of Finance and the Public Service

Figure 50: Dynamic Sensitivity of Debt Service-to-GDP to Shocks



Source: Ministry of Finance and the Public Service

Figure 51: Dynamic Sensitivity of External Debt Service to Shocks



Source: Ministry of Finance and the Public Service

SECTION VII: ANNUAL BORROWING PLAN

Consistent with the MTDS for FY2024/25-FY2027/28, the Annual Borrowing Plan (ABP) comprises the composition of financing options that will be used to fulfill the Government's borrowing requirements determined by the fiscal operations. The ABP gives a summation of the proportional nominal amounts that are expected from external and domestic sources. The Plan also took into consideration the macro-economic outlook and the anticipated market dynamics, while remaining aligned to the MTDS.

Amidst the volatility and prevailing uncertainty in the global economy, Jamaica's prospect for economic growth remains positive for the upcoming fiscal year. Fiscal variables remain in line with targets which is a positive indication for the financing activities. Accordingly, financing requirement outlined in the ABP may vary based on the fiscal position which determines the Government's borrowing requirement. The financing activities are susceptible to market conditions, which could determine the success of these activities.

For FY2024/25, the programmed financing requirement is estimated at $191,440.4 million or 5.8 percent of GDP, representing an increase of $51,967.9 million or 37.3 percent above the $139,472.5 million programmed for the last fiscal year. The increase estimated for FY2024/25 is a result of a significant increase in the scheduled domestic amortizations from $21,731.3 million in FY2023/24 to $170,678.8 million in FY2024/25.

As outlined in the MTDS FY2024/25-FY2027/28, **S1**, which focuses on majority domestic financing, continues to be the Government's preferred financing strategy over the medium-term. This strategy supports development of the domestic debt market, while reducing the debt portfolio's exposure to foreign currency risk. Concomitantly, throughout the fiscal year, the Government intends to continue to satisfy investors' appetite at all segments of the yield curve. Notwithstanding **S1**, the financing programme for FY2024/25 includes an increased reliance on multilateral borrowing. This would allow the Government to capitalize on the lower interest rates associated with the concessional loans from the Multilateral institutions, in order to minimize the cost of borrowing. Additionally, the Government will continue exploring opportunities to execute LMO's aimed at rebalancing the debt portfolio in line with an optimal structure. Consequently, the financing needs for the fiscal year are projected to be sourced mainly from the external market. This includes a combination of loan instruments, such as Policy-Based Loans, Investment loans and the remaining balance of US$254.7 million related to the International Monetary Fund's Resilience and Sustainability Facility (RSF). Though the expected external inflows will increase the portfolio's exposure to foreign currency risk, the extent of the impact will be mollified by the lower interest costs compared to the projected yields in the domestic market. Therefore, the cost/risk trade-off is favorable, and the Government will remain on track to achieve its legislated debt-to-GDP target of 60.0 percent or less by end-FY2027/28.

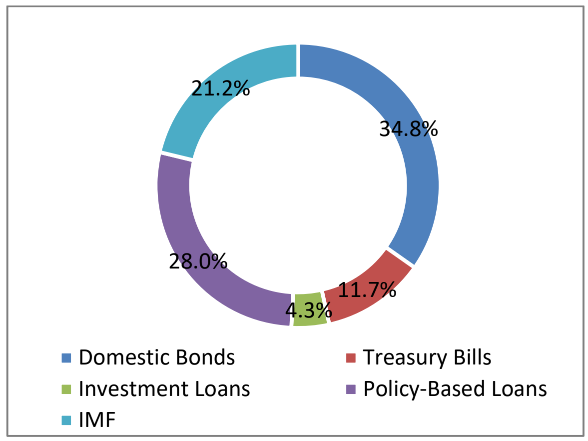
The ratio of domestic and external borrowing for FY2024/25 is projected to be 46.5:53.5, representing $89,000.0 million and $102,440.4 million, respectively. Domestic borrowing will continue to be raised through Treasury Bills and Benchmark Investment Notes in the amount of $22,400.0 million or 11.7 percent and $66,600.0 million or 34.8 percent, respectively. External borrowing comprises scheduled disbursements from existing multilateral and bilateral loans in the amount of $8,176.3 million or 4.3 percent, Policy-Based Loans in the amount of $53,588.3 million or 28.0 percent, and the IMF's RSF disbursement of $40,675.9 million or 21.3 percent (see **Table 11** and **Figure 52** below).

Table 11: GOJ's Annual Borrowing Plan for FY2024/25

Financing Sources	Budgeted ($mn.)	% Total
Domestic Financing	89,000.0	46.5
Domestic Bonds	66,600.0	34.8
Treasury Bills	22,400.0	11.7
External Financing	102,440.4	53.5
Investment Loans	8,176.3	4.3
Policy-Based Loans	53,588.3	28.0
IMF	40,675.9	21.2
Total	191,440.4	100.0

Source: Ministry of Finance and the Public Service

Figure 52: GOJ's Annual Borrowing Plan for FY2024/25



Source: Ministry of Finance and the Public Service

7.1 Issuance Strategy for FY2024/25

During FY 2024/25, the market issuance strategy will be guided by ABP, which focuses on securing 46.5 percent of financing from the domestic market. The continued focus on local currency issuances will help rebalance the currency component of the portfolio while facilitating a vibrant domestic market. In execution of the Issuance Strategy, the GOJ will:

- Issue all securities via the auction mechanism. This will facilitate continued efficiency through price discovery;
- Issue fixed-rate debt instruments along all segments of the yield curve. This strategy will assist the GOJ to achieve its objectives of satisfying borrowing requirements and maintaining a presence in the domestic market, while facilitating its development;

- Focus on building liquidity in Benchmark Investment Notes along the shorter, medium and longer segments of the yield curve. This may result in increased secondary market trading;
- Continue to issue 3- and 6-month Treasury bills on a monthly basis, while the 9-month Treasury bill will be issued seven times during the fiscal year. The subscription amount for the 3-month and 6-month tranches will remain at $700.0 million, while the 9-month tranche will remain at $800.0 million. As a result, the Treasury bill offer amount for FY2024/25 is expected to be $22,400.0 million, which should assist financial institutions in meeting liquid asset requirements; and
- Schedule all new instruments for maturity beyond the peak repayment period FY2028/29 in order to avoid further bunching therein.

7.2 Challenges to the Issuance Strategy

Over the past year, investor appetite for GOJ bonds has remained consistent. However, Treasury bill yields increased steadily over the third quarter of FY 2023/24, so that the 3-month T-bill rate as at end-December 2023, at 8.10 percent, was at its second-highest point since April 2023, when the rate was 8.14 percent. Similarly, the current 6-month T-bill rate, at 8.46 percent, was at its highest level since May 2014, when the rate was 8.93 percent. In light of these increases, bid yields for domestic Benchmark Investment Note (BIN) issuances, especially shorter-term bonds, may increase over the near future. Consequently, this could increase the debt service cost to the Government, which does not align with the Debt Management Branch's core objective to ensure that the Government's financing needs are satisfied at minimum cost while maintaining risks at manageable levels. Additionally, given the extended uncertainty in the financial market environment, the Government issuance strategy could be affected by potential exogenous challenges, including:

- Since August 2021, the monthly inflation rate has mainly exceeded BOJ's targeted range of 4.0 percent to 6.0 percent. As a result, BOJ increased the policy rate by a total of 650 bps, from 0.50 percent on 1st October, 2021 to 7.00 percent, and has maintained this rate current to December 2023. At end-December 2023, the rate of inflation was 6.9 percent. In its "Summary of Monetary Policy and Decisions" for December 2023, BOJ projected that inflation will continue to rise above the Bank's target range for much of the period between the December 2023 and March 2025 quarters. Consequently, the policy rate is likely to remain unchanged, which may cause interest rates to remain high. This will adversely affect the cost of borrowing to the GOJ.

- Similarly, the United States Federal Reserve (the Fed) raised its benchmark interest rate from near-zero in March 2022 to between 5.25 percent and 5.50 percent as at December

2023. This was done to help slow the pace of U.S. inflation from its four-decade peak in 2022. In the event of a further interest rate hike by the Fed, local interest rates may be similarly affected, increasing the cost of borrowing to the GOJ. Additionally, further increases in interest rates by the Fed could attract investments away from the domestic market. This could negatively impact liquidity in the market and ultimately the Government's issuance strategy.

- The global economy is expected to continue being affected by the strain of wars, elevated inflation and continued high interest rates. To that end, ongoing conflicts in Russia, Ukraine and Israel, as well as geopolitical tensions between Guyana and Venezuela, compounded by lower economic growth forecasts for China and the United States may contribute to a slowdown of the global economy in FY2024/25. This may lead to a reduction in bilateral financing to Jamaica from partner countries, which may in turn require adjustments to the Annual Borrowing Plan (ABP).

- Negative effects of natural disasters: In 2023, there were more than 65,000 casualties as a result of floods, earthquakes and wildfires in countries such as Syria, Turkey, the Democratic Republic of Congo, Libya, Morocco, Myanmar and the U.S. state of Hawaii. There have also been a number of earthquakes across the Caribbean region, including Jamaica. During FY2024/25, the occurrence of a natural disaster could result in an adjustment to the ABP, given that resources may have to be re-allocated from programmed budgeted activities to emergency disaster recovery activities. However, this is dependent on the extent of variation in related cost relative to available cash resources under the Disaster Risk Management Framework; and

- The continued presence of COVID-19: In the aftermath of the initial COVID-19 pandemic, economic activity continues to rebound in the country. However, there are indications of a resurgence of a milder strain of COVID-19. This is an indication that the disease is lingering, and resurgence in infection rate may have negative consequences for GOJ's financing requirement and ultimately the issuance strategy.

7.3 Active Liability Management Operations

Public debt management may involve governments undertaking liability management operations (LMOs) in an effort to reduce costs and limit exposure to market risks that are inherent in the debt portfolio. Generally, LMOs are geared towards optimizing the portfolio's structure; this comprises achieving targeted debt levels, currency composition, fixed- and variable-interest rate proportion, and maturity structure. Jamaica is no exception, given the complexity of the structure of its debt portfolio. Consequently, the Government continues to pursue LMOs to enhance the debt portfolio's composition throughout the medium-term.

The Government intends to undertake opportunistic LMOs during FY2024/25, in order to manage cost while mitigating risk. This decision is supported by Section 6 of the PDMA, which empowers the Minister with responsibility for Finance to engage in liability management activities that seek to rebalance the cost and risk indicators, consistent with the debt management strategy. LMOs provide opportunities for the Government to utilize innovative tools such as roll-overs, swaps, other derivative transactions, buybacks, switches and redemption of debt to design transactions aimed at: reducing the debt stock or remaining stock neutral, while reducing cost; achieving net interest cost savings; and mitigating predominant risks.

Given the economic improvement and recent positive credit rating actions, which affirmed Jamaica's buoyant economic performance and stable outlook, investors will continue to be attracted to Jamaica's sovereign bonds in the international capital markets (ICM). Looking ahead, the anticipated downward movement in global interest rates in the short- to medium-term could strengthen the demand for fixed income securities as investors seek to capitalize on prevailing rates. This is supported by the projected decreases in the Federal Funds Rate during 2024, given the gradual decline in the inflation rate towards the targeted rate of 2.0 percent. Therefore, the Government will continue to monitor market conditions, while being vigilant and ready to capitalize on any market opportunity for the execution of LMOs for which the expected outcomes are consistent with its medium-term debt management objectives.

Table 12: Proposed Issuance Calendar for GOJ Instruments during FY2024/25

SUBSCRIPTION DATE	INSTRUMENT TYPE	METHOD OF ISSUE
Q1		
April 10, 2024	3-month, 6-month and 9-month T-Bill Tenders	Auction
April 26, 2024	Reopen FR 9.625% BIN 2031 –**7-yr**	Auction
May 8, 2024	3-month, 6-month and 9-month T-Bill Tenders	Auction
May 24, 2024	Reopen FR 10.00% BIN 2028 – **4-yr**	Auction
June 5, 2024	3-month and 6-month T-Bill Tenders	Auction
Q2		
July 10, 2024	3-month and 6-month T-Bill Tenders	Auction
July 26, 2024	Reopen FR 9.625% BIN 2031 – **7-yr**	Auction
August 7, 2024	3-month, 6-month and 9-month T-Bill Tenders	Auction
August 20, 2024	Reopen FR 10.00% BIN 2028 – **4-yr** Reopen FR 10.00% BIN 2037 – **13-yr**	Auction Auction
September 4, 2024	3-month and 6-month Treasury Bill Tenders	Auction
Q3		
October 9, 2024	3-month, 6-month and 9-month T-Bill Tenders	Auction
October 11, 2024	Reopen FR 5.675% BIN 2029 – **5-yr** Reopen FR 12.25% BIN 2050 – **26-yr**	Auction Auction
November 6, 2024	3-month, 6-month and 9-month T-Bill Tenders	Auction
November 22, 2024	Reopen FR 10.00% BIN 2037 – **13-yr**	Auction
December 4, 2024	3-month and 6-month Treasury Bill Tenders	Auction
Q4		
January 8, 2025	3-month, 6-month and 9-month Treasury Bill Tenders	Auction
February 5, 2025	3-month, 6-month and 9-month T-Bill Tenders	Auction
February 26, 2025	Reopen FR 9.625% BIN 2031 – 6-yr **New Issue:** FR BIN 2035 – 10-yr	Auction Auction
March 4, 2025	3-month and 6-month T-Bill Tenders	Auction
March 14, 2025	Reopen FR 10.00% BIN 2028 – 3-yr Reopen FR 10.00% BIN 2037 – 12-yr Reopen FR 12.25% BIN 2050 – 25-yr **New Issue:** FR BIN 2045 – 20-yr	Auction Auction Auction Auction

*Benchmark Investment Note (BIN)
Note: Schedule is subject to change.
Source: Ministry of Finance and the Public Service

Table 13: Proposed Schedule for Treasury Bills

For Fiscal Year 2024/25		
Proposed Treasury Bill Tranche	**Proposed Tender Date**	**Proposed Issue Date**
Quarter 1		
3, 6 & 9 month T/Bills	April 10, 2024	April 12, 2024
3, 6 & 9 month T/Bills	May 8, 2024	May 10, 2024
3 & 6 month T/Bills	June 5, 2024	June 7, 2024
Quarter 2		
3 & 6 month T/Bills	July 10, 2024	July 12, 2024
3, 6 & 9 month T/Bills	August 7, 2024	August 9, 2024
3 & 6 month T/Bills	September 4, 2024	September 6, 2024
Quarter 3		
3, 6 & 9 month T/Bills	October 9, 2024	October 11, 2024
3, 6 & 9 month T/Bills	November 6, 2024	November 8, 2024
3 & 6 month T/Bills	December 4, 2024	December 6, 2024
Quarter 4		
3, 6 & 9 month T/Bills	January 8, 2025	January 10, 2025
3, 6 & 9 month T/Bills	February 5, 2025	February 7, 2025
3 & 6 month T/Bills	March 4, 2025	March 7, 2025

Notes: Please note that the Schedule is subject to change. The actual amounts in each tender will be determined at the time of invitation to tender.

Source: Ministry of Finance and the Public Service

SECTION VIII: DEVELOPMENT OF THE DOMESTIC MARKET

8.1 Government Domestic Debt Market

The on-going geopolitical conflicts, ranging from the war in the Middle East and tensions in Ukraine to territorial disputes and international sanctions in the Indo-Pacific region, continue to dramatically disrupt global financial markets and subsequently impact domestic debt markets. Additionally, the rise in inflation and the United States Federal Reserve's decisions on interest rates continue to directly impact borrowing costs, market liquidity, and investor behaviour globally. These developments introduce a new layer of uncertainty over the potential ramifications of global turmoil on the economies and financial markets.

Despite the uncertainty in the global environment, GOJ's successful economic reforms, involving fiscal consolidation, enhanced sound legal and regulatory frameworks, along with prudent debt management operations have played a key role in stabilizing the economy. Consequently, the Government remains resolute in its commitment to further enhance the development of an efficient domestic debt market throughout the medium-term. This is crucial to the Government and its medium-term debt strategy to de-dollarize the debt portfolio, while aiming to achieve the legislated debt-to-GDP target of 60.0 percent or less by end-March 2028.

The Government's sound fiscal and monetary policies, supporting macroeconomic stability, and regulatory reforms, have contributed to the growth of the domestic debt market. Jamaica's domestic debt market is characterized by sufficient levels of liquidity, transparency, sound market infrastructure, a diverse investor base and effective regulatory oversight. The domestic market offers the Government a reliable and non-inflationary source of financing, alleviating the dependence on restrictive financing arrangements and mitigating the risks associated with external financing.

Overall, the Government's focus in FY2024/25 is to continue efforts to support market development, while aiming to satisfy its funding requirements at a minimal cost and a prudent level of risk. The Government will continue to prioritize the enhancement of the secondary market through the implementation of the Fixed Income Trading Platform (FITP) to improve market efficiency and functionality, promote better price discovery, and foster transparency while continuing to raise funds across the short-, medium- and long-end of the yield curve. Additionally, the Government will collaborate with key stakeholders to create a conducive environment for investment that safeguards investors and stimulates economic growth.

8.2 Financial Market Development

An advanced financial market comprises different financial components such as regulators, debt capital market, central bank and the coordination of financial institutions to create a market for buyers and sellers. The focus herein highlights the importance of the coordination between a well-regulated and transparent domestic debt market supporting monetary and financial policies to foster economic growth and macroeconomic stability. Monetary and fiscal policy aim to create an economic environment where growth is stable and positive, and inflation is stable and low. Whilst central bank activities focus on liquidity management and fiscal policy manages government expenditure, debt markets are instrumental in coordinating with central banks to ensure efficient management of market liquidity, while supporting fiscal operations.

The GOJ remains focused at improving the domestic market, which ultimately supports the central bank and fiscal operations. Therefore, having strong regulatory and legal frameworks embedded in the domestic market assists in diversifying investor risk, which promotes investor protection and consumer confidence. Additionally, a well-developed domestic debt market optimizes the distribution of capital among domestic savings, foreign capital investment and consumption.

One of the key strategic objectives of the Government is the de-dollarization of the debt portfolio. GOJ recognizes that borrowing domestically can assist in achieving this objective, as it helps to lower the cost of funds associated with borrowing while reducing the foreign exchange risk in the debt portfolio. To that end, in FY2024/25, the Government will continue to expend resources and efforts to further the development of the domestic market.

During FY2024/25, the GOJ will continue to promote market development while satisfying its funding requirements. To satisfy investors' needs, GOJ will continue the issuance of securities along all segments of the yield curve. Additionally, GOJ will maintain its partnership with BOJ to introduce new instrument types to the market. The objective of GOJ is to develop a portfolio of instruments that are satisfactory to investors, while serving as benchmarks, enhancing liquidity and secondary market trading in the financial market. To enhance price discovery, the auction mechanism will be utilized.

Primary Dealers (PDs) are the main channels through which the Government and BOJ conduct its primary issuance of debt instruments. MOFPS, BOJ and the Financial Services Commission (FSC) coordinate the PD system to support the development of the domestic capital market and facilitate increased issuance and secondary market liquidity. However, given the limited assets available in the domestic market, PDs are challenged to successfully meet their obligations as market makers. As a result, PDs buy and hold securities instead of trading. This has resulted in an inefficient market for GOJ and BOJ securities, whereby secondary market trading continues to be below desired levels. This has also resulted in the inability to build secondary market liquidity, broaden the investor base for GOJ and BOJ securities, decrease market and refinancing risks to GOJ, as well as lower the cost of funding to the Government. Given the aforementioned, it is paramount that the current PD system is reviewed. During FY2024/25, the Government will coordinate with its stakeholders to intensify its endeavours to reform the PD system.

One of the National Goals of Vision 2030 is a prosperous Jamaican economy, while an expected outcome of this goal is an enabling supportive business environment, whereby the GOJ is committed to making the necessary improvements to the business environment. The Government would ensure an efficient bureaucracy, adequate access to capital, supportive trade relations, a well-functioning labour market and improved opportunities for micro, small and medium-sized enterprises. The Government is cognizant that having a well-established infrastructure such as a Fixed Income Trading Platform (FITP) may contribute to an enabling business environment through, *inter alia,* the reduction in transaction costs for businesses that would have diverted resources from productive activities that support economic growth and development. To that end, GOJ, in collaboration with the Jamaica Stock Exchange, BOJ and FSC will continue to channel resources into the implementation of the FITP. At end-December 2023, considerable progress has been made towards the implementation of the platform. The FITP is envisaged to promote efficiencies in the trading of GOJ securities through the advancement of market intelligence, equity in trading, a deeper and more liquid market and real-time price discovery.

The debt portfolio may be rebalanced through the execution of opportunistic LMOs. In the upcoming fiscal year, GOJ will take any opportunity to execute LM transactions that are in line with the selected strategy, **S1**. The expected benefits to be derived from the LMOs are: extension of the maturity profile; net saving; debt reduction; or debt neutrality. The Government will utilize buybacks, swaps or switches to execute LMOs.

Financial institutions regulated by BOJ and FSC are no longer required to request two references from clients prior to the opening of an account. References are no longer mandatory after updates were made to the BOJ and FSC's guidelines, whereby the regulators have shifted from the Anti-Money Laundering and Combating the Financing of Terrorism Framework to a risk-based approach. Recommended by the Financial Action Task Force, the risk-based approach allows simplified due diligence for lower risk customers. As a result, Jamaicans will only need their Tax Registration Number, a valid government-issued or work identification, proof of address and source of income to approach a financial institution. Going forward, Jamaicans will have increased access to the financial system, which is expected to encourage financial inclusion. The anticipated benefit to the Government from persons having easier access to the financial system is the expansion of the investor base and possible increases in the level of secondary market trading of GOJ securities.

SECTION IX: INVESTOR RELATIONS

The Debt Management Branch's (DMB's) Investor Relations Programme (IRP) remains the chief communication conduit between the GOJ and its domestic and external financial stakeholders. The overarching mandate of the IRP surrounds increasing visibility and transparency through two-way dialogue and timely dissemination of information.

The IRP, executed by the Investor Relations Unit (IRU), features a framework of strategic actions to engage stakeholders, including investors, creditors, analysts, and ratings agencies. The systematic implementation of the IRP supports the GOJ in achieving its debt management objective of raising adequate budgetary financing within acceptable cost/risk trade-offs.

During the period under review, the DMB continued its engagement with domestic market financial stakeholders, inclusive of securities dealers, insurance companies, pension funds, and commercial banks, through one-on-one meetings. Held prior to scheduled issuance dates, the meetings were geared towards identifying investors' interest in proposed issuances as well as gathering intelligence on market conditions. The DMB also supported GOJ's financial literacy initiative through the execution of an Investment Forum held at the University College of the Caribbean in November 2023, titled "Generating Wealth for You, Country and Tomorrow". The panel of speakers included representatives from the Jamaica Securities Dealers Association (JSDA), the Jamaica Central Securities Depository (JCSD) and the DMB. The event also featured an exhibition of financial products offered by various local financial institutions and marked the beginning of a series of forums expected to continue during the upcoming fiscal year.

In November 2023, the GOJ continued its engagement with stakeholders in the international capital markets (ICM) via a series of limited Deal Roadshows in the United States and Europe to launch the country's first ever JMD-Linked global bond. The bond issuance was oversubscribed 1.4 times, and recorded a 93.5 percent international investor participation rate, with the remaining 6.5 percent of participants consisting of domestic investors. The issuance marked the Government's return to the ICM since 2019, and is expected to pave the way for similar issuances in the future.

The IRU also facilitated the annual assessment of the GOJ's creditworthiness by coordinating meetings with key stakeholders in the private and public sectors for Standard and Poor's (S&P) and Moody's Ratings Agencies. Consequent to this, the Government received positive rating actions from both entities. On September 13, 2023, S&P upgraded the GOJ's Long-Term Foreign and Local Currency Issuer Default Rating (IDR) to "BB-" from 'B+', with the outlook remaining 'Stable'. Similarly, on October 18, 2023, Moody's upgraded the GOJ's long-term issuer and senior unsecured ratings to 'B1', revising the outlook to 'Positive'. Fitch Ratings is scheduled to conduct their ratings review during the final quarter of FY2023/24.

The DMB website redesign project is on track to be completed by the end of FY2023/24. In FY2024/25, the DMB will continue to implement IR best practices that will enable the GOJ to disclose comprehensive and timely data in the interest of accountability and transparency.

SECTION X: CONCLUSION

The Government of Jamaica's (GOJ's) Medium-Term Debt Management Strategy (MTDS) for FY2024/25 – FY2027/28 contains planned activities governing debt operations throughout the medium-term. The document presents an assessment of portfolio costs and risks associated with alternative financing strategies. The medium-term strategy selected, **S1**, is aligned with the Government's debt management objectives of raising adequate financing at the lowest possible cost and prudent levels of risk, while supporting the development of the domestic debt market.

Overall, there were marginal improvements in the debt portfolio's risk profile. In November 2023, after a four-year hiatus, the GOJ returned to the ICM, conducting a multi-transactional liability management operation aimed at mitigating foreign currency and refinancing risks in the debt portfolio. The transaction included the buyback of foreign currency-denominated global bonds and issuance of JMD-linked notes with a nominal value of $46,600.0 million. This resulted in a reduction in the share of foreign currency-denominated debt in total debt to 59.6 percent. Notwithstanding, the nominal stock of foreign currency-denominated debt remained high. The transaction also supported a 0.2-year extension in the portfolio's ATM. The portfolio's exposure to inflation risks remained minimal despite the annual-point-to-point inflation rate being outside the upper limit of the BOJ's targeted band at end-December 2023. This is due to the relatively small share of inflation-linked debt in total debt. Contingent liabilities associated with government guarantees remained within established limits as the ratio of GGLs-to-GDP declined to 2.0 percent, within the legislated ceiling for end-FY2026/27.

Debt-to-GDP continued on a downward trajectory, declining by an estimated 4.9 percentage points to 72.2 percent at end-FY2023/24. This was mainly due to an estimated 10.7 percent increase in nominal GDP for the current fiscal year. The Government remains on track to meet the legislated target of 60.0 percent or less at end-FY2027/28, with debt-to-GDP projected at 55.1 percent for end-FY2027/28. This continued commitment to sustainable fiscal policy and steady improvements in debt metrics was reflected in two ratings upgrades from the Standard and Poor's and Moody's ratings agencies in September 2023 and October 2023, respectively.

The GOJ, through the Investor Relations Programme (IRP), will continue to promote transparency, openness, and accessibility in debt operations through consistent dialogue with both domestic and external stakeholders. The launch of the modernized DMB website is scheduled for completion during the final quarter of FY2023/24.

GLOSSARY

Amortization

Amortisation refers to principal repayments on loans. These repayments reduce the borrowed money by portions, which are usually fixed amounts or expressed as a percentage of the whole.

Auction

An auction is a system by which securities are bought and sold on a competitive bidding process. The auctions are conducted on a multiple-price-bidding basis, which means that the successful investor will receive stocks at the price he bids.

Benchmark Investment Notes

These are bonds that are sufficiently large and actively traded, such that their prices serve as reference for other bonds of similar maturities. More specifically, the benchmark is the latest issue within a given maturity. For a comparison to be appropriate and useful, the benchmark and the bond being measured against it should have a comparable liquidity, issue size and coupon. Government bonds are almost always used as benchmark.

Cash Flow at Risk (CFaR)

Cash Flow at Risk of the debt portfolio estimates the maximum increase in debt service cash flows relative to the expected costs due to changes in market variables, with a given probability over a given period.

Catastrophe Bond

Catastrophe (Cat) bonds are insurance-linked securities that transfer risks, usually from a catastrophe or natural disaster, from an issuer to investors. Depending on how a cat bond is structured, if losses reach the threshold specified in the bond offering, the investor may lose all or part of the principal or interest. Cat bonds do not constitute a part of a government's debt stock.

Central Government

Central Government includes ministries, departments and agencies which are responsible for carrying out core government functions.

Conditional Cash Flow at Risk (CCFaR)

Conditional Cash Flow at Risk is the extended risk measure of cash flow at risk that quantifies the average increase in debt service cash flows in unlikely scenarios over a specified time period (see **Cash Flow at Risk**).

Conditional Cost at Risk (CCaR)

Conditional Cost at Risk is the extended risk measure of cost at risk that quantifies the average increase in interest costs in unlikely scenarios over a specified time period (see **Cost at Risk**).

Conditional Value at Risk (CVaR)

Conditional Value at Risk is the extended risk measure of value at risk that quantifies the average increase in debt stock in unlikely scenarios over a specified time period (see **Value at Risk**).

Contingent Liabilities

Contingent liabilities are obligations that materialise if a particular event occurs. They can be explicit, if the sovereign contractually acknowledges its responsibility to cover the beneficiary under specific circumstances, or implicit, when the government is expected to do so because it has a "moral" obligation to act, in most cases related to a high opportunity cost of not intervening.

Contingent Line of Credit

A contingent line of credit is a loan which is prepared in advance, but disbursed after a specified occurrence, for example, a natural disaster.

Cost at Risk (CaR)

Cost at Risk of the debt portfolio estimates the maximum increase in interest costs relative to the expected costs due to changes in market variables, with a given probability over a given period.

Currency Conversion/Swap

A currency swap, sometimes referred to as a cross-currency swap, involves the exchange of interest – and sometimes of principal – in one currency for the same in another currency. The agreement consists of swapping principal and interest payments on a loan made in one currency for principal and interest payments of a loan of equal value in another currency.

Debt Service Payments

Debt service payments cover interest charges on a loan. Some sources also include amortisation under debt service payments. These payments liquidate the accrued interest (and loan obligations if amortisation is included).

Emerging Market Economy

An emerging market economy refers to a developing nation that is becoming more engaged with global markets as it grows. Countries classified as emerging market economies are those with some, but not all, of the characteristics of a developed market.

Federal Funds Rate

The federal funds rate refers to the interest rate that banks charge other institutions for lending excess cash to them from their reserve balances on an overnight basis. The federal funds rate is a monetary policy tool of the United States Federal Reserve.

Fiscal Responsibility Framework

The Fiscal Responsibility Framework, which came into effect October 1, 2010, is an encompassing framework which has, at its centre, fiscal rules that are designed to achieve desired fiscal outcomes, most notably, a reduction in, and maintenance of, a sustainable level of debt.

Fiscal Risk

Fiscal risk refers to the probability that an actual fiscal outturn will deviate from that which is expected or budgeted.

Global/Euro bond

A bond underwritten by international investors and sold in countries other than the country of the currency in which the issue is denominated. Usually, a global/euro bond is issued by a corporate or sovereign and categorised according to the currency in which it is denominated. In July 1997 Jamaica issued a five-year US$200mn global bond, which was its first ever.

Government Guaranteed Loans

The term government guaranteed loans refers to the debt of public bodies for which the Central Government is required to assume obligations in the event that the public entity defaults.

Inflation-Indexed Bonds

Inflation-Indexed bonds are securities with the principal linked to the Consumer Price Index. The principal changes with inflation, guaranteeing the investor that the real purchasing power of the investment will keep pace with the rate of inflation. Although deflation can cause the principal to decline, at maturity the investor will receive the higher of the inflation-adjusted principal or the principal amount of the bonds on the date of the original issue.

Investment Loans

The terms refer to loans, which fund capital development activities. The term capital refers to lasting systems, institutions and physical structures. Investment loans are typically funded from foreign sources by bilateral arrangements and multilateral institution.

Issuer Default Rating

An Issuer Default Rating (IDR) is an assessment of an issuer's relative vulnerability to default on financial obligations, and is intended to be comparable across industry groups and countries. Issuers may often carry both Long-Term and Short-Term IDRs.

Liability Management Operation

Liability management (LM) is the process of rebalancing outstanding debt in order to improve the composition of the public debt portfolio. LM operations have five main functions: (i) to increase liquidity in government securities markets, (ii) to manage risks in the debt portfolio, (iii) to decrease the cost of new funding, (iv) to correct and/or take advantage of market distortions, and (v) to stabilize the market during periods of stress.

Liquidity

Liquidity refers to the ease with which an asset, or security, can be converted into ready cash without affecting its market price.

MTDS Analytical Toolkit

The MTDS analytical toolkit is designed to assist country authorities in developing a sound debt management strategy, by analyzing cost and risk tradeoffs inherent in alternative financing strategies. The tool was developed by the International Monetary Fund and the World Bank Group.

Non-Central Government Debt

Non-central government debt refers to the debt of public bodies, excluding those certified by the Auditor General as carrying out functions of a commercial nature. In the case of Jamaica, non-central government debt is included in total public debt.

Non-Guaranteed Loans

Non-guaranteed loans refers to the debt of specified public bodies which is not formally guaranteed by the Government of Jamaica. While the Government has no legal obligation to assume non-guaranteed debt, liabilities may result from moral obligation.

Official Creditor

Official Creditor is a government or international organization that lends mainly to another government or international organization. This includes multilateral and bilateral creditors.

Policy Rate

The policy interest rate is the rate at which a central bank will pay or charge deposit taking institutions for their deposits or loans. The Bank of Jamaica uses its policy interest rate as a key instrument of monetary policy.

Policy-Based Loan

This term refers to loans which fund or support policy reforms and/or institutional changes in particular sectors. Policy based loans are usually funded by multilateral creditors.

Price Discovery

Price discovery is the process whereby the price of a security, commodity, or currency is efficiently determined through market driven factors such as supply, demand and investors risk attitude at the time of transaction.

Primary Dealers

Primary dealers are security dealers who have been given the right to participate in initial issuances or reopening of GOJ and BOJ securities to the market.

Public Debt

Public debt is defined as the consolidated debt of the Specified Public Sector except that of the Bank of Jamaica, net of any cross holdings.

Public Debt Charges

Public debt charges are interest payments on the loan obligations and include related incidental expenses such as service fees, late payment penalties and commitment fees.

Rapid Financing Instrument

The International Monetary Fund's Rapid Financing Instrument (RFI) provides prompt financial assistance to any member country facing an urgent balance of payments need. The RFI is one of the facilities under the General Resources Account (GRA) that provide financial support to countries, including in times of crisis.

Resilience and Sustainability Facility

The International Monetary Fund's Resilience and Sustainability Facility (RSF) provides affordable long-term financing to countries undertaking reforms to reduce risks to prospective balance of payments stability, including those related to climate change and pandemic preparedness.

Sovereign Rating

A sovereign rating is an assessment of the default risk for medium and/or long-term debt obligations issued by a national Government (denominated in foreign currency), either in its own name or with its guarantee. Ratings are produced by independent agencies (Moody's Investors Service, Standard & Poor's and others). The ratings provide a guide for investment risk to capital market investors.

Special Drawing Rights
Special Drawing Rights (SDRs) are an international reserve asset, created by the International Monetary Fund (IMF) in 1969 to supplement its member countries' official reserves. It serves as the unit of account of the IMF.

Technical Recession
A technical recession refers to two consecutive quarters of negative growth in a country's gross domestic product.

Tender-Switch
A tender-switch is a form of liability management operation in which a government retires a portion of its debt securities, and makes an offer to holders of those securities to repurchase a predetermined number of bonds at a specified price.

Treasury Bills
Treasury Bills are short-term debt obligations backed by the government with maturities less than one year. The Government of Jamaica issues Treasury Bills with 30-, 60- and 180-day tenors. Treasury Bills are issued through a competitive bidding process at a discount from par, which means that rather than paying fixed interest payments like conventional bonds, the appreciation of the instrument provides the return to the holder.

Value at Risk (VaR)
Value at Risk of the debt portfolio estimates the maximum increase in the debt stock due to changes in market variables, with a given probability over a given period.

Yield Curve
A line graph showing the interest rates at specific points in time by plotting the yields of all securities with the same risk but with maturities ranging from the shortest to the longest available. The yield curve for Government securities is often used as a benchmark for pricing other debt in the market. The curve is also used as an indicator of macroeconomic conditions.