



GOVERNMENT OF JAMAICA

# MEDIUM-TERM DEBT MANAGEMENT STRATEGY



**FY2025/26 - FY2028/29**

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## LIST OF ABBREVIATIONS

<b>ABP</b>	Annual Borrowing Plan
<b>ATM</b>	Average Time-to-Maturity
<b>ATR</b>	Average Time-to-Refixing
<b>BIN</b>	Benchmark Investment Note
<b>BOJ</b>	Bank of Jamaica
<b>BOP</b>	Balance of Payments
<b>BPS</b>	Basis Points
<b>BSD</b>	Bahamian Dollar
<b>CaR</b>	Cost at Risk
<b>CCaR</b>	Conditional Cost at Risk
<b>CCFaR</b>	Conditional Cash Flow at Risk
<b>CD</b>	Certificate of Deposit
<b>CFaR</b>	Cash Flow at Risk
<b>CCRIF-SPC</b>	Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company
<b>COVID-19</b>	Coronavirus Pandemic
<b>CNY</b>	Chinese Yuan Renminbi
<b>CPI</b>	Consumer Price Index
<b>CVaR</b>	Conditional Value at Risk
<b>CY</b>	Calendar Year
<b>DMB</b>	Debt Management Branch
<b>DRF</b>	Disaster Risk Financing
<b>EM</b>	Emerging Market
<b>FAA Act</b>	Financial Administration and Audit Act
<b>FED</b>	United States Federal Reserve Bank
<b>FITP</b>	Fixed Income Trading Platform
<b>FOMC</b>	Federal Open Market Committee
<b>FR</b>	Fixed-Rate
<b>FRAN</b>	Fixed-Rate Accreting Notes
<b>FRF</b>	Fiscal Responsibility Framework
<b>FSC</b>	Financial Services Commission
<b>FY</b>	Fiscal Year
<b>FX</b>	Foreign Exchange
<b>GDP</b>	Gross Domestic Product
<b>GGL</b>	Government Guaranteed Loan
<b>GOJ</b>	Government of Jamaica
<b>GSS+</b>	Green, Social, Sustainability, and Sustainability-Linked
<b>ICM</b>	International Capital Market
<b>IDB</b>	Inter-American Development Bank

<b>IDR</b>	Issuer Default Rating
<b>IIF</b>	International Institute of Finance
<b>IMF</b>	International Monetary Fund
<b>IR</b>	Investor Relations
<b>IRP</b>	Investor Relations Programme
<b>IRU</b>	Investor Relations Unit
<b>JAMAN</b>	Jamaica’s Global Bonds
<b>JCSD</b>	Jamaica Central Securities Depository
<b>JMD</b>	Jamaica Dollar
<b>JSE</b>	Jamaica Stock Exchange
<b>LAC</b>	Latin America and the Caribbean
<b>LMO</b>	Liability Management Operations
<b>MPC</b>	Monetary Policy Committee
<b>MTDS</b>	Medium-Term Debt Management Strategy
<b>NDF</b>	National Disaster Fund
<b>NIR</b>	Net International Reserves
<b>NNDRF</b>	National Natural Disaster Reserve Fund
<b>NDRFP</b>	National Natural Disaster Risk Financing Policy
<b>NGL</b>	Non-Guaranteed Loan
<b>PB</b>	Public Bodies
<b>PBL</b>	Policy-Based Loan
<b>PD</b>	Primary Dealer
<b>PDMC</b>	Public Debt Management Committee
<b>PDMA</b>	Public Debt Management Act
<b>PPP</b>	Public Private Partnership
<b>RSF</b>	Resilience and Sustainability Facility
<b>SDR</b>	Special Drawing Rights
<b>SLB</b>	Sustainability-linked Bonds
<b>SOFR</b>	Secured Overnight Financing Rate
<b>S&amp;P</b>	Standard and Poor’s
<b>T-bill</b>	Treasury Bill
<b>USD</b>	United States Dollar
<b>VaR</b>	Value at Risk
<b>VR</b>	Variable-Rate
<b>WATBY</b>	Weighted Average Treasury Bill Yield
<b>XCD</b>	Eastern Caribbean Dollar

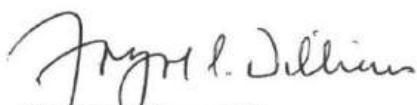
## FOREWORD

During FY2024/25, the Jamaican economy was negatively affected by the passage of Hurricane Beryl and Tropical Storm Rafael in July 2024 and November 2024, respectively. Given the prior work to put in place a policy to provide for the financing of recovery activities following a natural disaster, the impact on the fiscal operations was limited as non-debt resources were available from the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF-SPC) and the Contingencies Fund. Although resources to respond to the natural disaster were also available from a contingent loan facility with the Inter-American Development Bank, the Government opted not to utilize this source. As a result, public debt has remained on a sustainable path, with the debt-to-GDP ratio projected to be 68.7 percent at the end of this fiscal year, which is on track to meet the legislated target of 60.0 percent or less by end-FY2027/28. In addition, the rate of inflation has slowed, prompting the Bank of Jamaica (BOJ) to reduce its policy rate four (4) times during the April to December 2024 review period and resulting in portfolio cost savings and improved domestic market liquidity.

Jamaica's continued improvement informed Standard and Poor's (S&P) Global Ratings' affirmation of the GOJ's Long-Term Foreign and Local Currency Issuer Default Rating (IDR) at 'BB-', and the revision of the outlook from 'Stable' to 'Positive' in September 2024. This rating action was based on the GOJ's continued strengthening of institutional and policy frameworks, proactive policies to mitigate financial disruptions from disasters, and the BOJ's continued modernization, legal independence and official inflation-targeting mandate.

For the upcoming fiscal year, the GOJ will continue its commitment to fiscal discipline and prudent public debt management. The Medium-Term Debt Management Strategy (MTDS) for FY2025/26 – FY2028/29 evaluates the debt portfolio's cost and risk profile against predefined benchmarks and outlines the planned strategies for effectively mitigating the risks. The development of the Annual Borrowing Plan (ABP) for FY2025/26 was informed by consultation with market participants in keeping with the objective of open dialogue and inclusiveness and aligns with the preferred financing strategy of primarily sourcing funds from the domestic market across all segments of the yield curve.

The GOJ will continue to implement best practices to deepen its engagement with stakeholders through the Investor Relations Programme and the newly launched Debt Management Branch website. Accordingly, your comments on this document are welcome at: [invreinfo@mof.gov.jm](mailto:invreinfo@mof.gov.jm).



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February 13, 2025



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February 13, 2025



## ACKNOWLEDGEMENTS

The Medium-Term Debt Management Strategy (MTDS), developed through the International Monetary Fund (IMF)/World Bank MTDS Framework and published by the Government of Jamaica (GOJ), forms a critical part of the Jamaica's public debt management operations. The document outlines the strategies and plans to manage the public debt to reflect the Government's cost and risk preferences, while fulfilling financing needs.

The MTDS for FY2025/26 – FY2028/29 evaluates the GOJ's debt management performance during the April - December 2024 period and outlines the process for assessing alternative financing scenarios to determine the preferred medium-term financing strategy. The document also includes the Annual Borrowing Plan (ABP) and Issuance Strategy for FY2025/26, that outline the GOJ's financing requirements for the upcoming fiscal year and detail the planned financing sources to cover those needs.

We would like to thank the members of the Debt Management Branch for their commitment to the annual production of the MTDS. The team was diligent in ensuring that the document adheres to international best practices and standards, and presents meaningful analysis, as well as clear and accurate data.

We would also like to offer special thanks to Darlene Morrison, CD, Financial Secretary, and the members of the Public Debt Management Committee (PDMC) for their invaluable contributions to the development of this document.



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## EXECUTIVE SUMMARY

The Government of Jamaica (GOJ) has over the years designed and implemented its annual Medium-Term Debt Management Strategy (MTDS) in keeping with the Public Debt Management Act (PDMA) of 2012. The strategic approach employed by the FY2025/26 – FY2028/29 MTDS facilitates the mitigation of market risks in line with specified benchmarks, while reinforcing fiscal sustainability. The primary aim of the Strategy is to secure adequate financing at the lowest possible cost and within prudent risk levels, while promoting a well-developed, liquid, and stable domestic debt market.

Throughout the review period of April through December 2024, the Bank of Jamaica (BOJ) implemented strategic measures aimed at subduing inflation and stabilizing the economy. In response to a reduction in the rate of inflation, the Central Bank began unwinding its monetary policy stance. This facilitated an estimated \$572.7 million reduction in the GOJ's debt service costs, as there was a 175-basis point (bp) decline in the 3-month weighted average Treasury bill yield (WATBY) from 8.03 percent in March 2024 to 6.28 percent in December 2024.

The Jamaican economy recorded a slowdown in economic activity during the second quarter of the fiscal year, primarily due to the effects of Hurricane Beryl in July 2024. This has led to a projected economic contraction of 0.7 percent for FY2024/25. Notwithstanding, debt-to-GDP is expected to continue its downward trajectory led by a rebound in growth over the medium-term. Debt-to-GDP is estimated to be 68.7 percent at end-FY2024/25, a 4.6 percentage point reduction relative to end-FY2023/24, on track to meet the legislated target of 60.0 percent or less at end-FY2027/28.

Central Government cost and risk indicators displayed varied but generally improved results. There was a reduction in foreign currency risk exposure, as the share of Central Government debt denominated in foreign currencies declined to 59.1 percent at end-December 2024. This was supported by the conversion of two Inter-American Development Bank (IDB) loans to local currency as part of the GOJ's liability management programme, as well as vibrant domestic market issuances. The overall average cost of the portfolio remained unchanged, as there were countervailing movements in the weighted average interest cost of external and domestic debt. Despite an increase in variable-rate debt, a moderate rise in the portfolio's average time-to-re-fixing (ATR) indicated an improvement in interest rate risk. Similarly, refinancing risk improved due to a reduction in the share of debt maturing within a year. Though it constitutes a marginal share of the debt portfolio, the nominal value of inflation-linked debt increased, leading to a rise in the portfolio's exposure to inflation risk. The risk posed by contingent liabilities associated with Government guaranteed loans decreased, with the GGL-to-GDP ratio declining by 0.7 percentage point to 1.3 percent, within the legislated ceiling of 3.0 percent for FY2026/27. The

risk posed by public bodies' non-guaranteed loans also declined, as there was a reduction in the stock over the period.

Comparative static simulations of changes in the JMD/USD exchange rate, domestic and external interest rates, and the Consumer Price Index showed the debt portfolio being most sensitive to movements in the exchange rate. A 3.0 percent depreciation of the Jamaica dollar relative to the US dollar in FY2025/26 is estimated to increase the debt stock and interest cost by \$37,424.5 million and \$1,750.4 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 Government's financing requirement for FY2025/26 is \$158,441.9 million, which is a reduction of \$92,998.5 million relative to FY2024/25. To secure the necessary funding, the Government plans to focus primarily on domestic bond issuances, in keeping with the selected strategy (S1), which aims to secure an average of 56.0 percent of financing from the domestic market over the medium-term. The Government intends to issue bonds across the short, medium and long segments of the yield curve, mainly at longer tenors in order to maintain or increase the portfolio's average time to maturity, which is currently targeted at nine years or more. Overall, the issuance strategy aims to satisfy demand across all segments of the yield curve and should augur well for further development of the domestic debt market.

As a show of confidence in the Jamaican economy, Standard and Poor's (S&P) Global Ratings affirmed the GOJ's Long-Term Foreign and Local Currency Issuer Default Rating (IDR) at 'BB-', revising the outlook from 'Stable' to 'Positive' in September 2024. This rating action reflected S&P's assessment of the country's continued strengthening of institutional and policy frameworks, which the Agency asserted will lead to more sustainable public finances and balanced long-term economic growth. The change in outlook was based on the GOJ's proactive policies and actions to secure access to diverse financing products to mitigate financial disruptions from disasters, and the BOJ's continued modernization, legal independence and official inflation-targeting mandate.

## **SECTION I: INTRODUCTION**

The Government of Jamaica's Medium-Term Debt Management Strategy (MTDS) FY2025/26 to FY2028/29 outlines the debt management strategies and objectives for the indicated four-year period. The development and publication of the document is guided by the Public Debt Management Act (PDMA) within the context of the Fiscal Responsibility Framework (FRF). Updated annually, the MTDS serves as a framework for managing public debt, while promoting effective planning, predictability, and transparency in debt operations.

The document evaluates the costs and risks of the debt portfolio in comparison to established benchmarks and charts the way forward, taking into consideration both baseline and stress scenarios for five alternative financing strategies. Accordingly, the selected strategy guides the development of the financing programme aligned with the Government's cost and risk preferences, while achieving the following strategic debt management objectives:

- Meeting the Government of Jamaica's (GOJ) financing needs at the lowest possible cost and within prudent risk levels;
- Managing the key risks inherent in the public debt portfolio;
- Supporting and fostering the continued development of an efficient domestic market for GOJ securities; and
- Expanding the Government's investor base and diversifying funding sources.

The MTDS for FY2025/26 – FY2028/29 will focus on implementing the strategy of primarily issuing domestic securities across all segments of the yield curve, with a particular emphasis on fixed interest-bearing instruments. The document includes:

- The trajectory of debt-to-GDP over the medium-term, with the Government targeting the ceiling of 60.0 percent or less by the end of FY2027/28;
- A contextual review of the macroeconomic environment and the evolution of the debt portfolio over the first three quarters of FY2024/25;
- Stress-tests to evaluate portfolio sensitivity to various risk factors;
- Measures aimed at mitigating inherent risks in the Government's debt portfolio, including refinancing, interest rate, and foreign currency risks;
- The evaluation of alternative financing strategies and the selection of an optimal strategy;
- The Annual Borrowing Plan (ABP) for FY2025/26, outlining the intended balance of domestic and external financing; and

- Planned activities to support the ongoing 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, net of any cross holdings. The stock of debt used in the analytical toolkit includes Central Government debt and Government guaranteed loans currently serviced by GOJ.

This document is divided into eleven (11) sections, including the Introduction. The remaining sections are organized as follows: **Section II** profiles the public debt stock; **Sections III and IV** present overviews of the macro-fiscal environment and financial markets; **Section V** presents the cost and risk analysis of the existing debt portfolio; **Section VI** highlights key risk factors affecting the portfolio and evaluates the portfolio's sensitivity to these risks; **Section VII** discusses the modelling and selection of the medium-term debt management strategy; **Section VIII** outlines the Annual Borrowing Plan and Issuance Strategy; **Section IX** reviews key developments in the domestic debt market; **Section X** reviews the Investor Relations Programme; and **Section XI** concludes the medium-term debt management strategy.



## SECTION II: PUBLIC DEBT PROFILE

At end-December 2024, total public debt<sup>1</sup> was \$2,176,675.8 million. This represented a decrease of \$45,326.5 million or 2.0 percent, relative to \$2,222,002.3 million at end-March 2024. This resulted from a combination of reductions in the external and domestic components of the Central Government debt portfolio as well as net public bodies' debt (see **Table 1**). The stock of total public debt at end-FY2024/25 is projected to be \$2,198,880.6 million or 68.7 percent of Gross Domestic Product (GDP).

**Table 1: Public Debt Profile**

	Mar-24	% Total	Dec-24	% Total	YTD	
	J\$ million	Public Debt	J\$ million	Public Debt	J\$ mn	%
<b>Total Debt- New Definition**</b>	<b>2,222,002.3</b>	<b>100.0</b>	<b>2,176,675.8</b>	<b>100.0</b>	<b>(45,326.5)</b>	<b>(2.0)</b>
<b>Total Central Government Debt</b>	<b>2,227,073.9</b>	<b>100.2</b>	<b>2,209,032.1</b>	<b>101.5</b>	<b>(18,041.8)</b>	<b>(0.8)</b>
<b>Central Government Domestic Debt</b>	<b>831,496.1</b>	<b>37.4</b>	<b>828,719.7</b>	<b>38.1</b>	<b>(2,776.5)</b>	<b>(0.3)</b>
<b>Marketable Securities</b>	<b>831,496.0</b>	<b>37.4</b>	<b>828,719.5</b>	<b>38.1</b>	<b>(2,776.5)</b>	<b>(0.3)</b>
Bonds	821,196.0	37.0	818,419.5	37.6	(2,776.5)	(0.3)
Treasury Bills	10,300.0	0.5	10,300.0	0.5	0.0	0.0
<b>Loans</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
Perpetual Aimuties	0.2	0.0	0.2	-	-	0.0
<b>Central Government External Debt</b>	<b>1,395,577.8</b>	<b>62.8</b>	<b>1,380,312.4</b>	<b>63.4</b>	<b>(15,265.4)</b>	<b>(1.1)</b>
<b>Marketable Securities</b>	<b>757,222.0</b>	<b>34.1</b>	<b>750,286.4</b>	<b>34.5</b>	<b>(6,935.6)</b>	<b>(0.9)</b>
Bonds	757,222.0	34.1	750,286.4	34.5	(6,935.6)	(0.9)
<b>Loans</b>	<b>638,355.8</b>	<b>28.7</b>	<b>630,026.0</b>	<b>28.9</b>	<b>(8,329.8)</b>	<b>(1.3)</b>
<b>Bilateral</b>	<b>102,955.6</b>	<b>4.6</b>	<b>98,043.1</b>	<b>4.5</b>	<b>(4,912.6)</b>	<b>(4.8)</b>
OECD	1,612.9	0.1	1,317.0	0.1	(295.9)	(18.3)
Non-OECD	101,342.7	4.6	96,726.0	4.4	(4,616.7)	(4.6)
<b>Multilateral</b>	<b>535,400.2</b>	<b>24.1</b>	<b>531,983.0</b>	<b>24.4</b>	<b>(3,417.3)</b>	<b>(0.6)</b>
IDB	229,801.6	10.3	222,450.0	10.2	(7,351.6)	(3.2)
IBRD	152,452.7	6.9	151,080.6	6.9	(1,372.2)	(0.9)
IMF	128,954.2	5.8	136,687.2	6.3	7,733.0	6.0
Other	24,191.7	1.1	21,765.2	1.0	(2,426.4)	(10.0)
<b>Gross Public Bodies' Debt</b>	<b>222,241.0</b>	<b>10.0</b>	<b>198,066.3</b>	<b>9.1</b>	<b>(24,174.7)</b>	<b>(10.9)</b>
Government Guaranteed Debt	61,728.3	2.8	42,959.8	2.0	(18,768.5)	(30.4)
Loans from Central Government	132,773.7	6.0	128,777.2	5.9	(3,996.5)	(3.0)
Non Guaranteed Debt	27,739.0	1.2	26,329.3	1.2	(1,409.7)	(5.1)
Investments with GOJ	94,538.9	4.3	101,645.4	4.7	7,106.6	7.5
<b>Cross-holdings</b>	<b>227,312.6</b>	<b>10.2</b>	<b>230,422.6</b>	<b>10.6</b>	<b>3,110.0</b>	<b>1.4</b>
<b>Net Public Bodies</b>	<b>-5,071.6</b>	<b>-0.2</b>	<b>-32,356.3</b>	<b>-1.5</b>	<b>-27,284.7</b>	<b>538.0</b>

Source: Ministry of Finance and the Public Service

<sup>1</sup> Public debt is defined as the consolidated debt of the Specified Public Sector (SPS), that is, Central Government debt and the debt of self-financing public bodies, net of any cross holdings.

## 2.1 Central Government Debt

Central Government debt decreased by \$18,041.8 million or 0.8 percent, relative to \$2,227,073.9 million at end-March 2024, to \$2,209,032.1 million at end-December 2024. This decrease resulted from reductions in the domestic and external portfolios over the period. At end-FY2024/25, Central Government debt is expected to increase to \$2,246,391.9 million.

Central Government domestic debt was \$828,719.7 million or 38.1 percent of total debt. Relative to end-March 2024, Central Government domestic debt decreased by \$2,776.5 million or 0.3 percent (see **Table 1**). This was attributed to net financing outflows associated with Benchmark Investment Notes (BINs), specifically the repayment of FR 11.0% BIN 2024 in the amount of \$23,726.0 million in October 2024. The stock of Treasury bills remained unchanged at the end of the review period. Central Government domestic debt is estimated to increase to \$846,953.2 million at end-FY2024/25.

The stock of Central Government external debt was \$1,380,312.4 million or 63.4 percent of total debt, reflecting a reduction of \$15,265.4 million or 1.1 percent when compared to end-March 2024. The reduction was the result of net amortization of multilateral and bilateral loans as well as global bonds. At the end of the current fiscal year, Central Government external debt is projected to increase to \$1,406,118.9 million.

## 2.2 Public Bodies Debt

At end-December 2024, gross public bodies' (PBs) debt<sup>2</sup> was \$198,066.3 million. This demonstrates a decrease of \$24,174.7 million or 10.9 percent when compared to end-March 2024. The overall reduction originated from decreases in Government Guaranteed Loans, Non-Guaranteed Loans and Loans from Central Government by 30.4 percent, 5.1 percent and 3.0 percent, respectively.

Over the review period, the net or consolidated public bodies debt<sup>3</sup> reported a consistent decline to resolve at -\$32,356.3 million. This represents a \$27,284.7 million or 538.0 percent decrease relative to -\$5,071.6 million recorded at end-March 2024. The reduction primarily stemmed from an \$18,768.5 million decline in Government guaranteed debt alongside a 7.5 percent increase in investments in GOJ instruments. Net PBs debt at end-March 2025 is estimated to be -\$54,191.4 million.

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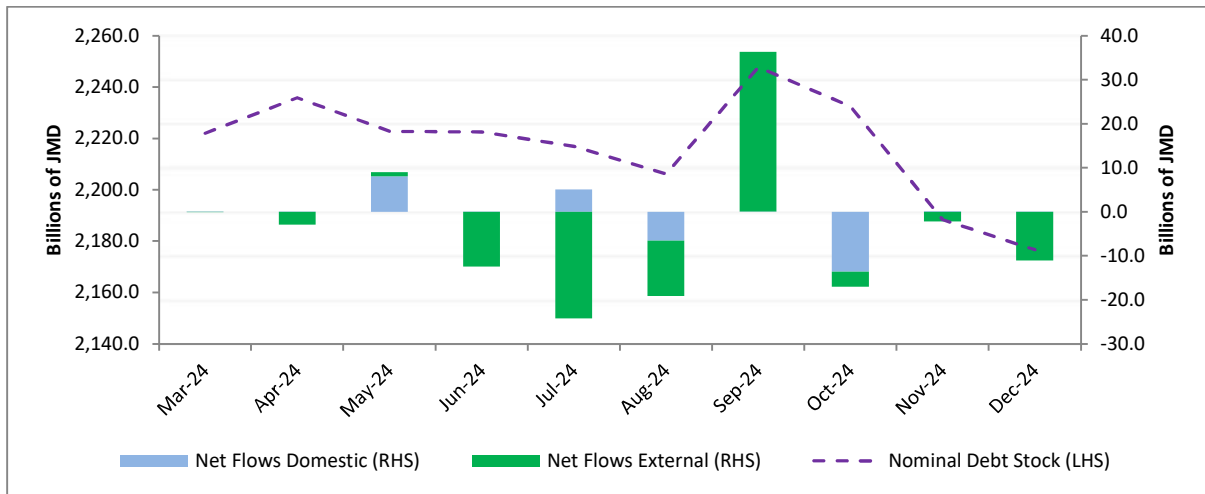
<sup>2</sup> Gross public bodies debt refers to the debt of self-financing public bodies.

<sup>3</sup> 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

**Figure 1** encapsulates the trajectory of the stock of total public debt, in addition to net financing flows for the Central Government domestic and external debt portfolios from end-March 2024 to end-December 2024. Central Government net flows amounted to -\$38,530.3 million at end-December 2024. This comprised net flows of -\$6,766.6 million for the domestic portfolio and -\$31,763.7 million for the external portfolio. Domestic inflows over the period were mainly the result of Benchmark Investment Note (BIN) issuances, while net inflows to the external portfolio were mainly generated from the IMF’s Resilience and Sustainability Facility (RSF) in September 2024. Over the April 2024 to December 2024 period, a reduction in net flows to the Central Government portfolio yielded a decline in total debt.

**Figure 1: Trajectory of the Public Debt Stock**

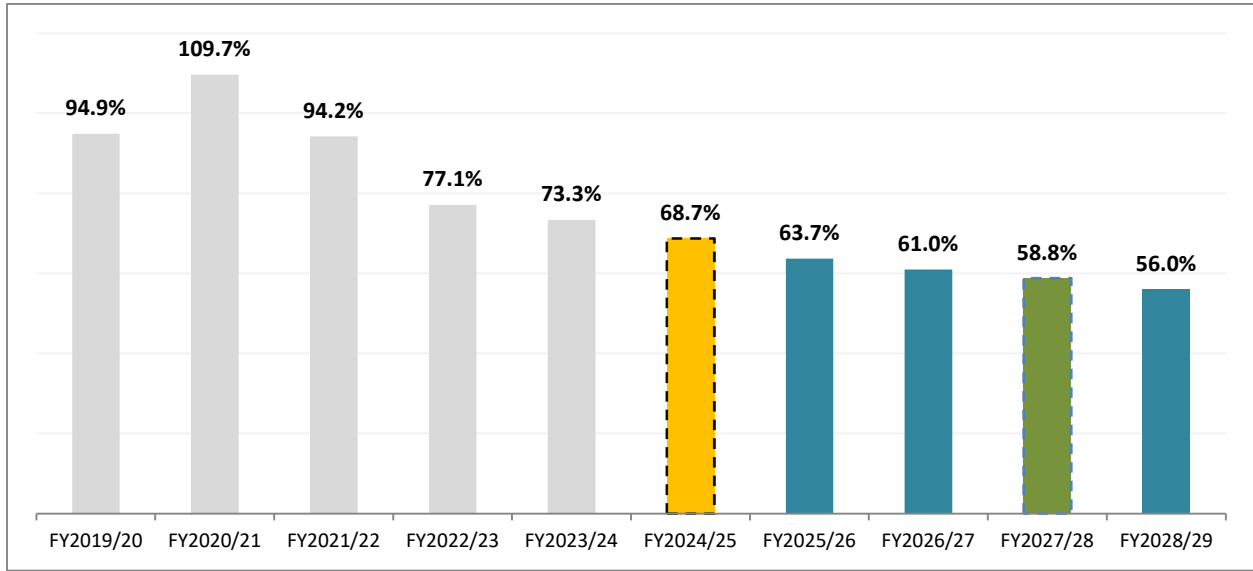


Source: Ministry of Finance and the Public Service

At end-December 2024, the fiscal balance was \$975.6 million, or 3.6 percent more than the amount budgeted in the Second Supplementary Estimates. For the review period, Revenues and Grants underperformed by \$10,771.8 million or 1.4 percent, while Expenditure was also less than the planned amount by \$11,747.4 million. With adjustments made in the Third Supplementary Estimates, Central Government Operations are expected to generate a fiscal surplus of 0.3 percent of GDP and a primary surplus of 6.0 percent of GDP for FY2024/25, representing a 0.3 percentage point increase in both surpluses relative to FY2023/24.

For FY2024/25, nominal GDP is projected to grow by 5.6 percent, while real GDP is estimated to contract by 0.7 percent primarily due to the adverse effects of Hurricane Beryl on the economy, particularly the agriculture, electricity and transport sectors. Notwithstanding, debt-to-GDP at end-FY2024/25 is expected to decline by an estimated 4.6 percentage points to 68.7 percent and continue its downward trajectory, consistent with achieving 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 FY2024/25**

In keeping with Section 7.3 of the Medium-term Debt Management Strategy for FY2024/25-FY2027/28, the Government's pursuit of improving the composition of the debt portfolio resulted in the successful execution of two opportunistic liability management operations (LMOs) in the external debt portfolio. The transactions involved the partial conversion of two Inter-American Development Bank variable-interest rate US dollar-denominated loans to Jamaica dollars, as described below:

1. In the first transaction, an amount of US\$50.0 million was converted to a fixed-interest rate loan of J\$7,755.4 million, reducing the US dollar loan balance to US\$50.0 million. The transaction became effective on April 17, 2024.
2. For the second transaction, an amount of US\$42.5 million was converted to a fixed-interest rate loan of J\$6,622.8 million, reducing the US dollar balance to US\$32.5 million. The transaction became effective on April 26, 2024.

Amidst the prevailing tightened market conditions, the transactions were favourable to the debt portfolio and resulted in the following achievements for the Government:

- De-dollarization of the Debt Portfolio due to the reduction of the foreign currency component of the debt by US\$92.5 million, which contributed to the mitigation of foreign currency risk;
- Mitigation of interest rate risk by swapping out variable-interest rate loans with fixed-rate loans; and
- Expected net interest cost saving over the life of the JMD loans.



## **SECTION III: MACRO-FISCAL OVERVIEW**

Reductions in cyclical imbalances across advanced and emerging economies have resulted in subsiding inflation rates locally and internationally. Global headline inflation fell from an average of 6.7 percent in 2023 to an estimated 5.8 percent in 2024, with a further reduction of 1.6 percentage points expected for 2025. Despite the global decline in the inflation rate, downside risks to economic growth continue to increase, including escalations in regional conflicts, a prolonged slowdown of China's economy and renewed spikes in commodity prices resulting from climate shocks and regional tensions. Notwithstanding, the global economy remains resilient, with growth declining only marginally from 3.3 percent in 2023 to an estimated 3.2 percent in 2024. Growth for 2025 is projected at 3.3 percent.

Advanced economies are expected to sustain a modest yet stable growth rate of 1.7 percent in 2024, similar to the outturn recorded in 2023. Growth is projected to rebound to 1.9 percent in 2025, predicated on a faster decline in energy prices and a rebound in labour supply arising from substantial immigration flows. The United States economy is estimated to have grown by 2.8 percent in 2024, 0.1 percentage point lower than the previous year, despite a strong outturn in consumption and non-residential investment. A further decline of 0.1 percentage point is projected for 2025. An improvement in goods exports is estimated to have boosted the European economy by 0.8 percent in 2024, with rising real wages expected to increase growth to 1.0 percent in 2025. Japan's economy is expected to decelerate from 1.5 percent in 2023 to -0.2 percent in 2024, due in part to supply disruptions and waning of the tourism surge. However, growth is expected to rebound to 1.1 percent in 2025, driven by private consumption, as real wage growth improves.

Growth in emerging market economies is projected to decline by 0.2 percentage point relative to 2023 to 4.2 percent in 2024 and 2025. This expected decline is attributed to reduced production and shipping of commodities, as well as civil unrest in the Middle East, Central Asia and Sub-Saharan Africa. This was partially offset by stronger growth in emerging Asia, driven by significant investment in artificial intelligence and robust demand for semi-conductors and electronics. The Latin America and the Caribbean (LAC) sub-region grew by an estimated 2.4 percent in 2024, consistent with the growth recorded in 2023. This was despite a slowdown in Mexico's economy driven by weakened domestic demand, which was offset by a marginal upward revision in Brazil's growth rate, owing to stronger private consumption and investment in the first half of 2024. Growth in the region is expected to increase to 2.5 percent in 2025.

Relative to the Second Supplementary Estimates, the GOJ's primary balance for the period April to December 2024 overperformed by \$752.5 million or 0.7 percent. Similarly, the fiscal deficit was \$26,448.3 million or 3.6 percent better than the \$27,423.9 million projected in the Second Supplementary Estimates. This resulted from below-budget expenditure, which more than offset

the underperformance in revenue over the period. Following adjustments to the Central Government Budget through the Third Supplementary Estimates, the fiscal outlook remains positive, and the GOJ is expected to achieve the budgeted primary balance of 6.0 percent of GDP and a fiscal balance of 0.3 percent of GDP for FY2024/25. This is expected to contribute to a reduction in public debt-to-GDP as the Government remains on track to meet the legislated target of 60.0 percent or less by end-FY2027/28.

The annual point-to-point inflation rate decreased from 5.6 percent at end-March 2024 to 5.0 percent at end-December 2024, remaining within the Bank of Jamaica's (BOJ's) 4.0 percent to 6.0 percent targeted band. The decline was primarily attributed to reductions in the indices for *'Transport'* and *'Housing, Water, Electricity, Gas and Other Fuels'*, which was partially tempered by increases in the *'Education'* and *'Food and Non-Alcoholic Beverages'* indices. Point-to-point inflation for FY2024/25 is projected to be 5.6 percent, 0.2 percentage point lower than previously expected. The inflation rate is expected to moderate to 5.0 percent over the medium-term, with the expectation of further declines in the inflation rates of advanced economies.

The Current Account surplus for the 12-month period ending September 2024 was US\$470.6 million, a reduction when compared to the US\$547.0 million surplus recorded at end-September 2023. This resulted from a worsening of the Service Sub-Accounts due to lower tourism-related inflows. Improvements in the Merchandise Trade Balance, the Current Transfers and Income Sub-Accounts partially offset the decline. Over the medium-term, the current account balance is projected to average between 0.5 percent to 1.5 percent of GDP, a higher level than previously projected, but moderate relative to the 3.1 percent of GDP recorded for FY2023/24. The projected decline is attributed to a deficit on the general merchandise trade balance resulting from higher imports of consumer and capital goods. The stock of Net International Reserves (NIR) was US\$5,583.7 million at end-December 2024, providing coverage for approximately 45 weeks of goods imports. This was an increase of US\$446.4 million relative to end-March 2024.

The Jamaican economy is projected to contract by 0.7 percent for FY2024/25, primarily due to constraints on economic activities stemming from climate events, high inflation, stringent financial conditions and a low liquidity environment. This represents a downward revision of 0.5 percentage point compared to the September 2024 projection of -0.2 percent, and is 2.6 percentage points lower than the 1.9 percent expansion recorded for FY2023/24. The projected deceleration is attributed to declines in *'Agriculture, Forestry and Fishing'*, *'Construction'*, *'Hotels and Restaurants'*, *'Electricity and Water Supply'*, and *'Mining and Quarrying'*, primarily due to the adverse effect of Hurricane Beryl in July 2024. In the medium-term, real GDP growth is expected to average 1.0 percent, driven by improvements in *'Hotels and Restaurants'*, *'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 weaker-than-projected external demand.

**Table 2** outlines Jamaica’s medium-term macro-fiscal profile.

**Table 2: Medium-Term Macroeconomic Profile**

	FY2022/23	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29
	Estimated	Estimated	Projected	Projected	Projected	Projected	Projected
Nominal GDP (\$mn)	2,753,529.55	3,029,089.9	3,198,791.2	3,482,361.6	3,719,014.0	3,944,014.3	4,182,627.2
Nominal GDP Growth Rate (%)	18.6	10.0	5.6	8.9	6.8	6.1	6.1
Real GDP Growth Rate (%)	4.7	1.9	-0.7	2.2	1.0	1.0	1.0
Annual Inflation Pt. to Pt.	6.2	5.6	5.6	5.3	5.0	5.0	5.0
Fiscal Balance (%)	0.3	0.0	0.3	-0.9	-0.9	-0.9	-0.4
Primary Balance (%)	5.8	5.7	6.0	4.1	3.6	3.2	3.1
<i>Benchmark Interest Rates</i>							
90-day Treasury Bill Yield (average)	7.90	7.97					
90-day Treasury Bill Yield (cop)	8.21	8.03					
Net International Reserves (NIR) (US\$m)	4,146.7	5,137.3	5,878.4	5,789.6	6,136.7	6,668.0	7,122.9
Current Account Balance (US\$m)	344.9	610.8	318.0	45.2	159.9	170.5	177.7
Current Account Balance (% GDP)	1.9	3.1	1.6	0.2	0.7	0.7	0.8
Oil Prices (WTI) Average (US\$/barrel)	89.8	77.8	75.3	78.2	80.2	80.0	80.0

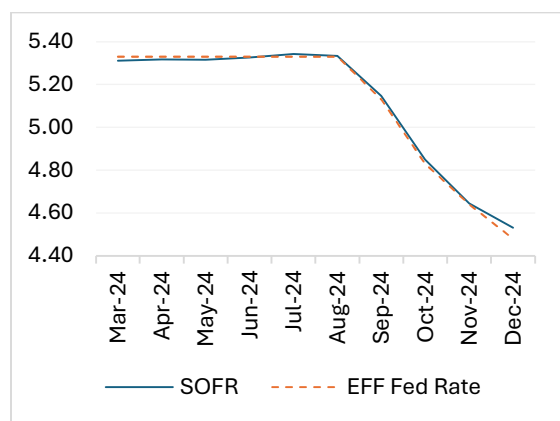
Source: Bank of Jamaica and Ministry of Finance and the Public Service

## SECTION IV: FINANCIAL MARKETS OVERVIEW

Volatility in the global financial markets has been contained due to moderated economic activity and subdued inflation. Recent monetary easing, particularly among advanced economies, has facilitated more accommodative financial conditions which are expected to alleviate pressure on emerging markets in the near term. In the United States, the Federal Open Market Committee (FOMC) made three downward adjustments to the target range for the federal funds rate over the review period. As a result, the federal funds rate declined by 85 bps, from 5.33 percent at end-March 2024 to 4.48 percent at end-December 2024. This facilitated the decline of the Secured Overnight Financing Rate (SOFR) from an average 5.31 percent in March 2024 to 4.53 percent in December 2024 (see **Figure 3**). At the December meeting of the FOMC, Fed policymakers suggested slowing the pace of rate cuts, as potential changes in trade and immigration policy may result in inflation remaining above the Fed’s 2.0 percent target. External benchmark rates are therefore expected to decline at a slower pace in 2025.

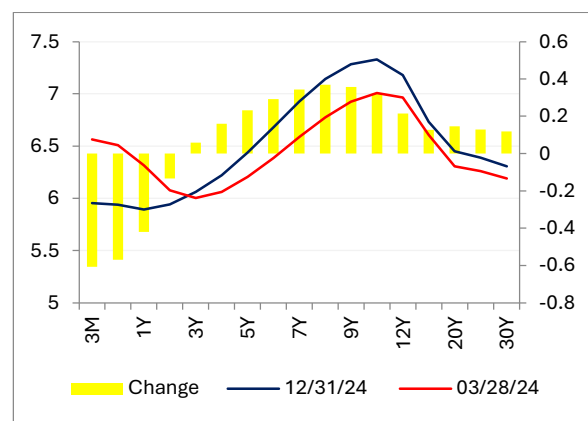
**Figure 4** compares the yield curve for JAMAN bonds at end-December 2024 and end-March 2024. Despite the recovery observed in the global financial market during the review period, Jamaica’s global bonds have yet to fully recover from the effects of the instabilities noted in the macro-financial sector. As a result of the disinflation process, the yields on the short-end of the March 2024 yield curve were anomalously higher than the yields on the long-end of the curve. This deviation has since normalized with the December 2024 yield curve registering lower yields at the short-end of the curve relative to the yields recorded at the long-end of the curve, though the curve assumed a more humped shape, with medium-term yields exceeding both short and long-term rates. This indicates remaining uncertainty as investors expect a pending change in economic conditions. The medium- and long-term yields of the end-December 2024 yield curve were higher when compared to the end-March 2024 yield curve, but yields at the short-end of the curve declined.

**Figure 3: External Reference Rates**



Source: Federal Reserve Bank of St. Louis

**Figure 4: Yield Curve for JAMAN Bonds**

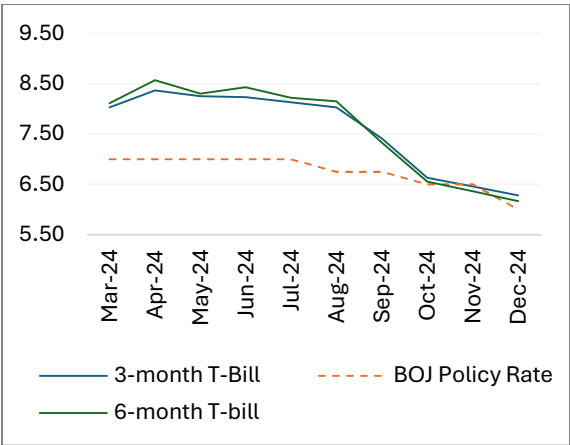


Source: Bloomberg

In the domestic market, there was a similar ease in market conditions. Over the review period, the BOJ’s Monetary Policy Committee (MPC) made downward adjustments to the policy rate four times from 7.00 percent at end-March 2024 to 6.00 percent at end-December 2024. This supported the downward trajectory of the 3-month T-Bill rate, which decreased by 175 bps over the review period. Similarly, the 6-month Weighted Average Treasury Bill Yield (WATBY) decreased by 194 bps when compared to end-March 2024 (see **Figure 5**). At the December meetings of the MPC, the Committee noted that the scope for further policy easing will depend on the trajectory of inflation relative to the lower bound of the inflation target range, while highlighting the expectation that inflation is likely to remain within the Bank’s targeted range over the next eight quarters. However, uncertainty associated with the potential changes to economic policies among Jamaica’s main trading partners remains an upside risk to the inflation projection.

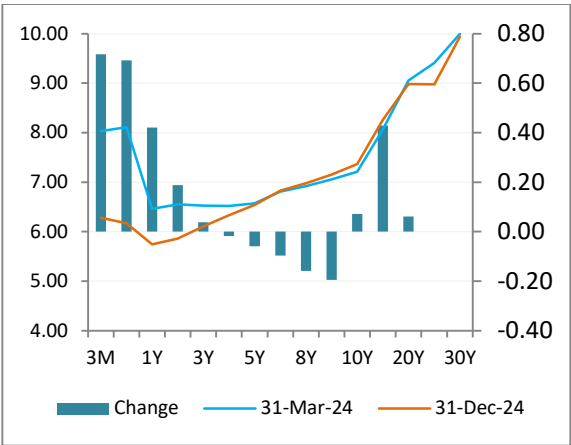
**Figure 6** shows the yield curves for domestic Benchmark Investment Notes (BINs) at end-March 2024 and end-December 2024. While yields at the medium- to long-end of the curve were generally stable, there was a reduction in short-term yields at end-December 2024, which restored normality to the shape of the yield curve. This suggests investors’ optimism regarding the future of the economy.

**Figure 5: Domestic Reference Rates**



Source: Bank of Jamaica and Ministry of Finance and the Public Service

**Figure 6: Yield Curve for Domestic BINs**



Source: Bloomberg

As interest rates declined, the global equity market rebounded, resulting in seemingly overvalued equities in some economies, while valuations in most emerging markets remained below historical averages. Spreads on U.S. dollar-denominated emerging market (EM) sovereign bonds remained tight relative to investment-grade corporate bonds, while spreads between local currency EM bonds and some Latin American sovereigns widened, resulting from increasing policy rates in some EM economies.



Among other factors, narrowing interest rate differentials between emerging markets and the United States have led to a general depreciation of EM currencies against the US dollar. This has increased the cost of servicing US dollar-denominated debt and increased the risk of sovereign debt default in emerging market economies. Notwithstanding, emerging markets have remained resilient. In particular, the JMD/USD exchange rate was relatively stable during the review period, with the JMD recording a 1.1 percent rate of depreciation relative to the USD, which was lower than the rate recorded for the same period in the previous fiscal year (see **Section 5.3**).

## SECTION V: COST AND RISK ANALYSIS

This section provides an assessment of the relative costs and risks of the debt portfolio as well as an evaluation of whether debt operations are consistent with the GOJ's objectives. While risks to sovereign debt are varied, this section of the MTDS focuses on market risks arising from the exchange rate, interest rates and the inflation rate; refinancing risks; and risks related to contingent liabilities in the form of Government Guaranteed and Non-Guaranteed Loans.

Despite an increase in the share of variable-rate debt in Central Government debt, a moderate increase in the portfolio's average time-to-re-fixing (ATR) indicates an improvement in interest rate risk exposure. While there was a reduction in benchmark rates over the period, the weighted average interest cost of external debt increased marginally. Conversely, the weighted average interest cost of domestic debt recorded a reduction. Overall, the average cost of the total portfolio was unchanged. The portfolio's share of debt maturing in one year or less declined over the period supported by both the domestic and external portfolios, and there was a concomitant increase in the average time-to-maturity (ATM), suggesting an improvement in refinancing risk exposure. The portfolio's exposure to inflation risk increased marginally, driven by the increase in the nominal value of inflation-linked debt over the period. There was a notable improvement in foreign currency risk exposure, which was reflected in a reduction in both the share of foreign currency-denominated debt in total debt as well as the nominal value of foreign currency-denominated debt. The stock of Government guaranteed loans (GGLs) declined over the period and, as a result, the GGL-to-GDP ratio remained within the legislated ceiling for FY2026/27. There was also a reduction in the risk posed by non-guaranteed loans over the period. **Table 3** highlights changes in key cost and risk indicators for the Central Government debt portfolio over the review period.

**Table 3: Central Government Debt Cost and Risk Indicators**

	Outcomes			End-March 2025
	End-Mar 2024	End-Dec 2024	Change	Target
<b>Implied Annual Interest Cost</b>				
Domestic	8.5	8.2	(0.3)	
External	6.4	6.5	0.1	
Total	7.2	7.2	0.0	
<b>Interest Rate Risk</b>				
<b>Domestic</b>				
Variable Rate Debt	17.2	17.2	0.0	<=20.0
Debt Refixing in 1 year (% of total)	24.2	24.8	0.6	30.0
Average Time to Refixing (Years)	8.2	8.3	0.1	>=8.0
<b>External</b>				
Variable Rate Debt	32.6	33.6	1.0	<=30.0
Debt Refixing in 1 year (% of total)	37.9	37.6	(0.3)	30.0
Average Time to Refixing (Years)	7.7	7.7	0.0	>=8.0
<b>Total</b>				
Variable Rate Debt	26.8	27.4	0.6	<=30.0
Debt Refixing in 1 year (% of total)	32.8	32.8	0.0	35.0
Average Time to Refixing	7.9	8.0	0.1	>=8.0
<b>Refinancing Risk</b>				
<b>Domestic</b>				
Debt maturing in 1 year (% of total)	19.1	18.7	(0.4)	
ATM (Years)	8.9	9.0	0.1	
<b>External</b>				
Debt maturing in 1 yr (% of total)	7.2	6.1	(1.1)	
ATM (Years)	10.3	10.7	0.4	
<b>Total</b>				
Debt Maturing in 1 yr (% of total)	11.6	10.8	(0.8)	<=10
ATM (Years)	9.8	10.1	0.3	>=9
<b>Foreign Currency Risk</b>				
FX debt as (% of total debt)	59.9	59.1	(0.8)	<=62.0
<b>Inflation Risk</b>				
CPI-Linked debt (% of total debt)	3.0	3.2	0.2	
<b>Contingent Liabilities</b>				
Guaranteed Loans (% of GDP)	2.0	1.3	(0.7)	<=3.0

Source: Ministry of Finance and the Public Service

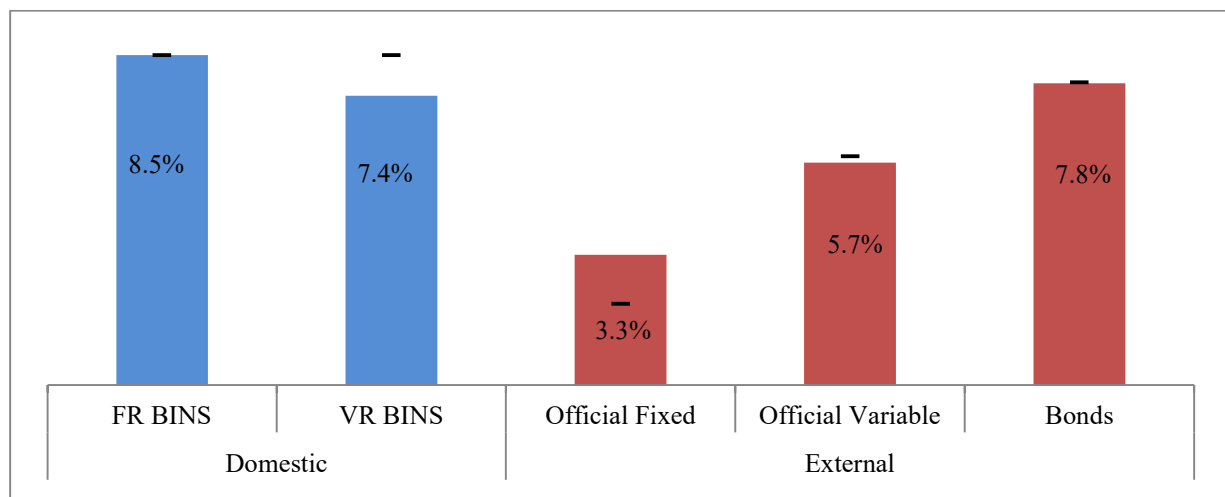
## 5.1 Interest Cost

At end-December 2024, the weighted average interest cost for Central Government debt was 7.2 percent, unchanged when compared to end-March 2024 (see **Table 3**). External interest cost increased marginally from 6.4 percent at end-March 2024 to 6.5 percent at end-December 2024 as a result of the amortization of lower-cost debt over the period. Conversely, the weighted average interest cost for the domestic portfolio declined from 8.5 percent at end-March 2024 to 8.2 percent at end-December 2024.

**Figure 7** highlights the portfolios' weighted average interest cost by instrument type at end-December 2024. Fixed-rate domestic BINs were the most costly domestic instruments with a weighted average cost of 8.5 percent, which was unchanged relative to end-March 2024. Domestic variable-rate BINs recorded a weighted average interest cost of 7.4 percent, a reduction of 1.1 percentage points when compared to 8.5 percent at end-March 2024, resulting from the reduction in benchmark rates over the period (see **Section IV**).

External bonds were the costliest external debt instruments with a weighted average cost of 7.8 percent, unchanged relative to end-March 2024. The weighted average cost of fixed-rate Multilateral/Bilateral loans increased by 1.2 percentage point, from 2.1 percent at end-March 2024 to 3.3 percent at end-December 2024, as lower-cost fixed-rate loans were amortized during the review period. The increase was also attributed to the conversion of two variable-rate IDB loans to fixed-rate under the Bank's Flexible Financing Facility (see **Box 1**). The average cost of variable-rate Multilateral/Bilateral loans decreased from 5.9 percent at end-March 2024 to 5.7 percent, as a result of declining reference rates.

**Figure 7: Weighted Average Interest Cost by Instrument Type**



Source: Ministry of Finance and the Public Service

Note: Bars show weighted average interest cost at end-December 2024, while markers depict weighted average interest cost at end-March 2024.

## 5.2 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. 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 2024, the share of variable-rate Central Government debt was 27.4 percent, which represented an increase of 0.6 percentage point when compared to end-March 2024 (see **Table 3**). This was driven by a 1.0-percentage point increase in the share of variable-rate debt in the external portfolio as the share in the domestic portfolio was unchanged. The increase in the external portfolio resulted from inflows of variable-rate multilateral debt in conjunction with net amortization of fixed-rate debt.

The portfolio's share of debt re-fixing in one year or less was 32.8 percent at end-December 2024, which was unchanged relative to the share at end-March 2024. While the share in the domestic portfolio increased by 0.6 percentage point from 24.2 percent to 24.8 percent, the share in the external portfolio decreased marginally from 37.9 percent to 37.6 percent. Concomitantly, the ATR increased by 0.1 year, from 7.9 years to 8.0 years due to a 0.1-year increase in the domestic portfolio's ATR, as the external portfolio's ATR was unchanged at 7.7 years. 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.

## 5.3 Foreign Currency Risk

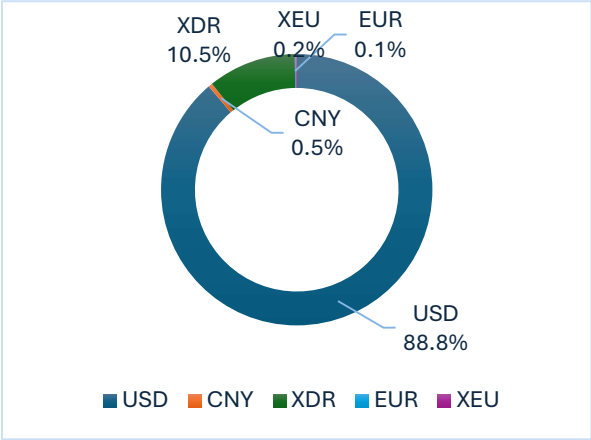
Foreign currency risk refers to the variability in the debt stock and the associated debt service costs, resulting from fluctuations in foreign currency exchange rates. This risk can be measured by the share and nominal exposure of foreign currency-denominated debt in the portfolio and the volatility 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 2024, foreign currency-denominated debt accounted for 59.1 percent of total outstanding Central Government debt, 0.8 percentage point less than the outturn of 59.9 percent at end-March 2024 (see **Table 3**). During the first three quarters of the fiscal year, the nominal value of foreign currency-denominated debt in US dollar terms decreased by US\$273.7 million or 3.2 percent from US\$8,624.5 million to US\$8,350.8 million. This was due to negative net flows of foreign currency-denominated debt, supported by the conversion of two IDB loans totaling US\$92.5 million to local currency under the Bank's Flexible Financing Facility (see **Box 1**).

**Figure 8** highlights the foreign currency composition of the debt portfolio at end-December 2024. The Central Government debt portfolio was exposed to movements in the exchange rate of five

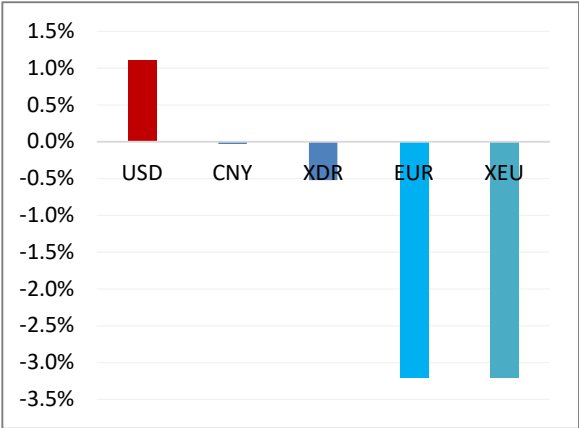
currencies, of which the US dollar accounted for the largest share at 88.8 percent, indicating that the portfolio was most sensitive to changes in the JMD/USD exchange rate. **Figure 9** shows the change in the exchange rate between the JMD and the five currencies over the review period. The JMD appreciated relative to all currencies except the USD.

**Figure 8: Currency Composition of Foreign Currency-denominated Debt at end-December 2024**



Source: Ministry of Finance and the Public Service

**Figure 9: Change in the Exchange Rate between the JMD and Foreign Currencies for the period end-March 2024 to end-December 2024**

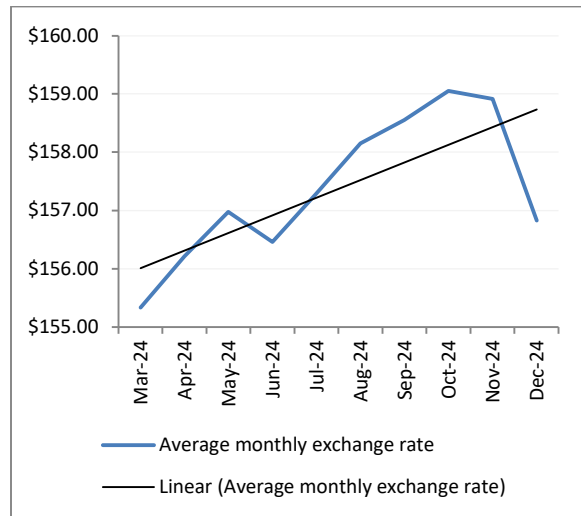


Source: Ministry of Finance and the Public Service

**Figure 10** shows the average monthly exchange rate of the JMD vis-à-vis the USD for the period March 2024 to December 2024. While there have been fluctuations in the exchange rate over the period, the rate has trended upward. The JMD depreciated by 1.1 percent relative to the USD over the period, with the exchange rate moving from J\$154.70:US\$1 at end-FY2023/24, to J\$156.42:US\$1 on December 31<sup>st</sup>, 2024. This was 1.6 percentage points less than the rate of depreciation recorded for the same period in FY2023/24.

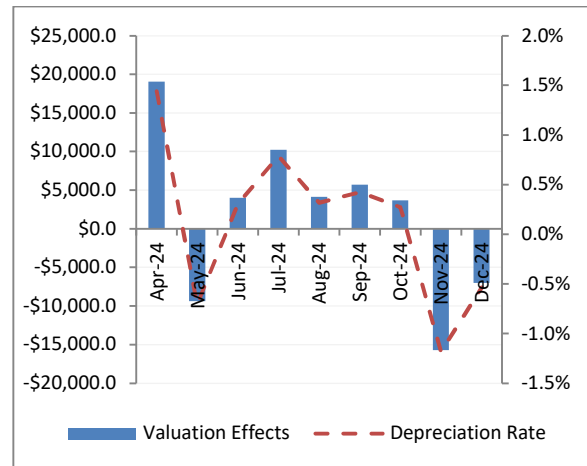
At end-December 2024, outstanding foreign currency-denominated debt was equivalent to \$1,306,190.5 million, compared to \$1,334,182.3 million at end-March 2024, representing a reduction in foreign currency-denominated debt in JMD terms of \$27,991.3 million or 2.1 percent. **Figure 11** shows the monthly 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 tempered the reduction in the stock of foreign currency-denominated debt in local currency terms by approximately \$14,350.8 million.

**Figure 10: Average monthly exchange rate of the JMD vis-à-vis the US dollar**



Source: Ministry of Finance and the Public Service

**Figure 11: 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.

## 5.4 Inflation Risk

Inflation risk refers to the variability in the value of inflation-linked debt and the associated debt service costs resulting from 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.

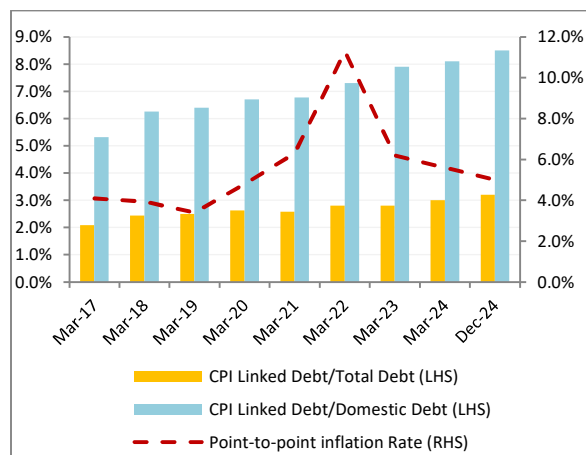
At end-December 2024, the nominal value of CPI-linked debt was \$70,192.5 million, which represented an increase of \$2,433.3 million or 3.6 percent relative to end-March 2024, and an increase of \$33,493.5 million or 91.3 percent since the original issuances. Inflation-linked debt accounted for 8.5 percent of outstanding Central Government domestic debt and 3.2 percent of total Central Government debt (see **Figure 12**).

The weighted average annual interest cost on CPI-linked bonds was 2.9 percent at end-December 2024. The annualized adjusted cost, which takes into consideration inflation movements, was estimated at 7.9 percent, a reduction of 0.6 percentage point when compared to end-March 2024. When compared to fixed-rate BINs of comparable tenors, the adjusted cost of inflation-linked debt was 2.6 percentage points higher (see **Figure 13**).<sup>4</sup>

<sup>4</sup> The weighted average cost of fixed-rate BINs with maturities in 2025, 2034 and 2040 is 5.3 percent.

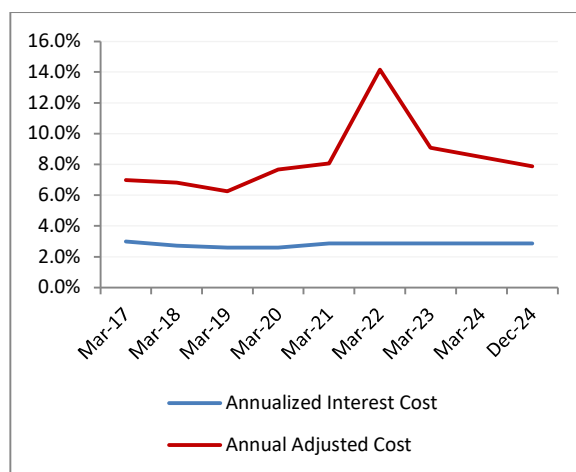


**Figure 12: Share of CPI-Linked Debt in Central Government Debt**



Source: Ministry of Finance and the Public Service

**Figure 13: Cost of CPI-Linked Bonds**



Source: Ministry of Finance and the Public Service

## 5.5 Refinancing Risk

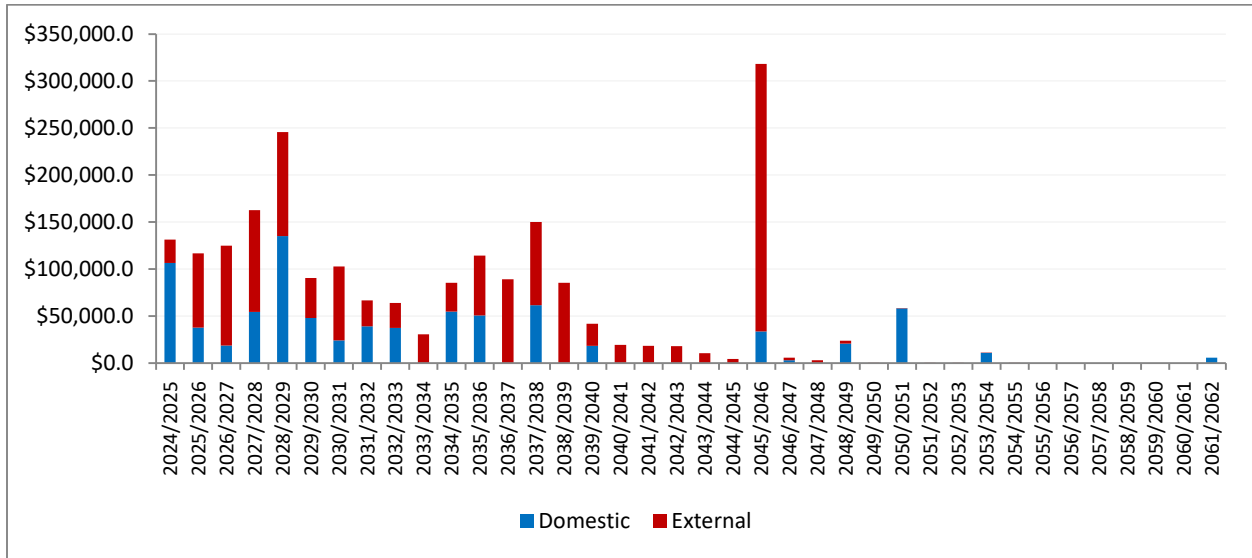
Refinancing risk is the probability that debt will have to be rolled over at an unusually high cost, or, in extreme cases, cannot be rolled over. Refinancing risk is measured by the portfolio’s ATM, the share of debt maturing in one year or less and the redemption profile.

The share of debt maturing in one year or less in the Central Government portfolio was 10.8 percent at end-December 2024, 0.8 percentage point less than the end-March 2024 outturn of 11.6 percent. The reduction was driven by decreases in both domestic and external debt maturing in one year or less, by 0.4 percentage point and 1.1 percentage points, 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 Central Government portfolio was 10.1 years at end-December 2024, representing an increase of 0.3 year relative to end-March 2024. The extension of the portfolio’s ATM reflected increases in the ATM for the domestic and external portfolio, from 8.9 years to 9.0 years and 10.3 years to 10.7 years, respectively.

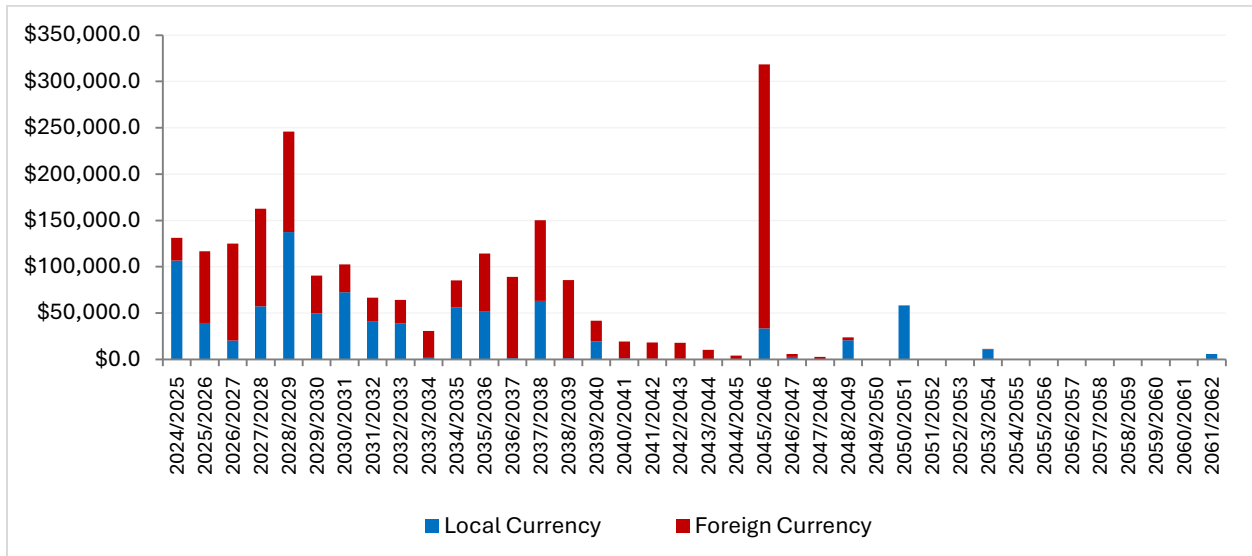
**Figures 14 to 16** show the redemption profile of the Central Government debt portfolio at end-December 2024 by financing source, currency and interest type, respectively.

**Figure 14: Redemption Profile of Central Government Debt at end-December 2024 by Financing Source**



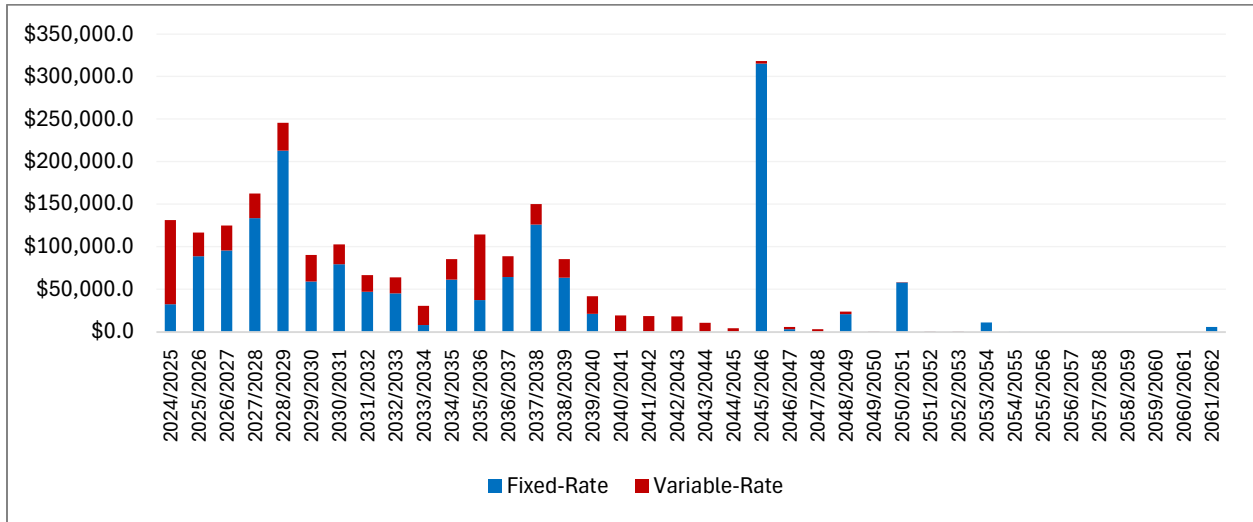
Source: Ministry of Finance and the Public Service

**Figure 15: Redemption Profile of Central Government Debt at end-December 2024 by Currency**



Source: Ministry of Finance and the Public Service

**Figure 16: Redemption Profile of Central Government Debt at end-December 2024 by Interest Type**



Source: Ministry of Finance and the Public Service

The scheduled repayment of the \$91,922.9 million Variable-Rate Step-Up BIN due in the final quarter of FY2024/25, and the Fixed-Rate Accreting Notes (FRAN) with a current outstanding amount of \$135,097.0 million due in FY2028/29 contribute to refinancing risk in the domestic portfolio. In the external portfolio, there are large maturities scheduled from FY2026/27 to FY2028/29 related to the 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.

## 5.6 Contingent Liabilities - Government Guaranteed Loans

Government guaranteed loans (GGLs) are explicit contingent liabilities which, if called or assumed by the Government, will increase the debt service costs of the GOJ. The stock of GGLs at end-December 2024 was \$42,959.9 million, of which \$16,608.1 million represented external guarantees, while \$26,351.8 million were domestic guarantees (see **Table 4**). When compared to end-March 2024, total GGLs decreased by \$18,768.4 million or 30.4 percent, owing primarily to a \$19,649.6 million or 54.2 percent reduction in external guarantees. The change in the stock of external guarantees was mainly due to the US\$89.3 million maturity of a guaranteed bond in November 2024. Over the period, domestic GGLs increased by \$881.2 million or 3.5 percent, resulting mainly from the revaluation of a CPI-linked bond.

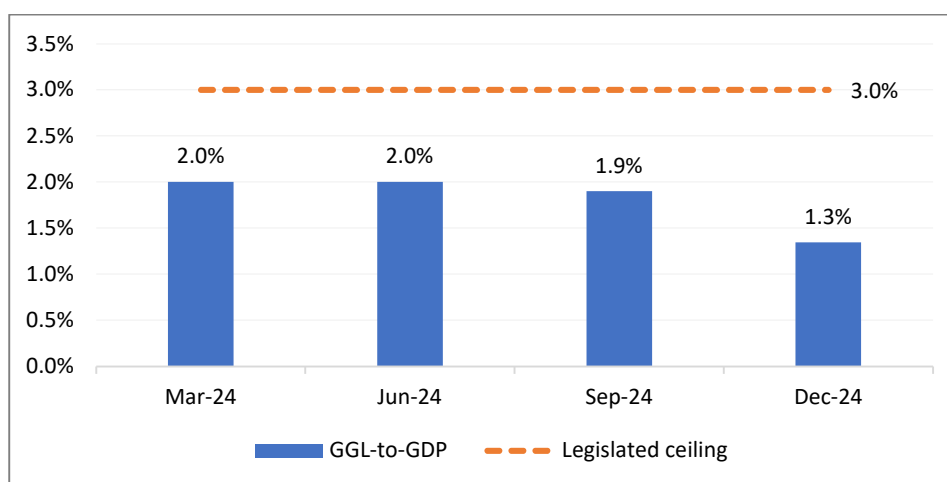
**Table 4: Stock of Government Guaranteed Loans**

	Mar-24		Dec-24		Change	
	J\$mnn	% of total	J\$mnn	% of total	J\$mnn	%
External GGL	36,257.7	58.7	16,608.1	38.7	(19,649.6)	(54.2)
Domestic GGL	25,470.6	41.3	26,351.8	61.3	881.2	3.5
<b>Total</b>	<b>61,728.3</b>		<b>42,959.9</b>		<b>(18,768.4)</b>	<b>(30.4)</b>

Source: Ministry of Finance and the Public Service

**Figure 17** shows the quarterly GGL-to-GDP ratio relative to the legislated ceiling for FY2026/27<sup>5</sup>. At end-December 2024, the GGL-to-GDP ratio was 1.3 percent, which was 1.7 percentage points lower than the legislated ceiling for end-FY2026/27, and 0.7 percentage point lower than the ratio recorded at end-March 2024.

**Figure 17: Government Guaranteed Loans as a Share of GDP**



Source: Ministry of Finance and the Public Service

### 5.6.1 Cost and Risk Indicators for the GGL Portfolio

The Government continues to monitor the GGL portfolio with respect to key cost and risk indicators. **Table 5** compares key risk indicators for the GGL portfolio at end-March 2024 and end-December 2024.

At end-December 2024, the weighted average interest cost for the GGL portfolio was 5.2 percent, which was 0.9 percentage point lower than that recorded at end-March 2024. This was due to reductions of 0.1 percentage point and 1.3 percentage points in the domestic and external portfolios, respectively.

<sup>5</sup> The Public Debt Management Act (PDMA) limits the GGL-to-GDP ratio to no more than 3.0 percent at end-FY2026/27.

**Table 5: GGL Portfolio Cost and Risk Indicators**

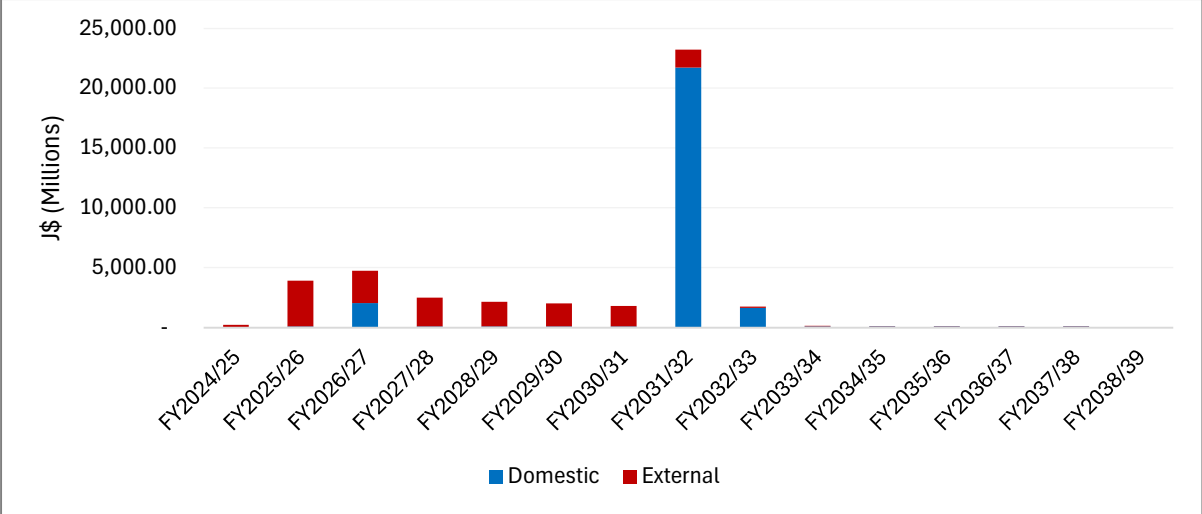
	Outcomes		
	End-Mar 2024	End-Dec 2024	Change
<b>Implied Annual Interest Cost</b>			
Domestic	5.1	5.0	(0.1)
External	6.8	5.5	(1.3)
Total	6.1	5.2	(0.9)
<b>Interest Rate Risk</b>			
<b>Domestic</b>			
Variable-rate Debt (%)	0	0	0.0
Debt Re-fixing in 1 year (% of total)	0.4	0.4	0.0
Average Time to Re-fixing (years)	7.2	7.2	0.0
<b>External</b>			
Variable-rate Debt (%)	46.4	78.2	31.8
Debt Re-fixing in 1 year (% of total)	88.0	83.2	(4.8)
Average Time to Re-fixing (years)	0.9	1.2	0.3
<b>Total</b>			
Variable-rate Debt (%)	27.2	30.2	3.0
Debt Re-fixing in 1 year (% of total)	51.9	32.3	(19.6)
Average Time to Re-fixing (years)	3.5	4.9	1.4
<b>Refinancing Risk</b>			
<b>Domestic</b>			
ATM (years)	7.2	7.2	0.0
<b>External</b>			
ATM (years)	2.3	4.0	1.7
<b>Total</b>			
ATM (years)	4.3	6.0	1.7
<b>Foreign Currency Risk</b>			
FX debt (as % of total GGLs)	61.8	43.2	(18.6)
<b>Inflation Risk</b>			
CPI-Linked debt (as % of total GGLs)	33.5	50.4	16.9

Source: Ministry of Finance and the Public Service

Over the review period, there was an improvement in the GGL portfolio’s exposure to interest rate risk, reflected in an increase in the ATR and a reduction in the share of debt re-fixing in one year or less. The ATR increased by 1.4 years to 4.9 years at end-December 2024, due to an increase of 0.3 year in the ATR for external GGLs. The share of debt re-fixing in one year or less decreased by 19.6 percentage points at end-December 2024, due entirely to a 4.8-percentage point reduction in the share of debt re-fixing in one year or less for the external portfolio. At end-December 2024, the GGL portfolio’s share of variable-rate debt was 30.2 percent, 3.0 percentage points more than at end-March 2024. This was due to the external portfolio where the share increased by 31.8 percentage points, due to the amortization of a fixed-rate guaranteed bond.

The portfolio’s exposure to refinancing risk improved over the review period, due to an increase in the ATM from 4.3 years at end-March 2024 to 6.0 years at end-December 2024. The ATM for the external portfolio increased by 1.7 years while the ATM for the domestic portfolio remained unchanged at 7.2 years. Notwithstanding an extension in the portfolio’s ATM, **Figure 18** highlights the concentration of a scheduled maturity in FY2031/32 relating to an amortization amount of \$21,632.1 million.

**Figure 18: Redemption Profile of GGLs at end-December 2024**



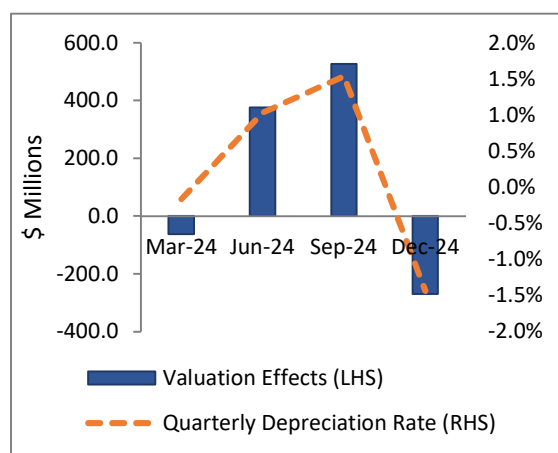
Source: Ministry of Finance and the Public Service

At end-December 2024, the stock of foreign currency-denominated GGLs was US\$118.6 million, equivalent to \$18,547.6 million or 43.2 percent of total guarantees. When compared to end-March 2024, this represents a reduction of US\$128.2 million in the nominal value of foreign currency-denominated GGLs and 18.6 percentage points in the share of foreign currency-denominated GGLs in total GGLs. Despite the reduction in foreign currency-denominated GGLs, the portfolio remains susceptible to exchange rate

revaluation. Over the period, the JMD depreciated by 1.1 percent relative to the USD, adding \$204.3 million to the stock in Jamaica dollar terms (see **Figure 19**).

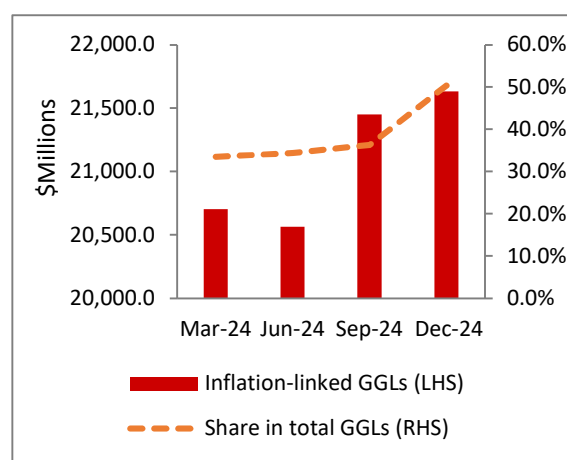
The GGL portfolio’s exposure to changes in the CPI increased over the period, as inflation-linked GGLs accounted for 50.4 percent of total GGLs at end-December 2024, which was an increase of 16.9 percentage points relative to end-March 2024. This resulted mainly from the amortization of non-inflation-linked debt over the period. At end-December 2024, the stock of inflation-linked GGLs was \$21,632.1 million, an increase of \$929.9 million or 4.5 percent when compared to end-March 2024, resulting from changes in the CPI (see **Figure 20**).

**Figure 19: Quarterly Valuation Effects from Exchange Rate Changes**



Source: Ministry of Finance and the Public Service

**Figure 20: Nominal Value of Inflation- Linked GGLs**



Source: Ministry of Finance and the Public Service

## 5.7 Contingent Liabilities – 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 2024, the stock of NGLs was \$26,329.3 million, which was \$1,409.6 million or 5.1 percent less than the stock at end-March 2024 (see **Table 6**). The domestic and external portfolios decreased by \$1,313.6 million and \$96.1 million, respectively, resulting from net amortization during the review period. At end-December 2024, 95.7 percent of NGLs were sourced from domestic creditors, reflecting a 0.2 percentage point increase relative to 95.5 percent at end-March 2024.



**Table 6: Stock of Public Bodies' Non-Guaranteed Loans**

	Mar-24		Dec-24		Change	
	J\$m	% of Total	J\$m	% of Total	J\$m	%
External NGLs	1,235.4	4.5%	1,139.3	4.3%	(96.1)	(7.8)
Domestic NGLs	26,503.5	95.5%	25,189.9	95.7%	(1,313.6)	(5.0)
<b>TOTAL</b>	<b>27,738.9</b>		<b>26,329.3</b>		<b>(1,409.6)</b>	<b>(5.1)</b>

Source: Ministry of Finance and the Public Service

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

Table 7 compares the cost and risk indicators for the NGL portfolio at end-March 2024 and end-December 2024. While there was a slight deterioration in the risk profile, the overall level of risk in the portfolio remained relatively low.

**Table 7: Cost and Risk Indicators for Public Bodies' Non-Guaranteed Loans**

	Outcomes		
	end-March 2024	end-December 2024	Change
<b>Implied Interest Cost</b>			
Domestic	10.8	10.7	(0.1)
External	2.4	2.4	-
Total	10.4	10.4	-
<b>Interest Rate Risk</b>			
Domestic			
Variable Rate (%)	-	-	-
Debt Re-fixing in 1 year (%)	1.7	4.2	2.5
Average time to re-fixing (years)	19.3	19.0	(0.3)
External			
Variable Rate (%)	-	-	-
Debt Re-fixing in 1 year (%)	-	-	-
Average time to re-fixing (years)	2.4	2.1	(0.3)
Total			
Variable Rate (%)	-	-	-
Debt Re-fixing in 1 year (%)	1.6	4.0	2.4
Average time to re-fixing (years)	18.5	18.3	(0.2)
<b>Refinancing Risk</b>			
Domestic			
ATM (years)	19.3	19.0	(0.3)
External			
ATM (years)	2.4	2.1	(0.3)
Total			
ATM (years)	18.5	18.3	(0.2)
<b>Foreign Currency (FX) Risk</b>			
FX debt (as % of total GGLs)	4.3	4.2	(0.1)

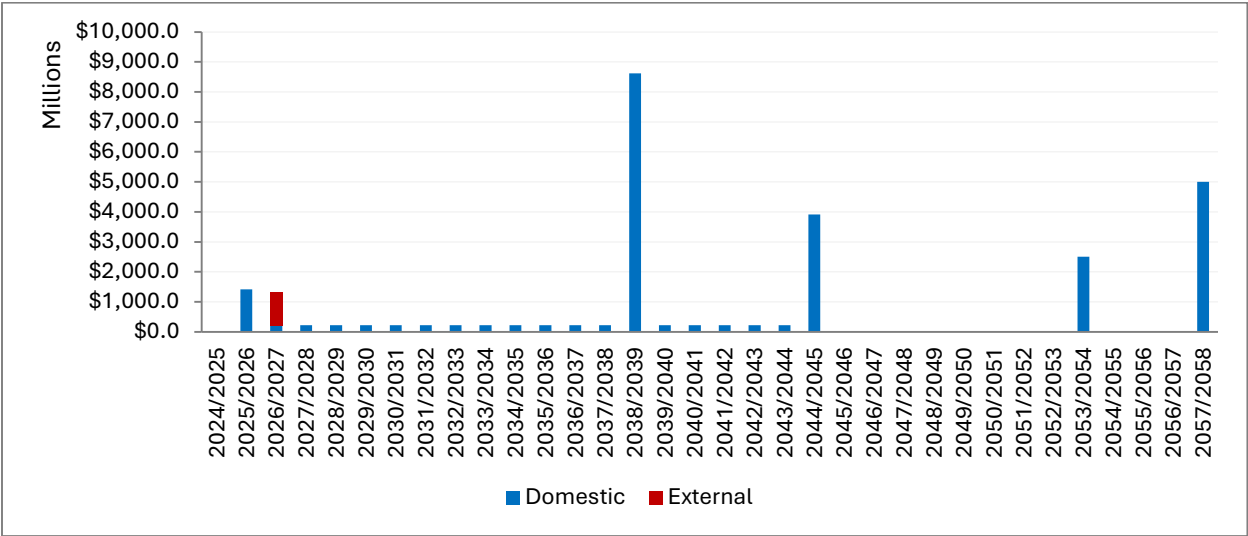
Source: Ministry of Finance and the Public Service

The weighted average interest cost for NGLs was 10.4 percent at end-December 2024, which was unchanged relative to end-March 2024. While there was a marginal reduction in the domestic portfolio’s interest cost to 10.7 percent, the weighted average cost of the external portfolio remained at 2.4 percent.

At end-December 2024, the share of NGLs refixing in one year or less was 4.0 percent, an increase of 2.4 percentage points relative to end-March 2024. Concomitantly, the ATR decreased by 0.2 year to 18.3 years, reflecting a reduction of 0.3 year in both the external and domestic portfolios. This indicates an increase in interest rate risk exposure. As the NGL portfolio comprised solely of fixed-rate debt, the portfolio’s ATM, which also decreased by 0.2 year, was equivalent to the ATR and reflected an increase in refinancing risk.

**Figure 21** shows the redemption profile for the NGL portfolio at end-December 2024. While the maturity profile is relatively lengthy, 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 21: Redemption Profile of Public Bodies’ NGLs at end-December 2024**



Source: Ministry of Finance and the Public Service

The nominal value of foreign currency-denominated NGLs was US\$7.1 million at end-December 2024, US\$0.7 million less than at end-March 2024, resulting from net amortization of foreign currency-denominated debt over the period. This resulted in a marginal reduction in the share of foreign currency-denominated NGLs in total NGLs by 0.1 percentage point to 4.2 percent, indicating a reduction in the portfolio’s level of exposure to foreign currency risk.

## SECTION VI: RISK FACTORS AFFECTING THE DEBT PORTFOLIO

Public debt dynamics may be compromised by exogenous factors such as health crises, natural disasters, deteriorating social dynamics and financial crises, through their impact on macroeconomic and market variables. The risk posed by these factors to the debt portfolio is determined by the likelihood of occurrence and the magnitude of the fiscal impact, taking account of the fiscal resilience and preparedness for these occurrences. **Figure 22** outlines selected risk factors and their potential implications for the debt portfolio.

**Figure 22: Selected Risk Factors and the Implications for the Debt Portfolio**

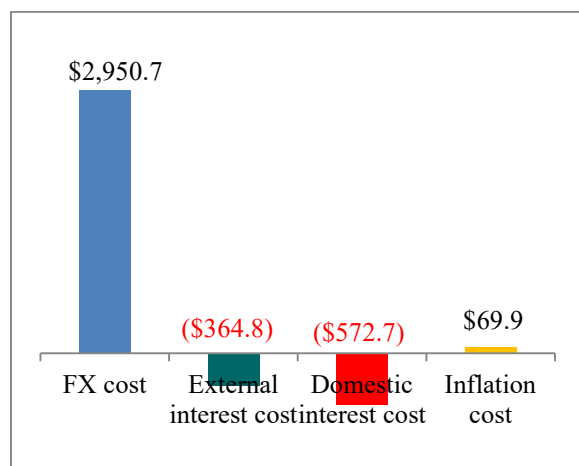
		Fiscal Impact		
		Low	Moderate	Major
Likelihood of Event	Low	<p><b>Public Private Partnerships (PPPs):</b> The use of PPPs as a modality to mobilize investment, particularly in infrastructure development and energy and water generation are common in many developing economies. These types of arrangements 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.</p>	<p><b>Shocks in Commodity Prices:</b> 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. Crude oil prices are expected to rise throughout the medium-term, with the potential for similar increases in the prices of refined petroleum products. The GOJ's National Energy Policy outlines the Government's strategies for more energy efficient operations, which is expected to mitigate risks to Government accounts.</p>	<p><b>Financial Crises:</b> 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.</p>
	Moderate	<p><b>Government Guaranteed Loans (GGLs):</b> Though inflation has begun to subside, public bodies may find their financial positions challenged by increasing commodity prices and relatively high costs of financing. As such, the likelihood of crystallization of guarantees remains moderate. 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 1.3 percent at end-December 2024, within the legislated ceiling for FY2026/27.</p>	<p><b>Weakened Fiscal Accounts:</b> The fiscal balance is projected at 0.0 percent of GDP for FY2025/26, which is lower than the estimate of 0.3 percent for FY2024/25. While Jamaica's medium-term growth outlook is positive, global risks and associated spill-over effects remain. Changing policies in Jamaica's partner economies could challenge growth with spillover effects on the Jamaican economy. This could impair the Government's fiscal accounts with mounting pressures also placed on the domestic financial markets.</p>	<p><b>Natural Disasters:</b> 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 National Natural Disaster Reserve Fund (NNDRF) to reduce the fiscal impact of natural disasters.</p> <p><b>Health Crises:</b> 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.</p>
	High		<p><b>High Crime Rate:</b> 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.</p>	<p><b>Market Volatility:</b> 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. While the global economy's high-interest rate environment has somewhat moderated, there is still uncertainty surrounding the trajectory of inflation and interest rates.</p>
		Fiscal Impact		
		Low	Moderate	Major
Likelihood	Low			
Moderate				
High				

## 6.1 Estimated Effects of Changes in Key Macroeconomic and Market Variables on Debt Portfolio Costs

**Figure 23** 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 1.1 percent relative to the US dollar, resulting in a \$2,950.7 million increase in portfolio costs<sup>6</sup>. For the external portfolio, a 66-bp reduction in the 90-day average SOFR resulted in an estimated \$364.8 million reduction in external interest costs. Similarly, declines in the GOJ’s 3-month treasury bill rate resulted in a \$572.7 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 \$69.9 million.

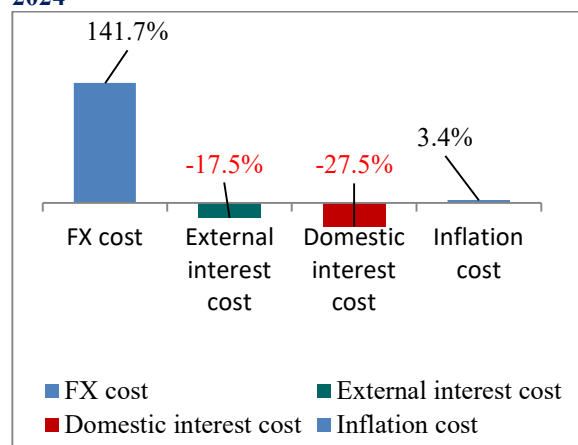
Fluctuations in the value of the Jamaica dollar relative to the US dollar accounted for 141.7 percent of the total variation in portfolio costs for the review period (see **Figure 24**). Changes in external benchmark interest rates contributed to -17.5 percent of the total variation in portfolio costs, while movements in domestic benchmark rates accounted for -27.5 percent. Given the negligible share of inflation-linked debt in the portfolio, inflation accounted for only 3.4 percent of the total variation in portfolio costs.

**Figure 23: Estimated Portfolio Cost Effect of Changes in Macroeconomic and Market Variables, April to December 2024 (millions of dollars)**



Source: Ministry of Finance and the Public Service

**Figure 24: Contribution of Changes in Macroeconomic and Market Variables to Total Change in Portfolio Costs, April to December 2024**



Source: Ministry of Finance and the Public Service

<sup>6</sup> Portfolio costs include interest payments, principal repayments, fees and loan raising costs.

## 6.2 Comparative Static Simulations of Changes in Key Macroeconomic and Market Variables on the Debt Portfolio for FY2025/26

**Table 8** outlines the results of comparative static simulations to determine the debt portfolio's sensitivity to changes in key macroeconomic and market variables in FY2025/26. Comparative statics isolate specific variables while holding others constant to analyse their impact on economic or financial outcomes.

**Table 8: Estimated Portfolio Effects of Changes in Key Market Variables**

		Change in Macroeconomic Variables		
		1.0%	3.0%	5.0%
J\$ Millions				
<b>Currency Depreciation</b>				
	Effect on Debt Stock	12,474.8	37,424.5	62,374.2
	Effect on Interest Cost	583.5	1,750.4	2,917.4
	Effect on Principal Payments	800.4	2,401.1	4,001.8
	<b>Total</b>	<b>13,858.7</b>	<b>41,576.0</b>	<b>69,293.4</b>
	<b>% of GDP</b>	<b>0.4%</b>	<b>1.2%</b>	<b>2.0%</b>
<b>Increase in Benchmark Interest Rates</b>				
	Domestic	902.6	2,707.8	4,512.9
	External	5,016.8	15,050.5	25,084.1
	<b>Total</b>	<b>5,919.4</b>	<b>17,758.2</b>	<b>29,597.1</b>
	<b>% of GDP</b>	<b>0.2%</b>	<b>0.5%</b>	<b>0.8%</b>
<b>Inflation Rate</b>				
	Effect on Debt Stock	777.8	2,333.4	3,889.0
	Effect on Interest Cost	23.9	71.6	119.3
	Effect on Principal Payments	0.0	0.0	0.0
	<b>Total</b>	<b>801.6</b>	<b>2,404.9</b>	<b>4,008.2</b>
	<b>% of GDP</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Aggregated Effects</b>				
	<b>Total</b>	<b>20,579.7</b>	<b>61,739.2</b>	<b>102,898.7</b>
	<b>% of GDP</b>	<b>0.6%</b>	<b>1.8%</b>	<b>3.0%</b>

Notes: Effects of changes in macroeconomic variables on the debt stock considers total public debt, while the effect on interest costs and principal payments considers only Central Government debt and Guaranteed debt serviced by the GOJ.

Increase in interest cost accounts for total debt refixing in the upcoming fiscal year, that is, all variable-rate debt and fixed-rate debt maturing in FY2025/26

Source: Ministry of Finance and the Public Service

A 3.0 percent depreciation in the JMD relative to the USD in FY2025/26 is projected to increase the debt stock by an estimated \$37,424.5 million. Additionally, interest cost and the cost of principal payments are projected to increase by an estimated \$1,750.4 million and \$2,401.1 million, respectively. An increase of 100 bps in domestic benchmark interest rates is estimated to increase domestic interest cost by \$902.6 million, while a similar adjustment to external benchmark rates is projected to increase interest costs by \$5,016.8 million. The variation

between the effects in the domestic and external portfolio is reflective of a larger share of variable-rate debt in the external portfolio. Additionally, a 5.0 percent increase in the CPI, in line with the midpoint of the BOJ's targeted band, is projected to increase the debt stock by \$3,889.0 million, and increase the interest cost of inflation-linked debt by \$119.3 million. Given that there are no principal payments on inflation-linked instruments scheduled for FY2025/26, there is no anticipated increase in principal payments.

Depreciation of the JMD relative to the USD is projected to account for 67.3 percent of the aggregated portfolio effects of each scenario, while an increase in interest rates and the CPI is projected to contribute 28.8 percent and 3.9 percent, respectively. 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.

### 6.3 Dynamic Simulations of Changes in Key Macroeconomic Variables

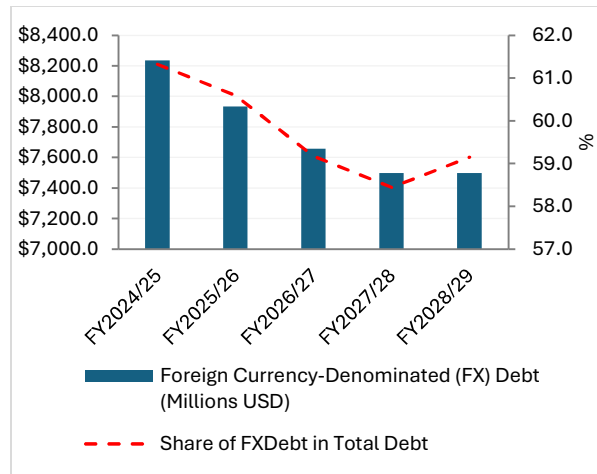
Among other things, the GOJ's MTDS prioritizes the reduction in the debt portfolio's nominal exposure to foreign currency and interest rate risks over the medium-term. Accordingly, the nominal value of foreign currency-denominated debt is expected to decrease by US\$719.7 million or 8.8 percent over the medium-term, resulting in an estimated interest cost savings of \$188.8 million. Consistent with the nominal reduction, the share of foreign currency-denominated debt in total debt is projected to decrease by 2.2 percentage points (see **Figure 25**).

**Figure 26** highlights the revaluation effects<sup>7</sup> associated with a 3.0 percent shock to the baseline projection for the JMD/USD exchange rate in each year. While the nominal value of foreign currency-denominated debt in USD terms is expected to decline over the medium term, as well as the share in total debt, the rate of the reduction is projected to be exceeded by the rate of depreciation of the JMD relative to the USD in some fiscal years. As a result, following the projected decline in revaluation effects in FY2026/27, an increase is projected thereafter to \$41,633.8 million in FY2028/29. Notwithstanding, the revaluation as a share of GDP is expected to decline from 1.2 percent in FY2025/26 to 1.0 percent in FY2028/29.

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<sup>7</sup> Revaluation effects include the projected increase in stock as well as interest costs.

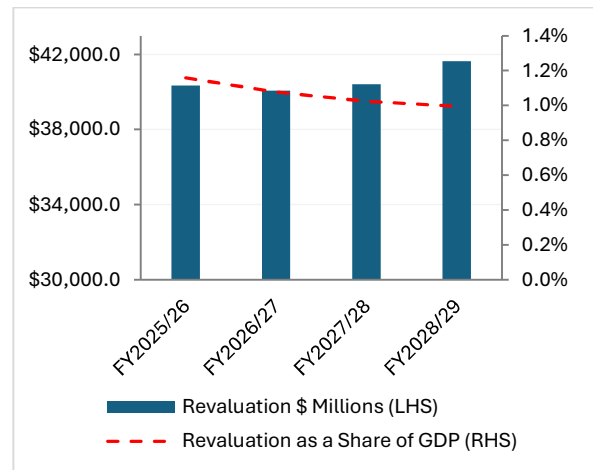
**Figure 25: Change in Foreign Currency-Denominated Debt over the Medium-Term**



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 26: 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.

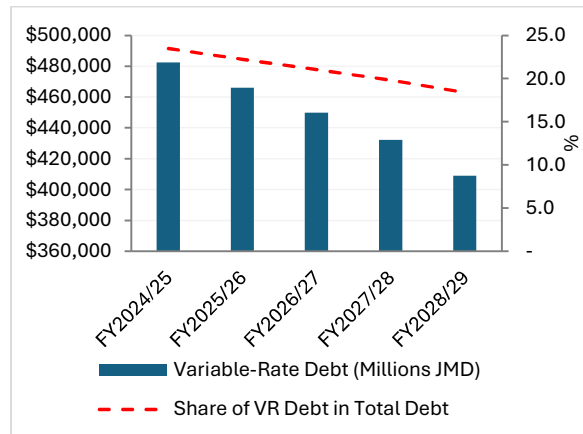
Simulation assumes a 3.0 percent shock to the projected JMD/USD exchange rate in each year.

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 \$73,453.3 million and 5.1 percentage points, respectively (see **Figure 27**). This reduction is driven by the external portfolio, for which the nominal value of variable-rate debt is expected to decrease by \$73,451.3 million or 17.3 percent. While the external portfolio’s sensitivity is expected to decline both in nominal terms and as a share of GDP, there is an increase projected in the domestic portfolio, resulting from scheduled fixed-rate maturities in FY2027/28 and FY2028/29 (See **Figure 28**). A 100-bp shock to baseline external interest rates in FY2028/29 is projected to increase external interest cost by \$3,346.1 million, which is \$271.8 million less than the projection for FY2025/26. Conversely, the sensitivity of the domestic portfolio to a 100-bp increase in interest rates is expected to rise by \$1,191.0 million from \$966.1 million in FY2025/26 to \$2,157.1 million in FY2028/29.



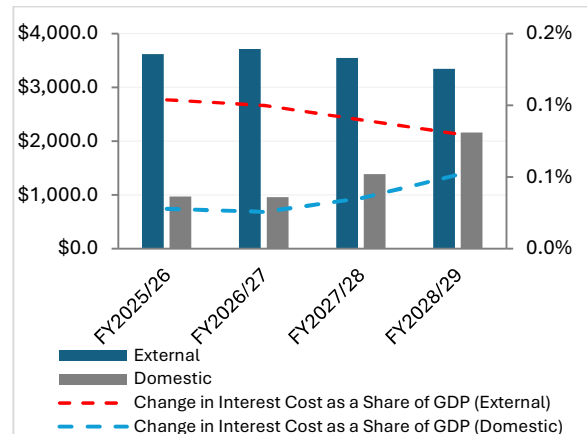
**Figure 27: Change in Variable-Rate Debt over the Medium-Term**



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 28: Portfolio Sensitivity to Interest Rate Changes over the Medium-Term**



Notes: Simulation assumes a 100-bp shock to baseline benchmark interest rates in each year and accounts for debt refixing within the respective years (variable-rate debt and maturing fixed-rate debt).

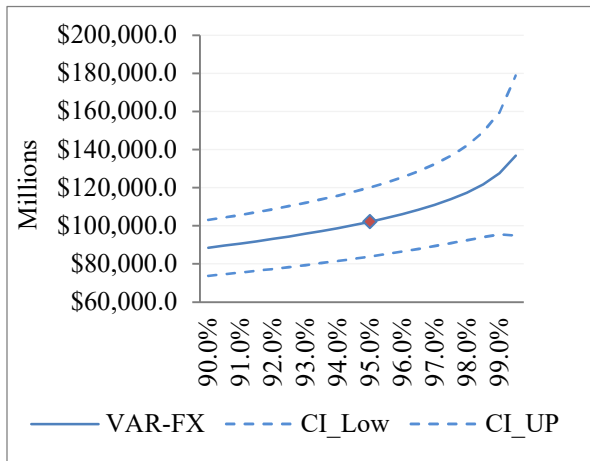
Figure shows nominal adjusted costs in millions of JMD on the left axis, and adjusted cost as a share of GDP on the right axis.

Source: Ministry of Finance and the Public Service

## 6.4 Value at Risk (VaR), Cost at Risk (CaR) Estimates for FY2025/26

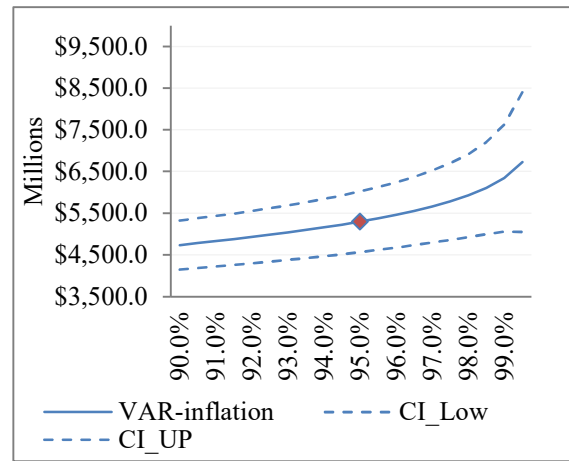
Value at Risk (VaR) and Cost at Risk (CaR) estimates for the Central Government debt portfolio assess the maximum likely increase in value and cost for a given confidence level based on the historical changes in macroeconomic and market variables. Conditional VaR (CVaR) and Conditional CaR (CCaR) measure tail risk by estimating the average of extreme values beyond the VaR or CaR level. VaR estimates for FY2025/26 suggest that there is a 95.0 percent probability that changes in the JMD/USD exchange rate and the inflation rate will not increase the debt stock by more than \$102,101.6 million and \$5,296.3 million, respectively (see **Figures 29 and 30**). CVaR estimates for FY2025/26 at the 95.0 percent confidence level were \$117,721.5 million for the JMD/USD exchange rate and \$5,938.9 million for the inflation rate.

**Figure 29: VaR JMD/USD Exchange Rate**



Source: Ministry of Finance and the Public Service

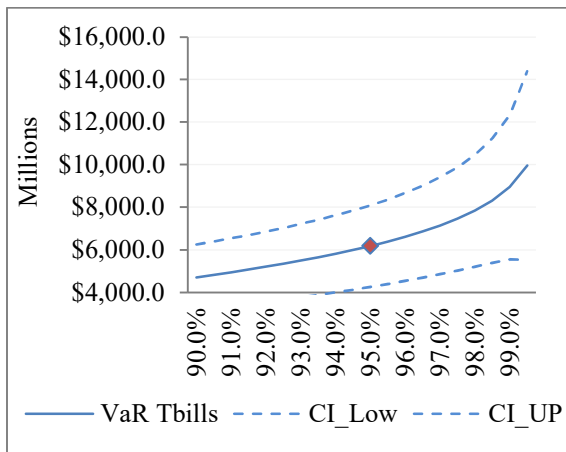
**Figure 30: VaR Inflation Rate**



Source: Ministry of Finance and the Public Service

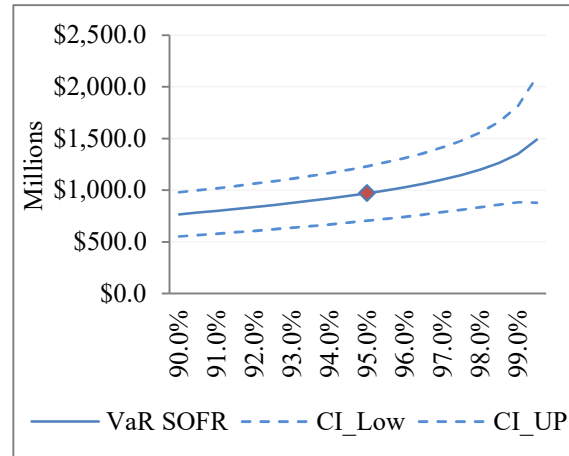
CaR estimates for FY2025/26 suggest that based on historical changes in the 3-month T-bill rate and the average SOFR, there is a 95.0 percent probability that debt service costs will increase by a maximum of \$6,180.8 million during the upcoming fiscal year and \$969.7 million in any given month, respectively<sup>8</sup> (See **Figures 31 and 32**). This compares to Conditional Cost at Risk (CCaR) estimates of \$7,876.9 million for the 3-month T-bill and \$1,202.9 million for the 3-month SOFR.

**Figure 31: CaR Domestic Benchmark Interest Rate**



Source: Ministry of Finance and the Public Service

**Figure 32: CaR External Benchmark Interest Rate**



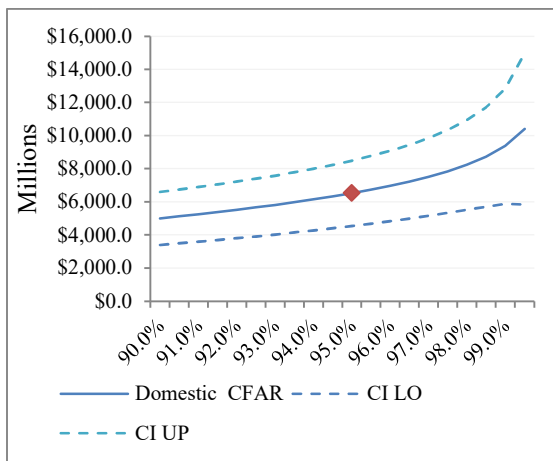
Source: Ministry of Finance and the Public Service

<sup>8</sup> 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.

## 6.5 Cash Flow at Risk (CFaR) Estimates for FY2025/26

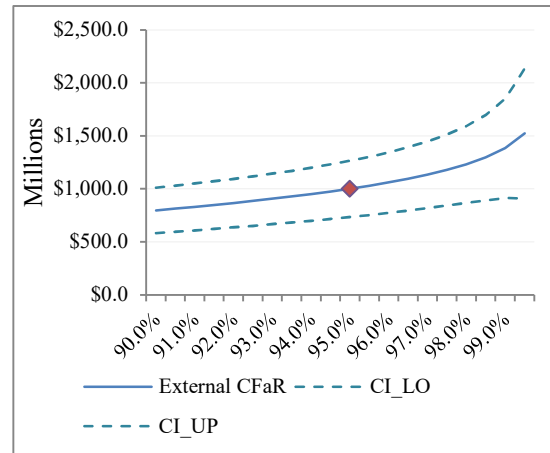
**Figure 33** and **Figure 34** highlight the CFaR for FY2025/26 for the external and domestic portfolios. Cash Flow at Risk assesses the maximum increase in debt service costs that is likely over a given period based on the historical realization of market variables. The CFaR estimate for the domestic portfolio accounts for interest rate and inflation risks, while the estimate for the external portfolio captures foreign currency and interest rate risks. The 95.0 percent CFaR for the domestic and external portfolios were estimated at \$6,520.2 million and \$1,000.8 million, respectively. Conditional Cash Flow at Risk (CCFaR) was estimated at \$8,267.2 million for the domestic portfolio, and \$1,234.8 million for the external portfolio<sup>9</sup>.

**Figure 33: CFaR for the Domestic**



Source: Ministry of Finance and the Public Service

**Figure 34: CFaR for the External Portfolio**



Source: Ministry of Finance and the Public Service

## 6.6 Natural Disaster Shock Simulation

In July 2024, Hurricane Beryl passed within close proximity of Jamaica’s southern coast, resulting in significant damage to sections of the island. The Planning Institute of Jamaica (PIOJ) estimates that the total damage from Hurricane Beryl was \$32,200.0 million, or an estimated 1.0 percent of FY2024/25 GDP, while the fiscal impact of the storm was estimated at \$11,800.0 million in emergency response and recovery costs. For the second quarter of the fiscal year, the economy contracted by 3.5 percent, with a tax revenue shortfall of \$6,953.9 million or 3.1 percent recorded in that quarter. A contraction of 0.7 percent is projected for the fiscal year. The fiscal impact of the hurricane was mitigated by a pay-out from the GOJ’s Tropical Cyclone (US\$16.6mn) and

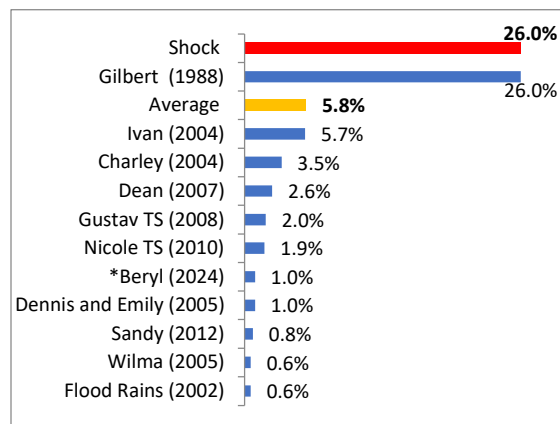
<sup>9</sup> Cash flow at risk for the external portfolio was calculated using monthly changes in the SOFR, while Cash flow at risk for the domestic portfolio was estimated using the yearly changes in the 3-month treasury bill rate. This is due to the unavailability of sufficient yearly data points for the SOFR.

Excess Rainfall (US\$10.3mn) policies with CCRIF-SPC. Financial resources were also utilized from the Contingencies Fund to assist in financing the emergency response and recovery efforts.

As the GOJ aims to monitor and evaluate the various risks to the debt portfolio, 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 loss associated with the simulated natural disaster was modelled at \$966,943.6 million or 26.0 percent of GDP in FY2026/27<sup>10</sup>. **Figure 35** compares the modelled losses to historical losses incurred under major weather events in Jamaica.

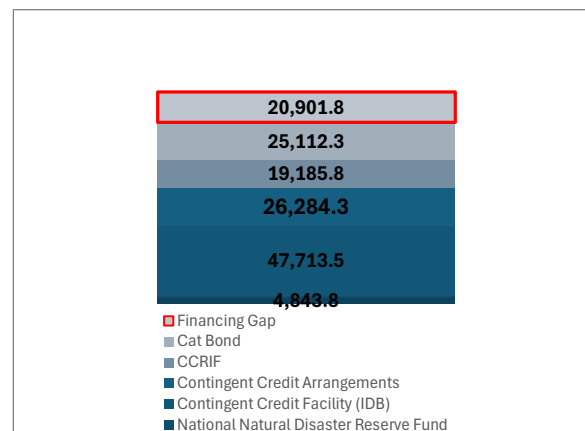
The fiscal cost of the storm utilized in the model was limited to emergency losses<sup>11</sup>, which were estimated at \$145,041.5 million or 3.9 percent of GDP in the year of impact. These emergency losses were assumed to be financed from a suite of disaster risk financing (DRF) instruments available to the Government<sup>12</sup>, estimated at \$124,139.7 million. Given the available resources, the financing gap for emergency losses is estimated at approximately \$20,901.8 million and is assumed to be sourced from the external market at less favourable terms than ex-ante financing (see **Figure 36**).

**Figure 35: Estimated Impact of Natural Disasters as a Share of GDP**



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

**Figure 36: Estimated Financing Gap for Major Hurricane (\$mn)**



Source: Ministry of Finance and the Public Service

<sup>10</sup> 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.

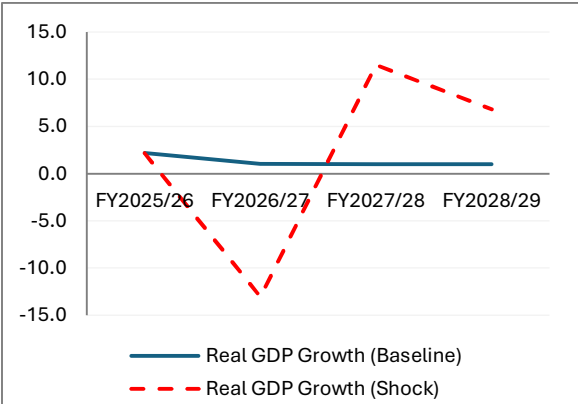
<sup>11</sup> These costs are inclusive of the costs associated with emergency repairs to public infrastructure, clean-up and relief and recovery activities, as well as social expenditure to assist the indigent and other vulnerable populations and are estimated at 15.0 percent of total losses.

<sup>12</sup> Applicable DRF instruments include the Caribbean Catastrophe Risk Insurance Facility-Segregated Portfolio Company (CCRIF-SPC) insurance policy for Tropical Cyclone (US\$81.0 million) and Excess Rainfall (US\$33.6 million), IDB Contingent Credit Facility (US\$285.0 million), the Contingencies Fund (\$4,635.6 million), the National Disaster Fund (\$208.2 million), the National Natural Disaster Reserve Fund (\$1,000.0 million) and the Catastrophe Bond (US\$150.0 million). In addition, the GOJ has applied for other contingent credit arrangements (US\$157.0 million).

The impact of the storm on the GOJ’s debt portfolio was modelled through the associated impact on key macroeconomic and market variables using additive adjustments to baseline assumptions. The variables shocked were real GDP growth; inflation; the JMD/USD exchange rate; interest rates; and Central Government revenues and expenditure. The projected impact on real GDP growth is depicted in **Figure 37**. Baseline projections for real GDP growth indicate a growth rate of 1.0 percent in FY2026/27, and an average of 1.3 percent for the medium-term. However, the storm scenario estimates a 13.1 percent economic contraction in FY2026/27, followed by a rebound of 11.5 percent in FY2027/28 and a slower growth rate of 6.8 percent in FY2028/29, resulting in a medium-term average of 1.9 percent. 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 rate of -7.7 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 FY2026/27 and FY2027/28 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. Multilateral rates were unchanged.

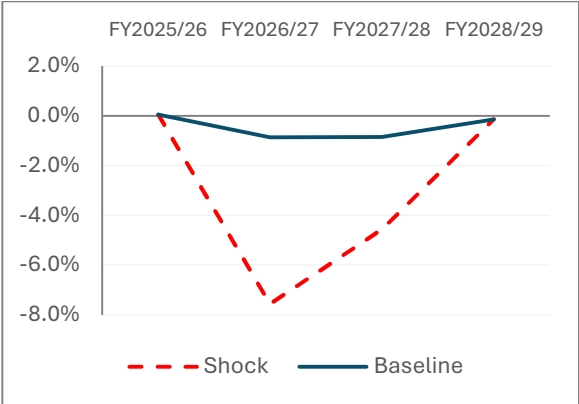
Following a disaster, the slowdown in economic activity is expected to contribute to an underperformance of revenue in the year of impact. Paired with an increase in expenditure to address disaster relief and recovery, a deterioration in the fiscal balance is projected (see **Figure 38**). The pass-through in the year of impact is, however, mitigated by the availability of funding from the Contingencies Fund, the NNDRF, the NDF, CCRIF-SPC and the Catastrophe Bond.

**Figure 37: Real GDP Growth under Baseline and Shock Scenario**



Source: Bank of Jamaica and Planning Institute of Jamaica

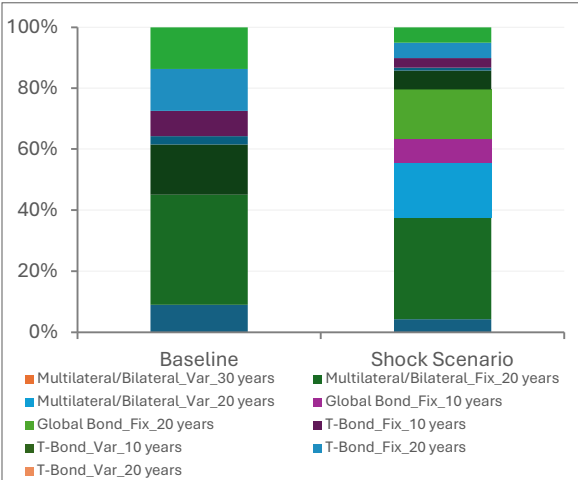
**Figure 38: Fiscal Balance (% of GDP) under Baseline and Shock Scenarios**



Source: Ministry of Finance and the Public Service

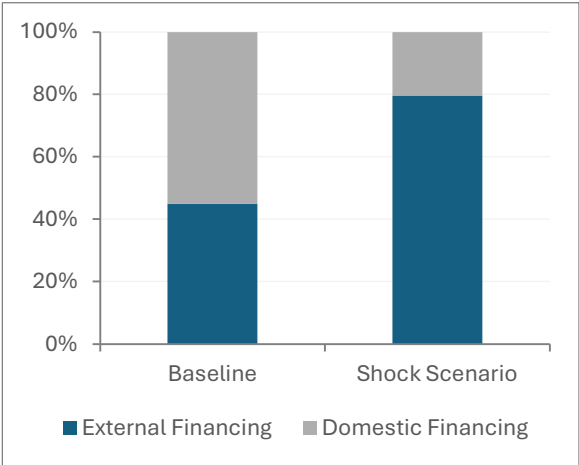
Additional financing to address the impact of the storm is assumed to exceed the estimated emergency losses, as there will be a need to compensate for lost revenue resulting from the economic contraction. Overall, the necessary additional financing is estimated at \$249,863.6 million and is assumed to be sourced primarily from multilateral sources and the international capital markets (ICM), as domestic market liquidity is likely to be constrained. The US\$285.0 million contingent credit facility from the IDB as well as the other contingent credit arrangements being undertaken by the GOJ in the amount of US\$157.0 million represent 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 39 and 40**.

**Figure 39: Gross Financing by Instrument under Baseline and Shock Scenario FY2026/27**



Source: Ministry of Finance and the Public Service

**Figure 40: External and Domestic Financing under Baseline and Shock Scenario FY2026/27**



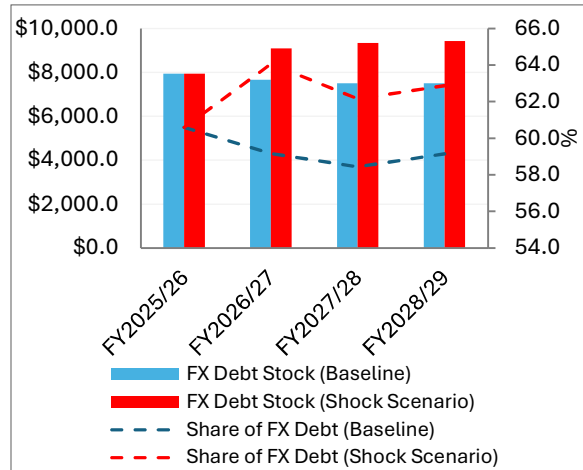
Source: Ministry of Finance and the Public Service

**Figure 41** shows the projected change in foreign currency-denominated debt over the medium-term under the baseline and shock scenarios. While a reduction in the stock of foreign currency-denominated debt of \$719.7 million is projected under baseline assumptions, the increase in external borrowing resulting from the shock is projected to result in an increase of US\$1,257.1 million or 15.3 percent over the medium-term. Consequently, the stock of foreign currency-denominated debt at end-FY2028/29 is estimated to exceed the baseline projection by US\$1,976.8 million. Additionally, the share of foreign currency-denominated debt in total debt is projected to increase by 1.5 percentage points over the medium-term, which would result in an increase of 3.6 percentage points relative to the baseline projection for FY2028/29.

As the need would arise to seek relatively higher cost financing in the ICM, and credit risk is expected to deteriorate in the aftermath of a disaster, there was a projected increase in interest payments-to-GDP. Over the medium-term, baseline interest payments-to-GDP is estimated at an

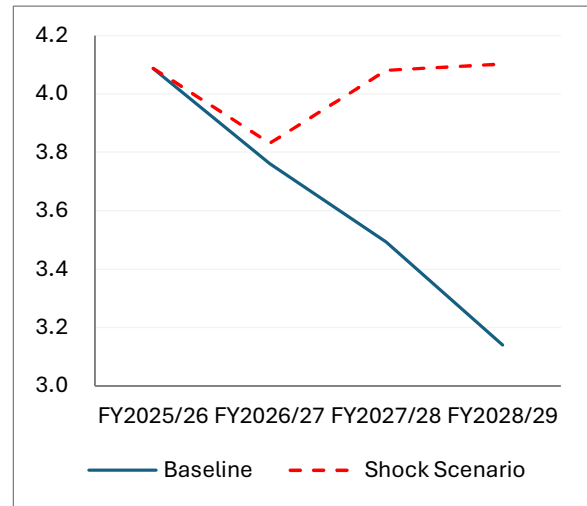
average 3.6 percent. This increases by 0.4 percentage point to 4.0 percent under the shock scenario (see Figure 42).

**Figure 41: 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 42: Interest Payments-to-GDP under Baseline and Shock Scenario**



Source: Ministry of Finance and the Public Service

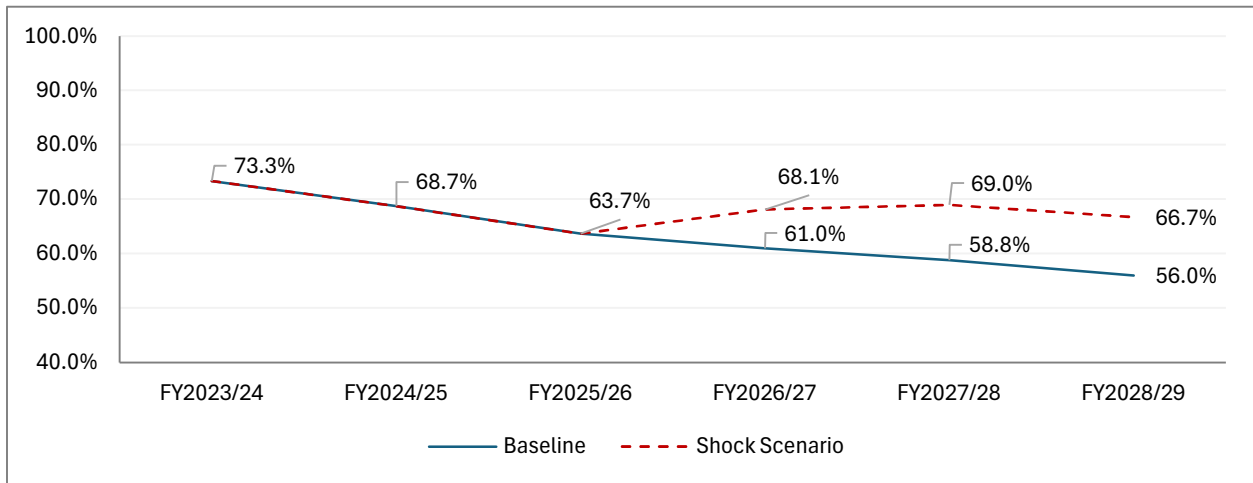
**Figure 43** highlights the estimated impact of the natural disaster shock on the trajectory of debt-to-GDP over the medium-term. Following the disaster, debt-to-GDP is estimated to increase by 4.4 percentage points relative to end-FY2025/26, due to the increase in nominal debt, as well as the contraction in GDP, and further to 69.0 percent in FY2027/28, breaching the legislated ceiling of 60.0 percent. A disaster of this magnitude would necessitate the escape clause in the FAA Act with respect to the fiscal rules, warranting an extension of the debt-to-GDP target date<sup>13</sup>.

Going forward, the GOJ will seek to build its resilience by expanding its suite of disaster risk financing instruments in accordance with the National Natural Disaster Risk Financing Policy (NNDRP) 2021-2026.

<sup>13</sup> While the fiscal rules in the Fiscal Responsibility Framework (FRF) legislate that the GOJ generates a fiscal balance consistent with achieving a debt-to-GDP ratio of 60.0 percent, Section 48C of the Financial Administration and Audit (Amendment) Act, 2014 provides for an ‘escape clause’ which allows for the rules to be suspended on the grounds of a period of public disaster or a severe economic contraction, *inter alia*, once it has been determined that the estimated fiscal impact is greater than 1.5 percent of GDP. The FAA (Amendment) Act, 2014 allows for the suspension to be extended for up to one fiscal year following the initial period of suspension. This escape clause was utilized following the onset of the COVID-19 pandemic, and the FAA Act was amended in 2020 to change the targeted date from March 2026 to March 2028.



**Figure 43: Trajectory of Debt-to-GDP under Baseline and Shock Scenarios**



Source: Ministry of Finance and the Public Service

## SECTION VII: MODELLING OF THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY

The Medium-Term Debt Management Strategy (MTDS) for FY2025/26-FY2028/29 is determined following a quantitative assessment of five alternative strategies geared towards meeting established medium-term targets for key debt and risk indicators, 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 Government.

### 7.1 Baseline Assumptions and Exogenous Shock Scenarios

The modelling of the MTDS uses a set of assumptions regarding the trajectory of key macroeconomic and market variables over the medium-term. To determine the sensitivity of key cost and risk indicators under the respective strategies, exogenous shocks were applied to baseline interest and exchange rate assumptions. Four stress scenarios were examined:

- **Scenario 1** is an extreme shock which models an additional 30.0 percent depreciation in the JMD/USD exchange rate in year two of projections;
- **Scenario 2** represents a moderate interest rate shock in year two, and assumes a 1.00-, 2.00- and 1.50 percentage points increase in interest rates 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 shock of 15.0 percent to the JMD/USD exchange rate in year two with the moderate interest rate shock described under **Scenario 3**.<sup>14</sup>

### 7.2 Medium-Term Targets

**Table 9** outlines the projected outturns for key risk indicators for FY2024/25 alongside the targets set out in the MTDS FY2024/25 to FY2027/28, as well as new targets established for FY2025/26 and the end of the medium-term. Debt-to-GDP at end-FY2024/25 is projected to be 1.3 percentage points less than the targeted ceiling, and on track to meet the medium-term target of 60.0 percent or less. For end-FY2024/25, refinancing risk indicators are expected to be generally in line with established targets, with the ATM and the share of debt maturing in one year or less estimated at 10.2 years and 5.3 percent, respectively. As it concerns interest rate risk, the portfolio's share of variable-rate debt is estimated at 23.5 percent at end-FY2024/25. The share of foreign currency-denominated debt in total debt is projected at 61.3 percent, 0.7 percentage point below the targeted

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<sup>14</sup> All shocks are applied as additive adjustments to baseline assumptions for interest and exchange rates.

upper limit for end-March 2025. The Government will continue to manage foreign currency exposure over the medium-term to meet the target of 60.0 percent or less.

**Table 9: Key Portfolio Targets for FY2024/25 and the Medium-Term**

Risk Indicators	Projected		Targets	
	End-Mar 2025	End-Mar 2025	End-Mar 2026	End-Mar 2029
Nominal Debt-to-GDP (%)	68.7	≤70.0	≤65.0	≤60.0
<b>Refinancing Risk</b>				
Average Time-to-Maturity (ATM - years)	10.2	≥9.0	≥9.0	≥9.0
Share Maturing within one year (%)	5.3	≤10.0	≤10.0	≤10.0
<b>Interest rate Risk</b>				
Domestic				
Share Variable-Rate (%)	6.9	≤20.0	≤20.0	≤20.0
Debt Refixing in 1 year (%)	11.7	30.0	30.0	30.0
Average Time-to-Refixing (ATR- years)	8.7	≥8.0	≥8.0	≥9.0
External				
Share Variable-Rate (%)	33.1	≤30.0	≤30.0	≤30.0
Debt Refixing in 1 year (%)	36.9	30.0	30.0	30.0
Average Time-to-Refixing (ATR- years)	7.8	≥8.0	≥8.0	≥9.0
Total				
Share Variable-Rate (%)	23.5	≤30.0	≤30.0	≤30.0
Debt Refixing in 1 year (%)	27.6	35.0	35.0	35.0
Average Time-to-Refixing (ATR- years)	8.1	≥8.0	≥8.0	≥9.0
<b>Foreign Currency Risk</b>				
Share of Foreign Currency Debt (%)	61.3	≤62.0	≤62.0	≤60.0

Source: Ministry of Finance and the Public Service

### 7.3 Financing Strategies

The MTDS Analytical Toolkit evaluates the cost/risk tradeoff of alternative financing strategies. Consultations with market participants and multilateral partners were used to derive five (5) financing strategies that will guide borrowing over the medium-term. Three of the five strategies prioritize domestic financing as a means of developing the domestic debt market and reducing foreign currency risk in the debt portfolio (See **Figure 44**).

**Figure 44: Summary of Alternative Medium-Term Financing Strategies**



Source: Ministry of Finance and the Public Service

**Strategy 1 (S1)** assumes that an average of 56.0 percent of financing over the medium-term will be sourced from the domestic market in order to mitigate foreign currency risk. The strategy features borrowing at mainly fixed-rate and longer tenors in the domestic market in order to reduce the portfolio's exposure to interest rate risk and refinancing risk. External market financing is programmed through multilateral/bilateral loans.

**Strategy 2 (S2)** primarily focuses on reducing foreign currency risk and interest rate risk, as the majority of financing over the medium-term is raised from 56.0 percent domestic market issuances at fixed-rates. This strategy seeks to firmly anchor the domestic yield curve by issuing mainly shorter-tenor instruments, which increase the portfolio's exposure to refinancing risk. External financing under this strategy is programmed through multilateral/bilateral fixed-rate loans.

**Strategy 3 (S3)** also assumes an average operating target for domestic financing of 56.0 percent over the medium-term. However, it assumes financing mainly through variable-rate short-term domestic instruments. Compared to **S1**, this strategy poses greater refinancing and interest rate risks, but potentially lower costs over the medium-term.

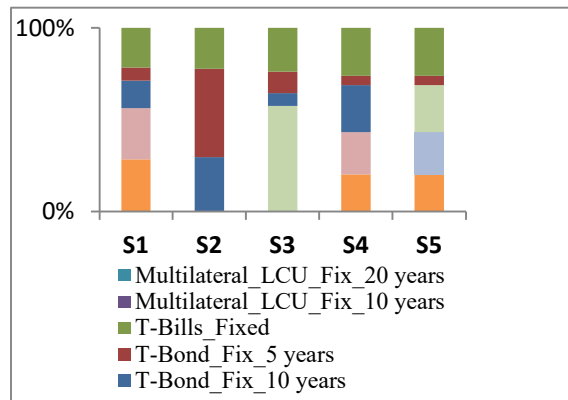
**Strategies 4 (S4) and 5 (S5)** focus on majority external financing, thereby increasing the portfolio's exposure to foreign currency risk. The domestic market is assumed to be underdeveloped and as such, 70.0 percent of total financing will be sourced from the external market.

**S4** assumes that the strong demand for JAMAN bonds in the ICM will allow for the majority of external financing to be sourced from private creditors through issuances in the ICM. All financing under this strategy will be at fixed rates.

**S5** assumes a change in investors' appetite towards emerging markets (EM) bonds. Consequently, external financing will be programmed mainly through official multilateral/bilateral sources at variable rates.

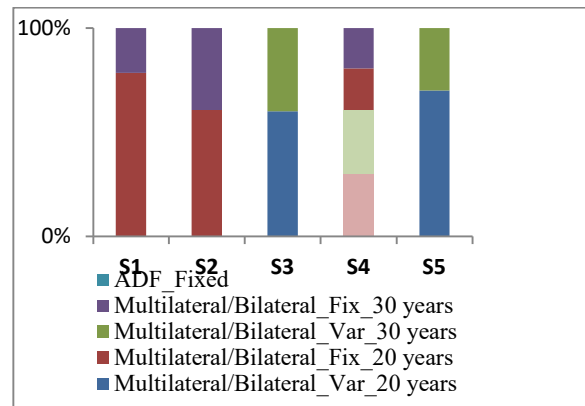
Financing details for domestic and external borrowing for all five strategies are summarized in **Figures 45 and 46**, respectively.

**Figure 45: Domestic Financing by Instrument**



Source: Ministry of Finance and the Public Service

**Figure 46: External Financing by Instrument**

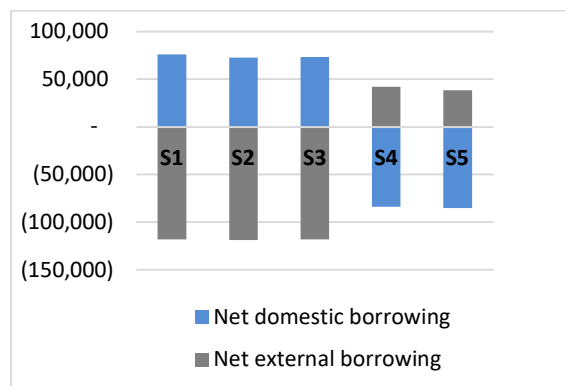


Source: Ministry of Finance and the Public Service

## 7.4 Toolkit Output – Results for Alternative Financing Strategies

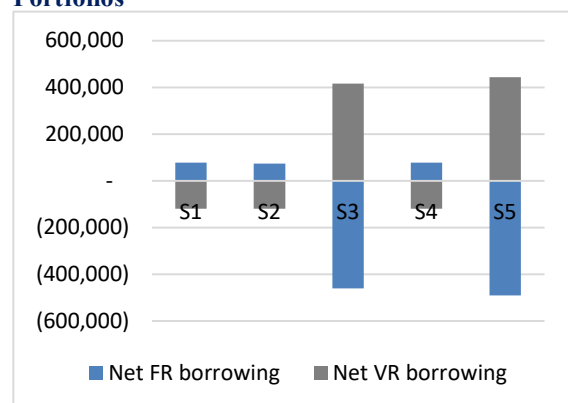
The respective financing strategies were assessed based on their effectiveness in reducing the portfolio’s exposure to key risks over the medium-term. **Figures 47 and 48** highlight net financing flows to the domestic and external portfolios and the fixed-rate and variable-rate portfolios, respectively. **S1, S2 and S3**, which prioritize domestic borrowing relative to external borrowing, depict large net outflows from the external portfolio, while the opposite obtains for **S4 and S5**. **S1, S2, and S4** record net inflows to the fixed-rate portfolio and outflows from the variable-rate portfolio, while **S3 and S5** depict the opposite.

**Figure 47: Net Financing Flow to the External and Domestic Portfolios**



Source: Ministry of Finance and the Public Service

**Figure 48: Net Financing Flow to the FR and VR Portfolios**



Source: Ministry of Finance and the Public Service

**Table 10** outlines the key cost and risk indicators projected for end-FY2028/29 for each strategy, as well as the quantitative score assigned to each strategy. The output results support the selection of **S1** as the preferred financing strategy, based on a quantitative score of 9.1 out of 10.0. Though resulting in a marginally higher implied interest rate relative to **S2, S3 and S5**, **S1** effectively mitigates refinancing risk, interest rate risk and foreign currency risk, while supporting the

development of the domestic market. **S2** and **S3** had lower implied interest rates when compared to **S1**, but the focus on short-tenor instruments does not augur well for the mitigation of refinancing risk. The portfolio's share of foreign currency-denominated debt is expected to decline by 2.1 percentage points relative to end-FY2024/25 under **S1**, **S2** and **S3**, while **S4** and **S5**, which focus mainly on external financing would result in an increase of 5.1 percentage points.

**Table 10: Cost and Risk Indicators for Alternative Financing Strategies**

Cost and Risk Indicators		end-FY2024/25 (est)	as at end-FY2028/29				
			S1	S2	S3	S4	S5
Cost	Interest payment (% of GDP)	4.4	3.1	3.1	3.1	3.1	3.1
	Implied interest rate (%)	6.8	6.5	6.3	6.4	6.5	6.3
Refinancing risk	Debt maturing in 1yr (% of total)	5.3	5.3	5.3	5.6	5.2	5.3
	Debt maturing in 1yr (% of GDP)	3.7	2.8	2.8	3.0	2.8	2.8
	ATM External Portfolio (years)	10.6	10.8	10.9	10.9	11.1	11.0
	ATM Domestic Portfolio (years)	9.5	11.8	7.3	8.0	9.9	9.9
	ATM Total Portfolio (years)	10.2	11.2	9.4	9.7	10.7	10.6
Interest rate risk	ATR (years)	8.1	9.9	8.2	5.9	9.5	6.2
	Debt re-fixing in 1yr (% of total)	27.6	22.2	22.2	47.0	22.1	48.1
	Fixed-rate debt (% of total)	76.5	81.6	81.6	57.0	81.6	55.6
FX risk	FX debt (% of total)	61.3	59.2	59.2	59.2	66.4	66.4

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	0.8	1.5	1.4	0.8	1.5
Third Best Outcome	6	Refinancing risk	0.25	2.3	1.6	0.5	2.3	2.0
Fourth Best Outcome	4	Interest rate risk	0.10	0.9	0.8	0.3	0.9	0.2
Least Favoured Outcome	1	FX risk	0.50	5.0	5.0	5.0	0.5	0.5
			<b>1.00</b>	<b>9.1</b>	<b>8.9</b>	<b>7.2</b>	<b>4.6</b>	<b>4.2</b>

Source: Ministry of Finance and the Public Service

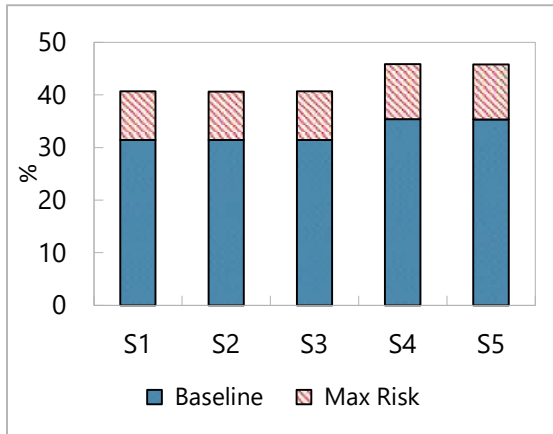
### 7.4.1 Risk to Baseline Projections for the Respective Strategies under Stress Scenarios

**Figures 49** to **52** highlight the maximum risk for key portfolio indicators under each of the five financing strategies using the projected outturns for FY2028/29. In all instances, the largest impact on the debt portfolio resulted from the extreme exchange rate shock (**Scenario 1**). **S4** had the highest external debt-to-GDP, which was projected at 4.0 percentage points higher than that for **S1**, **S2** and **S3**. Similarly, **S4** and **S5** project the highest maximum risk of 10.5 percentage points, while **S1**, **S2** and **S3** project 9.2 percentage points.

The projected interest payment-to-GDP for **S1** was marginally higher than the other strategies, due to the higher cost of debt associated with longer-tenor domestic debt. Notwithstanding, all strategies displayed similar levels of maximum risk at 0.6 percentage point. Total debt service-to-GDP is lowest under **S5** due to the lower estimated cost of external financing, while the projection for **S1**, **S2** and **S3** was 0.2 percentage point higher at 9.8 percent. However, similar to interest payment-to-GDP, the maximum risk was similar across all strategies at 1.6 percentage points. **S4**

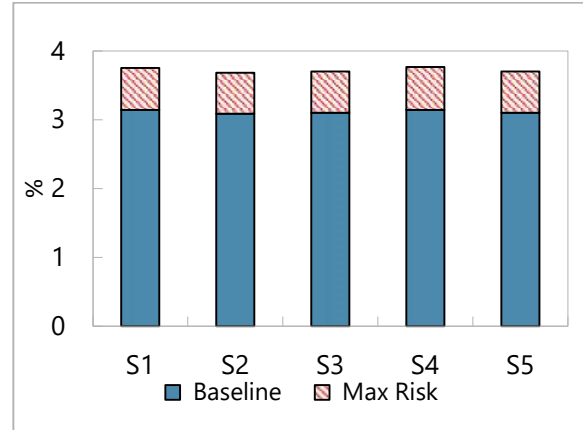
projected the highest external debt service-to-NIR at 16.0 percent, with a maximum risk of 4.7 percentage points, while S1, S2 and S3 projected the lowest ratio at 15.4 percent, with a maximum risk of 4.5 percentage points. Overall, the assessment supports the selection of S1 as the optimal strategy given that it minimizes the portfolio’s sensitivity to key risk factors.

**Figure 49: Sensitivity of External Debt-to-GDP to Shocks**



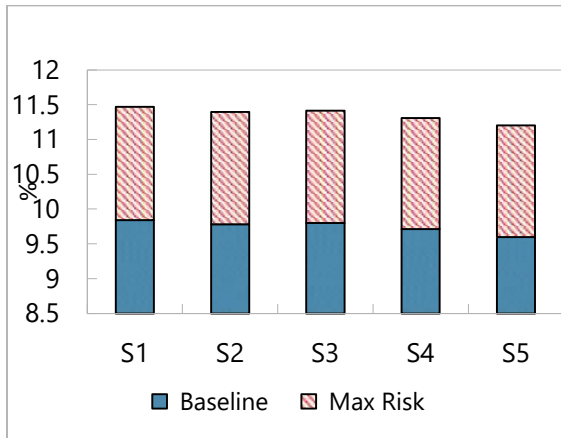
Source: Ministry of Finance and the Public Service

**Figure 50: Sensitivity of Interest Payment-to-GDP to Shocks**



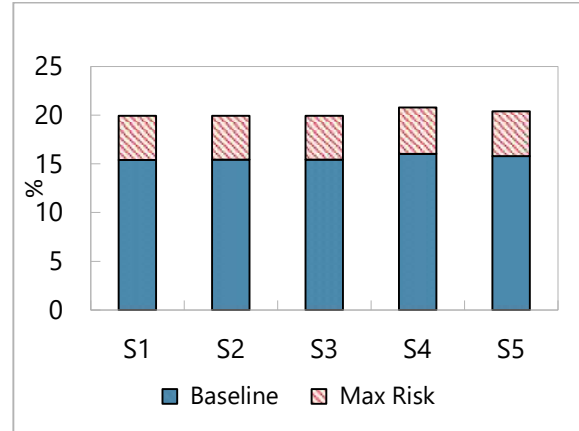
Source: Ministry of Finance and the Public Service

**Figure 51: Sensitivity of Debt Service-to- GDP to Shocks**



Source: Ministry of Finance and the Public Service

**Figure 52: Sensitivity of External Debt Service-to-Net International Reserves**



Source: Ministry of Finance and the Public Service

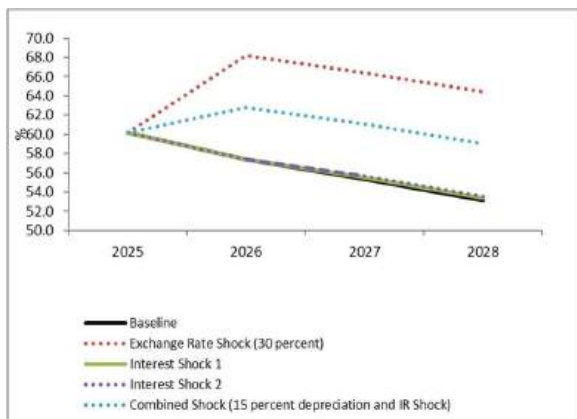
### 7.4.2 Dynamic Effects of Shocks to Baseline Macroeconomic Variables

Figures 53 to 56 highlight the dynamic effects of the four shock scenarios on key debt indicators for S1 over the medium-term. The portfolio is most sensitive to foreign currency risk as changes in the exchange rate between the JMD and the USD have the largest impact on key debt indicators.

A 30.0 percent shock to the baseline exchange rate assumption in FY2026/27 (**Scenario 1**) is projected to increase baseline debt-to-GDP by an estimated 11.3 percentage points at end-FY2028/29. The combined exchange rate and interest rate shock (**Scenario 4**) increases debt-to-GDP by approximately 5.9 percentage points relative to the baseline.

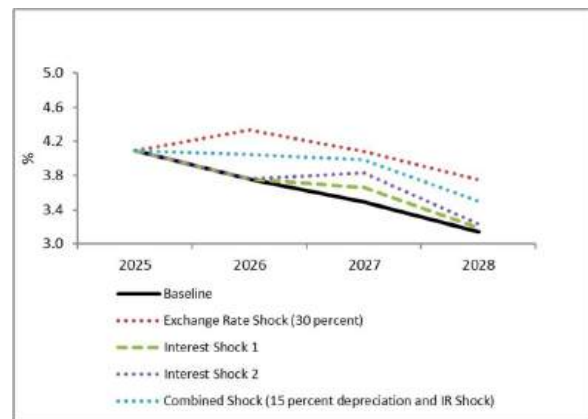
Baseline interest payment-to-GDP is expected to average 3.6 percent over the medium-term, however, **Scenario 1** increases this average by 0.5 percentage point. This compares to the extreme interest rate shock (**Scenario 3**) and the combined shock (**Scenario 4**) which increases the average by 0.1 and 0.3 percentage point, respectively. Debt service-to-GDP and external debt service were similarly affected, with the medium-term average for debt service-to-GDP and external debt service increasing by 1.2 percentage points and US\$241.6 million, respectively under **Scenario 1**.

**Figure 53: Dynamic Sensitivity of Debt-to- GDP to Shocks**



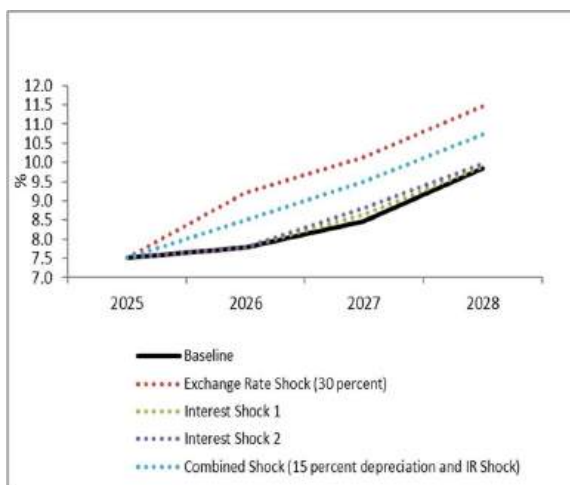
Source: Ministry of Finance and the Public Service

**Figure 54: Dynamic Sensitivity of Interest Payment-to-GDP to Shocks**



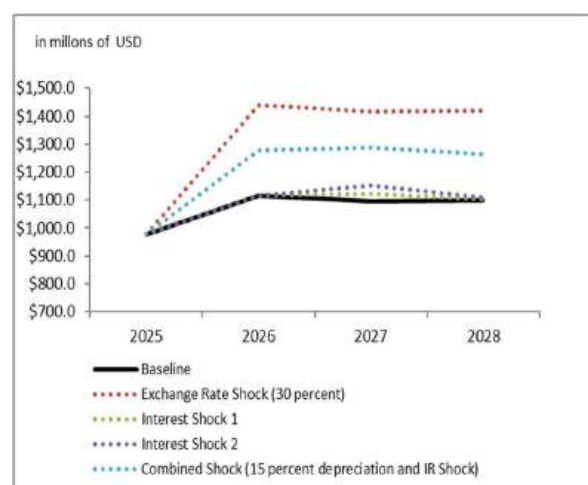
Source: Ministry of Finance and the Public Service

**Figure 55: Dynamic Sensitivity of Debt Service-to-GDP to Shocks**



Source: Ministry of Finance and the Public Service

**Figure 56: Dynamic Sensitivity of External Debt Service to Shocks**



Source: Ministry of Finance and the Public Service



## SECTION VIII: ANNUAL BORROWING PLAN

The Annual Borrowing Plan (ABP) outlines the projected allocation from domestic and external financing sources, which the Government may utilize to satisfy the borrowing requirement. In alignment with the objectives of the MTDS for FY2025/26 – FY2028/29, executing the Plan will be pursued through the implementation of the preferred financing strategy.

The Central Government’s borrowing requirement for FY2025/26 is projected at \$158,441.9 million or 4.6 percent of GDP, representing a decrease of \$92,998.5 million or 37.0 percent compared to the revised amount of \$251,440.4 million programmed for FY2024/25 in the Third Supplementary Estimates (See **Table 11**). The downward movement projected in the borrowing requirement for FY2025/26 reflects, *inter alia*, a 48.7 percent reduction in total amortizations, from \$317,370.4 million in FY2024/25 to \$162,746.2 million projected for FY2025/26. This represents reductions in scheduled domestic and external repayments to \$59,574.7 million and \$103,171.5 million, respectively.

**Table 11: Budgeted Borrowing Requirements**

FY2024/25 Original	FY2024/25 Revision	FY2025/26 Projection
\$191,440.4 million	\$251,440.4 million	\$158,441.9 million

Source: Ministry of Finance and the Public Service

The Government will continue to pursue its preferred strategy, **S1**, while executing the ABP for FY2025/26. Based on the gradual improvement in the domestic market interest environment, the increased liquidity should facilitate local currency acquisition during FY2025/26. This continued reliance mainly on the domestic market is consistent with the Government’s plan to de-dollarize the debt portfolio.

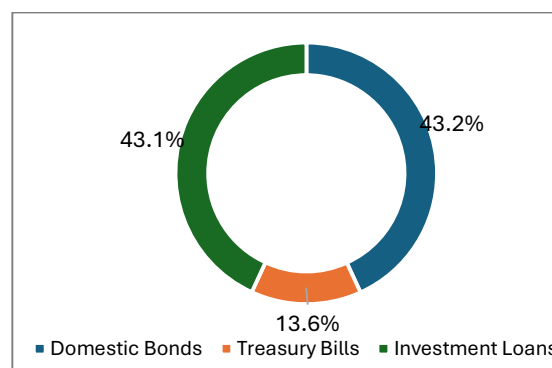
Domestic financing is projected at \$90,074.9 million or 56.9 percent, while external financing is estimated at \$68,367.0 million or 43.1 percent. Funding from external sources includes inflows from multilateral and bilateral partners in the form of Investment Loans. On the other hand, domestic funding sources are represented by Domestic Bonds and Treasury Bills totalling \$68,474.9 million and \$21,600.0 million, respectively (see **Table 12** and **Figure 57**).

**Table 12: GOJ’s Annual Borrowing Plan for FY2025/26**

Financing Sources	Budgeted (\$mn)	% Total
<b>Domestic Financing</b>	<b>90,074.9</b>	<b>56.9</b>
Domestic Bonds	68,474.9	43.2
Treasury Bills	21,600.0	13.6
<b>External Financing</b>	<b>68,367.0</b>	<b>43.1</b>
Investment Loans	68,367.0	43.1
<b>Total</b>	<b>158,441.9</b>	<b>100.0</b>

Source: Ministry of Finance and the Public Service

**Figure 57: GOJ’s Annual Borrowing Plan for FY2025/26**



Source: Ministry of Finance and the Public Service

## 8.1 Issuance Strategy for FY2025/26

Historically, market players have invested in GOJ bonds at all segments of the yield curve which includes short, medium and long tenors. However, owing to uncertainty in the market driven by high inflation and an elevated interest rate environment since the advent of the Covid-19 pandemic and on-going geopolitical tensions, the GOJ has issued a significant number of instruments with tenors at the short- to- medium segment of the yield curve. Notwithstanding, as Central Bank containment of inflation increases in momentum, the market has improved, with significant reductions in interest and inflation rates over the past 12 months. Between January 2024 and January 2025, the yields pertaining to the three-month, six-month and nine-month Treasury bill auctions declined by an average of 219 bps. Similarly, between December 2023 and December 2024, the Jamaican point-to-point rate of inflation decreased by 190 bps from 6.90 percent to 5.00 percent, which is within the BOJ’s target range of between 4.00 percent and 6.00 percent. These steady declines in rates are clear indications of improvement in the market and a gradual restoration of confidence as uncertainty gradually dissipates. As a result, the GOJ is currently in a more favourable position to issue longer-term instruments.

During FY2025/26, the Government intends to focus mainly on issuances in the domestic bond market, in keeping with the selected strategy (S1), which focuses on securing 56.0 percent of financing from the domestic market throughout the medium-term. This strategy is predicated on the Government’s plan to reduce the ratio of foreign currency to local currency debt through the issuance of mainly domestic fixed-rate securities.

In execution of the Issuance Strategy, the GOJ will:

- regularly tap the market with issuances at the short, medium and long segments of the yield curve. This strategy will allow the GOJ to achieve its objectives of satisfying borrowing

requirements and maintaining a presence in the domestic market as part of further market development;

- gradually increase the tenors of new instruments in order to maintain the portfolio’s average time to maturity, which is currently nine years or more;
- continue to issue 3- and 6-month Treasury bills monthly, while the 9-month Treasury bill will be issued six 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 FY2025/26 is expected to be \$21,600.0 million, which should assist financial institutions in meeting liquid asset requirements;
- schedule all new instruments for maturity beyond peak-repayment periods of FY2025/26 to FY2028/29 in order to avoid further bunching therein; and
- issue all securities via the auction mechanism, which will facilitate continued efficiency through price discovery.

## 8.2 Challenges to the Issuance Strategy

In its “Summary of Monetary Policy and Decisions” for December 2024, BOJ projected that between the December 2024 and December 2026 quarters, inflation is likely to remain within the Bank’s target range of 4.0 to 6.0 percent. However, there remains an upside risk to the inflation projection, in that there is uncertainty associated with the potential changes to economic policies among Jamaica’s main trading partners. Additionally, given the continued uncertainty in the financial market environment, the Government issuance strategy could be affected by the following exogenous challenges:

- **Negative effects of a possible increase in the rate of U.S. inflation:** In response to the falling rate of inflation in the U.S. over the past three years, the Fed has been gradually reducing its benchmark interest rate from a high of between 5.25 percent and 5.50 percent as at July 2023 to between 4.25 percent and 4.50 percent as at December 2024. However, the rate in December was reduced despite an increase in the U.S. inflation rate, and the Fed cautioned that fewer rate cuts are anticipated during calendar year 2025. If the U.S. inflation rate continues to rise, or remains at an elevated level, the Fed may respond by increasing the benchmark interest rate. Depending on the materialization of these scenarios, the BOJ may decide to raise the policy rate, which could increase the cost of borrowing to the GOJ. Additionally, possible increases in interest rates by the Fed could reduce investment in domestic instruments in favour of United States Dollar-denominated instruments. This may effectively reduce liquidity in the domestic market and negatively impact the Government’s issuance strategy;

- Possible economic consequences to Jamaica resulting from U.S. tariffs on American imports:** As a means of stimulating U.S. manufacturing, the new U.S. government administration has signalled its intent to impose tariffs on selected goods. As a result, many global exporters may see an increase in the cost of their goods to their American customers. This possibility may lead to an increase in the U.S. inflation rate, which could have adverse implications for inflation expectations in Jamaica, as well as investment and remittance inflows. The situation may be exacerbated by retaliatory tariffs placed on U.S. exports, as well as the possibility of a tariff war between the U.S. and other countries. The threat of imported inflation from the U.S. is further exacerbated by the fact that the U.S. is Jamaica's largest trade partner, which supplies approximately 40.0 percent of the country's imports and receives 40.0 per cent of Jamaica's exports;
- The effect of geopolitical conflicts on bilateral financing:** Although global economic growth is expected to remain stable during 2025, the rate of growth is projected at or below the pre-pandemic level of 3.2 percent. Consistent with recent years, there is still uncertainty, with risks arising from elevated borrowing costs, protectionist policies, rising trade tensions and ongoing geopolitical conflicts in many parts of the world. These factors may lead to a reduction in bilateral financing to Jamaica from partner countries, which may cause adjustments to the Annual Borrowing Plan (ABP);
- Negative effects of natural disasters on the ABP:** In 2024, there were approximately 11,000 casualties as a result of earthquakes, storms and floods in many countries, including the Caribbean. One of the aforementioned storms, Hurricane Beryl, affected Jamaica in July 2024 causing damage estimated at \$32.2 billion. Further, the Jamaican economy contracted by 3.5 percent in the second quarter of FY2024/25 and may contract by a further 1.5 percent in the final quarter of the year. During FY2025/26, the impact of natural disasters could result in re-allocation of resources from programmed budgeted activities to emergency disaster recovery activities, which may result in adjustment to the ABP. However, this is dependent on the extent of variation in related cost relative to available resources under the Disaster Risk Management Framework; and
- Possible reoccurrence of a pandemic:** Although the World Health Organisation officially declared an end to the recent global coronavirus pandemic in May 2023, there are currently a number of active Covid-19 cases in Jamaica. Additionally, cases of H5N1, or avian (bird) flu have been reported in the U.S., and there have been sharp increases in cases of respiratory illnesses in China as well. A possible resurgence of the Covid pandemic, or the spread of any other pandemic in Jamaica may require the diversion of significant funding from budgeted activities. This would have significant consequences for the Government's borrowing plan, as well as its issuance strategy.

### 8.3 Active Liability Management Operations

Sovereign liability management focuses on the strategies undertaken by governments to exploit opportunistic market transactions to realign debt portfolios consistent with debt management objectives, such as mitigating refinancing and interest rate risks, reducing the debt stock, and extending the maturity profile. These objectives can be achieved by utilizing liability management tools such as buybacks, swaps, switches, exchanges and roll-overs to capitalize on market opportunities aimed at managing costs and mitigating debt portfolio risks.

The efforts to achieve debt targets, in a post-pandemic world with economic challenges and/or unstable financial markets compounded by geopolitical tensions require continued focus on prudent debt management. Over the years, the Government of Jamaica (GOJ) has successfully executed several liability management activities that have improved the debt composition, and realized net interest cost savings, while acquiring inflows that satisfied the financing requirement. Despite these successes, the portfolio is still exposed to inherent risks from global economic uncertainties such as climate events, escalating geopolitical tensions, and adverse changes in trade policies. The resulting effects include rising interest rates, high inflation and increased foreign currency risk exposure. Therefore, it is important that the GOJ continues to be proactive and vigilant in its pursuit of liability management operations that could address the risks, while aiming to achieve its medium-term debt targets.

Based on prior success, the Government remains optimistic in pursuit of improving the debt portfolio composition and is committed to exploring opportunistic liability management proposals during FY2025/26. Consistent with Section 6 of the PDMA, the Minister with responsibility for Finance is authorized to undertake LMOs geared towards improving the debt portfolio's risk parameters.

Recently, there has been gradual improvement in the global financial markets, with inflation being closer to target, resulting in the relaxation of monetary policy by Central Banks. Over the short-term, global interest rates are expected to continue trending downwards. However, due to identifiable economic risks and challenges currently facing the global market, the authorities have indicated an intention to be cautious in monetary policy easing. This anticipated downward movement in global interest rates in the short- to medium-term could strengthen the current demand for fixed income securities as investors seek to capitalize on prevailing market rates. Consequently, during FY2025/26, the GOJ will continue to monitor the capital markets in pursuit of opportunities that are supportive of the medium-term debt targets.

**Table 13: Proposed Issuance Calendar for GOJ Instruments during FY2025/26**

<b>SUBSCRIPTION DATE</b>	<b>INSTRUMENT TYPE</b>	<b>METHOD OF ISSUE</b>
<b>Q1</b>		
April 9, 2025	3-month and 6-month T-Bill Tenders	Auction
April 25, 2025	Reopen FR 11.875% BIN 2030 – <b>5-yr</b> Reopen FR BIN 2035 – <b>10-yr</b>	Auction Auction
May 7, 2025	3-month, 6-month and 9-month T-Bill Tenders	Auction
May 28, 2025	Reopen FR BIN 2035 – <b>10-yr</b>	Auction
June 4, 2025	3-month and 6-month T-Bill Tenders	Auction
<b>Q2</b>		
July 9, 2025	3-month, 6-month and 9-month T-Bill Tenders	Auction
July 25, 2025	Reopen FR 9.625% BIN 2031 – <b>6-yr</b>	Auction
August 5, 2025	3-month, 6-month and 9-month T-Bill Tenders	Auction
August 22, 2025	Reopen 11.875% BIN 2030 – <b>5-yr</b> Reopen FR 11.25% BIN 2046 – <b>21-yr</b>	Auction Auction
September 3, 2025	3-month and 6-month Treasury Bill Tenders	Auction
<b>Q3</b>		
October 8, 2025	3-month, 6-month and 9-month T-Bill Tenders	Auction
October 10, 2025	Reopen FR 11.875% BIN 2030 – <b>5-yr</b>	Auction
November 5, 2025	3-month, 6-month and 9-month T-Bill Tenders	Auction
November 26, 2025	Reopen FR BIN 2040 – <b>15-yr</b>	Auction
December 3, 2025	3-month and 6-month Treasury Bill Tenders	Auction
<b>Q4</b>		
January 7, 2026	3-month and 6-month Treasury Bill Tenders	Auction
January 28, 2026	Reopen FR 9.625% BIN 2031 – <b>5-yr</b> Reopen FR 8.50% BIN 2061 – <b>35-yr</b>	Auction Auction
February 4, 2026	3-month, 6-month and 9-month T-Bill Tenders	Auction
March 4, 2026	3-month and 6-month T-Bill Tenders	Auction
March 27, 2026	Reopen FR 11.875% BIN 2030 – <b>4-yr</b> Reopen FR BIN 2040 – <b>14-yr</b>	Auction Auction

\*Benchmark Investment Note (BIN)

Note: Schedule is subject to change.

Source: Ministry of Finance and the Public Service

**Table 14: Proposed Schedule for Treasury Bills**

<b>For Fiscal Year 2025/26</b>		
<b>Proposed Treasury Bill Tranche</b>	<b>Proposed Tender Date</b>	<b>Proposed Issue Date</b>
<b>Quarter 1</b>		
3 & 6 month T/Bills	April 9, 2025	April 11, 2025
3, 6 & 9 month T/Bills	May 7, 2025	May 9, 2025
3 & 6 month T/Bills	June 4, 2025	June 6, 2025
<b>Quarter 2</b>		
3, 6 & 9 month T/Bills	July 9, 2025	July 11, 2025
3, 6 & 9 month T/Bills	August 5, 2025	August 8, 2025
3 & 6 month T/Bills	September 3, 2025	September 5, 2025
<b>Quarter 3</b>		
3, 6 & 9 month T/Bills	October 8, 2025	October 10, 2025
3, 6 & 9 month T/Bills	November 5, 2025	November 7, 2025
3 & 6 month T/Bills	December 3, 2025	December 5, 2025
<b>Quarter 4</b>		
3 & 6 month T/Bills	January 7, 2026	January 9, 2026
3, 6 & 9 month T/Bills	February 4, 2026	February 6, 2026
3 & 6 month T/Bills	March 4, 2026	March 6, 2026

**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 IX: DEVELOPMENT OF THE DOMESTIC MARKET

### 9.1 Government Domestic Debt Market

Geopolitical events continue to negatively affect the global financial markets. As a result of the conflict in Ukraine, there have been worldwide disruptions in energy markets and increases in defence spending. Additionally, major economies are struggling with rising debt that could endanger economic growth. In the September 2024 quarter, the debt-to-GDP ratio in the United States increased by 71 bps, from 122.3 percent in the June quarter to 123.0 percent in the September quarter, and there are expectations of a further increase in the near future. However, on a positive note, financial analysts have predicted that 2025 could be an evolutionary year for crypto assets, with the passage of regulatory reforms which would increase the adoption of crypto assets in the financial services sector. Although global uncertainties persist, economies and businesses continue to demonstrate resilience, which lays the foundation for cautious optimism.

Whilst the Jamaican economy is not insulated from the complexities of the global financial market environment, the sound legal and regulatory framework implemented by the Government of Jamaica in prior years, as well as strict adherence to fiscal discipline have placed the Government on a path to realize the legislated debt-to-GDP target of 60.0 percent or less by end-FY2027/28.

The rise in inflation, and other global financial issues such as supply chain disruptions led to, *inter alia*, increases in interest rates in the domestic market. Consequently, market players became more conservative and chose to invest mainly at the short- to medium-end of the yield curve or hold cash and other liquid assets. This resulted in low-to-moderate market liquidity, increased borrowing cost to the GOJ, and the potential for increased refinancing risk in the debt portfolio.

The Government of Jamaica is resolute in its commitment to the further development of an efficient domestic capital market which will satisfy the need of all stakeholders. In the upcoming fiscal year, the GOJ will continue to expend resources and efforts, and employ strategies that promote a deep and liquid market to support fund raising activities at the lowest possible cost with a prudent degree of risk. Despite the ongoing global economic challenges and uncertainties, the Jamaican economy has continued to achieve marked improvements in some critical macroeconomic variables such as interest rate, inflation, debt-to-GDP, and the net international reserves, which are pivotal to market development.



## 9.2 Domestic Financial Market Development

Financial markets pair buyers with sellers, or lenders with borrowers, thereby facilitating the trading of financial instruments at specified reporting periods, while also mirroring the performance of the economy. A stable economy is generally supported by a well-developed financial market.

A healthy financial market facilitates wealth creation, and fosters relationships between savings and investments that meet the short-term and long-term financial needs of institutional investors and the private sector through efficient mobilization and allocation of surplus. All sectors, whether primary, secondary, or tertiary, need capital injection for growth, and the availability of capital is anchored by sound financial systems.

During FY2025/26, the Government will continue developing the domestic capital market through the pursuance of market activities which encourage economic growth and development without crowding out the private sector. Additionally, the GOJ will continue to execute debt management strategies that aim to: i) enhance secondary market trading; ii) lengthen the maturity of the domestic debt; iii) reduce pricing risk; iv) minimise debt servicing cost; v) increase investor confidence; and vi) broaden market consultations with key players.

During the upcoming fiscal year, the GOJ will continue to engage all stakeholders regarding reform of the Primary Dealers (PDs) System. Certain requirements in the existing PD agreement, as well as the prolonged dearth of sufficient assets in the domestic market have presented challenges for PDs in terms of fulfilling contractual obligations. The inability of market participants to meet these requirements could negatively affect their PDs designation status. To that end, it is imperative that the PD agreement be reformed in the short-term.

One of the roles of a Primary Dealer is to be a market maker; however, under the current regime, PDs mainly buy and hold GOJ benchmark investment notes, thereby limiting secondary market trading. The low levels of trading have resulted in price inefficiency in the market, which negatively affects the following: pricing of government securities, widening the investor base, reducing market cost and risk and furthering development of the domestic market.

Vision 2030 is Jamaica's long-term strategic development roadmap, which embodies the plans and processes for the realization of a collective vision, encapsulated in the statement: "Jamaica, the place of choice to live, work, raise families and do business." In 2020, Jamaica was ranked seventy-one among one hundred and ninety economies in terms of ease of doing business, according to the World Bank annual ratings.

A well-developed financial market is supported by infrastructure that fosters efficiency and transparency, which enables the ease of doing business. Infrastructure such as fixed income trading

platforms facilitate electronic secondary market trading of debt securities and facilitates the ease of undertaking financial trading transactions as it pairs buyers with sellers while, *inter alia*, broadening the investor base.

In the upcoming fiscal year, the GOJ, along with its stakeholders: the BOJ, the Jamaica Stock Exchange (JSE), and the Financial Services Commission (FSC) intends to complete the implementation of the Fixed Income Trading Platform (FITP). Development of the platform is well advanced, and full implementation is scheduled to be realised during FY2025/26. The FITP has functionalities that will enable transparency, development of an efficient yield curve and effective valuation of financial instruments. Additionally, the implementation of the platform is envisaged to provide wider access to GOJ securities, while boosting secondary market trading and improving market operations.

The Central Bank lowered the policy rate four times during FY2024/25, from 7.00 percent in August 2024 to 6.00 percent in December 2024. Consequently, all other benchmark rates in the market, including the T-bill rate, have been declining. This bodes well for domestic debt service cost and the GOJ's overall cost of borrowing, which is expected to remain low during FY2025/26. In keeping with the MTDS' objectives of raising debt at minimum cost with a prudent degree of risk, the GOJ is looking forward to the lower yield levels, while maintaining a presence in the market with regular issuances of fixed-rate securities along all segments of the curve.

On July 30, 2024, the JSE launched the Jamaica Green, Social, Sustainability and Sustainability-Linked Bond Guide (GSS+ or Green Bond), which is a comprehensive resource designed to support issuers, investors, and other stakeholders in navigating the evolving green financing landscape. It provides detailed insights into the principles, frameworks and best practices underpinning these financial instruments. The Green, Social, Sustainability and Sustainability-Linked Bond Guide was developed with the support of IDB Invest and other local and international partners.

Green bonds are a type of fixed-income investment used to fund projects with positive environmental impact. Green bonds offer investors a specified return, and the proceeds are intended to finance or refinance sustainable projects, either in part or whole. These bonds are issued by public, private or multilateral entities to raise capital for initiatives that contribute to a more sustainable economy and generate identifiable climate, environmental, or other benefits.

It is anticipated that the JSE Green Bonds will raise funds in Jamaica and regional debt markets to finance environmentally sustainable activities. Additionally, green bonds can facilitate the establishment of public-private partnerships (PPPs), which can in turn encourage green investment and lead to the adoption of new technologies in green financing. Given that green bonds can raise funds in Jamaica's debt market, as well as facilitate PPPs, this will provide investors with a new

type of asset. Additionally, this new paradigm shift will further widen the investor base and contribute to development of the domestic debt market.

To further the development of the domestic debt market during FY2025/26, the Government will continue its policy to:

- Conduct debt operations openly, equitably, and transparently;
- Provide timely reports and statistics on the debt and on the debt management operations;
- Publish a Schedule of Domestic Debt Securities and T-bill tenders and results for FY2025/26; and
- Engage with all players on debt management issues.

## **SECTION X: INVESTOR RELATIONS**

The Investor Relations Unit (IRU) of the Debt Management Branch (DMB) serves as the primary channel through which the GOJ manages its communication with domestic and international stakeholders, aligning with global best practices in debt management. Through the Investor Relations Programme (IRP), the GOJ implements a framework of strategies and activities to elevate two-way communication and timely information sharing; strengthen stakeholder relationships; enhance visibility and transparency; and manage stakeholder expectations effectively. The structured execution of the IRP enables the GOJ to systematically engage key stakeholders such as investors, creditors, analysts and ratings agencies. This supports the DMB's mandate to raise adequate budgetary financing at the lowest possible cost and within acceptable levels of risk.

During the first three quarters of the fiscal year, the DMB remained committed to engaging with domestic market stakeholders prior to dates outlined in the GOJ's proposed issuance calendar. The Debt Management Branch conducted one-on-one meetings with securities dealers, insurance companies, pension funds and commercial banks to determine the level of interest in the proposed issuances and gather market intelligence on prevailing market conditions. Additionally, the redesigned DMB website, which aims to enhance the dissemination of information to investors and other stakeholders, was launched in December 2024.

In July 2024, Jamaica was one of nine countries included in the International Institute of Finance's (IIF) 2024 Annual Investor Relations Programme assessment report for the first time. Jamaica ranked 24th out of the 50 assessed countries with an overall score of 36.21 out of 50. Jamaica's IRU was graded highly on the availability of forward-looking information (3/3) and structural information (2/2); web-based communication (2/2) and bilateral meetings (1/1) with investors; non-deal roadshows (1/1), the reflection of investor feedback in policy decisions (3/3); the availability of a dedicated IR website (3/3); and effective data transparency of key elements (3.25/4).

As is customary, the IRU supported the annual assessment of Jamaica's creditworthiness by organizing meetings with representatives from private and public sector entities as well as bilateral partners. As a result, on September 24, 2024, Standard & Poor's affirmed the GOJ's Long-Term Foreign and Local Currency Issuer Default Rating (IDR) at 'BB-', revising the outlook from 'Stable' to 'Positive'. This rating action reflected S&P's assessment of the country's continued strengthening of institutional and policy frameworks which the Agency asserted will lead to more sustainable public finances and balanced long-term economic growth. The change in outlook was based on the GOJ's proactive policies and actions to secure access to diverse financing products to mitigate financial disruptions from disasters, and the Bank of Jamaica's continued

modernization, legal independence and official inflation-targeting mandate. Fitch Ratings conducted their assessment during January 2025 and is expected to publish their review before the end of FY2024/25.

For FY2025/26, the DMB will continue to inform and engage stakeholders through: One-on-One and Bi-annual Domestic Market meetings; timely updates to the new DMB website; debt management-related messaging through the Ministry of Finance and the Public Service's (MOFPS's) social media platform; the execution of least two (2) investment forums in tertiary institutions to promote financial literacy as well as broaden and diversify the Government's investor base; and participation in the MOFPS's Budget School Tour. In addition, the GOJ will seek to improve its ranking in the IIF's Investor Relations Programme assessment by engaging proactively with stakeholders; leveraging digital technology to strengthen communication and information sharing; and upgrading investor feedback mechanisms. This will enable the GOJ to enhance the disclosure of comprehensive and timely data in the interest of accountability and transparency.

## SECTION XI: CONCLUSION

The GOJ's Medium-Term Debt Management Strategy (MTDS) for FY2025/26 – FY2028/29 outlines planned debt operations for the medium-term. It assesses portfolio costs and risks associated with alternative financing strategies to determine a preferred option. The chosen strategy, **S1**, aligns with the Government's debt management goals of securing sufficient financing at the lowest possible cost while maintaining prudent risk levels and fostering the growth of the domestic debt market.

Overall, there were marginal improvements in the debt portfolio's risk profile. Supported by two successful LMOs and vibrant participation in the domestic market, foreign currency risk exposure improved. This was evidenced by a \$237.7 million reduction in outstanding foreign currency-denominated debt and a 0.8 percentage point reduction in the share in total debt over the review period. Notwithstanding, the nominal level of foreign currency-denominated debt remains high and foreign currency risk remains predominant. The GOJ will continue to monitor market conditions and pursue avenues to support the mitigation of foreign currency risk in the portfolio. The risk associated with contingent liabilities related to Government-guaranteed loans decreased, with the GGL-to-GDP ratio declining by 0.7 percentage points to 1.3 percent, well within the 3.0 percent legislated cap for FY2026/27. There was also a reduction in the stock of public bodies' non-guaranteed debt over the review period. The portfolio's average time-to-maturity increased by 0.3 year relative to end-March 2024, indicating a reduction in refinancing risk exposure.

Debt-to-GDP is expected to continue on a downward trajectory to 68.7 percent at end-FY2024/25, a 4.6 percentage point reduction relative to end-FY2023/24. The GOJ remains on track to meet the legislated target of 60.0 percent or less at end-FY2027/28. These improvements in debt dynamics, along with improvements in the GOJ's institutional framework led to an improvement in Jamaica's rating outlook from "Stable" to "Positive" from the Standards and Poor's Ratings Agency.

In the upcoming fiscal year, the GOJ will remain steadfast in its commitment to enhancing an efficient domestic capital market that meets the needs of all stakeholders by allocating resources, implementing strategic initiatives, and fostering a deep and liquid market to facilitate fundraising activities at the lowest possible cost while maintaining a prudent level of risk. The GOJ, through the IRP, launched the modernized DMB website in December 2024. This will further support the Government's continued efforts to promote transparency, openness, and accessibility in debt operations.

## ANNEX I: METHODOLOGICAL INDEX – MODELLING OF THE MTDS

### Scope

- The modelling of the Medium-Term Debt Management Strategy (MTDS) incorporates Central Government Debt and Guaranteed Debt serviced by the GOJ.

### Time Horizon

- The medium-term spans four fiscal years (FY2025/26 to FY2028/29). FY2024/25 represents the base year.

### Inputs

- The MTDS toolkit uses debt portfolio data as at end-December 2024, forward dated to end-March 2025 using planned amortizations for the final quarter of the fiscal year. The toolkit also utilizes planned amortizations and fixed interest payments by fiscal year starting in FY2025/26.
- The securities and loans in the debt portfolio are grouped in representative “baskets” based on maturity period, currency, interest type and indexation (e.g. inflation-linked instruments). These baskets are used to construct five alternative financing strategies to be assessed.
- Other inputs include projected macro-fiscal data such as: nominal GDP, net international reserves, the JMD/USD exchange rate, inflation provided by the Bank of Jamaica; planned revenue and expenditure provided by the Ministry of Finance and the Public Service; and market data such as domestic and external interest rate projections.

### Data Classification

- The classification of domestic and external debt in the IMF/World Bank Toolkit utilizes the currency criterion. As such, domestic debt refers to local currency-denominated debt while external debt refers to debt denominated in foreign currencies. This differs from the GOJ classification which follows the source of financing criterion.

### Assessment of Financing Strategies

- The projected cost and risk indicators for each financing strategy are assessed by weighting interest cost, interest rate risk, refinancing risk and foreign currency risk according to the Government’s priorities.

- The projected outcomes are ranked from least favoured to most favoured and graded on a scale from one (1) to ten (10) with a score of one (1) being assigned to the least favoured outcome and ten (10) being assigned to the most favoured. Where risks are represented by more than one indicator, the scores for each indicator are averaged.

## **Limitations**

- The forward-dating of the debt stock as an input in the MTDS toolkit does not account for planned issuances or loan raising in the final quarter of the fiscal year. Therefore, the results provided by the MTDS toolkit might not accurately reflect the portfolio's composition at the end of the base year (FY2024/25).
- The Government of Jamaica defines total public debt as Central Government debt in addition to net public bodies debt; that is, the debt of self-financing public bodies less crossholdings such as loans from Central Government or public bodies' investments in GOJ instruments. Net public bodies' debt cannot be projected using the MTDS toolkit. As a result, debt-to-GDP is projected using a separate tool which accounts for Central Government loan receipts and amortization, and internal projections for net public bodies' debt.



## ANNEX II: COST AND RISK INDICATORS FOR SELECTED LAC SOVEREIGNS

	end-Dec 24	end-September 2024				
	Jamaica	Jamaica	Brazil	Dominican Republic	St Lucia	Bahamas
<b>Implied Annual Interest Cost</b>						
Domestic	8.2	8.6	10.6 <sup>a</sup>	10.5	n.d.	n.d. <sup>b</sup>
External	6.5	6.5	15.3 <sup>a</sup>	6.7	n.d.	n.d. <sup>b</sup>
Total	7.2	7.3	10.8 <sup>a</sup>	7.8	4.9	5.8
<b>Interest Rate Risk</b>						
Variable Rate Debt	27.4	27.5	45.3	12.4	18.8	37.9
Debt Refixing in 1 year (% of total)	32.8	32.6	n.d.	n.d.	36.6	57.5
Average Time to Refixing	8.0	8.0	n.d.	9.2	5.2	4.3
<b>Refinancing Risk</b>						
Debt Maturing in 1 yr (% of total)	10.8	11.6	17.8	3.7	18.3	27.5
ATM (Years)	10.1	10.2	5.5	10.1	7.0	6.1
<b>Foreign Currency Risk</b>						
FX debt as (% of total debt) <sup>c</sup>	59.1	59.5	4.1	69.7	53.8	47.1
<b>Memorandum</b>						
Debt-to-GDP		72.9	77.4	46.1	69.6 <sup>d</sup>	79.1
Credit Rating <sup>e</sup>						
S&P		BB-	BB	BB	n/a	B+
Fitch		BB-	BB	BB-	n/a	B+
Moody's		B1	Ba1	Ba3	n/a	B1

Sources: Ministry of Finance and the Public Service - Jamaica; Ministry of Finance - Commonwealth of the Bahamas; Ministry of Finance, Economic Development & Youth Economy - Saint Lucia; Ministerio de Hacienda Direccion General de Credito Publico - Republica Dominicana; Secretaria do Tesouro Nacional Ministerio da Fazenda – Brasil; Banco Central do Brasil

### **Notes:**

n.d. – no data

n/a – not applicable

<sup>a</sup> Brazil publishes cumulative average interest cost while data for the other sovereigns refers to the weighted average interest cost.

<sup>b</sup> The Bahamas publishes the weighted average interest cost of domestic and external debt for loans and bonds separately. The weighted average interest rate for domestic bonds was 4.6 percent at end-September 2024, while the weighted average cost of domestic loans was 4.7 percent. Additionally, the weighted average cost of external bonds was 7.3 percent, while the weighted average cost of external loans was 7.0 percent. This compares to Jamaica's weighted average cost of external bonds which was 7.8 percent at end-September and the weighted average cost of external loans which was 5.2 percent.

<sup>c</sup> The local currencies of Saint Lucia (XCD) and the Bahamas (BSD) are pegged to the USD. This mitigates foreign currency risk in the respective portfolios to the extent that foreign currency-denominated debt is issued in USD.

<sup>d</sup> Saint Lucia's debt-to-GDP ratio is a preliminary estimate for end-March 2024.

<sup>e</sup> Credit Ratings are the most recent available at the time of publication.

## **GLOSSARY**

### **Advanced Economy**

The term advanced economy is used to describe the most developed countries in the world. While there is no established numerical convention to determine whether an economy is advanced or not, they are usually defined as having a high level of per capita income, a very significant degree of industrialization, a varied export base, and a financial sector that's integrated into the global financial system.

### **Amortization**

Amortization 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**).

### **Consumer Price Index**

A consumer price index (CPI) is a statistical estimate of the level of prices of goods and services bought for consumption purposes by households. It is calculated as the weighted average price of a market basket of consumer goods and services.

### **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.

### **Crypto Asset**

A crypto asset is a digital asset designed to work through a computer network that is not reliant on any central authority, such as a government or bank, to uphold or maintain it.

### **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).

### **Disinflation**

Disinflation is a temporary slowing of the pace of price inflation. It is used to describe instances in which the inflation rate has reduced marginally over the short term.

### **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**

Inflation is a general increase in the prices of goods and services in an economy. This is usually measured using a consumer price index (CPI).

## **Inflation-Linked Bonds**

Inflation-Linked 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 refer 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, 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.

### **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.

### **Tariff**

A tariff is a tax imposed by a government on imported or exported goods. It serves as a source of revenue for the government and can also protect domestic industries from foreign competition.

### **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.