

## FINANCIAL POLICY COMMITTEE STATEMENT

On its review of the financial system's performance for 2021 as well as current and emerging risks, the Financial Policy Committee ("the FPC") issues the following statement:

*"While the Jamaican financial system continued to be affected by the COVID-19 pandemic during 2021, early signs of economic recovery began to manifest during the second half of the year, following the significant contraction in 2020. Jamaica's real economic activity expanded by an estimated 4.5 per cent for 2021 with growth reflected in most of the economic sectors. The performance of the economy was also reflected in improvements in the labour force, with a fall in the unemployment rate of 3.6 percentage points to 7.1 per cent at October 2021.<sup>1</sup>*

*The asset base of deposit-taking institutions (DTIs) expanded slowly during 2021. This reflected a slowdown in the growth in credit to the private sector by 2.8 percentage points to 7.6 per cent. Credit growth was uneven as the growth in DTIs' credit to households accelerated by 1.1 percentage point to 9.9 per cent while the growth in DTIs' credit to the corporate sector slowed to 4.5 per cent for the year, compared with a growth of 12.8 per cent in 2020. In this context, changes in the quality of loans were mixed as households' loan quality remained stable but the loan quality for the corporate sector declined marginally for the year. Moratoria arrangements continued to be phased out as the value of loans under moratoria declined by 78.9 per cent for the year. As economic activity recovered during 2021, non-deposit-taking institutions (NDTFIs) asset base also increased and the composition of their assets remained relatively stable. Overall, financial institutions remained liquid and well-capitalized.*

*The Bank's Annual Financial Stability Report for 2021 analysed the risks to the financial system under the evolving macroeconomic conditions and found these risks to be moderate. The composite indices of the macro-financial environment improved during 2021, reflecting improvements in the stock market and overall economic growth.*

*Looking forward, the principal risk to the financial system arises from rising inflationary pressures and climate risk. Stress tests were carried out on the various financial sub-sectors in order to evaluate their resilience to adverse scenarios involving a climate-related shock and elevated inflationary pressures. The results pointed to the financial system remaining broadly resilient in the face of these shocks.*

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<sup>1</sup> Source- Statistical Institute of Jamaica (STATIN)

*The FPC continues to support the coordinated efforts of the BOJ and the Financial Services Commission (FSC) to carry out enhanced system surveillance to ensure a sound financial environment. The FPC also supports the continued commitment to financial inclusion efforts by the Authorities, which will serve to improve the functioning of the financial system.*

*The Report is available at <https://boj.org.jm/wp-content/uploads/2022/03/Financial-Stability-Report-31.03.2022.pdf>*

**Financial Policy Committee**

**08 April 2022**