



## **How Competitive Are Jamaica's Banks? A New Study Has Answers**

In June 2026, the Fair Trading commission published a report on the its research into the commercial banking sector. According to the report, competitive dynamics in the commercial banking sector are slowly evolving, but a small number of major banks continue to dominate.

A comprehensive new study examining Jamaica's commercial banking sector over the past 25 years has revealed a complex picture. The research finds that while banks operate as if they are in a competitive market, the industry remains highly concentrated, with just a few institutions controlling most of the banking activity.

The study, conducted by Carlton Thomas, a Competition Analyst at the Fair Trading Commission, covers the period from 2000 to 2024. It uses two different methods to measure competition, and the findings challenge simple assumptions about how Jamaican banks operate.

### **Two Different Stories**

The research found what appears to be a contradiction. When economists measure how banks respond to changes in their costs like the cost of borrowing money, paying staff, or maintaining branches Jamaican banks behave much like banks in a highly competitive market. They pass cost changes on to customers, which is what you would expect in a market where no single bank has too much power.

However, when you look at who controls the money in the banking system, a very different picture emerges. For the entire 25-year period, the market has remained highly concentrated. Together, National Commercial Bank (NCB) and Scotia Bank Jamaica have consistently outpaced all other banks in the country. Together with these two banks control over 60 percent of all banking assets in Jamaica.

The explanation for this apparent contradiction lies in another key finding. The banking sector is not in what economists call "long-run equilibrium." In simpler terms, banks are still earning above-normal profits, and new competitors have not been able to fully break down the advantages of established players.

### **A History of Change**

The Jamaican banking sector has seen significant changes since 2000. Banks have merged, been acquired, and changed names. Trafalgar Commercial Bank became First Global Bank. CIBC Jamaica

became FirstCaribbean International Bank and more recently CIBC Caribbean Bank. PanCaribbean Bank became Sagicor Bank.

Two major entries occurred in 2017 when Jamaica National Building Society became JN Bank and JMMB Merchant Bank became JMMB Bank. These entries did reduce market concentration. Concentration fell after their arrival, but the impact was not enough to fundamentally challenge the position of the top players.

### **Different Markets, Different Competition**

The study found that competition varies significantly across different banking activities. The loans market is the most concentrated, meaning the biggest banks have the strongest grip on lending. This could potentially mean fewer options and higher rates for borrowers.

Deposits showed the lowest concentration of the three measures examined. Customers distribute their savings more evenly across banks, possibly because smaller banks offer better rates or service to attract depositors.

### **A Market Still in Transition**

The study describes Jamaica's banking sector as "a market in motion." It is neither a textbook oligopoly where competition is stifled, nor a perfectly competitive market where profits are fully contested. Instead, it is an industry caught in transition.

Recent years have seen industry profitability trend downward. Profits have fallen from higher levels in the early 2000s to more subdued levels in 2024. This suggests increasing competitive pressure, particularly following the entry of JN Bank and JMMB Bank in 2017.

The COVID-19 pandemic also disrupted normal competitive dynamics. During the crisis, the usual relationship between bank costs and revenues was temporarily altered. The study found a temporary decline in competitive behavior during the COVID-19 pandemic.

### **What This Means for Customers**

For everyday Jamaicans, the findings paint a mixed picture. On the positive side, banks generally do pass cost changes on to customers. When costs fall, rates tend to fall. This behavior is consistent with competitive markets.

However, the persistence of high concentration means that the biggest banks maintain significant market power, particularly in lending. This could potentially translate into higher borrowing costs for consumers and businesses than would exist in a more competitive market.

The good news is that the trend is toward lower concentration, although the process has been slow. New entrants have made a difference, and the continued evolution of the sector including the growing role of digital banking and credit unions may further increase competitive pressure in the years ahead.

## **What Policymakers Should Consider**

The study offers several important takeaways for regulators and policymakers. First, policies that make it easier for new banks to enter the market appear to be working. The entries of Sagicor, JN Bank, and JMMB Bank have gradually reduced concentration over time.

Second, the disruption caused by COVID-19 shows that even seemingly robust competitive dynamics can be fragile during crises. Regulators should consider how to maintain competitive pressure even in times of economic stress.

## **The Road Ahead**

As Jamaica's banking sector continues to evolve, the tension between market structure and competitive conduct will likely shape its future. The picture is one of gradual change, a market slowly becoming more competitive, but still carrying the weight of decades of concentration.

From a consumer perspective, the message is clear: competitive conditions in the banking sector are evolving slowly but remain far from ideal. Shopping around for the best deals remains important. With digital banking making it easier for new players to offer various products, the next 25 years could bring further changes.

*June 2026*