Address:

UWI Actuarial Society 9th Annual Awards Dinner

Brian Wynter

Governor

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Head of Department, Conell Kelly; President, Lauren Innis; Vice President, Justine Powell; other members of the executive council, members of the UWI Actuarial Society, special guests, members of the Faculty of Pure and Applied Sciences, students, awardees, ladies and gentlemen, good evening.

If your Society's activity on social media is anything to go by, then I have to commend you for running a vibrant organisation, dedicated to mentoring young people, grooming them for leadership and giving back to society, as well as promoting and upholding the highest ideals of your important profession. In that regard, I am flattered to be invited to speak to you and I am happy to be a part of an event that encourages and rewards excellence.

The work of an actuary is largely about calculating risk and, in wearing the hat of supervisor of banks, I can safely say the central bank has a lot in common with your profession, as the analysis, management and mitigation of risk has now become an especially critical component of maintaining a healthy financial sector. Like our economists, actuaries also spend time evaluating the likelihood of future events, using numbers instead of crystal balls, and so, if we switch to wearing our other hat of monetary authority, the central bank finds common ground with you there as well.

I am not sure what thoughts exactly went into choosing this evening's theme, *"Around the world, to infinity and beyond,"* but since it sounds like a nice tagline for promoting a greater emphasis on the export of Jamaican goods and services, which is part of my message for you this evening, then I'm sure you won't mind if I borrow it.

Ladies and gentlemen, growth and job creation, built by boosting the production of goods and services for export and competitive import substitution, are the essential outcomes to be achieved from the current economic programme. Even while we continue to make progress in stabilising the economy, we should not only be talking more about growth, we should be doing things to achieve it, and exporting and substituting for imports competitively are exactly what we need to be doing.

We have a lot of work left to do and certainly problems remain, but I am a proud Jamaican and I believe in our talent. I know that I am not alone in this belief. In time, I believe that the consultant services of our professionals like actuaries and economists, the creativity of our artists, our artistes and our artisans, as well as the flavour of our tomatoes and pineapples and other crops, to name just a few, will, like our tourism and coffee and spices and rum, all start to have the global impact of a Bob Marley and a Usain Bolt – *around the world, to infinity and beyond*.

Of course, it takes time for economic reforms to take hold and take effect and it takes time, as well as diligence and grit, for entrepreneurs to adjust to changing conditions, even if those changes are positive and so a little bit of "wait and see" is to be expected.

Some of that "wait and see" stance involves concern about the exchange rate.

Over the last 30 months, Jamaica has made significant strides in correcting what was a significantly overvalued exchange rate. While it has been painful for most of us, the correction, and the continued flexibility of the exchange rate, has helped us to regain nearly all of the external price competitiveness which had been lost in the preceding years.

I am aware that people are still talking about the exchange rate with some apprehension, and some still point to the rate, in isolation, as a negative economic indicator. But things have changed and we are operating now in a new paradigm, and we need to get used to it.

In the past, depreciation at the levels we have seen (13.3 per cent in fiscal year 2012/13 and 10.8 per cent in fiscal year 2013/14) would have triggered a massive wave of sustained price increases and inflation would have wiped out whatever degree of competitiveness we gained from the adjustment. It is very significant that we remember that it did not happen this time. Inflation has remained low and continues to fall despite all that depreciation and despite where the rate is now. This is compelling evidence that conditions are now very different and that the pass-through effects of depreciation are in fact much less than in previous years.

What this means is that this time we have been able to hold on to the gains that were made in increased competitiveness and that those gains remain on the table to be exploited by the business people, entrepreneurs and risk-takers amongst us. If you are engaged in exporting goods and services (including tourism) or in competitive import substitution, then the exchange rate now benefits your bottom line.

Because of what has happened in the past, old habits are hard to break, but the current reality is such that we can now stop worrying about the exchange rate so much. In addition to supporting and encouraging the broader agenda of economic reforms, the main monetary indicator we should be watching now is not the exchange rate, but inflation, and there is little need to worry about the exchange rate if inflation is trending down.

Our focus right now should be in helping the central bank to keep inflation low and steadily make it lower. A stable, low-inflation environment not only facilitates exchange rate stability but, importantly, also contributes to better economic decision-making, more reliable planning and, ultimately, more and better quality investments, job-creation and growth. The critical importance of low, stable inflation, I am sure, is not lost on this group, steeped as you are in the processes and methodologies associated with future valuation of assets and liabilities.

Of course, if your business involves selling into the domestic economy and is entirely based on imports, or has a high import component, then current exchange rate conditions have probably not been good for you at all, but I urge you to be patient. The trend for exchange rate depreciation from here onwards will mainly reflect occasional corrections to compensate for the difference in inflation between us and our trading partners. When we get to the point where our inflation rate is very close to our major trading partners', then there will be little economic basis for depreciation, and I am happy to be able to tell you today that we have made excellent progress towards this goal with the difference now being just a few percentage points.

This brings us closer to the brighter future of higher economic growth that we seek. We will get there by producing locally more of what we would normally import – like growing our own strawberries, using more renewable energy instead of oil and using locally grown cassava instead of imported hops to make beer. We will get there by producing high-quality Jamaican goods and services for niche markets which propel Brand Jamaica *around the world, to infinity and beyond*. Not everybody can be involved in the export business, but all of us, by our consumption choices if not our job activity, can be involved in supporting import-substitution.

Ladies and gentlemen, fiscal policy has continued to improve its efficiency and sustainability, monetary policy has delivered a low inflation environment and both have combined to maintain a low and declining interest rate environment as well as overall stability. However, the brighter future of higher economic growth we seek will not come about on the basis of reforms and government policy initiatives, important and commendable as they may be. Neither will it come on the basis of help from the IMF or anybody else outside of Jamaica. Success will come only with the active participation of private enterprise, people like you, acting together with all components of society to make it happen. The spirit of collaboration between and amongst the public sector, private sector, labour and civil society, highlighted by EPOC, the Economic Programme Oversight Committee, has been singled out for notice by external observers when they contemplate Jamaica's journey so far in this economic reform programme. As we move forward from stability to accelerating growth, that collaboration will be just as vital.

My hardworking staff would not forgive me if I came here and completely neglected to blow our own trumpet, so allow me to remind you that the inflation target for the current fiscal year 2014/15 was set as the range of 7.0 to 9.0 per cent. With inflation for the 11 months of the fiscal year to date at 3.5 per cent, the forecast is for annual inflation to come in below 5.0 per cent, not only significantly better than the target range but the lowest rate for a fiscal year since 1972, 43 years ago. While this outturn owes much to the decline in crude oil prices, I hasten to say that even if oil prices had not fallen, inflation for the fiscal year would still end well within the target range. Notably, with February's price decline, the country has now experienced four consecutive months of deflation, which is unprecedented in our entire history as an independent nation. Indeed, the central bank's near term forecast sees 12-month inflation falling to the 3.0 per cent range by September 2015.

I am mindful that we have not overcome all of our challenges, but much has already been achieved, and there already are opportunities all around, which we must seize and not take for granted. The foundation has been laid, and so now we are looking to the private sector to do what the private sector does best: create value using private enterprise, thereby creating jobs and sustainable economic growth. We now need entrepreneurs and risk-takers to see it, believe it, believe it will last and start investing. Stability is merely a foundation, so start building. A sustained drop in oil prices, while it lasts, is a windfall and an opportunity to invest in reducing energy consumption and to produce more at better prices. Take the opportunity and take Jamaica's earnings and growth *around the world, to infinity and beyond*.

Thank you, ladies and gentlemen.