

Press Briefing on Inflation

Governor Brian Wynter

Good morning. Thank you for coming. I have three things I want to share with you.

1. **The inflation environment has changed.** Inflation for November and December was negative. For the December quarter as a whole inflation was -0.8 per cent. For CY2014 inflation was 6.4 per cent down from 9.5 per cent the year before. At this point it is likely that FY2014/15 inflation will come in below the 7.0-9.0 per cent target. Clearly the rate of inflation is lower than we had originally anticipated. The inflation environment has changed.
2. **The inflation outlook has changed.** We are currently doing the work to inform the Bank's inflation target for FY 2015/16 that will be set by the Minister of Finance at the time of the Budget presentation. So that is to come. But the Bank, in setting monetary policy (such as decisions to increase or reduce interest rates) focuses on its forecast for inflation six to nine months ahead and I want to share with you the Bank's current projection. Our projection is that 12-month inflation as at September 2015 will be in the range of 3.0 per cent to 5.0 per cent.
3. **Turning to the exchange rate, which has been receiving some public attention lately, depreciation for the fiscal year to 20 January has been 5.3 per cent. This is much slower than a year ago when it was 8.1 per cent. We now expect that this will slow further.** Why? Two fundamentals drive the exchange rate.

The first is net current account demand, ie, our net demand for goods and services from abroad. The second is the difference between inflation in Jamaica and inflation in the United States.

The current account deficit has narrowed dramatically. Therefore, net demand from that source is much lower. The significant decline in the international price of oil has turbocharged this process. Meanwhile, the new inflation outlook significantly narrows the inflation differential. This is why we expect that exchange rate depreciation should now slow down.

Thank you.

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