BANK OF JAMAICA

Press Release
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FOR IMMEDIATE RELEASE

INFLATION OUTLOOK HAS CHANGED

In a media briefing today, Bank of Jamaica Governor, Brian Wynter stated that the Bank's outlook for inflation has changed. Disclosing that the Bank's forecast for September 2015 was for 12-month inflation to be in the range of 3.0 per cent to 5.0 per cent, Governor Wynter confirmed that monetary policy decisions focus on the Bank's forecast for inflation six to nine months ahead. Current projections point to the likelihood that fiscal year 2014/15 inflation would be below the 7.0 per cent to 9.0 per cent target.

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The Bank said this outlook was derived from the changed inflation environment. Inflation for November and December 2014 was negative, contributing to inflation of minus 0.8 per cent for the December quarter. For CY2014, inflation was 6.4 per cent, down from 9.5 per cent in 2013.

Regarding the exchange rate, depreciation for the fiscal year to 20 January was 5.3 per cent which was slower than a year ago when it was 8.1 per cent. The Bank expected that the depreciation would slow further because of changes in two fundamentals that drive exchange rate determination: net demand on the current account of the balance of payments and the difference between inflation in Jamaica and inflation in the United States. Governor Wynter said the current account deficit had narrowed dramatically and therefore, net demand from that source was much lower. In addition, the significant decline in the international price of oil had turbocharged the process. Meanwhile, the new inflation outlook significantly narrows the inflation differential. For these two reasons the Bank expected that exchange rate depreciation will now slow down.

Bank of Jamaica's mandate to focus on price stability supports the economic and financial welfare of Jamaicans. Communication of inflation trends and the near-term outlook for inflation plays an important role in anchoring inflation expectations and keeping prices stable.