

**Prepared Remarks for Manchester Chamber of Commerce**

**Macroeconomic Stability: Foundation for Local & National Growth**

**Golf View Hotel**

**Mandeville**

Brian Wynter

Governor

Bank of Jamaica

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Custos of Manchester the Honorable Sally Porteous, Your Worship the Mayor of Mandeville Brenda Ramsey, Superintendent Cameron-Powell, President of the Jamaica Chamber of Commerce Warren MacDonald, President of the Manchester Chamber of Commerce Garfield Green, other distinguished Ladies and Gentlemen, good evening.

For several reasons, I was very happy to accept the gracious invitation of the Manchester Chamber of Commerce to speak at this event.

It is good to even briefly escape the heat of Kingston into the cool climate of Mandeville, and I thank you.

It is also an opportunity to celebrate with you the fact that a talented daughter of Banana Ground here in Manchester was just crowned fastest woman in the world and then promptly celebrated that status in style by completing the sprint double.

The sports enthusiasts and historians among you will of course be aware that producing double-Olympic gold medallist Elaine Thompson is no fluke for Manchester. After all, it was a son of Plowden, here in Manchester, the late great Arthur Wint, who in 1948 beat his teammate Herb McKinley at the 400 metres in London to win Jamaica’s first ever Olympic gold medal. Manchester also produced national hero Norman Manley, who, before becoming famous as a lawyer and then as a politician, was first a supremely talented athlete.

I could continue in this vein, but Manchester’s claim to fame and its contribution to national life goes well beyond sports and politics. Manchester is also a cultural mecca, because it is home to Byron Lee and Ernie Ranglin, musical legends whose accomplishments include both having a hand in the rise of ska, which subsequently gave birth to rock-steady and reggae. Of course, if you listen to the song *Reggae Ambassador* by Third World, you will also hear the late Bunny Ruggs proudly proclaim, “… *come from Mandeville, I’m a true Jamaican*…”

Manchester is also a superstar in the sphere of agriculture. The Irish potato was introduced to Jamaica here in Manchester in 1902. The ortanique orange was developed by Charles Jackson in 1920 right here in Manchester. I can also mention that because of Manchester, Blue Mountain Coffee is not the only premium coffee brand that Jamaica produces, because Jamaica Standards’ High Mountain Coffee is a Manchester product.

With all of this rich history, stature and legacy, ladies and gentlemen, how could I not be happy to be here with you this evening?

I am also happy to be here because I feel a little bit at home.

For reasons about which I will not speculate, some people tell me I *look* as if I have roots in the red dirt of nearby St Elizabeth, and in fact I do, because my father grew up there at Huntley Castle near Pisgah. Since most of Manchester used to be a part of St Elizabeth, that connection therefore makes me connected to Manchester. There is also the fact that former Bank of Jamaica Governor G Arthur Brown is buried here, and so the central bank I represent does indeed have roots in the parish. But best of all, I am lucky enough to have a wonderful wife, and if you like, you can credit her good looks and fine character to the fact that she is from right here in Mandeville!

Ladies and gentlemen, although I do come here to talk to you in relation to your theme, “Economic and Social Development for Manchester,” I hasten to note that as a central banker, it is not my place to offer investment or investment-related advice. However, what I can happily tell you is that a parish with your history and resources - a fertile and productive parish with a capital that is a mining town turned university town with very strong tourism and other business traditions - is more than well-placed to be an economic success and to play a large part in the economic success of the country. I can speak to you in hope because Manchester is already helping Jamaica to lower energy costs through wind-generated electricity at Wigton. I can speak to you in hope because national improvements in agricultural technology, such as agro parks here in Manchester, have increased the country’s ability to continue producing food even in times of drought, and so this has enabled us to keep inflation relatively low even when the weather does not cooperate. I can speak to you in hope because Manchester is already attracting major investments in business process outsourcing. As your Chamber describes itself, you are committed to “promoting and facilitating entrepreneurship through the development and growth of businesses while improving the quality of lives in the parish.” It does take cash to care and it takes entrepreneurship and the growth of business to earn that cash, and so I speak to you in hope because I know many of the brightest minds in Jamaica are here and because I know your entrepreneurial talent is among the best in the country and does not stop at Pickapeppa or National or Holsum Bakery or at Jamaica Standard. I therefore know that more great things are in store for Manchester.

Ladies and Gentlemen, if you invite a preacher to speak to you, you can’t hope to escape without hearing about salvation. Likewise, invite a central banker to speak to you and you cannot hope to escape without a sermon on inflation.

Bank of Jamaica has long asserted that low, stable inflation, in conjunction with stable, balanced, fiscal accounts, is an important pre-condition for sustained GDP growth.

Pause to consider what high inflation rates do to companies and others engaged in productive economic activities. When savers demand higher interest rates on their savings to sustain the purchasing power of their deposits or when they hold larger shares of foreign currency deposits to hedge against imported inflation, these responses push up the cost of funds for firms who want to borrow, particularly MSMEs. When workers demand wage adjustments to compensate for past erosions and to protect against future erosions in their purchasing power, this will also push costs. High inflation also negatively affects producers of internationally traded goods and services because if inflation in Jamaica is much higher than inflation elsewhere, it makes our exports less price competitive in world markets and shrinks the profits of Jamaican exporters. It makes it almost impossible for domestic producers to compete with imported products as local input prices rise faster than foreign producers’ input prices and the price of the imported product in Jamaican dollars. Eventually, the loss of price competitiveness means reduced export orders, increased imports, closure of firms and fewer jobs. The atmosphere of uncertainty sends economic activity underground and worsens economic and social conditions in the country. In a nutshell, ladies and gentlemen, high inflation is anti-growth and very bad news, and I urge you to make every effort to fight it.

Overall macroeconomic management over the past several decades unfortunately allowed the emergence of a trend of high and unsustainable deficits in the current account of the balance of payments, high and unsustainable fiscal deficits, low growth, high unemployment, a national debt of crisis proportions and, of course, high inflation. Thankfully, the current and ongoing programme of economic reform and the renewed commitment to fiscal discipline by the fiscal authorities have made great progress in reversing this trend and the ensuing stability has helped Jamaica pivot firmly towards a low inflation environment. Inflation declined progressively from 13.3% in FY 2009/10 to 3.0% in FY 2015/16.

Our long run objective is to achieve a tolerable rate of inflation for Jamaica – one that does not hurt production incentives by being too high or discourage economic dynamism by being too low. Currently, our medium-term target is for inflation to be in the range of 4.0%-5.0% which approximately matches our major trading partners. For this fiscal year, however, we are committed to meeting a target in the range 4½%-6½%, on our way down to the desired state. Until we get to the point of credibly and sustainably matching the inflation rate of our trading partners, what will compensate for the differential to maintain competitiveness is movement in the exchange rate. Getting to that point, therefore, is what will finally take us out of the cycle of exchange rate uncertainty to a point where we instead see movements in both directions that mostly cancel each other out over the seasonal and annual business cycles. As we approach that point, the exchange rate will decline in importance as a major economic indicator for most people and be replaced with the inflation rate as the major number to watch. In my judgment, the data shows that we have made considerable progress towards this point, so much so that I see it as one of my most important tasks now to assist stakeholders to grasp its significance and give more weight to inflation in their decision-making.

In a related matter, ladies and gentlemen, I invite you to note that since the government improved its fiscal position and reduced its appetite for debt, it simultaneously stopped crowding out private sector investment. At the same time, the atmosphere of increased economic stability has encouraged businesses to take advantage of the resulting crowding in effect. Tight and disciplined fiscal policy has also allowed the central bank to relax monetary policy to encourage investment and economic activity with the lowest policy rate in 20 years. We are now seeing the early results of these policies, as banks have been increasing credit to private sector borrowers, in particular the business sector.

Small firms in Manchester, as is true for the rest of Jamaica, have faced many challenges in growing their businesses, and a recent survey by the *Jamaica Business Development Corporation* indicates that a majority of firms see access to finance as the primary constraint on their growth. Most firms therefore use their own savings to expand, which is a limiting factor. In light of improving credit conditions, I urge you this evening to talk again to your banker or, if they aren’t listening, find a better one! In addition, improvements in the macroeconomy have fostered a booming stock market in Jamaica. More firms, with the relevant professional guidance, which is readily available, should start looking more closely at the stock market as a potential vehicle for raising capital.

Outside of the pressing issues faced by your companies, I note that Manchester appears low on the scale of the public’s access to modern banking services. There are 31 ABMs per 100,000 persons in Jamaica. In Manchester, there are 23 per 100,000. This compares with Kingston & St Andrew and St James where the ratio is 50. In other middle-income countries, the average ratio is 35. This relatively low level of ABM penetration might be adequately serving the parish but I am interested in hearing your views on this matter.

For economic growth to be broad-based and inclusive, which it needs to be if it is to be sustainable, there has to be improved financial inclusion. I am pleased to be involved in the preparation of an umbrella financial inclusion strategy for Jamaica, a national strategy that covers areas such as improving access to finance for the MSME sector, agriculture finance, housing finance, consumer protection and financial literacy. Initiatives include enhancing the retail payments environment so that more and more Jamaicans can enjoy the ease of transactions using electronic retail payment products. With this initiative, the issue of low ABM penetration is unlikely to be a major problem for Manchester in the future.

Ladies and gentlemen, the authorities can do only so much. We are a free-market economy and so the growth we seek cannot, and indeed should not, be driven by government. It must come from the private sector, from people like you in this room this evening.

I know that when I stand in the parish of Arthur Wint and Elaine Thompson, you will understand when I tell you that in terms of economic reform, we are running a relay. Maybe it is just the semi-final, because there is more to do, but the fiscal and monetary authorities have completed their legs and now it is time for the private sector, the star of the show and the anchor, to take the baton and take us to the tape. Ladies and Gentlemen, I say this to all of Jamaica’s private sector and now I say it specifically to you here in Manchester: the foundation has been laid, the seeds have been planted, and it is time for you to make it happen - from Craig Head to Gut River, from Spur Tree to Melrose Hill and from Christiana to Mandeville.

Thank you, Ladies and Gentlemen.