

16 November 2018

BANK OF JAMAICA MAINTAINS POLICY RATE

Bank of Jamaica announces its decision to hold the policy interest rate (the rate offered on overnight placements with Bank of Jamaica) **unchanged at 2.00 per cent**.

This decision reflects the Bank's assessment that inflation will approach the upper end of the 4.0 per cent to 6.0 per cent target by June 2019 and will trend thereafter to the middle of the target range. Bank of Jamaica also judges that current monetary conditions are consistent with inflation returning to the centre of the target of 4.0 per cent to 6.0 per cent over the medium term.

In the Bank's short-term outlook, the key sources of upward price pressure include continued improvements in domestic demand and increases in utility rates. Sources of downward pressure include a slowdown in the pace of price increases for agricultural produce. The Bank's medium-term outlook for inflation of 5.0 per cent incorporates expectations for a gradual acceleration in economic activity (growth in real GDP), buoyed by further strengthening of the US economy and continued domestic monetary accommodation.

The risks to the inflation forecast are assessed to be balanced.

One downside risk, which could cause inflation to be lower than forecasted, is a potential worsening in domestic demand conditions arising principally from the risk of lower-than-anticipated US GDP growth associated with an escalation in the international trade war. Crude oil prices could also be lower than anticipated. The upside risks, which are the factors that could cause inflation to be higher than forecasted, include a stronger-than-anticipated expansionary response of domestic demand to the current accommodative monetary conditions. Other upside risks include adverse weather conditions, second-round effects of increases in regulated prices and heightened inflation expectations.

Macroeconomic indicators continue to be positive.

Net international reserves are at healthy levels and the current account of the balance of payments, while projected to widen, will remain at sustainable levels over the medium term. The monetary aggregates are reflecting encouraging growth in credit. Market interest rates and unemployment are also at record lows. The 12-month inflation rate at October 2018 remained on target at 4.7 per cent.

The next policy decision announcement date is 20 December 2018.