

27 March 2018

## **BANK OF JAMAICA MAINTAINS POLICY RATE**

Bank of Jamaica announces its decision to maintain the policy interest rate (the rate offered on overnight placements with Bank of Jamaica) at **2.75 per cent**.

This policy stance reflects the Bank's assessment that headline inflation for the next eight quarters should remain within the target of 4.0 per cent to 6.0 per cent, with the risks assessed to be balanced. Over the next three quarters, inflation is expected to track close to the lower bound of the target, primarily reflecting a decline in food prices as a result of a recovery in agricultural supplies. Thereafter, headline inflation is expected to converge towards the centre of the target.

The outlook for inflation continues to be underpinned by the expectation that the Government will maintain a strong fiscal performance in alignment with the fiscal rules. There remains a risk that GDP growth will be slower than anticipated given the influence of external events.

Bank of Jamaica's decision to maintain an accommodative policy stance is aimed at supporting further credit expansion and faster GDP growth. When adjusted for expected inflation, the policy rate remains negative in real terms in a context of high liquidity in financial markets. These conditions are considered to be appropriate at this time given the weaker-than-desirable pace of credit expansion. The policy stance has supported downward adjustments to yields on medium and long-term GOJ bonds in recent times and these downward adjustments are expected to flow through to loan rates.

Jamaica's macroeconomic indicators remain positive. Inflation expectations remain low and anchored around Bank of Jamaica's target, international reserves are increasing, the current account of the balance of payments is low and projected to remain at sustainable levels, market interest rates are falling and fiscal performance continues to be strong.