

17 January 2018

### **BANK OF JAMAICA REDUCES POLICY RATE**

Bank of Jamaica announces that effective 18 January 2018 the policy interest rate (the rate offered on overnight placements with the Bank) will be reduced to **3.00 per cent** from 3.25 per cent.

This adjustment reflects the Bank's assessment that inflation for the next eight quarters should remain within the target of 4.0 per cent to 6.0 per cent but the risks to the projections are skewed to the downside. One of the key risks highlighted by recent data is that, even as the economy continues to expand, growth has been weaker than anticipated. The outlook for inflation continues to reflect the expectation that the Government will continue the high standard of fiscal management outlined in the fiscal rules.

Inflation picked up slightly in recent months, largely driven by higher agricultural food prices and electricity costs caused by the recent heavy rains and increases in international oil prices. However, the inflationary impact of the heavy rains on agricultural food prices should be reversed over the coming quarters.

The Bank's decision to ease monetary policy supports continued credit expansion and faster economic growth. International reserves are growing, inflation expectations remain broadly anchored around the Bank's target, the current account of the balance of payments is projected to remain at sustainable levels, market interest rates are declining and the fiscal accounts continue to perform strongly.