

28 August 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, currently below target, will rise towards the lower end of the target of 4.0 per cent to 6.0 per cent by the March 2019 quarter and approach the middle of the target range thereafter.

The Bank's outlook for inflation for the remainder of 2018 and the first part of 2019 is largely predicated on an expected normalization (increase) in agricultural prices, oil prices remaining elevated and higher domestic GDP growth, the latter driven in part by the accommodative monetary conditions induced by the central bank over the past year. In the medium term, the Bank's inflation outlook continues to reflect a gradual acceleration in economic activity (growth in real GDP). However, the path for inflation continues to reflect some slack in the economy (ie, projected GDP growth is less than the Bank's estimate of potential GDP growth) and therefore continued risk of inflation falling below the baseline projection.

The decision to maintain the policy rate, following downward adjustments of 100 basis points earlier this year, is in the context of the signs that have emerged of a pick-up in the rate of expansion in private sector credit. If this acceleration in private sector credit growth continues, the resulting increase in economic activity will support inflation returning to the target of 4.0 per cent to 6.0 per cent with greater certainty. However, Bank of Jamaica is closely monitoring these credit conditions and will make further cuts to the policy rate if required.

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. Market interest rates are also at record lows and employment continues to expand.

The next policy decision announcement date is 02 October 2018