Survey of Businesses' Inflation Expectations

June 2022

SECTOR ANALYSIS DEPARTMENT
RESEARCH AND ECONOMIC PROGRAMMING DIVISION

The Statistical Institute of Jamaica (STATIN) undertakes surveys of businesses on behalf of the Bank of Jamaica to ascertain the expectations of these economic agents about variables which are likely to have an impact on inflation in the near-term. In this regard, the survey captures the perception of Chief Executive Officers, Managing Directors and Financial Controllers about the future movement of prices, current and future business conditions and the expected rate of increase in wages/salaries. These responses assist the Central Bank in charting future policy decisions. The most recent survey was conducted between 06 June 2022 and 13 July 2022 and had 227 respondents. Below are highlights from that survey.

Figure 1: Inflation Expectations

If you expect inflation, what do you expect the rate of inflation to be at December 2022 and over the next 12 months?”

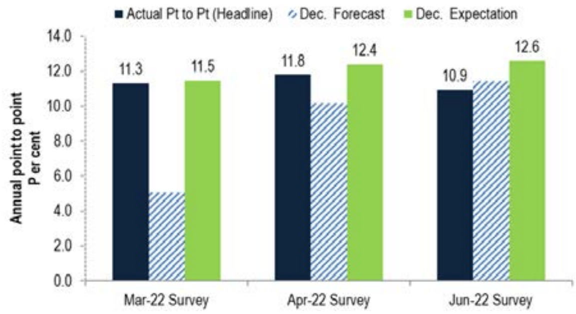
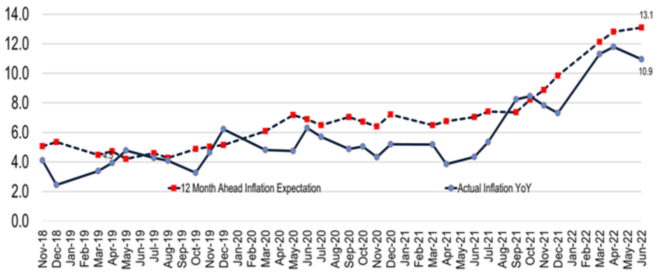


Figure 2: Expected Annual Inflation

What do you expect the rate of inflation to be over the next 12 months?



*Dates refer to survey periods

Overview

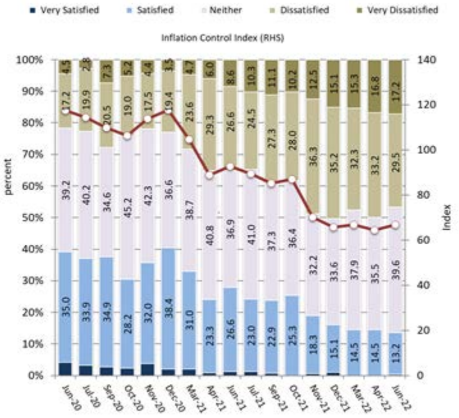
- The June 2022 survey indicated an expected point-to-point inflation of 12.6 per cent for calendar year 2022 (December 2022), which was higher than the June 2022 outturn of 10.9 per cent. The expected inflation 12 months ahead is expected to be 13.1 per cent, which reflects an increase relative to the previous survey outturn of 12.8 per cent.
- The perception of inflation control improved in the June 2022 survey relative to the April 2022 survey.
- Respondents anticipate that the rate of depreciation in the currency will be at a slower pace over the 6-month and 12-month time horizons relative to the previous survey.
- The majority of respondents believe that the Bank’s policy rate will be marginally higher over the next three months. The proportion of respondents of this view increased marginally relative to the previous survey (the first time ‘marginally higher’ reflected a majority since June 2014). A noticeable decline was also observed in the proportion expressing remain the same.

Inflation Expectations

In the June 2022 survey, respondents’ expectation for point-to-point inflation as at December 2022 was **12.6 per cent**. This expectation was higher than the annual point-to-point inflation of **10.9 per cent** for June 2022 (see **Figure 1**). Respondents’ expectation of inflation 12 months ahead increased to **13.1 per cent** relative to the previous survey’s estimate of **12.8 per cent** (see **Figure 2**).

Figure 3: Perception of Inflation Control

How satisfied are you with the way inflation is being controlled by the Government?[1]



*December 2005 = 100
*Dates refer to survey periods

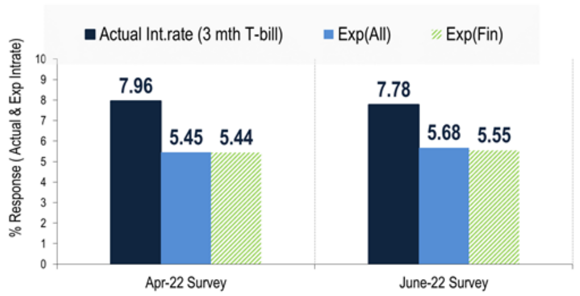
Table 1: Exchange Rate Expectations

In May 2022, the exchange rate was J$155.48=US$1.00. What do you think the rate will be for the following time periods ahead, 3 months, 6 months and 12 months?

OVERALL SURVEY				
Periods	Expected Depreciation (+)/Appreciation(-)			
	SURVEY DATES			
	Dec-21	Mar-22	Apr-22	Jun-22
3-Months	0.8	1.3	1.5	-0.1
6-Months	1.1	2.2	2.4	0.3
12-Months	1.2	3.1	3.4	1.5

Figure 4: 90-day T-bill

In May 2022, the 90-day T-bill rate was 8.12 per cent. What do you think the rate will be for the next 3 months?



[1] Index of inflation control calculated as the number of satisfied respondents minus the number of dissatisfied respondents plus 100.

Perception of Inflation Control

Businesses' perception of the authorities' control of inflation increased marginally in the June 2022 survey (see **Figure 3**). This was largely due to an decrease in the proportion of respondents that were **"**dissatisfied**"** with how inflation is being controlled.

Exchange Rate Expectations

Respondents anticipated depreciation over the six and twelve-month time horizons. In the June 2022 survey, an appreciation of the exchange rate was anticipated for 3-month time horizon. The exchange rate was anticipated to depreciate by **0.3 per cent and 1.5 per cent** for the 6-month and 12-month time horizons, respectively. This represents a slower pace of depreciation for the 6-month and 12-month time horizons relative to the previous survey. Respondents in the April 2022 survey expected the rate to depreciate by **1.5 per cent**, **2.4 per cent** and **3.4 per cent** over the 3-month, 6-month and 12-month time horizons, respectively, (see **Table 1**).

Interest Rate Expectations: 90-day T-bill

Survey respondents expected the 90-day Treasury bill rate, three months hence to be **5.7 per cent**. This expected rate is lower than the actual June 2022 outturn of **7.8 per cent** (see **Figure 4**). Financial sector respondents expect the 90-day Treasury bill rate, three months hence, to be **5.6 per cent**.

Table 2: Interest Rate Expectations: Policy Rate

In May 2022, the Bank of Jamaica's overnight rate (policy rate) was 5.00 per cent. What do you think this rate will be for the next 3 months?

	OVERALL			FINANCIAL SECTOR		
SURVEY DATES	Mar-22	Apr-22	Jun -22	Mar-22	Apr-22	Jun -22
Survey responses (percentage of total)						
Significantly Lower	0.4	0.0	0.4	0.0	0.0	0.0
Marginally Lower	6.4	3.5	7.5	0.0	10.5	17.4
Remain the Same	40.9	52.0	38.3	36.8	42.1	34.8
Marginally Higher	34.9	36.3	41.9	57.9	47.4	43.5
Significantly Higher	1.7	2.3	1.3	0.0	0.0	0.0
Don't Know	15.7	5.9	10.6	5.3	0.0	0.0

Interest Rate Expectations: Policy Rate

In the June 2022 survey, the majority of respondents expected that the Bank's policy rate would be marginally higher over the next three months. This proportion increased relative to the previous survey (the first time 'marginally higher' reflected a majority since June 2014). A noticeable decrease was observed in the proportion of respondents expecting the rate to remain the same

With regard to the financial sector, the majority (**44.0 per cent**) of respondents expected that the Bank's policy rate would be marginally higher. This proportion represented a decline relative to the April 2022 survey. Notably, responses from the financial sector revealed that **34.8 per cent** of respondents expected the rate to remain the same. This reflected a decrease compared to the previous survey.