



Survey of Businesses' Inflation Expectations

August 2022

**SECTOR ANALYSIS DEPARTMENT
RESEARCH AND ECONOMIC PROGRAMMING DIVISION**

Inflation Expectations Survey



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 18 July 2022 and 19 August 2022 and had 274 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?

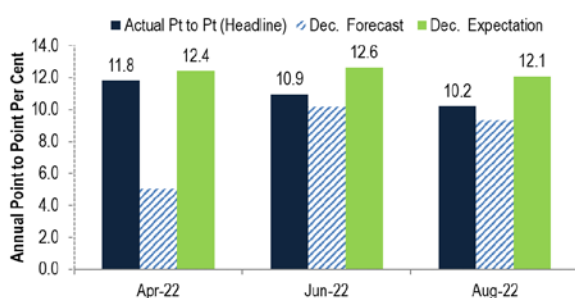
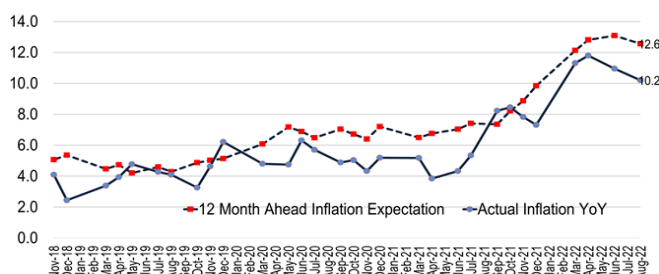


Figure 2: Expected Annual Inflation

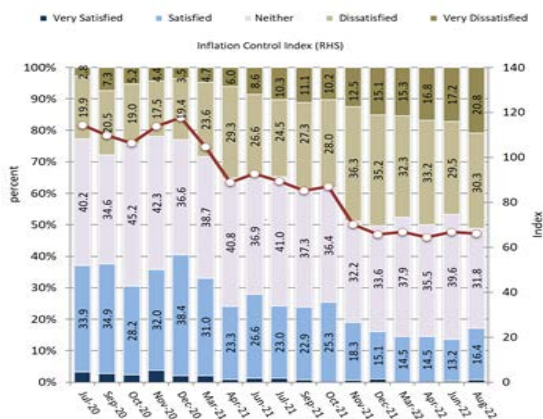
What do you expect the rate of inflation to be over the next 12 months?



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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

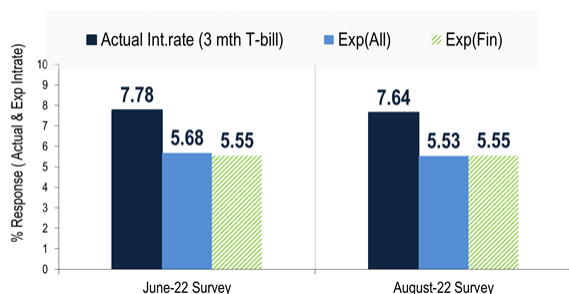
Table 1: Exchange Rate Expectations

In June 2022, the exchange rate was J\$153.09=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			
	Mar-22	Apr-22	Jun-22	Aug-22
3-Months	1.3	1.5	-0.1	-1.3
6-Months	2.2	2.4	0.3	-0.3
12-Months	3.1	3.4	1.5	0.4

Figure 4: 90-day T-bill

In June 2022, the 90-day T-bill rate was 7.62 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 remained relatively unchanged in the August 2022 survey (see **Figure 3**). This was largely due to an increase in the proportion of respondents that were "satisfied" with how inflation is being controlled, offset by an increase in the "very satisfied" respondents.

Exchange Rate Expectations

Respondents anticipated a slower rate of depreciation over the 12-month time horizon and an appreciation of the exchange rate for the 3-month and 6-month time horizons. The exchange rate was anticipated to appreciate by **1.3 per cent** and **0.3 per cent** for the 3-month and 6-month time horizons, respectively. This represents a faster pace of appreciation for the 3-month and a directional change for the 6-month time horizons relative to the previous survey. Respondents in the June 2022 survey expected the rate to appreciate by **0.1 per cent** over the 3-month time horizon (see **Table 1**).

Interest Rate Expectations: 90-day T-bill

Survey respondents expected the 90-day Treasury bill rate, three months hence to be **5.5 per cent**. This expected rate is lower than the actual August 2022 outturn of **7.6 per cent** (see **Figure 4**). Financial sector respondents expect the 90-day Treasury bill rate, three months hence, to be **5.6 per cent**.

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Table 2: Interest Rate Expectations: Policy Rate

In June 2022, the Bank of Jamaica's overnight rate (policy rate) was 5.50 per cent. What do you think this rate will be for the next 3 months?

SURVEY DATES	OVERALL			FINANCIAL SECTOR		
	Apr-22	Jun -22	Aug -22	Apr-22	Jun -22	Aug -22
Survey responses (percentage of total)						
Significantly Lower	0.0	0.4	0.0	0.0	0.0	0.0
Marginally Lower	3.5	7.5	5.1	10.5	17.4	4.3
Remain the Same	52.0	38.3	45.6	42.1	34.8	47.8
Marginally Higher	36.3	41.9	36.1	47.4	43.5	39.1
Significantly Higher	2.3	1.3	1.8	0.0	0.0	0.0
Don't Know	5.9	10.6	11.3	0.0	0.0	0.0

Interest Rate Expectations: Policy Rate

In the August 2022 survey, the majority of respondents expected that the Bank's policy rate would remain the same over the next three months. This proportion increased relative to the previous survey. A noticeable decrease was observed in the proportion of respondents expecting the rate to be marginally higher.

With regard to the financial sector, the majority (**47.8 per cent**) of respondents expected that the Bank's policy rate would remain the same. This proportion represented an increase relative to the June 2022 survey. Notably, responses from the financial sector revealed that **39.1 per cent** of respondents expected the rate to be marginally higher. This reflected a decline compared to the previous survey.