



**BANK OF JAMAICA**

# Quarterly Monetary Policy Report Press Conference



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Bank of Jamaica

## Quarterly Monetary Policy Report

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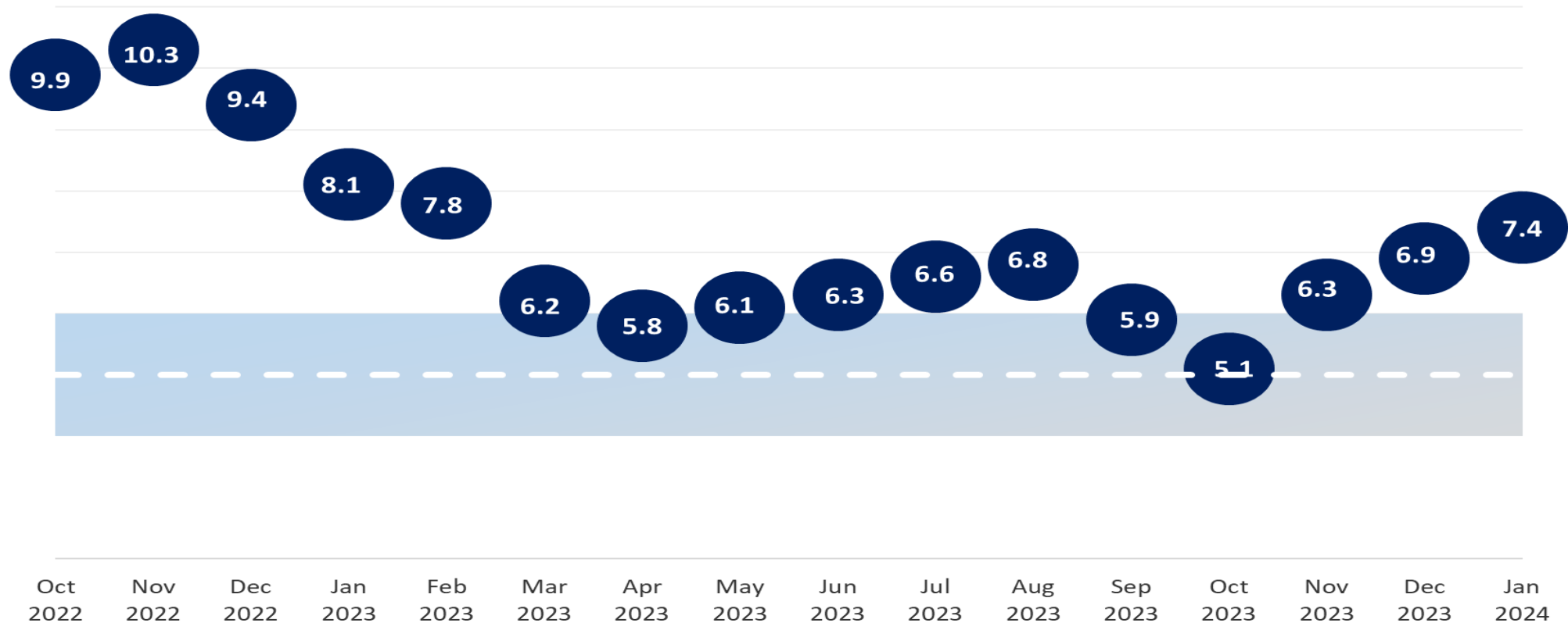
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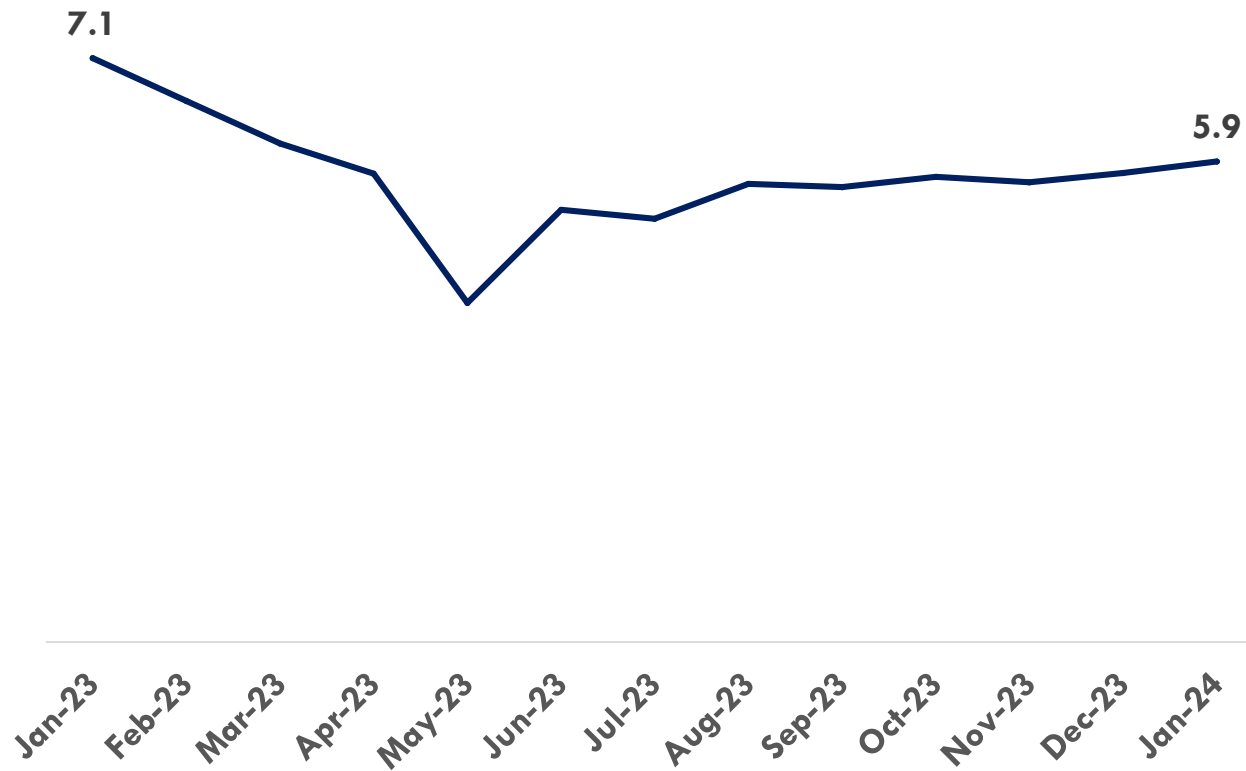
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# Inflation in Jamaica trending above the Bank's inflation target...

Annual headline inflation at January 2024, as reported by STATIN, was **7.4%**, above the outturns for the previous three months and the Bank's target of 4.0 – 6.0%.



# Core Inflation lower than a year earlier...



- ✓ Core inflation at January 2024 was **5.9%**, lower than the 7.1% at January 2023.

# *Higher-than-projected outturn for January...*

In the wake of the announcement by the Minister of Finance and Public Service of the temporary two-step reduction in JUTC bus fares:

- Inflation was projected to **generally remain within the target range except for December 2023 and a few months in 2024.**
- The Bank now recognises that it had overestimated the impact of the reductions in JUTC fares.

The two-phase reductions are **now estimated to have an offsetting impact of 0.2 percentage points on annual inflation**, with the first reduction already evident in the CPI data for January 2024.

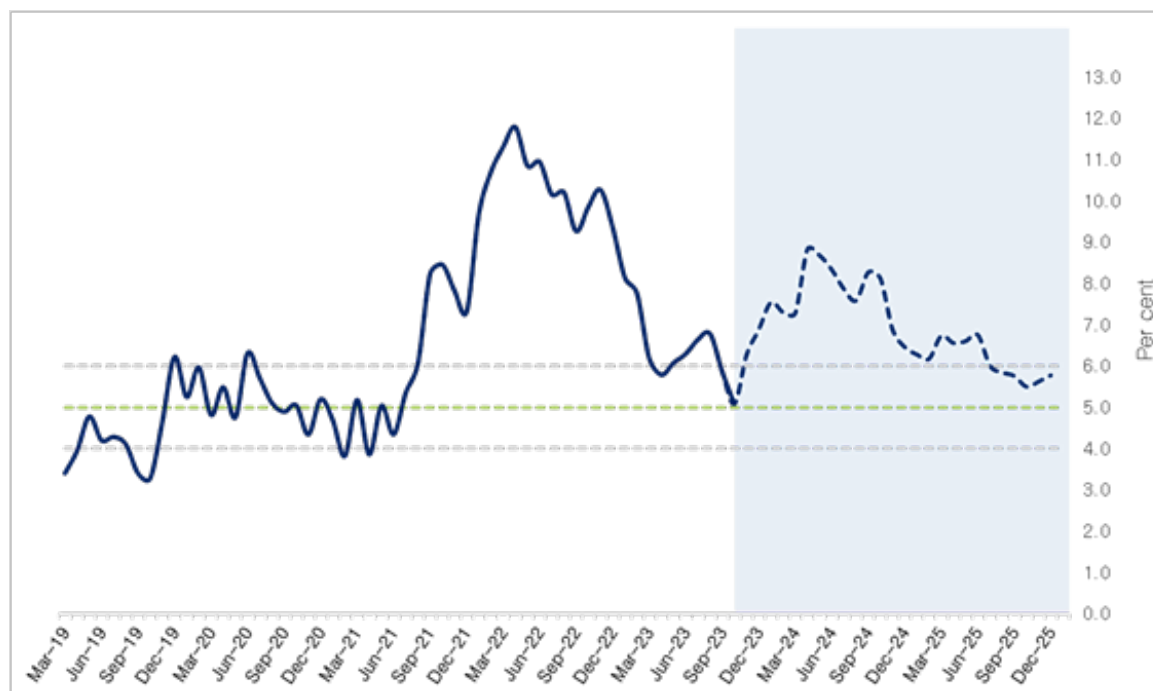
# Higher-than-targeted headline inflation in January reflects...

- ❑ Impact of increase in PPV fares
- ❑ Wage increases throughout the economy
- ❑ High agricultural food inflation

# Outlook for Inflation

Inflation is projected to remain above the Bank's target range until June 2025, largely because of the impact of temporary price shocks.

*Annual Point-to-Point Inflation (%)*



Without the impact of the second increase in PPV fares, inflation at **December 2024** would fall within the target range.

# Key drivers of headline inflation remained stable...

- ✓ Inflation expectations generally stable
- ✓ Exchange rate stable
- ✓ Grains prices declined ... and are projected to continue to fall



# ***...but the risks to the inflation outlook remain elevated.***

## **Upside Risks:**

- Higher than projected second-round effects from the PPV fare increases
- Higher wage adjustments in context of tighter domestic labour market and further deterioration in supply chain conditions

## **Downside Risk:**

- Weaker-than-projected global growth which could reduce domestic demand and imported inflation



# Policy Decisions – February 2024

## Announced 20 February 2024:

- Bank of Jamaica's Policy Rate maintained at **7.0%**
- Maintain stability in the foreign exchange market.

**The MPC, however, decided to tighten Jamaica dollar liquidity conditions more aggressively.**

The Committee also decided to maintain heightened surveillance of the risks to the inflation outlook and base its future monetary policy decisions on the incoming data related to the strength of the potential risks to inflation.

# ***FX Market has remained relatively stable...***



- Stability in FX market :- reflecting **the continued strong tourism and remittance flows** as well as the **actions taken by the Bank**
- BOJ sold **US\$907 million** over 12 months to end-January 2024
- The Bank net purchased **US\$1.3 billion** over the same period
- **General downward trend in dollarization has continued**

# ***Real GDP continues to expand...***



- ✓ Despite the impact of bouts of adverse weather on the agriculture sector, **real GDP for the December 2023 quarter is estimated to have grown within the range of 1.0 - 3.0%**
- ✓ There are signs that the **economy continued to expand in the March 2024 quarter**
- ✓ **New record low unemployment rate for Jamaica at October 2023 of 4.2%**

# *...but productivity losses of concern.*

- ✓ Strong growth in employment in *tourism, real estate and other business services, the distributive trade sector, the transport sector and construction.*

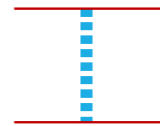


- ✓ However, **the productivity of labour continues to fall.**

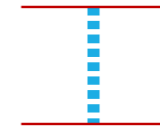
Combined with the real wage adjustments that have occurred recently, **this fall in productivity continues to be of some concern.**

# Outlook for Jamaican Economy...

## Projected GDP Growth



2.0% to 3.0%



1.0% to 2.0%

**FY2024/25**

**Medium-Term**

# ***Bank of Jamaica remains resolute in its commitment to achieving its primary mandate...***



The MPC will utilize the full set of tools at its disposal to support the policy decisions and is prepared to take the necessary actions, including further interest rate increases, if the upside risks to inflation highlighted above materialise.