



BANK OF JAMAICA MONETARY POLICY AND FINANCIAL STABILITY COMMUNICATION STRATEGY

"Sometimes, the explanation is the policy"

- Janet Yellen, Chair of the US Federal Reserve Board, 2014-2018.

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1. INTRODUCTION

1.1 Mandate of Bank of Jamaica

Under the Bank of Jamaica (Amendment) Act of 2020 (“the 2020 Amendments”) which became effective on 16 April 2021, the Bank’s mandate was clarified as the maintenance of price stability and financial system stability with price stability being the primary objective.

1.2 Bank of Jamaica Reforms

The reforms introduced by the 2020 Amendments also include:

- revisions to the Bank’s governance structure to support the Bank’s mandate, including the establishment of the Monetary Policy Committee (“MPC”) with responsibility for the formulation of the Bank’s monetary policy;
- the adoption of an inflation-targeting regime with the MPC being required to achieve and maintain price stability as defined in inflation targets set by the Minister of Finance and the Public Service (“the Minister”), after consultation with the Governor of the Bank;
- provisions for the independence of the Central Bank, coupled with enhanced accountability and transparency; and
- the publication of the inflation target, the publication of monetary policy decisions and minutes of MPC meetings and notifications to the Minister if inflation targets are missed, all in keeping with the transparency requirements in the statute.

This communication strategy was prepared in the context of the inflation targeting regime established by the 2020 Amendments and the Inflation Targeting Operating Framework document governing the work of the MPC of the Bank.

1.3 Objectives of the Communication Strategy

The objectives of the Bank’s communication strategy are to raise understanding among the Bank’s internal and external stakeholders and to encourage stakeholder confidence in the Bank’s policy initiatives. Successful implementation of this strategy will justify and validate the image of the Bank as an instrument of public good that plays a critical role in maintaining price (low and stable inflation) and financial system stability.

Objective 1

To effectively communicate information on economic developments, policy issues and decisions made by the Bank to achieve low and stable inflation as reflected in the inflation target set by the Minister.

Objective 2

To communicate the Bank's views and policy intentions towards maintaining of a stable financial system that carries low levels of systemic risk and is resilient to shocks.

2. PRINCIPLES OF COMMUNICATION

Effective communication allows for greater transparency of the Central Bank, which (i) strengthens accountability, (ii) enhances the Bank's messages and eliminates distractions arising from external messages and (iii) strengthens the credibility of monetary policy.

The following principles guide the Bank's communications aimed at ensuring transparency, clarity, openness and timeliness:

- The Bank's communications are clear, accurate and unambiguous and are presented in formats that are easily understandable by the target audiences.
- Making all relevant information available to the public for a clear understanding of past and expected future developments, and the direction of policy.
- The communications are timely so that stakeholders are able to access information while it is of greatest relevance.

3. MONETARY POLICY

3.1 Role of Communication in Monetary Policy

3.1.1 Central bank credibility plays a critical role in the conduct of monetary policy. The greater the credibility of a central bank, the greater its ability to anchor expectations and achieve its mandate. There is a strong relationship between the effectiveness of the Bank's communication and its credibility. It is therefore vital that the Bank has an effective communication strategy and function. Monetary policy is forward-looking, so impacting perceptions and expectations are as important as a direct policy action.

3.1.2 Effective communication strategies depend on **what** type of information central banks publish and **how** and **when** this information is communicated to the public.

3.1.3 The document describes the Bank's commitment to providing the public with clear, accurate and timely information, communicated professionally and in accordance with the Bank of Jamaica Act and other laws regarding public information and data practices.

3.2 The MPC and the Price Stability Mandate

3.2.1 Bank of Jamaica's monetary policy mandate is the maintenance of price stability or low and stable inflation.

3.2.2 This mandate will be achieved through an inflation-targeting regime. The Bank's monetary policy is focused on achieving a medium-term inflation target established by the Minister, after consultation with the Governor. The current target range of 4 per cent to 6 per cent is to encourage faster economic growth. The country's long-term ambition is to have an inflation target closer to its major trading partners.

3.2.3 The inflation target is set as a band or range and not as a point, due, in part, to Jamaica's susceptibility to exogenous shocks. A band also allows the Central Bank to promote economic growth by accommodating some variability in the inflation rate.

3.2.4 For a central bank to successfully pursue price stability through the use of interest rates as its primary policy tool, two essential prerequisites are the absence of fiscal dominance and a flexible exchange rate.¹ Fiscal dominance exists when the sizes of the fiscal deficit and debt stock are such that they preclude a central bank from adjusting monetary conditions without considerations for the impact of this adjustment on the fiscal accounts. Since high public debt undermines the effectiveness of a central bank, fiscal sustainability is critical for the effectiveness of monetary policy. A flexible exchange rate regime exists when the exchange rate is determined by market forces and not by the actions of the central bank or fiat. Such a regime allows the central bank to execute monetary policy towards attaining a pre-specified inflation rate and not a particular exchange rate.

3.2.5 Jamaica has made significant progress under its economic reform programme concerning removing fiscal dominance and establishing a flexible exchange rate regime. Fiscal discipline has been entrenched by the Fiscal Responsibility law, which targets a debt-to-GDP ratio of 60 per cent by the end of Fiscal Year (FY)2027/28. Meanwhile, the Government has maintained a consistent public commitment to a flexible exchange rate and, with the recent reforms to the foreign exchange market, the exchange rate has displayed a significantly greater degree of flexibility.

¹ Other prerequisites include a clear monetary policy mandate, a stable financial system with well-functioning financial markets, stable/low dollarization, transparent decision-making, a strong central bank balance sheet, a robust forecasting & policy analysis framework and effective communication.

3.3 The Monetary Policy Decision-Making Process

3.3.1 Who makes monetary policy decisions?

Monetary policy decisions are made by the MPC, chaired by the Governor of the Central Bank. The Committee consists of three ex officio members and two independent non-executive appointees. The ex-officio members are the Governor, the senior executive of the Bank who is responsible for monetary policy and a senior executive appointed by the Board. The two independent members are appointed by the Governor General in Council, that is, the Governor General on the advice of Cabinet.

3.3.2 When are monetary policy decisions made?

Monetary policy decisions are made eight times per year, that is, twice per quarter. The annual calendar of monetary policy decision announcement dates is published in advance.

3.3.3 Forecasting and Policy Assessment System

For four of the monetary policy decisions (once each quarter), when the most data on the key macro-economic variables are available, the Bank prepares a comprehensive macroeconomic forecast. This forecast covers the international economy, the fiscal accounts, the balance of payments, money, credit, interest rates, output and prices. The process undertaken in developing this comprehensive macroeconomic forecast is referred to as the Forecasting and Policy Assessment System (FPAS).

The FPAS involves a five-week cycle of meetings and consultations between sector experts in the Research and Economic Programming Division (REPD), the Market Operations and Analysis Department and the Financial Stability Department. It begins with an initial assessment of the economy, which includes, among other things, monetary conditions, domestic demand conditions, labour market developments and the fiscal policy stance. These deliberations inform the development of projections and scenarios around the forecast.

3.3.4 Monetary Policy Assessments

By the fourth week of the FPAS, recommendations based on all the above assessments are documented in a comprehensive report. This report provides assessments and forecasts of the main macroeconomic accounts such as the real sector, the external sector, the monetary sector and the fiscal sector. It also analyses key economic indicators in the international economy, including developments among key trading partners.

The MPC is provided with the monetary policy report 5 days ahead of the monetary policy decision meeting.

3.3.5 Monetary Policy Decisions

Monetary Policy Decisions are made by the MPC, which has two meetings for each meeting cycle. The first meeting involves a briefing of the MPC members by the staff of the Bank on the contents of the report, particular research and analyses relevant to the decision. The decision meeting is held on the next business day.

4. COMMUNICATION PROCESS AND OPERATIONS

4.1 Monetary Policy Spokespersons

The following is the hierarchy of spokespersons for monetary policy communications:

1. Governor
2. Senior Deputy Governor
3. Deputy Governor in charge of Research & Economic Programming (“REPD”)
4. Research & Economic Programming Division Chief

4.2 Preparation of communication documents and press releases

Monetary policy communications, speeches, articles and press releases are generally prepared by REPD with input from the Communications Department. Public communications on behalf of the Bank are governed by the Bank’s communication policy. They are undertaken with the coordination and assistance of the Communications Department and with the prior approval of the Governor or the Senior Deputy Governor.

4.3 General Monetary Policy Communication

The Communications Department regularly facilitates media queries and requests for interviews and the Governor and other spokespersons make themselves available for media appearances and speaking engagements, subject to the prohibition period of five days before the date for the announcement of a policy decision (purdah period). Only the authorised spokespersons, or others approved by the Governor, may communicate with the media or issue any public communication concerning monetary policy.

4.4 Monetary Policy Communication Practices

4.4.1 The MPC is required by law to publish statements on the performance of the Bank with respect to its monetary policy and achievements in relation to the inflation targets and issue monetary policy updates. The statements should be prepared at the end of every six months or at such other period (not exceeding six months) as determined by the Committee or the House of Representatives. These statements shall be submitted by the Chairman to the Minister, to be tabled in the House of Representatives and referred to the Standing Finance Committee. The Standing Finance Committee may require the

Governor to attend a meeting of the Committee to answer any questions in relation to the statement.

4.4.2 The Committee shall at the end of each meeting or soon thereafter publish on the Bank's website a **summary of decisions** made at its meeting. [Click here](#)

4.4.3 Within four weeks of the conclusion of the meeting the Committee shall publish the **minutes of the meeting** on the Bank's website. [Click here](#)

4.4.4 The **calendar** of decisions and announcements is updated once per year for the 12 subsequent months. The calendar is available on the Bank's website. [Click here](#)

4.4.5 A **press release** on each monetary policy decision describes the decision and the rationale for the decision, including the Bank's inflation forecast relative to the inflation target. The press release also describes the Bank's view of the risks around its central inflation forecast. The press release is sent to the media and participants in the financial markets on the monetary policy decision announcement day and is also posted to the Bank's website. [Click here](#)

4.4.6 A **press conference** is also held quarterly, on four of the eight occasions that the Bank publishes its monetary policy decisions. At these press conferences, the Bank, in addition to explaining its most recent monetary policy decision, reports on its updated macroeconomic forecast. The press conferences also launch the publication of the Bank's quarterly monetary policy report (QMPR).

4.4.7 **Quarterly monetary policy reports** (QMPRs) discuss, in a relatively non-technical manner, significant economic developments for the review quarter and provide forecasts of key macroeconomic variables. The document includes a summary, the inflation outlook, global economic developments, the domestic economy (which discusses real sector, money market and financial market developments). The QMPR is also made available on the Bank's website. An electronic summary page with hyperlinks to key sections of the report is provided to the press and stakeholders.

4.4.8 In addition to the QMPR, the Bank communicates **regularly with the public and other stakeholders** on monetary policy decisions and initiatives and broader economic policy issues. These include decisions relating to inflation targets, updates on the performance of inflation against the target, developments in the financial markets and broader economic developments and outlook.

4.4.9 Monetary policy communication interventions may be initiated by the MPC, the Governor or the Senior Deputy Governor and may be based on the recommendations of the MPC, the REPD or the Communications Department. The Communications Department keeps abreast of newspaper articles and other public communications which may require some response or other action to be taken by the Bank. The approval of the Governor, or in his absence the Senior Deputy Governor, is obtained with respect to all monetary policy communications and responses proposed.

4.5 Communication Campaign

4.5.1 In addition to the regular schedule of monetary policy communication activities, the Bank undertakes an ongoing communication campaign to support full-fledged inflation targeting.

4.5.2 Some of the main issues addressed by this campaign are:

1. What is inflation?
2. What is the CPI, how is it measured?
3. Determinants of inflation, including the exchange rate and expectations
4. What are the reasons for the inflation target?
5. What is inflation targeting and how does it work? (Role of the MPC and decision-making framework)

4.5.3 Communications activities also focus on educating the public on the role and functions of the Central Bank and general economic issues. This is a necessary part of the Bank's efforts to engage its stakeholders and, as part of this endeavour, the Bank designs communication initiatives for each group of stakeholders.

4.5.4 The Bank, *inter alia*, organises and hosts in-person background briefings, publishes Op-Ed articles and maintains a social media presence.

4.5.5 Continuous focus is also given to ensuring that the Bank's website is user friendly to allow for access by the public to a wide array of information, including podcasts, policies, reports, explanatory content, factsheets and multimedia content.

4.5.6 Regular interactions with stakeholders on topical issues concerning the Bank's operations are undertaken. The briefings are done by the Governor or other spokespersons and allow the public to interface with the Bank's spokespersons. These engagements are separate from the Bank's monetary policy press conferences.

4.5.7 Other initiatives identified include monthly inflation watch videos, virtual town hall meetings and seminars on economics.

5. FINANCIAL STABILITY COMMUNICATION

5.1 Financial Stability Mandate

The financial stability mandate of Bank of Jamaica covers (1) prudential supervision of deposit-taking institutions licensed under the Banking Services Act and (2) oversight of overall financial system stability, or macroprudential oversight. This communication strategy addresses the Bank's mandate for overall financial system stability oversight. The terms "financial stability" and "financial system stability" are used synonymously in this document.

5.2 Financial System Stability Committee

5.2.1 As it relates to the Bank's mandate for overall financial system stability oversight, the Financial System Stability Committee ("FSSC") was established in 2016 pursuant to amendments made to the Bank of Jamaica Act in 2015. The FSSC is tasked with providing oversight to Bank of Jamaica's financial system stability risk assessments and recommending macroprudential policy measures to the Financial Policy Committee ("FPC").

5.2.2 The FSSC provides periodic reports to the FPC on its assessment of financial system stability and recommendations. It also provides recommendations on appropriate communication material for the public to safeguard the financial system's stability.

5.3 Financial Policy Committee

5.3.1 The Bank of Jamaica (Amendment) Act, 2020 established a Financial Policy Committee charged with responsibility for determining the financial policies of the Bank, that is, policies that govern the conduct and promote the proper functioning of the financial system. The Committee also has responsibility for decisions on all issues relating to financial policy including matters relating to (i) prudential supervision and macro prudential policy, (ii) financial policies related to the regulation of remittances and cambios, (iii) payments and settlements systems, (iv) credit reporting and (v) other financial policy matters for which the Bank has responsibility.

5.3.2 The FPC's communication strategy aims to curb systemic risks by presenting a forward-looking view of these financial system systemic risks to signal to stakeholders to implement appropriate risk mitigants. The communication strategy ensures transparency and accountability by explaining the decisions of the FPC and the assessments provided by the FSSC. The FPC's communication therefore includes:

- macroprudential strategy
- the assessment of systemic risk

- the activation of macroprudential measures
- follow up on measures taken

5.4 Objectives

Effective communication on financial system stability and macroprudential policy is aimed at helping the public and financial market participants understand and appreciate financial system stability matters. In addition, communication on emerging systemic issues is aimed at helping to curb risky behaviour by financial entities, households, non-financial corporates and the public sector. The main objectives of the Bank's communication on financial system stability are to:

1. Publicise Bank of Jamaica's financial system stability assessments.
2. Make clear the link between the Bank's assessments and any policy action taken.
3. Provide relevant and reliable information on matters related to financial system stability.

5.5 Spokespersons on Financial Stability

The following is the hierarchy of spokespersons for financial system stability communications:

1. Governor
2. Senior Deputy Governor
3. Deputy Supervisor
4. Deputy Governor in charge of Financial Stability
5. Chief Prudential Officer

5.6 Communications on Financial Stability and Macroprudential Policy

5.6.1 In addition to the publication of the Bank's Annual Financial Stability Report and press release by the FSSC, initiatives to expand communication on financial stability matters include:

5.6.2 **Annual press conference on financial system stability** – Press conferences are held upon publication of Bank of Jamaica's Annual Financial Stability Report. The press conferences are used to convey the Bank's assessment of financial stability, its views on emerging systemic risks and the impact of any policy decisions made during the assessment period.

5.6.3 **Semi-annual statements issued by the FPC** – A semi-annual statement from the FPC, informed by assessments, reviews and recommendations of the FSSC contributes to

transparency on financial stability matters. This semi-annual statement is intended to help stakeholders to link the assessment of financial market developments and financial stability risks to potential policy decisions.

5.6.4 Quarterly publication of Bank of Jamaica's Macroprudential Report and data – After completion of the FPC's Macroprudential Report, highlights of the report, and a database of core indicators associated with the macroprudential surveillance framework, are published on the Bank's website. The composition and presentation of the database are reviewed quarterly.

5.6.5 Production of Pamphlet on Financial Stability - As a public education tool, the Bank produces a series of pamphlets relating to its policies, responsibilities and operations. Pamphlet on financial stability provides information on the financial system, the importance of financial stability, risks to financial stability, the role of the Bank and its macroprudential policy approach.

5.6.6 Lectures, articles and interviews – The Bank seeks to engage with stakeholders via various other mechanisms. This is done on a continuous basis to help support the widening of awareness of the Bank's actions related to financial stability. The articles and other material relating to such engagements are published on the Bank's website.

6. KEY AUDIENCES AND METHODS OF ENGAGEMENT

Bank of Jamaica aims to make communications unambiguous and written in non-complex and easily understood language. Where concepts are complex, these are to be broken down so that they can be appreciated and related to by the public at large and, where necessary, tailored to the specific target group or groups of interest.

Bank of Jamaica staff – Good internal communications necessitate informing and engaging with BOJ's staff on policy, their views and building internal understanding and cohesion around the Bank's role and messages.

The media – a significant target group with reach and influence over other target groups and the general public. Special efforts are made to keep the media informed on policy issues. The strategy aims at enhancing their understanding of the issues and gaining their support. The strategy envisages the hosting of an annual seminar series for journalists.

The general public - through the media and outreach initiatives such as town hall meetings and speaking engagements.

The financial sector – through the media, meetings, special forums and under the umbrella of various committees.

The business sector – through the media, directly through networking and under the umbrella of various stakeholder committee meetings created and chaired by the Bank.

Government, Parliament, municipalities – Through the Minister, the engagement of specific bi-partisan groups of politicians, for example, the Economy and Production Committee or the Standing Finance Committee of the House of Representatives. In these fora, presentations are made on relevant economic topics.

Academia – Forums to engage academia, particularly economists, in a discussion of policy issues. These engagements are aimed at these stakeholders effectively becoming spokespersons for the Bank.

Teenagers and Children – expanding the Bank’s communication outreach among the youth to introduce economic concepts via various vehicles and strategies, including games on the Bank’s website, a cartoon series and school tours of the Bank.

7. MEASUREMENT AND EVALUATION

The Communications Department collaborates with REPD and the Financial Stability Department to develop and implement periodic surveys to measure the success of the communication initiatives. The outcomes of the surveys are taken into account in the development of future initiatives and strategies.

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