



**OFFICE OF THE MINISTER OF FINANCE AND THE PUBLIC SERVICE**

24 February 2022

Mr. Richard Byles  
Governor  
Bank of Jamaica  
Nethersole Place  
Kingston  
Jamaica

Dear Governor Byles,

**Response to MPC's Explanation for the Inflation Breach in December 2021 and January 2022**

Thank you for your letter of 23 February 2022 on behalf of the Monetary Policy Committee (MPC) explaining why headline inflation over the period October 2021 to January 2022 was above the Bank's target of 4.0 per cent to 6.0 per cent. I agree with your explanation that the breaches of the target for the two months continued to primarily reflect the impact of higher international commodity prices, improvements in domestic demand and heightened inflation expectations.

I have noted your outlook that, without further policy actions, inflation will continue to breach the upper limit of the Bank's target range over the next ten to twelve months and will peak in the range of 9.0 to 11.0 per cent over this period. I also note your view that, while the outlook is uncertain, the risks to the inflation forecast are assessed to be balanced. I understand that there are factors that could cause the inflation rate to be higher than its forecast, including a higher than anticipated pass-through from imported inflation to domestic inflation and heightened inflation expectations. However, weaker global growth from surging COVID-19 infections could impact domestic demand.

In this regard, the reduction in the level of monetary accommodation by the MPC is noted. I also acknowledge the MPC's decision to consider maintaining or expanding its suite of measures at subsequent policy meetings. I am sure that the Committee will continue to carefully consider the trade-offs involved in these future decisions to assure itself of the net welfare benefit of its policy actions.

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Mr. Richard Byles  
Governor  
Bank of Jamaica

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As a critical element of the Government's commitment to transparency and accountability in relation to inflation targeting, I will publish a copy of my letter and your correspondence on the inflation breach on the Ministry of Finance and the Public Service's website. I suggest that they also be placed on the Bank's website.

Yours sincerely,



Hon Nigel Clarke, DPhil, MP  
Minister of Finance and the Public Service