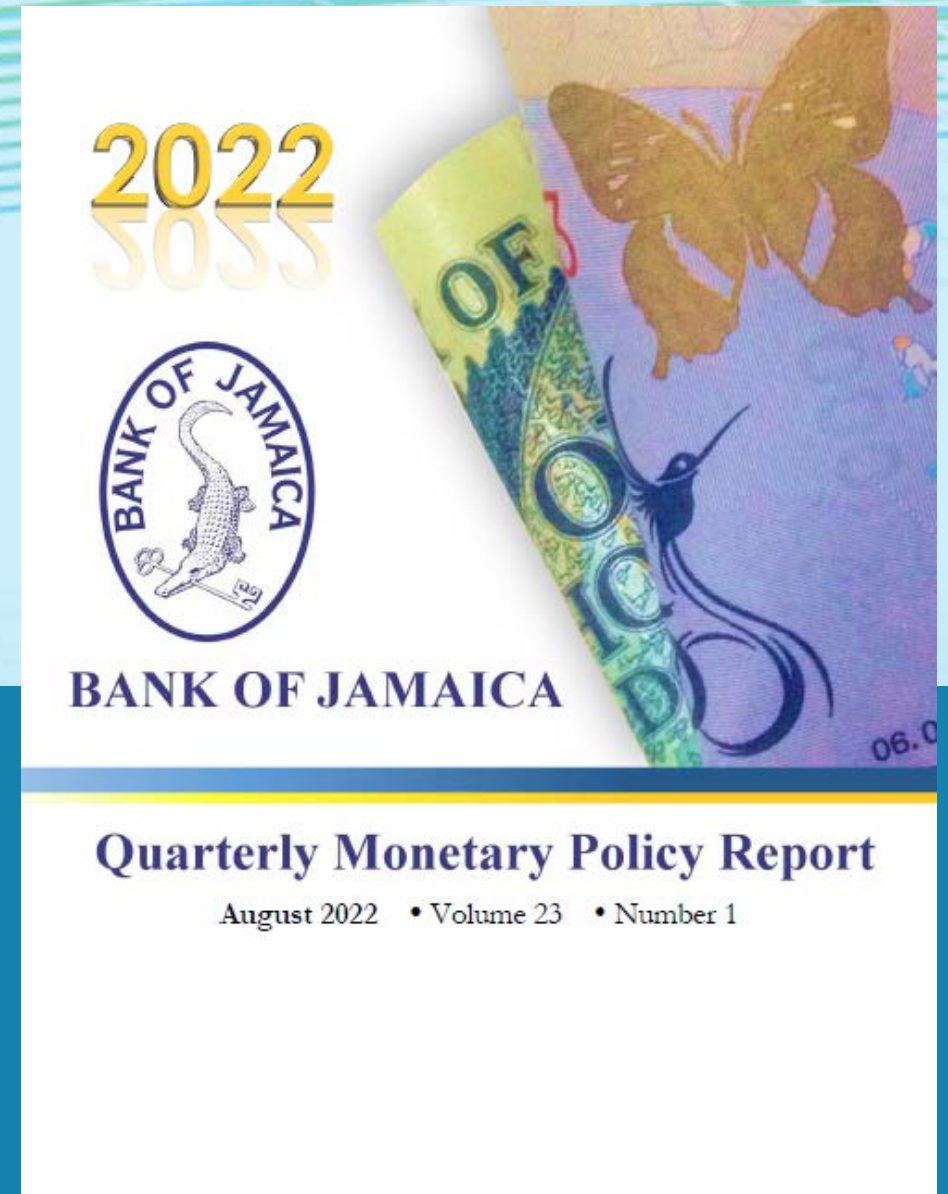




**BANK OF JAMAICA**

# Quarterly Monetary Policy Report Press Conference



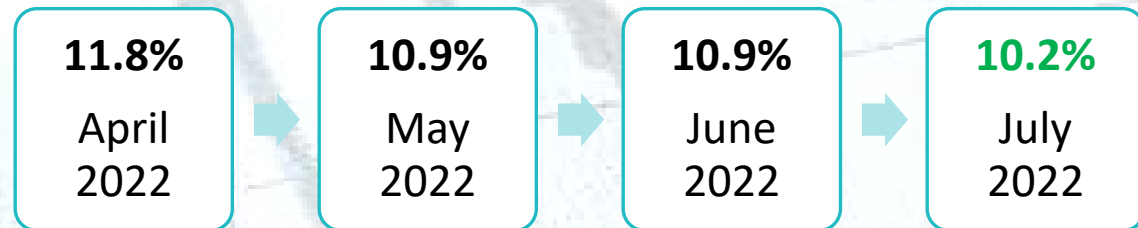
[Download Quarterly Monetary Policy Report \(August 2022\)](#)



[Download Press Briefing Speech – Governor Richard Byles](#)

# ***BOJ encouraged by Recent Inflation Trends ...***

**Inflation peaked in April 2022,  
earlier and lower than expected...**



**Key factors :**

- ✓ Declining international commodity prices
- ✓ Relative stability in the exchange rate
- ✓ Tighter liquidity management by BOJ
- ✓ Higher interest rates

# ***...but there remains a risk of reversal.***



- ❑ **Geopolitical tensions**
- ❑ **Potential Domestic wage pressures**
- ❑ **Potential capital outflows** if domestic monetary policy is not properly aligned with external monetary adjustments

# Policy Decisions – August 2022

## **Announced 18 August 2022:**

- Policy Rate increased by **50 bps** to **6.00%**
- Continue pursuing other measures to contain JMD liquidity expansion and to maintain stability in FX market

**Policy rate now at a level that the Committee considers appropriate.  
Pause in rate adjustment if supported by incoming data.**

# Complementing the policy rate increases...

---

The Bank adjusted the Net Open Position limits for deposit taking institutions

---

The Bank sold approximately US\$678 million to the foreign exchange market since October 2021

---

- ✓ **Without these actions, imported inflation and hence the final prices faced by consumers would have been much higher.**

# Policy Decisions – August 2022

***The Bank expects that these measures will continue to :***

**Cause interest rates on deposits and loans to rise further**



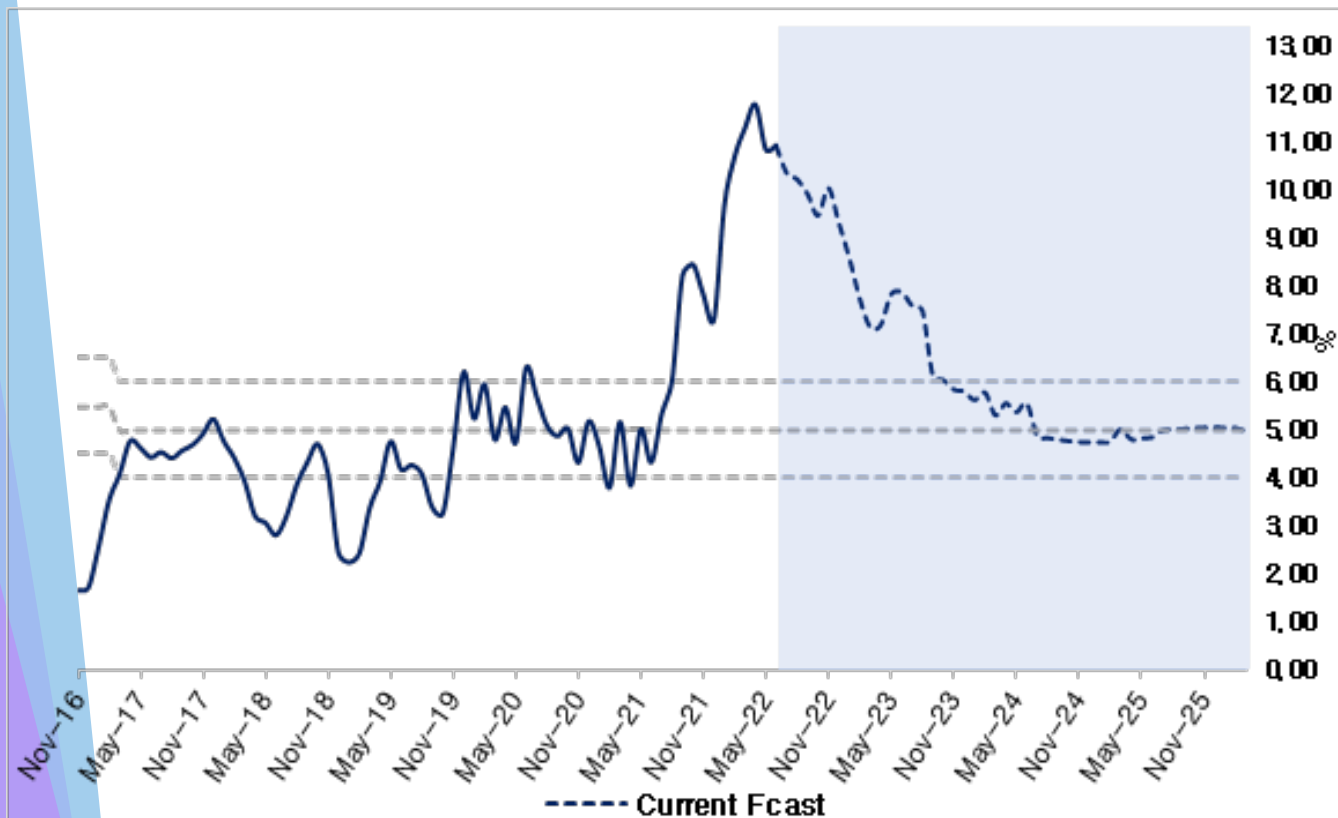
Promote saving in Jamaican Dollars and reduce the demand for foreign currency



Continued stability in the exchange rate

# Outlook for Inflation

Annual Point-to-Point Inflation (%)



Assuming no additional shocks, annual inflation rates should trend towards:

**9.0%**

(for the remainder of 2022)

...and fall within the target range by December 2023

Inflation forecast consistent with consensus forecast for a fall in commodity prices.

# ***Risks to the Inflation Forecast***

## **Balanced**



### **Upside risks:**

- Further disruptions in international supply chains, higher than anticipated pass-through of imported inflation and a reversal in the trends of commodity prices
- Further upward movement in wages and hence prices

### **Downside risks:**

- Weaker than expected global growth



# ***The Jamaican economy continues to perform creditably...***



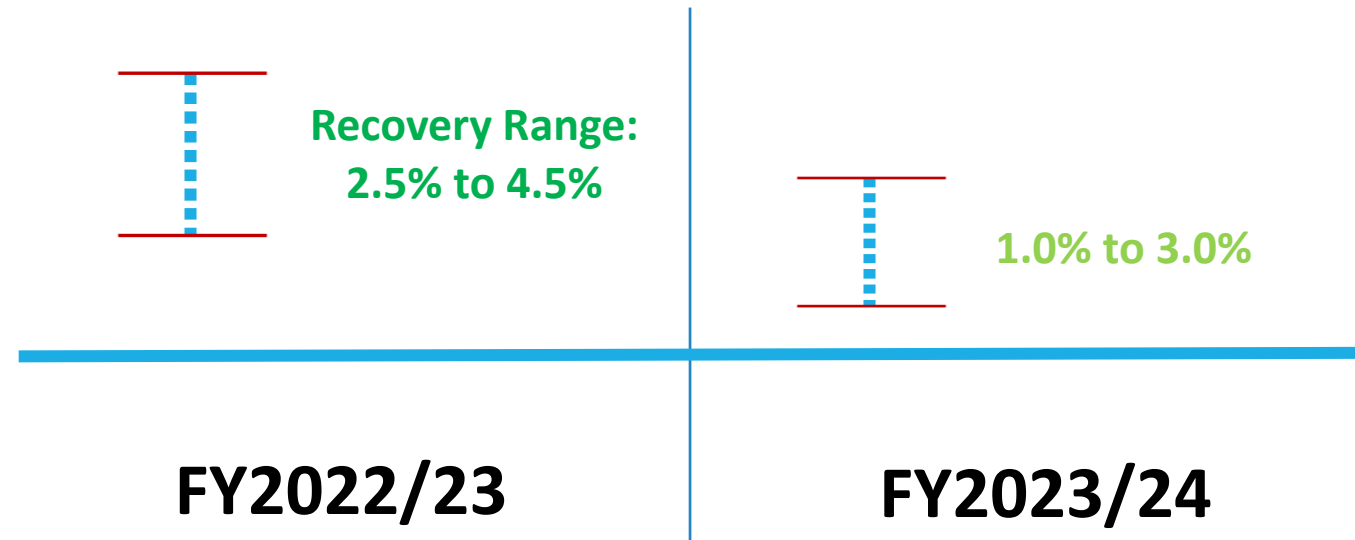
- ✓ There are signs that the economy continued to expand in the June 2022 quarter and so far in September 2022 quarter
- ✓ Labour market has also continued its exceptional performance at April 2022 in which unemployment rate fell to 6.0%

# Outlook for Jamaican Economy...

## Key drivers of rebound :

- Services industry (particularly Tourism)
- Buoyant Agricultural sector
- Resumption of production at Jamalco

## Projected GDP Growth



# ***Risks to the Growth Forecast*** **Skewed to Downside**

## **Downside risks:**

- Lower than projected growth in tourist arrivals and related activities
- The weather
- Impact on domestic consumer spending of high inflation

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



- At 17 August 2022, Jamaica's gross international reserves remain substantial amounting to **US\$4.3 billion**.
- The Bank projects that the gross reserves will continue to remain adequate in the medium-term

# ***Financial system continues to be resilient...***



- DTIs balance sheets in compliance with prudent liquidity standards
- Quality of the DTIs' loan portfolio remained fairly stable
- Pace of loan growth has continued to slow down – lagged effect of pandemic

# ***Bank of Jamaica dedicated to achieving its primary mandate of preserving price stability...***



- ✔ The Bank will continue to closely monitor the global and domestic economic environment and is prepared to pause its monetary policy tightening, if the incoming data continues to support such a decision.