



Government of Jamaica

OFFICE OF THE MINISTER OF FINANCE AND THE PUBLIC SERVICE

October 5, 2022

Mr. Richard Byles
Governor
Bank of Jamaica
Nethersole Place
Kingston



Dear Governor Byles,

Response to MPC's Explanation of the Inflation Target Breaches for June to August 2022

Thank you for your letter of 03 October 2022 on behalf of the Monetary Policy Committee (MPC) explaining why headline inflation over the period June to August 2022 remained above the Bank's target of 4.0 to 6.0 per cent. I agree with your explanation that the breaches of the target for the period primarily reflected the continued lagged impact of imported inflation, which has been exacerbated by the Russian-Ukraine conflict, improvements in domestic demand and heightened inflation expectations.

I have noted your outlook that inflation will likely continue to breach the upper limit of the Bank's target range for some time but will average 7.0 to 8.0 per cent over the next two-years (September 2022 to June 2024), as long as tensions between Russia and Ukraine do not escalate and inflation among Jamaica's trading partners falls. I understand that the outlook anticipates the continued lagged impact of elevated imported inflation due to high international commodity prices and improvements in domestic demand.

I have also noted that high inflation in the US has prompted larger than anticipated monetary adjustments by the Federal Reserve Board (Fed), which, without the correct alignment of domestic monetary policy, could derail our gains over the past few months. I welcome the MPC's decision to continue to closely monitor the global and domestic economic environment and to act as necessary to ensure a downward track for inflation. 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.

As a critical element of the Government's commitment to transparency and accountability concerning inflation targeting, I will make public a copy of my letter and your correspondence on the inflation breach on the Ministry of Finance and the Public Service's website.

Yours sincerely,

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