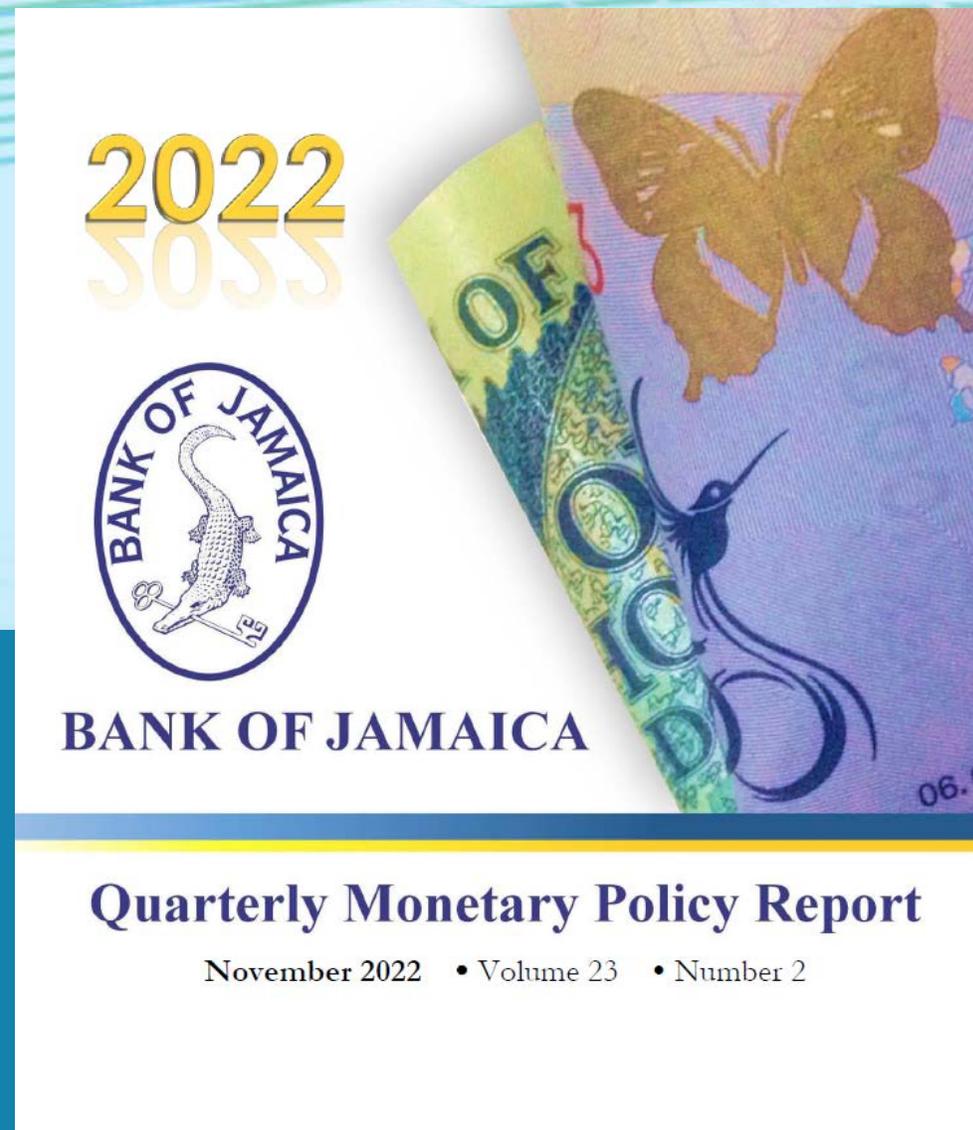




BANK OF JAMAICA

Quarterly Monetary Policy Report Press Conference



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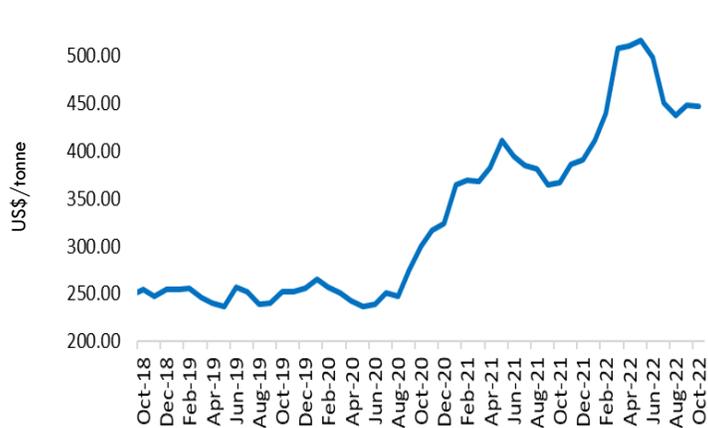


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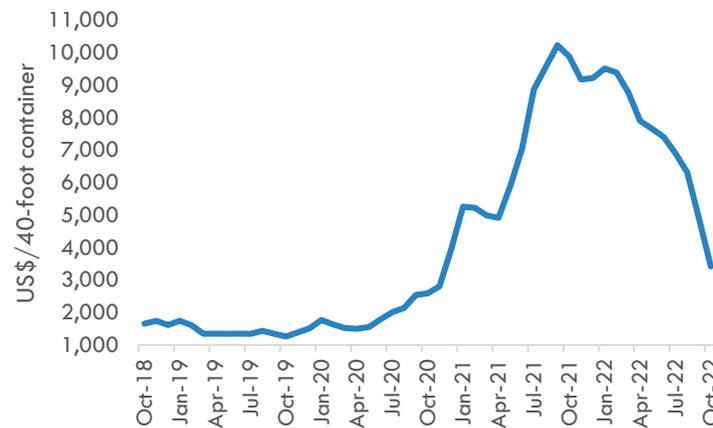
Inflation Outturn

- STATIN reported inflation in October was 9.9%, higher than inflation rate at September of 9.3%

Average Grains Prices



Freight Prices



While some key drivers of headline inflation continue to trend downwards, **the Bank not yet seeing the full pass-through to domestic food prices.**

- In addition, core inflation at October remained persistently high at **9.0%**

Monetary Tightening among Jamaica's main trading partners is continuing at a rapid pace...



- ❑ On 02 November 2022, the Fed **raised its interest rate target** by 75 bps and signaled further rate increases
- ❑ **Policy stance could cause capital outflows and faster pace of depreciation** if domestic monetary policy is not aligned

Policy Decisions – November 2022

Announced 18 November 2022:

- Bank of Jamaica's Policy Rate increased by **50 bps** to **7.00%**
- The MPC also decided to continue to contain Jamaican dollar liquidity expansion and to maintain relative stability in the FX market.

This decision has resulted in a cumulative increase of 650 basis points in the policy rate since October 2021.

Complementing the policy decisions...



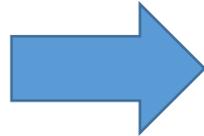
While maintaining a flexible exchange rate, **the Bank, since October 2021, has taken strong actions in the foreign exchange market**, including selling foreign exchange when necessary

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

The Bank's **strong international reserves** reinforces its ability to support the foreign exchange market, as needed.

Expected Policy Response

The Bank's policy actions were expected 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 and hence lower inflation



Constrain aggregate demand and limit ability of businesses to pass on price increases to consumers

Whilst there have been some increases in deposit and loan rates...

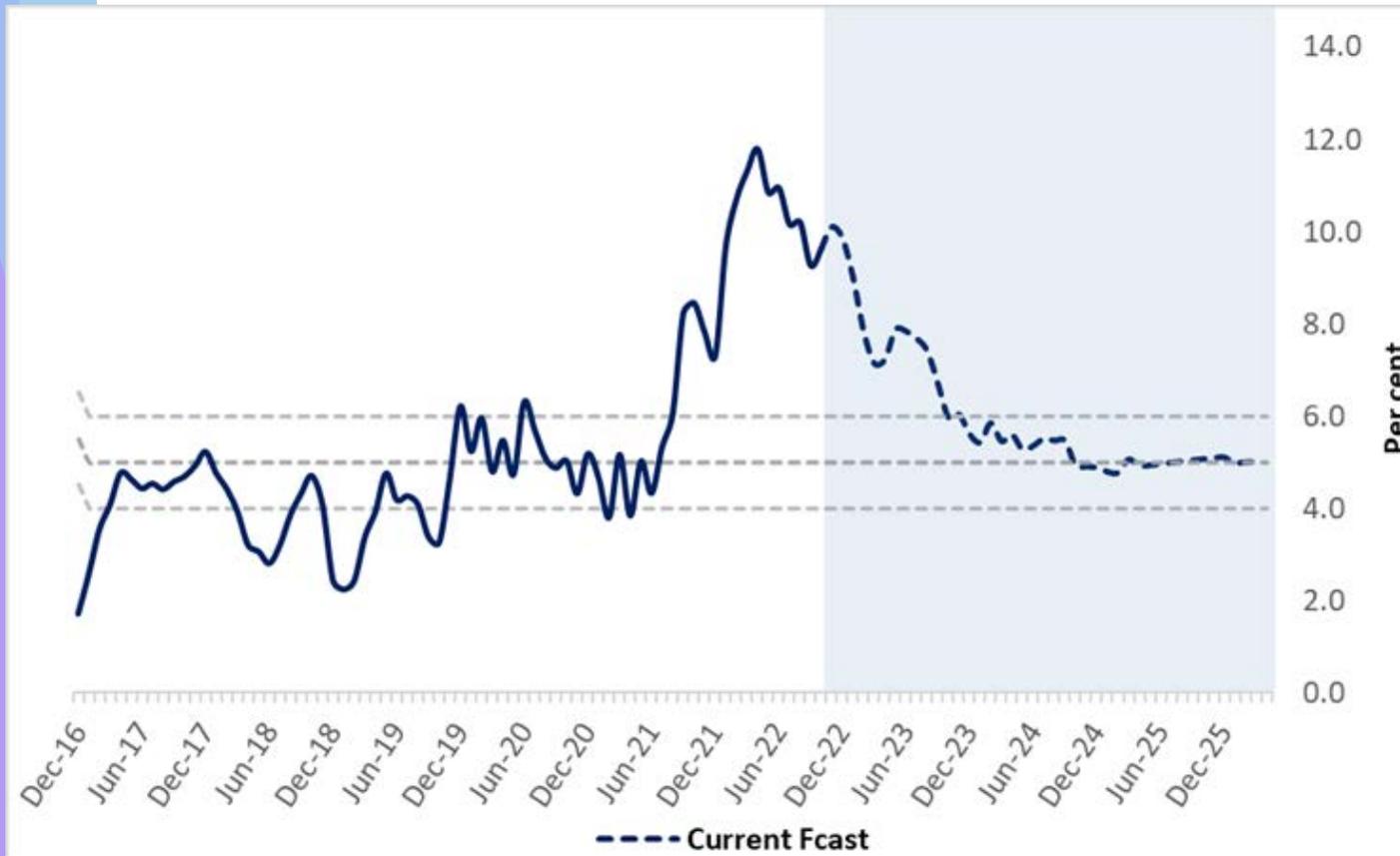


- ❑ The Bank anticipates further increases in response to its policy signal
- ❑ 12 months into the tightening cycle, **the Bank judges that it is appropriate to pause further rate increases** and to watch its pass-through effect to deposit and loan rates

Pause also conditional on - seeing more pass-through of international commodity prices and the Fed not exceeding their stated rate increase target for 2022.

Outlook for Inflation

Annual Point-to-Point Inflation (%)



Assuming no additional shocks, annual inflation rates should fluctuate between:

9.5% - 10.5%

(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 and the Bank's overall monetary policy stance. The forecast also assumes that the public's expectation for future inflation will continue to fall.

Risks to the Inflation Forecast **Balanced**



Upside risks:

- Further supply chain disruptions
- Spike in oil prices

Downside risks:

- Weaker than expected global growth

The Jamaican economy continues to perform creditably...



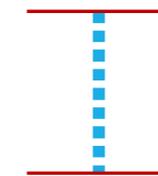
- ✓ Unemployment rate at July 2022 was 6.6%, lower by 1.9 pps when compared to the corresponding quarter of 2021
- ✓ There are signs that the economy continued to expand in the September 2022 quarter and for December 2022 quarter to date

Outlook for Jamaican Economy...

Projected GDP Growth

Key drivers of rebound :

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



Recovery Range:
2.5% to 4.5%

FY2022/23

GDP growth for **FY2023/24** is **projected to moderate further**, as income growth among Jamaica's main trading partners normalises to pre-COVID rates.

Risks to the Growth Forecast

Skewed to Downside

Downside risks:

- Lower than projected growth in tourist arrivals and related activities due to headwinds to global growth.
- Domestic consumer spending adversely impacted by high, albeit falling, domestic inflation



FX Market has remained relatively stable...



- For FY to 11 November, exchange rate depreciated by 0.5%, significantly slower than the 6.7% depreciation recorded over the same period of the previous fiscal year
- BOJ sold US\$396.1 million via its B-FXITT facility over the period, complemented by sale of US\$442.7 million to selected public enterprises, including Petrojam
- The Bank net purchased from the market **US\$521.6 million.**

Gross reserves remain substantial...



- At 11 November 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 into the medium-term

Financial system remains resilient...



- DTIs' balance sheets in compliance with prudent liquidity standards
- Growth in DTI's loans and advances to the private sector has started to pick up in September 2022 quarter relative to the previous quarter
- Quality of the DTIs' loan portfolio remained stable

Bank of Jamaica committed to doing all that it can to control inflation...



The Bank will continue to closely monitor global and domestic economic data with an expectation that we will see more of the effects of our policies.