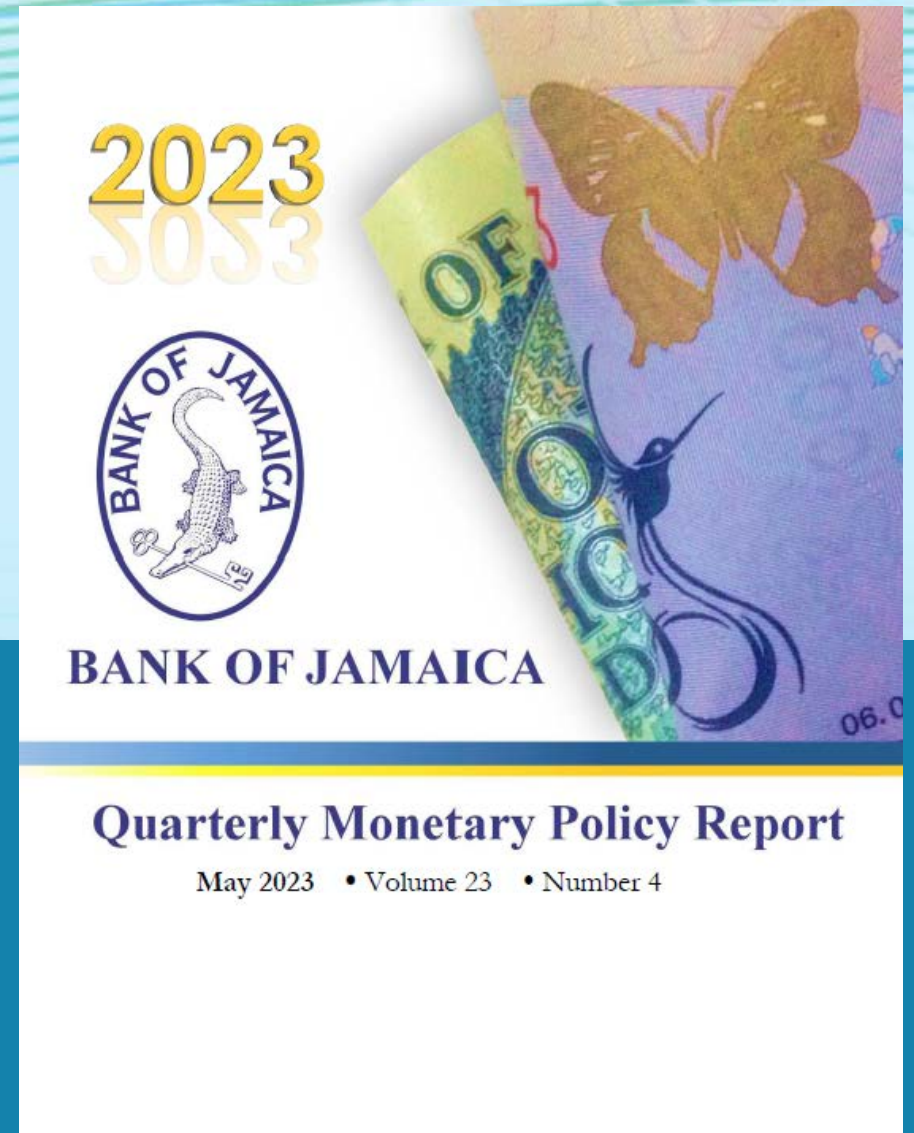




BANK OF JAMAICA

Quarterly Monetary Policy Report Press Conference



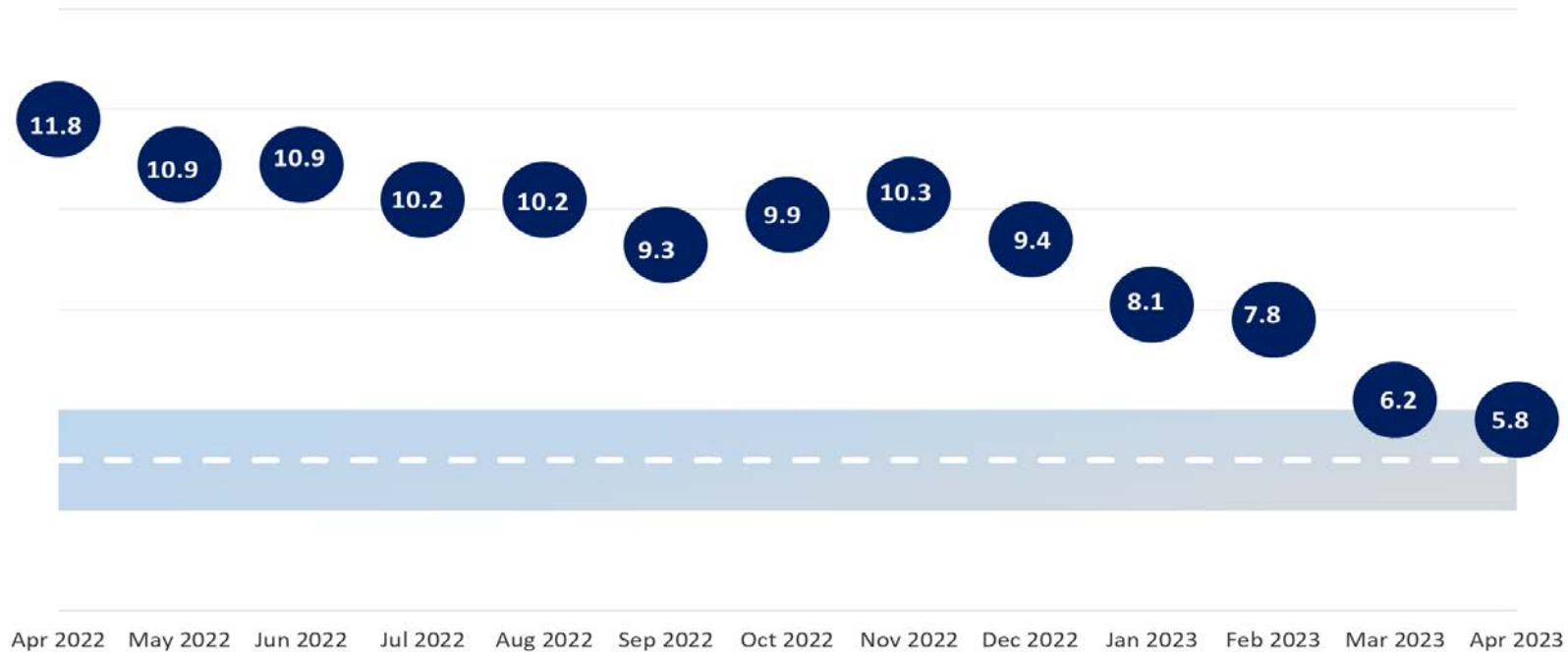
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Inflation in Jamaica has continued to ease ...

Annual headline inflation at April 2023, as reported by STATIN, was 5.8%, within the Bank's target range of 4.0 - 6.0%



Core inflation at April 2023 also fell to 5.7% from 6.1% at March 2023

Near Term Inflation Outlook

Notwithstanding the good news to date, there is a risk of inflation again breaching the target temporarily, before being firmly anchored in the 4.0 to 6.0% corridor.

Outlook reflects :

- ✓ Key external drivers of headline inflation continued to decline
- ✓ Inflation expectations continued on downward track
- ✓ Pace of monetary tightening by the US Fed has slowed, and recent developments suggest that interest rates in the US are at - or near - their peak

Near Term Inflation Outlook

- Adjustments to selected regulated prices such as the national minimum wage
- Recent increases in the cost of communication services
- Seasonal increases in agricultural prices in context of recent dry weather conditions
- Pending increases in other regulated prices



...could temporarily lift inflation back above the Bank's target range over the next 3 – 4 months.

Inflation is, however, projected to again trend toward the target range by the December 2023 quarter.



Policy Decisions – May 2023

Announced 19 May 2023:

- Bank of Jamaica's Policy Rate maintained at **7.00%**
- The MPC also decided to maintain tight Jamaican dollar liquidity in the money market and to continue fostering relative stability in the foreign exchange market.

The Bank noted the need to maintain the policy stance until inflation is firmly contained within the Bank's target of 4.0 to 6.0%.

Previous monetary policy decisions have been fairly effective....

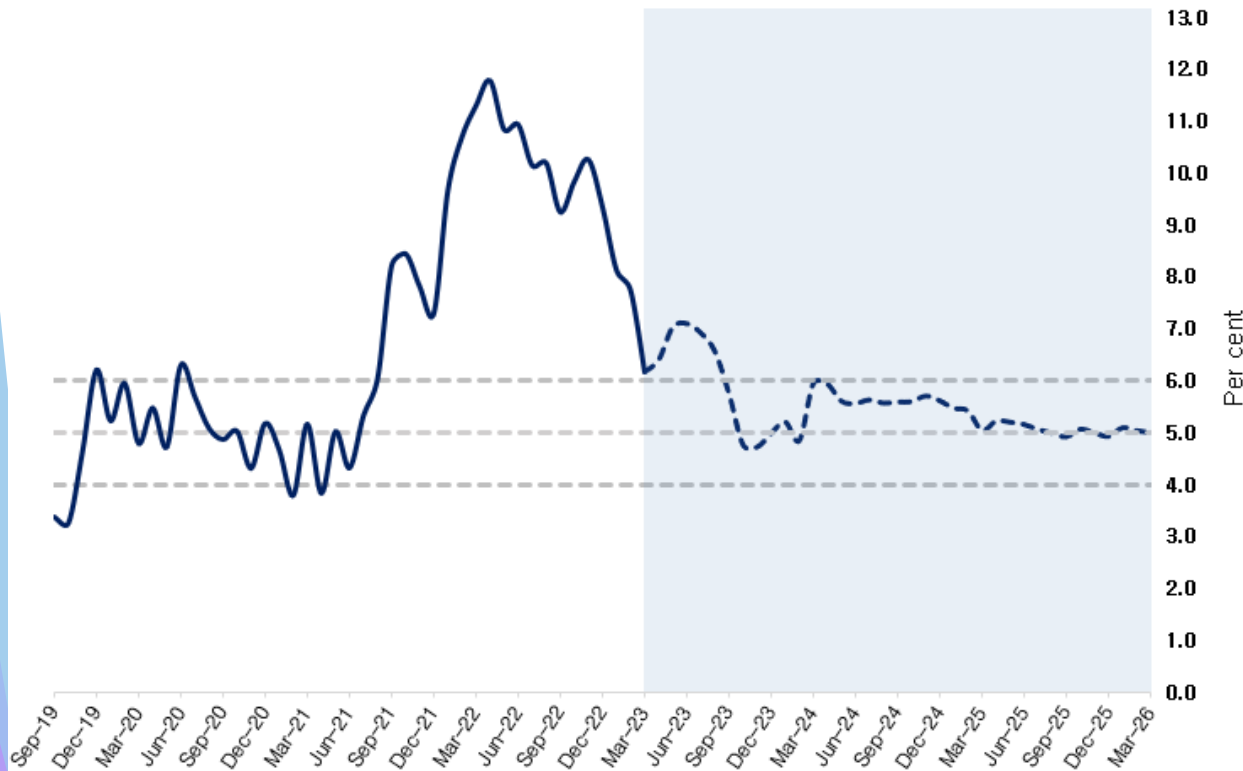


- ❑ Interest rates in the domestic money and capital markets and term rates on DTIs' deposits have generally increased in line with the policy rate
- ❑ Flow of new loans to the private sector has also declined appreciably in real terms over the six months to March 2023
- ❑ Respondents to BOJ's Quarterly Credit Conditions Survey: credit terms are expected to tighten further for the June 2023 and September 2023 quarters

Tight liquidity in the financial system and relative stability in the FX market have had a significant impact on limiting the pass-through of imported inflation to inflation in the Jamaican economy.

Outlook for Inflation

Annual Point-to-Point Inflation (%)



For Dec 2023 and Mar 2024 Qtrs.:

4.0% - 6.0%

...lower than average inflation rate of 6.0 – 6.5% projected for Jun and Sep 2023 Qtrs.

Outlook consistent with consensus forecasts for a continuation in the fall in commodity prices, further decline in inflation expectations and the Bank's overall monetary policy stance.

Risks to the Inflation Forecast Balanced

Upside risks:

- Higher than projected future wage adjustments
- Stronger than anticipated impact of climate change on domestic agricultural prices
- Worsening in supply chain conditions
- Higher than projected interest rate adjustments among major developed economies

Downside risks:

- Weaker than expected global growth
- Some projected adjustments to regulated prices may not materialise

The Jamaican economy continues to grow strongly...



- ✓ Real GDP growth is **estimated to have grown by 3.5 to 4.5% for the March 2023 quarter**, a faster growth rate than the 3.8% recorded for the December 2022 quarter
- ✓ **For FY2022/23**, real GDP growth is estimated in the range of **4.0 to 5.5%**, in line with the range previously anticipated by the Bank
- ✓ There are signs that the **economy continued to expand in the June 2023 quarter**

Outlook for Jamaican Economy...

Projected GDP Growth



FY2023/24

Key drivers of rebound :

- Resumption of production at Jamalco
- Agriculture
- Manufacturing

FX Market has remained relatively stable...



- At 18 May 2023, the Jamaican dollar **appreciated on a year-over-year basis by 0.4%** against the US dollar, compared with a depreciation of 3.3% over the same period of the previous year
- BOJ sold approximately **US\$368.3 million** via its B-FXITT facility CYTD, complemented by sale of **US\$10.0 million** to SPEs
- The Bank net purchased from the market **US\$470.3 billion**.

Gross reserves remain substantial...



- At 18 May 2023, Jamaica's gross international reserves remain substantial amounting to **US\$4.7 billion**.
- The Bank projects that the gross reserves will continue to remain adequate into the medium-term

Despite the recent turmoil in the banking sector abroad...



- Domestic financial system remains sound with adequate capital and liquidity
- DTIs remain in compliance with prudent liquidity standards
- Quality of the DTIs' loan portfolio remained stable

Bank of Jamaica committed to achieve its primary mandate of preserving price stability...



The Bank will continue to closely monitor incoming global and domestic data to make future decisions.