



Survey of Businesses' Inflation Expectations

January 2024

**SECTOR ANALYSIS DEPARTMENT
RESEARCH AND ECONOMIC PROGRAMMING DIVISION**

Inflation Expectations Survey



The Statistical Institute of Jamaica (STATIN) undertakes surveys of businesses on behalf of the Bank of Jamaica to ascertain the expectations of these economic agents about variables which are likely to have an impact on inflation in the near-term. In this regard, the survey captures the perception of Chief Executive Officers, Managing Directors and Financial Controllers about the future movement of prices, current and future business conditions and the expected rate of increase in wages/salaries. These responses assist the Central Bank in charting future policy decisions. The most recent survey was conducted between 25 December 2023 and 19 January 2024 and had 285 respondents. Below are highlights from that survey.

Figure 1: Inflation Expectations

If you expect inflation, what do you expect the rate of inflation to be at December 2023 and over the next 12 months?”

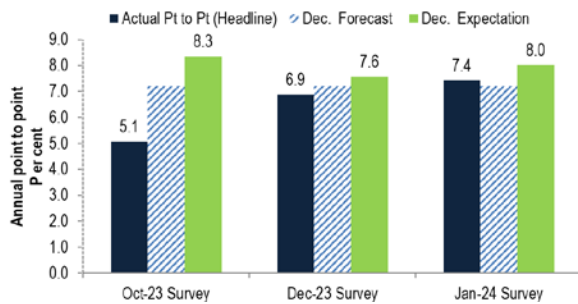
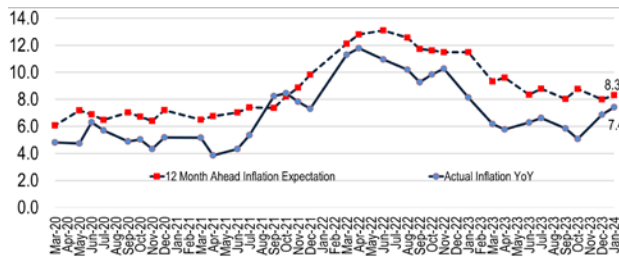


Figure 2: Expected Annual Inflation

What do you expect the rate of inflation to be over the next 12 months?



*Dates refer to survey periods

Inflation Expectations

In the January 2024 survey, respondents’ expectation for point-to-point inflation as at December 2023 was **8.0 per cent**. This expectation was higher than the annual point-to-point inflation of **7.4 per cent** for January 2024 (see **Figure 1**). Respondents’ expectation of inflation 12-month ahead increased to **8.3 per cent** relative to the previous survey’s estimate of **8.0 per cent** (see **Figure 2**).

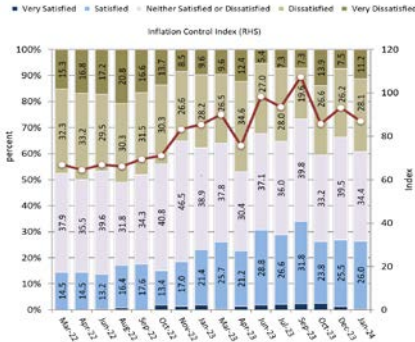
Overview

- The January 2024 survey indicated an expected point-to-point inflation of 8.0 per cent for calendar year 2023 (December 2023), which was higher than the January 2024 outturn of 7.4 per cent. The expected inflation 12 months ahead is 8.3 per cent, which is higher relative to the similar measure in the previous survey of 8.0 per cent.
- The perception of inflation control declined (worsened) in the January 2024 survey relative to the December 2023 survey.
- Respondents forecasted the exchange rate to depreciate over the three-time horizons at a slower pace compared to the previous survey.
- The majority of respondents believe that the Bank’s policy rate will remain the same over the next three months. The proportion of respondents of this view decreased slightly relative to the previous survey.
- Both the Present and Future Business Conditions Indices increased (improved) relative to the previous survey.

Inflation Expectations Survey

Figure 3: Perception of Inflation Control

How satisfied are you with the way inflation is being controlled by the Government?¹



*December 2005 = 100
*Dates refer to survey periods

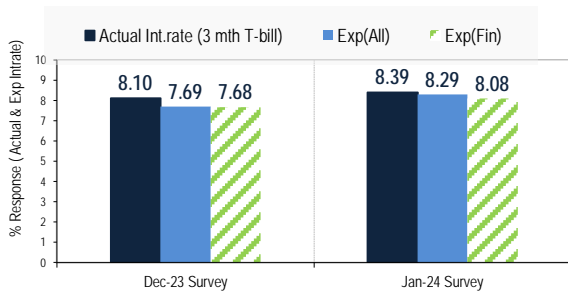
Table 1: Exchange Rate Expectations

In November 2023, the exchange rate was J\$156.45=US\$1.00. What do you think the rate will be for the following time periods ahead, 3 months, 6 months and 12 months?

OVERALL SURVEY				
Periods	Expected Depreciation (+)/Appreciation (-)			
	SURVEY DATES			
	Sep-23	Oct-23	Dec-23	Jan-24
3-Months	0.8	0.9	0.8	0.4
6-Months	0.9	0.8	0.8	0.7
12-Months	1.3	1.5	1.5	1.2

Figure 4: 90-day T-bill

In December 2023, the 90-day T-bill rate was 8.1 per cent. What do you think the rate will be for the next 3 months?



¹ Index of inflation control calculated as the number of satisfied respondents minus the number of dissatisfied respondents plus 100.

Perception of Inflation Control

Businesses' perception of the authorities' control of inflation decreased in the January 2024 survey (see **Figure 3**) relative to the previous survey. This was largely due to an increase in the proportion of respondents that were "very dissatisfied" with the way inflation is being controlled, coupled with an increase in those being "dissatisfied".

Exchange Rate Expectations

Respondents anticipated depreciation over all three time horizons in the latest survey. In the January 2024 survey, the exchange rate was anticipated to depreciate by **0.4 per cent**, **0.7 per cent** and **1.2 per cent** for the 3-month, 6-month, and 12-month time horizons, respectively. This represents a slower pace of depreciation when compared to the previous survey. Respondents in the December 2023 survey had expected the exchange rate to depreciate by **0.8 per cent**, **0.8 per cent** and **1.5 per cent** over the 3-month, 6-month and 12-month time horizons, respectively, (see **Table 1**).

Interest Rate Expectations: 90-day T-bill

Survey respondents expected the 90-day Treasury bill rate, three months hence to be **8.3 per cent**. This expected rate was lower than the January 2024 outturn of **8.4 per cent** (see **Figure 4**). Financial sector respondents expect the 90-day Treasury bill rate, three months hence, to be **8.1 per cent**.

Inflation Expectations Survey

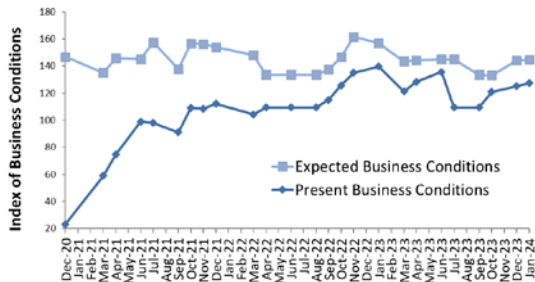
Table 2: Interest Rate Expectations: Policy Rate

In December 2023, the Bank of Jamaica’s overnight rate (policy rate) was 7.0 per cent. What do you think this rate will be for the next 3 months?

SURVEY DATES	OVERALL			FINANCIAL SECTOR		
	Oct-23	Dec-23	Jan-24	Oct-23	Dec-23	Jan-24
Survey responses (percentage of total)						
Significantly Lower	1.2	0.3	0.0	0.0	0.0	0.0
Marginally Lower	6.6	11.9	13.0	5.3	4.2	14.8
Remain the Same	57.8	62.2	59.6	47.4	75.0	63.0
Marginally Higher	22.5	12.9	16.8	31.6	16.7	18.5
Significantly Higher	1.6	0.3	0.4	10.5	0.0	0.0
Don't Know	10.2	12.2	10.2	0.0	0.0	0.0

Figure 5: Present and Future Business Conditions

1. In general, do you think business conditions are better or worse than they were a year ago in Jamaica?
2. Do you think that in a year from now business conditions will get better or get worse than they are at present?



*Balanced score method: (better-worse) +100

*Dates refer to survey periods

Interest Rate Expectations: Policy Rate

In the January 2024 survey, the majority of respondents expected that the Bank’s policy rate would remain the same over the next three months. This proportion decreased slightly relative to the previous survey.

With regard to the financial sector, the majority (**63.0 per cent**) of respondents expected that the Bank’s policy rate would remain the same (see **Table 2**). Notably however, responses from the financial sector revealed that **18.5 per cent** of respondents expected the rate to be marginally higher. This reflected an increase compared to the previous survey.

Perception of Present and Future Business Conditions

In the January 2024 survey, the Present Business Conditions Index increased (improved) to **127.4** relative to **125.2** recorded in the previous survey. The Future Business Conditions Index also increased (improved) to **144.6** from **144.2** in the previous survey (see **Figure 5**).

The increase in the Present Business Conditions Index mainly reflected a decrease in the percentage of respondents who said that conditions are “worse”. Likewise, the Future Business Conditions Index also reflected an increase in the number of respondents of the view that conditions will be “better”.

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Table 3: Operating Expenses

Which input do you think will have the highest price increase in the next 12 months?

SURVEY DATES			
	Oct-23	Dec-23	Jan-24
Utilities	34.8	32.7	34.4
Stock Replacement	33.2	32.7	33.3
Raw Materials	11.9	13.3	11.9
Fuel & Transport	13.1	12.9	10.5
Wages & Salary	6.6	7.5	7.7
Not Stated	0.4	1.0	2.1
Other	0.0	0.0	0.0

Expected Increase in Operating Expenses

Respondents indicated that they expected the largest increase in production costs over the next twelve months to emanate from utilities, stock replacement, as well as raw materials in that order. Despite recent public discussions of a tightening labour market, wages & salary expense is still anticipated to have the lowest increase over the next 12 months. (see **Table 3**).