



BANK OF JAMAICA

**Quarterly Monetary
Policy Report**
Press Conference
21 May 2024



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Bank of Jamaica

**Quarterly Monetary
Policy Report**

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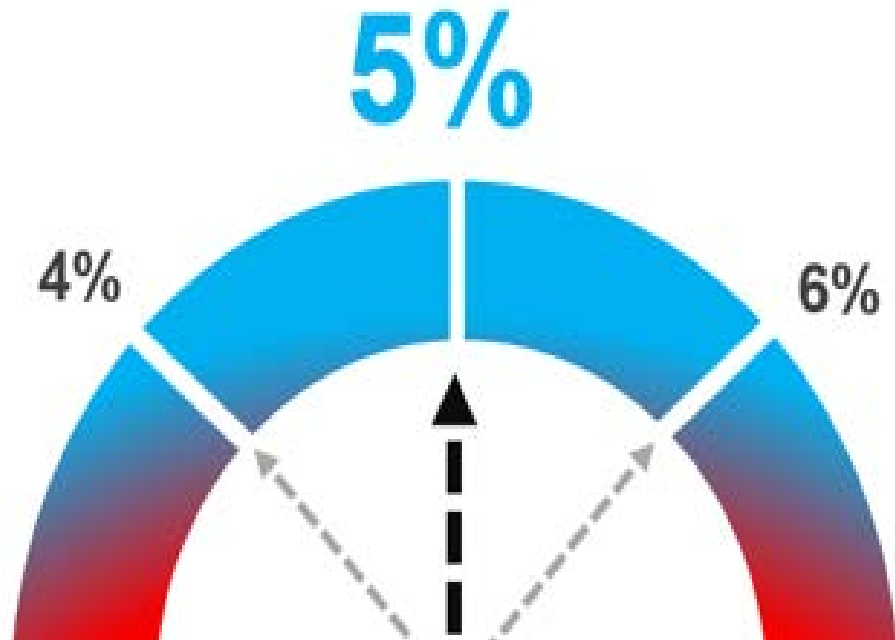


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Inflation Target for Jamaica maintained at 4.0 to 6.0 per cent...



4.0 to 6.0%
Inflation Target

- ✓ Bank of Jamaica received confirmation from the Minister of Finance and the Public Service that the inflation target for Jamaica will be **maintained at 4.0 to 6.0% for the next three years.**
- ✓ The target is the anchor that underpins how individuals and businesses should view the current and future changes in the general level of prices in the economy.

Policy Decisions – May 2024

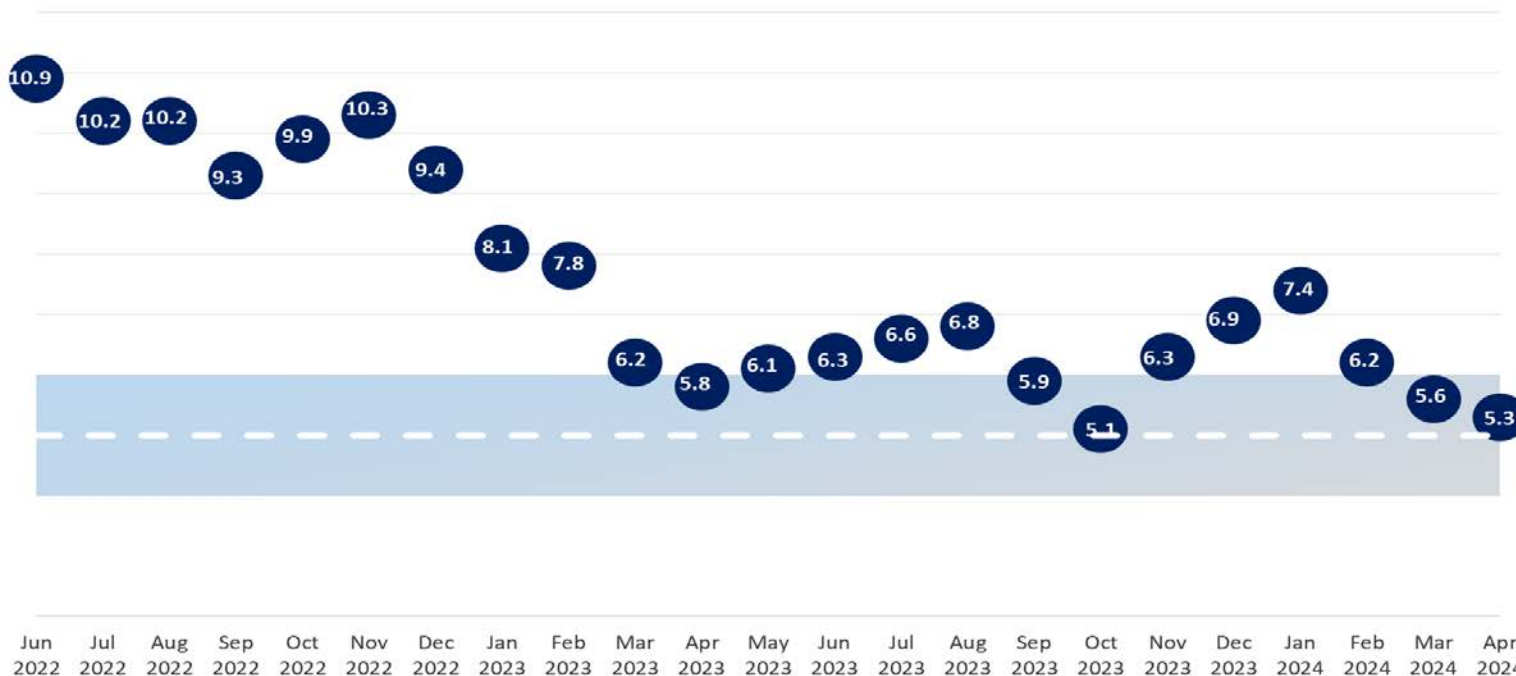
Announced 20 May 2024:

- Bank of Jamaica's Policy Rate maintained at **7.0%**
- Maintain relative stability in the foreign exchange market.
- Maintain tight Jamaican dollar liquidity conditions.

This decision reflects the Committee's view that while inflation is continuing its downward trend, it is still not firmly anchored within the target range and the risks to future inflation are skewed to the upside.

Inflation within the Target Range for the second consecutive month....

Annual headline inflation at April 2024, as reported by STATIN, was **5.3%**, within the Bank's target and lower than the rate recorded at March 2024.



- ✓ The Bank is very encouraged by this outturn.
- ✓ Core inflation at April 2024 was **5.7%**, marginally lower than the outturn at March 2024.

Some of the key drivers of headline inflation

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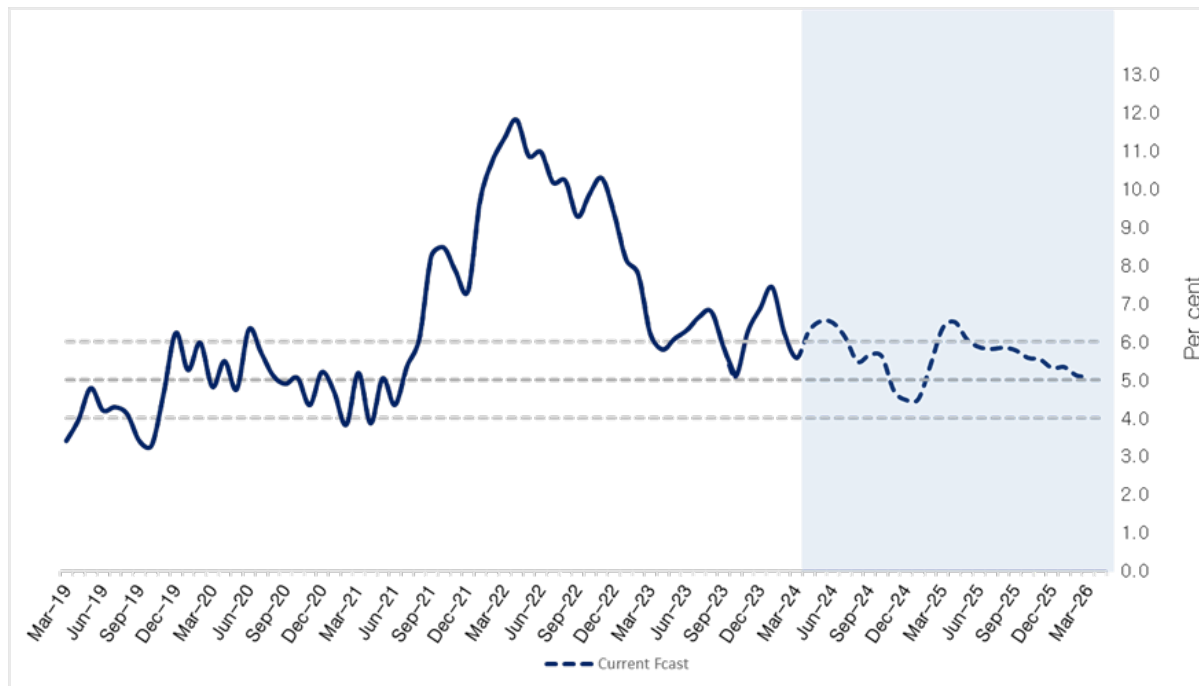
- ✓ International grain prices and Inflation expectations continued to decline
- ✓ Inflation in economies of Jamaica's main trading partners continued to moderate
- ✓ International oil prices have been volatile



Outlook for Inflation

Inflation is projected to breach the upper end of the target range towards the end of the June 2024 quarter and in a few months in 2025...

Annual Point-to-Point Inflation (%)



This reflects:

- Seasonally higher agricultural food inflation
- Normalisation in electricity rates
- Higher transport-related inflation

Thereafter, inflation is projected to return to the target range and generally remain there over the next eight quarters with the exception of a few months in 2025.

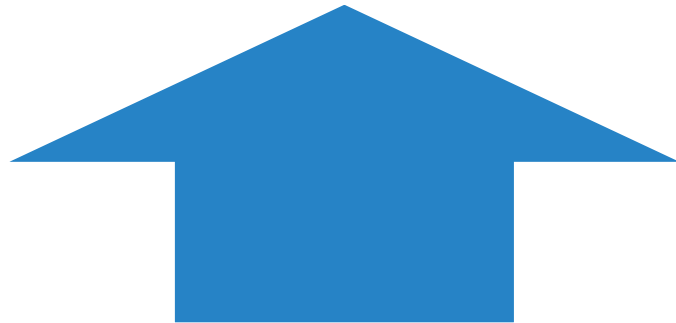
Current Outlook for Inflation lower than previous forecast...

- The improved outlook is mainly due to **the removal of the second increase in PPV fares** which was scheduled for April 2024.
- **Processed food prices and cost of meals away from home also revised downwards** due to lower international grains prices.
- This is partly offset by the incorporation of the **announced increase in national minimum wage and higher energy and transport-related inflation**, due to higher international oil prices.

Notwithstanding this improved outlook, the risks around inflation forecast were skewed to upside...

Upside Risks:

- High inflation expectations
- Larger-than-projected regulated price adjustments
- Higher-than-projected international oil prices
- Worse than anticipated weather conditions



Downside Risk:

- Weaker-than-projected global growth which could reduce domestic demand and imported inflation



Future Monetary Policy Decisions

Future monetary policy decisions to reduce interest rates will depend on incoming data related to the risks to inflation.

Important factors that will guide MPC's future decisions:

- The evolution of wage adjustments
- Inflation expectations
- Core inflation



The Bank will maintain heightened surveillance of these risks to inflation.

FX market generally continuing its fairly stable trend...



- Uptick in pace of depreciation in April primarily resulting from a seasonal increase in demand following the ending of the March tax season
- BOJ sold **US\$983 million** over 12 months to end-April 2024
- The Bank net purchased **US\$1.3 billion** over the same period
- **Pace of depreciation slowed over the first two weeks of May** and the Bank will continue to act to ensure orderly movements in the exchange rate
- **Deposit dollarisation moderated**

BOJ continues to maintain tight Jamaican dollar liquidity...

- ✓ Reflected in **higher yields on the Bank's 30-day CD and increases in private money market rates.**
- ✓ Average yield on the BOJ's 30 Day has fluctuated between **10 - 11%, over the last 6 months.**

Jamaican economy continues to grow but at a more moderate rate...



- ✓ Real GDP for FY2023/24 is estimated to have grown within the range of 1.5 – 2.5%.
- ✓ The economy is expected to grow in the June 2024 quarter, albeit at a slower pace.

Looking ahead, the Bank projects that real GDP will increase by **1.0 to 2.0%** for **FY2024/25**.

The primary mandate of Bank of Jamaica is to see inflation firmly anchored between 4.0 and 6.0%...



Bank of Jamaica remains resolute in this commitment.