



**BANK OF JAMAICA**

# Quarterly Monetary Policy Report Press Conference

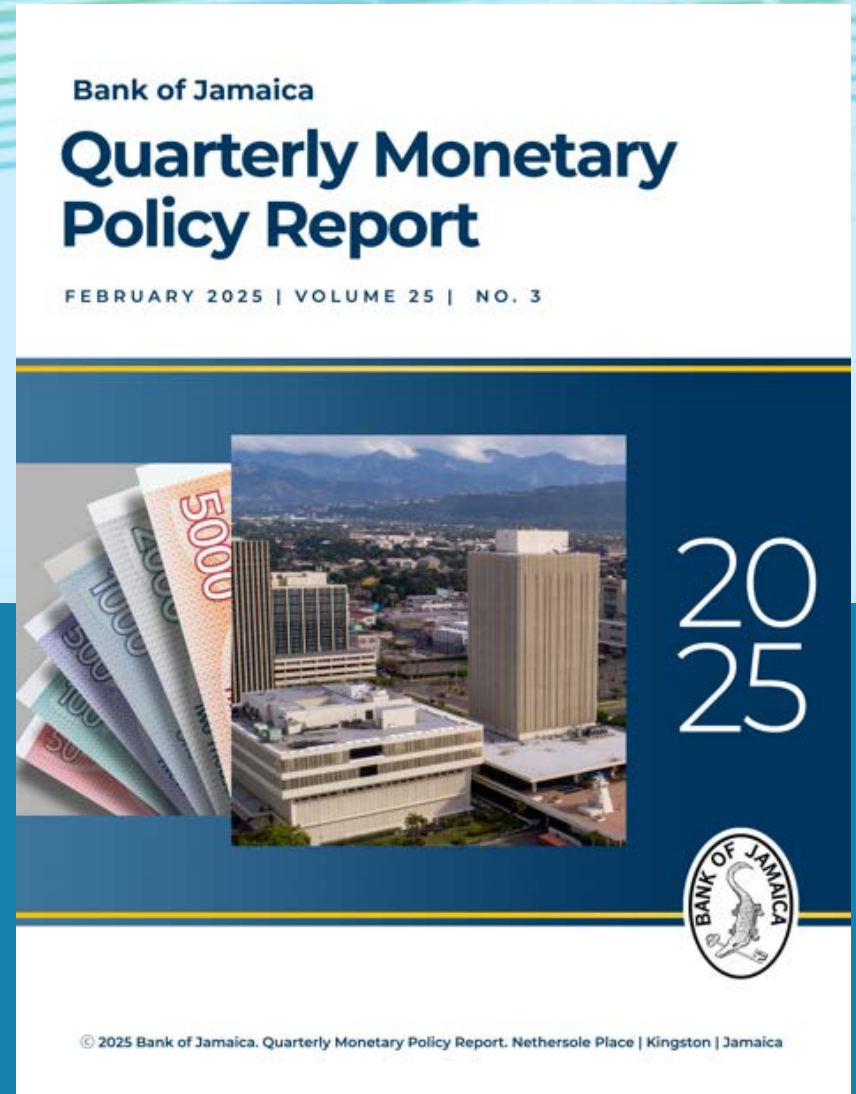
**24 February 2025**



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# Policy Decisions – February 2025

**The Bank's MPC deliberated on its policy stance** in the context of a set of favourable macroeconomic data and forecast for Jamaica...

...albeit coloured by uncertainties about external policies and their potential impact on Jamaica and the rest of the World.



# Policy Decisions – February 2025

**The MPC determined that the current level of the policy rate continues to be appropriate to support inflation remaining within the Bank's target range of 4.0 - 6.0%.**

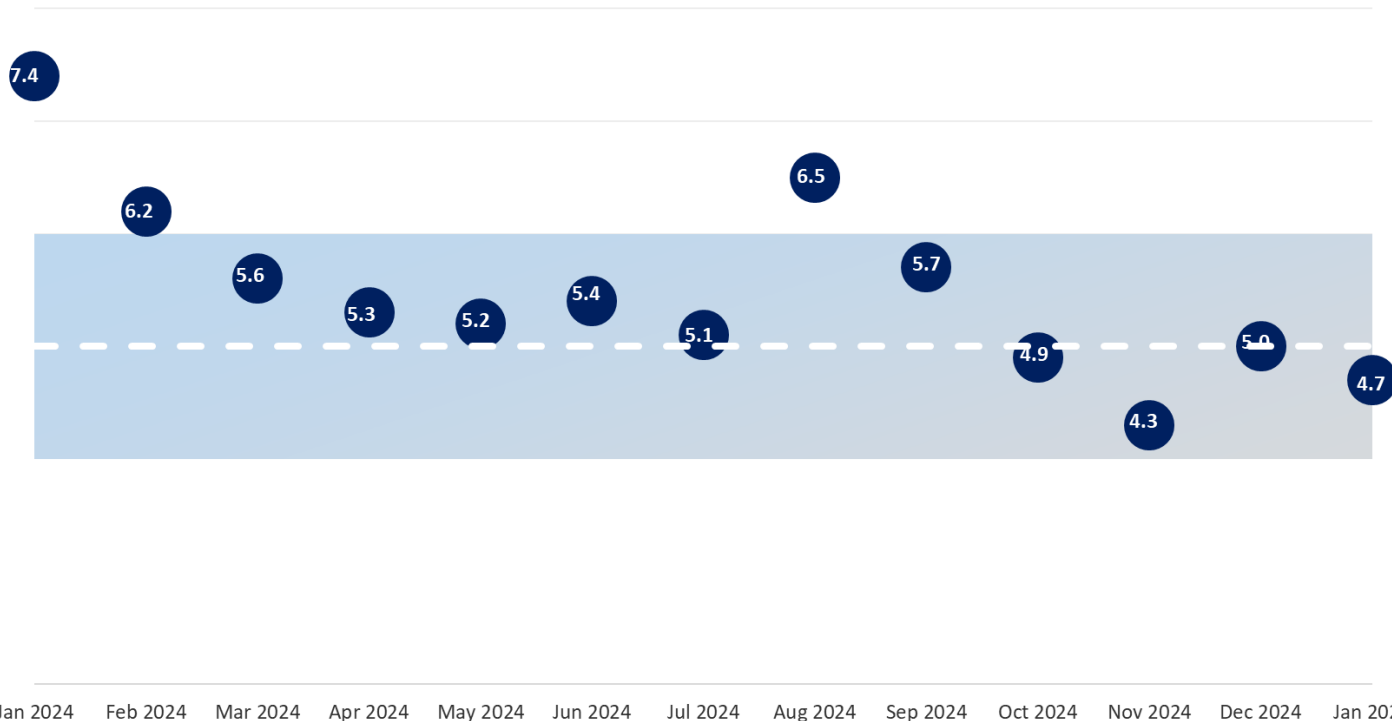
**Announced 20 February, the Committee unanimously agreed to:**

- **Maintain policy rate at 6.0%**
- **Preserve relative stability in the foreign exchange market.**

# **Factors Underpinning MPC's Decision**

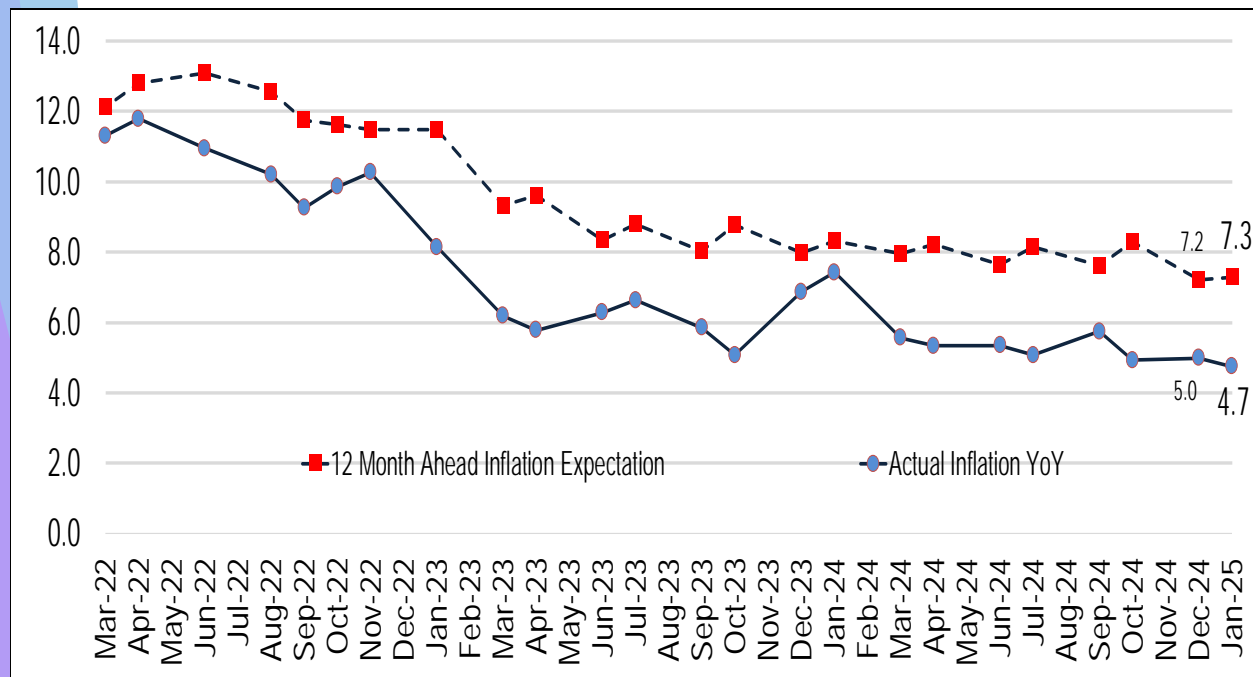
# General declining trend for Inflation....

On 17 February, STATIN reported that headline inflation at January 2025 was **4.7%**, representing a general trend reduction from the **7.4%** at January 2024



✓ Core inflation at January 2025 was **4.0%**, remaining consistently below 6.0% since July 2023.

# ***Inflation expectations continue to fall...***



- In the Bank's December 2024 survey, respondents lowered their expectations for inflation 12-months ahead by more than one percentage point.
- **This represented a continuation of a downward trend observed since the middle of 2022.**

# Positive developments in the prices of imported intermediate and final goods...

- ✓ Average price of grains lower for the December 2024 quarter compared to the December 2023 quarter.
  - ✓ Average oil prices for the December 2024 quarter lower relative to the same quarter of previous year
  - ✓ Inflation in the US decelerated to 2.9% at December 2024 from 3.4% a year earlier
- ...But shipping prices increased for the review quarter relative to the corresponding quarter of the previous year

## ***Change in the FX rate and businesses' expectations about the pace of depreciation have remained relatively stable...***



- The exchange rate at 19 February 2025 depreciated by **just 0.3%**, compared to **1.9%** depreciation for the same period a year earlier
- The foreign exchange market has been adequately supported by the Bank's use of its healthy reserves to augment flows in the market
- However, the Bank net purchased approximately US\$1.1 billion over the period





✓ **no upward adjustments in regulated prices**

✓ **Anecdotal data suggests that wage pressures are moderating...**



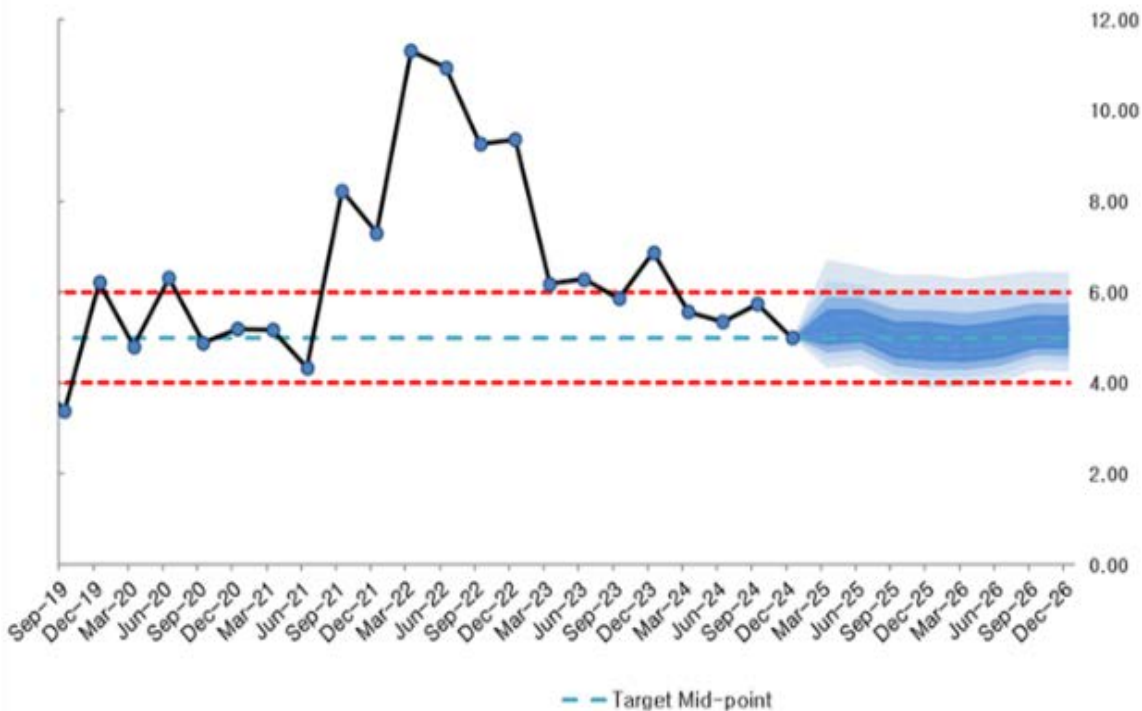
*Even while employment levels remain high...*

## ***External interest rates has been somewhat sticky downwards...***

- As expected, the Fed maintained its policy rate in January 2025 at the range of 4.25 - 4.50%
- Average yields on longer-term Treasury Bills in the secondary market in the US rose from 3.7% to 4.4% between September and December 2024

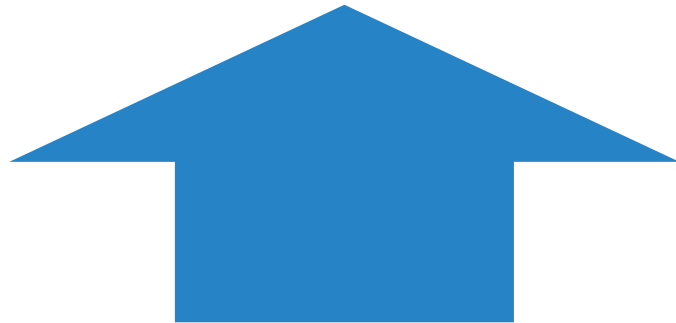
# Outlook

Over the next two years, inflation is projected to remain well anchored within the Bank's target range of 4.0 – 6.0%.



❖ The current outlook for inflation is largely consistent with the previous forecast.

# *The risks to inflation forecast are skewed to the upside...*



## **Upside Risks:**

- Potential economic policy changes among Jamaica's main trading partners - adverse implications for remittance and tourism inflows as well as repercussions for inflation expectations
- Worse-than-anticipated weather conditions

## **Downside Risk:**

- Weaker-than-projected demand could influence lower inflation



# ***In relation to demand conditions...***



- ✓ **Jamaican economy estimated by the PIOJ to have contracted by 1.8% for December 2024 quarter, following the decline for the previous quarter**
- ✓ **This decline was principally due to the effects of bad weather and so masks the underlying normal level of the economy**

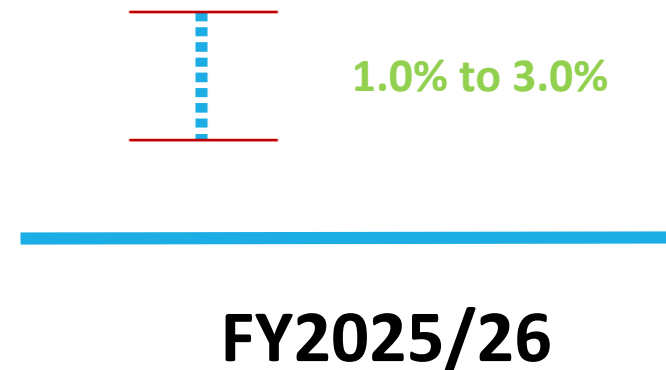
# ***Outlook for Demand Conditions...***

For the March 2025 quarter, PIOJ projects that the economy will grow in the range of 0.0 to 1.0%.

BOJ projects it will recover fully from the effects of weather-related events over the ensuing quarters.

- For FY2025/26, growth will be underpinned by expansions for:
  - Agriculture, Forestry & Fishing
  - Electricity & Water Supply
  - Hotels & Restaurants.

## **Projected GDP Growth**



# ***To conclude...***



- ✓ **Bank of Jamaica remains resolute in its commitment to continue achieving its primary mandate of price stability by maintaining inflation at 4.0 to 6.0%**
- ✓ **The Bank remains committed to ensuring that the foreign exchange market remains stable. Reserves are more than adequate**
- ✓ **Looking ahead, the Bank is prepared to adjust the stance of monetary policy if the risks highlighted materialise and impede our ability to attain the inflation target.**