



BANK OF JAMAICA

Quarterly Monetary Policy Report

Press Conference

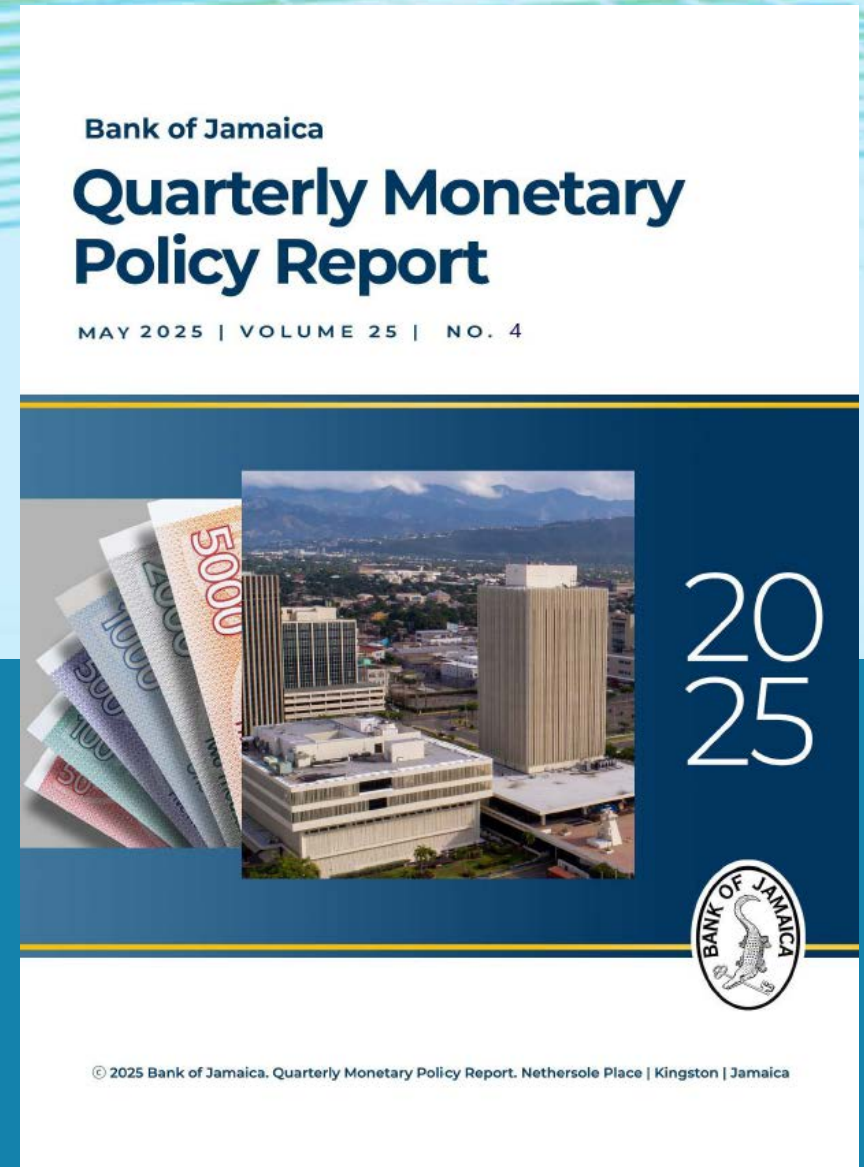
21 May 2025



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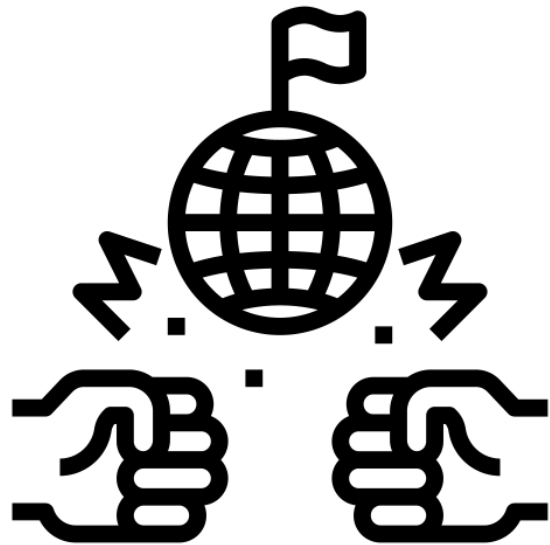


The changing policy landscape in the US ...



- The US government has been resetting trading relationships with its trading partners.
- **Changes:** tariffs, immigration, remittances and fiscal operations.

...has fueled



- 1) Global Uncertainty
- 2) Tariff retaliations by the major trading partners of the US
- 3) Higher volatility in equity and bond markets in the US and around the World,
- 4) A fall in commodity prices, and
- 5) A fall in US consumer confidence

Policy Decision – May 2025

Following careful consideration of the implications of these developments, recent economic trends and the outlook for the Jamaican economy, the MPC unanimously agreed to:

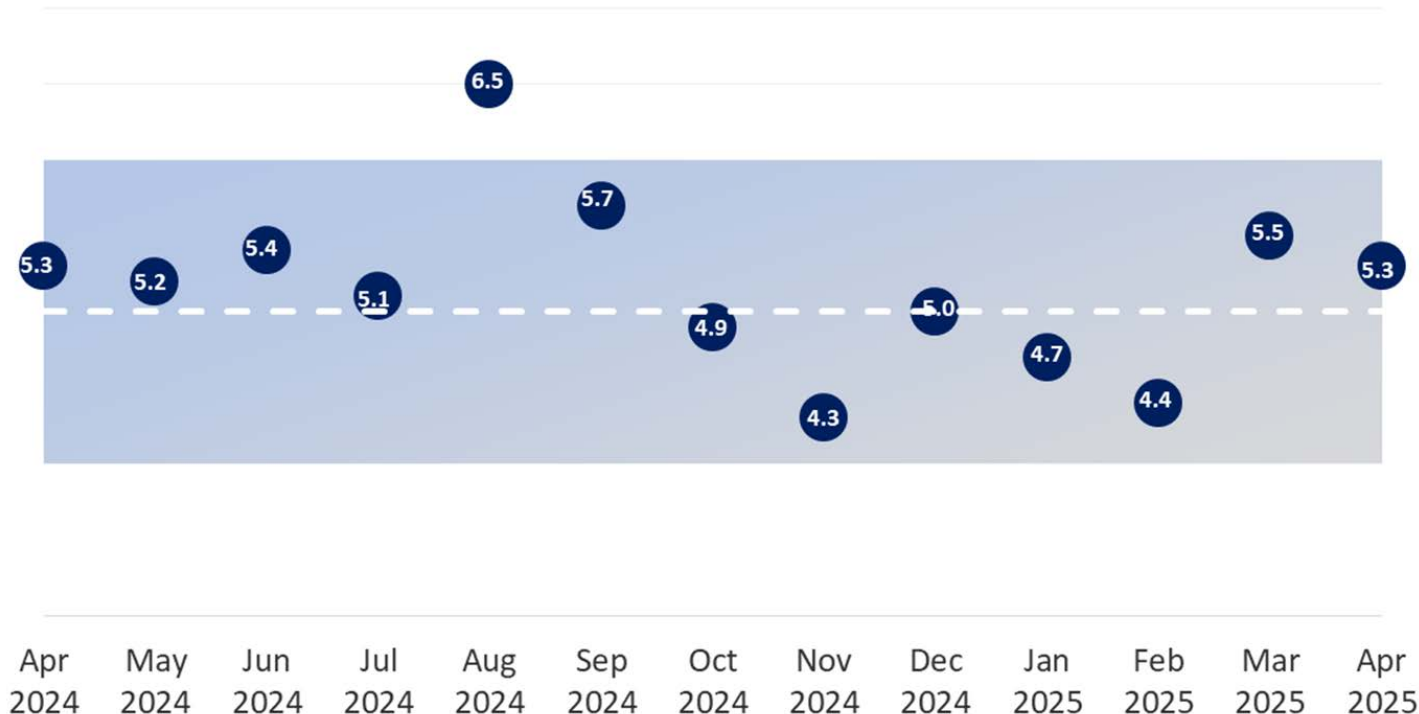
- **Reduce policy rate by 25 basis points from 6.00% to 5.75% per annum, effective 21 May 2025**
- **Preserve relative stability in the foreign exchange market.**



The Jamaican economy continues to be stable...

Headline inflation at April 2025 was **5.3%**, in-line with the outturn for April 2024.

Core inflation at April 2025 was **4.4%**, remaining below 6.0% since July 2023.



Inflation outturn primarily reflected:

- ✓ Non-recurrence of price increases for regulated items (such as bus and taxi fares)
- ✓ Fairly stable exchange rate, imported inflation and inflation expectations.

The FX Market also remains stable...



- At 14 May 2025, the exchange rate had depreciated on a year over year basis by 1.9%.
- Mild uptick in the pace of depreciation between end-April and early-May led the Bank to augment flows in the market.
- At 14 May, Jamaica's gross international reserves remain healthy, amounting to US\$5.9 billion or 135% of the measure considered adequate.

Real GDP estimated to grow in the March 2025 quarter...

The Bank estimates that the domestic economy grew in the range of 0.0 to 1.0% for the March 2025 quarter,

Translated into a contraction of -1.0 to -0.5% for FY2024/25.



- ✓ **While employment levels remain high, anecdotal data suggests that wage pressures are moderating...**

The near-term outlook for the economy is favourable...

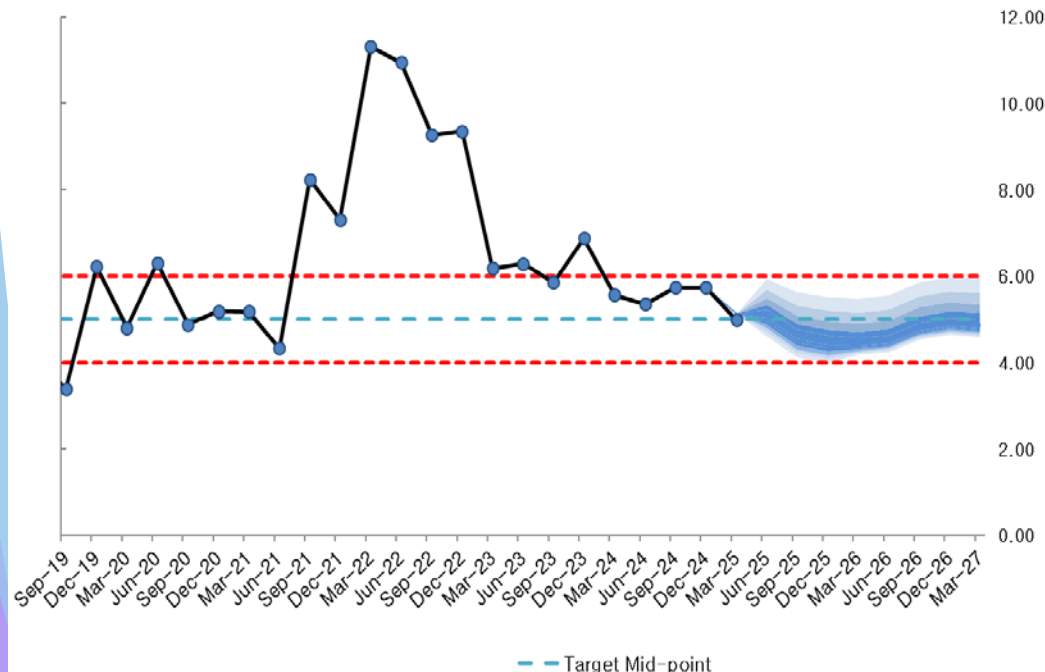
The Bank's view is that the first-round impact of the increase in US tariffs on prices in Jamaica will not be significant.

- **For the US, the policies are likely to:**
 - Temporarily increase inflation
 - Slow the pace of US economic growth
- **The US Fed maintained its interest rate target in the range of 4.25 to 4.50% in May 2025 and is likely to continue to maintain rates for an extended period of time in 2025**
- **While some consumer prices in Jamaica may rise, the impact on overall inflation of this jump will be largely offset by falling oil prices.**

Inflation projected to remain in the target range...

Given the available information, the Bank projects a moderate impact of the US policy changes on prices in Jamaica.

The outlook is for inflation to remain within the Bank's target range of 4.0 to 6.0% over the next two years, notwithstanding some upside risk.



❖ This outlook assumes:

- ✓ Stable inflation expectations
- ✓ Moderate decline in crude oil prices.
- ✓ Continued stability in exchange rate
- ✓ Moderate growth in domestic demand

Growth projected to rebound ...despite US Policy changes

- The US policy changes may have some impact on Jamaica's GDP growth and the external accounts, to the extent that tourism and other goods exports, as well as remittances are affected
- The economy is however projected to grow by 1.0 to 3.0 per cent for FY2025/26 .
- Rebound largely reflects normalisation in :
 - Mining
 - Tourism
 - Construction

Outlook for BOP Surplus...



- The current account of Jamaica's balance of payments is projected to remain in surplus over the near-term.
- International reserves are projected to remain healthy.
- Gross reserves will improve further, remaining above the Assessing Reserve Adequacy (ARA) 100 per cent benchmark.

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



Upside Risks:

- Sharper than anticipated increase in the tariff faced by trading partners of the US, as imported inflation and inflation expectations rise
- Further escalation in geopolitical tensions could negatively impact international supply chains



Downside Risk:

- Lower-than-projected international commodity prices as well as weaker demand conditions



The Policy Stance Remains Cautious

The MPC will continue to carefully monitor any upward pressure on prices caused by the evolving tariff landscape.

The Bank is prepared to adjust the stance of monetary policy if its outlook does not materialise and there is an upward deviation of the inflation rate from the Bank's target.

Bank well positioned to continue underwriting stability in the foreign exchange market.



To conclude...



- ✓ **BOJ remains committed to achieving its primary mandate of maintaining inflation at 4.0 to 6.0 per cent and will deploy the tools necessary to preserve stability.**
- ✓ **The external environment carries much uncertainty but the domestic macroeconomic outlook remains benign.**