



BANK OF JAMAICA

Quarterly Monetary Policy Report Press Conference

26 May 2026



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Bank of Jamaica

Quarterly Monetary Policy Report

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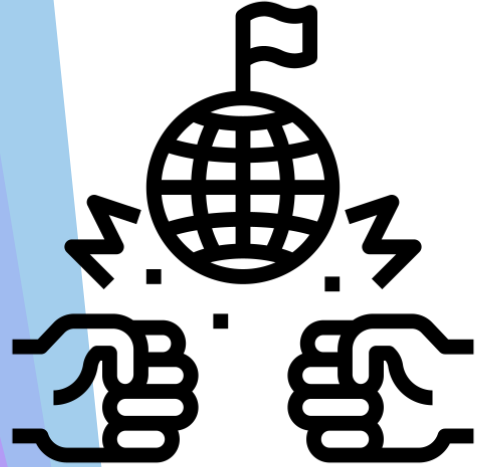


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Geopolitical tensions have heightened significantly...



- Extensive damage to critical oil and gas infrastructure in several countries of the Middle East.**
- Disrupted shipping activity in the Strait of Hormuz.**
- Given the high level of uncertainty surrounding the duration of the conflict and extent of damage to infrastructure, recovery could be slow and protracted.**

In Jamaica, global shock has heightened the risks to headline inflation ...



- ☐ Headline inflation to rise above the 4.3% recorded at April.**
- ☐ At the same time, the confluence of external factors arising from the Middle East conflict also poses downside risks of lower domestic economic activity over the near term.**


Policy Decision – May 2026

In this context, the MPC decided unanimously at its meeting last week to:

- **Maintain the policy rate at 5.50% per year; and**
- **Continue special measures to preserve stability in the foreign exchange market, including directly supplying the foreign exchange needs of selected entities in the energy sector.**

The Bank will also continue maintaining the pre-announcement of the timing and size of B-FXITT flash sale interventions.

Policy Decision – May 2026



**POLICY RATE
HELD AT
5.50%**

Next Announcement Due: 29 June 2026

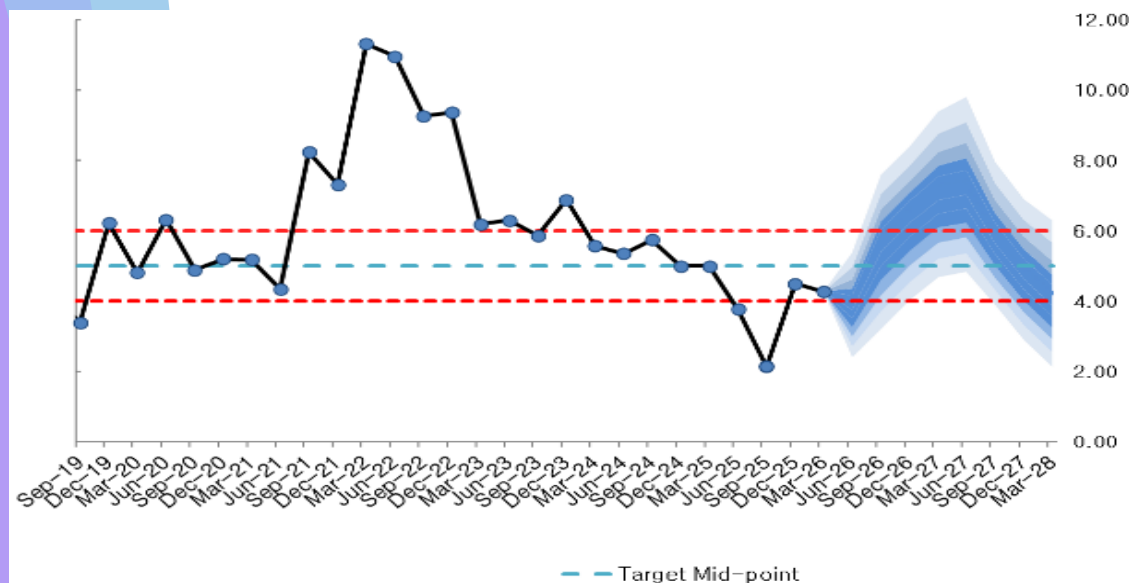
The decision to maintain the policy rate reflects the Bank's assessment that the current policy stance remains appropriate to help limit later or second-round effects from the external price shock and support inflation levels within the target range of between 4.0 and 6.0% over the medium term.

Policy Decision – May 2026

Regarding specific impacts:

- The rise in international oil prices is expected to place upward pressure on electricity costs in Jamaica.
- Domestic gas prices have already risen and may accelerate further, with implications for transport-related inflation. Beyond these direct effects, higher energy and transport costs are expected to contribute to second-round increases in prices of other goods and services across the economy.
- **Inflation in Jamaica is therefore forecast to trend upward over the June and September 2026 quarters** beyond the 6.0% upper limit of the Bank's target range.

The increase in domestic inflation over the next two quarters will be mainly driven by supply and cost pressures

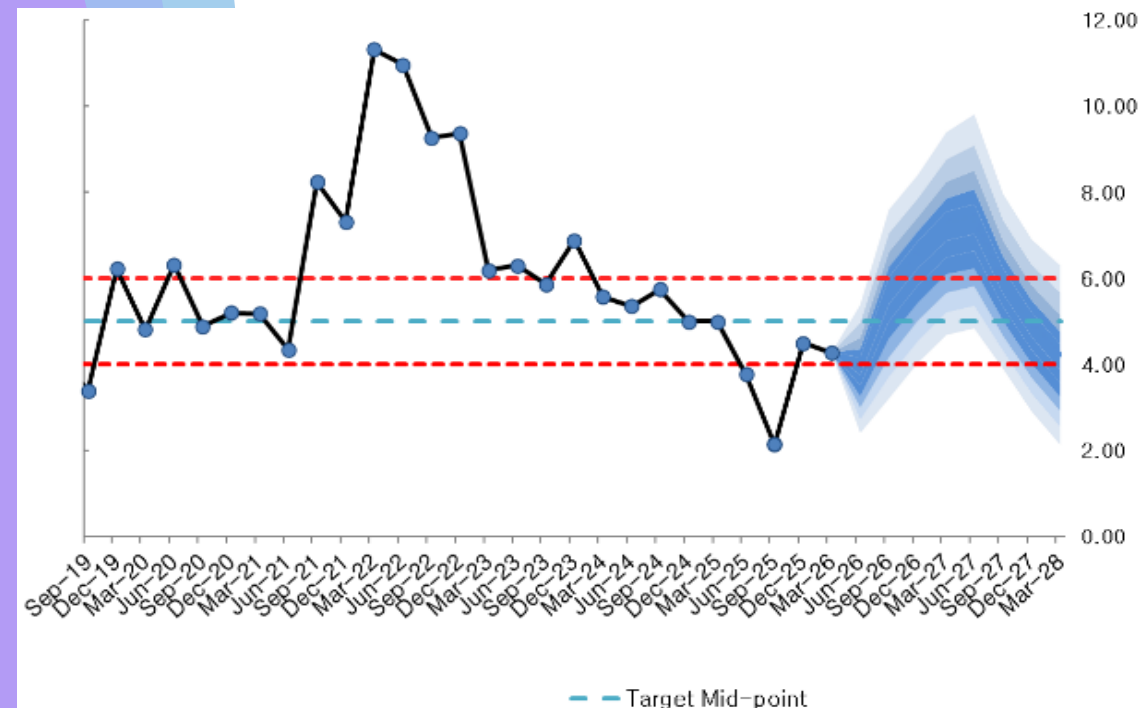


□ These pressures include:

- Increased energy and transport-related inflation
- Second-round impact of higher energy related inflation on the prices of other goods and services coupled with higher spending related to post-hurricane reconstruction efforts.

The extent of the breach of the inflation target range will depend on the severity and duration of the Middle East conflict. Those variables are highly uncertain.

As geopolitical tensions ease and global oil supplies return to normal levels, headline inflation is forecast to gradually moderate



At the same time, the projected moderation in inflation is expected to be partly offset by domestic demand pressures, stemming primarily from fiscal spending to support rebuilding efforts following Hurricane Melissa.

Risks to the Inflation Forecast skewed to the upside



Upside Risks:

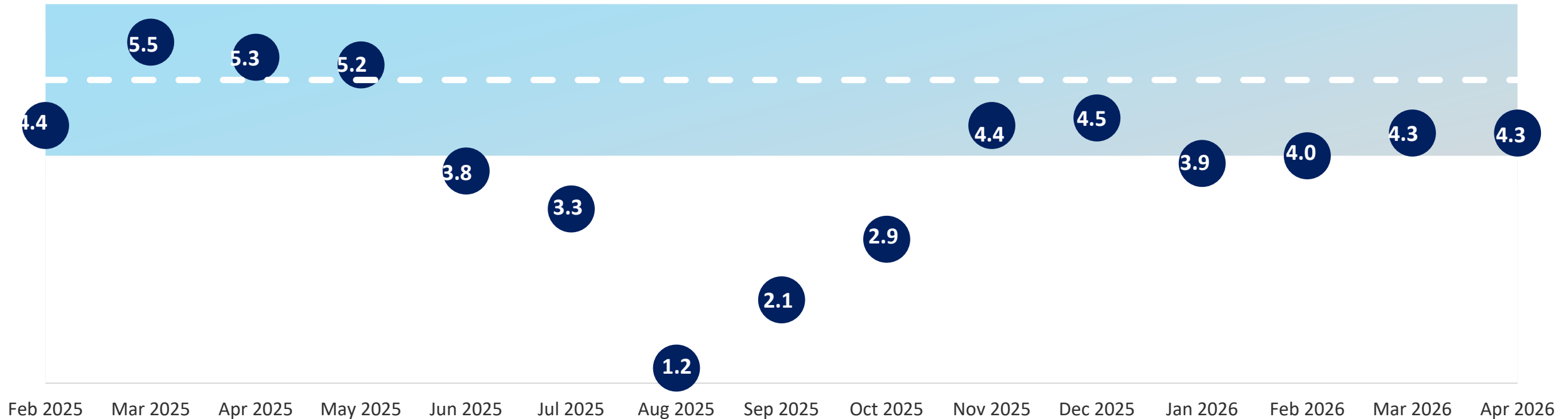
- More extended and broader conflict in the Middle East
- Adverse weather conditions (including effects of El Niño)
- Higher-than-projected inflation expectations
- Stronger-than-anticipated impact of higher domestic spending amid post-hurricane recovery activities

Downside Risk:

- Reduced demand because of energy costs taking up a larger share of consumers' disposable income



Inflation at April 2026 within the Bank's target range...



Headline inflation at April 2026 was **4.3%**, in line with outturn at March 2026.

Core inflation at April 2026 rose slightly to **4.1%**, from 4.0% at March 2026.

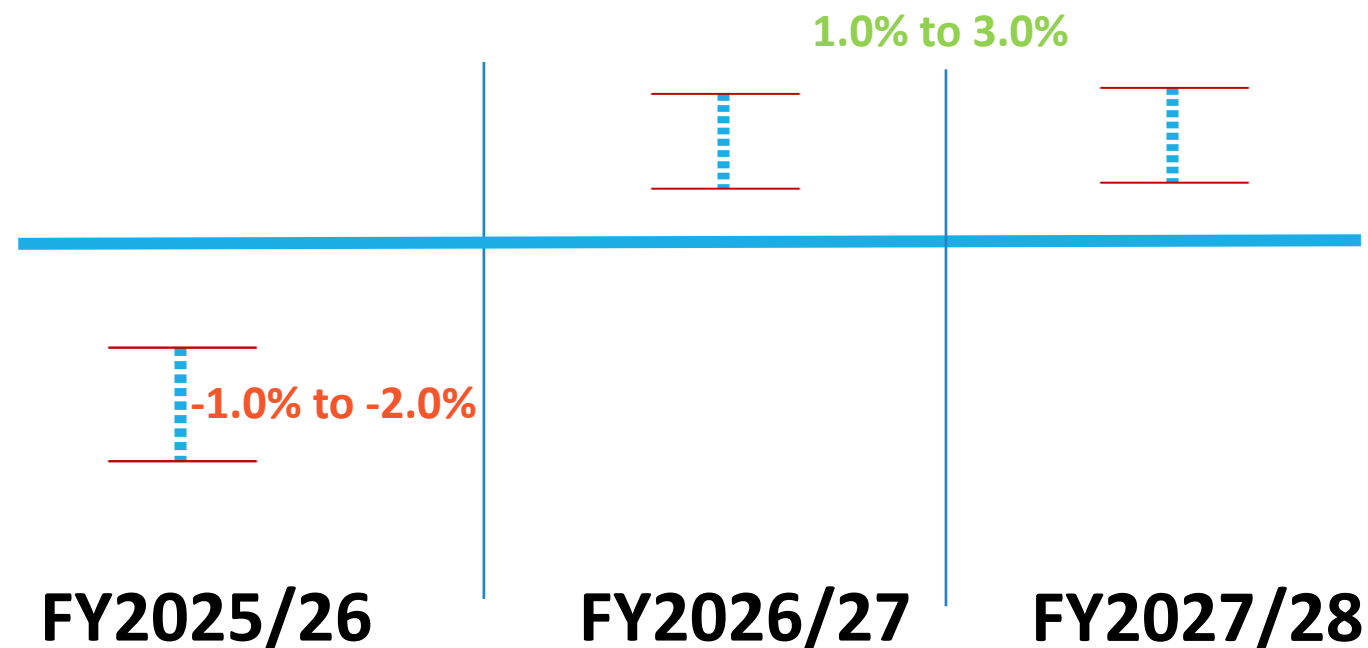
Developments within the real economy...

The Bank now anticipates a decline in real GDP for FY2025/26.

Real GDP growth for FY2026/27 & FY2027/28 expected with gradual recovery of the economy.

Real GDP is also projected to grow on average by 1.0 to 2.0 per cent over the medium-term.

Projected GDP Growth



The current account balance is expected to deteriorate over the near-term...

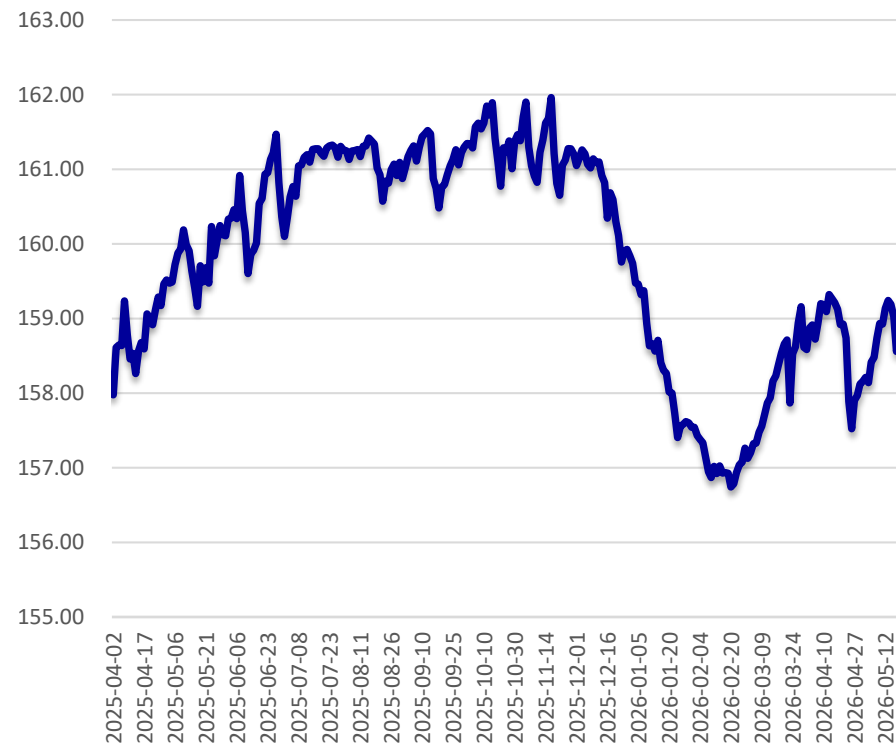
The deterioration will be largely underpinned by:

- Higher imported fuel prices and importation to facilitate infrastructure rebuild post Hurricane Melissa
- Adverse impact of the hurricane on the tourism industry

□ BOJ anticipates that the current account balance will fall within a range of a **deficit of 0.5% of GDP to a surplus of 0.5% of GDP** for FY2025/26 compared with a surplus of 3.0% of GDP in FY2024/25.



Despite the temporary falloff in tourism earnings, the foreign exchange market remained relatively stable...



- At 19 May 2026, the exchange rate appreciated on a year-over-year basis by 0.5%, compared with depreciation of 1.7% a year earlier.
- BOJ sold **US\$1.3 billion** via its B-FXITT facility over the 12 months to end-April 2026, US\$200 million more than the **US\$1.1 billion** sold over the previous 12 months.
- The Bank net purchased **US\$906.4 million** more than it sold in the 12 months to April 2026.

Jamaica's strong level of reserves provide an important buffer against external shocks...



- Jamaica's gross international reserves have also remained robust, standing at **US\$6.5 billion** at 19 May 2026, representing about **139.6% of the measure considered adequate.**
- Going forward, Jamaica's foreign reserve levels are expected to remain adequate over the medium term and will support the orderly functioning of the foreign exchange market, helping to limit volatility and thereby containing imported inflation.



The domestic financial system remains sound with adequate capital and liquidity.

To conclude...



- ✓ **Bank of Jamaica remains committed to its primary mandate of maintaining price stability.**
- ✓ **The Bank will continue to closely monitor the incoming data and assess the implications for inflation and inflation expectations.**
- ✓ **The MPC is prepared to adjust its monetary policy stance if the conflict in the Middle East is protracted, resulting in sustained price increases.**