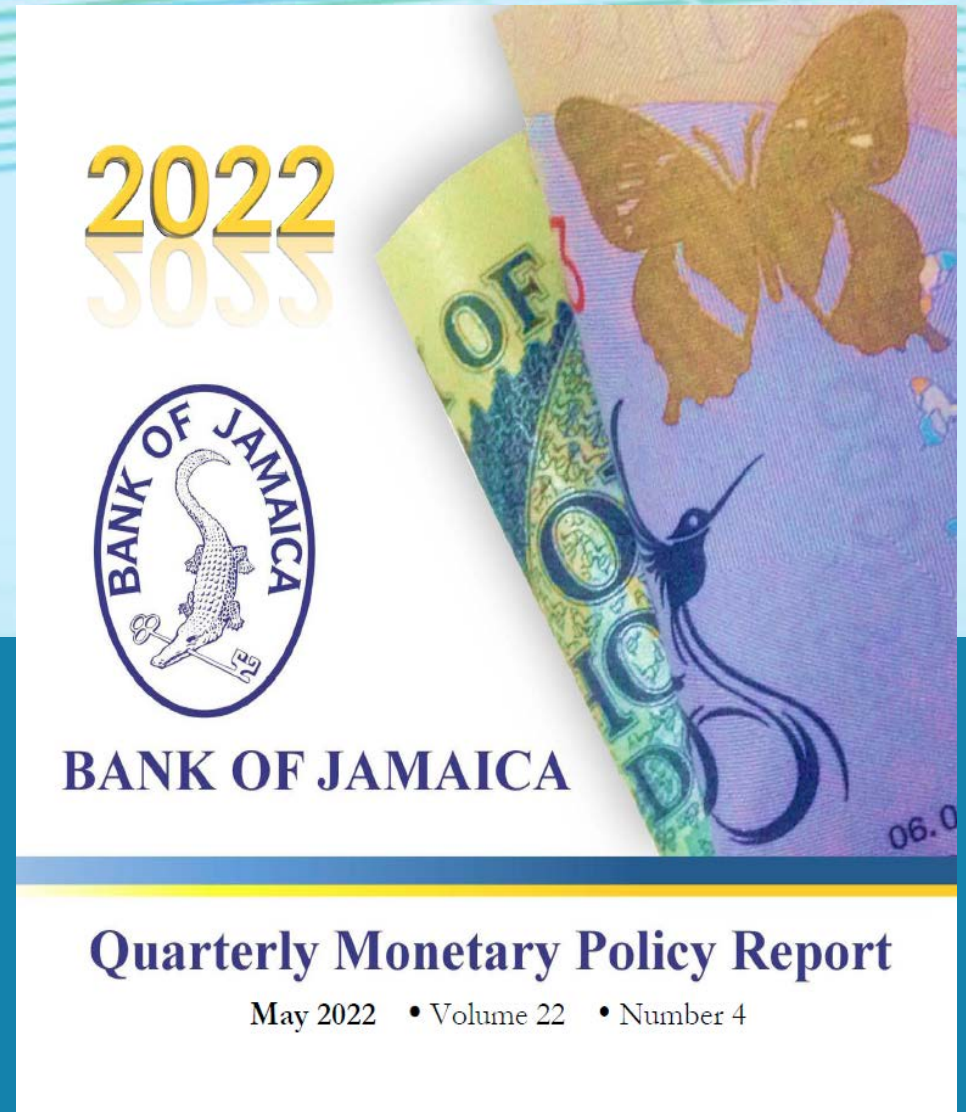




**BANK OF JAMAICA**

# Quarterly Monetary Policy Report Press Conference



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# ***The Jamaican economy has been doing well...***



- ✓ **Real GDP grew faster in December 2021 quarter**
- ✓ **Unemployment rate fell to a historic low in January 2022**

# ***While there are clouds on the horizon...***



- Invasion of Ukraine by Russia driving higher global and domestic inflation
- Emergence of another wave of the COVID-19 virus



# *... there are silver linings*

- Global consensus forecasts indicate that international commodity prices will **fall in second half of 2022**
- The Bank projects that **inflation in the US will fall over the course of 2022**
- Although projected to rise further in May and June, **Jamaica's inflation projected to fall in the second half of the year.**



# Policy Decisions – May 2022

## Announced 19 May 2022:

- Policy Rate increased by **50 bps** to **5.00%**
- Continue pursuing measures to contain JMD liquidity expansion and to maintain stability in FX market

***The Bank expects that these measures will :***

Cause interest rates on deposits and loans rise further



Promote saving in Jamaican Dollars and reduce the demand for foreign currency



Reduce demand in economy and the ability of Businesses to increase their selling prices

# Inflation Outturn

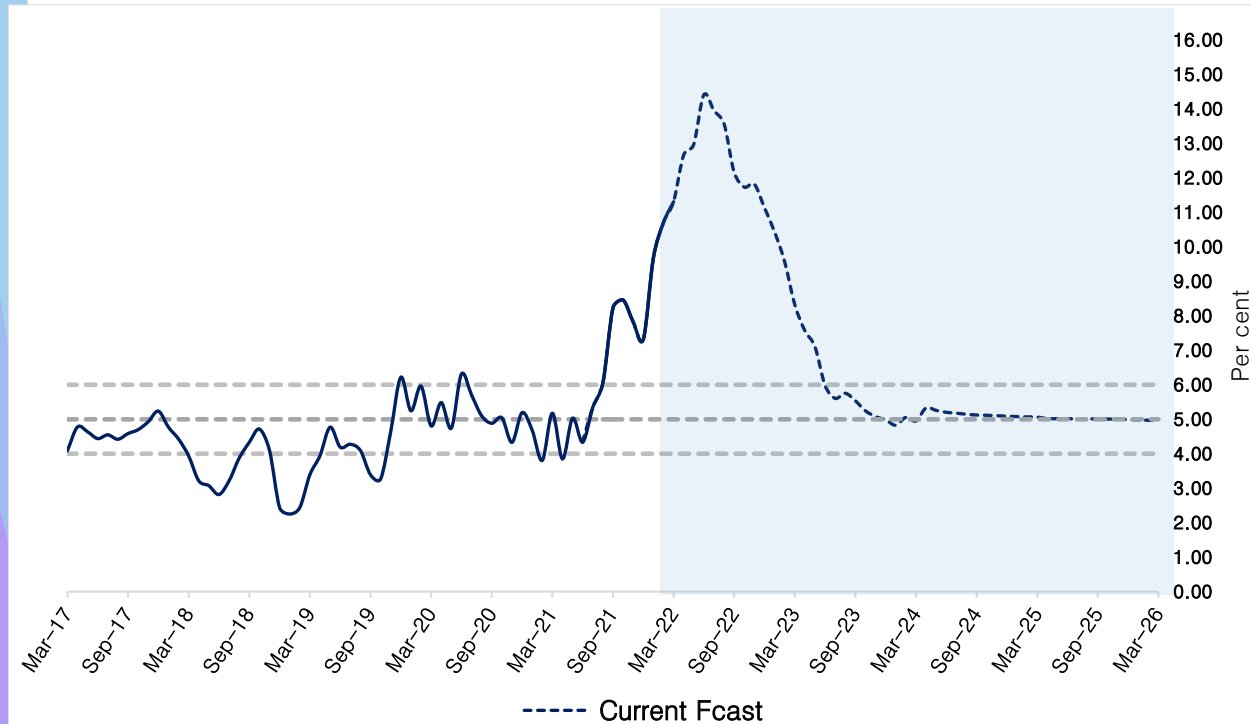
**STATIN reported inflation in April accelerated to 11.8%, representing ninth consecutive breach of the Bank's target**

- **Food and Energy-related Inflation accounted for 75% of domestic inflation, most of which stems from the International commodity price shock**



# Outlook for Inflation

## Annual Point-to-Point Inflation (%)



**Looking ahead:**  
**Peak: 12.0% – 15.0%**  
(by June 2022)

Inflation forecast anticipates that it will fall within target range by June 2023 quarter, consistent with the projections for a decline in international grains and energy prices during that period.

# ***Risks to the Inflation Forecast*** **Skewed to Upside**

## **Key upside risks:**

- **A worsening in supply chain disruptions and higher commodity prices due to the Russia-Ukraine conflict**
- **Upward movement in wages may prompt higher inflation**

## **Key downside risks:**

- **Weaker than expected global growth**



# ***Most recent real GDP outturn continues to show improving economic activity...***

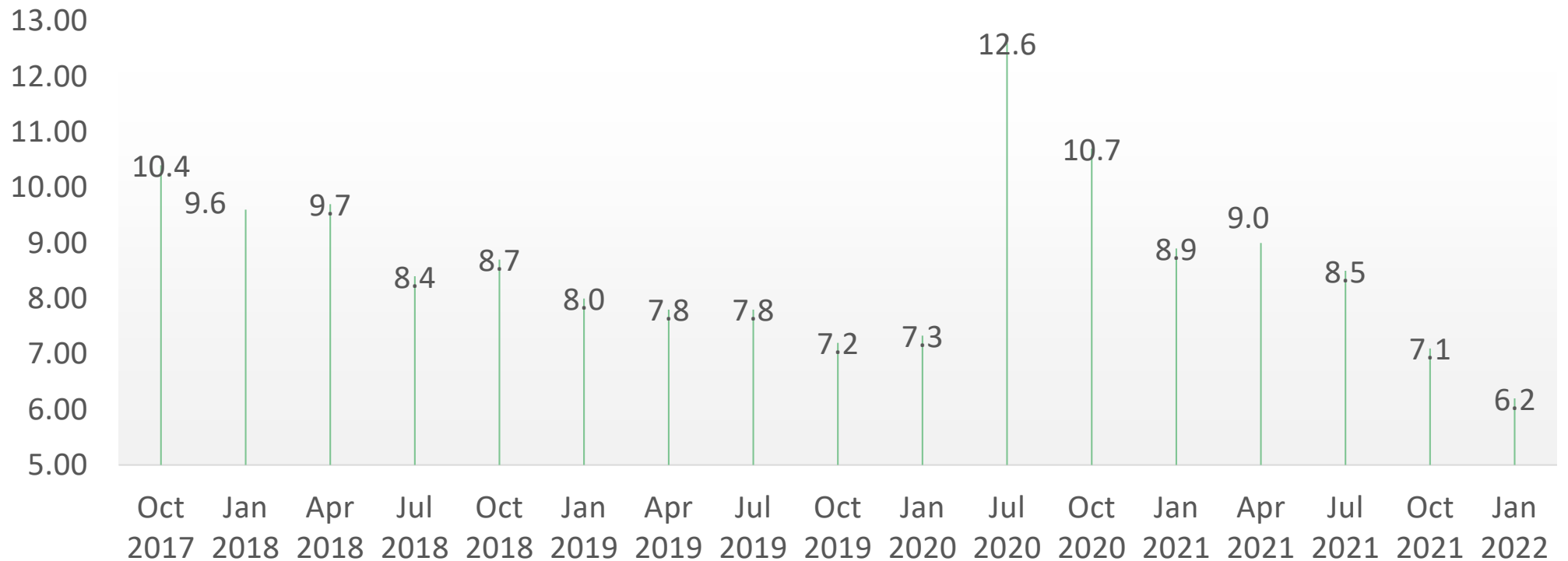


Domestic economic activity expanded even faster for the **December 2021 qtr.** compared to the **September 2021 qtr.**

**FY2021/22: GDP grew by 7 – 10%**

# *Labour market performance exceptional...*

Unemployment Rate (%)

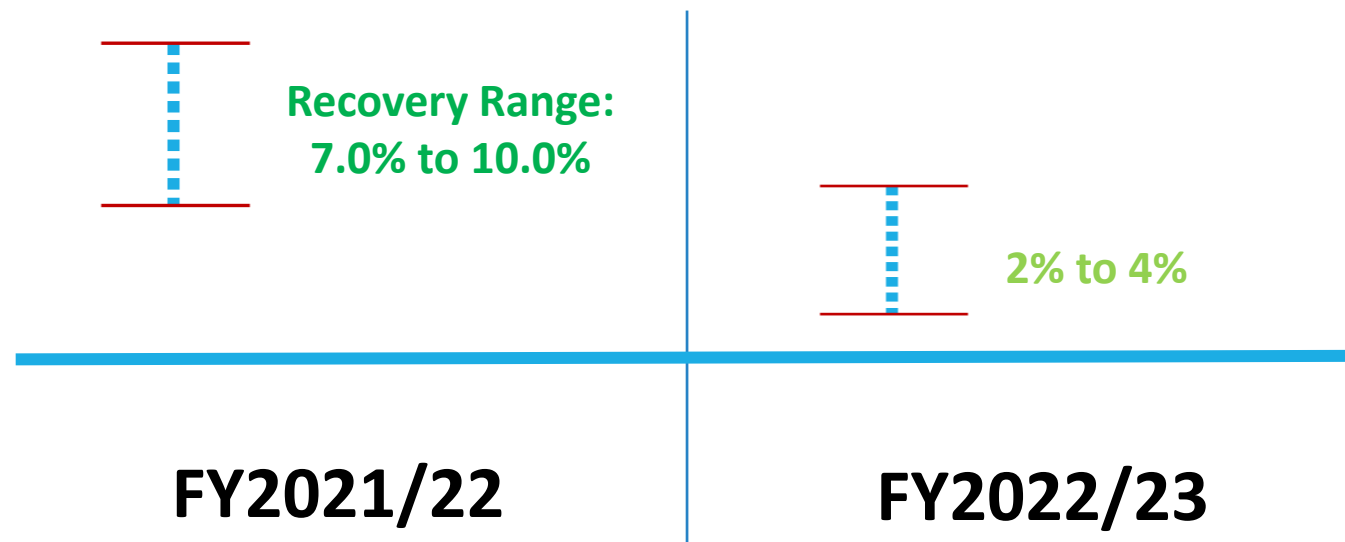


# *Real GDP growth for FY2022/23 projected to moderate...*

## Key expected driver of rebound :

- Services industry (particularly Tourism)
- Production at Jamalco will resume operations by June 2022

## Projected GDP Growth



# *Risks to the Growth Forecast* Skewed to Downside

## **Key downside risks:**

- Lower than anticipated external demand due to surging COVID-19 infections
- The Russia-Ukraine conflict
- Approaching hurricane season
- Domestic consumption could be reduced by high inflation rate

# ***FX Market Stable...***



- Foreign exchange market has remained relatively stable since the start of the year.
- At 17 May 2022, Jamaica's gross international reserves remain substantial amounting to **US\$4.3 billion**.
- The Bank projects that the gross reserves will continue to remain adequate in the medium-term



# ***Financial system remains robust and adequately capitalized...***



- DTIs balance sheets in compliance with prudent liquidity standards
- Non-performing loans remain well below our threshold for concern
- Pace of loan growth has continued to slow down – lagged effect of pandemic

# ***Bank of Jamaica committed to fulfilling its mandate of price stability...***



The Bank will closely monitor the economic environment and future policy decisions will be subject to incoming data.