



BANK OF JAMAICA

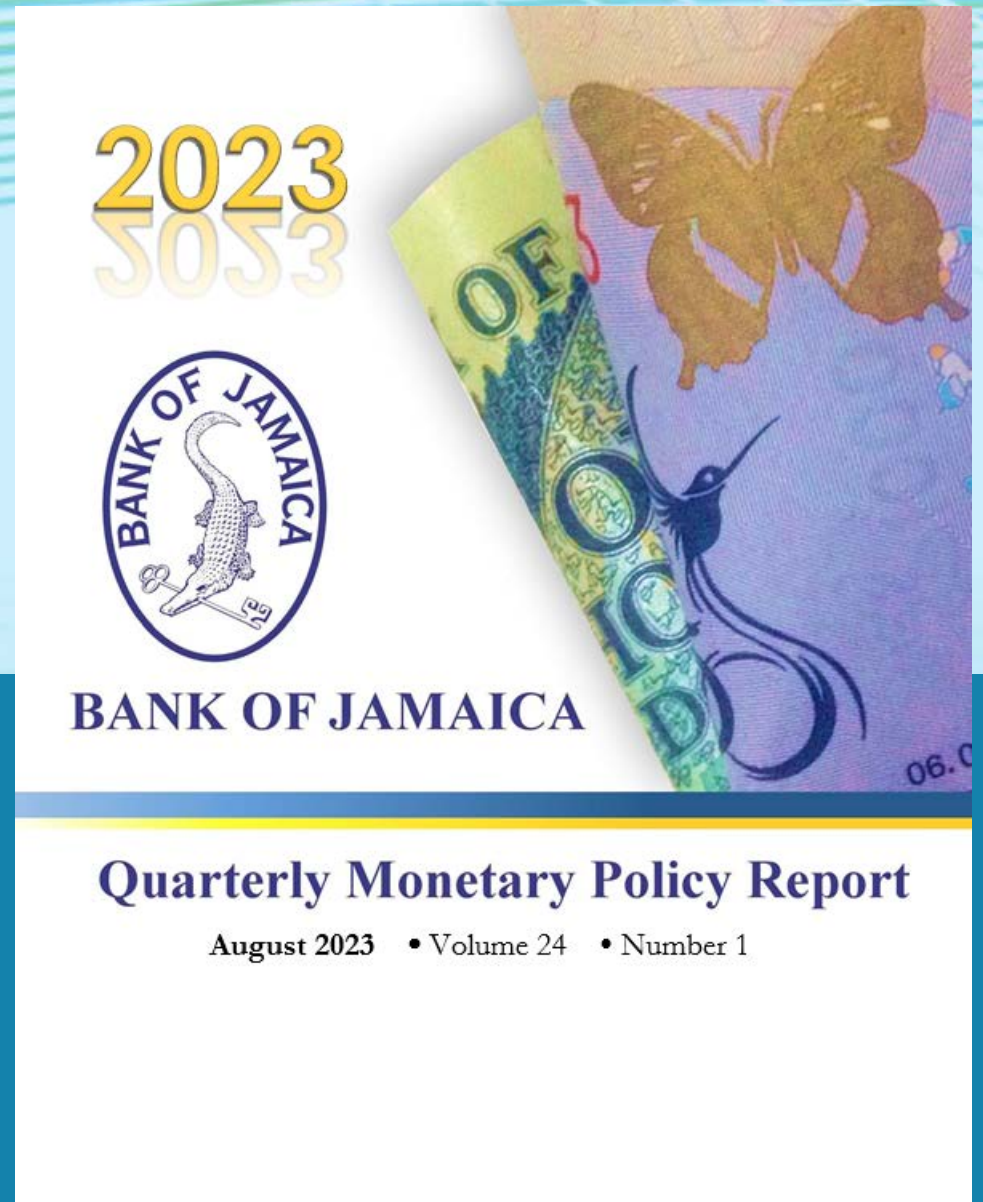
Quarterly Monetary Policy Report Press Conference



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Inflation Outturn

While inflation at April 2023 returned to the target range, the Bank indicated this was to be considered temporary and there was a risk that inflation would breach range in subsequent months...

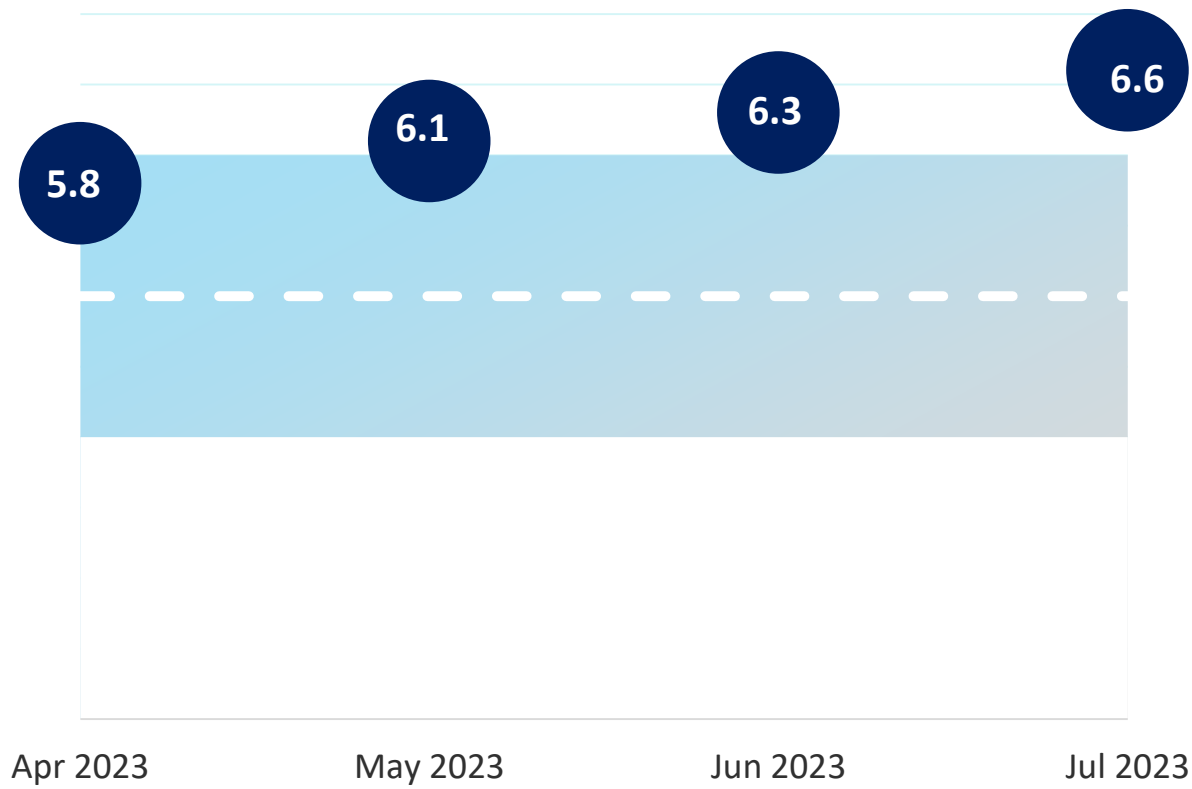


Jamaica's headline inflation at July 2023, as reported by STATIN, was 6.6%, much lower than peak of 11.8% at April 2022.

Contributing factors:

- ✓ Decline in key drivers of inflation
- ✓ Decline in inflation expectations
- ✓ BOJ's tight monetary policy

Inflation Outturn

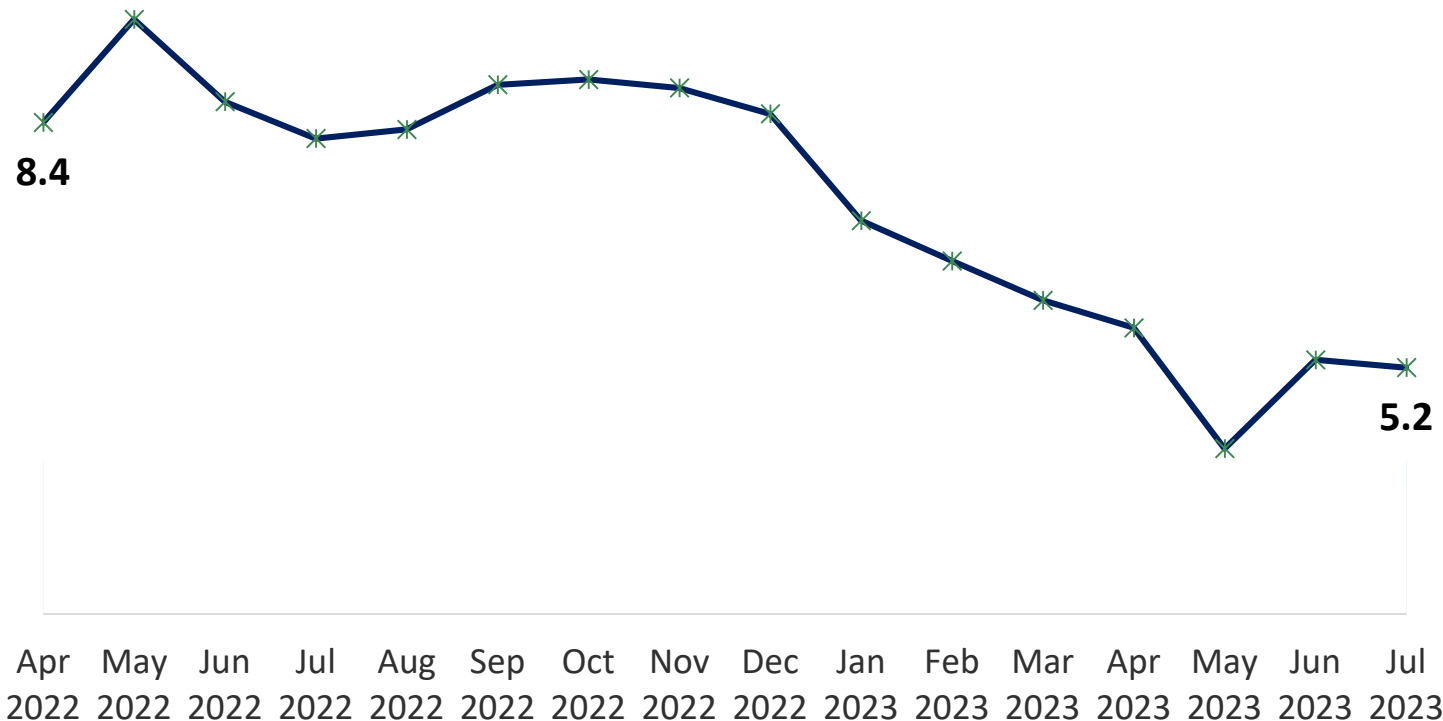


Inflation at July 2023 slightly higher than outturn at May and June 2023 driven by:

- Dry conditions and high temperatures
- Ongoing increases in the price of meals consumed away from home
- First-round effect of adjustment in national minimum wage in June 2023
CPI

Inflation Outturn

While headline inflation breached the target as anticipated...



✓ Core inflation continues to decelerate aided by the Bank's management of the exchange rate and Jamaican dollar liquidity

Core inflation at July 2023 was 5.2%

Policy Decisions – August 2023

Announced 18 August 2023:

- Bank of Jamaica's Policy Rate maintained at **7.00%**
- The MPC also decided to maintain tight Jamaican dollar liquidity in the money market and to continue fostering relative stability in the foreign exchange market.

Impact of previous monetary policy decisions....

1

Interest rates have generally increased in line with policy rate

- **Smaller movements in DTI saving deposit rates and new mortgage loans**

2

Monetary Aggregates consistent with the Bank's actions

- **Flow of new loans to private sector has declined**
- **Local currency deposits grew and was above estimated growth in nominal GDP for June 2023 Qtr.**

3

Limited pass-through of imported inflation to domestic prices

- **Resulting from maintenance of tight liquidity in financial system**
- **Relative stability of exchange rate from occasional intervention in FX market by the Bank**

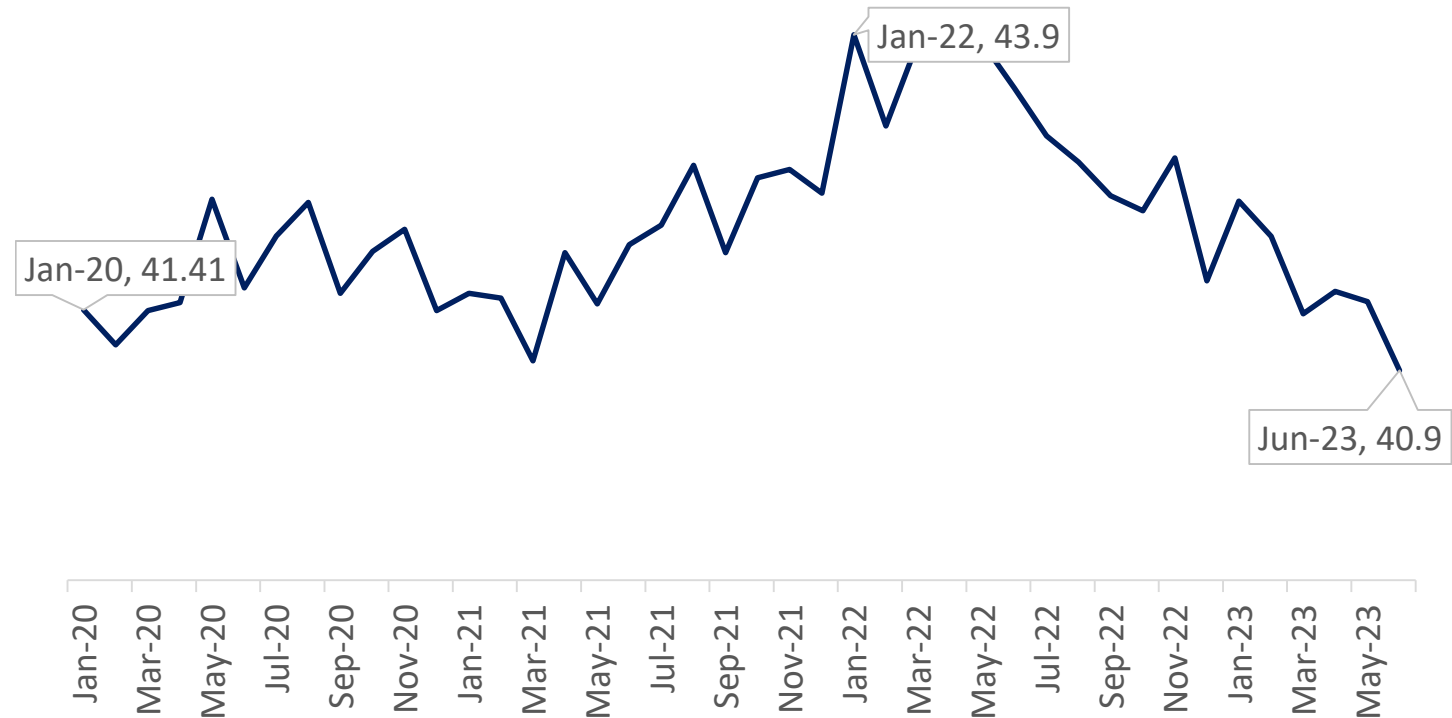
Impact of previous monetary policy decisions...

4

Deposit dollarisation continued to trend downward

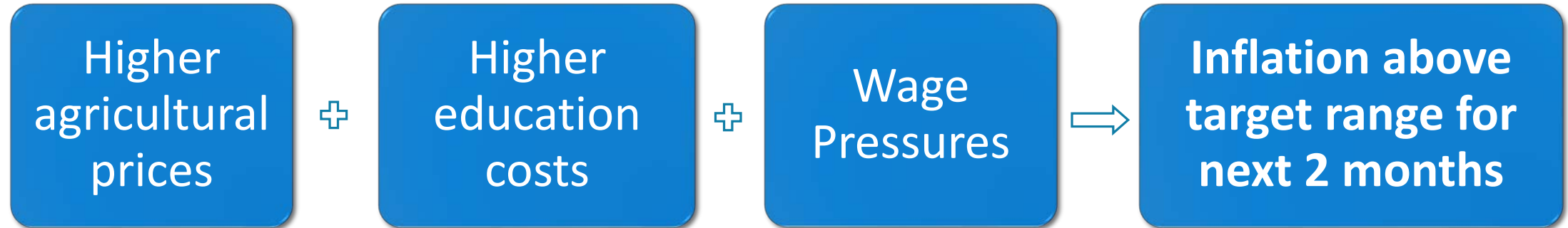
- **Positive by-product of managing inflation in the context of the stability in FX market**

Deposit Dollarization Ratio



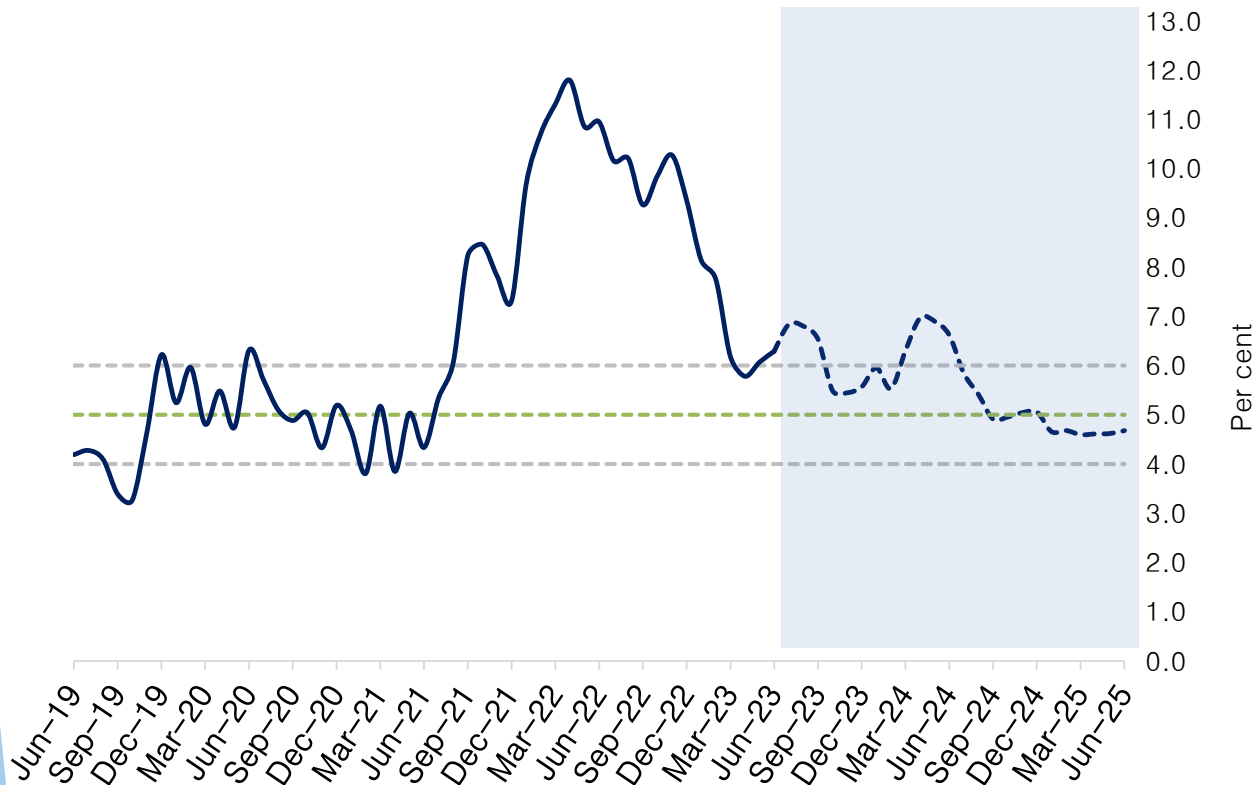
Outlook for Inflation

The Bank continues to anticipate that:



Outlook for Inflation

Annual Point-to-Point Inflation (%)



Inflation is forecasted to decelerate to the target range by Dec 2023 Qtr., and with exception of a few months in 2024, remain there

Outlook consistent with global consensus forecasts for the path of certain commodity prices, the Bank's continued tight monetary policy stance.

Inflation could rise above projected path...

Upside risks:

- Higher than projected future wage adjustments
- Second-round effects from agricultural price inflation
- Worsening in supply chain conditions
- Unexpected rise in world oil prices

Downside risks:

- Weaker than expected global growth

FX Market has remained relatively stable...



- Stability in FX market reflecting, in part, **actions taken by the Bank**
- BOJ sold approximately **US\$585 million** via its B-FXITT facility for 2023 CYTD
- The Bank net purchased from the market approximately **US\$761 billion**.

Gross reserves substantial...



- At 16 August 2023, Jamaica's gross international reserves remain substantial amounting to **US\$4.6 billion** exceeding standard measure of adequacy by approximately 15%
- The Bank projects that the gross reserves will continue to remain adequate into the medium-term

FX market management anchors inflation expectations...



- In the Bank's latest survey, **less than 14% of respondents indicated movement in exchange rate as most important**
- **Most cited factor** – changes in prices of imported commodities such as grains and oil
- **In February 2021, 41% reported the exchange rate as most important factor guiding inflation expectations**

The Jamaican economy continues to expand...



- ✓ The PIOJ has **estimated the economy grew by 1.5% for the June 2023 quarter**
- ✓ There are signs that the **economy continued to expand in the September 2023 quarter**
- ✓ STATIN also reported that the **unemployment rate for Jamaica at April 2023 was 4.5%**, the lowest on record



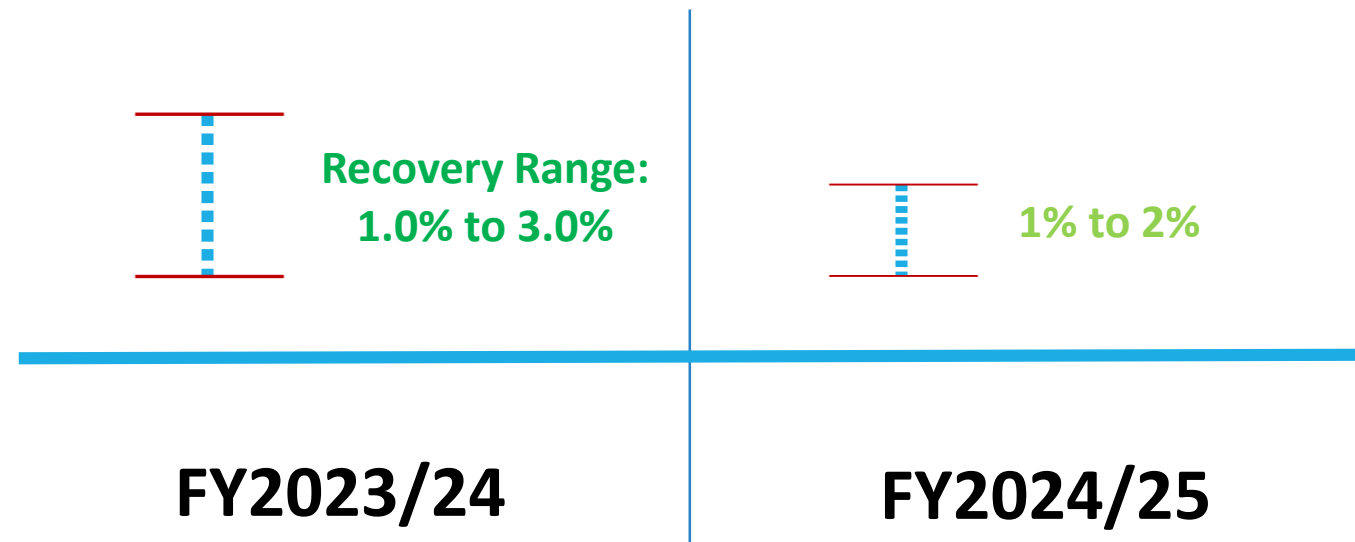
Tight labour market could become threat to inflation if labour shortages translate to large wage increases and higher prices

Outlook for Jamaican Economy...

Key drivers of rebound :

- Mining Sector
- Tourism and allied industries

Projected GDP Growth



Over the medium-term, economy projected to settle at long-run growth rate of **1.0% to 2.0%**

Bank of Jamaica committed to achieve its primary mandate of preserving price stability ...



The Bank will continue to closely monitor global and domestic environments for potential threats to Jamaica's inflation target and act accordingly.

Future Monetary Policy decisions will pay careful attention to incoming data relating to headwinds:

- Wage pressures
- Second-round effects of agricultural price inflation