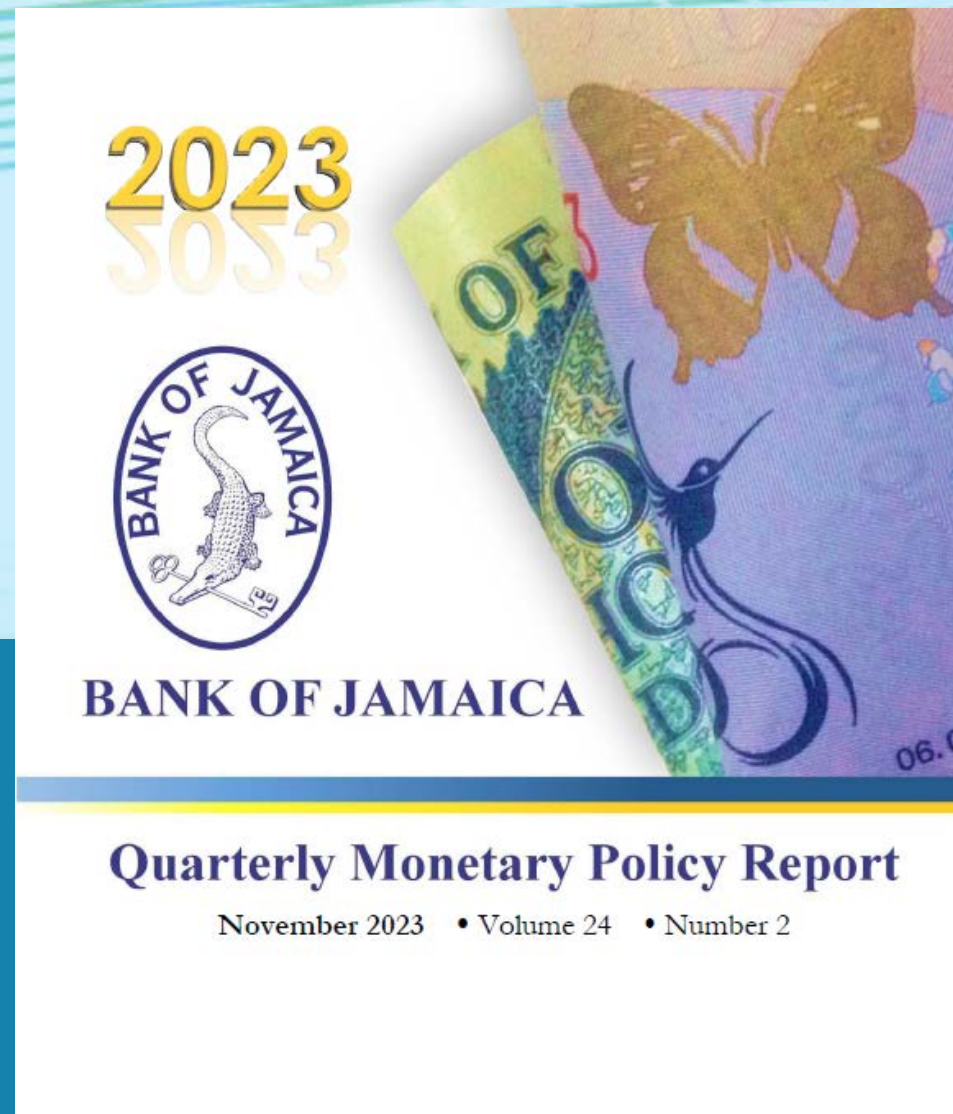




BANK OF JAMAICA

Quarterly Monetary Policy Report Press Conference



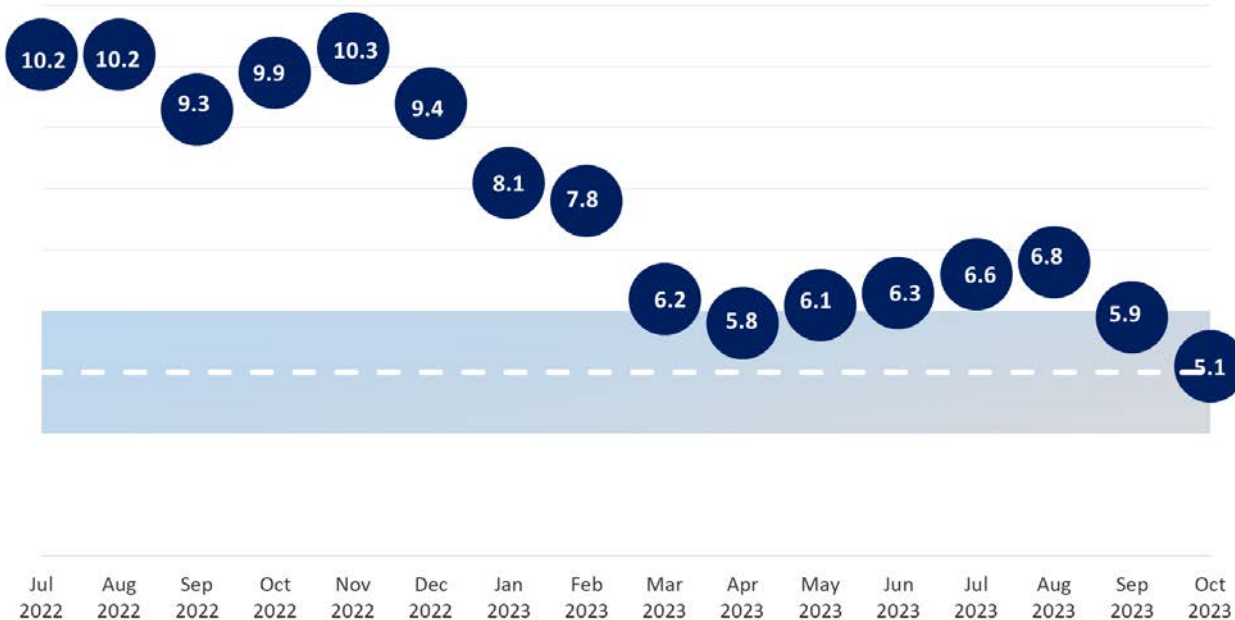
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Inflation in Jamaica has continued to trend downward...

Annual headline inflation at October 2023, as reported by STATIN, was **5.1%**, below the **5.9% at September**, the Bank's projections and the **peak rate of 11.8% at April 2022**.



Core inflation at October 2023 was **5.7%**, lower than the 8.4% at April 2022

Inflation in Jamaica has continued to trend downwards...

Contributing to the inflation outturn:

- ✓ Declines in key drivers of headline inflation (grains prices, shipping costs)
- ✓ Decline in inflation expectations
- ✓ Generally stable exchange rate given strong tourism and remittance inflows

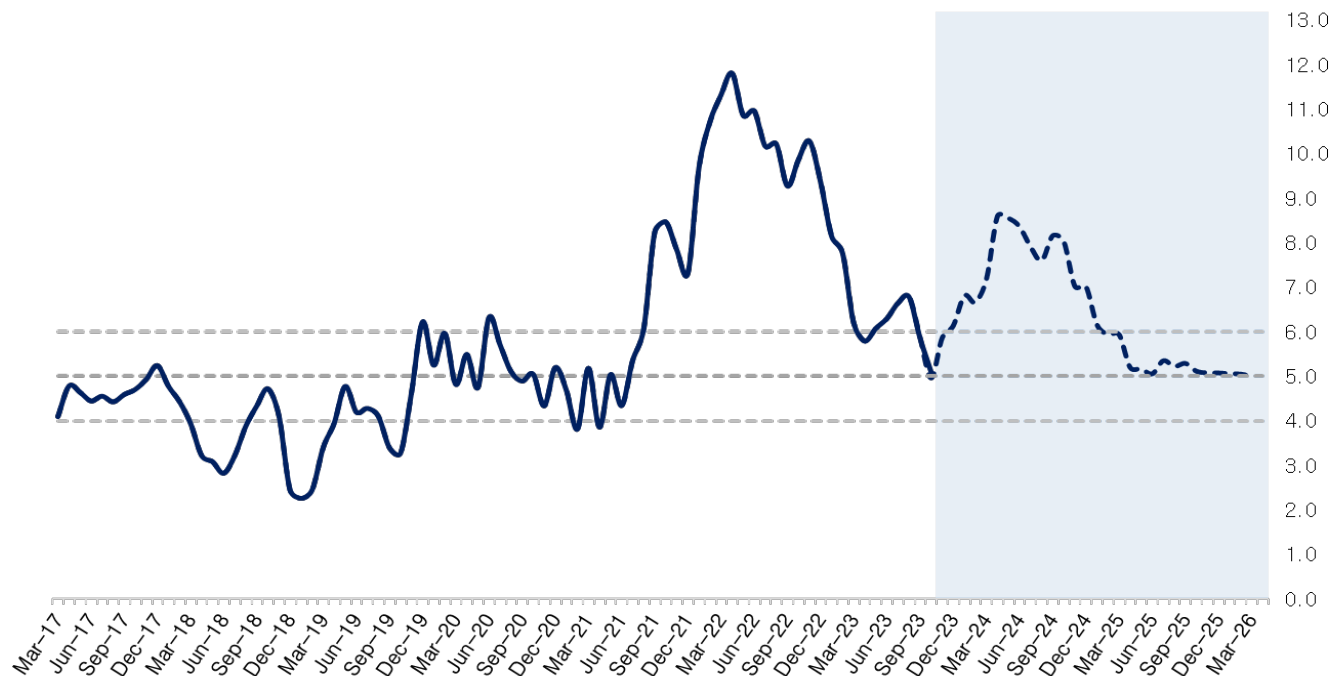
However, the annual inflation rate at October continued to be affected by elevated, albeit moderating, domestic agricultural price inflation.



Outlook for Inflation

At the 17th and 20th of November, inflation was projected to rise above the Bank's target range between December 2023 and March 2025, due in large part to the impact of announced increases in selected public passenger fares.

Annual Point-to-Point Inflation (%)



The forecast also assumes:

- International grains prices will continue to fall
- Low and stable shipping prices
- Fuel prices will remain elevated
- Inflation expectations will stabilise

Outlook for Inflation revised...

In the context of Tuesday's announcement by the Minister of Finance and Public Service of the temporary two-step reduction in JUTC bus fares:

Previous Projection

Above target range:
Dec 2023 to Mar
2025



Current Projection

Within target – except Dec
2023 and a few months in
2024

- Inflation is now projected to **generally remain within the target range except for December 2023 and a few months in 2024.**
- Announced fiscal measure will have material impact on tempering the potential inflationary pressures of the PPV fare increases

Risks to Inflation outlook skewed to upside...



Upside Risks:

- Higher than projected future wage adjustments given tight domestic labour market
- Recent rains will cause some increases in agricultural prices

Downside Risks:

- Oil prices could trend lower than forecast



Policy Decisions – November 2023

Announced 21 November 2023:

- Bank of Jamaica's Policy Rate maintained at **7.0%**
- Maintain tight Jamaican dollar liquidity conditions and engender relative stability in the foreign exchange market.

Operational Decisions – November 2023

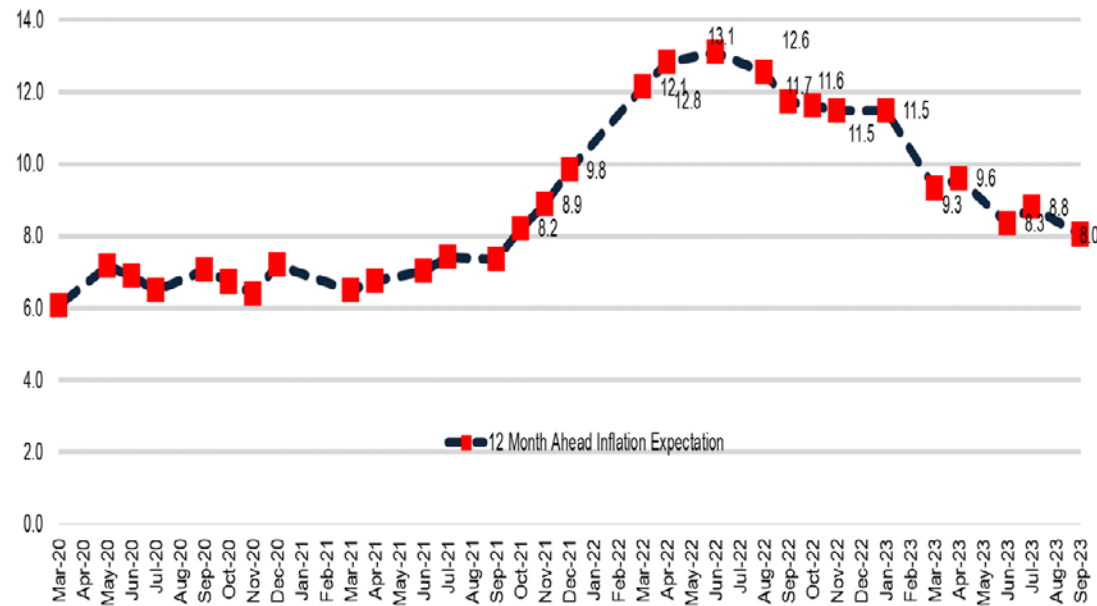
- Spread between the policy rate and the Standing Liquidity Facility (SLF) increased to **300 bps** from **200 bps**, effective today 22 November 2023.
- **Absolute limits on FXNOP** applicable to authorised dealers **removed** on 06 November 2023.
 - Going forward, the Bank will continue to review the effectiveness of these limits and their impact on market conditions on a quarterly basis

FX Market has remained relatively stable...



- Stability in FX market reflecting **the continued strong tourism and remittance flows** as well as the actions taken by the Bank
- BOJ sold approximately **US\$887 million** via its B-FXITT facility for 2023 calendar year to end-October
- The Bank net purchased from the market approximately **US\$893 million** over the same period, almost double that purchased over same period in 2022

Stable exchange rate has helped to anchor inflation expectations...



- In the Bank's latest survey, **less than 16% of respondents indicated movement in exchange rate as most important** compared to 24% in previous survey
- **Communication** by the central bank has played a greater role in informing views about inflation

The Jamaican economy continues to expand...



- ✓ **Despite the impact of drought conditions on the agriculture sector, PIOJ announced yesterday that GDP for the September 2023 quarter is estimated to have grown by 1.9%**
- ✓ **There are signs that the economy continued to expand in the December 2023 quarter**
- ✓ **Notable low unemployment rate for Jamaica at July 2023 of 4.5%**

Looking ahead, the Bank continues to project that real GDP will grow by **1.0 to 3.0% for FY2023/24** and between **1.0 to 2.0% over the medium term.**

Future Monetary Policy decisions will depend on the incoming data relating to the strength of risks to inflation...



The MPC is committed to using the full set of tools to attain its objective of anchoring inflation sustainably within the target range in the shortest possible time.