



Survey of Businesses' Inflation Expectations

December 2023

**SECTOR ANALYSIS DEPARTMENT
RESEARCH AND ECONOMIC PROGRAMMING DIVISION**

Inflation Expectations Survey



The Statistical Institute of Jamaica (STATIN) undertakes surveys of businesses on behalf of the Bank of Jamaica to ascertain the expectations of these economic agents about variables which are likely to have an impact on inflation in the near-term. In this regard, the survey captures the perception of Chief Executive Officers, Managing Directors and Financial Controllers about the future movement of prices, current and future business conditions and the expected rate of increase in wages/salaries. These responses assist the Central Bank in charting future policy decisions. The most recent survey was conducted between 20 November 2023 and 22 December 2023 and had 294 respondents. Below are highlights from that survey.

Figure 1: Inflation Expectations

If you expect inflation, what do you expect the rate of inflation to be at December 2023 and over the next 12 months?"

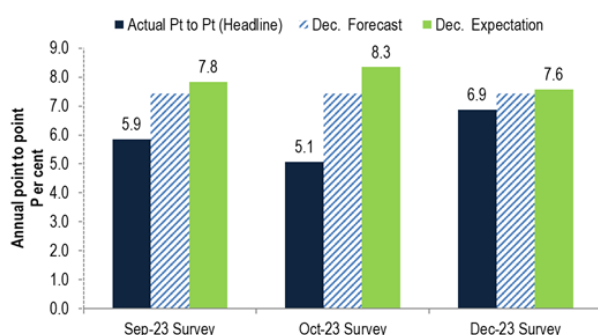
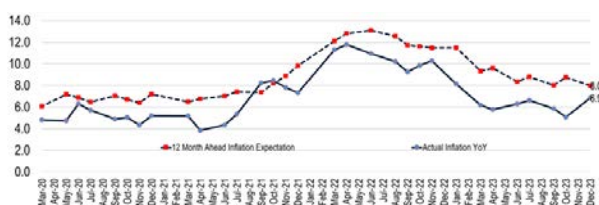


Figure 2: Expected Annual Inflation

What do you expect the rate of inflation to be over the next 12 months?



*Dates refer to survey periods

Inflation Expectations

In the December 2023 survey, respondents' expectation for point-to-point inflation as at December 2023 was **7.6 per cent**. This expectation was higher than the annual point-to-point inflation of **6.9 per cent** for December 2023 (see **Figure 1**). Respondents' expectation of inflation 12-month ahead decreased to **8.0 per cent** relative to the previous survey's estimate of **8.8 per cent** (see **Figure 2**).

Overview

- The December 2023 survey indicated an expected point-to-point inflation of 7.6 per cent for calendar year 2023 (December 2023), which was higher than the December 2023 outturn of 6.9 per cent. The expected inflation 12 months ahead is 8.0 per cent, which is lower relative to the similar measure in the previous survey of 8.8 per cent.
- The perception of inflation control improved in the December 2023 survey relative to the October 2023 survey.
- Respondents forecasted the exchange rate to depreciate over the three time horizons at a generally stable pace compared to the previous survey.
- The majority of respondents believe that the Bank's policy rate will remain the same over the next three months. The proportion of respondents of this view increased slightly relative to the previous survey.
- Both the Present and Future Business Conditions Indices increased (improved) relative to the previous survey.

Inflation Expectations Survey

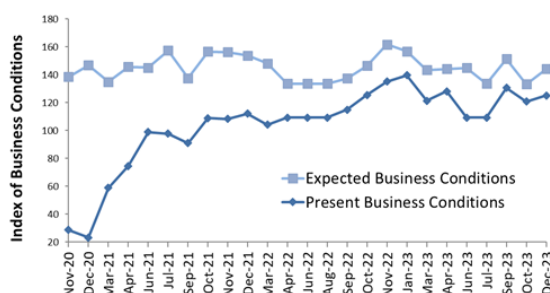
Table 2: Interest Rate Expectations: Policy Rate

In September 2023, the Bank of Jamaica’s overnight rate (policy rate) was 7.0 per cent. What do you think this rate will be for the next 3 months?

SURVEY DATES	OVERALL			FINANCIAL SECTOR		
	Sep-23	Oct-23	Dec-23	Sep-23	Oct-23	Dec-23
Survey responses (percentage of total)						
Significantly Lower	0.4	1.2	0.3	0.0	0.0	0.0
Marginally Lower	11.0	6.6	11.9	17.4	5.3	4.2
Remain the Same	56.3	57.8	62.2	60.9	47.4	75.0
Marginally Higher	20.0	22.5	12.9	21.7	31.6	16.7
Significantly Higher	0.4	1.6	0.3	0.0	10.5	0.0
Don't Know	11.6	10.2	12.2	0.0	0.0	0.0

Figure 5: Present and Future Business Conditions

1. In general, do you think business conditions are better or worse than they were a year ago in Jamaica?
2. Do you think that in a year from now business conditions will get better or get worse than they are at present?



*Balanced score method: (better-worse) +100
 *Dates refer to survey periods

Interest Rate Expectations: Policy Rate

In the December 2023 survey, the majority of respondents expected that the Bank’s policy rate would remain the same over the next three months. This proportion increased relative to the previous survey.

With regard to the financial sector, the majority (**75.0 per cent**) of respondents also expected that the Bank’s policy rate would remain the same (see **Table 2**). Notably however, responses from the financial sector revealed that **16.7 per cent** of respondents expected the rate to be marginally higher. This reflected a decline compared to the previous survey.

Perception of Present and Future Business Conditions

In the December 2023 survey, the Present Business Conditions Index increased (improved) to **125.2** relative to **120.9** recorded in the previous survey. The Future Business Conditions Index also increased (improved) to **144.2** from **133.2** in the previous survey (see **Figure 5**).

The increase in the Present Business Conditions Index mainly reflected an increase in the percentage of respondents who said that conditions are “better”. Likewise, the Future Business Conditions Index also reflected an increase in the percentage of respondents who said that conditions will be “better”.

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Table 3: Operating Expenses

Which input do you think will have the highest price increase in the next 12 months?

SURVEY DATES			
	Sep-23	Oct-23	Dec-23
Utilities	35.1	34.8	32.7
Stock Replacement	32.7	33.2	32.7
Raw Materials	15.1	11.9	13.3
Fuel & Transport	8.2	13.1	12.9
Wages & Salary	8.2	6.6	7.5
Not Stated	0.8	0.4	1.0
Other	0.0	0.0	0.0

Expected Increase in Operating Expenses

Respondents indicated that they expected the largest increase in production costs over the next twelve months to emanate from utilities, stock replacement, as well as raw materials in that order. Despite recent public discussions of a tightening labour market, wages & salary expense is still anticipated to have the lowest increase over the next 12 months. (see **Table 3**).