



OFFICE OF THE MINISTER OF FINANCE AND THE PUBLIC SERVICE

April 16, 2021

Mr. Richard Byles
Governor and Chairman of the Monetary Policy Committee
Bank of Jamaica
Nethersole Place
Kingston

Dear Governor Byles,

Remit for the Monetary Policy Committee

As you are aware, under Section 34 FF of the Bank of Jamaica (Amendment) 2020 Act, the inflation target for Jamaica is set by the Minister of Finance and the Public Service, after consultation with the Governor of the Bank of Jamaica.

Having reviewed the recommendation in your letter dated 31 March 2021, I hereby confirm that the inflation target for Jamaica, calculated as the 12-month point-to-point percentage change in the Consumer Price Index, as measured by the Statistical Institute of Jamaica (STATIN), is 4.0 per cent to 6.0 per cent. The midpoint of this range of 5.0 per cent will be the operational target for the Monetary Policy Committee (“MPC”). This target is effective as at April 2021 and will be in effect for the next three years. The target will apply continuously, that is, for each month over the period. I will again review the inflation target at the end of this three-year period.

Whenever inflation deviates from the target (i.e. inflation is above 6.0 per cent or below 4.0 per cent), the Bank will be required to provide, within 60 days of the publication of the outturn by STATIN, an explanation for missing the target. I note your explanation of the risks to the MPC successfully delivering on its mandate and will seek to galvanize support in other areas of Government towards mitigating these risks.

This target is consistent with the Government’s macroeconomic framework and its confirmation comes at critical juncture for Jamaica. The country over the last fiscal year has been grappling with the crisis occasioned by the COVID-19 pandemic. The pandemic resulted in a steep contraction in economic activity which translated into a temporary reversal in the downward trajectory of the public debt.

.../2

Mr. Richard Byles
Governor & Chairman of the Monetary Policy Committee
Bank of Jamaica

-2-

April 16, 2021

The overarching economic policy priorities remain the maintenance of stability in the economy, a restoration of vibrancy to economic activity and a reduction in public sector indebtedness. I note the description of the factors that led to your recommendation of the target, inclusive of the fact that a lower target would immediately lead to monetary tightening and a significant upward adjustment of interest rates. In addition, I would add that setting a higher target would have a potentially destabilizing effect on the economy and the financial sector.

The recommended target therefore complements the Government's objectives without destabilizing our hard-won macroeconomic stability.

I welcome the support of the Bank of Jamaica and the MPC in delivering a better future for the people of Jamaica.

Yours sincerely,



Nigel Clarke, DPhil, MP
Minister of Finance and the Public Service