



The Governor

Bank of Jamaica
Nethersole Place
Kingston, Jamaica, W.I.

29 March 2021

Hon Dr Nigel Clarke, MP
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister Clarke,

Proposed Inflation Target for Fiscal Years 2021/22 to 2023/24

The recent Bank of Jamaica (Amendment) 2020 Act (“Act”) which, *inter alia*, formally introduces Jamaica’s inflation targeting regime, requires that an inflation target be set for a period of time not less than thirty-six months. The Act also establishes the Monetary Policy Committee (MPC), which shall have the responsibility of making monetary policy decisions to achieve the Government of Jamaica’s inflation target.

As such, you would be required to formally advise the MPC of its remit, i.e. the inflation target, once the Act is effected. The Bank recommends that this be done on or soon after the appointed date for the Act. I am therefore enclosing for your endorsement a draft letter to the MPC outlining the target.

I am recommending that the target for the 12-month point-to-point inflation rate, as measured by the percentage change in the Consumer Price Index, remains at 4.0 per cent to 6.0 per cent for the next three fiscal years. This target, which is consistent with the Government’s macroeconomic framework as set out in the recently tabled Fiscal Policy Paper, is proposed against the background of an expected acceleration in economic growth over the period and a continued reduction of public sector debt. Targeting a lower rate of inflation is not advisable as achieving this lower rate will require tighter monetary policy, which will restrain the anticipated recovery in the Jamaican economy and impair the Government’s debt reduction strategy.

A paper supporting this recommendation is enclosed. The paper outlines Jamaica’s recent inflation experience, the Bank’s inflation forecast and an assessment of the optimal inflation target consistent with Jamaica’s growth potential and debt dynamics. It also discusses the considerations underlying the recommended width of the inflation target range.

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The Act requires that your letter be tabled in Parliament and be published on the website of the Ministry of Finance and the Public Service.

We stand ready to provide any clarification on this matter.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Richard Byles', with a stylized, cursive script.

Richard Byles

enclosure: