

20 February 2018

### **BANK OF JAMAICA LOWERS POLICY RATE**

Bank of Jamaica announces its decision to lower the policy interest rate (the rate offered on overnight placements with the Bank) by 25 basis points to **2.75 per cent** effective 21 February 2018.

This policy stance reflects the Bank's assessment that inflation for the next eight quarters should remain within the target of 4.0 per cent to 6.0 per cent, with the risks to this forecast assessed to be balanced.

The outlook for inflation reflects the expectation for continued fiscal consolidation in line with the fiscal rules. Recovery in the real economy continues to be sluggish even as projections show a modest acceleration in economic growth over the next two years. Inflation expectations remain low and broadly anchored around the Bank's target. One upside risk to inflation is that overheating in the US will support higher demand for Jamaica's goods and services. Strong growth in the US may also prompt tighter monetary conditions there but the pass through of this effect to the domestic economy may be ameliorated by continued reductions in Jamaica's sovereign risk premium.

The Bank's decision to lower the policy rate is aimed at supporting accelerated expansions in credit and economic output. The key macroeconomic indicators continue to reflect positive trends. International reserves continue to expand, the current account of the balance of payments is projected to remain at sustainable levels and the fiscal accounts remain strong. The persistence of excess liquidity conditions in the domestic money market also continues to signal reductions in market interest rates.