



**Special Monetary Policy Press  
Statement**

26 March 2020

Ladies and gentlemen, good morning.

**Bank of Jamaica today announces its decision to maintain its highly accommodative monetary policy stance by holding the policy rate unchanged at 0.50 per cent per annum. The policy rate is the rate offered to deposit taking institutions on overnight placements with Bank of Jamaica.**

As Jamaica tailors its own response to the escalating COVID-19 pandemic, I think it is important to emphasize that Jamaica's financial system remains sound, well capitalised and its current holdings of Jamaica Dollar liquid balances remain adequate. In an effort to ensure that orderly conditions are maintained, Bank of Jamaica has taken a number of pre-emptive measures to assure financial institutions and the public of adequate access to both Jamaica Dollar and foreign currency liquidity during this challenging period. There are a total of eight such measures, three in respect of foreign currency and five to do with Jamaica dollar liquidity

In relation to foreign currency liquidity:

- 1. We will continue to support the foreign exchange needs of businesses in the real sector through direct sales to authorised dealers and cambios, as needed. At the same time, we have placed a halt on investment transactions that require the purchase of foreign exchange.**
- 2. With effect from 19 March 2020, we have temporarily increased the limit on the foreign currency net open positions (FXNOP) of authorised dealers by 5 percentage points. This effectively raises the limit on the positions of these institutions (either long or short) to 25 per cent of regulatory capital and allows authorised dealers to provide more foreign currency to their clients.**
- 3. We stand ready to expand the volume of foreign currency swap arrangements with authorised dealers, thereby providing them with more FX liquidity. At 24 March 2020, the stock of outstanding swap contracts totalled US\$86 million.**

In relation to Jamaica Dollar liquidity, the Bank will facilitate expanded access through the following channels:

- 1. The Bank has commenced a bond buying programme where we will purchase GOJ securities on the secondary market from financial institutions which hold these instruments. The Bank is also prepared to early redeem BOJ securities. At 25 March 2020, the nominal value of GOJ instruments purchased by BOJ and the early encashment of BOJ instruments amounted to J\$26.3 billion.**
- 2. With effect from 18 March 2020, the Bank removed the limit on the amounts that deposit-taking institutions (DTIs) can borrow overnight without being charged a penal rate. Liquidity support to DTIs will therefore be made available on demand at the prevailing rate of 2.5 per cent, limited only by collateral.**
- 3. Effective today, 26 March 2020, we have re-introduced a longer-term lending facility, whereby Jamaica Dollar liquidity will be made available to DTIs for periods of up to six months. This enhances the ability of these institutions to secure their liquidity needs over a longer horizon.**
- 4. We will re-activate an intermediation facility where BOJ will use its balance sheet to facilitate transactions between holders of liquid balances and others who require liquidity if needed. This facility should support a more even distribution of liquidity in the financial system in a context where institutions who could not access inter-bank loans because of the limits placed on them by lenders, can now do so indirectly with the central bank standing in the middle of the transaction.**
- 5. We have also taken steps to re-activate the Emergency Liquidity Facility that was established in 2015 upon application by any financial institution.**

As at 25 March 2020, the total value of liquidity assistance provided by the Bank to the market via its short-term lending facilities and its asset purchase programme amounted to \$57B.

We believe that these measures will help to facilitate the smooth functioning of the credit market, support inflation remaining within the inflation target of 4.0 per cent to 6.0 per cent over the ensuing eight quarters and will augment the fiscal measures already put in place by the Government in response to the COVID-19 pandemic.

**The economic outlook, however, is characterised by significant uncertainty relating to the spread of the virus and the consequent depth and duration of the economic impact. In the near term, some upward price pressures can be expected due to supply chain disruptions and weather-related increases in agricultural prices. However, these will be offset by a sharp decline in oil prices and weaker consumer spending power, given the expected decline in economic activity. If the domestic and external responses to the pandemic have to be sustained for most of next fiscal year, the Jamaican economy will contract significantly. In this context, we expect inflation to be at the lower end of the 4.0 per cent to 6.0 per cent range over the fiscal year as well as the ensuing eight quarters.**

Ladies and gentlemen, the Jamaican economy came into this challenging period on a relatively strong footing in the context of our ongoing economic reform programme. The near-term outlook now, however, reflects significant challenges and heightened uncertainty due to COVID-19. Our monetary policy measures, along with the Government's fiscal stimulus, are aimed at mitigating the impact of this pandemic on the economy and supporting a speedy recovery once the crisis has passed. Bank of Jamaica will continue to closely monitor the impact of COVID-19 on the economy and stands ready to deploy additional measures, including a reduction of the policy rate and the cash reserves requirement, to ensure the continued smooth flow of liquidity to all participants in the Jamaican financial system and to maintain orderly conditions within the foreign exchange market.

Thank you.