

INTER-AMERICAN DEVELOPMENT BANK

Jamaica—Why target inflation? What remains to be done?

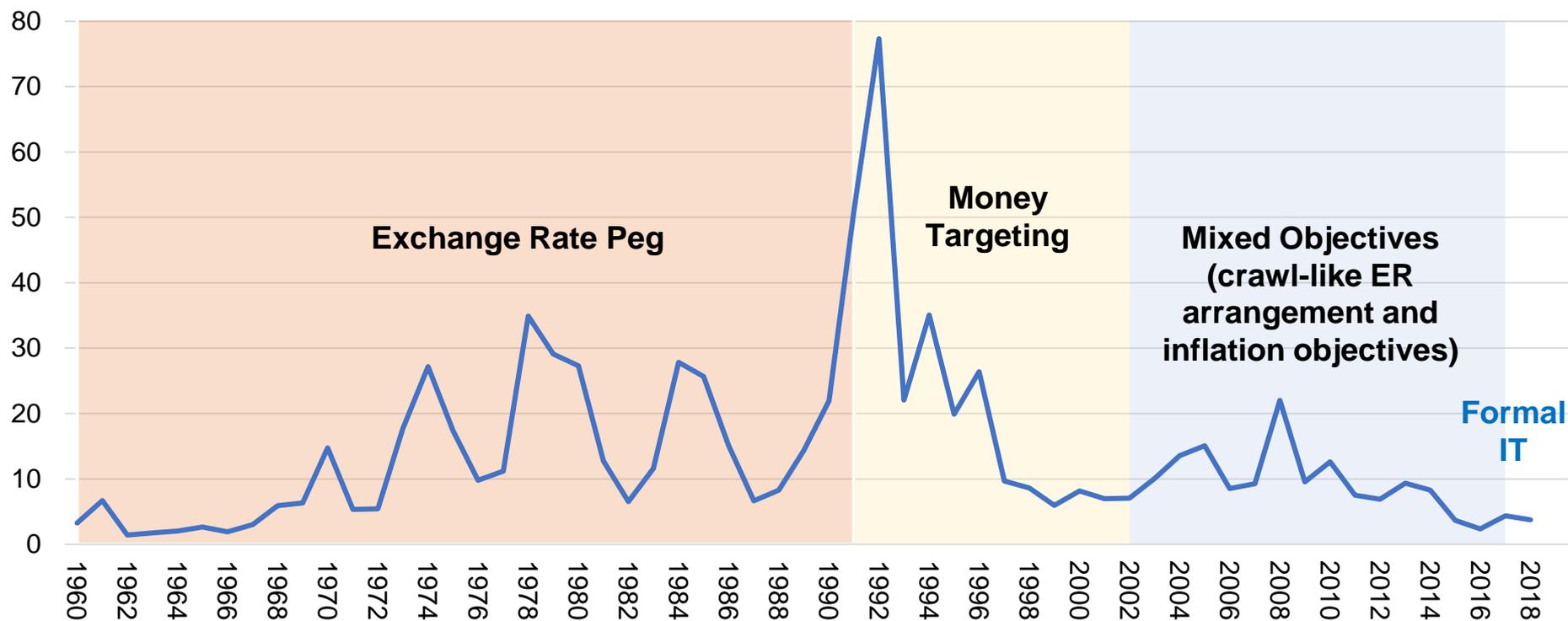
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Representative for Jamaica

Outline:

1. Why care about inflation?
2. Regimes and Inflation.
3. Causal factors.
4. What has changed?
5. Why Inflation Targeting?
6. Preconditions for IT.
7. Countries with IT regimes.
8. Experience of others.
9. Policy actions since IT.
10. Jamaica's inflation since IT.
11. Policies in place.
12. What remains to be done?

Jamaica: Monetary Policy Objectives



Exchange rate Peg ended in 1991

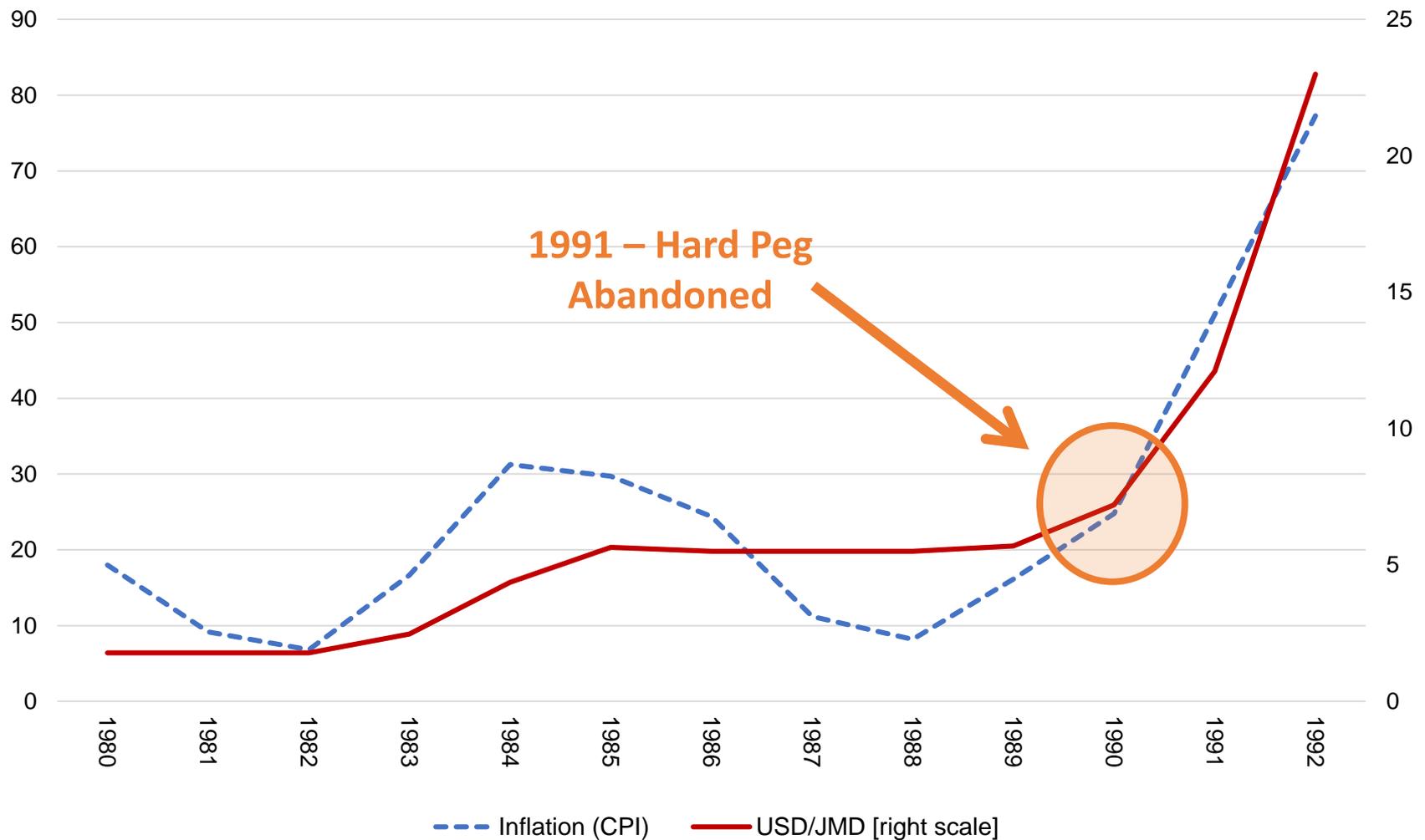
Base money management began in 1991 and ended in 2002

Mixed mandate of inflation and exchange rate objectives from 2002 to 2017

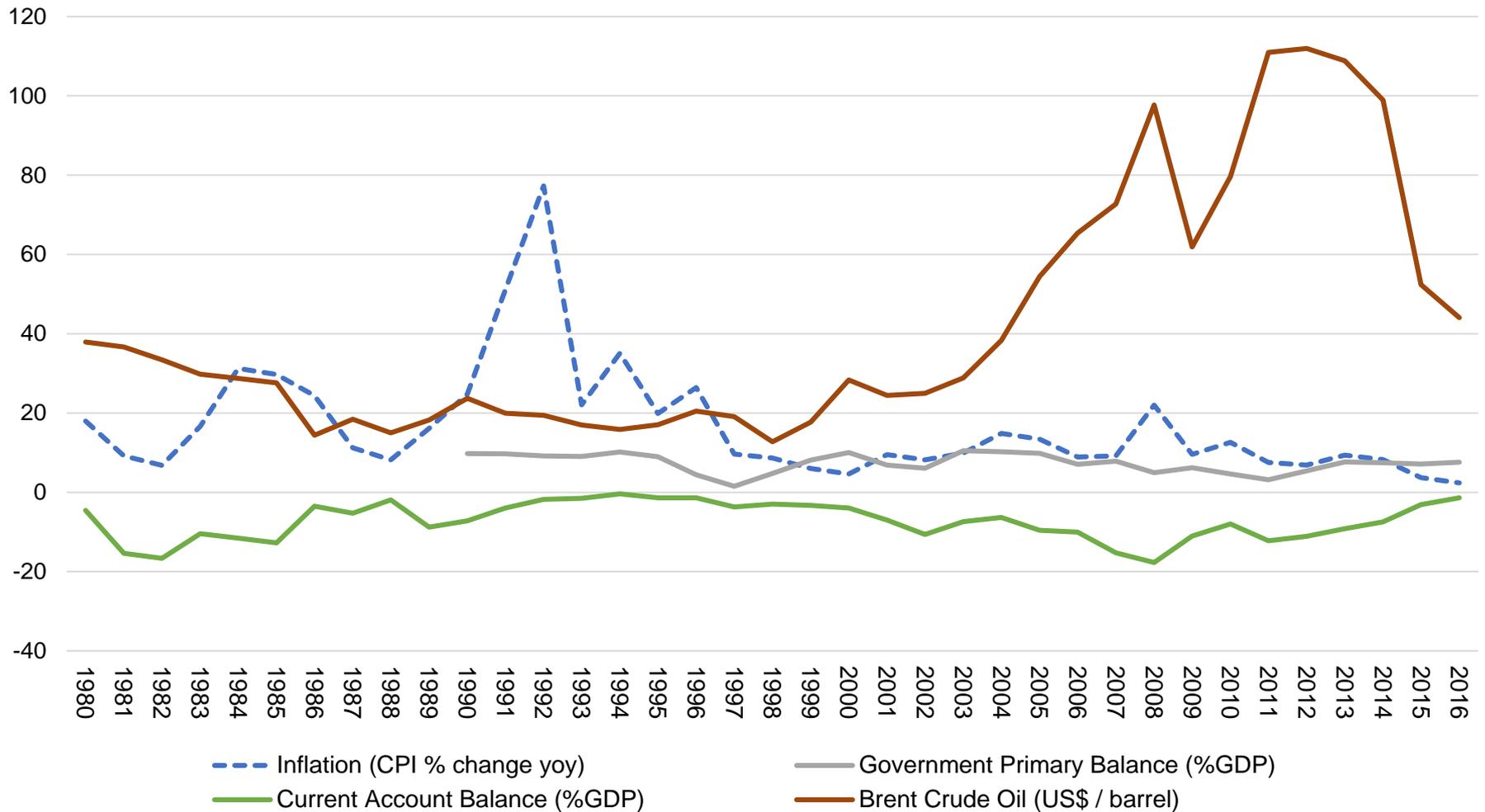
IT and flexible ER mid-2017



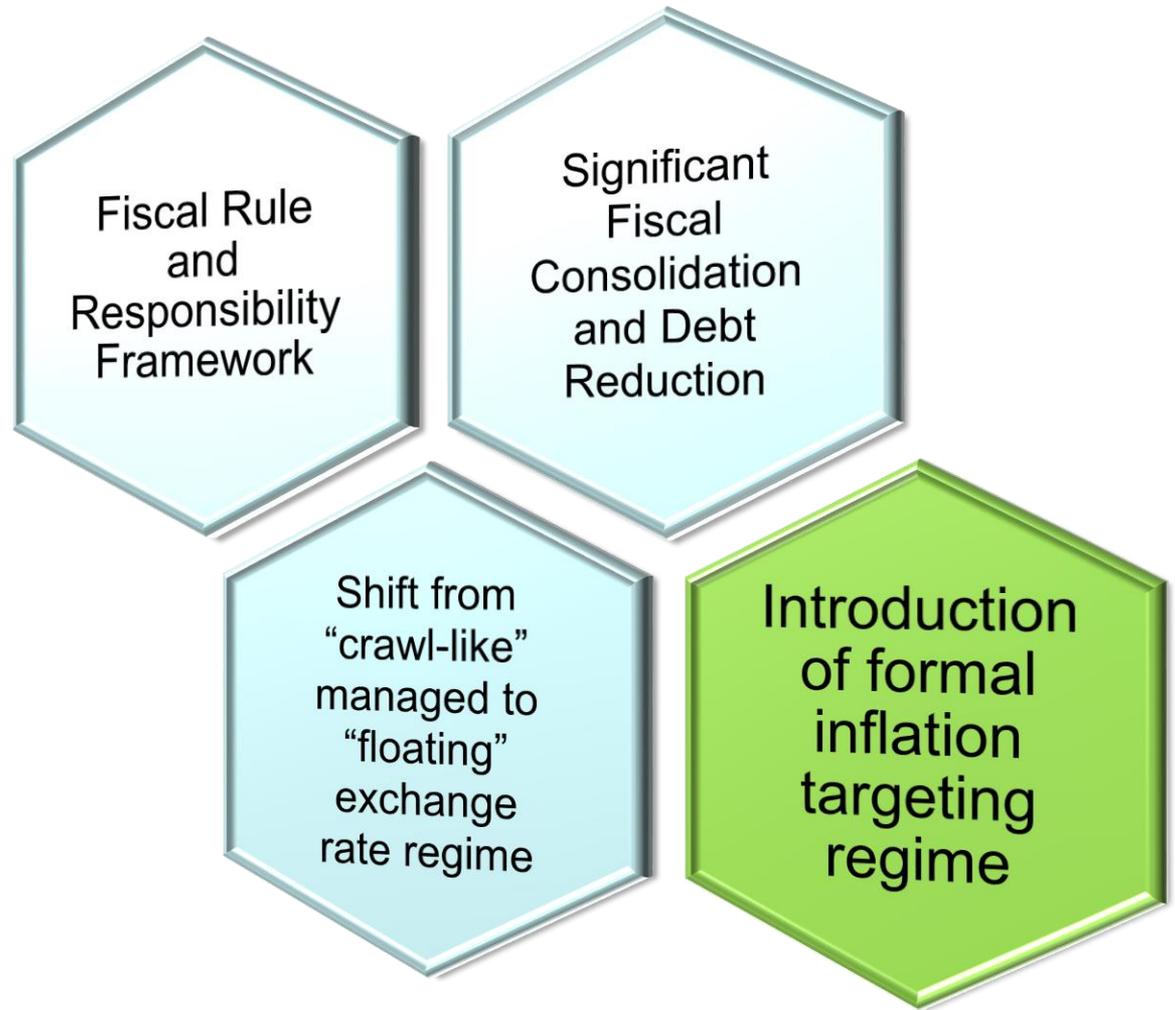
What caused 1991 spike in inflation? Exchange rate!



Other factors also important: fiscal, commodities, CAD.



What has changed?



Why Inflation Targeting?



Inflation targeting bolsters confidence in monetary policy and price stability.

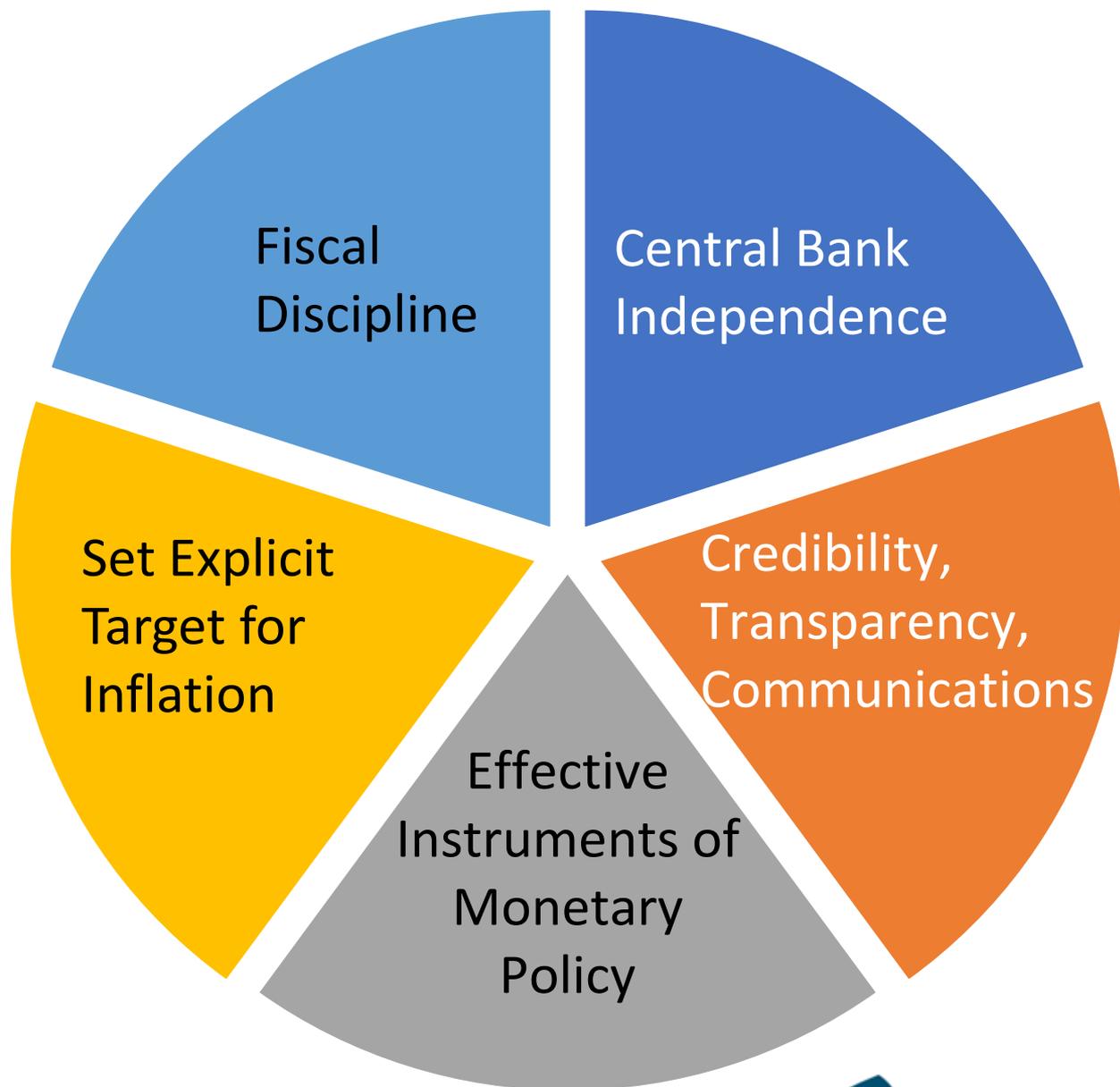


Establishes a transparent numerical target for inflation, and guides expectations about monetary policy actions.



Insulates BOJ from possible pressures to finance government, and allows flexibility of exchange rate to act as shock absorber.

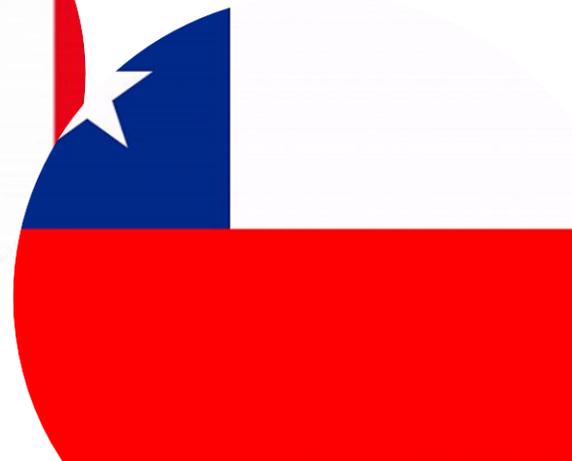
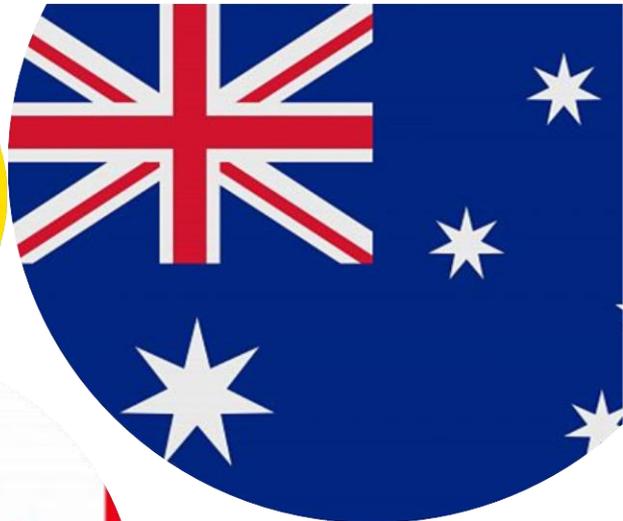
**Preconditions
for countries
wishing to shift
to inflation
target...**



Countries that have implemented inflation targets...

Country	Year IT Adopted
New Zealand	1989
Canada	1991
United Kingdom	1992
Sweden	1993
Australia	1993
Israel	1997
Czech Republic	1998
Poland	1999
Brazil	1999
Chile	1999
Colombia	2000
South Africa	2001
Mexico	2001
Norway	2001
Iceland	2002
Peru	2002
Philippines	2005
Guatemala	2005
Indonesia	2005
Romania	2005
Armenia, Republic of	2006
Turkey	2006
Ghana	2007
Georgia	2009
Serbia, Republic of	2009
United States	2012
Japan	2013
Russian Federation	2014
Republic of Kazakhstan	2015
India	2016
Argentina	2016

Selected Targets



Bra *June 1999*

8% ± 2% (1999)
4.5% ± 2.5% (2005)
4.25% ± 1.5% (2019)

Aus *Mar 1993*

2% - 3% (1993 – 2019)

Can *Mar 1991*

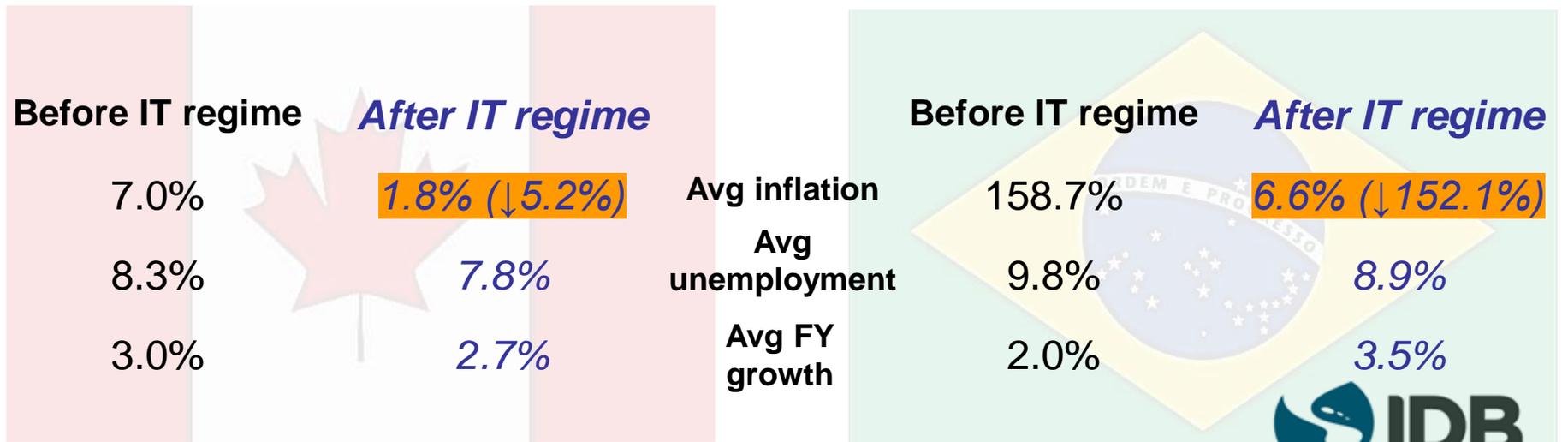
2% ± 1% (1991 – 2019)

Chil *May 1999*

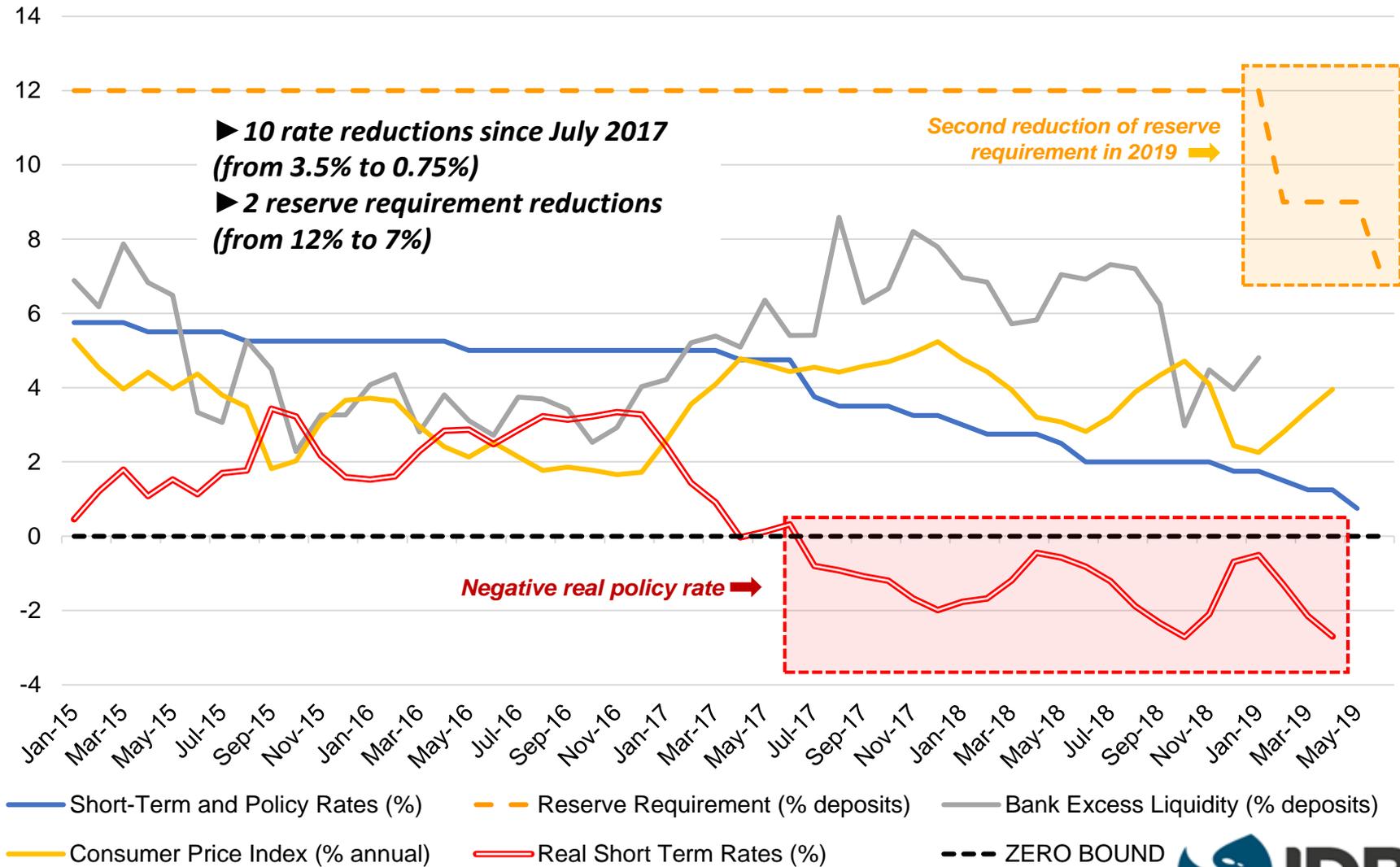
15% - 20% (1991)*
3.5% (2000)
3% ± 1% (2001 – 2019)



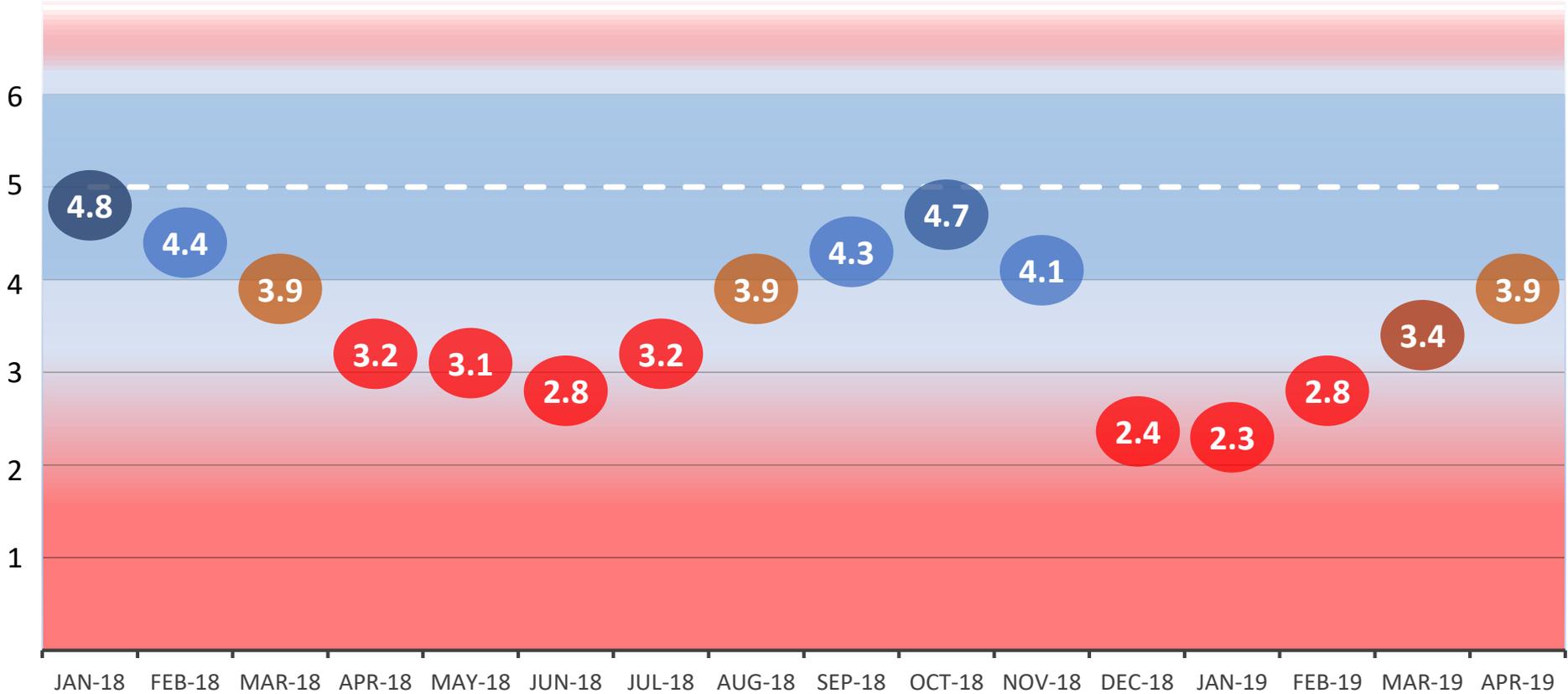
How has it worked?



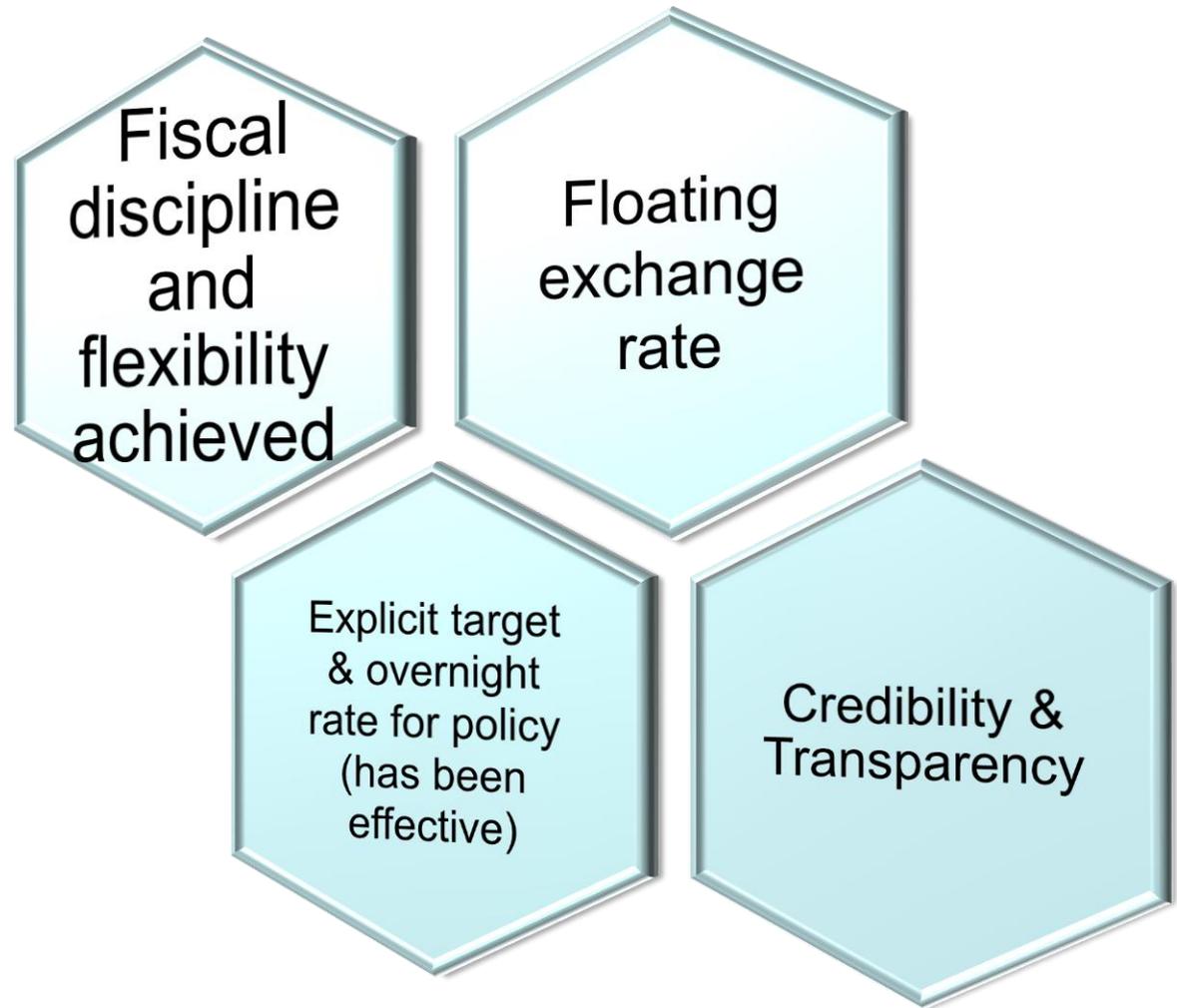
Jamaica: Policy Actions Since Launching IT



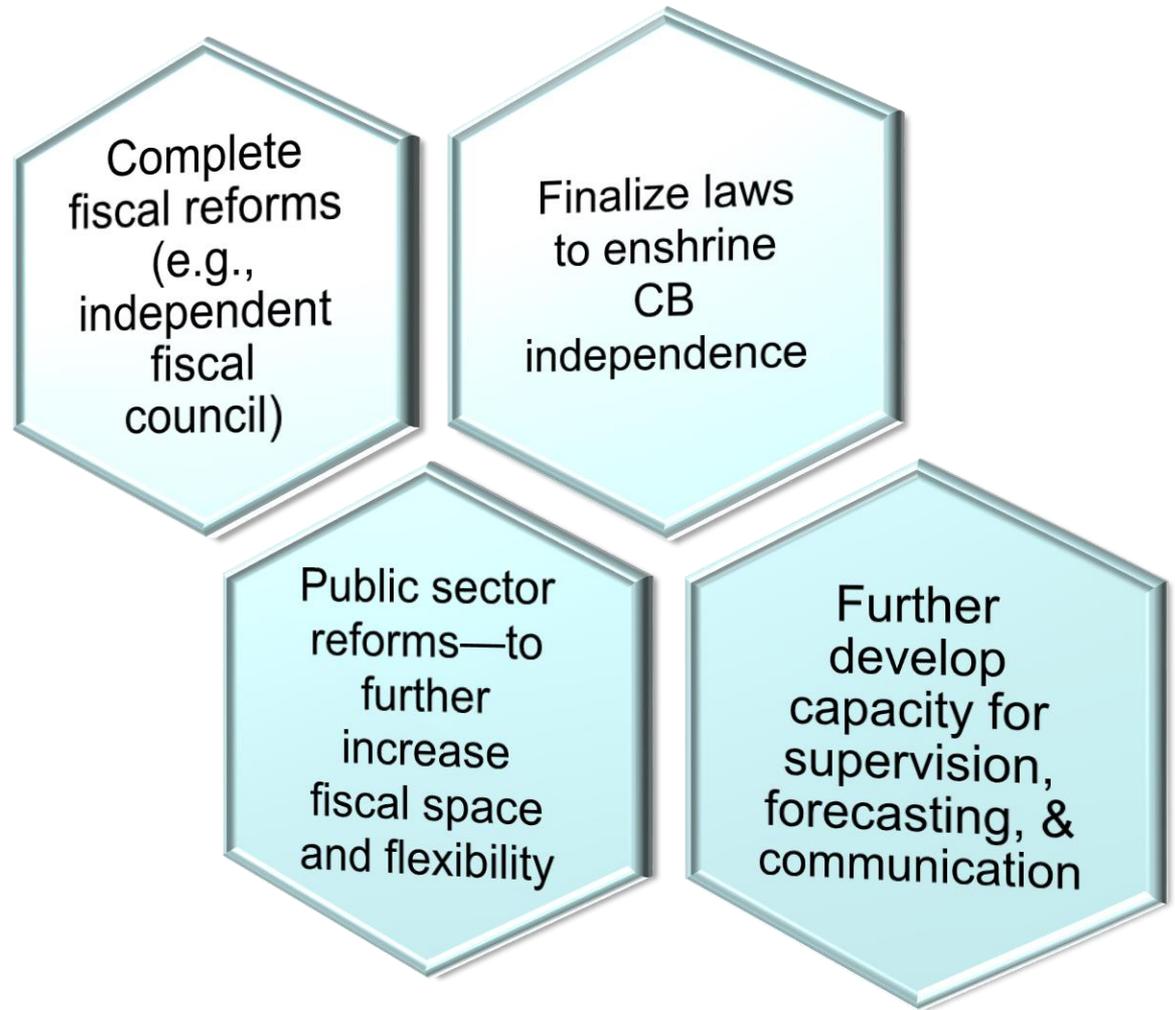
Jamaica: Inflation Since Shifting to IT



What's been done so far?



What's left to do?



Thank you!

