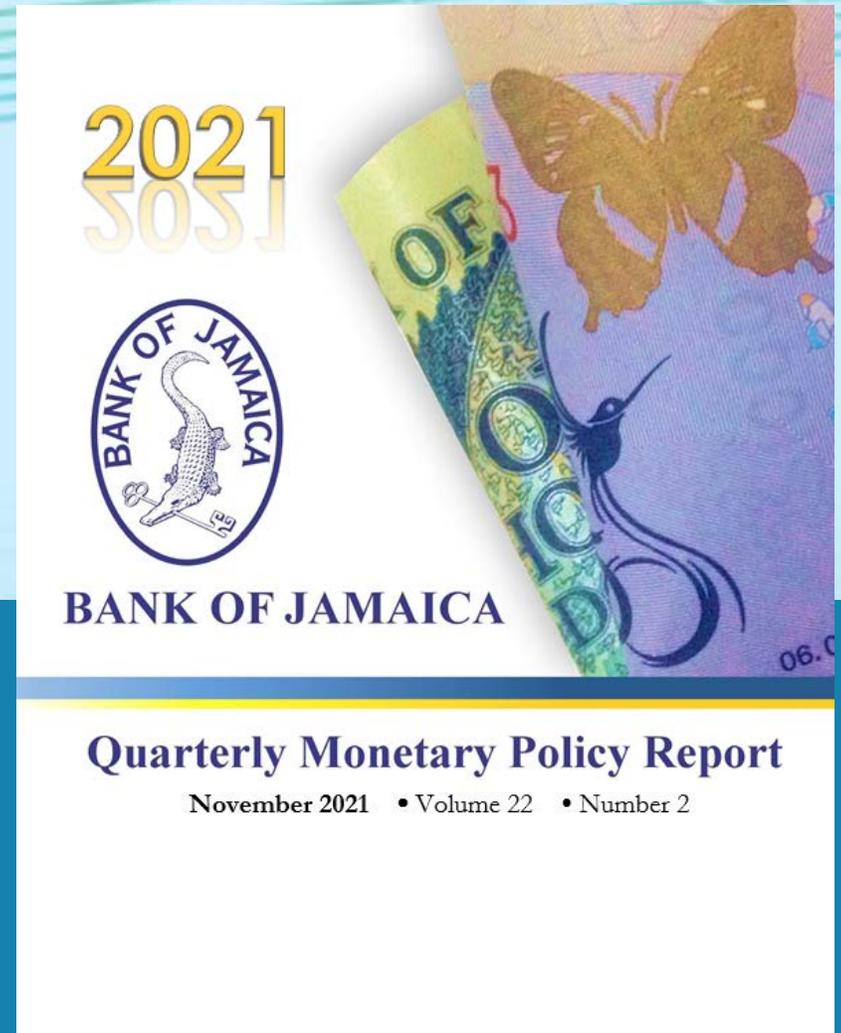




BANK OF JAMAICA

Quarterly Monetary Policy Report Press Conference



[Download Quarterly Monetary Policy Report \(November 2021\)](#)



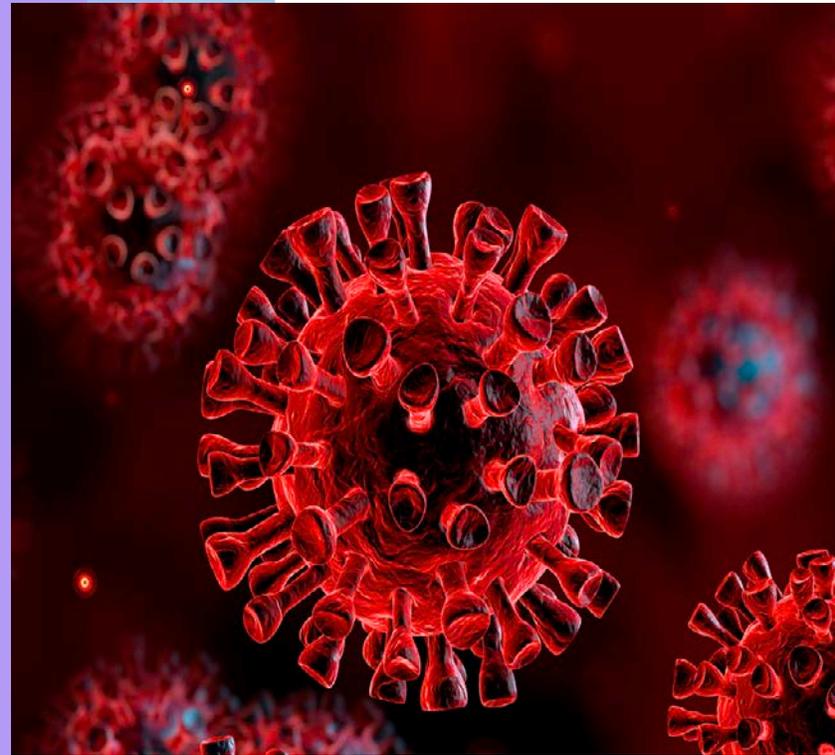
[Download Press Briefing Speech – Governor Richard Byles](#)

The local 3rd wave of COVID-19 pandemic receding, which should support increased economic activity...

Strong positive signals include:

- ✓ **Rising Employment levels**
- ✓ **Buoyant FX market Inflows**
- ✓ **Strong international reserves**

However, outlook for inflation remains a cause for concern.



DECISIONS

- Policy Rate increased to 2.0%
- Maintain other measures to contain JMD liquidity expansion
- Ensure that movements in the exchange rate do not threaten the inflation target
- MPC to consider further increases in the policy rate and to maintain or intensify the accompanying measures at subsequent meetings.

Announced on 16 November 2021

HOW WILL OUR POLICY ACTIONS AFFECT THE ECONOMY?

Increase in Policy Rate/Increase in Market-based Interest Rates



JMD Assets more attractive = More Saving and More Expensive Borrowing



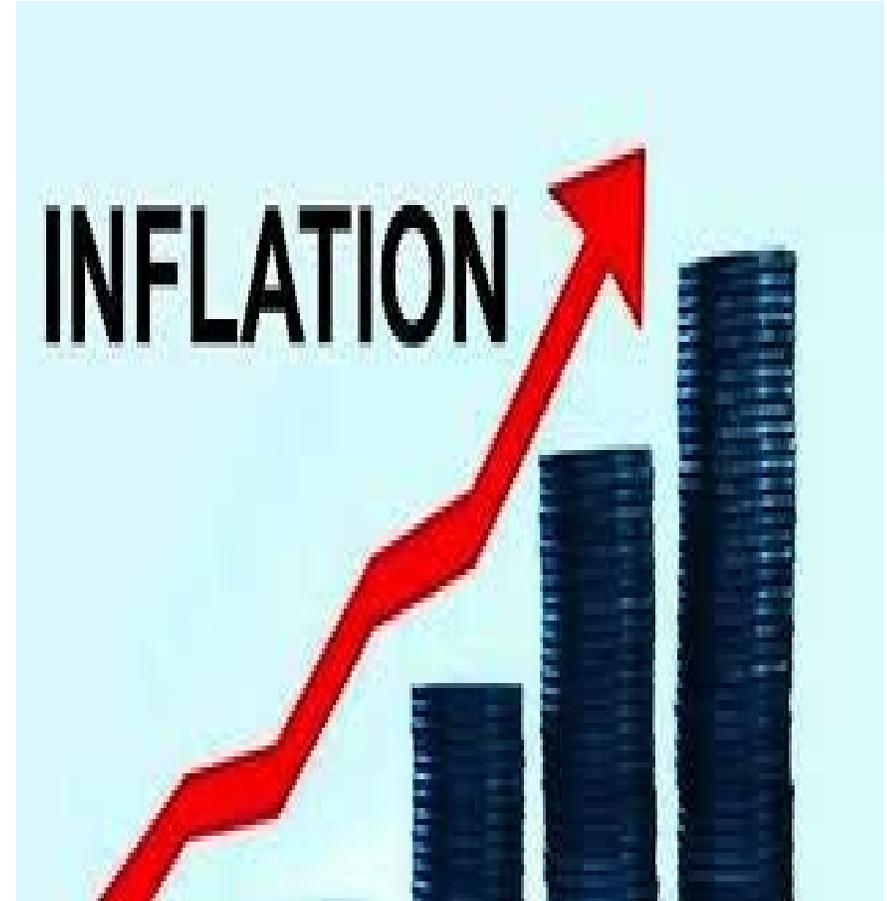
Increased interest rates will temper demand and Moderate pace of depreciation



Reduced demand in Economy and ability of Businesses to pass price increases to consumers

Inflation Outturn

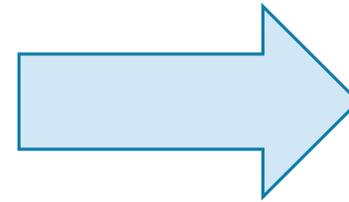
STATIN reported inflation in October accelerated to 8.5%, representing third successive breach of the Bank's target



MPC's decision designed to limit second-round effects of recent shocks ...

Recent shocks:

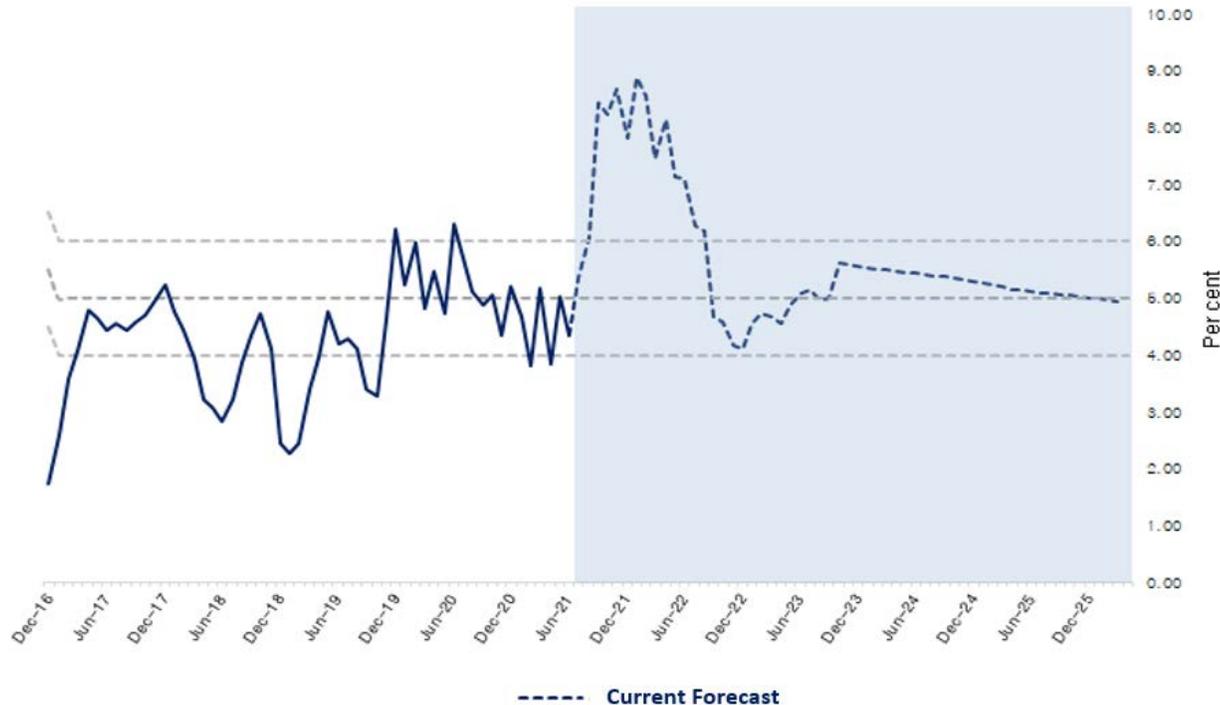
- Large increases in international commodity and shipping prices
- Significant upward price impetuses from a sharp increases to agricultural prices
- One-off increases in regulated transportation and energy prices



Domestic Inflation
rising above target
range

Outlook for Inflation

Annual Point-to-Point Inflation (%)



**Over the next 10 months:
Peak: 8.0% – 9.0%**

Inflation forecast reflects the continued impact of higher international commodity and shipping prices on domestic processed food, services and energy price inflation.

With the tightening of monetary policy we anticipate that headline inflation will return to the target range in the latter part of 2022

Risks to the Inflation Forecast **Skewed to the Upside**

Key upside risks:

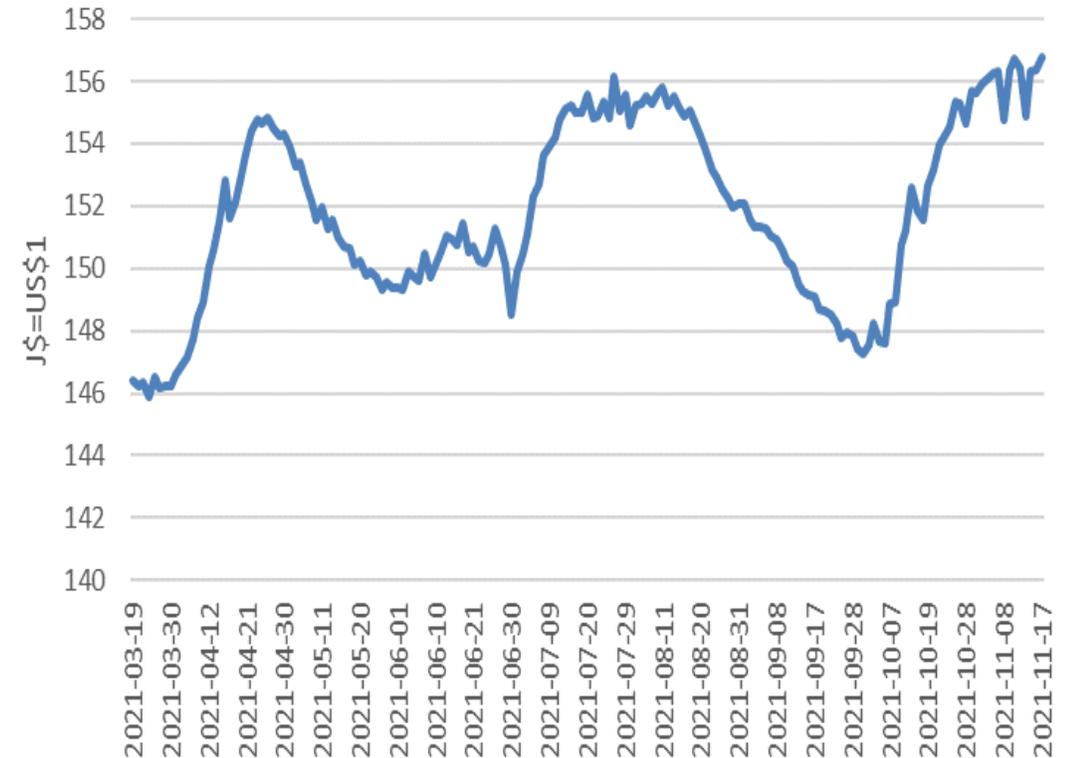
- **Higher than anticipated pass-through to domestic prices**
- **Continued shocks to the supply of agricultural foods**
- **Higher than projected inflation expectations**
- **Further increases in regulated prices**
- **Higher than expected GDP growth**

Key downside risk:

- **Strong recovery in agricultural production**

Developments in the FX market...

At 17 November 2021, the exchange rate was **J\$156.79 to US\$1**, representing an annual point-to-point depreciation of **6.1%**, broadly similar to depreciation for same period last year.



At current levels, the exchange rate is fairly valued and the prospects for a stable market are good.

Foreign Currency flows remain strong...



- **Daily FX purchases and sales for calendar year to date higher than last year**
- **BOJ has sold **US\$675.4 million** to the market for calendar year to end-October**
- **Jamaica's International reserves remain substantial amounting to US\$4.7 billion.**

Looking forward, over the next two years...

- **CAD to range between 1 – 3% of GDP**

Outlook reflects expectations for a recovery in tourist arrivals and spending.



The Bank's net open position (NOP) regime cap to be restored...

Effective 06 December 2021, the cap will be:

- \$4.5 billion limit for long positions
- \$7.0 billion limit for short positions

The Bank commits to continue reviewing these limits annually and to amending them if deemed necessary.



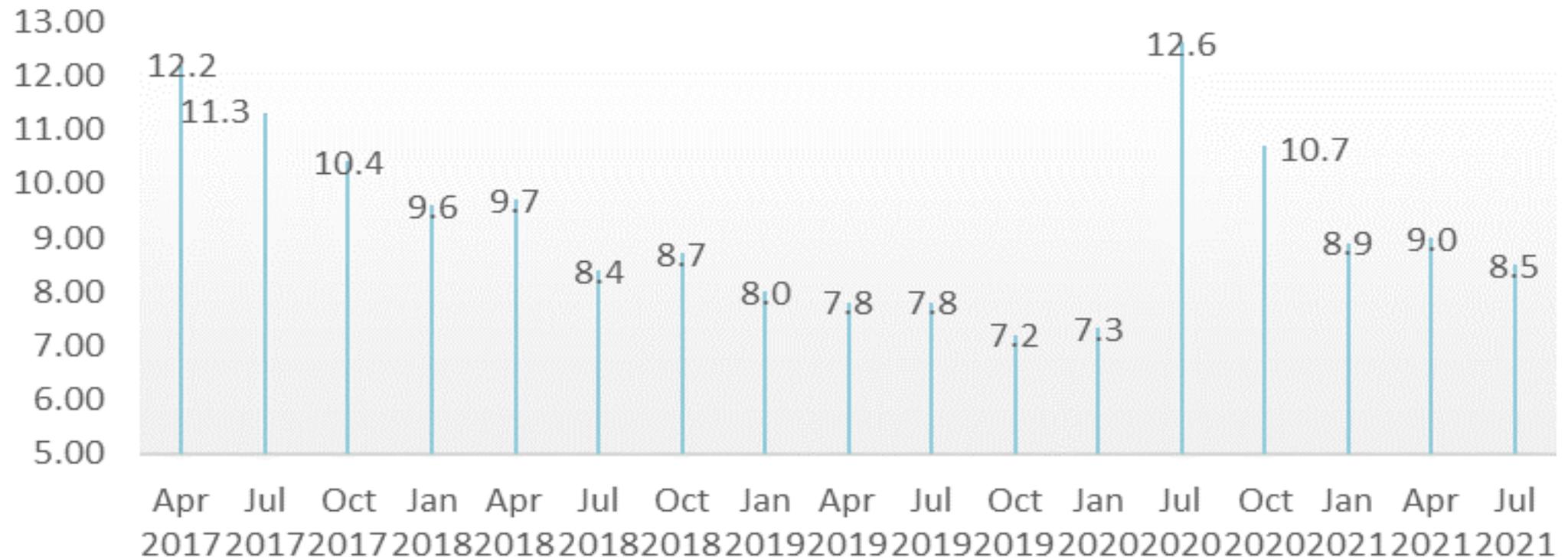
Most recent real GDP outturn, improvement relative to March Quarter...



Domestic economic activity expanded by **14.2%** for the **June 2021 qtr.** relative to **6.7% contraction** for the **March 2021 qtr.**

Improvement evident in the Labour Market...

Unemployment Rate (%)



Real GDP growth for FY2021/22 to remain as anticipated...

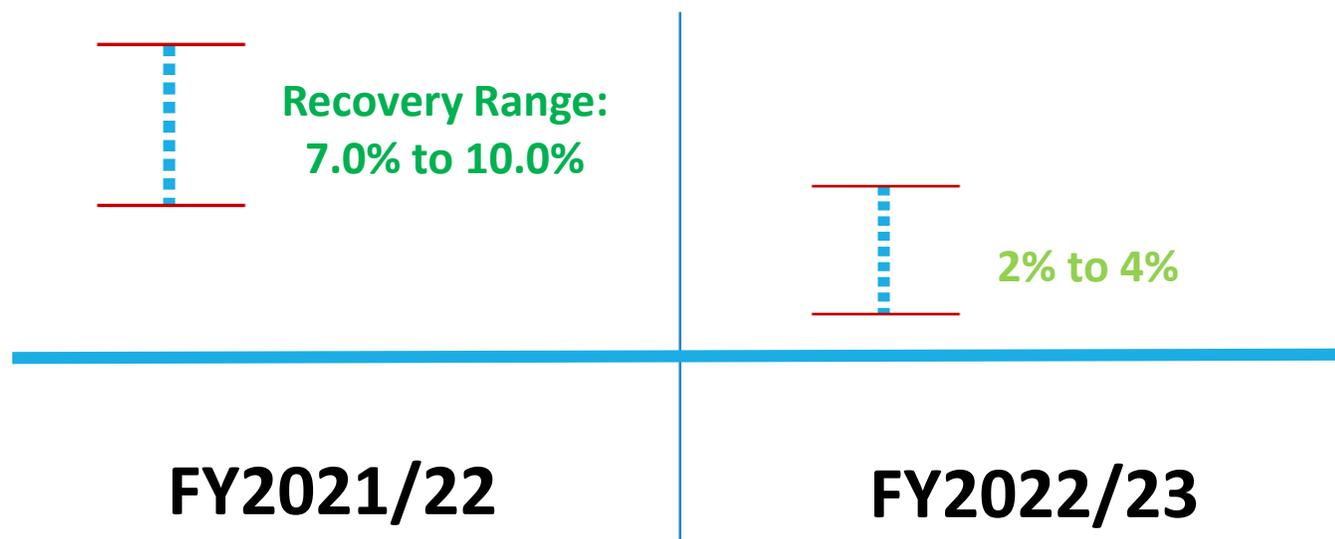
Key expected driver of rebound :

- Tourism sector (and related sectors)

Real GDP has been **adversely impacted** by:

- Temporary disruption to production at Jamalco
- Adverse weather conditions

Projected GDP Growth



BOJ anticipates higher growth in the manufacturing, distribution and the transport, storage & communication sectors

Risks to the Growth Forecast

BALANCED RISKS

Key upside risk:

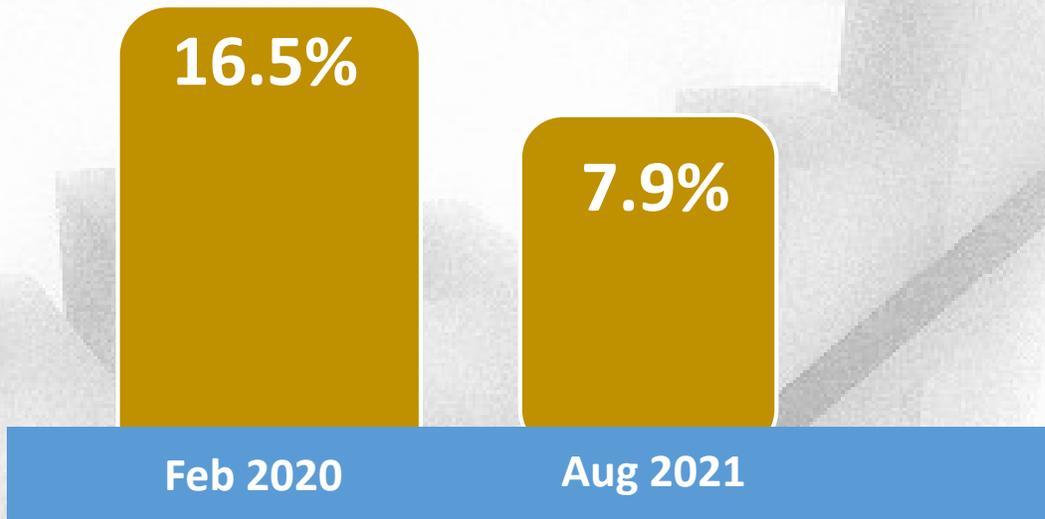
- **Stronger rebound in tourism and related sectors**

Key downside risk:

- **Efforts to control spread of COVID-19 virus could result in slowdown in travel and disruptions in production and distribution**

Financial system remains robust and adequately capitalized...

Private Sector Loans & Advances



Pace of loan growth, while remaining positive, has continued to slow down...

Loan quality for the system continues to remain well below our threshold for concern

Outlook for Jamaican economy...

Bank of Jamaica committed to fulfilling its mandate by:



**Ensuring Growth-enabling Macroeconomic Environment
with Inflation within Bank's Target of 4% – 6%**



Reduced monetary accommodation aimed at influencing a return of inflation to our target in the shortest time possible.