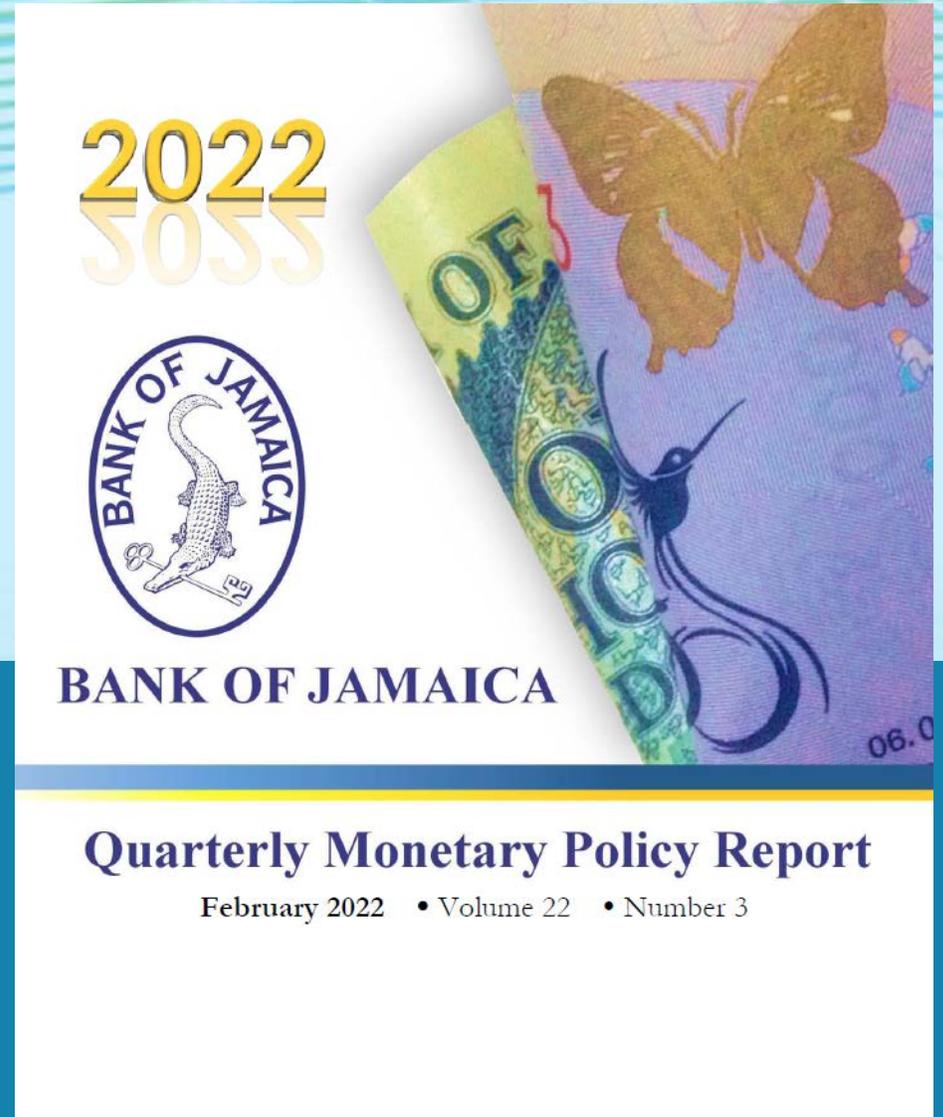




BANK OF JAMAICA

Quarterly Monetary Policy Report Press Conference



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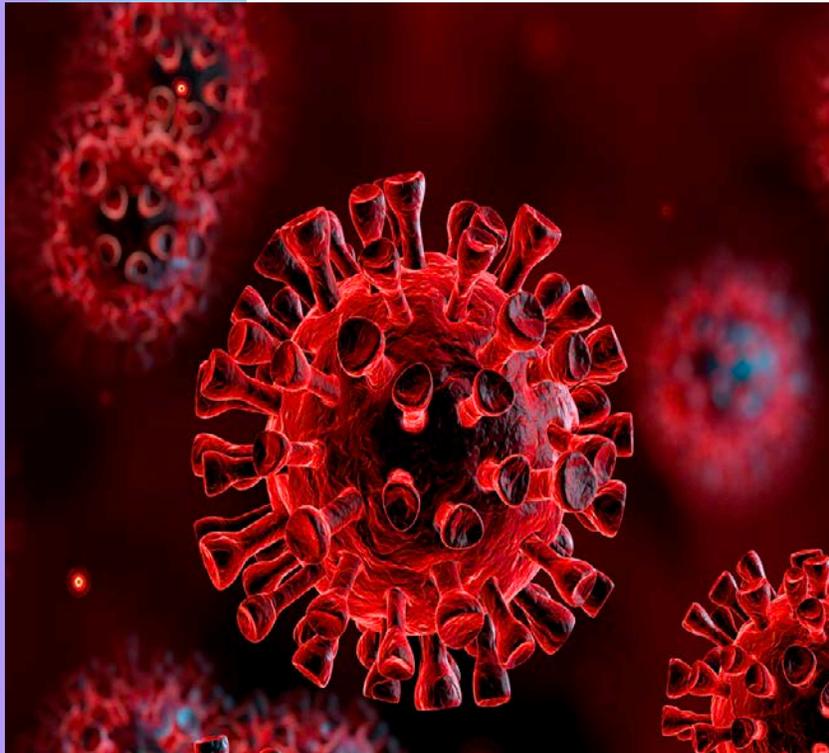
[Download Press Briefing Speech – Governor Richard Byles](#)

The 4th wave of COVID-19 pandemic appears to be receding ...

Prospects for Jamaican economy remain generally positive:

- ✓ **Economic activity and employment continues to rebound**
- ✓ **Buoyant FX market inflows**
- ✓ **Strong international reserves**

However, recent developments in domestic inflation and outlook for inflation are an ongoing source of concern.



Recap - Policy Decisions in December 2021

- Policy Rate increased to 2.5%
- BOJ adjusted FX Net Open Position (NOP) limits to support fight against destabilizing movements in the exchange rate

Policy Decisions – February 2022

- Policy Rate increased to 4.0%
- Pursue stronger measures to contain JMD liquidity expansion and to maintain stability in FX market

Announced on 18 February 2022

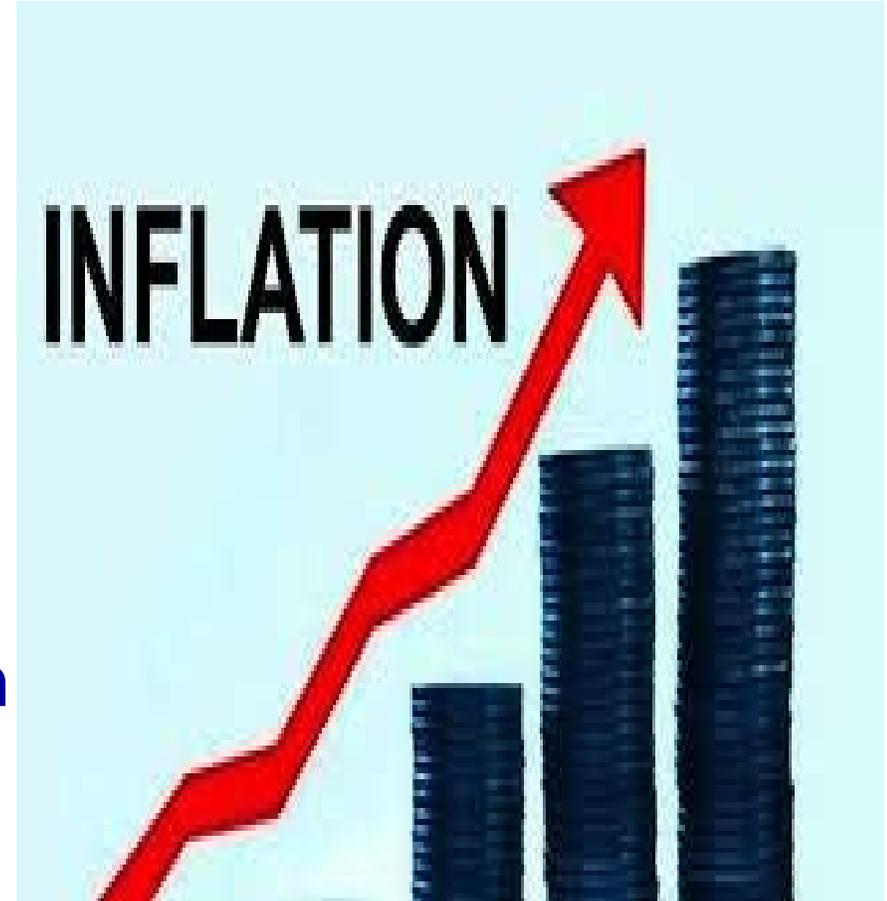
Stronger policy actions should result in...

- ✓ Tightening of liquidity
- ✓ Improvement in the preference for J\$ assets
- ✓ Greater stability in the FX market

Inflation Outturn

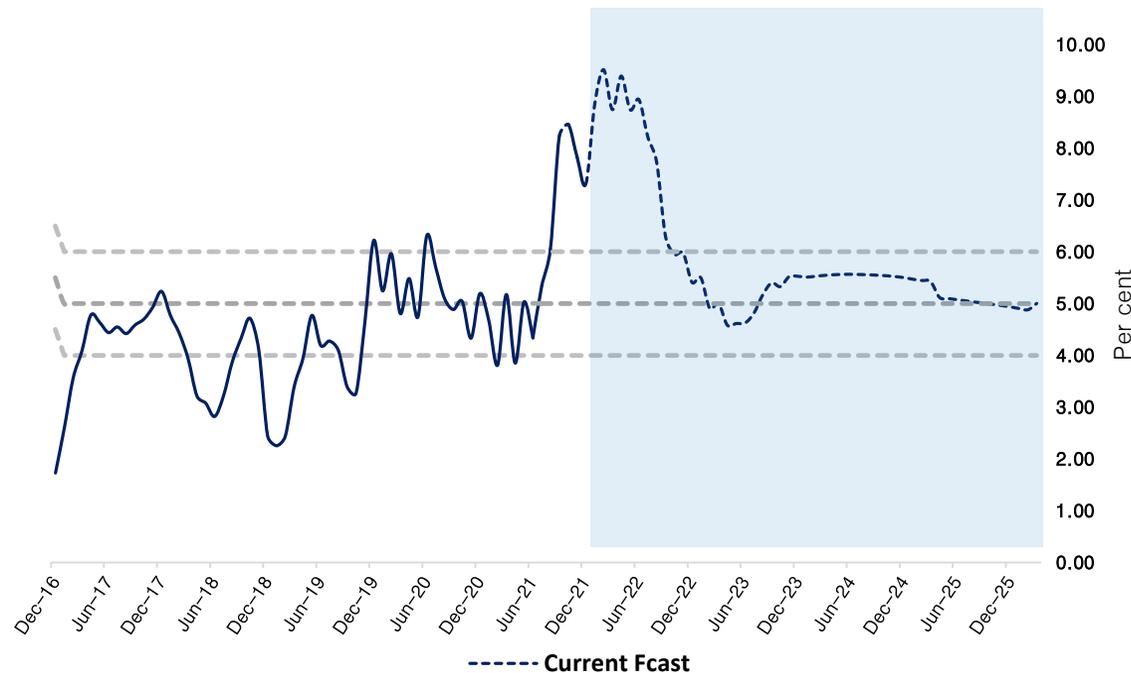
STATIN reported inflation in January accelerated to 9.7%, representing sixth successive breach of the Bank's target

- Outturn reflected high energy-related inflation as well as higher prices for processed foods and services



Outlook for Inflation

Annual Point-to-Point Inflation (%)



Over the next 10 -12 months:

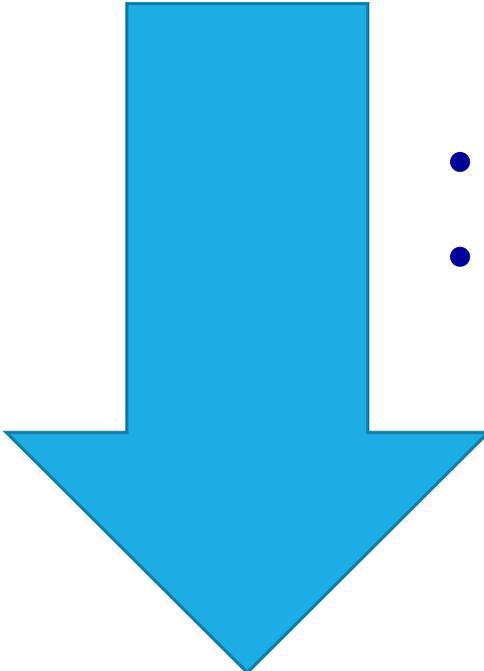
Peak: 9.0% – 11.0%

Inflation forecast reflects the continued lagged impact of higher international commodity and shipping prices.

Further tightening of monetary policy will influence a return of inflation to the target range in the latter part of 2022

Risks to the Inflation Forecast

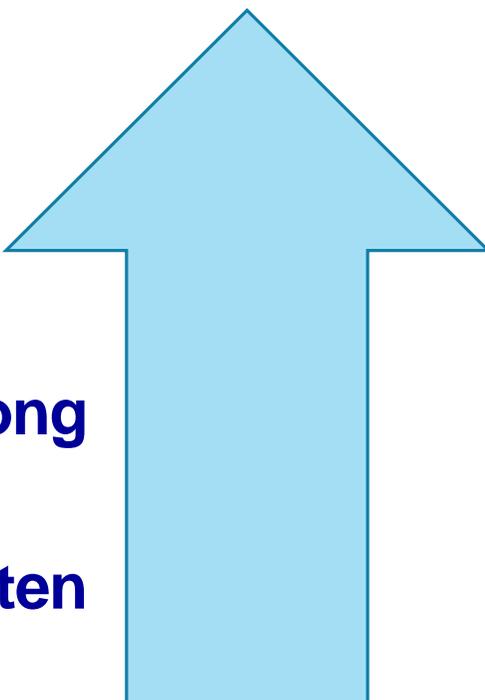
Balanced



Key downside risks:

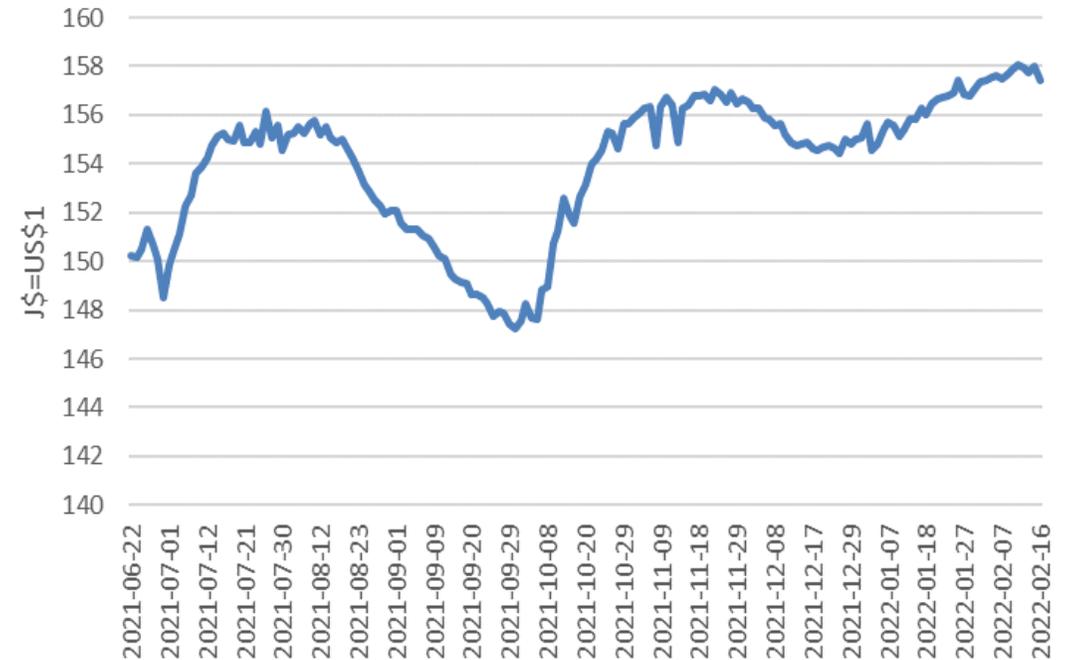
- Weaker than projected global growth
- Weaker domestic demand from renewed challenges associated with the pandemic

Key upside risks:

- 
- Higher pass-through from imported inflation
 - Earlier and stronger monetary tightening among Jamaica's major trading partners
 - Underlying demand pressures could threaten stability of the FX market

Developments in the FX market...

Annual point-to-point depreciation of **4.0%** at 16 February 2022, a slower pace of depreciation relative to same period last year.



Since the beginning of 2022, the exchange rate has depreciated by **1.5%** significantly slower than the **6.1%** for the similar period in 2021

Foreign Currency flows continue to be healthy...



- BOJ has sold **US\$301.9 million** to the market for calendar year to date
- Daily FX purchases and sales for calendar year to date higher than last year
- Jamaica's international reserves remain substantial amounting to **US\$4.3 billion**.

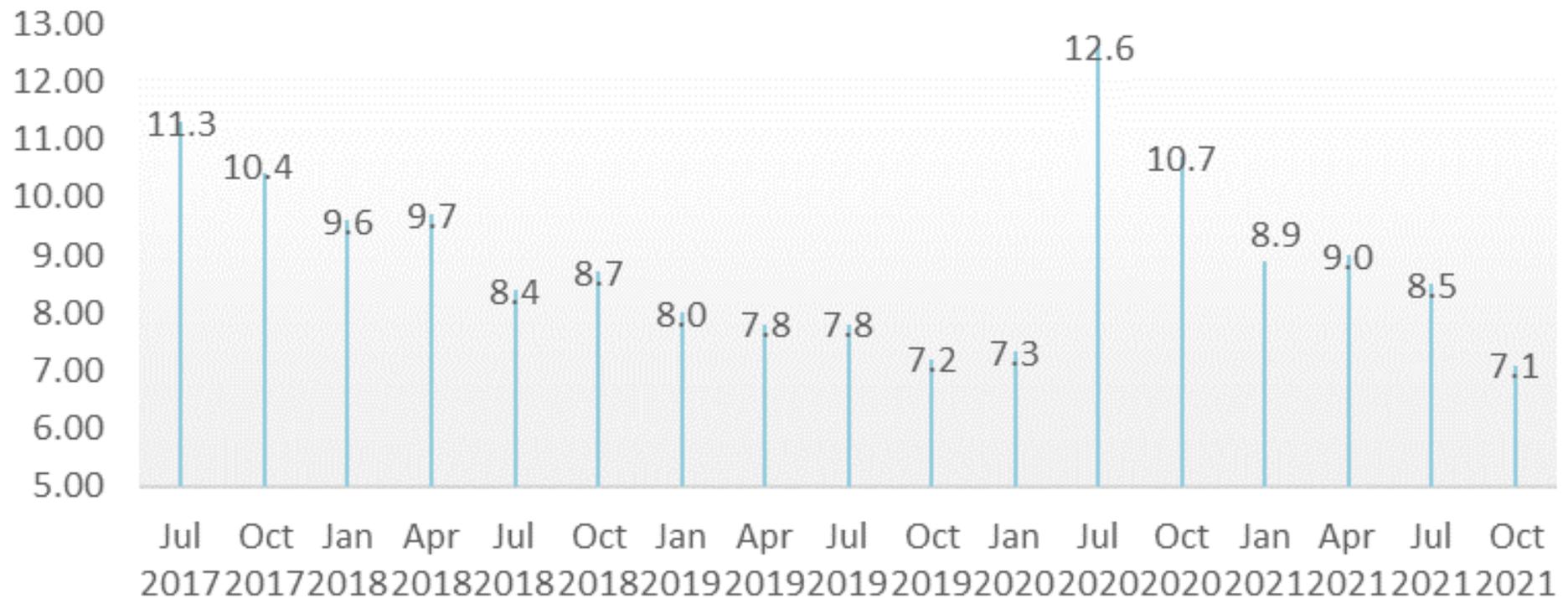
Most recent real GDP outturn indicates continued recovery in economic activity...



Domestic economic activity expanded by **5.8%** for the **September 2021 qtr.** relative to **14.2%** expansion for the **June 2021 qtr.**

Labour Market continues on path of improvement...

Unemployment Rate (%)

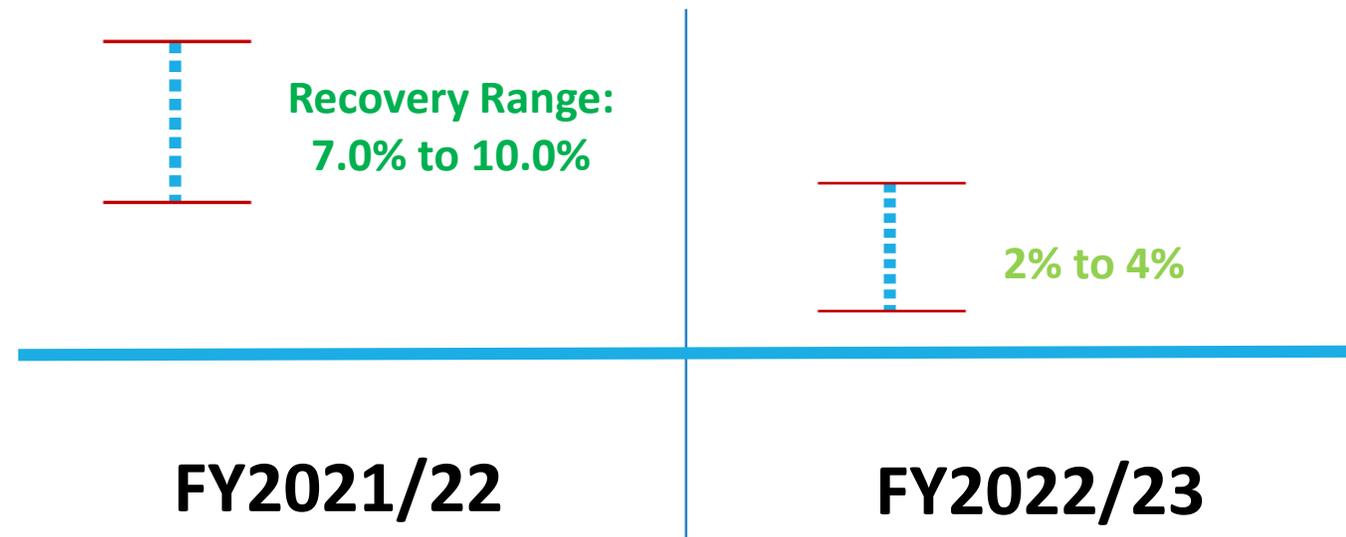


Real GDP growth for FY2021/22 still projected to be as anticipated...

Projected GDP Growth

Key expected driver of rebound :

- Services industry (Tourism and related sectors)

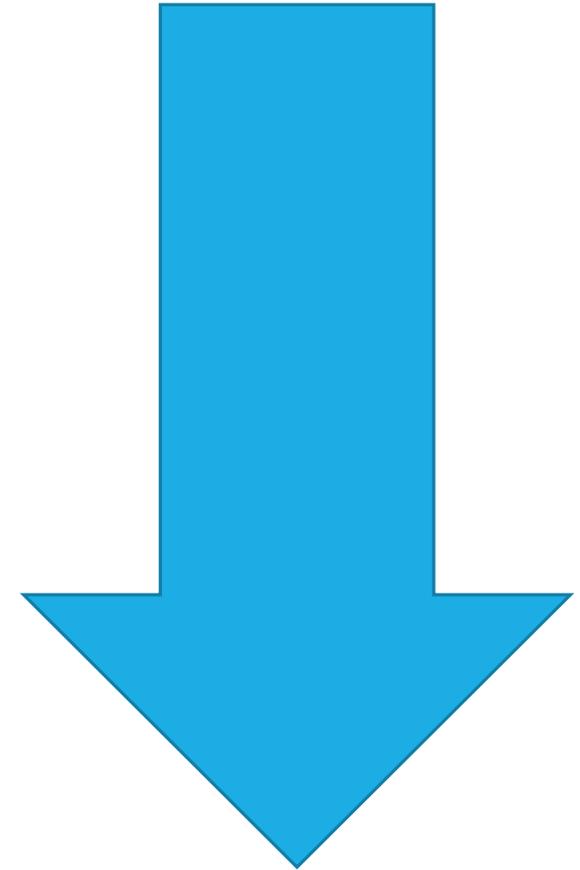


GDP forecast assumes that the temporary disruption to production at one of Jamaica's main alumina plants will be resolved by June 2022

Risks to the Growth Forecast **Skewed to Downside**

Key downside risks:

- Lower than projected growth in tourist arrivals and related activities
- Impact of shortage of key raw materials
- Impact of higher inflation on real incomes



Gross reserves will continue to remain healthy supported by...

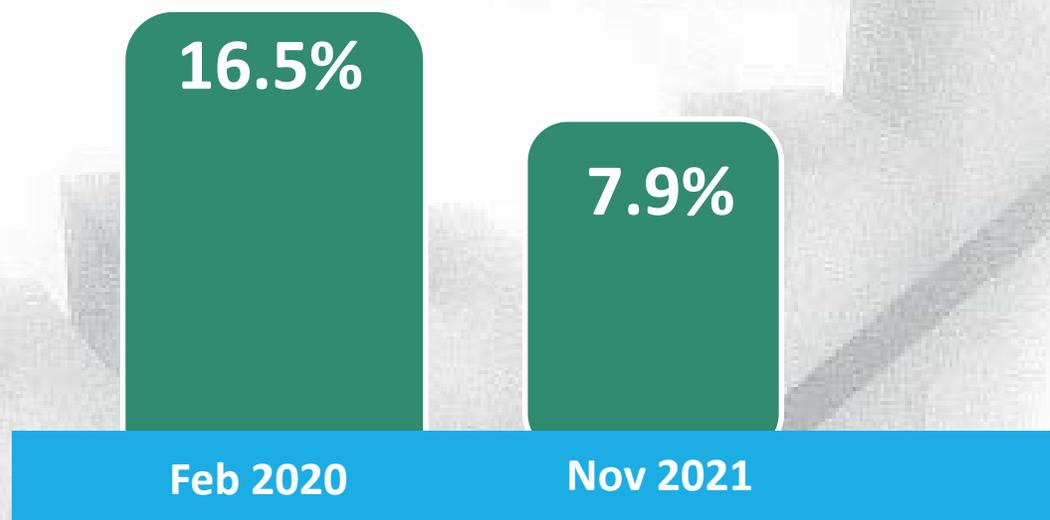
- **CAD ranging between 0.5% – 1.0% of GDP**

Sustainable performance of BOP reflects expectations for further recovery in tourism sector.



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

Bank of Jamaica committed to fulfilling its mandate of price stability...

- ✔ **Efforts continue to ensure a return of inflation to target range of 4% – 6%**



The Bank will closely monitor the economic environment and stands ready to act, if necessary, in order to achieve this objective.