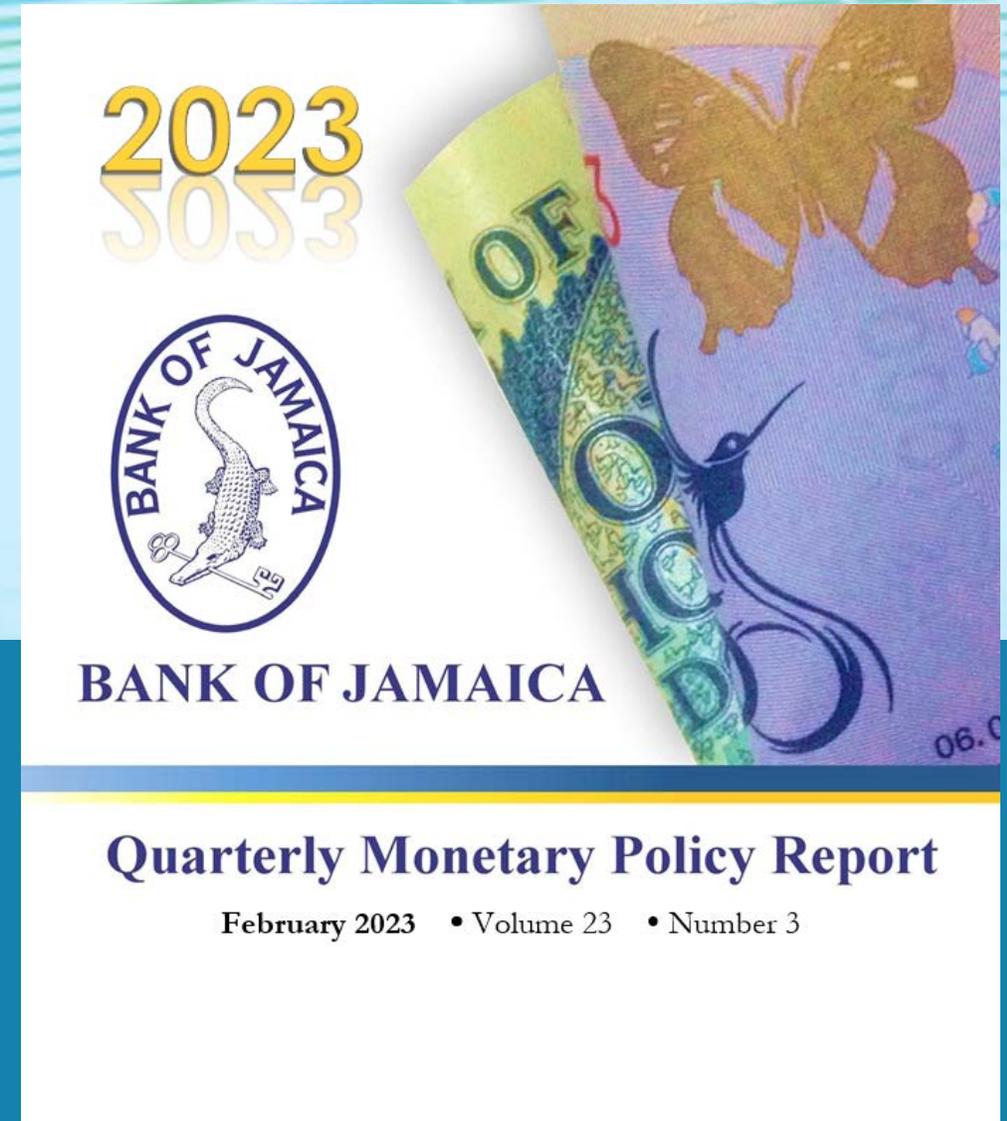




BANK OF JAMAICA

Quarterly Monetary Policy Report Press Conference



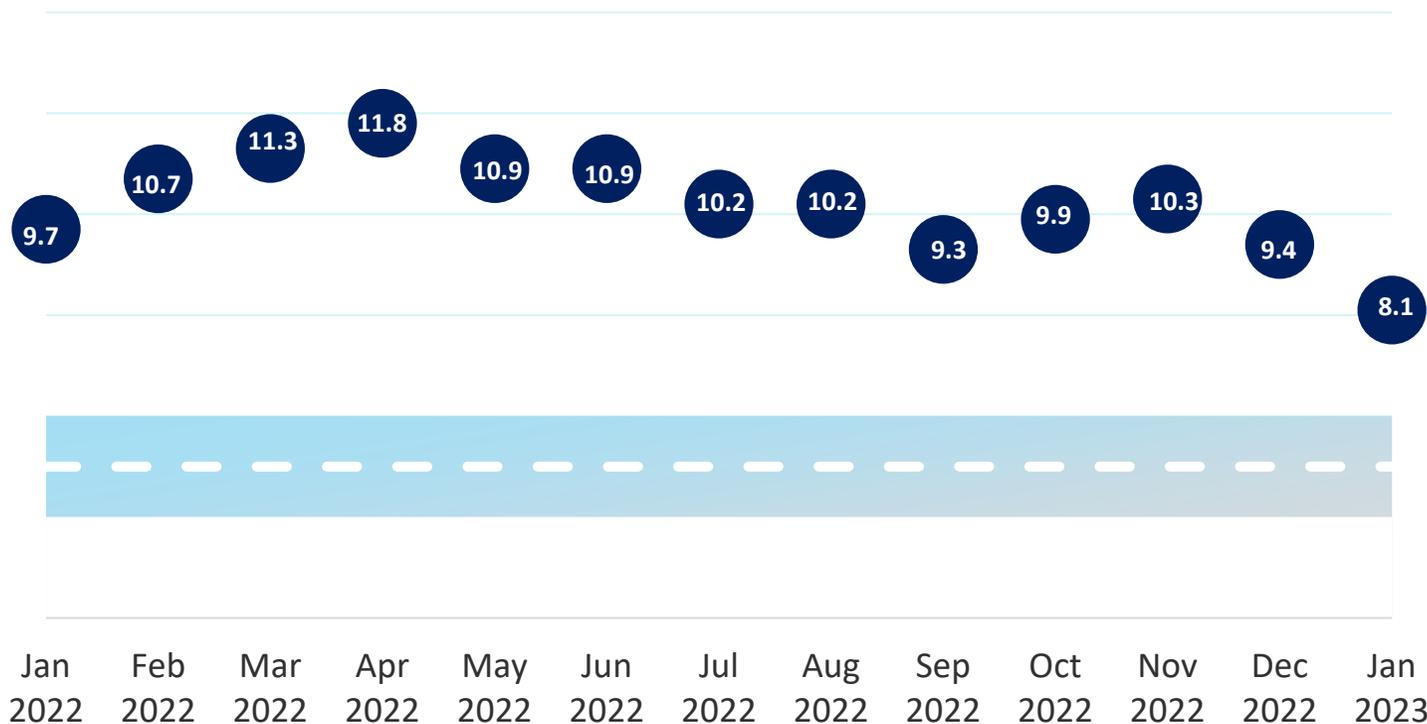
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Inflation trending in encouraging direction...

- Headline inflation at January 2023, as reported by STATIN, was 8.1%, below the outturn of 9.4% at December 2022



- ✓ **Core inflation also moderated** – 7.1% at January 2023 from 8.5% at December 2022
- ✓ **The key external drivers of headline inflation have also continued to decline and inflation expectations continued on a downward track**

Pace of monetary tightening by the US Fed has slowed....



- ❑ Following the **increase of 25 bps on 01 February 2023**, Bank of Jamaica anticipates that the Fed will raise interest rates in March 2023 by an additional 25 bps
- ❑ The Fed is expected to base its future decisions on the incoming data

Risks to the Inflation Forecast Elevated

Upside risks:

- Labour market shortages carry the potential for future wage adjustments to cause higher inflation
- Projected higher liquidity levels, if left unchecked, could threaten achievement of inflation target and stability in FX market
- Worsening in supply chain disruptions
- Higher commodity prices
- Higher than projected interest rate adjustments among major developed economies

Downside risks:

- Weaker than expected global growth
- Some projected adjustments to regulated prices may not materialize

Policy Decisions – February 2023

Announced 20 February 2023:

- Domestic and foreign currency CRRs for DTIs increased by 1 percentage point to **6.00% and 14.00% respectively**, effective 01 April 2023
- Bank of Jamaica's Policy Rate maintained at **7.00%**
- Maintain posture in the money market and to foster relative stability in the foreign exchange market.

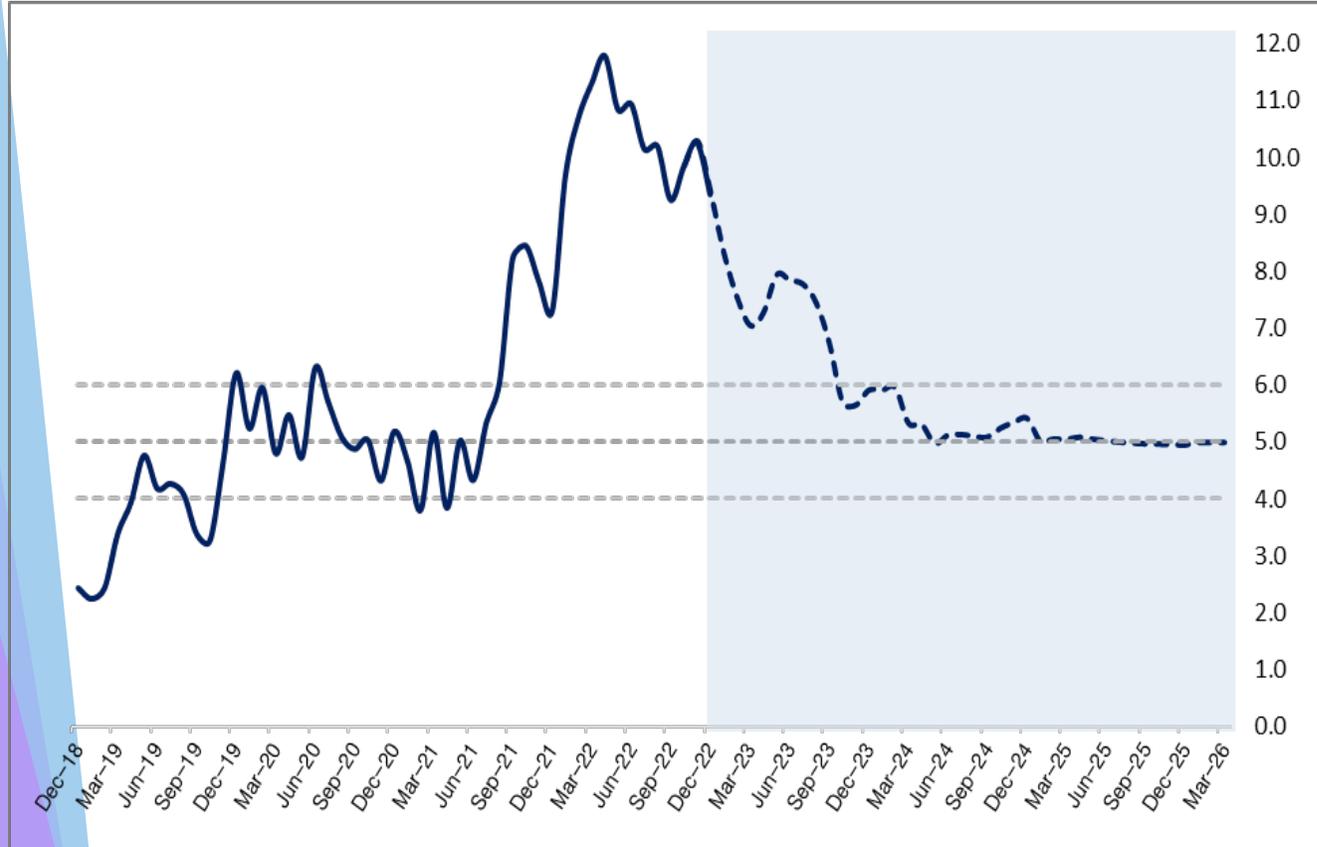
The MPC is also continuing its review of the monetary transmission mechanism.

Outlook for Inflation

Annual Point-to-Point Inflation (%)

For FY2022/23:

6¾% - 7¼%



Annual inflation expected to fall within the target range by December 2023 and remain generally at that level over the medium-term.

Outlook consistent with consensus forecasts for a fall in commodity and shipping prices, further decline in inflation expectations and the Bank's overall monetary policy stance. Forecast includes some increases in some regulated prices and assumes no shocks.

The Jamaican economy continues to show strong growth...



- ✓ Real GDP growth of 5.9% for September 2022 quarter higher than the Bank anticipated
- ✓ There are signs that the economy continued to expand in the December 2022 quarter and for March 2023 quarter to date

Domestic economic activity is estimated to have returned to pre-COVID-19 levels in the December 2022 quarter and expected to remain above pre-COVID levels over the forecast horizon.

Outlook for Jamaican Economy...

Projected GDP Growth



FY2022/23

Key drivers of rebound :

- Tourism
- Agriculture
- Resumption of production at Jamalco

GDP growth for **FY2023/24** is **projected to moderate.**

FX Market has remained relatively stable...



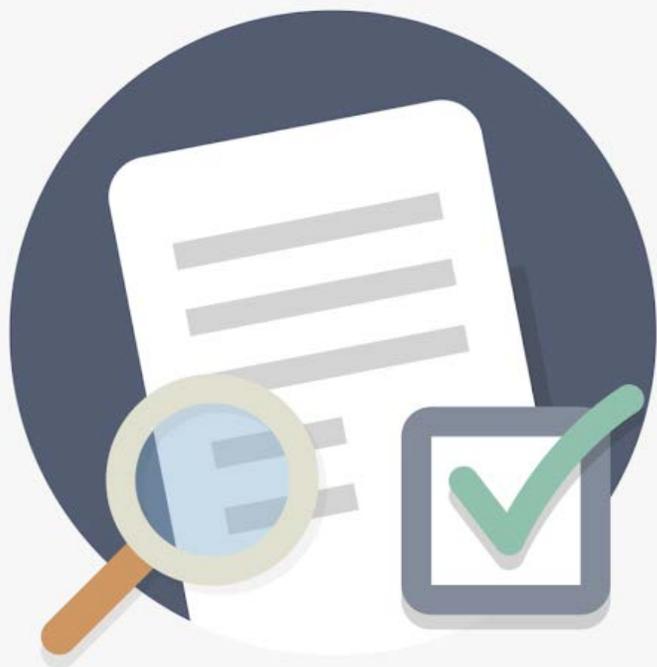
- At 16 February 2023, the Jamaican dollar **appreciated on a year-over-year basis by 1.4%** against the US dollar, compared with a depreciation of 4.0% over the same period of the previous year
- BOJ sold approximately **US\$732.0 million** via its B-FXITT facility over 12-months to 16 February, complemented by sale of **US\$583.0 million** to SPEs
- The Bank net purchased from the market **US\$940.0 million**.

Gross reserves remain substantial...



- At 16 February 2023, Jamaica's gross international reserves remain substantial amounting to **US\$4.4 billion**.
- The Bank projects that the gross reserves will continue to remain adequate into the medium-term

Financial system remains stable...



- ... despite the impact of fair value losses during 2022
- DTIs remain well capitalized, profitable and in compliance with prudent liquidity standards
- Quality of the DTIs' loan portfolio remained stable

Jamaica's recent engagement with the IMF...



- ❑ On 10 February 2023, the Executive Board of the IMF concluded the an Article IV consultation with Jamaica and it is poised to conclude a **Precautionary Liquidity Line (PLL)**, which will allow us to access close to **US\$1 billion** in the event of extreme, climate-related shocks
- ❑ There is also agreement to access resources of more than **US\$750 million** under the **Resilience and Sustainability Facility (RSF)**

Finalization of the RSF/PLL is tentatively slated for discussion by the IMF Executive Board this week.

Bank of Jamaica committed to achieve its primary mandate of preserving price stability...



- ✓ The Bank will continue to closely monitor global and domestic environments for potential risks that could threaten Jamaica's inflation target.