



OFFICE OF THE MINISTER OF FINANCE AND THE PUBLIC SERVICE

January 21, 2026

Mr. Richard Byles
Governor
Bank of Jamaica
Nethersole Place
Kingston



Dear Governor Byles,

Response to the MPC's Explanation of the Inflation Target Breach for October 2025

Thank you for your letter dated 15 January 2025 on behalf of the Monetary Policy Committee (MPC) outlining the reasons for headline inflation being below the Bank's target of 4.0 to 6.0 per cent for the period August to October 2025 and providing a revised outlook for inflation. I note that this update was required because annual headline inflation recorded three consecutive monthly outturns below the target range, following your previous correspondence on this matter in September 2025.

I agree with your assessment that the downside breach of the target over the period primarily reflected: (i) the deflation related to the improvement in agricultural supplies, (ii) the continued moderation in international commodity prices, (iii) a decline in inflation expectations, and (iv) a reduction in the General Consumption Tax (GCT) on electricity consumption. Looking ahead, the adverse effects of Hurricane Melissa are expected to negatively impact key macroeconomic variables, including domestic inflation. In this context, I note your projections that inflation will breach the upper limit of the target for most of 2026 before, in the context of an appropriate monetary policy stance, moderating to the Bank's target range in early 2027. Continued relative stability in the foreign exchange market will help temper the impact of this adverse shock.

I understand that inflation could rise above the projected path in the context of, inter-alia, higher-than-expected demand amidst the reconstruction efforts and increased inflation expectations. A more protracted recovery in the Agriculture sector and more prolonged disruptions to supply chains could worsen food price increases. There could also be long-term damage in specific industries, which could slow the improvement in the production and availability of supplies. Lower inflation could, however, result from a slower-than-anticipated recovery in domestic demand associated with income loss.

I welcome the MPC's commitment to ensuring continued stability in the foreign exchange market. I note that the MPC will continue to take a data-driven approach to interest rate adjustments, aiming to maintain price stability.

.../2

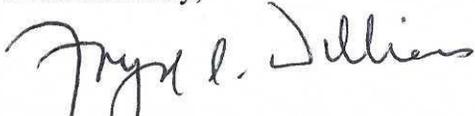
Mr. Richard Byles
Governor
Bank of Jamaica

-2-

January 21, 2026

As a critical element of the Government's commitment to transparency and accountability concerning inflation targeting, I will publish a copy of my letter and your inflation-breach correspondence on the Ministry of Finance and the Public Service website.

Yours sincerely,



Fayval Williams, CFA, MP
Minister of Finance and the Public Service