



**Monetary Policy Press Statement**

**Quarterly Monetary Policy Report  
Press Conference**

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## **Introduction**

Good morning, ladies and gentlemen and welcome to our first Quarterly Monetary Policy Report press conference for 2026.

Since we last met in December, incoming macroeconomic data indicate that the initial direct effect of Hurricane Melissa on inflation has been less severe than earlier projected. This is welcome news for the country and a positive development, especially for vulnerable groups who suffer most from high and prolonged inflation. This outcome is partly the result of a faster-than-anticipated improvement in agricultural supplies. The Bank's monetary policy response, which has led to a mild appreciation of the exchange rate, has also contributed to easing price pressures. Looking ahead, inflation is now projected to trend broadly within the Bank's target range over the next two years, with the exception of a few possible breaches of the upper limit in the near term.

## **Monetary Policy Decision**

In the context of the improved inflation outturn and outlook, Bank of Jamaica's Monetary Policy Committee (MPC) decided unanimously to reduce the policy rate by 25 basis points to 5.50 per cent per annum, effective today. The Bank will also remain

proactive in preserving relative stability in the foreign exchange market.

The decision to reduce the policy rate reflects a cautious adjustment to the monetary policy stance and followed a detailed assessment of the most recent inflation outturn and the near-term outlook for prices. I want to emphasize that the Bank is always guided by data and is prepared to adjust its policy decisions based on careful consideration of proven and emerging data.

On the 16<sup>th</sup> of February, the Statistical Institute of Jamaica (STATIN) reported that headline inflation at January 2026 was 3.9 per cent, down from 4.5 per cent at December 2025. This outturn was below the Bank's most recent projection and just under the lower limit of the Bank's target range. The lower inflation compared with December 2025 largely reflected a fall in food prices, associated with the improved supply of farm produce following the hurricane. Core inflation (which excludes the prices of agricultural food products and fuel from the consumer price index) also fell to 3.9 per cent at January 2026 from 4.2 per cent at December 2025.

So, for the three months after the hurricane, STATIN recorded inflation rates within or just slightly below the lower limit of the Bank's target range. Recall too, that since August 2024, there have been 17 months of inflation within or below the target range.

Developments in the foreign exchange market have also supported the overall easing of price pressures in the economy. After the hurricane, the Bank announced that it would deploy special measures to ensure a stable exchange rate as a part of the strategy to manage inflation following the hurricane shock. Since the passage of the hurricane, the Bank has sold approximately US\$365 million into the market, over the period 01 November 2025 to 31 January 2026. The Bank also sold US\$87 million to Petrojam over this period resulting in cumulative sales of US\$452 million. Importantly, the Bank net purchased approximately US\$152 million since the hurricane.

The Bank has therefore delivered on that promise of foreign currency price stability. The exchange rate has appreciated since November 2025, supported by strong foreign currency inflows, reflecting improved remittances, as well as the Bank's use of its healthy reserves to augment flows in the market and the other special measures that we announced since November. Cumulatively, BOJ sold US\$1.1 billion via its B-FXITT facility over the 12 months to end-January 2026, in line with the US\$1.1 billion sold over the 12 months to end-January 2025. Notwithstanding these sales the Bank net purchased approximately US\$990.5 million over the 12 months to end-January 2026. Going forward, Jamaica's international reserves remain healthy and are projected to improve even further.

Against this background, the Bank now projects that inflation will average 5.9 per cent over the next two years. This forecast is below the previous projection for an average of 7.4 per cent. It is projected that following possible temporary breaches of the upper limit of the target in the June and September 2026 quarters, inflation will return to the target range by the end of the December 2026 quarter. This earlier than previously anticipated return to target reflects a moderation of the Bank's forecast for later (or second round) price increases given the improved outlook for key domestic indicators. While the baseline forecast does not explicitly include the Government's recently announced tax package, our simulations suggest that its impact may not materially disrupt the projected return of inflation to the target range.

The MPC assessed that there are both downside and upside risks to the inflation forecast, meaning that, depending on possible scenarios, inflation could be below or above the levels forecast. On the downside, inflation could be lower due to a slower-than-anticipated recovery in domestic demand. On the upside, higher inflation could result from bad weather as well as higher-than-projected inflation expectations. In addition, upward price pressures may arise from increased overall domestic spending amid the post-hurricane recovery efforts. In particular, the government's temporary suspension of the fiscal rule will allow for fiscal deficits over the next three years. To the extent that these deficits support capital projects and other recovery spending,

public sector demand could place pressure on the country's productive capacity which may contribute to higher second-round price pressures. This risk underscores the need for a cautious approach to monetary policy.

I will now briefly highlight some recent economic developments, starting with a closer look at inflation expectations.

### **Recent Economic Developments**

Not surprisingly, in the aftermath of the hurricane, inflation expectations, as measured by the Bank's survey of select businesses, increased. Specifically, businesses reported 12-month-ahead inflation expectations that rose to 6.8 per cent in the December 2025 survey, up from 6.2 per cent in the November 2025 survey and 5.8 per cent in the September 2025 survey.

To broaden our range of inflation surveillance tools, the Bank has developed a complementary Consensus Inflation Forecast survey. The survey provides an important forward-looking gauge of inflation dynamics by capturing the views of key private sector professionals who are either major price setters or who have informed views on the sources of price changes in Jamaica. This morning, the results of this survey are being officially released. This information

can assist businesses and households with their planning and risk assessment, while also providing the Bank with additional valuable market intelligence to inform our policy deliberations.

The most recent survey was conducted in December 2025. Respondents indicated that for the one-year ahead horizon, they expect inflation to accelerate, on average, to 5.9 per cent relative to 4.0 per cent in the previous survey done in September 2025, with some respondents anticipating inflation above the 4.0 to 6.0 target range. However, at the two-year ahead horizon, respondents expect a deceleration in inflation to 5.1 per cent, which is the Bank's inflation target. The fulsome results of the survey will be published on the Bank's website today, and I invite you to review the report in more detail.

Looking at developments within the real economy, for the financial year (FY) 2025/26, the Bank anticipates a decline in real GDP in the range of minus one (-1.0) to minus three (-3.0) per cent, a smaller contraction than our previous estimate. As the economy recovers, real GDP growth for FY 2026/27 is projected in the range of 1.0 to 3.0 per cent. The Bank now anticipates a full recovery in economic activity post-Hurricane Melissa in two to three years, faster than the previous estimate for three to four years. This improved recovery outlook anticipates a faster rebound in agricultural activity and factors in a

faster than initially anticipated recovery of electricity and telecommunication services.

Turning to the Balance of payments, the current account balance is expected to deteriorate over the near-term. This is largely underpinned by the negative impact of the hurricane on the tourism industry, as well as the increased level of importation needed for infrastructure rebuild and relief supplies. The deterioration in the current account, however, will be slowed by increased remittance inflows and insurance receipts. In this context, the Bank anticipates that the current account balance will fall within a range of a deficit 0.5 per cent of GDP to a surplus of 0.5 per cent for FY2025/26 compared with a surplus of 3.0 per cent of GDP recorded in FY2024/25.

Notwithstanding the worsened BOP current account, Jamaica's international reserves remain robust, standing at a historically high level of US\$6.8 billion at 19 February 2026, representing about 155.8 per cent of the measure considered adequate.

The domestic financial system has been resilient in the aftermath of the hurricane. The deposit-taking institutions (DTIs) maintained capital adequacy ratios above the regulatory benchmark and reflected broad resilience in possible scenarios of market,

credit and liquidity risk shocks. While there has been a mild deterioration in DTIs' asset quality, with the ratio of total non-performing loans (NPLs) to total loans increasing to 2.8 per cent at end-2025, from 2.5 per cent at end-2024, the ratio remains more than comfortably within the prudential benchmark of 10.0 per cent. In addition, private sector credit has remained fairly stable, recording annual growth of 8.0 per cent at December 2025 compared to growth of 7.3 per cent a year earlier.

## **Conclusion**

To conclude, the impact of Hurricane Melissa on inflation, while significant, is now projected to be less severe than we had previously anticipated. I want to restate that the MPC will continue to closely monitor the incoming data and is prepared to adjust the stance of monetary policy if the balance of risks changes and threatens the projected return of inflation to the 4 to 6 per cent target range in the shortest possible timeframe.

Thank you. I will now take questions.

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