



7 April 2026

The Honourable Fayval Williams, MP
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister Williams:

Breach of Inflation Target

By letter dated 29 April 2024 from the Minister of Finance and the Public Service, Bank of Jamaica's (BOJ's) Monetary Policy Committee (MPC) was set a target range for annual inflation of 4.0 to 6.0 per cent over the next three years. Inflation is measured by the 12-month point-to-point percentage change in the Consumer Price Index (CPI) that is prepared and published by the Statistical Institute of Jamaica (STATIN).

This target became operational as of the April 2024 CPI outturn and applies continuously, that is, for each month until April 2027. The letter also stated that whenever inflation deviates from the target range, the MPC must explain the deviation within 60 days of publication of the outturn by STATIN. While a notification and full explanation are not required for each consecutive month in which inflation remains outside the target once an explanation has already been given, the Bank is nonetheless required to provide an update on the progress of inflation back to the target every third month of a deviation from the target.

In my previous correspondence to you on this matter, dated 15 January 2026, I indicated that inflation was projected to rise sharply over the next six months to June 2026, from the 4.4 per cent at November 2025, and breach the upper limit of the inflation target range starting in early 2026, before moderating to the target range in early 2027. Our primary reasons at the time for these projected breaches reflected: (i) the impact of Hurricane Melissa on major food-producing parishes; (ii) disruptions to supply chains (particularly in energy and agriculture); and (iii) the second-round effect on services and processed food inflation.

Since my last letter, which explained the breaches below the inflation target range for August to October 2025, annual headline inflation accelerated and returned to the target range, largely reflecting the impact of an acceleration in agricultural inflation. In particular, the annual headline inflation rates for November and December 2025 were 4.4 per cent and 4.5 per cent, respectively. However, inflation for January 2026 declined to 3.9 per cent, which represented a breach of the lower bound of the Bank's inflation target range. This triggered the obligation under the protocol, as set out in the [MPC and Inflation Targeting Operating Framework](#), to provide an update. Notably, core inflation (which excludes the prices of agricultural food products and fuel

.../2

from the CPI) was also 3.9 per cent at January 2026, which was below the outturn of 4.2 per cent at December 2025.

Headline inflation breached the lower end of the target range in January 2026 primarily due to a decline in agricultural inflation. This reflected improved supply and lower demand conditions, the latter associated with the fallout in the tourism sector as a result of the Hurricane. Low inflation was also supported by an appreciation in the exchange rate.

The annual change in agricultural prices (as measured by the Vegetables, tubers, plantains, cooking bananas and pulses sub-division of the CPI) for January 2026 moderated to 5.5 per cent, relative to the previous month of 8.4 per cent. The moderation in agricultural inflation was faster than the Bank anticipated.

The nominal exchange rate appreciated during the December 2025 quarter. The weighted average selling rate (WASR) of the Jamaican dollar vis-à-vis the United States (US) dollar closed the December 2025 quarter at J\$159.74 = US\$1.00, reflecting an appreciation of 0.9 per cent, relative to end-September 2025 and a depreciation of 2.1 per cent, relative to end-December 2024.

Headline inflation at February 2026 remained unchanged at 3.9 per cent. The factors that caused the low headline inflation in February 2026 were temporary in nature and primarily related to continued improvements in supply conditions following Hurricane Melissa. Core inflation was 4.2 per cent at February 2026.

What is the Near-Term Path & the Attendant Risks for Inflation to Return to the Target?

Recent developments suggest that headline inflation should return to the target range in March 2026 and generally trend upwards over 2026. This upward trajectory for inflation is driven by the heightened conflict in the Middle East, which has led to sharp increases in international commodities prices (in particular, oil, liquefied natural gas (LNG) and fertiliser) and shipping costs; this is expected to influence higher energy and transport-related inflation in the domestic economy.¹ Both the magnitude and the duration of the impact of these developments on inflation in Jamaica are, however, highly uncertain. In addition, inflation will be affected by the Government's fiscal tax measures.

Core inflation is projected to increase over the next two years, compared with the average of 4.4 per cent over the previous two years. The higher core inflation will be supported by elevated inflation expectations as well as an anticipated surge in overall spending in the context of the rebuilding efforts, facilitated largely by external financing to the private and public sectors.

¹ On 28 February 2026, the US and Israel launched several strikes on Iranian military infrastructure and political entities. In retaliation, Iran launched strikes on several US military bases and oil infrastructures located in numerous Middle Eastern countries and disrupted shipping activity in the Strait of Hormuz. The Strait of Hormuz facilitates approximately 25.0 per cent of global seaborne oil shipments, 20.0 per cent of global LNG flows and 40.0 to 50.0 per cent of globally traded seaborne Urea.

Notably, in the aftermath of the hurricane, Parliament suspended the fiscal rule for an initial period of one year. This will support the public sector's ability to increase spending for the recovery and relief effort. For the central government, in particular, larger fiscal deficits are projected over the next three fiscal years, compared with their previous projection. The higher core inflation will also be supported by the impact of the tax measures on processed food inflation.

The overall inflation projection assumes a high degree of uncertainty for imported inflation (particularly oil) and inflation expectations. Average oil prices for the month to 18 March 2026 were approximately US\$28.99 per barrel (or 49.5 per cent) above the Bank's projection for the month. The higher-than-anticipated outturn to date largely emanates from the war against Iran by Israel and the US, which has led to disruptions to the transshipment of commodities through the Strait of Hormuz. As a result, West Texas Intermediate (WTI) and LNG are likely to remain elevated throughout 2026. Average international grains prices are also expected to increase due to higher shipping costs amid the increase in oil prices.

The risks to the projected path for inflation over the next eight quarters are skewed to the upside (which means that inflation could be above the Bank's projection). The major upside risk is an extended and broader conflict in the Middle East, resulting in further increases in international commodity prices and their resulting impact on domestic prices. In addition, higher-than-projected inflation expectations (what consumers and businesses expect inflation to be in the future) could contribute to inflationary pressures. Further, upward price pressures may arise from the stronger-than-anticipated impact of higher domestic spending amid the post-hurricane recovery efforts. On the downside, the impact of these factors on prices could be tempered by reduced demand as a result of weaker consumer purchasing power.

Bank of Jamaica's Policy Actions to Return Inflation to Target

At its policy meeting on 27 and 30 March 2026, the MPC noted that while inflation remained below the lower limit of the Bank's 4.0 to 6.0 per cent target range in February 2026, the outlook is now subject to a high degree of uncertainty, largely from the conflict in the Middle East. The Committee also noted that the conflict involving Iran has led to a significant increase in key international commodity prices, which is likely to contribute to higher domestic inflation and lower domestic growth. In the context of increased uncertainty, the MPC determined that the current policy stance continues to be appropriate to support inflation converging to the target range over time. The Committee, therefore, unanimously decided to: (i) maintain the policy rate (the rate offered to deposit-taking institutions (DTI's) on their current account balances at BOJ) at 5.50 per cent per year, and (ii) continue special measures, including directly supplying the foreign exchange needs of selected players in the energy sector, to preserve stability in the foreign exchange market.

Amid the heightened uncertainty, Jamaica's high levels of foreign reserves continue to provide a strong buffer, ensuring the availability of adequate levels of foreign exchange in the market.

The Committee will continue to closely monitor the incoming data and assess their impact on inflation and inflation expectations. The MPC is prepared to take the necessary policy actions if the conflict in the Middle East becomes protracted and influences later price increases (i.e. second-round effects), that would further threaten the 4.0 to 6.0 per cent inflation target.

Minister, we stand prepared to provide any clarification that may be required concerning this submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Richard Byles', with a stylized, cursive script.

Richard Byles