



Monetary Policy Press Statement

**Quarterly Monetary Policy Report
Press Conference**

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Bank of Jamaica
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Introduction

Good morning, ladies and gentlemen and welcome to Bank of Jamaica's Quarterly Monetary Policy Report press conference.

We are pleased to be hosting our second press conference for 2026 in another location in Jamaica other than our headquarters in Kingston. Today we are happy to be in Mandeville, Manchester, which is considered the heart of central Jamaica.

Of course, the economy of Mandeville has evolved far beyond its early fame for agriculture (notably coffee-growing), mining and community-tourism. Later today, I will have an opportunity to discuss economic issues with stakeholders from central Jamaica, including Manchester, Clarendon, St. Elizabeth and Southern Trelawny.

Ladies and gentlemen, it is common knowledge that geopolitical tensions, particularly in the Middle East, have heightened significantly since our last press conference in February. The hostilities have resulted in extensive damage to critical oil and gas infrastructure in several countries of the Middle East and have disrupted shipping activity in the Strait of Hormuz, a key route for global oil and gas shipments. Given the uncertainty surrounding the duration of the conflict and the extent of damage to infrastructure, recovery could be slow and protracted.

Against this background, for us in Jamaica, the global shock has heightened the risks of headline inflation rising beyond the current 4.3 per cent recorded at April. At the same time, the confluence of external factors arising from the Middle East conflict also poses risks of lower domestic economic activity over the near-term.

Monetary Policy Decision

In this context, Bank of Jamaica's Monetary Policy Committee (MPC) decided unanimously at its meeting last week to keep the policy rate unchanged at 5.50 per cent per year. The MPC also decided that Bank of Jamaica will continue special measures to preserve stability in the foreign exchange market, including directly supplying the foreign exchange needs of selected entities in the energy sector. We will also continue to assure the market of the predictability of foreign exchange flows by maintaining the pre-announcement of the timing and size of B-FXITT flash sale interventions.

The decision to maintain the policy rate reflects the Bank's assessment that the current policy stance remains appropriate to help limit later or second-round effects from the external price shock and support inflation levels within the target range of between 4.0 and 6.0 per cent over the medium term.

Regarding specific impacts, the rise in international oil prices is expected to place upward pressure on electricity costs in Jamaica.

Domestic gas prices have already risen and may accelerate further, with implications for transport-related inflation. Beyond these direct effects, higher energy and transport costs are also expected to contribute to second-round increases in the prices of other goods and services across the economy.

Inflation in Jamaica is therefore forecast to trend upward over the June and September 2026 quarters beyond the 6.0 per cent upper limit of the Bank's target range. This will be mainly driven by supply and cost pressures including: (i) increased energy and transport-related inflation due to rising crude oil prices; and (ii) the second-round impact of higher energy related inflation on the prices of other goods and services, coupled with higher spending related to post-hurricane reconstruction efforts. Second-round price increases are most likely in areas such as routine household maintenance costs as well as in the prices of food and personal care items.

The extent of the breach of the inflation target range will depend on the severity and duration of the Middle East conflict. Those variables are highly uncertain. As geopolitical tensions ease and global oil supplies return to normal level, headline inflation in Jamaica is forecast to gradually moderate and return to the target range.

At the same time, the projected moderation in inflation is expected to be partly offset by domestic demand pressures, stemming primarily from fiscal spending to support rebuilding following Hurricane Melissa.

The risks to the inflation forecast are assessed to be skewed to the upside, which means that inflation could be higher than projected. The main upside risk is a more extended and broader conflict in the Middle East, resulting in further increases in international commodity prices and their subsequent impact on domestic prices.

In addition, adverse weather conditions, including the effects of El Niño, could place upward pressure on agricultural prices. Higher-than-projected inflation expectations could also contribute to inflationary impulses. Further, higher inflation may arise from a stronger-than-anticipated impact of higher domestic spending amid the post-hurricane recovery activities. On the downside, the impact of these factors on prices could be tempered by reduced demand because of energy costs taking up a larger share of consumers' disposable income.

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

Recent Economic Developments

On the 15th of May, the Statistical Institute of Jamaica (STATIN) reported that headline inflation at April 2026 was 4.3 per cent, within the Bank's target range and in line with the outturn at March 2026. Core inflation (which excludes the prices of agricultural food products and fuel from the consumer price index) rose slightly to 4.1 per cent at April 2026 from 4.0 per cent at March 2026. However, as we noted earlier, there are considerable upside risks to inflation going forward.

Looking at developments within the real economy, for the financial year (FY) 2025/26, the Bank now anticipates a decline in real GDP in the range of minus one (-1.0) to minus two (-2.0) per cent. With the gradual recovery of the economy, for FY2026/27 and FY2027/28, real GDP growth is forecast to be within the range of 1.0 to 3.0 per cent. Real GDP is also projected to grow on average by 1.0 to 2.0 per cent over the medium term.

Turning to the Balance of Payments, the negative impact of the conflict on the country's external accounts is projected to be significant, with the current account balance expected to deteriorate over the near-term.

This deterioration will be largely underpinned by higher imported fuel prices and increased importation to facilitate the economy's infrastructure rebuild post Hurricane Melissa.

In addition, the deterioration reflects the adverse impact of Hurricane Melissa on the tourism industry.

In this context, the Bank anticipates that the current account balance will fall within a range of a deficit of 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.

Despite the temporary falloff in tourism earnings so far, the foreign exchange market has remained relatively stable. At the 19th of May 2026, the exchange rate had appreciated on a year-over-year basis by 0.5 per cent, compared with depreciation of 1.7 per cent a year earlier. This stability occurred in a context of the Bank's continued actions to reduce volatility in the foreign exchange market as a part of its strategy to lower inflation expectations and contain inflation within its target range.

Cumulatively, BOJ sold US\$1.3 billion via its B-FXITT facility over the 12 months to end-April 2026. This was US\$200 million more than the US\$1.1 billion sold over the previous 12 months. Notwithstanding these sales, the Bank purchased US\$906.4 million more than it sold in the 12 months to April 2026.

Jamaica's gross international reserves have also remained robust, standing at US\$6.5 billion at 19 May 2026, representing about 139.6 per cent of the measure considered adequate. This strong level of reserves provides an important buffer against external shocks.

Going forward, Jamaica's foreign reserve levels are expected to remain adequate over the medium term and will support the orderly functioning of the foreign exchange market, helping to limit volatility and thereby containing imported inflation.

The domestic financial system remains sound with adequate capital and liquidity.

Conclusion

To conclude, the recent geopolitical tensions have introduced significant uncertainty and challenges to the economic outlook. However, Bank of Jamaica remains committed to its primary mandate of maintaining price stability. As such, the Bank will continue to closely monitor the incoming data and assess the implications for inflation and inflation expectations. The MPC is prepared to adjust its monetary policy stance if the conflict in the Middle East is protracted, resulting in sustained price increases.

Thank you. I will now take questions.

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