



OFFICE OF THE MINISTER OF FINANCE AND THE PUBLIC SERVICE

December 9, 2024

Mr. Richard Byles
Governor
Bank of Jamaica
Nethersole Place
Kingston

Dear Governor Byles,

Response to MPC's Explanation of the Inflation Target Breach for August 2024

Thank you for your letter dated 29 November 2024 on behalf of the Monetary Policy Committee (MPC) outlining the reasons for headline inflation being above the Bank's target of 4.0 to 6.0 per cent for August 2024.

I agree with your explanation that the breach of the target for the month primarily reflected a temporary rise in agricultural prices due to the negative impact of Hurricane Beryl on agricultural supplies and a sharp increase in electricity rates in the context of disruptions to operations caused by the hurricane. However, I am encouraged to note that the underlying sources of inflation in the economy have been moderating.

I have noted your outlook that inflation is projected to remain broadly in the Bank's target range over the next two years. Additionally, the foreign exchange market remains relatively stable. However, I understand that inflation could rise above the projected path in the context of, *inter-alia*, uncertainty related to potential economic policy changes among Jamaica's main trading partners. On the downside, lower-than-projected demand could influence lower inflation.

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 gradual and data-driven approach to interest rate adjustments, aiming to maintain price stability.

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, MP
Minister of Finance and the Public Service