



OFFICE OF THE MINISTER OF FINANCE AND THE PUBLIC SERVICE

July 28, 2021

Mr. Richard Byles
Governor
Bank of Jamaica
Nethersole Place
Kingston

Dear Governor Byles,

Response to MPC for Inflation Breach in April 2021

Thank you for your letter of 30 June 2021 on behalf of the Monetary Policy Committee (MPC) explaining why headline inflation for April 2021 of 3.8 per cent was below the Bank's target range of 4.0 per cent to 6.0 per cent. I agree with your explanation that the lower outturn for inflation at April 2021, relative to the target, primarily reflected the impact of continued weak domestic demand conditions, a strong recovery in agricultural food supply and a reduction in energy prices. I also appreciate that some of these factors were temporary and therefore do not merit the need for a loosening of monetary policy by the MPC.

I have noted your outlook for inflation over the next 10 months. Inflation at May 2021 of 5.0 per cent has already reflected a return to the target range. Beyond May 2021, the gradual return of the global economy from the clutches of the pandemic will prompt further increases in demand, which will likely support somewhat higher inflation going forward. In addition, there has been and will be some impact on domestic prices of increases in international grains and energy prices. I am acutely aware that the Jamaican population has recently faced increasing costs of food and utilities and I note and support your view that, while the outlook is highly uncertain, the impact of these increases on inflation will be temporary and should not persist beyond a year.

I welcome the MPC's continued vigilance and willingness to act to maintain price stability in this uncertain environment. As a key element of the Government's commitment to transparency and accountability with respect to inflation targeting, I will make public a copy of my letter and your correspondence on the inflation breach on the Ministry of Finance and the Public Service's website and suggest that they also be placed on the Bank's website.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Nigel Clarke'.

Hon Nigel Clarke, DPhil, MP
Minister of Finance and the Public Service