



*The Governor*

*Bank of Jamaica*  
*Nethersole Place*  
*Kingston, Jamaica, W.I.*

30 June 2021

Hon Dr Nigel Clarke, MP  
Minister of Finance and the Public Service  
Ministry of Finance and the Public Service  
30 National Heroes Circle  
Kingston 4

Dear Minister Clarke,

### **Breach of Inflation Target**

By letter dated 16 April 2021, you set Bank of Jamaica's Monetary Policy Committee (MPC) a target range of 4.0 per cent to 6.0 per cent for annual inflation, as measured by the 12-month point-to-point percentage change in the Consumer Price Index ("CPI") published by the Statistical Institute of Jamaica (STATIN), over the next three years. This target became operational as at April 2021 and will apply continuously, that is, for each month over the three-year period. In that same letter, you also indicated that whenever inflation deviates from the target, that is, rises above 6.0 per cent or falls below 4.0 per cent, the MPC is required to provide, within 60 days of the publication of the outturn by STATIN, an explanation for missing the target.

The annual inflation rate at April 2021 was 3.8 per cent, below the lower limit of the target range. This letter complies with your requirements outlined above. A report that includes an analysis of the outturn and a forward-looking assessment of the monetary policy options for returning to the target is enclosed. However, in brief, the lower outturn for headline inflation relative to the target primarily reflected the impact of continued weak domestic demand conditions, despite signs of recovery from the impact of the COVID-19 pandemic, a strong recovery in agricultural food supply and a transient reduction in energy prices in April 2021.

The MPC's assessment is that the factors responsible for inflation falling below the target were temporary and therefore do not merit a monetary policy response by the Bank. The inflation outturn of 5.0 per cent at May 2021 has already reflected a return to the target. In fact, inflation over the next ten (10) months or so is expected to accelerate, due largely to improved demand conditions, temporary shocks to international grains and energy prices and the effects of one-off adjustments to selected regulated prices.

The MPC will continue to closely monitor the economic environment and will take whatever action is necessary to achieve its objective. The Committee intends to maintain this accommodative policy stance, supportive of economic recovery, provided that there are no sustained threats to inflation breaching the upper bound of the Bank's inflation target. We stand prepared to provide any clarification that may be needed on the enclosed submission.

Yours sincerely,



Richard Byles

enclosure: