

BOJ expects economic boost in Jamaica

■ KINGSTON/CMC

THE Bank of Jamaica (BOJ) says the outlook for real economic activity for the next two fiscal years is likely to be in line with the last forecast and that preliminary indicators suggest that the economy should expand in the September 2025 quarter, resulting from expansions in electricity and water supply, agriculture and tourism and its allied services.

The BOJ's Monetary Policy Committee (MPC) which earlier this month deliberated on the bank's monetary policy stance in the context of continued low domestic inflation, global uncertainties and evolving interest rate trajectories in major developed countries, said thereafter, economic activity is anticipated to strengthen throughout financial year 2025/26.

'In this context, real gross domestic product (GDP) is projected to recover in financial year 2025/26 in the range of 1%-3%, largely due to growth in the agriculture, mining, and tourism sectors,' said the BOJ, which is also the country's central bank.

It said in August this year, headline inflation in the United States increased to 2.9% from 2.7% in July 2025 and that it is projected to remain above the US Federal Reserve's (Fed) target of 2% for the remainder of the year.

'BOJ's July 2025 survey of businesses' inflation expectations indicated that respondents expected inflation 12 months ahead to be 7%, generally stable relative to 7.1% in the previous survey.'

The BOJ said the domestic banking system remains sound with adequate capital and liquidity and that the domestic fiscal policy stance continues to pose no risk to inflation over the near term.

'The MPC reaffirms its commitment to maintaining low and stable inflation. To this end, the committee will continue to monitor the incoming data and adjust its policy accordingly. This includes maintaining heightened surveillance of the trajectory of core inflation relative to the lower bound of the inflation target range,' said the MPC which is chaired by Richard Byles, the BOJ governor.

The BOJ said that during its meeting it also determined that the current policy stance continues to be appropriate to support inflation converging to the target range, and therefore unanimously agreed to hold the policy rate-which is offered to deposit-taking institutions (DTIs) on their current account balances at the BOJ-at 5.75% per annum.

It also agreed to continue taking measures to preserve relative stability in the foreign exchange market.

The decision to maintain the policy rate is based on several factors, including that while headline inflation of 1.2% at August 2025 is below the bank's target range of 4%-6%, core inflation continues to track within the target range.

'Moreover, the causes of the low headline inflation rate at August 2025 are temporary,' the BOJ said, noting that the temporary factors that caused low headline inflation in August were primarily related to improvements in supply conditions.