

Jamaica sees small impact of US tariffs

The Bank of Jamaica (BOJ) Monetary Policy Committee (MPC) projects that the initial impact of rising US tariffs on prices in Jamaica will be minimal.

“In assessing the near-term outlook, the Monetary Policy Committee contemplated the implications for the Jamaican economy of the policies that have been implemented by the US administration, to date, and in so doing looked at several scenarios. From this exercise, the Bank’s view is that the firstround impact of the increase in US tariffs on prices in Jamaica will not be significant,” BOJ governor, Richard Byles, said.

He was addressing the Quarterly Monetary Policy Report press conference on Wednesday.

The governor noted that, in the US, these policies are likely to cause a temporary rise in inflation.

“We expect that the US Federal Reserve (the Fed) will respond appropriately, and we also anticipate a slowing of the pace of US economic growth. We note that the Fed maintained its interest rate target in the range of 4.25 to 4.50 per cent in the May 2025 meeting and is likely to continue to maintain rates for an extended period of time in 2025,” he said.

Byles pointed out, however, that while some consumer prices in Jamaica may rise due to higher inflation in the US, the impact of imported inflation on overall domestic price level increases will be largely offset by declining global oil prices.

“Given the available information, the Bank, therefore projects, a moderate impact of the US policy changes on prices in Jamaica. In this context, the outlook is for inflation to remain within the Bank’s target range of four to six per cent over the next two years, notwithstanding some upside risk. This outlook assumes stable inflation expectations, a moderate decline in crude oil prices, continued stability in the exchange rate and moderate domestic demand,” the governor added.

He pointed out that the risks to the inflation forecast are, however, skewed to the upside, which means the out-turn could be higher than projected.

Higher inflation could stem from a sharper-than-anticipated increase in the tariff faced by trading partners of the US. In addition, domestic inflation could be higher than projected if there is a further escalation in geopolitical tensions, which could negatively impact international supply chains. Lower inflation could, however, result from lower-than-projected international commodity prices as well as weaker demand conditions,” he explained.

Consequently, the governor said the MPC will continue to closely monitor domestic inflation expectations and any upward pressure on prices resulting from the evolving tariff landscape. (CMC)