

SU/18/148

November 6, 2018

**The Acting Chair's Summing Up
Jamaica—Fourth Review Under the Stand-By Arrangement,
Request for Modification of Performance Criteria and
Monetary Policy Consultation Clause
Executive Board Meeting 18/90
November 5, 2018**

Executive Directors commended the Jamaican authorities for their continued strong ownership and exemplary program performance. They welcomed the hard-earned improvements in macroeconomic stability and reduction in public debt while noting the subdued growth response. Directors also highlighted the gains made in social and unemployment indicators as evidence that the government's sustained efforts were bearing fruit. At the same time, they stressed the need for continuing supply side reforms to remove structural impediments to facilitate higher, sustained growth and job creation by encouraging private sector investment.

Directors highlighted the importance of continuing to shift spending away from wages toward social and growth-supportive capital expenditures. To this end, they stressed the importance of sustainably reducing the public sector wage bill and scaling back the size of the public sector workforce. Directors also stressed the need to durably address the pay structure and streamline allowances to create a competitive and equitable public sector.

Directors considered that the monetary stance should remain accommodative to address downside risks to inflation and support credit growth. They underscored that the Bank of Jamaica's (BOJ) efforts to bring inflation to the mid-point of the 4-6 percent target range should follow a risk management approach, adjusting policies to avoid inflation falling below the midpoint of the target range. Directors commended the recent parliamentary submission of legislation to modernize the BOJ's operational framework and facilitate the planned move to full-fledged inflation targeting. They emphasized the merits of maintaining a flexible exchange rate and limiting FX sales during periods of disorderly market conditions. Directors encouraged the authorities to enhance central bank communications, drawing on international experience with inflation targeting. They also considered that addressing impediments to full monetary policy transmission will be critical for the success of the inflation targeting regime.

Directors agreed with the priorities set for financial sector reform, as identified by the Financial Sector Stability Assessment. They encouraged the authorities to intensify risk-

based supervision at the group level, enhance supervisory capacity, improve data collection and monitoring, and further develop the special resolution regime. They welcomed the efforts to maintain correspondent banking relationships in Jamaica including through an ongoing strengthening of the AML/CFT framework.

Directors welcomed the authorities' plans to accelerate structural reforms to facilitate private sector-led growth. They encouraged continued measures to improve the business environment, address security concerns, increase private sector access to finance, and enhance human capital development.