

How Government & Central Bank Decisions Affect Your Investments



It's not just market forces that affect your investments—central bank policies can have a big impact too. In Jamaica, for instance, when the Bank of Jamaica, the central bank, took monetary action and raised interest rates in 2022 and 2023 to fight inflation, this led to it becoming more expensive for businesses money, negatively impacting their bottom line. Ultimately, this could be reflected in the performance of the company's shares and reduced price of their bonds due to a reduced earning per share and increased risk, as such, investors who held cash or short-term savings accounts saw

better returns during this time, while those in long-term bonds or some stocks saw weaker performance.

Government spending and tax decisions also influence the market. If the Jamaican government increases spending on infrastructure, that might benefit construction companies or boost certain sectors. But if there's a cut in government spending or a new tax policy, it could slow business activity or reduce profits.

This is why staying informed about what's happening in Parliament, at the Bank of Jamaica, or within

ministries like Finance or Economic Growth can help investors make better decisions.

Global Trade Tensions and the Jamaican Economy

International events also affect our local economy and investment markets. Right now, the United States—the world's largest economy—is in ongoing tariff conflicts with countries like China and the European Union. These tariffs increase the cost of goods, disrupt supply chains, and create uncertainty in global markets.

: How Government & Central Bank Decisions Affect Your Investments | CONT'D

But how does this affect Jamaica?

Jamaica is a small, open economy that relies heavily on remittances, trade and tourism. If U.S. tariffs drive up the price of goods or slow down global trade, Jamaican businesses that import raw materials or finished products could face higher costs. This might squeeze profit margins for local manufacturers, construction firms, and retailers, which can hurt their stock prices. Additionally, tourism makes up over 30% of Jamaica's GDP, with over 65% being accounted for by the U.S, followed by Canada & Europe. Since tourism would fall under discretionary income, increased inflation in the U.S. could lead to a reduction in tourist arrivals, due to the erasure of their purchasing power.

In addition, if global economic growth slows due to trade wars, tourism and remittances—two key sources of foreign exchange for Jamaica—could be affected. Slower U.S. growth could also reduce demand for Jamaican exports like bauxite or agricultural goods, leading to a reduction in our net international reserves (NIR). As of March 31, 2025, NIR stands at US\$ 5.8 Bn, which would last for approximately 31 weeks based on our goods and services imports.

For investors, this means Jamaican stocks—especially those linked to global trade or U.S. economic activity—may become more volatile. Bond prices might also be affected if inflation rises due to higher import prices.

“Invest with confidence, not fear—because smart risk management leads to stronger, smarter wealth.”

How Investors Can Prepare

So, how can investors handle these risks? Once again, diversification is your best defence, particularly portfolio rebalancing. By holding a combination of local and foreign investments—stocks, bonds, cash, and real estate—you reduce the impact of any one global event. In the current uncertain economic environment, we would encourage rebalancing the portfolio with a higher weighting towards lower risk investments and transparent local government debt instruments. Also, keeping some cash to increase liquidity would be encouraged to take advantage of potential investment opportunities and act as a cushion against unexpected expenses. Additionally, holding investments in numerous major currencies would help to reduce the risk exposure to the current trade war surrounding the U.S., which helps preserve your spending power if the Jamaican dollar weakens due to rising import costs.

It also helps to stay flexible. Keep an eye on international news, but don't panic over every headline. Work with a licensed advisor to make informed, level-headed decisions that reflect your long-term goals.

Final Thoughts: Invest with Confidence, Not Fear

Risk will always be part of investing. But with the right strategies—diversification, balance, regular reviews, and staying aware of both local and global development—you can manage risk wisely and grow your wealth with confidence. Exceptional wealth demands exceptional guidance. At VM Wealth Management Limited, we deliver elite, insight-driven advice supported by a comprehensive suite of services—from bespoke portfolio management to expertly structured unit trust portfolios aligned with your unique risk appetite. Our offerings span both traditional investment instruments and non-traditional opportunities, including real estate, to help you build lasting value. Whether you're entering the market or expanding your legacy, we help you master risk, so your wealth works smarter, grows stronger, and moves boldly with you.