

The Outlook: Look Beyond Inflation

The Real Story Is the Cost of Money



We hear about inflation constantly, but it is only part of the picture. The real drivers of economic movement are less visible: the cost of borrowing, access to credit, and how money flows through the system. These forces influence everything from loan rates to investment decisions, often long before inflation reflects the shift.

The Cost of Money Matters

An exploration of how borrowing costs (interest rates), credit availability, and liquidity shape markets beneath the surface.

We hear it almost daily: inflation is

rising, inflation is easing, central banks are watching inflation closely. Inflation usually takes the headline, locally and internationally. As important as it is, inflation is a consequence. The starting point is the **cost of money**—interest rates—and the conditions around accessing it.

Beneath the surface, these critical forces do the work: how expensive it is to borrow (interest rates), how easily credit is available, and how much money is flowing through the system (liquidity). These factors may not always make headlines, but they shape markets, businesses, and

household decisions in powerful ways. To understand how money really moves, we must look beyond the headlines.

At its core, the economy runs on the flow of money. Borrowing costs are the cost of money—interest rates. Credit availability determines who can access that money and on what terms, while liquidity reflects how easily funds circulate through the financial system. When the cost of money is low and credit is plentiful, spending and investment tend to rise. Businesses expand, consumers feel more confident, and asset prices often climb.

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When the cost of money rises or access tightens, activity slows. Projects are delayed, spending contracts, and caution replaces optimism. These shifts often occur before they appear in inflation statistics, which is why interest rates, credit and liquidity act as early signals of where the economy is heading.

Jamaica does not operate in isolation, so global financial conditions matter. Decisions by large central banks, such as the U.S. Federal Reserve (FED) help shape international interest rate trends and influence where global capital flows. When larger markets offer more attractive returns, capital allocation becomes more selective elsewhere. While this environment does not determine Jamaica’s outcomes, it certainly frames them.

This brings us to the Bank of Jamaica (BOJ), which sits at the centre of the country’s monetary policy. Through its policy rate, reserve tools and market operations, the BOJ sets the domestic price of money and influences how much credit circulates.

The challenge is balancing growth and stability, setting rates at levels that support borrowing and investment while keeping inflation within its target range. When policy tightens, borrowing costs rise and liquidity is reduced. When policy eases, the opposite occurs. These decisions ripple through banks, credit unions, investors and businesses. As of February 24, 2026, the BOJ reduced its policy rate by 25 basis points to 5.50% supporting conditions for inflation to return

sustainably to its 4–6% target by the end of 2026. Jamaica’s point-to-point inflation stood at 3.9% in February, down from 4.5% in December, helped by a 2.5% monthly decline in food prices as agricultural supplies recovered.

Private sector credit remained near record levels, reaching approximately J\$1.59 trillion in December 2025, signaling continued lending activity despite recent shocks. The BOJ has also maintained orderly foreign exchange conditions, including targeted B FXITT operations, while strengthening bank liquidity coverage standards to support financial system resilience.

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Recent Ministry of Finance Benchmark Investment Notes (BINs) auctions also reflect a system where liquidity remains available and investor confidence is intact, though still sensitive to price and risk. In March’s auction, bids totaled approximately J\$51.8B against J\$50B on offer. Most successful bids settled in the high 8% range, providing a clear indication of current pricing for longer term Jamaican dollar lending. Several tenors were

oversubscribed while a couple drew lighter demand, show lighter demand. This suggests that investors remain active but selective about how long they commit funds and at what return. That pattern supports adequate liquidity and ongoing access to credit for households and businesses.

What does the cost of money mean for you?

Buying a home

Your mortgage rate is anchored to the cost of money, including BOJ stance along with lender funding costs. With the policy rate at 5.50%, retail mortgage offers have remained relatively steady; lenders are offering single digit to low double digit JMD mortgage rates, around 9–10% on standard home loans.

Buying a car

Auto loans are generally priced higher than mortgages. If rates remain stable and inflation stays contained, lenders may maintain current pricing or introduce promotional offers, particularly for shorter loan terms and borrowers with strong credit profiles.

Starting a family

A stable interest rate environment combined with lower inflation makes it easier to plan and manage fixed expenses with greater certainty.

Running a farm or agri-business

Access to financing is just as important as the interest rate.

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What does the cost of money mean for you? (cont'd)

With private sector credit levels elevated and food price pressures easing as supply normalizes, this may be an opportunity to invest in productivity upgrades. Lenders will assess cash flow and collateral, so maintaining strong financial records is key.

Interest rates are the cost of money. Together with credit availability and liquidity, they tell us what is happening now and what comes next. Inflation describes the aftermath; rates set the conditions that shape tomorrow's spending, investing, and opportunity. Keep your eye on the cost of money, and you'll read the economy before the headlines.

