

Managing Excess Liquidity

Bank of Jamaica

Order of Presentation

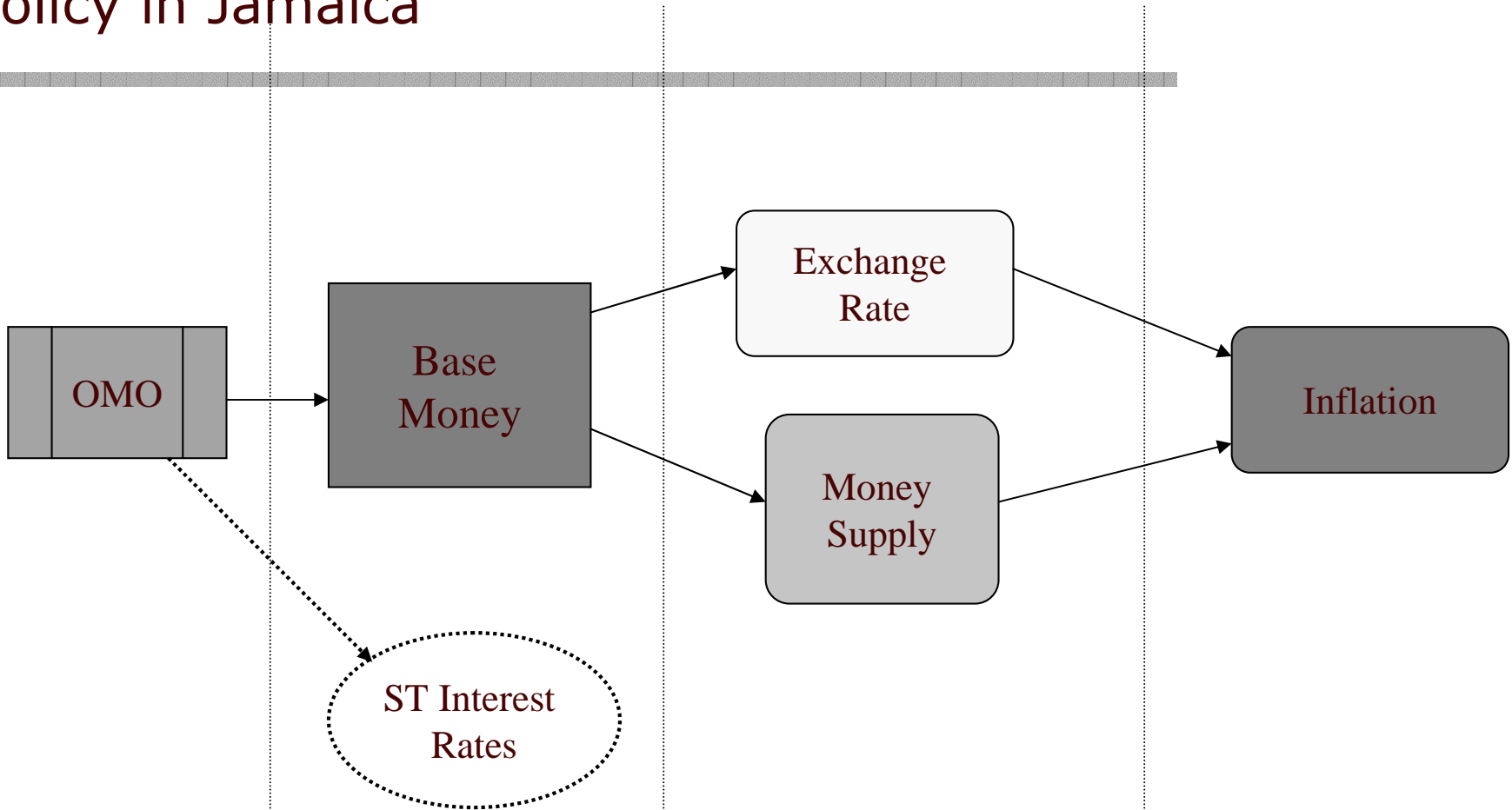
- Sources of liquidity
- Liquidity management within the monetary policy framework
- Operational issues
- Challenges
- The way forward

Sources of Liquidity

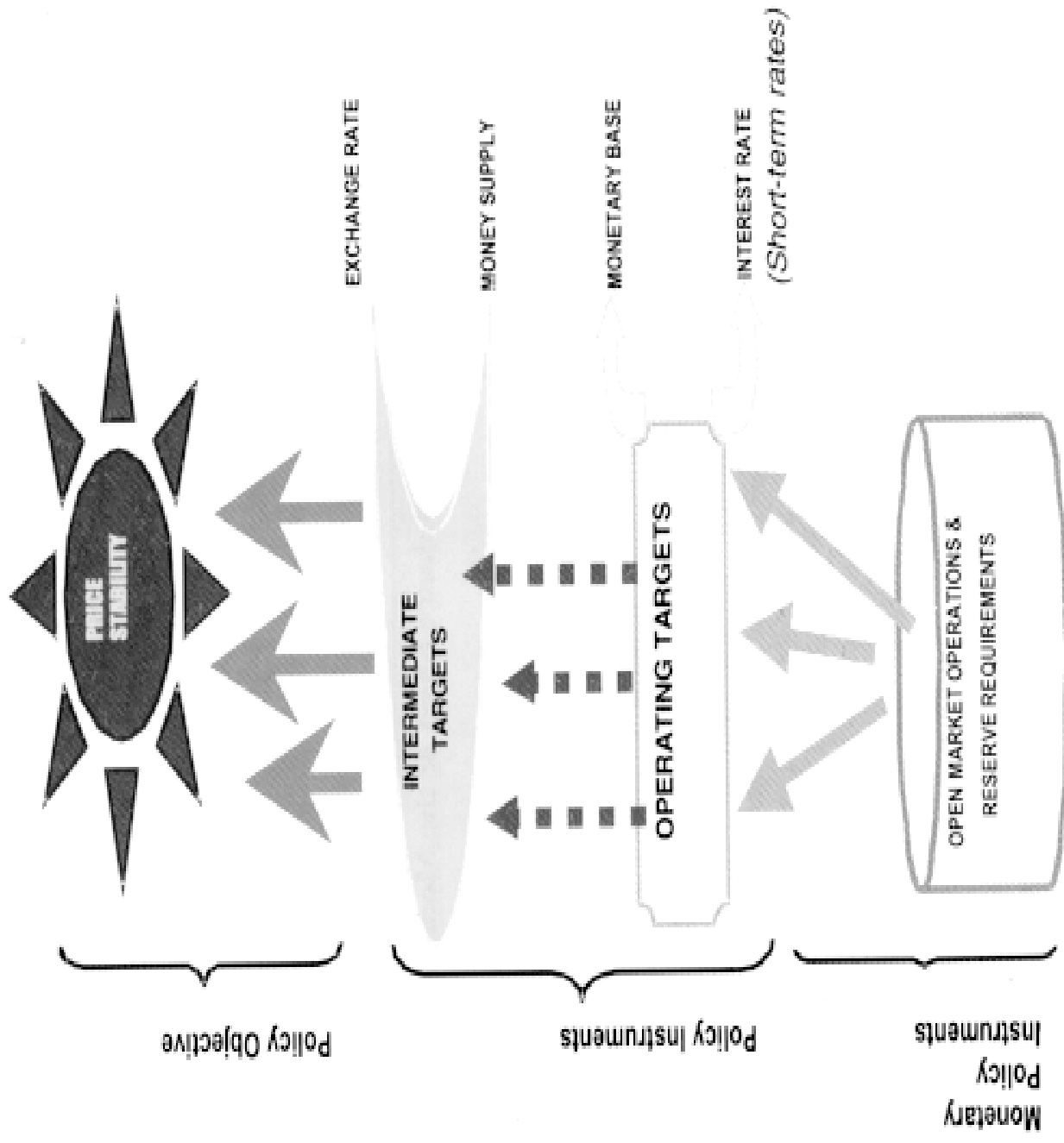
- Foreign Reserve Accumulation
- Maturing Stock of Open Market Instruments*
- Draw down in Government Deposits

Box 1: Schematic Flow of the transmission of Monetary Policy in Jamaica

Financial System Liquidity



BOX 3: The Monetary Policy Framework of the Bank of Jamaica



Base Money Management

Daily Liquidity Management

The BOJ estimates the liquidity that is likely to be generated in the commercial banking system on a daily basis

- Expected FX purchases/sales
- OMO maturities
- Currency Issues
- Security Transactions
- Transactions across Government Accounts

Challenges

- Bunching of OMO maturities
- Growth in OMO stock
- Maintaining attractive interest rates
- Estimating Government cash flow
- Estimating cash orders from commercial banks

Way Forward – My view

- Interest rate reduction
- Balance budget/surplus
- Economic growth

Growth in OMO and NIR*

