Contact: Leighton Beckles
Independent Fiscal Commission
(876) 332-4996
leighton.beckles@ifc.gov.jm

24-26 Grenada Crescent
Kingston 5
www.ifc.gov,jm

NEWS RELEASE

For immediate release
March 11, 2026

IFC Urges Update to Government's Macro-fiscal Forecasts

KINGSTON, JAMAICA: The Independent Fiscal Commission (IFC) welcomes the engagement by the Minister of Finance and the Public Service of the Commission's latest Economic and Fiscal Assessment Report (EFAR). The IFC notes in particular the Minister's critique of its expressed concerns regarding the *GDP Deflator* that informed the Budget projections. While the Commission values constructive dialogue, which will serve to improve the quality of fiscal governance, it is reiterating its call for a useful update of the Government's macroeconomic and fiscal projections, to reflect more current data that are available.

Concerns over GDP Deflator Projections

The IFC maintains that the Government's projection of a nearly **10%** *GDP Deflator* for **FY 2026/27** is high and not supported by current evidence. While the Minister correctly noted that the Consumer Price Index (CPI) and *GDP Deflator* measure different concepts, the IFC emphasizes that the salient point of its concern is not about the divergence between the two measures, but whether the *GDP Deflator* used to cast the Budget is too high. To this end, the IFC wishes to highlight a few factors that establish the link between both variables and which confirm that price pressures are moderating:

- Agricultural Recovery: Stronger-than-expected rebounds in agriculture supported by proactive policy and farmer support, are already tempering domestic food prices, which should exert downward pressure on the deflator.
- Imported Inflation: Jamaica's manufacturing and construction sectors depend heavily on imported inputs. These imported inputs are reflected in the CPI and ultimately feed into the prices of domestic output. This linkage suggests that under prevailing conditions, the deflator is unlikely to reach the levels projected in the *Fiscal Policy Paper* (FPP).
- Outdated Data: The FPP relied on projections prepared in January **2026, missing the December 2025 and January 2026** inflation data which confirmed easing price pressures.

Growth Revision

The IFC acknowledges the Minister's revised projection, particularly, that real GDP growth for FY 2025/26 and FY 2026/27 are now expected to outperform earlier estimates made in the immediate aftermath of Hurricane Melissa. However, the Commission stresses that *Nominal GDP* depends on both real growth and the deflator. **"With real GDP revised upward and a lower deflator, the final nominal GDP outcome, and by extension the key fiscal and debt ratios, will hinge on**

which of these opposing forces dominates. It was against this backdrop that the EFAR called for a recasting of the fiscal projections," the Commissioner noted.

Emerging International Risks

The Commission also points to rising geopolitical tensions in the Middle East as a material risk to the Jamaican economy. A prolonged conflict could lead to:

- Worsened terms of trade and amplified price pass-through effects.
- Higher production costs; and
- Dampened economic activity and confidence.

To maintain fiscal credibility and disciplined budgeting, the IFC wishes the Minister to clarify whether the fiscal projections have been updated with more recent macroeconomic data or whether the January assumptions, including the *GDP Deflator,* upon which the Budget was cast remain valid within the current environment.

-END-