



CENTRAL BANK OF TRINIDAD & TOBAGO

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OPENING REMARKS

at the Launch of

The Bank's Education Pamphlet No. 2 : "INFLATION"

by

*Ewart S. Williams, Governor
August 08, 2006*

Welcome to the alumni from our Reuters journalism course of September 2005 and to other members of the media. We had promised to invite you back to check the progress.

We thought that it would be nice to give you an opportunity to showcase some of the things you learnt at the course, and the launch of our second "public education pamphlet" on a topic of heightened national interest, **seemed to provide the ideal occasion.**

We are hoping that you help us in another respect. As we say in our foreword, "Our pamphlet series is targeted to a broad audience – students at secondary and tertiary institutions and members of the **public that have an interest in increasing their knowledge of economics and business.**" We would like to get your views as to whether we are getting close to our target audience.

As to the theme of our second pamphlet we couldn't be more timely and **topical.** The pamphlet seeks to explain the (pernicious) effect of inflation, **underlying the fact that it affects a broad cross section of the population, but particularly the poor.** It goes on to trace the country's inflation performance from

the 1970s to 2005. As you know, last year (2005) saw a jump in inflation (on an annual average basis) from 3.9 per cent to 6.7 per cent. **The inflationary momentum has continued through 2006 with 12-month inflation reaching 8 per cent in July.**

The main driver of inflation has been the rise in food prices which reached 24 per cent on a 12-month basis in July.

The pamphlet raises the spectre of inflationary expectations which could lead to wage pressures and perpetuate inflation.

There is a passing caution against resorting to price controls, which carry their own problems.

The fact is that the only way to address our inflation problem is the old-fashioned way - **through increasing agricultural output, tight monetary policy, greater fiscal restraint and wage discipline.**

A tall order - but that prescription works all the time.

END