



## CENTRAL BANK OF TRINIDAD & TOBAGO

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### **News Release**

#### **Central Bank's Largest Monthly Foreign Exchange Sale Ever**

Sales of US\$400 million to the banking system in January 2015 amounted to the largest foreign exchange intervention made by Central Bank in a single month to date. The second largest monthly sale was US\$315 million in November 2010, when unsatisfied demand and significant tightening also persisted in the foreign exchange market.

Central Bank started its 2015 strategic foreign exchange management programme with a US\$200 million intervention on Thursday, January 15<sup>th</sup>. Eight days later, on Friday, January 23<sup>rd</sup>, the Bank sold US\$100 million. The latest foreign exchange intervention, of US\$100 million, took place five days later on Wednesday, January 28<sup>th</sup>. These sales amounted to US\$400 million in the space of two weeks. These larger and more frequent interventions reflect the nature of Central Bank's 2015 foreign exchange management.

Despite selling US\$ 1.7 billion to the banking system in 2014, significant unsatisfied demand carried over into the start of 2015. The negative national sentiment surrounding sharply falling oil prices aggravated unsatisfied demand for foreign exchange as future demands from the public and business community have been brought forward. With elevated domestic liquidity levels fuelling strong growth of consumer credit and helping to finance substantial imports of consumer durables, Central Bank's foreign exchange interventions are indirectly contributing to absorbing excess liquidity in the banking system.

One objective of Central Bank's monetary policy is to maintain stable conditions in the domestic foreign exchange market. Our 2015 foreign exchange programme is framed in the context of our medium-term balance of payments outlook, which prudently views lower energy prices as a cyclical phenomenon over the next three years. This year's programme is aimed at preventing foreign exchange shortfalls from arising as a result of escalating demand and reduced supply due to lower energy export earnings.

Trinidad and Tobago's net official reserves currently stand at US\$11.1 billion, representing 12.5 months of import cover.

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