



## CENTRAL BANK OF TRINIDAD & TOBAGO

POST OFFICE BOX 1250 PORT-OF-SPAIN, TRINIDAD, WEST INDIES  
TELE: 625-4835, FAX: (868) 623-1955  
E-Mail Address: [info@central-bank.org.tt](mailto:info@central-bank.org.tt)

# Media Release

## INFLATION SLOWS TO 0.6 PER CENT IN AUGUST: CENTRAL BANK MAINTAINS REPO RATE AT 3.00 PER CENT

Recent data released by the Central Statistical Office indicate that inflationary pressures have remained subdued. **Headline inflation**, measured by the 12-month change in the Index of Retail Prices, slowed to 0.6 per cent in August 2011 from 1.4 per cent in the previous month. However, on a monthly basis, the overall price level increased by 1.4 per cent in August, slightly faster than the 1.1 per cent rise recorded in July.

**Food price inflation**, which exerts a strong influence on the headline inflation rate, declined by **0.3 per cent** (year-on-year) in August following an increase of 1.6 per cent in July. The decrease in food price inflation was mainly led by the fall in the price of **vegetables** (-10.9 per cent) as well as by slower price increases in the sub-indices for **meat** (7.8 per cent in August compared to 8.5 per cent in July) and **fish** (7.1 per cent compared to 10.3 per cent in July). However, the prices in some categories of the food basket gained momentum during the month. Faster year-on-year price increases were recorded for **bread and cereals** (5.3 per cent in August compared with 3.7 per cent in July) in the context of higher global wheat prices, **oil and fats** (6.5 per cent compared with 5.6 per cent), **fruits** (38.4 per cent from 24.5 per cent) and **sugar and confectionery products** (6.7 per cent from 6.0 per cent).

**Core inflation**, which excludes the influence of food prices, slowed to **1.2 per cent** in August from 1.4 per cent in July 2011. The slowdown in core inflation mainly reflected slightly slower price increases in the sub-indices for clothing and footwear and alcoholic beverages and tobacco.

Credit conditions have continued to improve although activity in the non-energy sector remains subdued. In the twelve months to July 2011, private sector credit granted by the consolidated financial system expanded by 1.8 per cent following growth of 1.5 per cent in the previous month. The major impetus behind the resurgence in credit growth has come largely from the consumer and real estate mortgage lending categories. On a year-on-year basis to July, **consumer credit** grew by **4.3 per cent** following increases of 4.6 per cent and 5.4 per cent in May and June, respectively. The pace of growth in **real estate mortgage lending** has also remained quite robust at around **10 per cent** in July. Meanwhile, the rate of decline in **business lending** has moderated significantly, slowing in July to **-0.6 per cent** (the slowest year-on-year fall since November 2009) from -5.7 per cent at the beginning of the year.

Over the course of the last two months, high levels of net domestic fiscal injections associated with an acceleration in the pace of government capital spending, have contributed to a sizeable liquidity build-up in the banking system. Commercial bank excess reserves at the Central Bank, which averaged \$2.6 billion in July, have jumped to an average of \$4.6 billion in September. With liquidity at such a high level, there was no activity on the interbank market or repo transactions with the Central Bank in September.

In the more liquid banking environment, short-term interest rates slipped to record lows. The three-month treasury bill rate fell to 0.25 per cent in September from 0.98 per cent in June while the yield on six-month bills declined to 0.38 per cent from 1.23 per cent

in May. As a consequence, the differential between US and TT 3-month treasury bill rates narrowed sharply to 23 basis points in September from 95 basis points in June.

Whereas inflationary pressures appear to be well contained for the time being, downside risks to a stronger revival of the domestic economy remain amidst rising concerns that the global recovery is faltering. The reduction in business hours for some firms in the context of the state of emergency could also have a dampening effect on activity in the non-energy sector in the final months of 2011.

Against this background, the Bank views the present accommodative monetary stance to be appropriate and has decided to maintain the 'Repo' rate at 3.00 per cent.

The Bank will continue to keep economic and monetary conditions under close review in the coming months.

**The next 'Repo' rate announcement is scheduled for October 28, 2011.**

**September 30, 2011**

## APPENDIX

### MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES /Percentage Change/

	Monthly		Year-on-Year	
	July 2011	August 2011	July 2011	August 2011
Headline Inflation	1.1	1.4	1.4	0.6
Food Prices	2.1	3.4	1.6	(0.3)
Bread and Cereals	1.4	0.9	3.7	5.3
Meat	0.5	(0.4)	8.5	7.8
Fish	2.7	3.2	10.3	7.1
Vegetables	5.5	2.6	(9.5)	(10.9)
Fruits	(5.3)	15.5	24.5	38.4
Milk, Cheese & Eggs	0.2	0.8	7.3	7.5
Oils and Fats	0.1	0.8	5.6	6.5
Sugar, Jam, Confectionery, etc.	0.1	0.3	6.0	6.7
Core Inflation	0.4	0.0	1.4	1.2
Alcoholic Beverages & Tobacco	0.4	0.1	6.1	6.0
Clothing and Footwear	1.7	(0.4)	1.9	1.7
Furnishings, Household Equipment and Routine Maintenance	0.3	0.0	0.9	0.9
Health	0.0	0.0	2.1	2.0
<i>Of which:</i> Medical Services	0.0	0.0	1.2	1.2
Housing, Water, Electricity, Gas & Other Fuels	0.3	0.0	1.2	1.2
<i>Of which:</i> Rent	1.8	0.0	6.0	6.0
Home Ownership	0.1	0.0	0.9	0.9
Education	0.0	0.0	2.6	2.6
Recreation & Culture	(0.4)	0.0	(0.2)	(0.2)
Hotels, Cafes & Restaurants	0.8	0.0	2.6	2.6
Transport	0.6	0.0	0.6	0.6

*Source: Central Statistical Office.*