Central Bank of
Trinidad & Tobago

Monetary Policy Report

April 2008

Volume VIII Number 1

MONETARY POLICY REPORT

APRIL 2008

VOLUME VIII NUMBER 1

The Central Bank of Trinidad and Tobago conducts a monetary policy geared towards the promotion of low inflation and a stable foreign exchange market that is conducive to sustained growth in output and employment. This Report provides an account of how monetary policy actions support this objective, in light of recent economic developments.

Monetary Policy Report

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MONETARY POLICY REPORT

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Part I - Overview

1. The International Setting

Since the publication of the last Monetary Policy Report in November 2007, global financial market turmoil has intensified as losses related to the sub-prime mortgage crisis unfold, exacerbating the credit crunch. The spiralling oil price to previously unexpected levels has led to a surge in the prices of other commodities, which are now serving as hedging mechanisms. The US dollar has fallen to historic lows and this, combined with the sky-rocketing of global food prices, has raised inflation fears in both developed and developing countries.

Meanwhile, the statistical evidence that is emerging is confirming the significant slowdown in the US economy, raising the spectre that a recession is around the corner, if not here already. There are signs of a weakening in economic growth in Western Europe but most emerging and developing countries still appear to be remarkably resilient.

Some of the highlights of the past six months have been:

- Bank losses from the sub-prime crisis are low, estimated at US$565 billion and projected to reach US$1 trillion. This crisis has led to the collapse of Bear Stearns, the world's fifth largest investment bank, while several other major banks have had to find additional capital to cover growing losses.

- The uncertainty created by the still unfolding crisis has curtailed inter-bank lending and is now being reflected in a generalised credit squeeze.

- The Federal Reserve has injected considerable sums and eased its lending criteria in an effort to support the financial system. Other European central banks have also provided liquidity to strengthen the financial markets.

- The UN has estimated that food prices have increased by 73 per cent since the beginning of 2007. The increase in food prices and looming food shortages have already provoked social unrest in many developing countries.

- In 2007, the US dollar depreciated by 11 per cent against the Euro and 6 per cent against the Japanese Yen. The dollar depreciation has contributed to the rise in commodity prices which are now being used as hedging mechanisms.

- Oil prices reached US$117 per barrel on April 19, 2008, compared with US$62 per barrel at the beginning of 2007.

Against this global background, the following section analyses the inflation performance in Trinidad and Tobago.

2. Domestic Developments

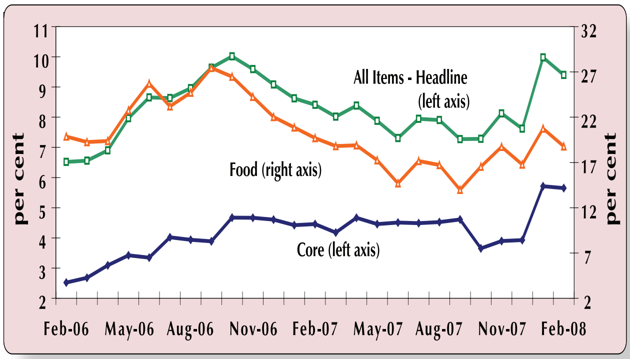
In Trinidad and Tobago, **economic growth** slowed to 5.5 per cent in 2007 from 12.2 per cent the previous year. This was mainly as a result of a slowdown in crude oil production related to technical difficulties at one of the major energy plants. However, **the growth of the non-energy sector** remained robust at about 6.7 per cent in 2007 about the same pace as in 2006, and the continued job creation led to a reduction in the unemployment rate to 4.5 per cent in the fourth quarter of the year (Table 1).

Table 1
Selected Economic Indicators
/Per Cent/

	2003	2004	2005	2006	2007
Real GDP	14.4	7.8	6.1	12.2	5.5
Energy	31.4	8.2	8.4	21.4	4.4
Non-Energy	6.7	6.7	5.0	6.6	6.7
Unemployment Rate (End of Period)	10.2	7.8	6.7	5.0	4.5
Inflation (End of Period)					
Headline Inflation	3.0	5.6	7.2	9.1	7.6
Core Inflation	0.9	2.0	2.7	4.6	3.9

Source: Central Statistical Office.

Chart 1
Index of Retail Prices
(year-on-year per cent change)



Available indicators suggest a continuation of the growth momentum in 2008 as activity in the energy sector is expected to recover while government and private spending continue to drive the non-energy economy.

In these circumstances, domestic inflationary pressures have remained strong and have been further compounded by the substantial increases in international food prices.

After peaking at 10 per cent in October 2006, **headline inflation** in Trinidad and Tobago, as measured by the 12-month change in the Index of Retail Prices, declined gradually to 7.3 per cent by October 2007 on the strength of tighter monetary policies, a one-time reduction in tariffs and taxes on a range of food items and a series of government interventions geared to establishing more competitive markets for certain agricultural products. The steady decline was reversed in December 2007, and headline inflation returned to 10 per cent in January 2008. The rate stood at 9.4 per cent in February 2008 (Chart 1).

The latest pickup in inflation has been led by a **surge in food prices** which rose, on a year-on-year basis, from 16.6 per cent in October 2007 to 20.4 per cent in January 2008. However, **core inflation**, which filters out food prices, has also increased substantially over the past six months, from 4.5 per cent (year on year) in August 2007 to 5.7 per cent in January 2008.

Food prices have always been the main driver of inflation in Trinidad and Tobago. However, from an average annual rate of 12.9 per cent in the decade of the 1990s, the annual increase in food prices reached as high as 27 per cent in September 2006 and is currently at a rate of 20 per cent in early 2008.

Core inflation averaged 3.2 per cent a year at the beginning of the decade (2000-2002). The near doubling since that period is a good indication of the underlying inflation pressures that have faced the economy over the last few years.

Demand pressures resulting from robust economic growth, pro-cyclical fiscal policies and rapid credit expansion lie at the root of Trinidad and Tobago's inflation problem. Capacity constraints and supply bottlenecks, particularly in the agricultural sector, combined with the recent escalation in imported food prices have significantly added to these demand pressures.

Chart 2
Non-Energy Deficit
(in per cent of GDP)

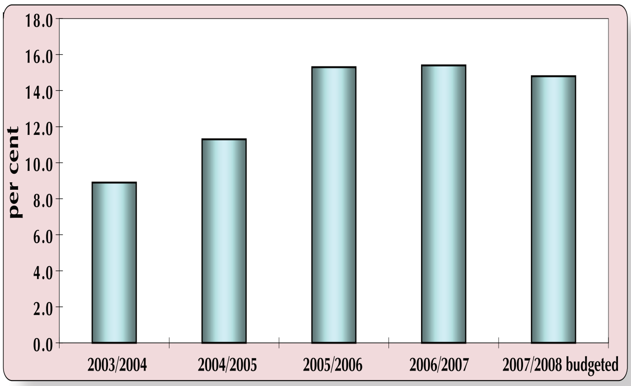


Chart 3
Net Domestic Fiscal Injections

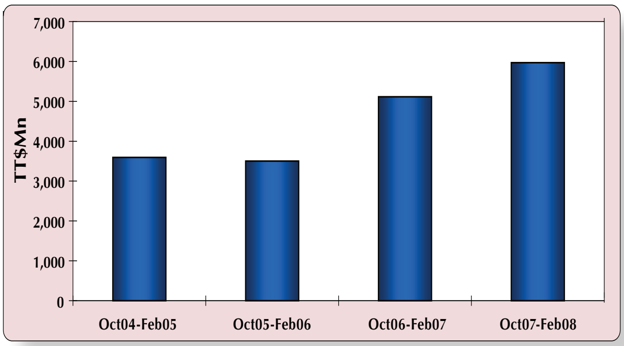
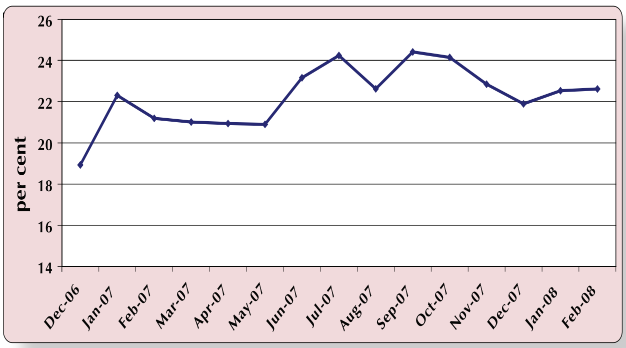


Chart 4
Commercial Banks' Credit to Private Sector
(year-on-year per cent change)



3. Demand Management

In energy-based economies like Trinidad and Tobago, **the non-energy fiscal deficit or the level of net domestic fiscal injections** is considered a good indicator of the budget's contribution to domestic demand. Broadly speaking, the lower the non-energy fiscal deficit or the lower the level of domestic fiscal injections, the smaller the budget's contribution to inflationary pressures. The available data suggest that budgetary operations continue to have a strong pro-cyclical stance, contributing importantly to domestic inflationary pressures.

The **non-energy fiscal deficit** more that doubled – from 7.6 per cent of GDP to 15.4 per cent of GDP – between FY 2003 and FY 2007 (Chart 2). While non-energy tax collections increased in terms of GDP, (notwithstanding a reduction in personal and corporate taxes rates), government expenditures grew twice as fast over the same period.

Data available for the current fiscal year suggest a continuation of the trend with **net domestic fiscal injections** in the first five months of this year being some 17 per cent higher than in the corresponding period of last year (Chart 3).

Bank credit expansion is also adding significantly to demand pressures increasing at a rate in excess of 22 per cent during 2007; this rate has continued in the first two months of 2008 (Chart 4). **Consumer credit and real estate loans** have displayed the fastest growth outstripping the rate of credit expansion to business firms (Chart 5). Within consumer credit, loans for the purchase of motor vehicles increased by close to 50 per cent in 2007.

Confirming the trend in consumer spending, the **index of retail sales** increased by 20 per cent in 2007, double the rate of the previous year. The increase was led by motor vehicle purchases and spending on construction materials.

Chart 5
Credit to Businesses and Consumers by the Consolidated Financial System
(year-on-year per cent change)

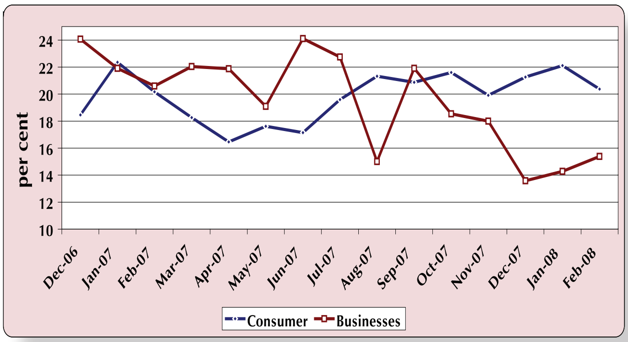
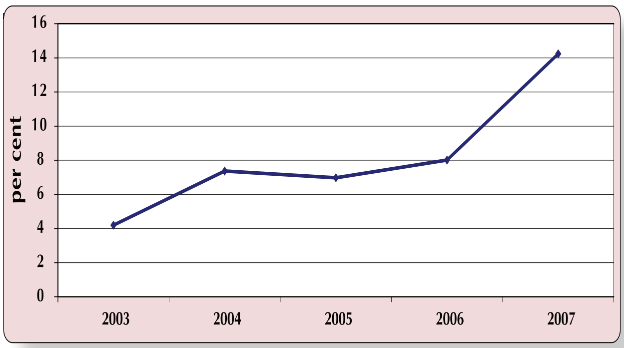


Chart 6
Import Price Index
(year-on-year per cent change)



4. Supply Considerations

According to the national accounts data, the largest contribution to **non-energy sector growth** has come from the **construction** and **services sectors.** Manufacturing output has registered steady expansion and, based on partial data, there has been some reallocation of manufacturing output from export to the domestic market to address rising domestic demand. **Agricultural output growth** has continued to lag far behind that of the other domestic sectors because of low infrastructural investment, temporary dislocation related to the restructuring of CARONI limited, and the attraction of labour to non-agricultural activities. The national accounts data show that agricultural value-added declined by 6 per cent in 2007.

Traditionally, domestic agricultural supplies have been supplemented by imports from the region and from the extra-regional sources. Recently, import availability has been affected by hurricane-induced production dislocations in the region and by the decision of some exporting countries to reserve more of their domestic production for home use. In these circumstances, total food supplies have struggled to keep pace with rapidly increasing demand.

5. Import Prices and Other Costs

The impact of import prices on domestic inflation has risen substantially since mid-2007. Rough estimates suggest that imports contribute about 25 per cent of the basket used in the measurement of the Index of Retail Prices. However, imports account for a significantly greater share (55 per cent) of gross domestic expenditure and therefore higher import prices are affecting consumers much more than indicated by the Index of Retail Prices.

According to the import price index, import prices increased by 14 per cent in 2007, roughly double the rate of increase in 2006 (Chart 6). However, as noted above, prices of a number of basic food imports e.g. wheat, rice, soya oil, butter and cheese have increased at a rate significantly higher than the import price index. The increase in import prices has been attributed to the depreciation of the US dollar, higher oil and transportation charges and worldwide supply shocks, in the case of food. A discussion of food prices is presented in Part IV of the report.

There was a discernible increase in the **level of wage settlements** with the average annual increase of basic wages in 3-year wage contracts almost doubling to about 6 per cent, in contracts signed in 2007. In addition, most negotiated contracts began to include catch-up and ongoing cost of living clauses based on past inflation. This trend, which arose as a result of the pick-up in inflation (and particularly, food inflation) represented a return to wage indexation, which was virtually abandoned several years ago because of the challenges it presented for inflation control.

The increase in inflation measured by the rise in the retail price index has also been accompanied by an escalation in **real estate prices** and in the cost of house construction. Based on a preliminary index constructed by the Central Bank, real estate prices are estimated to have increased by 108 per cent between 2000 and 2006. The opinion of realtors and other professionals in the field is that the rate of increase in real estate prices, particularly at the higher end, has begun to level off as demand seems to be softening somewhat. They cite, as supporting information, the increase in the listing period before sale and in the level of discount that sellers are prepared to offer. There is no similar evidence of price breaks in the mass real estate market.

The prices of construction materials increased by 10 per cent in 2007 and have continued to increase in 2008 though at a reduced pace.

6. Short Term Inflation Prospects

The **short-term prospects for inflation in the US and the Eurozone** are unclear, partly because of the uncertainties surrounding the depth and duration of the US economic slowdown and, in the case of the Eurozone, the extent to which the US slowdown and the credit squeeze will affect activity in the real sectors. The global outlook for oil and food prices will also have an important bearing on inflation in these economies.

There are concerns that the current focus of the Federal Reserve on the credit crunch and forestalling a possible recession could push inflation in the US beyond the current 4 per cent region. On the other hand, some analysts argue that while the recent jump in headline inflation, owing to higher energy and food prices and some uptick in core inflation is a concern, softening labour markets and the rising output gap have alleviated inflation risks.

The European Central Bank has been sparing in liquidity support and has maintained interest rates to keep the focus on inflation control. The Bank's concern is that a deep US recession and the continued strengthening of the euro could result in a pronounced slowdown in economic growth in the Eurozone raising pressures for lower interest rates, which could lead to higher inflation.

A likely scenario is that US inflation will edge above 4 per cent by end-2008 while in the Eurozone, inflation will remain beyond the target range of 2 per cent.

In **Trinidad and Tobago**, attaining the Government's target inflation rate of 6 per cent by end-2008 will present serious challenges. It is the Bank's view that taming existing demand pressures will require stronger monetary policy action and considerable expenditure tightening. In the present circumstances, the latter would need to be informed by an expenditure review geared towards re-phasing some budget expenditure. This would accommodate a possible increase in poverty alleviation programmes and projects, geared to accelerate the resuscitation of the agricultural sector.

Demand control will face even greater challenges later in the year arising from the significant inflow of resources related to the sale of RBTT to the Royal Bank of Canada. The Central Bank, the Ministry of Finance and the Securities Exchange Commission are planning to provide a number of alternative instruments to RBTT stockholders to prevent the additional liquidity from generating asset bubbles or further inflationary pressures. The potential pressures that could come from these capital inflows further underscore the critical need for a re-phasing of government expenditures.

Adding to our concerns about inflation are three important considerations:

First, the widely-held view that the recent escalation in food import prices is structural and unlikely to be reversed anytime soon.

Second, delays in the implementation of the government's new agricultural thrust involving the establishment of a number of large farms, an increase in infrastructural investment in agriculture and the introduction of a programme of fiscal incentives to agriculture; and

Third, there has been a noticeable rise in inflation expectations driven by the surge in food prices. Higher inflation expectations could set in train higher mark-ups in anticipation of future price increases and an increase in wage pressures.

Given these many challenges, strong measures on several fronts will be required to ensure that double-digit inflation does not become entrenched.

As suggested in an earlier Monetary Policy Report, this may be the time to consider some kind of social compact, while the long term measures take root.

Chart 7
Monetary Policy Responses

Liquidity Management Measures

Dec. 2005:	Commercial banks deposited TT$1 billion in an interest-bearing account at the Central Bank for a minimum period of one year. Special Deposit rate reduced to zero.
June 2006:	Commercial banks deposited TT$500 million in an interest-bearing account at the Central Bank for a minimum period of one year.
Sept. 2006:	Commercial banks were required to hold, on a temporary basis, a secondary reserve requirement of 2 per cent of their prescribed liabilities, effective October 4 2006 remunerated at 350 basis points below the ‘Repo’ rate.
Sept 2006:	Parliament approved an increase in government borrowing for Open Market Operations from $8 billion to $15 billion.
Nov 2006:	Additional steps were taken by the Central Bank in consultation with the Government to increase liquidity absorption. To this end, a TT$700 million, 8-year government bond was issued to the public in November, the proceeds of which have been sterilized.
Feb 2007:	Another bond in the advertised amount of $300 million was offered, but due to overwhelming public support, the actual size was increased to $674.3 million with a maturity date of August 9, 2012 and a coupon rate of 7.80 per cent. The proceeds of this bond were also sterilized.
April 2007:	A third bond aimed at liquidity absorption was initially offered in the amount of $650 million, but again due to the public’s reception of the issue, the bond’s value was raised to $1 billion with a coupon rate of 8.00 per cent and a tenor of 7 years. The proceeds of this bond were sterilized.
May 2007:	A 5-year Treasury Note in the amount of $500 million was issued to the commercial banks with a coupon rate of 6.00 per cent.
June 2007:	The commercial banks’ deposit of $500 million in an interest-bearing account at the Central Bank was rolled over for another year.
Dec 2007:	The commercial banks’ deposit of $1 billion in an interest-bearing account at the Central Bank was rolled over for another year.
Feb 2008:	The cash reserve requirement applicable to commercial banks was increased by 2 percentage points to 13 per cent of prescribed liabilities from 11 per cent, with effect from February 27 2008.

Part II - Monetary Policy

With inflation reaching 10 per cent in October 2006, the Central Bank revised its anti-inflation strategy shifting focus to liquidity absorption rather than on changes in the policy interest rate. This change was introduced to address the persistent liquidity overhang which has blunted the effectiveness of the policy interest rate by reducing the extent to which changes in the policy rate are transmitted to market interest rates.

In the new approach, liquidity absorption was to be effected through auctions of long-term securities, the proceeds of which were to be sterilized in the Central Bank. These special auctions provided new investment opportunities for large spending units but were also designed to attract lower income individuals away from spending and into longer term investing.

Accordingly, in the period (November 2006 to December 2007), special sterilization government bonds amounting to $3,103 million were issued in maturities ranging from 5.5 to 10 years. While most of these bonds were taken up by institutional investors, arrangements were also put in place to attract small investors.

The bond auctions were but one of a range of anti-inflationary measures that were implemented (Chart 7). Some of the other steps taken were:

(i) the imposition of a secondary reserve requirement on the commercial banks;
(ii) a special issuance of government securities to the banks; and
(iii) an intensified programme of open market operations.

Through the net issue of open market bills, the Central Bank removed $6,649 million from the financial system in 2007 compared to $626 million in 2006.

These measures resulted in a significant reduction in banks’ excess liquidity and contributed to reduction in core and headline inflation through most of 2007.

Chart 8
Monetary Policy Responses

Changes To The Central Bank Policy Rate

Oct 2007:	'Repo' rate maintained at 8.00 per cent.
Nov 2007:	'Repo' rate maintained at 8.00 per cent.
Dec 2007:	'Repo' rate maintained at 8.00 per cent.
Jan 2008:	'Repo' rate maintained at 8.00 per cent.
Feb 2008:	'Repo' rate increased to 8.25 per cent.
Mar 2008:	'Repo' rate maintained at 8.25 per cent.

Chart 9
Interbank Activity and Repo Transactions

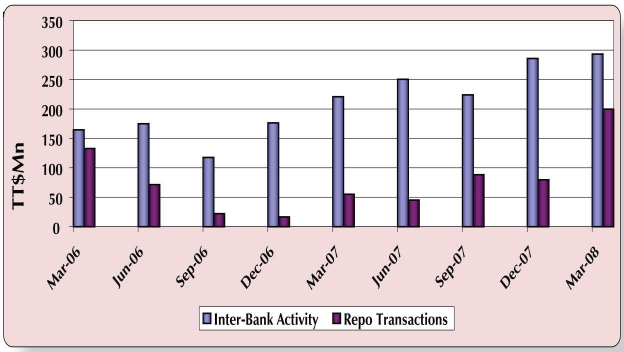
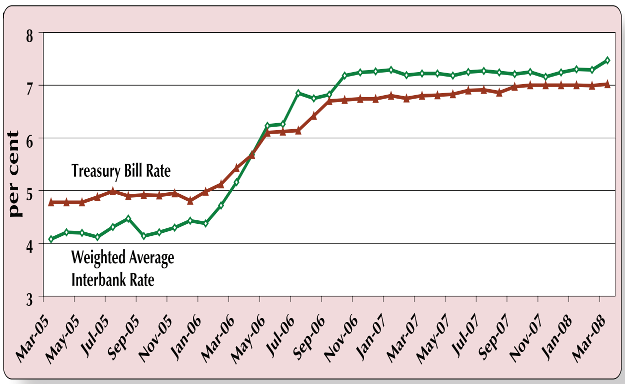


Chart 10
Weighted Average Interbank Rate and Treasury Bill Rate



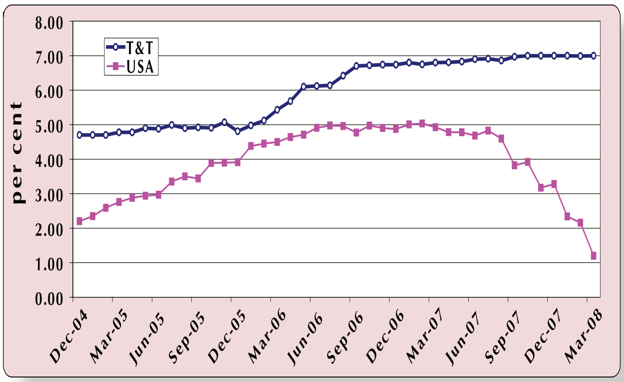
The resurgence in core inflation in late 2007 and early 2008 reinforced the need for additional measures to tighten bank liquidity. This time, with limited room for sterilization bonds pending legislative approval of an increase in government debt ceilings, the Bank opted for a temporary return to reserve requirements, supported by an increase in the repo rate. Thus, with effect from February 27, 2008, the reserve requirement on commercial banks was increased from 11 per cent to 13 per cent, and the repo rate was raised from 8.0 per cent to 8.25 per cent (Chart 8).

The increase in the reserve requirement represented a reversal of a policy initiated in late 2003, when the Bank sought to reduce reliance on direct instruments of monetary control in favour of more market-based instruments. Under this programme, the reserve requirement on commercial banks was to be reduced in stages from 18 to 9 per cent of prescribed liabilities, the level currently applicable to non-banks. The ratio was in fact, reduced in two steps to 11 per cent, prior to the increase announced in February. Given the distortionary potential of reserve requirements as an instrument of monetary control, the intention is to proceed towards a lower reserve requirement in the medium to long term, once inflation is brought under control.

Financial Markets

Financial markets have responded in a variety of ways to the Central Bank's anti-inflationary stance. In the short-term money market, the tightening of liquidity in 2007 led to heightened activity in the inter-bank money market and increased recourse by commercial banks to the Central Bank's repo window (Chart 9). Interest rates in the inter-bank market also reflected the increased activity with the inter-bank rate increasing from 6.82 per cent in September 2006 to 7.24 by year end. Over the same period, yields on three-month treasury bills in the Bank's frequent auctions rose by 25 basis points to 7.0 per cent. Since the end of March 2008, three-month treasury bill yields have risen further to 7.47 per cent (Chart 10).

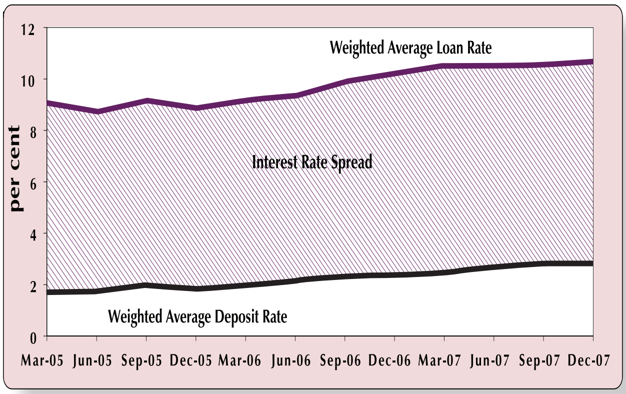
Chart 11
Comparative 90-Day Treasury Bill Rates: Trinidad and Tobago and the United States



Against the background of rising money market rates in Trinidad and Tobago, the pronounced decline in short-term interest rates in the US since August 2007 has significantly widened the spread between domestic and U.S. interest rates. Measured by the difference in yields on 3-month treasury bills, this spread is now 5.8 percentage points, compared with 1.9 percentage points a year ago (Chart 11). That this widening spread has not led to a discernible increase in portfolio inflows testifies to the limited integration of our capital markets.

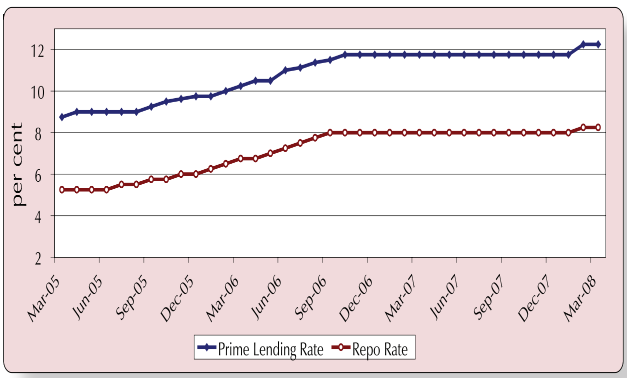
During 2007, interest rates in the commercial bank market also increased though at a much slower rate than needed because of the abundance of liquidity. Moreover, in the face of intense market competition, the banks maintained an interest rate structure that favoured retail and real estate loans at the expense of business (and particularly small business) credit. By the end of 2007, the weighted average lending rate of the commercial banks was 10.68 per cent compared with 10.20 at the beginning of the year. In the period, the weighted average deposit rate rose by a somewhat smaller margin – from 2.37 per cent to 2.76 per cent. By this measure, the spread between deposit and lending rates increased slightly from 7.84 to 7.92 percentage points in the course of 2007 (Chart 12).

Chart 12
Weighted Average Loan and Deposit Rates



There have been more pronounced increases in commercial bank interest rates in 2008. Following the recent 25 basis points increase in the repo rate, the banks adjusted their prime lending rates by 50 basis points from 11.75 per cent to 12.25 per cent, and also announced an increase in interest rates on retail loans (Chart 13). The minimum lending rate for new car loans has been increased to prime plus 100 basis points (13.25 per cent) and that for used cars to prime plus 250 basis points (14.75 per cent). Furthermore, the rates for new residential mortgages were increased by 50 basis points to 9.25 per cent. Rates on new commercial mortgages have also been increased by 50 basis points.

Chart 13
Selected Interest Rates



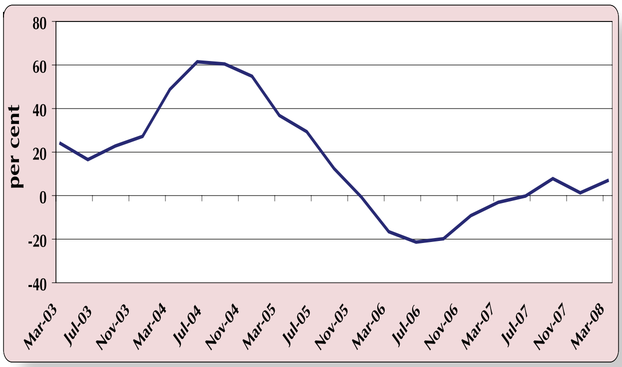
Domestic Bond Market

During 2007, activity in the market for TT bonds was sustained by issues of government fixed-income securities made for liquidity sterilization purposes as well as by some private bond issues to finance commercial and residential housing projects. The Government bonds had maturities ranging from 2.5 to 7 years at interest rates ranging between 6.6 per cent and 8.0 per cent. These issues contributed to the maintenance of a flat yield curve. One of the private issues had a tenor of 18 years with a fixed rate of 11 per cent for 3 years and a variable rate of between 8–12 per cent for the remainder of the period.

The market also saw an increase of close to two-thirds – from US$220 million to US$357 million in 2007 – in the value of US dollar-denominated issues. The issuers in 2007 were regional sovereigns and quasi-government institutions as well as two local institutions who sought to take advantage of low interest rates.

In January 2008, the secondary market platform for government securities was launched with the aim of improving price discovery, transparency and liquidity in the government securities market.

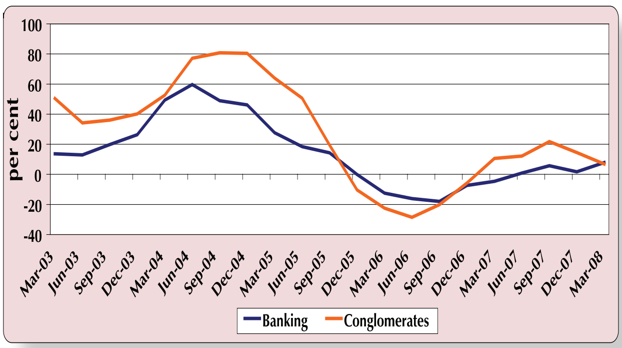
Chart 14
Trinidad and Tobago Composite Stock Price Index
(year-on-year per cent change)



Equity Market

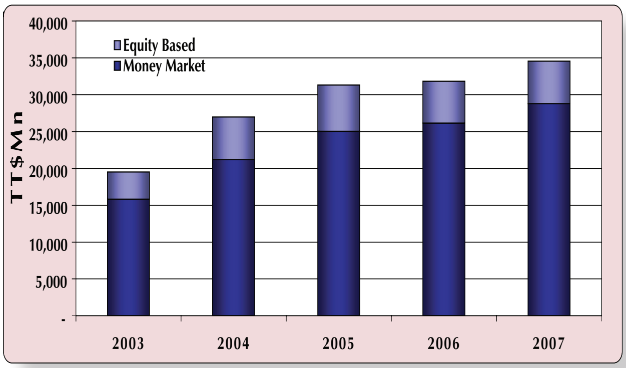
While the stock markets of many emerging market countries were generally buoyant, the Trinidad and Tobago stock market produced overall flat results in 2007. This was however, an improvement after two consecutive years of decline. Activity in the market picked up in the second half of 2007, during which time the Composite Index rose by 9 per cent (Chart 14). In terms of Index value, the manufacturing and conglomerate sectors took the lead, followed by the property sector. Activity in the Conglomerate sector was driven by the takeover bidding between Neal and Massy and Ansa McAl for the Barbados Shipping and Trading Company (BS&T) (Chart 15). Activity surrounding the banking sector showed strong gains following the announcement of the planned acquisition of RBTT Financial Holdings by the Royal Bank of Canada (RBC) and the increase in banks' earnings as higher interest income was reflected in larger profits.

Chart 15
Trinidad and Tobago Stock Price Indices – Selected Sub-Sectors
(year-on-year per cent change)



After a lull in the first two months of 2008, activity in the stock market picked up markedly from around mid-March, again concentrated on trading in the conglomerate sector – GHL, Ansa McAl and BS&T. As at April 15, the Composite Stock Index was 6 per cent higher than at end 2007.

Chart 16a
Mutual Funds - Aggregate Fund Values



Mutual Funds

Total funds under management grew by 8.6 per cent in 2007 compared to 1.7 per cent in 2006 (Chart 16a). This faster pace reflected stronger growth in the money-market segment of funds which rose by a robust 10.1 per cent in 2007. The relatively flat performance of the local stock exchange continued to impact the equity-based mutual funds which grew at a much slower pace (1.1 per cent). Aggregate fund values were $34.5 billion at the end of 2007 compared with total commercial bank deposits of $47.5 billion (Chart 16b). Mutual funds however continue to be a major alternative to savings and time deposits in commercial banks, which totalled $33.1 billion in 2007.

Chart 16b
Commercial Banks' Deposits and Mutual Funds' Aggregate Fund Value

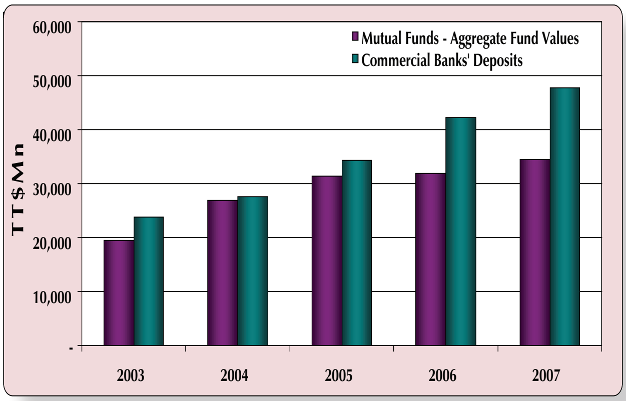
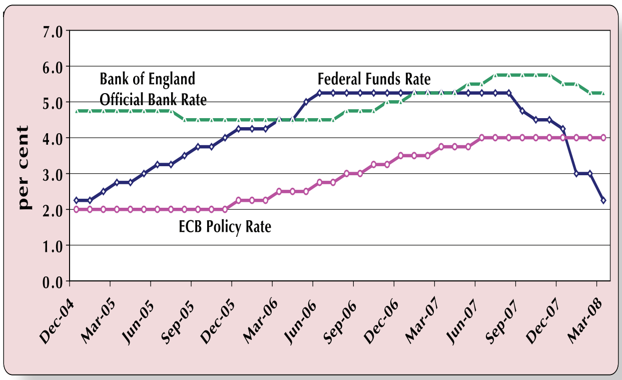


Chart 17
Federal Funds Rate, ECB Policy Rate and Bank of England Official Bank Rate



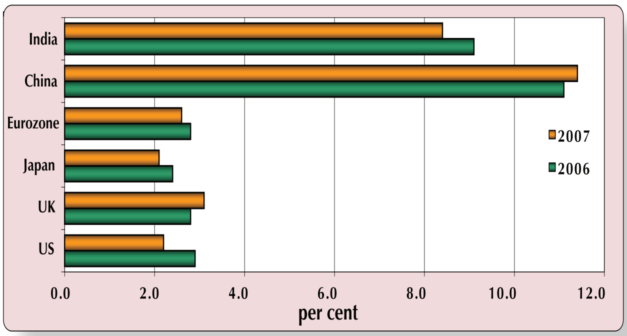
Part III - International Economic Developments

The current financial crisis has elicited vastly different responses from authorities in the U.S. and the Eurozone. Moreover, the direct spillover effects on emerging markets and developing economies have been less pronounced than in earlier periods of financial market distress. This chapter briefly discusses conditions and policies in the US, Europe and a sample of emerging and developing countries.

In the **US,** the lingering effects of the sub-prime crisis and the associated credit crunch contributed to a notable slowing of economic growth to 0.6 per cent in the fourth quarter of 2007. For 2007 as a whole, economic growth was estimated at 2.2 per cent compared to 3.0 per cent in 2006. The authorities have channelled a great deal of their efforts into arresting the impact of the current credit crisis and averting the onset of a recession. Some of the key measures introduced to mitigate the impact of the credit crunch include (a) an aggressive programme of cuts in the federal funds rate, which was reduced from 4.5 per cent in October 2007 to 3 per cent in January 2008 (Chart 17); (b) the introduction of a Term Auction facility to provide short-term liquidity support to financial markets and a US$170 billion fiscal stimulus package. The slowdown in economic growth has been accompanied by a rise in inflation reflecting higher US inflation and the depreciation of the US dollar. As at February 2008, **headline inflation** was 4.3 per cent higher than a year earlier. Eliminating the impact of higher oil and food prices, core inflation rose by about 2.3 per cent on a year-on-year basis to February 2008.

The policy mandate of the European Central Bank (ECB) focuses on inflation and while concerns exist about slower growth in the Eurozone, the ECB has not lowered interest rates, keeping the policy interest rate unchanged at 4 per cent since June 2007. Inflation in the 27-nation Euro-zone grew on a year-on-year basis by 3.2 per cent in February 2008, the fastest rate of increase in six years. This rate was in excess of the ECB's target of 2.0 per cent. Growth in 2007 slowed only marginally to 2.9 per cent in 2007 from 3.0 per cent in 2006 in part because the appreciation of the Euro has not yet had a major impact on the EU's export performance.

Chart 18
Real GDP Growth Rates - Selected Economies



There is, however, concern that the continued strengthening of the Euro and the unfolding of the credit crunch (as the full extent of sub-prime losses are reflected in banks' balance sheets), will soon begin to have their impact on economic activity, heightening the policy challenges for the European Central Bank.

In the **UK**, high food and energy prices pushed the inflation rate to 2.5 per cent, above the Bank of England's target of 2.2 per cent. Although the economy grew by 3.1 per cent in 2007 (slightly faster than the growth rate of 2.9 per cent recorded in 2006), there are now signs that the turbulence in the financial markets, falling housing prices and the appreciation of the pound sterling have begun to impact growth. With economic growth projected to slow to 1.6 per cent in 2008, the Bank of England has cut its benchmark interest rate from 5.75 per cent in October 2007 to 5.25 per cent in March 2008.

Growth in **Japan**, the world's second largest economy, moderated slightly in 2007 to 2.1 per cent compared with 2.4 per cent in 2006. After declining for most of 2007, consumer prices grew on a year-on-year basis to January 2008 by 0.7 per cent, while wholesale inflation reached a 27-year high of 3 per cent. The Bank of Japan held its benchmark interest rate unchanged at 0.5 per cent in the six months to March 2008 as it assessed the ongoing uncertainty in global markets.

China recorded another year of strong growth in 2007, as GDP increased by 11.4 per cent, the fastest pace in 13 years (Chart 18). The sustained and rapid pace of economic growth has led to concerns that the economy has begun to overheat. Inflationary pressures in China have increased significantly since the middle of 2007 and, in February 2008, inflation grew on a year-on-year basis by 8.7 per cent, the highest rate of increase in 12 years. China's inflation has been driven by food price increases, which have been exacerbated by severe winter storms in January 2008, and by rising commodity prices at the international level especially for wheat and grain. China's policy makers have implemented several measures to contain inflation over the past months, including the introduction of price controls on certain commodities. The reserve requirement for commercial banks was raised on eleven occasions to contain credit expansion and now stands at 15 per cent. There is a concern, however, that higher interest rates could result in an appreciation of China's currency, which along with a slowing US economy could hurt Chinese exports.

Although **India** maintained a relatively fast pace of growth in 2007, the rate of economic expansion was lower than in the previous two years. India's GDP grew by 8.4 per cent in 2007 compared with 9.1 per cent and 9.3 per cent in 2006 and 2005, respectively. Inflationary pressures moderated in January 2008 to 5.5 per cent after reaching 7.26 per cent in August 2007. However, with global prices of wheat, grain and energy at all-time highs, inflation remains a potential threat to the Indian economy. At its quarterly monetary policy meeting in January 2008, the Reserve Bank of India kept its key interest rate, the repurchase rate, unchanged at 7.75 per cent.

The global financial turmoil has so far had a limited effect on **Latin America** since economic growth continues to be underpinned by the surge in commodity prices, which has also strengthened their fiscal positions. Real GDP growth in Latin America has averaged 5.6 per cent in the period 2003-07, with the best performers being Brazil, Venezuela, Argentina, Peru and Uruguay (Table 2). Latin American exports to China have increased substantially in recent years because of the emergence of China's industrial base founded on a more resource-intensive pattern of production. China is now a main importer of copper from Chile, iron ore from Brazil and coal from Colombia. More than 50 per cent of Latin America's exports of soya beans now go to China.

Inflation has now become the major challenge for Latin American governments facing strong demand resulting from rapid economic growth and the increase in oil and food prices (Table 3). This recent challenge poses risks for one of the region's most important macroeconomic accomplishments of the last decade – the sustained reduction in inflation.

Table 2
Real GDP Growth Rates
/Per Cent/

Country	2003	2004	2005	2006	2007
Argentina	8.8	9.0	9.2	8.5	8.7
Brazil	0.5	4.9	2.3	3.7	5.4
Chile	3.9	6.2	6.3	4.0	5.0
Colombia	3.9	4.8	5.1	6.8	7.0
Ecuador	3.6	7.9	4.7	4.1	1.9
Peru	3.9	5.2	6.4	8.0	9.0
Uruguay	2.2	11.8	6.6	7.0	7.0
Venezuela	–7.8	18.3	10.3	10.3	8.4

Source: International Monetary Fund.

Table 3
Consumer Prices in Selected Latin American Countries
/Per Cent/

	End of Period		
Country	2005	2006	2007
Argentina	12.3	9.0	8.5
Brazil	5.7	3.1	4.5
Chile	3.7	2.6	7.8
Colombia	4.9	4.5	5.7
Ecuador	4.4	2.9	3.3
Peru	1.5	1.1	3.9
Uruguay	4.8	6.4	8.5
Venezuela	14.4	17.1	22.5

Source: National Statistical Agencies.

In the Caribbean economies, economic growth has been robust with real GDP expanding by close to 4 per cent a year in 2006-2007 (Table 4). Growth in the region has been driven by robust activity in the construction and tourism sectors associated with the Cricket World Cup. For 2007, real GDP growth was 4.3 per cent in Barbados, 5.5 per cent in Guyana (the highest in the past ten years) and 5 per cent in the ECCU. Real GDP is estimated to have declined by 1.5 per cent in Jamaica because of weaker activity in Agriculture, Mining and Electricity, and Water.

Inflation in the Caribbean has risen markedly as most of the countries in the region seek to grapple with the effect of escalating oil and food prices and agricultural supply shocks. Inflation rose to 13.8 per cent in Guyana; to 16.8 per cent in Jamaica; doubled to 3.2 per cent in the ECCU but fell from 7.6 per cent to 4.2 per cent in Barbados (Table 5).

Table 4
Real GDP Growth in Selected CARICOM Countries
/Per Cent/

Country	2005	2006	2007[e]
Barbados	4.1	3.8	4.3
Jamaica	1.4	2.5	1.5
Guyana	-1.9	4.7	5.5
EC Currency Union	5.8	6.2	5.0

Source: Caribbean Centre for Monetary Studies.

Table 5
Selected CARICOM Countries - Inflation Rates
/Per Cent/

Country	End of Period		
	2005	2006	2007
Barbados	6.1	7.3	4.2
Jamaica	12.6	5.5	16.8
Guyana	8.2	4.2	13.8
EC Currency Union	4.1	1.6	3.2

Source: Caribbean Centre for Monetary Studies.

Part IV - Global Food Prices

Declining global agricultural production has now been recognised not only as a major contributor to global food inflation but also as a major threat to global food security. Towards the end of 2007, a United Nations (UN) report noted that world food supplies were diminishing rapidly while prices were soaring to unprecedented heights. Global food prices are being affected by a number of environmental and economic factors.

(a) Factors Impacting Global Food Inflation

Environmental Factors:

Climate Change: Agricultural production around the world has been severely affected by climate change which has resulted in an increase in the frequency and severity of droughts, storms and floods. For instance, in Australia, one of the major producers of wheat, persistent drought has resulted in a decline in harvest yields in excess of 40 per cent. The United Nation's Food and Agricultural Organisation (FAO) noted that global grain inventories at the end of 2007 were at their lowest levels in 34 years.

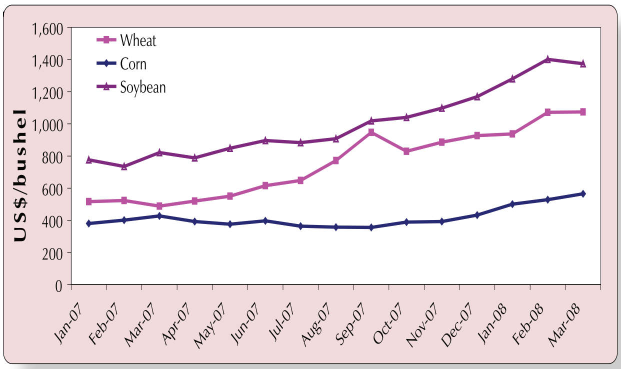
Availability of Arable Land: Dwindling arable land, caused by the expansion of housing and industrial development, combined with decades of under-investment in agricultural technology has also severely impacted agricultural production.

Economic Factors:

Population Growth and Rising Incomes: Rising per capita incomes especially in India and China, which together account for just about 1/3 of the world's population, and the rapid adoption of westernised lifestyles and diets have resulted in a burgeoning demand for dairy and meat products. China, which became a net importer of food in 2004 now accounts for 30 per cent of the world's milk consumption.

A Switch to Bio-fuels: The steady rise in oil prices has led to a switch to bio-fuels as major oil importing countries

Chart 19
Prices of Selected Grains: Wheat, Corn and Soybean



attempt to reduce energy costs. Data from the FAO indicate that 30 per cent of US corn output is being re-directed to the production of ethanol. The US currently accounts for 70 per cent of the world's exports of corn.

(b) Consequences for Global Food Prices

The combined effects of these environmental and economic factors have resulted in sharp increases in the prices of wheat, corn, soybean and in dairy and meat products. Table 7 shows, for instance, that in March 2008, the prices of wheat, corn and soybean increased by 129 per cent, 29 per cent and 67 per cent respectively in March 2008 relative to the corresponding period in 2007 (Chart 19).

The sharp increase in the prices of many staple food commodities has been a major contributory factor to rising food inflation at the global level. Table 8 shows that food inflation rates have increased drastically in some countries like China, South Africa, Brazil and Venezuela. In addition, the UN estimates that poor countries will experience a 35 per cent increase in their import bills for cereals such as rice and flour.

(c) International Policy Responses to Rising Food Prices

Rising global food prices are threatening to undermine the gains made in global poverty reduction over the last decade. The FAO has identified fourteen countries (half of which are in Africa) that are in danger of facing impending food shortages. Also, there has been increased social unrest in countries such as Haiti, Egypt, Senegal, Ethiopia, Mexico, Indonesia and Peru as a direct result of higher food prices.

Governments all around the world have been taking direct action to reduce the price of staples to the consumer and to mitigate the impact of higher food prices on their populations (Box 1). Some countries such as Indonesia, Peru and Turkey have reduced and/or eliminated import duties on a range of agricultural products in order to lessen the impact of rising commodity prices on consumers. Others such as China, Russia and Venezuela have imposed price controls on items such as bread, milk and eggs.

Many governments have expanded social safety nets by widening conditional cash transfer programmmes and emergency food distribution schemes to vulnerable groups as a form of direct food subsidisation. In Malaysia, the government is creating a new agency to stockpile edible oils and other essential items. India already stockpiles food for emergencies and distribution to the poor. Higher food prices have also forced many net food importing countries to introduce tighter food security measures. The Philippines, for instance, has ordered a halt to the conversion of farmland for industrial, commercial and/or residential use.

Export restrictions or export tariffs on key agricultural commodities, particularly grains, have been introduced in countries such as India, Russia, Egypt, Kazakhstan, China, Ukraine and Argentina. Guinea has imposed a complete ban on the export of all types of agricultural, forestry and livestock products. While these measures are intended to ensure the adequacy of domestic supplies, they have inadvertently contributed to further price increases on the international market.

Box 1
Policy Responses to Rising Food Prices in Selected Countries

Country	Policy Measures
Argentina	• A proposed increase in export tariffs on soybeans from 35 per cent to at least 45 per cent.
China	• Price controls on milk, bread and eggs. • Ban on rice exports. • Export tariffs on grains.
Egypt	• Price controls on bread. • Conditional cash transfer programme targeting the poor.
Ethiopia	• An increase of 33 per cent in the wage rate of the cash-for-work programme.
Guinea	• Ban on the export of all types of agricultural commodities, forestry and livestock.
India	• Removal and reduction of import tariffs on edible oils and grains, respectively. • Ban on the export of rice and pulses.
Indonesia	• Reduction in the export of rice. • Cash transfer programme targeted at the poor.
Kazakhstan	• Ban on the export of wheat.
Pakistan	• Re-introduction of the ration card system to distribute subsidised wheat.
Philippines	• Subsidisation of rice prices.
Russia	• Export tariffs on wheat. • Price controls on basic food items.
Venezuela	• Price controls on 400 basic food items, including bread, meat, milk and sugar.

(d) Policy Responses in Trinidad and Tobago

The Government of Trinidad and Tobago has implemented a number of measures to tackle rising food prices. On the fiscal side, value added taxes were removed on more than 50 commodities while the common external tariff was either eliminated or removed on approximately 30 commodities at the end of 2007. The Government currently offers direct cash transfers to the poor through the Conditional Cash Transfer Programme or the TT Card, which involves use of a debit card for purchasing selected food items. Approximately 18,000 persons under the Social Help and Rehabilitative Effort (SHARE) programme are eligible to receive cards.

The Government also undertook initiatives to affect the markets for agricultural products. A number of farmers' markets were established to create a more direct link between producers and consumers. Further, the Ministry of Legal and Consumer Affairs and the National Agricultural Marketing Development Company (NAMDEVCO) also increased the dissemination of information on agricultural prices to foster more competitive markets and comparison shopping.

In August 2007, a two-day National Consultation on Food Prices was held to identify the major factors behind rising food prices and to devise appropriate solutions to contain food price inflation.

Fifteen proposals were identified for implementation in the short term including the establishment of a Prices Council, the establishment of a Consumer Advisory Board to advise the Minister of Agriculture, new funding arrangements for the ADB and first-time farmers, support for contract farming, the development of a three-year plan for infrastructural development and an expansion of the Youth Apprenticeship Programme in Agriculture (YAPA). Funding to the Agricultural Development Bank (ADB) has already been enhanced to assist with the financing of agricultural projects. The Government has also proposed to establish 17 large farms across the country. These farms are intended to produce primary and processed food for domestic consumption and for export.

Table 7
Prices of Selected Grains

	US cents/bushel		
Period	**Wheat**	**Corn**	**Soybean**
Jan-07	516.50	379.75	776.00
Feb-07	523.50	401.00	735.00
Mar-07	488.00	427.00	821.00
Apr-07	519.50	392.23	788.50
May-07	550.00	376.00	848.75
Jun-07	615.25	396.75	896.75
Jul-07	648.00	363.75	883.25
Aug-07	771.25	357.50	907.50
Sep-07	947.00	356.00	1018.25
Oct-07	829.50	389.25	1040.50
Nov-07	885.50	392.75	1097.50
Dec-07	926.70	432.20	1169.45
Jan-08	937.70	500.40	1280.05
Feb-08	1072.00	528.80	1401.21
Mar-08	1118.39	551.63	1374.40

Source: Food and Agricultural Organisation (FAO), United Nations.

Table 8
Food Inflation in Selected Countries
(End of Period)

	2004	2005	2006	2007
Latin America				
Colombia	5.4	6.6	5.7	8.5
Brazil	3.7	2.0	1.2	10.8
Venezuela	28.4	19.8	26.4	30.5
International				
United States	3.4	2.4	2.4	3.9
Canada	3.0	1.7	2.2	1.6
United Kingdom	1.3	1.7	2.3	3.7
Eurozone	0.3	1.4	2.6	4.8
Australia	1.7	3.6	8.6	1.2
South Africa	1.5	4.3	8.1	13.5
New Zealand	1.1	1.5	3.9	4.4
China	4.9	2.2	6.3	16.7
Regional				
Bahamas	2.9	3.2	4.7	3.0
Barbados	4.5	7.0	7.9	7.0
Belize	2.6	2.5	4.7	5.8
Guyana	5.6	7.8	5.1	18.1
Jamaica	16.2	12.3	5.3	21.2
ECCU	4.0	5.8	0.5	7.2
Suriname	0.7	19.0	(2.2)	11.2
Trinidad & Tobago	12.8	22.9	23.2	17.5

Source: National Statistical Offices.

Part V - Feature Article

The US Sub-Prime Mortgage Crisis: Impact on Trinidad and Tobago

A. Origins of the Sub-prime Crisis

The phrase **"subprime"** refers to the practice of granting loans to borrowers who would not normally qualify based on criteria such as income levels, credit history or employment status. Encouraged by easier lending terms, many borrowers took out mortgages hoping to be able to refinance at more favourable terms at a later date. However, as housing prices started to fall in many parts of the US, refinancing became more difficult. Moreover, as rates on adjustable mortgages were reset at higher levels, there was a dramatic increase in defaults and foreclosure activity. During 2007, nearly 1.3 million US housing properties were subject to foreclosure activity, up 79 per cent from in 2006.

As borrowers defaulted, the mortgage lenders who retained the credit risk on their books were the first to feel the effects. Additionally, since many of the rights to mortgage payments and the related credit risks on subprime loans were securitized and passed on to third-party vendors via mortgage-backed securities (MBS) and collateralized debt obligations (CDO), investors holding MBS or CDOs also began to face significant losses, as the value of the underlying mortgage assets declined. The International Monetary Fund has estimated mortgage market losses in the vicinity of US$565 billion and total losses (including securities tied to commercial real estate and loans to consumers and companies) at US$945 billion.

With the deepening of the crisis, interbank lending was seriously curtailed as banks became concerned about the strength of each others' balance sheets. The resulting credit crunch prompted major central banks to introduce various measures to enhance liquidity and re-invigorate financial markets.

The financial crisis along with the impact of reversal of the housing boom has precipitated a sharp slowdown in US economic growth, raising concerns about the onset of a recession. While the transmission of the US slowdown to the global economy has been contained thus far, some analysts believe that emerging and developing economies, have not decoupled sufficiently to avoid being affected. Indeed, global expansion has lost some momentum with global growth now expected to slow to 3.7 per cent in 2008, about 1.25 percentage points lower than in 2007.

Part V - Feature Article

The US Sub-Prime Mortgage Crisis: Impact on Trinidad and Tobago (continued)

B. Implications of the Sub-prime Mortgage Crisis for Trinidad and Tobago

There is little evidence to suggest that Trinidad and Tobago's banking system has had any significant and direct exposure to the subprime or other structured credit products.

Since none of the commercial banks had invested in these securitized instruments to any substantial extent, no losses relating to sub-prime exposure have been reported by the banking system. Indeed, the banking system remains sound and is well capitalised. The sub-prime crisis may, however, have a number of indirect implications for Trinidad and Tobago.

(a) The Financial Channel

Banks in Trinidad and Tobago (as in most developing countries) have avoided the disruption of global markets since they rely on domestic funding to expand their balance sheets. However, domestic banks also depend on credit lines to service the needs of their large business customers. In fact, many of the large transactions undertaken by commercial banks domiciled in Trinidad and Tobago are partly financed by short-term loans from correspondent banks.

As a result of the current crisis, there is the possibility that domestic banks could be confronted with more limited access to these credit lines or indeed with higher borrowing costs.

The aggressive cuts in the Fed Funds rate have also led to a widening in the spread between the US and TT short term rates. One potential effect of this is that it creates much less of an incentive for Trinidad and Tobago investors to acquire US financial assets, rates of return on which are now substantially lower than on comparable domestic financial assets. Rather, residents (and perhaps non-residents) with funds invested in the US may now see an opportunity for enhanced returns by moving their investments to Trinidad and Tobago to take advantage of the higher interest rate environment. This could result in increased capital inflows into Trinidad and Tobago.

Another implication is that a reduction in US interest rates could prompt corporations to satisfy their funding needs through foreign borrowing. This will, of course, depend on the ability of local firms to access foreign loans especially in the context of tighter liquidity conditions in external markets. The evidence so far does not point to any significant external borrowing by domestic firms nor substantial capital inflows to exploit the interest rate differential.

Part V - Feature Article

The US Sub-Prime Mortgage Crisis: Impact on Trinidad and Tobago (continued)

(b) The Trade Channel

The sub-prime crisis has already resulted in a slowdown in US economic growth which is expected to intensify in the remainder of 2008 and continue into 2009.

The US is the Caribbean's major market for tourist arrivals and a major source of migrants' remittances. Both these revenue streams contribute significantly to regional economic growth. Consequently, any downturn in the US could impact economic growth in CARICOM and affect Trinidad and Tobago's manufacturing exports to the region. At the present moment, the bulk of Trinidad and Tobago's non-energy exports go to the CARICOM region.

On account of the high dependence of the US on imports of oil and gas to meet its energy needs, the sub-prime crisis is unlikely to lead to any significant reduction in US energy demand. As such therefore, due to the relatively inelastic US demand for energy exports from Trinidad and Tobago, it is quite unlikely that there will be a significant decline in the short term for energy exports from Trinidad and Tobago.

In terms of Trinidad and Tobago's total trade however, once energy export levels are maintained and prices remain robust, export revenues from the energy sector are likely to compensate for any sharp fall in manufacturing exports to CARICOM.

(c) Impact on Domestic Inflation

There is little doubt that the crisis has contributed to the depreciation of the US dollar in international markets. In turn, this depreciation and the sharp increases in global food prices in recent years have contributed in part to higher food prices especially for items (e.g. butter, milk, cheese) imported from Europe and other non-dollar currency areas such as New Zealand.

(d) Impact on International Reserves

Most of Trinidad and Tobago's international reserves are invested in US assets. With the fall in interest rates in the US as a result of the credit crunch, yields on Trinidad and Tobago's reserve investments have declined. The Central Bank is currently taking steps to diversify the country's reserve holdings.

Appendices

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Appendices:

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Appendix A - Index of Retail Prices.

Appendix B - Price Movements in the Major Categories of the Food Sub-Index of the RPI, September 2007 - February 2008.

Appendix C - Index of Retail Sales: Base 2000=100 Base Period: Average of 4 Quarters 1996=100(REVISED)

Appendix D - Index of Retail Prices by Area.

Appendix E - Index of Retail Prices of Building Materials

Appendix F - Export and Import Price Indices, 2003 - 2007.

Appendix G - Stock Market Indices, March 2003 - March 2008.

Appendix H - Trinidad and Tobago Mutual Funds Under Management by Type of Fund.

Appendix A
Index of Retail Prices (January 2003 = 100)

Date	ALL ITEMS 1,000			CORE 820		FOOD 180			TRANSPORT 167	
	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Y-o-Y %
Jan-06	117.10	0.34	7.04	106.30	2.52	166.30	-0.24	22.82	109.10	1.30
Feb-06	117.70	0.51	6.52	106.31	2.52	169.60	1.98	19.86	109.10	1.30
Mar-06	118.50	0.68	6.56	106.58	2.68	172.80	1.89	19.25	109.10	1.30
Apr-06	119.30	0.68	6.90	107.49	3.09	173.10	0.17	19.38	109.40	1.11
May-06	120.60	1.09	7.97	107.76	3.42	179.10	3.47	22.76	109.40	1.11
Jun-06	121.80	1.00	8.65	107.75	3.35	185.80	3.74	25.71	109.40	1.11
Jul-06	123.30	1.23	8.63	109.32	4.02	187.00	0.65	23.19	109.70	1.48
Aug-06	124.00	0.57	8.96	109.34	3.94	190.80	2.03	24.71	109.70	1.48
Sep-06	125.10	0.89	9.64	109.23	3.89	197.40	3.46	27.44	109.70	1.48
Oct-06	126.30	0.96	10.02	110.60	4.67	197.80	0.20	26.47	112.20	2.94
Nov-06	126.80	0.40	9.59	110.56	4.67	200.80	1.52	24.26	112.20	2.94
Dec-06	127.30	0.39	9.08	110.60	4.61	203.40	1.29	22.02	112.20	2.94
Jan-07	127.20	-0.08	8.63	111.00	4.42	201.00	-1.18	20.87	112.20	2.84
Feb-07	127.60	0.31	8.41	111.05	4.46	203.00	1.00	19.69	112.20	2.84
Mar-07	128.00	0.31	8.02	111.03	4.18	205.30	1.13	18.81	112.20	2.84
Apr-07	129.30	1.02	8.38	112.51	4.67	205.80	0.24	18.89	113.60	3.84
May-07	130.10	0.62	7.88	112.56	4.46	210.00	2.04	17.25	113.60	3.84
Jun-07	130.70	0.46	7.31	112.61	4.51	213.10	1.48	14.69	113.60	3.84
Jul-07	133.10	1.84	7.95	114.22	4.49	219.10	2.82	17.17	115.80	5.56
Aug-07	133.80	0.53	7.90	114.29	4.53	222.70	1.64	16.72	115.80	5.56
Sep-07	134.20	0.30	7.27	114.27	4.61	225.00	1.03	13.98	115.80	5.56
Oct-07	135.50	0.97	7.28	114.65	3.65	230.50	2.44	16.58	115.80	3.21
Nov-07	137.10	1.18	8.12	114.86	3.90	238.40	3.43	18.73	115.80	3.21
Dec-07	137.00	-0.07	7.62	114.94	3.93	237.50	-0.38	16.76	115.80	3.21
Jan-08	139.90	2.12	9.98	117.33	5.71	242.70	2.19	20.75	116.70	4.01
Feb-08	139.60	-0.21	9.40	117.32	5.65	241.70	-0.66	18.77	116.70	4.01

Date	HOUSING 262		HEALTH 51		EDUCATION 16		HOTELS, CAFES, REST. 30		ALCOHOLIC BEVERAGES 25	FURNISHINGS, HOUSEHOLD EQUIP. & MAINT. 54
	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Y-o-Y %	Y-o-Y %
Jan-06	106.90	1.42	112.20	6.45	118.70	14.91	115.40	6.46	4.38	2.19
Feb-06	106.90	1.42	113.30	7.29	118.70	14.91	115.40	6.46	3.40	2.19
Mar-06	107.20	1.52	114.90	8.81	118.70	14.91	115.40	6.46	4.06	2.19
Apr-06	108.20	2.46	117.90	9.57	120.00	12.04	115.90	6.82	5.20	3.17
May-06	108.20	2.46	118.00	9.67	120.00	12.04	115.90	6.82	12.67	3.14
Jun-06	108.20	2.37	118.50	9.93	120.00	12.04	115.90	6.82	13.76	3.14
Jul-06	109.60	3.59	120.70	11.04	120.00	12.04	118.00	5.36	14.69	3.02
Aug-06	109.50	3.50	120.60	10.44	120.00	12.04	118.00	5.36	15.02	3.01
Sep-06	109.50	3.50	120.80	10.72	120.00	12.04	118.00	5.36	15.12	3.02
Oct-06	110.80	4.14	122.30	11.28	131.80	11.04	119.70	6.21	19.23	3.70
Nov-06	110.80	4.14	121.40	10.67	131.80	11.04	119.70	6.21	20.71	3.70
Dec-06	110.80	4.14	121.50	10.05	131.80	11.04	119.70	6.21	20.20	3.70
Jan-07	111.50	4.30	121.60	8.38	131.80	11.04	123.50	7.02	18.69	2.66
Feb-07	111.70	4.49	121.80	7.50	131.80	11.04	123.50	7.02	19.29	2.66
Mar-07	111.90	4.38	121.60	5.83	131.80	11.04	123.50	7.02	18.44	2.66
Apr-07	113.60	4.99	124.20	5.34	133.80	11.50	123.70	6.73	18.24	2.44
May-07	113.70	5.08	124.30	5.34	133.80	11.50	123.70	6.73	9.65	2.47
Jun-07	113.70	5.08	124.50	5.06	133.80	11.50	123.70	6.73	9.03	2.47
Jul-07	113.80	3.83	125.80	4.23	133.80	11.50	126.90	7.54	8.37	1.40
Aug-07	113.80	3.93	126.10	4.56	133.80	11.50	126.90	7.54	8.33	1.40
Sep-07	113.80	3.93	126.10	4.39	113.80	11.50	126.90	7.54	8.40	1.40
Oct-07	114.90	3.70	127.00	3.84	150.20	13.96	136.90	14.37	7.32	0.66
Nov-07	114.90	3.70	127.40	4.94	150.20	13.96	136.90	14.37	12.13	0.66
Dec-07	115.00	3.79	127.30	4.77	150.20	13.96	136.90	14.37	12.95	0.66
Jan-08	115.20	3.32	129.90	6.83	150.20	13.96	140.10	13.44	13.75	1.03
Feb-08	115.30	3.22	130.10	6.81	150.20	13.96	140.10	13.44	13.33	1.03

Source: Central Statistical Office.

Appendix B
Price Movements in the Major Categories of the Food Sub-Index of the RPI, September 2007 - February 2008

(Year-on-Year Per cent Change)

	Weight	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08
FOOD AND NON-ALCOHOLIC BEVERAGES	**180.00**	**13.97**	**16.53**	**18.73**	**16.76**	**20.75**	**18.78**
FOOD	**156.20**	**14.47**	**17.34**	**19.78**	**17.69**	**22.15**	**20.06**
BREAD AND CEREALS	**31.21**	**8.07**	**8.33**	**8.82**	**10.38**	**14.08**	**16.04**
Bread	5.51	17.06	15.84	17.66	22.16	24.03	24.03
Cereals (Includes rice and flour)	18.74	4.52	4.96	4.47	5.23	10.50	13.22
Pasta Products	1.38	13.28	12.10	14.51	22.45	22.56	28.10
Pastry Cooked Products	5.27	9.66	11.14	13.48	13.45	14.71	15.57
MEAT	**29.21**	**14.79**	**15.63**	**13.40**	**12.13**	**13.68**	**14.41**
Fresh, Chilled or Frozen Beef	3.09	12.43	9.51	6.02	8.90	8.28	7.10
Fresh, Chilled or Frozen Lamb or Goat	1.13	4.53	7.47	9.16	8.11	9.00	7.21
Fresh Chilled or Frozen Pork	2.34	7.49	7.14	7.42	6.30	6.17	6.75
Fresh, Chilled or Frozen Poultry	18.18	18.52	20.04	17.23	14.69	17.28	18.64
Dried, Salted or Smoked Meat	4.10	7.55	7.55	5.43	6.71	6.01	6.35
FISH	**11.37**	**11.34**	**19.85**	**18.10**	**16.94**	**17.20**	**27.07**
Fresh, Chilled or Frozen Fish	7.21	12.49	21.76	18.82	16.75	17.85	31.84
Fresh, Chilled or Frozen Seafood	1.83	9.65	22.87	22.09	22.58	16.80	11.61
Other Preserved or Processed Fish	1.03	7.96	9.14	11.11	13.24	14.75	19.05
MILK, CHEESE AND EGGS	**19.05**	**17.61**	**22.24**	**26.17**	**27.13**	**28.39**	**32.09**
Whole Milk	1.75	20.36	23.04	22.58	22.12	22.71	27.47
Preserved Milk	9.22	19.50	23.48	28.57	28.90	29.47	30.86
Cheese, Yogurt & Milk Products	6.34	15.21	20.76	24.55	25.06	27.28	34.76
Eggs	1.74	12.58	19.44	21.02	28.25	30.68	33.65
OILS AND FATS	**9.07**	**5.49**	**5.89**	**4.51**	**6.41**	**6.77**	**9.49**
Butter	0.82	12.18	17.00	21.84	27.25	35.69	43.05
Margarine and Other Vegetable Fats	2.56	6.16	8.19	9.76	12.31	13.85	17.25
Edible Oils and Animal Fats	5.69	4.31	3.46	0.12	1.32	0.25	2.04
FRUIT	**14.28**	**32.76**	**29.97**	**36.25**	**28.87**	**34.80**	**30.26**
VEGETABLES	**21.84**	**14.44**	**19.85**	**24.61**	**22.03**	**30.15**	**21.62**
Fresh or Chilled Vegetables	12.09	3.91	14.58	19.54	16.86	43.75	42.33
Dried Vegetables	2.42	20.62	24.44	25.38	31.47	26.36	30.02
Fresh or Chilled Tuber Vegetables	7.33	19.36	22.45	27.28	24.28	24.04	12.00
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	**7.66**	**6.41**	**5.64**	**6.36**	**7.31**	**7.43**	**7.15**
OTHER FOOD PRODUCTS	**12.51**	**8.70**	**8.73**	**10.41**	**5.22**	**6.78**	**8.20**
NON-ALCOHOLIC BEVERAGES	**23.80**						
Coffee, Tea and Cocoa	3.06	2.39	2.19	0.73	(1.22)	(0.70)	0.86
Soft Drinks	13.33	9.29	8.61	7.01	5.75	3.98	2.71
Juices	7.40	7.49	7.04	7.14	9.16	7.66	7.86

Source: Central Statistical Office.

Appendix C
Index of Retail Sales: Base 2000=100
Base Period: Average of 4 Quarters 1996=100 (REVISED)

	ALL SECTIONS INDEX		DRY GOODS STORES		SUPERMARKETS AND GROCERIES		CONSTRUCTION MATERIALS AND HARDWARE	
Weights	1000		76		279		130	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Mar-05	139.9	15.1	165.7	6.3	136.2	9.7	129.2	10.1
Jun-05	146.7	12.5	191.1	10.5	145.6	10.8	132.6	-2.6
Sep-05	162.2	16.5	205.1	15.5	148.3	8.6	153.0	7.5
Dec-05	190.8	13.7	290.1	34.1	188.0	10.6	153.3	-2.5
2005	**159.9**	**14.4**	**213.0**	**17.9**	**154.5**	**10.0**	**142.0**	**2.7**
Mar-06	150.6	7.6	203.5	22.8	150.2	10.3	149.5	15.7
Jun-06	163.4	11.4	214.6	12.3	175.3	20.4	157.1	18.5
Sep-06	180.5	11.3	247.8	20.8	176.9	19.3	177.2	15.8
Dec-06	214.1	12.2	330.8	14.0	204.1	8.6	198.5	29.5
2006	**177.2**	**10.8**	**249.2**	**17.0**	**176.6**	**14.3**	**170.6**	**20.1**
Mar-07	182.6	21.2	239.2	17.5	175.6	17.6	179.7	20.2
Jun-07	195.0	19.3	270.2	25.9	189.1	7.9	222.7	41.8
Sep-07	211.6	17.2	308.2	24.4	202.9	14.7	229.4	29.5
Dec-07	262.1	22.4	452.8	36.9	242.6	18.9	304.1	53.2
2007	**212.8**	**20.1**	**317.6**	**27.5**	**202.8**	**14.8**	**234.0**	**37.2**

	HOUSEHOLD APPLIANCES FURNITURE AND OTHER FURNISHINGS		TEXTILES AND WEARING APPAREL		MOTOR VEHICLES AND PARTS		PETROL FILLING STATIONS		OTHER RETAIL ACTIVITIES*	
Weights	79		43		173		99		121	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Mar-05	100.7	23.0	80.0	33.1	165.1	32.3	130.9	2.5	161.9	19.4
Jun-05	108.6	17.4	73.8	2.8	173.1	29.1	137.9	10.7	157.1	12.0
Sep-05	120.0	24.7	148.1	67.9	185.6	38.1	138.9	4.2	195.4	11.1
Dec-05	284.9	12.6	134.6	18.8	194.7	25.9	146.0	17.2	178.8	10.9
2005	**153.5**	**17.3**	**109.1**	**30.9**	**179.6**	**31.1**	**138.4**	**8.5**	**173.3**	**13.1**
Mar-06	102.3	1.6	54.0	-32.5	172.1	4.2	140.5	7.3	162.9	0.6
Jun-06	120.8	11.2	70.9	-3.9	198.3	14.6	103.7	-24.8	170.1	8.3
Sep-06	140.1	16.8	95.2	-35.7	230.4	24.1	103.0	-25.8	199.0	1.8
Dec-06	292.8	2.8	110.4	-18.0	252.2	29.5	105.0	-28.1	200.7	12.2
2006	**164.0**	**6.8**	**82.6**	**-24.3**	**213.3**	**18.7**	**113.0**	**-18.3**	**183.2**	**5.7**
Mar-07	113.6	11.0	66.3	22.8	238.9	38.8	156.1	11.1	194.0	19.1
Jun-07	123.3	2.1	64.3	-9.3	242.3	22.2	158.9	53.2	186.9	9.9
Sep-07	150.8	7.6	67.5	-29.1	265.6	15.3	161.3	56.6	206.6	3.8
Dec-07	365.7	24.9	86.2	-21.9	282.4	12.0	147.9	40.9	201.5	0.4
2007	**188.4**	**14.8**	**71.1**	**-14.0**	**257.3**	**20.7**	**156.1**	**38.0**	**197.3**	**7.7**

Source: Central Statistical Office.

*Pharmaceuticals and cosmetics, books and stationary and jewellery.

Appendix D
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Trinidad & Tobago		Port of Spain		San Fernando		Arima Borough	
	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07
ALL ITEMS	1,000.00	9.43	262.65	9.20	128.70	8.74	52.09	9.77
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	18.78	27.25	18.35	17.27	22.15	8.13	27.25
FOOD	156.20	20.06	22.74	19.41	14.79	23.53	7.15	29.27
BREAD AND CEREALS	31.21	16.04	4.00	13.75	2.79	13.47	1.30	12.72
MEAT	29.21	14.41	3.21	17.17	2.45	8.86	1.43	11.95
FISH	11.37	27.07	1.81	40.40	1.00	20.12	0.44	15.30
MILK, CHEESE AND EGGS	19.05	32.09	3.24	30.99	1.87	29.44	0.79	34.75
OILS AND FATS	9.07	9.49	1.20	7.23	0.85	5.05	0.33	14.71
FRUIT	14.28	30.26	2.94	30.70	1.53	49.19	0.72	80.37
VEGETABLES	21.84	21.62	3.32	26.14	2.28	30.57	1.17	27.99
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	7.15	1.33	2.76	0.68	13.71	0.44	5.04
FOOD PRODUCTS N.E.C	12.51	8.20	1.69	(9.15)	1.34	5.18	0.53	26.19
NON-ALCOHOLIC BEVERAGES	23.80		4.51	6.59	2.48	6.35	0.98	2.11

Source: Central Statistical Office.

Appendix D (continued)
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Diego Martin		St. Anns (San Juan)		Tacarigua (Tunapuna)		Chaguanas Borough	
	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07
ALL ITEMS	38.52	5.14	45.17	15.04	123.49	7.50	111.64	10.96
FOOD AND NON-ALCOHOLIC BEVERAGES	12.00	5.25	17.92	23.70	20.23	12.78	19.75	21.45
FOOD	10.37	5.06	15.41	25.96	17.46	13.66	17.33	23.42
BREAD AND CEREALS	2.34	15.34	3.02	13.39	3.50	16.06	3.27	13.91
MEAT	1.99	2.11	2.57	31.63	3.52	17.46	3.32	9.75
FISH	0.72	11.01	1.17	27.30	1.13	20.25	1.22	26.91
MILK, CHEESE AND EGGS	1.56	31.68	2.08	31.45	2.28	25.23	1.87	41.75
OILS AND FATS	0.52	24.69	0.91	9.18	0.99	9.96	1.16	14.43
FRUIT	1.12	14.31	1.60	25.25	1.35	7.88	1.75	15.34
VEGETABLES	0.93	(5.39)	2.03	32.78	2.36	8.68	2.47	24.95
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.44	2.03	0.85	8.31	0.84	5.98	0.70	14.89
FOOD PRODUCTS N.E.C	0.75	4.70	1.18	19.48	1.49	5.98	1.57	59.60
NON-ALCOHOLIC BEVERAGES	1.63	7.35	2.51	1.63	2.77	6.72	2.42	(2.87)

Source: Central Statistical Office.

Appendix D (continued)
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Couva		Cocal (Rio Claro)		Manzanilla/Turere (Sangre Grande)		Naparima (Debe)	
	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07
ALL ITEMS	23.23	7.86	2.23	8.43	21.75	9.54	5.62	25.74
FOOD AND NON-ALCOHOLIC BEVERAGES	7.61	7.87	1.04	9.91	4.68	24.86	4.73	27.58
FOOD	6.75	8.00	0.95	10.22	4.17	26.22	4.10	31.39
BREAD AND CEREALS	1.28	16.54	0.25	10.96	0.85	23.19	0.96	16.16
MEAT	1.75	19.02	0.21	12.27	0.96	16.45	1.07	10.02
FISH	0.63	4.17	0.09	9.23	0.29	25.40	0.26	22.28
MILK, CHEESE AND EGGS	0.56	35.01	0.04	36.11	0.45	33.07	0.38	34.45
OILS AND FATS	0.43	11.18	0.07	(12.62)	0.26	8.31	0.23	6.52
FRUIT	0.56	14.94	0.10	18.47	0.30	68.30	0.17	45.74
VEGETABLES	0.77	4.31	0.09	19.34	0.62	26.06	0.57	43.74
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.25	8.47	0.03	3.03	0.16	8.15	0.14	7.78
FOOD PRODUCTS N.E.C	0.52	3.96	0.07	1.93	0.28	6.25	0.32	12.46
NON-ALCOHOLIC BEVERAGES	0.86	4.58	0.09	5.81	0.51	7.32	0.63	(7.49)

Source: Central Statistical Office.

Appendix D (continued)
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Savana Grande (Princes Town)		Siparia		Pt. Fortin		Tobago (Scarborough)	
	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07	Weight	Feb '08/ Feb '07
ALL ITEMS	13.12	15.03	48.14	7.34	28.07	9.56	95.58	9.48
FOOD AND NON-ALCOHOLIC BEVERAGES	8.30	16.87	10.80	18.68	6.25	19.91	14.04	24.37
FOOD	7.33	18.03	9.79	19.75	5.52	20.78	12.34	25.85
BREAD AND CEREALS	1.73	16.26	2.26	18.14	1.14	27.65	2.52	20.40
MEAT	1.40	31.69	1.99	9.54	1.28	7.93	2.06	8.52
FISH	0.26	23.68	0.60	57.13	0.32	0.72	1.43	27.03
MILK, CHEESE AND EGGS	0.79	27.43	0.84	27.38	0.62	23.57	1.68	39.71
OILS AND FATS	0.46	0.62	0.62	9.16	0.25	10.45	0.79	10.21
FRUIT	0.56	18.79	0.67	4.34	0.33	46.06	0.58	29.29
VEGETABLES	1.21	16.11	1.58	23.23	0.90	22.81	1.54	36.17
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.30	4.34	0.46	17.04	0.26	4.78	0.78	1.64
FOOD PRODUCTS N.E.C	0.62	2.36	0.77	14.72	0.42	16.98	0.96	6.27
NON-ALCOHOLIC BEVERAGES	0.97	4.19	1.01	2.45	0.73	5.02	1.70	5.26

Source: Central Statistical Office.

Appendix E
Index Of Retail Prices of Building Materials
Base Period: Average of 4 Quarters 1996=100 (REVISED)

		ALL SECTIONS			SITE PREPARATION, STRUCTURE & CONCRETE FRAME			WALLS AND ROOF			ELECTRICAL INSTALLATION AND FIXTURES		
Date		Index	Qtrly	Y-o-Y %	Index	Qtrly	Y-o-Y %	Index	Qtrly	Y-o-Y %	Index	Qtrly	Y-o-Y %
2004	I	116.3	1.31	2.02	142.6	1.93	3.78	124.9	1.71	1.63	99.4	0.10	-3.78
	II	122.6	5.42	6.42	158.3	11.01	13.72	133.1	6.57	7.43	105.3	5.94	4.36
	III	125.9	2.69	9.38	160.0	1.07	14.12	136.0	2.18	10.57	114.2	8.45	13.63
	IV	131.7	4.61	14.72	163.9	2.44	17.16	140.3	3.16	14.25	143.7	25.83	44.71
2005	I	133.2	1.1	14.5	165.5	1.0	16.1	141.7	1.00	13.45	151.2	5.22	52.11
	II	136.8	2.7	11.6	170.5	3.0	7.7	145.7	2.82	9.47	153.9	1.79	46.15
	III	140.3	2.6	11.4	175.8	3.1	9.9	150.2	3.09	10.44	155.2	0.85	35.91
	IV	143.3	2.1	8.8	181.8	3.4	10.9	154.6	2.93	10.19	152.3	-1.87	5.98
2006	I	147.2	2.7	10.5	187.2	3.0	13.1	157.1	1.62	10.87	161.1	5.78	6.55
	II	154.84	5.2	13.2	199.55	6.6	17.0	171.45	9.13	17.67	165.65	2.82	7.63
	III	162.79	5.1	16.0	209.64	5.1	19.3	180.61	5.35	20.25	186.28	12.46	20.02
	IV	167.75	3.0	17.1	217.93	4.0	19.9	184.80	2.32	19.54	191.60	2.86	25.81
2007	I	178.30	6.3	21.1	238.70	9.5	27.5	197.50	6.87	25.72	199.80	4.28	24.02
	II	181.22	1.6	17.0	246.18	3.1	23.4	199.85	1.19	16.57	203.24	1.72	22.70
	III	182.72	0.8	12.2	248.26	0.8	18.4	201.21	0.68	11.41	207.62	2.16	11.46
	IV	184.30	0.9	9.9	250.00	0.7	14.7	202.90	0.84	9.79	211.30	1.77	10.28
2008	I	185.90	0.9	4.3	251.60	0.6	5.4	205.40	1.23	4.00	208.80	-1.18	4.50

		PLUMBING & FIXTURES			WINDOWS, DOORS & BALAUSTRADING			FINISHING, JOINERY UNITS AND PAINTING & EXTERNAL WORKS		
Date		Index	Qtrly	Y-o-Y %	Index	Qtrly	Y-o-Y %	Index	Qtrly	Y-o-Y %
2004	I	105.0	-0.10	0.96	108.0	0.19	5.06	92.7	1.31	2.43
	II	105.7	0.67	2.52	108.1	0.09	0.19	92.8	0.11	1.42
	III	106.9	1.14	2.20	114.2	5.64	6.33	94.0	1.29	2.17
	IV	106.7	-0.19	1.52	114.8	0.53	6.49	97.0	3.19	6.01
2005	I	107.7	0.94	2.57	115.3	0.44	6.76	97.1	0.10	4.75
	II	109.1	1.30	3.22	115.6	0.26	6.94	101.3	4.33	9.16
	III	111.9	2.57	4.68	116.4	0.69	1.93	104.2	2.86	10.85
	IV	113.7	1.61	6.56	117.2	0.69	2.09	106.4	2.11	9.69
2006	I	114.4	0.62	6.22	118.6	1.19	2.86	108.1	1.60	11.33
	II	115.84	1.26	6.18	119.56	0.81	3.43	109.49	1.28	8.08
	III	115.17	-0.58	2.93	122.05	2.08	4.85	112.41	2.67	7.88
	IV	117.95	2.41	3.74	130.18	6.66	11.08	114.25	1.64	7.38
2007	I	116.90	-0.89	2.19	137.30	5.47	15.77	118.33	3.57	9.46
	II	118.34	1.23	2.16	135.63	-1.22	13.44	121.42	2.61	10.90
	III	119.18	0.71	3.48	136.24	0.45	11.63	121.94	0.43	8.48
	IV	122.80	3.04	4.11	136.70	0.34	5.00	122.10	0.13	6.87
2008	I	126.10	2.69	7.87	140.40	2.71	2.26	122.20	0.08	3.27

Source: Central Statistical Office.

Appendix F
Export and Import Prices Indices

(Per Cent)

		Import Prices			Export Prices			Net Barter Terms of Trade		
		Index Value	Quarterly change	Year-on-Year change	Index Value	Quarterly change	Year-on-Year change	Index Value	Quarterly change	Year-on-Year change
2003	I	108.19	1.1	1.8	109.13	-2.8	-0.8	100.87	-3.9	-2.5
	II	105.20	-2.8	-1.9	114.74	5.1	7.0	109.07	8.1	9.1
	III	113.06	7.5	9.2	113.06	-1.5	2.6	100.01	-8.3	-6.0
	IV	115.24	1.9	7.7	113.50	0.4	1.1	98.49	-1.5	-6.1
2004	I	123.20	6.9	13.9	117.60	3.6	7.8	95.45	-3.1	-5.4
	II	112.96	-8.3	7.4	114.70	-2.5	0.0	101.54	6.4	-6.9
	III	116.60	3.2	3.1	125.40	9.3	10.9	107.55	5.9	7.5
	IV	121.10	3.9	5.1	129.40	3.2	14.0	106.85	-0.6	8.5
2005	I	122.40	1.1	-0.6	127.23	-1.7	8.2	103.95	-2.7	8.9
	II	124.16	1.4	9.9	132.42	4.1	15.4	106.65	2.6	5.0
	III	130.40	5.0	11.8	143.15	8.1	14.2	109.77	2.9	2.1
	IV	129.30	-0.8	6.8	143.05	-0.1	10.6	110.64	0.8	3.5
2006	I	137.50	6.3	12.3	157.04	9.8	23.4	114.21	3.2	9.9
	II	135.20	-1.7	8.9	153.57	-2.2	16.0	113.58	-0.6	6.5
	III	133.38	-1.3	2.3	157.57	2.6	10.1	118.14	4.0	7.6
	IV	140.41	5.3	8.6	160.14	1.6	11.9	114.05	-3.5	3.1
2007	I	144.50	2.9	5.1	159.45	-0.4	1.5	110.35	-3.3	-3.4
	II	154.20	6.7	14.1	159.98	0.3	4.2	103.75	-6.0	-8.7
	III	159.10	3.2	19.3	167.20	4.5	6.1	105.09	1.3	-11.0
	IV[e]	166.30	4.5	18.4	203.93	22.0	27.3	122.62	16.7	7.5

Source: Central Statistical Office.

e – Estimate.

Appendix G
Stock Market Indices

	Index Values		Composite	All T&T	Composite	All T&T
	Composite	All T&T	Quarterly Change (%)		Year on Year Change (%)	
Mar-03	564.2	688.7	3.4	5.3	23.9	33.5
Jun-03	560.4	691.1	-0.7	0.3	16.5	27.1
Sep-03	600.0	759.1	7.1	9.8	22.8	37.9
Dec-03	694.1	912.0	15.7	20.1	27.2	39.4
Mar-04	839.4	1118.3	20.9	22.6	48.8	62.4
Jun-04	904.7	1155.5	7.8	3.3	61.5	67.2
Sep-04	962.7	1197.7	6.4	3.7	60.5	57.8
Dec-04	1074.6	1290.1	11.6	7.7	54.8	41.5
Mar-05	1148.5	1432.2	6.9	11.0	36.8	28.1
Jun-05	1170.3	1480.0	1.9	3.3	29.4	28.1
Sep-05	1082.9	1345.9	-7.5	-9.1	12.5	12.4
Dec-05	1067.4	1323.0	-1.4	-1.7	-0.7	2.5
Mar-06	958.6	1170.4	-10.2	-11.5	-16.5	-18.3
Jun-06	920.3	1168.4	-4.0	-0.2	-21.4	-21.1
Sep-06	868.8	1090.3	-5.6	-6.7	-19.8	-19.0
Dec-06	969.2	1205.7	11.6	10.6	-9.2	-8.9
Mar-07	929.1	1178.2	-4.1	-2.3	-3.1	0.7
Jun-07	918.8	1152.4	-1.1	-2.2	-0.2	-1.4
Sep-07	936.6	1179.6	1.9	2.4	7.8	8.2
Dec-07	982.0	1200.7	4.9	1.8	1.3	-0.4
Mar-08	992.9	1256.6	1.1	4.7	6.9	6.7

Source: Central Bank of Trinidad and Tobago.

Appendix H
Trinidad and Tobago Mutual Funds Under Management by Type of Fund

(TT $Million)

	TT$ Million			Aggregate Fund Value	Money Market	Equity	Aggregate Fund Value	Money Market	Equity
	Aggregate Fund Value	Money Market	Equity	Quarterly Percentage Change (%)			Year on Year Percentage Change (%)		
Mar-03	14,918.14	12,664.12	2,254.02	5.4	4.7	9.2	46.8	46.5	48.2
Jun-03	12,645.77	10,290.83	2,354.94	-15.2	-18.7	4.5	27.7	22.8	54.6
Sep-03	18,041.01	15,082.96	2,958.05	42.7	46.6	25.6	41.6	35.8	81.9
Dec-03	19,510.19	15,822.03	3,688.16	8.1	4.9	24.7	37.8	30.8	78.7
Mar-04	22,927.77	18,551.23	4,376.54	17.5	17.2	18.7	53.7	46.5	94.2
Jun-04	24,278.61	19,694.98	4,583.63	5.9	6.2	4.7	92.0	91.4	94.6
Sep-04	25,213.95	20,089.28	5,124.67	3.9	2.0	11.8	39.8	33.2	73.2
Dec-04	26,970.40	21,205.50	5,764.90	7.0	5.6	12.5	38.2	34.0	56.3
Mar-05	28,140.66	21,462.21	6,678.45	4.3	1.2	15.8	22.7	15.7	52.6
Jun-05	29,821.36	22,955.65	6,865.71	6.0	7.0	2.8	22.8	16.6	49.8
Sep-05	31,110.89	24,554.75	6,556.14	4.3	7.0	-4.5	23.4	22.2	27.9
Dec-05	31,304.82	25,029.62	6,275.20	0.6	1.9	-4.3	16.1	18.0	8.9
Mar-06	31,477.52	25,742.18	5,735.34	0.6	2.8	-8.6	11.9	19.9	-14.1
Jun-06	31,071.82	25,498.85	5,572.97	-1.3	-0.9	-2.8	4.2	11.1	-18.8
Sep-06	31,039.68	25,627.01	5,412.67	-0.1	0.5	-2.9	-0.2	4.4	-17.4
Dec-06	31,834.88	26,145.44	5,689.44	2.6	2.0	5.1	1.7	4.5	-9.3
Mar-07	32,172.25	26,441.20	5,731.05	1.1	1.1	0.7	2.2	2.7	-0.1
Jun-07	31,893.44	26,397.62	5,495.82	-0.9	-0.2	-4.1	2.6	3.5	-1.4
Sep-07	33,284.84	27,556.99	5,727.85	4.4	4.4	4.2	7.2	7.5	5.8
Dec-07	34,545.56	28,794.65	5,750.91	3.8	4.5	0.4	8.5	10.1	1.1

Source: Central Bank of Trinidad and Tobago.

Appendices:

Media Releases on the 'Repo' Rate from November 2007 to March 2008

1. **Media Release dated November 30, 2007 -**
   Central Bank Maintains 'Repo' Rate at 8.0 Per cent

2. **Media Release dated December 21, 2007 -**
   Central Bank Maintains 'Repo' Rate at 8.0 Per cent

3. **Media Release dated January 25, 2008 -**
   Central Bank Maintains 'Repo' Rate at 8.0 Per cent

4. **Media Release dated February 22, 2008 -**
   Central Bank Raises 'Repo' Rate to 8.25 Per cent and Increases Commercial Banks' Cash Reserve Requirement to 13 Per cent

5. **Media Release dated March 28, 2008 -**
   Central Bank Maintains 'Repo' Rate at 8.25 Per cent

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

The latest data released by the Central Statistical Office indicate that **headline inflation** measured **7.3 per cent** (year-on-year) in October 2007, the same rate as in the previous month. **Food prices**, the main stimulus to headline inflation, registered a year-on-year increase of **16.6 per cent** in October from 14 per cent last month. On a monthly basis, food prices rose by 2.4 per cent – the second largest increase for the year to date. The main contributors to food inflation were increases in the prices of bread and cereals (8.3 per cent), meat (15.6 per cent), vegetables (19.9 per cent), fish (19.9 per cent) and milk, cheese and eggs (22.2 per cent). The data also show that there were slower price increases for fruit (30 per cent compared with 32.8 per cent in September) and sugar and sugar-based products (5.6 per cent compared with 6.4 per cent).

Core inflation which had been hovering between 4.5 and 4.6 per cent for the last five months fell by a percentage point (the largest recorded decline for the year) to **3.7 per cent** in the twelve months to October 2007. More subdued increases in the cost of **transportation, housing services, health services** and in the prices of alcoholic beverages and tobacco contributed to a lower core inflation rate. By contrast, the sub-indices for Education and Hotels, Cafes and Restaurants posted year-on-year increases of 14 per cent and 14.4 per cent, respectively.

Net fiscal injections rose sharply in October and November but liquidity in the financial system was kept relatively tight as the Bank withdrew TT$2.4 billion in November through open market operations and foreign exchange sales. Notwithstanding this significant liquidity absorption, bank credit is still expanding at a relatively uncomfortable pace. In the twelve months to September, bank credit expanded by 21.1 per cent compared with 19.4 per cent in the previous month. The sharp increase in bank credit partly reflects a significant upsurge in consumer credit especially for the purchase of motor vehicles and for home renovation.

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Inflation control will continue to pose challenges for the remainder of the year especially in light of high energy prices, rising food inflation in global markets and recently announced domestic price increases. The probability of attaining an end-year inflation target of 7.0 per cent therefore remains delicately balanced.

The Bank is committed to maintaining a tight monetary policy with a strong focus on liquidity absorption so as to limit domestic demand and credit expansion.

Against this background, the Bank has decided to **maintain the current "Repo" rate at 8.0 per cent** while keeping monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for December 21, 2007.

November 30, 2007.

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- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	September 2007	October 2007	September 2007	October 2007
Headline Inflation	**0.3**	**1.0**	**7.3**	**7.3**
Food Prices	1.0	2.4	14.0	16.6
Bread and Cereals	0.8	0.3	8.1	8.3
Meat	2.3	3.0	14.8	15.6
Fish	0.7	3.1	11.3	19.9
Vegetables	0.8	5.3	14.4	19.9
Fruits	3.5	(0.9)	32.8	30.0
Milk, Cheese & Eggs	0.8	3.4	17.6	22.2
Oils and Fats	0.3	0.9	5.5	5.9
Sugar, Jam, Confectionery, etc.	1.4	0.1	6.4	5.6
Core Inflation	**0.0**	**0.3**	**4.6**	**3.7**
Alcoholic Beverages & Tobacco	0.2	2.7	8.4	7.3
Clothing and Footwear	(0.1)	0.6	2.6	3.3
Health	0.0	0.7	4.4	3.8
Rent	0.0	1.4	4.1	5.4
Home Ownership	0.0	1.2	4.5	4.1
Education	0.0	12.2	11.5	14.0
Of which:				
Tuition fees (all schools)	0.0	11.8	12.2	13.3
Examination Fees	0.0	12.8	6.5	15.4
Hotels, Cafes & Restaurants	0.0	7.8	7.5	14.4
Transport	0.0	0.0	5.6	3.2

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

Recent data released by the Central Statistical Office indicate that **headline inflation,** measured by the 12-month increase in the Index of Retail Prices, rose to **8.1 per cent** in November 2007 from 7.3 per cent (year-on-year) last month. This increase was led by food prices which rose by 18.7 per cent (year-on-year) in November from 16.5 per cent in October. On a **monthly basis, food prices** rose by **3.4 per cent** - the largest increase since September 2006. On a year-on year basis to November, increases in the prices of **fruits (36.3 per cent), milk, cheese and eggs (26.2 per cent), vegetables (24.6 per cent), bread and cereals (8.8 per cent) and sugar and sugarbased products (6.4 per cent)** were the main contributors to food price inflation. As regards the vegetables sub-index, there have been hefty increases in the prices of cucumbers (95.4 per cent), green pigeon peas (58.3 per cent) and carrots (13.5 per cent). NAMDEVCO, in its "GreenVine" bulletin for November 2007, notes that the prevalence of viral diseases (resulting from inclement weather conditions) has affected the supply of certain food crops, especially tomatoes and cucumbers.

Core inflation inched up to **3.9 per cent** on a year-on-year basis to November from 3.7 per cent in October. The up-tick in the core inflation rate reflected **higher prices for alcoholic beverages and tobacco (12.1 per cent)** and **clothing and footwear (3.9 per cent)** as well as the increased cost of **health services (4.9 per cent).** In the twelve months to November, the price of beer rose by 16.2 per cent from 6.7 per cent in the previous month. The increase in beer prices in mid-October by one of the large domestic breweries, along with strong demand associated with the Christmas season, has contributed to the higher prices for alcoholic beverages.

The increase in food prices has become a major challenge for many developed and developing economies. In addition to supply shortages created by inclement weather and the shift in utilization of agricultural commodities from food production to bio-fuels, many other developing countries including Trinidad and Tobago are feeling the effects of the depreciation of their respective domestic currencies against non-dollar currencies.

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Several countries have begun to take steps to contain imported inflation by reducing duties on imported food items. In the case of Trinidad and Tobago, however, the scope for further reduction in import duties remains relatively limited.

Global projections suggest continued increases in international food prices. These projections underscore the need for Trinidad and Tobago to control the domestic sources of inflation by increasing agricultural supplies and taking steps to contain demand pressures.

Whereas open market operations and increased sales of foreign exchange will continue to be major pillars of the Bank's monetary policy arsenal, additional measures will need to be taken to keep inflation within the targeted range.

The Bank has decided to **maintain the current "Repo" rate at 8.0 per cent** while keeping monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for January 25, 2008.

December 21, 2007.

/...3

- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	October 2007	November 2007	October 2007	November 2007
Headline Inflation	**0.9**	**1.2**	**7.3**	**8.1**
Food Prices	2.4	3.4	16.5	18.7
Bread and Cereals	0.3	1.1	8.3	8.8
Meat	3.0	2.5	15.6	13.4
Fish	3.1	2.8	19.9	18.1
Vegetables	5.3	3.6	19.9	24.6
Fruits	(0.9)	6.5	30.0	36.3
Milk, Cheese & Eggs	3.4	4.3	22.2	26.2
Oils and Fats	0.9	0.3	5.9	4.5
Sugar, Jam, Confectionery, etc.	0.1	1.4	5.6	6.4
Core Inflation	**0.3**	**0.2**	**3.7**	**3.9**
Alcoholic Beverages & Tobacco	2.7	6.4	7.3	12.1
Clothing and Footwear	0.6	0.1	3.3	3.9
Health	0.7	0.3	3.8	4.9
Rent	1.4	0.0	5.4	5.4
Home Ownership	1.2	0.0	4.1	4.1
Education	12.2	0.0	14.0	14.0
Recreation & Culture	(8.0)	0.0	(1.0)	(1.0)
Hotels, Cafes & Restaurants	7.8	0.0	14.4	14.4
Transport	0.0	0.0	3.2	3.2

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

The final inflation figures for 2007, released by the Central Statistical Office, indicate that **headline inflation** slowed to 7.6 per cent in the twelve months to December 2007 from 9.1 per cent in December 2006 and a high of 10.0 per cent in October 2006. **Food price inflation** slowed to 16.8 per cent on a year-on-year basis in 2007, from 22.0 per cent in December 2006 and from 26.5 per cent in October 2006. **Core Inflation**, which filters out the effect of food prices, slowed to 3.9 per cent in 2007 from 4.6 per cent in 2006.

The decline in inflation in 2007 fell somewhat short of the official 7 per cent target. However, in light of the unanticipated exogenous influences – most notably the significant global increase in food prices, the depreciation of the US dollar and the unprecedented rise in international energy prices – the reduction achieved represents considerable progress.

The decline in food prices in 2007 is largely attributable to the broadening of the agricultural distribution network which has created more of a direct link between farmers and consumers. This contributed to greater price awareness and facilitated comparison shopping among consumers. This decline notwithstanding, the level of food prices in Trinidad and Tobago continues to be a cause for concern and underscores the urgent need for a major expansion in domestic agricultural production. The Government has recently outlined a programme to boost production in the agricultural sector while CARICOM countries are also discussing a regional approach to counter rising food prices.

During 2007, fiscal injections continued to be very strong. The non-energy fiscal deficit remained at around 15 per cent of GDP for the second consecutive year compared with 11 per cent in fiscal 2005. Notwithstanding an increase in interest rates, private sector credit by the consolidated financial system continued to increase at a brisk pace facilitated by strong growth in consumer credit.

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- 2 -

In these circumstances, the relative success in reducing inflation in 2007 owes much to an aggressive programme of liquidity absorption.

Intensified open market operations led to the withdrawal, on a net basis, of $6.6 billion in 2007 compared with $626 million in 2006, while an additional $1.7 billion was removed from the system through the auction of long-term government bonds, the proceeds of which were sterilized at the Central Bank. The sale of foreign exchange also assisted with liquidity absorption. These actions resulted in a decline in the average level of excess reserves to $256 million in 2007 from $406 million in 2006. This tightening was reflected in increased activity in the interbank market. Commercial banks also accessed the "Repo" window at the Central Bank more frequently to meet their financial needs.

The relatively tight monetary policy stance has impacted short-term interest rates which trended upwards in 2007. The discount rate on the 3-month treasury bills increased to 7.0 per cent in December 2007 from 6.74 per cent in December 2006 while the interbank rate rose from an average of 6.19 per cent in 2006 to 7.23 per cent in 2007.

The Government has set an inflation target of 6.0 per cent for 2008. In the face of rising global food inflation, the achievement of this target will require a reduction in fiscal injections, a tighter monetary policy stance and an intensification of liquidity absorption. The revitalization of agricultural production will also facilitate inflation reduction. The Bank is in the process of finalizing its monetary policy measures for 2008 including its programme of liquidity absorption.

The Bank has decided to maintain the "Repo" rate at 8.00 per cent and will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for February 22, 2008.

January 25, 2008.

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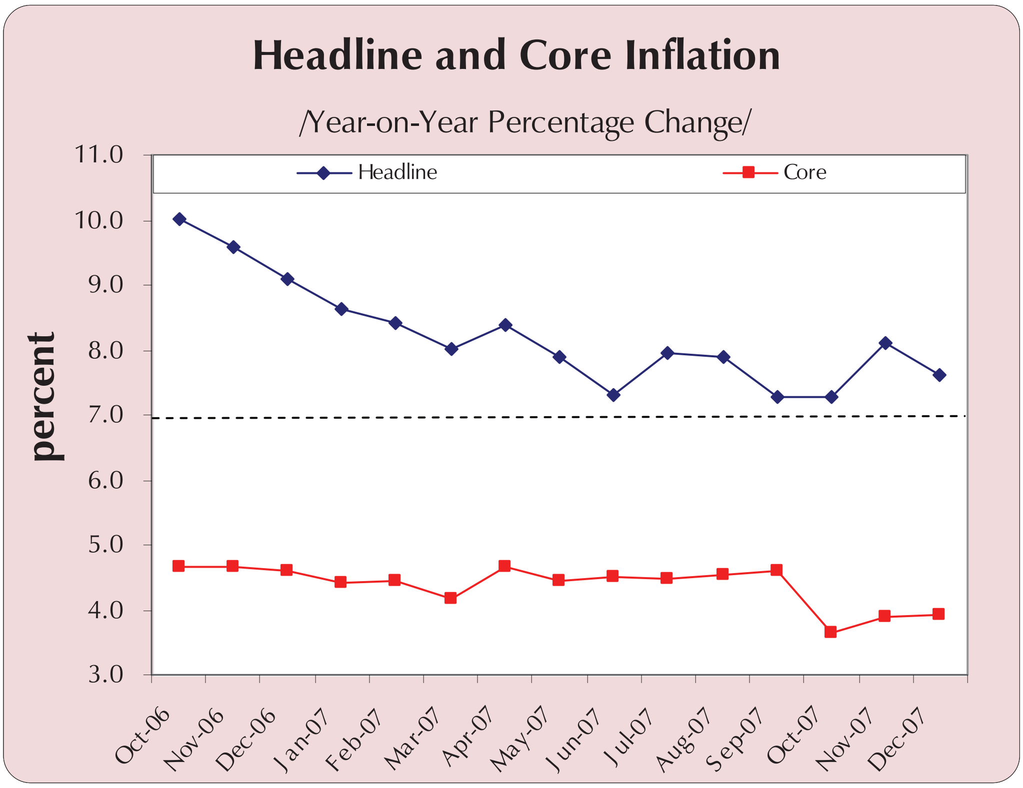
- 3 -


Headline and Core Inflation
/Year-on-Year Percentage Change/
percent
Headline
Core
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10.0
9.0
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4.0
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Oct-06
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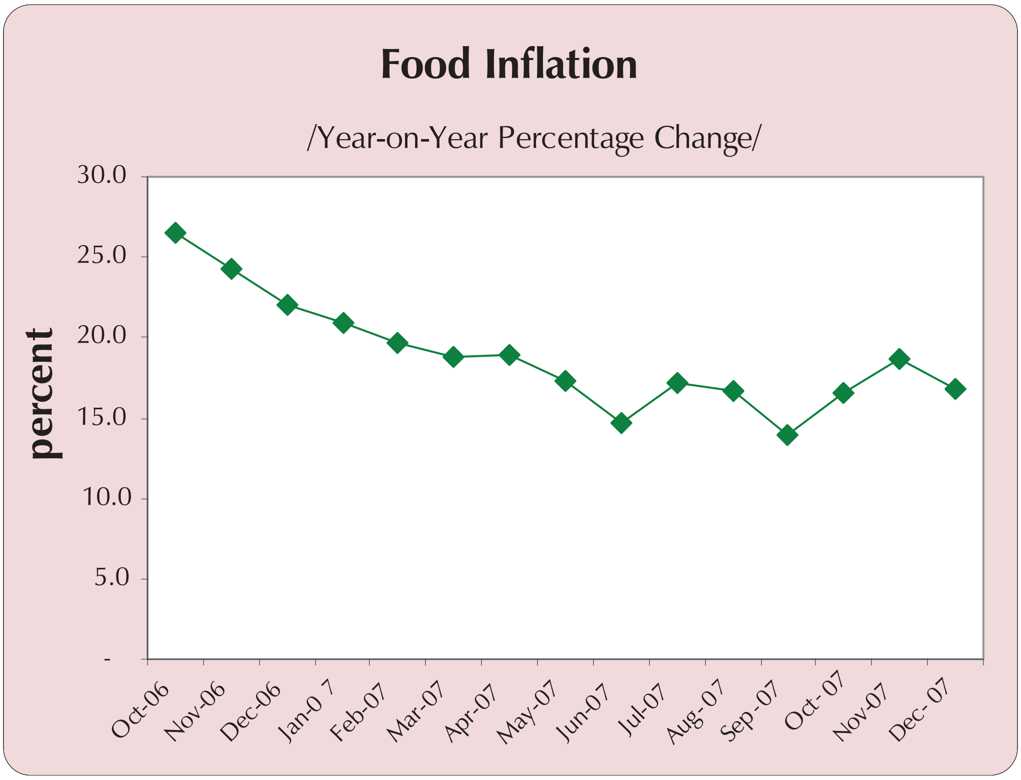
Food Inflation
/Year-on-Year Percentage Change/
percent
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25.0
20.0
15.0
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-
Oct-06
Nov-06
Dec-06
Jan-0 7
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Media Release

CENTRAL BANK RAISES 'REPO' RATE TO 8.25 PER CENT AND INCREASES COMMERCIAL BANKS' CASH RESERVE REQUIREMENT TO 13 PER CENT

The latest data released by the Central Statistical Office show that **headline inflation,** which had been trending downward for most of 2007, picked up momentum, rising to 10 per cent on a year-on-year basis to January 2008 from 7.6 per cent in December 2007. On a monthly basis, headline inflation measured 2.1 per cent in January 2008, the highest monthly increase since 2003. The current inflation spike was spurred mainly by increases in food prices but core inflation has also risen appreciably.

Food price inflation, which has been the main catalyst of headline inflation, registered an increase of 20.8 per cent in the twelve months to January 2008, compared with 16.8 per cent in December 2007. Comparing the twelve-month increases ending January 2008 with those of December 2007: the prices of **bread and cereals** rose by 14.1 per cent (compared with 10.4 per cent); **milk, cheese and eggs** prices rose by 28.4 per cent (compared with 27.1 per cent); **meat** prices rose by 13.7 per cent (compared with 12.1 per cent); the price of **fish** rose by 17.2 per cent (compared with 16.9 per cent); the price of **fruits** rose by 34.8 per cent (compared with 28.9 per cent); and **vegetable** prices rose by 30.2 per cent (compared with 22.0 per cent) (See Appendix Table 1).

The upward movement in the food prices sub-index is reflected in price increases in a number of basic food items. For instance, the price of cheese rose to $56.00 per kilogram in January 2008 from $47.50 in December 2007; the price of eggs (market) rose to $18.00 per dozen in January 2008 from $14.00 in December 2007 while the price of carnation evaporated milk (250 ml) rose to $5.25 in January 2008 from $5.00 in December 2007. As regards agricultural commodities, information obtained from NAMDEVCO also show significant price increases in January 2008 over a range of food items (See Appendix Table 2).

Core inflation, which excludes the volatile food price component, rose in January 2008 to 5.7 per cent on a year-on-year basis from 3.9 per cent in December 2007. This represents the highest monthly increase in the core rate of inflation since this indicator was established in 2003.

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Comparing the year-on-year increases in January 2008, with those of December 2007, the sub-index for **recreation and culture** increased by 14.1 per cent (compared with a decline of 1 per cent), **alcoholic beverages and tobacco** rose by 13.8 per cent (compared with 12.9 per cent), **health services** rose by 6.8 per cent (compared with 4.8 per cent) and the **transport** sub-index rose by 4.0 per cent (compared with 3.2 per cent). In the case of recreation and culture, the increase reflected a rise in airfares while the health sub-index was impacted by an increase of 13.4 per cent in doctors' fees.

The latest inflation data confirm that Trinidad and Tobago continues to face the systemic consequences associated with high oil prices and a booming economy. The challenges are, however, being aggravated by both global and domestic food price shocks. The underlying inflationary conditions are the result of continued high net fiscal injections and rapid bank credit expansion, in an environment of declining spare capacity. **Net fiscal injections** in the first four months of FY 2008 were 10 per cent higher than in the corresponding period of the last fiscal year and 40 per cent higher than in the same period of FY 2006. At the same time, the latest data show bank credit expanding by close to 22 per cent in 2007. Consumer credit has been expanding at close to the same rate.

The Bank has implemented a number of liquidity absoption measures, including open market operations, to dampen the consequential increase in money demand. Increased sales of foreign exchange have also assisted with liquidity absorption. While these measures have had some success, inflationary pressures, resulting from limited agricultural supplies and higher global food prices, have intensified.

In light of the larger than expected jump in inflation, and to dampen any increase in inflationary expectations, the Bank has decided to further tighten monetary measures as follows:

(i) The **'Repo' rate,** which has been kept unchanged for the past 17 months, has been increased by 25 basis points from 8.00 per cent to 8.25 per cent.

(ii) The cash reserve requirement applicable to commercial banks has been increased from 11 per cent to 13 per cent of prescribed liabilities. The cash reserve requirement on non-banks has been kept at 9 per cent of prescribed liabilities, for the time being.

The Bank will continue to intensify open market operations through sales of Government securities of varying maturities.

The next 'Repo' rate announcement is scheduled for March 28, 2008.

February 22, 2008.

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Appendix Table 1
MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	December 2007	January 2008	December 2007	January 2008
Headline Inflation	**(0.1)**	**2.1**	**7.6**	**10.0**
Food Prices	(0.4)	2.2	16.8	20.8
Bread and Cereals	1.4	3.5	10.4	14.1
Meat	2.8	1.4	12.1	13.7
Fish	5.2	1.3	16.9	17.2
Vegetables	(2.0)	3.6	22.0	30.2
Fruits	(4.9)	4.9	28.9	34.8
Milk, Cheese & Eggs	1.7	1.3	27.1	28.4
Oils and Fats	2.2	1.5	6.4	6.8
Sugar, Jam, Confectionery, etc.	0.9	0.5	7.3	7.4
Core Inflation	**0.1**	**2.1**	**3.9**	**5.7**
Alcoholic Beverages & Tobacco	1.0	1.1	12.9	13.8
Clothing and Footwear	0.6	0.4	4.7	2.3
Health	0.0	2.0	4.8	6.8
Of which:				
Phamaceutical Products	(0.1)	0.7	5.0	5.6
Medical Services	0.0	4.1	6.1	10.5
Of which:				
Doctors Fees	0.0	5.2	7.8	13.4
Rent	0.0	0.1	5.4	4.9
Home Ownership	0.0	0.3	4.1	3.5
Education	0.0	0.0	13.9	14.0
Recreation & Culture	0.0	13.1	(1.0)	14.1
Of which:				
Package Holidays	0.0	42.7	(14.3)	30.1
Hotels, Cafes & Restaurants	0.0	2.4	14.4	13.4
Transport	0.0	0.8	3.2	4.0

Source: Central Statistical Office.

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Appendix Table 2
RETAIL PRICES OF SELECTED GROCERY AND MARKET ITEMS

/Dollars/

Item	Unit	Nov-07	Dec-07	Jan-08
Kiss Milk Bread	590 g.	8.49	7.75	7.75
Carnation Evaporated Milk	250 ml.	4.99	4.99	5.25
Regular Cheese	kg.	47.49	47.49	55.99
Eggs (Market)	1 doz.	12.00	14.00	18.00
Kerrygold Irish Salted Butter	454 g.	17.99	27.99	27.99
Limes	1	1.00	0.50	1.00
Ripe Bananas (Gros Michel) - Medium	lb.	5.00	5.00	5.00
Tomatoes (Medium)	lb.	8.00	8.00	8.50
Cucumber	kg.	8.95	8.80	15.95
Cabbage	kg.	17.99	14.99	24.99
Pumpkin	kg.	3.19	3.81	4.66
Melongene	kg.	6.26	5.69	12.74
Sweet Pepper (Medium)	kg.	13.44	13.54	14.86
Carrot	kg.	10.26	11.02	11.64
Watermelon	kg.	6.72	6.16	7.77

Source: Central Statistical Office and NAMDEVCO.

Note: Prices for grocery items are for the Port-of-Spain area only.

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.25 PER CENT

According to the latest data released by the Central Statistical Office, **headline inflation,** measured **9.4 per cent** on a year-on-year basis to February 2008, compared with 10.0 per cent in the previous month.

Food prices, the main driver of headline inflation, increased on a year-on-year basis in February by 18.8 per cent compared with an increase of 20.8 per cent in January 2008. The increase in the food prices sub-index continues to be led by fruits (30.3 per cent on a year-on-year basis) and vegetables (21.6 per cent). There were also strong increases in the prices of fish (27.1 per cent), milk, cheese and eggs (32.1 per cent) and bread and cereals (16 per cent).

Core inflation, which filters out the impact of food prices, remained virtually unchanged from the previous month at 5.7 per cent with the sub-indices for health, education and alcoholic beverages and tobacco posting increases of 6.8 per cent, 14.0 per cent and 13.3 per cent, respectively.

As in several countries around the world, the escalation in food prices internationally is presenting major challenges for economic and social policy. In mid-March 2008, the Government announced a reduction in the Common External Tariff on a wide range of commodities. The Government has also appointed a high-level Ministerial Committee to accelerate the implementation of decisions agreed to at the National Consultation on Food Prices held in August 2007. The agreed package of measures includes new funding arrangements as well as fiscal incentives for farmers and the establishment of several large state farms.

These supply-side policies complement a number of monetary tightening measures announced last month. In late February 2008, the Bank raised the cash reserve requirement of commercial banks from 11 per cent to 13 per cent and simultaneously increased the 'Repo' rate by 25 basis points to 8.25 per cent. Commercial banks have since responded to these measures and have increased their prime lending rates by 50 basis points to 12.25 per cent. In addition, with effect from March 01, 2008, interest rates on new residential and commercial real estate mortgages at commercial banks have been increased by 50 basis points each.

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The loan rates on new and used motor vehicles are also expected to increase. The Bank is currently examining the impact of these recent measures on liquidity and bank credit expansion to the private sector.

Net fiscal injections have continued at elevated levels and the Bank has maintained a heightened level of open market operations. Increased sales of foreign exchange have also helped to absorb excess liquidity.

The outlook for prices remains uncertain especially against the background of rising global food inflation. In all likelihood, there would be need for further demand management measures while the supply-side policies are being implemented. In addition, policy would have to address the impact of the rise in inflationary expectations, which now constitute a major challenge following the recent resurgence of food inflation - both domestically and abroad - and the weak prospects for a reversal in the short term.

The Bank has decided to maintain the 'Repo' rate at 8.25 per cent and will keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for April 25, 2008.

March 28, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	January 2008	February 2008	January 2008	February 2008
Headline Inflation	**2.1**	**(0.2)**	**10.0**	**9.4**
Food Prices	2.2	(0.7)	20.8	18.8
Bread and Cereals	3.5	2.1	14.1	16.0
Meat	1.4	0.2	13.7	14.4
Fish	1.3	10.9	17.2	27.1
Vegetables	3.6	(4.7)	30.2	21.6
Fruits	4.9	(1.9)	34.8	30.3
Milk, Cheese & Eggs	1.3	2.7	28.4	32.1
Oils and Fats	1.5	2.8	6.8	9.5
Sugar, Jam, Confectionery, etc.	0.5	0.2	7.4	7.2
Core Inflation	**2.1**	**0.0**	**5.7**	**5.7**
Alcoholic Beverages & Tobacco	1.1	(0.1)	13.8	13.3
Clothing and Footwear	0.4	0.2	2.3	2.7
Health	2.0	0.2	6.8	6.8
Rent	0.1	0.0	4.9	4.9
Home Ownership	0.3	0.0	3.5	3.5
Education	0.0	0.0	14.0	14.0
Recreation & Culture	13.1	0.0	14.1	14.1
Hotels, Cafes & Restaurants	2.4	0.0	13.4	13.4
Transport	0.8	0.0	4.0	4.0

Source: Central Statistical Office.

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