Central Bank of Trinidad & Tobago

Monetary Policy Report

April 2009

Volume IX Number 1

MONETARY POLICY REPORT

APRIL 2009

VOLUME IX 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

APRIL 2009

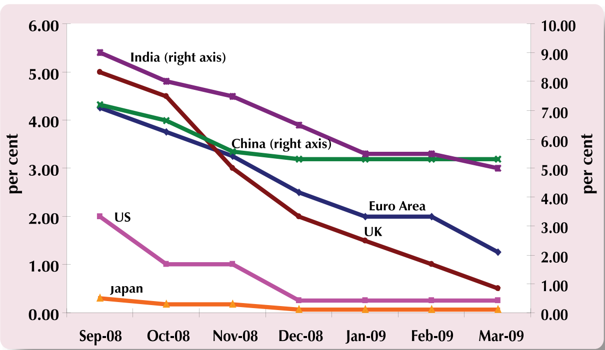
Part I - Overview

The International Setting

(a) Advanced Economies

Since the publication of the last Monetary Policy Report in November 2008, the financial crisis which erupted in the US in the third quarter of 2008 has intensified and the global growth prospects have deteriorated considerably. Moreover, the crisis has spread rapidly to the emerging market and developing economies, where the increase in joblessness, in the absence of comprehensive unemployment benefit schemes, is threatening to reverse gains in poverty reduction.

Chart Ia
International Economies - Policy Rates



In the last couple of weeks, there are initial signs that the global recession in the advanced countries may be abating. Most analysts, however, expect that the recovery, which could begin to take root in the third or fourth quarter, would be slow and weak, even if governments in the advanced countries intensify their programmes of fiscal stimuli and monetary policy easing (Chart Ia).

Meanwhile, the discussion on the size of the needed fiscal stimulus packages continues without consensus. The United States government has introduced fiscal stimulus amounting to 5.6 per cent of GDP and has been seeking further and synchronized fiscal stimulus from the other advanced countries. Japan has responded with additional fiscal stimulus but many EU countries consider additional actions premature and overly risky, in terms of their inflationary impact.

The International Monetary Fund has come out in strong support of additional fiscal stimulus. According to the latest IMF projections, world output will contract by 1.3 per cent in 2009, with the advanced countries registering a decline of 3.8 per cent. Within this latter group, real GDP is projected to decline by 2.8 per cent in the US, by 5.6 per cent in Germany and 6.2 per cent in Japan (Table Ia).

Table Ia
Advanced Economies - Annual GDP Growth

/per cent/	2007	2008	2009p
Advanced Economies	2.7	0.9	-3.8
of which:			
United States	2.0	1.1	-2.8
Euro Area	2.7	0.9	-4.2
Germany	2.5	1.3	-5.6
United Kingdom	3.0	0.7	-4.1
Japan	2.4	-0.6	-6.2

Source: IMF, WEO Database.

The global slowdown and the accompanying decline in consumer and business spending has resulted in a rise in job losses and in the unemployment rate in advanced economies. In the US, the unemployment rate is expected to reach 8.9 per cent in 2009 — the highest rate in twenty six years. In the euro zone the rate is expected to climb to 10.1 per cent in 2009 from 7.6 per cent a year earlier (Table Ib).

Table Ib
Advanced Economies - Unemployment Rate

/per cent/	2007	2008	2009p
Advanced Economies	5.4	5.8	8.1
of which:			
United States	4.6	5.8	8.9
Euro Area	7.5	7.6	10.1
Germany	8.4	7.3	9.0
United Kingdom	5.4	5.5	7.4
Japan	3.8	4.0	4.6

Source: IMF, WEO Database.

Inflation has also been on the decline following the sharp retreat in commodity prices and contracting global demand. In Germany and the Euro area, headline inflation is projected to slow to less than 1 per cent while in the US and Japan headline inflation rates are expected to fall below zero per cent (Table 1c).

Table Ic
Advanced Economies - Inflation Rates

/per cent/	2007	2008	2009p
Advanced Economies	2.2	3.4	-0.2
of which:			
United States	2.9	3.8	-0.9
Euro Area	2.1	3.3	0.4
Germany	2.3	2.8	0.1
United Kingdom	2.3	3.6	1.5
Japan	0.0	1.4	-1.0

Source: IMF, WEO Database.

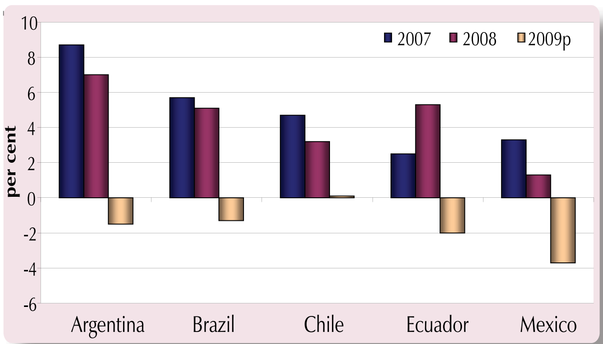
(b) Latin America

As noted above, the impact of the international crisis is now being firmly felt in the emerging market and developing countries. The global shocks are being transmitted through (i) lower demand for exports (ii) a dramatic drop in commodity prices (iii) weaker remittances and tourism exports and (iv) a tightening of external financing conditions.

Several countries in **Latin America** have seen a marked slowdown in economic growth, accompanied by a significant increase in joblessness. Coupled with the reduction in remittances and, in the absence of unemployment schemes, some countries could be witnessing a rise in poverty rates.

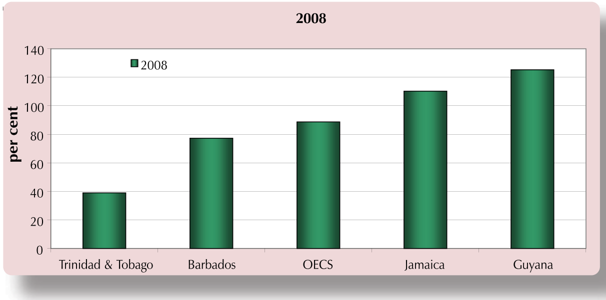
The significant reduction in economic growth projected for 2009, compared with the period of economic expansion over the past several years, is shown in Chart Ib.

Chart Ib
Real GDP Growth Rates in Selected Latin American Countries



The sharp change in economic fortunes in 2009 has prompted several Latin American countries to ease fiscal and monetary policies. The fiscal packages have included temporary tax cuts, investment in public infrastructure and the widening of the coverage of social programmes to ameliorate the effects of rising unemployment. The stimulus packages have also included guarantees on low interest loans from development banks.

Chart Ic
Total Public Sector Debt as a per cent of GDP: Selected Caribbean Economies



(c) CARICOM

The impact of the international crisis on CARICOM countries is also now very visible through a growth slowdown and an increase in unemployment. Jamaica, Barbados and the OECS countries are facing a decline in remittances and tourism revenues. In the case of Jamaica, remittances declined by 14 per cent in the first two months of 2009. In addition, Jamaica and Suriname (bauxite) and Trinidad and Tobago (oil and gas) also need to cope with the sharp decline in commodity prices.

In general, Caribbean governments are unable to adopt large stimulus programmes because of the limited fiscal space (Table Id) and the sizeable public debt burdens (Chart Ic). However, some governments have taken steps to lower bank interest rates, to provide special lending facilities for targeted sectors, financed by multilateral agencies (Barbados and Jamaica), and increase spending on infrastructure, financed by an increase in governments' borrowing ceilings (Grenada and the Bahamas).

Table Id
Fiscal Balances and GDP Growth 2008: Selected CARICOM Economies
(Per Cent)

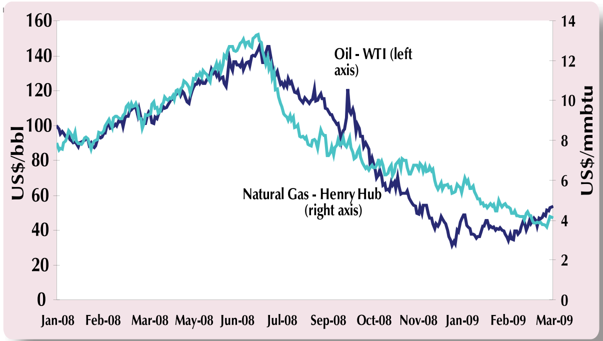
/per cent/	Fiscal Balance to GDP	Real GDP Growth
Barbados	-4.5	0.6
Jamaica	-4.6	-1.2
Trinidad and Tobago	6.5	3.5

Source: International Monetary Fund.

Domestic Developments

In Trinidad and Tobago, there are signs of a marked slow down in the pace of economic activity, prompted by a weakening in both external and domestic demand. In November 2008, the Government eased fiscal policy by reviewing the approved budget for FY 09 to provide for an overall deficit of 1.1 per cent of GDP. This compared with an initial projection of a virtual balanced budget and fiscal surpluses averaging 4.9 per cent of GDP over the previous three years. In the face of mounting evidence of the slowdown, additional fiscal stimulus or a marked easing of monetary policy has been postponed as inflation has remained at an elevated level, (over 10 per cent). At the present juncture, macro-economic management is forced to face the short-term trade-off between inflation and employment.

Chart Id
Energy Prices



External Demand

In the five months since October 2008, the volume of oil and petrochemical exports has declined by 11.6 per cent compared with the corresponding period of the previous year. The plunge in external demand for petrochemical exports in particular has impacted the domestic energy industry. Natural gas utilization fell by 2.1 per cent and is likely to remain low until there is some recovery in demand in the major markets (Table Ie). The volume decline has been accompanied by a dramatic fall in prices; 44 per cent for oil, 49.2 per cent for methanol and 17.2 per cent for ammonia (Chart Id).

With the difficulties being experienced by regional governments, and the slowdown in the tourism sector, non-energy exports to CARICOM have also been on the decline.

Table Ie
Exports of Selected Energy Commodities

Commodity	Oct '07 -Feb '08	Oct '08 -Feb '09	Percentage Change
Crude Oil (000 bbls)	8,997.9	8,408.0	(6.6)
LNG (000 metric tonnes)	5,438.2	5,687.5[p]	4.6
Methanol (000 tonnes)	2,556.9	2,052.8[e]	(19.7)
Ammonia	1,968.3	1,884.3	(4.3)
Memo Item:			
Natural Gas Utilization (mmcf/d)	3,765.2	3,687.0	(2.1)

Source: Ministry of Energy and Central Bank of Trinidad and Tobago.

The sharp reduction in global prices and demand has also been impacting investments in the energy sector. At least three proposed gas-based projects – Essar Steel Caribbean Limited, Phoenix Park / Isegen (Maleic Anhydride) and Lurgi/ Bassel (Methanol to Polypropylene) are in doubt. The National Gas Company (NGC) has also announced a delay in two of its pipeline projects – the Northeast Offshore and Union Estate - until 2010. The fall in the global demand for steel has also caused Arcelor Mittal to drastically reduce production. This firm shut down a 70 megawatt furnace and has temporarily ceased production of directly reduced iron (DRI).

Chart Ie
Commercial Banks' Credit to Private Sector
(Year-on-Year Per Cent Change)

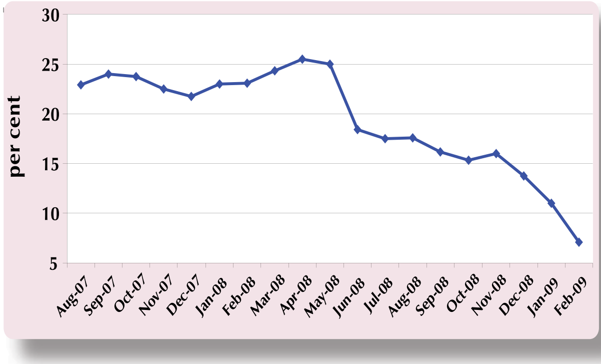


Chart If
Short Term Money Market Interest Rates

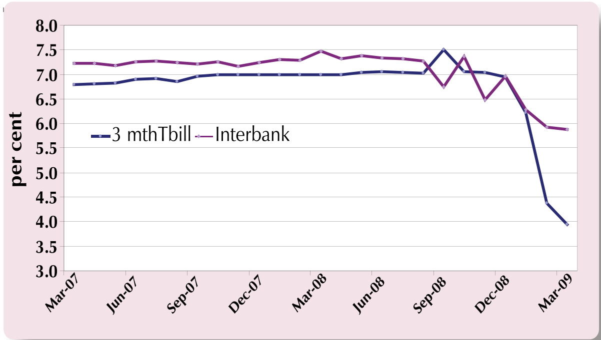


Chart Ig
Index of Retail Sales
(Year-on-Year Per Cent Change)

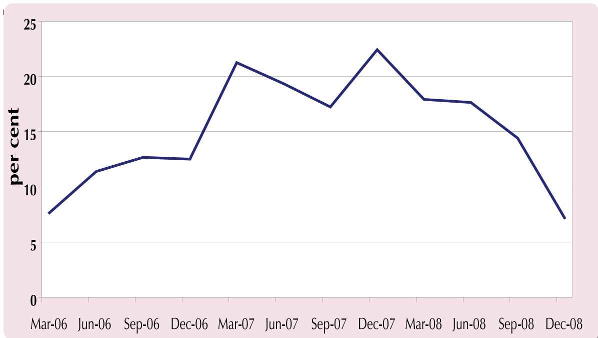
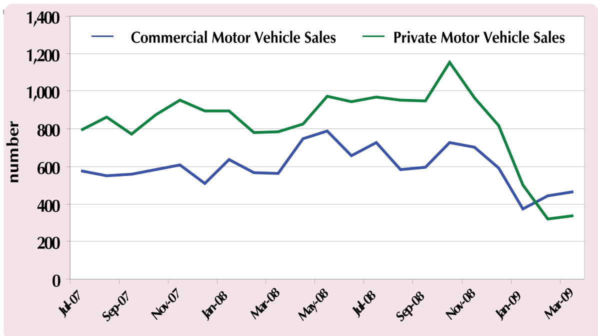


Chart Ih
New Motor Vehicle Sales



Domestic Demand

A recently developed **consumer confidence** index published by Market Facts and Opinions on behalf of one of the larger commercial banks in the domestic system points to changing consumer confidence about current business conditions. This survey indicates that eight out of ten consumers perceive business conditions to be worse compared to the previous year. With regard to business conditions in the ensuing twelve months, six out of every ten consumers expect business conditions to worsen in the short-term.

High commercial bank interest rates and waning consumer confidence have led to a sharp deceleration in **bank credit expansion to the private sector** (Chart Ie). This has left the banking system with significant excess liquidity, which has put downward pressure on short-term money market interest rates (Chart If).

The slower pace of economic activity is being reflected in a number of demand indicators. In the construction sector, **production and sales of cement** declined on average by 13.2 per cent and 18.7 per cent, respectively during the first three months of 2009.

The **retail sales index**, which is a gauge of consumer demand, fell to 7.2 per cent (year-on-year) in the fourth quarter of 2008 from 22.4 per cent in the corresponding period in 2007 (Chart Ig). Sales of textile and wearing apparel as well as construction and hardware material also displayed notable declines.

The relatively buoyant **new car sales** market has also begun to show signs of weakening with year-on-year sales in the first quarter of 2009 declining on average by 42 per cent. Sales of both commercial and private new cars fell sharply (Chart Ih). Anecdotal reports in the daily newspapers by used car dealers also point to a sharp reduction in the sale of foreign used cars.

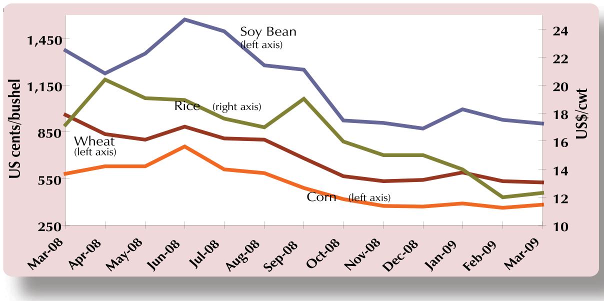
There has been a discernible slackening in the **labour market** since September 2008. During the seven months to April 2009, a number of job cuts have been announced in the energy, construction and manufacturing sectors. Within the energy sector, Arcelor Mittal, Neal and Massy Wood Group and Repsol have retrenched a total of 192 workers. In the hotel sector, Hilton Trinidad has laid off 200 part-time workers while in the communication sector, Digicel has offered 500 employees VSEP packages. Some preliminary statistics obtained from the industrial court indicate that firms have filed a total of 1,089 retrenchment notices.

Inflation and Macro-economic Policies

Inflation

Following the sharp retreat in global food and energy prices as well as contracting global demand, inflation at the global level has been falling sharply (Chart Ii).

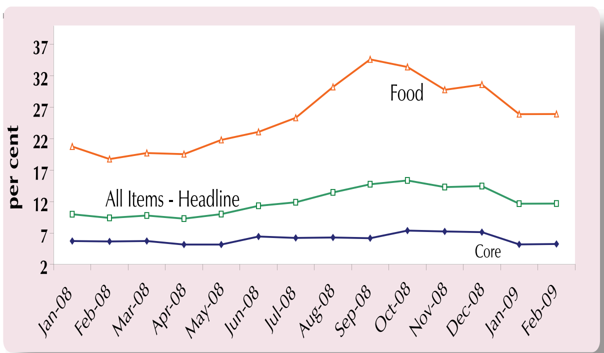
Chart Ii
Prices of Selected Food Commodities



On the domestic front, however, the reduction in inflation has not kept pace with the decline in global energy and food prices. After reaching a peak of 15.4 per cent (year-on-year) in October 2008, **headline inflation** declined to 14.5 per cent before falling to 11.7 per cent in January and February 2009. Food inflation, although on a declining trend, still remains significantly higher than a year ago (Chart Ij).

Core inflation, as well, has remained relatively sticky at around 5.0 per cent in the first two months of 2009. With domestic demand slated to slow in 2009, there is a strong likelihood that inflation will decline to single-digit levels, although not necessarily in a linear fashion. Wage-push pressures on inflation should also subside in an environment in which job losses are causing employees to place more attention on job security rather than wage increases.

Chart Ij
Index of Retail Prices
(Year-on-Year Per Cent Change)



Macro-economic Policies

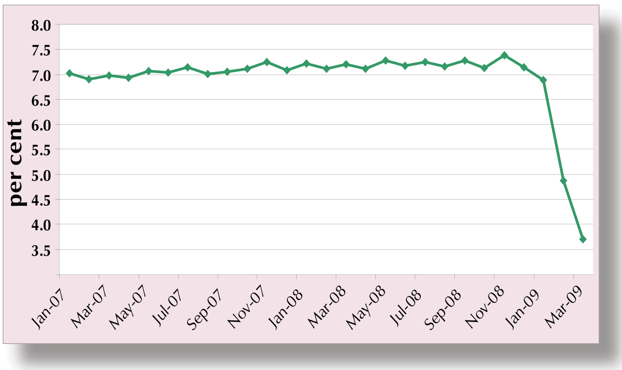
Fiscal Operations

Developments in the first five months of the fiscal year were broadly consistent with the more expansionary fiscal stance. The **overall budget** recorded a deficit of TT$2,957.3 million compared to TT$1,394 million in the corresponding period a year earlier. There was only a marginal increase in energy revenues but non-oil revenue has declined. On the expenditure side, the increase has been largely in current expenditure while capital expenditure has been lower than in the corresponding period a year earlier. The non-energy fiscal deficit which amounted to TT$10,574 million was 26.2 per cent higher than in the corresponding period of the previous fiscal year.

Monetary Policy

The progressive weakening of the global economy as well as the accompanying fall in inflation has led central banks across the globe to move towards significant monetary easing in an effort to stimulate credit markets and re-engender growth. Many central banks have significantly reduced their policy interest rates to or near the zero percentage bound.

Chart Ik
3mth Treasury Bill Yield



Monetary policy in the domestic economy has, however, had to pursue a different course in light of the substantial liquidity overhang and double-digit inflation. The average level of excess liquidity rose from $258 million in the first five months of 2008 to $900 million in the period June – December and, thereafter, to over TT$1.5 billion in the first two months of 2009. With the abundance of liquidity, 90-day treasury bill yields have declined to 3.28 per cent from a peak of 7.18 per cent in October 2008 (Chart Ik). Given the sharp rise in excess liquidity, commercial banks' use of the inter-bank market has been quite limited. The use of the Central Bank's repurchase facility has also been almost non-existent, reducing the effectivness of the 'Repo' rate except as a signalling mechanism to markets. With the decline in headline inflation from 14.7 per cent in December 2008 to 11.7 per cent in March 2009, the Bank lowered the 'Repo' rate by 25 basis points to 8.50 per cent in March 2009.

Exchange Markets

The persistent slippage in international oil and gas has created uncertainties as to the investment climate and has led to an increase in demand for dollar balances (Table If). In order to prevent excess volatility in the financial markets, the Central Bank has intervened to sell foreign exchange to the commercial banks. Given the strong economic fundamentals, the Central Bank is committed to continuing this policy since a sizeable depreciation of the exchange rate would complicate efforts to reduce inflation and contain wage pressures.

Table If
Foreign Exchange Sales and Purchases by Commercial Banks and NFIs
/US$ Mn/

	Purchases from Public	Sales to the Public	Net Sales	Purchases from Central Bank
2007	4,170.3	5,435.6	1,264.3	1,020.0
2008	5,785.2	6,466.3	681.1	822.8
Oct07 - Mar08	2,294.3	2,900.0	605.7	550.0
Oct08 - Mar09	2,275.0	3,059.8	784.8	701.2

Source: Central Bank of Trinidad and Tobago.

CIB / CLICO

In late January 2009, the Central Bank intervened in two financial institutions in the CL Financial Group — **CLICO Investment Bank** and **Colonial Life Insurance Company (Trinidad) Limited** — that were experiencing severe liquidity problems. One of the large domestic banks, in which CL Financial owns shares, experienced some initial contagion impact but concerns were quickly allayed as the Government's Restucturing Plan for the institutions became known. As of now, there is no evidence that the difficulties being experienced by the CL Financial Group are having any on-going contagion effects in the rest of the financial system. The CLICO / CIB developments, however, underscore the need for improved regulation of the financial system. In the short term, the Government's Restructuring Plan will have a fiscal impact.

Short-Term Economic Outlook

At the time of the last issue of the Monetary Policy Report (November 2008), it was already clear that the financial crisis was taking a toll on the Trinidad and Tobago economy and it was projected that there could be a slowdown in real GDP growth from an estimated 3.5 per cent in 2008 to around 2 per cent in 2009. At the time, it was also recognized that the global recession could be deeper and longer than envisaged, in which case, the fall-out on the domestic economy would have been greater.

As it has turned out, the downside risks envisaged in November have materialized in that global financial stress has turned out to be much stronger and more protracted than anticipated. World output is now expected to decline by 1¼ per cent in 2009, with broad-based contraction among the advanced countries and a whole range of emerging market and developing countries. According to the IMF projections, while a turnaround could start in the fourth quarter of this year and become more entrenched next year, the recovery is likely to be slow and weak.

The short-term outlook for the Trinidad and Tobago economy is very closely tied to the evolution of the global recovery and the way in which our macro-economic policy stance adapts to the changing circumstances.

The slow pace of global and regional recovery will continue to be reflected in sluggish demand for both energy and non-energy exports. In turn, depressed energy prices (expected to be below US$60 by year end) will continue to have a constraining effect on the budget and will also do little to lift the current depressed state of consumer sentiment which is contributing to a dampening in domestic demand. In these circumstances, the Bank has revised its GDP projection for 2009 to a range of zero to 1 per cent. This could imply further negative effects for business confidence and continuing layoffs.

A marked increase in unemployment will certainly increase public pressure for an urgent policy stimulus package – comprising monetary and/or fiscal policy measures - to help boost economic activity. The high level of commercial banks' (un-remunerated) excess reserves should ordinarily prompt a significant reduction in commercial banks' lending rates. However, this has not occurred and the Central Bank may need to play the signaling role through a faster reduction of the 'Repo' rate. It should be noted, however, that even a sizeable reduction in bank lending rates may not prompt the desired credit response, if consumer and business confidence remain at current levels.

Empirical evidence suggests that fiscal support tends to work faster in boosting domestic demand. However, as most governments have realized, there is a difficult balancing act between delivering a short-term expansionary boost while providing reassurance of medium-term fiscal discipline. The need to allocate fiscal resources to help in the restructuring of CLICO further complicates the short-term fiscal equation by reducing the space for budget expansion.

Some private sector organizations have issued a call for tax concessions to aid in the recovery. From the Bank's viewpoint, the correct balance between revenue concessions and increased expenditure is a difficult judgment call. Several emerging market countries are providing temporary assistance through tax concessions linked to retention or recruitment of labour. Tax concessions also tend to be more helpful to the economy as a whole when they are tied to innovation or productivity increases, or new market penetration.

On the expenditure side, the Government should continue its announced policy of focusing any additional spending this year on well-targeted social programmes or on high priority infrastructural spending. It is very important that any temporary increase in the budget deficit be made in the context of a resolve for a quick return to a sustainable medium-term fiscal position. Given the medium term projections for oil prices, and assuming that gas prices follow a similar trajectory, fiscal sustainability could mean a comprehensive revision of Government's medium term expenditure plans, based on lower energy price assumptions.

The continued softening of commodity prices and weaker private sector demand should continue to contribute to inflation reduction offset, of course, by the impact of the increase in the fiscal deficit. On balance, with a moderate amount of monetary easing, the Central Bank still expects inflation to decline to around 8 per cent by year's end.

A summary projection of the main aggregates for 2009 is provided in Table Ig.

Table Ig
Trinidad and Tobago : Selected Economic Indicators

	2008[e]	2009[f]
Real GDP (%)	3.5	0.0 - 1.0
Energy (%)	0.4	0.0 - 0.2
Non-Energy (%)	4.8	1.4 - 2.8
Inflation (y-o-y%)	14.5	8.0
Unemployment Rate (%)	4.9	6.0 - 7.0
Public Sector Debt/GDP (%)	39.0	42.0
Public Sector External Debt/GDP (%)	6.1	6.2
Fiscal Balance/GDP (%)	6.5	-1.0
Gross Official Reserves (US$ Bn)	9.4	8.5

Source: International Monetary Fund and Central Bank of Trinidad and Tobago.

Part II - International and Regional Developments

(i) International Developments

The financial crisis which began in the latter half of 2007 has exploded into one of the broadest and deepest crises that the world has experienced in the post - World War II period. The effects have been so significant that many of the advanced economies have entered into recession, and growth has begun to slow markedly in emerging and developing economies.

With both its real and financial sectors facing mounting pressures, the US authorities have implemented a number of measures aimed at stabilizing the financial sector and stimulating economic activity. These measures included a fiscal stimulus package worth US$750 billion; a US$700 billion Troubled Asset Relief Program (TARP) geared towards injecting capital into banks and purchasing impaired mortgage assets; a US$1 billion Term Asset Backed Security Lending Facility (TALF); and a financial stabilizing plan aimed at removing toxic assets, reviving credit markets and limiting home foreclosures through an injection of fresh capital up to US$2.7 trillion. Altogether, since February 2008, the US Government has committed upwards of US$3.0 trillion to stabilize financial markets and stimulate growth (Table IIa).

Despite these substantial injections of liquidity, the economic conditions in the US continued to deteriorate. Real GDP contracted by 6.3 per cent in the fourth quarter of 2008, the steepest decline in 25 years. The crisis has also had a severe impact on labour markets resulting in a significant rise in job losses, driving the unemployment rate to 8.5 per cent at the end of March 2009.

Table IIa
International Fiscal Stimulus Packages

Country	Purpose/Name of Plan	Size	Description
United States	Fiscal Stimulus Package – Feb 2008	US$170 billion	The Package includes rebate cheques for 100 million persons and tax cuts for businesses.
	Fiscal Stimulus Package – Feb 2009	US$789 billion	US$282 billion will be allocated to tax cuts for businesses and individuals. The rest is earmarked for direct spending by Government.
	Financial Stability Plan	Up to US$2.7 trillion	The plan aims to inject fresh capital into banks, remove toxic assets, revive credit markets and limit home foreclosures. It will employ and supplement both TARP and TALF. A Public-Private Investment Fund would be established with the assistance of the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC) and private sector participants, to fund up to $1 trillion in toxic assets, via capital raised from both private and public sources. The program would initially start at $500 billion and expand as the need arises..
	Troubled Asset Relief Program (TARP)	US$700 billion	The program includes injecting capital into banks and purchasing impaired mortgage related assets.
	Term Asset Backed Securities Lending Facility (TALF)	Up to US$1 trillion	Government lending to banks by purchasing troubled asset backed securities from financial institutions.
	Homeowner Affordability and Stabilization Plan	US$275 billion	The plan has doubled Fannie Mae and Freddie Mac's funding commitments to $100 billion each, and has allocated $75 billion to assist homeowners.
United Kingdom	Fiscal Stimulus Package	£50 million	The package includes funding to reduce unemployment through training and the provision of start-up capital for small business.
	Financial Relief Package	£500 billion	The package involves £50 billion geared towards recapitalizing ailing banks; £250 billion guarantee for banks' bonds and £200 billion in liquidity support.
	Financial Asset Purchase Facility	£50 billion	Involves the purchase of risky assets to unfreeze credit markets.
Germany	Fiscal Stimulus Package	€50 billion	Includes €18 billion in tax cuts and €17 billion in public infrastructure investments.
Japan	Fiscal Stimulus Package	US$107.5 billion	Includes tax cuts for lower income families, subsidies on food commodities and loan guarantees for small and medium sized businesses.
	Fiscal Stimulus Package	US $154 billion	Involves investment in low carbon technology, job creation, health and childcare and incentives to scrap old cars.
China	Fiscal Stimulus Package	US$586 billion	The focus is on lower income social infrastructure.
India	Fiscal Stimulus Package	US$60 billion	Government spending geared towards the export, real estate and infrastructure sectors.

Source: Central Bank of Trinidad and Tobago.

Meanwhile, the steep declines in international commodity prices and falling demand have helped to keep inflationary pressures in check. Headline inflation tapered off to zero per cent on a year-on-year basis to January 2009 compared with an increase of 4.9 per cent in September 2008. With inflation no longer a threat, the Federal

Reserve has shifted its attention to stimulating growth and lowered the federal funds target rate to a range between zero per cent and 0.25 per cent in December 2008. The Fed has also increased credit lines to banks and employed a range of non-interest rate measures to stimulate growth. Notwithstanding these efforts, growth prospects remain dim with real GDP expected to decline by around 2.8 per cent in 2009.

In the UK, the slowdown in economic activity intensified markedly in the fourth quarter of 2008 as consumer and business sentiment deteriorated sharply. Real GDP fell by 1.6 per cent in the fourth quarter of 2008 following a decline of 0.7 per cent in the third quarter (Table IIb). The manufacturing sector has been particularly affected by the fall in global demand and contracted by 5.1 per cent in the fourth quarter of 2008. Headline inflation increased slightly on a year-on-year basis to 3.2 per cent in February 2009, and remains outside the Bank of England's (BOE) target of 2 per cent (Table IIc). The Monetary Policy Committee however, holds the view that the substantive margin of spare capacity (and marked decline in energy prices) will push inflation below the target rate over the medium term. Over the period September – March 2009, the BOE has cut its policy rate by 500 basis points. At the end of March 2009, the rate stood at 0.5 per cent. With little room for further rate reductions, the BOE has engaged in "quantitative easing" to supplement its interest rate policy. Like their US counterpart, the UK authorities have provided direct assistance to their financial institutions through insuring risky assets and recapitalizing some banks.

Table IIb
Advanced Economies - Quarterly GDP Growth

/per cent/	2007		2008			
	III	IV	I	II	III	IV
United States	4.8	-0.2	0.9	2.8	-0.5	-6.3
United Kingdom	0.6	0.9	0.4	-0.1	-0.7	-1.6
Euro Area	0.6	0.4	0.7	-0.3	-0.3	-1.6
Japan	0.4	1.0	0.3	-1.2	-0.4	-3.2

Source: Bloomberg.

Table IIc
Headline & Food Inflation in Developed Markets

Country	Oct 2008		Nov 2008		Dec 2008		Jan 2009		Feb 2009	
	Headline	Food	Headline	Food	Headline	Food	Headline	Food	Headline	Food
Developed Countries										
United States	3.7	6.1	1.1	5.9	0.1	5.8	0.0	5.2	0.2	4.8
United Kingdom	4.5	10.1	4.1	10.6	3.1	10.4	3.0	10.2	3.2	11.5
Euro Area	3.2	4.7	2.1	3.7	1.6	3.2	1.1	2.6	1.2	2.3
Japan	1.7	1.9	1.0	1.0	0.4	0.2	0.0	0.0	-0.1	0.0

Source: Bloomberg.

Table IId
Headline Inflation in Emerging Markets

	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009
Emerging Markets					
Brazil	6.4	6.4	5.9	5.8	5.9
China	4.0	2.4	1.2	1.0	-1.6
Russia	14.2	18.8	13.3	13.4	14.0

Source: Bloomberg.

Economic activity in the 16 nation **Euro-area** continued to decline, falling by 1.6 per cent in the fourth quarter of 2008, after contracting by 0.3 per cent in the second and third quarters of the year. There was a general contraction in all the major European economies with Germany, in particular, being heavily impacted by the collapse in global demand. Inflationary pressures also eased in the euro-zone, with price increases slowing to 1.1 per cent in January 2009, compared with 3.6 per cent in September 2008. With inflation comfortably below the European Central Bank's (ECB) target of 2.0 per cent, the ECB cut its key policy rate in March 2009 to 1.5 per cent, its fifth cut since September 2008. Nevertheless, with global demand expected to remain relatively weak, euro-zone GDP is expected to decline by 4.2 per cent in 2009.

Japan, the world's second largest economy, is also experiencing recessionary conditions, as its export sector contracted sharply in the face of weak global demand. Real GDP fell by 3.2 per cent in the fourth quarter of 2008, the second-largest drop since 1974, and follows contractions of 0.4 per cent and 1.2 per cent in the third and second quarters, respectively. Sluggish internal demand also increases the risk that Japan may revert to the deflationary cycle that plagued the economy in the 1990s. In an effort to mitigate the negative effects of the global economic slowdown, the Bank of Japan lowered its key rate from 0.3 per cent to 0.1 per cent in December 2008. However, with interest rates near to zero, economists are concerned that Japan may have once again fallen into a "liquidity trap".

In **China**, economic growth slowed to 6.8 per cent (year-on-year) in the fourth quarter of 2008, from 9.0 per cent in the previous quarter (Table IIe). With mounting concerns that the economy may be slowing too quickly, the Bank of China has begun to ease its monetary policy stance. Since September 2008 to the present, the Bank has reduced its benchmark one-year lending rate by 189 basis points to 5.31 per cent, and lowered its commercial banks' reserve requirement ratio by 3.5 percentage points to 13.5 per cent. It is anticipated that China's growth will continue to moderate in 2009, slowing to around 6.5 per cent.

Table IIe
Emerging Economies - Quarterly GDP Growth
(Year-on-Year Per Cent Change)

/per cent/	2007		2008			
	III	IV	I	II	III	IV
Brazil	5.4	6.1	6.1	6.2	6.8	1.3
China	11.5	11.2	10.6	10.1	9.0	6.8
India	9.1	8.9	8.8	7.9	7.6	5.3
Russia	7.1	9.0	8.7	7.5	6.0	1.2

Source: Bloomberg.

The rate of economic expansion in **India** slowed to 5.3 per cent (year-on-year) in the fourth quarter of 2008, the slowest pace of expansion in the last six years. India's agricultural and manufacturing sectors, which together account for roughly one third of GDP, both contracted in the final quarter of the year. Against the backdrop of a rapidly slowing growth rate and moderating inflation, the Reserve Bank of India (RBI) eased its tight monetary policy stance. Between September 2008 and March 2009, the RBI cut its 'Repo' rate by 400 basis points to 5 per cent and reduced the cash reserve ratio by 4 percentage points to 5 per cent.

(i) Regional Developments

In 2008, the CARICOM territories felt a substantial backlash from the deepening of the economic turmoil in developed countries. Growth in the region is estimated at 2.9 per cent, which was more than a full percentage point behind last year's expansion. Most of the impact was felt in the third and fourth quarters of the year as global demand for goods - particularly commodities and services - slowed dramatically. In the region, real GDP in Barbados and the Eastern Caribbean Currency Union (ECCU) slowed to 0.6 per cent and 2.5 per cent, respectively. The economies of Jamaica and the Bahamas experienced contractions of around 1.2 per cent (Table IIf).

Table IIf
Real GDP Growth Rates - Selected CARICOM Economies

	2006	2007	2008^{e}	2009^{f}
Bahamas	3.4	2.8	-1.3	-4.5
Belize	4.7	1.2	3.0	1.0
Jamaica	2.5	1.4	-1.2	0.0 to -2.0*
Guyana	5.1	5.4	3.2	2.6
Barbados	3.3	3.4	0.6	0.0 to -2.0*
ECCU	5.9	5.2	2.5	0.8*
Suriname	5.5	5.5	6.5	2.8
Trinidad & Tobago	13.3	5.5	3.5	0.0 to 1.0*

Source: International Monetary Fund.

* - Represents relevant Central Bank forecasts.

The Caribbean region presents an interesting mix of commodity and service-dependent sectors that are now feeling the effects of the global slowdown. Tourism in Barbados experienced its worst showing for many years with long stay arrivals falling by about 2.0 per cent, after averaging growth of almost 3.0 per cent in the previous five years. In Jamaica, total stopover arrivals contracted in the last quarter of 2008 by 1 per cent while in the Bahamas, occupancy levels in the hotel sector weakened significantly during the final quarter of 2008.

With respect to commodities, Trinidad and Tobago experienced a rapid decline in the international price of oil while developments in the bauxite sector in Jamaica, though not as dramatic, were not encouraging. Bauxite production in Jamaica in the fourth quarter grew by just 0.7 per cent as inventory levels were reduced in light of falling international demand. Globally, bauxite demand is estimated to have declined by 1.6 per cent in 2008.

In many cases, official statistics are not yet available on the changing unemployment situation but anecdotal evidence and newspaper reports suggest that the pace of layoffs is increasing. The unemployment rate in Barbados at the end of the third quarter 2008 measured 8.4 per cent, up from 7.4 per cent at the same period in 2007. In the Bahamas, the rate is likely to have inched up also as the lethargy in the tourism industry in the latter half of 2008 and lower bookings for 2009 have induced the shedding of 1,241 jobs in the hotel sector. Layoffs in the construction sector as a result of cancelled projects are likely to add to this number. Jamaica lost over 9,000 jobs in 2008 compared to around 1,000 in 2007 and, in January 2009 alone, over 450 job cuts have been announced.

During the first half of 2008, rising food and energy prices led to persistent inflationary pressures. Since Caribbean countries are highly dependent on imports for most of their food and energy requirements, and since many of them have implemented mechanisms for the full "pass-through" of increases in energy prices (Table IIg), the overall impact of international price increases on inflation was significant.

Table IIg
Prices of Selected Energy Commodities

Commodity	2007	2008	Feb-09
Bauxite (US$/tonne)	25.40	26.00	n.a
Crude Oil (US$/bbl)	72.25	99.63	39.08
Natural Gas (US$/mmbtu)	6.98	8.86	4.50
Methanol (US$/tonne)	434.17	504.33	204.00
Wire Rods (US$/tonne)	529.72	1,173.85	485.00

Source: Platts Oilgram Price Report; Bloomberg; Green Markets; Fertilizer Week; Monthly Methanol Newsletter (TECNON); Metal Bulletin.

Table IIh
Annual Average Inflation Rates - Selected CARICOM Economies

	2006	2007	2008	2009f
The Bahamas	1.8	2.5	4.5	1.8
Barbados	7.3	4.0	8.3	1.4
Belize	4.2	2.3	6.4	3.5
Guyana	6.7	12.2	8.1	3.6
Jamaica	8.5	9.3	22.0	9.1
Suriname	11.3	6.4	14.6	4.8
Trinidad and Tobago	8.3	7.9	12.0	7.3

Source: IMF, WEO Database.

Towards the latter part of the year, however, inflationary impulses slowed considerably as the correction in international food and energy prices fed through to domestic prices. In Barbados, inflation was estimated at 8.3 per cent for the year, compared with 4.0 per cent in the previous year. In Belize, the headline rate soared to average 6.4 per cent, from just over 2 per cent in 2007 while in Jamaica, headline inflation for 2008 came in at 22 per cent, significantly higher than the increase of 9.3 per cent recorded in 2007 (Table IIh).

Despite the difficulties in the real sectors of the Caribbean occasioned by the global slowdown, the impact on the financial sectors was relatively well contained. Most countries have reported that their financial systems remain sound and have not been directly affected by international events. Only in Jamaica was there a pronounced fall-out, which arose from the fall in the prices of the country's global bonds and consequent calls for additional collateral against loans backed by these securities. Foreign exchange demand therefore increased to meet these requirements. In addition, as in some other regional economies, lines of credit to some financial institutions and firms were cut. The increased demand for foreign exchange led to pressures on the foreign exchange market and some depreciation in the domestic currency. In response, the Central Bank adopted a range of measures aimed at increasing foreign exchange supply and restricting its demand. These included the establishment of Special Loan and Intermediation facilities and increases in interest rates and statutory cash reserve requirements.

Other countries also felt compelled to institute measures, mostly fiscal, in answer to possible global overspills. In October 2008, the Central Bank of Barbados reduced the minimum rate on deposits, and in December the discount rate was lowered. Both were in support of economic activity. The OECS economies adopted special fiscal measures ranging from the reduction of rates and taxes for certain types of activities to the implementation of fiscal stimulus packages. In terms of external financing, Jamaica successfully accessed funding from the Inter American Development Bank specifically for dealing with the fall-out from the international crisis (Table IIi).

Table IIi
Summary of Measures Implemented by Caribbean Countries to tackle the international economic crisis

	Fiscal policy	Sectoral policies	Social policies
Bahamas	Government has implemented a fiscal stimulus package to dampen the fall-out in growth and employment. Key infrastructure projects have been fast-forwarded and the borrowing requirement has been increased to maintain employment and aggregate demand. This would lead to an above trend expansion in the fiscal deficit and higher, but sustainable debt levels.	An aggressive tourism marketing campaign is being undertaken to maintain leading hubs and to create new ones in the US.	Excess funds in the Medical Benefit Branch of the National Insurance Board (NIB) have been used to provide unemployment relief for workers who have lost their jobs or have been placed on reduced work-weeks.
Barbados	Tax exemptions for essential consumption items. Increased capital transfers and subsidies for educational institutions and public infrastructure agencies.	Establishment of leasing and credit programs for farmers. Increased marketing for the tourism sector.	Temporary subsidies for basic food items, like flour. Expansion of welfare grants and pensions. Establishment of tax exemptions for low income workers. Establishment of conditional transfers program under consideration.
Belize	Belize did not implement any fiscal measure targeted at mitigating the impact of the global crisis. Taxes on fuel were cut to dampen the high cost of living. This should lead to deterioration in the fiscal position.	A revitalised national financial institution has been mandated to provide credit to small farmers to maintain production and productivity levels, in the wake of the intensified shortage of credit to the sector.	A World Bank-supported programme of conditional cash transfers has been put in place to provide relief for vulnerable segments of the population badly affected by the global economic crisis.
Guyana	Reduction of excise tax on fuel products and establishment of a zero rate on the value added tax for a list of basic consumption goods. Increase of the threshold for the personal income tax. Renewed efforts to secure and conclude debt relief agreements and keep external lines of credit open.	Cash subsidies and capital transfers to the electricity sector. "Grow more" campaign in the agricultural sector.	Direct intervention in the flour, rice and sugar markets through cash transfers to producers and suppliers and the introduction of subsidies. Adjustments in wages and salaries of public workers and pensioners to compensate for the increased cost of living.
Jamaica	New loans contracted with multilateral agencies for social and economic development purposes. Implementation of an economic stimulus package that includes tax cuts and low cost loans for business, manufacturing and tourism activities.	Marketing in main tourism markets and promotion of alternative new tourism areas like sport and community tourism. Establishment of promotional programs and subsidies to boost agricultural output.	Salaries increase for public servants. Subsidies for basic food items. Adjustment of the national minimum wage.
Suriname	No official policy response as yet.	No official policy response as yet.	No official policy response as yet.
Trinidad and Tobago	In the face of a shortfall in projected revenue given the decline in energy prices, the government has cut current spending and postponed some non essential investment projects, but still allowing for a fiscal deficit of 1.3% of GDP for fiscal year 2008/09 to sustain economic activity (originally it was a balanced budget).	Bailout of CLICO to prevent contagion to other financial institutions; improvement of regulation and supervision of the financial sector.	Maintain key social programmes to provide employment to the poor.
ECCU	Engage in targeted Public Sector Investment programmes to stimulate economic activity; Maintain the level of ongoing economic activity by supporting the tourism industry in their cost reduction and marketing strategies.	Strengthen oversight of domestic bank; Complete the regulatory framework for the entire financial system and construct money and capital market arrangements to facilitate the provision of liquidity and investment finance.	Provide efficient and effective social safety net programmes to address the needs of the poor, indigent and the vulnerable.
Antigua and Barbuda	Approached the Caribbean Development Bank with a view toward accessing a policy based loan of EC$82 million to augment government revenues.		Creation of an Unemployment Fund to provide income for persons who have lost their jobs. Eligible persons will receive 60% of their basic weekly earnings. This will be administered by the existing Social Security Scheme.

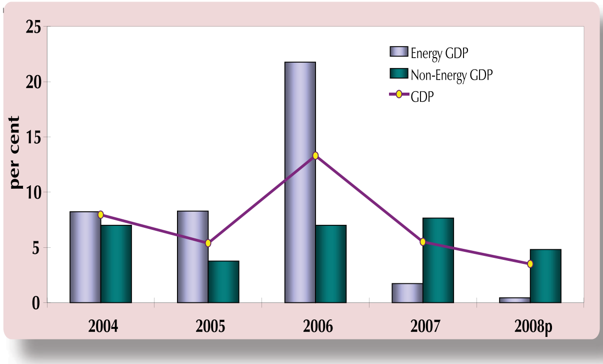
Source: ECLAC based on official information, Preliminary Overview of the Caribbean, February 2009.

Part III - Domestic Economic Developments

Real GDP

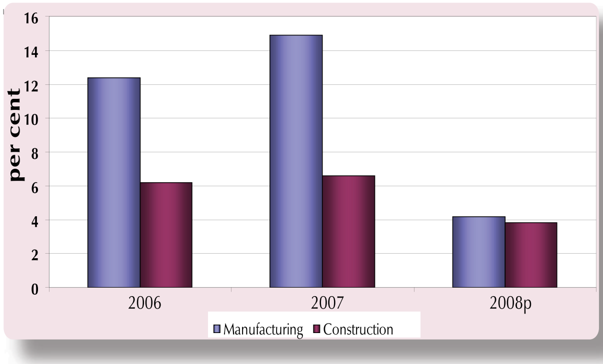
Following relatively strong growth of 5.5 per cent in 2007, the domestic economy is expected to grow at a significantly slower pace in 2008. Provisional data compiled by the Central Statistical Office (CSO) point to a lower growth rate of 3.5 per cent for real GDP in 2008 – a reduction of two percentage points. Energy sector growth slowed to 0.4 per cent in 2008 compared to 1.7 per cent in 2007 while the growth in real value added in the non-energy sector decelerated to 4.8 per cent in 2008 from 7.7 per cent in 2007. The weaker performance of the energy sector, emanating in large measure from lower crude oil production and stagnant petrochemical activity, was a major contributor to this subdued overall growth performance (Chart IIIa).

Chart IIIa
Real GDP Growth : 2003-2008



The lower momentum in non-energy sector activity was mainly influenced by slower growth in the manufacturing (4.2 per cent in 2008 compared with 14.9 per cent in 2007) and construction (3.8 per cent in 2008 compared with 6.6 per cent in 2007) sectors. Within the non-energy sector however, activity in the Hotel and Guest Houses sub-sector received a fillip from increased business and conference tourism associated with the commissioning of the 428-room Hyatt Regency Hotel (Chart IIIb).

Chart IIIb
GDP Growth - Selected Sub Sectors



In the face of slower global and regional growth and weaker business and consumer sentiment, real GDP is projected to grow marginally in the range zero to 1.0 per cent in 2009.

Labour Market Conditions

The more buoyant performance of the non-energy sector contributed to a tightening of labour market conditions during the first nine months of 2008. The unemployment rate averaged 4.9 per cent over the first three quarters of 2008 compared to 5.9 per cent for the corresponding period of 2007 and reached as low as 4.6 per cent at the end of June 2008 (Chart IIIc).

Chart IIIc
Trends in Labour Force and Unemployment

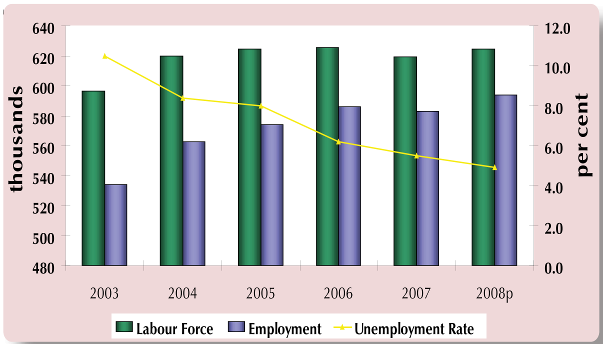


Chart IIId
Index of Retail Prices
(Year-on-Year Per Cent Change)

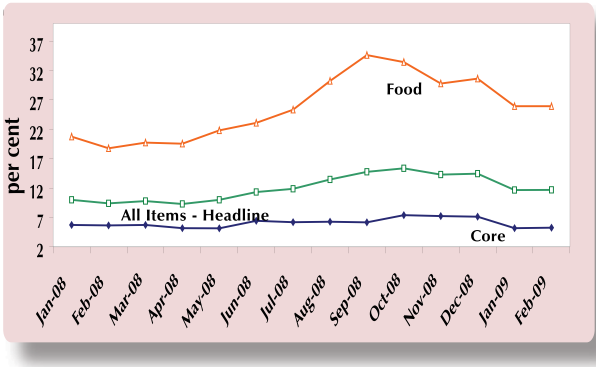


Chart IIIe
Index of Retail Prices - Breads & Cereals
(Year-on-Year Per Cent Change)

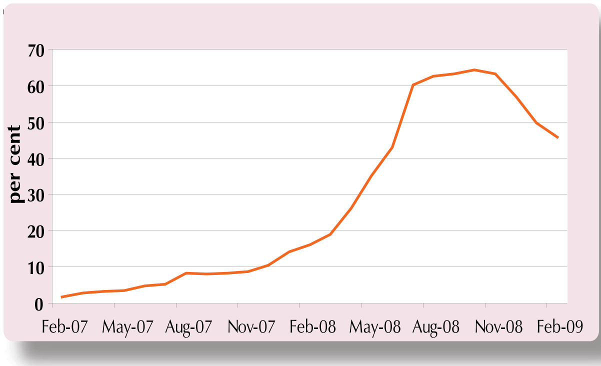
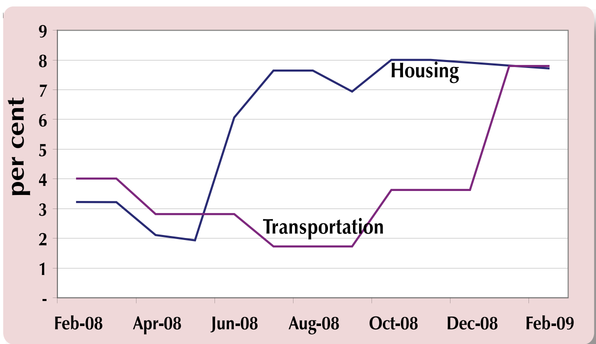


Chart IIIf
Index of Retail Prices-
Selected Core Components
(Year-on-Year Per Cent Change)



Over the period January–September 2008, the labour force increased by 5 thousand persons, but an additional 11.3 thousand persons found employment. The Construction Sector led the way in terms of employment gains, creating 7.1 thousand additional jobs, followed by the Services Sector (3.1 thousand) of which the Finance, Insurance and Real Estate Sector employed an additional 1.5 thousand persons. Job losses were highest in the Energy Sector which lost 2.2 thousand jobs. In the case of the Services Sector, 1.7 thousand jobs were lost in the wholesale and retail sub-sector.

Within recent months, however, the labour market is beginning to show signs of slackening from the relatively tight conditions that existed a few years ago. The broad-based softening of economic activity has already begun to affect employment in the energy, construction, manufacturing and distribution sectors. While no official data on employment conditions are available just yet for 2009, some firms have already begun to announce job cuts. Some recent statistics obtained from the Industrial Court indicate that for the first quarter of 2009, firms have filed a total of 1,089 retrenchment notices. A recent list of announced job cuts obtained from public notices also underlines the changing employment picture (Table IIIa).

Inflation

Inflationary pressures intensified steadily during 2008 posing a significant challenge for macroeconomic management. Headline inflation which reached 10 per cent (year-on-year) at the beginning of 2008 slowed to an average of 9.6 per cent in the ensuing four months, gathered momentum later in the year peaking at 15.4 per cent in October. This rate was the highest recorded since 1983. As 2008 came to a close, headline inflation slowed to 14.5 per cent before declining sharply to 11.7 per cent in the first two months of 2009 (Chart IIId).

Food prices, the major catalyst behind headline inflation, also followed a similar trend, increasing steadily from 20.8 per cent in January 2008 to peak at 34.6 per cent in September 2008 before declining to 25.9 per cent in February 2009. Rising global commodity prices exerted a significant influence on domestic food prices particularly in the first half of 2008. Higher prices for imported grain led the National Flour Mills to raise the domestic price of flour on three occasions (in February, April and July) while the closure of the country's second mill exacerbated the situation. As a consequence, the Bread and Cereals category rose from 14.1 per cent in January 2008 to 63.2 per cent in September 2008. Although international food prices have since declined markedly, domestic food price inflation has remained somewhat rigid even in the face of rising local food production (Chart IIIe).

Table IIIa
Announced Job Cuts in Trinidad and Tobago: 2008-2009

Company	Month	Economic Sector	No. of Employees
Energy Services	2008-2009	Energy	Approximately 1,000 jobs lost.
Trinidad and Tobago Contractors Association	January-March 2009	Construction	Approximately 2,000 jobs lost
Arcelor Mittal	January 2009	Manufacturing	Temporarily laid-off 120 workers. Workers permanently retrenched in April 2009.
Schlumberger	January 2009	Energy	30
Digicel	January 2009	Transport, Storage and Communication	Offered its 500 employees in Trinidad and Tobago VSEP as part of its corporate strategy to reduce its staff by 10 per cent throughout the Caribbean and Central America.
Pepsi Cola	December 2008	Manufacturing	25
Home Construction Limited	August 2008- January 2009	Construction	2,500
Hilton Trinidad	August 2008	Wholesale, Retail, Restaurants and Hotels	200 part-time employees.
Gayelle the Channel	March 2009	Transport, Storage and Communication	16 workers from the newsroom
Neal & Massy Wood Group	April 2009	Energy	60
Repsol YPF	April 2009	Energy	12
Weldfab Limited	April 2009	Energy Services	70
Peake Industries	March 2009	Manufacturing	104
Coosal's Limited	2009	Manufacturing	250
NH International	2009	Construction	350

Source: Various local newspaper articles.

Last Updated: April 21, 2009.

The rise in core inflation during the year reflected increases in the sub-indices for housing – which covers housing, water, electricity, gas and other fuels - and transportation. The rise in the prices of building materials were major factors contributing to the increase in the housing sub-index while the increase in transportation costs resulted from higher taxi fares. As domestic economic activity slowed towards the end of 2009 and into the first quarter of 2009, core inflation moderated to 5.3 per cent in February 2009 (Chart IIIf).

Balance of Payments

Despite falling levels of energy production, soaring energy prices for most of the year underpinned a favourable outturn on the external accounts in 2008. Preliminary data indicate that for 2008, Trinidad and Tobago recorded a balance of payments surplus of $2.7 billion with the current account registering an estimated surplus of $6,724.9 million or 27.6 per cent of GDP. The outturn on the current account was due largely to a merchandise trade surplus of $6.9 billion compared with $5.7 billion a year earlier (Table IIIb).

Though energy commodity prices fell precipitously during the latter part of 2008, energy export revenues grew by 27.1 per cent. This was the main driver behind the increase in total exports to $17 billion, which was 26.4 per cent higher than in the previous year. However, non-energy exports also rose impressively, by 32 per cent. Total imports ($9,972.8 million) increased by over 30 per cent for 2008 reflecting increases in both energy (41.7 per cent) and non-energy imports (21.9 per cent).

The large current account surplus was partly offset by a deficit on the capital account as private sector outflows, including those of the commercial banks, and regional bond issues reached just over $4 billion. On a net basis, foreign direct investment reached $1.5 billion, and this included inflows related to the acquisition of the local conglomerate RBTT Bank by the Royal Bank of Canada.

The commercial banks' net foreign position rose to $347.8 million while increases in the Heritage and Stabilization Fund amounted to $1,107.5 million.

Table IIIb
Trinidad and Tobago: Summary Balance of Payments

	2005	2006	2007	2008e
	US$ Million			
Current Account Balance	**3,594.3**	**7,270.5**	**5,364.3**	**6,724.9**
Trade Balance	3,948.0	7,700.2	5,721.4	6,956.2
Exports	9,672.3	14,217.4	13,391.3	16,929.0
Energy	8,507.4	12,769.6	11,515.1	14,632.0
Non-Energy	1,164.9	1,447.8	1,876.2	2,297.0
Imports	5,724.3	6,517.2	7,669.9	9,972.8
Energy	2,412.6	2,809.4	3,150.1	4,463.8
Non-Energy	3,311.7	3,707.8	4,519.8	5,509.0
Services (net)	356.2	450.9	546.4	614.4
Income (Net)	-760.0	-935.8	-963.7	-897.1
Current Transfers (Net)	50.1	55.2	60.2	51.4
Capital and Financial Account*	**-2,118.0**	**-6,151.7**	**-3,823.2**	**-4,019.4**
Overall Balance	**1,476.3**	**1,118.8**	**1,541.1**	**2,705.5**
	per cent of GDP			
Current Account Balance	**22.4**	**37.4**	**24.6**	**27.6**
Trade Balance	24.6	39.6	26.2	28.6
Exports	60.4	73.1	61.4	69.5
Energy	53.1	65.7	52.8	60.1
Non-Energy	7.3	7.4	8.6	9.4
Imports	35.7	33.5	35.2	40.9
Energy	15.1	14.5	14.4	18.3
Non-Energy	20.7	19.1	20.7	22.6
Services (net)	2.2	2.3	2.5	2.5
Income (Net)	-4.7	-4.8	-4.4	-3.7
Current Transfers (Net)	0.3	0.3	0.3	0.2
Capital and Financial Account*	**-13.2**	**-31.6**	**-17.5**	**-16.5**
Overall Balance	**9.2**	**5.8**	**7.1**	**11.1**

Source: Central Statistical Office and Central Bank staff estimate.
e- estimate ; * -includes errors and omissions.

Gross official reserves at the end of 2008 stood at $9.4 billion equivalent to 11.5 months of prospective imports of goods and non-factor services.

Fiscal Operations

Relatively buoyant energy prices during the first seven months of 2008 helped to boost the fiscal accounts which recorded an overall surplus of TT$9,817.2 million (6.5 per cent of GDP) in fiscal year 2007/2008. The positive fiscal balance resulted mainly from higher energy revenues which rose to 21.2 per cent of GDP in FY 2007/2008 from 16.7 per cent in the previous fiscal year (Table IIIc).

The budget estimates for fiscal 2008/2009 were initially premised on an oil price of US$70.0 per barrel and a gas price of US$4.0 per mmbtu. This initial budget catered for a relatively small overall surplus of US$19.5 million. The sharp reversal in energy prices since the second half of 2008 has prompted two formal reviews of the 2008/2009 budget.

Table IIIc
Trinidad and Tobago: Summary of Central Government Operations

	2006/2007	Revised 2007/2008	Budgeted 2008/2009	Revised Budget 2008/2009
	TT$ Million			
Revenue	**40,064.4**	**55,584.4**	**49,443.9**	**42,244.0**
Energy	22,248.5	32,113.2	19,924.6	15,136.4
Non-Energy	17,815.9	23,471.2	29,519.3	27,107.6
Expenditure	**37,765.9**	**45,767.2**	**49,424.4**	**44,105.0**
Current	29,984.0	35,755.2	40,170.3	36,048.9
Capital expenditure & net lending	7,781.9	10,012.0	9,254.1	8,056.1
Overall non-energy balance	**-19,950.0**	**-22,296.0**	**-19,905.1**	**-16,997.4**
Overall balance	**2,298.5**	**9,817.2**	**19.5**	**-1,861.0**
Total financing	**-2,298.5**	**-9,817.2**	**-19.5**	**1,861.0**
Of which: transfers to Heritage & Stabilization Fund	-2,030.2	-6,587.8	0.0	0.0
	per cent of GDP			
Revenue	**30.0**	**36.8**	**29.6**	**25.3**
Energy	16.7	21.2	11.9	9.1
Non-Energy	13.3	15.5	17.7	16.2
Expenditure	**28.3**	**30.3**	**29.6**	**26.4**
Current	22.4	23.6	24.1	21.7
Capital expenditure & net lending	5.9	6.6	5.5	4.7
Overall non-energy balance	**-14.9**	**-14.7**	**-11.9**	**-10.2**
Overall balance	**1.7**	**6.5**	**0.0**	**-1.1**
Total financing	-1.7	-6.5	0.0	1.1
Of which: transfers to Heritage & Stabilization Fund	-1.6	-4.4	0.0	0.0

Source: Ministry of Finance.
Figures may not add due to rounding.

The first review, which was announced in November 2008, catered for a revenue shortfall of TT$5.3 billion requiring recurrent and capital expenditure cuts of TT$3.6 billion and TT$1.4 billion, respectively. The balance on the fiscal accounts was revised from a small surplus to a deficit of TT$741.9 million. This adjustment was based on an oil price of US$55 per barrel and a gas price of US$3.25 per mmbtu.

The continued decline of petroleum prices after November 2008 has necessitated a further compensatory adjustment in expenditures. The second revision to the budget for 2008/2009 now assumes an oil price of US$45 per barrel and a natural gas price at the well-head of US$3.25 per mmbtu. With a further anticipated revenue shortfall of TT$2.3 billion, the revised budget now caters for an overall deficit of around 1.1 per cent of GDP and a non-energy deficit of close to 10 per cent of GDP.

Available data for the first five months of the 2008/2009 fiscal year (October 2008 – February 2009) indicate that the Government recorded an overall deficit of TT$2,957.3 million on its accounts compared with a deficit of TT$1,394 million a year earlier. Whereas oil revenues grew by 9 per cent in the first five months of fiscal 2009 relative to the same period a year earlier, non-energy sector revenue declined by 4.2 per cent. The non-energy deficit widened to $10,574.0 million in the period October 2008 – February 2009 from TT$8,379.5 million in the corresponding period a year earlier.

Chart IVa
Monetary Policy Responses

Liquidity Management Measures

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.
June 2008:	The commercial banks' deposit of $500 million that was placed in an interest-bearing account at the Central Bank in June 2006 was rolled over for a second time in June 2008.
July 2008:	A TT$1,200 million 9-year government bond was issued at a coupon rate of 8.25 per cent on July 2 to absorb the liquidity arising from the sale of RBTT. The total bids received amounted to TT$1.976 billion as the bond was heavily oversubscribed. With effect from July 30 2008, the primary reserve requirement of the commercial banks was increased to 15 per cent of prescribed liabilities from 13 per cent.
Nov 2008:	The third time for the year, the Central Bank increased the cash reserve requirement of the commercial banks by 2 percentage points, from 15 per cent to 17 per cent, with effect from November 5 2008.
Nov 2008:	A Central Bank 91 day bill for $500 million was issued on November 28 2008.
Dec 2008:	The commercial banks' deposit of $1 billion in an interest bearing account at the Central bank was rolled over for another year.

Part IV - Monetary Policy

Monetary Policy Measures

During 2008, strong inflationary pressures, robust credit expansion and high liquidity levels in the financial system continued to pose a challenge for monetary policy management. The Central Bank intensified earlier efforts to contain inflation by:

(i) more extensive use of liquidity absorption measures to limit the commercial banks' ability to lend (Chart IVa); and
(ii) adjusting the 'Repo' rate to signal the desired change in lending rates of commercial banks.

Easy liquidity conditions, varying in intensity from moderate to severe, persisted in the financial system for most of the year. In the first five months of 2008, liquidity levels were generally contained as commercial banks' excess reserves balances, which is used as an indicator of excess liquidity, averaged $258 million. However, large inflows into the banking system thereafter resulted in excess liquidity increasing to an average of $900 million in the period, June – December 2008. The surge in liquidity levels was strongest in the final quarter of 2008 as commercial banks' excess reserves increased to a daily average of $1,121 million compared with $542.2 million in the second and third quarters of 2008. For the year as a whole, excess reserves averaged $632.6 million, more than twice the level of the previous year. The increase in net fiscal injections which grew to $14,323 million in 2008 from $12,856 million in 2007, as well as the injection of $2.6 billion into the financial system in June 2008 from the sale of RBTT to the Royal Bank of Canada, added to liquidity pressures.

In a bid to dampen credit expansion and contain inflationary pressures, the Central Bank instituted a series of measures aimed at removing excess liquidity and strengthening the monetary policy channel. The Bank intensified its use of open market operations in 2008 removing $5,234.8 million from the financial system in the first nine months of 2008 compared with $4,025.1 million in the corresponding period of 2007. To further contain

Chart IVb
Monetary Policy Responses

Changes To The Central Bank Policy Rate

Mar 2008:	'Repo' rate maintained at 8.25 per cent.
April 2008:	'Repo' rate maintained at 8.25 per cent.
May 2008:	'Repo' rate maintained at 8.25 per cent.
June 2008:	'Repo' rate maintained at 8.25 per cent.
July 2008:	'Repo' rate increased to 8.50 per cent.
Aug 2008:	'Repo' rate maintained at 8.50 per cent.
Sep 2008:	'Repo' rate increased to 8.75 per cent.
Oct 2008:	'Repo' rate maintained at 8.75 per cent.
Nov 2008:	'Repo' rate maintained at 8.75 per cent.
Dec 2008:	'Repo' rate maintained at 8.75 per cent.
Jan 2009:	'Repo' rate maintained at 8.75 per cent.
Feb 2009:	'Repo' rate maintained at 8.75 per cent.
Mar 2009:	'Repo' rate decreased to 8.50 per cent.

liquidity, a special liquidity absorption government bond in an amount of $1,200 million was issued in July 2008, the proceeds of which were sterilized in the Central Bank. This was followed in November 2008 by the issue of a 91-day Central Bank treasury bill in the amount of $500 million.

In addition, the cash requirement ratio applicable to commercial banks was raised by 6 percentage points between February 2008 and November 2008 and helped to remove $2,154 million from the banking system. Sales of foreign exchange by the Central Bank to authorized dealers in the market helped to remove a further $5,130 million from the financial system. To signal its tight monetary stance to the domestic financial market, the Bank also raised its main policy rate – the 'Repo' rate on three occasions by 25 basis points each in February, July and September 2008 to 8.75 per cent (Chart IVb).

During the first three months of 2009, liquidity conditions continued to ease, as reflected by commercial banks' excess reserves which increased to an unprecedented level of $2,151 million daily over this period. Several factors contributed to this build-up of excess liquidity including a fiscal injection of $3,427 million, a lack of suitable alternative investments and slower credit demand given more stringent lending practices by the banks and some uncertainty in the macro-economy. While there were no new issues of open market securities (only rollovers) to sterilize the excess liquidity, the Central Bank's intervention in the foreign exchange market during this period helped to remove $2,935 million from the banking system (Table IVa).

Table IVa
Fiscal Injections and Liquidity Absorption
/TT$ Million/

	Oct 2006 - Mar 2007	Oct 2007 - Mar 2008	Oct 2008 - Mar 2009
Net Fiscal Injections	**6,174.3**	**7,855.4**	**9,752.4**
Liquidity Absorption Measures			
Open Market Operations	-73.8*	3,757.4	500.0**
CBTT Sale of Foreign Exchange	4,578.6	3,434.9	4,345.8
Central Gov't Bond Issues	1,374.3	0.0	0.0

Source: Central Bank of Trinidad and Tobago.
* Represents a net maturity.
**Represents a $500 million Central Bank bill issued in November 2008.

Chart IVc
'Repo' Rate and Commercial Banks' Basic Prime Lending Rate

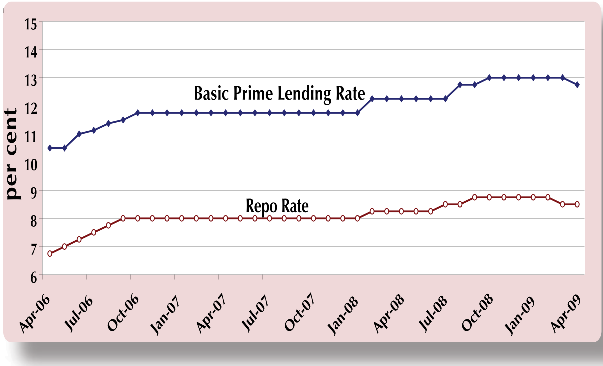


Chart IVd
Weighted Average Loan and Deposit Rates

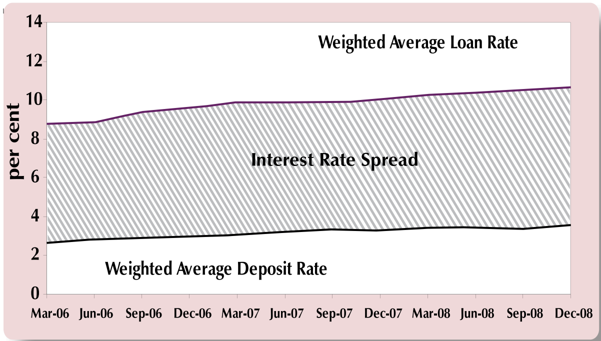
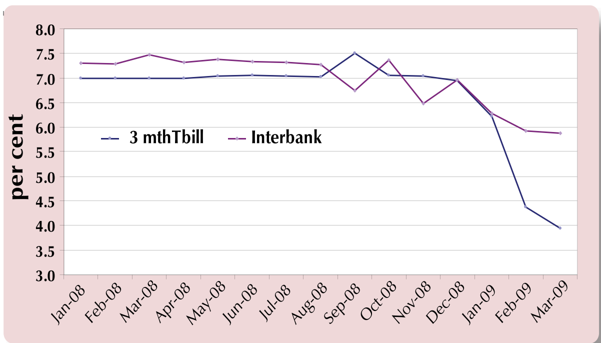


Chart IVe
Short Term Money Market Interest Rates



With economic activity beginning to slow and credit growth declining sharply, the Bank faced the dual challenge of addressing double-digit inflation while attempting to moderate the economic slowdown and contain the negative employment impact. The 'Repo' rate was reduced by 25 basis points to 8.50 per cent in March 2009 to provide a signal for the lowering of bank lending rates, especially to businesses. Commercial banks lowered their prime lending rates by 25 percentage points to 12.75 per cent by the second week of April 2009 in response to the reduction in the 'Repo' rate (Chart IVc).

Monetary Policy Impact

The Bank's restrictive policy stance during 2008 resulted in an upward adjustment in interest rates. Following increases in the 'Repo' rate and the reserve requirement ratio, the commercial banks increased their prime lending rates on three occasions from 11.75 per cent in January to 13.00 per cent in December 2008. As a result, the weighted average lending rate (WALR) rose from 10.68 per cent in December 2007 to 11.45 per cent in December 2008. This represented an increase of 77 basis points in the WALR and compares with an increase of 44 basis points in the previous year. The weighted average deposit rate rose by 38 basis points, (the same amount as in 2007) from 2.76 per cent to 3.14 per cent. Given the relative movements in both the weighted average lending rate and the weighted average deposit rate, the interest rate differential widened from 7.92 per cent to 8.31 per cent in December 2008 (Chart IVd).

However, the response of market interest rates to increases in the Bank's policy rate was impaired by high levels of liquidity associated with excess supplies of overnight funds in the financial system. The persistence of the liquidity overhang exerted a downward pressure and prevented the effective "pass-through" of increases in the 'Repo' rate to short-term interest rates. Inter-bank market activity slowed causing the overnight lending rate to fall from an average of 7.30 per cent in January to 6.97 per cent in December 2008. Government treasury bill rates were relatively sticky during 2008 as the discount rate for three-month treasury bills rose by a mere 5 basis points to 7.05

Chart IVf
Comparative 90-day Treasury Bill Rates: Trinidad and Tobago and the United States

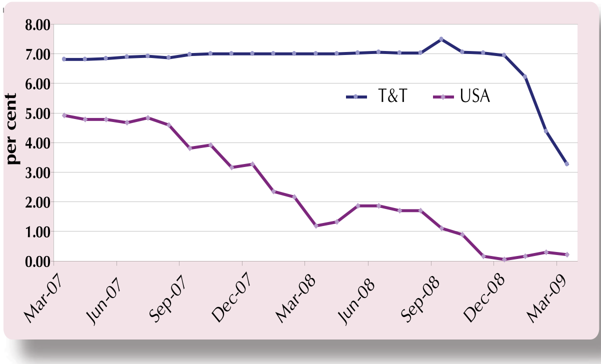


Chart IVg
Treasury Bill Rates at Issue - January - March 2009

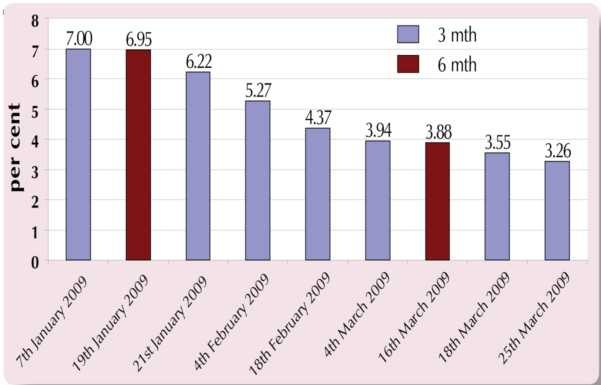
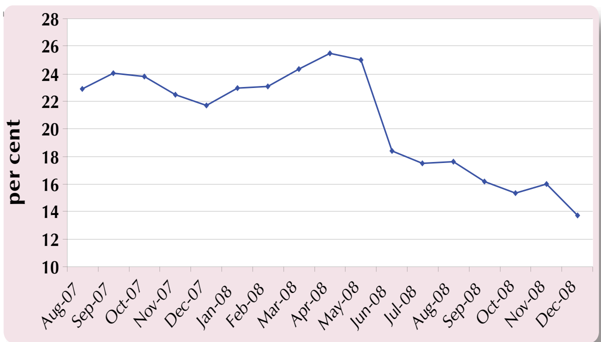


Chart IVh
Commercial Banks' Credit to Private Sector
(Year-on-Year Per Cent Change)

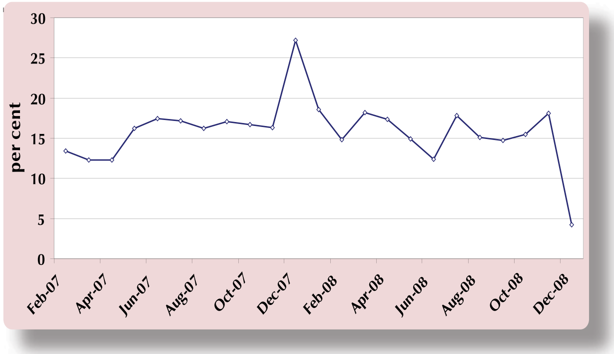


per cent in December 2008 from 7.00 per cent in January (Chart IVe). However, in the comparative treasury market in the US, the price of US treasury securities were driven up by the 'flight to safety' among international investors on account of the financial turmoil in the US. As a result, the discount rate on US three month treasury bills plummeted from 3.31 per cent in December 2007 to 0.05 per cent in December 2008. Consequently, the differential between the TT and US three-month treasury bill rates widened to 6.99 per cent in December 2008 from 3.69 per cent a year ago (Chart IVf).

The further easing of domestic liquidity conditions in more recent months (January-March 2009) resulted in depressed money market interest rates. Given the abundance of excess liquidity, banks made little use of the overnight facility while there was virtually no activity at the 'Repo' window. Over this period, inter-bank activity fell from an average of $81.5 million in the previous quarter to $24.4 million. The inter-bank rate declined from 6.29 per cent in January to 5.93 per cent in February and then fell further to 5.70 per cent in March 2009. The rates on short-term treasury securities have also fallen considerably. Since January 2009, the three-month treasury bill rate has lost 296 basis points, falling from 6.22 per cent in January to 4.37 per cent in February and then to 3.26 per cent at the end of March. Similarly, the six-month treasury bill rate has fallen sharply, from 6.95 per cent in January 2009 to 3.88 per cent in March 2009. As a result of the softening in domestic rates, the interest rate differential between the TT and US three month Treasury bill rate narrowed to 3.01 per cent in March from 6.07 per cent in January (Chart IVg).

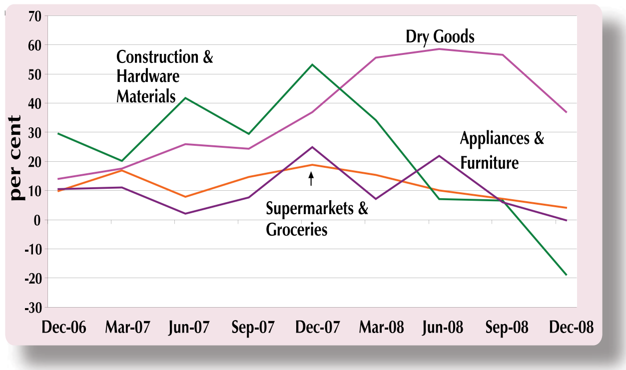
Monetary policy measures together with weaker consumer and business sentiment impacted private sector credit growth which weakened in the latter months of 2008. On a year-on-year basis to December 2008, growth in private sector credit by the consolidated financial system slowed to 10.4 per cent, compared with 11.8 per cent in September and a peak rate of 19.7 per cent in April 2008. Credit by the commercial banks to the private sector slowed to 13.7 per cent in December 2008 from 16.2 per cent in September 2008 and 25.5 per cent in April 2008 (Chart IVh).

Chart IVi
Credit Card Loans
(Year-on-Year Per Cent Change)



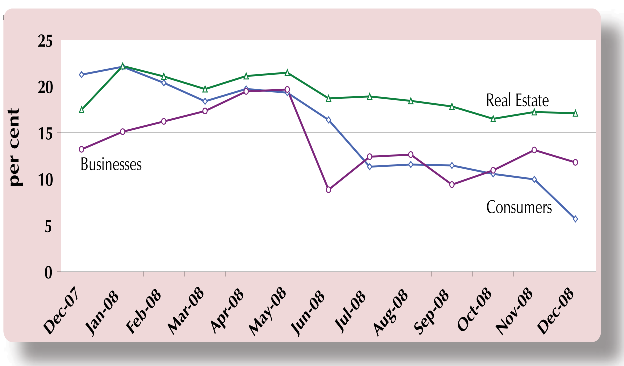
There was a general slowdown in the major categories of private sector credit in 2008. Consumer credit which expanded rapidly in the first half of the year, slowed significantly in the final months of 2008. Consumer credit grew by 5.7 per cent in December 2008, slower than the 11.4 per cent increase in September 2008 and significantly lower than the 21.3 per cent rate of expansion in December 2007. There has been a relatively sharp fall off in some of the larger components of consumer lending. For instance, motor vehicle loans rose by 14.8 per cent in December 2008, compared with 46.7 per cent a year earlier, while credit card loans increased by just 4.1 per cent as opposed to 28.4 per cent one year ago (Chart IVi).

Chart IVj
Index of Retail Sales
(Year-on-Year Per Cent Change)



With consumer credit losing momentum, the level of retail sales began to show signs of slowing. On a year-on-year basis, the volume of retail sales (as measured by the Index of Retail Sales), which reflects the spending activity of households, slowed to 10.1 per cent in December 2008 from 14.4 per cent in September 2008. Several categories of the Index of Retail Sales items recorded a slower rate of expansion including: dry goods which slowed to 51.3 per cent (compared with 56.6 per cent in September 2008); construction and hardware materials which contracted by 17.4 per cent in December 2008 (compared with 6 per cent growth in September 2008); supermarket and groceries which expanded by 4.1 per cent (compared with 7.2 per cent in September 2008) and appliances and furniture which expanded by 0.7 per cent (compared with 6 per cent in September 2008 (Chart IVj).

Chart IVk
Credit by the Consolidated Financial System
(Year-on-Year Per Cent Change)



Growth in business sector credit also exhibited signs of easing, although the slowdown was not as sharp as in the consumer category. Lending to businesses rose by 11.7 per cent in December 2008, representing a rebound from 9.4 per cent in September, but still lower than in December 2007 when it grew by 13.2 per cent. The deceleration in bank credit to businesses was due in part to a fall off in loans to businesses in the 'finance, insurance and real estate' sector which grew by 5.4 per cent in December 2008 compared with 42.2 per cent one year ago. Meanwhile, lending to other sectors, such as the distribution sector continued to be relatively robust, with credit to this sector expanding by 24.9 per cent in December 2008 compared with 26.4 per cent a year earlier (Chart IVk).

In contrast to the consumer and business segments, the growth in real estate mortgage loans has been relatively stable. Real estate mortgage loans increased by 17.2 per cent in December 2008 compared with 17.8 per cent in September 2008 and 17.5 per cent in December 2007.

Chart IVI (a)
Foreign Exchange Market
Commercial Banks' Sales and Purchases of US$ to the Public

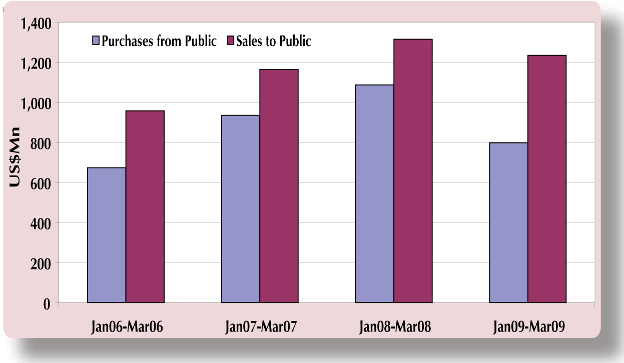
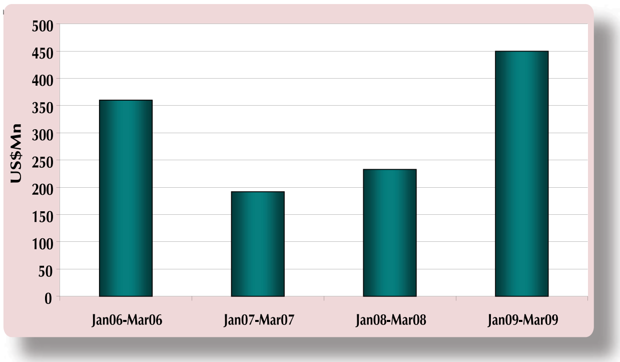


Chart IVI (b)
Foreign Exchange Market
Central Bank Sales of US$ to Commercial Banks

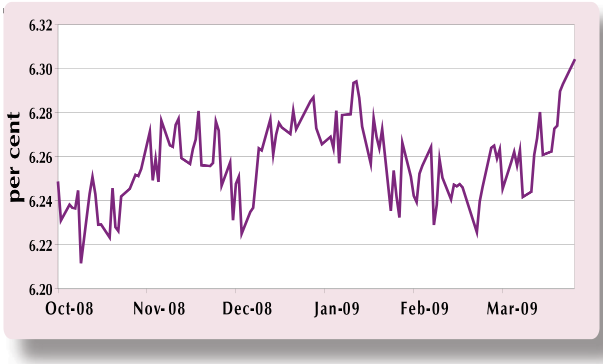


Foreign Exchange Market

During the period of buoyant energy prices in the first half of 2008, conditions in the foreign exchange market were relatively comfortable due in part to increased conversions of US dollars to TT dollars by energy companies to meet tax obligations. The injection of US dollars by the Royal Bank of Canada to facilitate the acquisition of RBTT also contributed to a surplus foreign exchange position for most authorized dealers. Later in the year however, the sharp fall in energy prices brought on by the deepening financial crisis caused foreign currency inflows from the energy sector to fall while at the same time, there was no abatement in the demand for foreign exchange. As a consequence, demand pressures built up in the market as reflected by a rise in the value of reported queues of unsatisfied demand. The Central Bank stepped up its support to the market, selling US$227.8 million in the last two months of 2008, compared with total sales of US$200 for the previous five months.

During the first quarter of 2009, conditions in the market remained tight as inflows from the public continued to decline while additional demand pressures were exerted. Speculation about a possible depreciation of the TT dollar vis-à-vis the US dollar added to the demand pressures. Magnifying this was the fall in domestic short-term interest rates which in essence reduced the interest rate differential between TT and US short-term rates. There was little evidence of capital flight, but it is more likely that some of the demand was related to the purchase of relatively higher yielding US dollar-denominated investments in the local market. In addition, the high levels of liquidity in the TT dollar market and the foreign currency payments related to the Summit of the Americas were additional factors contributing to the already strong demand pressures. By the end of March 2008, total purchases from the public by commercial banks and non-bank financial institutions

Chart IVm
TT:US Exchange Rate
(Year-on-Year Per Cent Change)



amounted to US$858.3 million which was insufficient to meet the heightened demand for foreign exchange. To bridge the shortfall, the Central Bank intervened in the market periodically, selling a total of US$473.4 million for the quarter compared with sales of US$245 million for the corresponding period one year earlier. Meanwhile, total sales to the public amounted to US$1,327.8 million over this period (Chart IVl).

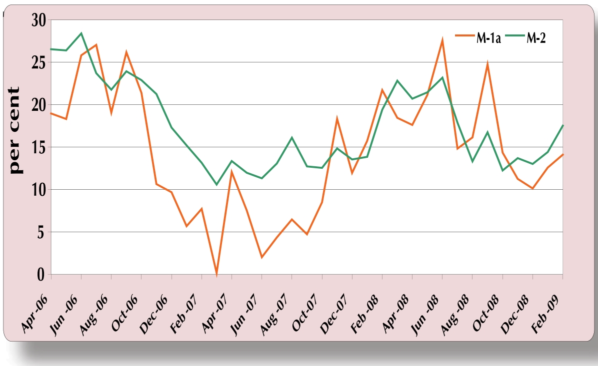
After dipping below the TT$6.20 = US$1 mark in June 2008, the TT$/US$ weighted average selling rate rebounded gradually to reach TT$6.30 by November. Since that time, the rate has remained relatively stable and has fluctuated within a narrow band. At the end of March 2009, the exchange rate stood at TT$6.3268 per US dollar compared with TT$6.2993 at the end of 2008 (Chart IVm).

Part V - Monetary and Financial Sector Developments

Monetary Aggregates

During 2008, the monetary aggregates exhibited strong growth consistent with excessive liquidity in the financial system. Narrow money (M-1A), which is defined as currency in active circulation plus demand deposits, grew on average by 17.8 per cent monthly in 2008 compared with 7.6 per cent in 2007. While the growth of currency in active circulation remained at about the same level as in 2007, there was a significant increase in the demand deposits of the commercial banks which grew by 18.3 per cent compared with an increase of 5.3 per cent in 2007. The broader definition of the money supply, M-2, consisting of M-1A plus savings and time deposits also exhibited strong growth. On a year-on-year basis, M-2 rose on average by 17.4 per cent in 2008 compared with 13.3 per cent in 2007. Quasi money, defined as time deposits plus savings deposits, increased by 17.1 per cent and 17 per cent in 2008 and 2007, respectively. In contrast, the growth in foreign currency deposits moderated somewhat in 2008, increasing by 21.3 per cent compared with 37.3 per cent in 2007 (Chart Va).

Chart Va
Monetary Aggregates
(Year-on-Year Per Cent Change)



Stock Market

Despite a brief rally in the second half of 2008, the performance of the stock market has continued to weaken in the first quarter of 2009. This weaker performance coincided with the deepening of the global economic and financial crisis which impacted investor confidence in the local market. Between August 2008 and December, both the Composite Price Index (CPI) and the All Trinidad and Tobago Index (ATI) lost a total of 328 and 411 points respectively eroding the gains that were achieved in the earlier part of the year. At the end of December 2008, the CPI stood at 842.9 points representing a year-on-year decline of 14.2 per cent while the ATI fell by 3.8 per cent to close the year on 1,154.8 points (Chart Vb). Market capitalization contracted by $21.7 billion to end the year at $76.5 billion. The sharp contraction in commercial banks' share prices and the delisting of RBTT financial holdings were significant contributors to the weaker market performance.

Chart Vb
Trinidad and Tobago Stock Price Indices
(Year-on-Year Per Cent Change)

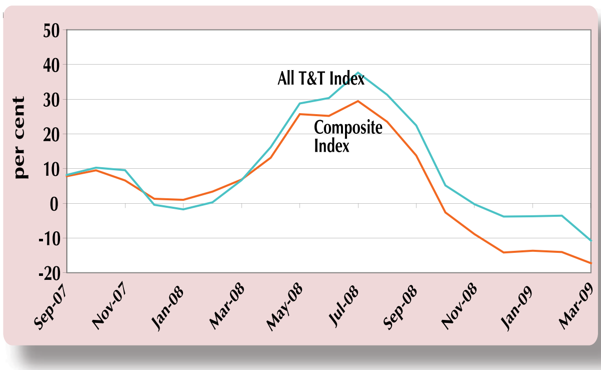
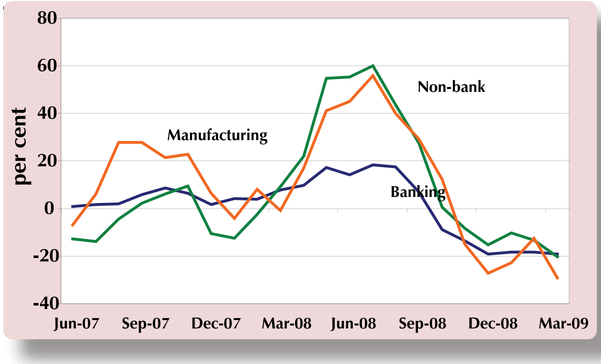


Chart Vc
Trinidad and Tobago Stock Price Indices - Selected Sub-Sectors
(Year-on-Year Per Cent Change)



An examination of market performance at the sectoral level indicates that all the sub-indices relinquished gains with the exception of the property index which gained 39 points. Over the year, these indices shed between 27 and 144 points with the banking, non-banking and manufacturing indices posting the largest declines. Property shares were the least traded category of stocks in the market (Chart Vc).

During the first quarter of 2009, stock market performance has remained bearish despite a brief resurgence in activity which occurred towards the end of January 2009. Trading activity on the exchange has slowed considerably with only 17.4 million shares changing hands between January and March 2009 compared with 27.2 million for the corresponding period in 2008. The National Commercial Bank (NCB) Jamaica Limited and Neal and Massy Holdings Limited were the volume leaders during the period accounting for 36 per cent and 26 per cent, respectively, of the total number of shares traded.

In terms of market size, the local stock market declined by $1.9 million or 2.5 per cent between year-end 2008 and March 2009. After ending 2008 with a market capitalization of $76,432.9 million, the value of the stock market fell to $74,520.8 million at the end of March 2009. All the sectoral indices, with the exception of the banking and manufacturing sub-indices, experienced a decline. The performance of the banking sub-index was sustained by a 22.5 per cent or $0.18 increase in the share price of NCB Jamaica Limited, while the manufacturing sub-index received a slight boost from the 1.5 per cent or $0.06 increase in the price of Trinidad Cement Limited (TCL) shares.

Chart Vd
Mutual Funds - Aggregate Fund Values

Mutual Funds

The mutual funds industry continued to grow in 2008 but at a much slower pace than in the previous year as total assets under management increased by 4.7 per cent compared with 8.5 per cent in 2007 (Chart Vd). The performance featured a surge in the value of US dollar denominated funds towards the middle of the year which tapered off somewhat by December 2008. On a year-on-year basis to June, the growth in the total fund value spiked to 15.4 per cent, a significant increase from an average growth rate of 4.7 per cent over the period 2006-

2007. However, as the stock market trended downward in the second half of 2008, the value of mutual funds contracted by 1.8 per cent or $500 million. This decrease was attributable to a fall of 26.5 per cent in the value of the equity counterpart in the second half of 2008. At the end of 2008, equity-based funds stood at $4.3 billion, down from $5.7 billion in June and $5.8 billion one year earlier. In contrast, the money market segment grew, albeit at a slower pace.

Data for the first quarter of 2009 indicated that equity-based mutual funds contracted, falling by 7.2 per cent in the quarter and by 27.2 per cent in the twelve months to March 2009. However, the money-market segment of the market continued to show steady growth, increasing by 10.5 per cent over the period January-March 2009 as investors resorted to higher-yielding alternatives to treasury securities. With the 91-day treasury bill rate plummeting from 7.0 per cent in January 2009 to 3.26 per cent at the end of March, investors sought higher rates, opting to reallocate funds to money market schemes. The yield on TT-dollar money market instruments ranged between 5.85 per cent and 7.41 per cent and between 4.82 per cent and 4.92 per cent for US dollar funds. However, at the other end of the industry, returns were not as high as the yield on equity funds ranged from -4.06 per cent to 2.88 per cent compared with -1.86 per cent to 2.15 per cent one year earlier. Aggregate funds under management grew by 4.4 per cent on a year-on-year basis to March 2009, slowing from the previous quarter when growth measured 4.7 per cent.

Bond Market

During 2008, the performance of the domestic primary bond market improved as the collective face value of bonds offered increased, even though the number of placements fell slightly. In 2008, a total of twenty bonds were offered compared with twenty-one in 2007. The majority (eighteen) of these new bond placements occurred in the first nine months of the year whilst activity in the final quarter was relatively dormant. Though the volume of primary bonds for issue remained relatively stable, the cumulative value increased sharply by 31.8 per cent to $6,387.4 million, from $4,845.7 million one year earlier (Table Va). Foreign currency placements accounted for 20 per cent of the total issues, with the remaining 80 per cent (16) being denominated in local currency. There was a marked reduction in the value of US dollar-denominated bonds issued on the local market, which declined from US$357 million (eleven placements) in 2007 to US$105.6 million (three placements) in 2008. Three sovereign issues by the Government of St. Kitts and Nevis and the Government of St. Vincent and the Grenadines carried fixed rates of 8.25 per cent and 8.50 per cent with tenors of 10 and 12 years. TT-dollar denominated placements totalled $5,722 million with private financial institutions accounting for 51.7 per cent or $2,958 million while the government issued a fixed-income security for liquidity sterilization purposes for an amount of $1,200 million.

Table Va
Distribution of Bonds by Issuer
2007- Mar 2009
TT$M

Year	Government	Public Enterprises	Private Sector	Regional Institutions	Regional Sovereigns	Total
2007	1,692.3	854.1	710.9	1,519.6	69.3	4,846.2
2008	1,200.0	700.0	3,982.8	-	504.6	6,387.4
Jan-Mar 09		500.0	187.0			

Source: Central Bank of Trinidad and Tobago.

During the first quarter of 2009, bond market activity was relatively subdued with only two bonds on offer. The first issue for the year was a privately placed offer by TCL Leasing Limited, with a face value of $187 million carrying a 10-year term to maturity and a fixed per annum coupon rate of 8.95 per cent. The other was a $500 million Housing Development Corporation (HDC) bond which carried a term of 15 years and a coupon rate of 8.25 per cent. High levels of liquidity in the financial system, as well as heightened investor interest in government-backed instruments, led to an overwhelming response to the auction. The HDC bond was heavily oversubscribed with bids totaling $878.4 million.

In the coming quarter, activity in this market is expected to pick up as one sovereign is seeking to raise US$100 million while the Government of Trinidad and Tobago is expected to begin its bond issuance for the year. In April 2009, the Government of Trinidad and Tobago raised TT$1,500 million through a 15-year issue with a coupon rate of 7.75 per cent.

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Appendix E:	Index of Retail Prices of Building Materials Base Period: Average of 4 Quarters 1996=100 (REVISED).
Appendix F:	Export and Import Price Indices, 2003-2008.
Appendix G:	Stock Market Indices, March 2003-March 2009.
Appendix H:	Trinidad and Tobago Mutual Funds Under Management by Type of Fund, March 2003 - March 2009.

Appendix A

Index of Retail Prices (January 2003 = 100)

	ALL ITEMS 1,000			CORE 820		FOOD 180			TRANSPORT 167	
Date	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %
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
Mar-08	140.50	0.64	9.77	117.39	5.72	245.80	1.95	19.73	116.70	4.01
Apr-08	141.30	0.57	9.28	118.32	5.16	246.00	0.08	19.53	116.80	2.82
May-08	143.10	1.27	9.99	118.36	5.15	255.80	3.98	21.81	116.80	2.82
Jun-08	145.10	1.68	11.32	119.86	6.44	262.30	2.54	23.09	116.80	2.82
Jul-08	148.00	2.34	11.87	121.31	6.20	274.60	4.69	25.33	117.80	1.73
Aug-08	151.80	1.96	13.45	121.46	6.28	290.00	5.61	30.22	117.80	1.73
Sept-08	154.00	1.45	14.75	121.31	6.17	302.91	4.45	34.62	117.80	1.73
Oct-08	156.30	1.49	15.35	123.11	7.38	307.50	1.52	33.41	120.00	3.63
Nov-08	156.70	0.26	14.30	123.18	7.24	309.40	0.62	29.78	120.00	3.63
Dec-08	156.80	0.06	14.45	123.13	7.12	310.20	0.26	30.61	120.00	3.63
Jan-09	156.20	-0.38	11.65	123.40	5.17	305.60	-1.48	25.92	125.80	7.80
Feb-09	156.90	-0.19	11.68	123.48	5.25	303.60	-0.65	25.92	125.80	7.80

	HOUSING 262		HEALTH 51		EDUCATION 16		HOTELS, CAFES, REST. 30		ALCOHOLIC BEVERAGES 25	FURNISHINGS, HOUSEHOLD EQUIP. & MAINT. 54
Date	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %
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
Mar-08	115.50	3.22	130.20	7.07	150.20	13.96	140.10	13.44	13.65	1.03
Apr-08	116.00	2.11	131.20	5.64	155.80	16.44	147.40	19.16	12.69	14.68
May-08	115.90	1.93	131.00	5.39	155.80	16.44	147.40	19.16	13.54	14.68
Jun-08	120.60	6.07	132.10	6.10	155.80	16.44	147.40	19.16	12.77	14.69
Jul-08	122.50	7.64	133.00	5.72	155.80	16.44	159.10	25.37	13.03	2.97
Aug-08	122.50	7.64	134.00	6.26	155.80	16.44	159.10	25.37	16.13	2.97
Sept-08	121.70	6.94	134.40	6.58	155.80	16.44	159.10	25.37	15.88	2.97
Oct-08	124.10	8.01	134.70	6.06	164.00	9.19	166.70	21.77	14.81	4.23
Nov-08	124.10	8.01	134.80	5.81	164.00	9.19	166.70	21.77	7.99	4.23
Dec-08	124.10	7.91	135.00	6.05	164.00	9.19	166.70	21.77	6.62	4.23
Jan-09	124.20	7.81	135.50	4.31	164.00	9.19	168.80	20.49	5.54	5.23
Feb-09	124.20	7.72	135.60	4.23	164.10	9.19	168.80	20.49	5.81	5.25

Source: Central Statistical Office.

Appendix B
Price Movements in the Major Categories of the Food Sub-Index of the RPI,
September 2008-February 2009
(Year-on-Year Per Cent Change)

	Weight	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	34.62	33.41	29.80	30.61	25.92	25.94
FOOD	156.20	36.80	35.48	31.55	32.42	27.27	27.32
BREAD AND CEREALS	31.21	63.19	64.32	63.30	56.99	49.67	45.83
Bread	5.51	50.26	50.15	47.54	36.13	33.64	33.66
Cereals (Includes rice and flour)	18.74	77.09	78.84	78.80	72.94	61.07	55.10
Pasta Products	1.38	51.46	58.48	55.84	46.55	48.78	41.56
Pastry Cooked Products	5.27	37.65	36.86	35.08	34.24	31.94	30.68
MEAT	29.21	15.27	14.88	12.59	10.12	9.29	8.14
Fresh, Chilled or Frozen Beef	3.09	20.46	21.64	21.48	20.67	21.14	17.82
Fresh, Chilled or Frozen Lamb or Goat	1.13	3.67	2.16	3.90	5.11	4.39	4.54
Fresh Chilled or Frozen Pork	2.34	14.67	22.24	20.34	17.54	16.03	14.12
Fresh, Chilled or Frozen Poultry	18.18	16.65	14.89	10.83	7.47	6.42	5.40
Dried, Salted or Smoked Meat	4.10	8.83	10.07	14.56	14.59	14.54	14.13
FISH	11.37	25.09	23.12	27.34	22.54	30.56	23.54
Fresh, Chilled or Frozen Fish	7.21	28.74	27.04	33.35	27.31	37.30	28.14
Fresh, Chilled or Frozen Seafood	1.83	13.80	8.62	6.43	5.01	11.18	6.63
Other Preserved or Processed Fish	1.03	19.28	19.82	17.99	17.33	17.16	12.44
MILK, CHEESE AND EGGS	19.05	18.26	14.19	10.01	8.37	6.37	3.26
Whole Milk	1.75	8.98	6.74	6.48	7.05	6.67	3.82
Preserved Milk	9.22	11.79	8.87	4.10	3.83	3.19	2.90
Cheese, Yogurt & Milk Products	6.34	24.26	18.75	14.44	11.52	8.03	0.13
Eggs	1.74	45.38	37.03	33.36	24.51	18.02	15.12
OILS AND FATS	9.07	32.68	31.82	34.41	32.34	31.68	28.68
Butter	0.82	61.46	56.27	53.33	47.98	38.89	29.97
Margarine and Other Vegetable Fats	2.56	41.44	39.07	39.78	40.02	37.90	34.09
Edible Oils and Animal Fats	5.69	24.78	25.00	29.03	26.34	27.62	25.97
FRUIT	14.28	38.44	39.79	25.68	31.43	31.14	36.94
		42.43	33.10	29.63	31.95	22.63	26.10
VEGETABLES	21.84	74.11	46.28	45.96	52.21	23.48	19.26
Fresh or Chilled Vegetables	12.09	37.69	29.78	30.28	27.28	25.25	20.29
Dried Vegetables	2.42	29.07	26.69	21.45	22.42	22.06	30.27
Fresh or Chilled Tuber Vegetables	7.33	13.26	18.40	17.01	17.04	18.28	17.99
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	63.19	64.32	63.30	56.99	49.67	45.83
OTHER FOOD PRODUCTS	12.51	40.95	73.72	64.50	75.70	64.88	57.23
NON-ALCOHOLIC BEVERAGES	23.80						
Coffee, Tea and Cocoa	3.06	14.35	16.59	18.98	21.08	20.47	18.52
Soft Drinks	13.33	7.54	6.32	5.61	6.38	7.69	8.45
Juices	7.40	4.80	2.87	3.47	1.60	2.19	1.48

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 %
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	16.9	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**	**202.6**	**14.7**	**234.0**	**37.2**
Mar-08	215.3	17.9	372.2	55.6	202.6	15.4	241.1	34.2
Jun-08	229.4	17.6	428.4	58.5	208.1	10.0	238.5	7.1
Sep-08	242.1	14.4	482.6	56.6	217.5	7.2	244.5	6.6
Dec-08	281.1	7.2	620.5	37.0	252.6	4.1	247.1	-18.7
2008	**242.0**	**13.7**	**475.9**	**49.9**	**220.2**	**8.7**	**242.8**	**3.8**

	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 %
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**
Mar-08	121.7	7.1	63.0	-5.0	280.9	17.6	165.4	6.0	180.6	-6.9
Jun-08	150.3	21.9	61.9	-3.7	316.3	30.5	173.3	9.1	176.7	-5.5
Sep-08	159.8	6.0	76.5	13.3	308.1	16.0	166.7	3.3	225.2	9.0
Dec-08	365.1	-0.2	77.0	-10.7	336.3	19.1	177.3	19.9	194.2	-3.6
2008	**199.2**	**5.8**	**69.6**	**-2.1**	**310.4**	**20.6**	**170.7**	**9.4**	**194.2**	**-1.6**

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 '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08
ALL ITEMS	**1,000.00**	**11.64**	**262.65**	**13.31**	**128.70**	**8.92**	**52.09**	**11.10**
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	25.94	27.25	38.15	17.27	20.10	8.13	24.23
FOOD	156.20	27.32	22.74	40.78	14.79	20.85	7.15	25.02
BREAD AND CEREALS	**31.21**	**45.83**	**4.00**	**64.17**	**2.79**	**51.27**	**1.30**	**26.43**
MEAT	29.21	8.14	3.21	6.09	2.45	10.54	1.43	4.65
FISH	11.37	23.54	1.81	69.85	1.00	7.26	0.44	8.17
MILK, CHEESE AND EGGS	19.05	3.26	3.24	(0.06)	1.87	5.89	0.79	1.57
OILS AND FATS	9.07	28.68	1.20	26.58	0.85	26.61	0.33	27.66
FRUIT	**14.28**	**36.94**	**2.94**	**52.46**	**1.53**	**25.04**	**0.72**	**15.33**
VEGETABLES	**21.84**	**26.10**	**3.32**	**23.82**	**2.28**	**11.97**	**1.17**	**43.68**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	17.99	1.33	13.61	0.68	13.60	0.44	20.8
FOOD PRODUCTS N.E.C	12.51	57.23	1.69	94.06	1.34	69.78	0.53	41.28
NON-ALCOHOLIC BEVERAGES	23.80	n.a	4.51	5.27	2.48	10.17	0.98	11.79

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 '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08
ALL ITEMS	**38.52**	**6.54**	**45.17**	**20.52**	**123.49**	**6.15**	**111.64**	**10.95**
FOOD AND NON-ALCOHOLIC BEVERAGES	12.00	8.38	17.92	35.04	20.23	14.32	19.75	23.34
FOOD	10.37	8.19	15.41	36.87	17.46	15.45	17.33	24.18
BREAD AND CEREALS	**2.34**	**26.75**	**3.02**	**37.96**	**3.50**	**47.46**	**3.27**	**41.57**
MEAT	1.99	5.25	2.57	14.33	3.52	7.20	3.32	11.55
FISH	0.72	(12.73)	1.17	36.53	1.13	2.38	1.22	0.21
MILK, CHEESE AND EGGS	1.56	7.52	2.08	6.01	2.28	2.58	1.87	(0.26)
OILS AND FATS	0.52	25.93	0.91	22.86	0.99	28.56	1.16	33.83
FRUIT	**1.12**	**6.78**	**1.60**	**68.89**	**1.35**	**10.92**	**1.75**	**58.03**
VEGETABLES	**0.93**	**2.92**	**2.03**	**39.76**	**2.36**	**4.45**	**2.47**	**14.44**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.44	6.02	0.85	15.46	0.84	31.43	0.70	13.86
FOOD PRODUCTS N.E.C	0.75	14.88	1.18	39.76	1.49	16.20	1.57	62.29
NON-ALCOHOLIC BEVERAGES	1.63	10.49	2.51	12.86	2.77	5.97	2.42	10.11

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 '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08
ALL ITEMS	**23.23**	**12.47**	**2.23**	**13.44**	**21.75**	**12.36**	**5.62**	**24.90**
FOOD AND NON-ALCOHOLIC BEVERAGES	7.61	18.18	1.04	19.40	4.68	20.36	4.73	26.74
FOOD	6.75	18.48	0.95	20.37	4.17	21.24	4.10	28.76
BREAD AND CEREALS	**1.28**	**34.60**	**0.25**	**51.20**	**0.85**	**56.51**	**0.96**	**41.22**
MEAT	1.75	0.84	0.21	(4.56)	0.96	18.30	1.07	(10.14)
FISH	0.63	8.76	0.09	10.09	0.29	13.45	0.26	3.63
MILK, CHEESE AND EGGS	0.56	3.41	0.04	0.38	0.45	3.33	0.38	4.17
OILS AND FATS	0.43	29.60	0.07	55.60	0.26	28.52	0.23	13.18
FRUIT	**0.56**	**4.15**	**0.10**	**18.48**	**0.30**	**(3.39)**	**0.17**	**(0.06)**
VEGETABLES	**0.77**	**21.68**	**0.09**	**12.03**	**0.62**	**21.96**	**0.57**	**43.17**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.25	21.81	0.03	19.98	0.16	25.06	0.14	27.79
FOOD PRODUCTS N.E.C	0.52	16.19	0.07	10.87	0.28	34.68	0.32	6.37
NON-ALCOHOLIC BEVERAGES	0.86	10.41	0.09	5.86	0.51	7.03	0.63	0.32

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 '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08	WEIGHT	FEB '09/ FEB '08
ALL ITEMS	**13.12**	**14.84**	**48.14**	**12.27**	**28.07**	**20.63**	**95.58**	**10.12**
FOOD AND NON-ALCOHOLIC BEVERAGES	8.30	18.01	10.80	27.67	6.25	43.48	14.04	23.66
FOOD	7.33	19.06	9.79	28.83	5.52	45.53	12.34	25.11
BREAD AND CEREALS	**1.73**	**46.26**	**2.26**	**58.59**	**1.14**	**23.80**	**2.52**	**53.61**
MEAT	1.40	8.85	1.99	3.20	1.28	2.10	2.06	23.37
FISH	0.26	7.08	0.60	1.38	0.32	29.24	1.43	9.23
MILK, CHEESE AND EGGS	0.79	3.80	0.84	7.96	0.62	7.91	1.68	1.70
OILS AND FATS	0.46	29.57	0.62	34.07	0.25	28.82	0.79	31.73
FRUIT	**0.56**	**(2.48)**	**0.67**	**2.64**	**0.33**	**56.06**	**0.58**	**(5.92)**
VEGETABLES	**1.21**	**15.64**	**1.58**	**33.71**	**0.90**	**64.45**	**1.54**	**35.04**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.30	35.78	0.46	52.55	0.26	15.48	0.78	(7.36)
FOOD PRODUCTS N.E.C	0.62	38.79	0.77	46.30	0.42	27.26	0.96	21.32
NON-ALCOHOLIC BEVERAGES	0.97	5.00	1.01	7.19	0.73	3.27	1.70	1.39

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	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	0.4	5.4	205.40	1.23	4.00	208.80	-1.18	4.50
	II	193.20	3.9	6.6	268.20	6.6	8.9	214.20	4.28	7.18	213.80	2.39	5.20
	III	200.55	3.8	9.8	295.09	10.0	18.9	219.32	2.39	9.00	218.28	2.10	5.13
	IV	204.25	1.8	10.8	300.74	1.9	20.0	225.24	2.70	11.01	218.38	0.05	3.35

		PLUMBING & FIXTURES			WINDOWS, DOORS & BALUSTRADING			FINISHING, JOINERY UNITS AND PAINTING & EXTERNAL WORKS		
Date		Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %
2004	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	127.90	4.15	9.41	140.40	2.71	2.26	122.20	0.08	3.27
	II	128.90	0.78	8.92	140.40	0.00	3.52	125.30	2.54	3.20
	III	129.26	0.28	8.46	141.76	0.97	4.05	127.57	1.81	4.62
	IV	130.48	0.94	6.25	142.18	0.30	4.01	129.83	1.77	6.33

Source: Central Statistical Office.

Appendix F
Export and Import Prices Indices, 2003-2008

(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	162.10	1.9	15.4	172.66	3.3	7.8	106.51	1.4	-6.6
2008	I	164.40	1.4	13.8	165.40	-4.2	3.7	100.61	-5.5	-8.8
	II	170.63	3.8	10.7	180.27	9.0	12.7	105.65	5.0	1.8
	III	167.5	-1.3	5.3	186.6	0.6	11.6	111.4	-2.0	6.0
	IVe	158.4	-5.4	-2.3	160.6	-13.9	-7.0	101.39	-9.0	-4.8

Source: Central Statistical Office.

e – Estimate.

Appendix G

Stock Market Indices, March 2003 - March 2009

	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T
	Index Values		*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
Jun-08	1150.2	1502.1	15.8	19.5	25.2	30.3
Sep-08	1065.6	1444.1	-7.4	-3.9	13.8	22.4
Dec-08	842.9	1154.8	-20.9	-20.0	-14.2	-3.8
Mar-09	821.8	1121.9	-2.5	-2.8	-17.2	-10.7

Source: Central Bank of Trinidad and Tobago.

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

	AGGREGATE FUND VALUE	MONEY MARKET	EQUITY	AGGREGATE FUND VALUE	MONEY MARKET	EQUITY	AGGREGATE FUND VALUE	MONEY MARKET	EQUITY
	TT$ Million			*Quarterly Percent Change (%)*			*Year-on-Year Percent 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
Mar-08	34,940.23	29,121.13	5,502.45	1.1	1.1	-4.3	8.6	10.1	-4.0
Jun-08	36,806.96	30,717.73	5,733.47	5.3	5.5	4.2	15.4	16.4	4.3
Sep-08	36,627.16	31,373.90	4,941.86	-0.5	2.1	-13.8	10.0	13.9	-13.7
Dec-08	36,154.62	31,528.35	4,315.63	-1.3	0.5	-12.7	4.7	9.5	-25.0
Mar-09	36,478.13	32,173.01	4,003.92	0.9	2.0	-7.2	4.4	10.5	-27.2

Source: Central Bank of Trinidad and Tobago.

NB. The difference between the sum of money market funds and equity funds and aggregate fund value represents the value of other funds that are not classified as either money market or equity funds.

Appendices:

Media Releases on the Repo Rate from November 2008 to March 2009

1 **Media Release dated November 21, 2008 -**
Inflation Edges Up: Central Bank Maintains
'Repo' Rate at 8.75 Per cent

2 **Media Release dated December 19, 2008 -**
Inflation Eases in November: Central Bank Maintains
'Repo' Rate at 8.75 Per cent

3 **Media Release dated January 30, 2009 -**
Central Bank Maintains 'Repo' Rate at 8.75 Per cent

4 **Media Release dated February 20, 2009 -**
Inflation Slows: Central Bank Maintains 'Repo' Rate at 8.75 Per cent

5 **Media Release dated March 27, 2009 -**
Central Bank Lowers 'Repo' Rate by 25 Basis Points 8.50 Per cent

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Media Release

INFLATION EDGES UP: CENTRAL BANK MAINTAINS REPO RATE AT 8.75 PER CENT

According to the latest data released by the Central Statistical Office, **headline inflation,** measured by the 12-month increase in the Index of Retail Prices, rose to **15.4 per cent** in October 2008 from 14.8 per cent in September. On a monthly basis, headline inflation rose by **1.5 per cent,** the same rate as in the previous month.

Food price inflation, which has been a key driver of the headline inflation rate, increased on a year-on-year basis to 33.4 per cent, slightly below the increase of 34.6 per cent recorded in September. **Core inflation,** which has been hovering in the vicinity of 6.2 per cent over the last three months, rose to **7.4 per cent** in October 2008.

As regards the food price index, in October there were slower increases in **bread and cereals** (1.0 per cent compared with 1.2 per cent in September), **fish** (1.5 per cent compared with 7.6 per cent in September), and **oils and fats** (0.3 per cent compared with 1.5 per cent in September). There were price decreases in the case of vegetables (-1.6 per cent) and milk, cheese and eggs (-0.2 per cent). **Bread and cereals and sugar, jam and confectionery** posted year-on-year increases of **64.3 per cent** and **18.4 per cent respectively,** compared with 63.2 per cent and 13.3 per cent respectively, in September. Slower year-on-year price increases were recorded for **meat (14.9 per cent** in October compared with 15.3 per cent in September 2008), **fish (23.1 per cent** in October compared with 25.1 per cent in September) and **milk, cheese and eggs (14.2 per cent** in October compared with 18.3 per cent in September).

The rise in **core inflation** reflected increases in the sub-indices for housing – which cover housing, water, electricity, gas and other fuels - and transportation. These two sub-indices account for just over one-half of the weight in the core inflation index. On a year-on-year basis to October, the **housing sub-index** increased by **8 per cent** compared with 6.9 per cent in September, while the **transport sub-index** rose by **3.6 per cent** compared with 1.7 per cent in the previous month. The rise in the prices of building materials and the cost of labour were major factors contributing to the increase in the housing sub-index, while recent increases in taxi fares were behind the rise in the cost of transportation services.

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The recent announcement of a reduction in the price of bread, flour and rice by local manufacturing firms, following the sharp drop in international grain prices, should produce further reductions in food prices in the ensuing months. Meanwhile, in the face of declining energy sector revenues arising from the sharp fall in crude oil prices, the government will soon announce steps to restrain expenditure. These steps, in conjunction with the tight monetary policy stance, should help to reduce liquidity pressures and anchor inflationary expectations in the upcoming months.

Against this background, the Bank has decided to maintain the 'Repo' rate at 8.75 per cent.

The Bank will continue to keep economic and monetary conditions under close review and is prepared to take appropriate monetary policy action if circumstances so warrant.

The next 'Repo' rate announcement is scheduled for December 19, 2008.

November 21, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	September 2008	October 2008	September 2008	October 2008
Headline Inflation	**1.5**	**1.5**	**14.8**	**15.4**
Food Prices	4.5	1.5	34.6	33.4
Bread and Cereals	1.2	1.0	63.2	64.3
Meat	1.3	2.6	15.3	14.9
Fish	7.6	1.5	25.1	23.1
Vegetables	4.1	(1.6)	42.4	33.1
Fruits	13.1	0.1	38.4	39.8
Milk, Cheese & Eggs	0.7	(0.2)	18.3	14.2
Oils and Fats	1.5	0.3	32.7	31.8
Sugar, Jam, Confectionery, etc.	0.6	4.6	13.3	18.4
Core Inflation	**(0.1)**	**1.5**	**6.2**	**7.4**
Alcoholic Beverages & Tobacco	(0.1)	1.7	15.9	14.8
Clothing and Footwear	0.2	(0.3)	3.3	2.3
Furnishings, Household Equipment and Routine Maintenance	0.0	1.8	2.9	4.2
Health	0.3	0.2	6.6	6.1
Rent	0.0	1.5	5.8	5.9
Home Ownership	0.0	2.7	3.9	5.4
Water, Electricity, Gas & Other Fuels	(2.9)	0.0	17.8	17.7
Education	0.0	5.2	16.4	9.2
Recreation & Culture	0.0	(0.6)	4.6	12.9
Hotels, Cafes & Restaurants	0.0	4.8	25.4	21.8
Transport	0.0	1.8	1.7	3.6

Source: Central Statistical Office.

- End -

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Media Release

INFLATION EASES IN NOVEMBER: CENTRAL BANK MAINTAINS REPO RATE AT 8.75 PER CENT

The latest data released by the Central Statistical Office indicate that **headline inflation,** slowed to **14.3 per cent** on a year-on-year basis to November 2008 from **15.4 per cent** in October 2008. **Food price inflation,** which exerts a strong influence on headline inflation, slowed to 29.8 per cent in the twelve months to November from 33.4 per cent in the previous month. **Core inflation,** which excludes the impact of food prices, nudged slightly downwards to **7.2 per cent** in the twelve months to November from 7.4 per cent in October.

On a monthly basis, headline inflation measured 0.3 per cent in November 2008, the slowest rate of increase since February 2008. The month-on-month price increases in the food prices sub-index slowed to 0.6 per cent from 1.5 per cent in the month of October and an average of over 4.0 percent in the last four months.

A more detailed examination of the food prices sub-index indicates that, with the exception of the fish and oils and fats categories, the pace of price increases slowed in all the major sub-indices. Slower year-on-year price increases were recorded for **fruit (25.7 per cent** in November compared with 39.8 per cent in October); **vegetables (29.6 per cent** in November compared with 33.1 per cent in October); **meat (12.6 per cent** in November compared with 14.9 per cent in October 2008), **bread and cereals (63.3 per cent** in November compared with 64.3 per cent in October) and **milk, cheese and eggs (10.0 per cent** in November compared with 14.9 per cent in October). In contrast, the sub-indices for **fish** and **oils and fats** registered year-on-year increases of **27.3 per cent** and **34.4 per cent,** respectively.

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As regards core inflation, the sub-indices for **health and alcoholic beverages and tobacco** posted year-on-year increases of **5.8 per cent** and **8.0 per cent,** respectively in November compared with increases of 6.1 per cent and 14.8 per cent, respectively in October.

The international prices of grains such as wheat and corn have declined significantly since August 2008, by 52.9 per cent and 52.4 per cent, respectively from peak levels earlier in 2008. At the domestic level, there have been announced reductions in the prices of flour and rice. The data suggest that these reductions are not yet being fully reflected in a corresponding decline in the Index of Retail Prices. Some retailers have indicated that high inventory levels will delay the "pass through" effects of the fall in commodity prices. To date, there have been reductions in the price of flour and rice. Poultry producers also expect chicken prices to decline in the first quarter of 2009 to reflect the fall in international grain prices. These factors, along with the expected increase in agricultural production and lower import prices, related to the world-wide recession, point to a continued fall in food inflation over the next few months.

Although **net domestic fiscal injections** continue to add liquidity in the domestic financial system, the current tight monetary policy stance seems to be restricting credit growth. Furthermore, the recessionary conditions in the major economies have led to a more cautious outlook by both consumers and businesses, which is contributing to a more restrained credit environment. In the twelve months to October, the growth in **private sector credit by the consolidated financial system** slowed to 11.1 per cent from 19.2 per cent in May 2008. Consumer and business credit posted year-on-year increases of 10.5 per cent and 10.9 per cent respectively, compared with increases of 19.3 per cent and 19.6 per cent in May 2008.

The **evolution of inflation** over the next few months will depend on a number of factors including the rate of reduction of import prices and the domestic "pass through" as well as the rate at which tighter fiscal and monetary policies impact inflationary expectations and core inflation rates. Against this background, the Bank has decided to maintain the 'Repo' rate at 8.75 per cent.

The Bank will continue to keep economic and monetary conditions under close review and is prepared to take appropriate monetary policy action if circumstances so warrant.

The next 'Repo' rate announcement is scheduled for January 30, 2009.

December 19, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	October 2008	November 2008	October 2008	November 2008
Headline Inflation	**1.5**	**0.3**	**15.4**	**14.3**
Food Prices	1.5	0.6	33.4	29.8
Bread and Cereals	1.0	0.4	64.3	63.3
Meat	2.6	0.5	14.9	12.6
Fish	1.5	6.3	23.1	27.3
Vegetables	(1.6)	0.9	33.1	29.6
Fruits	0.1	(4.2)	39.8	25.7
Milk, Cheese & Eggs	(0.2)	0.4	14.2	10.0
Oils and Fats	0.3	2.2	31.8	34.4
Sugar, Jam, Confectionery, etc.	4.6	0.2	18.4	17.0
Core Inflation	**1.5**	**0.1**	**7.4**	**7.2**
Alcoholic Beverages & Tobacco	1.7	0.1	14.8	8.0
Clothing and Footwear	(0.3)	(0.2)	2.3	2.1
Furnishings, Household Equipment and Routine Maintenance	1.8	0.0	4.2	4.2
Health	0.2	0.1	6.1	5.8
Of which: Medical Services	0.3	0.0	6.5	6.5
Rent	1.5	0.0	5.9	5.9
Home Ownership	2.7	0.0	5.4	5.4
Water, Electricity, Gas & Other Fuels	0.0	0.0	17.7	17.8
Education	5.2	0.0	9.2	9.2
Recreation & Culture	(0.6)	0.0	12.9	12.9
Of Which: Package Holidays	(2.8)	0.0	32.4	32.4
Hotels, Cafes & Restaurants	4.8	0.0	21.8	21.8
Transport	1.8	0.0	3.6	3.6

Source: Central Statistical Office.

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Media Release

CENTRAL BANK MAINTAINS REPO RATE AT 8.75 PER CENT

The final inflation figures released by the Central Statistical Office for 2008 indicate that **headline inflation** edged up to **14.5 per cent** on a year-on-year basis to December from 14.3 per cent in the previous month. **Food price inflation**, the key driver of the headline inflation rate, measured **30.6 per cent** on a year-on-year basis to December compared with 29.8 per cent in the previous month. **Core inflation** nudged slightly downwards to **7.1 per cent** in the twelve months to December from 7.2 per cent in November.

On a **monthly basis,** however, **headline inflation measured 0.1 per cent** in December, the slowest rate of increase for 2008. Food prices increased by 0.3 per cent in December compared with a high of 5.6 per cent in August and last month's rate of 0.6 per cent.

Food prices, in all the major categories, were lower in December than in November 2008. There were small declines in the prices of bread and cereals, vegetables and fruits. The December data suggest that while there are initial signs of the globally-induced decline in food prices, this is occurring much more slowly than was originally envisaged.

The decline in **core inflation** resulted from price reductions in the sub-indices for **Alcoholic Beverages and Tobacco** as well as **Clothing and Footwear.** In the twelve months to December, these sub-indices posted slower increases of **6.6 per cent** and **1.5 per cent,** respectively compared with increases of 8.0 per cent and 2.1 per cent in November. In contrast, the **Health sub-index** rose by **6.1 per cent** largely on account of a 7.3 per cent increase in the cost of pharmaceutical products.

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During 2008, **net fiscal injections** remained generally high and contributed to relatively elevated levels of liquidity in the domestic financial system. Nevertheless, the tight monetary policy stance pursued by the Bank helped to restrain credit growth. In the twelve months to November, private sector credit by the consolidated financial system slowed to 11.9 per cent from an average of 18.0 per cent during the first half of 2008. Consumer and business credit also displayed similar trends slowing to 9.9 per cent and 13.1 per cent, respectively on a year-on-year basis to November from averages of 19.4 per cent and 16.1 per cent in the first six months of 2008. The declining trend in bank credit has contributed in part to an increase in bank liquidity.

Following the steep decline in energy prices from around the third quarter of 2008, the Government undertook two formal reviews of its budget for fiscal 2009 and made a number of adjustments to its recurrent and capital spending plans. The revised budget now anticipates an overall revenue shortfall of TT$7.6 billion and a small overall deficit equivalent to around 1.3 per cent of Gross Domestic Product. The re-prioritization in Government's spending plans should help to suppress domestic liquidity pressures and contain aggregate demand.

In the wake of a protracted slowdown in the global economy, the prognosis for the domestic economy in 2009 is for lower export earnings, reduced Government revenues, a compression in aggregate demand and relatively low economic growth (around 1-2 per cent). Increased output from the two model farms – Tucker Valley and PCS Nitrogen - should however boost domestic food production; in addition lower international food prices and a more restrained credit environment, should lead to some abatement in inflationary pressures in the coming months.

The slow down of bank credit expansion has led to an abundance of excess liquidity which has begun to put downward pressure on short term interest rates. An issue of $500 million in long term bonds by the Housing Development Corporation should help to absorb some of the liquidity.

Against this background, the Bank has decided to maintain the '**Repo' rate at 8.75 per cent.** The Bank will continue to keep a close watch on international, regional and domestic economic developments and is prepared to take appropriate monetary policy action if circumstances so warrant.

The next 'Repo' rate announcement is scheduled for February 20, 2009.

January 30, 2009.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	November 2008	December 2008	November 2008	December 2008
Headline Inflation	**0.3**	**0.1**	**14.3**	**14.5**
Food Prices	0.6	0.3	29.8	30.6
Bread and Cereals	0.4	(2.5)	63.3	57.0
Meat	0.5	0.5	12.6	10.1
Fish	6.3	1.2	27.3	22.5
Vegetables	0.9	(0.3)	29.6	32.0
Fruits	(4.2)	(0.5)	25.7	31.4
Milk, Cheese & Eggs	0.4	0.1	10.0	8.4
Oils and Fats	2.2	0.6	34.4	32.3
Sugar, Jam, Confectionery, etc.	0.2	0.9	17.0	17.0
Core Inflation	**0.1**	**0.0**	**7.2**	**7.1**
Alcoholic Beverages & Tobacco	0.1	(0.4)	8.0	6.6
Clothing and Footwear	(0.2)	(0.1)	2.1	1.5
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	4.2	4.2
Health	0.1	0.2	5.8	6.1
Of which: Medical Services	0.0	0.0	6.5	6.5
Rent	0.0	0.0	5.9	5.9
Home Ownership	0.0	0.0	5.4	5.4
Water, Electricity, Gas & Other Fuels	0.0	0.0	17.8	17.6
Education	0.0	0.0	9.2	9.2
Recreation & Culture	0.0	0.0	12.9	12.9
Of Which: Package Holidays	0.0	0.0	32.4	32.4
Hotels, Cafes & Restaurants	0.0	0.0	21.8	21.8
Transport	0.0	0.0	3.6	3.6

Source: Central Statistical Office.

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Media Release

INFLATION SLOWS: CENTRAL BANK MAINTAINS REPO RATE AT 8.75 PER CENT

Recent data released by the Central Statistical Office indicate that **headline inflation** slowed markedly to **11.7 per cent** in the twelve months to January 2009 from **14.5 per cent** in December 2008 and from a high of **15.4 per cent** in September 2008. The **monthly headline inflation rate** registered a **0.4 per cent decline** in January 2009, the first fall in the past eleven months. The slowdown has occurred in both food prices and core inflation.

The increase in **food prices** which measured 30.6 per cent year-on-year in December 2008, **slowed to 25.9 per cent** in the twelve months to January 2009. The moderation in food inflation covered about 90 per cent of the items in the food sub-index. The marked reduction in international commodity prices was the main factor behind lower domestic food prices. However, a decline in the prices of some local food produce also contributed to lower food inflation.

On a monthly basis, **food prices** fell by **1.5 per cent** in January 2009 compared with an increase of 0.3 per cent in the previous month. There were notable declines in the prices of **vegetables (3.8 per cent) and milk, cheese and eggs (0.6 per cent).** However, the prices of **fruits, sugar and confectionery products** and **fish** registered monthly increases of **4.6 per cent, 1.5 per cent** and **8.0 per cent**, respectively.

Core inflation, which had also been climbing steadily during 2008, slowed sharply to **5.2 per cent** on a year-on-year basis in January 2009 from 7.1 per cent in December 2008. The sub-indices for home ownership and clothing and footwear showed little or no increase in January. On a monthly basis, a reduction in **recreation and culture (8.8 per cent)** emanating from a sizeable fall in the "package holiday" component of the sub-index also contributed to the lower core inflation rate. The fall in core inflation is partly due to the slowing in domestic economic activity and domestic demand.

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Net fiscal injections have been slightly lower for the year to date, while bank credit expansion continues to slow. **Private sector credit** expansion by the consolidated financial system slowed to **10.4 per cent** on a year-on-year basis to December 2008 from 16.1 per cent in December 2007. This slowdown has been especially pronounced in **consumer credit**, which grew on a year-on-year basis to December 2008 by **5.7 per cent** compared to 21.3 per cent in December 2007. **Business credit,** however, grew twice as fast as consumer credit on a year-on-year basis to December 2008.

The contraction in bank credit expansion has resulted in a rise in excess reserve balances of the banking system and has impacted short-term interest rates. The **three-month treasury bill rate** fell to **4.37 per cent** in February 2009 from 7.05 per cent in December 2008 resulting in a sharp narrowing in the differential between US and TT short-term interest rates. This **differential** fell to **404 basis points** in February 2009 from 700 basis points in December 2008.

In the period ahead, slower economic growth and reduced credit expansion should help contain domestic demand. Recent announcements of a 20-30 per cent reduction in the price of rice along with the suspension or removal of the common external tariff on sugar, cheese and soya-bean oil should also have a dampening effect on food prices in the coming months. In this environment, inflation risks are tilted more towards the downside.

The Bank has decided to maintain the **'Repo' rate at 8.75 per cent.** The Bank will continue to keep a close watch on international, regional and domestic economic developments and is prepared to take appropriate monetary policy action if circumstances so warrant.

The next 'Repo' rate announcement is scheduled for March 27, 2009.

February 20, 2009.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	December 2008	January 2009	December 2008	January 2009
Headline Inflation	**0.1**	**(0.4)**	**14.5**	**11.7**
Food Prices	0.3	(1.5)	30.6	25.9
Bread and Cereals	(2.5)	(1.3)	57.0	49.7
Meat	0.5	0.7	10.1	9.3
Fish	1.2	8.0	22.5	30.6
Vegetables	(0.3)	(3.8)	32.0	22.6
Fruits	(0.5)	4.6	31.4	31.1
Milk, Cheese & Eggs	0.1	(0.6)	8.4	6.4
Oils and Fats	0.6	1.0	32.3	31.7
Sugar, Jam, Confectionery, etc.	0.9	1.5	17.0	18.3
Core Inflation	**0.0**	**0.2**	**7.1**	**5.2**
Alcoholic Beverages & Tobacco	(0.4)	0.1	6.6	5.5
Clothing and Footwear	(0.1)	0.2	1.5	1.4
Furnishings, Household Equipment and Routine Maintenance	0.0	1.5	4.2	5.3
Health	0.2	0.4	6.1	4.3
Of which: Medical Services	0.0	0.4	6.5	2.8
Rent	0.0	0.6	5.9	6.5
Home Ownership	0.0	0.1	5.4	5.1
Water, Electricity, Gas & Other Fuels	0.0	0.0	17.6	17.7
Education	0.0	0.0	9.2	9.2
Recreation & Culture	0.0	(8.8)	12.9	(8.9)
Of Which: Package Holidays	0.0	(25.1)	32.4	(30.5)
Hotels, Cafes & Restaurants	0.0	1.3	21.8	20.5
Transport	0.0	4.9	3.6	7.8

Source: Central Statistical Office.

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Media Release

CENTRAL BANK LOWERS REPO RATE BY 25 BASIS POINTS TO 8.50 PER CENT

The latest data released by the Central Statistical Office indicate that in the twelve months to February 2009, **headline inflation** measured **11.7 per cent**, the same rate as in January 2009. In 2008, headline inflation had reached as high as 14.7 per cent. On a monthly basis, **headline inflation** fell by **0.2 per cent** in February 2009 following a decline of **0.4 per cent** in the previous month.

Food price inflation, which registered a year-on-year increase of **25.9 per cent** in February 2009, remained unchanged from the previous month. After slowing sharply in January 2009 to 5.2 per cent, **core inflation**, edged upwards increasing to **5.3 per cent** on a year-on-year basis to February 2009.

An analysis of the monthly inflation figures indicate that **food price inflation** fell by **0.7 per cent** in February following a decline of 1.5 per cent in January 2009. The major areas of decline were in the prices of **bread and cereals (0.5 per cent), meat (0.9 per cent), vegetables (2.1 per cent)** and **milk, cheese and eggs (0.3 per cent)**. Slower monthly increases were recorded for **fish (4.9 per cent** in February compared to 8.0 per cent in January), **fruits (2.4 per cent** in February compared with 4.6 per cent in January) and **oils and fats (0.4 per cent** in February compared with 1.0 per cent in January).

The decline in international food prices has resulted in a sharp reduction in domestic food inflation in many countries. While there has been some decline in food inflation in the local economy within recent months, food prices are still significantly higher than a year earlier. In February 2009, the prices of **bread and cereals, oils and fats, fruits and vegetables** were **45.8 per cent, 28.7 per cent, 36.9 per cent and 26.1 per cent** higher than a year earlier.

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The sharp slowdown in global growth has dampened consumer and business optimism and is leading to a broad-based softening in domestic economic activity. With energy prices and global aggregate demand projected to remain depressed for several months, consumers and business firms have become somewhat more cautious about the outlook for the domestic economy in 2009. Accordingly, many local firms are in the process of re-evaluating their spending plans and cutting costs. Some of these adjustments have already begun to negatively impact employment especially in the energy and services sectors.

The decline in domestic demand is partly reflected in the behaviour of credit markets. In the twelve months to January 2009, **private sector credit by the consolidated financial system** slowed to **8.4 per cent** from 10.4 per cent in December 2008 and 18.4 per cent a year earlier. **Consumer credit** has also declined to **3.4 per cent** in January 2009 from 5.7 per cent in the previous month and 22.1 per cent in January 2008. Business credit has displayed a similar trend although it continues to outpace consumer credit expansion.

With the slowdown in bank credit expansion, **excess reserves in the financial system** have increased to unprecedented levels. Plans are well advanced for the issue of a long-term liquidity bond to mop up excess liquidity.

The significant build-up in excess liquidity has impacted **short-term interest rates** which have declined substantially in recent months. The **3-month treasury bill rate** declined by 296 basis points to **3.26 per cent** in March 2009 from 6.22 per cent in January while the **6-month rate** fell to **3.88 per cent** in March from 6.95 per cent in January. As yet, there have been no corresponding reductions in bank interest rates.

Monetary policy faces the dual challenge of addressing double-digit inflation while trying to moderate the economic slowdown and contain the negative employment impact. In order to provide the signal for the lowering of bank lending rates, especially to businesses, the Central Bank has reduced the **'Repo' rate** by 25 basis points to **8.50 per cent.**

The Bank will continue to keep a close watch on domestic, regional and international economic developments and is prepared to take further monetary policy action if circumstances so warrant.

The next 'Repo' rate announcement is scheduled for April 24, 2009.

March 27, 2009.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	January 2009	February 2009	January 2009	February 2009
Headline Inflation	**(0.4)**	**(0.2)**	**11.7**	**11.7**
Food Prices	(1.5)	(0.7)	25.9	25.9
Bread and Cereals	(1.3)	(0.5)	49.7	45.8
Meat	0.7	(0.9)	9.3	8.1
Fish	8.0	4.9	30.6	23.5
Vegetables	(3.8)	(2.1)	22.6	26.1
Fruits	4.6	2.4	31.1	36.9
Milk, Cheese & Eggs	(0.6)	(0.3)	6.4	3.3
Oils and Fats	1.0	0.4	31.7	28.7
Sugar, Jam, Confectionery, etc.	1.5	(0.1)	18.3	18.0
Core Inflation	**0.2**	**0.1**	**5.2**	**5.3**
Alcoholic Beverages & Tobacco	0.1	0.1	5.5	5.8
Clothing and Footwear	0.2	(0.1)	1.4	0.9
Furnishings, Household Equipment and Routine Maintenance	1.5	0.0	5.3	5.3
Health	0.4	0.1	4.3	4.2
Of which: Medical Services	0.4	0.0	2.8	2.8
Rent	0.6	0.0	6.5	6.5
Home Ownership	0.1	0.0	5.1	5.1
Water, Electricity, Gas & Other Fuels	0.0	0.0	17.7	17.1
Education	0.0	0.0	9.2	9.2
Recreation & Culture	(8.8)	0.0	(8.9)	(8.9)
Of Which: Package Holidays	(25.1)	0.0	(30.5)	(30.5)
Hotels, Cafes & Restaurants	1.3	0.0	20.5	20.5
Transport	4.9	0.0	7.8	7.8

Source: Central Statistical Office.

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ISSN 1817-9959