CENTRAL BANK OF TRINIDAD & TOBAGO

Monetary Policy Report

October 2008

Volume VIII Number 2

MONETARY POLICY REPORT

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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.

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MONETARY POLICY REPORT

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Part I - Overview

Since the last **Monetary Policy Report (MPR)** was published in April 2008, **international financial markets** have gone through convulsions, the likes of which have not been seen since the Great Depression. September and October were difficult months for credit markets following the failure of Lehman Brothers and the difficulties of Fannie Mae and AIG. As the difficulties faced by these institutions came to light, confidence in financial institutions, both in the **US and Europe,** weakened significantly. In response, credit markets seized up, the commercial paper market collapsed, lending standards tightened, and inter-bank lending stopped.

October was perhaps the worst month on record for the major stock markets. **Emerging markets** also came under pressure as their equity markets lost about one-third of their value in local currency terms and more than 40 per cent in U.S. dollar terms, owing to widespread currency depreciations (Charts Ia and 1b).

The **economic slowdown in the US**, which had been mild up to July-August, deepened significantly after the credit market seizure in mid-September. In the third quarter of 2008, US GDP declined by 0.3 per cent (Table Ia). A further decline is expected in the fourth quarter officially confirming that the US economy is in recession.

Chart Ia
Advanced Economies - Stock Market Indices

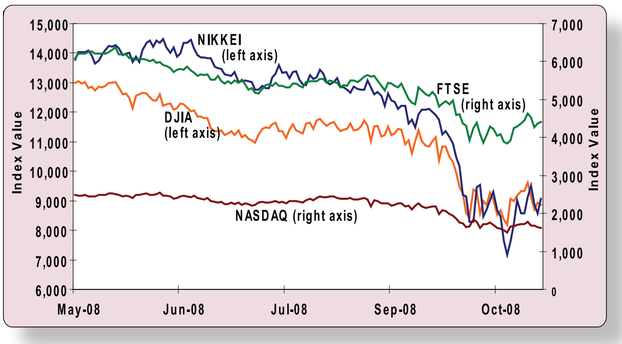


Chart Ib
Developing Economies - Stock Market Indices

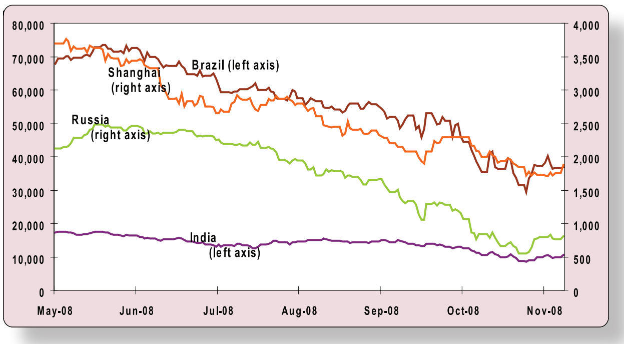


Table Ia
Advanced Economies - Quarterly GDP Growth

/per cent/	QI	QII	QIII
United States	0.9	2.8	-0.3
United Kingdom	1.6	0.4	-0.5
Euro Area	0.7	-0.2	-0.2

Source: World Economic Outlook.

Chart Ic
Energy Prices

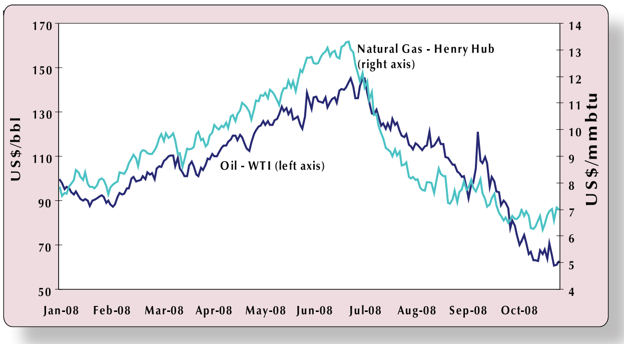
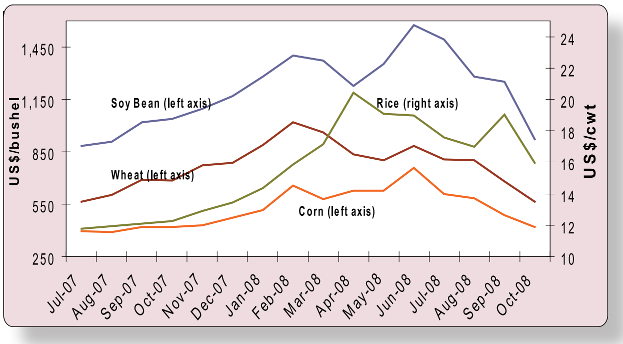


Chart Id
Prices of Selected Commodities



For the year as a whole, real GDP growth in the U.S. is projected at 1.4 per cent. The latest projections are for real GDP growth of 0.8 per cent and 1.2 per cent in the **UK** and the **Eurozone**, respectively.

Policy-makers in the US, Europe, and in the rest of the world, have been implementing comprehensive policy actions to address the root cause of the financial stress and to support demand. The initiatives have included programmes to purchase distressed assets, use of public funds to recapitalize banks and provide comprehensive guarantees and the coordinated reduction in policy rates by major central banks.

Market conditions are starting to respond to these actions. Credit issuance is slowly reappearing, credit spreads have begun to narrow; three-month Libor has declined and the commercial paper market has restarted.

Against the background of the financial crisis and the global slowdown, **oil prices** have plunged by close to two-thirds from their peak of US$147 per barrel. Gas prices have also declined, though by a smaller magnitude (Chart Ic). Prices of a wide range of commodities from food to metals have also declined (Chart Id).

Prospects for **global growth in 2009** have deteriorated markedly. Activity in the US, UK and the Euro Area is projected to decline (Table Ib) while the main emerging markets are projected to experience a marked slowdown compared with 2008 (Table Ic).

Table Ib
Advanced Economies - GDP Growth

/per cent/	2007	2008p	2009p
Advanced Economies of which:	2.6	1.4	-0.3
United States	2.0	1.4	-0.7
Euro Area	2.6	1.2	-0.5
United Kingdom	3.0	0.8	-1.3

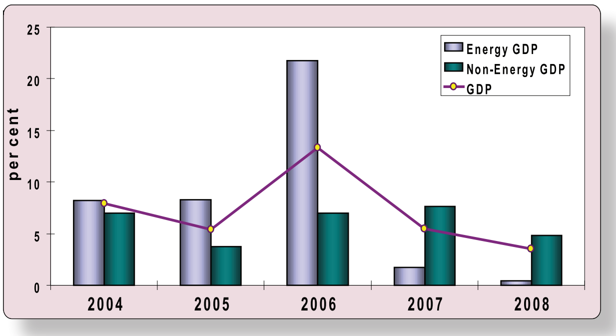
Source: World Economic Outlook

Table Ic
Emerging Economies - GDP Growth

/per cent/	2007	2008p	2009p
Emerging Economies of which:	8.0	6.6	5.1
Brazil	5.4	5.2	3.0
Russia	8.1	6.8	3.5
India	9.3	7.8	6.3
China	11.9	9.7	8.5

Source: World Economic Outlook.

Chart Ie
Real GDP Growth : 2004-2008



Trinidad and Tobago

The impact of the international financial crisis is already being felt on Caribbean economies. Those that depend heavily on tourism and remittances are **being most affected**. Trinidad and Tobago is experiencing the contagion largely through the sharp decline in oil prices and low demand for petrochemicals.

Available data indicate that real GDP growth in Trinidad and Tobago slowed in 2008, even while there was a sharp rise in inflation. There is evidence of a softening in real estate prices and a short-term recovery in the local equity market seems to be sputtering. Local businesses are becoming quite concerned that the global recession will have a serious impact on economic activity in Trinidad and Tobago. Consumer confidence in the economy also seems to be weakening quickly.

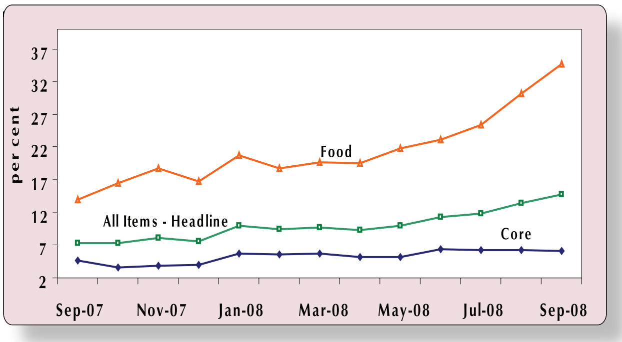
In Trinidad and Tobago, official projections suggest that real **GDP growth** should slow to 3.5 per cent in 2008, down from 5.5 per cent in 2007 (Table Id). The slowdown is attributable to a decline in oil production from maturing oil fields and relatively stagnant output from the petrochemical sub-sector. Growth in the non-energy sector is projected at around 4.8 per cent, compared with 7.7 per cent in 2007 (Chart Ie).

Table Id
Real GDP Growth Rates

/per cent/	2004	2005	2006	2007	2008^{P}
Total	7.9	5.4	13.3	5.5	3.5
Energy Sector	8.2	8.3	21.8	1.7	0.4
Exploration and Production	8.3	10.7	16.4	1.5	-2.0
Non-Energy Sector	7.0	3.8	7.0	7.7	4.8
Manufacturing	8.4	13.5	12.4	14.9	4.2
Services	7.7	2.6	6.4	6.6	4.9
Distribution and Restaurants	3.2	4.5	15.1	3.3	2.3
Finance, Insurance and Real Estate	21.7	-2.4	1.6	10.9	8.8
Construction and Quarrying	8.1	16.1	6.2	6.6	3.8

Source: Central Statistical Office

Chart If
Index of Retail Prices
(Year-on-Year Per cent Change)



The buoyancy of the non-energy sector has continued to put pressure on **labour markets**. There are persistent reports of labour shortages in some sectors, particularly construction and manufacturing. As at the second quarter of 2008, the **unemployment rate** was 4.6 per cent compared with 6 per cent in the corresponding quarter of 2007.

Since the last MPR, **inflation** has jumped from 9.3 per cent in April 2008 (year-on-year) to 14.8 per cent in September. The surge was led by the leap in food prices but core inflation also continued to rise, indicating that underlying inflationary pressures are still strong (Chart If).

Since April, the twelve month increase in **food prices** has risen from 20 per cent to 35 per cent in September. Over the past five months the monthly increase in food prices averaged 4.3 per cent, by far the fastest rate of increase on record for any comparable period.

It should be noted that other countries in the region have been facing exceptionally high rates of food price increases. In **Barbados**, the increase in food prices was 16 per cent in the 12-month period through July. In **Jamaica** and **Suriname** the corresponding increase was 34 per cent through September 2008.

Table Ie
Prices of Selected Commodities

	US$/bushel		
	Corn	Wheat	Soybean
Jan-08	516	891	1,280
Feb-08	655	1,021	1,401
Mar-08	581	960	1,374
Apr-08	628	835	1,226
May-08	627	799	1,355
Jun-08	757	882	1,574
Jul-08	608	809	1,496
Aug-08	585	801	1,279
Sep-08	488	680	1,251
Oct-08	419	564	922

Originally, the recent surge in food prices was influenced by an explosion in global food prices which started in mid-2007 and continued through the first half of 2008. When prices peaked, wheat prices had risen by 74.6 per cent; corn by 42.5 per cent and soybean by 53.2 per cent. Since the peak, through October, prices of these commodities have declined by an average of 45 per cent for wheat, corn and soybean (Table Ie).

The continued increase in food prices in Trinidad and Tobago, even after global commodity prices have registered sharp declines, has caused some concern. One explanation advanced by the business sector has been the adjustment lag as retailers reduce inventories. Food price inflation has also remained high because of a steep rise in the prices of some domestic agricultural products following the destruction of some crops by floods in July - August.

From a level of around 4 per cent at the end of 2007, **core inflation** has risen to 6.2 per cent in the 12-months through September 2008. The fastest increase was in housing (7 per cent), meals in hotels and cafes (25.4 per cent) and alcohol beverages (16 per cent) (Table If). The steady rise in core inflation, from a level of 2.0 per cent in 2004, underscores the steady build-up of underlying inflationary pressures over the past several years.

Table If
Headline, Food and Core Inflation, 2004-2008

(Year-on-Year Per cent Change)

	Dec-04	Dec-05	Dec-06	Dec-07	Sep-08
Headline Inflation	5.6	7.1	9.0	7.6	14.8
Food & Non-Alcoholic Beverages	20.6	22.6	22.0	16.8	34.6
Core Inflation	2.0	2.7	4.6	3.9	6.2
of which:					
Housing	4.4	1.2	4.1	3.8	6.9
Hotels, Cafes and Restaurants	5.5	6.3	6.2	14.4	25.4
Alcoholic Beverages & Tobacco	4.2	3.8	20.2	13.0	15.9

Inflation Drivers

Fiscal Policy

Fiscal policy has been a major source of the inflationary pressure because of the heavy reliance of the budget on energy sector revenues. Conceptually, the Central Government covers about 55 per cent of its expenditures from domestic taxes and finances the balance by drawing down on energy tax collections lodged at the Central Bank. These draw-downs, which are equivalent to the non-energy fiscal deficit, are inflationary because they imply no reduction in the purchasing power of the rest of the economy.

The non-energy fiscal deficit rose from 9 per cent of GDP in FY '04 to 14.9 per cent of GDP in FY '07 and declined slightly to 14.7 per cent of GDP in FY '08 (Chart Ig). Fiscal studies undertaken both by the IMF and the Central Bank based on an oil price trajectory done before the current crisis, suggest that a non-energy fiscal deficit of about 10 per cent of GDP is more sustainable over the long term. The rise in the non-energy deficit, even in the face of buoyant domestic revenues, partly reflects the sizable government spending on education, health and infrastructure as well as increased spending on energy subsidies and poverty alleviation programmes. In recent years, the sizable Central Government investment programme has been supplemented by additional infrastructural spending, executed by special purpose vehicles and financed by foreign or domestic bank borrowing. This quasi-fiscal spending, estimated at about 5 per cent of GDP in FY 2008, is another source of inflationary pressure.

Chart Ig
Non-Energy Fiscal Deficit

(in per cent of GDP)

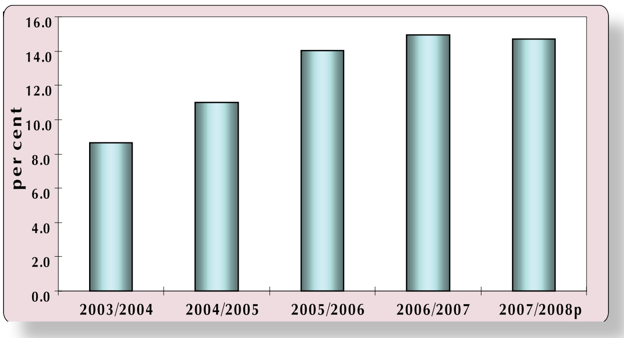


Chart Ih
Commercial Banks' Credit to Private Sector
(Year-on-Year Per cent change)

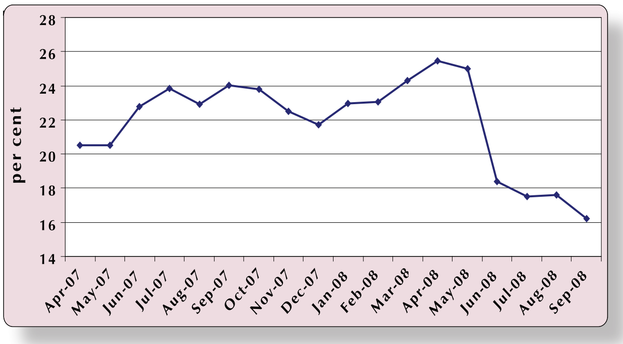


Chart Ii
Credit to Businesses and Consumers by the Consolidated Financial System
(Year-on-Year Per cent change)

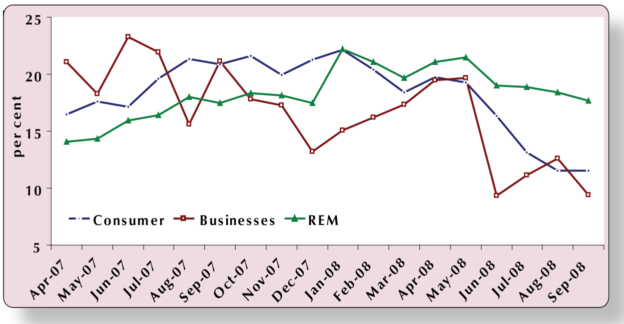
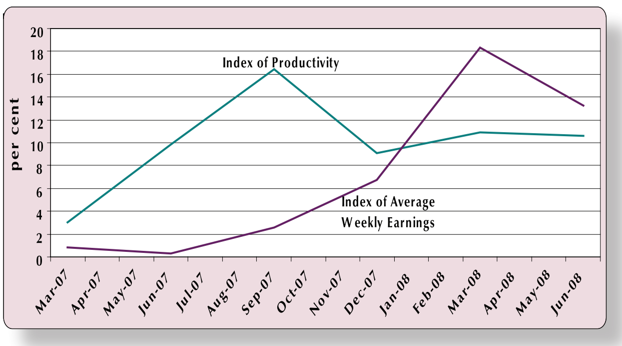


Chart Ij
Index of Average Weekly Earnings and the Index of Productivity
(Year-on-Year Per cent change)



Private Demand

Bank credit expansion has also contributed importantly to inflationary pressures. Notwithstanding a significant rise in the prime lending rate, from **10 per cent to 13 per cent** over the last two years, bank credit to the private sector rose at an annual rate of between 20-25 per cent since 2006. The lagged effect of these interest rate increases is now becoming apparent as bank credit expansion has fallen to an annual rate of around 17 per cent since June 2008. The reduction is largely taking place in consumer loans (Charts Ih and Ii). The jump in prime lending rate during 2008 - by 125 basis points - has created financing pressures for businesses (particularly, small businesses) and is a major cause of concern for home-owners, as most mortgage loans are on an adjustable rate basis.

Wages

There is clear evidence of a pick-up in **wage increases** in an attempt to compensate for rising inflation. Data for contractual wage agreements over the past nine months indicate that wage settlements are running considerably higher than in 2007. Data through June 2008, show that the increase in the index of average earnings in the manufacturing sector has been faster than the rise in productivity putting upward pressure on prices (Chart Ij).

Other Influences

Several other factors have had a variable impact on inflation in recent times. For much of last year, **the depreciation of the Trinidad and Tobago dollar** against non-US currencies was an important source of inflationary pressure. In 2008, in line with the strengthening of the US dollar, much of the depreciation against the pound sterling, the euro and the Canadian dollar has been reversed (Chart Ik).

The recent moderation of inflation in the US and the UK (Chart Il) has led to a slower rise in the **import price index** for Trinidad and Tobago (Chart Im). In addition, the sharp decline in fuel prices and slackening global growth

Chart Ik
TT$:Y£, TT$:Euro, TT$:Canadian
(Year-on-Year Per cent change)

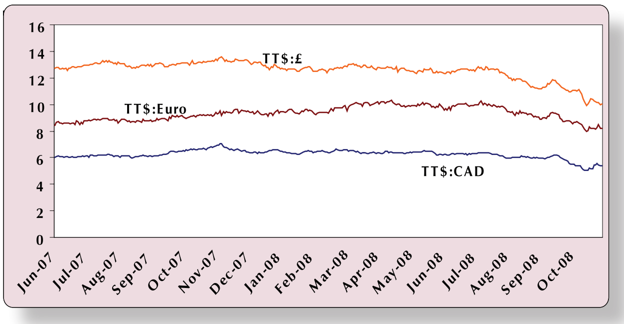


Chart Il
Consumer Price Index - Selected Developed Economies
(Year-on-Year Per cent change)

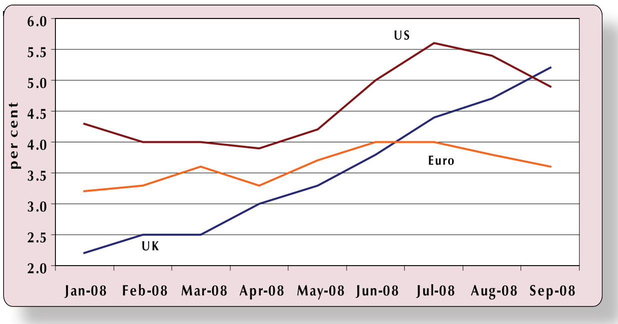
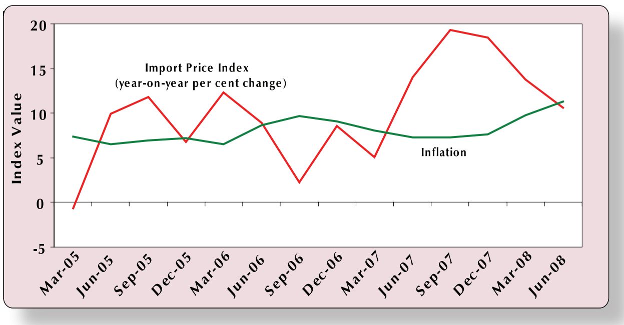


Chart Im
Import Prices and Inflation



have **reduced freight rates**, the increase in which had added significantly to inflationary pressures in 2007 and early 2008.

One factor that continues to have a major impact on inflation in Trinidad and Tobago is **inflation expectations**. Economists and policy makers acknowledge the importance of this factor though its impact is difficult to quantify. Inflationary expectations become strong and "embedded" when inflation remains high for too long and when the population has little confidence that the measures being implemented will succeed in reducing inflation quickly.

Strong inflationary expectations affect the level of wage demands, influence decisions to spend rather than save and prompt entrepreneurs to put up prices and increase margins, in advance, in order to be ahead of the game.

Based on these indicators, inflation expectations are currently very strong in Trinidad and Tobago. Reducing these expectations is critical to the eventual reduction of inflation and, the longer it takes to do this, the stronger will be the actions required.

Short-term Prospects

The coordinated policy responses in the major industrialized and emerging market countries have contained the risks of a systemic global financial meltdown. Nonetheless, there continues to be heightened concern about the potential impact of the ongoing financial crisis on global economic activity. The recent moderation of inflation risks in many economies has cleared the way for central banks to cut their policy interest rates and, for some governments, to introduce fiscal stimuli. Nonetheless, there is a risk that banks will be slow to resume lending as before, while unemployment, high debt burdens and low consumer confidence will continue to restrain business and consumer spending.

Data released over the last few days raise the likelihood that the slowdown in economic activity in the US, the UK and the eurozone could be even greater than currently projected. Both the US and Europe are now formally in recession. There is a high risk, however, that the recession could be deep and prolonged.

The global outlook, the current high level of inflation and high domestic expectations have complicated the challenges facing policy-makers in Trinidad and Tobago.

As noted earlier, the financial crisis is already taking its toll on the economy of Trinidad and Tobago; firstly, through the sharp decline in oil and gas prices and secondly, through reduced world demand for petrochemicals, which is already leading to production cutbacks in the sector. The slowdown in CARICOM economies and the resulting reduction in demand for our non-energy exports are beginning to be felt and will be stronger in 2009.

The Central Bank projections are for a further slowdown in economic growth in 2009 to about 2 per cent. On current assumptions, the slowdown would come largely from the energy sector, reflecting the impact of the possible global recession on output of oil, gas and petrochemicals. The non-energy sector is projected to show only a modest increase in activity as a small decline in manufacturing and construction is partly offset by an expansion in agricultural production.

In the Central Bank's view inflation-reduction should continue to be priority number one. While the Government has not yet set the inflation target for 2009, the Bank views a quick return to single-digit inflation as critical to reversing inflation expectations, which is a requirement for bringing down inflation to 6-7 per cent in the next one to two years.

The downward trend in international food prices as well as the prospect of increased domestic agriculture production should reduce pressure on food price inflation. However, to affect core inflation and secure a meaningful reduction in headline inflation, concerted action in areas of fiscal, monetary and wages policy will be required.

If oil and gas prices remain at current levels, actual revenue could turn out to be at least 10 per cent lower than budget projections. The Government has indicated that it will take steps as needed to address the expected shortfall in budgeted revenues. Assuming a fiscal objective of budget balance, this could imply an important reduction in government expenditure. The Government is currently reviewing its expenditure plans to identify areas where cuts could be made without affecting its critical priorities.

A reduction in expenditure will also reduce the non-energy fiscal deficit, contributing to a lower build-up in domestic liquidity. At present, it is not clear the extent to which financing challenges will lead to a re-phasing of infrastructural projects being implemented by the special purpose vehicles.

The Central Bank plans to maintain a tight monetary policy stance in order to further reduce bank credit expansion. Greater fiscal adjustment, as envisaged above, will reduce the burden on monetary policy and restrict the rise in interest rates. The Central Bank will continue to have discussions with the commercial banks, to allocate interest rate increases more to consumer lending than to mortgage and small business loans.

On the supply side, an expected increase in agricultural supplies in the next several months, should also help in inflation-reduction during 2009. According to the agricultural authorities, arrangements are in place for the increased imports from Guyana. Moreover, there are indications that domestic agricultural production will register a strong increase as increasing numbers of leases for CARONI lands are completed and production from the new mega-farm at Tucker Valley come on stream.

Wage developments in both the public and private sector will be of critical importance to the inflation-reduction strategy. Several major public and private sector wage negotiations are expected to begin within the next twelve months. These negotiations are going to be extremely delicate as workers seek to recoup losses in real wages, consequent on the rise in inflation. While this is understandable, it is important that private sector wage increases be in line with productivity increases and that public sector increases take into consideration, the revenue outlook and the trade-off between higher wages and employment. In the final analysis, excessive wage increases could undermine export competitiveness and set the stage for a wage/price spiral.

The current economic environment underscores the need for urgent dialogue between government, private sector and labour unions to set guidelines for the pattern of adjustment.

The short term outlook discussed above assumes that oil and gas prices remain at current levels for the remainder of the fiscal year. If there is a further dramatic decline in these prices to, for example, US$40 per barrel with a corresponding reduction in gas prices, the situation could be significantly more complicated, since adjustment may need to reach to non-discretionary expenditure.

It bears noting that Trinidad and Tobago is now better placed than before to withstand a major shock as the one being posited. Among the economy's considerable strengths are:

(i) a high level of external reserves;
(ii) the existence of the Heritage and Stabilisation Fund;
(iii) low external debt and manageable total public debt burden and
(iv) a strong well-capitalized banking system.

The next year or two could be quite challenging. However, good policies and some reordering and rephasing of priorities will make the economy stronger and more resilient for the medium term.

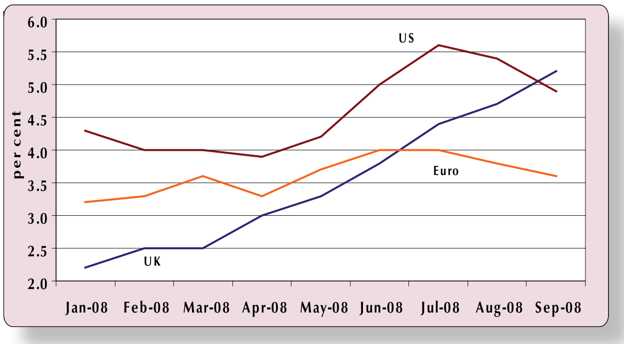
Part II - Factors Affecting Inflation

In many developed and emerging economies, the risks to inflation have been diminishing on account of falling commodity prices as well as slower growth. While the impact of the financial crisis is still mild in Trinidad and Tobago, inflation remains a major challenge.

(A) International Developments

The turbulence in the United States (US) financial markets has not only impacted global financial markets but has spread to the real sector. After posting positive growth in the first half of 2008, the US economy contracted by 0.3 per cent in the third quarter as consumption expenditure declined by 3.1 per cent, the steepest fall since 1980. There was a moderation in the US inflation rate over the last two months as energy prices fell from their record high levels. The headline consumer price index slowed on a year-on-year basis to 4.9 per cent in September from 5.4 per cent in August (Chart IIa).

Chart IIa
Consumer Price Index -
Selected Developed Economies
(Year-on-Year Per cent Change)



In the United Kingdom (UK), following two quarters of a relatively flat growth outturn, real GDP contracted by 0.5 per cent in the third quarter of 2008. Consumer prices grew on a year-on-year basis to September 2008 by 5.2 per cent, well beyond the Bank of England's target of 2.0 per cent. The Bank of England has recently projected that real GDP would decline by 1.9 per cent in 2009 and that the recession could lead to inflation falling below the target.

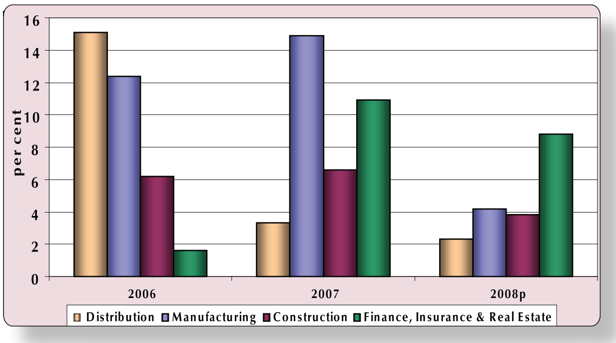
In the Euro-zone, real GDP contracted by 0.2 per cent in the second quarter of 2008, the region's first contraction since the creation of Europe's common currency in 1999. The slowdown generally resulted from a fall in exports and lower consumer spending. Inflation in the Euro-zone slowed to 3.6 per cent on a year-on-year basis in September from a record high of 4.0 per cent in July. Inflation is projected to decline to 2.4 per cent in 2009.

(B) Supply Considerations

(a) GDP

Real GDP in the domestic economy is expected to grow at a more moderate pace of 3.5 per cent in 2008

Chart IIb
GDP Growth - Selected Sub Sectors



following an expansion of 5.5 per cent in 2007 (Table IIa). With growth in the energy sector slowing (Table IIb) partly as a result of maturing oil fields and relatively stagnant petrochemical output, the non-energy sector is now leading the expansion in domestic output. According to data provided by the Central Statistical Office, energy sector growth in 2008 is expected to slow to 0.4 per cent compared to 1.7 per cent in 2007 and 21.8 per cent in 2006. Non-energy sector growth is expected to remain relatively buoyant at around 4.8 per cent on the strength of the performance of the Hotels and Guest Houses (22.7 per cent), Finance, Insurance and Real Estate (8.8 per cent), Transport, Storage and Communication (8.2 per cent), Manufacturing (4.2 per cent), Construction (3.8 per cent) and Agriculture (8.6 per cent) sub-sectors (Chart IIb).

Table IIa
Per Cent Contribution to GDP

Per Cent Contribution to GDP					
	2004	**2005**	**2006**	**2007**	**2008**
Energy Sector	38.7	46.0	49.2	45.8	46.3
Exploration and Production	21.7	24.1	26.5	23.5	25.4
Non-Energy Sector	61.2	54.0	50.6	53.7	52.8
Manufacturing	7.5	5.3	5.1	5.8	5.2
Services	52.9	48.2	44.9	47.5	47.3
Distribution and Restaurants	*12.7*	*11.9*	*12.4*	*12.3*	*11.4*
Finance, Insurance and Real Estate	*14.0*	*11.6*	*11.3*	*10.9*	*11.1*
Construction and Quarrying	*7.1*	*7.4*	*7.0*	*8.3*	*9.4*

Table IIb
Energy Sector Production

Energy Sector Production						
	Crude Oil	Crude Oil	Natural Gas	Ammonia	Urea	Methanol
	'000s b/d	*'000s bbls*	*mmcf/d*	*'000s tonnes*		
2005	144	52,740	3,219	5,187	748	4,695
2006	143	52,105	3,878	5,111	688	5,964
2007	120	43,807	4,089	5,192	710	5,933
Jan - Sep 07	122	33,244	4,055	3,921	553	4,410
Jan - Sep 08	116	31,720	4,057	3,783	476	4,499

Following a period of steady decline, agriculture appears to be rebounding from its very low base. Part of the explanation for this recovery is the increased output from forestry (130.9 per cent), fishing (13.6 per cent), pig-farming (5.6 per cent) and poultry (1.2 per cent) as well as a 17.1 per cent expansion in refined sugar production by the Sugar Manufacturing Company. Data on the projected growth in the "crops" sub-sector are not available. However, based on anecdotal evidence, the recent floods seriously affected the production of vegetables and root-crops in several areas. Activity in the hotels and guest houses sub-sector has experienced a boost with the commissioning of the Hyatt Regency Hotel.

(b) Labour Market

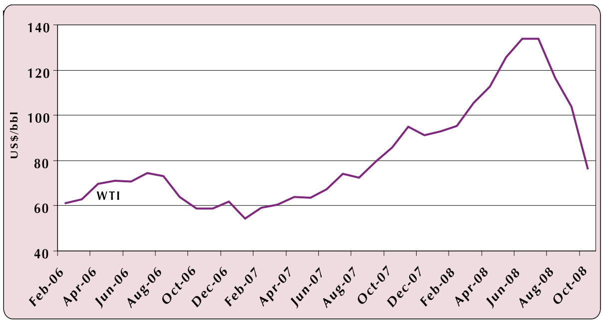
Labour market conditions have remained tight. There continued to be reports of labour shortages in many sectors of the economy, especially in the construction and manufacturing industries. In the circumstances, the unemployment rate has continued to decline, reaching 4.6 per cent in the second quarter of 2008 compared to 6.0 per cent in the corresponding quarter of 2007.

The strong demand for labour was most evident in the manufacturing sector (excluding mining and quarrying industries) where an additional 4.8 thousand persons found jobs in the twelve months to June 2008. This represented a significant recovery by the sector which had seen stagnant job creation in the recent past and had suffered acute labour shortages. Other sectors displaying strong job growth included the Community and Social and Personal Services sub-sector (3.6 thousand), Construction -excluding water and electricity service companies- (3.1 thousand) influenced by ongoing government capital projects and

Box 1
The Petroleum Market

In 2008, the international crude oil market experienced one of the most tumultuous periods in its history, as oil prices exhibited significant volatility. During the first half of 2008, crude oil prices (WTI) averaged US$110.98 per barrel. Heightened geopolitical tensions and increased speculative trading saw prices climb to a peak of US$147.11 per barrel in July. However, as the global economic slowdown began to intensify and spread, crude oil prices began to slide, dipping to as low as US$56 per barrel in early November. One of the major contributory factors was the expectations of lower global oil demand arising from slower economic growth brought about by the financial crisis. The energy market utilized the meltdown of the global equities market as a gauge of future oil demand.

Crude Oil Prices

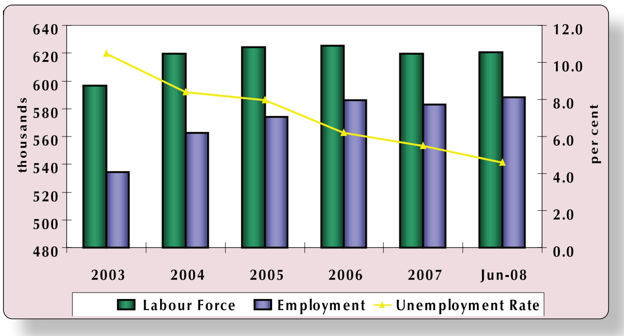


The sharp fall in oil prices forced OPEC to hold its emergency meeting earlier than intended (on October 24 rather than November 18). OPEC estimated that the global slowdown reduced oil demand by 10 per cent in 2008 and this would have necessitated a production cut of 2 million to 2.5 million barrels per day (b/d). However, OPEC eventually agreed to a production cut of 1.5 million b/d to take effect November 1, 2008. This decision had little or no immediate impact, as oil prices fell following the meeting to their lowest level since May 2007.

While it is difficult to predict the course of future oil prices, there has been some convergence of views around a decline in prices for 2008 and 2009. Indeed, the International Monetary Fund (IMF) has revised downwards its oil price baseline forecasts to US$72.95 per barrel from US$96.25/barrel for the fourth quarter of 2008. Some other forecasters are projecting that prices could fall to as low as US$50.00 per barrel in the short-to-medium term.

The present uncertainty in the market has urged some petroleum-exporting countries to re-examine their fiscal anchor. For instance, Indonesia recalibrated its budget based on an oil price of US$90 per barrel instead of US$100 per barrel, while the Mexican government cut its crude oil price forecast for the 2009 budget to US$70 per barrel from US$75 per barrel – the second reduction since the original budgeted price of US$80.30 per barrel. In Nigeria, the crash of oil prices caused a delay in the presentation of the 2009 fiscal package as the Federal Government sought to adjust the initial budgeted oil price of US$62.50 per barrel. Undoubtedly, the uncertainty surrounding the trajectory of crude oil prices will pose challenges for macroeconomic planning, especially for oil-exporting countries that have based their development plans on elevated energy receipts over the medium to long term.

Chart IIc
Trends in Labour Force and Unemployment



private sector activity especially residential construction, and Agriculture (3 thousand). For some other occupational groups, demand has softened, most notably in the Distribution sub-sector, where some 2 thousand jobs were lost. In the Petroleum sector, the decline in exploration and production has translated into fewer opportunities for workers in the service contracting industry. In the twelve-month period to June 2008, some 500 jobs were lost in this sector. Recent reports suggest that energy plants are taking advantage of lower prices to bring forward their scheduled maintenance, which has implications for employment in the sector (Chart IIc).

(c) Wages and Productivity

There is evidence that wage pressures are increasing in tandem with the tight labour market and with the current inflation upturn. The Index of Average Weekly Earnings, which essentially covers earnings in the manufacturing sector, grew by 13.3 per cent year-on-year in the second quarter of 2008 compared with growth of 0.3 per cent in the corresponding quarter in 2007. Much of this growth occurred in the chemical and non-metallic products industry which recorded a substantial rise of 21.7 per cent in wages compared to 8.7 per cent in the corresponding quarter in 2007. In the petrochemical sector, average weekly earnings rose by 28.2 per cent in the second quarter of 2008 compared to 2.7 per cent in the corresponding period for 2007.

The Index of Productivity (which is computed by dividing the Index of Domestic Production by the Index of Man Hours Worked) grew by 10.6 per cent (year-on-year) in the second quarter of 2008 with much of the productivity increases occurring in the Food Processing and Drink and Tobacco sub-sectors.

A comparison of the movements in the weekly earnings and productivity indices for the first half of 2008 indicates that for the first half of 2008 productivity growth has lagged behind wage increases. With the tightening of the labour market, many firms are beginning to complain of not being able to get a sufficient supply of skilled workers to allow them to operate at near to full capacity. Some firms have suggested that the lower productivity is as a result of a combination of factors. Security arrangements are preventing firms from being able to put on additional shifts to take advantage of increased demand. Congestion and transportational bottlenecks are also impacting worker productivity.

Industrial relations and wage policy could provide major challenges in 2009 when a number of public sector wage negotiations commence. The Chamber of Commerce has initiated discussions with stakeholders including the Government and labour unions on the establishment of a policy forum to discuss issues related to prices, wages and productivity.

(C) Demand Considerations

(a) Fiscal Operations

Revised data for fiscal year 2007/2008 indicate that the Central Government recorded an overall surplus of $9,817.2 million, which is four times the surplus ($2,298.5 million) recorded in the previous fiscal year. The positive fiscal balance resulted mainly from higher energy revenues which rose to 21.2 per cent of GDP in fiscal year 2008 from 16.7 per cent of GDP in the previous fiscal year (Table IIc).

Central Government expenditure rose to 30.3 per cent of GDP in the period under review from 28.3 per cent in fiscal year 2007. Much of the increase in expenditure can be attributed to rising petroleum subsidy payments, increased transfers to state enterprises, higher pensions and gratuity payments and an aggressive investment programme. The Government transferred $6,587.8 million into the Heritage and Stabilization Fund bringing the balance in the fund to $17,927.7 million at the end of September 2008.

The non-energy deficit increased from 9 per cent of GDP in fiscal year 2004 to 14.9 per cent of GDP in fiscal year 2007, but declined slightly to 14.7 per cent of GDP in fiscal year 2008. The relatively high level of this deficit has been a major source of liquidity injection in the economy.

The Central Government's budget for fiscal year 2009 amounts to $49.4 billion, which is the largest fiscal package to date. This budget is premised on an oil price of US$70 per barrel (WTI) and a gas price of US$4.00 per mmbtu. Since October 2009, crude oil prices have fallen below the budgeted threshold of US$70 per barrel (WTI) and this could hinder the execution of the fiscal programme.

Table IIc
Trinidad and Tobago: Summary of Central Government Operations

(In millions of Trinidad and Tobago dollars)

	2004/05	2005/06	2006/07	Revised 2007/08	Budgeted 2008/09
Revenue	**29,647.9**	**38,910.9**	**40,064.4**	**55,584.4**	**49,443.9**
Energy	15,614.0	24,069.0	22,248.5	32,113.2	19,924.6
Non-energy	14,033.9	14,841.9	17,815.9	23,471.2	29,519.3
Expenditure	**24,641.0**	**31,197.9**	**37,765.9**	**45,767.2**	**49,424.4**
Current	21,842.4	26,582.6	29,984.0	35,755.2	40,170.3
Wages and salaries	5,309.2	5,455.6	6,221.3	7,084.3	7,186.2
Goods and services	3,170.1	3,843.3	4,283.8	5,015.8	6,985.5
Interest payments	2,541.5	2,453.3	2,698.1	3,016.1	3,247.2
Transfers & Subsidies	10,821.6	14,830.4	16,780.8	20,639.0	22,751.4
Capital expenditure & net lending	2,798.6	4,615.3	7,781.9	10,012.0	9,254.1
Overall non-energy balance	**-10,607.1**	**-16,356.0**	**-19,950.0**	**-22,296.0**	**-19,905.1**
Overall balance	**5,006.9**	**7,713.0**	**2,298.5**	**9,817.2**	**19.5**
Total financing	**-5,006.9**	**-7,713.0**	**-2,298.5**	**-9,817.2**	**-19.5**
Of which: transfers to Heritage & Stabilization Fund	-2,593.0	-3,160.0	-2,030.2	-6,587.8	0.0
			(In per cent of GDP)		
	2004/05	**2005/06**	**2006/07**	**Revised 2007/08**	**Budgeted 2008/09**
Revenue	**30.8%**	**33.3%**	**30.0%**	**36.8%**	**29.6%**
Energy	16.2%	20.6%	16.7%	21.2%	11.9%
Non-energy	14.6%	12.7%	13.3%	15.5%	17.7%
Expenditure	**25.6%**	**26.7%**	**28.3%**	**30.3%**	**29.6%**
Current	22.7%	22.7%	22.4%	23.6%	24.1%
Capital expenditure & net lending	2.9%	4.0%	5.9%	6.6%	5.5%
Overall non-energy balance	**-11.0%**	**-14.0%**	**-14.9%**	**-14.7%**	**-11.9%**
Overall balance	5.2%	6.6%	1.7%	6.5%	0.0%
Total financing	**-5.2%**	**-6.6%**	**-1.7%**	**-6.5%**	**0.0%**
Of which: transfers to Heritage & Stabilization Fund	-2.7%	-2.7%	-1.6%	-4.4%	0.0%

(b) Consumer Spending

Although there are no official estimates of consumer expenditure on a quarterly basis, the Bank utilizes the Index of Retail Sales to gauge movements in consumer spending. The Index of Retail Sales rose on a year-on-year basis in June 2008 by 17.6 per cent compared with 17.9 per cent in the previous quarter and 19.3 per cent a year earlier (Chart IId). While undoubtedly there has been slower

Chart IId
Index of Retail Sales
(Year-on-Year Per cent Change)

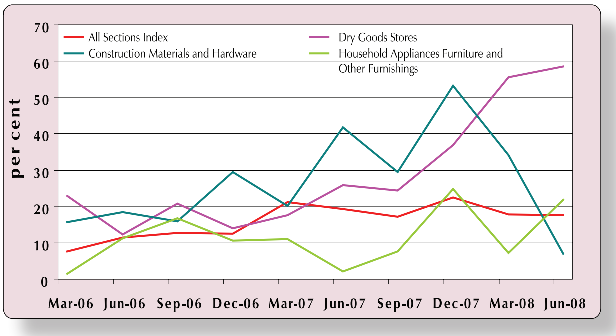


Chart IIe
New Motor Vehicle Sales

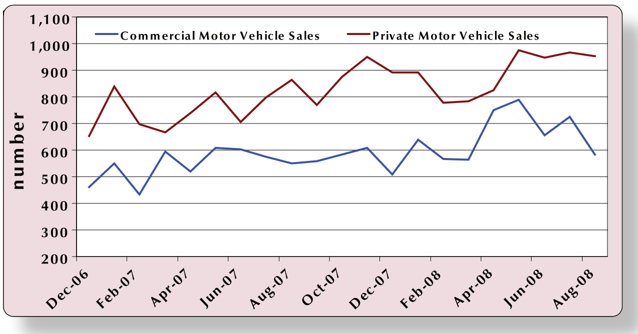
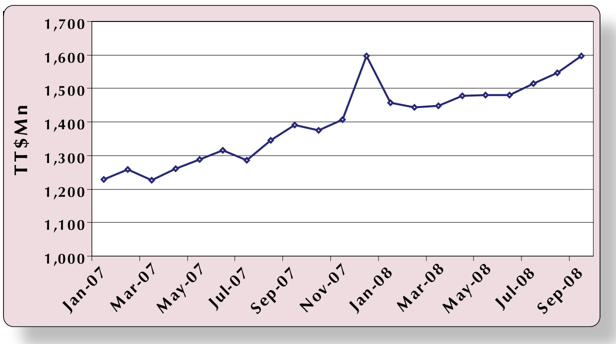


Chart IIf
Credit Card Loans



growth in the index, the pace of the consumer spending still remains relatively strong. Strong growth in sales in the second quarter of 2008 was recorded for household appliances (21.9 per cent) and motor vehicles and parts (30.5 per cent) (Table IIe).

(c) Bank Credit Expansion

In an environment of relatively tight capacity constraints, bank credit expansion continued to impact domestic demand. During the first five months of the year, bank credit increased on average by 23 per cent on a year-on-year basis. The increase in the prime lending rate by 125 basis points during the year has resulted in some slowing in bank credit expansion. On a year-on-year basis to September 2008, the growth in bank credit slowed to 16.2 per cent from 22.4 per cent in January. Credit to consumers has been growing at a faster pace than credit to businesses.

(d) Credit Cards

Available data on credit card debt show that there has been some growth in outstanding loan balances. At the end of September 2008, these balances ($1,596 million) were 14.8 per cent higher than a year ago (Chart IIf).

Inflation

Inflation continues to be a major challenge for the Central Bank and has intensified almost steadily since our last report in April. After reaching 10 per cent in January 2008, there was a moderation in headline inflation (measured by the 12-month change in the Index of Retail Prices) in the following three months. Since May 2008, headline inflation has increased steadily to reach 14.8 per cent in September 2008. The rate in September was the highest recorded in over 14 years. Core inflation has also trended upward during the year to reach 6.2 per cent in September from 5.7 per cent in January, 2008 (Chart IIg).

Food inflation, which remains the principal impetus to the accelerating inflationary trend, has also intensified significantly, led by increases in the prices of staples such as

Chart IIg
Index of Retail Prices
(Year-on-Year Per cent Change)

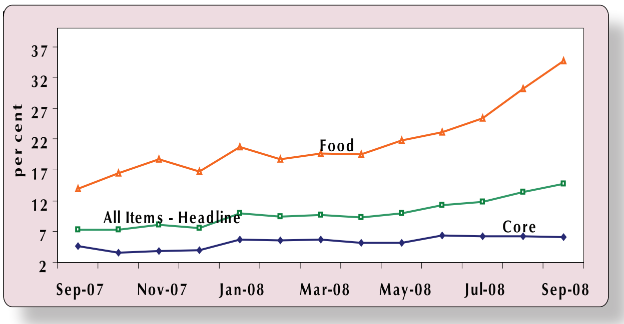


Chart IIh
Index of Retail Prices - Selected Food Components
(Year-on-Year Per cent Change)

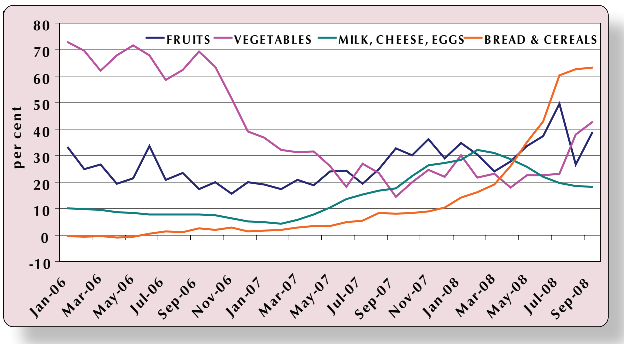
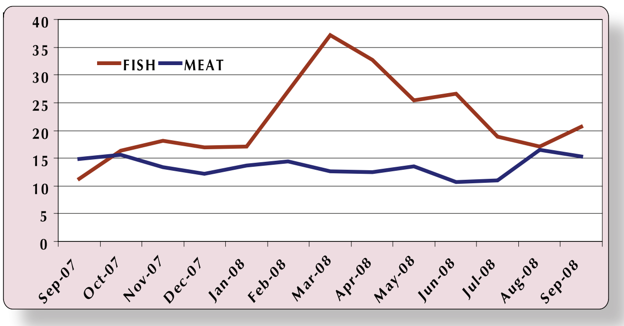


Chart IIi
Index of Retail Prices - Meat and Fish
(Year-on-Year Per cent Change)



bread, cereals, vegetables and meats. In May 2008, food inflation measured 21.8 per cent and this has increased steadily to 34.6 per cent in September. In August, the Food sub-index recorded its largest monthly increase (5.6 per cent) since December 2000.

Within the Food Sub-Index of the RPI, price movements of Bread and Cereals have been most dramatic. After increasing by 24.3 per cent in January, cereal prices rose by over 70 per cent in July, August and September. The prices of Fruits and Vegetables also showed a similar trend, rising by 74.1 per cent in September, from 34.2 per cent in April (Charts IIh and IIi).

As discussed at length in our April 2008 report, the sources of the current food inflation episode are both international and domestic. Internationally, food commodity prices have been on the increase for most of the past two years. This is particularly so in the case of commodities such as wheat and corn, which are used in the production of flour and cereals. Recently, however, prices of some food commodities- for example, grains- have been falling somewhat, but these declines are yet to impact local food prices. The rising cost of animal feed since May 2008 has also contributed to a notable uptick in the price of poultry and eggs.

On the domestic level, declining agricultural sector performance over many years has diminished local capacity and supplies. In addition, the occurrence of floods in key agricultural communities has put additional pressure on supplies and, consequently, prices. So far in 2008, floods and adverse weather conditions in some agricultural communities have significantly impacted the production of fresh fruits and vegetables.

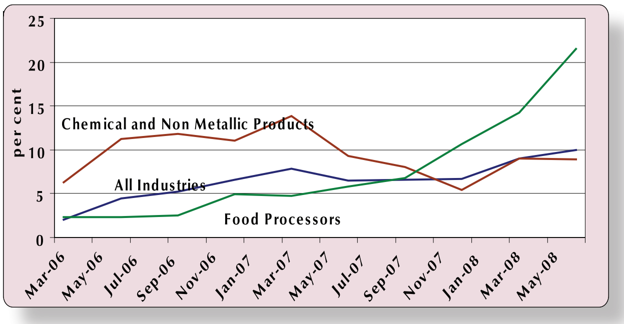
Since our last report, the increase in electricity rates has also been an additional impetus to inflation. Effective May 1, 2008 the Trinidad and Tobago Electricity Commission (T&TEC) implemented new rates for residential consumers. Depending on usage, the increases ranged from 14-48 per cent – with larger consumers paying higher rates per kilowatt hour (kw/h) because of the pure revenue cap approach adopted by the Regulated Industries Commission.

This translated into an increase of 25.5 per cent in the cost of electricity as measured by the RPI. However, to insulate vulnerable households, effective August 2008 customers utilizing less than 400kw/h experienced a reduction in cost of 7.4 per cent.

Despite the importance of food inflation in the growth of headline inflation, other indicators show that the underlying inflationary pressures remain strong. Core inflation, which strips away the most volatile elements from headline inflation, is often used to gauge the strength of underlying inflationary pressures. In Trinidad and Tobago, core inflation is obtained by removing the food component from headline inflation. Since June 2008, core inflation has been stubbornly high at around the 6 per cent level. This compares unfavourably with an annual average of 2.6 per cent over the period 2000 to 2005 when headline inflation was at more comfortable levels.

Preliminary calculations suggest that even if food prices were reduced to about 15 per cent, core inflation would need to fall to 4.3 per cent if headline inflation is to be reduced to the Government's target of 7.0 percent.

Chart IIj
Index of Producer Prices
(Year-on-Year Per cent Change)



Producer Prices

Over the past year, trends in wholesale prices have presaged the evolution of prices at the retail level. During the second quarter of 2008, the Producers' Prices Index rose by 10 per cent when compared to the corresponding quarter of 2007.

The rise in wholesale prices was fastest in the Food Processing industry group where prices rose by 21.5 per cent. Flour was one of the main items affected and the National Flour Mills increased the price of this product on three separate occasions during 2008 as the price of wheat surged on the international market. Prices within the Drink and Tobacco (15.6 per cent) and the Chemical and Non-Metallic Products (8.9 per cent) also rose notably with significant increases being recorded in the prices of Readymix concrete and bricks and blocks and tiles (Chart IIj).

Chart IIIa
Monetary Policy Responses

Liquidity Management Measures

June 2006: Commercial banks deposited TT$500 million in an interest-bearing account at the Central Bank for a minimum period of one year.

Sept. 2006: Commercial banks were required to hold, on a temporary basis, a secondary reserve requirement of 2 per cent of their prescribed liabilities, effective October 4 2006 remunerated at 350 basis points below the 'Repo' rate.

Sept 2006: Parliament approved an increase in government borrowing for Open Market Operations from $8 billion to $15 billion.

Nov 2006: Additional steps were taken by the Central Bank in consultation with the Government to increase liquidity absorption. To this end, a TT$700 million, 8-year government bond was issued to the public in November, the proceeds of which have been sterilized.

Feb 2007: Another bond in the advertised amount of $300 million was offered, but due to overwhelming public support, the actual size was increased to $674.3 million with a maturity date of August 9, 2012 and a coupon rate of 7.80 per cent. The proceeds of this bond were also sterilized.

April 2007: A third bond aimed at liquidity absorption was initially offered in the amount of $650 million, but again due to the public's reception of the issue, the bond's value was raised to $1 billion with a coupon rate of 8.00 per cent and a tenor of 7 years. The proceeds of this bond were sterilized.

May 2007: A 5-year Treasury Note in the amount of $500 million was issued to the commercial banks with a coupon rate of 6.00 per cent.

June 2007: The commercial banks' deposit of $500 million in an interest-bearing account at the Central Bank was rolled over for another year.

Dec 2007: The commercial banks' deposit of $1 billion in an interest-bearing account at the Central Bank was rolled over for another year.

Feb 2008: The cash reserve requirement applicable to commercial banks was increased by 2 percentage points to 13 per cent of prescribed liabilities from 11 per cent, with effect from February 27 2008.

Jun 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.

Part III - Monetary Policy

(i) Monetary Policy Measures

With concerns about inflation levels mounting, the Central Bank intensified its efforts to tighten liquidity conditions in the financial system by engaging the full gamut of its monetary policy arsenal (Chart IIIa). These measures included:

a) the issuance of a liquidity absorption bond, the fourth and largest of its kind to assist with the liquidity overhang,
b) increasing the reserve requirement applicable to commercial banks on three occasions,
c) maintaining an aggressive presence in the market to manage liquidity by intensifying open market operations,
d) raising the 'repo' rate on three occasions and
e) rolling over the commercial banks' compulsory deposit facilities that were due to mature.

During 2008, there were two key factors affecting liquidity levels in the economy. The main factor was the steady rise in the net domestic fiscal injection which results when the government spends more in domestic currency than it receives from domestic sources. The second major source of liquidity stemmed from the amalgamation of RBTT Financial Holdings Limited and RBC Holdings (Trinidad and Tobago), an indirectly wholly owned subsidiary of RBC Canada. For fiscal year 2007/2008, the net domestic fiscal injection rose by 3.8 per cent to $12,658 million while the RBTT/RBC transaction injected $2.6 billion into the financial system during the month of June 2008.

Following a period of relative tightness in January 2008, liquidity levels eased considerably in the latter two months of the first quarter of the year as net fiscal operations injected over $3 billion into the domestic financial markets during this period.

To dampen any increase in inflationary expectations arising from these excess liquidity conditions, the Central Bank removed just under $1 billion via net sales of open market securities and foreign currency, and increased the cash reserve requirement of the commercial banks from 11

Chart IIIb
Monetary Policy Responses

Changes To The Central Bank Policy Rate

Jan 2008:	'Repo' rate maintained at 8.00 per cent.
Feb 2008:	'Repo' rate increased to 8.25 per cent.
Mar 2008:	'Repo' rate maintained at 8.25 per cent.
Apr 2008:	'Repo' rate maintained at 8.25 per cent.
May 2008:	'Repo' rate maintained at 8.25 per cent.
Jun 2008:	'Repo' rate maintained at 8.25 per cent.
Jul 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.

per cent to 13 per cent with effect from February 27 2008. Through this measure, $663 million was removed from the banking system and the commercial banks' average holdings of excess reserves at the Central Bank – a gauge of excess liquidity – fell to $281 million in the reserve week ending March 4 from $590 million in the previous week. The Bank also increased the 'repo' rate by 25 basis points to 8.25 per cent, the first rate change in seventeen months.

By the second quarter of 2008 however, excess liquidity had climbed to unacceptable levels yet again on account of net fiscal injections of over $2 billion and the infusion of an additional $2.6 billion originating from the sale of RBTT to the Royal Bank of Canada. To mitigate the impact of these injections on domestic demand, the Central Bank engaged more aggressively in open market operations, selling $2,747 million worth of treasury bills and notes on a net basis during the quarter while sales of foreign exchange removed $998 million. In addition, a special liquidity absorption bond in an amount of TT$1,200 million with a tenor of 9-years was issued by the Central Government on July 2 2008. The proceeds from this bond were sterilized. The Central Bank heightened its restrictive monetary stance during the second half of the year, by increasing the reserve requirement of the banks to 15 per cent on July 30 and to 17 per cent on November 5, 2008. These measures resulted in the withdrawal of $772 million and $750 million, respectively from the banking system (Table IIIa). Over this period, the Bank also raised the 'repo' rate to 8.50 per cent in July and to 8.75 per cent in September 2008 (Chart IIIb).

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

	Oct 2005 - Sep 2006	Oct 2006 - Sep 2007	Oct 2007 - Sep 2008
Net Fiscal Injections	**9,840.9**	**12,189.6**	**12,658.2**
Liquidity Absorption Measures			
Open Market Operations	1,256.3	3,457.8	8,160.3
CBTT Sale of Foreign Exchange	7,664.2	7,758.0	5,610.4
Central Gov't Bond Issues	0.0	2,392.3	1,200.0
Special Deposit Facility	1,500.0	-	-
Secondary Reserve Requirement	-	618.8	-
Primary Reserve Requirement	-	-	1,435.0

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

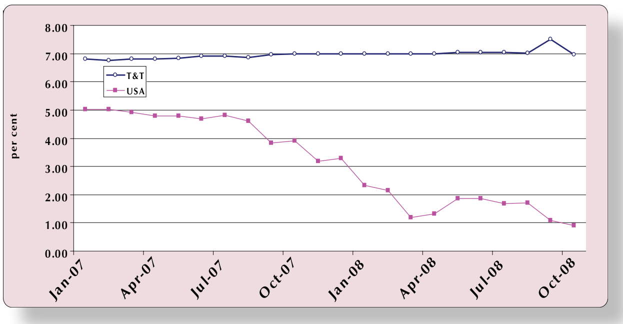


Chart IIId
Selected Interest Rates

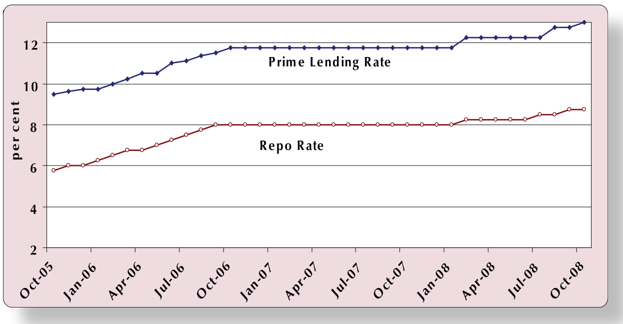
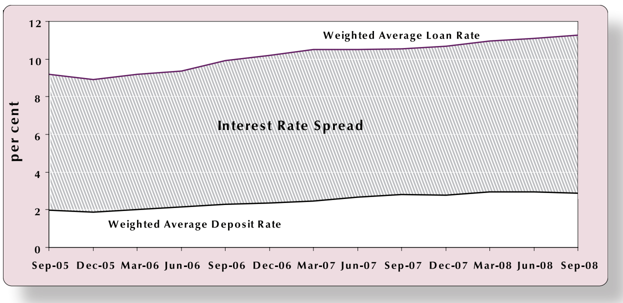


Chart IIIe
Weighted Average Loan and Deposit Rates



Impact of Monetary Measures

The intensification of open market operations has not resulted in any sizeable increases in money market rates. The existence of excess liquidity led to only restrained growth in yields as well as limited use of the 'repo' and interbank markets. In the short-term money market, the three-month treasury bill rate increased by 13 basis points to 7.05 per cent in September 2008 from 6.92 per cent in September 2007, while the six-month treasury bill rate increased by 24 basis points to 7.34 per cent from 7.10 per cent in September 2007. Over the last year, the slight increase in domestic treasury rates and the softening of US interest rates have resulted in a widening of the differential between TT and US treasury bill rates to 607 basis points at the end of October 2008 from 310 basis points in September 2007 (Chart IIIc).

The monetary tightening measures have impacted rates in the longer-term segment of the market. Commercial banks increased their prime lending rates three times during the year, from 11.75 per cent in February to 13.00 per cent in October 2008 following increases in the reserve requirement and the 'repo' rate (Chart IIId). The increase in the prime lending rates by roughly 125 basis points has begun to impact lending rates.

Commercial bank lending rates have increased at a faster pace than deposit rates since, given the liquid environment, banks had little incentive to raise deposit rates. The weighted average lending rate for commercial banks increased by 58 basis points to 11.26 per cent in September 2008 from December 2007 while the weighted average deposit rate rose by 12 basis points over the same period. As a consequence, the spread between the weighted average lending and deposit rates widened to 8.38 per cent at the end of September 2008 from 7.92 per cent in December 2007 (Chart IIIe). Other longer-term interest rates such as rates on new residential mortgages offered by the commercial banks increased from 8.75 per cent to 9.25 per cent in May 2008, and again to 9.75 per cent in August 2008 in response to the tighter measures implemented by the Bank.

The measures taken by the Bank to contain demand have begun to have some impact, albeit with a lag, on credit expansion. On a year-on-year basis to September 2008, private sector credit granted by the consolidated financial system expanded by 11.8 per cent compared with an expansion rate of 16.1 per cent in December 2007 and 19.7 per cent in September 2007. In particular, credit to the private sector by the commercial banks slowed to 16.2 per cent in September 2008 from 21.7 per cent in December 2007 and 24 per cent in September 2007.

Consumer credit which had been growing at around 22 per cent on a year-on-year basis at the start of the year has slowed to 11.5 per cent in September 2008. Business credit has also followed a similar trend slowing to 9.4 per cent in September 2008 from around 14 per cent in January.

There are concerns that the tighter monetary policy stance, which is being reflected in increasing interest rates, can have unintended effects on the mortgage market as well as on the small business sector. While these concerns are indeed genuine, they underscore the extent of the challenge that an economy has to face when attempting to prevent inflation from getting out of control. So far, much of the burden of inflation control has fallen disproportionately on monetary policy. Whereas it is generally recognized that increases in the reserve requirement can have undesired effects, the scope for use of other liquidity absorption measures is also being gradually reduced. Over the course of the last year, the Bank made extensive use of liquidity absorption bonds (the proceeds of which have been sterilized) but these also have a downside since they add to fiscal expenditure and compete with the issuance of public sector bonds to finance infrastructural projects.

Foreign Exchange Market

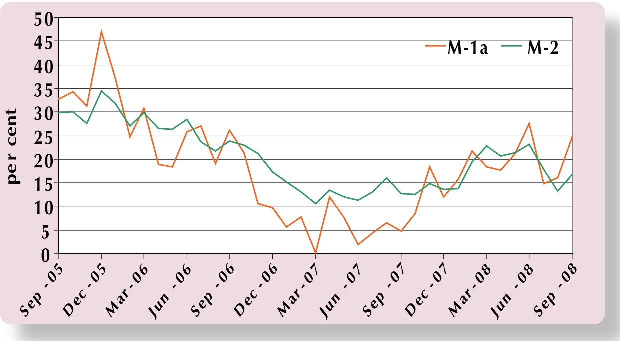
While the foreign exchange market was relatively tight in the latter part of 2007, liquidity conditions in the market eased somewhat in 2008. During the first quarter of 2008, foreign exchange inflows rose on account of increased conversions by energy companies to meet quarterly tax payments and increased sales by the public. Scheduled sales by the Central Bank also helped to maintain liquidity in the market. In June, following the amalgamation of RBTT and RBC, there was a substantial inflow of foreign exchange to the banking sector. With the existence of easier liquidity conditions in the market during the first ten months of 2008, the Central Bank sold less foreign exchange to the market than in the corresponding period of 2007. The sale of foreign currency by the Bank has assisted in mopping up excess liquidity in the financial system

Part IV - Monetary and Financial Market Developments

Monetary Aggregates

Growth in the money supply gained momentum during 2008 as the demand for transaction balances increased. In the twelve months to September 2008, narrow money, M-1A, which comprises currency in active circulation and demand deposits, grew sharply by 24.7 per cent compared with an increase of 4.7 per cent in September 2007. This reflected the substantial increase in the demand deposits of commercial banks which grew by 29.6 per cent on a year-on-year basis to September 2008 to $12,417 million compared with relatively little growth (1 per cent) one year earlier. However, growth in the broader definition of money was not as strong (Chart IVa).

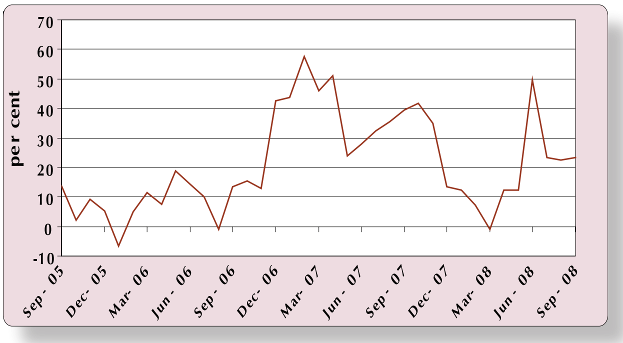
Chart IVa
Monetary Aggregates
(Year-on-Year Per cent Change)



Broad money, M-2 (M-1A plus savings and time deposits) expanded by 16.7 per cent on account of a slower pace of growth in both savings and time deposits. Relatively low bank deposit rates encouraged investors to seek higher yielding alternatives in the government securities market leading to a slowdown in the growth of quasi money (time and savings deposits) to 12.2 per cent in September 2008 compared with 17.9 per cent from a year ago.

Meanwhile, the growth of foreign currency deposits which had expanded rapidly (by 36.4 per cent on average) in 2007 lost momentum in 2008 (Chart IVb). In the twelve months to September 2008, foreign currency deposits grew by 23.3 per cent compared with 39.5 per cent in September 2007. While the payment of around half-a-billion US dollars to RBTT shareholders caused the growth of foreign currency deposits to spike at 49.6 per cent on a year-on-year basis to June 2008, the system returned to normal as these additional funds (80 per cent of which were held by institutional investors) were reinvested in longer term securities. As a proportion of GDP, these deposits have remained relatively stable over the last few years.

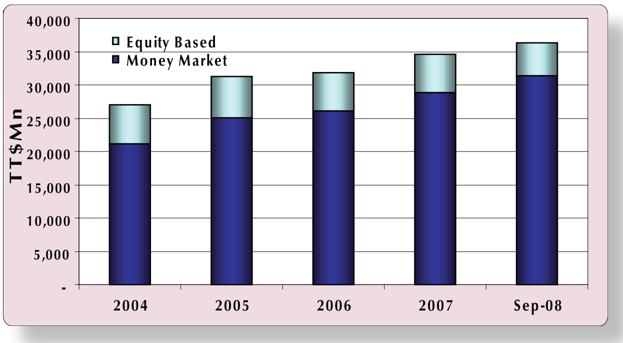
Chart IVb
Foreign Currency Deposits
(Year-on-Year Per cent Change)



Mutual Funds

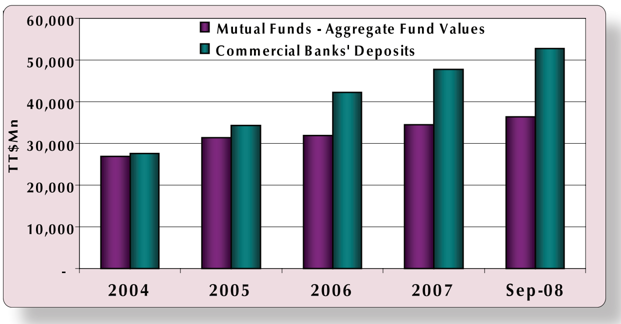
With the exception of the second quarter of 2008, the quarterly growth rates in total funds under management have exhibited a downward trend since December 2007. The increase in funds under management during the second quarter of 2008 was partly related to the resurgence of activity on the domestic stock market following a period of sluggish growth in the first quarter. Net investments in mutual funds between April and June 2008 amounted to TT$1,520.3 million compared with TT$636.3 million in the previous quarter and TT$332.6 million in the corresponding period one year earlier (Chart IVc and Chart IVd).

Chart IVc
Mutual Funds - Aggregate Fund Values



At the end of the third quarter of 2008, aggregate funds under management stood at TT$36.6 billion, representing a quarter-on-quarter decline of 0.5 per cent. The reduction was largely due to the contraction in the Income and Growth Funds - mainly equity-based - which fell off by 13.8 per cent from the previous quarter and 13.7 per cent over the last four quarters. Rates of return on equity funds declined to a range of -4.91 to 0.41 per cent in September compared with a range of 0.02 to 11.46 per cent during the period April to June 2008. The current difficulties in international markets and in the local stock market have caused investors to become more risk averse and to put a greater proportion of their investments in government securities. The money market segment of the industry, which is largely invested in government paper, continued to expand in September 2008, growing by 2 per cent over the second quarter and 13.9 per cent over September 2007. Rates of return on TT dollar money market funds varied between 6.03 per cent and 7.64 per cent in September 2008, slightly higher than the range (5.83 per cent to 7.43 per cent) recorded in September 2007.

Chart IVd
Commercial Banks' Deposits and Mutual Funds' Aggregate Fund Value

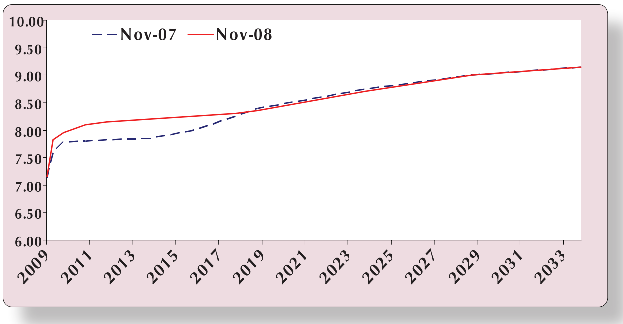


Bond Market

During the first nine months of 2008, there were eighteen placements on the primary bond market. Of the eighteen bonds, four were denominated in foreign currency while the remaining fourteen were issued in local currency. The foreign currency issues comprised three placements by regional sovereigns (two US-dollar denominated placements and one EC dollar placement) and a placement by a local private company. Total US dollar-denominated placements carried a face value of US$65.3 million, a marked decline from the seven US currency placements which totalled US$267 million during the first nine months of 2007. The coupon rates on the foreign-denominated placements ranged between 8.25 per cent and 11.00 per cent with tenors between 3 and 12 years. These rates were higher than those on similarly denominated issues for the same period last year which ranged from 6.96 per cent to 8.55 per cent with maturities between 5 and 15 years.

The remaining fourteen bonds were local currency issues amounting to TT$4,722.2 million. The largest of these was a Government of Trinidad and Tobago bond which was aimed at absorbing excess liquidity arising from the RBTT/RBC amalgamation. This 9-year bond had a face value of TT$1.2 billion and carried a coupon rate of 8.25 per cent. The proceeds of this bond were sterilized by the Central Bank. Other significant local currency issues included Gulf City Limited and Guardian Holdings limited with placements of TT$300 million each, the Housing Development Corporation with a placement of TT$700 million and Scotia Bank Trinidad and Tobago Limited with placements totalling TT$800 million. Some of the local currency issues were undertaken to facilitate asset-liability management, the refinancing of existing obligations as well as to finance housing projects.

Chart IVe
Bond Market Yield Curve



With the exception of the placement by Trincity Commercial Centre Limited (TT$84 million), all the local currency issues had fixed coupon rates ranging between 8.00 per cent and 10.50 per cent with tenors between 2 and 15 years. While there has been an upward movement in short-term rates, long-term bond rates have essentially remained unchanged resulting in a flattening of the yield curve at longer-term maturities (Chart IVe).

Stock Market

Against the backdrop of increased turbulence in global financial markets, the domestic stock market returned a

Chart IVf
Trinidad and Tobago
Composite Stock Price Index
(Year-on-Year Per cent Change)

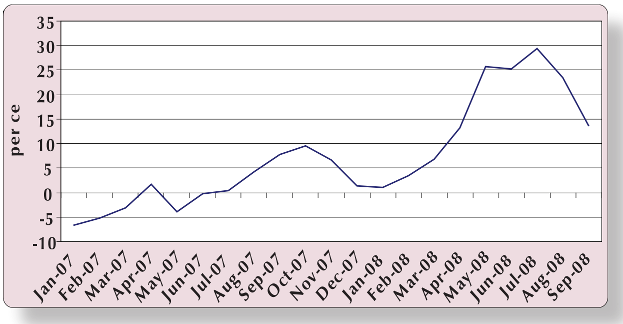


Chart IVg
Trinidad and Tobago Stock Price Indices - Selected Sub-Sectors
(Year-on-Year Per cent Change)

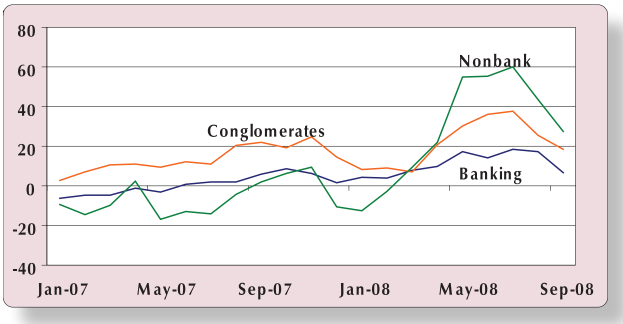
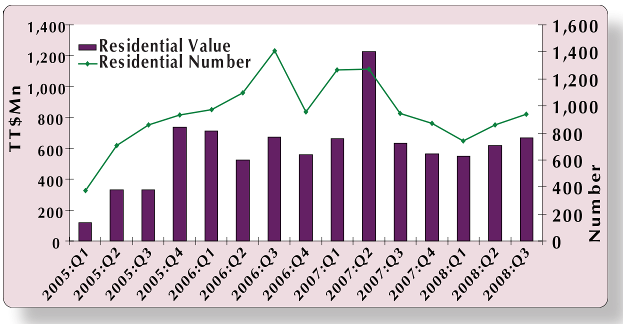


Chart IVh
Residential Real Estate Mortgage Approvals



mixed performance in 2008. After remaining relatively stagnant in 2007, there was a resurgence of activity in the first and second quarters of 2008. By June, the composite price index was 17.1 per cent higher than its level at year-end 2007 while the All T&T index was up by 25.1 per cent (Chart IVf).

However, the rally of the stock market was short-lived and bearish signs re-emerged during the third quarter of 2008 as prospects for slower domestic growth arising from the global financial crisis undermined investor optimism. The Composite and All T&T indices lost 85 and 58 points, respectively at the end of the third quarter falling by 7.4 per cent and 3.9 per cent, respectively from the June quarter. The bulk of this fall-off was accounted for by declines in the banking, non-bank finance and conglomerate sector indices (Chart IVg).

In October, the performance of the stock market also continued to trend downwards as the composite index surrendered a further 144 points, completely wiping out the gains from the first half of the year. At the end of October, the composite index was 6.2 per cent below where it ended in 2007. Contributing to this sharp decline were three trades in banking sector shares amounting to 365 stocks, which resulted in a $9.20 decline in one bank's stock price and a $1.5 billion fall-off in that bank's market capitalization. To prevent small trades from unduly influencing the prices of stocks, the Stock Exchange has put in place a new rule for a 60-day trial period (with effect from October 27, 2008), which requires that for share prices falling within a specified price band, a stipulated volume of shares must be traded for these share prices to move.

Real Estate Mortgage Market

The real estate mortgage market is showing signs of some softening in 2008. New mortgage loans approvals by commercial banks have been expanding at a much slower pace. In the first half of 2008, commercial banks and trust and mortgage companies approved a total of 1,604 new loans compared to a total of 2,539 for the corresponding period of 2007 (Chart IVh).

Mortgage rates have begun to respond to the tighter monetary policy stance. Available data indicate that 63.2 per cent of all residential mortgages outstanding in the books of commercial banks were priced between 8.1 per cent and 9 per cent at the end of June 2008. By comparison, only 47.9 per cent of residential mortgages outstanding were priced in this interest rate band for the same period in 2007.

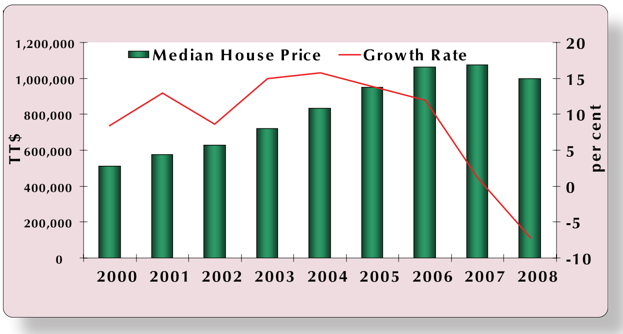
A significant percentage of new residential mortgages granted by commercial banks have also been contracted at higher interest rates. Between April and June 2008, 55.3 per cent of all new residential mortgages granted by commercial banks were priced between 9.1 per cent and 10 per cent. For the corresponding period of 2007, only 11.2 per cent of new residential mortgages were priced in this range (Table IVa).

Table IVa
Distribution of New Real Estate Mortgages by Interest Rate Bands

Percentage

April – June 2007			
	Total Real Estate Mortgages	**Residential Real Estate Mortgages**	**Commercial Real Estate Mortgages**
Under 5%	0.9	1.4	0.0
5.1%-6%	0.0	0.0	0.0
6.1%-7%	0.0	0.1	0.0
7.1%-8%	7.3	9.5	3.0
8.1%-9%	62.2	72.9	42.0
9.1%-10%	21.0	11.2	39.5
10.1%-11%	1.0	0.3	2.3
11.1%-12%	4.5	1.2	10.7
Over 12.1%	3.1	3.4	2.6
April – June 2008			
	Total Real Estate Mortgages	**Residential Real Estate Mortgages**	**Commercial Real Estate Mortgages**
Under 5%	1.1	1.5	0.37
5.1%-6%	0.0	0.0	0.0
6.1%-7%	0.7	0.1	1.91
7.1%-8%	0.3	0.4	0.0
8.1%-9%	31.9	39.8	13.1
9.1%-10%	52.8	55.3	45.6
10.1%-11%	10.0	1.8	28.3
11.1%-12%	1.2	0.0	3.8
Over 12.1%	3.0	1.2	6.9

Chart IVi
Trinidad and Tobago:
Estimated Median House Prices
(3 bdrm) 2000-Oct 2008



The slower activity in the mortgage market has also coincided with a softening in residential property prices (Chart IVi). According to data provided by the Association of Real Estate Agents and other developers, the median selling price of a typical three bedroom house declined by about 7 per cent in 2008 to $1.0 million from $1.08 million in 2007. The tighter monetary policy environment which has resulted in higher interest rates, the increase in the supply of housing units from the government housing programme and perceptions about a possible global slowdown arising from the sub-prime mortgage market have helped to curb the demand for property placing less upward pressure on prices. At the higher end of the market, many realtors have reported that houses are remaining on the market for a longer period of time.

Part V - The On-Going Financial Crisis: Implications for Trinidad and Tobago and the wider Caribbean

The on-going financial crisis has precipitated the emergence of a global economic recession which has already begun to affect the wider Caribbean region. This chapter of the report explores the background to the crisis and assesses its implications for Trinidad and Tobago and the wider Caribbean.

(A) Background to the Financial Sector Crisis

The crisis, which started in the American sub-prime mortgage market, has now ballooned into one of the largest financial shocks that the world has witnessed since the Great Depression of the 1930s. Over the last few months, the US financial system teetered on the verge of collapse which required the bailout of the investment firm Bear Stearns (which had invested in the sub-prime mortgage market) while the two largest government-sponsored housing enterprises (GSEs) – Fannie Mae and Freddie Mac were put into conservatorship. Events deteriorated further as Lehman Brothers, the fourth largest US investment bank, filed for Chapter 11 bankruptcy protection while Merrill Lynch – the 94-year old investment firm - was acquired by the Bank of America for US$50 billion dollars.

While the US Government backed away from bailing out Lehman Brothers and Merrill Lynch, it could not ignore the potential implications of a collapse of AIG on both US and non-US financial markets. Some estimates suggest that AIG, whose assets are estimated in the neighbourhood of US$1.0 trillion, provides insurance for bank loans and investments in more than 100 countries around the world.

In a bid to prevent a disorderly failure of AIG that could exacerbate financial market fragility and weaken economic performance, the Federal Reserve announced a loan of **US$85 billion** in emergency funds to AIG in return for a 79.9 per cent stake in the company. The loan, which has been granted at the 3-month Libor rate plus 850 basis points, is secured against all of AIG's assets including those of its subsidiary companies.

As the crisis spread beyond US borders to Europe, the governments of the Netherlands, Belgium and Luxembourg have moved to bail out Fortis – a large banking and insurance conglomerate - for US$11.2 billion, while the German government lent an estimated US$35 billion to HYPO Real Estate Holdings. The UK government has also moved to effectively nationalize Bradford and Bingley - the housing lender.

(B) Impact on Global Financial Markets and Economic Growth

Global financial markets have been rattled by the turbulence in the US financial markets. Between the end of September and the end of October 2008, the Dow Jones index lost 2,525.7 points, the London FTSE 525.1 points and the Hang Seng 4,047.5 points while the MSCI emerging market index lost some 216.4 points. The "domino" effect on the various financial markets in both the developed and developing world arising from the financial turmoil has now placed financial market contagion at the centre of the global policy agenda.

The on-going financial crisis has already begun to impact **real economic activity** in major developed and developing economies and there is a strong likelihood that a prolonged financial crisis in the US could negatively impact trade and slow growth even further in developing economies. The International Monetary Fund, in a recent update to the **World Economic Outlook** released on November 6, 2008, noted that the **"prospects for global growth [had] deteriorated over the past month as financial sector deleveraging has continued and producer and consumer confidence have fallen".** In short, the pace of the slowdown in the global economic activity has quickened. Global growth is expected to slow to "**3.75 per cent in 2008 from 5 per cent in 2007 while growth projections for 2009 have been cut by ¾ percentage points to 2.2 per cent."** In emerging and developing economies, growth in 2008 is expected to slow to 6.6 per cent from 8.0 per cent in 2007 and to decline even further to 5.1 per cent in 2009.

Central Banks have tried to arrest the worsening situation by injecting short-term funds into strained money markets, increasing swap lines and co-ordinating a round of interest rate cuts. The US authorities have also sought to contain the crisis through a number of initiatives including a rescue package of US$700 billion. In Europe, the UK Government unveiled a relief package estimated at £500 billion (US$879 billion) for financial institutions, which includes direct re-capitalization of banks, bond guarantees and liquidity injections. Meanwhile, Asian governments have also moved to arrest the impact of the global economic slowdown, with Japan and China announcing economic stimulus packages of US$107 billion and US$586 billion, respectively.

(C) Implications for the Wider Caribbean

The impact of the crisis on the wider Caribbean will be felt through three major channels, namely the "financial channel", the "trade channel" and through "remittance flows". The magnitude of the impact will depend, in the final analysis, on a number of factors including the degree of integration between the Caribbean financial systems and the rest of the world; the robustness and degree of diversification of the national economy; and the strength of the finances and international reserves position of countries.

Financial Channel

The first round effect of the crisis has mainly been felt in the financial services industry. So far, the banking system in the Caribbean has had little or no exposure to any of the exotic financial instruments that precipitated the crisis in the first place. Unlike the case in many developed countries, liquidity levels in most Caribbean jurisdictions have also not been severely impacted. There is, however, some concern that in those jurisdictions with offshore financial services, the crisis could lead to a slowdown in business as investors move funds to safer instruments such as US treasuries.

The crisis, through the financial channel, impacted the Jamaican banking system, which holds a significant proportion of Jamaican government foreign-currency denominated bonds. The sharp decline in these bond prices has led the Bank of Jamaica to establish a US$300 million facility to provide assistance to the commercial banks.

Trade Channel

The spill-over of the financial crisis into the real economy has already precipitated a slowdown in the global economy. This slowdown is leading to rising unemployment and falling incomes in the US and Europe, and is already impacting tourism and travel services in some major regional tourism destinations such as The Bahamas, Barbados and Jamaica. Some of these countries are already reporting declines in early bookings while others are facing delays or postponements in some major tourism-related investment projects.

Remittances

Remittances, which constitute an important source of income for many Caribbean countries, especially Jamaica, Guyana and Haiti, have also started to slow in the face of weaker global economic conditions. This could impact the most vulnerable segments of the Caribbean society.

(D) Implications of the Financial Crisis for Trinidad and Tobago

Like its Caribbean neighbours, Trinidad and Tobago is not immune to the effects of the crisis. While the impact on the financial system can be considered as mild to date, the crisis has the potential to impact activity in the real economy.

(i) Impact on the Banking System

Following the intensification of the crisis, the Central Bank requested all commercial banks to report on the extent of their exposure to the crisis. The evidence garnered from this survey has indicated that, by and large, direct exposure by domestic banks to the current financial crisis has been quite minimal. Although a few financial institutions had some exposure to Lehman Brothers, Merrill Lynch and AIG, this exposure has been relatively small in relation to the total assets of these institutions. The domestic commercial banking system remains well capitalized with a capital-to-assets ratio of close to 18 per cent and a relatively low level of non-performing loans. Unlike many commercial banks in large emerging markets that utilize foreign borrowing as a basis for lending in domestic markets, the bulk of lending by commercial banks in Trinidad and Tobago is based on domestic deposits and this has helped to limit the exposure of the domestic commercial banking system to the current crisis. Recent data for the banking system in Trinidad and Tobago indicate that short-term borrowing from foreign banks constitutes less than 4 per cent of the total deposit base of the domestic banking system.

While many of the commercial banks have access to short-term credit lines with foreign correspondent banks, the relatively strong foreign exchange position has enabled banks to liquidate these lines relatively quickly as they become due. In fact, the recent information obtained from the banking system suggests that there has been a marked decline in the short positions of commercial banks over the last year.

Recently, though, in light of the shortage of liquidity and the severe weakening of confidence in global financial markets, a few commercial banks have reported that some of their correspondent banks have begun to increase premiums on short-term credit lines and have even moved to shorten the settlement period to compensate for any risks associated with the late settlement of outstanding positions. So far, however, the access to these lines of credit has not been severely impaired by the on-going crisis.

(ii) Impact on the Wider Domestic Financial Sector

While commercial banks currently dominate the financial system accounting for 36.7 per cent of total financial assets, the insurance, mutual funds and capital market sectors are also important elements of the wider financial system. Currently, the life insurance sector and mutual funds activity (exclusive of those linked to commercial banks) account for approximately 15.9 per cent and 8.5 per cent, respectively of total financial assets. Altogether, the financial services sector inclusive of real estate and business services contributes around 11 per cent of gross domestic product.

With regard to the local stock market, given the weak degree of integration between the local and foreign stock markets, the direct effect of the crisis on the domestic stock market has been limited. This is not to say, however, that the negative developments in the external environment have not impacted investor sentiments in the local market. Indeed, local investors have been a bit more cautious about investments on the local exchange. The Securities and Exchange Commission in a press release on its web-site has also indicated that out of 21 respondents in its poll of securities firms, only three had any exposure to Bear Stearns, Goldman Sachs and Fannie Mae – to a value of less than US$10 million (or less than 1 per cent of the value of net funds under management).

A similar picture exists for the insurance and private pension funds where, so far, information obtained from the industry has indicated that the degree of exposure of the sector constitutes less than 10 per cent of the value of total assets of the sector. One factor that has perhaps helped to minimize the impact is the current quantitative restriction in the Insurance Act 1990 which limits investments by private pension funds outside of the domestic market to a maximum of 20 per cent of the assets of these funds.

(iii) Impact on the Real Economy

(a) Falling Oil Prices and Earnings from the Energy Sector

Oil prices declined by 61.9 per cent from a high of **US$147** in July 2008 to just around **US$56** per barrel in mid-November 2008. Given the dominance of the energy sector in economic activity in Trinidad and Tobago, a continued decline in energy prices, especially against the backdrop of falling local oil production, maturing oil fields and limited new gas and oil discoveries, is likely to have direct implications for government earnings from the energy sector.

In addition, the declining demand for energy in global markets seems to have begun to impact on the operations of service companies in the energy sector which have already begun to report falling demand for their services.

While the 2009 budget is predicated on an oil price of US$70.00 per barrel and a gas price of US$4.00 per barrel, the steady decline in oil prices since October suggests that for the first quarter of the fiscal year 2008/2009 (i.e. October to December 2008), there is a strong likelihood that oil prices can remain below the budgeted price of US$70. Such a sharp fall would also limit the accumulation of long-term savings in the Heritage and Stabilization Fund. The Government has already begun to assess the impact of these developments on its fiscal operations.

(b) Lower exports to the regional economy

Another potential impact of the current financial meltdown is that falling levels of disposable incomes in the developed economies could lower discretionary incomes for travel-related activities, negatively impacting tourism receipts especially in those Caribbean member states that are highly dependent on the sector. Already, the Barbadian, Bahamian and Jamaican economies are anticipating slower economic growth for 2008 and 2009. A slowdown in growth in the CARICOM economies could hurt Trinidad and Tobago's non-energy sector exports to the Caribbean region. Manufacturing exports to the CARICOM region account for 9.4 per cent of Trinidad and Tobago's total exports to CARICOM and 32.3 per cent of non-energy sector exports to CARICOM. A poll of ten of the top exporters of manufacturing products to the CARICOM region suggests that the sector could experience some decline in 2009 especially if income levels fall in the Caribbean region.

Conclusion

If the global recession deepens, Trinidad and Tobago is likely to face a serious challenge in the execution of its long-term strategic development plan. The early establishment of a contingency plan can go a long way in helping the country to limit the negative effects of the crisis. Some Caribbean countries such as Barbados have already taken the lead to put such plans in place.

Appendices

Tables
Media Releases

Appendices:

Tables

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 %
Jul-06	123.30	1.23	8.63	109.32	4.02	187.00	0.65	23.19	109.70	1.48
Aug-06	124.00	0.57	8.96	109.34	3.94	190.80	2.03	24.71	109.70	1.48
Sep-06	125.10	0.89	9.64	109.23	3.89	197.40	3.46	27.44	109.70	1.48
Oct-06	126.30	0.96	10.02	110.60	4.67	197.80	0.20	26.47	112.20	2.94
Nov-06	126.80	0.40	9.59	110.56	4.67	200.80	1.52	24.26	112.20	2.94
Dec-06	127.30	0.39	9.08	110.60	4.61	203.40	1.29	22.02	112.20	2.94
Jan-07	127.20	-0.08	8.63	111.00	4.42	201.00	-1.18	20.87	112.20	2.84
Feb-07	127.60	0.31	8.41	111.05	4.46	203.00	1.00	19.69	112.20	2.84
Mar-07	128.00	0.31	8.02	111.03	4.18	205.30	1.13	18.81	112.20	2.84
Apr-07	129.30	1.02	8.38	112.51	4.67	205.80	0.24	18.89	113.60	3.84
May-07	130.10	0.62	7.88	112.56	4.46	210.00	2.04	17.25	113.60	3.84
Jun-07	130.70	0.46	7.31	112.61	4.51	213.10	1.48	14.69	113.60	3.84
Jul-07	133.10	1.84	7.95	114.22	4.49	219.10	2.82	17.17	115.80	5.56
Aug-07	133.80	0.53	7.90	114.29	4.53	222.70	1.64	16.72	115.80	5.56
Sep-07	134.20	0.30	7.27	114.27	4.61	225.00	1.03	13.98	115.80	5.56
Oct-07	135.50	0.97	7.28	114.65	3.65	230.50	2.44	16.58	115.80	3.21
Nov-07	137.10	1.18	8.12	114.86	3.90	238.40	3.43	18.73	115.80	3.21
Dec-07	137.00	-0.07	7.62	114.94	3.93	237.50	-0.38	16.76	115.80	3.21
Jan-08	139.90	2.12	9.98	117.33	5.71	242.70	2.19	20.75	116.70	4.01
Feb-08	139.60	-0.21	9.40	117.32	5.65	241.70	-0.66	18.77	116.70	4.01
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
Sep-08	154.00	1.45	14.75	121.31	6.17	302.91	4.45	34.62	117.80	1.73

	Housing 262		Health 51		Education 16		Hotels, Cafes, Rest. 30		Alcoholic Beverages 25	Furnishings, Household Equip. & Maint. 54
Date	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %
Jul-06	109.60	3.59	120.70	11.04	120.00	12.04	118.00	5.36	14.69	3.02
Aug-06	109.50	3.50	120.60	10.44	120.00	12.04	118.00	5.36	15.02	3.01
Sep-06	109.50	3.50	120.80	10.72	120.00	12.04	118.00	5.36	15.12	3.02
Oct-06	110.80	4.14	122.30	11.28	131.80	11.04	119.70	6.21	19.23	3.70
Nov-06	110.80	4.14	121.40	10.67	131.80	11.04	119.70	6.21	20.71	3.70
Dec-06	110.80	4.14	121.50	10.05	131.80	11.04	119.70	6.21	20.20	3.70
Jan-07	111.50	4.30	121.60	8.38	131.80	11.04	123.50	7.02	18.69	2.66
Feb-07	111.70	4.49	121.80	7.50	131.80	11.04	123.50	7.02	19.29	2.66
Mar-07	111.90	4.38	121.60	5.83	131.80	11.04	123.50	7.02	18.44	2.66
Apr-07	113.60	4.99	124.20	5.34	133.80	11.50	123.70	6.73	18.24	2.44
May-07	113.70	5.08	124.30	5.34	133.80	11.50	123.70	6.73	9.65	2.47
Jun-07	113.70	5.08	124.50	5.06	133.80	11.50	123.70	6.73	9.03	2.47
Jul-07	113.80	3.83	125.80	4.23	133.80	11.50	126.90	7.54	8.37	1.40
Aug-07	113.80	3.93	126.10	4.56	133.80	11.50	126.90	7.54	8.33	1.40
Sep-07	113.80	3.93	126.10	4.39	113.80	11.50	126.90	7.54	8.40	1.40
Oct-07	114.90	3.70	127.00	3.84	150.20	13.96	136.90	14.37	7.32	0.66
Nov-07	114.90	3.70	127.40	4.94	150.20	13.96	136.90	14.37	12.13	0.66
Dec-07	115.00	3.79	127.30	4.77	150.20	13.96	136.90	14.37	12.95	0.66
Jan-08	115.20	3.32	129.90	6.83	150.20	13.96	140.10	13.44	13.75	1.03
Feb-08	115.30	3.22	130.10	6.81	150.20	13.96	140.10	13.44	13.33	1.03
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
Sep-08	121.70	6.94	134.40	6.58	155.80	16.44	159.10	25.37	15.88	2.97

Source: Central Statistical Office.

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

(Year-on-Year Per cent Change)

	Weight	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
FOOD AND NON-ALCOHOLIC BEVERAGES	**180.00**	**19.53**	**21.81**	**23.09**	**25.33**	**30.22**	**34.62**
FOOD	**156.20**	**20.81**	**23.07**	**24.58**	**26.86**	**32.09**	**36.80**
BREAD AND CEREALS	**31.21**	**26.06**	**35.10**	**42.95**	**60.29**	**62.57**	**63.19**
Bread	5.51	38.46	41.64	40.09	53.72	51.25	50.26
Cereals (Includes rice and flour)	18.74	24.34	34.31	47.03	70.77	75.96	77.09
Pasta Products	1.38	27.80	47.91	51.68	45.86	42.35	51.46
Pastry Cooked Products	5.27	19.05	29.63	32.11	36.99	38.12	37.65
MEAT	**29.21**	**12.42**	**13.47**	**10.76**	**11.05**	**16.48**	**15.27**
Fresh, Chilled or Frozen Beef	3.09	11.58	10.82	13.70	18.18	21.35	20.46
Fresh, Chilled or Frozen Lamb or Goat	1.13	5.09	6.19	5.68	5.47	5.04	3.67
Fresh Chilled or Frozen Pork	2.34	10.80	12.38	13.48	12.98	15.93	14.67
Fresh, Chilled or Frozen Poultry	18.18	14.36	15.70	10.73	10.33	17.98	16.65
Dried, Salted or Smoked Meat	4.10	7.04	7.97	9.13	10.18	9.76	8.83
FISH	**11.37**	**32.64**	**25.44**	**26.56**	**18.86**	**17.09**	**25.09**
Fresh, Chilled or Frozen Fish	7.21	37.97	29.23	32.09	20.05	19.07	28.74
Fresh, Chilled or Frozen Seafood	1.83	20.86	14.18	7.59	11.95	5.63	13.80
Other Preserved or Processed Fish	1.03	22.59	23.73	22.05	22.89	21.52	19.28
MILK, CHEESE AND EGGS	**19.05**	**28.47**	**25.82**	**22.00**	**19.63**	**18.34**	**18.26**
Whole Milk	1.75	24.55	17.55	16.12	11.15	8.26	8.98
Preserved Milk	9.22	24.21	20.93	14.49	13.35	11.69	11.79
Cheese, Yogurt & Milk Products	6.34	34.90	34.52	33.11	29.04	28.02	24.26
Eggs	1.74	35.12	33.04	36.54	34.08	35.58	45.38
OILS AND FATS	**9.07**	**18.19**	**20.17**	**23.89**	**27.15**	**31.10**	**32.68**
Butter	0.82	55.87	54.20	55.97	59.56	61.66	61.46
Margarine and Other Vegetable Fats	2.56	26.67	28.39	30.53	35.91	41.59	41.44
Edible Oils and Animal Fats	5.69	9.43	12.03	16.64	18.95	22.41	24.78
FRUIT	**14.28**	**27.62**	**33.56**	**37.81**	**49.54**	**26.65**	**38.44**
VEGETABLES	**21.84**	**17.99**	**22.64**	**21.38**	**23.13**	**37.97**	**42.43**
Fresh or Chilled Vegetables	12.09	34.25	40.80	20.16	23.19	67.66	74.11
Dried Vegetables	2.42	47.97	46.06	38.30	36.42	33.66	37.69
Fresh or Chilled Tuber Vegetables	7.33	10.04	13.73	21.27	22.52	25.56	29.07
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	**7.66**	**9.23**	**11.78**	**12.58**	**13.94**	**14.21**	**13.26**
OTHER FOOD PRODUCTS	**12.51**	**20.20**	**10.61**	**24.33**	**16.08**	**24.91**	**40.95**
NON-ALCOHOLIC BEVERAGES	**23.80**						
Coffee, Tea and Cocoa	3.06	11.06	13.50	13.93	15.27	14.15	14.35
Soft Drinks	13.33	2.59	5.11	5.04	6.22	7.70	7.54
Juices	7.40	7.30	7.74	3.89	2.58	2.16	4.80

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-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %
Sep-05	162.2	16.5	205.1	15.5	148.3	8.6	153.0	7.5
Dec-05	190.8	13.7	290.1	34.1	188.0	10.6	153.3	-2.5
2005	**159.9**	**14.4**	**213.0**	**17.9**	**154.5**	**10.0**	**142.0**	**2.7**
Mar-06	150.6	7.6	203.5	22.8	150.2	10.3	149.5	15.7
Jun-06	163.4	11.4	214.6	12.3	175.3	20.4	157.1	18.5
Sep-06	180.5	11.3	247.8	20.8	176.9	19.3	177.2	15.8
Dec-06	214.1	12.2	330.8	14.0	204.1	8.6	198.5	29.5
2006	**177.2**	**10.8**	**249.2**	**17.0**	**176.6**	**14.3**	**170.6**	**20.1**
Mar-07	182.6	21.2	239.2	17.5	175.6	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

	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-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %
Sep-05	120.0	24.7	148.1	67.9	185.6	38.1	138.9	4.2	195.4	11.1
Dec-05	284.9	12.6	134.6	18.8	194.7	25.9	146.0	17.2	178.8	10.9
2005	**153.5**	**17.3**	**109.1**	**30.9**	**179.6**	**31.1**	**138.4**	**8.5**	**173.3**	**13.1**
Mar-06	102.3	1.6	54.0	-32.5	172.1	4.2	140.5	7.3	162.9	0.6
Jun-06	120.8	11.2	70.9	-3.9	198.3	14.6	103.7	-24.8	170.1	8.3
Sep-06	140.1	16.8	95.2	-35.7	230.4	24.1	103.0	-25.8	199.0	1.8
Dec-06	292.8	2.8	110.4	-18.0	252.2	29.5	105.0	-28.1	200.7	12.2
2006	**164.0**	**6.8**	**82.6**	**-24.3**	**213.3**	**18.7**	**113.0**	**-18.3**	**183.2**	**5.7**
Mar-07	113.6	11.0	66.3	22.8	238.9	38.8	156.1	11.1	194.0	19.1
Jun-07	123.3	2.1	64.3	-9.3	242.3	22.2	158.9	53.2	186.9	9.9
Sep-07	150.8	7.6	67.5	-29.1	265.6	15.3	161.3	56.6	206.6	3.8
Dec-07	365.7	24.9	86.2	-21.9	282.4	12.0	147.9	40.9	201.5	0.4
2007	**188.4**	**14.8**	**71.1**	**-14.0**	**257.3**	**20.7**	**156.0**	**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

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	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07
ALL ITEMS	**1,000.00**	**14.70**	**262.65**	**15.34**	**128.70**	**11.24**	**52.09**	**16.87**
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	34.65	27.25	48.72	17.27	25.18	8.13	34.14
FOOD	156.20	36.80	22.74	52.53	14.79	26.41	7.15	36.05
BREAD AND CEREALS	**31.21**	**63.19**	**4.00**	**80.73**	**2.79**	**69.76**	**1.30**	**37.04**
MEAT	29.21	15.27	3.21	12.92	2.45	12.77	1.43	15.47
FISH	11.37	25.09	1.81	79.43	1.00	13.96	0.44	12.73
MILK, CHEESE AND EGGS	19.05	18.26	3.24	15.96	1.87	17.59	0.79	15.66
OILS AND FATS	9.07	32.68	1.20	36.85	0.85	27.53	0.33	28.66
FRUIT	**14.28**	**38.44**	**2.94**	**65.17**	**1.53**	**8.62**	**0.72**	**7.22**
VEGETABLES	**21.84**	**42.43**	**3.32**	**54.55**	**2.28**	**29.29**	**1.17**	**80.77**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	13.26	1.33	8.20	0.68	20.51	0.44	(1.45
FOOD PRODUCTS N.E.C	12.51	40.95	1.69	59.19	1.34	28.37	0.53	24.59
NON-ALCOHOLIC BEVERAGES	23.80		4.51	5.06	2.48	9.34	0.98	6.73

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	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07
ALL ITEMS	**38.52**	**9.71**	**45.17**	**25.63**	**123.49**	**10.54**	**111.64**	**17.70**
FOOD AND NON-ALCOHOLIC BEVERAGES	12.00	18.47	17.92	42.51	20.23	26.09	19.75	44.03
FOOD	10.37	19.59	15.41	45.32	17.46	27.80	17.33	46.79
BREAD AND CEREALS	**2.34**	**38.98**	**3.02**	**46.38**	**3.50**	**62.68**	**3.27**	**61.76**
MEAT	1.99	(1.20)	2.57	25.39	3.52	15.65	3.32	20.64
FISH	0.72	(8.33)	1.17	13.67	1.13	(3.03)	1.22	21.97
MILK, CHEESE AND EGGS	1.56	20.47	2.08	19.87	2.28	13.45	1.87	22.78
OILS AND FATS	0.52	25.43	0.91	35.33	0.99	35.28	1.16	29.71
FRUIT	**1.12**	**15.51**	**1.60**	**66.92**	**1.35**	**6.60**	**1.75**	**58.67**
VEGETABLES	**0.93**	**24.71**	**2.03**	**63.05**	**2.36**	**40.81**	**2.47**	**57.88**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.44	2.66	0.85	18.49	0.84	18.37	0.70	13.22
FOOD PRODUCTS N.E.C	0.75	12.55	1.18	29.78	1.49	15.55	1.57	67.34
NON-ALCOHOLIC BEVERAGES	1.63	6.90	2.51	12.25	2.77	13.67	2.42	4.99

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	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07
ALL ITEMS	**23.23**	**11.45**	**2.23**	**25.92**	**21.75**	**14.22**	**5.62**	**52.20**
FOOD AND NON-ALCOHOLIC BEVERAGES	7.61	16.09	1.04	37.90	4.68	31.63	4.73	56.18
FOOD	6.75	16.50	0.95	40.46	4.17	33.65	4.10	61.49
BREAD AND CEREALS	**1.28**	**53.23**	**0.25**	**95.78**	**0.85**	**94.70**	**0.96**	**62.49**
MEAT	1.75	21.79	0.21	4.46	0.96	27.71	1.07	2.99
FISH	0.63	9.06	0.09	9.44	0.29	13.67	0.26	15.86
MILK, CHEESE AND EGGS	0.56	22.46	0.04	15.52	0.45	14.84	0.38	21.98
OILS AND FATS	0.43	20.22	0.07	34.79	0.26	25.03	0.23	30.90
FRUIT	**0.56**	**6.32**	**0.10**	**20.17**	**0.30**	**(0.65)**	**0.17**	**1.12**
VEGETABLES	**0.77**	**13.66**	**0.09**	**79.50**	**0.62**	**39.23**	**0.57**	**93.19**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.25	19.38	0.03	10.49	0.16	16.55	0.14	25.58
FOOD PRODUCTS N.E.C	0.52	(0.06)	0.07	11.71	0.28	21.93	0.32	16.74
NON-ALCOHOLIC BEVERAGES	0.86	5.87	0.09	3.95	0.51	2.54	0.63	(1.05)

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	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07	Weight	Sep '08/ Sep '07
ALL ITEMS	**13.12**	**25.54**	**48.14**	**13.95**	**28.07**	**8.25**	**95.58**	**12.51**
FOOD AND NON-ALCOHOLIC BEVERAGES	8.30	31.22	10.80	35.13	6.25	13.62	14.04	36.53
FOOD	7.33	33.15	9.79	36.76	5.52	14.06	12.34	38.52
BREAD AND CEREALS	**1.73**	**67.91**	**2.26**	**81.08**	**1.14**	**61.32**	**2.52**	**59.92**
MEAT	1.40	17.15	1.99	4.81	1.28	10.26	2.06	19.52
FISH	0.26	10.51	0.60	17.32	0.32	2.32	1.43	14.28
MILK, CHEESE AND EGGS	0.79	14.10	0.84	17.76	0.62	21.93	1.68	20.81
OILS AND FATS	0.46	27.53	0.62	45.54	0.25	35.26	0.79	36.73
FRUIT	**0.56**	**20.55**	**0.67**	**5.72**	**0.33**	**43.43**	**0.58**	**25.64**
VEGETABLES	**1.21**	**36.87**	**1.58**	**37.84**	**0.90**	**6.75**	**1.54**	**59.40**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.30	12.85	0.46	25.67	0.26	11.37	0.78	7.28
FOOD PRODUCTS N.E.C	0.62	31.89	0.77	59.75	0.42	18.36	0.96	14.22
NON-ALCOHOLIC BEVERAGES	0.97	7.56	1.01	7.33	0.73	3.63	1.70	7.03

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	0.6	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

		Plumbing & Fixtures			Windows, Doors & Balaustrading			Finishing, Joinery Units and Painting & External Works		
Date		Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %
2004	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

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[e]	170.63	3.8	10.7	180.27	9.0	12.7	105.65	5.0	1.8

Source: Central Statistical Office.

e – Estimate.

Appendix G
Stock Market Indices, March 2003 - September 2008

	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	15.9	19.5	25.2	30.3
Sep-08	1065.6	1444.1	-7.4	-3.9	13.8	22.4

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 Change (%)			Year-on-Year 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

Source: Central Bank of Trinidad and Tobago.

Appendices:

Media Releases on the 'Repo' Rate from April 2008 to October 2008

1. **Media Release dated April 25, 2008 -**
   Inflation at 9.8 Per cent

2. **Media Release dated May 29, 2008 -**
   Inflation Edges Slightly Downwards: Central Bank Maintains 'Repo' Rate at 8.25 Per cent

3. **Media Release dated June 20, 2008 -**
   Inflation at 10.0 Per cent: 'Repo' Rate Stays at 8.25 Per cent But Liquidity Absorption Intensifies

4. **Media Release dated July 25, 2008 -**
   Inflation Surges in June: Central Bank Raises 'Repo' Rate and Increases the Reserve Requirement

5. **Media Release dated August 29, 2008 -**
   Central Bank Maintains 'Repo' Rate at 8.50 Per cent

6. **Media Release dated September 26, 2008 -**
   Inflation Rises in August: Central Bank Raises 'Repo' Rate to 8.75 Per cent

7. **Media Release dated October 24, 2008 -**
   Inflation Continues to Rise: Cash Reserve Requirement Increased to 17 Per cent

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Media Release

INFLATION AT 9.8 PER CENT

Recent inflation data released by the Central Statistical Office indicate that headline inflation, measured by the 12-month increase in the Index of Retail Prices, rose to **9.8 per cent** in March 2008 from **9.4 per cent** in the previous month. This up-tick in the rate was led by **food prices** which rose on a year-on-year basis to March by 19.7 per cent from 18.8 per cent in the previous month. The main contributors to the rise in food inflation were increases in the prices of **bread and cereal** (19.0 per cent), **fish** (37.2 per cent), and **oils and fats** (11.8 per cent). The sharp rise in the prices of **bread and cereal** follow upon substantial increases in the global prices for wheat, corn and edible oils and fats. The rate of price increases slowed however in the sub-indices for meat, fruits and milk, cheese and eggs.

Core inflation, which extracts the effects of food prices from the index of retail prices, measured **5.7 per cent** roughly the same rate as in the previous two months. The sub-indices for health services, alcoholic beverages and tobacco and clothing and footwear posted increases of 7.1 per cent, 13.7 per cent and 2.8 per cent, respectively.

After declining to a low of 7.3 per cent in October 2007, inflation has picked up markedly over the past six months as demand pressures continue unabated and as the significant increases in global food prices work themselves through the system. Bread, cereals, edible oils and dairy prices reflect the significant increases that are taking place at the global level. The high prices of fruits and vegetables are a result of domestic agricultural bottlenecks.

Liquidity in the domestic system remained high partly on account of increased net domestic fiscal injections. Moreover, in the twelve months to February 2008, bank credit increased at a rate of around 23 per cent adding to already heightened demand pressures. Consumer credit continued to increase at a rapid rate outstripping the rate of expansion in business credit.

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In a bid to contain demand pressures, the Bank has not only made more intensive use of open market operations but also instituted additional monetary tightening measures in late February 2008. These measures involved an increase in the repo rate by 25 basis points to 8.25 per cent and a two-percentage point increase (from 11 per cent to 13 per cent) in the statutory reserve requirements for commercial banks.

Following these measures, commercial banks announced with effect from March 01, 2008 an increase in interest rates on retail loans. The minimum lending rate for new car loans has been increased to prime plus 100 basis points and that for used cars to prime plus 250 basis points. In addition, new residential and commercial mortgage rates have been increased by 50 basis points each. These measures have not yet worked their way fully through the financial system and the wider economy.

Inflation control is likely to remain challenging in the upcoming months in the face of rising global food prices and higher import costs. Announced increases in domestic electricity rates, which take effect in May 2008, as well as the continuing increase in food prices are intensifying inflationary expectations.

The Bank will continue with further monetary tightening. The Government has announced a series of short-term measures that could impact on food prices including imports from lower-cost countries. These measures should begin to have an impact in the near future.

In the meantime, the Bank has decided to maintain the repo rate at 8.25 per cent while it evaluates the impact of the measures on credit expansion and liquidity.

The Bank will keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for May 29, 2008.

April 25, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	February 2008	March 2008	February 2008	March 2008
Headline Inflation	**(0.2)**	**0.6**	**9.4**	**9.8**
Food Prices	(0.7)	2.0	18.8	19.7
Bread and Cereals	2.1	2.7	16.0	19.0
Meat	0.2	1.1	14.4	12.6
Fish	10.9	5.7	27.1	37.2
Vegetables	(4.7)	2.5	21.6	23.2
Fruits	(1.9)	1.9	30.3	24.1
Milk, Cheese & Eggs	2.7	0.4	32.1	31.0
Oils and Fats	2.8	2.0	9.5	11.8
Sugar, Jam, Confectionery, etc.	0.2	0.5	7.2	6.5
Core Inflation	**0.0**	**0.1**	**5.7**	**5.7**
Alcoholic Beverages & Tobacco	(0.1)	0.2	13.3	13.7
Clothing and Footwear	0.2	(0.5)	2.7	2.8
Health	0.2	0.0	6.8	7.1
Rent	0.0	0.0	4.9	4.9
Home Ownership	0.0	0.0	3.5	3.5
Education	0.0	0.0	14.0	14.0
Recreation & Culture	0.0	0.0	14.1	14.1
Hotels, Cafes & Restaurants	0.0	0.0	13.4	13.4
Transport	0.0	0.0	4.1	4.1

Source: Central Statistical Office.

- End -

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Media Release

INFLATION EDGES SLIGHTLY DOWNWARDS: CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.25 PER CENT

According to the latest data on inflation released by the Central Statistical Office, **headline inflation** measured **9.3 per cent** on a year-on-year basis to April 2008 compared to 9.8 per cent in March 2008. **Food inflation**, the main catalyst of headline inflation, rose by 19.5 per cent year-on-year to April compared with an increase of 19.7 per cent in the previous month. The increase in food prices was led by **bread and cereals** (26.1 per cent), **oils and fat** (18.2 per cent) and **fruits** (27.6 per cent). The significant increases in the global prices for wheat, rice and edible oils have contributed, in part, to the higher domestic prices for bread, cereals as well as for butter and other edible oils.

Core inflation, which filters out the effects of food prices, declined slightly to **5.2 per cent** in the twelve months to April 2008 from 5.7 per cent in the previous month. This slight reduction in the core inflation rate reflected slower year-on-year increases in the sub-indices for housing (2.1 per cent compared with 3.2 per cent in March 2008), health services (5.7 per cent compared with 7.1 per cent) and recreation and culture (5.8 per cent compared with 14.1 per cent). The sharp reduction in the recreation and culture sub-index reflected a slower increase in airfares. The sub-indices for education and "meals-out" however posted increases of 16.4 per cent and 19.2 per cent, respectively.

Although **net domestic fiscal injections** continue to add to liquidity in the financial system, intensified **open market operations** by the Central Bank have contributed to tighter liquidity conditions over the past month. This has led commercial banks to make greater use of the interbank market and the 'Repo' window at the Central Bank to meet their financing needs.

The increase in commercial banks' lending rates in March following the rise in the 'Repo rate' had a dampening effect on consumer credit, which slowed, on a year-on-year basis, to 18.4 per cent in March 2008 from 22 per cent in January. The pace of increase in real estate mortgage lending also decelerated to just below 20 per cent from 22 per cent in January.

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Despite the slight easing in April, **underlying inflationary pressures** are still strong, underpinned by buoyant economic growth, a high level of public spending and rapid bank credit expansion. Moreover, **inflationary expectations** remain high as announced increases in the prices of some basic food items (flour and rice) and in transportation (taxi fares) take effect in upcoming months.

In addition, capital inflows from the amalgamation of the Royal Bank of Canada (RBC) and RBTT along with the recent approval of supplementary government expenditure of around TT$3.5 billion are likely to add to inflationary expectations even before they contribute to increased liquidity. The Central Bank and the Ministry of Finance are currently formulating steps to dampen the impact of the RBC/RBTT amalgamation through special sterilisation measures.

Given the many factors listed above and the limited prospects of a major decline in domestic and global food prices, inflation risks are tilted to the upside in the forthcoming months. The Bank will continue to place increased emphasis on liquidity absorption in a bid to further dampen credit expansion but will keep monetary conditions under close review and will take additional action as required.

Against this background, the Bank has decided to maintain the 'Repo' rate at 8.25 per cent.

The next 'Repo' rate announcement is scheduled for June 20, 2008.

May 29, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	March 2008	April 2008	March 2008	April 2008
Headline Inflation	**0.6**	**0.6**	**9.8**	**9.3**
Food Prices	2.0	0.1	19.7	19.5
Bread and Cereals	2.7	6.6	19.0	26.1
Meat	1.1	(1.6)	12.6	12.4
Fish	5.7	(1.0)	37.2	32.6
Vegetables	2.5	(2.9)	23.2	18.0
Fruits	1.9	1.5	24.1	27.6
Milk, Cheese & Eggs	0.4	0.4	31.0	28.5
Oils and Fats	2.0	5.1	11.8	18.2
Sugar, Jam, Confectionery, etc.	0.5	2.8	6.5	9.2
Core Inflation	**0.1**	**0.8**	**5.7**	**5.2**
Alcoholic Beverages & Tobacco	0.2	0.1	13.7	12.7
Clothing and Footwear	(0.5)	1.0	2.8	3.0
Health	0.0	0.8	7.1	5.7
Rent	0.0	2.7	4.9	4.9
Home Ownership	0.0	0.2	3.5	1.8
Education	0.0	3.7	14.0	16.4
Recreation & Culture	0.0	(5.4)	14.1	5.8
Hotels, Cafes & Restaurants	0.0	5.2	13.4	19.2
Transport	0.0	0.1	4.1	2.8

Source: Central Statistical Office.

- End -

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Media Release

INFLATION AT 10.0 PER CENT: 'REPO' RATE STAYS AT 8.25 PER CENT BUT LIQUIDITY ABSORPTION INTENSIFIES

The latest data on inflation released by the Central Statistical Office indicate that **headline inflation** rose to 10 per cent on a year-on-year basis to May 2008 from 9.3 per cent in the previous month. This increase was led by food prices which rose by **21.8 per cent** in May from 19.5 per cent in the previous month. On a monthly basis, food prices rose by 4.0 per cent – the largest monthly increase since February 2005. The main contributors to **food inflation** were increases in the prices of **bread and cereals (35.1 per cent on a year-on-year basis), fruit (33.6 per cent), vegetables (22.6 per cent) oils and fats (20.2 per cent), and meat (13.4 per cent).** The worldwide increase in the price of cereals would have contributed to the rise in the prices of rice and flour in particular. While the prices for **fish** and **milk, cheese and eggs** continued to increase, the rate of increase slowed. In respect of **fish**, the rate was 25.4 per cent on a year-onyear basis to May compared with 32.6 per cent in April while for **milk, cheese and eggs,** the rate was 25.8 per cent compared with 28.5 per cent.

Core inflation, which filters out the effects of food prices, remained virtually unchanged from the previous month at **5.2 per cent.** The rate of increase in the sub-indices for alcohol and clothing measured **13.5 per cent** and **4.2 per cent** (year-on-year) in May, respectively, while those for health and housing slowed to 5.4 per cent and 1.8 per cent, respectively.

During May, price increases for several basic commodities went into effect. Information obtained from NAMDEVCO shows sizeable increases in the prices for some agricultural commodities. Carrots increased to $10.99 per kg from $9.29, while Cassava rose to $3.44 per kg from $3.31. Chive showed an even more significant increase to $16.93 per bundle from $12.19. Transportation costs have also been increasing. For example, the San Juan Taxi Drivers' Association has increased its fare by $1.00.

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Liquidity in the financial system has been relatively tight over the past two months. In response, commercial banks have made greater use of the inter-bank market and the repurchase facility at the Central Bank to meet their funding requirements. As a result, the weighted average interbank rate rose from 7.3 per cent in April to 7.4 per cent at the end of May.

The rate of bank credit expansion has declined slightly but remains unacceptably high. Private sector credit increased by 17.7 per cent (year-on-year) in April compared with 17.8 per cent in March. The expansion in credit continues to be mainly in the areas of consumer loans (19.5 per cent year-on-year to April) and real estate mortgage loans (20.9 per cent). However, the pace of business credit expansion slowed to 14.8 per cent (year-on-year) to April from 16.5 per cent in March.

The amalgamation of RBC/RBTT is expected to inject a sizeable amount of liquidity into the financial system as shareholders of RBTT begin to receive their cash settlements. To contain the liquidity impact of this cash injection, the Government is issuing the first tranche of sterilization bonds of FV$1.2 billion on July 2, 2008. Several private financial institutions are also taking steps to mobilise some of the increased capital inflows to finance both regional and local projects. Additionally, the Bank has intensified the level of open market operations.

Inflation control is likely to present increased challenges over the next several months especially against the background of rising food and energy prices at the global level, continued fiscal pressures and increasing inflationary expectations. The situation could be exacerbated if the advent of the rainy season affects domestic agricultural supplies as has occurred in the past few years. The Bank will be paying close attention to the many factors noted above and will take additional action as needed to address inflationary pressures.

Against the background of intensified liquidity absorption measures, the Bank has decided to maintain the "Repo" rate at 8.25 per cent.

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

June 20, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	April 2008	May 2008	April 2008	May 2008
Headline Inflation	**0.6**	**1.3**	**9.3**	**10.0**
Food Prices	0.1	4.0	19.5	21.8
Bread and Cereals	6.6	8.0	26.1	35.1
Meat	(1.6)	(0.2)	12.4	13.5
Fish	(1.0)	(5.3)	32.6	25.4
Vegetables	(2.9)	5.2	18.0	22.6
Fruits	1.5	15.7	27.6	33.6
Milk, Cheese & Eggs	0.4	0.4	28.5	25.8
Oils and Fats	5.1	2.5	18.2	20.2
Sugar, Jam, Confectionery, etc.	2.8	2.4	9.2	11.8
Core Inflation	**0.8**	**0.0**	**5.2**	**5.2**
Alcoholic Beverages & Tobacco	0.1	0.1	12.7	13.5
Clothing and Footwear	1.0	0.3	3.0	4.2
Health	0.8	(0.2)	5.7	5.4
Rent	2.7	0.0	4.9	4.9
Home Ownership	0.2	0.0	1.8	1.8
Education	3.7	0.0	16.4	16.4
Recreation & Culture	(5.4)	0.0	5.8	5.8
Hotels, Cafes & Restaurants	5.2	0.0	19.2	19.2
Transport	0.1	0.0	2.8	2.8

Source: Central Statistical Office.

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Media Release

INFLATION SURGES IN JUNE: CENTRAL BANK RAISES 'REPO' RATE AND INCREASES THE RESERVE REQUIREMENT

According to the latest data released by the Central Statistical Office, **headline inflation**, as measured by the 12-month increase in the Index of Retail Prices, rose to 11.3 per cent in June 2008 from 10 per cent (year-on-year) in May and **7.3** per cent a year earlier. The June outcome represents the highest year-on-year rate recorded since ***April 1994*** when headline inflation reached 12.0 per cent. On a monthly basis headline inflation rose by 1.7 per cent in June compared with 1.3 per cent in May.

The continuing rise in **food prices** was the main reason for the sharp jump in headline inflation. Food prices in June 2008 were 23.1 per cent higher than a year earlier. (The corresponding figure for May 2008 was 21.8 per cent). The main contributors to the year-on-year rise in the food sub-index were **Bread and Cereals** which rose by 43.0 per cent, **Fish** (26.6 per cent), **Fruit** (37.8 per cent) and **Oils and Fats** (23.9 per cent).

Higher prices for **packaged rice** (39.6 per cent), **pasta products** (51.6 per cent) and packaged flour (73.5 per cent) were responsible for the sharp increase in the Bread and Cereals sub-group, while in the Oils and Fats sub-group, sharp increases in the prices of **fresh butter** (80.9 per cent) and **Margarine** and **Other Vegetable fats** (30.5) were the major causes. During the first six months of 2008, **flour prices** were increased by the National Flour Mills on two occasions. These increases partly reflect the rising trend globally in grain prices since 2006.

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As regards domestic agricultural prices, in addition to the higher prices of fish and fruit mentioned above, in the 12 months through June 2008, the sub-index for the **Meat sub-group** rose by 10.8 per cent, a slight decline from the May 2008 rate. The sub-index for **Milk, Cheese and Eggs** was 22.0 per cent higher in June than in the previous year (slightly down from the 25.8 per cent year-on-year increase in May).

Core inflation, which filters out the effects of food prices, accelerated to 6.4 per cent in June 2008 compared to 5.2 per cent in May 2008 and 4.5 per cent in June 2007. This was almost entirely due to the higher cost of **electricity.** Effective May 1, 2008, the Trinidad and Tobago Electricity Commission (TTEC) implemented new rates for residential consumers with increases ranging from 14 per cent to 48 per cent. In the Health sub-index, prices moved up to 6.1 per cent compared with 5.4 per cent in the twelve months to June 2007.

While there is no doubt that international influences have second round effects on core inflation, the strong growth in the non-food price index is a useful proxy for the contribution of domestic factors to inflationary pressures. In this context, **net domestic fiscal injections**, which are a major source of demand pressures, rose by 10.8 per cent in the first nine months of the current fiscal year compared with the corresponding period of last year. **Capital inflows related to the settlement of the RBC/RBTT transaction** added further to market liquidity, although this was partially offset by the recent Government bond issue.

These buoyant liquidity conditions served to maintain unacceptably high levels of **bank credit expansion.** Private sector credit from the consolidated financial system rose by 18.8 per cent year-on-year to May 2008 compared with 19.5 per cent in April 2008 and 16.7 per cent in May 2007. The expansion in consumer credit and mortgage loans has continued to outpace the growth of credit for business purposes.

In addition to these influences there is now clear evidence that inflationary expectations have become well entrenched. This is reflected in a number of protective price adjustments (e.g. in taxi fares), in the level of wage demands and in developments in the industrial relations climate.

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Going forward, avoiding a further deterioration in inflation must be seen as a main economic and social priority, especially in light of likely adverse international and domestic developments. Internationally, increases in food and energy prices are projected to continue. Domestically, upward price pressure could be expected from the second round effects of recent increases in electricity rates, additional increases in the prices of some staples (e.g. flour) and the likelihood of higher prices for agricultural commodities as a result of recent floods. These factors suggest that it is extremely important for the Government and the Central Bank to use the full range of instruments at their disposal to address the inflationary environment.

In light of the above, the Bank has decided to tighten monetary policy through the following:

(i) an increase in the **'Repo' rate**, by 25 basis points from 8.25 per cent to 8.50 per cent with immediate effect;

(ii) an increase in the **cash reserve requirement** applicable to commercial banks from 13 per cent to 15 per cent of prescribed liabilities. The cash reserve requirement on nonbanks has been kept at 9 per cent of prescribed liabilities, for the time being; and

(iii) an increase in **open market operations** and **foreign exchange sales** to tighten liquidity conditions.

The next 'Repo' rate announcement will be on August 29th 2008. However, the Bank is prepared to tighten the monetary stance further before that date if conditions warrant.

July 25, 2008.

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APPENDIX
TABLE 1

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	May 2008	June 2008	May 2008	June 2008
Headline Inflation	**1.29**	**1.7**	**10.0**	**11.3**
Food Prices	4.0	2.5	21.8	23.1
Bread and Cereals	8.0	7.2	35.1	43.0
Meat	(0.2)	(0.6)	13.5	10.8
Fish	(5.3)	(0.7)	25.4	26.6
Vegetables	5.2	0.2	22.6	21.4
Fruits	15.7	3.7	33.6	37.8
Milk, Cheese & Eggs	0.4	0.9	25.8	22.2
Oils and Fats	2.5	3.0	20.2	23.9
Sugar, Jam, Confectionery, etc.	2.4	1.1	11.8	12.6
Core Inflation	**0.0**	**1.3**	**5.2**	**6.4**
Alcoholic Beverages & Tobacco	0.1	0.0	13.5	12.8
Clothing and Footwear	0.3	(0.4)	4.2	2.4
Furnishings, Household Equipment and Routine Maintenance	14.2	0.0	14.7	14.7
Health	(0.2)	0.8	5.4	6.1
Of which: Medical Services	0.0	0.0	6.7	6.7
Rent	0.0	0.0	4.9	4.9
Home Ownership	0.0	0.0	1.8	1.8
Water, Electricity, Gas & Other Fuels	0.0	19.9	1.0	21.1
Education	0.0	0.0	16.4	16.4
Recreation & Culture	0.0	0.0	5.8	5.8
Of which: Package Holidays	0.0	0.0	4.7	4.7
Hotels, Cafes & Restaurants	0.0	0.0	19.2	19.2
Transport	0.0	0.0	2.8	2.8

Source: Central Statistical Office.

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BOX I
GLOBAL INFLATION TRENDS

Inflation continues to be a challenge for both industrialized as well as developing countries. In a recent update to the World Economic Outlook 2008 the IMF noted that in emerging and developing countries, headline and core inflation rose to 8.6 per cent and 4.2 per cent, respectively in May 2008 – the highest rates since the late 1990's. As these economies continue to grow above their trend growth rates, inflationary pressures are building faster because of soaring commodity prices. Indeed the IMF forecasts for 2008 suggest that inflation for these economies will average around 9.1 per cent.

In the industrialized economies inflationary pressures are also evident and in June 2008 some of these economies witnessed fairly large monthly increases. In the US consumer prices rose by 1.1 per cent, the largest monthly increase since June 1982. Energy prices rose by 6.6 per cent while food and beverages grew by 0.7 per cent. In the United Kingdom the consumer price index rose by 3.8 per cent year on year in June 2008, higher than the target of 2 per cent, with inflation driven by high food (9.5 per cent) and fuel (5.3 per cent) prices. In Canada, inflation rose to 3.1 per cent year on year in June with higher prices for gasoline (27 per cent) and food (3 per cent). Food inflation which had been near zero a few months ago rose to 2.8 per cent year on year led by large increases in the prices of grain-based products.

In the major economies in Latin America food inflation has been responsible in the main for well over 30 per cent of the inflation, while energy prices account for well below 10 per cent. This is so because the share of energy in most CPI's is relatively low and some countries do not allow the full pass through effects of energy prices. In some of the countries inflation is well above the target range e.g. Chile has a 3 per cent target rate while the quarterly average so far in 2008 is 8 per cent. In CARICOM, inflation rates have also been trending upward. For example, in Jamaica headline inflation for the twelve month period ended March 2008 was 20 per cent and for Barbados, the IMF has projected a rise in inflation to 9 per cent in 2008 from 4 per cent last year.

For most of these economies there is an upside risk for inflationary trends to continue over the short to medium term – in part because of continuing high commodity prices and in part because the second round effects of higher energy prices have not been fully worked out. If the current trends continue for a prolonged period, this has the potential to reverse some of the gains made from sound macro-economic management policy of the last decade.

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.50 PER CENT

The latest data released by the Central Statistical Office indicate that **headline inflation** rose to **11.9 per cent** in the twelve months to July 2008 from 11.3 per cent in June. On a monthly basis, headline inflation increased by 2.3 per cent in July – the highest monthly increase for the year to date.

Food inflation continued to trend upwards rising by 25.3 per cent on a year-on-year basis in July from 23.1 per cent in the previous month. This rise in the food index mainly reflected increases in the prices of **bread and cereals (60.3 per cent), meat (11.1 per cent), oils and fats (27.2 per cent), fruit (49.5 per cent)** and **vegetables (23.1 per cent).**

Higher prices for **packaged rice (81.9 per cent)** and **packaged flour (88.3 per cent)** contributed to the sharp increases in the bread and cereal sub-index while increased prices for **pawpaws (64.1 per cent), ripe bananas (46.3 per cent)** and **oranges (41.2 per cent)** were mainly responsible for the rise in the fruit sub-index. In July 2008, the price of dairy products was 20 per cent higher than in July 2007.

Core inflation, which filters out the impact of food prices, edged slightly downwards to **6.2 per cent** in the twelve months to July from 6.4 per cent in June 2008. The current rate of core inflation compares with rates of between 2 per cent and 3 per cent over the period 2003-2005, and underscores the significant increase in underlying inflationary pressures that has occurred over the past three years. This surge in core inflation is related to the sharp increase in economic growth which has taken place against the background of declining spare capacity, growing fiscal pressures and booming private demand supported by rapid bank credit expansion.

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Over the past few months, in order to contain the increase in inflation, the Bank raised the cash reserve requirement of commercial banks from 11 per cent to 15 per cent and increased the policy interest rate by 50 basis points. Moreover, in addition to an expansion of open market operations using short-term government paper, some $1.2 billion of government bonds targeted specifically at liquidity absorption have been issued. While it is still too early to fully gauge the impact of these measures, recent data from the financial system indicate that in the twelve months to June 2008, **private sector credit** by the consolidated financial system slowed to **13.3 per cent** from around 18 per cent in March 2008. **Consumer credit**, which had been growing at a steady clip of around 20 per cent (year-on-year) in the first five months of 2008, slowed to **16.4 per cent** in June 2008. **Credit to businesses** also contracted sharply in June 2008. There is some evidence that the contraction in consumer and business credit is, in part, related to the early repayment of outstanding loans using proceeds from the RBC/RBTT share transaction.

Inflation management is likely to continue to be a major challenge in the ensuing months given the outlook for continued high global energy and food prices and entrenched inflationary expectations, which could trigger higher wage demands. There is also a strong likelihood that the inclement weather and recent floods could curtail the supply of agricultural produce and place upward pressure on the prices of many staple agricultural commodities.

The Bank will continue to pursue a tight monetary policy stance in a bid to dampen credit expansion and contain inflationary pressures. The extent of tightening will depend on a number of factors including global food and energy price developments, wage and salary adjustments and the evolution of the fiscal policy stance.

The Bank has decided to maintain the **'Repo' rate at 8.50 per cent** but will keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for September 26, 2008.

August 29, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	June 2008	July 2008	June 2008	July 2008
Headline Inflation	**1.7**	**2.3**	**11.3**	**11.9**
Food Prices	2.5	4.7	23.1	25.3
Bread and Cereals	7.2	12.6	43.0	60.3
Meat	(0.6)	(0.2)	10.8	11.1
Fish	(0.7)	(5.2)	26.6	18.9
Vegetables	0.2	8.8	21.4	23.1
Fruits	3.7	2.9	37.8	49.5
Milk, Cheese & Eggs	0.9	0.3	22.0	19.6
Oils and Fats	3.0	3.1	23.9	27.2
Sugar, Jam, Confectionery, etc.	1.1	1.7	12.6	13.9
Core Inflation	**1.3**	**1.2**	**6.4**	**6.2**
Alcoholic Beverages & Tobacco	0.0	0.6	12.8	13.0
Clothing and Footwear	(0.4)	0.5	2.4	2.9
Health	0.8	0.7	6.1	5.7
Rent	0.0	1.6	4.9	5.8
Home Ownership	0.0	2.1	1.8	3.9
Water, Electricity, Gas & Other Fuels	19.9	0.0	21.1	21.3
Education	0.0	0.0	16.4	16.4
Recreation & Culture	0.0	6.4	5.8	4.6
Hotels, Cafes & Restaurants	0.0	7.9	19.2	25.4
Transport	0.0	0.9	2.8	1.7

Source: Central Statistical Office.

- End -

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Media Release

INFLATION RISES IN AUGUST: CENTRAL BANK RAISES 'REPO' RATE TO 8.75 PER CENT

The latest information released by the Central Statistical Office indicate that **headline inflation, measured by the twelve month increase in the Index of Retail Prices** rose to **13.5 per cent** in August 2008 from 11.9 per cent in the previous month.

Food inflation exerted the largest influence on the headline inflation rate registering a year-on-year increase in August of **30.2 per cent** up from 25.3 per cent in July. On a monthly basis, food prices increased by 5.6 per cent – the largest monthly increase since December 2000. The sharp jump in food inflation reflected significant increases in the prices of **bread and cereal (62.6 per cent compared with 60.3 per cent last month)**, **meat (16.5 per cent compared with 11 per cent)** and **vegetables (38 per cent compared with 23.1 per cent).**

Recent floods and adverse weather conditions have affected vegetable production and have contributed, in part, to the escalation in vegetable prices. On a year-on-year basis to August, there have been significant increases in the prices of **tomatoes (77 per cent), melongene (149 per cent), cucumber (147.8 per cent), green pigeon peas (111.3 per cent)** and **bodi (109.3 per cent).**

Core inflation, which filters out the impact of food prices, edged up slightly increasing by **6.3 per cent** in the twelve months to August compared to 6.2 per cent in the previous month. The sub-indices for alcoholic beverages, health services and clothing and footwear posted increases of 16.2 per cent, 6.3 per cent and 3.0 per cent, respectively. The high level of core inflation underscores the strength of underlying inflationary pressures.

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Net domestic fiscal injections in the eleven months through August 2008 were 16 per cent higher than in the corresponding period of the previous year. Since the beginning of the fiscal year, to offset these injections, the Bank has raised the **cash reserve requirement** applicable to commercial banks from 11 per cent to 15 per cent and has increased **net sales of open market bills** to $7480 million – 149 per cent higher than in the corresponding period of the previous fiscal year. In addition, sales of foreign exchange also assisted in withdrawing $5058 million in excess liquidity from the system.

Private sector credit by the consolidated system, which has been rising on average by 18 per cent (year-on-year) in the first nine months of the fiscal year, slowed to 12.4 per cent on a year-on-year basis in July 2008. **Consumer credit** also slowed to 13.1 per cent in July from around 19 per cent (year-on-year) during the first half of 2008.

Inflation risks will remain on the upside in the coming months, especially in an environment of heightened inflationary expectations, high global food and energy prices, supply-side bottlenecks in the domestic economy and mounting pressures for higher wage settlements. The 2009 budget package, which provides for an increase in government expenditure, is likely to further boost liquidity in the financial system.

Inflation reduction will continue to be a main objective of government policy. An increase in agricultural output is expected to make a contribution to containing food inflation. However, recent flooding in some major agricultural areas and delays in the implementation of certain agricultural projects may postpone a meaningful supply response for several months. In these circumstances, even greater reliance must be placed on demand management policies - fiscal and monetary. The recent issue of the TT$700 million Housing Development Corporation (HDC) bond, which was oversubscribed, will assist in liquidity absorption and help to contain demand pressures. The Bank is also finalising arrangements with the Government for the issuance of another liquidity absorption bond in the upcoming weeks. The Bank stands ready to take other monetary measures as circumstances warrant.

Against the background of persistent inflationary pressures, the Bank has decided to raise the **"Repo" rate by 25 basis points to 8.75 per cent** with effect from September 26, 2008.

The Bank will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for October 24, 2008.

September 26, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	July 2008	August 2008	July 2008	August 2008
Headline Inflation	**2.3**	**2.0**	**11.9**	**13.5**
Food Prices	4.7	5.6	25.3	30.2
Bread and Cereals	12.6	4.1	60.3	62.6
Meat	(0.2)	5.0	11.1	16.5
Fish	(5.2)	(0.5)	18.9	17.1
Vegetables	8.8	13.7	23.1	38.0
Fruits	2.9	(7.1)	49.5	26.7
Milk, Cheese & Eggs	0.3	0.5	19.6	18.3
Oils and Fats	3.1	3.9	27.2	31.1
Sugar, Jam, Confectionery, etc.	1.7	0.4	13.9	14.2
Core Inflation	**1.2**	**0.1**	**6.2**	**6.3**
Alcoholic Beverages & Tobacco	0.6	3.3	13.0	16.2
Clothing and Footwear	0.5	0.3	2.9	3.0
Health	0.7	0.7	5.7	6.3
Rent	1.6	0.0	5.8	5.8
Home Ownership	2.1	0.0	3.9	3.9
Water, Electricity, Gas & Other Fuels	0.0	0.0	21.3	21.4
Education	0.0	0.0	16.4	16.4
Recreation & Culture	6.4	0.0	4.6	4.6
Hotels, Cafes & Restaurants	7.9	0.0	25.4	25.4
Transport	0.9	0.0	1.7	1.7

Source: Central Statistical Office.

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Media Release

INFLATION CONTINUES TO RISE: CASH RESERVE REQUIREMENT INCREASED TO 17 PER CENT

The latest data released by the Central Statistical Office indicate that **headline inflation**, measured by the 12-month increase in the Index of Retail Prices, rose to **14.8 per cent** in September 2008 from 13.5 per cent in August.

Food price inflation, which has been a key driver of the headline inflation rate, registered a year-on-year increase of **34.6 per cent** in September up from 30.2 per cent in the previous month. The increase in food prices was led by **bread and cereals (63.2 per cent), fruits (38.4 per cent), vegetables (42.4 per cent)** and **fish (25.1 per cent).**

Core inflation, which strips out the impact of food prices, edged slightly downwards to **6.2 per cent** in September from 6.3 per cent last month. After posting a strong rise in January 2008, core inflation has since hovered in the vicinity of 6.0 per cent. The current level of 6.2 per cent (year-on-year) compares with 2.5 per cent at the beginning of 2006 and reflects the strong underlying inflationary pressures of the past several years.

The recent reduction in **global commodity prices** has not yet had a dampening effect on domestic flour and rice prices, which posted significant increases in September. However, one local flour mill has announced a reduction in the wholesale price of flour which took effect in early October 2008. **Domestic agricultural prices** rose sharply during the month of September. According to NAMDEVCO, the severe flooding, which occurred in August, has affected the supply of some major agricultural products and has contributed, in part, to the rise in the prices of fruits and vegetables.

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Liquidity conditions in the domestic financial system remained relatively buoyant in September on account of high **net domestic fiscal injections. Private sector credit expansion** by the consolidated financial system has been slowing within recent months, in response to the tighter monetary policy stance. The twelve-month increase in credit expansion was 13.7 per cent in August 2008 compared with a rate of increase in excess of 20 per cent at the beginning of the year. Consumer and business credit posted year-on-year increases of 11.6 per cent and 12.6 per cent, respectively in August 2008, while real estate mortgage loans rose to 18.4 per cent in the twelve months to August.

In a bid to contain demand pressures, the Bank has made more intensified use of **open market operations** and instituted a series of monetary tightening measures which included raising the **'Repo' rate** as well as the **cash reserve requirement** for commercial banks. Sales of foreign exchange have also served to withdraw surplus liquidity from the financial system.

The outlook for inflation over the next several months is uncertain. **The budget for FY09** approved on October 10, 2008 provides for an increase of around **15 per cent** in expenditure. In addition, there are plans for increased spending on infrastructural works by special purpose vehicles (SPVs). The Government has indicated that it would review budget expenditures in light of the evolution of energy prices.

Wage developments could also pose a major challenge to inflation reduction over the next year or so. Current indications point to a significant increase in wage demands in both the public and private sectors to compensate for rising food inflation.

On the supply side, a **continued reduction in global commodity prices** would eventually reduce the prices of some imported staples. Moreover, higher imports from Guyana as well as the "coming-on-stream" of production from the Tucker Valley farm should also boost domestic agricultural supplies in the near future.

In the meantime, the Bank will continue to take steps to increase liquidity absorption and dampen bank credit expansion. Against this background, the Bank has decided to increase the **cash reserve requirement applicable to commercial banks to 17 per cent from 15 per cent** of prescribed liabilities with effect from the reserve week beginning November 5, 2008. The cash reserve requirement on the prescribed liabilities of non-bank financial institutions has been kept at 9.0 per cent for the time being.

The Bank will continue to keep economic and monetary conditions under close review and is prepared to engage in further monetary tightening if circumstances so warrant.

The next 'Repo' rate announcement is scheduled for November 21, 2008.

October 24, 2008.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	August 2008	September 2008	August 2008	September 2008
Headline Inflation	**2.0**	**1.5**	**13.5**	**14.8**
Food Prices	5.6	4.5	30.2	34.6
Bread and Cereals	4.1	1.2	62.6	63.2
Meat	5.0	1.3	16.5	15.3
Fish	(0.5)	7.6	17.1	25.1
Vegetables	13.7	4.1	38.0	42.4
Fruits	(7.1)	13.1	26.7	38.4
Milk, Cheese & Eggs	0.5	0.7	18.3	18.3
Oils and Fats	3.9	1.5	31.1	32.7
Sugar, Jam, Confectionery, etc.	0.4	0.6	14.2	13.3
Core Inflation	**0.1**	**(0.1)**	**6.3**	**6.2**
Alcoholic Beverages & Tobacco	3.3	(0.1)	15.7	15.9
Clothing and Footwear	0.3	0.2	3.0	3.3
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	2.9	2.9
Health	0.7	0.3	6.3	6.6
Of which: Medical Services	0.0	0.0	6.2	6.2
Rent	0.0	0.0	5.8	5.8
Home Ownership	0.0	0.0	3.9	3.9
Water, Electricity, Gas & Other Fuels	0.0	(2.9)	21.4	17.8
Education	0.0	0.0	16.4	16.4
Recreation & Culture	0.0	0.0	4.6	4.6
Hotels, Cafes & Restaurants	0.0	0.0	25.4	25.4
Transport	0.0	0.0	1.7	1.7

Source: Central Statistical Office.

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