CENTRAL BANK OF
TRINIDAD & TOBAGO

Monetary Policy Report

April 2007

Volume VII Number 1

MONETARY POLICY REPORT

APRIL 2007

VOLUME VII NUMBER 1

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

MONETARY POLICY REPORT

APRIL 2007

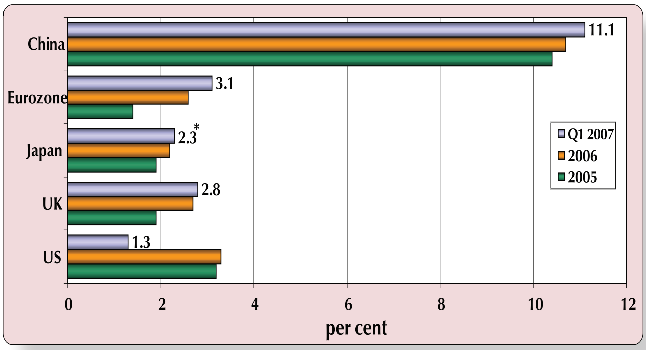
Part 1 – Overview

1. The International Setting

Since the last monetary policy report, published in October 2006, the world economic outlook has changed markedly.

In the **US**, the slowdown in economic activity registered in the last three quarters of 2006, carried forward into the first quarter of 2007, when GDP grew at an annual rate of about 1.3 per cent compared with growth of 2.2 per cent for 2006 (Chart 1). In its latest monthly statement, the Federal Open Markets Committee acknowledged that the inflation risk was still a major concern but maintained the Federal Funds rate unchanged (at 5.25 per cent) so as not to further weaken the pace of economic activity.

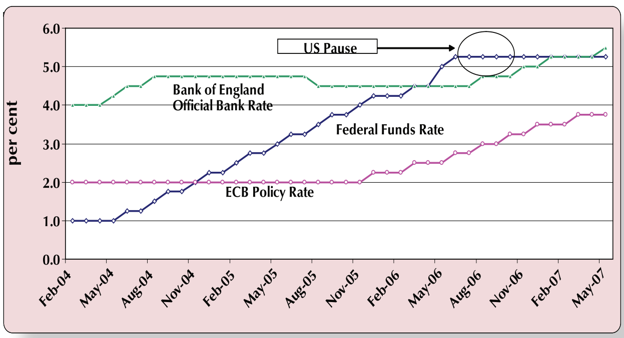
Chart 1
Real GDP Growth Rates - Selected Economies



* Q1 2007 data for Japan represents an annual projection from the World Economic Outlook (April-2007).

In the **Eurozone**, the pick-up in economic activity in the second half of 2006 (to a rate of about 2.9 per cent) has continued in the first quarter of 2007, also raising concerns about rising inflation. In what has been described as pre-emptive action, the European Central Bank raised its benchmark interest rate by twenty-five (25) basis points in December 2006 and again in March 2007. The latest rise marked the seventh time that the benchmark rate was increased since the end of 2005 (Chart 2). Financial markets expect the rate to be increased again in June.

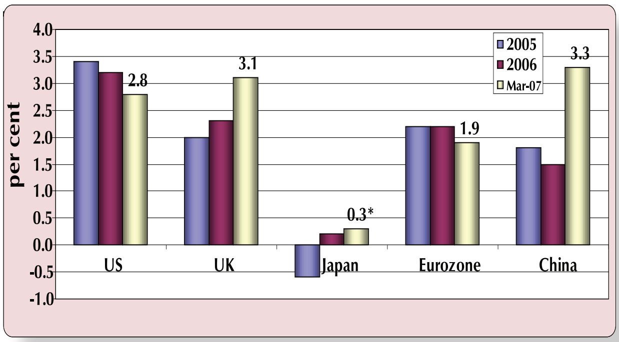
Chart 2
Federal Funds Rate, ECB Policy Rate and Bank of England Official Bank Rate



In the **United Kingdom**, real GDP growth continued at a brisk pace of close to 3 per cent in the first quarter of 2007. However, inflation rose to 3.1 per cent, well above the Bank of England's target of 2 per cent (Chart 3). In May, the Bank of England raised its official bank rate by 25 basis points to 5.50 per cent. This was the first increase for the year but the fourth since August 2006.

The tightening of monetary policy in the UK has strengthened the pound sterling against the US dollar. The rate of US$2 per £1 reached in April was the highest level in more than two decades. The euro has also been appreciating against the US dollar.

Chart 3
Inflation Rate - Selected Economies



* March 2007 data for Japan represents an annual projection from the World Economic Outlook (April 2007).

Growth remains very strong in Asia. In **Japan**, with economic activity proceeding at a faster pace in the fourth quarter of 2006, the Bank of Japan, which had abandoned its zero interest rate policy in mid-2006, raised its collateralized overnight call rate to 0.50 per cent in February 2007. The monetary authority expressed concern that easy money could fuel twin asset bubbles in the real estate and stock markets.

In **China,** despite efforts to slow the economy, real GDP growth expanded at a rate of over 11 per cent in the first quarter of 2007. Inflationary pressures have also started to build with headline inflation reaching 3.3 per cent in March 2007. The Chinese authorities have implemented a number of measures including raising the reserve requirements and commercial banks' loan and deposit rates in order to curb credit growth.

In the **Caribbean**, increases in construction activity and in tourism, related to the 2007 Cricket World Cup, spurred an increase in economic activity and employment in most economies in 2006. Inflation has risen in Barbados but declined sharply in Jamaica in 2006. The latest data show a general slowing of inflation in the CARICOM region in 2007 (Table 1).

Table 1
Economic Indicators for Selected CARICOM Economies
/Per Cent/

	GDP Growth Rates		Inflation		
	2005	2006[e]	2005	2006	2007[1]
Barbados	4.2	3.5	6.0	7.2	4.9
Guyana	-3.0	4.8	6.9	6.6	4.5
Jamaica	1.4	2.7	15.3	8.6	6.2

Source: ECLAC, official data and national forecasts and IMF.

[e] Estimate

1. IMF projections.

2. The Domestic Economy

Since 2005, the steady rise in inflation has marred an otherwise very strong economic performance. While there has been some encouraging progress on the prices front over the past few months, reducing inflation to more acceptable levels continues to be the principal economic challenge. The Bank is committed to reducing inflation to no more than 7 per cent by year-end and to 5 per cent over the medium term.

The genesis of the recent rise in the inflation momentum is the cumulative impact of years of rapid economic growth, which has put severe strains on available productive capacity. **Real GDP** growth has averaged 10.2 per cent in the period 2002 - 2006. While the main impulse has come from the expansion in the energy sector, non-energy sector GDP has also risen at a brisk pace – averaging 7 per cent in the same period. Non-energy sector growth has, however, been uneven with the strong expansion of construction and manufacturing contrasting with continued stagnation in the agriculture sector (Table 2).

Rapid GDP growth has been accompanied by a substantial increase in job creation with an annual average of 12 thousand jobs being created in the period 2005-2006. The **unemployment rate** has fallen steadily reaching 5 per cent in the fourth quarter of 2006. This is the lowest unemployment rate on record (Chart 4).

Chart 4
Trends in Labour Force and Unemployment

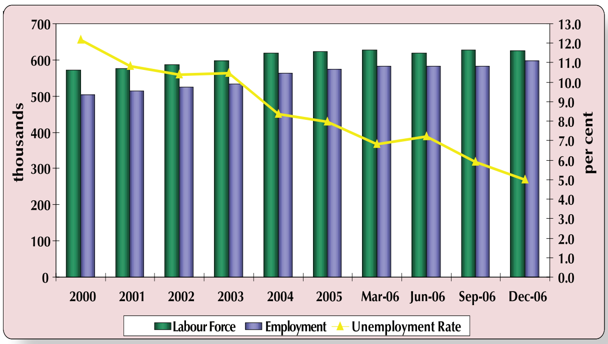
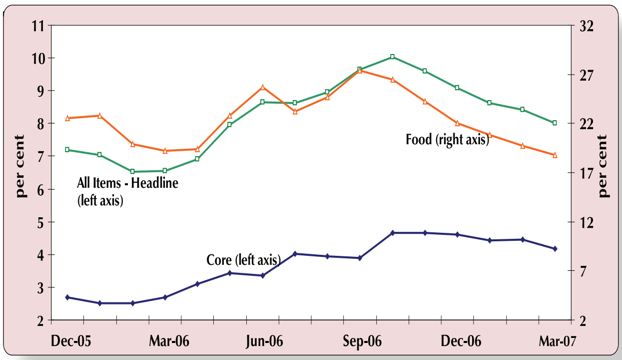


Table 2
Growth in Real GDP, 2000-2006
/Per Cent/

	2000-2004	2005	2006
Real GDP	8.5	8.0	12.0
Energy	9.8	8.4	20.6
Non-Energy	5.6	8.7	6.5
Construction	9.8	15.6	14.5
Manufacturing	8.1	11.6	11.8
Agriculture	-5.0	9.7	-0.6

Source: Central Statistical Office.

Chart 5
Index of Retail Prices
Year-on-Year per cent change



The sharp rise in domestic demand has been the main factor behind the increase in activity in the non-energy sector. The impulse to domestic demand has come from the increase in Government spending and strong bank credit expansion. This rapid expansion of domestic demand has come up against tight capacity constraints as reflected in labour shortages, largely in construction but in other sectors as well. Capacity constraints are also becoming evident in transportation and port infrastructure as well as in other public utilities.

Against this background headline inflation rose from 5.6 per cent in December 2004 to 7.2 per cent in December 2005 and accelerated in 2006 to reach 10 per cent (year-on-year) in October. The main driver of inflation was the increase in food prices, which rose from 20.6 per cent (year-on-year) in December 2004 to 26.5 per cent as at October 2006. However, core inflation, which excludes food prices, also rose significantly from 2 per cent to 4.7 per cent in the same period.

While precise data are not available, there is strong evidence that the increase in the Index of Retail Prices is being accompanied by a rapid rise in real estate prices. Central Bank estimates, based on data collected from the Association of Real Estate Agents and private sector valuators, suggest that real estate prices increased by an average of 15 per cent a year in the period 2003-2005 and by 12 per cent in 2006.

From a macro-economic perspective, the main influences behind the sharp rise in inflation have been the growth in government spending, bank credit expansion and the rise in import prices. As regards the fiscal impulse, there was a near-doubling in the non-energy fiscal deficit from 7.7 per cent of GDP in 2003/2004 to 14.4 per cent of GDP in 2005/2006.[1] Bank credit expansion rose (in terms of GDP) strongly in 2004 and 2005 but has declined in 2006. Import prices have increased at a rather robust rate of 7 per cent a year for the past three years (Table 3).

[1] The non-energy fiscal deficit is equal to non-energy taxes minus domestic expenditure.

Table 3
Factors Affecting Inflation

	2004	2005	2006
Non-Energy Fiscal Deficit (in per cent of GDP)	-7.7	-9.4	14.4
Private Sector Bank Credit Expansion (in per cent of GDP)	5.7	5.1	4.1
Import Prices (% change)	7.4	7.0	7.4
Average Wages (% change)	3.6	4.7	5.1

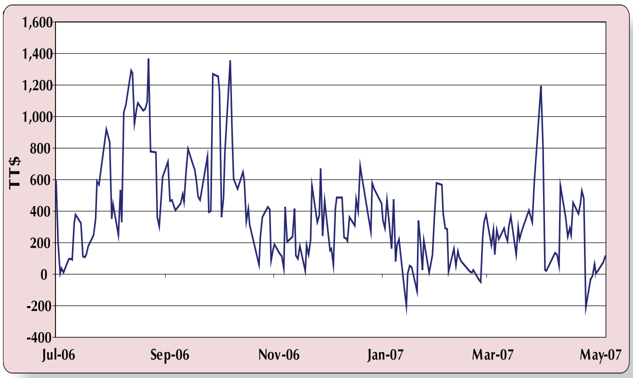
Source: Ministry of Finance and Central Bank of Trinidad and Tobago.

Since peaking in October 2006, headline inflation has declined for five consecutive months to reach 8 per cent in March 2007. The biggest decline has been in food prices, whose rate of increase has fallen from 26.5 per cent to 18.8 per cent. Core inflation has declined marginally from a high of 4.7 per cent to 4.2 per cent in March 2007 (Chart 5).

The recent decline in inflation is partly attributable to intensified efforts at tightening liquidity which have contributed to the dampening of domestic demand. The increase in liquidity absorption has been achieved through special issues of long-term bonds, the proceeds of which have been sterilised. The programme of bond issuance has complemented the impact of regular open market operations and a significant rise in central bank sales of foreign exchange to the commercial banks.

In the period October 2006 through April 2007, a total of approximately $2.4 billion of long-term bonds, in maturities ranging from five to ten years was issued through the auction system (Table 4). This unprecedented level of bond issuance served to absorb bank liquidity directly but also provided investment opportunities for institutional investors as well as for individual savers (Chart 6). The increase in the supply of government securities over a range of maturities is also expected to set a platform for the launch of secondary market trading in the next few months.

Chart 6
Excess Reserves



Liquidity absorption also increased as a result of a significant rise in Central Bank sales of foreign exchange to the commercial banks. These sales doubled to US$1.5 billion in 2006 and are projected at close to US $1 billion in 2007. On a fiscal year basis, foreign exchange sales in the period October 2006 to April 2007 were 11 per cent higher than the corresponding period of the previous year.

Table 4
Fiscal Injections and Liquidity Absorption
/TT$ Million/

	Oct 04 - April 05	Oct 04 - Sept 05	Oct 05 - April 06	Oct 05 - Sept 06	Oct 06 - April 07
Fiscal Injections	4,163.7	**7,032.4**	4,245.0	**9,840.9**	7,080.1
Liquidity Absorption Measures					
CBTT Sale of Foreign Exchange	1,744.4	**3,551.1**	4,549.9	**7,664.2**	5,045.7
Central Gov't Bond Issues	400.0	**800.0**	0.0	**0.0**	2,392.3
Special Deposit facility	-	-	1,000.0	**1,500.0**	-
Secondary Reserve Requirement	-	-	-	-	565.3

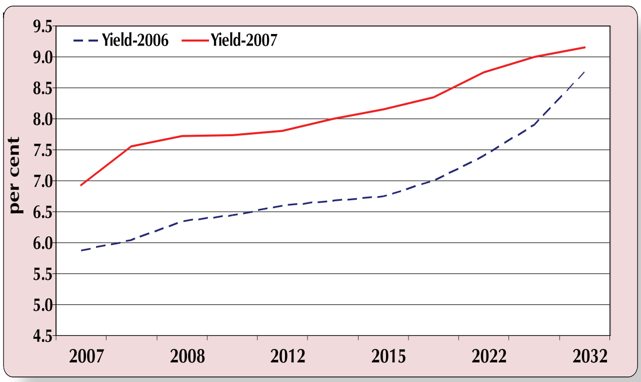
Source: Central Bank of Trinidad and Tobago.

Table 5
Indicators of Bank Liquidity
/TT$ Million/

	Oct 04 - April 05	Oct 05 - April 06	Oct 06 - April 07
Special Deposits/ Excess Reserves (Avg.)	507.0	413.4	303.7
Repos (Total Volume)	1,108.0	3,904.4	5,033.3
Inter-Bank Activity (Total Volume)	16,922.6	20,488.9	28,340.3

Source: Central Bank of Trinidad and Tobago.

Chart 7
Yield Curve Comparison: May 2007 / May 2006



The liquidity absorption over the period helped to offset the expansionary impulses coming from fiscal injections and bank credit expansion. In the seven-month period to April 2007, net domestic fiscal injections were 66.8 per cent higher than in the corresponding period of the previous year. Available data show that bank credit expansion for the period October 2006 to March 2007 slowed compared to the corresponding period of the previous fiscal year.

With the tightening of liquidity conditions, the commercial banks needed to have greater recourse to the inter-bank market and to repurchases from the Central Bank (Table 5). This helped to push up short-term interest rates. However, long-term bond rates at issue seemed to have levelled off markedly, flattening the yield curve (Chart 7).

Chart 8
Selected Interest Rates

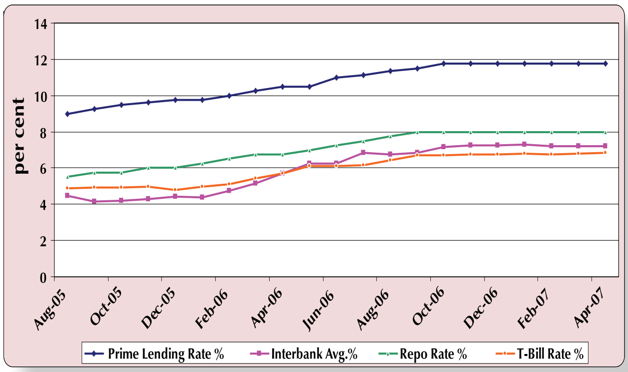
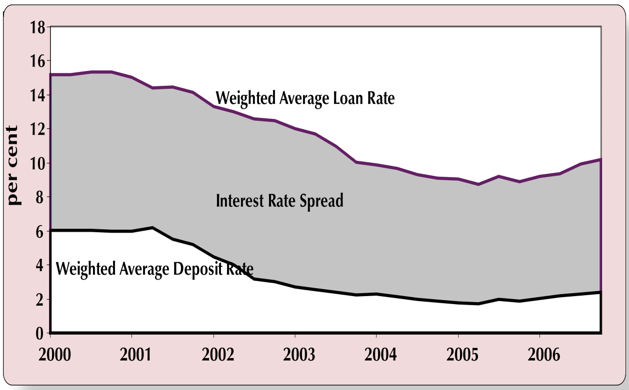


Chart 9
Weighted Average Loan and Deposit Rate



The average yield on the three-month and six-month treasury bill rates increased to 6.93 per cent and 7.56 per cent respectively, in April 2007 from 6.82 per cent and 7.33 per cent in October 2006. With these movements, the differential between the US and TT 3-month treasury bill rates widened to 202 basis points at the end of April 2007 from 174 basis points in October 2006. The inter-bank rate also moved up slightly from 7.18 per cent at the beginning of the fiscal year to 7.23 per cent in April 2007, peaking at 7.29 per cent in January (Chart 8).

There was also some upward movement in commercial bank interest rates. In December 2006, commercial banks increased rates on new residential mortgage loans from a range of 7.5 – 8.5 per cent to 8.75 per cent and also moved up rates on cash-secured retail loans by 25 basis points to 11.75 per cent in January. The weighted average loan and deposit rates have trended upward throughout 2006, ending the year at 10.21 per cent and 2.37 per cent, respectively. These movements resulted in an increase in the intermediation spread to 7.84 per cent at the end of 2006 from 7.01 per cent in December 2005 (Chart 9). Notwithstanding, this increase in the intermediation spread is among the lowest in the CARICOM region (Table 6).

One factor that continues to exert upward pressure on inflation is the high level of inflation expectations. This is reflected in adjustments in administered prices of several basic goods and services such as taxi fares, bread and milk as well as in rising wage demands and industrial tensions in both the public and private sectors. In the context of the tightening labour market, basic wage settlements concluded in 2006/2007 have been higher than in the recent past. Moreover, most settlements now carry cost of living and other adjustments, which can add another five (5) percentage points to the basic increases (Table 7).

Table 6
Interest Rate Spreads in Caricom Countries
/Per Cent/

Countries	2003	2004	2005	2006
Bahamas	8.24	7.6	7.3	6.8
Barbados	7.7	7.58	5.8	5.7
Belize	9.3	8.8	8.9	8.4
EC Currency Union	9.68	7.25	7.08	6.2
Guyana	12.8	8.3	10.9	10.6
Jamaica	10	9.2	9.0	9.1
Suriname	11.4	10	9.6	8.7
Trinidad & Tobago	6.9	6.4	6.2	7.8

Source: Caribbean Centre for Monetary Studies, Macroeconomic Performance and Convergence Report, 2006. Interest Rates Spreads are calculated as the difference between the weighted average loan rate and the weighted average deposit rate.

Table 7
Basic Wage Increases in Selected Sectors
/Per Cent/

	Previous Wage Round	Latest Wage Round
Petroleum	17.9	16.8
Manufacturing	13.5	17.7
Construction	17.9	23.3
Distribution	17.8	13.7
Finance, Insurance & Real Estate	15.3	14.0
Transport, Storage &Communication	17.5	-
Personal Services	23.0	30.0
Government	15.0	15.0
Average Total Wage Increase	**17.2**	**18.6**

Source: Industrial Court of Trinidad & Tobago and Central Bank of Trinidad & Tobago estimates.

Note:In many agreements, additional cash benefits including cost-of-living and other allowances increased the overall wage compensation package by sizeable amounts. For example it is estimated that in three wage agreements in the Petroleum, Finance and Government sectors, the add-ons would have raised the total wage increase by an additional 5 percentage points.

The recent slowdown in the growth of food prices is partly attributable to the establishment of more orderly marketing arrangements for domestic agricultural products. Several farmers' markets were recently established to create a more direct link between farmers and consumers. This also had the effect of putting downward pressure on competing items sold in supermarkets. Increased dissemination of information on agricultural prices by the Ministry of Legal and Consumer Affairs and the National Agricultural Marketing Development Company (NAMDEVCO) also served to produce more competitive markets and to encourage comparison shopping (Box 1). The removal of the common external tariff on a range of basic food items also prompted a lowering of prices of some basic food items.

Box 1
Price Comparisons of Fresh Produce as at April 17, 2007

Commodity	Wholesale[1]	Farmers' Market[2]	Municipal Market[3]	Supermarket[4]
Carrot	13.23	17.60	19.25	15.37
Tomato (M)	5.50	7.33	8.53	15.04
Cabbage	6.60	7.15	8.80	10.61
Pumpkin	2.20	3.67	4.13	5.07
Melongene (M)	2.20	3.30	4.68	9.10
Cucumber	5.50	6.60	6.60	8.35
Lettuce (M)	3.00	3.25	3.75	5.95
Papaya	3.30	6.23	9.08	8.28
Bananas	6.67	7.15	8.39	9.12
Watermelon	3.30	3.30	4.27	10.20
Cassava	3.30	5.50	5.50	6.90
Sweet Potato	9.90	11.00	15.40	16.34
Sweet Pepper (M)	5.50	9.53	7.98	13.73
Chive	1.04	1.75	1.58	2.07

Source: NAMDEVCO.

[1] Prices collected at Northern Wholesale Market, Macoya.

[2] Average of prices collected at Macoya and Debe Farmers' Market and Diego Martin Farmers' Market.

[3] Average of prices collected at San Fernando, Chaguanas, Tunapuna and Arima markets.

[4] Average of prices collected from 25 supermarkets throughout the country.

3. The Short-term Outlook

In 2007, economic growth in the US is expected to slow down considerably while the expansion in the Eurozone, the UK and Japan is expected to remain on track. As inflation will continue to be a major concern in the US and Europe, the prospect for the remainder of the year is for increasing interest rates in these economies. In the case of the US, however, the financial authorities will have to balance the inflation risk with that of aggravating the current economic slowdown.

In the domestic economy, economic growth is expected to remain strong for the rest of 2007 while inflation will continue to be the main challenge. As noted earlier, the Bank is committed to reducing inflation to no more than 7 per cent by the end of 2007 and to 5 per cent over the medium term. However, the pace of inflation reduction will depend critically on several factors including: trends in government spending; the evolution of import prices; the pattern of wage settlements and the extent to which wage and other cost increases are absorbed rather than passed on to the consumer.

A further enhancement of the current fiscal stance could increase the considerable challenge for effective liquidity management and inflation control for the remainder of the year. Preliminary estimates for the first half of fiscal year 2007 put government spending somewhat below budget projections. However, recent and prospective public sector wage settlements and obligations from the payments of arrears to civil servants could add significantly to government expenditure and liquidity pressures. If the past few years are to be any guide, there is the prospect of additional allocations in the context of the upcoming mid-year budget review. In these circumstances, a better prioritization of government projects will allow for more effective fiscal management and improved fiscal and monetary policy co-ordination. Increasing contributions to the Heritage and Stabilization Fund beyond the requirements in the recently passed legislation would also assist in reducing net fiscal injections and the non-energy fiscal deficit.

The increased demand for labour as well as the government wage settlements may have raised the floor on private sector wage increases. The impact of these increases including the pass-through to higher prices will depend on the private sector's efforts to increase productivity.

The growing importance of ethanol as an alternative source of fuel has increased the demand for corn. This is likely to spur further increases in the cost of imported grain, poultry and dairy products. It will be important that the positive dividend to agricultural prices resulting from more orderly market conditions is not offset by higher food import prices or supply shortages related to the current drought. To this end, the efforts of the government and the private sector to promote an increase in basic food imports pending the implementation of measures to increase domestic agricultural production are critical. Continued consumer vigilance will also contribute to maintaining price stability.

Monetary policy will continue to emphasise liquidity absorption in order to allow the interest rate channel to work more effectively. The Central Bank will continue to focus on open market operations and on the issue of long-term government bonds, the proceeds of which will be sterilized. Additional sales of foreign exchange to commercial banks would also contribute to liquidity absorption. The Central Bank is, however, committed to take other actions as needed to meet the inflation targets.

Chart 10
Monetary Policy Responses

Changes To The Central Bank Policy Rate

Jan. 2006:	'Repo' rate increased to 6.25 per cent.
Feb. 2006:	'Repo' rate increased to 6.50 per cent.
Mar. 2006:	'Repo' rate increased to 6.75 per cent.
April 2006:	'Repo' rate maintained at 6.75 per cent.
May 2006:	'Repo' rate increased to 7.00 per cent.
June 2006:	'Repo' rate increased to 7.25 per cent.
July 2006:	'Repo' rate increased to 7.50 per cent.
August 2006:	'Repo' rate increased to 7.75 per cent.
Sept. 2006:	'Repo' rate increased to 8.00 per cent.
Oct. 2006.	'Repo' rate maintained at 8.00 per cent.
Nov 2006:	'Repo' rate maintained at 8.00 per cent.
Dec 2006:	'Repo' rate maintained at 8.00 per cent.
Jan 2007:	'Repo' rate maintained at 8.00 per cent.
Feb 2007:	'Repo' rate maintained at 8.00 per cent.
March 2007:	'Repo' rate maintained at 8.00 per cent.
April. 2007:	'Repo' rate maintained at 8.00 per cent.

Part 2 – Monetary Policy

Rising inflationary pressures especially in an environment of persistent high liquidity posed significant challenges for monetary policy management during the first seven months of the fiscal year (October 2006-April 2007). Net fiscal injections, the main source of liquidity in the domestic financial system, rose to TT$7,080 million – 67 per cent higher than in the corresponding period for fiscal 2005/2006.

In the first nine months of 2006, the Central Bank increased the Repo rate on eight occasions with a view to dampening domestic demand and restraining inflationary pressures (Chart 10). However, the persistent liquidity overhang limited the effective pass-through of increases in the Repo rate to short-term rates in the financial system.

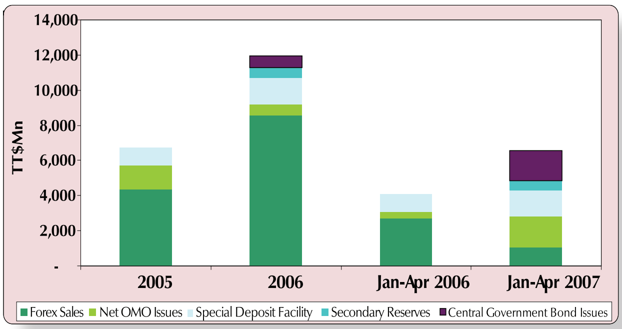
Towards the end of 2006, the Bank adopted a more aggressive programme of liquidity absorption that involved the intensification of open market operations and the auction of government bonds of various maturities. Liquidity conditions were kept relatively tight as the net issue of open market bills of TT$164 million combined with three special bond auctions – an 8-year issue of **TT$700 million, a 5 ½-year of TT$674 million and a 7-year TT$1.0 billion** bond helped to counter the increase in net fiscal injections. These bond issues received overwhelming public support with actual allotments significantly surpassing the initial offerings (Table 8). In the case of the TT$1.0 billion 7-year bond due to mature in 2014, the actual allotment was more than twice the initial offering of between TT$450-TT$650 million (Charts11 and 12).

Table 8
Government Bond Issues
2004 - 2007

Year	Date Issued	Tenor	Coupon Rate Per Cent	Yield Per Cent	Issue Price TT$	Initial Offering TT$ Mn	Amount Allotted TT$ Mn
2004	3-Aug	15 years	Fixed rate 6.15	6.15	$100.00	300.00	300.00
	15-Sep	10 years	Fixed rate 6.00	6.00	$100.00	516.00	516.00
	22-Sep	15 years	Fixed rate 6.10	6.14	$99.66	300.00	300.00
2005	16-Mar	10 years	Fixed rate 6.00	6.05	$99.63	400.00	400.00
	24-May	10 years	Fixed rate 6.10	6.11	$99.90	400.00	202.78
	22-Jul	10 years	Fixed rate 6.10	6.35	$98.18	400.00	197.22
2006	28-Nov	8 years	Fixed rate 8.00	8.15	$99.13	700.00	700.00
2007	9-Feb	5 ½ years	Fixed rate 7.80	7.80	$100.00	300.00	674.30
	27-Apr	7 years	Fixed rate 8.00	8.00	$100.00	450.00 - 650.00	1,017.98

Source: Central Bank of Trinidad and Tobago.

Chart 11
Liquidity Absorption



The sale of additional foreign exchange by the Central Bank to the market has also contributed to significant liquidity absorption. In 2006, the Central Bank sold US$1,465 million to the market compared to US$695 in 2005. For the period January- April 2007, sales of foreign exchange by the Bank amounted to US$280 million (Table 9).

Table 9
Foreign Exchange Purchases and Sales
/US$ Million/

Year	Commercial Banks' Purchases	Commercial Banks' Sales	Central Bank Sales
2003	2,070.4	2,626.1	505.0
2004	2,441.3	2,984.2	400.0
2005	2,566.5	3,577.6	695.0
2006	3,055.9	4,266.8	1,465.1

Source: Central Bank of Trinidad and Tobago.

Chart 12
Monetary Policy Responses

Liquidity Management Measures

Dec. 2005: Commercial banks deposited TT$1 billion in an interest-bearing account at the Central Bank for a minimum period of one year.

Special Deposit rate reduced to zero.

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

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

Sept 2006: Parliament approved an increase in open market securities for government borrowing 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 eight-year 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 $450 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.

While the Repo rate remained unchanged, the tighter liquidity environment led to an increase in short-term interest rates.

Interest rates in the financial system have been on an upward trend following the reduction in excess liquidity. The average yield on the three-month and six-month treasury bills increased to 6.93 per cent and 7.56 per cent, respectively, in April 2007 from 6.86 per cent and 7.33 per cent in October 2006. The inter-bank rate also moved upward from 7.18 per cent in October 2006 to 7.23 per cent in April 2007, peaking at 7.29 per cent in January 2007.

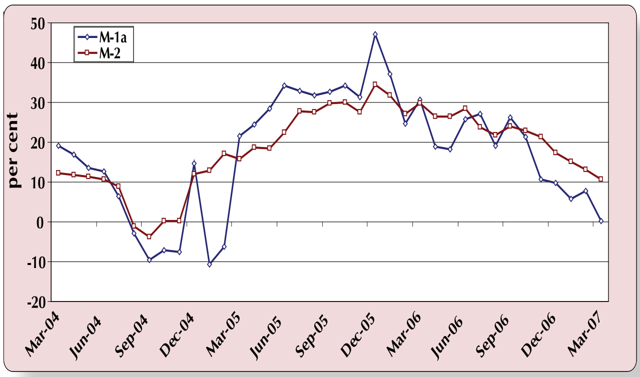
There were also upward adjustments in consumer and mortgage rates charged by commercial banks. Rates on new residential mortgage loans were increased from a range of 7.5 – 8.5 per cent to 8.75 per cent in December 2006 while in January 2007, rates on cash-secured retail loans were increased by 25 basis points to 11.75 per cent.

Commercial banks weighted average loan and deposit rates have also trended upward throughout 2006, ending the year at 10.21 per cent and 2.37 per cent, respectively. The stickiness of deposit rates, though, has contributed to a widening in interest rates spreads from 7.01 per cent in December 2005 to 7.84 per cent at the end of 2006.

The steady rise in domestic interest rates, against the background of a pause in further monetary tightening by the Fed, has resulted in a widening of the differential between the US and TT 3-month treasury bill rates to 202 basis points at the end of April 2007 from 174 basis points in October 2006.

The growth in private sector credit extended by the consolidated financial sector, while still robust has been on a declining trend with the tightening of monetary policy. In the twelve months to February 2007, private sector credit by the consolidated financial system slowed to 13.6 per cent from 16.7 per cent a year ago. Consumer credit has responded to monetary tightening, slowing to 19 per cent over the period October 2006-February 2007, from 23 per cent a year ago. Business credit, on the other hand, mirrored the buoyant conditions in the non-energy sector, increasing

Chart 13
Growth in Monetary Aggregates
Year-on-Year per cent change



on average by 21 per cent in the first five months of the fiscal year from 16 per cent, a year earlier.

The monetary aggregates also exhibited slower growth in the twelve months to March 2007. Narrow money, M-1A, (which is defined as currency in active circulation plus demand deposits) increased by 0.2 per cent on a year-on-year basis to March 2007 compared with 30.7 per cent in March 2006 (Chart 13). The growth in broad money, M-2 (defined as M-1A plus savings and time deposits) slowed to 10.6 per cent on a year-on-year basis to March 2007 from 29.8 per cent a year ago. The lower interest rates on deposits at commercial banks may have encouraged investors to seek higher returns available on government securities.

Chart 14
Real GDP Growth: 2002-2007

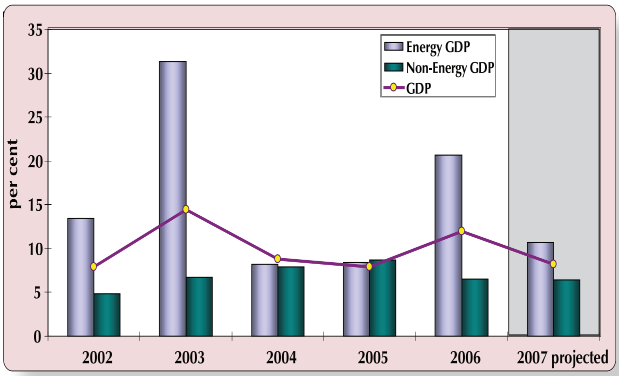
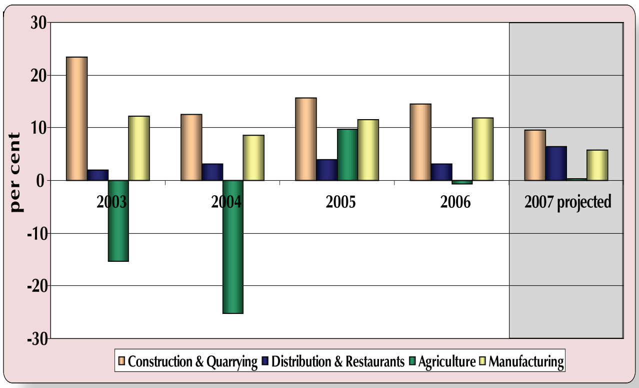


Chart 15
Growth in Real GDP by Major Sub-Sectors



Part 3 – Recent Economic Developments

1. Real GDP

Following projected strong growth of 12 per cent in 2006, the economy is expected to continue to experience buoyant conditions in 2007 (Table 10). Real GDP is expected to grow by approximately 8 per cent mainly on the strength of increased natural gas and crude oil production. While crude oil production for 2007 is projected at 142,000 barrels per day (bpd), estimates for the first quarter of 2007 have averaged 126,000 bpd. This lower production level is related to technical problems experienced at one of the major oil companies. However, output is expected to recover to projected levels later on in the year. It is anticipated that activity in the non-energy sector, which increased by 6.5 per cent in 2006, should maintain this rate of growth in 2007, supported by a higher level of activity in the construction sector (9.5 per cent) as five gas-based plants are scheduled to start construction this year (Chart 14). In addition, building projects in the public and private sectors are slated to continue in 2007. Other sectors that are expected to record solid growth are Finance, Insurance and Real Estate (7.4 per cent), Electricity and Water (7.7 per cent), Distribution (6.5 per cent) and Manufacturing (5.7 per cent) (Chart 15).

Table 10
Selected Economic Indicators, 2003 - 2006
/Per Cent/

	2003	2004	2005	2006
GDP Growth	14.4	8.8	8.0	12.0p
Inflation: Headline	3.0	5.6	7.2	9.1
Core	0.9	2.0	2.7	4.6
Nos. Employed (‘000)	534.2	562.4	574.0	586.2
Unemployment Rate (Average)	10.5	8.4	8.0	6.2

Source: Central Statistical Office.

2. Employment

The unemployment rate reached a historic low of 5 per cent in the fourth quarter, which contributed to an average rate of 6.2 per cent for the whole year. This performance reflected the buoyant pace of economic activity which also led to a tightening of the labour market. There were widespread reports of labour shortages, particularly in the construction and manufacturing sectors. This resulted in the importation of skilled workers from both regional and extra-regional sources to fill vacancies mainly in government construction projects (Table 11).

During the year, the labour force expanded by an average of 1.5 thousand persons, but an additional 12.2 thousand persons found employment. The Services sector created 9.4 thousand jobs, followed by the Finance, Insurance and Real Estate sub-group (3.1 thousand) and Distribution (3 thousand). Employment levels in the Construction sector rose by 1.9 thousand in comparison with the last two years when this industry generated the largest number of jobs. This may be related to periods of inactivity when workers moved from one project to the next as several large projects in the energy sector were completed in 2005. Despite the decline in activity in Agriculture, an additional 1 thousand persons found jobs in this sector.

Table 11
Unemployment Rates – 1988-2006
/Per Cent/

	March	June	September	December
1988	22.7	21.4	21.6	22.4
1989	22.5	22.3	22.4	20.8
1990	20.1	20.3	20.6	19.2
1991	20.4	17.6	18.5	17.4
1992	19.8	20.6	18.7	19.2
1993	21.1	19.5	19.0	19.4
1994	19.7	18.1	17.9	17.9
1995	18.1	16.5	17.8	16.3
1996	17.1	15.1	16.9	15.9
1997	17.2	14.5	14.9	13.5
1998	14.6	13.4	13.8	15.1
1999	14.1	11.7	13.6	13.2
2000	12.5	..	12.1	11.9
2001	10.7	10.8	10.1	11.7
2002	10.3	10.1	10.6	10.6
2003	11.0	10.2	10.5	10.2
2004	10.2	7.8	7.7	7.8
2005	9.0	8.0	8.2	6.7
2006	6.8	7.2	5.9	5.0

Source: Central Statistical Office.

Chart 16
Selected Sub-Categories of the Food Index

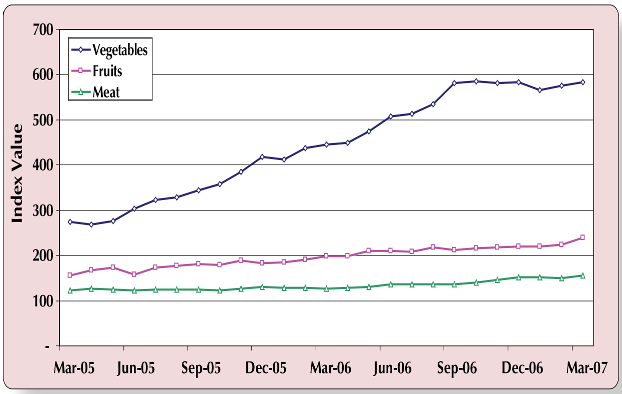
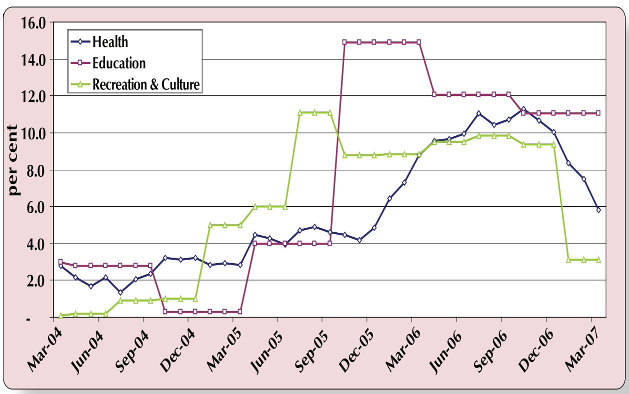


Chart 17
Selected Components of Core Inflation



3. Inflation

Index of Retail Prices

The prevailing buoyant economic conditions, increased demand and a build-up in supply constraints in some sectors continued to exert upward pressure on consumer prices during 2006. Headline inflation reached double-digit levels (10 per cent) in the twelve months to October, the highest rate since April 1994. However, inflation has been subsiding steadily since then to 8 per cent in March 2007 from a year ago. This reflected mainly a declining trend in food price increases (18.8 per cent), which resulted principally from the establishment of farmers' markets to facilitate trade between farmers and consumers, leading to lower prices for the latter (Table 12). In addition, the public dissemination of information on prices of agricultural produce, fish, poultry and meats at various outlets allowed for comparison shopping by consumers. On a year-on-year basis to December 2006, consumer prices rose by 9.1 per cent from 7.2 per cent in 2005, with the cost of food items driving the upward pressure on overall prices. This category rose by 22 per cent, with the highest increases recorded in the prices of vegetables (39 per cent), fish (33 per cent) and fruit (19.9) per cent (Chart 16).

Of equal concern were the underlying inflationary pressures measured by core inflation (which excludes food prices) which also rose on a year-on-year basis to 4.6 per cent, up from 2.7 per cent in the previous year (Chart 17). The increase in core inflation has occurred mainly in the following categories:

- **Education** (11.5 per cent) – While free tertiary education facilitated an increase in the number of persons pursuing higher education, tuition fees at private education institutions increased mainly as a result of the depreciation of the TT dollar against the pound sterling;
- **Alcoholic beverages and tobacco** (20 per cent) – The fiscal measures in the 2006/2007 Budget imposed an increase of 15 per cent in customs and excise duties on alcoholic beverages and tobacco. This however, is a one-off increase and its effect on core inflation is transitory;

- **Health** (10 per cent) – Prices of pharmaceutical products as well as the cost of medical services, particularly doctors' fees rose throughout the year. In addition, the occasional disruptions in the public health sector served to increase the demand for private health-care services.

After peaking at 4.7 per cent in the twelve months to October and November, the pace of core inflation has slowed since December 2006 (4.6 per cent) to 4.2 per cent in March 2007. Contributing to the fall in core were smaller increases in the cost of transport, health services and alcoholic beverages, but the prices of other goods and services (housing, water, electricity and gas and hotels, cafes and restaurants) have accelerated since December.

Table 12
Index of Retail Prices (January 2003=100)

	ALL ITEMS			CORE			FOOD		
Date	Index	Mthly %	Y-o-Y %	Index	Mthly %	Y-o-Y %	Index	Mthly %	Y-o-Y %
Jan-06	117.10	0.34	7.04	106.30	0.54	2.51	166.30	(0.24)	22.82
Feb-06	117.70	0.51	6.52	106.31	0.01	2.52	169.60	1.98	19.86
Mar-06	118.50	0.68	6.56	106.58	0.26	2.68	172.80	1.89	19.25
Apr-06	119.30	0.68	6.90	107.49	0.85	3.09	173.10	0.17	19.38
May-06	120.60	1.09	7.97	107.76	0.25	3.42	179.10	3.47	22.76
Jun-06	121.80	1.00	8.65	107.75	(0.01)	3.35	185.80	3.74	25.71
Jul-06	123.30	1.23	8.63	109.32	1.45	4.02	187.00	0.65	23.19
Aug-06	124.00	0.57	8.96	109.34	0.02	3.94	190.80	2.03	24.71
Sep-06	125.10	0.89	9.64	109.23	(0.10)	3.89	197.40	3.46	27.44
Oct-06	126.30	0.96	10.02	110.60	1.26	4.67	197.80	0.20	26.47
Nov-06	126.80	0.40	9.59	110.56	(0.04)	4.67	200.80	1.52	24.26
Dec-06	127.30	0.39	9.08	110.60	0.04	4.61	203.40	1.29	22.02
Jan-07	127.20	(0.08)	8.63	111.00	0.37	4.42	201.00	(1.18)	20.87
Feb-07	127.60	0.31	8.41	111.05	0.04	4.46	203.00	1.00	19.69
Mar-07	128.00	0.31	8.02	111.03	(0.02)	4.18	205.30	1.13	18.81

Source: Central Statistical Office.

In light of the buoyancy in economic activity, the pace of consumer spending remained strong. The Index of Retail Sales, which is an important gauge of trends in key areas of consumer spending, rose by 11.2 per cent, albeit a bit slower than the previous year's rise of 14 per cent (Chart 18). Increased purchases of construction materials and hardware (20.1 per cent), motor vehicles and parts (18.7 per cent) and sales at dry goods stores (17 per cent) and supermarkets and groceries (14.7 per cent) accounted predominantly for the movement in the Index. In addition, growth in outstanding credit card balances picked up pace in the twelve months to February 2007, increasing to 13.3 per cent from 9.7 per cent, a year ago (Chart 19). However, a preliminary study conducted by the Central Bank revealed that a large portion (48 per cent) of household debt in Trinidad and Tobago is related to real estate mortgage loans and other housing-related debt (such as loans for renovation works) (Chart 20)[2]. This suggests that a significant portion of consumer credit goes toward investment in wealth-creating assets.

Chart 18
Index of Retail Sales
Year-on-Year per cent change

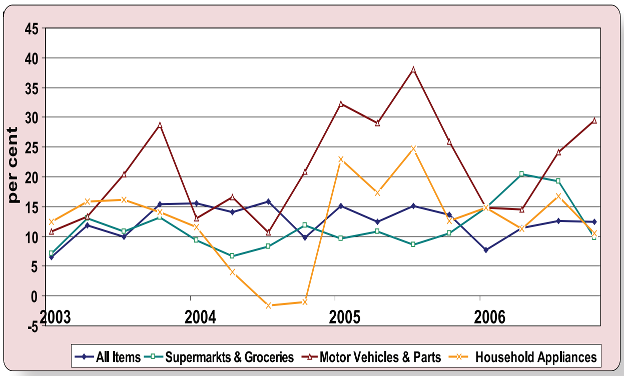


Chart 19
Commercial Banks' Credit Card Loans Outstanding

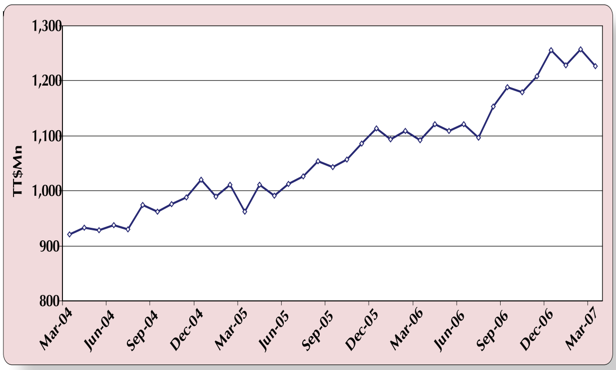
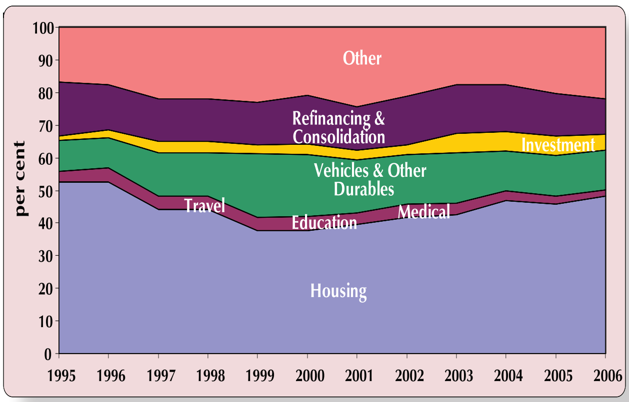
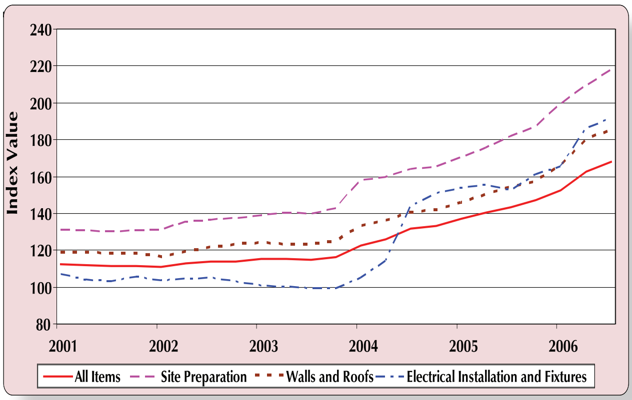


Chart 20
Composition of Household Debt



[2] The preliminary estimate of household debt was compiled using macro-level data on consumer loans outstanding from licensed deposit-taking institutions. Data from other lending institutions such as the Home Mortgage Bank, Trinidad and Tobago Mortgage Finance, insurance companies and credit unions are excluded.

Chart 21
Index of Retail Prices of Building Materials

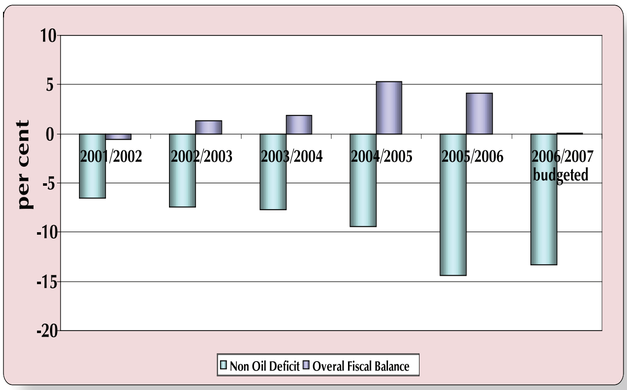


Index of Retail Prices of Building Materials

The Index of Retail Prices of Building Materials is one of the main indicators used by the Bank to measure movements in the cost of building materials and services. Available data show that the cost of building materials continued to accelerate in 2006, rising by 14.2 per cent compared with 11.6 per cent in the previous year. Among the main items responsible for the escalating prices were the cost of site preparation, which jumped by 17.3 per cent; the construction of walls and roofs (increased by 17.1 per cent) and electrical installation (rose by 15 per cent) (Chart 21).

4. Fiscal Developments

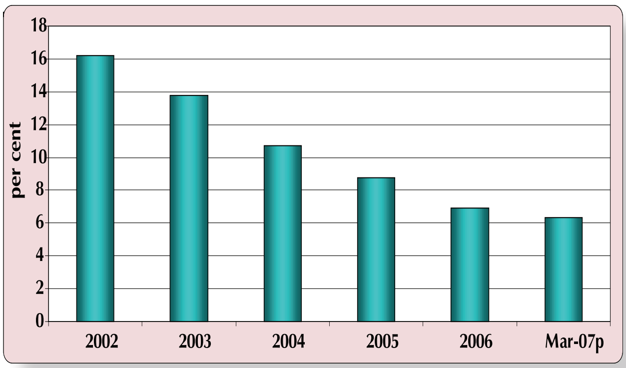
Chart 22
Non-Oil Deficit and Overall Fiscal Balance in per cent of GDP



Available data for the first six months of the current fiscal year 2006/2007 indicate that the government recorded an overall deficit of $378.4 million on its accounts compared with a surplus of $3,308.7 million a year earlier. However this was significantly below the budgeted deficit of $1,268.5 million. Total revenue declined to $16,063.3 million reflecting lower than anticipated oil receipts on account of falling crude oil prices and lower production. Expenditure ($16,441.7 million) was also 11.9 per cent less than budgeted ($18,652.4 million), reflecting under-spending on the capital programme relative to the budgeted amount. Recurrent and capital expenditure were 3.9 per cent and 42.6 per cent less than budgeted, respectively (Table 13).

Whereas current budgetary projections provide for a slower pace of government expenditure, recent and prospective wage settlements and the payments of wage arrears to civil servants could change this outlook. If the pattern of the last few years is any guide, expenditure commitments could increase in the context of a mid-term review (Chart 22).

Chart 23
Public Sector External Debt to GDP
/Per Cent/



External and Domestic Debt

The public sector external debt stock continued to decline to US$1,260.6 million (or an estimated 6.9 per cent of GDP) at the end of 2006. The debt remained predominantly US-dollar denominated, with medium- and long-term maturities and with more than 60 per cent owed to private creditors and the balance to multilateral creditors (Chart 23). At the end of the first quarter of 2007, the external debt stock fell further to US$1,243.6 million, reflecting mainly net amortization of US$17.7 million. Central government domestic debt outstanding stood at $12, 789.9 million (11.1 per cent of GDP) at the end of 2006, rising to $13,464.2 million at the end of March 2007, as the government issued a bond in the amount of $674.3 million. Contingent liabilities amounted to $16,163 million at the end of 2006 which included government-guaranteed debt ($11,610 million) and Letters of Comfort ($4,553.6 million). These liabilities rose to $16,254 million at the end of the first quarter, reflecting an increase of $91 million in the amount outstanding on Letters of Comfort.

Table 13
Summary of Central Government Fiscal Position

/TT$ Million/

	October 2005-March 2006	October 2006-March 2007		Budgeted 2006-2007
	Actual	Actual	Budgeted	
Total Revenue	**16,606.9**	**16,063.3**	**17,383.9**	**35,082.6**
Current	16,605.8	16,060.1	17,381.2	35,038.2
of which Oil Revenue	8,220.0	7,722.6	9,366.0	16,480.5
Non-oil Revenue	8,385.8	8,337.5	8015.2	18,557.7
Capital	1.1	3.2	2.7	44.4
Total Expenditure	**13,298.2**	**16,441.7**	**18,652.4**	**35,054.2**
Current	11,984.8	14,231.4	14,804.3	28,704.6
Wages and Salaries	2,623.6	2,742.8	2,865.4	6,372.5
Other Goods and Services	1,302.6	1,580.3	2,202.4	4,577.5
Interest Payments	1,177.5	1,133.6	1,335.1	2,534.7
Transfers & Subsidies[1]	6,881.1	8,774.7	8,401.4	15,219.9
Capital and Net Lending[2]	1,313.4	2,210.3	3,848.1	6,349.6
Public Sector Investment Programme	370.0	1,303.7	2,130.0	3,356.7
Infrastructure Development Fund	943.4	906.6	1,718.1	2,992.9
Overall balance	**3,308.7**	**(378.4)**	**(1,268.5)**	**28.4**
Financing				
External (net)	(122.6)	810.9	87.4	20.1
Disbursements	185.6	1030.7	1,098.5	1,323.3
Repayments	(308.2)	(219.8)	(1,011.1)	(1,303.2)
Memo items				
Non-oil Fiscal Deficit	4,911.3	8,101.0	10,634.5	16,452.1
Transfers to the Revenue Stabilization Fund	0.0	0.0	0.0	0.0

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

[1] Adjusted for Transfers to the Infrastructure Development Fund, Government Assisted Tertiary Education Fund and CARICOM Petroleum Fund.

[2] Includes an adjustment for Repayment of Past Lending.

Box 2
The Heritage and Stabilization Fund

Objectives

The Heritage and Stabilization Fund (HSF) was formalized with the passing of the HSF Act No. 6 in March 2007. This Fund, formerly known as the Interim Revenue Stabilization Fund (IRSF) has been in existence since 2000 and serves two primary objectives: to insulate fiscal policy and the economy from swings in international oil and gas prices; and to accumulate savings from the country's exhaustible assets of oil and gas for future generations. The Act incorporates many of the best practices identified in the literature on commodity funds and outlines details on the establishment and management of the Fund including guidelines on its operation, the resources available and governance arrangements.

Deposit and Withdrawal Rules

Deposits into the Fund in any financial year will be made when oil and gas taxation revenues exceed the budgeted amount by at least 10 per cent. A minimum of 60 per cent of the excess oil and gas revenue will be transferred into the Fund annually. Conversely, withdrawals in any financial year are permitted, if oil and gas taxation revenues received are at least 10 per cent below the budget projection for the year. The amount of the withdrawal could be 60 per cent of the shortfall of petroleum revenues up to a maximum of 25 per cent of the Fund. The Act also specifies that the monies in the Fund should be invested in long-term foreign assets.

Corporate Governance

The HSF will be managed by a five-member Board of Directors, appointed by the President. These members will be appointed for a three-year term and will comprise two representatives of the Ministry of Finance and the Central Bank and three representatives from the private sector. The operational management of the Fund will be delegated to the Central Bank. The legislation provides for transparency and accountability in the Fund through the Central Bank's quarterly performance reports to the Board, the annual reports on the Fund by the Minister of Finance to the Parliament and annual independent audits of the Fund.

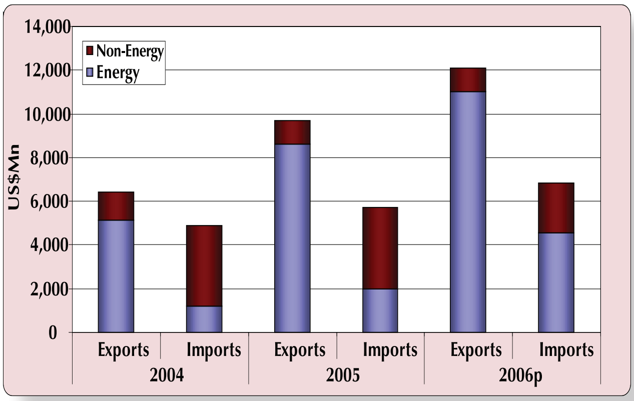
Current Balances in the Fund

Over the past two fiscal years, the Central Government has been making large transfers into the HSF. The balance in the Fund was TT $8,895.6 million as at April 20, 2007.

5. External Accounts

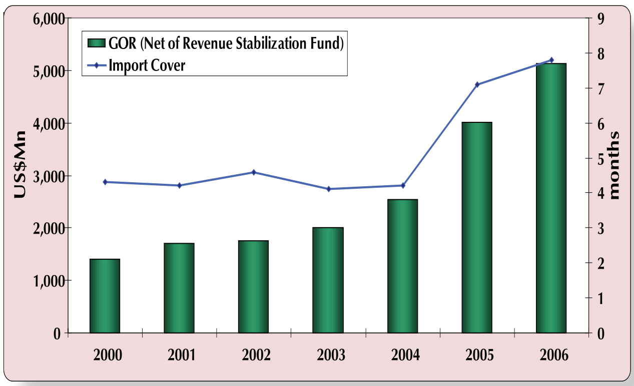
Higher levels of energy production combined with robust prices for oil and natural gas have bolstered the external accounts, resulting in an overall balance of payments surplus of US$1,645 million (or 9 per cent of GDP) in 2006. The external current account improved significantly, as the merchandise account posted net earnings of US$5.3 billion, while the capital account recorded a deficit. Total exports rose by 25.1 per cent reflecting increased energy exports (28.1 per cent) as both international crude oil prices and export volumes were higher than in the previous year by 16.8 per cent and 15.2 per cent, respectively (Table 14). In sharp contrast, non-energy exports rose marginally by 0.8 per cent in 2006 to US$1,085 million (Chart 24). Merchandise imports increased by 19.5 per cent to reach US$6.8 billion. Of this amount, non-energy imports totalled US$2,641 million which comprise mainly capital imports of US$1.9 billion in light of the rapid pace of ongoing infrastructural developments. In addition, energy imports grew by 34.8 per cent, but more than 50 per cent of these imports were oil imported for processing. The capital account recorded a deficit as private sector outflows, including those of the commercial banks and regional bond issues, reached just under US$3 billion. Regional bond issues amounted to US$220.8 million. On a net basis, there was a reduction in direct investment inflows, while the commercial banks' net foreign position increased to US$844.6 million. In addition, "other private" capital flows have increased as the private sector continued to diversify its portfolio and spread risks by holding assets abroad (Table 15).

Chart 24
Energy and Non-Energy Imports and Exports



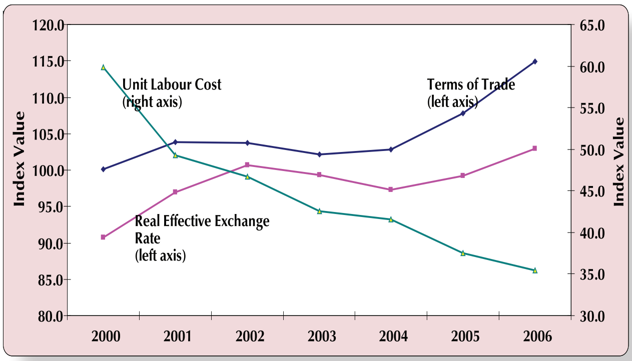
Gross official reserves at the end of 2006 (net of balances in the Revenue Stabilization Fund) stood at US$5.1 billion equivalent to 7.8 months of prospective imports of goods and non-factor services (Chart 25).

Chart 25
Gross Official Reserves and Import Cover



The three indicators (the terms of trade index, the real effective exchange rate index and the unit labour cost index) compiled by the Central Bank to measure the competitiveness of the domestic economy showed mixed results in 2006. Both the real unit labour cost and the terms of trade indices reflected gains in competitiveness while the

Chart 26
Unit Labour Cost, Real Effective Exchange Rate and Terms of Trade



trade weighted real effective exchange rate index (TWREER) pointed to a decline. In 2006, the TWREER rose for the second consecutive year by 3.8 per cent, reflecting mainly the higher rate of domestic inflation relative to inflation rates in Trinidad and Tobago's major trading partners. In contrast, the unit labour cost index declined by 7.4 per cent, pointing to a faster increase in productivity relative to average weekly earnings, implying an improvement in competitiveness. The terms of trade index which is based on the ratio of export to import prices, rose by 6.9 per cent largely on account of more bouyant energy prices (Chart 26).

Table 14
Exports and Prices of Selected Energy Commodities

	2005	2006	Q1 2006	Q1 2007
Exports				
Crude Oil (barrels)	27,488,000	28,390,792	7,045,826	5,839,283[e]
Liquefied Natural Gas (metric tonnes)	9,394,483	11,716,506	2,788,281	3,129,348[e]
Prices				
West Texas Intermediate Crude Oil (US$/bbl)	56.53	65.97	63.09	58.07
Henry Hub Natural Gas (US$/mmbtu)	8.87	6.76	7.70	7.21

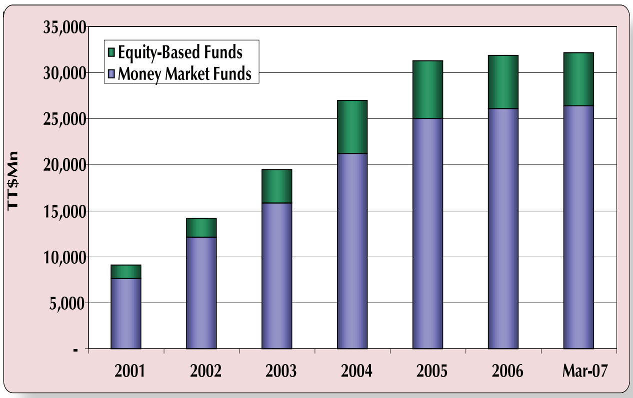
Source: Central Bank of Trinidad and Tobago.
[e] - Estimate; n.a. - not available.

Table 15
Trinidad and Tobago: Summary Balance of Payments
/US$ Million/

	2004	2005	2006p
Current Account Balance	1,647.1	3,594.0	4,654.9
Trade Balance	1,508.7	3,947.7	5,257.5
Exports	6,402.9	9,672.3	12,100.2
Energy	5,143.0	8,596.3	11,015.2
Non-energy	1,259.9	1,076.0	1,085.0
Imports	4,894.2	5,724.6	6,842.7
Energy	2,977.0	3,116.6	4,201.7
Non-energy	1,917.2	2,608.0	2,641.0
Services (Net)	479.5	356.2	286.4
Income (Net)	-397.3	-760.0	-935.8
Current Transfers (Net)	56.2	50.1	46.8
Capital and Financial Account *	-912.1	-1,701.0	-3,009.5
Overall Balance	735.0	1,893.0	1,645.4
Gross Official Reserves	2,993.0	4,885.8	6,531.2
Gross Official Reserves (Net of RSF)	2,539.1	4,015.0	5,134.1
Import Cover (Net of RSF)	5.9	7.1	7.8

Source: Central Bank of Trinidad and Tobago.
p - Provisional.
* - Includes errors and omissions.

Chart 27
Mutual Funds - Money Market Funds and Equity-Based Funds



6. Financial Sector Developments

Mutual Funds

In 2006, the growth in funds under management slowed sharply to 1.7 per cent from an average increase of 35.8 per cent over the period 2001-2005. The equity segment of the industry performed poorly, declining by 9.3 per cent from the year before and coincided with the downturn in the stock market. On the other hand, although money market funds grew by 4.5 per cent in 2006, the growth was sharply lower than the expansion (17.9 per cent) in 2005. Net incremental investments totalled $5.6 billion in 2006, while the Income and Growth instruments attracted 3 per cent of this amount and 97 per cent was invested in the money market funds (Chart 27).

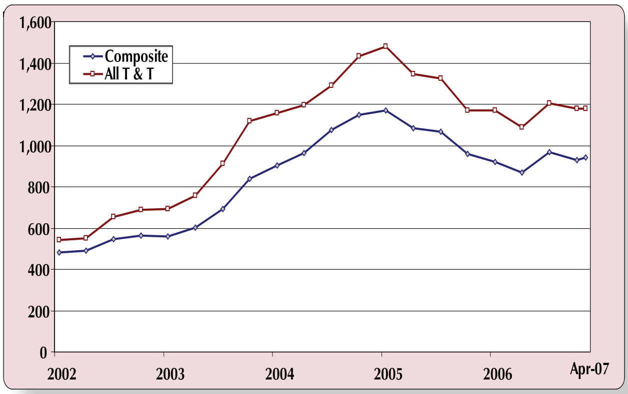
At the end of the first quarter of 2007, funds under management grew to TT$32.2 billion, which represented a 2.2 per cent increase over the previous year. The money market segment continued to dominate the industry as funds under management increased by 2.7 per cent from a year ago while the Income and Growth funds were 0.7 per cent above the level of the corresponding period in 2006.

Bond Market

During 2006, there were seventeen placements on the primary bond market valued at $4.1 billion. Seven of these were denominated in foreign currency (US$220.8 million) and included one sovereign issue by the Government of Turks and Caicos (US$5 million). The remaining ten bonds comprised five placements by statutory corporations and public enterprise firms ($1.8 million), one government issue ($700 million) and four private sector placements ($200 million). Bond yields remained relatively flat during the year, holding at 8.75 per cent since March 2006.

Preliminary data indicated that during the first four months of the year, seven bonds totaling TT$3.1 billion were issued in the primary bond market. Of these placements, four were US dollar-denominated placements (US$116 million), three were regional issues including one by a regional sovereign, while the fourth bond was issued by a local private sector corporation. There were three TT dollar-denominated placements, with the Government of Trinidad and Tobago returning to the market in February and April. Both issues received overwhelming public support and the actual allotments of $674 million and $1,018 million were well above the initial offerings of $300 million and $450 million, respectively. The other TT dollar denominated bond was issued by Transcorp Development Company Limited which raised $665.0 million. The interest rates ranged between 6.95 per cent and 11.00 per cent with tenors between 5 and 18 years.

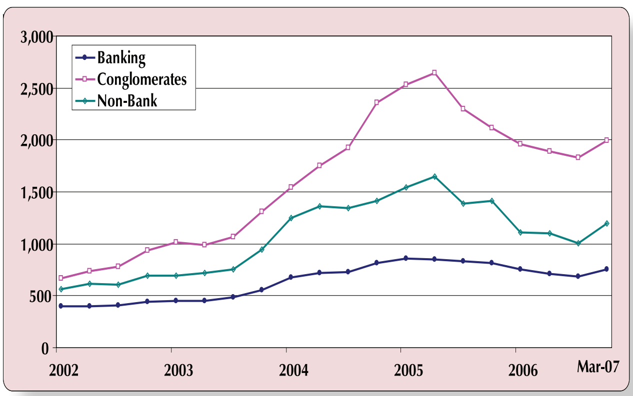
Chart 28
Trinidad and Tobago Stock Price Indices



Stock Market

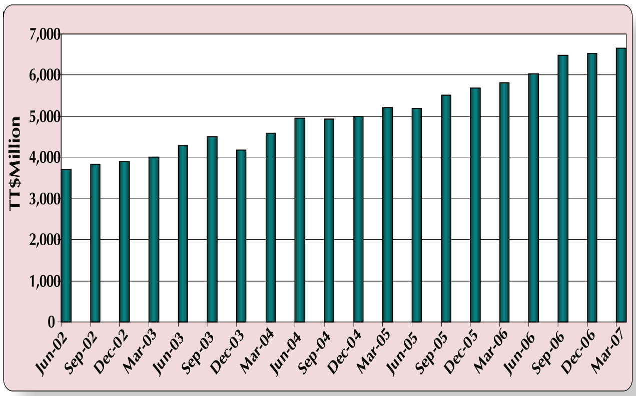
The poor performance of the stock market which started in the second half of 2005, continued into 2006. The two stock indices, the Composite Stock Price Index (CPI, 1983=100) and the All Trinidad and Tobago Index (ATI, 1999=100) fell during the year by 9.2 per cent and 8.9 per cent, respectively (Chart 28). In addition, all sub-indices also declined (Chart 29). The fall in share prices was mainly as a result of lackluster and disappointing corporate financials in the first half of the year, as well as the continued absence of buyers in the market. Late in the year, there was a resurgence in share prices which reflected positive year-end results from two companies and speculation of a possible take-over bid of one of two companies in the financial sector. In addition, the take-over by the Bank of Nova Scotia, Jamaica of Dehring, Bunting and Golding spurred activity on the Jamaican Stock Exchange and also stimulated some interest domestically. Market capitalization also declined by 9.9 per cent to $96.8 billion from $107.5 billion in 2005. The volume of stocks traded was 220.8 million, with a value of $2.5 billion, down from $4.3 billion in 2005.

Chart 29
Trinidad and Tobago Stock Price Indices - Selected Sub-Sectors



After a short rally in the last quarter of 2006, the stock market continued on a declining trend during the first months of 2007. The Composite (1983=100) and the All Trinidad and Tobago (1999=100) Indices fell by 2.8 per cent and 2.3 per cent, compared with declines of 13.3 per cent and 15.7 per cent, respectively, a year ago. Trading activity was also weaker with the volume of shares traded (40.0 million) declining by 21.6 per cent below the level in the first four months of 2006. Market capitalization also followed

Chart 30
Mortgage Loans Outstanding by Deposit Taking Institutions



this trend, declining by 2.8 per cent to $94.1 billion at the end of 2006.

In an effort to stimulate activity in the stock market, the pension plan legislation is to be amended to allow these plans to increase their equity holdings from 50 per cent to 70 per cent of total assets. However, this revised limit will be applicable only to those plans with a funding ratio in excess of 150 per cent of pension liabilities. Well-funded pension plans will now have the option of making additional equity investments from their surpluses after a buffer (equivalent to 50 per cent of pension liabilities) has been secured. This amendment, when enacted, may encourage institutional investors to increase their holding of equity investments and stimulate activity in the market. The stock market is therefore expected to rally during the course of 2007, although not as strongly as in 2003 and 2004.

The Real Estate Mortgage Market

The real estate mortgage market continued to experience strong growth throughout 2006 and into 2007. Mortgage loans outstanding by deposit-taking institutions increased by 13 per cent in the twelve months to March 2007 to $6,514 million. Interest rates on new residential mortgage loans granted by commercial banks increased from a range of 7.5-8.5 per cent to 8.75 per cent (Chart 30).

Appendices:

Tables

1 Appendix A - Price Movements in the Major Categories of the Food Sub-Index of the RPI, October 2006 - March 2007.

2 Appendix B - Index of Retail Prices by Area.

3 Appendix C - Index of Retail Prices of Building Materials Base Period: Average of 4 Quarters 1996=100 (REVISED).

4 Appendix D - Index of Retail Sales: Base 2000=100

Appendix A
Price Movements in the Major Categories of the Food Sub-Index of the RPI, October 2006 - March 2007

(Year-on-Year Per cent Change)

	Weight	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
FOOD AND NON-ALCOHOLIC BEVERAGES	**180.00**	**26.42**	**24.24**	**22.04**	**20.88**	**19.66**	**18.84**
BREAD AND CEREALS	**31.21**	**2.03**	**2.63**	**1.46**	**1.69**	**1.85**	**2.74**
Bread	5.51	4.28	4.56	4.85	4.88	4.87	4.87
Cereals (Includes rice and flour)	18.74	(0.20)	1.13	(0.63)	(0.13)	0.10	1.37
Pasta Products	1.38	1.54	1.03	0.86	0.88	1.10	1.18
Pastry Cooked Products	5.27	7.69	6.01	5.07	4.51	4.74	5.39
MEAT	**29.21**	**12.93**	**15.84**	**15.40**	**17.04**	**18.17**	**23.12**
Fresh, Chilled or Frozen Beef	3.09	20.76	24.35	21.14	20.60	23.76	21.05
Fresh, Chilled or Frozen Lamb or Goat	1.13	13.05	10.29	11.57	9.15	10.31	10.27
Fresh Chilled or Frozen Pork	2.34	1.93	2.06	8.18	9.24	10.72	7.15
Fresh, Chilled or Frozen Poultry	18.18	14.70	18.58	17.31	19.94	21.02	30.16
Dried, Salted or Smoked Meat	4.10	7.19	8.79	8.63	9.07	9.08	8.55
FISH	**11.37**	**30.98**	**31.55**	**32.59**	**29.76**	**28.30**	**6.43**
Fresh, Chilled or Frozen Fish	7.21	43.54	42.70	44.24	41.65	37.03	5.90
Fresh, Chilled or Frozen Seafood	1.83	4.80	12.92	11.26	5.16	16.07	7.41
Other Preserved or Processed Fish	1.03	8.06	8.31	7.91	7.63	6.71	10.01
MILK, CHEESE AND EGGS	**19.05**	**7.49**	**6.25**	**5.07**	**4.70**	**4.33**	**5.69**
Whole Milk	1.75	(0.80)	(0.33)	(0.01)	0.01	(0.91)	(0.69)
Preserved Milk	9.22	12.12	9.44	6.15	5.46	4.99	7.29
Cheese,Yogurt and Other Milk Products	6.34	2.81	2.24	3.45	2.86	2.30	3.06
Eggs	1.74	6.22	8.66	9.19	11.07	12.46	11.46
OILS AND FATS	**9.07**	**3.66**	**5.26**	**5.78**	**6.62**	**6.33**	**6.07**
Butter	0.82	2.13	2.19	1.26	1.42	2.12	3.45
Margarine and Other Vegetable Fats	2.56	5.51	5.67	6.43	6.08	5.68	5.97
Edible Oils and Animal Fats	5.69	3.13	5.51	6.14	7.54	7.16	6.47
FRUIT	**14.28**	**19.90**	**15.42**	**19.89**	**19.05**	**17.30**	**20.78**
VEGETABLES	**21.84**	**63.43**	**51.55**	**39.21**	**36.88**	**31.97**	**31.24**
Fresh or Chilled Vegetables	12.09	33.87	27.65	8.49	8.94	4.41	14.56
Dried Vegetables	2.42	11.57	8.90	7.59	7.91	6.48	8.06
Fresh or Chilled Tuber Vegetables	7.33	89.33	71.46	65.07	57.24	51.33	42.23
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	**7.66**	**9.50**	**9.39**	**10.02**	**10.08**	**9.07**	**8.65**
FOOD PRODUCTS	**12.51**	**16.97**	**23.55**	**32.17**	**27.12**	**30.81**	**23.71**
NON-ALCOHOLIC BEVERAGES							
Coffee, Tea and Cocoa	3.06	5.37	5.78	6.67	6.61	6.76	7.41
Soft Drinks	13.33	13.11	15.54	17.14	17.95	16.70	19.35
Juices	7.40	9.72	7.33	7.05	5.20	5.38	5.29

Source: Central Statistical Office.

Appendix B
Index of Retail Prices by Area
/Per Cent/

	Trinidad & Tobago		Port of Spain		San Fernando		Arima Borough	
	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06
ALL ITEMS	**1,000.00**	**8.00**	**262.65**	**5.89**	**128.70**	**6.98**	**52.09**	**8.58**
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	18.84	27.25	21.49	17.27	17.17	8.13	13.69
FOOD	156.20	19.32	22.74	21.84	14.79	18.01	7.15	13.74
BREAD AND CEREALS (ND)	31.21	2.74	4.00	3.55	2.79	0.99	1.30	6.46
MEAT	29.21	23.12	3.21	39.54	2.45	27.14	1.43	24.12
FISH	11.37	6.43	1.81	(3.03)	1.00	(2.25)	0.44	(1.87)
MILK, CHEESE AND EGGS	19.05	5.69	3.24	6.82	1.87	3.22	0.79	5.81
OILS AND FATS	9.07	6.07	1.20	(2.16)	0.85	9.29	0.33	5.34
FRUIT	**14.28**	**20.78**	**2.94**	**19.78**	**1.53**	**8.09**	**0.72**	**(4.16)**
VEGETABLES	**21.84**	**31.24**	**3.32**	**29.78**	**2.28**	**37.58**	**1.17**	**27.14**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	8.65	1.33	11.07	0.68	6.39	0.44	15.16
FOOD PRODUCTS N.E.C	12.51	23.71	1.69	42.22	1.34	16.25	0.53	25.96
NON-ALCOHOLIC BEVERAGES	23.80	n.a	4.51	17.85	2.48	8.63	0.98	13.05

Source: Central Statistical Office.

Appendix B (continued)
Index of Retail Prices by Area
/Per Cent/

	Diego Martin		St. Anns (San Juan)		Tacarigua (Tunapuna)		Chaguanas Borough	
	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06
ALL ITEMS	**38.52**	**12.10**	**45.17**	**13.51**	**123.49**	**6.43**	**111.64**	**8.18**
FOOD AND NON-ALCOHOLIC BEVERAGES	12.00	14.63	17.92	23.55	20.23	7.66	19.75	18.31
FOOD	10.37	15.46	15.41	24.55	17.46	6.57	17.33	18.62
BREAD AND CEREALS (ND)	2.34	1.74	3.02	4.01	3.50	3.69	3.27	3.85
MEAT	1.99	15.35	2.57	21.32	3.52	10.14	3.32	21.42
FISH	0.72	11.04	1.17	8.92	1.13	12.27	1.22	5.50
MILK, CHEESE AND EGGS	1.56	3.14	2.08	8.31	2.28	4.54	1.87	7.23
OILS AND FATS	0.52	8.21	0.91	14.18	0.99	8.88	1.16	4.17
FRUIT	**1.12**	**11.18**	**1.60**	**82.01**	**1.35**	**11.15**	**1.75**	**2.41**
VEGETABLES	**0.93**	**27.17**	**2.03**	**23.78**	**2.36**	**3.31**	**2.47**	**37.55**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.44	4.58	0.85	4.98	0.84	2.17	0.70	4.37
FOOD PRODUCTS N.E.C	0.75	8.05	1.18	18.66	1.49	10.31	1.57	17.00
NON-ALCOHOLIC BEVERAGES	1.63	5.80	2.51	14.19	2.77	15.92	2.42	14.74

Source: Central Statistical Office.

Appendix B (continued)
Index of Retail Prices by Area
/Per Cent/

	Couva		Cocal (Rio Claro)		Manzanilla/Turere (Sangre Grande)		Naparima (Debe)	
	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06
ALL ITEMS	**23.23**	**22.45**	**2.23**	**15.28**	**21.75**	**8.26**	**5.62**	**1.22**
FOOD AND NON-ALCOHOLIC BEVERAGES	7.61	38.26	1.04	21.63	4.68	20.32	4.73	(0.25)
FOOD	6.75	39.99	0.95	21.77	4.17	19.97	4.10	(2.34)
BREAD AND CEREALS (ND)	1.28	0.35	0.25	(2.21)	0.85	1.53	0.96	4.44
MEAT	1.75	12.00	0.21	29.66	0.96	23.05	1.07	40.41
FISH	0.63	18.99	0.09	13.26	0.29	(1.00)	0.26	17.05
MILK, CHEESE AND EGGS	0.56	6.63	0.04	5.92	0.45	5.66	0.38	5.86
OILS AND FATS	0.43	11.18	0.07	3.40	0.26	1.62	0.23	14.55
FRUIT	**0.56**	**3.74**	**0.10**	**31.02**	**0.30**	**79.06**	**0.17**	**45.72**
VEGETABLES	**0.77**	**61.43**	**0.09**	**92.92**	**0.62**	**23.58**	**0.57**	**(17.85)**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.25	6.30	0.03	20.60	0.16	10.92	0.14	7.61
FOOD PRODUCTS N.E.C	0.52	14.69	0.07	10.43	0.28	26.98	0.32	23.15
NON-ALCOHOLIC BEVERAGES	0.86	6.04	0.09	19.79	0.51	24.87	0.63	23.24

Source: Central Statistical Office.

Appendix B (continued)
Index of Retail Prices by Area
/Per Cent/

	Savana Grande (Princess Town)		Siparia		Point Fortin		Tobago (Scarborough)	
	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06	Weight	Mar '07/ Mar '06
ALL ITEMS	**13.12**	**17.51**	**48.14**	**6.55**	**28.07**	**15.61**	**95.58**	**5.05**
FOOD AND NON-ALCOHOLIC BEVERAGES	8.30	23.18	10.80	16.17	6.25	41.53	14.04	10.84
FOOD	7.33	23.68	9.79	16.54	5.52	43.83	12.34	11.21
BREAD AND CEREALS (ND)	1.73	4.59	2.26	(0.40)	1.14	2.13	2.52	1.89
MEAT	1.40	41.52	1.99	34.27	1.28	20.01	2.06	1.80
FISH	0.26	18.75	0.60	(8.27)	0.32	17.37	1.43	29.36
MILK, CHEESE AND EGGS	0.79	5.18	0.84	4.19	0.62	3.83	1.68	6.49
OILS AND FATS	0.46	3.17	0.62	13.84	0.25	5.20	0.79	2.52
FRUIT	**0.56**	**27.19**	**0.67**	**7.58**	**0.33**	**41.79**	**0.58**	**(14.81)**
VEGETABLES	**1.21**	**41.56**	**1.58**	**35.91**	**0.90**	**77.48**	**1.54**	**12.62**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.30	6.10	0.46	6.05	0.26	10.35	0.78	22.81
FOOD PRODUCTS N.E.C	0.62	17.77	0.77	5.19	0.42	40.56	0.96	17.30
NON-ALCOHOLIC BEVERAGES	0.97	18.06	1.01	10.98	0.73	11.10	1.70	6.34

Source: Central Statistical Office.

Appendix C
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 ROOFS			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 %
2002	I	111.5	0.09	-0.71	130.7	0.38	-0.31	118.2	-0.17	-0.34	105.6	2.52	-1.58
	II	110.7	-0.72	-1.42	131.1	0.31	0.00	116.2	-1.69	-2.11	103.8	-1.70	-3.08
	III	112.8	1.90	0.80	135.6	3.43	3.67	119.3	2.67	0.59	104.5	0.67	0.10
	IV	113.8	0.89	2.15	136.4	0.59	4.76	121.8	2.10	2.87	105.0	0.48	1.94
2003	I	114.0	0.18	2.24	137.4	0.73	5.13	122.9	0.90	3.98	103.3	-1.62	-2.18
	II	115.2	1.05	4.07	139.2	1.31	6.18	123.9	0.81	6.63	100.9	-2.32	-2.79
	III	115.1	-0.09	2.04	140.2	0.72	3.39	123.0	-0.73	3.10	100.5	-0.40	-3.83
	IV	114.8	-0.26	0.88	139.9	-0.21	2.57	122.8	-0.16	0.82	99.3	-1.19	-5.43
2004	I	116.3	1.31	2.02	142.6	1.93	3.78	124.9	1.71	1.63	99.4	0.10	-3.78
	II	122.6	5.42	6.42	158.3	11.01	13.72	133.1	6.57	7.43	105.3	5.94	4.36
	III	125.9	2.69	9.38	160	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

		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 %
2002	I	103.9	4.21	0.97	105.9	-2.40	-2.04	89.1	-0.78	-1.44
	II	103.8	-0.10	1.07	105.8	-0.09	-2.40	89.8	0.79	-0.33
	III	104.6	0.77	3.16	105.9	0.09	-2.40	90.3	0.56	0.11
	IV	104.7	0.10	5.02	105.9	0.00	-2.40	89.8	-0.55	0.00
2003	I	104.0	-0.67	0.10	102.8	-2.93	-2.93	90.5	0.78	1.57
	II	103.1	-0.87	-0.67	107.9	4.96	1.98	91.5	1.10	1.89
	III	104.6	1.45	0.00	107.4	-0.46	1.42	92.0	0.55	1.88
	IV	105.1	0.48	0.38	107.8	0.37	1.79	91.5	-0.54	1.89
2004	I	105.0	-0.10	0.96	108.0	0.19	5.06	92.7	1.31	2.43
	II	105.7	0.67	2.52	108.1	0.09	0.19	92.8	0.11	1.42
	III	106.9	1.14	2.20	114.2	5.64	6.33	94.0	1.29	2.17
	IV	106.7	-0.19	1.52	114.8	0.53	6.49	97.0	3.19	6.01
2005	I	107.7	0.94	2.57	115.3	0.44	6.76	97.1	0.10	4.75
	II	109.1	1.30	3.22	115.6	0.26	6.94	101.3	4.33	9.16
	III	111.9	2.57	4.68	116.4	0.69	1.93	104.2	2.86	10.85
	IV	113.7	1.61	6.56	117.2	0.69	2.09	106.4	2.11	9.69
2006	I	114.4	0.62	6.22	118.6	1.19	2.86	108.1	1.60	11.33
	II	115.84	1.26	6.18	119.56	0.81	3.43	109.49	1.28	8.08
	III	115.17	-0.58	2.93	122.05	2.08	4.85	112.41	2.67	7.88
	IV	117.95	2.41	3.74	130.18	6.66	11.08	114.25	1.64	7.38

Source: Central Statistical Office.

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

	ALL SECTIONS INDEX		DRY GOODS STORES		SUPERMARKETS AND GROCERIES		CONSTRUCTION MATERIALS AND HARDWARE	
Weights	1000		76		279		130	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Mar-04	121.5	15.5	155.9	26.4	124.2	9.3	117.4	30.6
Jun-04	130.4	14.1	172.9	19.8	131.4	6.7	136.1	25.4
Sep-04	139.2	15.9	177.6	8.4	136.5	8.3	142.3	40.1
Dec-04	167.8	9.7	216.4	2.4	170.0	11.8	157.3	19.4
2004	**139.7**	**13.5**	**180.7**	**12.4**	**140.5**	**9.2**	**138.3**	**28.1**
Mar-05	139.9	15.1	165.7	6.3	136.2	9.7	129.2	10.1
Jun-05	146.7	12.5	191.1	10.5	145.6	10.8	132.6	-2.6
Sep-05	162.2	16.5	205.1	15.5	148.3	8.6	153.0	7.5
Dec-05	190.8	13.7	290.1	34.1	188.0	10.6	153.3	-2.5
2005	**159.9**	**14.4**	**213.0**	**17.9**	**154.5**	**10.0**	**142.0**	**2.7**
Mar-06	150.6	7.6	203.5	22.8	150.2	10.3	149.5	15.7
Jun-06	163.4	11.4	214.6	12.3	175.3	20.4	157.1	18.5
Sep-06	180.5	11.3	247.8	20.8	176.9	19.3	177.2	15.8
Dec-06	214.1	12.2	330.8	14.0	204.1	8.6	198.5	29.5
2006	**177.2**	**10.8**	**249.2**	**17.0**	**176.6**	**14.3**	**170.6**	**20.1**

	HOUSEHOLD APPLIANCES FURNITURE AND OTHER FURNISHINGS		TEXTILES AND WEARING APPAREL		MOTOR VEHICLES AND PARTS		PETROL FILLING STATIONS		OTHER RETAIL ACTIVITIES	
Weights	79		43		173		99		121	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Mar-04	81.9	11.6	60.1	9.7	124.8	13.0	127.7	22.0	135.6	10.3
Jun-04	92.5	4.0	71.8	5.7	134.1	16.6	124.6	13.8	140.3	20.1
Sep-04	96.2	-1.6	88.2	5.5	134.4	10.7	133.3	20.6	175.8	32.9
Dec-04	253.0	-1.0	113.3	1.5	154.7	21.0	124.6	-0.6	161.2	9.9
2004	**130.9**	**1.5**	**83.4**	**4.9**	**137.0**	**15.4**	**127.5**	**13.4**	**153.2**	**18.2**
Mar-05	100.7	23.0	80.0	33.1	165.1	32.3	130.9	2.5	161.9	19.4
Jun-05	108.6	17.4	73.8	2.8	173.1	29.1	137.9	10.7	157.1	12.0
Sep-05	120.0	24.7	148.1	67.9	185.6	38.1	138.9	4.2	195.4	11.1
Dec-05	284.9	12.6	134.6	18.8	194.7	25.9	146.0	17.2	178.8	10.9
2005	**153.5**	**17.3**	**109.1**	**30.9**	**179.6**	**31.1**	**138.4**	**8.5**	**173.3**	**13.1**
Mar-06	102.3	1.6	54.0	-32.5	172.1	4.2	140.5	7.3	162.9	0.6
Jun-06	120.8	11.2	70.9	-3.9	198.3	14.6	103.7	-24.8	170.1	8.3
Sep-06	140.1	16.8	95.2	-35.7	230.4	24.1	103.0	-25.8	199.0	1.8
Dec-06	292.8	2.8	110.4	-18.0	252.2	29.5	105.0	-28.1	200.7	12.2
2006	**164.0**	**6.8**	**82.6**	**-24.3**	**213.3**	**18.7**	**113.0**	**-18.3**	**183.2**	**5.7**

Source: Central Statistical Office.

*Pharmaceuticals and cosmetics, books and stationary and jewellery.

Appendices:

Media Releases on the 'Repo' Rate from October 2006 to April 2007

1 **Media Release dated October 27, 2006 -**
Central Bank 'Repo' Rate Remains Unchanged at 8.0 Per cent

2 **Media Release dated November 24, 2006 -**
Central Bank Maintains 'Repo' Rate at 8.0 Per cent

3 **Media Release dated December 29, 2006 -**
Central Bank Maintains 'Repo' Rate at 8.0 Per cent While Continuing to Intensify Liquidity Absorption Measures

4 **Media Release dated January 26, 2007 -**
Central Bank Keeps 'Repo' Rate at 8.0 Per cent While Intensifying Liquidity Absorption Measures

5 **Media Release dated February 23, 2007 -**
Inflation Eases: Central Bank Maintains 'Repo' Rate at 8.0 Per cent

6 **Media Release dated March 23, 2007 -**
Inflation Continues to Moderate In February:
Central Bank Maintains 'Repo' Rate at 8.0 Per cent

7 **Media Release dated April 27, 2007 -**
Inflation Continues Downward:
Central Bank Maintains 'Repo' Rate at 8.0 Per cent

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Media Release

CENTRAL BANK 'REPO' RATE REMAINS UNCHANGED AT 8.0 PER CENT

The Central Bank has decided to leave its "Repo" rate unchanged at 8.0 per cent following a 25 basis point increase in the rate last month.

Headline inflation, according to the latest information released by the Central Statistical Office measured 9.6 per cent on a year-on-year basis to September compared with 9.0 per cent in the previous month. The food prices sub-index rose by 27.4 per cent in the twelve months to September (up from 25 per cent in August) reflecting sharp increases in basic food items including meat (10.2 per cent), fish (38 per cent), fruit (17.3 per cent) and vegetables (69.3 per cent).

Core inflation, which excludes the impact of food prices, remained virtually unchanged from the previous month holding steady at 3.9 per cent. Declines in the cost of health services and in clothing and footwear have contributed to a slowdown in the core rate of inflation since July.

The level of fiscal expenditure, excess liquidity and inflationary expectations continue to exert significant influence on domestic inflation.

After having increased the "Repo" rate on eight occasions over the last nine months, the Bank feels that policy should shift focus to more aggressive liquidity absorption in order to improve the transmission of changes in the policy interest rate. As a consequence, it intends to concentrate on liquidity absorption measures through increasing the issue of government securities to finance the non-energy fiscal deficit. To help effect this, the Bank will expand the list of primary dealers in order to widen participation in open market activity and thus provide for better market determination of interest rates.

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

The next 'Repo' rate announcement is scheduled for November 24, 2006.

October 27, 2006.

- End -

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

The latest data on inflation released by the Central Statistical Office indicate that **headline inflation**, measured by the 12-month increase in the Index of Retail Prices, rose to 10.0 per cent in October from 9.6 per cent in the previous month. **Food prices** continued to be the main driver of headline inflation, registering an increase of 26 per cent (year-on-year). **Core inflation** recorded an increase of 4.7 per cent on a year-on-year basis to October, up from 3.9 per cent in September.

As regards food prices, supply shortages have continued to place upward pressure on the prices of fruit and vegetables. In the twelve months to October 2006, fruit and vegetable prices posted increases of 19.9 per cent and 63.4 per cent, respectively. There were also significant increases in the prices of fish (31 per cent) and meat products (12.9 per cent). The prices of other items in the basket increased by a cumulative 8.2 per cent, year-on-year.

The rise in core inflation reflected increases in the costs of transportation services (2.9 per cent), health services (11.3 per cent), housing services (4.1 per cent), hotels, cafes and restaurants (6.2 per cent), as well as in the price of alcoholic beverages (19 per cent). During the year, the steady increase in the cost of health services reflected higher prices for prescription drugs. The rise in the price of alcoholic beverages follows the higher taxes on these items that were announced in the 2007 budget.

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Recognizing that the existing liquidity overhang continues to limit the pass-through of increases in the 'Repo' rate to short-term interest rates, the Bank signaled last month its intention to finance the non-energy fiscal deficit by the issuance of government securities of various maturities rather than by drawing down government deposits at the Central Bank. The soon-to-be issued TT$700 million 8-year government bond represents a first step in implementing this enhanced liquidity absorption measure. This bond is structured to especially encourage individuals and small investors to participate more directly in the capital market. The bonds will therefore be specially denominated in $1,000 allotments to allow for the widest public participation. The proceeds from the bond will be sterilized by the Central Bank, significantly enhancing liquidity conditions in the market. The Bank will also continue to step up open market operations through the issuance of securities of shorter maturities. Increased sales of foreign exchange to the market will contribute to the reduction in excess liquidity as well.

Although credit to businesses and lending for real estate mortgages increased by 23 per cent and 17.2 per cent respectively in the twelve months to September, the year-on-year increase in private sector credit slowed to 8.7 per cent from 11.7 per cent in August. The year-on-year growth in consumer credit also slowed to 12.3 per cent from the increase of 12.5 per cent registered in August.

Following the 2007 budget, the Government has been working to ease the constraint on domestic food supplies through increased imports and incentives to local agricultural production. These efforts may have been temporarily set back by the recent floods, which destroyed a sizeable portion of cultivated acreage. This situation, as well as increasing inflationary expectations, will continue to exert upward pressure on prices. This makes fiscal restraint and monetary tightening all the more important.

The Bank intends to aggressively pursue its strategy of liquidity absorption while it **maintains the 'Repo' rate at 8.0 per cent.** This should allow for a significant reduction in the liquidity overhang and create a more favourable environment for the transmission of interest rate signals.

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

The next 'Repo' rate announcement is scheduled for December 29, 2006.

November 24, 2006.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	September 2006	October 2006	September 2006	October 2006
Headline Inflation	**0.9**	**0.1**	**9.6**	**10.0**
Food Prices	3.5	0.2	27.4	26.5
Bread and Cereals	0.9	0.1	2.3	2.0
Meat	0.7	2.2	10.2	12.9
Fish	2.6	(4.2)	38.0	31.0
Vegetables	8.8	0.5	69.3	63.4
Fruits	(2.6)	1.3	17.3	19.9
Milk, Cheese & Eggs	0.1	(0.5)	7.7	7.5
Oils and Fats	0.0	0.6	3.7	3.7
Sugar, Jam, Confectionery, etc.	0.0	0.8	9.2	9.5
Core Inflation	**(0.1)**	**1.3**	**3.9**	**4.7**
Alcoholic Beverages & Tobacco	0.0	3.7	15.1	19.2
Health	0.1	1.2	10.7	11.3
Of which: Phamaceutical Products	0.2	2.7	10.2	11.9
Rent	0.0	0.1	3.6	3.3
Home Ownership	0.0	1.6	4.3	5.1
Education	0.0	9.8	12.0	11.0
Recreation & Culture	0.0	(2.2)	9.8	9.4
Hotels, Cafes & Restaurants	0.0	1.4	5.4	6.2
Transport	0.0	2.2	1.5	2.9

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT WHILE CONTINUING TO INTENSIFY LIQUIDITY ABSORPTION MEASURES

The latest data released by the Central Statistical Office indicate that **headline inflation** measured 9.6 per cent on a year-on-year basis to November, compared with 10 per cent in the previous month. **Food prices** registered a year-on-year increase of 24.3 per cent, slightly below the increase of 26.5 per cent recorded for October. Increases in the prices of fruits (15.4 per cent), vegetables (51.6 per cent), meat (15.8 per cent), and fish (31.6 per cent) continued to be the main drivers of the increase in the food prices sub-index.

Core inflation, which excludes the impact of food prices, measured 4.7 per cent, the same rate as in the previous month. The health and alcoholic beverages and tobacco sub-indices posted year-on-year increases of 10.7 per cent and 20.7 per cent, respectively.

In an on-going effort to tighten domestic demand, **additional steps are being taken to increase liquidity absorption.** Thus, over and above the regular open market operations, a TT$700 million 8-year government bond was issued to the public in November, the proceeds of which have been sterilized. Increased foreign exchange sales of around US$325 million in the months of November and December have also contributed to liquidity absorption. This has brought total sales of foreign exchange by the Bank to the market to US$1.5 billion for the year.

With the tightening of liquidity, there is some evidence that some **commercial bank interest rates** that were previously sticky have begun to trend upwards. This month, commercial banks increased rates on new residential mortgage loans from a range of 7.5 – 8.5 per cent to 8.75 per cent while rates on cash-secured retail loans are earmarked to be increased in early 2007. The Central Bank has been in discussions with the commercial banks concerning the level of deposit rates and the need to ensure that higher loan rates do not lead to an increase in interest rate spreads.

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Inflation control will continue to be a major challenge in the coming months. Rapid economic growth will continue to stretch existing capacity. The recent floods are likely to have a negative impact on agricultural supplies, and inflationary expectations still seem to be high as evidenced by adjustments in a broad range of prices, most notably entertainment and transportation charges.

In terms of the policy response, intensified open market operations and expanded foreign exchange sales will continue while a second bond issue for sterilization purposes is scheduled for February 2007.

The Government has recently announced a number of measures to address the high level of agricultural retail prices. These include the use of farmers' markets to bring commodities directly to customers, wider dissemination of agricultural information to facilitate "comparison shopping" and a reduction in import tariffs on certain food items. A longer term plan to spur agricultural production is being developed.

The Bank has decided to maintain the current 'Repo' rate while the liquidity absorption measures improve conditions for the transmission of interest rate signals. The Bank will continue to keep monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for January 26, 2007.

December 29, 2006.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	October 2006	November 2006	October 2006	November 2006
Headline Inflation	**1.0**	**0.4**	**10.0**	**9.6**
Food Prices	0.2	1.5	26.5	24.3
Bread and Cereals	0.1	0.6	2.0	2.6
Meat	2.2	4.5	12.9	15.8
Fish	4.2	4.3	31.0	31.6
Vegetables	0.5	(0.4)	63.4	51.6
Fruits	1.3	1.6	19.9	15.4
Milk, Cheese & Eggs	(0.5)	1.0	7.5	6.3
Oils and Fats	0.6	1.6	3.7	5.3
Sugar, Jam, Confectionery, etc.	0.8	0.7	9.5	9.4
Core Inflation	**1.3**	**(0.04)**	**4.7**	**4.7**
Alcoholic Beverages & Tobacco	3.7	1.8	19.2	20.7
Health	1.2	(0.7)	11.3	10.7
Of which: Phamaceutical Products	2.7	(1.6)	11.9	10.6
Rent	0.1	0.0	3.3	3.3
Home Ownership	1.6	0.0	5.1	5.1
Education	9.8	0.0	11.0	11.0
Recreation & Culture	(2.2)	0.0	9.4	9.4
Hotels, Cafes & Restaurants	1.4	0.0	6.2	6.2
Transport	2.2	0.0	2.9	2.9

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK KEEPS 'REPO' RATE AT 8.0 PER CENT WHILE INTENSIFYING LIQUIDITY ABSORPTION MEASURES

According to the latest data released by the Central Statistical Office, **headline inflation** measured **9.1 per cent** on a year-on-year basis to December 2006 compared with 9.6 per cent in November and a high of 10 per cent in October. **Food prices,** which have been the main driver of headline inflation increased year-on-year by **22 per cent,** slightly below the increases of 26.5 per cent and 24.3 per cent recorded in October and November, respectively.

The main increases in the food sub-index on a year-on-year basis came from vegetables, 39.2 per cent (51.6 per cent in November), meat, 15.4 per cent (15.8 per cent in November), fish, 32.6 per cent (31.6 per cent in November) and fruits, 19.9 per cent (15.4 per cent in November).

Core inflation, which excludes the impact of food prices, remained virtually unchanged from the previous month at 4.6 per cent with the sub-indices for alcoholic beverages and tobacco, health and education posting year-on-year increases of 20.2 per cent, 10.1 per cent and 11.0 per cent, respectively.

The slower increase in food prices in the last two months could be related to initial steps to broaden the agricultural distribution network through the setting up of farmers' markets. Growing price consciousness on the part of consumers prompted by the wider dissemination of information on basic food prices in the media may already be having some calming effect on price increases.

The stickiness of the core inflation index suggests that underlying inflationary pressures remain very strong. Indicators point to persistently buoyant domestic demand and high inflationary expectations are still leading to upward price adjustments in several sectors, especially transportation and construction.

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- 2 -

Continuing initiatives to increase domestic supply through higher food imports should temper food price increases in coming months and the increases in bank interest rates in December 2006 and January 2007 should serve to further slow bank credit expansion.

The Bank plans to intensify liquidity absorption measures to help contain domestic demand and address core inflation. In this context, a second bond issue of TT$300 million at a coupon rate of 7.8 per cent will be issued to the public on February 09, 2007. The proceeds of this bond will be sterilized by the Central Bank. In addition, the customary open market operations and sales of foreign exchange will help to tighten liquidity in the financial system.

The Bank has decided to maintain the current 'Repo' rate at 8.0 per cent while allowing the liquidity absorption measures to continue to work towards improving conditions for the transmission of interest rate signals.

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

The next 'Repo' rate announcement is scheduled for February 23, 2007.

January 26, 2007.

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- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	November 2006	December 2006	November 2006	December 2006
Headline Inflation	**0.4**	**0.4**	**9.6**	**9.1**
Food Prices	1.5	1.3	24.3	22.0
Bread and Cereals	0.6	(0.1)	2.6	1.5
Meat	4.5	3.9	15.8	15.4
Fish	4.3	6.2	31.6	32.6
Vegetables	(0.4)	0.0	51.6	39.2
Fruits	1.6	0.6	15.4	19.9
Milk, Cheese & Eggs	1.0	0.9	6.3	5.1
Oils and Fats	1.6	0.4	5.3	5.8
Sugar, Jam, Confectionery, etc.	0.7	0.0	9.4	10.0
Core Inflation	**(0.04)**	**0.04**	**4.7**	**4.6**
Alcoholic Beverages & Tobacco	1.8	0.3	20.7	20.2
Health	(0.7)	0.1	10.7	10.1
Of which: Phamaceutical Products	(1.6)	0.2	10.6	9.4
Rent	0.0	0.0	3.3	3.3
Home Ownership	0.0	0.0	5.1	5.1
Education	0.0	0.0	11.0	11.0
Recreation & Culture	0.0	0.0	9.4	9.4
Hotels, Cafes & Restaurants	0.0	0.0	6.2	6.2
Transport	0.0	0.0	2.9	2.9

Source: Central Statistical Office.

- End -

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Media Release

INFLATION EASES: CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

The latest inflation numbers released by the Central Statistical Office indicate that the rate of inflation slowed for the third consecutive month, after having peaked at 10 per cent in October 2006. **Headline inflation** measured **8.6 per cent** on a year-on-year basis to January 2007 compared to 9.1 per cent in December 2006 and 9.6 per cent in November 2006.

Food price inflation, which had reached 26.5 per cent in October 2006 and declined to 22.0 per cent in December 2006, slowed further **to 20.9 per cent** year-on-year to January 2007. Increases in the food sub-index came mainly from vegetables (36.9 per cent), fruit (19.1 per cent), fish (29.8 per cent) and meat (17 per cent). The slowing of food price inflation is partly related to the broadening of the agricultural distribution network, which has created more of a direct link between farmers and consumers. This has contributed to greater price awareness and facilitated comparison shopping among consumers.

Core inflation fell marginally to **4.4 per cent** year-on-year to January 2007 from 4.6 per cent in December 2006. The current level of core inflation compares with the rate of 2.5 per cent recorded a year earlier. The increases have occurred in the sub-indices for Hotels, Cafes and Restaurants (7 per cent) and Home Ownership (5.4 per cent).

Whereas the slowdown in headline inflation is encouraging, it is clear that underlying **inflationary pressures have not yet been fully contained.** Fiscal injections are still strong and while bank credit expansion has declined compared with a year earlier, it is still growing much faster than the current situation warrants. Moreover, cost pressures continue to lead to increases in some key food prices, most recently milk and milk products and non-alcoholic beverages.

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In terms of policy, the Bank has continued to adopt an aggressive stance with respect to **open market operations and foreign exchange sales** in order to absorb excess liquidity and to allow the interest rate channel to work more effectively. This policy is showing increasing success as evidenced by the reduction in the level of excess reserves, greater inter-bank lending activity and a higher level of 'repo' transactions. Meanwhile, **short-term interest rates** continue to ease upwards.

The reduction in inflation will continue to be a primary focus of Central Bank policy. In February 2007, in addition to the usual open market operations, the Bank executed the **second of a series of bond auctions.** While the initial intention was to mobilize TT$300 million, in the face of buoyant demand, TT$674 million was issued - with increased participation among individual investors. This 5 ½ year bond, which carried a coupon rate of 7.8 per cent, was issued at par. Proceeds of this bond have been sterilized by the Bank.

Meanwhile, Government's efforts to expand the distribution system for **agricultural commodities** are being intensified. Steps are also being taken to increase agricultural output, though the effect of this would take some time to materialize.

The Bank has decided to maintain the current "Repo" rate at 8.0 per cent while allowing the liquidity absorption measures to continue to work towards improving conditions for the transmission of interest rate signals.

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

The next 'Repo' rate announcement is scheduled for March 23, 2007.

February 23, 2007.

/...3

- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	December 2006	January 2007	December 2006	January 2007
Headline Inflation	**0.4**	**(0.1)**	**9.1**	**8.6**
Food Prices	1.3	(1.2)	22.0	20.9
Bread and Cereals	(0.1)	0.1	1.5	1.7
Meat	3.9	0.0	15.4	17.0
Fish	6.2	1.1	32.6	29.8
Vegetables	0.0	(2.9)	39.2	36.9
Fruits	0.6	0.3	19.9	19.1
Milk, Cheese & Eggs	0.9	0.3	5.1	4.7
Oils and Fats	0.4	1.2	5.8	6.6
Sugar, Jam, Confectionery, etc.	0.0	0.3	10.0	10.1
Core Inflation	**(0.04)**	**0.4**	**4.6**	**4.4**
Alcoholic Beverages & Tobacco	0.3	0.4	20.2	18.6
Clothing and Footwear	(0.3)	2.7	(0.9)	1.4
Health	0.1	0.1	10.1	8.4
Rent	0.0	0.5	3.3	3.1
Home Ownership	0.0	0.9	5.1	5.4
Education	0.0	0.0	11.1	11.1
Recreation & Culture	0.0	(1.9)	9.4	3.1
Hotels, Cafes & Restaurants	0.0	3.2	6.2	7.0
Transport	0.0	0.0	2.9	2.8

Source: Central Statistical Office.

- End -

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Media Release

INFLATION CONTINUES TO MODERATE IN FEBRUARY: CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

Recent inflation data released by the Central Statistical Office indicate that the rate of inflation has slowed for the fourth consecutive month. **Headline inflation** measured **8.4 per cent** on a year-on-year basis to February 2007 compared with 8.6 per cent in January and a high of 10 per cent in October 2006. **Food price inflation**, which has been the main stimulus to headline inflation, slowed to **19.7 per cent** (year-on-year) in February from 20.9 per cent last month on account of more moderate increases in the prices of fruits, vegetables, milk, cheese, eggs and fish. The expansion of the farmers markets, which has been encouraging greater comparison shopping, continues to impact on the prices of fruit and vegetables - significant items in the consumer food basket.

Core inflation, which filters out the food prices, however nudged up in February 2007 to 4.5 per cent (year on year) from 4.4 per cent in January. The increases in core inflation have occurred mainly in the sub-indices for **Housing** (4.5 per cent) and **alcoholic beverages** (19.3 per cent), the latter increase possibly related to the carnival season.

The current stickiness of core inflation suggests that underlying inflationary pressures in the form of fiscal and monetary impulses are still quite strong. **Net fiscal injections** for the first five months of the fiscal year (October 2006-February 2007) have increased by almost 50 per cent compared to the similar period in the last fiscal year. Notwithstanding significant liquidity absorption, with employment at record levels and strong economic growth, private sector credit expansion, while reduced from a year earlier, is still growing faster than the current situation warrants.

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The outlook for prices over the next two to three months remains somewhat uncertain. On the one hand, the full pass through of the **reduction in value added taxes** could reduce the prices of some consumer goods. On the other, the conclusion of **certain wage negotiations** (within the 15 to 20 per cent range for 3-year contracts) will be accompanied by the payment of sizeable wage arrears. These have the potential to add to already buoyant domestic demand.

The Bank will continue to maintain **an aggressive liquidity absorption policy** which would include another issue of government securities. **Foreign exchange sales** to the market would also aid in liquidity absorption.

Against this background, the Bank has decided to **maintain the current "Repo" rate at 8.0 per cent.**

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

The next 'Repo' rate announcement is scheduled for April 27, 2007.

March 23, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	January 2007	February 2007	January 2007	February 2007
Headline Inflation	**(0.1)**	**0.3**	**8.6**	**8.4**
Food Prices	(1.2)	1.0	22.9	19.7
Bread and Cereals	0.1	0.4	1.7	1.9
Meat	0.0	(0.4)	17.0	18.2
Fish	1.1	2.3	29.8	28.3
Vegetables	(2.9)	1.9	36.9	32.0
Fruits	0.3	1.5	19.1	17.3
Milk, Cheese & Eggs	0.3	(0.2)	4.7	4.3
Oils and Fats	1.2	0.2	6.6	6.3
Sugar, Jam, Confectionery, etc.	0.3	0.5	10.1	9.1
Core Inflation	**0.4**	**0.0**	**4.4**	**4.5**
Alcoholic Beverages & Tobacco	0.4	0.2	18.6	19.3
Clothing and Footwear	2.7	(0.2)	1.4	1.2
Health	0.1	0.2	8.4	7.5
Housing	0.6	0.2	4.3	4.5
Education	0.0	0.0	11.1	11.1
Recreation & Culture	(1.9)	0.0	3.1	3.1
Hotels, Cafes & Restaurants	3.2	0.0	7.0	7.0
Transport	0.0	0.0	2.8	2.8

Source: Central Statistical Office.

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Media Release

INFLATION CONTINUES DOWNWARD: CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

According to the latest data released by the Central Statistical Office, **headline inflation** continued on a downward trend, slowing to **8.0 per cent** in March 2007 (year-on-year). This is the fifth consecutive month of decline since the rate peaked at 10.0 per cent in October 2006.

Food prices registered a year-on-year increase of **18.8 per cent** in March 2007 compared to **19.7 per cent** in February. In March, there continued to be increases in the prices of fruits and meat while there was a decline in the price of fish.

Core inflation nudged downwards to **4.2 per cent** in March (year-on-year) from **4.5 per cent** in February. Contributing to the fall in core inflation were marginal declines in the prices of clothing and footwear, and pharmaceutical products.

Net fiscal injections into the financial system in the first quarter of 2007 were 45 per cent lower than in the last quarter of 2006. The Central Bank sought to offset the impact of the fiscal injections through open market operations as well as through the issue of TT$674 million in government securities during the month of February. The tighter liquidity environment has led to some slowing in credit growth in the financial system. **Private sector credit** by the consolidated financial system declined to **13.6 per cent** in the twelve months to February 2007 from **16.7 per cent** in February 2006.

Short-term interest rates remained relatively flat in March with the average yields on the three-month and six-month treasury-bill at 6.9 per cent and 7.6 per cent, respectively.

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However, underlying inflationary pressures remain strong as evidenced by announced adjustments in transportation fares and a range of basic prices such as bread, eggs and flour.

The Bank will continue to maintain **an aggressive liquidity absorption policy** in order to dampen domestic demand and contain inflationary pressures.

Against this background, the Bank has decided to **maintain the current "Repo" rate at 8.0 per cent.**

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

The next 'Repo' rate announcement is scheduled for May 25, 2007.

April 27, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	February 2007	March 2007	February 2007	March 2007
Headline Inflation	**0.3**	**0.3**	**8.4**	**8.0**
Food Prices	1.0	1.1	19.7	18.8
Bread and Cereals	0.4	0.2	1.9	2.7
Meat	(0.4)	2.7	18.2	23.1
Fish	2.3	(2.1)	28.3	6.4
Vegetables	1.9	1.2	32.0	31.2
Fruits	1.5	7.0	17.3	20.8
Milk, Cheese & Eggs	(0.2)	1.3	4.3	5.7
Oils and Fats	0.2	(0.1)	6.3	6.1
Sugar, Jam, Confectionery, etc.	0.5	1.2	9.1	8.7
Core Inflation	**0.0**	**(0.02)**	**4.5**	**4.2**
Alcoholic Beverages & Tobacco	0.2	(0.1)	19.3	18.4
Clothing and Footwear	(0.2)	(0.6)	1.2	(0.2)
Health	0.2	(0.1)	7.5	5.8
Of which:				
Phamaceutical Products	0.3	(0.3)	9.1	8.0
Paramedical Services	0.0	0.0	5.7	3.2
Medical Services	0.0	0.0	7.9	5.2
Of which:				
Doctors Fees	0.0	0.0	10.2	6.7
Rent	0.0	0.0	3.1	3.1
Home Ownership	0.0	0.0	5.4	5.4
Education	0.0	0.0	11.1	11.1
Of which:				
Tuition fees (all schools)	0.0	0.0	12.1	12.1
Recreation & Culture	0.0	0.0	3.1	3.1
Hotels, Cafes & Restaurants	0.0	0.0	7.0	7.0
Transport	0.0	0.0	2.8	2.8
Of which:				
Passenger Transport by Road	0.0	0.0	7.0	7.0
Purchase of Vehicles	0.0	0.0	(1.5)	(1.5)

Source: Central Statistical Office.

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