

Monetary Policy Report

May 2025

HIGHLIGHTS

IN SUMMARY

- The global economy is clouded by uncertainty due to heightened trade and geo-political tensions. In response, central banks have adopted a more guarded approach to monetary policymaking.
- Domestically, economic activity improved. According to data published by the Central Statistical Office, real GDP rebounded in the third quarter of 2024. Meanwhile, inflation started to creep upwards.
- Following the reduction of the reserve requirement in July 2024, commercial banks' excess reserves remained ample.
- The Central Bank of Trinidad and Tobago, in its March 2025 Monetary Policy Committee meeting, maintained the Repo rate at 3.50 per cent.

INTERNATIONAL ECONOMIC CONTEXT

Lower growth outlook



According to the International Monetary Fund April 2025 World Economic Outlook, **global growth is projected to slip to 2.8 per cent in 2025**, from 3.3 per cent in 2024.

Although global inflation is receding, central banks remain cautious



Monetary policy is anticipated to become **less restrictive as inflation decelerates**. However, stagflation concerns have emerged, causing central banks to thread with caution.

Several factors pose a threat to the economic outlook



The **economic outlook will be challenged** by trade policy uncertainty, heightened geopolitical conflicts and planned expansionary fiscal policy by the US.

Mixed Latin American and Caribbean performance

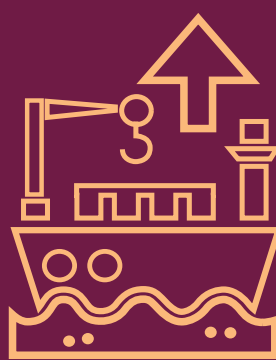


Some **Latin American central banks** maintained their policy rates as economic performance improved. Meanwhile, in the **Caribbean** economic growth and monetary policy changes were mixed.

DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS



Economic activity improved. In Q3 2024, real GDP grew by 2.0% on account of expansion in both the energy and non-energy sectors (2.1% and 1.9%, respectively).



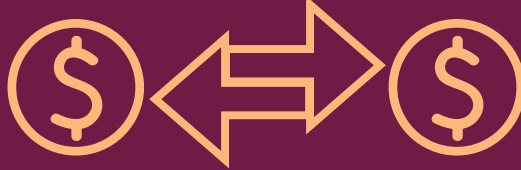
Export earnings increased in Q4 2024 (3.5%) owing to an improvement in non-energy exports.



Inflation rose. In April 2025, food and core inflation reached 4.7% and 0.7% (y-o-y), respectively.



Consumer and business lending decelerated in March 2025, while real estate mortgage lending picked up (10.9%, 10.8%, and 6.6%, respectively).



The local market for foreign currency remained tight. Purchases and sales of foreign exchange by authorised dealers declined over January to April 2025 compared to one year earlier.



Government borrowing remained robust. Over the period October 2024 to April 2025, the primary debt market recorded 8 bond issues raising \$8.4 billion.

MONETARY POLICY CONSIDERATIONS



Crude oil production improved by 4.6% (y-o-y) and natural gas output increased by 5.6%, during the fourth quarter of 2024.



Headline inflation increased to 1.5% (y-o-y) in April 2025.



The 3-mth TT-US treasury differential improved to -217 bps in April 2025.



Excess reserves averaged \$6.6 bn daily in April 2025.



Private sector credit expanded by 8.8% (y-o-y) in March 2025.

March 2025
3.50
per cent

Monetary Policy Stance
Maintained,
Repo Rate Unchanged