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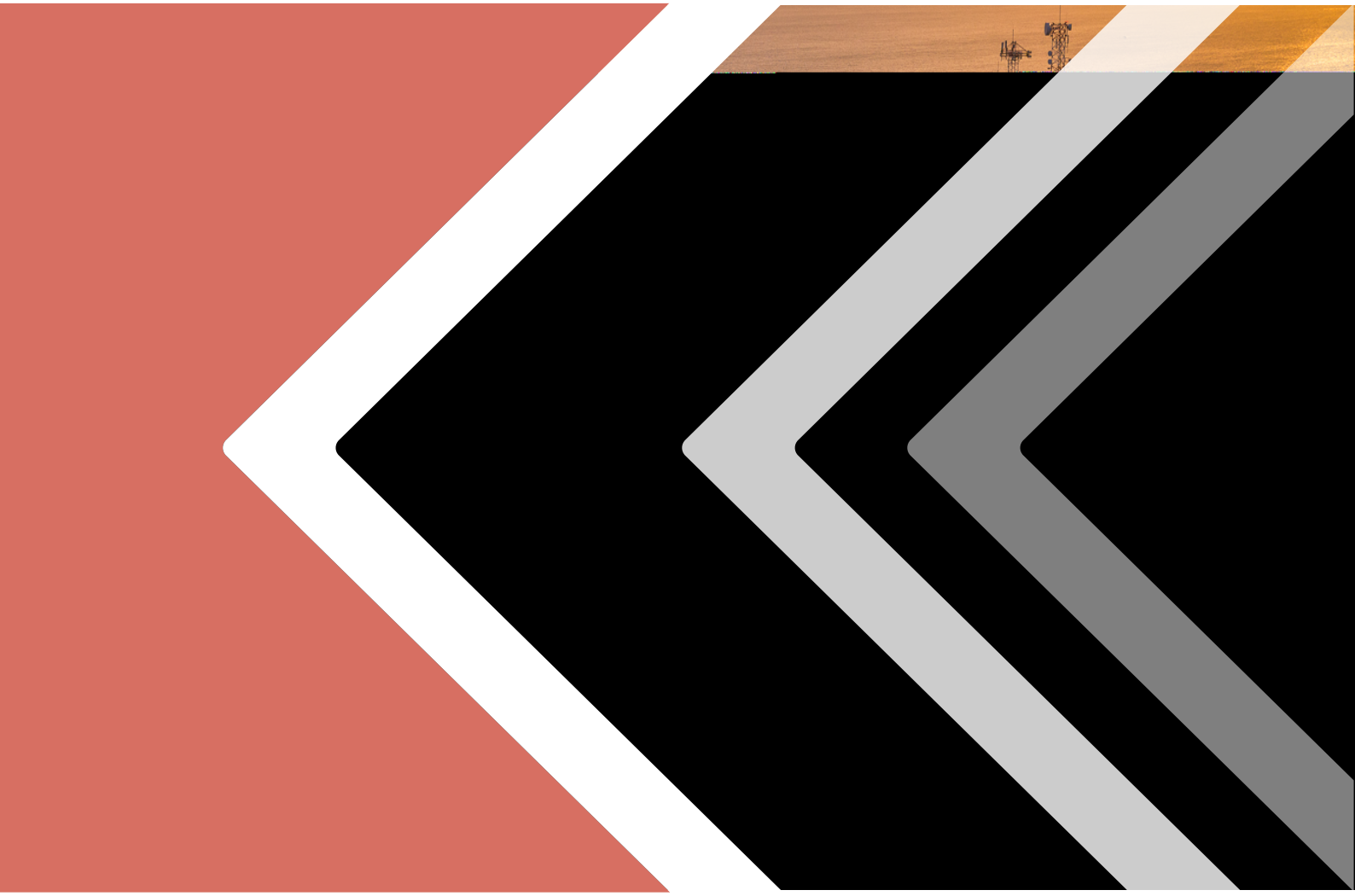

MONETARY POLICY REPORT

NOVEMBER 2025 | VOLUME XXVII No. 2

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Central Bank of Trinidad and Tobago

Monetary Policy Report

NOVEMBER 2025
VOLUME XXVII NUMBER 2

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

Preface

The Central Bank of Trinidad and Tobago's monetary policy framework is guided by its purpose of promoting such monetary, credit and exchange policies that would foster monetary and financial stability and public confidence and be favourable to the economy of Trinidad and Tobago. The Central Bank employs a range of instruments (direct and indirect) to effect monetary policy. Prior to the 1990s, the Central Bank utilised direct policy tools such as reserve requirements and direct credit controls. However, the onset of trade and financial liberalisation in the 1990s brought about a greater emphasis on market-based instruments such as Open Market Operations. Since mid-2002, the Central Bank's monetary policy framework was revised to include the use of a Repurchase ('Repo') rate as a key policy tool. The Central Bank utilises the Repo rate to signal to the banking system the direction in which it wishes short-term interest rates, and ultimately, the structure of interest rates, to move. Open Market Operations involve the purchase and sale of Government securities by the Central Bank to impact the level of liquidity in the domestic financial system.

The Monetary Policy Committee (MPC) develops and communicates the Central Bank's overall monetary policy stance. The MPC currently comprises members of the Central Bank's Senior Management and is chaired by the Governor. The Committee issues quarterly Monetary Policy Announcements (MPA), which provide insights into the MPC's deliberations, and oversees the preparation of the semi-annual Monetary Policy Report (MPR). The MPC is assisted by the Monetary Policy Secretariat (MPS), made up of staff from various Departments, which undertakes ongoing economic and financial analysis. The Central Bank utilises the MPR to communicate to the public its views on economic and financial developments and the main factors that influence the Central Bank's monetary policy decisions.

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LIST OF ABBREVIATIONS

ABBREVIATION	NAME
AEs	Advanced Economies
ATI	All Trinidad and Tobago Index
AUM	Assets Under Management
BMI	Index of Retail Prices of Building Materials
BoE	Bank of England
BOJ	Bank of Jamaica
BSE	Barbados Stock Exchange
Central Bank	Central Bank of Trinidad and Tobago
CEI	Caribbean Exhancge Index
CPEP	Community-Based Environmental Protection and Enhancement Programme
CIS	Collective Investment Scheme
CLI	Cross Listed Index
CSO	Central Statistical Office
ECCB	Eastern Caribbean Central Bank
ECPI	Energy Commodity Prices Index
EMDEs	Emerging Market and Developing Economies
FAO	Food and Agriculture Organisation
FEVD	Forecast Error Variance Decomposition
GDP	Gross Domestic Product
IMF	International Monetary Fund
JSE	Jamaica Stock Exchange
LA	Latin American
LNG	Liquefied Natural Gas
LPR	Loan Prime Rate
mmbtu	Million British Thermal Units
MPA	Monetary Policy Announcement
MPC	Monetary Policy Committee
MPR	Monetary Policy Report
MPS	Monetary Policy Secretariat
NIF	National Investment Fund

LIST OF ABBREVIATIONS CONT'D

ABBREVIATION	NAME
OMOs	Open Market Operations
PBoC	People's Bank of China
PPI	Producer Price Index
REITs	Real Estate Investment Trusts
REPO rate	Repurchase Rate
SME	Small and Medium Enterprise
the Fed	Federal Reserve
TTSE	Trinidad and Tobago Stock Exchange
TTSEC	Trinidad and Tobago Securities and Exchange Commission
URP	Unemployment Relief Programme
US	United States
VIX	Volatility Index
WALR	Weighted Average Lending Rate
WEO	World Economic Outlook
WTI	West Texas Intermediate
Y-O-Y	Year-on-Year

KEY MESSAGES

- Diminished confidence and growing policy uncertainty have caused economic prospects to wane and financial conditions to tighten. The International Monetary Fund's (IMF's) October 2025 World Economic Outlook (WEO), forecasts world output to expand by 3.2 per cent in 2025, 0.1 percentage points lower than the previous year.

- Globally, energy commodity prices continue to be impacted by softer demand, robust supply and higher inventory levels.

- Economic growth receded in early 2025. Data from the Central Statistical Office (CSO) indicates that real GDP declined by 2.1 per cent in the first quarter of 2025 owing to contractions in the energy (-4.8 per cent) and non-energy (-1.0 per cent) sectors. However, activity is expected to rebound in the second quarter as start-ups in the upstream energy industry commence production.

- Inflation remains well contained. Headline inflation slipped to 0.4 per cent in October 2025, down from 1.4 per cent in May 2025.
- Liquidity conditions have tightened. Commercial banks' daily average excess liquidity decreased to $3.5 billion by October 2025 from $6.6 billion in May 2025.

- In September 2025, the Monetary Policy Committee (MPC) held the Repo rate at 3.50 per cent – unchanged since March 2020.

- The Central Bank aims to mitigate uncertainty by promoting deeper engagement with stakeholders on policy options.

MONETARY POLICY OVERVIEW AND OUTLOOK

Overview

The global economic system continues to contend with potentially disruptive policy pronouncements and actions. In April 2025, the United States (US) administration announced a wave of reciprocal tariffs on particular countries, including China, Canada and Mexico. In August 2025, the US enforced reciprocal tariffs on imports from over 60 countries, with duties ranging from 10 per cent to over 100 per cent, depending on origin and sector. Several rounds of negotiations have resulted in either new trade agreements or the roll back of tariff implementation dates. More recently, the legality of the imposed tariffs has come under review before the US Supreme Court, which could provide the basis for the policy to be reversed. Consequently, diminished confidence and growing policy uncertainty have caused economic prospects to wane and financial conditions to tighten.

The IMF's October 2025 WEO forecasts world output to expand by 3.2 per cent in 2025, 0.1 percentage points lower than the previous year. Though their performances are losing momentum, Emerging Market and Developing Economies (EMDEs) remain the main engine of global growth, while activity among the Advanced Economies (AEs) continues to moderate. The global disinflation momentum continues, supported by cooling demand and lower energy commodity prices. According to the IMF, world headline inflation is expected to fall to 4.2 per cent in 2025, following an outturn of 5.8 per cent in the previous year. Despite the retreat in prices, global inflation generally remains elevated and above several central bank targets.

Central banks remain cautious about inflation and unemployment, but other considerations weighed on monetary policy stances. In response to moderating economic growth and increased downside risks to employment, the US Federal Reserve (the Fed) lowered its policy rate in September 2025 marking the first rate cut since December 2024. Despite heightened policy uncertainty and lingering inflationary pressures, the United Kingdom (UK) and the Euro area pursued accommodative monetary policy. In 2025, the Bank of England (BoE) reduced its benchmark interest rate by a cumulative 75 basis points, while the European Central Bank reduced its deposit rate on four occasions.

Domestically, data from the CSO indicated that real GDP declined in the first quarter of 2025 owing to contractions in the energy and non-energy sectors. Indicators monitored by the Central Bank suggest a return to positive economic activity during the second quarter of 2025. By the second quarter of 2025, the unemployment rate fell while inflation remained tame. Trinidad and Tobago's external accounts recorded an overall deficit in the first half of 2025. This performance reflected higher outflows on the financial account, which more than outpaced the surplus on the current account.

Credit to the private sector slowed as the supply of loanable funds declined. Daily average excess liquidity decreased to $3.5 billion by October 2025 from $6.6 billion in May 2025. Private sector credit growth slowed to 7.1 per cent (year-on-year) in September 2025 compared to 8.8 per cent in March 2025. A deceleration was also observed across all major lending categories (consumer, business and real estate mortgages).

The Central Bank's monetary policy stance remained unchanged in the first eleven months of 2025. At its meeting in September 2025, the MPC maintained the Repo rate at 3.50 per cent – unchanged since March 2020.

Outlook

Global economic progress is losing momentum as the world economy faces a more uncertain path. A combination of trade tensions and heightened policy uncertainty is contributing to a broad-based slowdown in growth prospects among most of the world's economies. World growth is expected to dip to 3.2 per cent in 2025, from 3.3 per cent recorded in the previous year, and slow further to 3.1 per cent in 2026 (IMF WEO October 2025). Disruptions, in the form of tariffs levied by the US on most countries and critical sectors, geopolitical tensions, financial market volatility, and fiscal vulnerabilities are creating a more challenging economic environment.

While consumer prices have come down significantly since the highs of the COVID-19 pandemic, the emergence of trade restrictions has the potential to re-ignite inflationary pressures. Even though the immediate impact of tariffs has been limited, given roll backs or lower rates in some instances, central banks and governments should remain vigilant, as there is the potential for higher prices to be passed on to consumers over time. Notwithstanding, the legality of the tariffs imposed by the US administration is currently before the US Supreme Court which could result in a reversal of the tariffs.

Globally, energy commodity prices continue to be impacted by softer demand, robust supply and high inventory levels. Downward pressure on oil prices is expected to persist if global oil inventories rise. The availability and free flow of LNG to Europe as well as the quantity and timing of US gas production are expected to be the key drivers of natural gas prices in the short-run.

Domestically, following first gas from bpTT's Cypre and bpTT/EOG's Mento fields, energy sector activity is expected to stabilise in the short to medium-term, reflecting a base effect. However, given the controlled shutdown of the Nutrien facility, downstream energy sector output may be constrained. Activity in the non-energy sector may be losing momentum, as observed movements in leading indicators such as the Cashless Payments Index continue to grow at a much slower pace. Short to medium-term labour market conditions face pressures due to recent policy developments. The closure of major state employment programmes, including CEPEP and URP, has eliminated a significant source of jobs for thousands of low-skilled workers who may find it difficult to secure employment in other sectors. On the other hand, Government's plan to fill long-standing vacancies in the public service and transition from contract-based employment could support employment stability and bolster demand in the long-run.

Inflation is expected to rise as potential global supply chain disruptions stemming from geopolitical conflicts and the US implementation of tariffs, contribute to price pressures. Further, adverse weather conditions associated with the wet season could impact domestic agricultural supplies.

System liquidity is a key factor that will influence the pace of growth in private sector credit. For the latter part of 2025, a gradual slowdown in credit is anticipated. The evolving employment landscape and the announced measures in the national budget for FY2025/26 are among the factors that are expected to impact credit growth. Measures such as the asset levy, new public sector employment opportunities and public sector wage settlements could have implications for credit. Real estate mortgage lending is expected to remain steady, while business and consumer lending growth are expected to slow.

Internal and external imbalances (tighter fiscal space, higher debt-to-GDP and BOP deficits), suggest monetary policy may be required to pivot. Given the delicate position, the Central Bank aims to mitigate uncertainty by promoting deeper engagement with stakeholders on policy options.

1. THE INTERNATIONAL ECONOMIC CONTEXT

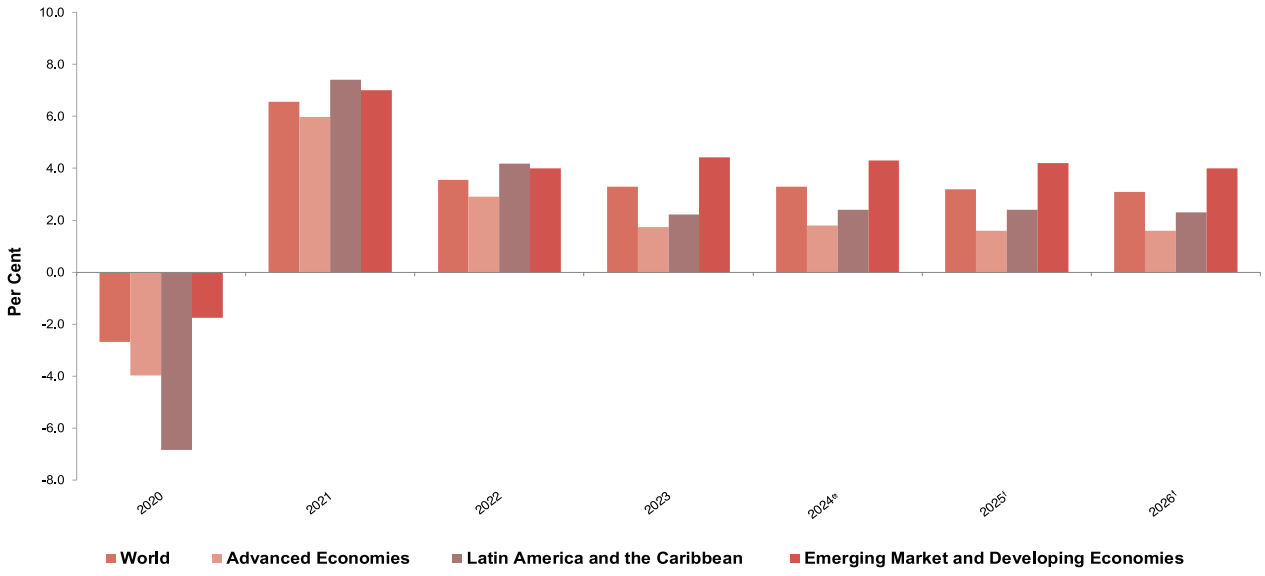
Diminished confidence and growing policy uncertainty have caused economic prospects to wane and financial conditions to tighten. Potential geopolitical and trade tensions could ignite global inflation and stymie economic growth. Central banks remain cautious in their monetary policy stance.

Recent Economic Developments and Outlook

In August 2025, the US enforced reciprocal tariffs on imports from over 60 countries, with duties ranging from 10 per cent to over 100 per cent, depending on origin and sector. Several rounds of negotiations have resulted in either new trade agreements or the roll back of tariff implementation dates, and more recently, the legality of the imposition of these tariffs is before the US Supreme Court, which could potentially lead to their reversal. While the impact of US tariffs has been tamer than initially envisaged when they were first announced in April 2025, their imposition is growth-retardant. Slightly weaker global growth is anticipated, with the IMF's October 2025 WEO forecasting world output to expand by 3.2 per cent in 2025, 0.1 percentage points lower than the previous year. Most major EMDEs, including some BRIC nations, are expected to experience dips in economic growth. Similarly, progress among the AEs continues to slow in 2025 (Chart 1.1).

CHART 1.1

Global Growth: Annual Real GDP Growth



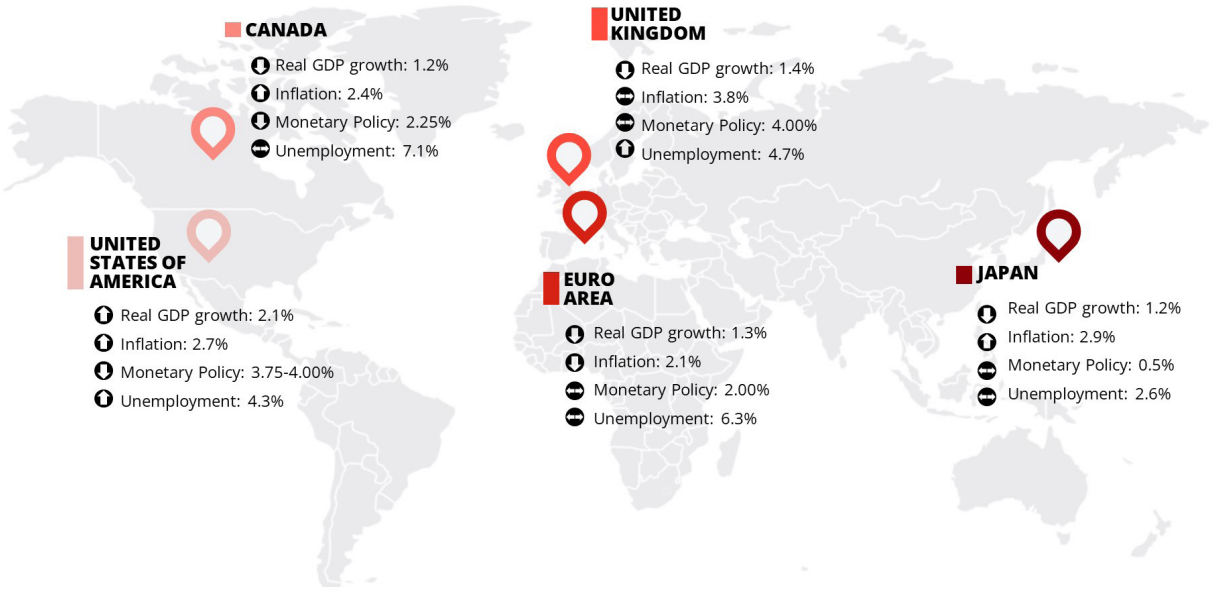
Source: International Monetary Fund, World Economic Outlook, October 2025
e estimated
f forecasted

Central banks in the AEs remain cautious

Amid the threat of new tariffs, policy uncertainty and lingering inflationary pressures, monetary policy actions among the AEs remained cautious (Figure 1.1). The Fed lowered its policy rate in September 2025, marking the first rate cut since December 2024. Inflation, as measured by the US Personal Consumption Expenditure (PCE) index, was recorded at 2.7 per cent (year-on-year) in August 2025, a minor uptick of 0.1 per cent from the previous month. The Fed reduced the federal funds target range to 4.00 to 4.25 per cent, while signalling its intention to further lower the rate in 2025 in keeping with its dual mandate of promoting maximum employment and stable prices. In October 2025, the Fed further reduced the federal funds target range to 3.75 to 4.00 per cent. Economic activity in both the UK and the Euro area decelerated during the first half of 2025, while inflationary pressures were relatively unchanged. Inflation in the UK steadied at 3.8 per cent (year-on-year) over July to September 2025, above the BoE's 2.0 per cent inflation target. Heightened policy uncertainty and lingering inflationary pressures led the BoE to reduce its benchmark interest rate by a cumulative 75 basis points, bringing the level to 4.00 per cent in August 2025. Subsequently, the rate was maintained in September and November 2025. The BoE indicated that it expects consumer price inflation to remain broadly at current levels and future rate cuts to be gradual.

FIGURE 1.1

Advanced Economies



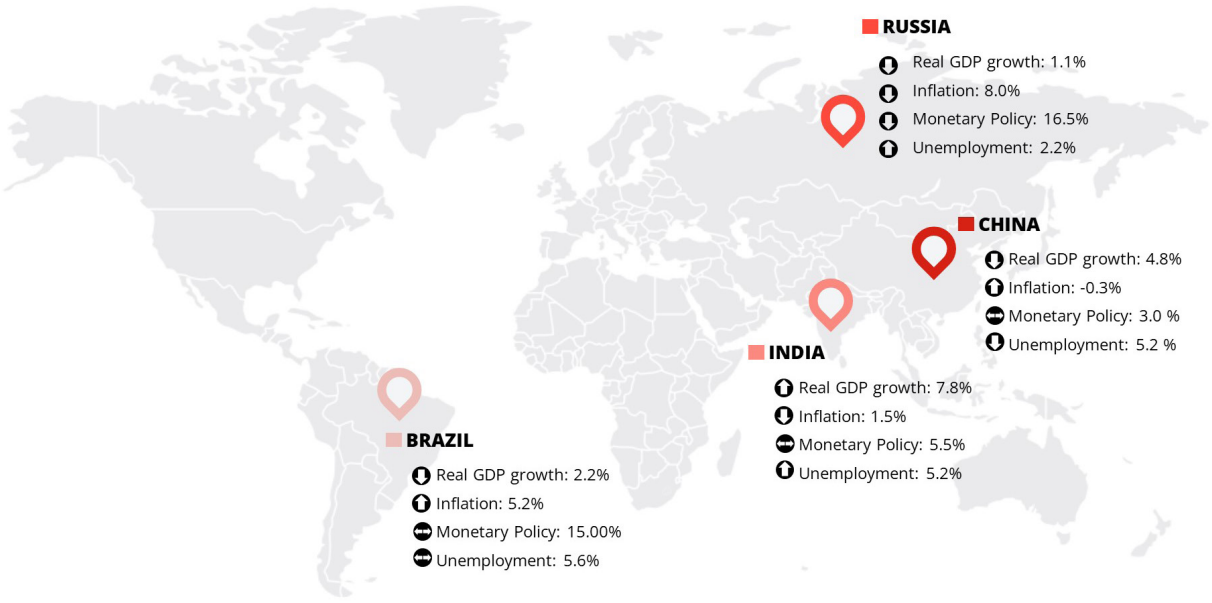
Source: Bloomberg
Note: ⇧ (increase) ⇩ (decrease) ⇔ (no change)

Although real GDP among EMDEs remained solid amidst challenging international and domestic economic conditions, some EMDEs continued to engage in less restrictive monetary policy (Figure 1.2). Declining inflationary pressures led the Reserve Bank of India (RBI) to hold its benchmark interest rate at 5.5 per cent in October 2025. India's inflation decelerated to 1.5 per cent (year-on-year) in September 2025, from 2.1 per cent in August 2025, remaining below the RBI's inflation target of 4.0 per cent.

At its October 2025 monetary policy meeting, the People's Bank of China (PBoC) maintained its one-year and five-year loan prime rates at 3.0 per cent and 3.5 per cent, respectively. This decision forms part of the PBoC's monetary policy strategy to cushion the economy against a volatile trade environment while supporting economic activity. As trade tensions with the US slowly subsided, consumer prices in China rose by 0.2 per cent in October 2025, its first increase since June 2025.

FIGURE 1.2

Emerging Market and Developing Economies



Source: Bloomberg
Note: ⇧ (increase) ⇩ (decrease) ⇔ (no change)

Monetary policy in Latin America (LA) varied as inflation dynamics differed. In November 2025, the Bank of Mexico cut its policy rate by 25 basis points to 7.25 per cent, the lowest level since May 2022. This cut came amid concerns of sluggish growth and rising global tensions, specifically regarding trade policies. Similarly, the Reserve Bank of Peru reduced its benchmark interest rate to 4.25 per cent in its September 2025 monetary policy meeting. This decision followed from low inflationary pressures that aligned with the Central Bank's projections. Subsequently, the rate was maintained at 4.25 per cent in October 2025. Given possible price pressures associated with ongoing US tariff policies, the Bank of Chile, in September and October 2025, maintained its benchmark rate at 4.75 per cent. Similarly, the Central Bank of Brazil held the Selic rate at 15.0 per cent in September and November 2025, citing above target inflationary challenges that persist amid global uncertainty.

Year-on-year inflation rates are slowing in most LA economies but remain above some central banks' targets. Economic growth across Latin American countries remained positive, albeit slower in some economies. Furthermore, in its October 2025 WEO, the IMF forecasts growth in the Latin American and Caribbean region to remain steady at 2.4 per cent in 2025.

In the Caribbean monetary policy rates remained unchanged as inflation fell below target

With the exception of Jamaica, monetary policy rates in the Caribbean remained generally unchanged as of September 2025. In its July 2025 Monetary Council meeting, the Eastern Caribbean Central Bank (ECCB) maintained its minimum savings rate at 2.0 per cent, and the discount rates for short-term and long-term credit at 3.0 per cent and 4.5 per cent, respectively. The ECCB noted that inflation is expected to be stable and growth prospects for 2025 are positive; however, increased uncertainty because of geopolitical and geo-economic tensions weigh on their economic outlook. Conversely, the Bank of Jamaica (BOJ) reduced its policy interest rate—the rate offered to deposit-taking institutions on overnight placements—by 25 basis points in May 2025 to 5.75 per cent and maintained this rate in its September 2025 meeting.

Economic growth across the Caribbean remained largely driven by commodity-exporting countries, mainly Guyana. In the first quarter of 2025, Guyana continued to record growth as the country benefitted from increased oil production. Real GDP for Jamaica and Barbados expanded while inflation remained below target. The passage of Hurricane Melissa in late October may lead to a surge in Jamaica's inflation in the near term, but reconstruction activity is likely to boost GDP.

International food prices declined

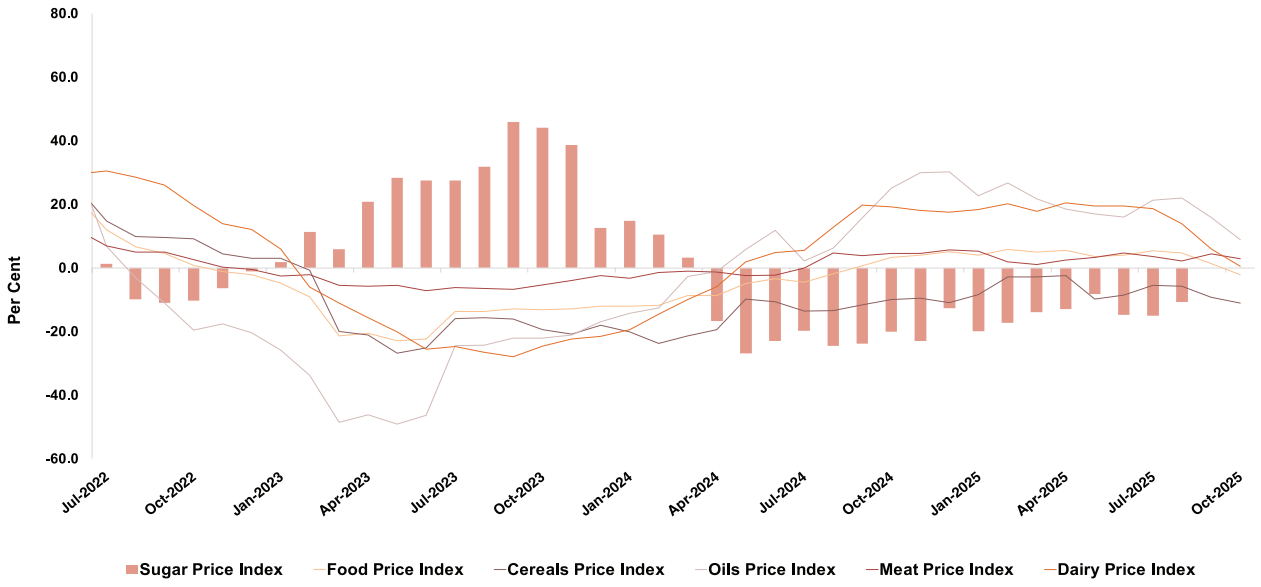
In October 2025, the United Nation's Food and Agricultural Organisation (FAO) Real Food Price Index decreased.[1] The rate of increase in the FAO Food Price Index decelerated to 2.1 per cent (year-on-year) in October 2025 from 5.0 per cent in December 2024 (Chart 1.2). The decrease was attributed to slower price increases in several categories: Meat (3.0 per cent in October 2025 compared

to 5.7 per cent in December 2024), Oil (8.9 per cent in October 2025 compared to 30.2 per cent in December 2024) and Dairy (0.8 per cent in October 2025 compared to 16.8 per cent in December 2024). Further, the Sugar (-28.7 per cent in October 2025 compared to -12.7 per cent in December 2024) and Cereals (-11.1 per cent in October 2025 from -10.9 per cent in December 2024) sub-indices recorded price declines on a year-on-year basis. Ample supplies and lower demand supported the lower prices over the period.

CHART 1.2

FAO Real Monthly Food Price Index

(Year-on-Year Per Cent Change)



Source: Food and Agriculture Organisation

Increased supplies added downward pressure to commodity prices

The Energy Commodity Prices Index (ECPI)[1] improved by 3.7 per cent (year-on-year) to an average of 99.83 over the period June to October 2025, despite six of the ten commodities in the index declining.

Crude oil prices fell sharply between June and October 2025, as trade tensions and oversupply dampened market fundamentals. The average of West Texas Intermediate (WTI) and Brent crude oil prices fell by 13.9 per cent (year-on-year) to average US$66.56 per barrel during the five-month period. Brent prices averaged US$68.58,

1 The Energy Commodity Price Index (ECPI) is a summary measure of the price movements of Trinidad and Tobago's top ten energy-based commodity exports. In 2024, the Central Bank updated the ECPI's base year to Q3 2023 and revised the weighting structure of the export commodities included in the index. See Annual Economic Survey Appendix I, Technical Note, "Rebasing the Energy Commodity Price Index", for more details.

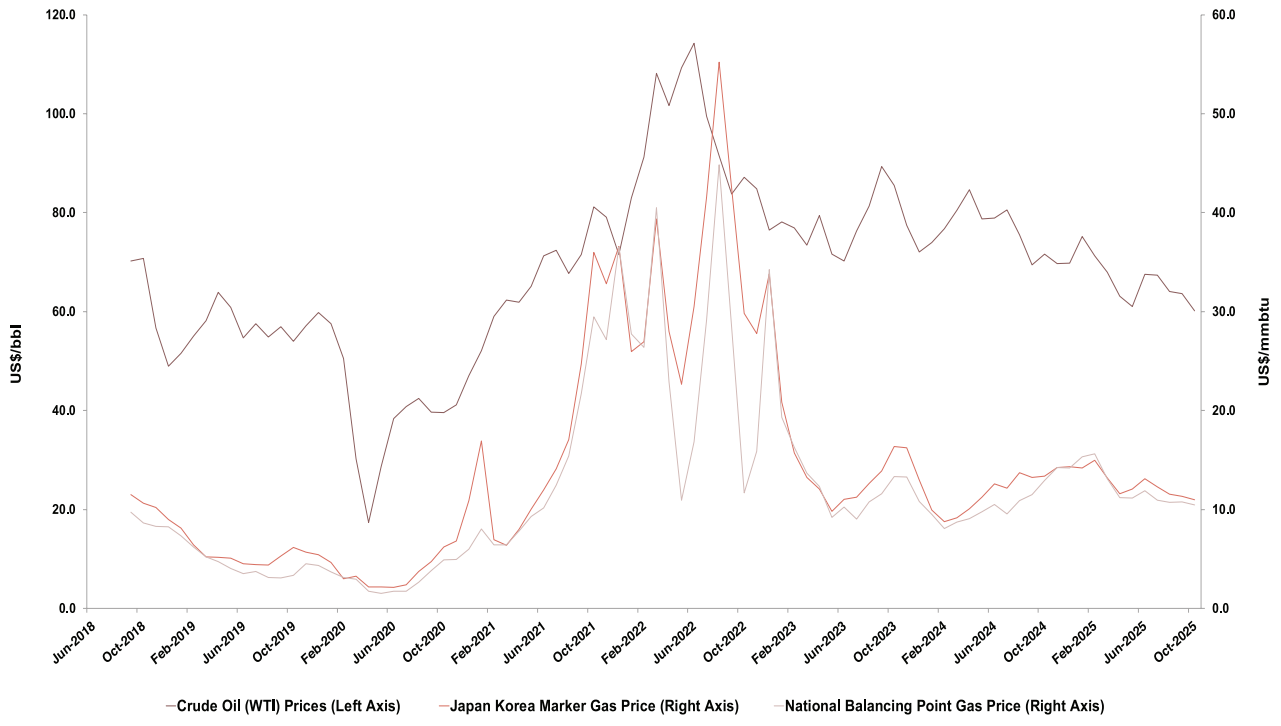
while WTI prices averaged US$64.55 over the reference period. The decline in crude oil prices was mainly due to strong supply coming out of the US and the Middle East alongside the continued unwinding of production cuts by OPEC+. These contractions were mirrored in the price declines of all crude oil derivative products such as, motor gasoline (-6.1 per cent), jet fuel (-3.9 per cent) and gas oil (-0.2 per cent).

In the natural gas market, prices fell in both the UK and Asian markets. The natural gas basket price averaged US$11.53 per million British Thermal Units (mmbtu) from June to October 2025, representing an 8.4 per cent decrease from prices observed in the same period one year earlier. The natural gas basket was weighed down by the poor performance of Brent crude oil prices and an 8.9 per cent fall in the Japan/Korea Marker (JKM) price, which covers the Northeast Asian LNG market. The UK National Balancing Point (NBP) price for the European market fell moderately by 1.2 per cent to average US$10.95 per mmbtu (Chart 1.3).

Natural gas prices in the European market have been steadily falling in 2025, and the trend continued over the five-month period ending October 2025. Over June to October 2025, UK natural gas markets were characterised by strong LNG imports as piped gas from Russia continued to fall. As for the Asian market, prices continued to decline from June 2025 due to falling demand, improved supply fundamentals and geopolitical uncertainty. All other gas-based commodities included in the ECPI experienced healthy price increases such as UAN (59.6 per cent), urea (30.2 per cent), methanol (8.2 per cent) and ammonia (3.0 per cent). The exception was natural gasoline prices, which fell by 12.9 per cent.

CHART 1.3

Natural Gas and Crude Oil Prices



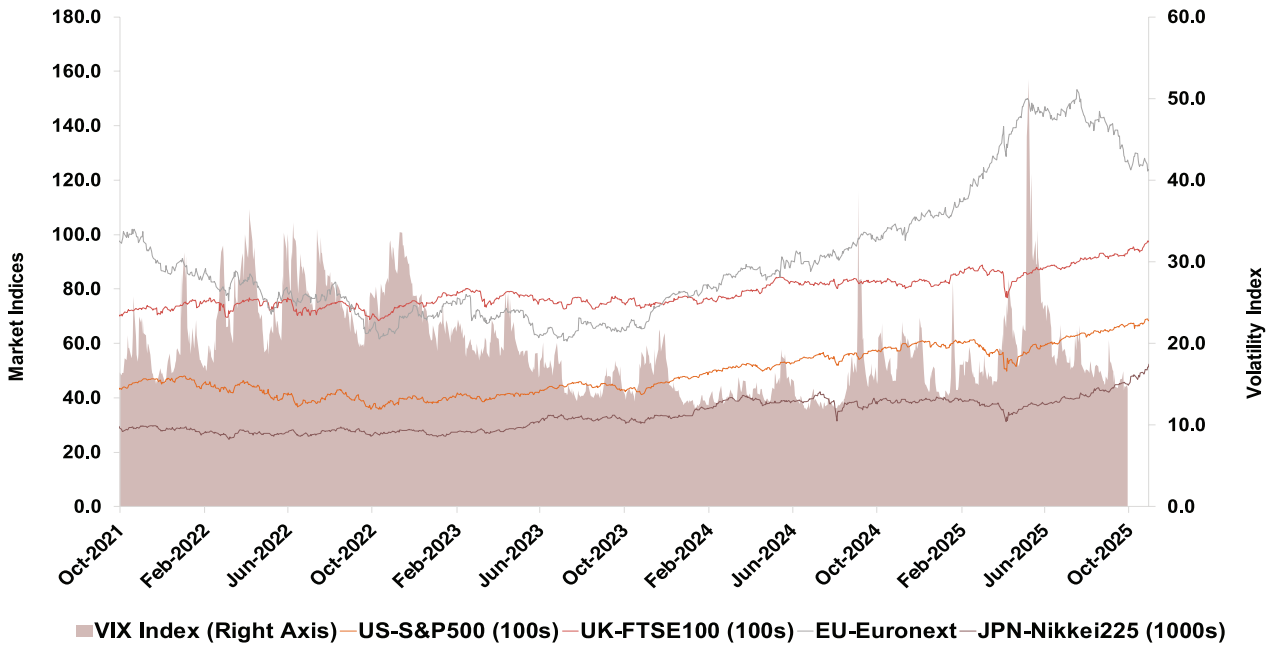
Source: Bloomberg (NBP price converted from Pence Sterling per therm to US$ per mmbtu) and Platts.

Global equities markets rallied

Global equity markets have improved although uncertainty still looms. The US stock market rose due to optimism in the technology sector and the expectation that the Federal Reserve will continue to cut interest rates. Notably, the recent implementation of tariffs had little impact on the stock market's overall performance. The CBOE Volatility Index (VIX) decreased in 2025, reflecting low volatility in the US stock market. The S&P 500 index rose, driven by momentum in artificial intelligence (AI) and investor optimism. The US government shutdown on October 1, 2025, resulted in heightened investor uncertainty. However, despite the shutdown, stocks rose due to enthusiasm about AI and Fed rate cuts. In the United Kingdom, the FTSE 100 surged, fuelled by lower than expected US inflation and hopes for interest rate cuts. Notably, the S&P 500 P/E ratios are above their long-term historical average signalling the market is overpriced. However, some investors are of the view that this is justified by high growth expectations in the technology sector, which are anticipated to earn high returns in the future. Investors are therefore willing to pay premiums today with the expectations of higher earnings in the future. The Japanese stock indices (Nikkei 225) posted gains after Sanae Takaichi secured the leadership election of Japan's ruling party, promoting optimism for greater government spending to aid the economy. Meanwhile, European stocks declined in October 2025 as European markets remain cautious of inflated AI stock valuations (Chart 1.4).

CHART 1.4

Advanced Economies Equity Market Indicies



Source: Bloomberg

2. DOMESTIC ECONOMIC ACTIVITY AND PRICES

In the first quarter of 2025, economic growth dipped due to decreases in the energy and non-energy sectors. Indicators monitored by the Central Bank suggest that economic activity rebounded in the second quarter of 2025 attributed to a hike in energy sector activity. However, the non-energy sector may be losing momentum. Meanwhile, price pressures were relatively contained up to October 2025.

Recent Economic Developments and Outlook

Production shortfalls in the energy and non-energy sectors led to economic contraction in the first quarter of 2025

Gross Domestic Product at constant prices (real GDP) declined by 2.1 per cent (year-on-year) in the first quarter of 2025. Latest available data from the CSO revealed contractions in both the energy (-4.8 per cent) and non-energy (-1.0 per cent) sectors. Production shortfalls in most sub-sectors informed waning energy sector output. Notable among these were the Asphalt (-74.0 per cent); Petroleum support services (-16.4 per cent); Natural Gas Exploration and Extraction (-12.9 per cent); Condensate Extraction (-8.6 per cent); and Manufacture of Petrochemicals (-3.6 per cent) sub-sectors. Conversely, improvements were noted in the Crude Oil Exploration and Extraction (4.6 per cent) sub-sector. Meanwhile, the performance of the non-energy sector softened due to reduced output in key sub-sectors. Lower production was reported in the Trade and Repairs (excluding Energy) (-7.5 per cent); Agriculture, forestry and fishing (-2.9 per cent); and Electricity and Gas (-2.0 per cent) sub-sectors. These outweighed year-on-year improvements in the Manufacturing (excluding Refining and Petrochemicals) (10.3 per cent) and Construction (3.4 per cent) sub-sectors.

Meanwhile, indicators monitored by the Central Bank suggest that economic activity rebounded in the second quarter of 2025. This improvement was attributable to a surge in energy sector activity, which countered estimations of reduced activity in the non-energy sector.

Data from the Ministry of Energy and Energy Industries attributed much of the energy sector expansion in the second quarter of 2025 to improved upstream production. During this period, both natural gas and crude oil production recorded strong year-on-year increases of 11.7 per cent and 8.9 per cent, respectively. This was partly due to a base effect, stemming from maintenance activities by key upstream producers in the corresponding period of 2024. The boost to production was also attributed to the commencement of activity at the bpTT Cypre and the bpTT/EOG Mento fields. Strong upstream performance bolstered activity in the Refining sub-sector. Output of liquefied natural gas (LNG) and natural gas liquids (NGLs) recorded notable upticks of 27.8 per cent and 24.1 per cent, respectively. Activity in the Petrochemicals sub-sector was also buoyant, evidenced by a rise in ammonia (23.6 per cent) and urea (51.3 per cent) output. Conversely, methanol production dipped (-12.7 per cent) given the ongoing effects of the idled Atlas facility in the

fourth quarter of 2024. Setbacks to methanol production also reflected maintenance efforts at the MIV methanol facility during April 2025.

Leading indicators point to a dip in non-energy sector activity during the second quarter of 2025. Growth in the Cashless Payment Index[2], a proxy for non-energy sector activity, slowed to 6.7 per cent over the period, compared to 10.1 cent in the same period one year prior. While a reduction in real time gross settlement, telephone banking and cheque transactions negatively impacted the Index, there were increased volumes of automated teller machine (ATM), internet banking and automated clearinghouse (ACH) credit transactions during the period.

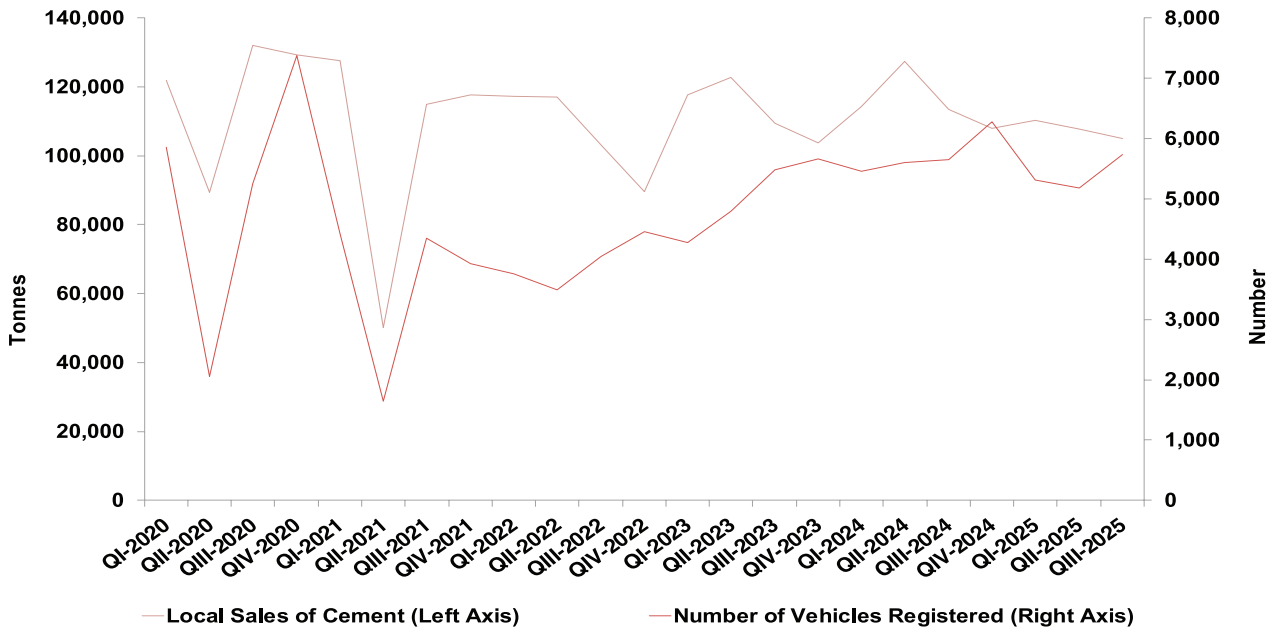
Estimates point to contractions in activity on a sectoral basis. Activity in the Construction sector fell (-15.4 per cent), evidenced by a falloff in the local sales of cement (Chart 2.1) and partial data on the production of mined aggregates. This notion was reinforced by a reduction in the number of building permits issued and refused (-1.0 per cent) over the second quarter of 2025. Preliminary estimates also suggest that activity in the Wholesale and Retail Trade (excluding Energy) sector contracted during the period. This predominantly reflected a year-on-year decline in the CSO's Index of Retail Sales (-0.5 per cent) in the second quarter of 2025. Based on the retail sales data, activity declined in the Construction Materials and Hardware (-12.8 per cent); Household Appliances, Furniture and other Furnishings (-5.3 per cent); and Textiles and Wearing Apparel (-1.1 per cent) sub-sectors. Conversely, increased sales were reported in the Dry Goods Stores (6.9 per cent); and Supermarkets and Groceries (0.8 per cent) sub-sectors. Supplementary indicators of sectoral activity revealed a deceleration in the volume of point of sale (7.7 per cent) and internet merchant (9.4 per cent) transactions over the period. Activity in the Manufacturing (excluding Refining and Petrochemicals) sector contracted marginally (-0.7 per cent). This decline primarily reflected observed dips in the output from the Food, Beverages and Tobacco Products (-0.6 per cent) sub-sector.

On the other hand, a few sectors were estimated to have gained momentum. The Financial and Insurance Activities sector showed an improvement (3.6 per cent), reflecting an increase in the volume of loans, deposits and gross insurance premiums over the period. Elsewhere, the Electricity and Water (excluding Gas) sector improved (1.3 per cent) as an uptick in water supply outweighed a falloff in power generation. Activity in the Transportation and Storage sector inched up marginally (0.6 per cent) given higher air transportation and warehousing activity.

2 See Feature Article "Expanding the Central Bank's Suite of Indicators to support Economic Surveillance", in the July 2024 Economic Bulletin (pg. 114).

CHART 2.1

Non-Energy Indicators (Cement Sales, Vehicle Registrations)



Source: Central Bank of Trinidad and Tobago

Labour market conditions improved during the second quarter of 2025

Latest official labour market data from the CSO indicates that labour market conditions improved during the second quarter of 2025. The unemployment rate measured 3.8 per cent compared with 4.8 per cent recorded in the second quarter of 2024. Heightened labour force engagement was evident during the second quarter, as the labour force participation rate edged upward to 55.1 per cent from 54.5 per cent one year prior. Overall, the expansion of the labour force (7.9 thousand persons), reflected growth in the number of individuals employed (13.4 thousand) and a concurrent decline in the number of persons without jobs and actively seeking employment (-5.7 thousand).

On a sectoral level, there were broad-based employment gains. Job growth occurred in the Financing, Insurance, Real Estate and Business Services (6.1 thousand jobs); Construction (including Electricity and Water) (5.8 thousand jobs); Agriculture (5.7 thousand jobs); and Manufacturing (excluding Sugar and Oil, and including Mining and Quarrying) (5.6 thousand jobs) sectors. In contrast, job losses occurred within the Community, Social and Personal Services (9.6 thousand jobs), and Wholesale and Retail Trade, Restaurants and Hotels (6.9 thousand jobs) sectors.

During the third quarter of 2025, job advertisements declined by 20.7 per cent (year-on-year) suggesting reduced demand for labour. Retrenchment notices filed with the Ministry of Labour for the third quarter of 2025 revealed 20 persons were retrenched compared to 61 persons one-year prior, a 67.2 per cent decline (year-on-year).

Headline inflation narrowed over the six months ending October 2025

Headline inflation, measured by the CSO's Consumer Price Index (CPI), slid over the six-month period (May 2025 to October 2025). Domestic inflation slowed to 0.4 per cent in October 2025 (year-on-year) from 1.4 per cent in May 2025 (Chart 2.2). There were slowdowns in both food and core inflation over the period.

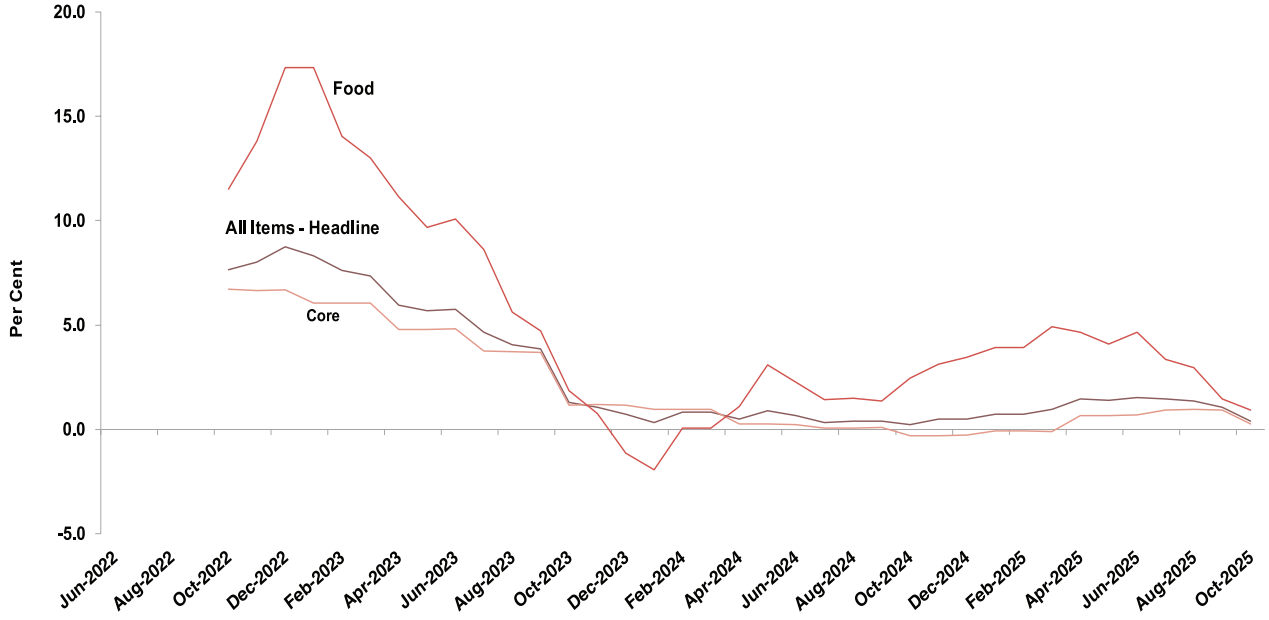
Food inflation slowed to 0.9 per cent in October 2025 from 4.1 per cent in May 2025, on account of smaller price increases and faster price declines in several sub-indices. Price declines in steak, chilled or frozen goat, fresh pork, chicken and duck were responsible for a slowdown in the Meat sub-index (1.3 per cent in October 2025 compared to 12.5 per cent in May 2025). The Fruit sub-index also slowed (0.5 per cent in October 2025 compared to 4.1 per cent in May 2025) due to cheaper prices for oranges, mangoes, bananas and melon. A slower price increase was observed for the Bread and Cereal sub-index (1.3 per cent in October 2025 compared to 4.5 per cent in May 2025), attributed to lower prices for white bread hops, parboiled rice and cornflakes. The Fish sub-index (1.4 per cent in October 2025 compared to 4.1 per cent May 2025) registered softer price increase due to lower prices for carite, cavalli, salmon and shark. The Sugar, Jam and Confectionery sub-index (0.4 per cent in October 2025 compared to 3.2 per cent in May 2025) and the Butter, Margarine and Edible Oils (3.4 per cent in October 2025 compared to 4.4 per cent in May 2025) sub-indices experienced slower price increases. A faster price decline was recorded for the Vegetables sub-index (-6.5 per cent in October 2025 compared to -2.3 per cent in May 2025) as the prices for callaloo bush, green (sweet) peppers, carrots and pumpkin became less expensive.

Core inflation, a measure of underlying inflation, decelerated to 0.3 per cent in October 2025 from 0.7 per cent in May 2025. Slower price increases were recorded for the Alcoholic Beverages and Tobacco (0.6 per cent in October 2025 from 3.0 per cent in May 2025) sub-index due to lower prices for whisky, vodka, shandy and beer. Lower prices for alcohol drinks served in restaurants and cafes, non-alcoholic drinks served in restaurants and cafes and foods and drinks served by vendors led to a softer price increase in the Restaurants and Hotels sub-index (1.4 per cent in October 2025 compared to 1.8 per cent in May 2025). The Housing, Water, Electricity, Gas and Other Fuels sub-index (0.8 per cent in October 2025 from 0.9 per cent in May 2025) also recorded slower price increases due to cheaper prices for electrical repairs and replacement, plumbing repairs and replacement and general masonry and plastering. Price declines were recorded for the Recreation and Culture sub-index (-0.8 per cent in October 2025 compared to 2.1 per cent in May 2025), Transport (-1.3 per cent in October 2025 from 0.0 per cent in May 2025 and Clothing and Footwear (-0.2 per cent in October 2025 compared to 0.1 per cent in May 2025) sub-indices.

CHART 2.2

Consumer Price Index

(Year-on-Year Per Cent Change)



Source: Central Statistical Office

Building material and wholesale prices also softened

The CSO's Index of Retail Prices of Building Materials (BMI) accelerated in the third quarter of 2025. In September 2025, the increase in the BMI stood at 1.5 per cent (year-on-year) compared to 1.3 per cent (year-on-year) in the same quarter one year prior. A faster price increase was observed for Walls and Roofs (1.6 per cent in the third quarter of 2025 compared to 0.6 per cent in the same quarter one year prior). A slower price increase was registered for the Electrical Installation and Fixtures category (3.1 per cent in the third quarter of 2025 compared to 3.6 per cent in the same quarter one year prior) and the Site Preparation and Concrete Frame category (1.0 per cent in the third quarter of 2025 compared to 6.2 per cent in the same quarter one year prior). Further, price increases in the Plumbing and Plumbing Fixtures (5.1 per cent in the third quarter of 2025 compared to -7.0 per cent in the same quarter one year prior) and Windows, Doors and Balustrading (0.2 per cent in the third quarter of 2025 compared to -1.4 per cent one-year prior) were observed. The Finishing, Joinery and Painting and External Works category recorded a faster price decline.

Producer prices, as measured by the CSO's Producer Price Index (PPI), remained steady at 1.2 per cent in June 2025. A price decline occurred for the Assembly-Type and Related Industries (-0.2 per cent in second quarter of 2025 compared to 8.1 per cent in the second quarter of 2024). Further, the Textiles, Garment and Footwear and Printing, Publish-

ing and Paper Converters industries remained steady. The Chemicals and Non-Metallic Products industry recorded a faster price increase (5.0 per cent in the second quarter of 2025 compared to 1.8 per cent in the second quarter of 2024). Softer price increases were recorded for the Drink and Tobacco category (0.2 per cent in the second quarter of 2025 compared to 0.7 per cent in the second quarter of 2024). Price increases were noted in the Food Processing and the Wood Products categories.

The goods trade balance gained momentum as exports increased

The net goods trading position recorded a sharp rise in the first half of 2025. The net trading position increased by 60.7 per cent to US$1,820.6 million in the first half of 2025 from US$1,133.0 million in the first half of 2024. Higher exports, coupled with lower imports, were responsible for this outturn. Exports rose by 5.6 per cent (year-on-year) to US$5,172.4 million over the reference period, owing to a pickup in energy exports underpinned by higher international energy prices for some commodities. Energy exports increased by 11.3 per cent to US$4,324.0 million relative to the similar period one year earlier as a result of higher export earnings from gas (53.9 per cent), and to a lesser extent, petrochemicals (3.2 per cent). However, exports of petroleum crude and refined products registered a decrease (-10.4 per cent) which can be attributed to lower crude oil prices. Meanwhile, non-energy exports declined by 16.5 per cent (year-on-year) to US$848.4 million over the reference period.

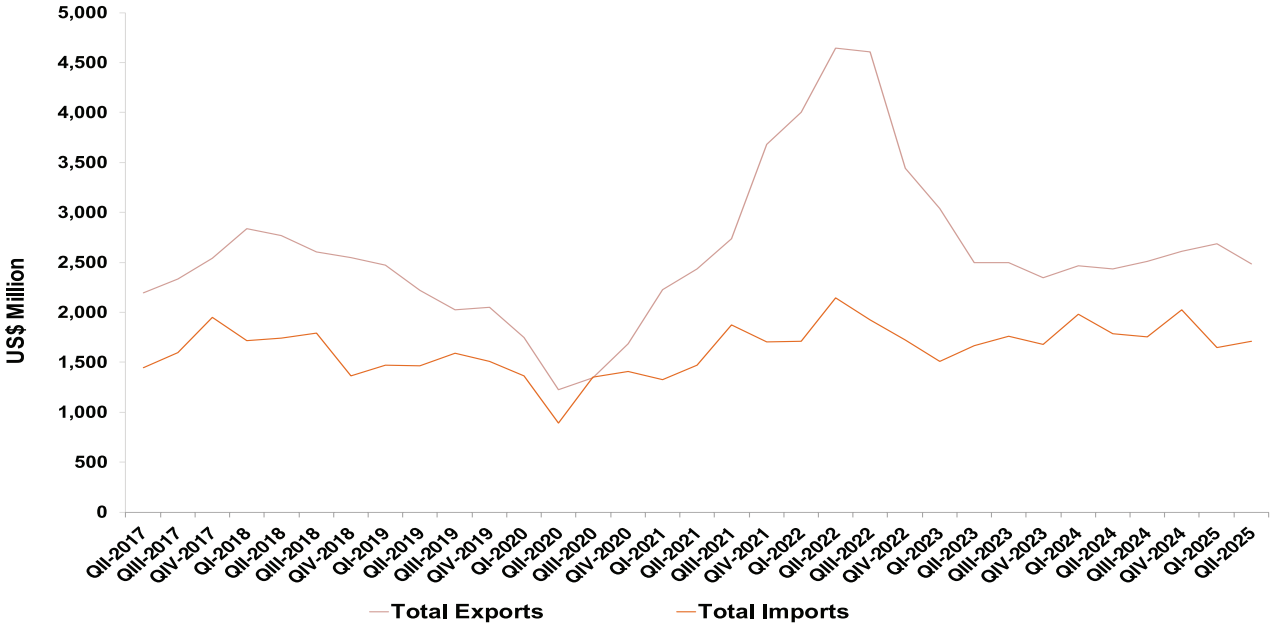
Total imports declined by 11.0 per cent to US$3,351.8 million during the first half of 2025, owing to reductions in fuel and non-fuel imports (Chart 2.3). Over the period, fuel imports declined by 15.6 per cent (year-on-year) to US$787.9 million, primarily due to a reduction in the price of fuel products. Similarly, other imports fell by US$268.6 million (9.5 per cent) to US$2,563.9 million, driven by a decline in capital imports of 30.9 per cent.

Portfolio investments abroad quickened in the first half of 2025

Portfolio investment registered a net outflow of US$698.5 million over the six months to June 2025, mainly owing to increased holdings of foreign assets. This outturn largely reflected a rise in short-term debt securities held abroad, primarily by domestic financial institutions. At the same time, portfolio investment liabilities registered an inflow of US$29.1 million, reflecting an increase in holdings of foreign long-term debt securities by the General Government.

CHART 2.3

Trends in Merchandise Exports and Imports*



Sources: Central Bank of Trinidad and Tobago and the Central Statistical Office
* Energy goods data comprise estimates by the Central Bank of Trinidad and Tobago

3. DOMESTIC FINANCIAL CONDITIONS

Monetary policy remained relatively unchanged over May to October 2025. Economic activity was mixed and inflation remained muted. Commercial bank rates increased as excess liquidity declined.

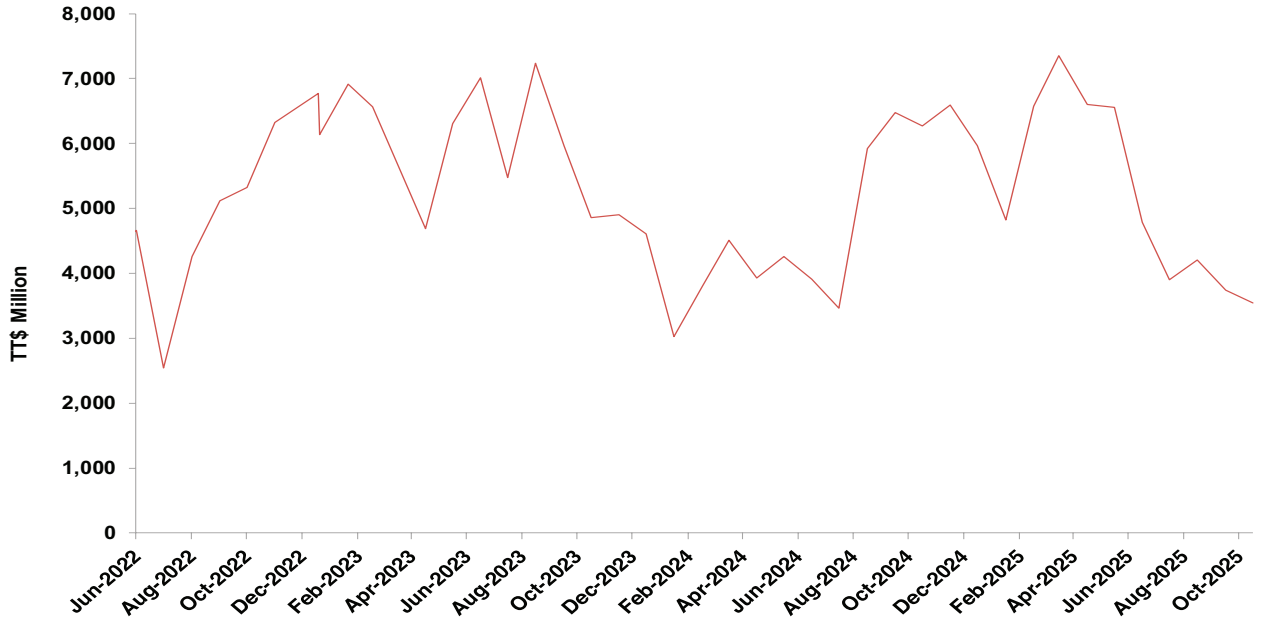
Liquidity Conditions and Interest Rates

A combination of factors contributed to tighter liquidity conditions

Commercial banks' excess liquidity decreased from May to October 2025 (Chart 3.1). Fiscal operations, usually the primary driver of excess liquidity, resulted in net injections of $1,851.7 million over the period May to October 2025 compared to withdrawals of $1,031.5 million in the same period a year prior. However, on a monthly basis during the aforementioned period, there was a mixture fiscal withdrawals and fiscal injections. Open Market Operations (OMOs) resulted in net maturities of $1,245.0 million during the period, while OMO activity remained neutral in the corresponding period of 2024. Central Bank sales of foreign currency to authorised dealers indirectly removed $4,585.6 million from the system over the reference period, compared to $4,519.4 million in the same period a year earlier. Because of these factors, daily average excess liquidity decreased to $3,539.8 million by October 2025 compared to $6,558.4 million in May 2025.

CHART 3.1

Commercial Banks' Excess Reserves



Source: Central Bank of Trinidad and Tobago

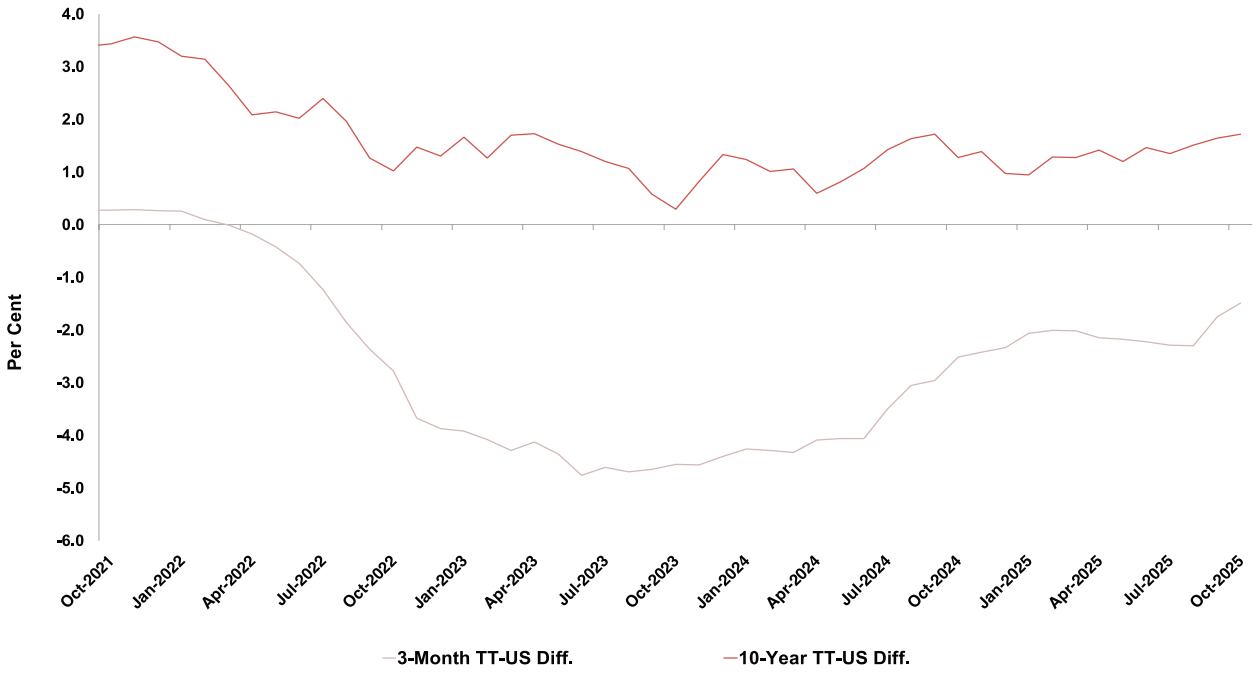
As liquidity declined between May and October 2025, interbank and repo activity were triggered and sustained. Daily average interbank borrowing increased to $205.1 million compared to an average of $115.5 million over the same period a year prior. Activity on the Repurchase Facility extended to banks for overnight liquidity reached a daily average of $74.5 million, with activity concentrated between August and October 2025, compared to $28.9 million a year prior[3].

Short-term interest rates increased in 2025. The TT 91-day OMO Treasury Bill rate increased by 52 basis points over May to October 2025 to reach 2.66 per cent. Following a 25 basis point rate cut by the Fed in September 2025, the US 91-day short-term benchmark yield fell to 3.89 per cent in October, from 4.36 per cent in May. As a result, the TT-US 91-day differential improved to -123 basis points in October 2025 compared to -222 basis points in May (Chart 3.2). The TT 1-year Treasury rate increased by 43 basis points over the reference period, settling at 4.54 per cent by October 2025. However, the US 1-year Treasury rate decreased by 41 basis points over May to October 2025 to reach 3.70 per cent. These movements resulted in a TT-US 1-year differential of 84 basis points in September 2025, from a flat position in May.

The US 10-year Treasury rate declined by 30 basis points over May to October 2025 to reach 4.11 per cent. The TT 10-year Treasury rate increased by 24 basis points over the period to reach 5.85 per cent, resulting in an improvement of the 10-year yield differential from 120 basis points in May to 174 basis points in October 2025.

CHART 3.2

3-Month and 10-Year TT-US Differentials



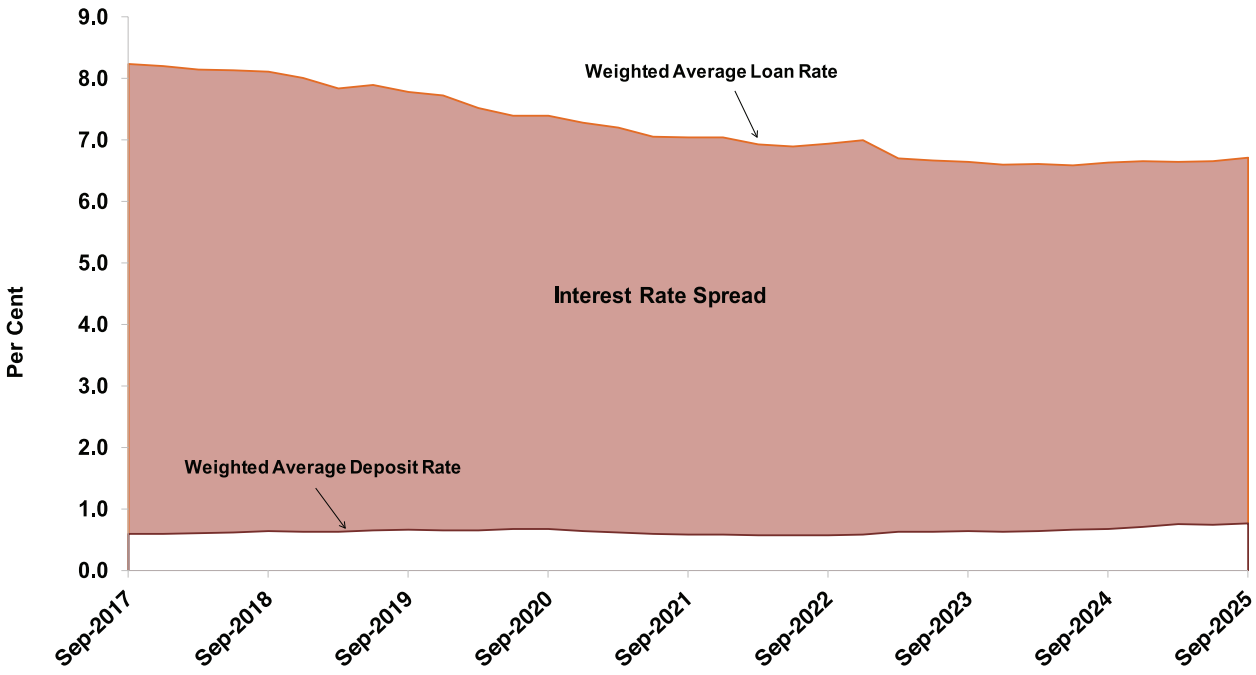
Sources: Central Bank of Trinidad and Tobago and the US Department of Treasury

3 Over the reference period, the interbank borrowing facility registered 52 days of activity, compared to 50 days of activity in the same period a year prior.

Commercial bank interest rates increased by September 2025. The commercial banks' weighted average lending rate (WALR) reached 6.72 per cent in September 2025 compared to 6.65 per cent in March. Additionally, the weighted average deposit rate increased by 6 basis points to reach 0.83 per cent over the same period. As a result, the rounded banking spread increased by one basis point over the period March to September 2025 to reach 5.89 per cent (Chart 3.3). Commercial banks' return on assets decreased from 2.7 per cent to 2.5 per cent over December 2024 to June 2025, while return on equity decreased from 13.9 per cent to 12.7 per cent. The interest margin-to-gross income of commercial banks decreased from 67.6 per cent to 66.2 per cent over the period. Reduced liquidity over the reference period led to an increase in the interbank borrowing rate to an average of 0.74 per cent over May to October 2025, up from an average of 0.58 per cent a year prior.

CHART 3.3

Commercial Banks' Interest Rates



Source: Central Bank of Trinidad and Tobago

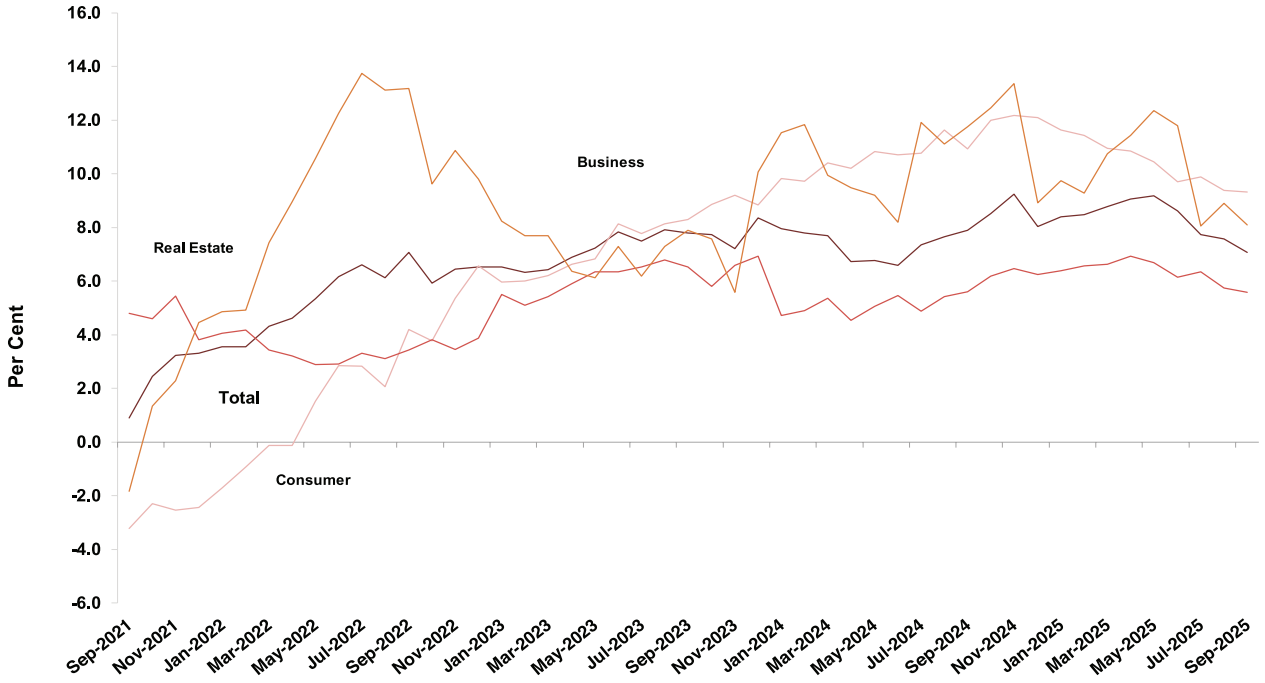
Private Sector Credit

Private sector credit growth remained robust

Despite the ease in momentum, consolidated system credit growth remained robust. On a year-on-year basis, credit to the private sector increased by 7.1 per cent in September 2025, down from 8.8 per cent in March 2025. Lending growth by commercial banks decelerated and non-bank lending continued to decline. Weaker growth was also observed across all major lending categories (consumer, business and real estate mortgages) (Chart 3.4).

CHART 3.4

Private Sector Credit



Source: Central Bank of Trinidad and Tobago

Consumer loan activity continued to decelerate. On a year-on-year basis, compared to an increase of 10.9 per cent in March 2025, consumer lending growth slowed to 9.3 per cent in September 2025. Quarterly data for September 2025 showed a deceleration in the volume (from 6.7 per cent to 3.6 per cent) and value (from 10.7 per cent to 9.2 per cent) of consumer loans in the third quarter of 2025. The main loan categories that accounted for the slowdown in consumer borrowing were Bridging Finance (from 12.8 per cent to 3.0 per cent), Motor Vehicles (from 14.0 per cent to 12.4 per cent), Refinancing (from 8.1 per cent to 6.5 per cent), Consolidation of Debt (from 11.6 per cent to 10.6 per cent), Land

and Real Estate (from 23.7 per cent to 20.1 per cent), Purchase of Financial Assets (from -0.1 per cent to -8.1 per cent) and Other Purposes (from 11.9 per cent to 9.9 per cent) which includes Credit Cards (from 3.6 per cent to 1.2 per cent). Meanwhile, Home Improvement and Renovation remained unchanged (2.8 per cent) and the remaining other categories accelerated, namely; lending for Electrical and Non Electrical Appliances (from 28.8 per cent to 33.8 per cent), Other Furniture and Furnishings (from 4.5 per cent to 9.9 per cent) and Travel (from 8.8 per cent to 12.8 per cent).

Business lending also eased over March 2025 to September 2025. On a year-on-year basis, lending to firms expanded by 8.1 per cent in September 2025, lower than the 10.8 per cent in March 2025. A deceleration in bank lending (10.4 per cent) and a double-digit contraction in non-bank lending (-16.9 per cent) accounted for the slowdown. Quarterly data for September 2025 showed a deceleration in the volume of loans (from 9.6 per cent to 5.2 per cent) and a pickup in the value of loans (from 7.4 per cent to 10.2 per cent) over the first and third quarters of 2025. A slowdown in lending growth occurred for the Construction (from 11.9 per cent to 10.6 per cent) and Petroleum (from 11.7 per cent to 3.6 per cent) sectors while loans for Agriculture continued to decline (from -36.2 per cent to -45.1 per cent). On the other hand, lending picked up for the Manufacturing (from 3.2 per cent to 7.9 per cent), Distribution (from 9.6 per cent to 10.7 per cent)[4], Finance, Insurance and Real Estate (from 8.3 per cent to 14.3 per cent) and Other Services (from 6.7 per cent to 9.7 per cent)[5] sectors.

Slower growth in real estate mortgage lending was also observed. In September 2025, real estate mortgage lending expanded by 5.6 per cent, down from 6.6 per cent in March 2025. Commercial banks' real estate mortgage lending increased by 5.6 per cent, while non-bank mortgage lending contracted by 2.2 per cent. Over the period, both residential real estate mortgage lending[6] (from 7.0 per cent to 6.2 per cent) and lending for commercial real estate mortgages (from 6.0 per cent to 4.3 per cent) decelerated. Quarterly data indicated a decrease in demand for real estate mortgages, evidenced by a dip in the number of residential loan applications, as the cost of mortgages increased. Over the period March to September 2025, the interest rate on new residential mortgage loans rose from 4.45 per cent to 5.14 per cent while the rate on new commercial real estate mortgages increased from 5.12 per cent to 5.76 per cent.

Foreign currency borrowing and foreign currency deposit growth picked up over the review period. In September 2025, foreign currency credit picked up slightly, expanding by 13.2 per cent compared to 13.1 per cent in March 2025. Commercial bank foreign currency lending picked up pace

4 As of September 2025, the growth of loans to the Wholesale Trade sector picked up (from 11.2 per cent to 15.7 per cent), loans to the Retail Trade sector decelerated (from 9.7 to 7.2 per cent) and loans to Restaurant, Bars, Snackettes, Parlour sector rebounded strongly (from -2.3 per cent to 11.7 per cent).
5 Driven by loans to the Hotels and Guest Houses sector (from -4.8 per cent to 10.9 per cent).
6 As of September 2025, residential and commercial real estate mortgages accounted for 69.2 per cent and 30.8 per cent of total real estate mortgages.

(16.8 per cent), eclipsing the contractions in non-bank lending (-37.7 per cent). Similarly, foreign currency deposit growth accelerated in September 2025 (8.2 per cent), compared to 7.7 per cent in March 2025. Business foreign currency deposits sped up by 10.2 per cent, the highest since November 2023, and consumer foreign currency deposits recorded a strong rebound of 8.8 per cent, compared to an increase of 5.8 per cent and a decline of 1.7 per cent in March 2025, respectively. Meanwhile, foreign currency deposit growth held by public sector entities, commercial banks and private financial institutions slowed down considerably (to 5.0 per cent in September 2025 from 20.2 per cent in March 2025).

The monetary aggregates expanded. On a year-on-year basis to September 2025, M1-A, which comprises currency in active circulation plus demand deposits, contracted (from -3.8 per cent in March 2025 to -1.5 per cent in September 2025). Both demand deposits (-1.7 per cent) and currency in active circulation (-0.6 per cent) declined. M-2 grew by 1.0 per cent in September 2025, following no change in March 2025. The expansion in time deposits slowed down to 10.7 per cent, while the growth in saving deposits accelerated by 1.1 per cent. There continued to be a significantly favourable spread in interest rates offered for time deposits, particularly at non-banks.

Foreign Exchange Market Developments

The local market for foreign currency has remained tight thus far in 2025

Foreign exchange market conditions remained tight thus far in 2025 (Table 1). Purchases of foreign exchange by authorised dealers from the public amounted to US$3,354.8 million over January to October 2025, a decrease of 10.0 per cent relative to the same period a year earlier. The decrease in purchases followed a 14.9 per cent decline in conversions by energy companies relative to the same period in 2024, likely related to redemptions of VAT bonds by energy sector companies during 2025. For the period January to October 2025, purchases from the energy sector accounted for 66.9 per cent of total foreign currency purchases over US$20,000 in value. Other sectors with notable inflows were Services (8.0 per cent) and Credit Cards (6.4 per cent).

Sales of foreign exchange by authorised dealers to the public reached US$4,628.9 million over January to October 2025, a decrease of 6.1 per cent relative to the same period a year prior[7]. Based on reported data for transactions over US$20,000, credit cards (44.0 per cent), retail and distribution (20.4 per cent), energy companies (10.6 per cent), and automobile companies (5.9 per cent) made up the bulk of foreign exchange sales by authorised dealers to the public (Chart 3.5). The net sales gap reached US$1,274.1 million during the period. To support the market, the Central Bank sold US$1,087.7 million to authorised dealers.

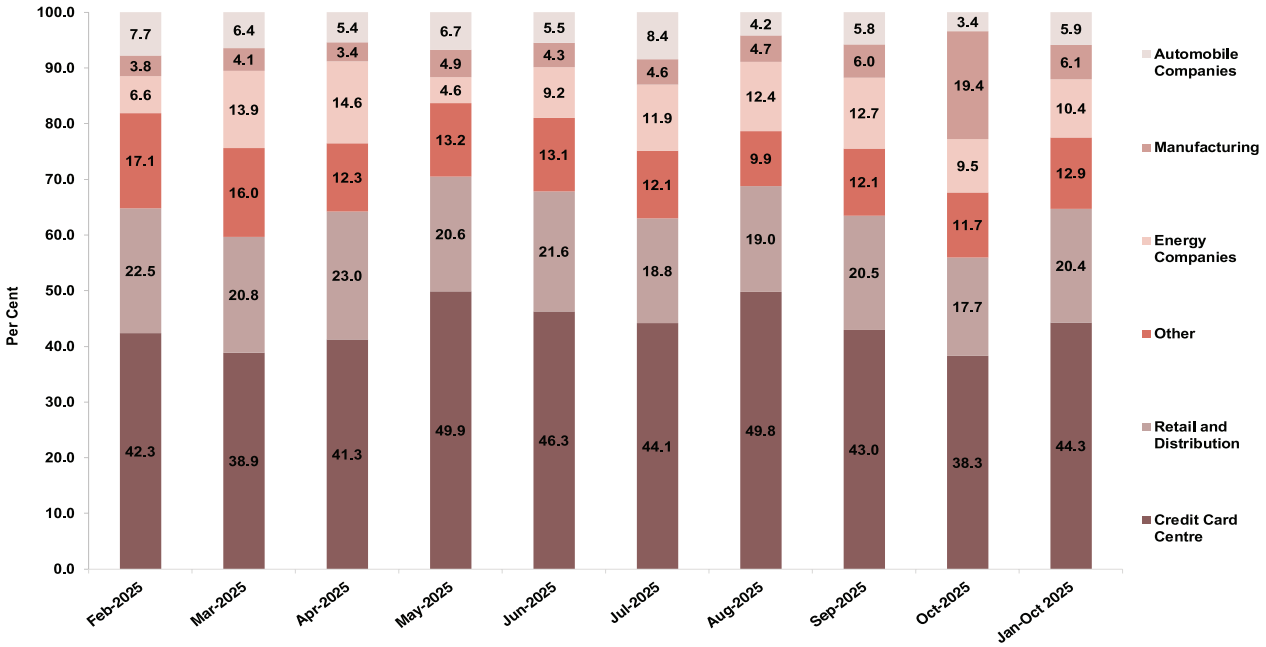
7 Note: sales of foreign currency to authorised dealers by the Central Bank (i.e., interventions) are consistently smaller than sales of foreign exchange by authorised dealers to the public and tends to approximate the net sales gap. Over January to October 2025, Central Bank interventions accounted for 23.5 per cent of total sales of foreign exchange by authorised dealers to the public, up from 21.8 per cent a year prior.

TABLE 1
Authorised Dealers' Foreign Exchange Market Activity[1]
(US$ Million)

Date	Authorised Dealers Purchases from Public	Authorised Dealers Sales to Public	Authorised Dealers Net sales	Authorised Dealers Purchases from CBTT[1]
2019	4,285.6	5,939.8	1,654.2	1,504.0
2020	3,298.2	4,504.1	1,206.0	1,292.2
2021	4,148.9	4,969.4	820.5	1,212.1
2022	5,528.8	6,551.2	1,022.4	1,270.6
2023	4,614.6	6,228.4	1,613.7	1,341.9
2024	4,544.7	5,899.4	1,354.7	1,363.0
Jan - Oct 2024	3,725.5	4,927.4	1,201.8	1,075.0
Jan - Oct 2025	3,354.8	4,628.9	1,274.1	1,087.7
Y-o-Y Per cent Change	**-10.0**	**-6.1**	**6.0**	**1.2**

Source: Central Bank of Trinidad and Tobago
1 Purchases from the Central Bank of Trinidad and Tobago include transactions under the Foreign Exchange Liquidity Guarantee facility, and excludes sales under the EXIM Bank and Other Public Sector provisional facilities.

CHART 3.5
Sales of Foreign Currency by Authorised Dealers to the Public*



Source: Central Bank of Trinidad and Tobago
* Represent sales in excess of US$20,000

Capital Markets

Primary debt market activity remained robust over the period May to October 2025

Over the period May to October 2025, the primary debt market recorded three bond issues raising roughly $4.4 billion (Chart 3.6). The Central Government was the only issuer in the market, raising funds for debt refinancing and budget support (Table 2). The bonds issued had tenors ranging between 4 and 20 years and coupon rates of 4.90 - 7.20 per cent. Notably, in October 2025, one dual tranche, fixed rate bond initially issued in July 2025, was upsized by an additional $410.0 million, increasing the total proceeds from the bond to $1.1 billion.

In comparison, during the same period in 2024, the Central Government issued eight bonds raising $3.7 billion. These bonds carry tenors ranging between 4 and 20 years and coupon rates of 4.55 - 6.90 per cent, issued for budget support and debt refinancing. The Central Government was the only issuer in the market over the period.

TABLE 2
Primary Debt Security Activity
(January to September 2025)[p]

Period Issued	Borrower	Face Value (TT$ M)	Period to Maturity	Coupon Rate Per Annum	Placement Type
Jan-25	Government of Trinidad and Tobago	3,000.0	3.0 years	Fixed Rate 4.01%	Private
Feb-25	Government of Trinidad and Tobago	459.3	5.0 years	Fixed Rate 5.095%	Private
	Government of Trinidad and Tobago (Tranche 1 of 2)	550.0	8.0 years	Fixed Rate 5.57%	Private
	(Tranche 2 of 2)	450.0	7.0 years	Fixed Rate 6.80%	Private
Mar-25	Government of Trinidad and Tobago	141.8	4.0 years	Fixed rate 5.75%	Private
	Government of Trinidad and Tobago (Tranche 1 of 2)	200.0	7.0 years	Fixed rate 5.60%	Private
	(Tranche 2 of 2)	900.0	18.0 years	Fixed rate 6.90%	Private
May-25	Government of Trinidad and Tobago (Tranche 1 of 3)	800.0	5.0 years	Fixed Rate 5.20%	Private
	(Tranche 2 of 3)	400.0	10.0 years	Fixed Rate 5.75%	Private
	(Tranche 3 of 3)	800.0	18.0 years	Fixed Rate 6.99%	Private
Jun-25	Government of Trinidad and Tobago (Tranche 1 of 2)	750.0	4.0 years	Fixed Rate 4.90%	Private
	(Tranche 2 of 2)	518.9	16.0 years	Fixed Rate 6.80%	Private
Jul-25	Government of Trinidad and Tobago (Tranche 1 of 2)	300.0	6.0 years	Fixed Rate 5.55%	Private
	(Tranche 2 of 2)	400.0	20.0 years	Fixed Rate 7.150%	Private

Sources: Ministry of Finance and Market Participants
[p] Provisional

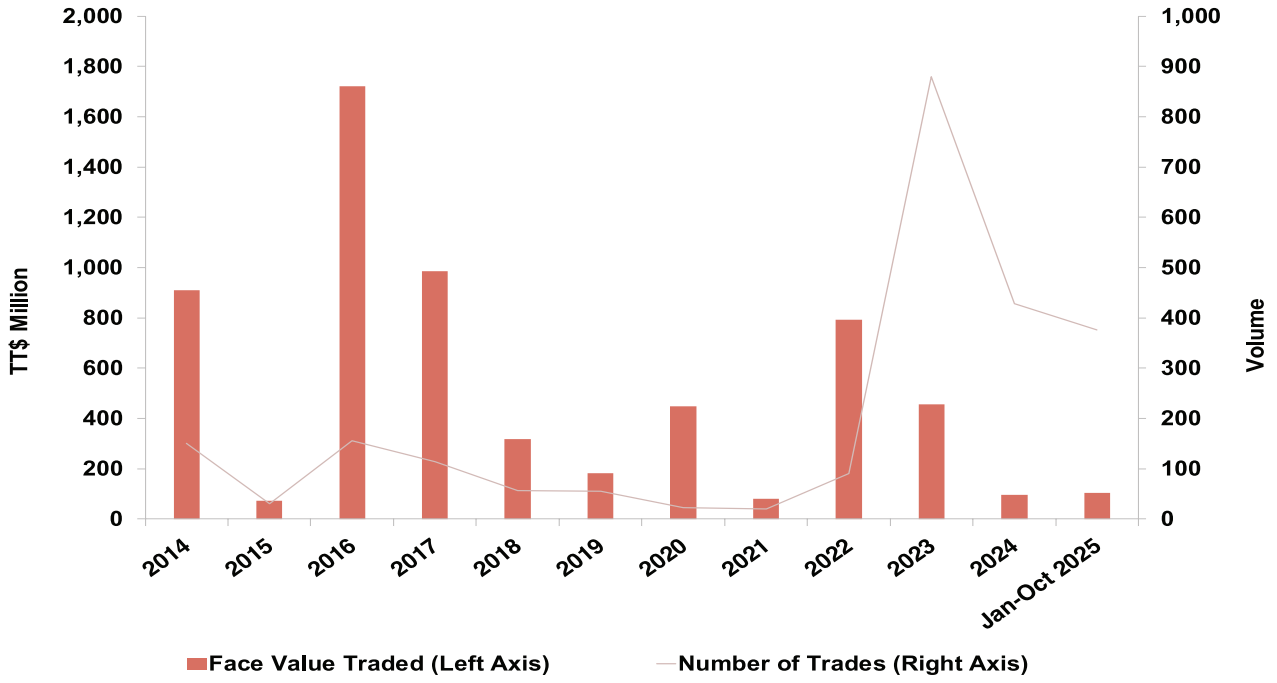
In the seven months ending October 2025, trading activity on the secondary Government bond market remained healthy

The number and value of trades on the Trinidad and Tobago Stock Exchange (TTSE) secondary Government bond market increased over May to October 2025. A total of 245 trades were recorded at a face value of $92.5 million, as the listing of the Government Series II bond in January 2023 continued to influence trading volumes[8]. In comparison, 210 trades at a face value of $41.7 million were recorded during the same period one-year prior.

Over the same period, the TTSE secondary corporate bond market[9] recorded an increase in the volume and value of trades. The market registered 88 trades at a face value of $76.9 million, compared to 63 trades at a face value of approximately $6.1 million recorded in the same period one-year earlier.

CHART 3.6

Secondary Government Bond Market Activity



Source: Trinidad and Tobago Stock Exchange

8 The Government Series II bond, issued in January 2023, recorded a total of 238 trades over the period May to October 2025.
9 Activity on the TTSE corporate bond market records the price and yield movements of the three National Investment Fund Holding Company Limited bonds listed in September 2018.

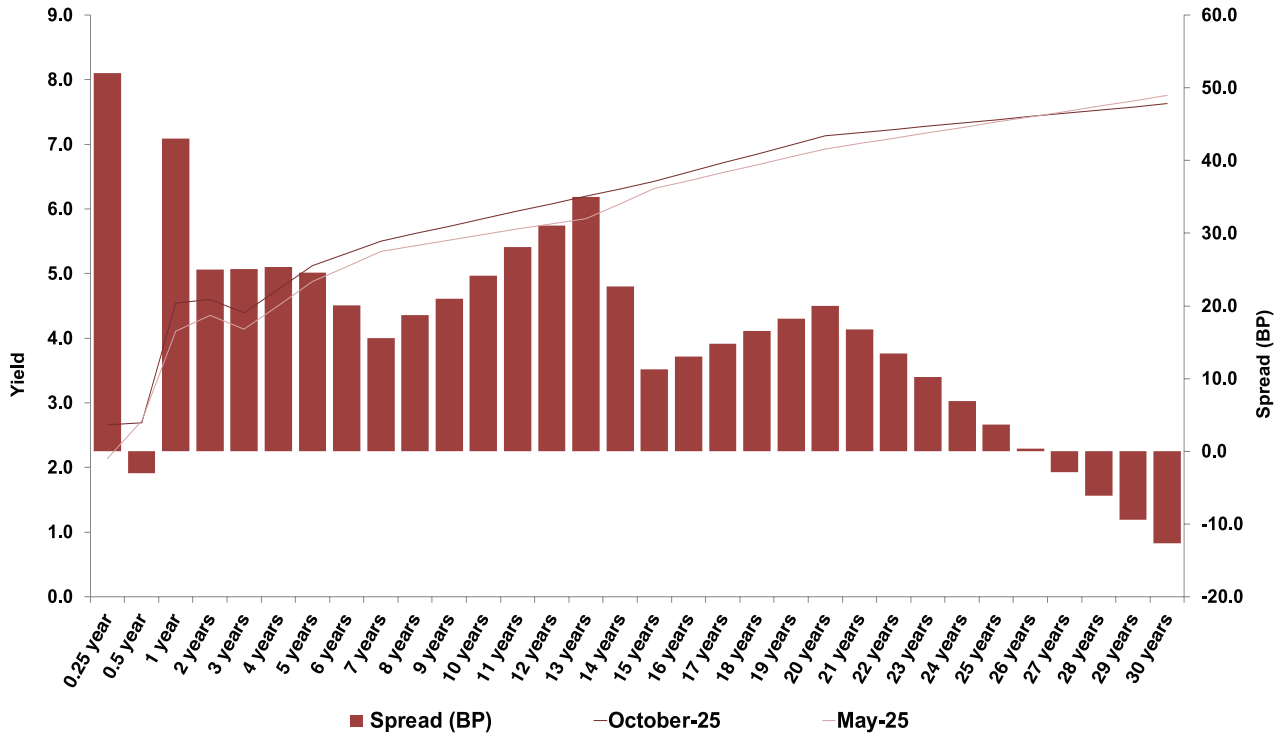
The Government yield curve mostly trended upwards over May to October 2025

Over the period May 2025 to October 2025, the standardised Government yield curve recorded mainly increases in rates (Chart 3.7). At the short end, the 3-month rate advanced by 52 basis points to 2.66 per cent while the 6-month rate recorded a 3 basis points decline to 2.69 per cent. The 1-year and 2-year rates advanced by 43 and 25 basis points to 4.54 per cent and 4.60 per cent, respectively at the end of October 2025. Meanwhile, the 5-year rate advanced by 25 basis point to 5.12 per cent. There were some gains in long-term rates as the very long-term rates recorded declines. The 10-year rate increased by 24 basis points to 5.85 per cent while the 15-year and 20-year rates increased by 11 and 20 basis points, respectively. The 25-year rate jumped by 4 basis points to 7.38 per cent while the 30-year rate fell by 12 basis points to 7.63 per cent.

CHART 3.7

Trinidad and Tobago Central Government Treasury Yield Curve

May 2025 and October 2025



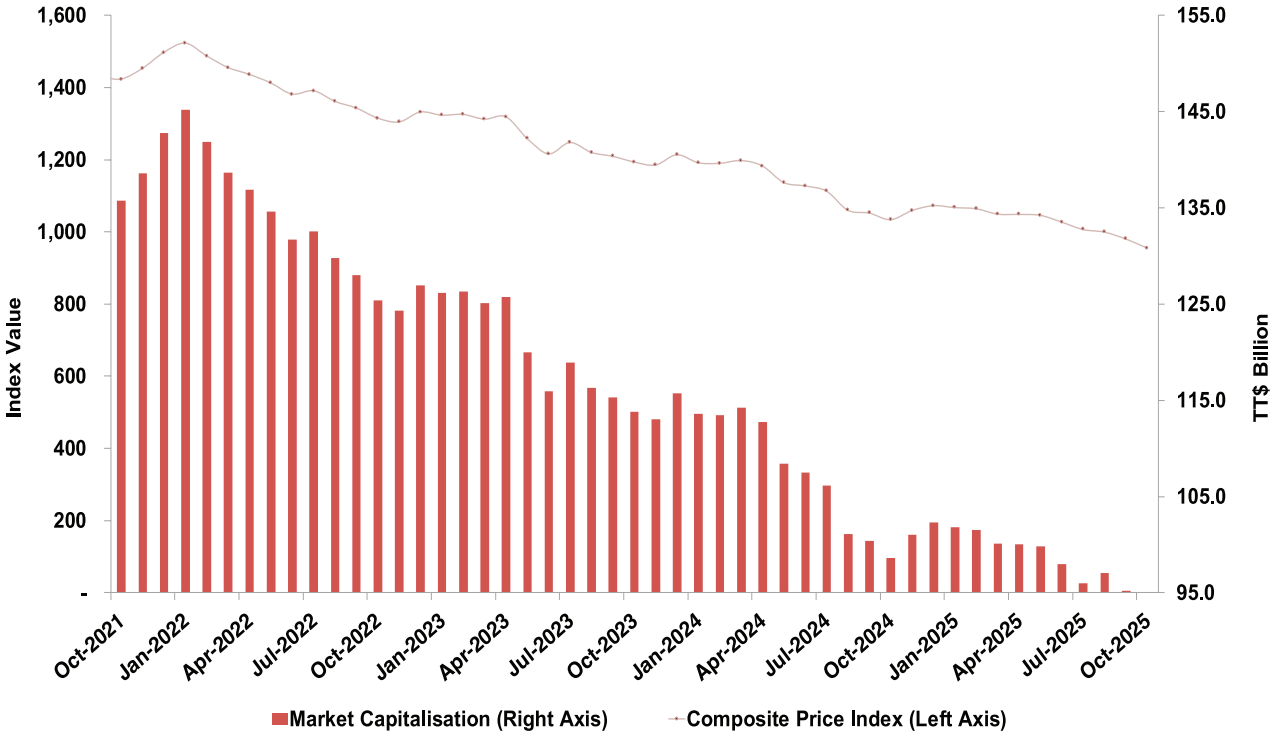
Source: Central Bank of Trinidad and Tobago
Note: The spread represents the difference in yield for a specific maturity along the Central Government yield curve

The domestic stock market downturn continued over May 2025 to October 2025

Over the six-month period ending October 2025, the Composite Price Index declined (-7.0 per cent), resulting in total stock market capitalisation falling by $7.0 billion to $92.7 billion (Chart 3.8). Sub-par earnings across most sectors led to declines of 9.8 per cent in the All Trinidad and Tobago Index (ATI) and 5.2 per cent in the Cross Listed Index (CLI), contributing to the overall downturn. The performance of the first tier sub-indices were broadly negative, with only the Trading sub-index registering an increase (21.5 per cent). Over the period, the Trading segment also gained a new company listing, A.S. Bryden & Sons Holdings Limited. For the remaining segments, the Property (-3.3 per cent), Manufacturing I (-16.4 per cent) and Non-Bank (-19.3 per cent) sub-indices sunk into negative territory, joining the Banking (-9.3 per cent), Conglomerates (-9.1 per cent), Manufacturing II (-2.6 per cent) and Energy (-15.7 per cent) sub-indices. Also notable was the addition of Medcorp Limited, the fourth company to be listed on the TTSE Small and Medium Enterprises Market (SME Market). Over May to October 2025, the SME Market capitalisation recorded an increase of 6.5 per cent.

CHART 3.8

Movements in the Composite Price Index and Stock Market Capitalisation



Source: Trinidad and Tobago Stock Exchange

The Caribbean Exchange Index (CEI)[10] also fell (-1.3 per cent) over the six months ending October 2025. The weak performance of the domestic, Jamaican (JSE), and Barbadian (BSE) stock exchanges outweighed the gains recorded in the Guyanese stock exchange. Over the period, the JSE index and BSE indices declined (-0.6 per cent and -0.5 per cent, respectively) and changes to stock market capitalisation of the Guyanese exchange improved (3.7 per cent).

The mutual funds market increased in the third quarter of 2025

Aggregate funds under management[11] inched up by 3.4 per cent to $54,769.8 million in September 2025[12] compared to $52,929.7 in the same period of 2024. This was largely attributed to an increase in Money Market funds, which gained 7.0 per cent to reach $16,886.9 million. Income funds also rose by 2.2 per cent to $29,438.6 million. 'Other'[13] funds increased by 2.1 per cent to $454.4 million. Equity funds marginally increased to $7,989.9 million. Volatility in advanced economy capital markets pose concerns for the industry (Chart 3.9).

Fixed net asset value (NAV) funds continue to support the industry. Fixed NAV funds increased by 5.0 per cent to $42,345.0 million, reflecting greater investor preference for fixed/guaranteed returns in light of uncertain global economic conditions. On the other hand, floating NAV funds decreased by 2.3 per cent to $12,424.8 million. In terms of currency composition, domestic and foreign currency dollar-denominated mutual funds increased by 3.4 per cent to $44,147.8 for the former and 3.3 per cent to $10,622.0 million for the latter.

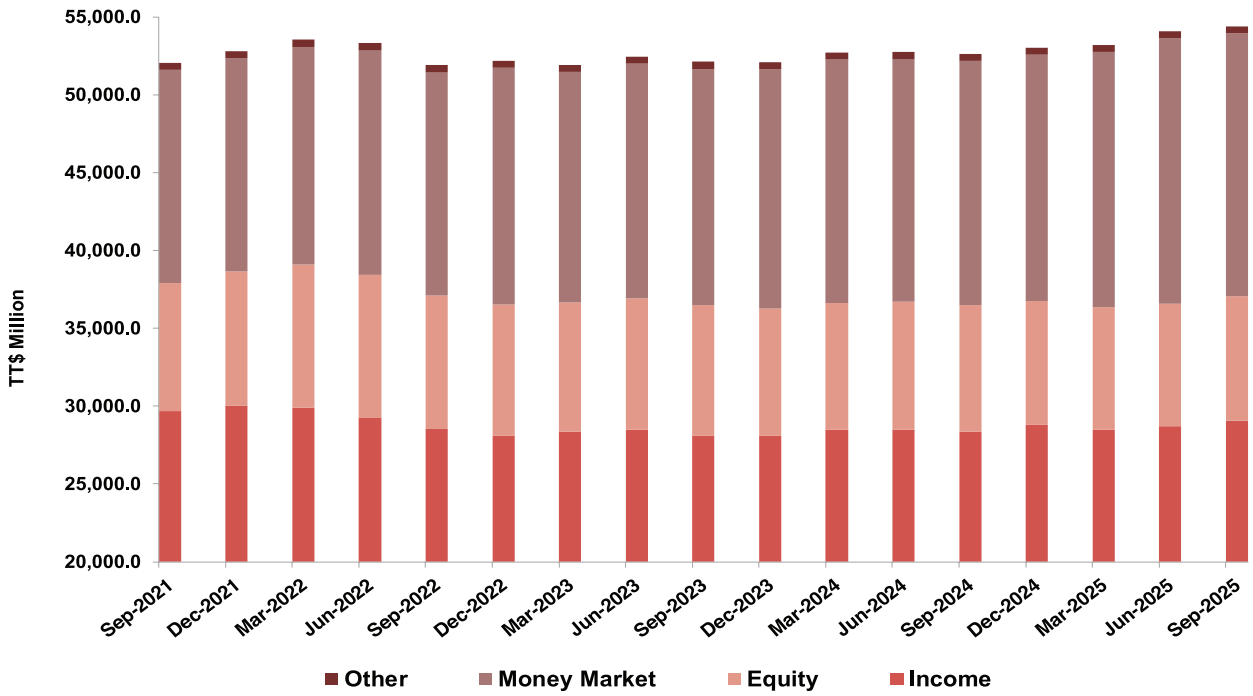
The industry recorded net withdrawals of $257.1 million in September 2025. This comprised $4,375.9 million in sales and $4,633.0 million in redemptions. The net withdrawals position in September 2025 was attributed to $40.5 million, $56.0 million $163.4 million in net withdrawals from Income Funds, Equity funds and Money Market Funds, respectively. Conversely, Other funds recorded net sales of $2.8 million. Domestic currency funds registered $107.2 million in net withdrawals and, foreign currency funds recorded $149.9 million in net redemptions.

Collective Investment Scheme (CIS) data published by the Trinidad and Tobago Securities and Exchange Commission (TTSEC)[14] suggests that for the third quarter of 2025, the total value of Assets Under Management (AUM) for all registered funds recorded a 5.1 per cent increase to $66,533.0 million compared to the same period one year earlier. The industry also recorded net withdrawals amounting to $23.7 million.

10 The CEI was launched in October 2022, as a collaborative effort by five regional stock exchanges: Jamaica, Barbados, The Eastern Caribbean, Guyana, and Trinidad and Tobago. The index consolidates the activity of the main market stocks across the different exchanges into a single performance measure and is intended to be an indicator of the performance of the Caribbean region.
11 Aggregate Funds Under Management refer to mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Royal Bank of Trinidad and Tobago, Republic Bank Limited and First Citizens Bank Limited.
12 As at the end of September 2025, data collected by the Central Bank accounted for 82.3 per cent of the industry's 84 TTSEC registered funds.
13 Other funds represent high yield funds and special purpose funds.
14 CIS data from the TTSEC represents 84 registered funds from 16 issuers.

CHART 3.9

Trinidad and Tobago Mutual Funds Under Management by Fund Type



Source: Central Bank of Trinidad and Tobago

Box 1
The Potential of Real Estate Investments Trusts (REITs) to deepen the Capital Market in Trinidad and Tobago

Trinidad and Tobago's capital markets are often characterised as thin, illiquid and dominated by government securities. Over the years, there have been efforts to boost corporate bond issuances and expand listings on the domestic stock exchange with the launch of an SME Market in 2012. Real Estate Investment Trusts (REITs) represent a possible underexplored asset class that can be utilised to boost public participation in the domestic stock market through leveraging real estate assets held as either physical properties or mortgages. This Box describes the use of REITs, primarily mortgage REITs, and their potential usage to deepen the capital market in Trinidad and Tobago.

EITs are firms that specialise in the owning and operating of income-generating real estate and real estate securities (NAREIT n.d). REITs act as investment vehicles that allow investors to participate in real estate markets simply by purchasing REIT shares. First legislated in the United States in (US) in 1960, REITs were designed to grant retail investors greater access to real estate markets without the need for massive capital investment (REIT Institute n.d.). Through their operations, both retail and institutional investors can gain the benefits of real estate exposure without necessarily incurring the managerial overhead.

Anderson, Boney and Guirguis (2012) note that expansionary monetary policy is anticipated to increase REIT prices through either the expected equity risk premium, the real interest rate or increasing dividends. Bredin, O'Reilly and Stevenson (2010) found that REIT markets react negatively in response to a monetary policy surprise through the dividend channel. This effect may be worse in the short- run when an economy is in a high variance regime (usually a period of financial distress) (Anderson, Boney and Guirguis 2012). Yong and Singh (2014) also note that general market conditions can influence the sensitivity of REITs to short-term rates whereas long-term interest rate risk tends to be higher in more leveraged REITs.

A notable example of a REIT-type instrument in the Caribbean is Kingston Properties Limited (KPREIT) in Jamaica. Formerly known as Carlton Savannah REIT (Jamaica) Ltd., KPREIT has expanded operations to four territories; U.S, UK, St. Lucia and the Cayman Islands ("About KPL" n.d.). However, their sole listing is on the Jamaica Stock Exchange. Market capitalisation as at January 2025 is JMD$8.53 billion (US$ 53.1 million) (Jamaica Stock Exchange 2025). Other CARICOM countries such as Barbados along with Antigua and Barbuda have also considered introducing REITs. Barbados was actively developing REIT legislation (Harridyal-Sodha 2014) but no significant progress has been made. While the Global Bank of Commerce headquartered in Antigua and Barbuda lists REITs on their website, there is no evidence of REIT legislation or products in the domestic market.

REITs have not yet garnered significant attention in Trinidad and Tobago. Stallion Property Trust intended to operate as a REIT-type firm, but failed to reach their subscription target following an IPO. This was despite having all the requisite approvals from the Trinidad and Tobago Stock Exchange (TTSE). Since this unsuccessful IPO in 2015, there have been no other REIT-type IPOs. Additionally, there has been no development of REIT legislation since then. Domestically, the

Box 1
The Potential of Real Estate Investments Trusts (REITs) to deepen the Capital Market in Trinidad and Tobago (cont'd)

avenues for mortgage-backed investment are open-ended mutual funds such as the Samaan Tree Fund and the Mortgage Participation Fund - both managed by the Trinidad and Tobago Mortgage Bank. Roytrin income funds, provided by the Royal Bank of Canada (RBC), also provide exposure to securitised mortgages in their portfolio.

REITs can provide two main benefits. First, through their public listing they expand the range of products available for purchase by investors and as a result deepen the capital market along with increasing market capitalisation. Second, they can inject liquidity into the market from both the purchase of mortgages and properties and dividend payments. In particular, the purchase of mortgages and mortgage-backed securities can provide financing to government institutions who provide lower income housing; similar to Freddie Mac and Fannie Mae in the U.S.

Calculating the Change to Stock Market Capitalisation

To estimate the possible change to stock market capitalisation from the implementation of REITs, we first need to understand what the value of a REIT may be. The importance of dividends to the REIT structure implies that dividend discount models (DDM) is most appropriate for valuation. The application of a DDM is also the most pragmatic choice of absolute valuation methods; given that we can arrive at an estimated dividend through reasonable assumptions. Discounted Cash Flow valuation would require a more grounded stream of cash flows. Moreover, relative valuation methods are implausible given that REITs do not exist in Trinidad and Tobago. In applying the DDM, we assume that the entire value of a REIT share is determined by its future cash flows (dividends) and all relevant information is incorporated into future and current dividends (Williams 1938).

Given the absence of REITs domestically, a series of assumptions are made to create a hypothetical REIT that can be valued. These assumptions are as follows:

1. There is only one REIT in the market and it is an MREIT to make the other calculations more tractable.
2. The REIT plans to issue 40 million shares.
3. The leverage ratio of the REIT is 37 per cent, which allows us to estimate interest payments.
4. 90 per cent of Funds from Operations (FFO) is paid out as dividends.
5. 40 per cent of the mortgage market will either be securitised or privately placed.

Using these assumptions and scenarios of no growth versus dividend growth, the price per share is estimated to range between $29.87 and $37. This translates into an estimated market capitalisation of $1.19-$1.36 billion. Based on the results, REITs do have the potential to deepen the domestic capital market.

Box 1
The Potential of Real Estate Investments Trusts (REITs) to deepen the Capital Market in Trinidad and Tobago (cont'd)

For REITs to have a meaningful impact on capital market depth, a comprehensive policy approach is required. First, emphasis should be placed on the demand side of the market to ensure that there is sufficient desire for such an investment vehicle. The TTSE has championed investor education through its roadshows and gamification initiatives. Kuzminsky and Ziemtsov (2024) refer to this as empowerment through information. However, initiatives to enhance investor access such as app-based trading make it easier for the retail investor to access capital markets without the need for a broker and brokerage account.

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Box 2
Implications of the FY2025/26 Central Government Budget for Monetary Policy

The fiscal year (FY) 2025/26 National Budget of Trinidad and Tobago was presented on October 13, 2025. Themed "Trinidad and Tobago First: Building Economic Fairness through Accountable Fiscal Policies", the budget was based on an estimated crude oil price of US$73.25 per barrel and a natural gas price of US$4.25 per million British Thermal Units (mmbtu). This box discusses some of the measures announced in the budget and their implications for monetary policy.

Inflation

Several policy measures announced in the budget can affect inflation directly and indirectly.[15] However, the size of their impacts will depend on how households and companies adjust to them. The measures announced in the FY2026 budget that are expected to have a direct impact include:

- Removal of Value Added Tax (VAT) on basic food items and agricultural products
- Duties on Alcoholic Beverages and Tobacco
- Reduction in the price of super gasoline by $1.00 per litre
- Introduction of a Customs Duty and 12.5 per cent VAT on electric Vehicles

Meanwhile, measures that are expected to impact the CPI indirectly include:

- Increase of the age limit of imported used vehicles (private and commercial)
- Electricity Surcharge for Commercial/Industrial Customers
- Levy on the assets of commercial banks and insurance companies
- Removal of tax on private pensions
- Public sector wage negotiations

The increase in duties on Alcoholic Beverages and Tobacco by double the amount and the introduction of Customs Duty and VAT on electric Vehicles are expected to add some impetus to prices. Effective immediately, the retail prices of rum, beers and cigarettes have increased. Second-round impacts from the increase in alcohol and cigarettes on related industries such as the Hotels, Cafés and Restaurants, and Recreation and Culture are also likely given higher input costs. The removal of VAT on basic food items and agricultural products together with the reduction in the price of super gasoline by $1.00 per litre are expected to lower retail food prices of select items[16] and agricultural input costs, which could translate into reduced prices.

15 Direct impacts relate to those policy measures that directly impact the price of items captured in the Consumer Price Index (CPI). The impact of direct measures can be more easily captured by applying relevant shocks to the CPI. Indirect impacts are those measures that cannot be directly applied to the CPI but can be simulated via pass-through to some specific variable captured in the index.

Box 2
Implications of the FY2025/26 Central Government Budget for Monetary Policy (cont'd)

However, given the relatively low weight of affected items in the CPI, the overall inflationary impact is projected to be less than 1.0 per cent.

Indirect measures could also pull inflation in different directions. The increase in the age limit for imported used vehicles-from three to six years for private vehicles and from seven to ten years for light commercial vehicles could lower the cost of used vehicles, particularly those available locally, can ease price pressures within the Transport division of the CPI. Meanwhile, the Electricity Surcharge for Commercial/Industrial Customers is expected to raise operational costs for firms, many of which may pass these increases on to consumers through higher prices. This policy measure may also encourage businesses to adopt more energy-efficient technologies and practices, supporting environmental sustainability. Similarly, the introduction of the levy on the assets of commercial banks and insurance companies, could lead to higher fees or premiums, however, the impact on inflation is expected to be minimal due to the low CPI weight of the Financial Services/Bank Charges item. Increases in the duties on container processing fees and Customs Declaration Transaction Fees could significantly increase the prices of imported goods. The removal of tax on private pensions, possibly higher public sector wage settlements and the introduction of the Landlord Business Surcharge could potentially add some momentum to prices. Considering the combined effects of direct and indirect measures headline inflation could increase negligibly by less than ten basis points when all the measures take effect.

Liquidity

In 2025, monetary policy has remained broadly supportive of economic activity through the credit channel. However, the fiscal position, which predominantly involves, sustained Central Government borrowing, continues to exert pressure on system-wide liquidity. Between October 2024 and October 2025, commercial banks' daily average excess liquidity declined from $6.3 billion to $3.5 billion. This contraction was primarily driven by depletion of available Open Market Operations (OMOs) instruments, and elevated levels of government borrowing. Should the current pace of borrowing persist, the Central Bank may be required to inject net liquidity to preserve orderly market functioning. The scope to achieve this via net maturities of OMOs is limited given the depletion in the stock of OMOs. In addition, the proposed issuance of a third tranche of the National Investment Fund (NIF) bonds will necessitate adequate liquidity buffers to ensure successful uptake. In FY2024/25, Net Domestic Fiscal Injections (NDFIs), a key determinant of liquidity conditions, totalled $4.0 billion, reversing the net withdrawal of $2.1 billion recorded in FY2023/24. With a relatively moderate pace of borrowing based on the programmed fiscal deficit and increased

16 Basic food items including table salt, mauby, coconut water, locally grown pumpkin, watermelon, cucumber, lettuce and tomatoes.

Box 2
Implications of the FY2025/26 Central Government Budget for Monetary Policy (cont'd)

government expenditure projected for FY2026, NDFIs are expected to continue contributing positively to liquidity.

Interest Rates

The combination of tighter domestic liquidity and sustained fiscal borrowing has led to upward pressure on short-term domestic interest rates, particularly on Treasury instruments. In September 2024, the United States (US) federal funds rate was reduced to a range of 4.75 – 5.00 per cent, marking the first rate cut since the tightening cycle began in early 2022. A further cut in September 2025 to 4:00-4.25 per cent caused the US 91-day benchmark rate to fall to 3.89 per cent, moving the TT/US short-term interest rate differential from -242 basis points in October 2024 to -123 basis points in October 2025. Continued increases in domestic short-term rates could lead to more favourable interest rate differentials, helping to mitigate possible capital outflows.

Foreign Exchange

Foreign exchange inflows from the energy sector are expected to improve in line with the sector's projected recovery. Nonetheless, energy commodity prices remain sensitive to global demand trends, supply-side dynamics, and inventory levels. On the demand side, pressures are expected to persist, particularly as wages for public sector employees rise following the conclusion of wage negotiations. In FY2024/25, the Central Bank sustained its intervention, with net foreign exchange sales to authorised dealers averaging US$114.2 million per month—exceeding the prior year's monthly average of US$108.7 million. Given the prevailing demand-supply imbalance, the foreign exchange market is expected to remain tight. However, in the absence of equilibrium shift in exchange rate management policy, the need for Central Bank interventions are anticipated to persist.

Employment and Output

Several measures announced in the budget support the employment-growth nexus. The establishment of a $475.0 million employment fund to drive job creation; job evaluation exercises aimed at regularising contract workers; youth training programs; and targeted support for small and medium-sized enterprises (SMEs) alongside innovation incubators to foster entrepreneurship are expected to have positive spillovers for growth and employment. Additionally, the proposed adjustment to public sector salaries and the payment of outstanding salary arrears are expected to serve a dual purpose—aligning wages with current standards while simultaneously boosting overall consumer spending. Planned and ongoing infrastructure projects—including the overpass at the Churchill Roosevelt and Southern Main Road, the Macoya Interchange, upgrades to Saddle Road, Wrightson Road, Uriah Butler

Box 2:
Implications of the FY2025/26 Central Government Budget for Monetary Policy (cont'd)

and South Trunk Highways, the CRH Extension to Manzanilla, the Valencia–Toco Road, and the Solomon Hochoy Extension to Point Fortin—are expected to provide a boost to construction activity and support employment over the short to medium-term. The manufacturing sector, which contributes 8.6 per cent to GDP, is also poised to support growth, bolstered by strategic trade and investment partnerships with India, the United States, China, and the United Arab Emirates.

Conclusion

Thus far, in 2025, the Central Bank's monetary policy stance remains unchanged. At its meeting in September 2025, the MPC maintained the repo rate at 3.50 per cent – unchanged since March 2020.The Central Bank will be required to remain adaptive to any developments that may arise domestically or internationally. Coordinated monetary and fiscal policies is imperative to ensure that external and domestically-generated shocks do not amplify inflation expectations or destabilise the macroeconomic trajectory.

References

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4. MONETARY POLICY ASSESSMENT (MAY – OCTOBER 2025)

In June and September 2025, the MPC considered a number of domestic (contained inflation and the recovery of credit) and external factors (geopolitical and policy-generated economic uncertainty) which informed the monetary policy stance.

Monetary policy in 2025 has been focussed on supporting economic activity via the credit channel. The main policy tool of the Bank, the Repo rate, remained unchanged at 3.50 per cent after being lowered by 150 basis points in March 2020 (Chart 4.1).

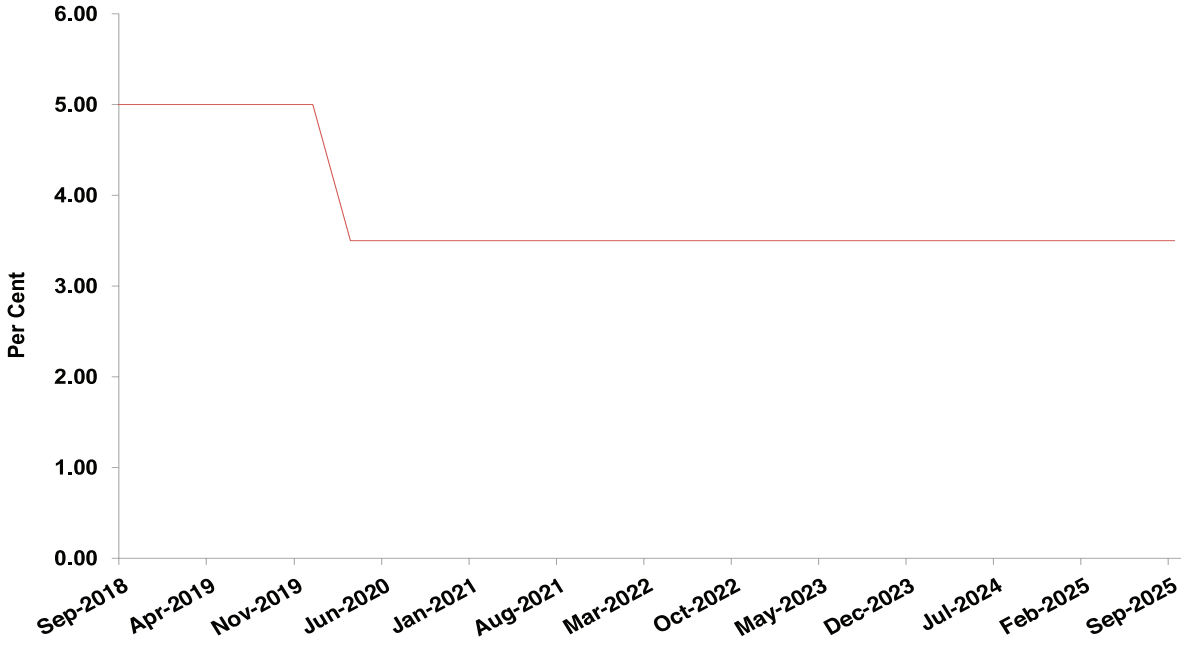
The Central Bank also manages the narrow and broad money aggregates through its direct and indirect instruments. Direct influence over the money supply transmits through the reserve requirement, while indirect influence occurs through OMO instruments. As at October 2025, commercial banks' required reserves stood at $9,794.9 million, reflecting their statutory reserve requirement ratio of 10 per cent of prescribed liabilities. The reserve requirement was reduced twice since 2020, before which commercial banks' required reserves stood at $14,942.7 million (February 2020). Over May to October 2025, the Central Bank's OMO activity injected $1,245.0 million into the financial system. Notably, at the end of September 2025, the combined total of outstanding short-term Treasury instruments available to the Central Bank as injectable funds from the Blocked Accounts was fully depleted. Five years prior, in January 2020, these funds stood at $12,646.0 million. Of note, the Central Bank has been a net injector of liquidity into the financial system over the reference period.

The Central Bank has prioritised amplifying liquidity. Declining availability of injectable funds from the Blocked Accounts[17] has limited the Bank's ability to manage liquidity via the OMO channel. This constraint motivated the lowering of the reserve requirement in mid-2024 to keep liquidity ample. While fiscal injections boost liquidity in early 2025, net fiscal withdrawals since mid-2025 have caused liquidity to decline. With the depletion of the stock of broad money instruments, fiscal conditions may continue to underpin liquidity levels into the medium term. In managing liquidity, dependence on direct instruments such as the reserve requirement structurally increases the potential volatility of excess liquidity, given that interventions via this channel tend to be much larger and less frequent than those conducted through broad money instruments like OMOs (Chart 4.2).

17 The Blocked Accounts consist of proceeds from the sales of Government securities issued solely for liquidity absorption purposes.

CHART 4.1

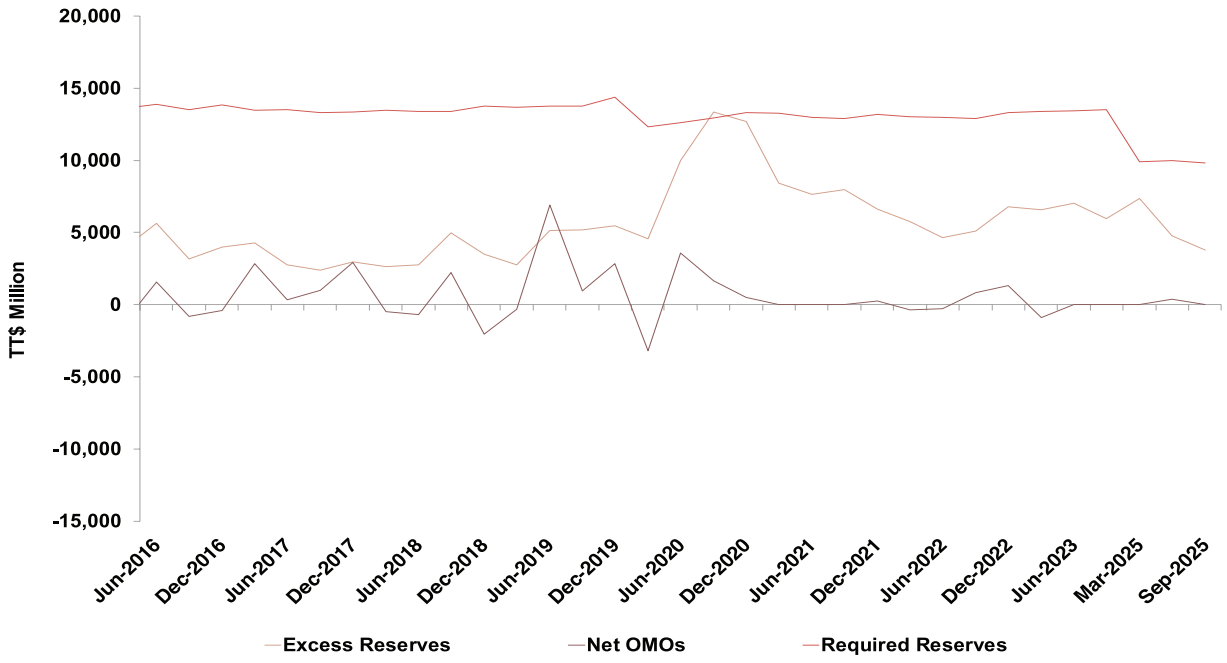
Repo Rate



Source: Central Bank of Trinidad and Tobago

CHART 4.2

Liquidity Management



Source: Central Bank of Trinidad and Tobago

Bank lending rates increased in September 2025

The Central Bank's commitment to ample liquidity drove increased competition to supply credit, and had the effect of lowering the WALR. The WALR declined to 6.59 per cent by June 2024 from 7.52 per cent in March 2020, suggesting that accommodation had its intended effect. Notably, liquidity levels remained ample in early 2025, reaching a daily average of $6,330.4 million over January to May 2025. Liquidity however declined to a daily average of $4,014.4 million over June to October 2025, related to net fiscal withdrawals over the period. While changes have been gradual and intermittent, the WALR has been on an upward trajectory since June 2024, reflecting episodes of tighter liquidity. Based on the interest rate and money supply channels, the size and direction of the combined effect of the Central Bank's monetary policy tools on commercial banking rates can be outlined. Chart 4.3 shows the historical evolution of the effect of monetary policy on the WALR[18]. During 2020, the combined policy effect begins declining; exerting pressure on the WALR itself to decline, meaning that monetary policy has generally anchored commercial banking rates. Policy also delivered a mitigating effect on banking rates into 2025 despite some marginal increases observed in 2022 and 2024, demonstrating some measure of efficacy. Since mid-2024 however, the combined policy effect has moved toward neutrality i.e., closer to zero, away from the accommodative levels following the pandemic. Increased commercial bank rates corresponded with this waning accommodative effect, as the WALR increased by 13 basis points Between June 2024 and September 2025 to reach 6.72 per cent. Upward pressure on commercial banking rates may continue if current liquidity conditions persist. However, the Central Bank has sufficient space to facilitate the smooth operation of financial markets through the use of tools related to liquidity.

18 This variable comprises the forecast error variance decomposition (FEVD) derived from a vector auto-regression utilizing data from March 2006 to September 2025, including exogenous effects from changes in the reserve requirement. It estimates the effect of the Repo rate and excess liquidity on the WALR, against the WALR itself. When the values of the FEVD are positive, policy exerts pressure on the WALR to increase and vice versa.

CHART 4.3

Forecast Error Variance Decomposition

Source: Central Bank of Trinidad and Tobago

FEATURE ARTICLE

THE EFFECT OF SOCIAL MEDIA AND ARTIFICIAL INTELLIGENCE ON SHAPING INFLATION AND INFLATION EXPECTATIONS

Tanisha Mitchell and Nikkita Persad[19]

Summary

Social media disseminates a plethora of information, resulting in enhanced knowledge for economic agents. This article aims to examine the impact news articles published on social media and an Instagram influencer have on consumers' inflation expectations. The study devised a social media index. The derived index suggests that consumers consistently expect inflation will be higher than actual. Further, results of the regression model indicates that articles that have a view on inflation as 'bad' significantly influence consumers' inflation expectations. Additionally, inflation data from two months prior aids consumers in formulating their price expectations in the current month.

Introduction

Understanding inflation and inflation expectations are essential for proper macroeconomic management. A primary function of most central banks is the formulation of appropriate policy instruments to address inflation and anchor inflation expectations. While the Central Bank of Trinidad and Tobago ("the Bank") does not target inflation, a primary mission of the Bank is to maintain a low and steady inflation rate. In pursuit of this purpose, it is crucial for the Bank to assess the influence of contemporary fundamentals, such as social media and artificial intelligence (AI), on inflation and inflation expectations.

The evolution of social media and AI can mark a paradigm shift in price formation and inflation expectations. Social media advancements have been fuelled by the human need for interaction and technological advancements. Likewise, artificial intelligence has evolved with more incorporation into our everyday lives. Social media and AI can aid economic agents in updating their information set at a higher frequency and therefore influence actual and anticipated prices. Aldasoro et al (2024) expounded that the adoption of artificial intelligence has a two-way influence on inflation. Initially, increasing adoption of AI may raise output and be disinflationary; however, the higher investment needed may result in higher prices for consumers.

Although data and techniques might be easily accessible for assessing the influence of social media on inflation and inflation expectations, it is not the same yet for AI. The advancement of AI in Trinidad and Tobago is comparatively limited when set against that of

19 The authors are economists in the Research Department of the Central Bank of Trinidad and Tobago. The views expressed are those of the authors and not necessarily that of the Central Bank of Trinidad and Tobago.

more developed nations. As such the investigation into the impact of AI on price formation and expectations will take a more theoretical form based on its application and usage by large retailers. This research also aims to examine the impact news articles published on social media and an Instagram influencer have on consumers' inflation expectations.

Literature Review

Inflation expectations refer to the projections of economic agents about future price developments (European Central Bank 2022). These projections are crucial since they affect current economic decisions, influencing inflation today. Thus, achieving economic stability requires well-anchored inflation expectations since these expectations influence business and investor decisions as well as labour contract negotiations (Mehrotra and Yetman 2014).

Social media networks have popularly become the 'go to' for people to access recent updates on macroeconomic developments and form predictions on future expectations (Gonzales, Palacio and Barrio 2024). The increased popularity of these platforms has led researchers to estimate that a wealth of information can be garnered from social media posts. (Bothos, Apostolou and Mentzas 2010) estimate that material created by social media content creators provide a basis for predictions of the future. In order to utilise reactions and comments to posts to predict the future the authors aggregate information from various social media platforms and develop a computational agent to feed into an agent-based prediction model.

In order for economic agents to devise relevant inflation expectations, they must be able to update and recalibrate their projections. Bayesian theory suggests economic agents update information and revise inflation expectations. Carroll (2003) models sticky information explaining that news is transmitted to a share of the population. The study postulates that more news is shared in successive periods allowing consumers to update their inflation expectations. Carroll's study relies on the Bayesian theory that more information allows economic agents to make better predictions. Further, Lamla and Lein (2014) emphasised that precise media reporting improves the accuracy of inflation expectations.

Although a large body of research examines how traditional news media affects inflation expectations and price setting, more recent studies have focused on the impact of influencers on the latter two areas. Content producers with a sizable social media following are referred to as social media influencers. These people use their expertise or marketing skills to interact with and sway others. Understanding how bloggers and social media personalities can affect price setting and consumer inflation expectations is examined. Saiman and Khan (2020) look at the way social media influencers affect consumers' intentions to buy. They conclude that consumers' purchases are influenced by the credibility of influencers and the quality of the information they provide.

The evolution of AI has resulted in it becoming an integral tool utilised by retailers and marketplaces, for example, Amazon and eBay. Bughin et al (2017) postulated that due to the improved information that AI provides to assess patterns this can aid in improving customers' experiences and maintaining a competitive advantage in the market. While AI use and pricing models are relatively non-existent in Trinidad and Tobago, Amazon utilises AI technology with its dynamic pricing model. Amazon is a large e-commerce company that delivers goods from various sellers worldwide. Amazon's dynamic pricing strategy is able to update prices in real –time, which is based on demand for the good or service, competitors' prices and inventory. In cases where consumers are constantly monitoring pricing information, such an AI strategy can influence consumers' inflation expectations. Nonetheless, Amazon's price strategy also lends itself to consumers having set expectations of the most competitive price.

Stylised Facts

Social media has transformed since its inception and revolutionised how people communicate and consume information. Social media evolved to allow persons to undertake numerous activities such as collaborating, sharing information and content for example images, videos, promotional and market strategies of companies (Dhingra and Mudgal 2000).

An evaluation of social media statistics based on publicly available information indicates that active social media users have increased. In particular, social media usage expanded by 4.7 per cent (241 million new users) over the period July 2024 to July 2025, to reach 5.41 billion active users. This accounted for more than half of the total world population (65.7 per cent) and 95.7 per cent of global internet users. Further, data highlighted that 14.5 billion hours are spent on social media platforms. As at July 2025, Facebook accounted for the highest monthly active users (3.1 billion) followed by WhatsApp (3.0 billion) and Instagram (2.0 billion) (DataReportal 2025). Focusing on the aim of this study, the increasing trend of social media usage identified can influence economic agents' perception on inflation as it plays a pivotal role in shaping consumer sentiment. DataReportal statistics highlighted that there was an uptick in social media users in Trinidad and Tobago by 4.8 per cent or 40 thousand social media users to reach 873 thousand in January 2025 compared to early 2024. Social media users accounted for 73.5 per cent of the population. Further, Meta's advertising resources for Trinidad and Tobago noted that there were 793 thousand Facebook users and 695 thousand Instagram users in early 2025.

The Bank has conducted work on inflation expectations and inflation forecasting. To capture inflation expectations (IE)/sentiment, in 2023, the Bank began utilising a news-based IE index to support its economic surveillance.[20] On the forecasting front, inflation forecasting by the Bank can be traced back to the Trend Analysis and Projection (TAP) exercise undertaken in the 1980s and more recently the Financial Programming and Projection (FPP)[21] exercise, which

replaced the TAP[22]. Since then several statistical and econometric techniques were developed to forecast inflation such an inflation diffusion index (IDI), a composite leading indicator (CLI) of inflation and a Consumer Confidence Index (CCI) to econometric approaches such as vector autoregression (VAR) and vector error correction modelling (VECM).

With respect to the AI agenda, AI progress in Trinidad and Tobago is at a nascent stage. Notably, the Trinidad and Tobago Ministry of Digital Transformation was established in 2021[23]. The Ministry has been committed to understanding AI and has been collaborating with domestic and international stakeholders with the aim of developing an AI policy for Trinidad and Tobago. Companies have also begun implementing AI into their operations such as TSTT and the Energy Chamber of Trinidad and Tobago.

Data and Methodology

Data for the analysis centres around the responses to Facebook posts from three media houses, two social media news sites and a finance Instagram influencer. These included: Guardian, Express and Newsday; LoopNews and Wired868 along with Phil the Gap on Instagram. Data was collected over the period 2012 to 2024. In total 390 articles were collected from all media houses and 16 posts made by the Instagram influencer, Phil the Gap. The 22,778 comments were separated into positive, negative and neutral comments. The authors also compiled emoticon responses comprising: like, love, care, happy, wow, sad and angry, which totalled 31,981.

Similar to Lamla and Lein (2014) the articles are grouped by the view on inflation that is 'good', 'bad', 'rising', 'falling' or 'none'. Where the variable 'good' looks at the number of articles that communicate inflation or factors influencing inflation as good, 'bad' the number of articles that communicate inflation or inflation related factors as bad and the variable 'none' gives the number of articles that do not communicate inflation as good or bad. Similarly, the variable 'rising' sums articles that discuss inflation or factors that may lead to a rise in inflation and the 'falling' variable gives the opposite.

The article develops a social media-based consumer inflation expectation index (SMIEI). This index will reflect consumer sentiment pertaining to price changes via the various social media platforms aforementioned. Initially a sentiment score is devised by dividing comments into (i) positive prospects on inflation (consumers expect a lowering of prices) (ii) negatively related comments (consumers

20 For details on the methodology, refer to Ramlogan, Avinash, Persad Nikkita, and Nelson Andell. 2023. "Developing a News-Based Index of Inflation Expectations for Trinidad and Tobago." Research Review Seminar 2023.
21 The Bank adopted the International Monetary Fund (IMF) Financial Programming and Policy (FPP) Framework in 2010.
22 The TAP methodology involved the preparation of sectoral forecasts using available data, quantitative techniques and economic judgement, and was guided by an informal model of the economy and the experience of senior officers of the Department.
23 The Ministry was renamed the Ministry of Public Administration and Artificial Intelligence in May 2025.

anticipating price hikes) and iii) neutral comments. After the sentiment scores are generated, the variable **d** can be calculated by utilising the formula below. Where **N** refers to negative sentiment, **P** refers to positive sentiment and **O** is neutral sentiment. This variable **d** captures the net inflation expectation on social media where higher values reflect the fear of rising inflation while negative values reflect optimism in inflation falling.

$$d=((N-P))/((P+N+O))$$

Following Ramlogan et al (2023), an exponential smoothing equation was applied to **d** in order to compute the social media inflation expectation index (SMIEI). The smoothed variable **d** was scaled. In order to interpret the impact of the variable **d** (consumer sentiment) has on inflation we utilise a base year of January 2015=100 and adjust the index by the change in **d**. Similar to Ramlogan et al (2023), changes in the SMIEI now represent adjustments based on sentiment changes.

The authors also attempt to evaluate an inflation expectations gap. Lamla and Lein (2014) explain that the inflation expectations gap is measured as the difference between the consumer inflation expectations and the inflation forecasts of professional forecasters. In this analysis, we examine the information from the SMIEI and the in-house News-based inflation expectations index.

$$EGapt = SMIEI - \phi t$$

Where SMIEI is the consumer's social media-based inflation expectations index and ϕt represents the Central Bank's News-based inflation expectations index. The paper goes on to assess whether increased social media reporting allows consumers to update their inflation expectations and narrow the gap between their expectations and professional forecasts.

Further, the analysis utilises a regression model to assess the variables that affect the SMIEI. The model is given below where: β represents the coefficient of each variable, the Media view on inflation is represented by the variables: 'good', 'bad', 'rising', 'falling' and 'none'. While Media tone is represented by variables 'positive', 'negative' and 'neutral'. The model also includes macroeconomic variables Unemp which represents unemployment, QGDP1 which represents quarterly GDP interpolated and Repo which is the Repo rate.

$$SMIEI = (\beta 1*\text{Media view on inflation}) + (\beta 2*\text{Media tone}) + (\beta 3*\text{Headline Inflation}) + (\beta 4*\text{Unemp}) + (\beta 5*QGDP1) + (\beta 6*FAOI) + (\beta 7*\text{Repo})$$

Analysis of a case study investigating the rise in fish prices was undertaken and the impact social media reporting and consumers' sentiment (observed through the comments on articles) had on fish prices. During Lent in Trinidad and Tobago, the demand for seafood usually increases due

to persons fasting from meat. At this time, the price of fish tends to experience significant upward movements. Articles posted on the upward movement in prices during the Lenten time are analysed by dissecting the type of responses articles received and the eventual impact on the Fish category in the food sub-index of the CPI.

Discussion and Results

SMIEI and Headline Inflation

The SMIEI index was evaluated where lagged headline inflation presented a weak but positive relationship with the SMIEI (0.03 - 2 lags). We further evaluated the movement in the series by assessing the relationships and major movements and developments in the headline inflation and SMIEI (Table 1 and Figure 1). This analysis followed, to some extent, the expected movement between the two variables.

TABLE 1

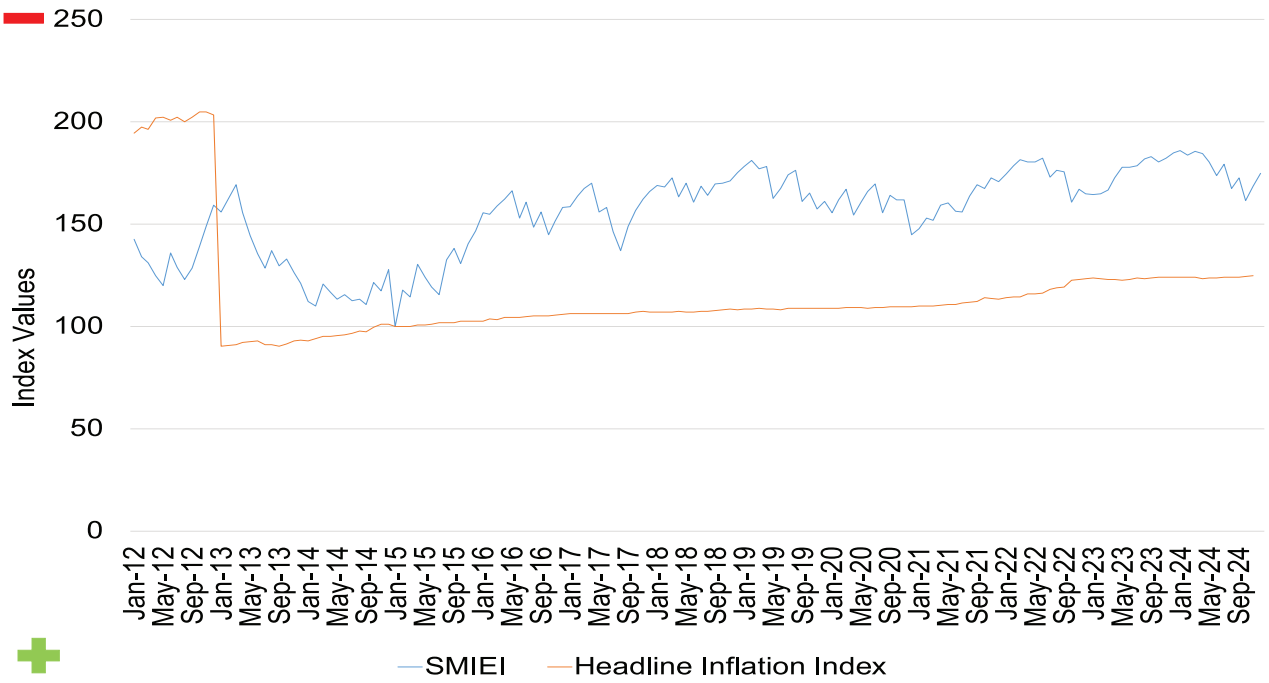
Relationships between SMIEI and Headline Inflation

Year	Relationships and Developments
2012	In early 2012, headline inflation recorded double-digit figures that may have been driven by the temporary surcharge imposed on bagged cement and rising food prices due to supply shortages emanating from adverse weather conditions. The rise was consistent with the movement in the SMIEI, which reflected a deterioration in consumer sentiment. Views generally remained depressed as headline inflation remained relatively high.
2013	In the latter part of 2013, the SMIEI improved due to falling inflation rates, which may have been due to optimism about domestic inflation prospects. In this period, the Government announced reductions in prices of flour, oil, and rice.
2014 - 2019	During this period, although there was a general stable trend in headline inflation, there were several adjustments to transportation fuels and food prices. The negative sentiment to these developments were reflected in the SMIEI over this period.
2020 – 2022	The COVID-19 pandemic resulted in global supply disruptions and was a major factor influencing the upward trend in inflation rates, domestically. For the most part, the SMIEI displayed gloomy consumer sentiments as the index trended in negative territory. Notably, in the latter part of 2020, improved sentiment was recorded, which may be due to optimism about the development of a COVID-19 vaccine.
2023 - 2024	As vaccination efforts became more widespread and the pandemic came to an end, the inflation rate began to decrease and sentiments also improved.

Source: Authors

FIGURE 1

SMIEI and Headline Inflation



Source: Central Statistical Office and Author's calculation

Note: ✚ denotes an improvement in consumer sentiment and ▬ denotes a deterioration in consumer sentiment

Further, a comparison of the SMIEI with the inflation index showed a positive correlation that is stronger with future inflation values than past inflation values. This, therefore, implies that the SMIEI can be a forward-looking signal about future inflation, domestically. Thus, it provides an indication of future directional changes in the inflation rate. This finding suggests that the SMIEI can complement the traditional inflation indicators utilised in Trinidad and Tobago to garner a more comprehensive view of inflationary developments, provide signals of emergent inflation concerns as well as real time data on the public's view.

SMIEI and the Inflation Expectations (IE) Index for the Trinidad and Tobago Express

Investigation of the Express SMIEI[24] highlighted that sentiments seem relatively stable (largely in the negative region) and are not representative of overall sentiments as compared to the IE index (Figure 2). This may be due to fact that social media tends to be more sentiment intense compared to web

24 The SMIEI for the Trinidad and Tobago Express was generated to explore the relationship with the IE index that was built utilising the aforementioned newspaper only.

articles that are oftentimes analytical, structured and fact based. Utilising only the Trinidad Express to generate the SMIEI, therefore, showed that inflation may be considered more theatrical than web articles and the sentiments posted in social media remain unchanged. Further, comparison with the overall SMIEI index and the IE index resulted in a moderate negative correlation (-0.6) as well as a positive gap above zero. These results further suggest that this may be due to the reactive nature of public sentiments that may result in sharp movements and divergences in the indices (Figure 3).

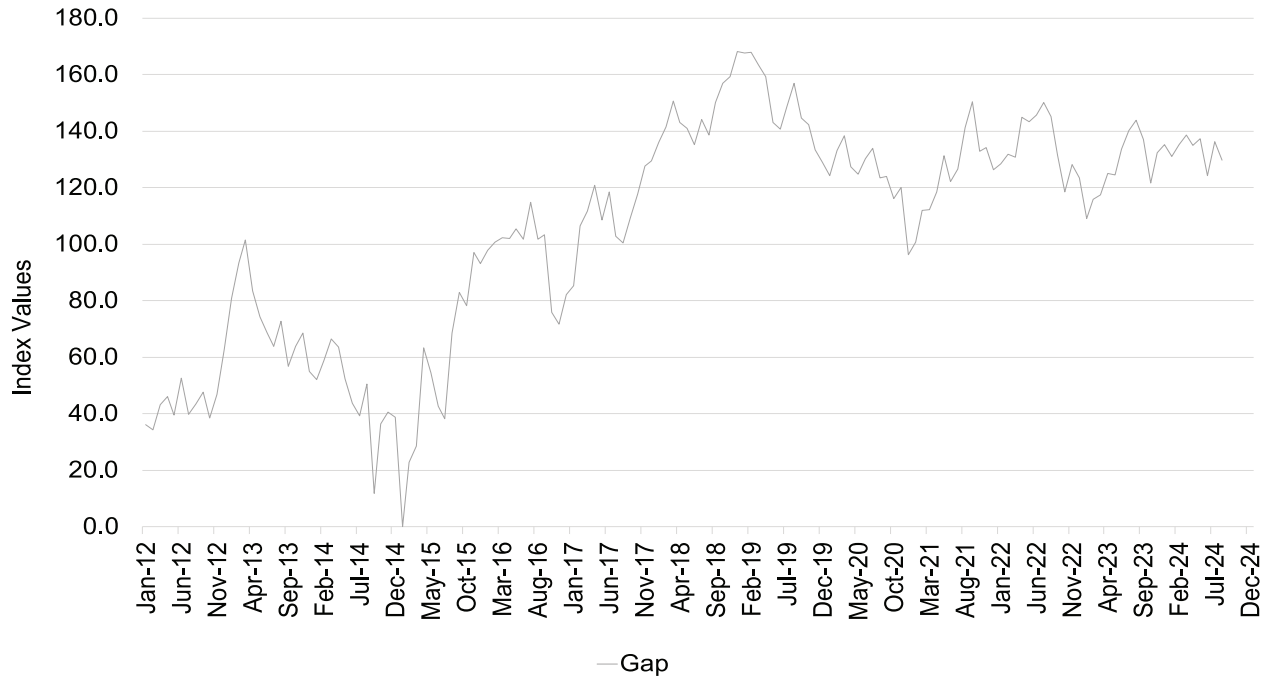
FIGURE 2

Express SMIEI and EI - Trinidad and Tobago Express

Source: Author's calculation

FIGURE 3

Gap between Overall SMIEI and IE



Source: Author's calculation

Regression Analysis on SMIEI

An analysis of the SMIEI variable is undertaken with a regression model. The SMIEI variable was computed based on the positive (PCom), negative (Ncom) and neutral comments (NeuCom) collected. The variable was smoothed, transformed, the base year January 2015=100 was utilised. The index changes based on the change in smoothed sentiment score.

In order to analyse the social media influence, articles were categorised based on the view on inflation (Good, Bad, Rising, Falling, None) and also the tone of the article (Positive, Negative, Neutral). An understanding of whether the media view on inflation and the tone in which articles are written can influence the response of users on these articles. In addition to the variables related to consumer inflation sentiment and media influence, macroeconomic variables were also included. In particular, the headline inflation index (HI) along with 1 (HI1) and 2 (HI2) month lags of headline inflation are considered as consumer's inflation sentiment may be influenced by actual inflation in previous months. Additionally, a higher level of inflation is expected to worsen consumers' inflation sentiment. Regarding the rate of unemployment (Unemp), theoretically, higher levels of unemployment are expected to reduce consumer demand and can potentially lower inflationary pressures. Rising international food prices (FAOI) are expected to increase prices given the reliance on imported food domestically and the relatively short transmission period of 3-5

months. Quarterly GDP (QGDP1) and the Repo rate (Repo) are also expected to impact consumers' inflation sentiment. Where inflation persists due to supply side challenges, an increase in output can subdue inflationary pressures, thereby leading to lower inflation expectations from consumers. The Repo rate is known as a monetary policy tool at the disposal of the Bank to tame inflation. The type of inflation in this instance is important as a higher repo rate can tame demand-pull inflation, but may add some upward impetus to cost-push inflation.

Table 2 gives the results of four regression models. Based on the significance of variables and various diagnostic checks Model 4 was retained. The media tone (positive, negative, none) was removed from the model as it adversely affected the diagnostic checks, R2 and were insignificant. In relation to the SMIEI dependent variable, only the media's view on inflation as 'bad' was significant in the Model 4. The coefficients suggest that as more articles with an adverse view on inflation are published the SMIEI increases indicating consumers expect inflation to rise. Notably, there were significantly more articles reporting inflation or factors influencing inflation as bad than those reporting inflation or factors influencing inflation as good.

An important element that the paper does not investigate is the behavioural component, that is, the propensity to give negative feedback and to be influenced by negative comments. Despite the media's view on inflation, negative comments continuously surpassed all others. This study collected 18,212 negative comments, while the positive comments amounted to 1,767 and neutral comments reached 2,799. This suggests that the population generally has an adverse view of inflation and factors that can lead to a rise in inflation.

An a priori expectation is that inflation or lagged inflation can influence the SMIEI. In Model 4, a 2 month lagged headline inflation index was found to be significant at the 10 per cent level. With a positive coefficient, satisfying a priori expectations that as the headline inflation index increases, consumer expectations of higher inflation also rise. The impact on the SMIEI will also depend on how often consumers update their information regarding inflation. Additionally, the United Nation's Food and Agricultural Organisation Food Price index (FAO Index) which tracks price changes of international food items was also significant in the model. The coefficient suggests that as the index increases signalling higher international food prices, consumer's inflation expectations also increase.

While, a priori expectations point to both unemployment and GDP affecting consumer inflation expectations, both variables were found to be insignificant and subsequently removed from the regression analysis.

The final variable Repo, represents the Bank's policy rate. Increases in the policy rate usually lead to an increase in other rates. The model indicates that increasing the policy rate can worsen

consumers' inflation sentiment. While theoretically higher policy rates are expected to tame inflation, particularly demand pull-inflation it could also result in cost-push inflation. Businesses now have to borrow at a higher cost and can pass it onto consumers.

TABLE 2

Regression Results

SMIEI	Model 1	Model 2	Model 3	Model 4
Rising	3.1965	3.2145		
	-2.0739	-2.0445		
Falling	-1.9283	-1.822		
	-2.9773	-2.9422		
Good	1.46	1.2854	0.9287	0.7154
	-1.9811	-1.9561	-1.3409	-1.334
Bad	-1.8246	-1.8425	1.1741**	1.2778**
	-2.0695	-2.0387	-0.6132	-0.6094
Headline Infl t-2	0.0729	0.0762	0.0695	0.0906*
	-0.0541	-0.0536	-0.0537	-0.0513
Unemp	2.1247	1.9162	2.2171	
	-1.7548	-1.7203	-1.7016	
OGDP	0			
	-0.0002			
FAO Index	0.7456***	0.7631***	0.7622***	0.8145***
	-0.1252	-0.1229	-0.1182	-0.1114
Repo	17.7575***	17.8287***	17.5506***	18.0130***
	-2.0584	-2.0391	-2.027	-2.0004
Constant	-14.6365	-16.0953	-1409645	-15.2144
	-19.1484	-18.7791	-18.5087	-18.5513
# of Observations	151	154	154	154
R2	0.47	0.47	0.46	0.45

Source: Stata15
Note: Coefficients are reported in the table with standard errors in parenthesis.
* p-value < 0.1
** p-value < 0.05
*** p-value < 0.01

Case Study–Higher Fish during Lenten Season

To gauge whether sentiments about price changes related to social media posts influence inflation in Trinidad and Tobago, an analysis on fish prices was conducted. In particular, we looked at social media posts relating to increased fish prices during Lent as this was popularly posted around the Lenten season (Table 3). Analysis generally revealed that i) sentiments were largely negative and ii) price increases in the fish sub-index and overall inflation were relatively negligible. However, in 2021 and 2022 upward price pressure was observed in the Fish sub-index although the impact on overall inflation was minimal. Possible reasons for this may be due to the small weighting of the Fish Price Index in the Retail Price Index basket (11.34) as well as that during this time, consumers may switch to alternatives. This further confirms that social media sentiments should be considered in tandem with traditional inflation indicators to obtain a more comprehensive view of inflationary developments.

TABLE 3

Social Media Posts on Fish Prices compared to the Fish Price Index and the Inflation rate

Date	Posts	Sentiment (expressed as a percentage of total sentiments)			Fish Price (YOY % Change)			Inflation Rate (YOY % Change)		
		Positive	Negative	Neutral						
May 2021	Fishermen fear fish shortage if they can't work during curfew	**11**	**42.8**	**34.1**	Apr 2021	May 2021	Jun 2021	Apr 2021	May 2021	Jun 2021
					5.9	**-2.5**	**5.6**	**1.1**	**1.4**	**1.8**
Apr 2022	Consumers can expect a hike in fish prices as well	**0**	**97.4**	**2.6**	Mar 2022	Apr 2022	May 2022	Mar 2022	Apr 2022	May 2022
					6.3	**8.3**	**11.0**	**4.1**	**5.1**	**4.9**
Mar 2023	Poor sales caused by exorbitant fish prices during the Lenten season	**0**	**98.0**	**2.0**	Feb 2023	Mar 2023	Apr 2023	Feb 2023	Mar 2023	Apr 2023
					8.3	**5.5**	**5.4**	**7.6**	**7.3**	**6.0**
Feb 2024	Tobagonians should brace for an increase in fish prices during the Lenten season into Easter.	**0**	**100**	**0**	Jan 2024	Feb 2024	Mar 2024	Jan 2024	Feb 2024	Mar 2024
					-6.5	**-3.4**	**-5.1**	**0.3**	**0.8**	**0.8**

Source: Central Statistical Office, Various Social Media Posts and Authors' calculation

Conclusions and Recommendations

Social media and artificial intelligence provide economic agents with high frequency information that can rapidly shape public sentiment on inflation-related issues. A review of the literature confirmed that information shared on social media often influences the behaviour of the public. Statistics revealed that social media users have been increasing in Trinidad and Tobago (14.2 per cent at the end of January 2024 compared to early 2023). In light of this as well as part of the Central Bank's mandate to maintain low and stable inflation it was deemed necessary to assess how social media and AI can shape inflation and inflation expectations.

The study formulated a social media index. The index was assessed against lagged headline inflation, which showed a weak but positive correlation with the SMIEI. Suggesting that consumers update their expectations on the basis of more dated inflation data. Interestingly, the SMIEI with the inflation index showed a positive correlation that is stronger with future inflation values implying that the SMIEI can be a forward-looking signal about future inflation. The development of a consumer social media inflation expectation index also suggests that consumers consistently expect inflation will be higher than actual. While this may be related to the behavioural analysis of social media lending itself to a larger number of negative comments, this also indicates the general lack of knowledge of the inflation dynamics and the public's perception of inflation in Trinidad and Tobago.

Results of the regression model indicates that articles that have a view on inflation as 'bad' significantly influence consumers' inflation expectations. Additionally, inflation data from two months prior aids consumers in devising their price expectations in the current month. As a large importer of food, the United Nation's Food and Agricultural Organisation Real Food Price index also influenced consumers' inflation expectations. The authors do not estimate that consumers actively reference the food price index but make assertions based on the general price level in grocery stores. Finally, the monetary policy tool, the Repo rate was positively related to the SMIEI. This suggests that as the Repo rate increases, consumers expect prices to rise. Though seemingly counterintuitive, this can materialise as businesses pass on higher borrowing costs to consumers in the form of higher prices for their goods and services.

The SMIEI can be utilised alongside traditional inflation indicators to garner a broader view of inflationary developments, provide signals of emergent inflation concerns as well as real time data on the public's view. Consequently, developing an appropriate monitoring system to track social media discourse on inflation trends can be considered. Further, given that social media is largely sentiment driven, the Bank should enhance its communication strategies, providing clarity on inflation- related topics thereby mitigating the potential for miscommunications. The Bank should also consider developing an inflation expectations survey, where consumers are asked for their views on inflation and perspectives on the direction.

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