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MONETARY POLICY ANNOUNCEMENT

March 27, 2026

CENTRAL BANK MAINTAINS REPO RATE AT 3.50 PER CENT

The outbreak of war between the United States (US), Israel and Iran, and its subsequent escalation to involve other Gulf States, added further downside risks to the projected trajectory for global economic activity in 2026. While it remains too early to assess the global economic impact, in early March 2026 the International Monetary Fund reported disruptions to trade, spikes in energy prices and volatile financial markets as a result of the conflict. Revisions to global economic projections are therefore anticipated. International energy commodity prices have surged in the wake of the war, particularly on account of the closure of the Strait of Hormuz. Crude oil prices (West Texas Intermediate) moved from an average of US$64.57 per barrel (bbl) in February 2026 to US$93.50/bbl as at mid-March 2026. The price of Brent crude oil has been more volatile, reaching close to US$120/bbl in intra-day trading. Natural gas prices (Japan Korea Market and National Balancing Point) jumped significantly between 54-85 per cent over the same period.

Policy responses have been muted thus far, with several major central banks awaiting developments to unfold to make an informed assessment. In this regard, in March 2026 the US Federal Reserve maintained its target range for the federal funds rate at 3.50 - 3.75 per cent, citing uncertainty about the outlook for inflation and the broader economy as a consequence of the events in the Middle East. The Bank of England and the European Central Bank (ECB) also held their policy rates at meetings earlier this month. In the case of the ECB, the Bank lowered projections for economic growth in 2026 and raised its forecast for headline inflation.

The war in the Middle East also took a toll on international financial markets. Globally, financial market volatility has increased across major asset classes – equity markets have weakened and US bond and treasury yields are rising, signalling higher inflation expectations and investor anticipation of monetary policy tightening. After narrowing consistently since July 2025, short-term US-Trinidad and Tobago (TT) interest rate differentials started to widen once more in March 2026. The (negative) TT-US interest rate differential on 3-month treasuries stabilised as -66 basis points during the first two months of 2026, but widened to -73 basis points by March 23, 2026.

Domestically, according to data from the Ministry of Energy and Energy Industries for the first two months of the fourth quarter of 2025, the performance of the energy sector softened. During October to November 2025, crude oil production expanded by 3.1 per cent (year-on-year) while natural gas output declined by 8.6 per cent. Further downstream, marginally higher production of natural gas liquids (0.9 percent) was offset by lower output for ammonia (-3.4 per cent) and methanol (-9.5 per cent). Meanwhile, the slowdown in non-energy sector activity is estimated to have persisted during the fourth quarter of 2025. Indicators monitored by the Central Bank suggest softer performances for the Wholesale and Retail Trade, Construction and Manufacturing sectors. Sectoral gains were estimated for Agriculture and Electricity and Water.

Consumer price increases remained muted thus far in 2026. Headline inflation, as measured by the Central Statistical Office's Consumer Price Index, was 0.6 per cent (year-on-year) in February 2026 compared with 1.0 per cent in September 2025. Core inflation (which excludes food prices) rose by 0.8 per cent while food prices declined by 0.1 per cent, pulled down by lower prices for vegetables. Building material price increases slowed to 1.4 per cent (year-on-year) during the fourth quarter of 2025 compared with 1.5 per cent the previous quarter. However, the 15 percent increase in cement prices by a major producer in February 2026 may increase building material prices in the first quarter of 2026.

Domestic financial conditions are favourable despite pockets of tightness. System liquidity remains ample, notwithstanding a dip in early 2026. After declining to $3.8 billion in January 2026, commercial banks' excess reserves at the Central Bank averaged $5.7 billion by mid-March 2026. Interbank market activity persists but not at the levels experienced during the fourth quarter of

2025, while no “repo” transactions were recorded since February 2026. However, private sector credit growth has continued to slow. Private sector credit expansion slowed to 5.4 per cent (year-on-year) in January 2026, down from growth of 6.3 per cent in October 2025. The slowdown was primarily influenced by more modest business credit growth (5.7 per cent in January compared with 6.6 per cent in October 2025). Consumer lending growth also slowed to 5.9 per cent from 8.0 per cent over the same period, driven by lower loan demand for motor vehicles, debt consolidation and refinancing. Real estate mortgage loans increased by 5.2 per cent.

The Monetary Policy Committee (MPC) noted that global economic conditions are marked by significant uncertainty. In this setting, building resilience to safeguard the domestic economy against external shocks is paramount. Trinidad and Tobago’s foreign reserves remain somewhat stable, hovering around US$5.4 billion since December 2025. However, a few conventional international indicators of reserve adequacy, such as the ratio of reserves to external debt, have slipped suggesting that further accumulation of foreign reserves and/or a reduction of external financial commitments may be required to mitigate external vulnerabilities. The positive boost to energy production during the second quarter of 2025, driven by two new natural gas fields, appeared to have waned by November 2025. Meanwhile, activity in the non-energy sector continues to slow. This may indicate that supportive financial conditions are still warranted.

Upon consideration of the uncertain global economic conditions, ongoing softness in the non-energy sector, slower credit growth, stable foreign reserves and well-contained inflation, **the MPC agreed to maintain the repo rate at 3.50 per cent.** The MPC will actively monitor global economic developments in the context of the ongoing war in the Middle East, particularly the potential for adverse spillover effects for domestic inflation and economic growth. The MPC is prepared to take the necessary monetary policy actions to maintain a prudent balance between safeguarding foreign reserves and fostering favourable funding conditions supportive of domestic economic activity.

The next Monetary Policy Announcement is scheduled for June 26, 2026.

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