

## **MONETARY POLICY ANNOUNCEMENT**

**June 26, 2026**

### **CENTRAL BANK MAINTAINS REPO RATE AT 3.50 PER CENT**

Global growth in 2026 is set to moderate due primarily to the Middle East War, which has disrupted energy exports and traffic through the Strait of Hormuz. The resulting spike in commodity prices – including oil, refined products, and fertilisers – and increases in maritime costs have weakened growth prospects and raised inflation globally.

Understandably, the International Monetary Fund (IMF) in its April 2026 World Economic Outlook (WEO) revised its baseline growth and inflation for the global economy in 2026 from its pre-war forecast in January. WEO now expects global growth at 3.1 per cent in 2026, 0.2 percentage points lower than its January forecast. This follows growth of 3.4 per cent in 2024 and 2025. Global inflation is expected to be 4.4 per cent in 2026, up from 3.8 percent in January and 4.1 per cent in 2025. The Middle East War has resulted in a changed monetary outlook. Major central banks now expect to increase rather than decrease rates this year. The Bank of Japan and the European Central Bank both increased their monetary rates in June by 25 basis points, citing energy price fuelled inflation. Elsewhere, the United States Federal Reserve (US Fed) held the federal funds rate at its June MPC meeting, but indicated that inflation remained elevated above the 2 per cent target due to the energy price shock.

Domestically, low inflationary conditions persisted over the first five months of 2026, reflecting the delayed pass-through of international price pressures to the local economy. Recent data from the Central Statistical Office show that headline inflation slid to 0.3 per cent (year-on-year) in May 2026 from 0.7 per

cent in March 2026. Food inflation eased in May, slipping to 0.2 per cent from 0.8 per cent in March, while core inflation – which excludes the influence of food prices – was unchanged at 0.8 per cent in May 2026.

The unemployment rate measured 4.3 per cent in the fourth quarter of 2025 compared with 4.8 per cent in the previous quarter and 5.5 per cent in the corresponding quarter of 2024. In terms of economic activity, available indicators monitored by the Central Bank suggest that the momentum in overall economic activity may have slowed in the first quarter of 2026. Constraints in natural gas availability moderated activity in the energy sector, while prevailing economic uncertainty weighed on business confidence and investment in the non-energy sector.

The growth in private sector credit slowed to 4.0 per cent (year-on-year) in April 2026 from 5.3 per cent in December 2025. Among the three main categories of lending, business credit experienced the most pronounced deceleration in growth to 2.9 per cent in April 2026 from 5.8 per cent in December 2025. The consumer lending growth rate slid to 5.4 per cent in April 2026, from 6.2 per cent in December 2025 while real estate mortgage lending was 4.4 per cent, slightly lower than 4.7 per cent in December 2025.

System liquidity remains ample, notwithstanding periodic fluctuations due to shifts in market conditions, government spending patterns, and financial sector activity. Commercial banks' daily excess reserves at the Central Bank averaged \$4,578 million in mid- June 2026 compared with \$5,625.6 million in March 2026 and \$3,820.7 million in May 2026. After a period of elevated activity between March and May 2026, interbank market activity eased in June 2026. The Bank continues to closely monitor liquidity conditions, taking into account movements in public sector financing, credit activity, and the ongoing subdued inflation environment.

The differential between short term 3-month treasury interest rates in Trinidad and Tobago and the United States widened to -92 basis points in May 2026 from -69 basis points in March 2026 as the domestic rate edged down. Meanwhile on

the longer term, the 10-year differential narrowed slightly by 3 basis points to +158 basis points over the same period.

In its deliberations, the Monetary Policy Committee (MPC) noted that global economic conditions have become less favourable and highly uncertain due, in part, to falling growth prospects, persistent geopolitical tensions, elevated inflation, and tightening monetary conditions. On the domestic front, the Committee considered the moderation of economic activity, slowing private sector credit expansion, and low inflation conditions. Taking all factors into account, **the Committee decided to maintain the repo rate at its current level of 3.50 per cent.** The Central Bank will continue to monitor international and domestic developments and will take further actions as necessary.

**The next Monetary Policy Announcement is scheduled for September 25, 2026.**

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