



## CENTRAL BANK OF TRINIDAD & TOBAGO

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### Media Release

## **INFLATION INCREASES TO 6.9 PER CENT IN MARCH: CENTRAL BANK MAINTAINS REPO RATE AT 2.75 PER CENT**

The latest data on retail prices released by the Central Statistical Office indicate that there was a slight increase in the rate of inflation. Headline inflation, measured by the twelve-month increase in the Index of Retail Prices, rose to 6.9 per cent in March 2013 from 5.9 per cent in the previous month. However, on a month-on-month basis, headline inflation for two consecutive months slowed, to 0.2 per cent in March compared with an increase of 0.3 per cent in February.

Food inflation, the main driver of headline inflation, rose to 12.9 per cent in March 2013, up from 10.6 per cent in February. This was mainly attributed to faster price increases for vegetables (24.2 per cent compared with 17.8 per cent in February 2013), fish (5.7 per cent compared with 4.8 per cent in February 2013) and food products not elsewhere classified (40.1 per cent compared with 31.9 per cent in February 2013). Slower price increases were recorded for meat (6.0 per cent compared with 6.9 per cent in February 2013) and oils and fats (0.8 per cent compared with 1.6 per cent in February 2013). In contrast, prices declined for milk, cheese and eggs (-1.5 per cent), fruits (-2.7 per cent) and sugar, jam and confectionery (-3.0 per cent).

Core inflation, which excludes the influence of food prices, remained relatively unchanged, inching up to 2.2 per cent in March from 2.1 per cent recorded in February. There was an uptick in the price increase for alcoholic beverages and tobacco (4.1 per cent compared with 2.0 per cent in February) while prices decelerated for health (6.0 per cent compared with 6.1 per cent in February).

Growth in private sector credit remained relatively slow in February 2013. On a year-on-year basis, credit granted by the consolidated system to the private sector increased by 2.1 per cent from 1.9 per cent in the previous month. Among the major loan categories, lending for real estate mortgages rose at a robust rate of 13.4 per cent compared with 11.6 per cent in January, while the pace of growth in consumer lending slowed, to 2.9 per cent compared with 3.2 per cent in January 2013. However, business lending declined on a year-on-year basis for the third consecutive month, by 2.1 per cent in February 2013.

Liquidity levels in the financial system, though still high, retreated in the first three weeks of April 2013. Commercial banks' excess reserve balances held at the Central Bank fell to a daily average of \$5,236 million in April 1-23 compared with a daily average of \$6,043 million in March. Central bank intervention in the foreign exchange market via sales of US\$60 million to authorised dealers helped to remove \$383 million in excess liquidity from the system. Commercial banks remained adequately liquid and therefore did not require funds from the inter-bank market or the repo window. The Central Bank plans to undertake additional measures in the coming months to withdraw excess system liquidity.

Short term interest rates declined further in April 2013. The interest rate on 91-day treasury bills fell to 0.15 per cent in April 2013 from 0.18 per cent in March 2013 and the 182-day treasury bill rate declined to 0.36 per cent in March 2013

from 0.46 per cent in January. With rates in US comparative markets also declining, the differential between TT and US three-month t-bills remained unchanged at 0.10 per cent in April 2013.

While economic activity is expected to pick up gradually over the course of 2013, the recovery is likely to be subdued. Continued stability in core inflation suggests that underlying inflationary pressures remain well contained. In these circumstances, the Central Bank views the present accommodative monetary stance as appropriate and has decided to maintain the 'Repo' rate at 2.75 per cent.

The Bank will continue to keep economic and monetary conditions under close review in the coming months.

**The next 'Repo' rate announcement is scheduled for May 24, 2013.**

**April 26, 2013**

**APPENDIX**  
**MOVEMENT OF SELECTED CATEGORIES OF THE RETAIL PRICE INDEX**  
/Percentage Change/

	Weights	Monthly		Year-on-Year	
		Feb 2013	Mar 2013	Feb 2013	Mar 2013
Headline Inflation	1,000.00	0.3	0.2	5.9	6.9
Food and Non-Alcoholic Beverages	180.00	0.8	0.4	10.6	12.9
Bread and Cereals	31.21	(0.5)	0.1	0.0	0.2
Meat	29.21	(0.8)	(0.3)	6.9	6.0
Fish	11.37	3.5	0.9	4.8	5.7
Vegetables	21.84	0.2	(4.8)	17.8	24.2
Fruits	14.28	6.8	11.5	(1.6)	(2.7)
Milk, Cheese & Eggs	19.05	(0.5)	(0.1)	(1.2)	(1.5)
Oils and Fats	9.07	0.3	0.7	1.6	0.8
Sugar, Jam, Confectionery, etc.	7.66	(0.1)	(1.1)	(1.5)	(3.0)
Food Products NEC	12.51	(3.8)	4.1	31.9	40.1
Non-Alcoholic Beverages	23.80	0.3	0.0	(0.4)	(0.6)
Core Inflation	820.00	(0.1)	0.1	2.1	2.2
Alcoholic Beverages & Tobacco	25.00	(0.4)	2.3	2.0	4.1
Clothing and Footwear	53.00	(1.1)	0.0	1.7	1.7
Furnishings, Household Equipment and Routine Maintenance	54.00	0.0	0.0	1.3	1.3
Health	51.00	0.0	0.0	6.1	6.0
<i>Of which: Medical Services</i>	19.91	0.0	0.0	12.6	12.6
Housing, Water, Electricity, Gas & Other Fuels	262.00	0.0	0.0	0.1	0.1
<i>Of which: Rent</i>	24.00	0.0	0.0	2.0	2.0
Home Ownership	180.00	0.0	0.0	(0.2)	(0.2)
Education	16.00	0.0	0.0	6.3	6.3
Recreation & Culture	85.00	0.0	0.0	2.1	2.1
Hotels, Cafes & Restaurants	30.00	0.0	0.0	4.0	4.0
Transport	167.00	0.0	0.0	3.8	3.8
Communication	41.00	0.0	0.0	0.1	0.1
Miscellaneous Goods and Other Services	36.00	0.0	0.0	1.2	1.2

Source: Central Statistical Office.

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