



**CENTRAL BANK OF
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Media Release

INFLATION MEASURES 7.3 PER CENT IN JANUARY: CENTRAL BANK HOLDS REPO RATE AT 2.75 PER CENT

Data from the Central Statistical Office reveal that **headline inflation, as measured by the twelve-month increase in the Index of Retail Prices, stood at 7.3 per cent in January 2013**, slightly up from 7.2 per cent in December 2012. On a monthly basis, headline inflation rose by 2.6 per cent in January 2013 following a decline of 0.8 per cent in December 2012.

Food inflation accelerated to 13.8 per cent (year-on-year) in January 2013 compared with 12.7 per cent in the previous month. This was primarily due to faster price increases for vegetables (27.6 per cent from 26.8 per cent in December), food products not elsewhere classified (24.4 per cent from 18.8 per cent), meat (9.6 per cent from 8.5 per cent), oils and fats (2.8 per cent from 2.7 per cent), and milk, cheese and eggs (0.9 per cent from 0.3 per cent).

Core inflation, which excludes food prices, slowed to 2.2 per cent in January 2013, from 3.1 per cent in December 2012. There were slower price increases in most of the major components of core inflation including alcoholic beverages and tobacco (2.5 per cent), clothing and footwear (2.9 per cent), housing and utilities (0.1 per cent), recreation and culture (2.0 per cent), and

hotels and restaurants (4.0 per cent). Meanwhile, costs related to health care and transportation rose faster in January 2013 by 6.1 per cent and 3.8 per cent, respectively.

After exhibiting a slow but steady rise, there was an unexpected slowdown in private sector credit towards the end of 2012. On a year-on-year basis, private sector credit granted by the consolidated financial system decelerated to 2.1 per cent in December 2012 from 3.8 per cent in November. Growth in consumer credit slipped to 2.4 per cent from 3.1 per cent, while business lending declined by 0.8 per cent following a 2.6 per cent rise in November. On the other hand, real estate mortgage lending continued to be robust, expanding by 11.2 per cent in December 2012.

High net domestic fiscal injections contributed to a sharp build up in financial system liquidity in February 2013. Commercial banks' holdings of excess reserves at the Central Bank climbed to a daily average of \$5,132.5 million in February 2013 from \$3,432.3 million in January. In this context, the inter-bank market was inactive in February as commercial banks were sufficiently liquid to meet all their short-term funding needs. The Central Bank remained active in the market addressing the excess liquidity situation through open market operations. Sales of foreign exchange to authorized dealers also helped to contain excess liquidity. In the coming months, the Bank intends to step up its efforts to manage the build-up of system liquidity.

Short-term interest rates remained depressed. The rate on Trinidad and Tobago Government three-month securities declined from 0.40 per cent in January to 0.24 per cent in February 2013, while the rate on US three-month treasury bills rose from 0.08 to 0.13 per cent. These movements resulted in a

narrowing of the differential between TT and US three-month interest rates to 0.11 per cent from 0.32 per cent in January.

With underlying inflationary pressures still well contained and continuing expectation for a turnaround in economic activity in 2013, the Bank views its present accommodative monetary stance as appropriate. In this context, **the Bank 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 March 22, 2013.

February 28, 2013

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

	Weights	Monthly		Year-on-Year	
		Dec 2012	Jan 2013	Dec 2012	Jan 2013
Headline Inflation	1,000.00	(0.8)	2.6	7.2	7.3
Food and Non-Alcoholic Beverages	180.00	(1.8)	6.2	12.7	13.8
Bread and Cereals	31.21	(0.6)	0.0	0.7	0.6
Meat	29.21	(1.4)	0.6	8.5	9.6
Fish	11.37	2.7	1.8	8.2	6.5
Vegetables	21.84	(4.3)	8.2	26.8	27.6
Fruits	14.28	6.6	5.7	(2.8)	(3.3)
Milk, Cheese & Eggs	19.05	0.3	0.5	0.3	0.9
Oils and Fats	9.07	(2.9)	0.6	2.7	2.8
Sugar, Jam, Confectionery, etc.	7.66	(0.7)	(0.4)	1.8	0.4
Food Products NEC	12.51	(6.2)	15.3	18.8	24.4
Non-Alcoholic Beverages	23.80	(1.7)	0.7	(0.3)	(1.0)
Core Inflation	820.00	0.0	(0.4)	3.1	2.2
Alcoholic Beverages & Tobacco	25.00	0.1	(0.2)	3.1	2.5
Clothing and Footwear	53.00	(0.9)	0.9	3.1	2.9
Furnishings, Household Equipment and Routine Maintenance	54.00	0.0	0.1	1.4	1.3
Health	51.00	0.4	0.5	5.6	6.1
<i>Of which: Medical Services</i>	19.91	0.0	0.5	12.3	12.6
Housing, Water, Electricity, Gas & Other Fuels	262.00	0.0	(0.8)	1.5	0.1
<i>Of which: Rent</i>	24.00	0.0	(0.8)	3.4	2.0
Home Ownership	180.00	0.0	(1.0)	1.7	(0.2)
Education	16.00	0.0	0.0	6.3	6.3
Recreation & Culture	85.00	0.0	(1.9)	5.1	2.1
Hotels, Cafes & Restaurants	30.00	0.0	0.2	4.3	4.0
Transport	167.00	0.0	0.2	3.6	3.8

Source: Central Statistical Office.

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