



## CENTRAL BANK OF TRINIDAD & TOBAGO

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# Media Release

## **CENTRAL BANK MAINTAINS REPO RATE AT 2.75 PER CENT**

Preliminary estimates suggest that domestic economic activity continued to improve in the first quarter of 2013. The main driver of economic growth was the non-energy sector. The smaller growth in the energy sector reflected a rise in natural gas production that was somewhat offset by temporary downtime in some fertilizer operations. The year-on-year expansion of non-energy activity was relatively broad-based, with construction and manufacturing recovering from depressed levels of early 2012 in the wake of industrial action at Trinidad Cement Limited.

Private sector credit continued to expand, albeit at a moderate pace. In the twelve months to April 2013, credit to the private sector granted by the consolidated financial system grew by 2.6 per cent compared with 2.4 per cent in March 2013 and 2.7 per cent in April 2012. Loans for real estate mortgages as well as consumer loans supported the growth in private sector credit. In contrast, lending to businesses declined on a year-on-year basis for the fifth consecutive month.

Although liquidity levels remained elevated over the first half of 2013, there was some temporary respite following the implementation of the Central Bank's liquidity management measures. After peaking at over \$7 billion in early May, commercial banks' excess reserves at the Central Bank fell to roughly \$5.8 billion following the issue of a Central Government liquidity absorption bond on May 21. Other liquidity absorption measures in May included the rolling over of a one-year \$1 billion fixed deposit held by commercial banks at the Central Bank. Nonetheless, with liquidity still relatively high there was no activity on the inter-bank market nor was the Central Bank's repo facility utilized.

Short-term interest rates remained depressed in June 2013. The discount rate on 3-month treasury bills held at 0.15 per cent in June 2013, the same rate as in the previous two months. With the comparative US treasury bill rate inching up 1 basis point to 0.06 per cent, the differential between the TT and US 3-month treasuries narrowed to 9 basis points in June 2013.

A further softening of prices for international agricultural commodities is likely to contribute to some containment of headline inflation, which stood at 5.5 per cent in April 2013, according to the latest available statistics. Upside risks such as adverse local weather conditions could, however, place upward pressure on domestic food prices.

In light of the foregoing, 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 July 26, 2013.**

**June 28, 2013.**