



# CENTRAL BANK OF TRINIDAD & TOBAGO

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## Media Release

### **INFLATION SLOWS TO 5.5 PER CENT IN APRIL: CENTRAL BANK MAINTAINS REPO RATE AT 2.75 PER CENT**

The latest data released by the Central Statistical Office indicate a slowing of the inflation rate in April. **Headline inflation, measured by the 12-month change in the Index of Retail Prices, eased to 5.5 per cent in April 2013** from 6.9 per cent in the previous month. However, on a monthly basis, headline inflation rose by 1.5 per cent in April, following an increase of 0.2 per cent in March 2013.

**For the first time since October 2011**, food price inflation slowed to single digit territory reaching **9.4 per cent in April 2013**. This compared with food price inflation measuring **26.2 per cent in April 2012** and **15.0 per cent in April 2011**. An increase in domestic supply of some food items may have helped to dampen the impact on prices, as weather conditions were generally favourable. However, the deceleration in the rate of increase of food prices may also partly reflect the “base effect” associated with a spike in the Food sub-index in April 2012.

**Core inflation**, which removes movements in food prices, rose marginally to **2.4 per cent** (year-on-year) in April 2013 from 2.2 per cent in the previous month. There were sharper price increases for **alcoholic beverages and tobacco** (5.0 per cent from 4.1 per cent in March) and **clothing and footwear** (2.3 per cent from 1.7 per cent in March) in April.

Private sector credit growth remained subdued. On a year-on-year basis, **private sector credit** granted by the consolidated financial system grew by **2.0 per cent** in March 2013, slightly lower than the 2.1 per cent increase recorded in February. While growth in **consumer lending** continued at a reasonable clip, **business lending** contracted for the fourth consecutive month, falling by **2.4 per cent** (year-on-year) in March following a decline of 2.1 per cent in the previous month. Meanwhile, although there was some slowdown in **real estate mortgage lending**, the pace nevertheless remained robust in March 2013.

The financial system continues to be highly liquid. **Commercial banks' excess reserves at the Central Bank averaged \$6.5 billion** on a daily basis over the period May 1 – 21, 2013 compared with \$5.3 billion in April 2013. In response to the large build-up in liquidity levels, the Central Bank facilitated the issue of a \$1 billion (face value) Central Government liquidity absorption bond on May 21 2013. With the proceeds of this bond being sterilized at the Central Bank, commercial banks' excess reserves fell to \$5.8 billion on May 21 from over \$7 billion earlier in the month. In addition, Central Bank sales of foreign currency to authorized dealers indirectly removed \$637 million from the system. Also in May, the Bank rolled over a \$1 billion fixed deposit held by commercial banks at the Central Bank for one year. Nevertheless, with liquidity still at elevated levels, there was no activity on the inter-bank market and banks did not access the Central Bank's repo facility. The Bank stands ready to employ additional measures in the coming months to contain excessive build-ups in financial system liquidity.

Short-term treasury rates remained depressed given the high levels of liquidity. As at May 21 2013, the **3-month treasury bill** discount rate stood at 0.15 per cent, the same as in the previous month, while the **6-month treasury bill** rate fell to 0.18 per cent in May 2013 from 0.36 per cent in March 2013. With short-term US treasury rates holding steady, the differential between TT and US 3-month treasury bill rates was unchanged at 10 basis

points thus far in May. To encourage credit demand banks lowered their lending rates in early 2013. Commercial banks' **weighted average lending rate** fell to 8.59 per cent in March 2013 from 8.75 per cent in December 2012.

The recent slowdown in headline inflation and the continued stability in core inflation suggest that general price pressures are contained, although food price pressures may increase in coming months with the advent of the rainy season. Economic growth is still not as strong as expected, underlined by the further contraction of business credit. In such an environment, the Central Bank views the present accommodative monetary policy 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 June 28, 2013.**

**May 24, 2013**

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

	Weights	Monthly		Year-on-Year	
		Mar 2013	Apr 2013	Mar 2013	Apr 2013
Headline Inflation	1,000.00	0.2	1.5	6.9	5.5
Food and Non-Alcoholic Beverages	180.00	0.4	2.3	12.9	9.4
Bread and Cereals	31.21	0.1	0.5	0.2	0.3
Meat	29.21	(0.3)	(1.7)	6.0	5.2
Fish	11.37	0.9	(4.3)	5.7	(2.2)
Vegetables	21.84	(4.8)	3.9	24.2	13.5
Fruits	14.28	11.5	7.0	(2.7)	9.5
Milk, Cheese & Eggs	19.05	(0.1)	0.1	(1.5)	(1.7)
Oils and Fats	9.07	0.7	0.2	0.8	1.8
Sugar, Jam, Confectionery, etc.	7.66	(1.1)	0.3	(3.0)	(3.8)
Food Products NEC	12.51	4.1	(2.9)	40.1	18.3
Non-Alcoholic Beverages	23.80	0.0	0.2	(0.6)	(0.1)
Core Inflation	820.00	0.1	0.8	2.2	2.4
Alcoholic Beverages & Tobacco	25.00	2.3	0.6	4.1	5.0
Clothing and Footwear	53.00	0.0	0.2	1.7	2.3
Furnishings, Household Equipment and Routine Maintenance	54.00	0.0	0.1	1.3	1.7
Health	51.00	0.0	1.0	6.0	5.0
<i>Of which: Medical Services</i>	19.91	0.0	2.0	12.6	10.7
Housing, Water, Electricity, Gas & Other Fuels	262.00	0.0	0.3	0.1	0.4
<i>Of which: Rent</i>	24.00	0.0	(0.3)	2.0	1.7
Home Ownership	180.00	0.0	0.5	(0.2)	0.2
Education	16.00	0.0	0.8	6.3	5.2
Recreation & Culture	85.00	0.0	2.9	2.1	3.0
Hotels, Cafes & Restaurants	30.00	0.0	0.6	4.0	4.3
Transport	167.00	0.0	0.0	3.8	2.3
Communication	41.00	0.0	0.0	0.1	0.0
Miscellaneous Goods and Other Services	36.00	0.0	5.8	1.2	6.5

*Source: Central Statistical Office.*