



# CENTRAL BANK OF TRINIDAD & TOBAGO

POST OFFICE BOX 1250 PORT-OF-SPAIN, TRINIDAD, WEST INDIES  
TELE: 625-4835, FAX: (868) 623-1955  
E-Mail Address: [info@central-bank.org.tt](mailto:info@central-bank.org.tt)

## Media Release

### **INFLATION SLOWS TO 7.2 PER CENT AT THE END OF 2012: CENTRAL BANK MAINTAINS REPO RATE AT 2.75 PER CENT**

The final inflation figures released by the Central Statistical Office (CSO) for 2012 indicate that headline inflation slowed to 7.2 per cent in the twelve months to December 2012 from 8.1 per cent in November and a high of 12.6 per cent in May. Headline inflation for the whole of 2012 averaged 9.3 percent, up from 5.2 percent in 2011.

**Food price inflation**, which had peaked at 28.3 per cent (year-on-year) in May 2012 before slowing to 14.9 per cent in November, eased even further to 12.7 per cent in December. The slowing of the food inflation rate in December partly reflects the impact of the removal of VAT on a range of food items which went into effect on November 15, 2012. In this context, there were slower price increases in December for **bread and cereals** (0.7 per cent compared with 1.4 per cent in November 2012), **meat** (8.5 per cent compared with 10.3 per cent), **fish** (8.2 per cent compared with 9.0 per cent), **milk, cheese and eggs** (0.3 per cent compared with 0.4 per cent), **oils and fats** (2.7 per cent compared with 6.1 per cent) and **sugar and confectionery products** (1.8 per cent compared with 2.7 per cent). The increase in **vegetable prices** decelerated to 26.8 per cent in December from 28.1 per cent in the previous month after having peaked at 45 per cent in May 2012. **Fruit prices** decelerated markedly over the course of the year, from a high of 62.1 per cent in January 2012 to -2.8 per cent in December.

**Core inflation**, which filters out the impact of food prices, remained unchanged at 3.1 per cent in December 2012. Slower year-on-year increases were recorded for alcoholic beverages and tobacco (3.1 per cent), health (5.6 per cent), clothing and footwear (3.1 per cent) and recreation and culture (5.1 per cent). This steadiness in the core inflation rate suggests that underlying inflationary pressures are still relatively subdued.

**Private sector credit** continued to rise moderately during the final quarter of 2012. On a year-on-year basis, private sector credit granted by the consolidated financial system increased by 3.8 per cent in November, up slightly from 3.7 per cent in October. There was a pick-up in credit in all the major lending categories in November 2012. **Consumer credit** rose by **3.1 per cent** (year-on-year) in November 2012 compared with an increase of 2.9 per cent in October while **business lending** regained some traction, rising by **2.6 per cent** in November following a slowing of growth to 1.0 per cent in September. **Real estate mortgage lending** continued to grow at a robust pace, increasing by **11.3 per cent** in the twelve months to November 2012.

Modest private sector credit demand and high net fiscal injections contributed to elevated levels of liquidity in the financial system. Commercial banks' reserve balances at the Central Bank in excess of the statutory requirements rose to a daily average of TT\$4 billion in December from TT\$3.3 billion in November 2012. In an effort to contain the increase in excess liquidity, the Bank rolled over \$1.5 billion in commercial banks' special deposits which matured in December. In early January 2013, excess liquid balances hovered just under TT\$3 billion as the payment of quarterly taxes helped to drain some excess funds from the financial system.

In the still liquid environment, short-term interest rates remained depressed with the discount rate on three-month TT treasury bills falling to 0.40 per cent as at January 22, 2013, from 0.46 per cent in November 2012.

Although there were some encouraging signs of a recovery in domestic economic activity during the third quarter of 2012, credit demand is still quite subdued as evidenced by the slower-than-anticipated pace of loan growth in the banking system. With core inflation relatively well contained at around 3 per cent, the Bank has decided to maintain its accommodative monetary policy stance to sustain the nascent recovery in economic activity. Consequently, the Bank has decided to **hold 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 Thursday February 28, 2013.**

**January 25, 2013**

## APPENDIX

### MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES /Percentage Change/

	Monthly		Year-on-Year	
	Nov 2012	Dec 2012	Nov 2012	Dec 2012
Headline Inflation	0.0	(0.8)	8.1	7.2
Food and Non-Alcoholic Beverages	0.1	(1.8)	14.9	12.7
Bread and Cereals	(0.1)	(0.6)	1.4	0.7
Meat	0.2	(1.4)	10.3	8.5
Fish	4.1	2.7	9.0	8.2
Vegetables	(0.3)	(4.3)	28.1	26.8
Fruits	(1.5)	6.6	(0.6)	(2.8)
Milk, Cheese & Eggs	(1.1)	0.3	0.4	0.3
Oils and Fats	(0.8)	(2.9)	6.1	2.7
Sugar, Jam, Confectionery, etc.	(0.4)	(0.7)	2.7	1.8
Core Inflation	(0.0)	0.0	3.1	3.1
Alcoholic Beverages & Tobacco	(0.1)	0.1	4.7	3.1
Clothing and Footwear	0.1	(0.9)	3.3	3.1
Furnishings, Household Equipment and Routine Maintenance	(0.0)	0.0	1.4	1.4
Health	(0.1)	0.4	5.7	5.6
<i>Of which: Medical Services</i>	(0.0)	0.0	12.3	12.3
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	1.5	1.5
<i>Of which: Rent</i>	0.0	0.0	3.4	3.4
Home Ownership	0.0	0.0	1.7	1.7
Education	0.0	0.0	6.3	6.3
Recreation & Culture	0.0	0.0	5.2	5.1
Hotels, Cafes & Restaurants	0.0	0.0	4.3	4.3
Transport	0.0	0.0	3.6	3.6

Source: Central Statistical Office.