



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

Website Address: www.central-bank.org.tt

Media Release

INFLATION SLOWS TO 8.1 PER CENT IN NOVEMBER: CENTRAL BANK MAINTAINS REPO RATE AT 2.75 PER CENT

The latest data on retail prices released by the Central Statistical Office (CSO) indicate a marked deceleration in inflationary pressures in November 2012. **Headline inflation**, measured by the 12-month change in the Index of Retail Prices (RPI), slowed to **8.1 per cent** in November 2012 from 9.4 per cent in October.

Food price inflation, which continues to exert a strong influence on the headline inflation rate, slowed to **14.9 per cent** (year-on-year) in November 2012, down from 18.2 per cent in October. The impact of the removal of the Value Added Tax (VAT) on several food items was not reflected in the inflation data for November 2012. Instead, this moderation in food price inflation reflected, for the most part, the decline in the price of **fruits** (a fall of 0.6 per cent in November compared to an increase of 5.7 per cent in October) along with slower year-on-year price increases for **vegetables** (28.1 per cent in November compared with 34.9 per cent in October), **meat** (10.3 per cent compared with 10.5 per cent), **milk, cheese and eggs** (0.4 per cent compared with 2.6 per cent), **oils and fats** (6.1 per cent compared with 12 per cent) and **sugar and confectionery products** (2.7 per cent compared with 3.1 per cent). In contrast, prices rose at a faster rate for **fish** (9.0 per cent from 8.0 per cent in October) and **bread and cereals** (1.4 per cent from 1.1 per cent).

It is worth noting that the CSO is in the process of updating its current methodologies and practices for compiling retail prices in Trinidad and Tobago. These revisions include alterations to the method for estimating the food component to more accurately reflect household spending patterns and the changing nature of the current basket of consumer items. This basket is expected to include some new technological goods and services such as mobile communication devices as well as energy conservation products. The rebasing exercise is expected to be completed in early 2013.

Core inflation, which filters out the impact of food prices, measured 3.1 per cent in November 2012, unchanged from the previous month. The sub-indices for alcoholic beverages and tobacco and health posted year-on-year increases of 4.7 per cent and 5.7 per cent, respectively. These increases were however counterbalanced by a reduction of 3.4 per cent in the rate of increase in one of the larger components of the core basket - the clothing and footwear sub-category.

Private sector credit edged up in October 2012 but was still broadly unresponsive to current financial conditions. On a year-on-year basis, private sector credit granted by the consolidated financial system increased by 3.7 per cent in October 2012, up from 3.2 per cent in September. Of the major categories of private sector lending, consumer and business credit posted small year-on-year increases of 2.9 per cent and 2.1 per cent, respectively, while real estate mortgage lending continued to expand at a robust rate (11 per cent) in October 2012.

Liquidity in the domestic financial system remained high mainly on account of substantial net fiscal injections during November and the first half of December 2012. Commercial banks' holdings of excess reserves at the Central Bank increased to a daily average of \$4,075 million in the period December 1-18, 2012, up from \$3,342 million in the

previous month. Excess liquidity continued to drive down interest rates on short-term government paper. The rate on the three-month treasury bills fell to 0.39 per cent as at December 19, 2012 from 0.46 per cent in November and 0.54 per cent in October. The six-month t-bill rate declined to 0.47 per cent in December from 0.58 per cent in September.

Economic activity is likely to remain somewhat subdued in the third quarter of 2012, despite a slight uptick in the energy and non-energy sectors. The slow pace of expansion in consumer and business credit suggests that aggregate demand has not picked up sufficiently to create the momentum required for a sustained economic recovery. With underlying inflationary pressures in check, the Bank continues to adopt an accommodative monetary stance to support the resurgence of economic activity, especially in the non-energy sector. Against this background, 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 January 25, 2013.

December 21, 2012.

APPENDIX

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

	Monthly		Year-on-Year	
	Oct 2012	Nov 2012	Oct 2012	Nov 2012
Headline Inflation	1.4	0.0	9.4	8.1
Food and Non-Alcoholic Beverages	2.0	0.1	18.2	14.9
Bread and Cereals	0.1	(0.1)	1.1	1.4
Meat	2.2	0.2	10.5	10.3
Fish	2.4	4.1	8.0	9.0
Vegetables	5.8	(0.3)	34.9	28.1
Fruits	(7.1)	(1.5)	5.7	(0.6)
Milk, Cheese & Eggs	(1.3)	(1.1)	2.6	0.4
Oils and Fats	0.2	(0.8)	12.0	6.1
Sugar, Jam, Confectionery, etc.	0.7	(0.4)	3.1	2.7
Core Inflation	1.0	(0.0)	3.1	3.1
Alcoholic Beverages & Tobacco	0.1	(0.1)	4.6	4.7
Clothing and Footwear	0.6	0.1	3.5	3.3
Furnishings, Household Equipment and Routine Maintenance	0.2	(0.0)	1.4	1.4
Health	2.3	(0.1)	5.1	5.7
<i>Of which:</i> Medical Services	4.9	(0.0)	12.3	12.3
Housing, Water, Electricity, Gas & Other Fuels	0.5	0.0	1.5	1.5
<i>Of which:</i> Rent	0.6	0.0	3.4	3.4
Home Ownership	0.7	0.0	1.7	1.7
Education	4.3	0.0	6.3	6.3
Recreation & Culture	(0.9)	0.0	5.2	5.2
Hotels, Cafes & Restaurants	1.1	0.0	4.3	4.3
Transport	2.1	0.0	3.6	3.6

Source: Central Statistical Office.

-END-