



**CENTRAL BANK OF
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MONETARY POLICY ANNOUNCEMENT

June 25, 2021

CENTRAL BANK MAINTAINS REPO RATE AT 3.50 PER CENT

The global economic recovery is underway, with the International Monetary Fund forecasting a global expansion of 6.0 per cent for 2021. This is driven in large measure by expanded COVID-19 vaccination coverage in advanced and some emerging market economies. However, the prospects are quite uneven, based on the difficulty of access to vaccines faced by many low and middle-income countries, coupled with the growing threats posed by new variants of the virus. In general, the substantial fiscal support by governments across the world continues, alongside medium-term plans for gradual exits from such support. Likewise, broad monetary accommodation to underwrite economic recoveries has also been maintained, although some central banks have started to, or signaled the intention to, raise interest rates to stave off looming inflation.

Developments in the energy industry and pandemic-induced reactions by the public and private sectors shaped the domestic economic picture in the first half of 2021. Energy sector performance was mixed: while output of several products dipped, prices of some key energy exports were strong. Available data show that for the first four months of 2021 relative to the same period a year earlier, natural gas output was 20.6 per cent lower, while crude oil production rose marginally by 0.6 per cent. There was also some decline in production of liquefied natural gas, natural gas liquids, as well as ammonia and methanol. Meanwhile, international energy prices have been trending upwards. As at June 21, 2021 West Texas Intermediate crude oil and Henry Hub natural gas prices rose to average US\$73.66 per barrel and US\$3.15 per mmbtu, respectively.

As regards non-energy activities, the initial resurgence in construction and manufacturing observed at the start of the year was impeded in the context of stringent national lockdown measures employed in the second quarter to curtail the spread of the virus. In the short run, these measures impact the provision of a wide range of goods and services as well as personal and business incomes. In this environment, headline inflation remained contained at 1.1 per cent (year-on-year) in April 2021 according to the most recent data from the Central Statistical Office.

On the financial front, the weighted average of commercial banks' lending rates fell by a further 8 basis points since December 2020 to 7.21 per cent in March 2021. The interest differentials between Trinidad and Tobago and United States treasury securities were relatively stable in recent months, and measured 30 basis points for 90 day securities and 321 basis points for 10-year bonds in May 2021. Over the course of this year to mid-June, excess liquidity declined from \$10.8 billion to \$7.9 billion, partly due to domestic financing activities of the Central Government. At the same time, private sector credit remained sluggish; in particular, bank credit to businesses declined by 3.2 per cent (12-month basis) in March 2021.

In its evaluation, the Monetary Policy Committee (MPC) noted the need for continued monetary support towards a domestic economic recovery at this time. **The MPC agreed to maintain the repo rate at 3.50 per cent.** The Central Bank will continue to carefully monitor and analyse international and domestic developments and prospects.

The next Monetary Policy Announcement is scheduled for September 30, 2021.

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