



**CENTRAL BANK OF
TRINIDAD & TOBAGO**

POST OFFICE BOX 1250 PORT-OF-SPAIN, TRINIDAD, WEST INDIES
TEL: 621-2288, FAX: (868) 612-6396
E-Mail Address: info@central-bank.org.tt

MONETARY POLICY ANNOUNCEMENT

June 30, 2023

CENTRAL BANK MAINTAINS REPO RATE AT 3.50 PER CENT

The international economic recovery is slowing down. Key factors include the ongoing Russia-Ukraine conflict and the impact of tightening of monetary policies to contain inflation. Against this background, the International Monetary Fund lowered its projections for world output growth to 2.8 per cent in 2023 from 3.4 per cent in 2022. Global inflation is subsiding, although rates in several jurisdictions still exceed central banks' targets. Following ten consecutive rate hikes, the United States Federal Reserve (Fed) kept its federal funds target range of 5.00 per cent to 5.25 per cent in June 2023, cautioning that further rate increases may be on the short-term horizon. The European Central Bank and the Bank of England continued to raise interest rates while several central banks in Emerging Market and Developing Economies paused their monetary policy tightening cycles.

Indicators monitored by the Central Bank of Trinidad and Tobago show signs of a slow and steady recovery of the domestic economy in the first quarter of 2023. On the energy side, there were increases in liquid natural gas and methanol production compared to the first quarter of 2022, alongside reduced output of crude oil, natural gas, natural gas liquids, ammonia and urea. As regards non-energy sectors, strengthening business activity and consumer demand were reflected in expansions in the transportation and storage, wholesale and retail trade, electricity, water and construction sectors. Activity in the finance, insurance, manufacturing and agriculture sectors demonstrated somewhat less buoyancy during the period.

Domestic inflation trended downward over the first five months of 2023. According to the Central Statistical Office's Index of Retail Prices, headline inflation slowed to 5.7 per cent in May 2023, compared with 6.0 per cent one month prior and 8.7 per cent in December 2022. Declining

international food prices in tandem with easing local produce prices resulted in a decline in food inflation to 9.7 per cent in May 2023, from 11.2 per cent in April 2023 and 17.3 per cent in December 2022. Core inflation, which excludes food prices, remained unchanged at 4.8 per cent in May 2023 from the previous month but lower than the 6.7 per cent recorded in December 2022. The outlook is for continued moderation in headline inflation, although adverse weather could lead to some spikes in local food crop prices.

Private sector credit was relatively steady over the first four months of 2023, with growth of 6.5 per cent on a year-on-year basis in April 2023, bolstered by consumer loan demand and real estate mortgage lending. Credit to businesses sustained a healthy clip of 6.4 per cent expansion in the 12 months to April 2023, albeit slower than the 9.8 per cent growth recorded in December 2022. Liquidity remained ample, buttressing the supply of credit to the economy. Commercial banks' excess reserves at the Central Bank increased from a daily average of TT\$6.6 billion in March 2023 to TT\$7.8 billion by the middle of June 2023. Between February and May 2023, the short-term 3-month differential between Trinidad and Tobago and United States 3-month treasuries moved to -476 basis points from -429 basis points in the context of continued interest rate increases by the US Fed.

The Monetary Policy Committee (MPC) carefully examined international economic developments, in particular the slowdown in global growth, geopolitical tensions, decline in inflationary pressures and the monetary stances of major and other central banks. The Committee took note of the widening of the negative TT/US interest differential, alongside evidence on the domestic side of a progressive decline in inflation and a gradual economic recovery, facilitated by credit that was expanding just above the pace of headline inflation. Taking all factors into account, **the MPC agreed to hold the repo rate at 3.50 per cent.** The Central Bank will continue to monitor and analyse international and domestic developments and will take further actions as necessary.

The next Monetary Policy Announcement is scheduled for September 29, 2023.

-End-