



**CENTRAL BANK OF
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MONETARY POLICY ANNOUNCEMENT

September 30, 2022

CENTRAL BANK MAINTAINS REPO RATE AT 3.50 PER CENT

The recovery of the global economy in recent months has not been smooth, and growth forecasts have been downgraded. Many central banks continued to raise policy rates as inflation soared past target levels. Leading the charge, in its latest move the United States Federal Reserve (US Fed) hiked the Fed funds target range by 75 basis points to 3.00 to 3.25 per cent in September 2022. The spillover to financial markets has been severe, with tremendous volatility experienced in equity valuations and exchange rate pressures in several countries.

Domestically, Central Statistical Office (CSO) data point to a marginal decline in real GDP by 0.1 per cent (year-on-year) in the first quarter of 2022. Energy sector output contracted by 5.1 per cent while non-energy GDP increased by 2.2 per cent. Non-energy growth was driven by strong performances in the manufacturing and transport and storage sub-sectors. The energy sector was hampered by declines in natural gas production and LNG refining. The unemployment rate measured 5.1 per cent in the first quarter of 2022, compared to 4.9 per cent in the previous quarter.

Headline inflation rose to 5.9 per cent (year-on-year) in July 2022, up from 4.9 per cent in June. The price rises were fairly broad-based. Food inflation reached 10.3 per cent in July while core inflation (which excludes food items) measured 4.9 per cent. The first round effect of an increase in fuel prices that took effect in late September is expected to be reflected in the inflation outcome in the final quarter of this year.

Monetary and financial indicators point to ample liquidity and strengthening credit demand. Commercial banks' excess reserves at the Central Bank amounted to \$4.4 billion in mid-September 2022. Credit to the private sector expanded by 6.6 per cent in July. This was driven by robust growth in business loans, a turnaround in consumer credit, and buoyant real estate mortgage lending. On the business side, there were notable increases in loans for construction,

manufacturing and distribution. In the context of US Fed policy moves, the TT/US interest differential on 3 month treasuries reached -236 basis points in August 2022.

In its deliberations, the Monetary Policy Committee (MPC) took note of the current uncertainty on the global front and inflationary pressures that were spilling over to Trinidad and Tobago. At the same time, there were encouraging signs of a revival of credit in support of domestic business expansion. Taking all factors into account, **the Committee decided to maintain the repo rate at 3.50 per cent.** The Central Bank will continue to monitor international and domestic developments and will take further actions as necessary.

The next Monetary Policy Announcement is scheduled for December 30, 2022.

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