

Monetary Policy Report – November 2016



CENTRAL BANK OF
TRINIDAD & TOBAGO

Central Bank Conference Facilities, November 2016

www.central-bank.org.tt

Presentation flow

1

- **International and Domestic Macro-economic Environments**

2

- **Central Bank's Monetary Policy Actions**



1

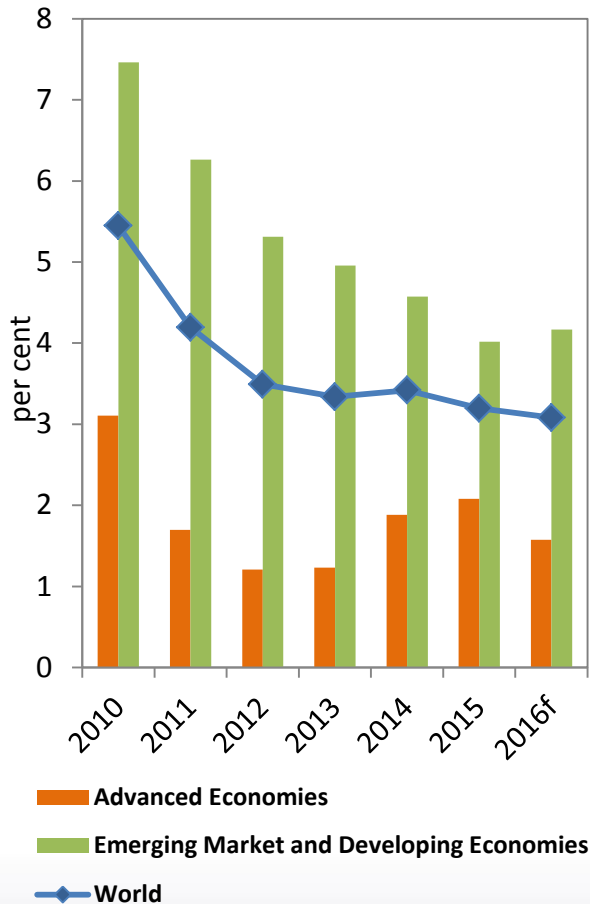
- **International and Domestic Macro-economic Environments**

2

- Central Bank's Monetary Policy Actions

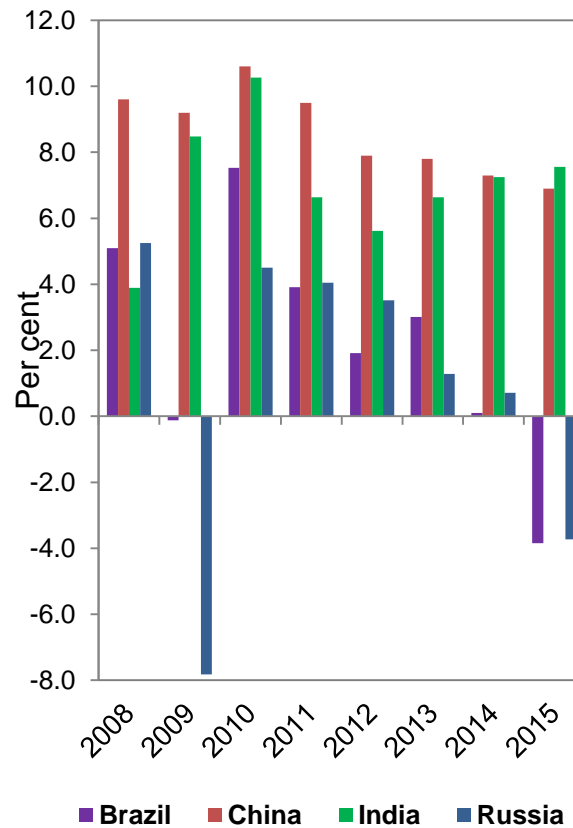
Global growth was stymied by increased financial market volatility and uncertain future prospects in both advanced and emerging market economies.

Global Growth (Real GDP – annual percentage change)



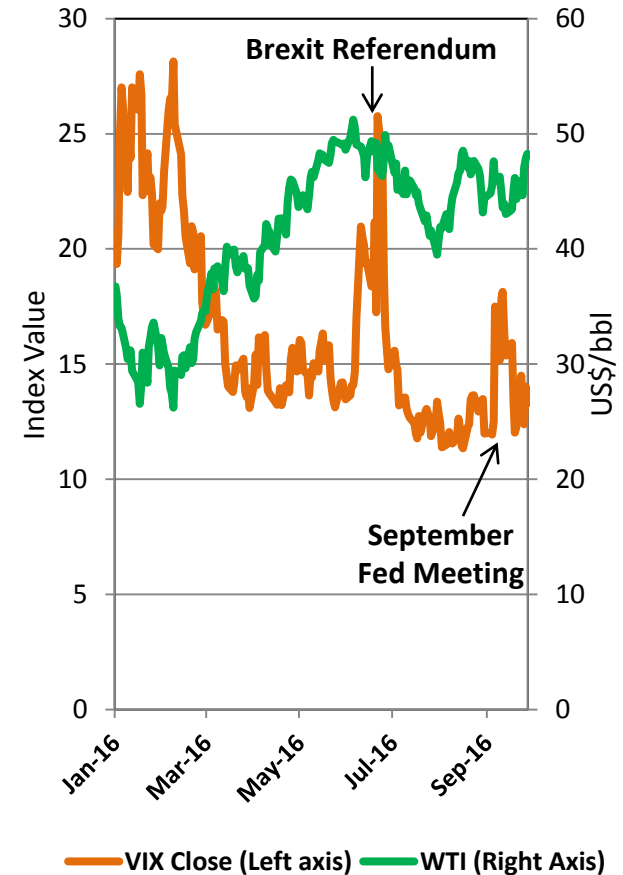
Source: IMF World Economic Outlook

BRIC Nations: Annual Real GDP Growth



Source: IMF World Economic Outlook

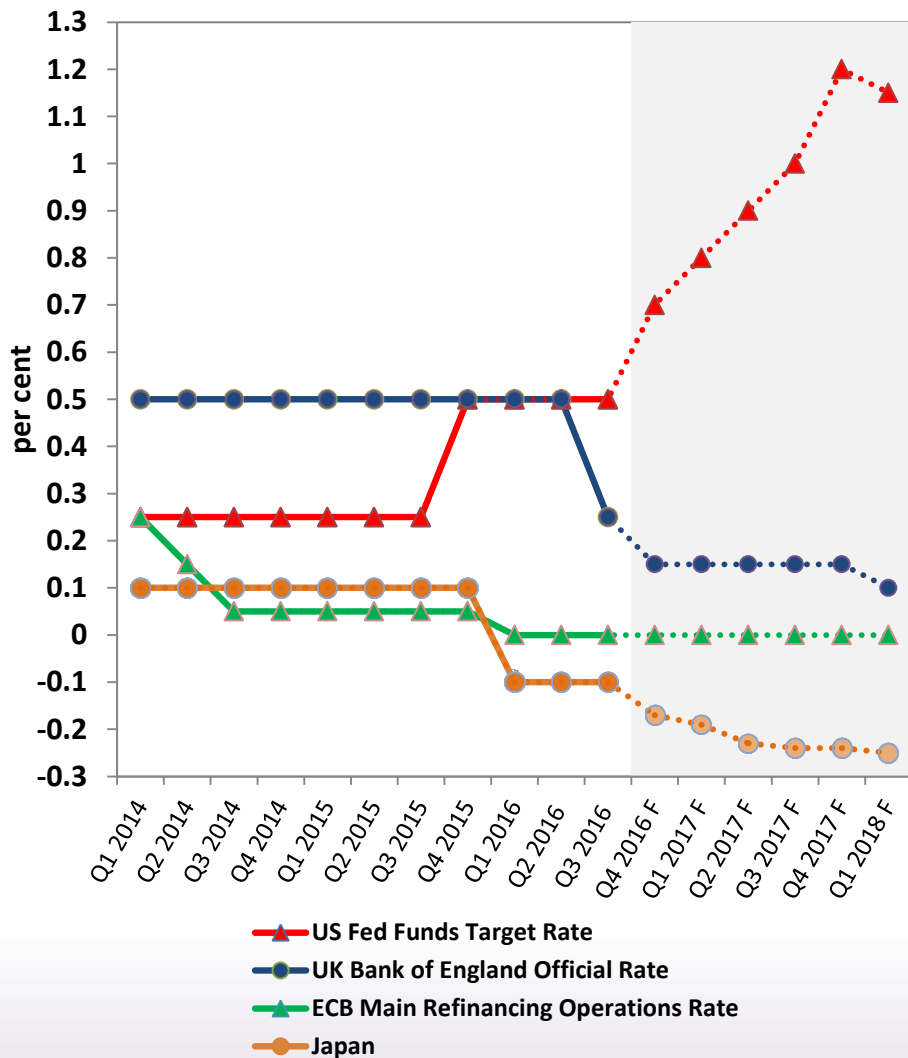
VIX Index and WTI



Sources: CBOE Volatility Index and Bloomberg

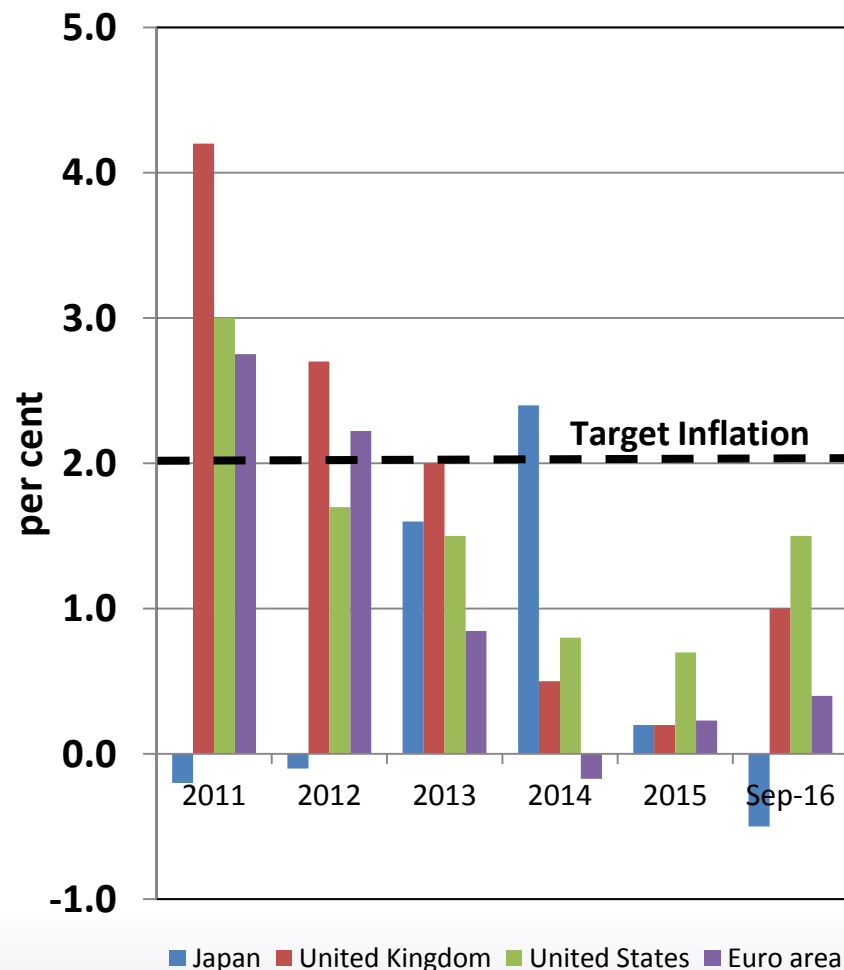
Monetary policies in advanced economies are expected to remain broadly accommodative in light of uncertain growth prospects and concerns about deflation.

Selected Advanced Economies: Policy Rates



Source: Bloomberg.

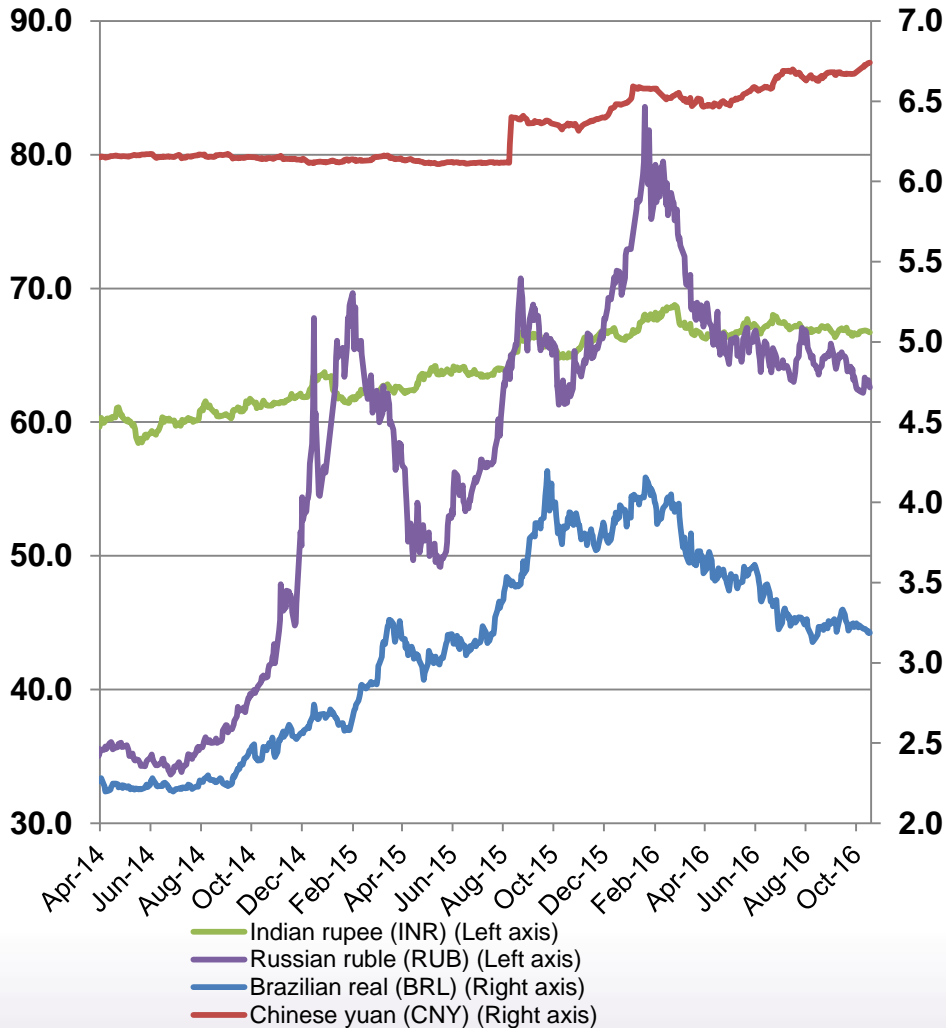
Selected Advanced Economies: Inflation Rates



Source: Bloomberg.

Exchange rate and monetary policy adjustments in BRIC nations.

BRIC Countries: Exchange Rates per US Dollar



Source: International Monetary Fund

BRIC Countries: Monetary Policy Positions






Country	Current Rate ¹	Last Change	Amount of Change
Brazil	14.00	Oct. 2016	-0.25
Russia	10.00	Sep. 2016	-0.50
India	6.25	Oct. 2016	-0.25
China	4.35	Oct. 2015	-0.25

Source: Central Bank of Brazil, The Central Bank of the Russian Federation, Reserve Bank of India, and The People's Bank of China.

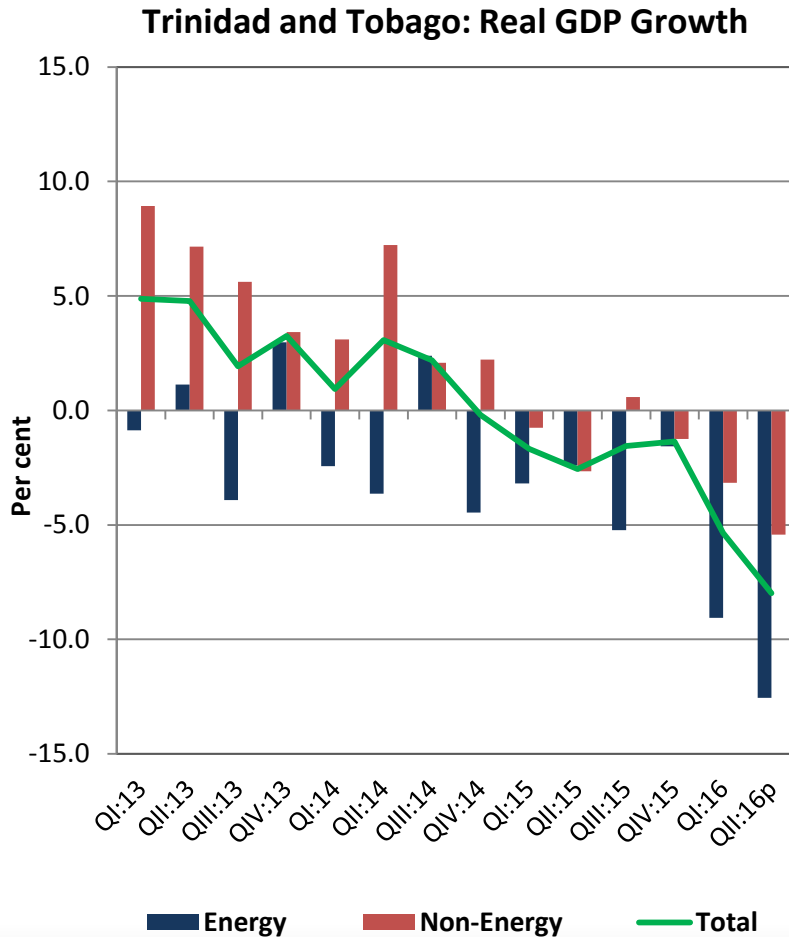
¹ As at October 2016.

Regionally, tourism dependent countries are poised for improved economic performance in 2016.

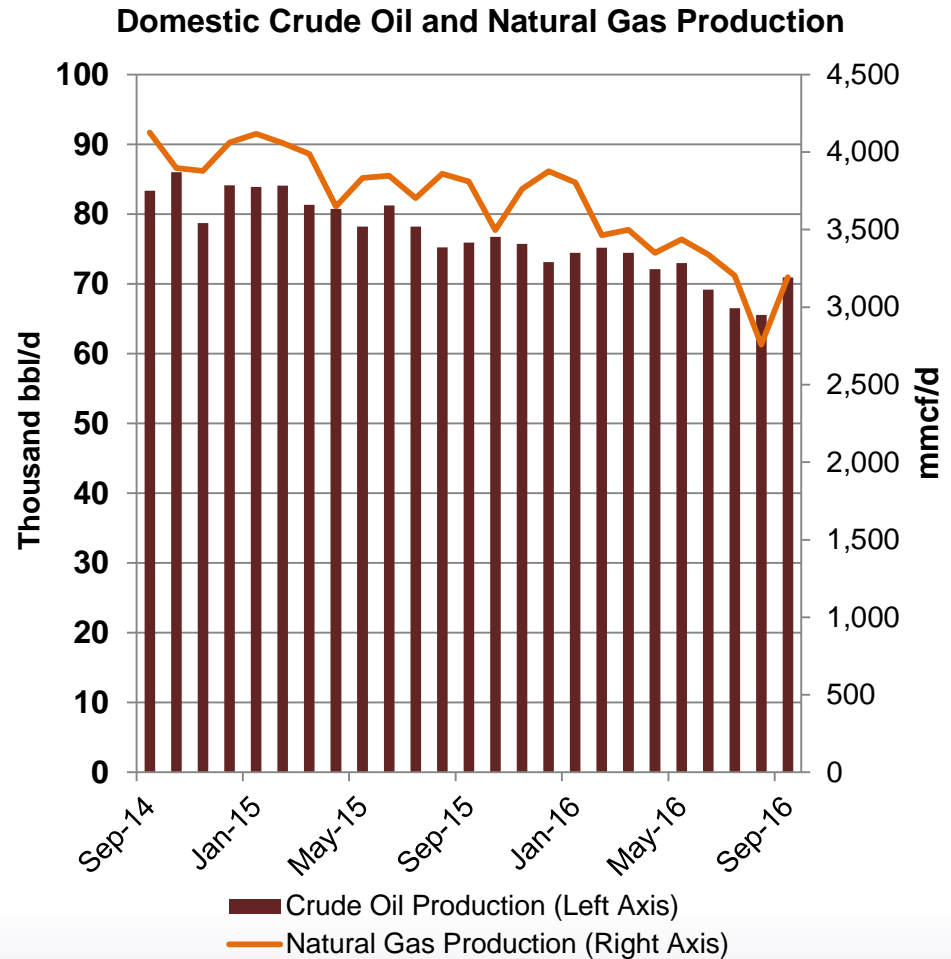
Selected Regional Economies: Main Economic Indicators

Main Economic Indicators						
		Jamaica	Barbados	ECCU	Guyana	Suriname
Output Growth (per cent)	2013	0.2	0.0	1.7	5.2	2.8
	2014	0.5	0.2	2.9	3.8	1.8
	2015 Est.	0.9	0.9	2.3	3.2	-0.3
	2016 ^P	1.5	1.7	2.2	4.0	-7.0
Inflation (End of period / per cent)	2013	9.5	1.1	0.0	0.9	0.6
	2014	6.4	2.3	1.2	1.2	3.9
	2015 Est.	3.7	-2.5	-1.0	-1.8	25.0
	2016 ^P	5.2	1.7	1.1	2.2	76.7

A mix of low global commodity prices and reduced domestic energy sector output has negatively impacted economic performance in Trinidad and Tobago.



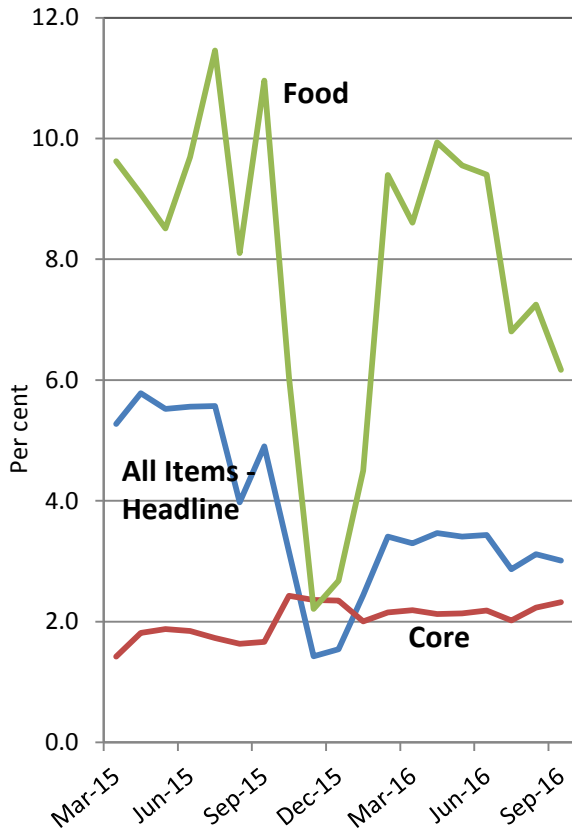
Source: Central Bank of Trinidad and Tobago



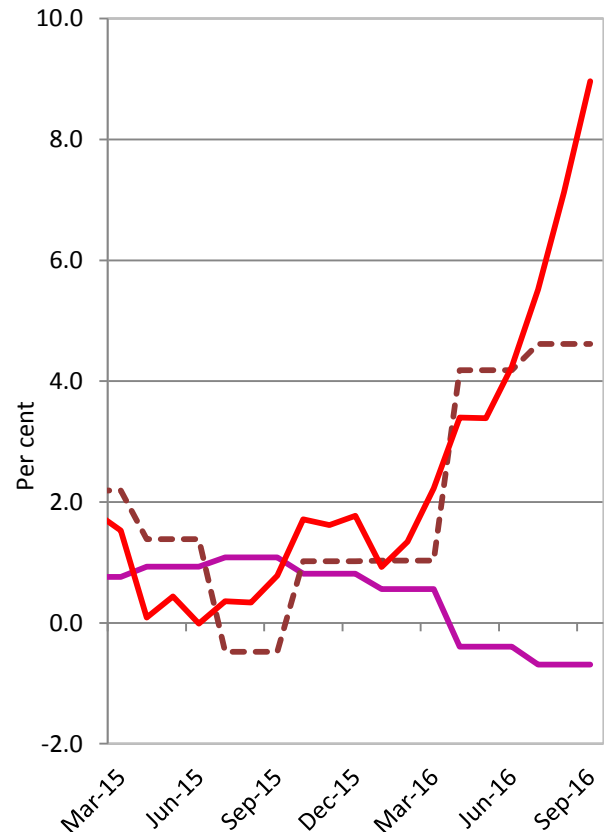
Source: Central Bank of Trinidad and Tobago

Headline inflation was relatively contained by the third quarter of 2016.

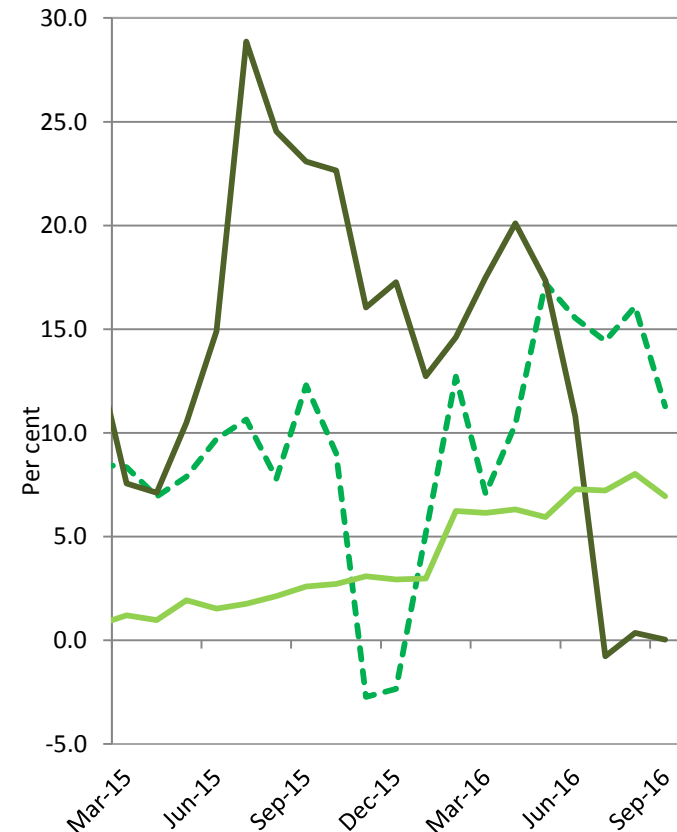
**Index of Retail Prices
(Year-on-Year Per cent Change)**



**Index of Retail Prices –
Components of Core Index**



**Index of Retail Prices –
Components of Food Sub-Index**

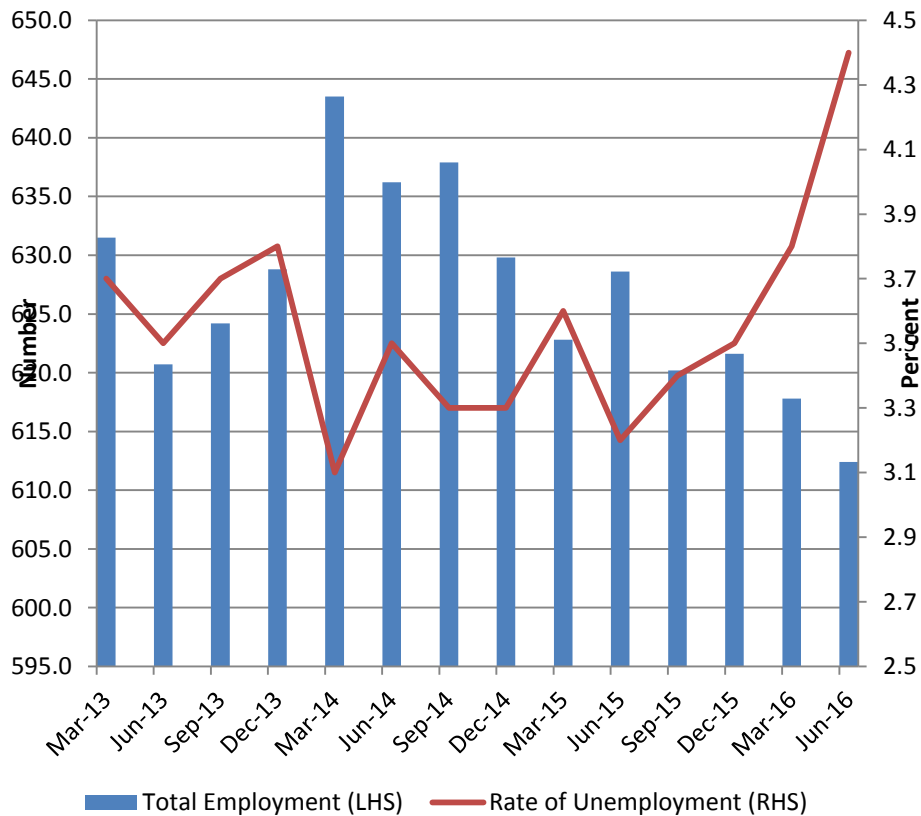


— Housing, Water, Electricity, Gas & Other Fuels - Weight 274.62
- - - Transport - Weight 147.42
— Health - Weight 40.64

- - - Vegetables Weight - 24.1
— Meat Weight - 31.5
— Breads and Cereals Weight - 32.6

Labour market conditions weakened throughout 2016.

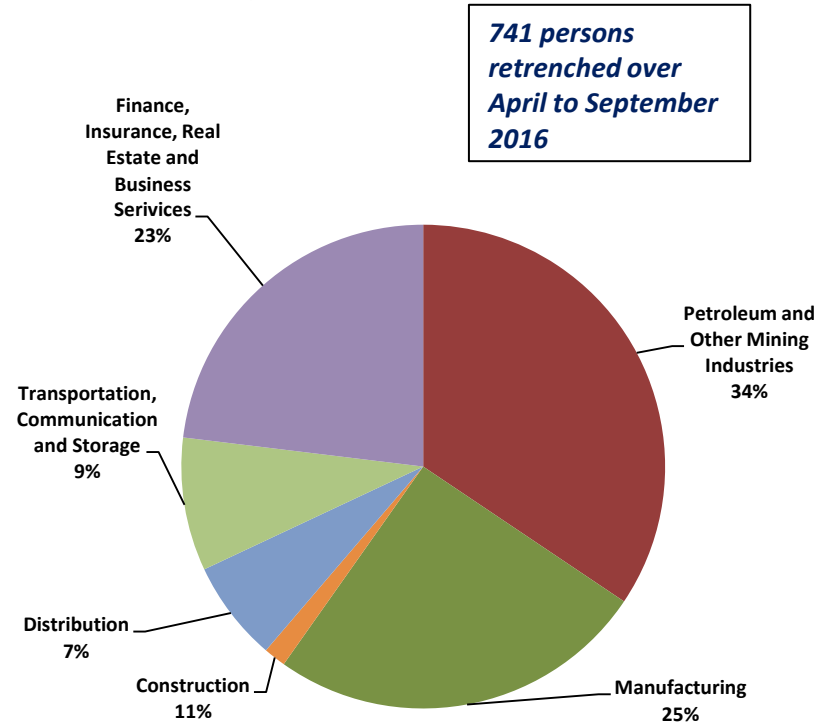
Total Employed and the Unemployment Rate



Source: Central Statistical Office

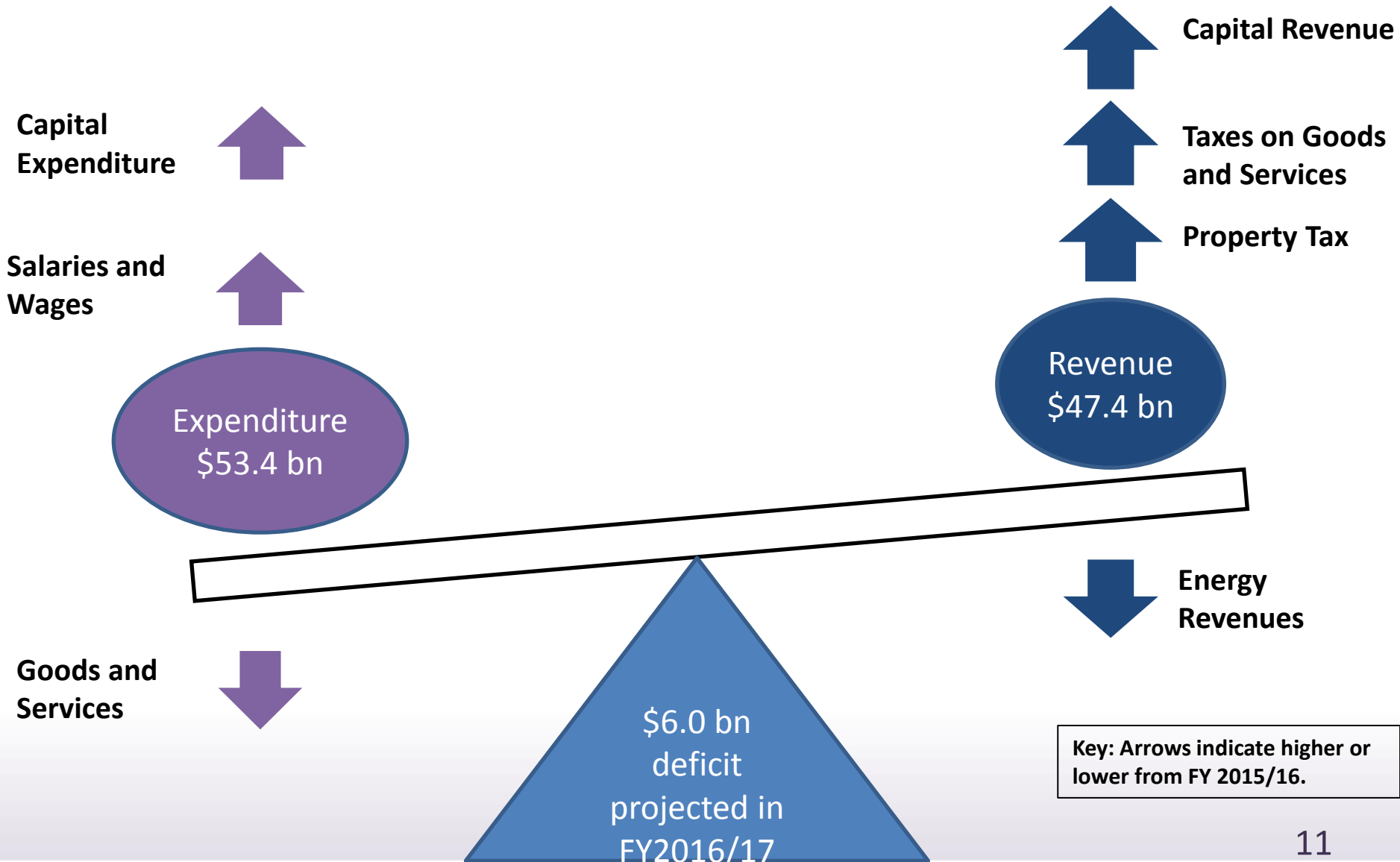
Retrenchment Notices Registered by Sector April 2016 - September 2016

(As Proportion of Total Notices Filed)

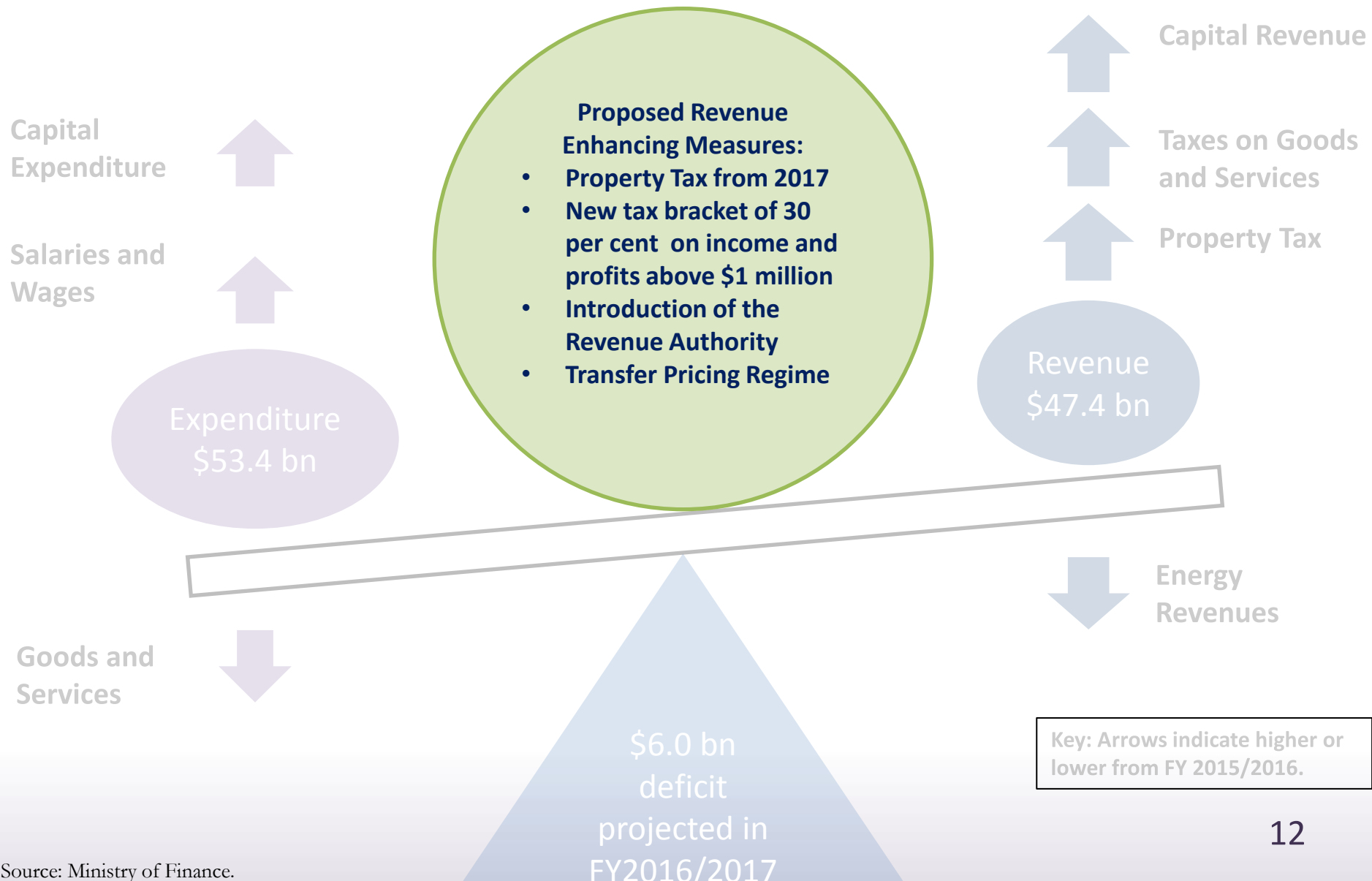


Source: Ministry of Labour and Small Enterprise Development

Fiscal policy continued to adjust to lower energy revenues.

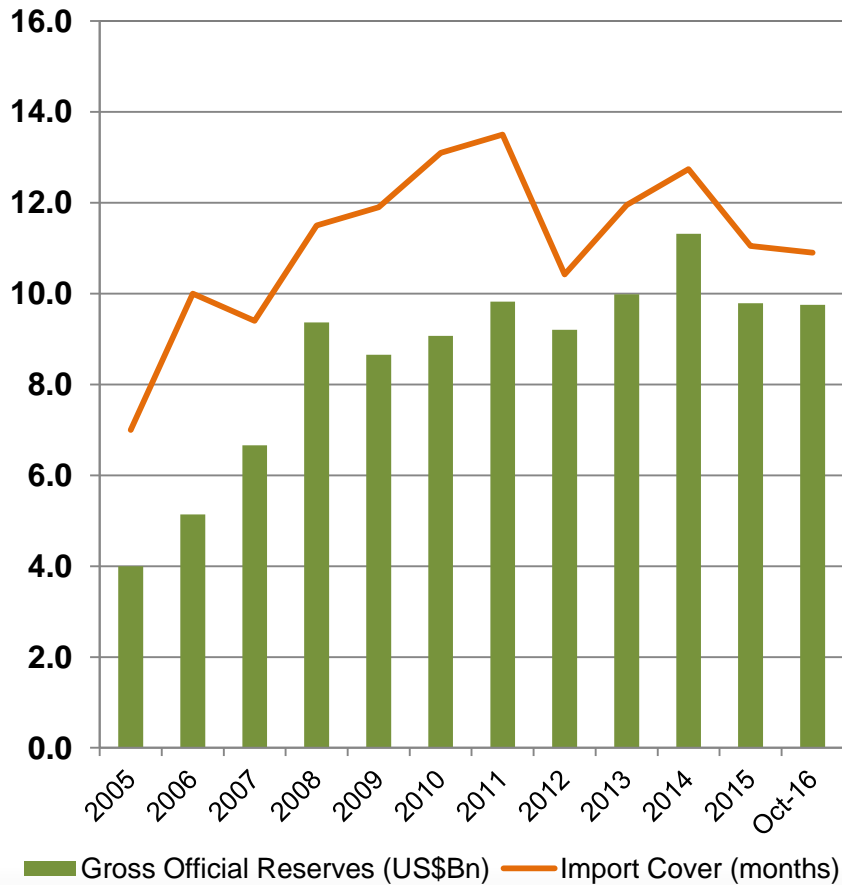


Several Revenue Enhancing Measures were introduced for the 2016/17 Fiscal Year.



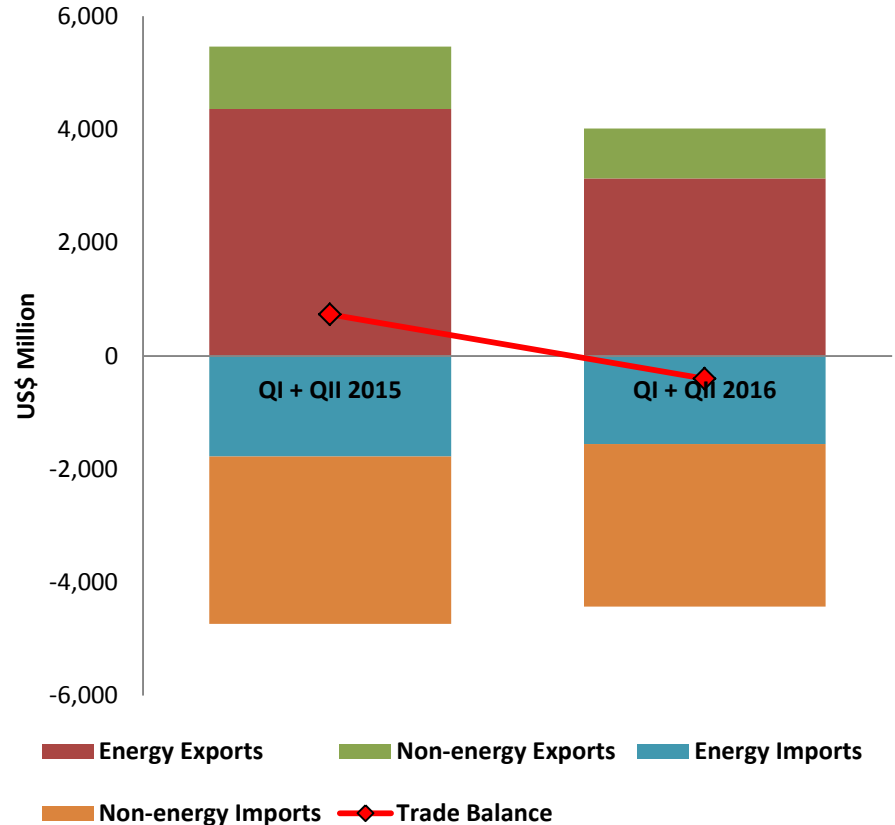
Falling energy exports have led to a decline in the external position by mid-2016.

Trinidad and Tobago Gross Official Reserves



Source: Central Bank of Trinidad and Tobago

Trinidad and Tobago: Merchandise Trade Balance



Source: Central Bank of Trinidad and Tobago



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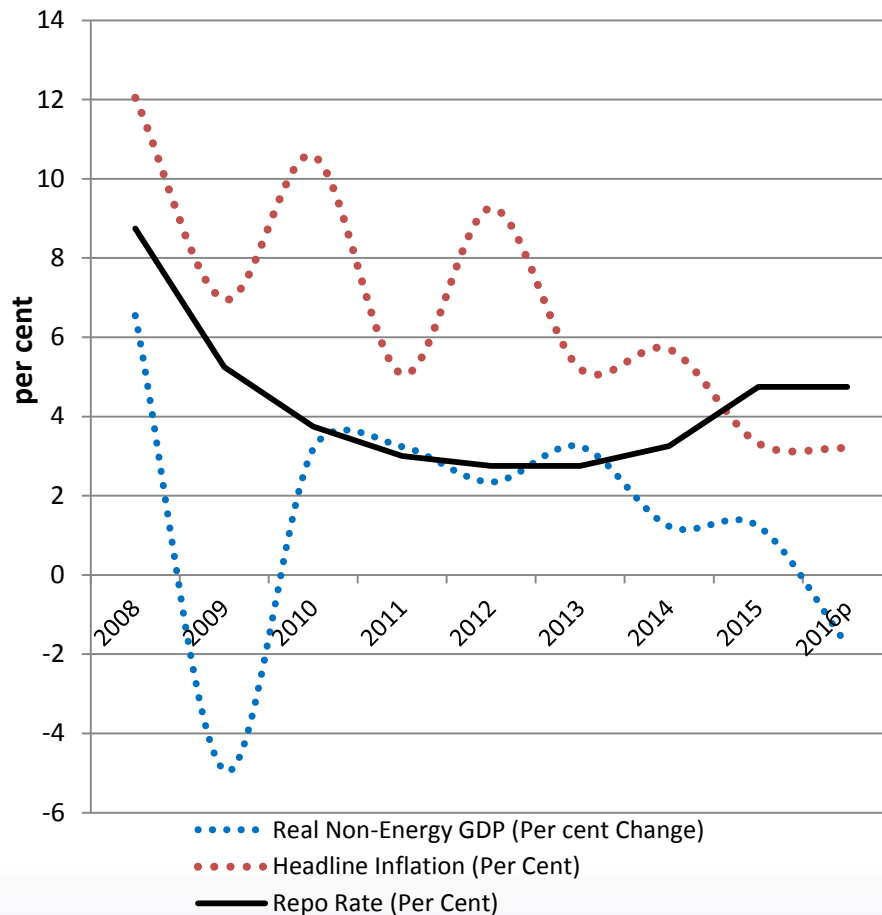
- International and Domestic Macro-economic Environments

2

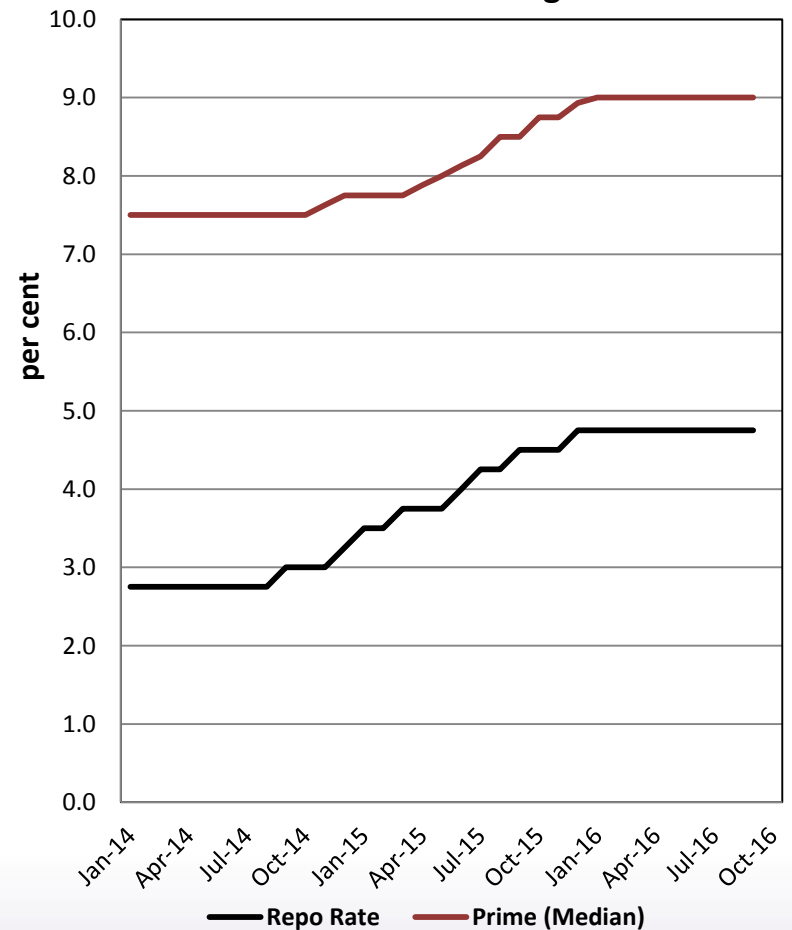
- **Central Bank's Monetary Policy Actions**

The Bank has held the Repo Rate at 4.75% in the first three quarters of 2016, based on domestic weaknesses.

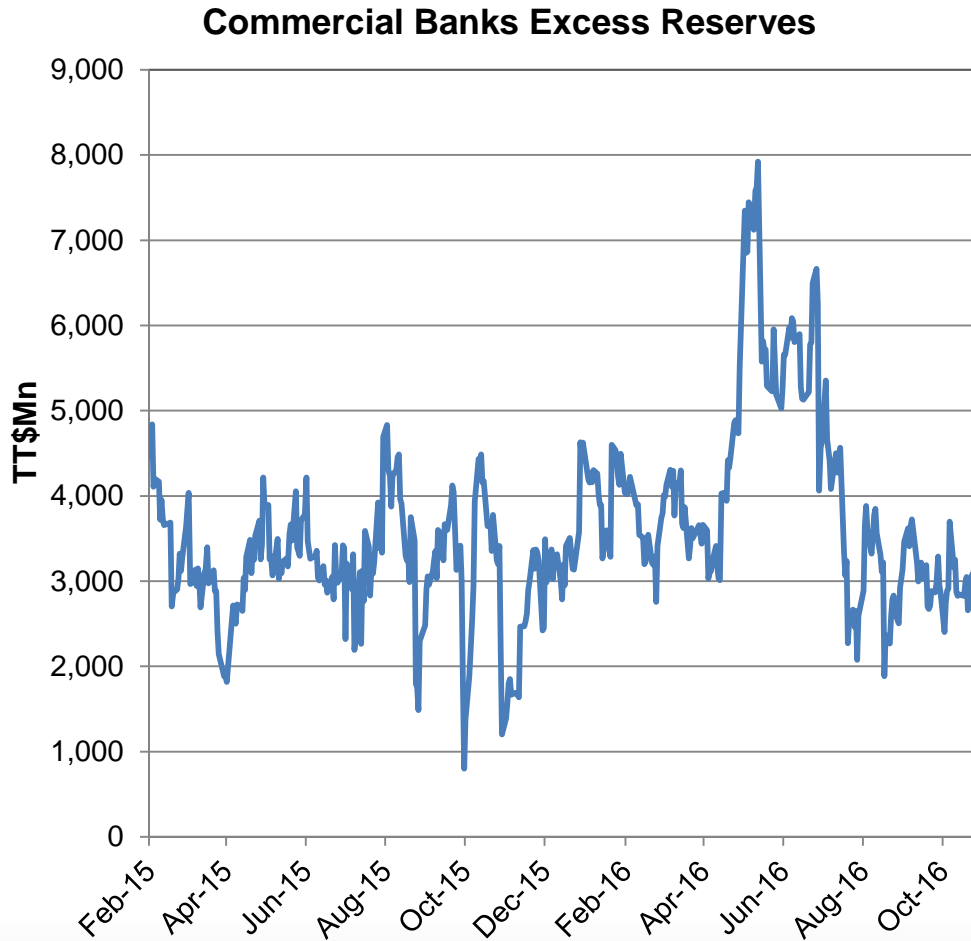
Past Experience of Monetary Policy



Central Bank's Repo Rate and Commercial Banks' Prime Lending Rate



After building in May and June 2016, liquidity levels were more tightly managed in subsequent months.

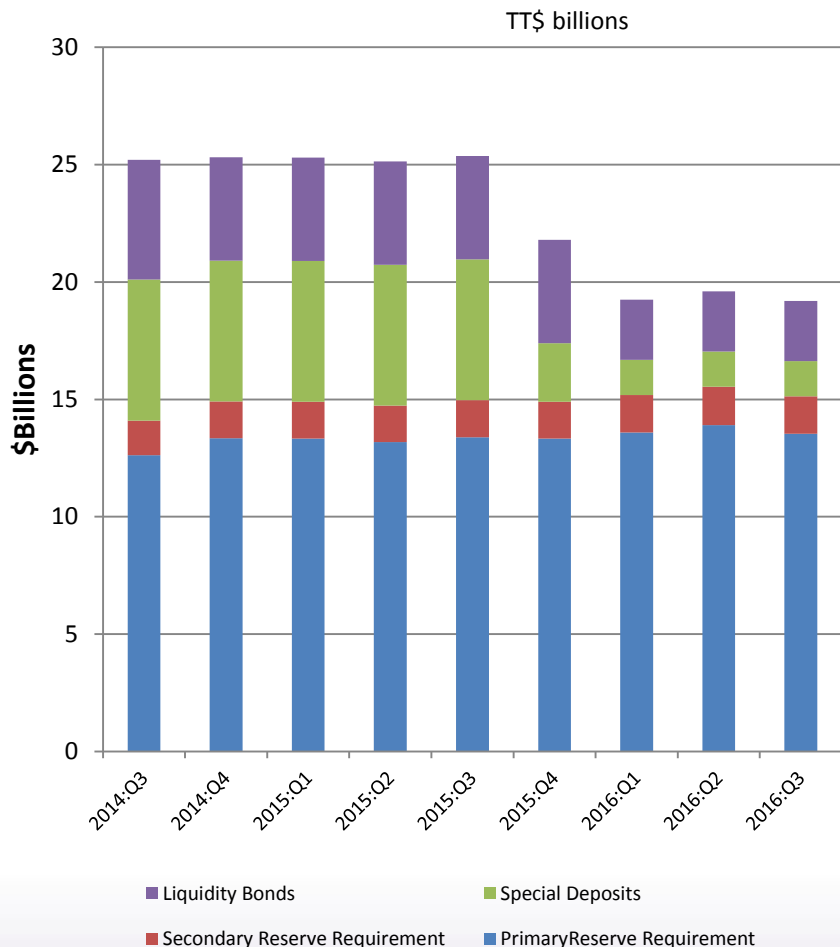


Over January to October 2016:

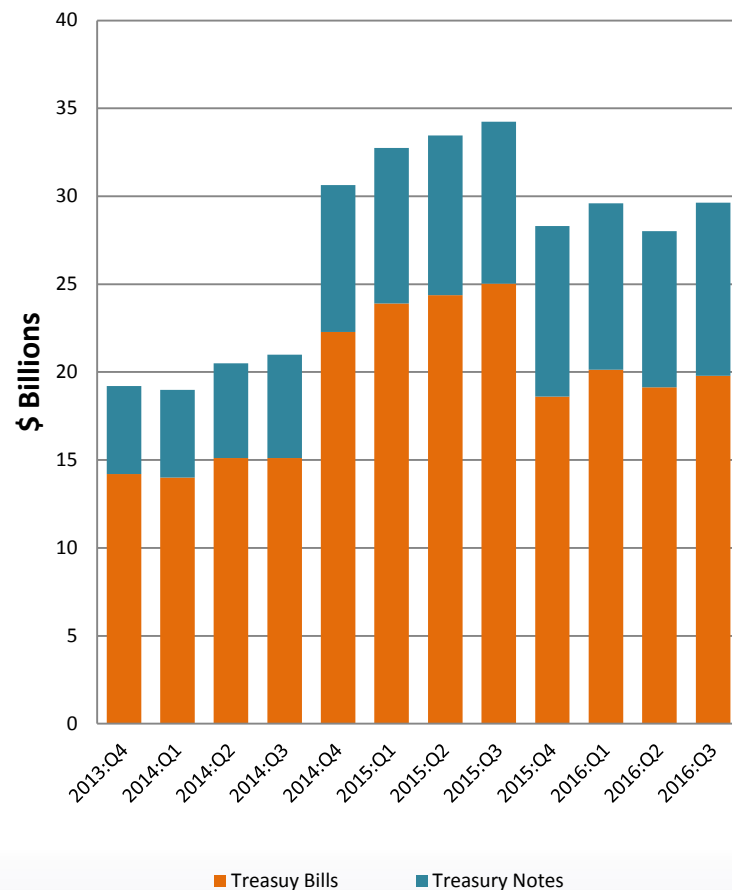
- Net Domestic Fiscal Injections (\$5.4 billion);
- The Bank allowed Net OMO's and Fixed Deposit maturities to return \$838.8 million into the system (including the maturity of a \$1.0 billion fixed deposit in May 2016);
- Extraordinary withdrawals in July and August, due to two payments of \$1.3 million, each. This was from CLICO to the Government;
- Sales of foreign exchange to authorised dealers withdrew \$8.9 billion over the period.

The Bank has continued to manage liquidity flexibly to meet market conditions.

Reserve Requirements and Other Liquidity Absorption Measures

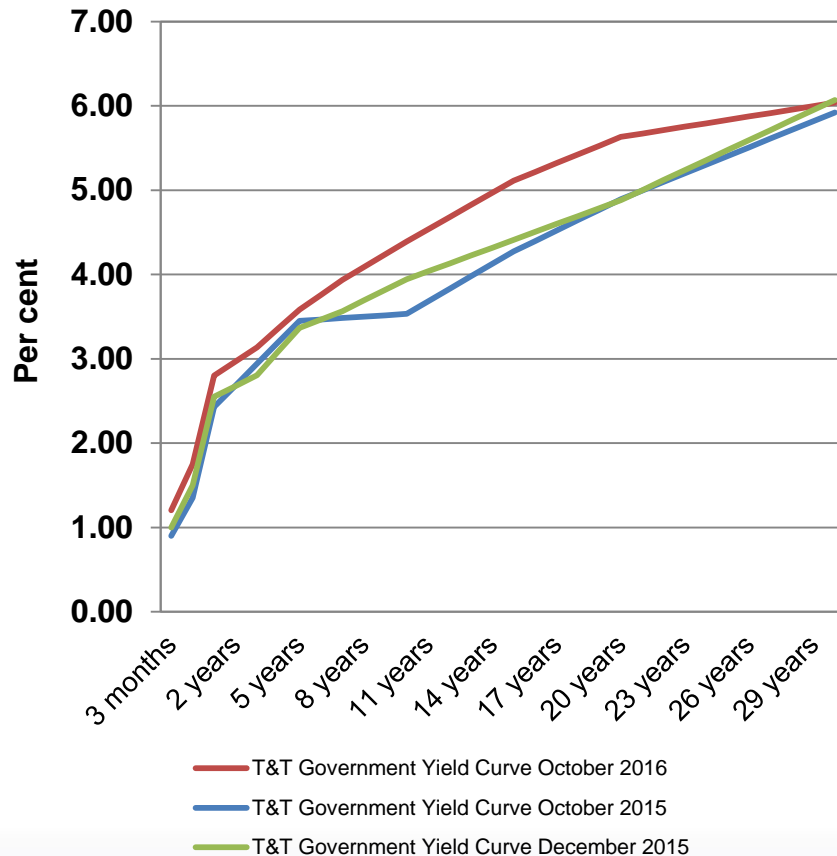


Outstanding Treasury Open Market Operations Bills and Notes Balances

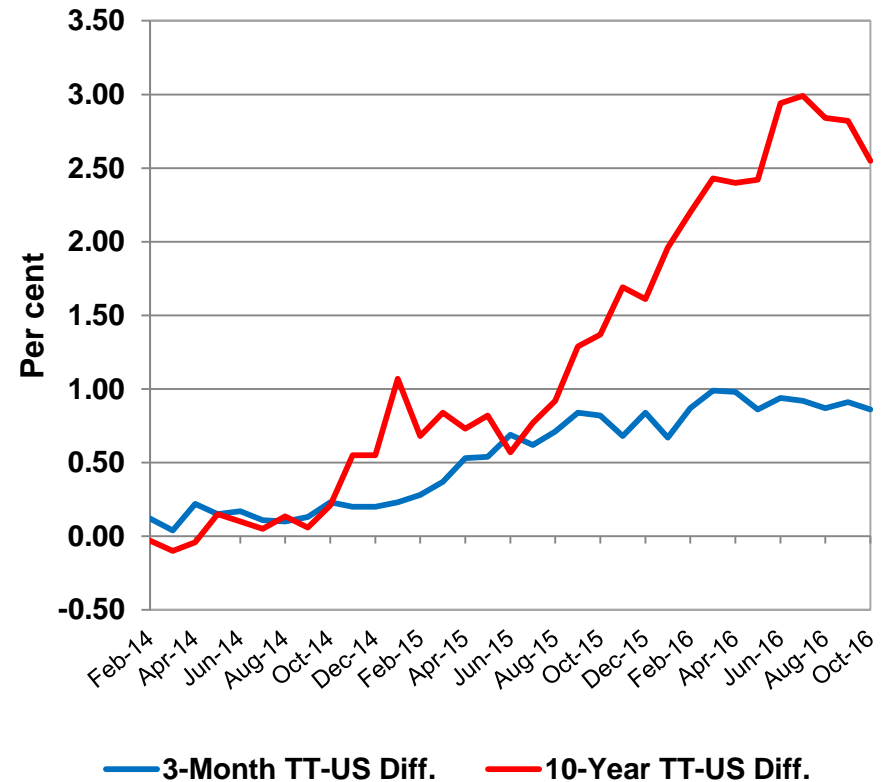


The Treasury yield curve has shifted upwards from a year prior helping to widen the TT – US yield differentials.

**Central Bank of Trinidad and Tobago:
Standardized TT Treasury Yield Curve**



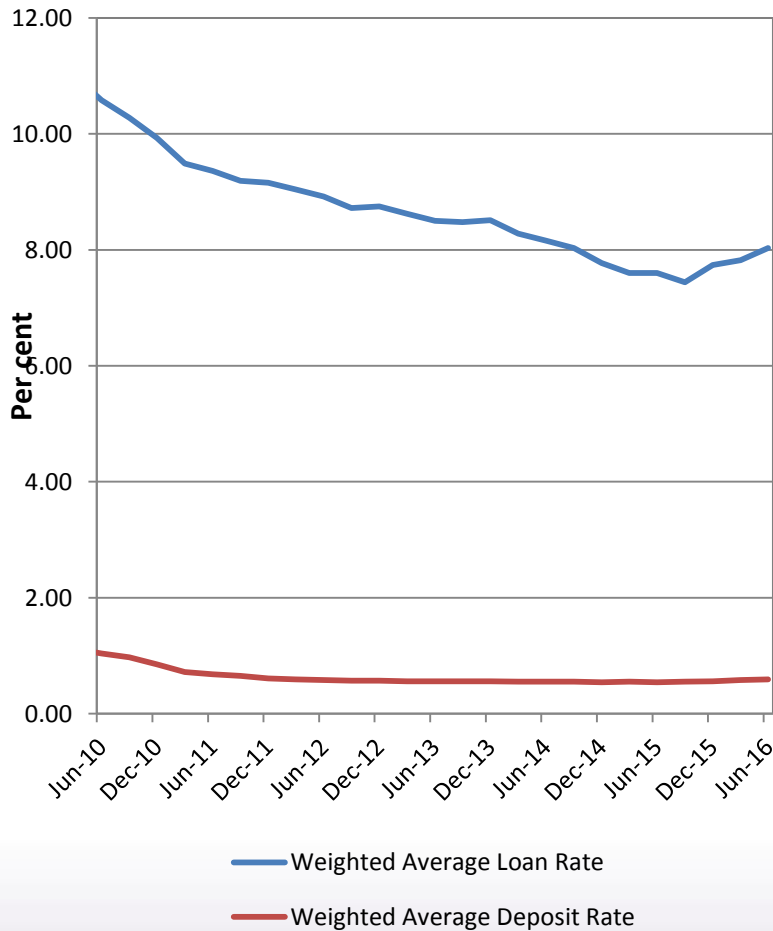
**3- Month and 10 – Year TT-US Treasury
Yield Differentials**



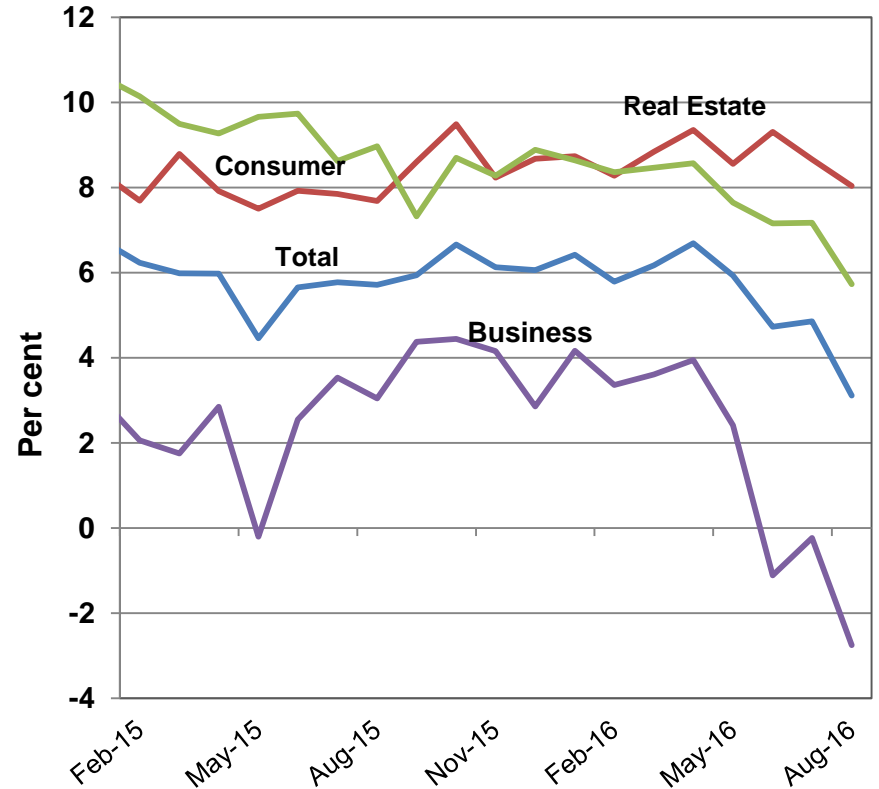
Source: Central Bank of Trinidad and Tobago.

Private sector borrowing slowed by the third quarter of 2016 with business lending declining sharply.

Commercial Banks' Weighted Average Loan and Deposit Rates

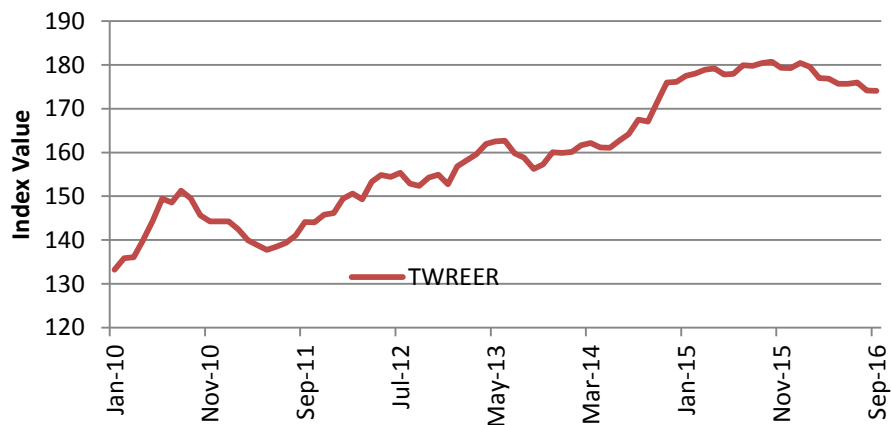


Private Sector Credit by the Consolidated Financial System (Year-on-Year Per Cent Change)

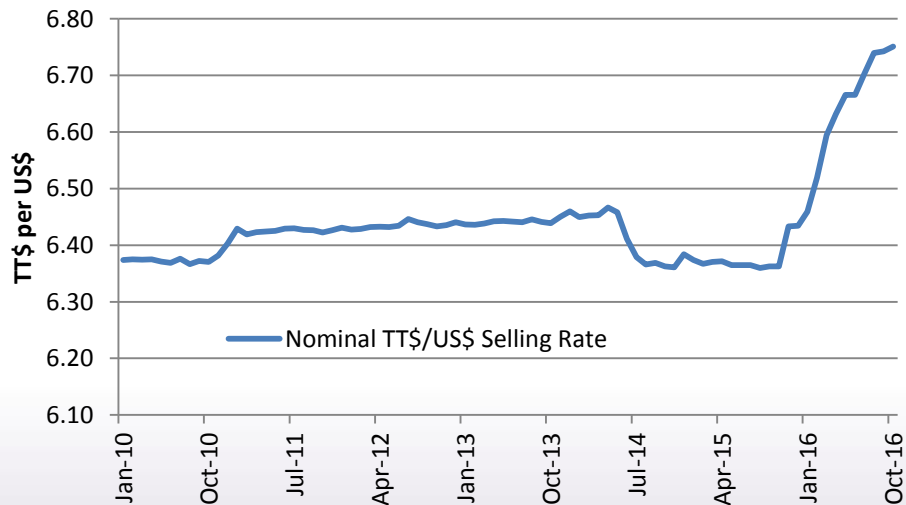


The Bank continues to support the FX market; the TT\$ has depreciated over the first ten months of 2016.

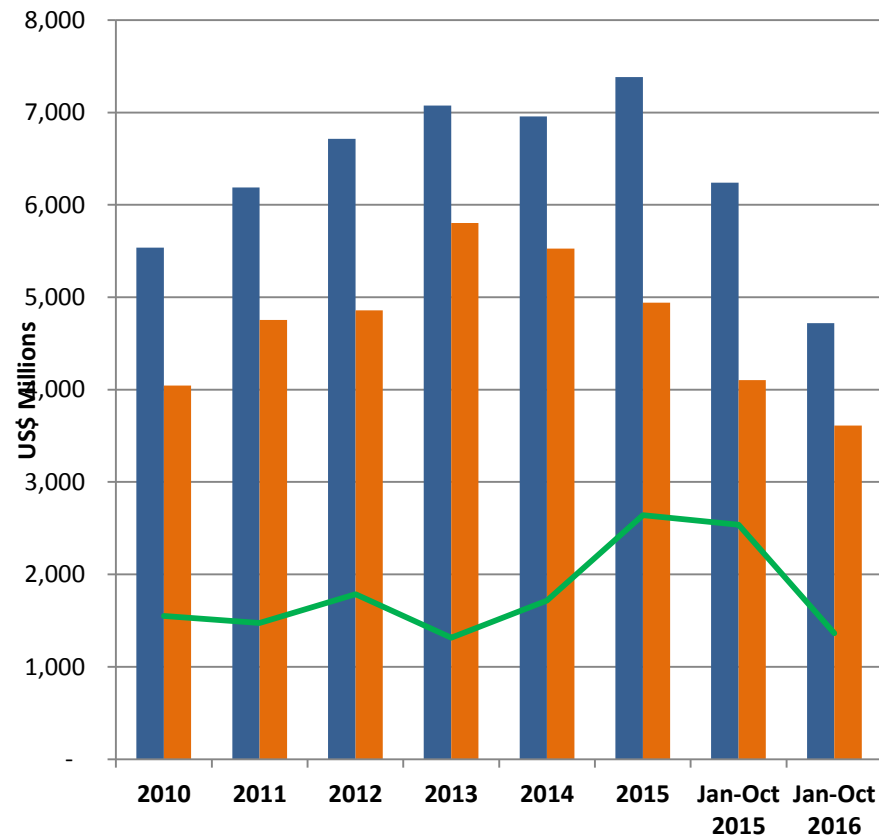
**Trade Weighted Real Effective Exchange Rate
(Jan 2000=100)**



Nominal TT\$/US\$ Selling Rate



Authorized Dealers' Purchases and Sales of Foreign Currency



■ FX Sales to Public
■ FX Purchases from Public
— Central Bank Interventions



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Thank you for your attention