Central Bank of
Trinidad & Tobago

Monetary Policy Report

October 2012

Volume XII Number 2

MONETARY POLICY REPORT

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The Central Bank of Trinidad and Tobago conducts a monetary policy geared towards the promotion of low inflation and a stable foreign exchange market that is conducive to sustained growth in output and employment. This Report provides an account of how monetary policy actions support this objective, in light of recent economic developments.

Table of Contents

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October 2012

PART I - Overview

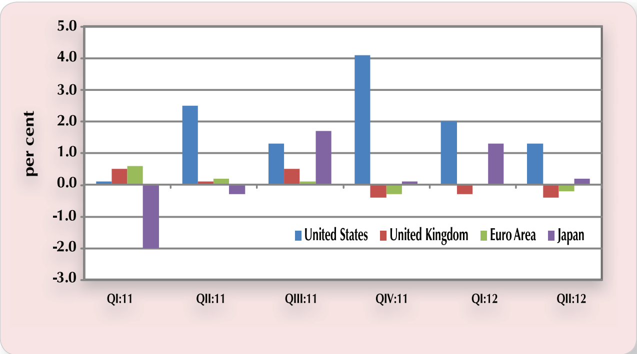
The global recovery has faced new setbacks and financial markets have continued to experience considerable volatility since the publication of the last Monetary Policy Report in April 2012. Global growth has been weighed down, in large measure, by policy uncertainty surrounding the lack of a speedy resolution to the sovereign debt crisis in the Euro Area and to the fast approaching US "fiscal cliff" and possible breach of the US debt ceiling. Signs of a deceleration in some key emerging market countries have also dampened expectations for global growth. Concerns are now emerging about the significant economic fallout from Hurricane Sandy, which battered the states along the US Eastern Seaboard. Initial estimates put the likely cost of Hurricane Sandy at around US$50 billion.

The first major setback to the global recovery has been the destabilizing effect that the persistent fiscal and debt problems in Greece and Spain are having in the Euro Area, notwithstanding the series of policy measures which have been adopted.

The second setback revolves around concerns about the US "fiscal cliff" which will arise when certain terms of the Budget Control Act of 2011 relating to tax increases and spending cuts go into effect at the end of 2012. If unavoided, it is widely expected that the "fiscal cliff" could push the US economy back into recession. Added to this, US debt is rapidly approaching the statutory limit of US$16.4 trillion which, if not resolved, would curtail the options available to the US Treasury to stave off a default.

The third major setback arises from the slower pace of growth currently being experienced by some of the major emerging market economies such as China, India and Brazil. There are fears that the confluence of the Euro Area crisis and slower economic growth in the US could further retard overall growth in a global economy that is now more interconnected and interdependent.

Chart Ia
Advanced Economies: Real GDP Growth
(Quarter-on-Quarter Per Cent Change)

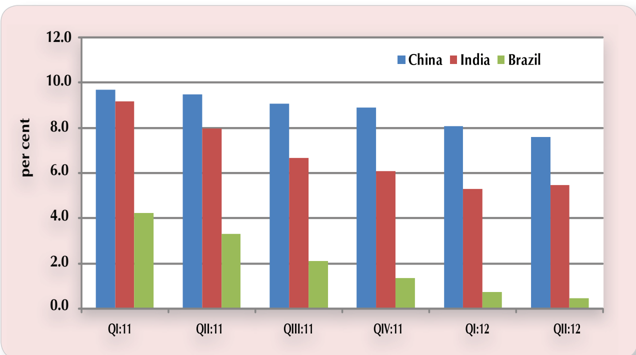


Source: Bloomberg.

Among the advanced economies, the US economy has continued its slow pace of recovery from the deep recession of previous years (Chart Ia). Most indicators of business conditions and consumer confidence remain at low levels. With inflationary pressures relatively contained, the Federal Reserve has adopted a new round of quantitative easing in September 2012 involving substantial purchases of mortgage-backed securities to provide further liquidity to US financial markets and to support the recovery.

Across the Atlantic though, the situation is somewhat more volatile. On-going weaknesses in the balance sheets of banks and governments in some countries in the Euro Area continue to weigh on economic activity. Market fears heightened over the summer following the downgrade of Spanish banks in the wake of a request by Spanish authorities for bailout funding to the tune of €100 billion. With confidence deteriorating rapidly in the Euro Area, the European Central Bank has designed a programme (the Outright Monetary Transactions (OMT) programme) aimed at strengthening liquidity through potentially unlimited buying of short-maturity government bonds (1 to 3 years), once a country commits to a European Financial Stability Facility/European Stability Mechanism Programme.

Chart Ib
Selected Emerging Market Economies
Real GDP Growth
(Year-on-Year Per Cent Change)



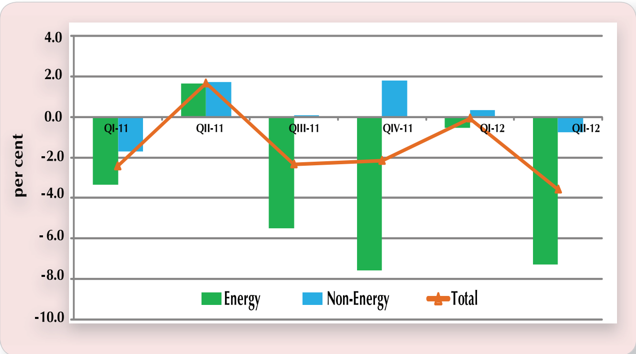
Source: Bloomberg.

Meanwhile, in the UK, the Olympic Games provided a much-needed fillip to economic activity, effectively lifting the economy out of recession. With financial markets however still quite jittery, the Bank of England expanded its Asset Purchase Programme by some £50 billion to shore up liquidity in the financial system.

Emerging market economies have started to experience some moderation in their growth rates partly due to the contagion effects from the European crisis (Chart Ib). With export demand slowing and their economies continuing to adjust to the policy tightening conducted over the previous two years, economic activity in China and India continue to be lower than expected.

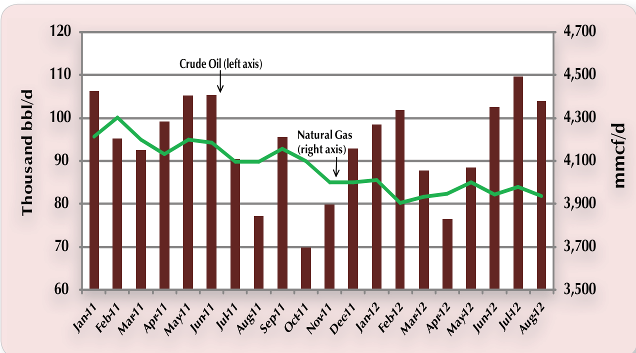
The Caribbean region expanded modestly in 2012, though growth rates varied across countries. Growth was strongest in Suriname and Guyana, due largely to a favourable external market environment for their major exports, in particular gold and agricultural products. Jamaica and Barbados continued to experience sluggish growth. Several countries have also been undergoing debt restructuring supported by multilateral funding. In 2012, prospects for growth in the region will hinge heavily on developments in key markets, including the US and the UK.

Chart Ic
Trinidad and Tobago: Real GDP Growth
(Year-on-Year Per Cent Change)



Source: Central Bank of Trinidad and Tobago.

Chart Id
Crude Oil and Natural Gas Production



Source: Ministry of Energy and Energy Affairs.

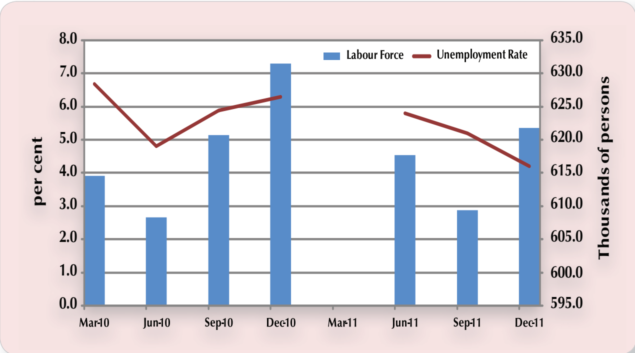
Domestic Picture

In Trinidad and Tobago, economic activity is still quite sluggish. Latest available data from the Bank's Quarterly Index of Real Gross Domestic Product (GDP) indicate that economic activity contracted by 3.6 per cent (year-on-year) in the second quarter of 2012 (Chart Ic) mainly on account of prolonged maintenance work and security upgrades in the energy sector. Crude oil production continued its secular decline (Chart Id), while the production of Liquefied Natural Gas, which was affected by a 2-week unplanned shutdown of Atlantic LNG Train 4, had a negative impact on downstream activity in the petrochemical sector. As a whole, energy sector output contracted by an estimated 7.3 per cent in the second quarter of 2012.

As regards the non-energy sector, after several quarters of moderate expansion, output was impacted by industrial action at Trinidad Cement Limited (TCL) which lasted for 3 months and which led to a severe drop in cement output that spilled over to activity in the construction and manufacturing sectors. The shortage of cement, despite temporary increases in imports by TCL, resulted in a marked slowdown in building construction and in the demand for related products such as sand, gravel, clay blocks and other building supplies.

While no official employment data are available for 2012, labour market data provided by the Central Statistical Office point to a reduction in the unemployment rate to 4.2 per cent in the fourth quarter of 2011 from 5.2 per cent in the third quarter and from 6.3 per cent

Chart Ie
Unemployment Rate and Labour Force



Source: Central Statistical Office of Trinidad and Tobago.

in December 2010 (Chart Ie). This apparent sharp improvement in employment conditions at a time when the overall economy contracted can be best explained by (a) various short-term employment programmes implemented by the public sector in the fourth quarter of 2011 and; (b) a concentration of employment in non-energy activities (which declined by a modest 0.5 per cent in 2011).

Inflationary pressures have retreated from the high double digit rates that were recorded earlier in the year to more moderate levels. Headline inflation slowed to 7.7 per cent in September from 9.1 per cent in March 2012. A major factor behind this deceleration has been the sharp slowdown in food prices, as supply shocks resulting from inclement weather have lessened. With domestic demand still relatively subdued, core inflation has remained fairly stable at just under 3.0 per cent for the last 21 months. Notwithstanding this decline, food prices remain the main driver of inflation and there is a strong likelihood that rising global food commodity prices could affect headline inflation in the ensuing months.

Fiscal operations for Fiscal Year (FY) 2011/2012 were geared primarily at stimulating a revival in domestic economic activity through a programmed budgeted deficit of $7.7 billion or 5.0 per cent of GDP. As it turned out, fiscal operations resulted in a deficit of $6.1 billion (4.0 per cent of GDP) almost six times larger than the deficit ($1.1 billion) recorded in the previous year. Revenue collections increased slightly by 0.4 per cent to $47.7 billion despite a decline in energy receipts while total expenditure at $53.7 million was 10.6 per cent higher than in the previous fiscal year. A significant portion of the spending was related to recurrent expenditure on transfers and subsidies and increased payments on the petroleum subsidy.

Capital spending – the main thrust of government's investment programme to stimulate economic growth – though slightly lower than budget ($7.6 billion) was 7.3 per cent higher than in the previous fiscal year. This increased spending was directed mainly at projects to enhance social welfare (such as the Accelerated

Housing Programme and the Early Childhood Primary and Secondary Modernization Programme) as well as the construction of the Multi-fuel Pipeline.

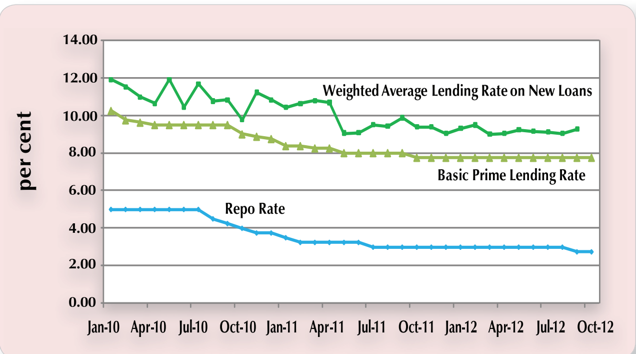
The increase in public debt resulted largely from the financing arrangement for CLICO. Public debt (exclusive of treasury bills and treasury notes issued for open market operations) outstanding increased to TT$71.6 billion (46.6 per cent of GDP) as at end-September 2012 from TT$54.4 billion (36.2 per cent of GDP) for the same period in 2011.

The fiscal programme for 2012/2013, which is predicated on an annual GDP growth of 2.5 per cent in 2013 and on conservative crude oil and gas prices of US$75 per barrel (WTI) and US$2.75 per mmbtu, respectively, projects another deficit of $7.7 billion or around 4.6 per cent of GDP. Budgeted revenue is expected to amount to $50.7 billion, while budgeted expenditure is expected to increase to $58.4 billion.

Fiscal policy is expected to continue its focus on the stimulation of economic growth in the short-term with the intention of returning to a balanced budget by 2016. On the expenditure side, the Public Sector Investment Programme is expected to continue with the implementation of several infrastructural projects, including the Accelerated Housing Programme, the Early Childhood, Primary and Secondary Modernization Programme as well as the rehabilitation of roads and bridges. The Government plans to finance the deficit for FY 2012/2013 through borrowing primarily from domestic (66 per cent) sources.

With economic activity still relatively stagnant and headline inflation on a declining trend, the Bank maintained an accommodative monetary stance to support a recovery, especially in the non-energy sector. The Repo rate was held steady at 3.00 per cent since July 2011 before being reduced to an all-time low of 2.75 per cent in September 2012 (Chart If). Commercial banks have already started to adjust their prime lending rates downwards in response to this reduction.

Chart If
Repo Rate, Commercial Banks' Basic Prime Lending Rate and Weighted Average Lending Rate on New Loans



Source: Central Bank of Trinidad and Tobago.

Chart Ig
Commercial Banks: Excess Reserves

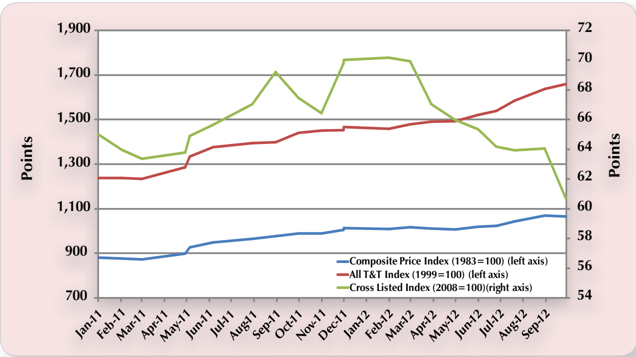
Source: Central Bank of Trinidad and Tobago.

Significant net fiscal injections along with sluggish credit demand led to a rapid build-up of liquidity in the financial system with excess reserves peaking at $6.6 billion in March 2012 (Chart Ig). To address this sizeable upsurge, the Bank requested commercial banks to voluntarily increase their holdings of interest-bearing special deposits at the Central Bank by $1,490 million for one year. Commercial banks' excess reserves (which exclude special deposits) fell steadily thereafter, reaching a daily average of $2,176.2 million in June 2012. Since then, continued fiscal injections have steered excess liquidity back on an upward trend. By September 2012, excess reserves reached a daily average of $3,850.3 million. However, quite recently, with the successful auctioning of two bond issues – a TT$2.5 billion 15-year Central Government bond to finance the CLICO payout (in September) and a TT$213 million 8-year Urban Development Corporation of Trinidad and Tobago (UDECOTT) fixed rate bond (in October) – excess liquidity has begun to ease once more. Further, the $2 billion Central Bank Bill (special deposits) on maturity was rolled over on November 02, 2012 for another year at the rate of 0.70 per cent.

The substantial expansion in liquidity has kept short-term interest rates at record low levels with the yield on the three-month treasury bill rate hovering around 0.52 per cent in September 2012.

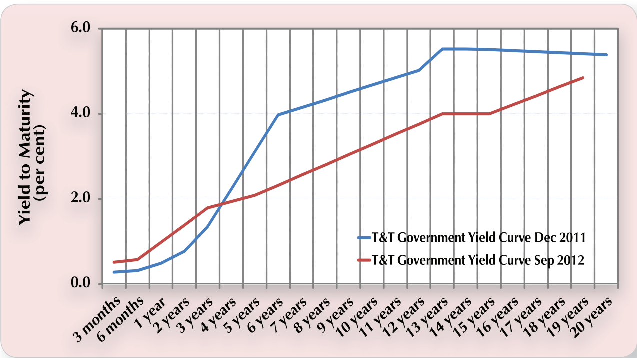
Investor confidence has not yet shaken off the effects of the economic and financial crisis of 2008. This is evidenced by the fact that borrowing remains sluggish despite the low interest rate environment. Consolidated financial system credit to the private sector increased by a mere 2.7 per cent (year-on-year) in August 2012 down from 3.7 per cent at the end of December 2011. Commercial banks were the primary drivers of these modest increases, given that credit granted by non-bank institutions declined over the period. Credit to consumers from the financial system increased by 2.2 per cent in August 2012, up from 1.9 per cent in December 2011. Purchases of furnishings and new motor vehicles accounted for the most part for the increase in consumer credit. Credit to businesses which had been staging a modest recovery since March 2012 has lost some momentum and slowed to 2.3 per cent in August 2012 from the 6.9 per cent recorded in December 2011. Real estate mortgage lending has been the only category of lending that has maintained a consistent rate of expansion in 2012.

Chart Ih
Trinidad and Tobago Stock Indices



Source: Trinidad and Tobago Stock Exchange.

Chart Ii
Central Government of Trinidad and Tobago Yield Curve



Source: Central Bank of Trinidad and Tobago.

The domestic stock market performed sluggishly in the first three quarters of 2012, despite an uptick in activity in the third quarter. The Composite Price Index increased some 5.3 per cent in the first nine months of the year (Chart Ih), resulting in a 2.9 per cent increase in market capitalization to $98.7 billion in September. Trading activity, however, remained subdued, with 39.6 million shares traded in the first three quarters of 2012 compared with 549.7 million in the corresponding period of 2011. The local primary bond market saw a significant fall-off in activity between January – September 2012, with a mere six primary issues over the period, compared to twelve issues in the same period of 2011. However, the secondary Government bond market saw a significant increase in activity, largely reflecting portfolio rebalancing by some institutional investors. Bonds with a combined face value of $788 million were traded over the period, compared to $117.9 million in the corresponding period in 2011. During the first nine months of the year, the Central Government yield curve flattened as short and long-term yields trended in opposite directions (Chart Ii).

On the external side, a slightly smaller surplus of US$62.2 million was recorded for the overall balance of payments for the first quarter of 2012, relative to the corresponding period of 2011. Preliminary estimates indicate that despite robust energy prices, total exports fell by 5.5 per cent to US$2,849 million while total imports increased by 14 per cent to an estimated US$1,991 million. With the demand for imports of goods and services still quite robust, even in the sluggish economic climate, the Central Bank sold US$1,485 million to the market over the period January – October 2012, compared with US$1,255 million for the corresponding period in 2011. With the Bank increasing its sales of foreign exchange to address imbalances in the foreign exchange market, the level of official reserves, although still quite substantial, fell slightly to US$9.3 billion at the end of September, the equivalent of 10.7 months of imports. At the end of September 2012 the exchange rate stood at US$1 = TT$6.4395, relatively unchanged from US$1 = TT$6.4356 at the start of the January 2012.

Short-Term Outlook

Uncertainty is weighing heavily on the global economic outlook with economic activity lacklustre in several advanced economies. Risks, including those related to the Euro Area crisis and the upcoming fiscal adjustment in the US, remain elevated. Meanwhile as external conditions deteriorate, emerging economies continue to grapple with slowing growth. Overall, global prospects have weakened and in its October 2012 *World Economic Outlook*[1], the IMF lowered its forecasts for world economic growth to 3.6 per cent in 2013 (from an earlier estimate of 3.9 per cent for 2013). Economic growth in advanced economies is projected to expand in 2013, by 1.5 per cent and by 5.6 per cent in emerging markets. The upcoming US election is not likely to bring about any significant change in that nation's trade or energy policy, since the two vying candidates have similar views on these issues. The election, therefore, may not have any marked impact on the state of the Trinidad and Tobago economy in the short-term.

Domestically, there are some underlying signs of an incipient recovery in 2012, although the impacts of the strike at the cement plant and widespread maintenance-related downtime in energy sector companies set back output in the second quarter. Available information for the third quarter shows that cement supplies have normalized, while there are signs of a revival in production levels of natural gas and petrochemicals.

The continued growth in business sector credit in an environment of a still highly liquid financial system suggests that for the most part businesses should not be

[1] International Monetary Fund. 2012. *World Economic Outlook October 2012.* Washington DC:International Monetary Fund. Accessed October 11 2012. http://www.imf.org/external/pubs/ft/weo/2012/02/index.htm.

facing major credit constraints. The launch of the CLICO Investment Fund (CIF) on November 01 has brought some closure to the issue of the funds due to CLICO policyholders. By all accounts to date, it is hoped that this development will positively impact the confidence of consumers, investors and producers and start the economy on a more certain recovery trend.

The fiscal programme for 2012/2013 will be executed against the backdrop of unsettled economic conditions globally and several years of negative or negligible domestic growth. In this context, the approach of maintaining a fiscal stimulus via temporary deficits over the next few years is broadly appropriate.

At the same time, it is important that the Government's plan to return to fiscal balance over the medium term be steadfastly respected, and indeed accelerated once conditions permit, in order to avoid a further build-up of national debt. In this regard, strict monitoring of expenditure should be maintained as well as efforts to further streamline the administration and efficiency of revenue collection. An important key to the economic recovery in 2012 and beyond would be an acceleration in the implementation of public sector investments. The use of public-private partnerships could afford great synergies in carrying out infrastructural works, although such arrangements need to be carefully drawn up and implemented to assure that the public interest is well protected.

Overall, the Bank projects real GDP growth for the Trinidad and Tobago economy to be in the order of 1.0 per cent in 2012, and growth could accelerate to close to 2.5 per cent in 2013. Inflation is expected to decrease from the double digit levels in early 2012. These forecasts are based on some fundamental assumptions as follows: (i) firms in the energy sector have fully completed their major maintenance operations; (ii) the industrial relations climate remains settled; and (iii) public investment projects are implemented on time and efficiently.

In the uncertain global setting, the risks of financial turbulence remain elevated. A worsening of economic conditions in CARICOM, Latin America, the US, as well as several countries in Europe and Asia, could have a dampening effect on Trinidad and Tobago's trade and investment flows. Moreover a resurgence of international food price inflation, particularly of grain and cereal, would put upward pressure on food prices faced by local consumers.

For its part, the Central Bank of Trinidad and Tobago will aim to nurture financial conditions supportive of the recovery, while keeping a very close eye on inflationary developments.

Table Ia
Summary Economic Indicators for 2011-2012

	Jan-Aug 2011	Jan-Aug 2012
Real Sector Activity		
Energy Sector		
Total Depth Drilled (metres)	242,583	242,211
Crude Oil Production (b/d)	93,859	82, 839
Crude Oil Exports (bbls)	9,568,348	7,500,012
Refinery Throughput (b/d)	141,050	127,323
Natural Gas Production (mmcf/d)	4,228	4,222
Natural Gas Utilization (mmcf/d)	3,932	3,891
LNG Production (mmcf/d)	2,215	2,188
Fertlizer Production (000 tonnes)	3,953	3,881
Fertlizer Exports (000 tonnes)	3,692	3,556
Methanol Production (000 tonnes)	4,057	3,793
ECPI[1] (Jan 2007 = 100)**	148.1	141.7
Non Energy		
Local Sales of Cement (000 tonnes)	355	322
Motor Vehicle Sales***	9,596	10,877
Daily Job Vacancy Advertisements***	559	724
Prices		
Year-on-Year Per Cent Change		
Producer Prices**	3.3	4.2
Headline Inflation**	2.5	7.7
Food Inflation**	4.3	14.7
Core Inflation**	1.3	2.8
Monetary		
Year-on-Year Per Cent Change		
Private Sector Credit*	1.0	2.7
Consumer Lending*	4.2	2.2
Business Lending*	0.0	2.3
Real Estate Mortgages*	9.6	10.3
M-1A*	14.0	19.5
M-2*	7.2	14.9
Commercial Banks' Average Excess Reserves ($ millions)***	2,109.0	3,673.1
TT 91 day Treasury Bill Rate (per cent)**	0.25	0.52
Financial Stability*		
Non-performing Loans (per cent)	7.6	6.1
Capital Adequacy Ratio (per cent)	25.7	25.7
Capital Market		
Composite Price Index (1983 = 100)**	989.3	1,066.4
Volume of Shares Traded (millions)***	549.7	39.6
Mutual Funds Under Management[2] ($ billions)**	36.2	39.3
External		
US$ Million		
Sales of Foreign Exchange to Public***	4,545.8	5,049.0
Purchases of Foreign Exchange from Public***	3,442.6	3,664.4
CBTT Sales to Authorized Dealers***	1,130.0	1,330.0
Net Official Reserves**	9,346.1	9,335.7

* As at August.
** As at September.
*** For the period January-September.

1. The Energy Commodity Price Index (ECPI) is a summary measure of the price movements in Trinidad and Tobago's top ten energy-based commodity exports.
2. Mutual funds under management refers to mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Roytrin, Republic Bank Limited and First Citizens Bank Limited and does not represent full coverage of the market.

Chart IIa

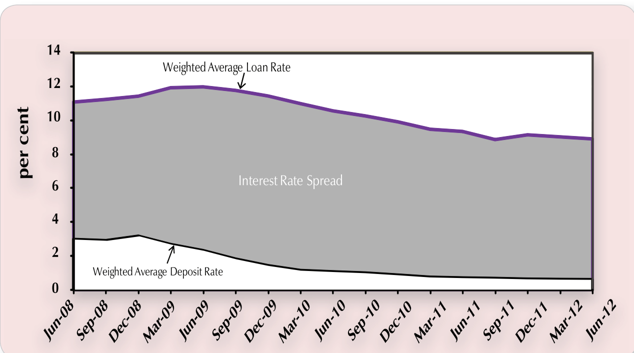
Changes To The Central Bank Policy Rate

Jun 2011:	'Repo' rate maintained at 3.25 per cent.
Jul 2011:	'Repo' rate reduced to 3.00 per cent.
Aug 2011:	'Repo' rate maintained at 3.00 per cent.
Sep 2011:	'Repo' rate maintained at 3.00 per cent.
Oct 2011:	'Repo' rate maintained at 3.00 per cent.
Nov 2011:	'Repo' rate maintained at 3.00 per cent.
Dec 2011:	'Repo' rate maintained at 3.00 per cent.
Jan 2012:	'Repo' rate maintained at 3.00 per cent.
Feb 2012:	'Repo' rate maintained at 3.00 per cent.
Mar 2012:	'Repo' rate maintained at 3.00 per cent.
Apr 2012:	'Repo' rate maintained at 3.00 per cent.
May 2012:	'Repo' rate maintained at 3.00 per cent.
Jun 2012:	'Repo' rate maintained at 3.00 per cent.
Jul 2012:	'Repo' rate maintained at 3.00 per cent.
Aug 2012:	'Repo' rate maintained at 3.00 per cent.
Sep 2012:	'Repo' rate reduced to 2.75 per cent.
Oct 2012:	'Repo' rate maintained at 2.75 per cent.

Source: Central Bank of Trinidad and Tobago.

Chart IIb

Weighted Average Loan and Deposit Rates



Source: Central Bank of Trinidad and Tobago.

Part II – Monetary Policy

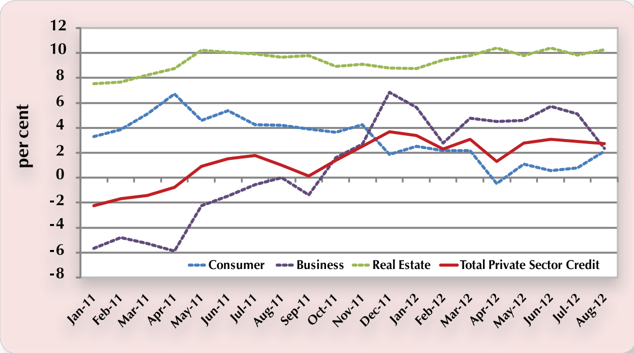
Domestic Setting

The domestic economy is yet to experience a full and steady recovery. Preliminary estimates suggest that real Gross Domestic Product (GDP) declined further by 3.6 per cent in the second quarter of 2012, following a contraction of 0.1 per cent in the previous quarter. This recent setback in performance was mainly attributed to plant maintenance operations carried out by energy sector companies as well as strike action at Trinidad Cement Limited.

Sharp increases in food prices contributed to double-digit inflation during the second quarter of 2012, although core inflation remained low and stable. In the third quarter, food inflation waned, bringing the inflation rate down to single digits. Against a backdrop of sluggish economic activity and relatively steady core inflation, the Central Bank maintained a highly accommodative monetary policy stance in an effort to foster financial conditions conducive to a recovery. The Bank reduced its interest rate to 3.00 per cent in July 2011 and kept it at this level for an extended period of time (13 months) before reducing it further to a new low of 2.75 per cent in September 2012 (Chart IIa).

By and large, commercial bank interest rates did not follow the steep declines recorded for other short-term interest rates. Commercial bank prime lending rates remained unchanged at 7.75 per cent to the end of the second quarter, and the weighted average loan rate fell only 24 basis points (to 8.92 per cent) between December 2011 and June 2012 (Chart IIb). The weighted average rate on new loans decreased a mere 2 basis points in the first eight months of the year to stand at 9.29 per cent in August 2012. Deposit rates dipped marginally, falling to 0.58 per cent in June 2012, from 0.61 per cent in December 2011. Banks were therefore able to maintain a relatively large interest rate spread, averaging some 8.4 per cent for the first half of the year.

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



Source: Central Bank of Trinidad and Tobago.

Private sector credit continued to grow at a steady but slow pace for much of 2012. On a year-on-year basis, loans granted by the consolidated financial system grew by 2.7 per cent in August 2012, compared with 3.7 per cent at the end of December 2011 and 1 per cent in August 2011 (Chart IIc). Non-bank financial institutions have returned to their traditional business lines, returning mortgage portfolios to their parent commercial banks and focusing primarily on project and lease financing. However, activity in these areas has slowed in the current muted economic environment, as the demand for financing reflects increased caution use by business enterprises.

Among the major categories of credit, consumer lending grew very slowly expanding by an average of 0.4 per cent (year-on-year) in the second quarter of 2012. A disaggregation of the consumer credit data showed that lending for used vehicles declined by 9.2 per cent while credit card borrowing contracted 1.3 per cent. Borrowing for the purpose of debt consolidation and refinancing which had been growing as consumers took advantage of low interest rates, also slowed sharply from March to June (10.2 per cent to 4.9 per cent and 8.6 per cent to 5.2 per cent, respectively). The latest available data suggest that consumer credit has begun to slow once more.

Loan demand from the business sector, which had been declining for most of 2011, staged a partial recovery in 2012, growing by 2.3 per cent in August. A further examination of the commercial bank loan portfolios shows that there was a year-on-year increase in lending to the manufacturing (18.1 per cent), construction (7.2 per cent), distribution (6.3 per cent) and other services (14.6 per cent) sectors. There was, however, a contraction in lending to the finance, insurance and real estate sector in the twelve months to June 2012 (-6.3 per cent).

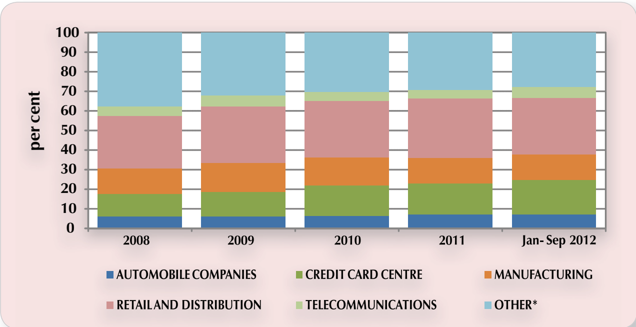
More aggressive advertising and greater competition especially through mortgage rate cuts have provided an incentive to customers seeking to acquire mortgages. Real estate mortgage lending by the consolidated system maintained a strong, steady pace, rising by 10.3 per cent on a twelve-month basis to August 2012.

With only a slight increase in credit growth, and limited opportunity for investments, there was a rapid buildup in excess liquidity in the financial landscape in the first nine months of 2012. Commercial banks' reserves in excess of the statutory requirement rose to a daily average of $5,132.5 million in February 2012 from $4,269.5 million in January 2012, in part due to estimated net domestic fiscal injections of $2.5 billion in the first quarter of 2012. With commercial banks' excess reserves peaking at $6.6 billion on March 09, 2012, the Central Bank requested commercial banks to increase their holdings of interest-bearing special deposits at the Central Bank by $1,490 million for one year. Commercial banks' excess reserves (which exclude special deposits) fell steadily thereafter, falling to a daily average of $2,176.2 million in June 2012. Since then, continued fiscal injections have caused excess liquidity to resume its upward trend, climbing to a daily average of $3,850.3 million in September 2012. However, the issuance of a Central Government bond of $2.5 billion towards the end of September has helped to contain excess liquid balances in the financial system.

Excess liquidity conditions were also addressed through Central Bank open market operations and foreign exchange sales. Central Bank sales of foreign exchange to authorised dealers during this time helped remove TT$8,466.1 million (US$1,330 million) from the financial system, while open market operations absorbed an additional $270.0 million. In a financial system largely awash with liquidity, the inter-bank market was inactive during the months January to April. However, with the resumption of borrowing in May, inter-bank activity averaged $17.3 million for the remaining months to September.

In the face of significant excess liquidity, interest rates on short-term government paper have generally remained at record low levels throughout 2012. The 3-month treasury bill dipped to 0.10 per cent in March from 0.28 per cent in December 2011. Since April 2012, the rate has recovered somewhat to 0.52 per cent in September 2012. The rate on the 6-month bill

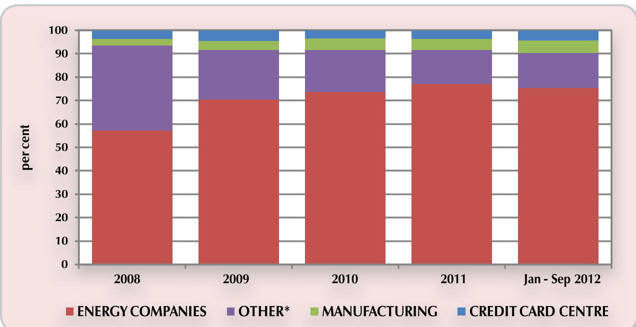
Chart IId
Authorized Dealers: Sales of Foreign Exchange to the Public by Sector
(As a Proportion of Total Sales)



Source: Central Bank of Trinidad and Tobago.

* Other includes agriculture, central and local Government, construction, education, cultural and community services, energy companies, entertainment, financial institutions, hotels and guest houses, individuals, insurance companies, media companies, overseas customers, public utilities, real estate, services, stockbrokers and transportation and storage.

Chart IIe
Authorized Dealers: Purchases of Foreign Exchange from the Public by Sector
(As a Proportion of Total Purchases)



Source: Central Bank of Trinidad and Tobago.

* Other includes agriculture, automobile companies, central and local Government, construction, education, cultural and community services, entertainment, financial institutions, hotels and guest houses, individuals, insurance companies, media companies, overseas customers, public utilities, real estate, retail and distribution, services, stockbrokers, telecommunications and transportation and storage.

also displayed a similar pattern since it fell from 0.32 per cent in November 2011 to 0.14 per cent in March 2012 before increasing to 0.58 per cent in September 2012. The movements in both the US and TT 3-month treasury bill rates resulted in the TT-US interest rate differential slipping from 0.27 per cent in December 2011 to negative territory in February (-0.02 per cent), and March (-0.05 per cent), before reverting to a positive spread of 0.43 per cent in September 2012.

Developments in the Foreign Exchange Market

Trading activity in the local foreign exchange market has been relatively strong between January to September 2012, when compared with the same period of 2011. Discussions with key market participants including authorized dealers revealed that the demand for foreign currency intensified in recent months especially by merchants wanting to finance imports.

Sales of foreign currency by the authorized dealers in the market (the commercial banks and the non-bank financial institutions), to the public totalled US$5,049 million over the period January to September 2012, 11.1 per cent higher than a year earlier. Reports by dealers on sales in excess of US$50,000, suggest that over the first nine months of 2012, the demand for foreign currency mainly came from the retail and distribution (28.7 per cent), manufacturing (13.1 per cent), automobile (7 per cent), and telecommunications sectors (5.6 per cent) (Chart IId).

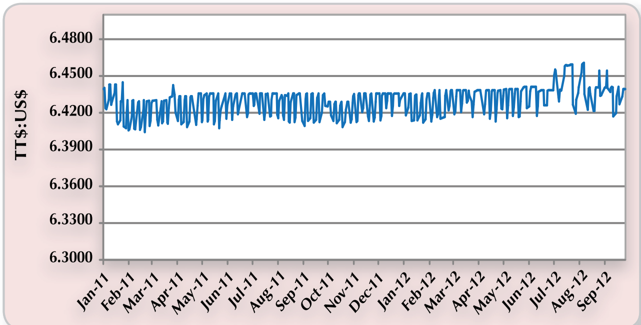
Meanwhile, purchases of foreign currency from the public (about 75.3 per cent of which came from the energy sector companies - Chart IIe) amounted to US$3,664.4 million (Table IIa) between January and September 2012, representing an increase of 6.4 per cent over the corresponding period of the previous year. Net

Table IIa
Authorized Dealers Sales and Purchases of Foreign Currency
(US$ Million)

	Purchases from Public	Sales to Public	Net Sales	Purchases from the Central Bank
2009	3,808.2	5,637.2	1,829.0	1,899.0
2010	4,043.3	5,536.0	1,492.7	1,550.0
2011	4,755.5	6,186.8	1,431.4	1,475.0
Jan-Sep 2011	3,442.6	4,545.8	1,103.2	1,130.0
Jan-Sep 2012	3,664.4	5,049.0	1,384.6	1,330.0

Source: Central Bank of Trinidad and Tobago.

Chart IIf
TT/US Exchange Rate
(Average Selling Rate)



Source: Central Bank of Trinidad and Tobago.

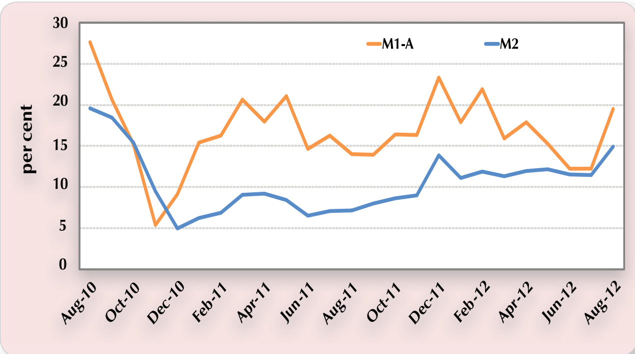
of purchases, the Central Bank sold US$1,330 million compared with US$1,130 million in same period of the previous year. In general, the market conditions which prevailed during the period had a negligible impact of the TT/US dollar exchange rate. At the end of September 2012 the exchange rate stood at US$1 = TT$6.4395, relatively unchanged from US$1 = TT$6.4356 at the start of the January 2012 (Chart IIf).

Part III – Monetary and Financial Sector Developments

Monetary Aggregates

The monetary aggregates continued to record considerable growth in the twelve months to August 2012. Narrow money, M-1A, which comprises currency in active circulation and demand deposits, rose by 19.5 per cent (year-on-year) in August 2012, compared with 14.0 per cent in the corresponding period of 2011(Chart IIIa). Most of this expansion was driven by a preference by investors to hold more liquid balances in the banking system, especially given low interest rates on alternative investments.

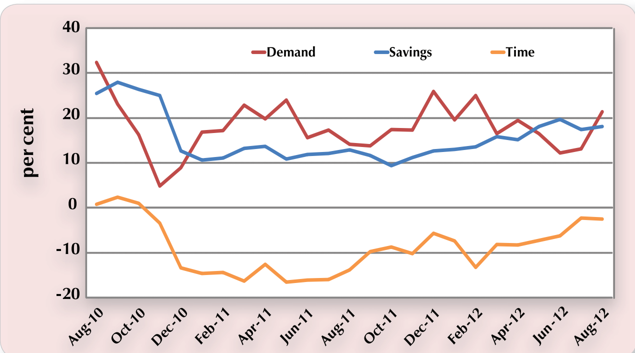
Chart IIIa
Monetary Aggregates
(Year-on-Year Per Cent Change)



Source: Central Bank of Trinidad and Tobago.

The broad money supply, M-2, which comprises narrow money and time and savings deposits, expanded by 14.9 per cent in the twelve months to August 2012. This trend reflected relatively robust growth in savings deposits which expanded by 18.1 per cent in August 2012 (Chart IIIb). In contrast to the strong growth in savings deposits, time deposits fell by 2.5 per cent.

Chart IIIb
Demand, Savings and Time Deposits
(Year-on-Year Per Cent Change)



Source: Central Bank of Trinidad and Tobago.

Foreign currency deposits, which account for 25.2 per cent of total deposits, continued to increase, expanding by 4 per cent (year-on-year) in August 2012. The growth in foreign currency deposits was reflected in M-2*, defined as M-2 plus resident foreign currency deposits in the commercial banks, which grew by 12.2 per cent in August 2012.

Stock Market

The domestic stock market gained momentum in the third quarter, after trending relatively flat in the first half of 2012. The Composite Price Index (CPI) rose on a year-to-date basis by 5.3 per cent in September 2012, compared with an increase of less than 1 per cent over the period January to June 2012. However, despite the pick-up in the third quarter, the performance thus far in 2012 has been more subdued when compared with the corresponding nine-month period in 2011 (18.4 per cent). Due to favourable gains enjoyed by local stocks, the All Trinidad and Tobago Index (ATI) registered an increase of 13.2 per cent (year-to-date). Cross-listed companies, on the other hand, generated negative returns during the period, and as a result the Cross Listed Index declined by 13.3 per cent (year-to-date). However, given the general up-tick in stock prices, market capitalization rose to $97.8 billion in September 2012 from $95 billion at the end of 2011.

Most of the sub-indices on the domestic stock exchange were up by the end of September 2012. Manufacturing I and Conglomerates were the better performing sub-indices, producing double digit gains over the nine month period. On a year-to-date basis, the Manufacturing I sub-index increased by 20.3 per cent, while the Conglomerates sub-index rose by 10.3 per cent. Some of the top performing shares were Unilever Caribbean Limited (41 per cent), One Caribbean Media Limited (39 per cent), The West Indian Tobacco Company Limited (21 per cent), Angostura Holdings Limited (16 per cent) and ANSA Mc Al Limited (16 per cent). On the other hand, the Property and Manufacturing II indices fell by 10.3 per cent and 7.9 per cent, respectively.

Trading activity in the domestic stock market remained subdued, suggesting investors may have had a low appetite for equities during the first three quarters of 2012. During the first nine months of 2012 a total of 39.6 million shares exchanged hands with a combined market value of $577.4 million, compared with 549.7[2] million shares traded in the comparative period in 2011. Closer examination of trading activity revealed that outstanding bids averaged 427,367 daily while outstanding offers averaged 559,425 daily suggesting that there was some mismatch between shares demanded and shares supplied on the local market. Trading was heavily concentrated in the Non-Banking sub-index where the number of shares traded accounted for 39 per cent of the total shares traded in the first three quarters of 2012.

[2] NCBJ via NCB Capital Markets Ltd (NCBCM) purchased 428,777,325 shares of JMMB. This represented 29 per cent of JMMB shares and made it an associated company of NCBCM.

Bond Market

There has been a fall-off in activity on the domestic primary bond market thus far in 2012 relative to 2011. During the first nine months of 2012, there were six primary issues collectively raising approximately $3.1 billion, compared with twelve bond issues in the corresponding period in 2011 raising $4.4 billion (Table IIIa). The public sector was once again the main borrower on the market, accounting for 5 of the 6 primary issues or 98.0 per cent of the total face value raised over the first three quarters of the year.

The National Insurance and Property Development Company Limited (NIPDEC) and the Central Government came to the market via the Central Bank's auction system in August and September, respectively. In light of the relatively high levels of liquidity in the third quarter and limited primary issues to date, both these securities were heavily oversubscribed and issued at premiums. NIPDEC's $339 million, 13-year, 5.15 per cent fixed rate bond attracted bids of $2.1 billion closing at $114.40 per bond, while the Central Government's $2.5 billion, 15-year, 5.20 per cent fixed rate bond – the largest issue to date on the domestic market – received total bids of $5.6 billion, which pushed up the price (per bond) to $113.40. In October, the Urban Development Corporation of Trinidad and Tobago (UDECOTT) also came to the market to raise $213 million via a 3.35 per cent fixed-rate coupon bond. This issue was oversubscribed attracting bids of $531 million and closing at $103.19 per bond.

In contrast to the low trading on the stock market, there was heightened activity on the Exchange's secondary Government bond market, due in large part to portfolio rebalancing by some institutional investors. In the first nine months of 2012, investors traded Central Government bonds with a combined face value of $788 million compared with $117.9 million in the corresponding period a year earlier. The number of transactions more than doubled, with 68 trades occurring in the first nine months of 2012 compared with 30 trades in the same period in 2011.

During the first nine months of the year, short and long-term yields trended in different directions, resulting in a flattening of the Central Government yield curve. The heavy demand for the recent Central Government bond issue saw the benchmark 15-year yield drop approximately 150 basis points from the end of 2011 to 4 per cent. Meanwhile, on the shorter end of the yield curve, the 91 and 182 day treasury bill rates rose to 0.52 per cent and 0.58 per cent in September 2012, respectively from 0.28 per cent and 0.32 per cent, respectively, at the end of 2011.

Table IIIa
Primary Bond Market
January - September 2012p

	Borrower	Face Value ($Mn)	Period To Maturity	Coupon Rate Per Annum	Placement Type
January	Agostini's Limited	50.0	10 yrs.	Fixed Rate 8.00%	Private
July	Trinidad and Tobago Mortgage Finance Company Limited:				Private
	Series A	108.0	5 yrs	Fixed Rate 3.75%	
	Series B	51.8	7 yrs	Fixed Rate 4.00%	
	Series C	90.3	10 yrs	Fixed Rate 4.95%	
August	National Insurance Property Development Company Limited (NIPDEC)	339.0	13 yrs.	Fixed Rate 5.15%	Public
September	Central Government of Trinidad and Tobago	2,500.0	15 yrs.	Fixed Rate 5.20%	Public

Sources: Central Bank of Trinidad and Tobago and the Trinidad and Tobago Securities and Exchange Commission.
P Preliminary.

Mutual Funds[3,4]

Following a modest increase during the first half of 2012, mutual funds under management experienced relatively robust growth in the third quarter. On a quarter-on-quarter basis, funds under management rose by 3.9 per cent in the quarter ending September 2012, after registering increases of 1.8 per cent and 0.9 per cent in the second and first quarters, respectively. During the third quarter, the industry attracted net sales (net inflows/ investments into the industry) of $901.1 million, some 14 per cent higher than net sales in the first and second quarters combined. In the third quarter, three new mutual funds were introduced by fund providers who report to the Central Bank[5]. However, the inclusion of

3 Aggregate funds under management refer to mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Roytrin, Republic Bank Limited and First Citizens Bank Limited and does not represent full coverage of the market.

4 Mutual Fund information for 2011 was revised to reflect the addition of two new mutual funds in the Central Bank of Trinidad and Tobago's database.

5 Of these three funds, two were US dollar denominated – one being a fixed income fund and the other a money market fund. The third fund introduced was a TT-dollar denominated money market fund. Unlike fixed income funds, which invest primarily in longer term instruments such as bonds and other structured products, money market funds typically invest in short-term securities such as treasury bills, commercial paper, short-term repos and fixed deposits.

these funds had limited impact on overall industry growth as they collectively amounted to just $27.2 million at the end of the quarter. On a year-to-date basis, mutual funds under management expanded by 6.7 per cent to reach $39,268.9 million at the end of September 2012 (Appendix Table I).

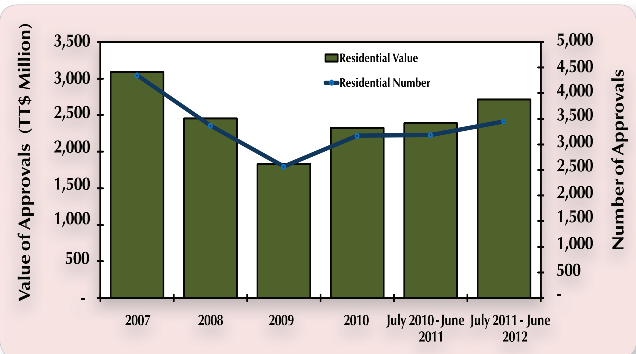
There were strong performances in both equity and income funds under management. Consistent with the pick-up in share prices on the domestic stock market in the third quarter, equity funds under management rose by 4.7 per cent (quarter-on-quarter) due to both capital gains and net sales of $74.2 million. On a year-to-date basis, equity funds under management were up 10.4 per cent to close at $4.3 billion at the end of September 2012. Meanwhile, income funds under management attracted net sales of $801.2 million in the third quarter compared with net sales of $336.2 million and $298 million in the first two quarters of the year respectively. At the end of September 2012, income funds under management stood at $34.4 billion – 6 per cent higher than at the end of 2011.

In terms of currency profile, the growth in foreign currency funds continued to outpace that of TT dollar funds in the first nine months of the year. In the nine months to September 2012, foreign currency mutual funds rose by 10.3 per cent, while TT dollar funds grew by 5.8 per cent.

Real Estate Mortgage Market

Mortgage lending has maintained its relatively robust pace of growth for 2012 thus far. Mortgage lending operations are mainly conducted by the commercial banks, which have been gaining market share at the expense of non-banks. On a year-on-year basis, mortgage market credit granted by the consolidated financial system to the private sector increased by 10.0 per cent in August 2012. Meanwhile, commercial banks' mortgage portfolios expanded at a rate of 10.9 per cent in August 2012. The number of new residential mortgage approvals granted increased to 3,451 in the 12 months to June 2012, compared with 3,181 new approvals granted in the year-earlier period (Chart IIIc).

Chart IIIc
New Residential Real Estate Mortgage Approvals

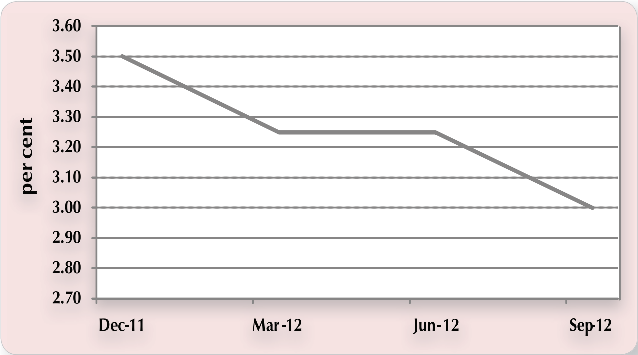


Source: Central Bank of Trinidad and Tobago.

Since the introduction of the new benchmark interest rate – the Mortgage Market Reference Rate (MMRR) – by the Central Bank, commercial banks have been adjusting their mortgage rates downwards for both new and existing customers. With the decrease in the MMRR from 3.50 per cent in December 2011 to 3.00 per cent in September 2012 (Chart IIId), the weighted average lending rate on all outstanding residential mortgages fell to 7.21 per cent in June 2012 from 7.33 per cent in March 2012 and 7.58 per cent in June 2011 (Chart IIIe). Similarly, rates on new mortgages granted fell to 6.60 per cent in June 2012, from 6.75 per cent in March 2012 and 6.94 per cent in June 2011.

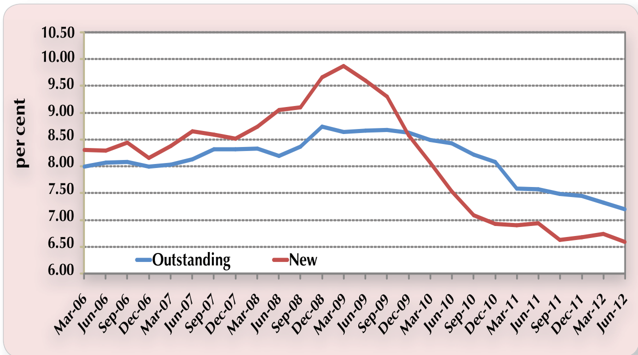
Strong mortgage lending supported by low mortgage rates, high liquidity and a lack of investment opportunities, have led to a greater interest in real assets, including residential real estate. As a result, the price of residential property has remained at a sustained level for some time now. Available data on estimated house values provided by real estate agents suggest that the median price of a typical 3-bedoom house remained at $1 million in the quarter ending June 2012, unchanged from the same period of 2011 (Chart IIIf).

Chart IIId
Mortgage Market Reference Rate (MMRR)
(Per Cent Per Annum)



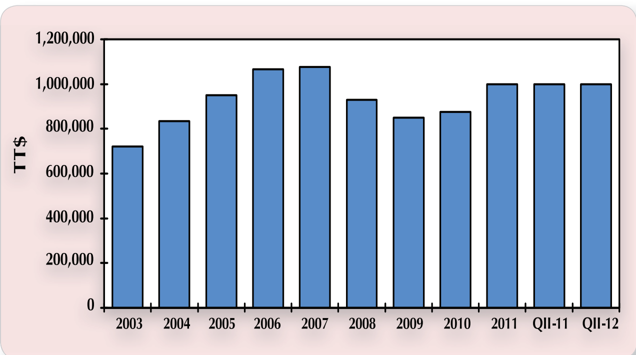
Source: Central Bank of Trinidad and Tobago.

Chart IIIe
Commercial Banks: Residential Mortgage Loan Rates
(Per Cent Per Annum)



Source: Central Bank of Trinidad and Tobago.

Chart IIIf
Commercial Bank Residential Real Estate Mortgage Loans



Source: Central Bank of Trinidad and Tobago.

Part IV – Domestic Economic Developments

Gross Domestic Product

Preliminary estimates indicate that there was a sharper than anticipated decline in domestic economic activity during the second quarter of 2012. According to the Central Bank's Quarterly Index of Gross Domestic Product (GDP), real GDP declined by 3.6 per cent (year-on-year), reflecting in the main, a substantial contraction (7.3 per cent) in the energy sector on account of continued maintenance operations. The non-energy sector also declined slightly on the heels of a drop in cement output that negatively affected manufacturing and construction.

In the energy sector, major producer cut production to cater for maintenance and security upgrades. As a result, activity in the exploration and production sub-sector fell (year-on-year) by 7.0 per cent on account of reduced output of natural gas (6.5 per cent) and crude oil (11.1 per cent). There was also a significant contraction in the refining sub-sector (12.0 per cent). Reduced production of natural gas contributed to the sharp declines in the output of liquefied natural gas (LNG) (9.0 per cent) and natural gas liquids (24.3 per cent). Production of LNG was also affected by a 2-week unplanned shutdown of Train 4, the country's largest LNG train, while the fall in petroleum refining (15.2 per cent) was largely associated with a 35.6 per cent drop in diesel production. Liquefied petroleum gas (LPG) and gasoline production also plummeted by 63.1 per cent and 33.1 per cent, respectively, due to upgrade works being undertaken on the Fluidised Catalytic Unit (FCCU) as part of the Gasoline Optimization Program (GOP) at Petrotrin. This state of affairs contributed to a fall in imports of crude oil (15.3 per cent).

Output in the petrochemicals sub-sector was also restricted by lower availability of natural gas. Ammonia output fell slightly (0.2 per cent) while a shortfall in methanol production (10.9 per cent) was largely due to a three-week scheduled outage at the M5000 plant during the second quarter.

Provisional data suggest that non-energy activity declined slightly (0.7 per cent, year-on-year) in the second quarter, with the main contraction occurring in the manufacturing (4.2 per cent), construction (3.5 per cent) and agriculture sectors (5.1 per cent). Cement production plummeted by 46 per cent, due to the major industrial strike at Trinidad Cement Limited (TCL)[6], which directly affected activity in the manufacturing sector. The construction sector was also impacted directly by the strike as local sales of cement fell by 8.2 per cent, affecting the demand for related building products. As a result, the production of mined aggregates dropped by 7.3 per cent while retail sales of hardware and construction materials fell by 6.0 per cent. Available indicators on domestic root crops and vegetables also point to a reduction in agricultural output.

There were some pockets of heightened activity during the second quarter, with positive year-on-year growth rates recorded in the finance (2.0 per cent) and distribution (1.5 per cent) sectors. Growth in the finance sector was driven by increased loan (2.4 per cent) and deposit (9.6 per cent) activity within the commercial banking system. The distribution sector benefitted from increased sales of motor vehicles (36.6 per cent), household appliances (6.4 per cent) and grocery items (5.5 per cent). More recent data show that new car sales rose further in the third quarter by 26.7 per cent (year-on-year).

Domestic Production

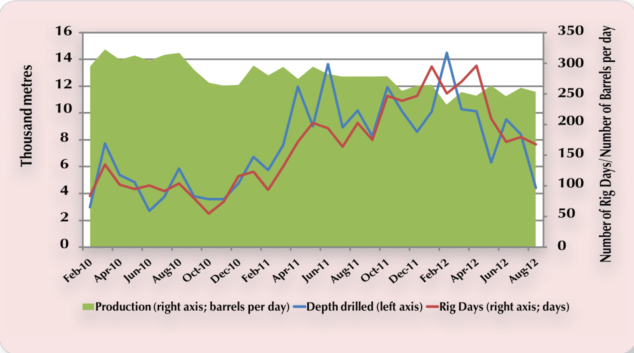
Energy Sector

(i) Petroleum

Crude oil production has continued to decline steadily (11.3 per cent year-on-year for the first eight months

[6] The TCL strike started on February 27 2012 and ended on May 26 2012.

Chart IVa
Production, Depth Drilled and Rig Days



Source: Ministry of Energy and Energy Affairs.

of 2012) as maintenance activity intensified. Average rig days fell to 168 in August 2012 from 295 in January (Chart IVa), while drilling activity was also lower, with monthly drilling declining from 10,110 meters in January to 4,449 meters in August 2012. Maintenance activity at British Petroleum Trinidad and Tobago (BPTT), which commenced soon after the Deep Water Horizon oil spill in April 2012, continued to weigh on local production rates. Further declines in crude production may lie ahead, following reports of industrial action which left Trinmar's offshore rigs dormant for several days during September 2012.

Table IVa
Production of Selected Energy and Energy-based Commodities

Period	Crude Oil bbl/d	Natural Gas mmcf/d	Fertilizers tonnes	Methanol tonnes
Jan-12	85,491	4,269	527,609	424,364
Feb-12	80,278	4,336	460,381	446,722
Mar-12	81,670	4,057	483,435	529,655
Apr-12	82,376	3,829	507,215	412,154
May-12	85,039	4,068	497,719	468,394
Jun-12	82,138	4,348	469,941	503,994
Jul-12	83,946	4,492	461,823	512,288
Aug-12	81,776	4,379	472,478	495,509
Jan-Aug 11	93,859	4,228	3,953,156	4,056,915
Jan-Aug 12	82,839	4,222	3,880,601	3,793,080

Source: Ministry of Energy and Energy Affairs.

Refinery throughput at the state oil company, Petrotrin, suffered a year-on-year decline during January to August 2012 due to operational issues. A lengthy outage of the Fluidised Catalytic Cracking Unit (FCCU) at the refinery resulted in reduced output of several products including diesel and liquefied petroleum gas (LPG). As a result of lower production and refining, crude exports and imports have both shown double digit declines.

The Ministry of Energy and Energy Affairs in September 2012 completed its most successful deepwater bid round to date. Five out of the six blocks offered have received a total of twelve bids. Some of the bidders include BGTT, Centrica and BHP Billiton, all of whom already operate in Trinidad and Tobago. Several new players have also expressed an interest in acquiring acreage, including Elenilto LLC, Socar and Caspian Drilling Company. Successful bidders are expected to be announced in mid November 2012.

(ii) Natural Gas

Natural gas output for the first eight months of 2012 has maintained year-earlier levels. Production averaged 4,222 million cubic feet per day (mmcf/d) between January and August 2012 compared to 4,228 mmcf/d during the same eight-month period in 2011 (Table IVa). However, these production rates are relatively low compared to previous years as production in 2012 continues to be affected by extensive maintenance operations, led in the main by BPTT, in the wake of the major oil spill of April 2010. Although there has been some recovery in output to 4,492 mmcf/d in July, this recovery may be short-lived as further maintenance works are scheduled to take place at the country's two largest natural gas producers during September and October 2012.

(iii) Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs)

Natural gas refining activity thus far in 2012 has been affected by reduced natural gas availability, minor operational issues and the production of relatively drier natural gas[7]. Despite a 2-week unplanned shutdown at Train 4, LNG production was relatively stable during the first eight months of 2012 when compared to the corresponding period in 2011. However, the production of NGLs fell by 18.9 per cent over the same period, partly because the production of drier natural gas has affected the ability to extract these liquids.

[7] Natural gas liquids (NGLs) are extracted from natural gas. The 'drier' the natural gas, the smaller the amount of liquids (NGLs) which can be obtained per unit of natural gas.

(iv) Petrochemicals

Fertilizer production during January to August 2012 was marginally down on the previous year's output as the urea production facilities were affected by mechanical issues. The urea plant was taken down early in the year and again in July 2012 to facilitate minor repairs.

(v) Methanol

Methanol production in 2012 has been affected by outages at two of the country's largest production facilities. The Atlas methanol plant was temporarily closed in January 2012 while the M5000 plant endured a 3-week maintenance turnaround in April/May 2012. As a result, methanol production fell 6.5 per cent during the first eight months of 2012 compared to the same period in 2011.

(vi) Energy Commodity Price Index (ECPI)[8]

Lower crude oil prices in 2012 have resulted in a fall in the ECPI compared to 2011[9]. The ECPI averaged 138.09 for January to September 2012 compared to 147.91 for the same period in 2011. Crude oil prices in 2012 have retreated from the levels of 2011 when an uprising in the Middle East and North Africa region put significant upward pressure on prices. Lower crude prices in 2012 have also affected the prices of crude oil derivatives incorporated into the ECPI, including motor gasoline, diesel and jet fuel. It should be noted that the ECPI may be overstating the impact of low natural gas prices since the index still uses the Henry Hub. Given increased LNG sales to non-US markets, the Central Bank will be reviewing the natural gas market price.

(vii) Agriculture

Though statistics on total agricultural production in Trinidad and Tobago are not yet available for the third

[8] The Energy Commodity Price Index (ECPI) is a summary measure of the price movements in Trinidad and Tobago's top ten energy-based commodity exports. See also Table 4 of the Central Bank of Trinidad and Tobago's Summary Economic Indicators Bulletin available on the Bank's website.

[9] See Table IVf for a cross-section of commodity prices.

quarter of 2012, some insight into recent agricultural activity was sought through examination of data from the Norris Deonarine Northern Wholesale Market[10] and the Trinidad and Tobago Agri-Business Association (TTABA). There was a sharp year-on-year decline in the volume of locally produced root crops reaching the Northern Wholesale Market during the third quarter, including cassava (69.6 per cent) and eddoes (65.7 per cent). There is also evidence of an increase in imported products brought to this particular market during the period (Table IVb). Moreover, TTABA's purchases of sweet potatoes fell by 63.4 per cent in July and August 2012 compared to the corresponding period in 2011, while cassava purchases declined by 33.8 per cent due to reduced output (Table IVc). The data, though not conclusive, appear to point to a reduction in the supply of root crops in the third quarter. This would be consistent with the flooding that affected prime agricultural lands in Central Trinidad in March 2012, since most root crops are particularly susceptible to flooding and require several months to mature.

According to the National Food Production Action Plan, launched in March 2012, activity within the agriculture sector will focus on the production of staple foods (rice, breadfruit and root crops), as well as other products including farmed fish, fruits and vegetables. Barring further weather-related disruptions, activity within the agricultural sector is expected to increase, given the Government's stated mandate to stimulate domestic production as a means of lowering the nation's food import bill in half by 2015[11].

[10] The Norris Deonarine Northern Wholesale Market is located in Macoya, East Trinidad. Data on agricultural produce brought to other markets in Trinidad and Tobago are not readily available.

[11] Minister of Food Production, Land and Marine Resources, Mr. Vasant Bharath, at the launch of the National Food Production Action Plan on March 12, 2012, indicated that the initiative aimed to reduce the then $4 billion food import bill to $2 billion by 2015.

Table IVb
Produce Brought to the Norris Deonarine Northern Wholesale Market

Commodity	Jul-Sep 2012	Jul-Sep 2011	Sep-2012 (Year-on-Year Per Cent Change)
LOCAL			
Root Crops			
Sweet Potato (kg)	296,551	350,066	-15.3
Cassava (kg)	72,988	240,389	-69.6
Dasheen (kg)	68,002	133,258	-49.0
Eddoes (kg)	6,096	17,753	-65.7
Leafy Vegetables			
Cabbage (Local Green) (kg)	175,362	179,610	-2.4
Callaloo Bush (Roll) (Bundle)	73,527	73,285	0.3
Vegetables			
Tomato (kg)	485,886	420,108	15.7
Cucumber (kg)	274,683	347,247	-20.9
Sweet Pepper (kg)	127,243	124,321	2.4
Christophene (kg)	62,244	68,339	-8.9
Fruits			
Watermelon (kg)	182,165	188,478	-3.3
Pineapple (kg)	70,991	157,633	-55.0
IMPORTS			
Root Crops			
Dasheen (kg)	218,571	209,944	4.1
Eddoes (kg)	197,668	162,178	21.9
Sweet Potato (kg)	123,023	100,701	22.2
Leafy Vegetables			
Cabbage (Green) (kg)	159,100	149,915	6.1
Vegetables			
Tomato (kg)	20,690	34,175	-39.5

Source: The National Agricultural Marketing and Development Corporation (NAMDEVCO).

Table IVc
Purchases of Selected Local Commodities by the TTABA
(kg)

		Cassava	Pommecythere	Sweet Potato	Hot Pepper
2010	Qtr. 3	138,276	41,354	4,419	-
	Qtr. 4	136,737	73,621	10,939	-
2011	Qtr. 1	124,106	88,097	20,297	5,996
	Qtr. 2	72,617	29,581	78,608	36,125
	Jul-Aug	44,419	71,793	77,000	91,769
	Qtr. 3	90,166	150,174	155,424	8,536
	Qtr. 4	155,817	172,252	42,765	22,334
2012	Qtr. 1	145,170	31,007	25,647	21,535
	Qtr. 2	64,939	84,618	18,483	21,830
	Jul-Aug	27,428	125,885	33,629	21,830

Source: Trinidad and Tobago Agribusiness Association (TTABA).

Labour Market

(i) Unemployment

According to latest available labour data from the Central Statistical Office, the unemployment rate stood at 4.2 per cent of the labour force at the end of 2011, markedly lower than the rates recorded for the previous quarter (5.2 per cent) and previous year (6.3 per cent). The statistics indicate that the sharp contraction resulted primarily from increased employment within the construction and agriculture sectors.

In the construction sector, contractors, craftsmen and unskilled labourers benefitted in part from increased activity on government-run projects. All in all, the unemployment rate in the construction sector declined to 8.0 per cent at the end of 2011 from 10.0 per cent at the end of the third quarter and 12.7 per cent at the end of 2010. Concurrently, output in the sector was estimated to have risen by 1.3 per cent (year-on-year) in the fourth quarter of 2011.

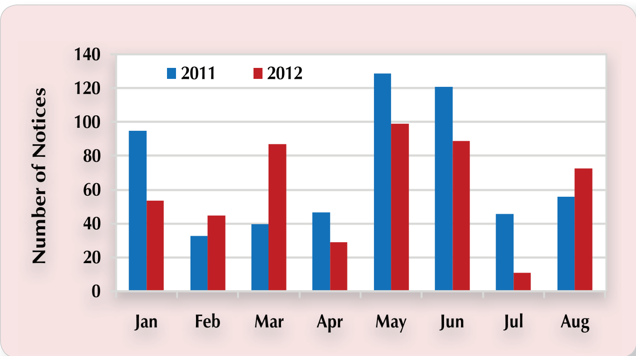
Activity in the agriculture sector was also given a boost by programmes and incentives put in place by the Government, including an "Agriculture Now" initiative, that was launched in November 2011. The unemployment rate in the agriculture sector declined to 0.9 per cent at the end of 2011 from 2.3 per cent at the end of the third quarter and 4.6 per cent at the end of 2010.

The fourth quarter of 2011 also saw increased production activity in the distribution sector (1.8 per cent year-on-year increase), as businesses hastened to get their goods in place for the Christmas season after the lifting of the state of emergency and curfew. As a result, the unemployment rate in the transport, storage and communication sector declined to 1.4 per cent at the end of 2011, from 3.3 per cent at the end of the third quarter and 7.0 per cent at the end of 2010.

(ii) Retrenchment Notices

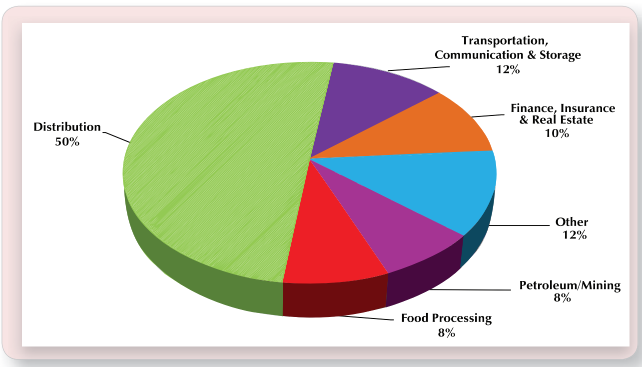
Data released by the Ministry of Labour and Small and Micro Enterprise Development (MLSMED) indicated that the number of retrenchment notices declined 11.3 per cent (year-on-year) in the period January to August 2012, from 567 to 503 notices (Chart IVb). Of the notices filed in 2012, over 50 per cent originated within the distribution sector (Chart IVc), up from 35.5 per cent in the period January to August 2011. The transportation sector accounted for 11.3 per cent of the notices registered in 2012, up sharply from 2.0 per cent in January to August 2012.

Chart IVb
Retrenchment Notices Registered
(Number by Month)



Source: Ministry of Labour and Small and Micro Enterprise Development.

Chart IVc
Retrenchment Notices by Sector
January – August, 2012



Source: Ministry of Labour and Small and Micro Enterprise Development.

(iii) Labour Productivity

Labour productivity as measured by the Index of Productivity has broadly been on a declining trend since the last quarter of 2011, falling by some 10.9 per cent (year-on-year) to the second quarter of 2012 (Table IVd). The energy sector, particularly in the areas of refining and exploration, played a significant role in the decline in productivity. Labour productivity in the oil refining sub-sector declined by 25.0 per cent in the second quarter (year-on-year) due to the continued malfunction of the refinery's Fluidised Catalytic Cracking Unit (FCCU). Productivity in the gas refining sub-sector declined by 24.8 per cent over the same period due to persistent shortfalls in natural gas throughput consequent on the maintenance activity carried out by BPTT. In the oil and gas exploration sub-sector, productivity declined by 23.1 per cent as more intensive exploration activity has not yet been met with commensurate increases in oil and gas production. It is expected that over time, exploration activity will begin to bear fruit in the form of new finds.

Table IVd
Index of Productivity
(1995=100)

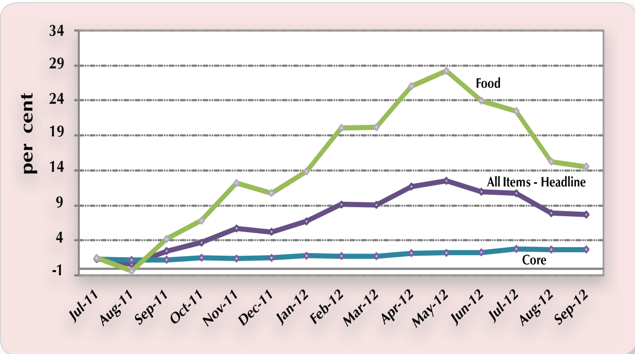
		Index of Productivity	Year-on-Year Per Cent Change
2010	Qtr. 1	334.5	3.8
	Qtr. 2	356.0	6.1
	Qtr. 3	354.0	1.9
	Qtr. 4	367.5	7.0
2011	Qtr. 1	359.5	7.5
	Qtr. 2	398.2	11.8
	Qtr. 3	365.7	3.3
	Qtr. 4	335.7	-8.7
2012	Qtr. 1	360.0	0.1
	Qtr. 2	354.7	-10.9

Source: Central Statistical Office of Trinidad and Tobago.

Inflation

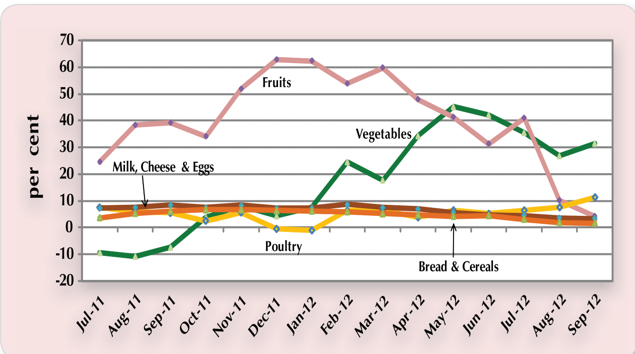
(i) Consumer Prices

Chart IVd
Index of Retail Prices
(Year-on-Year Per Cent Change)



Source: Central Statistical Office of Trinidad and Tobago.

Chart IVe
Components of Food Sub-Index of the RPI
(Year-on-Year Per Cent Change)



Source: Central Statistical Office of Trinidad and Tobago.

Following a period of double-digit rates early in the year, headline inflation began to wane in mid 2012. Weather-related supply shortages drove food prices up in early 2012, pushing headline inflation to a peak of 12.6 per cent (year-on-year) in May 2012 (Chart IVd). Headline inflation retreated in the third quarter of 2012 and settled at 7.7 per cent in September 2012. This was led by a significant slowdown in food price inflation.

Following six consecutive months above a rate of 20 per cent, the year-on-year rate of food inflation fell to 15.4 per cent in August and 14.7 per cent in September. This came about mainly through steep declines in the rate of increase in fruit prices to 4.3 per cent in September from as much as 41.0 per cent three months earlier (Chart IVe). However, weather patterns in the US are threatening to reverse the downward trend in local food price inflation. Poultry prices have already seen some upward movement in September 2012, increasing 11.4 per cent (year-on-year) from 7.7 per cent in previous months. Poultry farmers have been facing higher feed costs associated with drought conditions in major producing areas in the US. More recently, Hurricane Sandy, which battered several Caribbean countries and the US in late October, may pose a further threat to the food inflation rate in the coming months.

The rate of core inflation hovered around 2.8 per cent for the whole of the third quarter (Appendix A), up from an average of some 2.0 per cent for the first 6 months of the year. Within the core sub-categories, the highest rates of inflation in September 2012 occurred within rent (6.5 per cent), recreation and culture (6.0 per cent), and alcoholic beverages and tobacco (4.7 per cent).

(ii) Prices of Building Materials

The Index of Building Materials Prices showed a year-on-year increase of 6.5 per cent during the third quarter of 2012, 1 per cent lower than the April to June quarter (Appendix F). The site preparation and walls and roof sub-sections increased by 11.7 per cent and 7.8 per cent, respectively. Other sub-categories showing year-on-year increases included electrical installation (2.6 per cent), furnishing (4.8 per cent) and plumbing (0.1 per cent). Notably, the end of industrial action at TCL resulted in the decline of cement prices in the third quarter when compared to the previous quarter (Table IVe).

Table IVe
Selected Building Material Prices
(TT$)

	Q3 2012		
	Price	Quarter-on-Quarter Per Cent Change	Year-on-Year Per Cent Change
Cement (price/bag)	67.5	-1.8	42.2
Gravel (price/12cu yrds)	2,601.0	1.6	0.4
Plastering Sand (price/8 cu yrds)	1,240.7	3.1	-3.0
Concrete Blocks (price/block)			
100mm (4″x8″x16″)	6.4	7.4	36.8
150mm (6″x8″x16″)	8.0	3.0	8.0
Steel (Price/20ft)			
¼″	10.8	3.3	5.3
½″	41.0	5.9	5.5

Source: Central Statistical Office of Trinidad and Tobago.

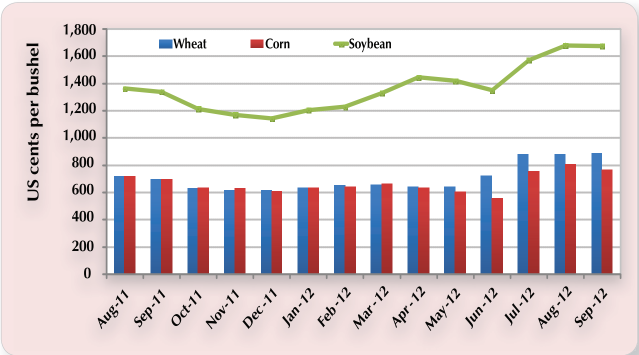
(iii) Producer Prices

In the third quarter of 2012, producer prices increased by a year-on-year rate of 4.2 per cent. This increase represents the amalgamation of increases of 4.1 per cent within chemicals and non-metallic products, 8.9 per cent within drink and tobacco and 3.9 per cent within food processing. The cement sub-category rose by 10.1 per cent, down from the 36.3 per cent recorded for the previous quarter.

(iv) The Food and Agriculture Organization's (FAO) Food Price Index

The FAO Food Price Index declined 6.6 per cent for the third quarter of 2012 compared to the corresponding period in 2011, mainly due to drastic decreases within the sugar (22.9 per cent) and the dairy (19.1 per cent) sub-categories. The meat sub-index sustained a 3.6 per cent decline over the same period, but meat prices could rise in the wake of the drought in the US which has adversely affected the supply of corn, a major component in animal feed. This situation, along with the threat of export restrictions by key cereal exporters, drove the cereal sub-index up by 5.2 per cent (year on year) in the third quarter of 2012 (Table IVf).

Chart IVf
Global Food Prices



Source: Bloomberg.

Table IVf
Food Price Index

Date	Food Price Index	Food Price Index (Year-on-Year Per Cent Change)	Meat Price Index	Dairy Price Index	Cereals Price Index	Oils Price Index	Sugar Price Index
Jun-11	233.4	38.8	178.1	231.6	259.0	259.0	357.7
Jul-11	231.2	33.9	176.5	227.8	247.2	252.9	400.4
Aug-11	230.6	26.0	178.6	220.6	252.4	245.3	393.7
Sep-11	225.1	15.9	177.3	214.7	244.3	239.4	379.0
Oct-11	215.8	5.3	176.1	203.5	231.3	224.3	361.2
Nov-11	216.4	1.7	181.1	201.0	228.8	234.8	339.9
Dec-11	210.8	(5.6)	178.8	201.7	217.6	227.5	326.9
Jan-12	212.8	(8.0)	174.2	206.8	222.7	233.7	334.3
Feb-12	215.6	(9.4)	178.1	202.0	226.3	238.7	342.3
Mar-12	216.0	(6.9)	178.0	197.0	227.8	244.9	341.9
Apr-12	213.0	(9.3)	179.6	185.6	223.3	251.0	324.0
May-12	204.7	(11.6)	175.0	176.1	221.3	233.8	294.6
Jun-12	200.4	(14.1)	169.5	173.4	222.1	220.7	290.4
Jul-12	212.9	(7.9)	166.8	172.9	260.0	226.1	324.3
Aug-12	212.8	(7.7)	171.3	175.6	259.9	226.0	296.2
Sep-12	215.8	(4.1)	175.0	187.7	262.6	224.7	283.6

Source: Food and Agriculture Organization.

International Energy Commodities

(Data in this section are in US dollars unless otherwise stated)

(i) Petroleum

A deepening Euro Area crisis, rising global oil stocks and concerns over a slowdown in growth of the Chinese economy precipitated a slump in the crude oil market during the second quarter of 2012. However, the market gained strength as US and European Union (EU) crude oil sanctions against Iran came into effect on July 01, 2012 and as Iran renewed its threat to shut down the Strait of Hormuz[12]. These events took the West Texas Intermediate (WTI) price from $82.36 per barrel in June 2012 to $94.51 per barrel in September 2012 (Table IVg). Likewise the Brent crude oil price moved from $95.77 per barrel to $112.77 per barrel over the same period. Markets remained elevated in October 2012 as WTI and Brent prices averaged close to $90.00 and $112.00 per barrel, respectively, in late October.

(ii) Natural Gas

Ample supply has kept a lid on gas prices in the US in 2012. Natural gas storage in the US surpassed 3 trillion cubic feet (tcf) in June 2012, marking the first time in history that gas storage has reached this level before the latter half of July. Additionally, cooler-than-average weather during the summer months has contained gas demand during 2012. This has resulted in a low and stable Henry Hub natural gas price, which has lingered below $3 per million British thermal units (mmbtu) throughout 2012 (Table IVg). Prices in other regional markets have been much more buoyant in 2012. The UK National Balancing Point (NBP) price has averaged $8.94 per mmbtu over the period January to September 2012 while North East Asia fetched an average price of $15.32 per mmbtu over the same period.

[12] The Strait of Hormuz is located between the Gulf of Oman and the Persian Gulf. Roughly 20 per cent of the world's oil, or 35 per cent of seaborne traded oil, passes through the Strait.

(iii) Petrochemicals

The fertilizer market garnered strength in April to September 2012 on the basis of supply cutbacks during the second quarter and a rise in demand by US importers during the third quarter. This situation was partly related to the slowdown in fertilizer production in Trinidad and Tobago, a major producer of ammonia (See Part IV: Domestic Production).

(iv) Methanol

After remaining relatively firm during the first half of 2012, the market weakened during the third quarter. The US market remained well-supplied despite shortfalls from the M5000 plant in Trinidad and Tobago, decreasing cargoes from Chile and growing methanol demand in the Asia-Pacific region. However, as natural gas feedstock prices have stayed low and stable in the US, a number of producers sought to restart idled plants. One such plant is a 750,000 tonne per year plant in Texas, which was restarted by Orascom Construction Industries in July 2012. In Europe, a number of plants were taken down during July/August 2012.

(v) Iron and Steel

Like methanol, prices in iron and steel markets were relatively buoyant during the second quarter of 2012 in the face of increasing raw material costs and firm demand. However, a summer slowdown saw prices subsequently softening.

Table IVg
Prices of Selected Export Commodities

	US$/bbl[1]		US$/mmbtu[2]	US$/tonne				
	Crude Oil (BRENT)	Crude Oil (WTI[3])	Natural Gas (Henry Hub)	Ammonia (fob Caribbean)	Urea (fob Caribbean)	Methanol (fob Rotterdam)	Billets (fob Latin America)	Wire Rods (fob Latin America)
Jan-11	96.59	89.41	4.49	435.00	384.63	426.50	612.50	640.00
Feb-11	103.57	89.53	4.09	475.00	388.50	433.50	637.50	695.00
Mar-11	114.60	102.92	3.97	507.00	371.40	441.00	645.00	682.00
Apr-11	118.27	109.96	4.24	515.00	355.50	441.00	633.75	686.25
May-11	110.59	101.28	4.31	522.50	378.50	433.00	630.63	720.00
Jun-11	111.70	96.25	4.54	524.00	446.00	441.00	657.00	720.00
Jul-11	116.13	97.31	4.42	521.88	473.38	413.00	690.00	740.00
Aug-11	108.70	86.32	4.05	526.25	510.00	424.00	693.75	746.25
Sep-11	106.00	86.58	3.89	556.25	509.00	405.00	705.00	765.00
Oct-11	103.83	86.41	3.56	623.13	499.38	440.50	655.00	750.00
Nov-11	107.76	97.12	3.26	651.25	491.25	436.50	615.00	698.75
Dec-11	106.23	98.56	3.16	553.00	421.50	424.50	610.00	678.33
Jan-12	110.67	100.29	2.67	495.90	393.00	410.00	627.50	697.50
Feb-12	117.68	102.21	2.50	393.50	414.88	423.00	604.00	692.00
Mar-12	123.60	105.88	2.16	357.50	535.38	420.00	612.50	698.75
Apr-12	119.47	103.28	1.95	425.00	680.00	446.00	610.00	691.88
May-12	109.53	94.68	2.43	520.00	666.25	436.00	610.00	679.50
Jun-12	95.77	82.36	2.45	580.00	491.13	426.00	605.00	688.75
Jul-12	102.50	87.90	2.97	651.50	443.80	417.00	565.00	650.00
Aug-12	111.83	94.11	2.84	651.25	436.25	419.00	554.00	650.00
Sep-12	112.77	94.51	2.85	662.50	429.13	447.00	527.50	630.00

Sources: Bloomberg; Green Markets; Fertilizer Week; European Chemical News; Monthly Methanol Newsletter (TECNON); Metal Bulletin.

All prices are monthly averages of published quotations and not necessarily realized prices.

1 – US dollars per barrel.
2 – US dollars per million British thermal units.
3 – West Texas Intermediate.

Balance of Payments

(Data in this section are in US dollars unless otherwise stated)

The movement in international reserves suggests that for the first nine months of 2012, the external accounts registered an overall deficit of $487.0 million, compared to a surplus of $276.0 million in the corresponding period of 2011. At the end of September 2012, the level of gross official reserves amounted to $9.3 billion or 10.7 months of prospective imports of goods and non-factor services. Based on available data, in the first quarter of 2012 the overall current account is estimated to have recorded a surplus of $429.7 million, almost unchanged from the first quarter of 2011 ($427.1 million), while the capital and financial account remained in deficit (Table IVh).

Despite the similar overall current account in the first quarters of 2012 and 2011, it is estimated that the trade balance in the first quarter of 2012 was 32.5 per cent lower than in the corresponding period of 2011[13]. This outcome was based on a 14.2 per cent increase in imports along with a 5.5 per cent decrease in exports. Meanwhile, the investment income account registered a smaller net outflow of $601.5 million compared with a net outflow of $806.7 million in the corresponding period of 2011. This was largely on account of lower dividends paid to foreign investors—$247.8 million in the first three months of 2012 compared with $420.7 million one year earlier.

In the first quarter of 2012, the merchandise trade surplus was estimated at $858.3 million, much lower than the surplus of $1.3 billion in the first quarter of 2011. Comparative mirror trade data point to higher imports for both energy and non-energy related products. Despite declines in volumes, the value of crude oil exports is estimated to have risen due to price effects—for example, the price of West Texas Intermediate (WTI) averaged $102.80 per barrel in January-March 2012, compared to $94.00 in the corresponding quarter of 2011. Lower crude oil, natural gas and petrochemical production led

[13] Actual data from the Central Statistical Office on merchandise trade are up to October 2011. Data for the last quarter of 2011 and the first quarter of 2012 represent Central Bank estimates based on comparative mirror trade data with the rest of the world, and supplemental data on activity in the energy sector.

to slightly lower energy export values during the first three months of 2012 ($2,421.7 million compared to $2,480.8 million in the first quarter of 2011). Non-energy exports for the period were also less compared to the year prior.

The capital and financial account registered an overall deficit of $367.5 million in the first quarter of 2012. Net foreign direct investment was recorded at $604.1 million, mainly emanating from reinvested earnings in foreign-owned energy companies. Commercial banks increased their net foreign balances (particularly for liquid funds) which led to net outflows of $69.8 million. This was in contrast to the corresponding period in 2011 when there was a net inflow of $231 million.

Central Government principal repayments on external debt rose slightly to $38 million from $34.2 million and included payments to the International Development Bank (IDB), while interest payments totalled $6.4 million. Other private capital flows (including errors and omissions) amounted to a net outflow of $657.4 million, mainly on account of currency and deposits and trade credits.

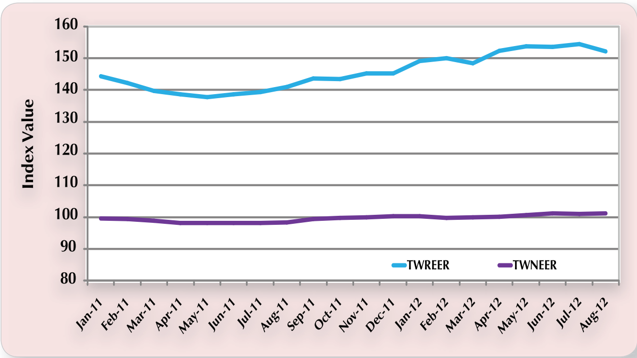
Table IVh
Trinidad and Tobago: Summary Balance of Payments
(US$ Million)

	2008r	2009r	2010r	2011e	Jan-Mar 2011	Jan-Mar 2012e
Current Account	**8,499.0**	**1,632.8**	**4,172.3**	**2,622.7**	**427.1**	**429.7**
Trade Balance	9,070.4	2,241.2	4,735.4	5,762.6	1,271.5	858.3
Exports	18,647.1	9,221.4	11,238.9	15,066.6	3,015.5	2,849.1
Energy	16,481.8	7,884.6	9,314.9	12,787.9	2,480.8	2,421.7
Non-Energy	2,165.4	1,336.8	1,924.1	2,278.7	534.7	427.4
Imports	9,576.7	6,980.2	6,503.5	9,304.0	1,744.0	1,990.8
Energy	4,115.7	2,845.6	2,664.4	4,571.6	967.7	1,061.6
Non-Energy	5,461.0	4,134.6	3,839.1	4,732.4	776.3	929.2
Services (Net)	609.7	381.7	487.6	301.8	-50.2	139.4
Income (Net)	-1,228.0	-1,017.1	-1,079.5	-3,474.6	-806.7	-601.5
Current Transfers (Net)	46.9	27.0	28.8	32.9	12.5	33.5
Capital and Financial Account	**-5,793.5**	**-2,345.4**	**-3,753.9**	**-1,870.1**	**-353.6**	**-367.5**
Public Sector Capital	-1,017.4	277.4	-540.9	-295.7	-88.7	-244.4
Foreign Direct Investment	2,100.8	709.1	549.4	1,110.0	397.2	604.1
Commercial Banks	-352.6	-675.2	493.3	-128.5	231.0	-69.8
Other Private Capital Flows*	-6,524.3	-2,656.7	-4,255.7	-2,555.9	-893.1	-657.4
Overall Balance	**2,705.5**	**-712.6**	**418.4**	**752.6**	**73.5**	**62.2**
Per Cent of GDP						
Current Account Balance	**30.3**	**8.5**	**20.2**	**11.2**	**7.3**	**7.2**
Trade Balance	32.4	11.6	22.9	24.5	21.6	14.3
Exports	66.6	47.9	54.3	64.1	51.3	47.5
Energy	58.8	41.0	45.0	54.4	42.2	40.4
Non-Energy	7.7	6.9	9.3	9.7	9.1	7.1
Imports	34.2	36.3	31.4	39.6	29.7	33.2
Energy	14.7	14.8	12.9	19.5	16.5	17.7
Non-Energy	19.5	21.5	18.6	20.1	13.2	15.5
Services (Net)	2.2	2.0	2.4	1.3	-0.9	2.3
Income (Net)	-4.4	-5.3	-5.2	-14.8	-13.7	-10.0
Current Transfers (Net)	0.2	0.1	0.1	0.1	0.2	0.6
Capital and Financial Account	**-20.7**	**-12.2**	**-18.2**	**-8.0**	**-6.0**	**-6.1**
Public Sector Capital	-3.6	1.4	-2.6	-1.3	-1.5	-4.1
Foreign Direct Investment	7.5	3.7	2.7	4.7	6.8	10.1
Commercial Banks	-1.3	-3.5	2.4	-0.5	3.9	-1.2
Other Private Capital Flows*	-23.3	-13.8	-20.6	-10.9	-15.2	-11.0
Overall Balance	**9.7**	**-3.7**	**2.0**	**3.2**	**1.3**	**1.0**
Gross Official Reserves (US$ Million)**	9,380.3	8,651.6	9,070.0	9,822.7	9,143.5	9,884.9
Import Cover (months)	11.5	11.9	13.1	13.5	13.2	11.6

Source: Central Bank of Trinidad and Tobago.

* Includes Errors and Omissions and Portfolio Investment.
** End of Period.
r Revised.
e Estimate. Data for the Trade Balance include actual data for January to October 2011 from the Central Statistical Office, and Central Bank estimates thereafter. Central Bank estimates are based on comparative mirror trade data with the rest of the world, and supplemental data on activity in the energy sector.

Chart IVg
Trade-Weighted Real and Nominal Effective Exchange Rate
(2000 =100)



Source: Central Bank of Trinidad and Tobago.

Effective Exchange Rates

The trade-weighted real effective exchange rate (TWREER) reflects the trade-weighted (nominal) exchange rate adjusted for inflation. In the 12 months to August 2012, the trade-weighted real effective exchange rate appreciated by 7.9 per cent (Chart IVg). The trade-weighted nominal exchange rate (TWNEER) appreciated by 2.8 per cent while the weighted inflation differential (which refers to domestic inflation rates relative to those of the country's major trading partners) increased by 5.0 per cent. The main contributory factor to the appreciation in the Trinidad and Tobago dollar was the rise in domestic inflation compared to price increases in partner countries. Domestic inflation averaged 7.5 per cent over the 12-month review period, compared to 4.1 per cent in the country's major trading partners.

A country's level of competitiveness is not affected only by movements in exchange rates and consumer prices, but by institutional factors as well. The World Economic Forum publishes the Global Competitiveness Report annually, which ranks countries based on their level of competitiveness using a Global Competitiveness Index (GCI). The index is based on twelve pillars, which are broadly categorized into three themes: basic requirements; efficiency enhancers; and innovation and sophistication factors. In the latest Global Competiveness Report 2012-2013[14], Trinidad and Tobago's ranking fell, moving down three places to 84 (out of 144 countries), from 81 (out of 142 countries) in the 2011-2012 GCI, while the country's overall score remained unchanged at 4.0 out of 7.0.

Fiscal Operations

According to data provided by the Ministry of Finance and the Economy, the Central Government incurred a deficit of $6,062.4 million, equivalent to 4.0 per cent of GDP during the Fiscal Year (FY) 2011/12 - October 2011

[14] World Economic Forum. 2012. The Global Competitiveness Report 2012-2013. Geneva: SRO: Kundlg. Accessed October 11 2012. http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf.

to September 2012 (Table IVj). The deficit was larger than the $1,101.8 million (0.8 per cent of GDP) recorded in the previous fiscal year, but still below the budgeted deficit of $7,642.4 million. This was mainly due to lower revenue collections from the energy sector coupled with an increase in spending. During FY 2011/2012, $613.4 million was transferred to the Heritage and Stabilization Fund (HSF).

Despite the decline in energy receipts, total revenue rose to $47,672.8 million on account of higher Value Added Tax (VAT) receipts. Energy revenue declined by 6.7 per cent in FY 2011/2012 in comparison with the same period one year earlier as a result of falling crude oil and natural gas production, which more than offset the increase in energy commodity prices over the period. Crude oil prices averaged US$95.61 per barrel (WTI) during the period October 2011 to September 2012, up from an average of US$92.82 per barrel in the same period one year earlier and higher than the budgeted price of US$75 per barrel. On the other hand, non-energy revenue collections rose by 9.9 per cent, mainly on account of VAT receipts which rose to $6,497.6 million from $4,917.0 million in the comparable period one year earlier. Increases in individual taxes arising out of the settlement of collective agreements, higher collections from international trade and greater profits recorded by state enterprises also contributed to the rise in non-energy revenue.

Central Government expenditure amounted to $53,735.2 million and was 10.6 per cent higher than in the previous year. This increase in total expenditure was reflected in both recurrent and capital spending. With respect to recurrent expenditure, the goods and services category rose sharply by 21.6 per cent owing to the increased cost of rent and lease payments of buildings as well as higher spending on contract employment[15] and services. Also, interest payments rose to $3,253.1 million due to higher borrowings by the Central Government both externally and domestically to finance its operations.

[15] Contract employment includes persons hired in the public service for a fixed period, usually two to three years.

Transfers and subsidies, the main contributor to recurrent spending, increased on account of higher transfers to Statutory Boards and Similar Bodies in addition to increased payments on the Petroleum Subsidy. Petroleum subsidy payments for the FY 2011/2012 amounted to $1,499.5 million compared with $1,178.0 million in FY 2010/2011. Capital spending accelerated during the course of the fiscal year, rising to 7.3 per cent above the previous year's total. Major projects implemented included the Accelerated Housing Programme, the Early Childhood, Primary and Secondary Modernization Programme and the construction of the Multi-fuel Pipeline.

On Monday October 01, 2012 the Minister of Finance and the Economy, Mr. Larry Howai, presented the National Budget for FY 2012/2013 to Parliament (See Box 1). The theme of the 2013 budget statement was "Stimulating Growth, Generating Prosperity". The budget calculation was premised upon an oil price of US$75 per barrel (WTI) and a gas price of US$2.75 per mmbtu. The Minister indicated that the medium term policy framework was one of returning the budget to balance by 2016.

The budget is expected to realize a deficit of $7,669.3 million in FY 2012/2013 (4.6 per cent of GDP). Budgeted revenue for FY 2012/2013 is expected to amount to $50,736.2 million while budgeted expenditure is expected to increase to $58,405.5 million. The Government plans to finance the budget deficit through borrowing of which 66 per cent will come from domestic sources while the remainder will be sourced externally.

The capital programme for FY 2012/2013 is estimated to cost $7,500.0 million. Some of the major projects are the Accelerated Housing Programme, the construction and rehabilitation of roads and bridges and the Early Childhood, Primary and Secondary Modernization Programme (Table IVi).

In an effort to stimulate growth in the economy, the Government also envisaged the use of public-private-partnerships for rolling out infrastructure. These include the construction of administrative buildings in several regional corporations, airport concessionary for the Piarco and A.N.R Robinson International Airports, the extension of the Churchill Roosevelt Highway, the construction of a College of Science, Technology and Applied Arts of Trinidad and Tobago Campus in Chaguanas and the upgrading of the St. Augustine Campus of the University of the West Indies.

Table IVi
Costing of Selected Capital Projects in the FY 2012/2013 Budget

Projects	TT$ Million
Total Capital Expenditure	7,500
of which:	
Accelerated Housing Programme and Housing Settlement Development	718
Roads and Bridges	695
Early Childhood, Primary and Secondary School Modernization Programme	581
Construction of Multi-fuel pipeline and Development of New Port Facilities	403
Agriculture	312
Construction of Police Stations and Facilities	256
Development of Lands at Caroni and Orange Grove	250
Construction of Hospitals and Health Centres	175
Construction and upgrading of Sporting facilities	148
Establishment of the main campus of UTT - Tamana	75

Source: Ministry of Finance and the Economy, Public Sector Investment Programme & Estimates of the Development Programme 2013.

Table IVj
Summary Central Government Fiscal Operations
(TT$ Million)

	2008/2009	2009/2010	2010/2011	Revised 2011/2012	Budgeted 2012/2013
Revenue	**39,044.8**	**43,862.9**	**47,500.6**	**47,672.8**	**50,736.2**
Energy	19,317.8	22,700.6	27,340.9	25,517.6	n.a.
Non-energy	19,727.0	21,162.3	20,159.7	22,155.2	n.a.
Expenditure	**45,730.8**	**43,674.9**	**48,602.4**	**53,735.2**	**58,405.5**
Current	37,316.9	37,275.7	41,649.9	46,278.2	50,905.5
Wages and salaries	6,620.3	6,711.0	7,179.7	7,556.4	8,635.7
Goods and services	6,023.0	6,441.2	6,504.3	7,909.0	9,443.6
Interest payments	3,499.9	3,290.3	2,866.4	3,253.1	3,811.7
Transfers & Subsidies	21,173.7	20,833.2	25,099.5	27,559.7	29,014.5
Capital expenditure & net lending	8,413.9	6,399.2	6,952.6	7,457.0	7,500.0
Overall non-energy balance	**-26,003.8**	**-22,512.6**	**-28,442.7**	**-31,580.0**	**n.a.**
Overall balance (excl. transfers into the HSF)	**-6,686.0**	**188.0**	**-1,101.8**	**-6,062.4**	**-7,669.3**
Total financing (net)	**6,686.0**	**-188.0**	**1,101.8**	**6,062.4**	**7,669.3**
Net Foreign financing	-1,416.0	393.5	545.2	2,844.2	2,604.5
Net Domestic financing	8,102.0	-581.5	556.6	3,218.2	5,064.8
Of which: transfers to Heritage & Stabilization Fund	0.0	-3,026.5	-2,890.0	-613.4	0.0
Per Cent of GDP					
Revenue	**29.0**	**34.1**	**32.6**	**31.2**	**30.4**
Energy	14.3	17.6	18.8	16.7	n.a.
Non-energy	14.6	16.4	13.8	14.5	n.a.
Expenditure	**33.9**	**33.9**	**33.4**	**35.2**	**35.0**
Current	27.7	28.9	28.6	30.3	30.5
Wages and salaries	4.9	5.2	4.9	4.9	5.2
Goods and services	4.5	5.0	4.5	5.2	5.7
Interest payments	2.6	2.6	2.0	2.1	2.3
Transfers & subsidies	15.7	16.2	17.2	18.0	17.4
Capital expenditure & net lending	6.2	5.0	4.8	4.9	4.5
Overall non-energy balance	**-19.3**	**-17.5**	**-19.5**	**-20.7**	**n.a.**
Overall balance	**-5.0**	**0.1**	**-0.8**	**-4.0**	**-4.6**
Total financing	**5.0**	**-0.1**	**0.8**	**4.0**	**4.6**
Foreign financing	**-1.1**	**0.3**	**0.4**	**1.9**	**1.6**
Domestic financing	**6.0**	**-0.5**	**0.4**	**2.1**	**3.0**
Of which: Transfers to Heritage & Stabilization Fund	0.0	-2.3	-2.0	-0.4	0.0

Sources: Ministry of Finance and the Economy and Central Bank of Trinidad and Tobago.

Box 1
Budget Measures for FY 2012/2013

REVENUE GENERATING MEASURES

- Harmonization of the Supplementary Petroleum Tax (SPT) rates applicable to licenses and contracts granted for marine areas prior to January 1988 and after January 1988.
- The introduction of a special SPT rate of 25 per cent for new fields at prices ranging between US$50/bbl and US$90/bbl.
- Taxes on gaming tables and other devices used by Private Members' Clubs will be increased effective October 01, 2012.

STIMULUS MEASURES

- Tax exemptions for the sale of newly constructed houses, sale of developed lands for residential purposes, and construction of commercial buildings.
- The Fiscal Incentives Act will be amended to make all equipment imported for light manufacturing over the next 2 years duty free.
- Legalizing the use of electronic signatures and electronic transactions together with the electronic submission of advanced passenger and cargo information to Customs and Excise.
- The business levy threshold will be increased from $200,000 to $360,000 effective January 01, 2013.
- Effective January 01, 2013, local production companies as well as corporate sponsors in the local fashion industry, audio visual or video productions will receive a 150 per cent tax deduction up to a maximum of $3 million.
- VAT and custom duties on the imports of equipment and goods for use in the film industry and machinery and equipment for creative industries will be removed.

OTHER MEASURES

- The CLICO Investment Fund will be established on November 01 2012 to hold shares currently held by CLICO in Republic Bank Limited (RBL).
- As a means of reducing the Government's contribution to the fuel subsidy, the price of premium gasoline will be increased from $4 per litre to $5.75 per litre.
- The Government proposes the removal of VAT on all food items (except luxury items and alcohol beverages) during the FY 2012/2013.
- The Disability Assistant Grant will be increased from $1,300 per month to $1,500 per month while the assistance to children with medically certified disabilities will be increased from $800 per month to $1,000 per month. These increases will take effect February 01, 2013.
- The Government proposes to increase all benefits, excluding the minimum retirement pension payable under the National Insurance Act by an overall 50 per cent.
- The National Insurance system will be amended for an increase in contribution rates from 11.4 per cent to 11.7 per cent and 12 per cent in 2013 and 2014, respectively, and an increase in the maximum insurable earnings over the period 2013-2020.
- The Special tax-free allowance of $1,000 currently paid to police officers, fire and prison officers and the Defence Force will be extended to Special Reserve Police Officers.

Public Debt

Excluding bills and notes issued for open market operations (OMOs), the public sector debt-to-GDP ratio[16] rose from 36.2 per cent to 46.6 per cent over the course of FY 2011/12 primarily due to the inclusion of debt related to support to CLICO policy holders. According to data from the Ministry of Finance and the Economy, the outstanding debt stood at $91.3 billion as at end-September 2012 (of which $19.8 billion was CLICO-related support)[17] compared to $74.4 billion at the end of September 2011 (Table IVk).

While the Central Government's domestic debt increased by $14.2 billion, external debt rose by $2.9 billion. Five project-oriented loans were signed with the Inter-American Development Bank, resulting in fresh inflows of US$255 million. There were also inflows from existing loans mainly from China's Export Import Bank and BNP Paribas for acquisition of helicopters and additional works on the National Academy for the Performing Arts in San Fernando.

Contingent liabilities outstanding experienced a small increase (1.2 per cent) over the twelve months ending September 2012. Over this period, new Letters of Guarantee valued at $1 billion were issued to various statutory authorities and state enterprises. The Government also guaranteed two new bonds issued by the National Insurance Property Development Company worth $839 million. These new borrowings were offset by principal repayments, particularly with respect to debt owed by the Urban Development Corporation of Trinidad and Tobago Limited.

[16] Public Sector Debt comprises Central Government debt (domestic and external) and contingent liabilities outstanding.

[17] Payment to CLICO policyholders via zero-coupon bonds commenced in December 2011—20 such bonds with maturities ranging 1-20 years with an aggregate face value of $10.4 billion were distributed. The Government also raised $4 billion on the domestic capital market in part to finance cash payments to policy holders.

Table IVk
Public Sector Debt Outstanding
(TT$ Million)

	Period Ending		Change
	Sep-11	Sep-12[p]	
TOTAL PUBLIC DEBT	**74,428**	**91,328**	**16,899**
CENTRAL GOV'T DOMESTIC DEBT	**39,817**	**53,453**	**13,636**
Bonds & Notes	18,942	33,096	14,154
Of which; CLICO	5,394	19,794	14,400
Open Market Operations (OMOs)	19,200	18,930	-270
Debt Management Bills	800	800	0
Build Owned Lease Transfers (BOLTs)	545	536	-9
Other[1]	330	91	-239
EXTERNAL DEBT	**9,463**	**12,424**	**2,961**
CONTINGENT DEBT	**25,149**	**25,451**	**302**
Letters of Guarantee	6,126	6,842	715
Government Guaranteed	19,023	18,609	-414
Per Cent of GDP			
Total Public Debt	49.5	59.5	10.0
Total Pubic Debt (excluding OMOs)	36.2	46.6	10.4
Central Gov't Domestic Debt	26.5	34.8	8.3
Central Gov't External Debt	6.3	8.1	1.8
Contingent Liabilities	16.7	16.6	-0.2
Memo:			
Nominal GDP TT$ Million (Calendar Year)	150,373	153,588	

Sources: Ministry of Finance and the Economy and Central Bank of Trinidad and Tobago.

p Preliminary.
1 Comprises the outstanding balances of public sector emolument bonds, National tax-free saving bonds and Central Bank fixed-rate bonds.

Part V – International and Regional Developments

The International Setting

The global economy continues to face a period of heightened uncertainty, mainly on account of the persistent sovereign debt crisis in Europe. Many investors have already positioned themselves for the possibility of a further escalation of the crisis and a Greek exit from the Euro Area. Another risk is the looming "fiscal cliff" — a mandatory sharp reduction in the federal budget deficit — that the US faces at the end of 2012. Failure to avert the "fiscal cliff" may propel the US economy back into a recession which would undoubtedly have severe repercussions worldwide.

While emerging market economies continue to grow, they have not been immune to the effects of Europe's debt crisis. Particularly in China and India, growth has slowed on account of crisis-related contagion effects as well as domestic policy actions previously taken to stem the risk of asset bubbles and inflationary pressures. Since the second half of 2011, a sharp decline in cross-border capital flows to emerging markets has also been observed as investors become more cautious in the face of increased economic volatility.

The recovery of the global economy depends heavily on strong and timely policy action. With the extension of fiscal challenges beyond Greece and Portugal to Spain and Cyprus, policymakers at the June 2012 European Union (EU) Summit announced new measures including the move toward a closer banking and fiscal union. At the International Monetary Fund (IMF)/World Bank Annual Meetings in Tokyo in October, IMF Managing Director Ms. Christine Lagarde made a strong statement indicating that Greece should be given at least two more years to implement its agreed austerity measures. Such policy pronouncements have had the effect of reducing the very short-term likelihood of a Greek exit, creating at least a temporary calm in financial markets (See Box 2).

International Economic Developments

The US economy continues to recover slowly from a deep recession. In the third quarter of 2012, the pace of US growth quickened to 2.0 per cent (quarter-on-quarter) from 1.3 per cent in the second quarter (Table Va). Growth in the third quarter was mainly on account of both consumer and government spending. There have been some recent net gains in employment but the unemployment rate remains elevated (Table Vb). Despite a pickup in prices of key commodities in recent months, inflation continues to remain subdued. Concerned that without further policy action, the current economic situation would not improve meaningfully, in September 2012 the Federal Reserve announced that it would purchase US$40 billion in mortgage-backed securities monthly as well as continue "Operation Twist" until the end of the year. These measures are expected to put downward pressure on longer-term interest rates, support mortgage markets and improve financial conditions.

Table Va
Advanced Economies – Quarterly GDP Growth
(Quarterly Per Cent Change)

	2011				2012		
	I	II	III	IV	I	II	III
United States	0.1	2.5	1.3	4.1	2.0	1.3	2.0
United Kingdom	0.5	0.1	0.5	-0.4	-0.3	-0.4	1.0
Euro Area	0.6	0.2	0.1	-0.3	0.0	-0.2	n.a.
Japan	-2.0	-0.3	1.7	0.1	1.3	0.2	n.a.

Source: Bloomberg.

Table Vb
Rate of Unemployment in Advanced Economies
(Per Cent of Labour Force)

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sept-12	Oct-12
United States	8.1	8.2	8.2	8.3	8.1	7.8	7.9
United Kingdom	8.1	8.1	8.0	8.1	7.9	n.a.	n.a.
Euro Area	11.2	11.3	11.4	11.5	11.5	11.6	n.a.
Japan	4.6	4.4	4.3	4.3	4.2	4.2	n.a.

Source: Bloomberg.

The UK economy emerged from recession in the third quarter of 2012, expanding by 1.0 per cent (quarter-on-quarter), the fastest growth rate since 2007. The expansion in the third quarter was partly due to the boost from the Olympic Games as well as a rebound from the second quarter, when economic activity was affected by an extra public holiday. The annual rate of change in the Consumer Price Index (CPI) was recorded at 2.2 per cent in September 2012, above the 2 per cent inflation target (Table Vc). Given the weak outlook for near-term economic growth and the expectation that inflation would undershoot its target in the medium term, the Bank of England expanded its Asset Purchase Programme by £50 billion to £375 billion and maintained its benchmark interest rate at 0.5 per cent.

Table Vc
Headline Inflation in Advanced Economies
(Year-on-Year Per Cent Change)

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
United States	2.3	1.7	1.7	1.4	1.7	2.0
United Kingdom	3.0	2.8	2.4	2.6	2.5	2.2
Euro Area	2.6	2.4	2.4	2.4	2.6	2.6
Japan	0.4	0.2	-0.2	-0.4	-0.4	-0.3

Source: Bloomberg.

In the Euro Area, output fell by 0.2 per cent (quarter-on-quarter) in the second quarter of 2012. While the provision of Longer-Term Refinancing Operations (LTRO) by the European Central Bank provided some temporary respite from the crisis in early 2012, market fears escalated as Spain requested financial support to recapitalize its banking system in July 2012 (Table Vd). In an effort to arrest the crisis, European authorities announced plans to further harmonize the existing political, banking and fiscal framework of the region as well as to allow its financial support funds to directly recapitalize distressed banks.

Table Vd
Financial Support Programmes for the European Union[1]
2010 - 2012

Country	Date of Agreement	Institution	Total Programme	Amount Disbursed	Description
Greece	May 02, 2010	EU/IMF	€110 billion	EU: €52.9 billion (as at December 2011) IMF: €20.1 billion (as at December 2011)	This programme was discontinued and the remaining amount to be contributed by the EU will now be disbursed by the EFSF. The remaining €10 billion from the IMF was also transferred to the second Greek programme.
	March 14, 2012	EU/IMF	€179.6 billion	PSI: €69.5 billion (as at June 2012) EFSF[2]: €38.4 billion (as at June 2012)	The programme is structured to include Private Sector Involvement (PSI) Participation (€70.5 billion) and EFSF (€109.1 billion)
Ireland	November 28, 2010	EU/IMF	€85 billion	EFSM[3]: €20.7 billion (as at July 2012) EFSF: €12.1 billion (as at July 2012) IMF: €18.2 billion (as at June 2012)	EU portion funded by the EFSM (€22.5 billion) and EFSF (€17.7 billion).The total package also includes a €17.5 billion contribution from Ireland.
Portugal	May 03, 2011	EU/IMF	€78 billion	EFSM: €20.1 billion (as at May 2012) EFSF: €17.4 billion (as at July 2012) IMF: €21.1 billion (as at July 2012)	EU portion funded by the EFSM (€26 billion) and EFSF (€26 billion).
Spain	July 20,2012	EU	€100 billion	Not yet disbursed.	Requested to recapitalize banking sector.

Sources: European Commission and the European Financial Stability Facility.

1 In addition to these support measures, the European Central Bank also engaged in a number of operations aimed at providing liquidity support. These included Long-Term Refinancing Operations (LTROs), offering unlimited dollar loans, reactivating dollar swap lines and easing collateral rules.

2 The European Financial Stability Facility (EFSF) provides loans to EU Member States facing financial difficulties, intervenes in the debt primary and secondary markets and finances recapitalizations of financial institutions through loans to governments. To fulfill its mission, EFSF issues bonds or other debt instruments on the capital markets. This facility is backed by guarantee commitments from the Euro Area Member States for a total of €780 billion and has a lending capacity of €440 billion. The European Stability Mechanism (ESM) was launched on October 08 2012 and will operate alongside the EFSF.

3 The European Financial Stability Mechanism (EFSM) provides financial assistance to EU Member States in financial difficulties. Under EFSM, the European Commission is allowed to borrow up to a total of €60 billion in financial markets on behalf of the Union under an implicit EU budget guarantee.

The European Central Bank also announced a new bond-buying programme, Outright Monetary Transactions (OMT), which would allow potentially unlimited purchases of short-maturity government bonds (1-3 years), once a country commits to a European Financial Stability Facility (EFSF)/European Stability Mechanism (ESM) programme or is returning to the markets following a rescue programme. The liquidity created through Outright Monetary Transactions would be fully sterilized. Following the announcement of the OMT, the Securities Market Programme was terminated. The situation in Europe remains challenging given growing concerns about Spain and the still fragile situation in Greece. This is further exacerbated by the current lack of broad-based agreement among European governments on the implementation of the plans announced at the June 2012 EU Summit[18].

The economy of Japan expanded by 0.2 per cent during the second quarter of 2012, following growth of 1.3 per cent in the previous quarter. Economic activity continues to be hindered by a strong yen which has effectively eroded its competitiveness, as well as weak demand from China. There was also some disruption to public spending as opposition parties blocked the passage of a deficit-financing bill in August 2012. The threat of deflationary pressures has re-emerged, and in the 12 months to September 2012, consumer prices declined by 0.3 per cent. The Bank of Japan kept its benchmark interest rate in a range between 0 per cent and 0.1 per cent and further expanded its Asset Purchase Programme by ¥11 trillion to ¥91 trillion. Of the ¥11 trillion in additional asset purchases, ¥10 trillion will be in Japanese treasury bills. Risks to Japan's economy have risen due to lack of political agreement on measures to reduce the public debt, as well as a recent territorial dispute with China which has already negatively affected tourism and automobile demand from that country.

In the third quarter of 2012, China's economy expanded by 7.4 per cent (year-on-year) (Table Ve). The performance was lower than the 7.6 per cent growth rate recorded in the previous quarter and the slowest rate in three years. Inflation was 1.9 per cent (year-on-year) in September 2012 (Table Vf). As the economy continues to slow due to declining export demand and waning domestic investment, policymakers must try to balance their support for growth against their fear of a rebound in housing prices. After a period of monetary tightening, the Bank of China has gradually shifted its stance to be more accommodative and eased its benchmark lending

[18] See Box 2 for a summary of IMF policy recommendations in its October 2012 World Economic Outlook.

rate to 6 per cent in July 2012 (Table Vg), the second rate cut for the year. Alongside both rate cuts in 2012, the Bank of China also injected significant amounts of cash into the financial system. On October 30, 2012, the Bank offered 290 billion yuan of seven-day reverse repurchase agreements and 105 billion yuan of 28-day reverse repos. This liquidity injection marked the largest single-day exercise on record.

Table Ve
Emerging Market Economies – Quarterly GDP Growth
(Year-on-Year Per Cent Change)

	2011				2012		
	I	II	III	IV	I	II	III
China	9.7	9.5	9.1	8.9	8.1	7.6	7.4
India	9.2	8.0	6.7	6.1	5.3	5.5	n.a.
Brazil	4.2	3.3	2.1	1.4	0.8	0.5	n.a.

Source: Bloomberg.

Table Vf
Headline Inflation in Emerging Market Economies
(Year-on-Year Per Cent Change)

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
China	3.4	3.0	2.2	1.8	2.0	1.9
India	10.2	10.2	10.1	9.8	10.3	9.1
Brazil	5.1	5.0	4.9	5.2	5.2	5.3

Source: Bloomberg.

Table Vg
Key Central Bank Policy Rates
(Per Cent Per Annum)

	Current Rate	Last Change	Amount of Change
United States	0 to 0.25	Dec-08	-0.75
Euro Area	0.75	Jul-12	-0.25
United Kingdom	0.50	Mar-09	-0.50
Japan	0 to 0.10	Oct-10	- (0 to 0.10)
China	6.00	Jul-12	-0.31
India	8.00	Apr-12	-0.50
Brazil	7.25	Oct-12	-0.25

Source: Bloomberg.

The economy of India grew by 5.5 per cent (year-on-year) in the second quarter of 2012, slightly higher than the 5.3 per cent recorded in the previous quarter. The country outlook hinges heavily on the government's ability to balance the implementation of further structural reforms critical to boosting the economy, while continuing on a path to fiscal consolidation. In an effort to spur growth, the Reserve Bank of India continues to maintain its benchmark interest rate at 8.00 per cent. Further, in October, the Bank reduced its cash reserve ratio by 25 basis points to 4.25 per cent, the lowest level in 36 years.

In the second quarter of 2012, economic growth in Brazil decelerated to 0.5 per cent (year-on-year) from 0.8 per cent in the first quarter. The slowdown was mainly driven by weak investment and industrial output as well as a falloff in demand from China. In an effort to bolster the economy, the Government of Brazil announced a series of stimulus measures including an extension in tax breaks and lower levies on cars and appliances. The Bank of Brazil cut its benchmark interest rate to an historic low of 7.25 per cent in October 2012.

An ease in inflation in several other emerging market economies has provided monetary authorities more room to loosen their policy stance in order to shore up economic growth. As deteriorating external conditions and domestic weakness began to weigh on its economy, the South African Reserve Bank cut its benchmark interest rate to 2 per cent in July 2012, its first rate cut in two years. Meanwhile, the Central Bank of Turkey reduced the upper bound of the interest rate corridor, its primary monetary policy tool, to 9.5 per cent in October 2012. Similarly, Bank Indonesia cut its benchmark interest rate to 5.75 per cent in February 2012.

Box 2
Containing the Euro Area Crisis: IMF Policy Recommendations

In its October 2012 edition of the *World Economic Outlook*, the IMF opined that unless recent accommodative actions by the European Central Bank are followed by more robust policies, the crisis may deepen resulting in further contagion to the global economy. According to the Fund, measures to resolve the crisis must centre on a progressive and tangible path towards a more complete monetary union. Some recommendations presented by the IMF to address the current crisis are as follows:

- Sustained support for EU countries undergoing a programme of fiscal consolidation. This is necessary to ensure that such countries have affordable access to funding which can be channeled through the EFSF/ESM.

- Directly recapitalizing troubled banks. To facilitate this, the IMF advises that the ESM should be activated as soon as possible[1] and that a single supervisory mechanism should be established.

- The harmonization of regulatory and supervisory structure to create a banking union. In addition, the Fund sees that fiscal integration — supported by stricter and more firmly enforced rules and better coordination of national policies — will be integral to the banking union. The Fund concludes that while there are different ways to achieving *"ex ante risk sharing",* all approaches would benefit from a clear road map.

Recognizing the dire economic situation in Greece, Managing Director of the IMF, Ms. Christine Lagarde, has stated in interviews that the country must be given more time to resolve its debt problems rather than continue to implement harsh austerity measures. According to Ms. Largarde, "it is sometimes better, given the circumstances, to have a bit more time" and "that an additional two years was necessary for the country to actually face the fiscal consolidation programme that is considered".

Source: *IMF World Economic Outlook*, October 2012.

[1] Following the release of the October 2012 *World Economic Outlook,* the ESM was launched on October 08, 2012.

Regional Economic Developments

Latin America and the Caribbean (LAC) will expand less than expected in 2012 due to softening internal demand and weaker demand for exports, according to the United Nation's Economic Commission for Latin America and the Caribbean (ECLAC)[19]. In October 2012, ECLAC revised its 2012 growth forecast for the LAC region to 3.2 per cent in 2012, from 3.7 per cent in June, due to "a very marked deceleration" in both internal demand and external demand. The sub-region of the Caribbean was projected to grow by 1.6 per cent in 2012.

In the latest *World Economic Outlook* (October 2012)[20], the IMF estimated that the Caribbean will expand by 2.8 per cent in 2012 and 3.5 per cent in 2013 (Table Vh)[21]. According to the IMF, risks to the near-term growth outlook are to the downside. In particular, if global growth slows sharply because the US fails to avoid the "fiscal cliff", the impact on the region would be relatively large because of strong trade and other linkages. This would have implications for Trinidad and Tobago—over one quarter of Trinidad and Tobago's non-energy exports and most outward investment flows are destined toward the CARICOM region (See Box 3).

Data for Jamaica and Barbados, two of Trinidad and Tobago's main trade partners in the region, point to the situations that the countries are facing in 2012. The Jamaican economy contracted by 0.2 per cent (year-on-year) in the second quarter of 2012, following a 0.1 per cent decline in the previous quarter. According to the Planning Institute of Jamaica (PIOJ) the economy could be moving back into recession, with an unemployment rate estimated at 14.3 per cent at the end of April 2012. The Government of Jamaica hopes to conclude a new Standby Agreement with the IMF by the

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19 Economic Commission for Latin America and the Caribbean. 2012. Economic Survey of Latin America and the Caribbean 2012. http://www.eclac.cl/publicaciones/xml/1/48061/economysc_survey2012.pdf.

20 International Monetary Fund. 2012. World Economic Outlook October 2012. Washington DC:International Monetary Fund. Accessed October 11, 2012. http://www.imf.org/external/pubs/ft/weo/2012/02/index.htm.

21 The countries that constitute the Caribbean in ECLAC's and IMF's GDP growth projections differ. Both ECLAC and the IMF include in their respective definitions of the Caribbean: the ECCU, Barbados, Jamaica, the Bahamas and Trinidad and Tobago. ECLAC also includes Belize, Guyana and Suriname, while IMF includes the Dominican Republic and Haiti.

end of 2012[22]. Some outstanding issues revolve around Jamaica's tax and pension reform, and the need for cuts in the public sector payroll.

Following an expansion of 1.4 per cent (year-on-year) in the first quarter of 2012, Barbados' economy contracted by 2.0 per cent in the second quarter. The Government of Barbados is on a privatization drive and has outlined plans to sell 30 per cent stakes in the government-owned Grantley Adams International Airport, the Barbados National Oil Company, and the Barbados Port Authority.

In other regional developments, the Government of Belize announced on August 15, 2012 that it would not make the planned US$23 million semi-annual coupon payment on its US$546.8 million "super bond"[23] that was due on August 20, 2012. This prompted Standard & Poor's Ratings Services (S&P) to classify the foreign currency rating on Belize as 'selective default'[24]. Meanwhile, the cost of imported goods is expected to rise across the Caribbean region due to a hike in rates by Tropical Shipping, one of the largest containerized cargo carriers in the region. Tropical Shipping announced plans to implement a general rate increase for shipments between the continental US, Canada, the Dominican Republic, Anguilla, Antigua, Barbados, Dominica, Grenada, Guyana, Nevis, St. Kitts, St. Lucia, St. Maarten, St. Vincent and Trinidad. The increases took effect on September 16, 2012.

[22] A 27-month Standby Agreement with the IMF, worth US$1.27 billion, expired in May 2012.

[23] In 2007, the economy of Belize, at the time considered to be in default on its debt by S&P, issued a US$550 million bond on international markets, which has been referred to as a "super bond" and is due in 2029.

[24] In mid-2012 Moody's Investors Service and S&P downgraded the Caribbean Development Bank on concerns about the Bank's liquidity and risk management policies.

Table Vh
Selected Caribbean Economies - Real GDP Growth

(Per Cent)

	2010		2011		2012[e]		2013[f]	
	ECLAC	IMF	ECLAC	IMF	ECLAC	IMF	ECLAC	IMF
Antigua and Barbuda	-7.9	-8.5	-5.0	-5.5	2.3	1.0	2.6	1.5
Bahamas	0.2	0.2	1.6	1.6	2.5	2.5	2.7	2.7
Barbados	0.2	0.2	0.6	0.6	1.0	0.7	1.5	1.0
Belize	2.9	2.7	2.5	2.0	2.4	2.3	2.5	2.5
Dominica	0.9	1.2	-0.3	1.0	2.6	0.4	2.6	1.3
Grenada	0.0	-1.3	1.0	0.4	1.9	0.5	2.2	0.5
Guyana	4.4	4.4	5.4	5.4	3.8	3.7	4.5	5.5
Jamaica	-1.5	-1.5	1.3	1.3	1.0	0.9	1.3	1.0
St. Kitts-Nevis	-2.4	-2.7	2.1	-2.0	1.0	0.0	1.8	1.8
St. Vincent and the Grenadines	-2.8	-1.8	0.1	0.0	1.8	1.2	2.0	1.5
St. Lucia	0.4	0.4	1.3	1.3	2.3	0.7	2.5	1.3
Suriname	7.3	4.1	4.5	4.2	4.3	4.0	4.0	4.5
Trinidad and Tobago	0.0	0.0	-1.4	-1.5	1.0	0.7	2.2	2.2
The Caribbean	**-0.1**	**3.3**	**0.4**	**2.7**	**1.6**	**2.8**	**2.2**	**3.5**

Sources: Economic Commission for Latin America and the Caribbean and International Monetary Fund (World Economic Outlook Database October 2012).

e Estimate.

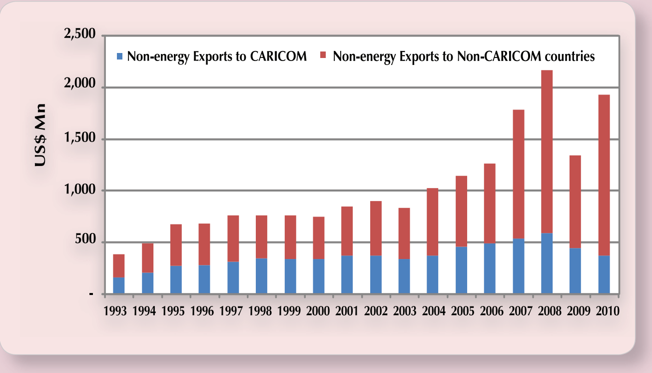
f Forecast.

Box 3
Importance of the CARICOM Market to Trade and Investment for Trinidad and Tobago

Trinidad and Tobago firms over the years have tapped into the CARICOM market by means of trade and direct investment. During the period 1994 to 2008, the CARICOM market accounted for, on average, 22 per cent of Trinidad and Tobago's total exports and 40 per cent of non-energy exports. CARICOM's share in Trinidad and Tobago's total exports and non-energy exports declined to 17 per cent and 26 per cent, respectively in 2009/2010.

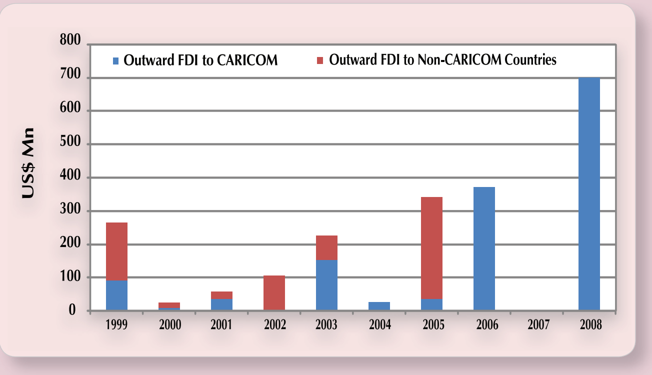
Trinidad and Tobago firms have also invested in other CARICOM firms through mergers and acquisitions. Over the period 1999 to 2008, on average, Trinidad and Tobago's outward foreign direct investment (FDI) to CARICOM amounted to 57 per cent of total outward FDI. More recently, in 2012, financial institutions in Trinidad and Tobago announced that they were acquiring companies in both Barbados and Jamaica.

Chart I
Non-Energy Exports
(US$ Million)



Source: Central Bank of Trinidad and Tobago.

Chart II
Outward Foreign Direct Investment
(US$ Million)



Source: Central Bank of Trinidad and Tobago.

Appendices

Tables
Media Releases

Appendices:

Tables

Appendix A
Index of Retail Prices (September 2010 – September 2012)

	ALL ITEMS 1,000			CORE 820		FOOD 180			TRANSPORT 167	
Date	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %
Sep-10	182.90	-0.60	13.18	131.27	4.13	418.10	-1.51	29.24	140.40	11.78
Oct-10	180.60	-1.26	12.52	131.69	4.65	403.40	-3.52	26.70	140.40	12.14
Nov-10	179.30	-0.72	12.77	131.82	4.83	395.60	-1.93	27.41	140.40	12.14
Dec-10	180.20	0.50	13.40	131.75	4.72	400.90	1.34	29.49	140.40	12.14
Jan-11	182.10	1.05	12.48	131.96	2.63	410.50	2.39	30.86	140.40	1.89
Feb-11	180.90	-0.66	10.71	132.06	2.81	403.40	-1.73	25.05	140.40	1.89
Mar-11	179.70	-0.66	9.37	132.09	2.71	396.60	-1.69	21.32	140.40	1.89
Apr-11	180.40	0.39	6.37	132.37	1.33	399.20	0.66	15.01	140.40	0.00
May-11	179.70	-0.39	3.93	132.37	1.32	395.30	-0.98	8.18	140.40	0.00
Jun-11	180.70	0.56	0.84	132.36	1.35	400.90	1.42	0.07	140.40	0.00
Jul-11	182.60	1.05	1.44	132.86	1.35	409.20	2.07	1.59	141.30	0.64
Aug-11	185.10	1.37	0.60	132.81	1.22	423.30	3.45	-0.28	141.30	0.64
Sep-11	187.50	1.30	2.52	132.93	1.26	436.10	3.02	4.31	141.30	0.64
Oct-11	187.30	(0.11)	3.71	133.74	1.55	431.30	(1.10)	6.92	141.30	0.64
Nov-11	189.60	1.23	5.74	133.71	1.44	444.20	2.99	12.29	141.30	0.64
Dec-11	189.70	0.05	5.27	133.77	1.53	444.50	0.07	10.88	141.30	0.64
Jan-12	194.40	2.48	6.75	134.39	1.84	467.80	5.24	13.96	141.30	0.64
Feb-12	197.50	1.59	9.18	134.43	1.80	484.80	3.63	20.18	141.30	0.64
Mar-12	196.10	(0.71)	9.13	134.44	1.78	477.00	(1.61)	20.27	141.30	0.64
Apr-12	201.60	2.80	11.75	135.31	2.22	503.60	5.58	26.15	143.40	2.14
May-12	202.30	0.35	12.58	135.35	2.25	507.30	0.73	28.33	143.40	2.14
Jun-12	200.60	(0.84)	11.01	135.45	2.33	497.40	(1.95)	24.07	143.40	2.14
Jul-12	202.30	0.85	10.79	136.60	2.82	501.60	0.84	22.58	143.40	1.49
Aug-12	199.80	(1.24)	7.94	136.45	2.74	488.40	(2.63)	15.38	143.40	1.49
Sep-12	202.00	1.10	7.73	136.59	2.75	500.00	2.38	14.65	143.40	1.49

	HOUSING 262		HEALTH 51		EDUCATION 16		HOTELS, CAFES, REST. 30		ALCOHOLIC BEVERAGES 25	FURNISHINGS, HOUSEHOLD EQUIP. & MAINT. 54
Date	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Index	Y-o-Y %	Y-o-Y %	Y-o-Y %
Sep-10	125.40	0.32	149.00	5.37	171.20	2.88	174.60	1.39	9.35	1.07
Oct-10	126.00	0.16	149.50	3.89	172.40	1.89	174.30	0.75	3.35	0.97
Nov-10	126.00	0.16	149.60	3.96	172.40	1.89	174.30	0.75	6.50	0.97
Dec-10	126.00	0.16	149.60	3.82	172.40	1.89	174.30	0.75	6.01	0.97
Jan-11	126.50	0.72	149.70	3.67	172.40	1.89	174.50	0.40	6.17	0.62
Feb-11	126.50	0.72	149.60	3.74	172.40	1.89	174.50	0.40	6.09	0.62
Mar-11	126.50	0.72	149.80	3.74	172.40	1.89	174.50	0.40	6.20	0.62
Apr-11	126.60	0.96	150.50	2.03	175.70	2.63	177.60	1.89	5.98	0.97
May-11	126.60	0.96	150.90	2.24	175.70	2.63	177.60	1.89	5.75	0.97
Jun-11	126.60	0.96	151.50	2.36	175.70	2.63	177.60	1.89	5.42	0.97
Jul-11	126.90	1.20	151.50	2.09	175.70	2.63	179.10	2.58	6.10	0.88
Aug-11	126.90	1.20	151.50	2.02	175.70	2.63	179.10	2.58	5.97	0.88
Sep-11	126.90	1.20	151.50	1.68	175.70	2.63	179.10	2.58	6.20	0.88
Oct-11	129.10	2.46	151.30	1.20	175.40	1.74	179.60	3.04	4.56	1.58
Nov-11	129.10	2.46	150.30	0.47	175.40	1.74	179.60	3.04	0.83	1.58
Dec-11	129.10	2.46	151.00	0.94	175.40	1.74	179.60	3.04	2.35	1.58
Jan-12	129.90	2.69	151.00	0.87	175.40	1.74	180.40	3.38	2.52	1.75
Feb-12	129.90	2.69	151.00	0.94	175.40	1.74	180.40	3.38	2.21	1.75
Mar-12	129.90	2.69	151.10	0.87	175.40	1.74	180.40	3.38	2.39	1.75
Apr-12	129.91	2.61	154.10	2.39	178.60	1.65	181.00	1.91	2.32	1.31
May-12	129.91	2.61	153.50	1.72	178.60	1.65	181.00	1.91	2.57	1.31
Jun-12	129.91	2.61	153.30	1.19	178.60	1.65	181.00	1.91	4.75	1.31
Jul-12	130.30	2.68	155.40	2.57	178.60	1.65	185.30	3.46	4.78	2.18
Aug-12	130.30	2.68	155.20	2.44	178.60	1.65	185.30	3.46	4.56	2.18
Sep-12	130.30	2.68	155.30	2.51	178.60	1.65	185.3	3.46	4.68	2.18

Source: Central Statistical Office of Trinidad and Tobago.

Appendix B
Price Movements in the Major Categories of the Food Sub-Index of the RPI, April 2012 – September 2012

(Year-on-Year Per Cent Change)

	Weight	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
FOOD AND NON-ALCOHOLIC BEVERAGES	**180.00**	**26.1**	**28.3**	**24.1**	**22.6**	**15.4**	**14.7**
FOOD	**156.20**	**27.3**	**29.8**	**25.2**	**23.6**	**16.0**	**15.3**
BREAD AND CEREALS	**31.21**	**4.8**	**4.2**	**4.5**	**3.1**	**1.9**	**1.6**
Bread	5.51	5.6	5.6	5.6	2.5	0.2	0.0
Cereals -Includes rice and flour	18.74	3.4	2.6	3.0	2.1	1.5	1.4
Pasta Products	1.38	4.4	3.8	4.6	5.5	5.8	6.3
Pastry Cooked Products	5.27	8.8	8.5	8.5	6.6	4.3	2.9
MEAT	**29.21**	**4.1**	**6.1**	**5.0**	**5.9**	**6.4**	**8.2**
Fresh, Chilled or Frozen Beef	3.09	3.3	3.7	5.9	4.4	2.5	2.1
Fresh, Chilled or Frozen Lamb or Goat	1.13	1.8	2.8	-1.0	1.1	-0.8	-5.4
Fresh Chilled or Frozen Pork	2.34	7.0	9.9	8.6	8.9	10.3	3.2
Fresh, Chilled or Frozen Poultry	18.18	3.9	6.5	5.2	6.5	7.7	11.4
Dried, Salted or Smoked Meat	4.10	5.3	4.5	3.4	3.7	3.3	3.9
FISH	**11.37**	**14.1**	**5.3**	**11.3**	**8.2**	**3.1**	**5.3**
Fresh, Chilled or Frozen Fish	7.21	16.1	5.6	11.3	8.8	2.9	4.4
Fresh, Chilled or Frozen Seafood	1.83	11.5	0.3	15.6	7.0	-1.3	5.9
Other Preserved or Processed Fish	1.03	7.3	6.7	5.7	4.4	7.4	7.4
MILK, CHEESE AND EGGS	**19.05**	**6.9**	**5.7**	**4.7**	**4.6**	**3.6**	**3.4**
Whole Milk	1.75	12.0	8.4	7.4	7.6	3.9	3.1
Preserved Milk	9.22	7.4	6.4	5.9	6.2	5.7	4.8
Cheese, Yogurt & Milk Products	6.34	4.4	2.6	1.2	1.3	0.8	0.1
Eggs	1.74	7.9	8.8	7.0	4.0	1.8	5.6
OILS AND FATS	**9.07**	**16.8**	**14.0**	**13.0**	**13.2**	**13.5**	**12.8**
Butter	0.82	8.0	8.0	9.0	8.9	9.3	9.4
Margarine and Other Vegetable Fats	2.56	15.6	9.6	11.7	11.9	13.0	12.6
Edible Oils and Animal Fats	5.69	19.2	17.6	14.4	14.8	14.5	13.6
FRUIT	**14.28**	**48.0**	**41.4**	**31.4**	**41.0**	**10.2**	**4.3**
VEGETABLES	**21.84**	**34.3**	**45.2**	**42.1**	**35.5**	**26.8**	**31.5**
Fresh or Chilled Vegetables	12.09	75.2	100.5	94.6	76.9	48.9	59.5
Dried Vegetables	2.42	7.3	6.2	5.2	6.0	5.4	3.9
Fresh or Chilled Tuber Vegetables	7.33	8.8	10.0	8.3	4.9	8.9	9.2
SUGAR,JAM,HONEY,SYRUPS, CHOCOLATE AND CONFECTIONERY	**7.66**	**7.2**	**5.8**	**5.5**	**5.3**	**5.3**	**3.4**
OTHER FOOD PRODUCTS	**12.51**	**27.9**	**26.2**	**11.0**	**6.5**	**19.0**	**6.6**
NON-ALCOHOLIC BEVERAGES	**23.80**	**2.8**	**1.4**	**1.4**	**2.3**	**2.7**	**1.8**
Coffee, Tea and Cocoa	3.06	7.8	7.6	6.7	6.0	5.8	4.3
Soft Drinks	13.33	2.3	0.1	-0.2	1.6	2.0	1.4
Juices	7.40	1.7	1.5	2.4	2.3	2.6	1.4

Source: Central Statistical Office of Trinidad and Tobago.

Appendix C
Price Movements in the Categories of the Core Sub-Index of the RPI, April 2012 – September 2012

(Year-on-Year Per Cent Change)

	Weight	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
CORE INFLATION SUB-INDEX	**820.00**	**2.2**	**2.3**	**2.3**	**2.8**	**2.7**	**2.8**
Alcoholic Beverages and Tobacco	**25.00**	**2.3**	**2.6**	**4.7**	**4.8**	**4.6**	**4.7**
Alcoholic Beverages	16.90	-0.6	0.2	1.5	1.0	0.5	0.4
Tobacco	8.10	7.9	6.9	10.9	12.0	12.3	12.7
Clothing and Footwear	**53.00**	**2.7**	**2.6**	**2.6**	**3.3**	**3.0**	**2.1**
Clothing	39.23	3.9	3.7	3.8	4.5	4.2	3.1
Footwear	13.75	-1.1	-1.1	-1.1	-1.0	-1.0	-1.0
Housing, Water, Electricity, Gas and Other Fuels	**262.00**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**
Rental for Accommodation	24.00	6.1	6.1	6.1	6.5	6.5	6.5
Imputed Rentals for Owner Occupiers	180.00	3.0	3.0	3.0	3.0	3.0	3.0
Materials and Services for the Repair of Dwelling	8.51	2.9	2.9	2.9	3.0	3.0	3.0
Electricity	47.87	0.0	0.0	0.0	0.0	0.0	0.0
Liquefied Hydrocarbons and Other Fuels	4.08	0.8	0.8	0.8	0.8	0.8	0.8
Furnishings, Household Equipment and Routine Maintenance	54.00	1.3	1.3	1.3	2.3	2.3	2.3
Furniture, Furnishings and Floor Coverings	12.44	-1.2	-1.2	-1.2	0.0	0.0	0.0
Household Appliances- Refrigerators, Freezers, and Fridge-freezers	6.51	0.3	0.3	0.3	1.9	1.9	1.9
Cleaning and Maintenance products	7.95	5.3	5.3	5.3	7.9	7.9	7.9
Health	**51.00**	**2.4**	**1.8**	**1.2**	**2.6**	**2.5**	**2.5**
Pharmaceutical Products	23.06	1.4	0.0	-1.2	-1.3	-1.5	-1.3
Medical Services	19.91	3.9	3.9	3.9	7.0	7.0	7.0
Transportation	**167.00**	**2.1**	**2.1**	**2.1**	**1.5**	**1.5**	**1.5**
Purchase of Motor Vehicles	53.89	0.0	0.0	0.0	0.0	0.0	0.0
Fuel and Lubricants	25.79	2.8	2.8	2.8	0.0	0.0	0.0
Transport Services (including passenger transport by road)	65.29	3.9	3.9	3.9	3.9	3.9	3.9
Recreation and Culture	**85.00**	**2.5**	**2.5**	**2.5**	**6.0**	**6.0**	**6.0**
Recreational and Cultural Services	29.28	0.3	0.3	0.3	3.4	3.4	3.4
Newspaper, Books and Stationery	18.51	3.7	3.7	3.7	3.6	3.6	3.6
Package Holidays	23.05	5.5	5.5	5.5	12.0	12.0	12.0
Hotels, Cafes and Restaurants	**30.00**	**1.9**	**1.9**	**1.9**	**3.5**	**3.5**	**3.5**
Catering (Restaurants, Cafes, Vendors)	28.57	1.9	1.9	1.9	3.6	3.6	3.6
Education	**16.00**	**1.7**	**1.7**	**1.7**	**1.7**	**1.7**	**1.7**
Tuition Fees (all levels)	10.13	1.7	1.7	1.7	1.7	1.7	1.7
Miscellaneous Goods and Other Services	**36.00**	**2.6**	**2.6**	**2.6**	**1.5**	**1.5**	**1.5**
Personal Care	25.85	2.8	2.8	2.8	1.7	1.7	1.7
Jewellery, Clocks and Watches	4.16	3.8	3.8	3.8	2.1	2.1	2.1

Source: Central Statistical Office of Trinidad and Tobago.

Appendix D
Index of Retail Sales: Base 2000=100
Base Period: Average of 4 Quarters
(2009 – 2012)

	ALL SECTIONS INDEX		DRY GOODS STORES		SUPERMARKETS AND GROCERIES		CONSTRUCTION MATERIALS AND HARDWARE	
weights	*1000*		*76*		*279*		*130*	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Mar-09	198.7	-7.7	439.4	18.1	201.9	-0.4	199.3	-17.4
Jun-09	202.5	-11.7	458.3	7.0	212.4	2.1	195.8	-17.9
Sep-09	237.5	-1.1	742.8	53.9	213.8	-1.7	173.8	-28.9
Dec-09	256.1	-8.9	636.3	2.5	255.2	1.0	197.2	-20.1
2009	**223.7**	**-7.6**	**569.2**	**19.6**	**220.8**	**0.3**	**191.5**	**-21.1**
Mar-10	197.4	-0.6	449.1	2.2	198.5	-1.7	165.7	-16.8
Jun-10	209.2	3.3	535.4	16.8	211.3	-0.5	164.9	-15.8
Sep- 10	223.3	-6.0	608.4	-18.1	216.0	1.0	156.1	-10.2
Dec-10	266.2	3.9	770.7	21.1	252.8	-0.9	179.1	-9.2
2010	**224.0**	**0.2**	**590.9**	**5.5**	**219.7**	**-0.5**	**166.5**	**-13.0**
Mar-11	211.7	7.2	573.6	27.7	208.6	5.1	149.1	-10.1
Jun-11	220.7	5.5	613.7	14.6	233.7	10.6	148.4	-10.0
Sep-11	237.5	6.4	663.1	9.0	231.4	7.1	162.2	3.9
Dec-11	301.9	13.4	883.1	14.6	317.0	25.4	205.3	14.6
2011	**242.9**	**8.4**	**683.4**	**15.6**	**247.7**	**12.8**	**166.3**	**-0.1**
Mar-12	230.6	8.9	640.6	11.7	230.7	10.6	142.4	-4.5
Jun-12	226.7	2.7	453.7	-26.1	246.5	5.5	139.6	-6.0

	HOUSEHOLD APPLIANCES FURNITURE AND OTHER FURNISHINGS		TEXTILES AND WEARING APPAREL		MOTOR VEHICLES AND PARTS		PETROL FILLING STATIONS		OTHER RETAIL ACTIVITIES*	
weights	*79*		*43*		*173*		*99*		*121*	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Mar-09	110.8	-8.9	52.0	-17.4	202.7	-27.8	164.4	-0.6	171.0	-5.3
Jun-09	117.4	-21.9	66.7	7.7	211.2	-33.2	144.8	-16.4	164.6	-6.8
Sep-09	158.4	-0.9	60.2	-21.3	246.2	-20.1	168.0	0.7	202.1	-10.2
Dec-09	346.3	-5.1	83.6	8.6	226.0	-32.8	174.4	-1.7	194.7	0.2
2009	**183.2**	**-8.0**	**65.6**	**-5.7**	**221.5**	**-28.6**	**162.9**	**-4.6**	**183.1**	**-5.7**
Mar-10	109.3	-1.4	53.6	3.0	230.1	13.6	162.7	-1.1	160.8	-6.0
Jun-10	121.5	3.6	64.9	-2.7	231.7	9.7	165.5	14.3	158.8	-3.5
Sep-10	154.5	-2.5	80.0	32.9	232.8	-5.4	164.5	-2.1	200.8	-0.6
Dec-10	340.4	-1.7	96.0	14.8	251.3	11.2	169.3	-2.9	186.6	-4.2
2010	**181.4**	**-0.5**	**73.6**	**12.0**	**236.5**	**7.2**	**165.5**	**2.1**	**176.8**	**-3.6**
Mar-11	111.9	2.4	61.0	13.8	260.4	13.1	137.3	-15.6	168.4	4.7
Jun-11	148.6	22.2	75.2	15.9	226.1	-2.4	159.5	-3.6	163.0	2.6
Sep-11	163.6	5.9	91.6	14.5	247.5	6.3	157.4	-4.3	216.4	7.8
Dec-11	366.7	7.7	87.1	-9.2	274.0	9.0	164.0	-3.1	192.3	3.1
2011	**197.7**	**9.0**	**78.7**	**7.0**	**252.0**	**6.6**	**154.6**	**-6.6**	**184.7**	**4.5**
Mar-12	124.4	11.1	59.9	-1.9	289.9	11.3	159.3	16.0	170.9	1.5
Jun-12	157.8	6.3	74.6	-0.8	309.0	36.6	159.3	-0.1	168.7	3.5

Source: Central Statistical Office of Trinidad and Tobago.
*Pharmaceuticals and cosmetics, books and stationery and jewellery.

Appendix E
Index of Retail Prices by Area – September 2012

(Year-on-Year Per Cent Change)

	TRINIDAD & TOBAGO		PORT OF SPAIN		SAN FERNANDO		ARIMA BOROUGH	
	WEIGHT	SEP' 12/ SEP' 11	WEIGHT	SEP' 12/ SEP' 11	WEIGHT	SEP' 12/ SEP' 11	WEIGHT	SEP' 12/ SEP' 11
ALL ITEMS	**1,000.00**	**7.71**	**262.65**	**6.24**	**128.70**	**4.84**	**52.09**	**10.71**
Food and Non-Alcoholic Beverages	180.00	14.65	27.25	13.19	17.27	10.00	8.13	15.01
Food	156.20	15.28	22.74	13.60	14.79	10.46	7.15	15.44
Bread and Cereals	31.21	1.60	4.00	6.95	2.79	1.40	1.30	4.22
Meat	29.21	8.16	3.21	9.40	2.45	24.35	1.43	4.30
Fish	11.37	5.32	1.81	(15.52)	1.00	25.10	0.44	21.36
Milk, Cheese and Eggs	19.05	3.36	3.24	3.11	1.87	4.16	0.79	8.54
Oils and Fats	9.07	12.83	1.20	13.42	0.85	16.12	0.33	18.28
FRUIT	**14.28**	**4.29**	**2.94**	**6.14**	**1.53**	**(15.72)**	**0.72**	**1.35**
VEGETABLES	**21.84**	**31.48**	**3.32**	**41.96**	**2.28**	**20.09**	**1.17**	**10.61**
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	7.66	3.41	1.33	0.47	0.68	1.76	0.44	(0.85)
Food Products N.E.C	12.51	6.59	1.69	1.68	1.34	7.07	0.53	128.63
Non-Alcoholic Beverages	23.80	1.82	4.51	3.06	2.48	0.31	0.98	4.02

Source: Central Statistical Office of Trinidad and Tobago.

Appendix E (continued)
Index of Retail Prices by Area – September 2012

(Year-on-Year Per Cent Change)

	DIEGO MARTIN		ST. ANNS (SAN JUAN)		TACARIGUA (TUNAPUNA)		CHAGUANAS BOROUGH	
	WEIGHT	SEP' 12/ SEP' 11	WEIGHT	SEP' 12/ SEP' 11	WEIGHT	SEP' 12/ SEP' 11	WEIGHT	SEP' 12/ SEP' 11
ALL ITEMS	**38.52**	**8.06**	**45.17**	**7.50**	**123.49**	**3.64**	**111.64**	**5.38**
Food and Non-Alcoholic Beverages	12.00	8.56	17.92	9.60	20.23	9.32	19.75	9.95
Food	10.37	9.45	15.41	9.96	17.46	10.69	17.33	10.05
Bread and Cereals	2.34	1.68	3.02	(1.26)	3.50	(0.40)	3.27	(0.32)
Meat	1.99	6.49	2.57	(3.50)	3.52	8.03	3.32	4.40
Fish	0.72	(1.68)	1.17	21.22	1.13	(0.07)	1.22	28.82
Milk, Cheese and Eggs	1.56	4.76	2.08	0.26	2.28	4.77	1.87	4.10
Oils and Fats	0.52	7.35	0.91	6.94	0.99	5.87	1.16	40.09
FRUIT	**1.12**	**6.74**	**1.60**	**(11.98)**	**1.35**	**8.38**	**1.75**	**7.51**
VEGETABLES	**0.93**	**16.77**	**2.03**	**47.48**	**2.36**	**32.47**	**2.47**	**21.69**
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.44	0.59	0.85	5.56	0.84	4.71	0.70	3.55
Food Products N.E.C	0.75	17.02	1.18	12.73	1.49	10.58	1.57	(7.38)
Non-Alcoholic Beverages	1.63	(0.96)	2.51	0.86	2.77	(0.37)	2.42	7.54

Source: Central Statistical Office of Trinidad and Tobago.

Appendix E (continued)
Index of Retail Prices by Area – September 2012
(Year-on-Year Per Cent Change)

	COUVA		COCAL (RIO CLARO)		MANZANILLA/TURERE (SANGRE GRANDE)		NAPARIMA (DEBE)	
	WEIGHT	SEP '12/ SEP '11	WEIGHT	SEP '12/ SEP '11	WEIGHT	SEP '12/ SEP '11	WEIGHT	SEP '12/ SEP '11
ALL ITEMS	**23.23**	**(1.41)**	**2.23**	**11.26**	**21.75**	**8.57**	**5.62**	**60.28**
Food and Non-Alcoholic Beverages	7.61	(3.50)	1.04	13.06	4.68	12.78	4.73	63.72
Food	6.75	(3.65)	0.95	14.03	4.17	13.15	4.10	66.39
Bread and Cereals	1.28	1.81	0.25	(1.98)	0.85	(4.89)	0.96	0.36
Meat	1.75	4.54	0.21	0.34	0.96	(0.75)	1.07	1.25
Fish	0.63	23.35	0.09	10.47	0.29	0.37	0.26	5.52
Milk, Cheese and Eggs	0.56	2.86	0.04	0.15	0.45	0.19	0.38	3.64
Oils and Fats	0.43	5.43	0.07	(0.22)	0.26	6.84	0.23	11.59
FRUIT	**0.56**	**26.91**	**0.10**	**27.04**	**0.30**	**26.40**	**0.17**	**(1.28)**
VEGETABLES	**0.77**	**(10.46)**	**0.09**	**37.99**	**0.62**	**5.85**	**0.57**	**85.84**
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.25	16.10	0.03	8.82	0.16	10.21	0.14	2.81
Food Products N.E.C	0.52	12.96	0.07	25.03	0.28	37.60	0.32	0.41
Non-Alcoholic Beverages	0.86	0.29	0.09	(2.15)	0.51	1.45	0.63	0.17

Source: Central Statistical Office of Trinidad and Tobago.

Appendix E (continued)
Index of Retail Prices by Area – September 2012
(Year-on-Year Per Cent Change)

	SAVANA GRANDE (PRINCES TOWN)		SIPARIA		PT. FORTIN		TOBAGO (SCARBOROUGH)	
	WEIGHT	SEP '12/ SEP '11	WEIGHT	SEP '12/ SEP '11	WEIGHT	SEP '12/ SEP '11	WEIGHT	SEP '12/ SEP '11
ALL ITEMS	**13.12**	**19.61**	**48.14**	**15.18**	**28.07**	**11.66**	**95.58**	**5.78**
Food and Non-Alcoholic Beverages	8.30	23.62	10.80	22.89	6.25	20.00	14.04	16.83
Food	7.33	25.16	9.79	23.60	5.52	20.58	12.34	17.60
Bread and Cereals	1.73	0.31	2.26	0.86	1.14	(0.12)	2.52	6.09
Meat	1.40	36.10	1.99	2.87	1.28	26.04	2.06	(5.50)
Fish	0.26	5.73	0.60	8.55	0.32	3.16	1.43	3.98
Milk, Cheese and Eggs	0.79	2.07	0.84	3.04	0.62	2.49	1.68	3.22
Oils and Fats	0.46	4.81	0.62	6.57	0.25	8.07	0.79	7.38
FRUIT	**0.56**	**54.56**	**0.67**	**(24.16)**	**0.33**	**5.02**	**0.58**	**10.71**
VEGETABLES	**1.21**	**41.47**	**1.58**	**39.34**	**0.90**	**27.61**	**1.54**	**38.32**
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.30	7.79	0.46	7.15	0.26	0.18	0.78	(2.08)
Food Products N.E.C	0.62	3.56	0.77	57.72	0.42	8.44	0.96	3.88
Non -Alcoholic Beverages	0.97	(0.36)	1.01	1.97	0.73	2.05	1.70	2.87

Source: Central Statistical Office.

Appendix F
Index of Retail Prices of Building Materials
Base Period: Average of 4 Quarters 1996=100

		ALL SECTIONS			SITE PREPARATION, STRUCTURE & CONCRETE FRAME			WALLS AND ROOF			ELECTRICAL INSTALLATION AND FIXTURES		
Date		Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %
2008	II	193.20	3.9	6.6	268.20	6.6	8.9	214.20	4.3	7.2	213.80	2.4	5.2
	III	200.55	3.8	9.8	295.09	10.0	18.9	219.32	2.4	9.0	218.28	2.1	5.1
	IV	204.25	1.8	10.8	300.74	1.9	20.0	225.24	2.7	11.0	218.38	0.1	3.4
2009	I	205.60	0.7	10.6	284.70	-5.3	13.2	226.90	0.7	10.5	230.50	5.6	10.4
	II	198.46	-3.5	2.7	267.79	-5.9	-0.2	216.51	-4.6	1.1	228.30	-1.0	6.8
	III	196.05	-1.2	-2.2	259.10	-3.2	-12.2	215.30	-0.6	-1.8	228.25	0.0	4.6
	IV	192.11	-2.1	-5.9	255.12	-1.5	-15.2	209.08	-2.9	-7.2	227.60	-0.3	4.2
2010	I	194.06	1.0	-5.6	257.64	1.0	-9.5	211.85	1.3	-6.6	232.12	2.0	0.7
	II	198.05	2.1	-0.2	260.87	1.3	-2.6	209.56	-1.1	-3.2	272.71	17.5	19.5
	III	200.15	1.1	2.1	263.99	1.2	1.9	212.39	1.4	-1.4	275.90	1.2	20.9
	IV	201.30	0.6	4.8	263.06	-0.4	3.1	216.40	1.9	3.5	277.90	0.7	22.1
2011	I	204.11	1.4	5.2	265.31	0.9	3.0	219.19	1.3	3.5	279.24	0.5	20.3
	II	204.59	0.2	3.3	269.38	1.5	3.3	217.51	-0.8	3.8	280.66	0.5	2.9
	III	206.62	1.0	3.2	273.78	1.6	3.7	219.11	0.7	3.2	281.29	0.2	2.0
	IV	209.90	2.6	4.9	271.03	0.6	2.7	230.20	5.8	8.4	280.68	0.0	1.7
2012	I	212.77	1.4	4.3	279.41	3.1	5.3	231.68	0.6	5.7	286.10	1.9	2.5
	II	219.84	3.3	7.5	304.92	9.1	13.2	236.79	2.2	8.9	286.32	0.1	2.0
	III	220.14	0.1	6.5	305.72	0.3	11.7	236.12	-0.3	7.8	288.57	0.8	2.6

		PLUMBING & FIXTURES			WINDOWS, DOORS & BALUSTRADING			FINISHING, JOINERY UNITS AND PAINTING & EXTERNAL WORKS		
Date		Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %
2008	II	128.90	0.8	8.9	140.40	0.0	3.5	125.30	2.5	3.2
	III	129.26	0.3	8.5	141.76	1.0	4.1	127.57	1.8	4.6
	IV	130.48	0.9	6.3	142.18	0.3	4.0	129.83	1.8	6.3
2009	I	149.70	14.7	17.0	143.80	1.1	2.4	134.60	3.7	10.2
	II	152.00	1.5	17.9	144.22	0.3	2.7	132.72	-1.4	5.9
	III	149.90	-1.4	16.0	143.90	-0.2	1.5	130.30	-1.8	2.1
	IV	150.60	0.5	15.4	143.86	-0.0	1.2	125.76	-3.5	-3.1
2010	I	148.20	-1.6	-1.0	143.17	-0.5	-0.4	127.13	1.1	-5.6
	II	152.69	3.0	0.5	143.17	-0.0	-0.7	127.79	0.5	-3.7
	III	153.02	0.2	2.1	143.01	-0.1	-0.6	128.90	0.9	-1.1
	V	153.80	0.5	2.2	143.30	0.2	-0.4	125.90	-2.3	0.1
2011	I	167.9	9.2	13.3	144.39	0.8	0.9	127.7	1.4	0.4
	II	175.2	4.3	14.8	143.82	-0.4	0.5	128.0	0.3	0.2
	III	177.6	1.4	16.1	145.71	1.3	1.9	129.6	1.2	0.6
	IV	178.1	1.7	16.4	144.84	0.7	1.3	127.7	-0.3	-0.9
2012	I	179.8	0.9	7.1	145.17	0.2	0.5	129.7	1.5	1.6
	II	178.3	-0.9	1.7	145.49	0.2	1.2	134.7	3.9	5.2
	III	177.8	-0.3	0.1	145.53	0.0	-0.1	135.9	0.9	4.8

Source: Central Statistical Office of Trinidad and Tobago.

Appendix G
Export and Import Prices Indices, 2005 – 2011

(Per Cent)

		Import Prices			*Export Prices*			*Net Barter Terms of Trade*		
		INDEX VALUE	QUARTERLY CHANGE	YEAR-ON-YEAR CHANGE	INDEX VALUE	QUARTERLY CHANGE	YEAR-ON-YEAR CHANGE	INDEX VALUE	QUARTERLY CHANGE	YEAR-ON-YEAR CHANGE
2005	II	124.16	1.4	9.9	132.42	4.1	15.4	106.65	2.6	5.0
	III	130.40	5.0	11.8	143.15	8.1	14.2	109.77	2.9	2.1
	IV	129.30	-0.8	6.8	143.05	-0.1	10.6	110.64	0.8	3.5
2006	I	137.50	6.3	12.3	157.04	9.8	23.4	114.21	3.2	9.9
	II	135.20	-1.7	8.9	153.57	-2.2	16.0	113.58	-0.6	6.5
	III	133.38	-1.3	2.3	157.57	2.6	10.1	118.14	4.0	7.6
	IV	140.41	5.3	8.6	160.14	1.6	11.9	114.05	-3.5	3.1
2007	I	144.50	2.9	5.1	159.45	-0.4	1.5	110.35	-3.3	-3.4
	II	154.20	6.7	14.1	159.98	0.3	4.2	103.75	-6.0	-8.7
	III	159.10	3.2	19.3	167.20	4.5	6.1	105.09	1.3	-11.0
	IV	162.10	1.9	15.4	172.66	3.3	7.8	106.51	1.4	-6.6
2008	I	164.40	1.4	13.8	165.40	-4.2	3.7	100.61	-5.5	-8.8
	II	169.70	3.2	10.1	185.40	12.1	15.9	109.25	8.6	5.3
	III	167.50	-1.3	5.3	186.60	0.6	11.6	111.40	2.0	6.0
	IV	164.72	-1.7	1.6	180.06	-3.5	4.3	109.31	-1.9	2.6
2009	I	159.32	-3.3	-3.1	160.00	-11.1	-3.3	100.43	-8.1	-0.2
	II	158.21	-0.7	-6.8	149.70	-6.4	-19.3	94.62	-5.8	-13.4
	III	154.05	-2.6	-8.0	147.59	-1.4	-20.9	95.81	1.3	-14.0
	IV	156.50	1.6	-5.0	151.98	3.0	-15.6	97.11	1.4	-11.2
2010	I	157.80	0.8	-1.0	157.20	3.4	-1.8	99.62	2.6	-0.8
	II	157.72	-0.1	-0.3	158.89	1.1	6.1	100.74	1.1	6.5
	III	171.47	8.7	11.3	160.38	0.9	8.7	93.53	-7.2	-2.4
	IV	171.76	0.2	9.8	163.88	2.2	7.8	95.41	2.0	-1.8
2011	I	164.17	-4.4	4.0	173.47	5.9	10.3	105.66	10.7	6.1
	II	171.03	4.2	8.4	174.88	0.8	10.1	102.25	-3.2	1.5

Source: Central Statistical Office of Trinidad and Tobago.

Appendix H
Stock Market Indices
December 2005 – September 2012

	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T
	Index Values		*Quarterly Change (%)*		*Year on Year Change (%)*	
Dec-05	1,067.4	1,323.0	-1.4	-1.7	-0.7	2.5
Mar-06	958.6	1,170.4	-10.2	-11.5	-16.5	-18.3
Jun-06	920.3	1,168.4	-4.0	-0.2	-21.4	-21.1
Sep-06	868.8	1,090.3	-5.6	-6.7	-19.8	-19.0
Dec-06	969.2	1,205.7	11.6	10.6	-9.2	-8.9
Mar-07	929.1	1,178.2	-4.1	-2.3	-3.1	0.7
Jun-07	918.8	1,152.4	-1.1	-2.2	-0.2	-1.4
Sep-07	936.6	1,179.6	1.9	2.4	7.8	8.2
Dec-07	982.0	1,200.7	4.9	1.8	1.3	-0.4
Mar-08	992.9	1,256.6	1.1	4.7	6.9	6.7
Jun-08	1,150.2	1,502.1	15.8	19.5	25.2	30.3
Sep-08	1,065.6	1,444.1	-7.4	-3.9	13.8	22.4
Dec-08	842.9	1,154.8	-20.9	-20.0	-14.2	-3.8
Mar-09	821.8	1,121.9	-2.5	-2.8	-17.2	-10.7
Jun-09	779.6	1,080.9	-5.1	-3.7	-32.2	-28.0
Sep-09	787.5	1,105.0	1.0	2.2	-26.1	-23.5
Dec-09	765.3	1,099.2	-2.8	0.5	-9.2	-4.8
Mar-10	817.7	1,165.5	6.9	6.0	-0.5	3.9
Jun-10	827.2	1,172.2	1.2	0.6	6.1	8.4
Sep-10	821.7	1,151.9	-0.7	-1.7	4.3	4.2
Dec-10	835.6	1,175.7	1.7	2.1	9.2	7.0
Mar -11	872.1	1,234.7	4.4	5.0	6.6	5.9
June-11	950.1	1,376.1	8.9	11.5	14.9	17.4
Sep-11	989.3	1,441.2	4.1	4.7	20.4	25.1
Dec-11	1,012.9	1,467.0	2.4	1.8	21.2	24.8
Mar-12	1,011.6	1,491.6	-0.1	1.7	16.0	20.8
Jun-12	1,022.4	1,539.6	1.1	3.2	7.6	11.9
Sep-12	1,066.4	1,659.8	4.3	7.8	7.8	15.2

Source: Central Bank of Trinidad and Tobago.

Appendix I
Trinidad and Tobago Mutual Funds Under Management by Type of Fund[1,2]
March 2005 – September 2012

	AGGREGATE FUND VALUE	INCOME FUNDS	EQUITY	AGGREGATE FUND VALUE	INCOME FUNDS	EQUITY	AGGREGATE FUND VALUE	INCOME FUNDS	EQUITY
	TT$ Million			*Quarterly Per Cent Change (%)*			*Year-on-Year Per Cent Change (%)*		
Mar-05	28,140.66	21,462.21	6,678.45	4.3	1.2	15.8	22.7	15.7	52.6
Jun-05	29,821.36	22,955.65	6,865.71	6.0	7.0	2.8	22.8	16.6	49.8
Sep-05	31,110.89	24,554.75	6,556.14	4.3	7.0	-4.5	23.4	22.2	27.9
Dec-05	31,304.82	25,029.62	6,275.20	0.6	1.9	-4.3	16.1	18.0	8.9
Mar-06	31,477.52	25,742.18	5,735.34	0.6	2.8	-8.6	11.9	19.9	-14.1
Jun-06	31,071.82	25,498.85	5,572.97	-1.3	-0.9	-2.8	4.2	11.1	-18.8
Sep-06	31,039.68	25,627.01	5,412.67	-0.1	0.5	-2.9	-0.2	4.4	-17.4
Dec-06	31,834.88	26,145.44	5,689.44	2.6	2.0	5.1	1.7	4.5	-9.3
Mar-07	32,172.25	26,441.20	5,731.05	1.1	1.1	0.7	2.2	2.7	-0.1
Jun-07	31,893.44	26,397.62	5,495.82	-0.9	-0.2	-4.1	2.6	3.5	-1.4
Sep-07	33,284.84	27,556.99	5,727.85	4.4	4.4	4.2	7.2	7.5	5.8
Dec-07	34,545.56	28,794.65	5,750.91	3.8	4.5	0.4	8.5	10.1	1.1
Mar-08	34,940.23	29,121.13	5,502.45	1.1	1.1	-4.3	8.6	10.1	-4.0
Jun-08	36,806.96	30,717.73	5,733.47	5.3	5.5	4.2	15.4	16.4	4.3
Sep-08	36,627.16	31,373.90	4,941.86	-0.5	2.1	-13.8	10.0	13.9	-13.7
Dec-08	36,154.62	31,528.35	4,315.63	-1.3	0.5	-12.7	4.7	9.5	-25.0
Mar-09	36,465.79	32,173.01	3,991.58	0.9	2.0	-7.5	4.4	10.5	-27.5
Jun-09	39,266.87	35,105.26	3,854.08	7.7	9.1	-3.4	6.7	14.3	-32.8
Sep-09	40,768.86	36,754.70	3,685.34	3.8	4.7	-4.4	11.3	17.2	-25.4
Dec-09	35,510.14	31,480.57	3,663.70	-12.9	-14.3	-0.6	-1.8	-0.2	-15.1
Mar-10	36,312.71	32,290.12	3,633.87	2.3	2.6	-0.8	-0.4	0.4	-9.0
Jun-10	36,812.39	32,745.57	3,677.50	1.4	1.4	1.2	-6.3	-6.7	-4.6
Sep-10	36,556.18	32,612.89	3,625.60	-0.7	-0.4	-1.4	-10.3	-11.3	-1.6
Dec-10	35,648.97	31,728.88	3,585.09	-2.5	-2.7	-1.1	0.4	0.8	-2.1
Mar-11[r]	35,554.92	31,406.65	3,750.08	-0.3	-1.0	4.6	-2.1	-2.7	3.2
Jun-11[r]	36,335.76	31,988.14	3,909.93	2.2	1.9	4.3	-1.3	-2.3	6.3
Sep-11[r]	36,196.62	31,914.39	3,851.86	-0.4	-0.2	-1.5	-1.0	-2.1	6.2
Dec-11[r]	36,802.59	32,419.08	3,926.34	1.7	1.6	1.9	3.2	2.2	9.5
Mar-12	37,140.89	32,541.81	4,128.55	0.9	0.4	5.2	4.5	3.6	10.1
Jun-12	37,807.73	33,170.24	4,139.80	1.8	1.9	0.3	4.1	3.7	5.9
Sep-12	39,268.94	34,370.17	4,334.62	3.9	3.6	4.7	8.5	7.7	12.5

Source: Central Bank of Trinidad and Tobago.

r Revised (See Footnote 2).

[1] Aggregate funds under management refer to all mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Roytrin, Republic Bank Limited and First Citizens Bank Limited and does not represent full coverage of the market.

[2] Mutual Fund information was revised in 2011 to reflect the addition of two new mutual funds in the Central Bank of Trinidad and Tobago's database.

Appendix J
Private Sector Credit by the Consolidated Financial System
June 2009 – August 2012

(Year-on-Year Per Cent Change)

PRIVATE SECTOR CREDIT BY INSTITUTION				MAJOR PRIVATE SECTOR CREDIT COMPONENTS		
	BANKS	NON-BANKS	CONSOLIDATED FINANCIAL SYSTEM	CONSUMER CREDIT	REAL ESTATE MORTGAGE LOANS	LOANS TO BUSINESS FIRMS
Jun-09	4.5	13.3	5.3	-0.2	12.4	13.1
Jul-09	3.4	9.1	4.0	1.2	10.3	10.8
Aug-09	1.9	3.6	2.1	-1.5	9.8	9.8
Sep-09	0.2	-5.8	-0.4	-2.2	9.0	6.5
Oct-09	-2.2	-0.1	-2.0	-3.2	11.4	1.5
Nov-09	-4.4	-2.6	-4.2	-4.9	8.5	-1.2
Dec-09	-4.4	0.3	-4.0	-3.4	7.9	-2.5
Jan-10	-4.8	3.6	-4.1	-2.9	8.0	-3.8
Feb-10	-4.2	2.5	-3.6	-3.1	6.5	-5.4
Mar-10	-2.7	-0.9	-2.4	-2.7	7.5	-4.9
Apr-10	-2.4	-4.7	-2.8	-1.3	6.3	-4.7
May-10	-4.5	-5.1	-4.6	-1.2	5.7	-9.6
Jun-10	-4.0	-13.9	-5.7	-0.5	5.6	-9.0
Jul-10	-3.8	-15.6	-5.8	0.3	7.0	-10.3
Aug-10	-2.8	-14.2	-4.7	0.0	7.0	-9.2
Sep-10	-1.5	-4.6	-2.0	-0.5	7.4	-5.1
Oct-10	-0.4	-10.8	-2.1	1.1	6.9	-5.9
Nov-10	0.0	-10.2	-1.7	1.5	7.5	-5.1
Dec-10	0.5	-15.9	-2.2	4.1	9.0	-6.2
Jan-11	0.5	-15.8	-2.3	3.3	7.6	-5.7
Feb-11	0.9	-14.9	-1.7	3.9	7.7	-4.8
Mar-11	1.5	-15.8	-1.4	5.1	8.2	-5.3
Apr-11	1.6	-13.3	-0.8	6.7	8.8	-5.9
May-11	3.3	-11.5	0.9	4.6	10.2	-2.2
Jun-11	4.0	-11.5	1.5	5.4	10.0	-1.5
Jul-11	4.5	-13.2	1.8	4.3	9.9	-0.6
Aug-11	4.1	-16.0	1.0	4.2	9.6	0.0
Sep-11	4.1	-20.7	0.1	3.9	9.8	-1.4
Oct-11	4.5	-15.7	1.4	3.7	8.9	1.6
Nov-11	5.3	-13.6	2.5	4.3	9.1	2.7
Dec-11	6.5	-12.7	3.7	1.9	8.8	6.9
Jan-12	6.1	-12.8	3.4	2.5	8.7	5.7
Feb-12	5.4	-16.0	2.3	2.2	9.4	2.8
Mar-12	6.3	-15.8	3.1	2.2	9.8	4.8
Apr-12	5.4	-23.1	1.3	-0.5	10.4	4.5
May-12	5.7	-15.1	2.8	1.1	9.8	4.6
Jun-12	6.3	-16.7	3.1	0.6	10.4	5.7
Jul-12	5.4	-13.2	2.9	0.8	9.8	5.1
Aug-12	4.7	-10.6	2.7	2.2	10.3	2.3

Source: Central Bank of Trinidad and Tobago.

Monetary Policy Report

Appendices:

Media Releases on the 'Repo' Rate from May 2012 to October 2012

1. **Media Release dated May 25, 2012 -**
   Food Prices Push Headline Inflation To 11.8 Per Cent: Central Bank Maintains 'Repo' Rate At 3.00 Per Cent

2. **Media Release dated June 29, 2012 -**
   Inflation Rises To 12.6 Per Cent In May: Central Bank Maintains 'Repo' Rate At 3.00 Per Cent

3. **Media Release dated July 27, 2012 -**
   Inflation Slows To 11 Per Cent In June: Central Bank Maintains 'Repo' Rate At 3.00 Per Cent

4. **Media Release dated August 24, 2012 -**
   Headline Inflation Eases To 10.8 Per Cent In July: Central Bank Maintains 'Repo' Rate At 3.00 Per Cent

5. **Media Release dated September 21, 2012 -**
   Inflation Slows For The Third Consecutive Month In August: Central Bank Reduces 'Repo' Rate To 2.75 Per Cent

6. **Media Release dated October 26, 2012 -**
   Inflationary Pressures Continue To Moderate In September: Central Bank Maintains Repo Rate At 2.75 Per Cent

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

Media Release

FOOD PRICES PUSH HEADLINE INFLATION TO 11.8 PER CENT: CENTRAL BANK MAINTAINS REPO RATE AT 3.00 PER CENT

The latest data released by the Central Statistical Office point to a marked acceleration in the rate of inflation. **Headline inflation**, measured by the twelve-month increase in the Index of Retail Prices, rose to **11.8 per cent** in April 2012 from 9.1 per cent in March 2012. The April outcome represents the highest recorded rate since January 2011 when it measured 12.5 per cent. On a monthly basis, headline inflation rose by 2.8 per cent in April after having declined by 0.7 per cent in March 2012.

The continuing rise in food price inflation was the major factor behind the sharp jump in the headline rate. On a year-on-year basis, **food price inflation** increased by **26.1 per cent** in April 2012 up from 20.3 per cent in the previous month. The surge was led by sharp increases in the prices of **fruit (48 per cent)** and **vegetables (34.3 per cent)**, which were associated with weather-induced supply shortages. Higher price increases were also recorded in April for **fish (14.1 per cent** compared with 12.6 per cent in March 2012) and for **sugar and confectionery products (7.2 per cent** compared with 6.7 per cent in March 2012). Prices also rose, albeit at a slower pace, for **oils and fats (16.8 per cent** compared with 19.1 per cent in March 2012), **bread and cereals (4.8 per cent** from 5.2 per cent), **milk, cheese, and eggs (6.9 per cent** from 7.5 per cent), and **meat (4.1 per cent** from 6.9 per cent).

Core inflation, which excludes food prices, edged upwards to **2.2 per cent** in the twelve months to April 2012, after holding steady at under 2.0 per cent since April 2011. The increase in core inflation mainly reflected slightly faster price increases in the sub-indices for health, transportation and recreation and culture.

Private sector credit continued to grow at a steady but slow pace as domestic demand remains relatively sluggish. On a year-on-year basis to March 2012, **private sector credit** from the consolidated financial system grew by **3.1 per cent**, up from 2.3 per cent in the previous month. In March,

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- 2 -

consumer and **business credit** posted small year-on-year increases of **2.2 per cent** (unchanged from the previous month) and **4.8 per cent** (up from 2.8 per cent in February 2012), respectively, while **real estate mortgage lending** grew by a robust **9.8 per cent**. A closer examination of the sectoral distribution of credit from commercial banks to businesses revealed that loans to the manufacturing and construction sectors increased by 17.6 and 3.7 per cent, respectively in March while there was a contraction in lending to several other sectors, including distribution (-9.9 per cent), finance insurance and real estate (-7.6 per cent) and agriculture (-2 per cent).

Excess Liquidity in the financial system receded sharply in May 2012 from the high levels of the previous months. In the first three and a half weeks of May, commercial banks' holdings of excess reserves at the Central Bank fell to a daily average of $2.6 billion from $3.4 billion in April. Smaller net domestic fiscal injections together with Central Bank actions in the government securities and foreign exchange markets, which removed approximately $841 million, helped to contain excess liquid balances in the financial system.

As liquidity levels contracted, short term interest rates edged up slightly. After falling to 0.04 per cent in March, rates on government 3-month paper increased to 0.10 per cent in April and 0.25 per cent by May 21, 2012. In the US government securities market, rates on US three-month treasury bills slid marginally from 0.10 per cent in April to 0.09 per cent in May. Consequently, the differential between TT and US three-month interest rates increased from zero to 16 basis points by May 21, 2012.

The acceleration in headline inflation continues to primarily reflect the influence of strong increases in food prices. Core inflation, which is a more useful indicator of underlying demand pressures, remains relatively stable although there are signs that it is beginning to inch up. Recent economic indicators suggest that while credit conditions have been improving, activity in the non-energy sector remains lethargic and the domestic economy is still struggling to get into full recovery mode.

Against this background, **the Central Bank has decided to maintain the 'Repo' rate at 3.00 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 June 29, 2012.

May 25, 2012

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- 3 -
MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

(Per Cent Change)

	Monthly		Year-on-Year	
	March 2012	April 2012	March 2012	April 2012
Headline Inflation	(0.7)	2.8	9.1	11.8
Food Prices and Non-Alcoholic Beverages	(1.6)	5.6	20.3	26.1
Bread and Cereals	(0.2)	0.4	5.2	4.8
Meat	0.6	(0.9)	6.9	4.1
Fish	0.0	3.5	12.6	14.1
Vegetables	(9.7)	13.7	17.7	34.3
Fruits	12.8	(5.0)	59.9	48.0
Milk, Cheese & Eggs	0.2	0.2	7.5	6.9
Oils and Fats	1.6	(0.8)	19.1	16.8
Sugar, Jam, Confectionery, etc.	0.4	1.2	6.7	7.2
Core Inflation	0.0	0.7	1.8	2.2
Alcoholic Beverages & Tobacco	0.2	(0.2)	2.4	2.3
Clothing and Footwear	0.0	(0.5)	2.9	2.8
Furnishings, Household Equipment and Routine Maintenance	0.0	(0.2)	1.8	1.3
Health	0.1	2.0	0.9	2.4
Of which: Medical Services	0.0	3.7	1.2	3.9
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	2.7	2.6
Of which: Rent	0.0	0.0	6.7	6.1
Home Ownership	0.0	0.0	2.9	2.9
Education	0.0	1.8	1.7	1.7
Recreation & Culture	0.0	2.0	0.6	2.6
Hotels, Cafes & Restaurants	0.0	0.3	3.4	1.9
Transport	0.0	1.5	0.6	2.1

Source: Central Statistical Office.

- End -

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

Media Release

INFLATION RISES TO 12.6 PER CENT IN MAY: CENTRAL BANK MAINTAINS REPO RATE AT 3.00 PER CENT

Recent data released by the Central Statistical Office indicate that headline inflation, measured by the twelve-month increase in the Index of Retail Prices, rose to 12.6 per cent in May 2012 from 11.8 per cent in the previous month. When measured on a monthly basis, the rate of increase in the overall price level was 0.3 per cent in May compared with an increase of 2.8 per cent in April.

Food inflation, which remained the main driver of the headline inflation rate, accelerated to **28.3 per cent** in May 2012, up from 26.1 per cent in April. The high inflation in the food category of the Index continued to primarily reflect movements in the prices of **fruits and vegetables** at the retail level. On a twelve-month basis, fruit and vegetable prices rose by **41.4 per cent and 45.2 per cent**, respectively in May (compared with 48 per cent and 34.3 per cent in April). While higher price increases were also recorded for meat (6.1 per cent compared with 4.1 per cent in April 2012), there was some deceleration in the price increases recorded for several items, including bread and cereals; milk, cheese and eggs; fish; and oils and fats.

Core inflation, which filters out the effect of food prices, measured **2.2 per cent** in the twelve months to May 2012, the same rate as in the previous month. The sub-indices for Health and Clothing and Footwear posted slight year-on-year increases of 1.7 per cent and 2.7 per cent, respectively in May.

Latest data point to some slowdown in the rate of growth of private sector credit in the financial system. On a year-on-year basis to April 2012, private sector credit from the consolidated financial system grew by 1.3 per cent, slower than the 3.1 per cent recorded in the previous month. Among the major categories of private sector credit, the value of outstanding loans to consumers declined by 0.5 per cent (on a 12-month basis) compared with an increase of 2.2 per cent in March 2012. Meanwhile, business credit continued to expand, albeit at a marginally slower rate, growing by 4.5 per cent in April 2012 compared with 4.8 per cent in March 2012. Real estate mortgage lending remained strong, increasing by 10.4 per cent on a year-on-year basis in April.

- 2 -

Excess liquidity in the financial system contracted for the third consecutive month to June 2012. In the first three and a half weeks of June, commercial banks' holdings of excess reserves at the Central Bank fell to a daily average of $2.2 billion from $2.5 billion in May and $3.4 billion in April. Despite a substantial pickup in net fiscal injections ($1.4 billion in June compared with $175 million in May), Central Bank operations removed $1.8 billion from the financial system and kept excess liquidity in check.

The moderation in liquidity levels was associated with an upturn in short-term interest rates. After reaching a low of 0.04 per cent in March, the 91-day treasury bill rate rose to 0.31 per cent in May and to 0.50 per cent in June 2012. With TT 91-day treasury-bill rates on the rise and comparative US rates still low, the TT/US interest differential on these instruments widened to 40 basis points in June 2012 from 22 basis points in May and zero in April. Lower liquidity levels re-ignited some activity in the inter-bank market following nine months of inactivity, while the Central Bank's repo facility remained unutilized.

Although the rise in headline inflation is a cause for concern, it has largely reflected increases in food prices. Available data suggest that underlying demand pressures remain relatively contained for the time being. In the current economic climate, there is still room for further expansion in private sector credit to support an economic recovery. Against this background, **the Central Bank has decided to maintain the 'Repo' rate at 3.00 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 July 27, 2012.

June 29, 2012.

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- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	April 2012	May 2012	March 2012	April 2012
Headline Inflation	2.8	0.3	11.8	12.6
Food Prices and Non-Alcoholic Beverages	5.6	0.7	26.1	28.3
Bread and Cereals	0.4	0.1	4.8	4.2
Meat	(0.9)	2.3	4.1	6.1
Fish	3.5	(13.8)	14.1	5.3
Vegetables	13.7	5.4	34.3	45.2
Fruits	(5.0)	0.1	48.0	41.4
Milk, Cheese & Eggs	0.2	(0.4)	6.9	5.7
Oils and Fats	(0.8)	0.4	16.8	14.0
Sugar, Jam, Confectionery, etc.	1.2	(1.5)	7.2	5.8
Core Inflation	0.7	0.0	2.2	2.2
Alcoholic Beverages & Tobacco	(0.2)	0.1	2.3	2.6
Clothing and Footwear	(0.5)	0.3	2.8	2.7
Furnishings, Household Equipment and Routine Maintenance	(0.2)	0.0	1.3	1.3
Health	2.0	(0.3)	2.4	1.7
Of which: Medical Services	3.7	0.0	3.9	3.9
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	2.6	2.6
Of which: Rent	0.0	0.0	6.1	6.1
Home Ownership	0.0	0.0	2.9	2.9
Education	1.8	0.0	1.7	1.7
Recreation & Culture	2.0	0.0	2.6	2.6
Hotels, Cafes & Restaurants	0.3	0.0	1.9	1.9
Transport	1.5	0.0	2.1	2.1

Source: Central Statistical Office.

- End -

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

Media Release

INFLATION SLOWS TO 11 PER CENT IN JUNE: CENTRAL BANK MAINTAINS REPO RATE AT 3.00 PER CENT

The latest data released by the Central Statistical Office indicate that there was a slight deceleration in the rate of inflation in the month of June. **Headline inflation**, measured by the 12-month increase in the Index of Retail Prices, slowed to **11.0 per cent** in June 2012 from 12.6 per cent in May. On a monthly basis, headline inflation declined by 0.8 per cent in June compared with an increase of 0.3 per cent in the previous month.

Food price inflation, which continues to be the dominant factor behind movements in the headline inflation rate, measured **24.1 per cent** (year-on-year) in June 2012 compared with 28.3 per cent in May. Within the food sub-index, there was some deceleration in the rate of increase in the prices of **fruits (31.4 per cent** compared with 41.4 per cent in May) and **vegetables (42.1 per cent** compared with 45.2 per cent in May). Slower price increases were also recorded for dairy products, meat and oils and fats. By contrast, the price of fish accelerated to 11.3 per cent (from 5.3 per cent in the previous month) in the context of reported declines in fish catches.

Underlying inflationary pressures appeared to be relatively well contained. **Core inflation**, which excludes food prices, stood at **2.3 per cent** in June 2012, marginally above the 2.2 per cent rate recorded in the previous month. Price increases in most of the major sub-categories related to core inflation remained under a 12-month rate of 3 per cent except for household rent (6.1 per cent), alcoholic beverages & tobacco (4.7 per cent) and medical services (3.9 per cent).

Available data show that private sector credit continued to expand, albeit at a relatively slow pace. On a year-on-year basis, the growth in **private sector credit** by the consolidated financial system measured **2.8 per cent** in May 2012 compared with 1.3 per cent in April. All the major lending categories registered growth with consumer and business credit expanding by 1.1 per cent and 4.6 per cent, respectively. At the same time, real estate mortgage lending remained robust, increasing by 9.8 per cent in the twelve months to May 2012 in the context of more intense advertising by commercial banks and an apparent increase in the demand for real estate, given the low interest rate environment.

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- 2 -

Excess liquidity in the financial system has retreated significantly from the high levels experienced in previous months. This decline is associated with lower net domestic fiscal injections related to a slower pace of government capital spending, as well as the liquidity absorption measures adopted by the Central Bank. Over the first three and a half weeks of July 2012, commercial banks' holdings of excess reserves at the Central Bank averaged $2,216 million, down from $5,610 million in March 2012. With liquidity tightening, there was a resumption of activity in the inter-bank market after a nine-month lull. The Central Bank's repo facility, however, remained unutilized.

In the face of a contraction in excess liquidity, short-term interest rates have been edging upwards. After falling to an historic low of 0.04 per cent in March 2012, the 91-day treasury bill rate rose to 0.50 per cent in June and further to 0.60 per cent in July 2012. With TT short-term interest rates on the rise and US rates still low, the interest rate differential on TT/US 3-month treasury bills widened to 50 basis points in July 2012 from minus 5 basis points in March 2012.

Although food price inflation is high, the evidence to date suggests that underlying inflationary pressures remain subdued. While credit conditions have been recovering, there is still room for further expansion to spur private demand and rekindle economic growth. Against this background, the Central Bank has decided to maintain the 'Repo' rate at 3.00 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 August 24, 2012.

July 27, 2012.

- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	May 2012	June 2012	May 2012	June 2012
Headline Inflation	0.3	(0.8)	12.6	11.0
Food Prices and Non-Alcoholic Beverages	0.7	(2.0)	28.3	24.1
Bread and Cereals	0.1	0.7	4.2	4.5
Meat	2.3	0.3	6.1	5.0
Fish	(13.8)	1.3	5.3	11.3
Vegetables	5.4	(0.8)	45.2	42.1
Fruits	0.1	(7.7)	41.4	31.4
Milk, Cheese & Eggs	(0.4)	0.2	5.7	4.7
Oils and Fats	0.4	0.9	14.0	13.0
Sugar, Jam, Confectionery, etc.	(1.5)	(0.2)	5.8	5.5
Core Inflation	0.0	0.1	2.2	2.3
Alcoholic Beverages & Tobacco	0.1	1.8	2.6	4.7
Clothing and Footwear	0.3	(0.2)	2.7	2.6
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	1.3	1.3
Health	(0.3)	(0.1)	1.7	1.2
Of which: Medical Services	0.0	0.0	3.9	3.9
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	2.6	2.6
Of which: Rent	0.0	0.0	6.1	6.1
Home Ownership	0.0	0.0	2.9	2.9
Education	0.0	0.0	1.7	1.7
Recreation & Culture	0.0	0.0	2.6	2.6
Hotels, Cafes & Restaurants	0.0	0.0	1.9	1.9
Transport	0.0	0.0	2.1	2.1

Source: Central Statistical Office.

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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

Media Release

HEADLINE INFLATION EASES TO 10.8 PER CENT IN JULY: CENTRAL BANK MAINTAINS REPO RATE AT 3.00 PER CENT

The latest information released by the Central Statistical Office indicates that inflation decelerated for the second consecutive month in July. **Headline inflation**, measured by the twelve-month change in the Index of Retail Prices, slowed to **10.8 per cent** (year-on-year) in July 2012 from 11.0 per cent in June. However, on a monthly basis, headline inflation rose by 0.8 per cent in July after having declined by a similar rate in the previous month.

Food inflation, the main driver of the headline inflation rate, measured **22.6 per cent** (year-on-year) in July 2012, compared with 24.1 per cent in June 2012. The slower rate of increase in food prices came mainly from the prices of **vegetables (35.5 per cent** in July 2012 compared with 42.1 per cent in June), **fish (8.2 per cent** compared with 11.3 per cent in June), **bread and cereals (3.1 per cent** compared with 4.5 per cent in June), **milk, cheese and eggs (4.6 per cent** compared with 4.7 per cent in June 2012) and **sugar and confectionery products (5.3 per cent** compared with 5.5 per cent in June 2012). By contrast, slightly faster year-on-year price increases were recorded for **meat (5.9 per cent** compared with 5.0 per cent in June) and **oil and fats (13.2 per cent** compared with 13.0 per cent), respectively.

Core inflation, which excludes food prices, rose to **2.8 per cent** in July 2012 from 2.3 per cent in June 2012. This uptick in the core inflation rate resulted from price increases in a broad set of categories including alcoholic beverages and tobacco (4.8 per cent), clothing and footwear (3.4 per cent), recreation and culture (6.0 per cent) and health services (2.6 per cent). Nevertheless, underlying inflationary pressures are relatively subdued.

At the international level, a severe drought in the mid-west USA has affected crop development and has pushed up maize prices by almost 23 per cent in July relative to June. Untimely rains in Brazil, the world's largest exporter of sugar, have also contributed to an increase in sugar prices.

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- 2 -

While the effects of these increases have not yet fully impacted domestic food inflation, some local retailers have already signalled their intention to pass on these global price increases to consumers. Egg producers, for instance, have announced an 8.8 per cent increase in the wholesale price of eggs due to the higher cost of imported poultry feed.

Private sector credit continued to expand at a relatively slow pace in the face of sluggish domestic demand. On a year-on-year basis, **overall credit** granted by the consolidated system to the private sector grew by **3.1 per cent** in June 2012, slightly up from the increase of 2.8 per cent recorded in May. Among the major loan categories, lending for **real estate mortgages** rose at a robust rate of **10.4 per cent** in June compared with 9.8 per cent in May, while **business loans** grew at a more moderate pace of **5.7 per cent**, up from 4.6 per cent in May. The growth in **consumer loans** on the other hand slipped to **0.6 per cent** in June from 1.1 per cent in May.

Net domestic fiscal injections amounting to $2,907 million contributed to a surge in excess liquidity during August. Commercial banks' holdings of excess reserves averaged $3,647 million for the first three weeks in August 2012 compared with $2,268 million in July 2012 and $2,176 million in June 2012. Nonetheless, Central Bank's operations in the domestic money and foreign exchange markets helped to contain excess liquidity within manageable levels.

In the more liquid financial environment, there was no activity on the inter-bank market and commercial banks had no need to access the repo facility at the Central Bank. In addition, while short-term interest rates have begun to inch up, yields on one-month and three-month treasury bills are still low at 0.40 per cent and 0.63 per cent, respectively as at August 21, 2012.

Whereas underlying inflationary pressures remain in check, the severe drought in the Midwest USA is likely to raise the prospects for higher domestic food prices in the coming months. Even so, with private demand and economic activity still quite subdued, the Bank continues to view its accommodative monetary stance as appropriate to foster a sustained recovery in non-energy sector activity. Against this background, **the Bank has decided to maintain the 'Repo' rate at 3.00 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 September 21, 2012.

August 24, 2012

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- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	June 2012	**July 2012**	**June 2012**	**July 2012**
Headline Inflation	(0.8)	0.8	11.0	10.8
Food Prices and Non-Alcoholic Beverages	(2.0)	0.8	24.1	22.6
Bread and Cereals	0.7	0.0	4.5	3.1
Meat	0.3	1.4	5.0	5.9
Fish	1.3	(0.2)	11.3	8.2
Vegetables	(0.8)	0.5	42.1	35.5
Fruits	(7.7)	1.6	31.4	41.0
Milk, Cheese & Eggs	0.2	0.0	4.7	4.6
Oils and Fats	0.9	0.3	13.0	13.2
Sugar, Jam, Confectionery, etc.	(0.2)	0.0	5.5	5.3
Core Inflation	0.1	0.8	2.3	2.8
Alcoholic Beverages & Tobacco	1.8	0.5	4.7	4.8
Clothing and Footwear	(0.2)	2.3	2.6	3.4
Furnishings, Household Equipment and Routine Maintenance	0.0	1.3	1.3	2.2
Health	(0.1)	1.3	1.2	2.6
Of which: Medical Services	0.0	3.0	3.9	7.0
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.3	2.6	2.7
Of which: Rent	0.0	2.2	6.1	6.5
Home Ownership	0.0	0.1	2.9	2.9
Education	0.0	0.0	1.7	1.7
Recreation & Culture	0.0	3.0	2.6	6.0
Hotels, Cafes & Restaurants	0.0	2.4	1.9	3.5
Transport	0.0	0.0	2.1	1.5

Source: Central Statistical Office.

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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

Media Release

INFLATION SLOWS FOR THE THIRD CONSECUTIVE MONTH IN AUGUST: CENTRAL BANK REDUCES REPO RATE TO 2.75 PER CENT

According to data from the Central Statistical Office, there was a slowdown in **headline inflation** for the third consecutive month in August 2012 to **7.9 per cent** (year-on-year) from 10.8 per cent in July, and from 11.0 per cent in June. On a month-on-month basis, headline inflation declined by 1.2 per cent in August 2012, following an increase of 0.8 per cent in the previous month.

The principal factor behind the decline in headline inflation was a sharp deceleration in food prices. In August, food price inflation declined to 15.4 per cent (year-on-year) from an average of over 20 per cent in the previous six months. The easing of food inflation mainly reflected a slowdown in price increases for vegetables (26.8 per cent compared with 35.5 per cent in July) and fruits (10.2 per cent compared with 41.0 per cent in July). Slower price increases were also recorded for bread and cereals, milk, cheese and eggs and fish, although there was some acceleration in retail prices of meat as well as oils and fats.

Meanwhile **core inflation**, which excludes the impact of food prices, remained steady, measuring **2.7 per cent** (year-on-year) in August compared with 2.8 per cent in the previous month. Recorded price movements in the major categories of non-food items were either unchanged or slowed marginally, as in the cases of alcoholic beverages and tobacco, health and clothing and footwear.

Credit continued to expand slowly in July 2012. On a year-on-year basis, **private sector credit** granted by the consolidated financial system grew by **2.9 per cent** following an increase of 3.1 per cent in June 2012. **Lending to consumers**, which has been lethargic over the past few months, grew by **0.8 per cent** in July. The rate of expansion of **real estate mortgage lending** remained robust at just under **10 per cent**. Business lending meanwhile grew by 5.1 per cent in July compared with 5.7 per cent in June.

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- 2 -

With the pace of deposit growth outstripping credit expansion, liquidity levels in the financial system remained relatively high during September. Commercial banks' reserve balances held at the Central Bank in excess of the statutory requirement averaged $3,771 million over the first three weeks of September, compared with $3,802 million in August 2012. Given the comfortable liquidity position, there was limited activity on the inter-bank market, and commercial banks had no need to access the Central Bank's repo facility. An upcoming Central Government bond issue at end-September is expected to remove, albeit temporarily, some of the excess liquidity in the banking system.

In the liquid banking environment, short-term interest rates dipped in September. The three-month treasury bill rate slipped to 0.52 per cent in mid-September from 0.60 per cent in August, while the rate on the six-month bill declined to 0.58 per cent from 0.63 per cent in July. As a consequence, the differential between the TT and US three-month treasury bill rates narrowed to 41 basis points as at September 19th from 51 basis points at the end of August.

While there have been incipient signs of a pickup in economic activity in some non-energy sectors through mid-2012, continued maintenance work in the energy sector has affected output of energy and energy-based products. Moreover, the international economic environment which remains challenging, is continuing to dampen consumer and business confidence. In order to support a sustained recovery of the domestic economy, while taking into account inflationary developments, the Central Bank has decided to reduce the 'Repo' rate from 3.00 per cent to 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 October 26, 2012.

September 21, 2012.

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- 3 -

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	July 2012	**Aug 2012**	**July 2012**	**Aug 2012**
Headline Inflation	0.8	(1.2)	10.8	7.9
Food Prices and Non-Alcoholic Beverages	0.8	(2.6)	22.6	15.4
Bread and Cereals	0.0	(0.2)	3.1	1.9
Meat	1.4	0.1	5.9	6.4
Fish	(0.2)	(1.6)	8.2	3.1
Vegetables	0.5	(4.0)	35.5	26.8
Fruits	1.6	(9.8)	41.0	10.2
Milk, Cheese & Eggs	0.0	(0.1)	4.6	3.6
Oils and Fats	0.3	1.0	13.2	13.5
Sugar, Jam, Confectionery, etc.	0.0	0.3	5.3	5.3
Core Inflation	0.8	(0.1)	2.8	2.7
Alcoholic Beverages & Tobacco	0.5	(0.1)	4.8	4.6
Clothing and Footwear	2.3	(0.6)	3.4	3.0
Furnishings, Household Equipment and Routine Maintenance	1.3	0.0	2.2	2.2
Health	1.3	(0.1)	2.6	2.4
Of which: Medical Services	3.0	0.0	7.0	7.0
Housing, Water, Electricity, Gas & Other Fuels	0.3	0.0	2.7	2.7
Of which: Rent	2.2	0.0	6.5	6.5
Home Ownership	0.1	0.0	2.9	2.9
Education	0.0	0.0	1.7	1.7
Recreation & Culture	3.0	0.0	6.0	6.0
Hotels, Cafes & Restaurants	2.4	0.0	3.5	3.5
Transport	0.0	0.0	1.5	1.5

Source: Central Statistical Office.

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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

Media Release

INFLATIONARY PRESSURES CONTINUE TO MODERATE IN SEPTEMBER: CENTRAL BANK MAINTAINS REPO RATE AT 2.75 PER CENT

Recent data released by the Central Statistical Office indicate some further moderation in inflationary pressures, with **headline inflation,** measured by the 12-month change in the Index of Retail Prices, slowing to **7.7 per cent** in September 2012 from 7.9 per cent in the previous month. On a monthly basis, however, headline inflation rose by 1.1 per cent in September, following a decline of 1.2 per cent in August.

The moderation in headline inflation was due primarily to a slowdown in food inflation, which eased to 14.7 per cent (year-on-year) in September from 15.4 per cent in August. Among the major food items, slower price increases were recorded for **breads and cereals** (**1.6 per cent** compared with 1.9 per cent in August), **milk, cheese and eggs** (**3.4 per cent** compared with 3.6 per cent in August) and **oils and fats** (**12.8 per cent** compared with 13.5 per cent in August). There was however a marked deceleration in the year-on-year increase in **fruit prices** to **4.3 per cent** in September from 10.2 per cent in August and 41.0 per cent in July. In contrast, price increases quickened in September 2012 for **vegetables** (**31.5 per cent** up from 26.8 per cent) and **meat** (**8.2** per cent up from 6.4 per cent). There is yet no clear evidence of a strong pass-through of recent increases in global prices of some key food staples such as corn and soya to domestic food prices.

Core inflation, which excludes food prices, rose marginally to **2.8 per cent** (year-on-year) in September from 2.7 per cent in the previous month. There were small upticks in September in the price increases for **alcoholic beverages and tobacco** (4.7 per cent from 4.6 per cent in August) and **health** (2.5 per cent from 2.4 per cent in August).

Credit growth, on the whole, remained modest. On a year-on-year basis, **private sector credit** granted by the consolidated financial system rose by **2.7 per cent** in August 2012, slightly slower than the rate of 2.9 per cent recorded in the previous month. **Consumer lending**, which has been quite

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lethargic over the past two months, picked up momentum, rising by **2.2 per cent** (year-on-year) in August. **Real estate mortgage lending** also continued to expand at a robust pace of **10.3 per cent** in August. In contrast, **business lending,** which had been staging a moderate recovery since March 2012, appeared to have lost some impetus and slowed to an increase of **2.3 per cent** in August.

Liquidity levels in the financial system retreated in early October from the highs of September following the issuance by the Central Government of a $2.5 billion bond and the payment of taxes. Commercial banks' excess reserves at the Central Bank fell to $1,341 million on October 1, 2012 from a daily average of $3,850 million in September. Since then, however, liquidity levels have rebounded with excess reserves rising to a daily average of $2,705 million in the month to October 23, 2012. Given the liquid environment, commercial banks have had no need to access financing either through the inter-bank market or the Central Bank's repo facility.

Short-term treasury bill rates have remained quite low. At October 24, 2012, the Trinidad and Tobago **3-month treasury bill** rate was 0.53 per cent, resulting in a 43 basis point differential relative to the US t-bill rate of equivalent maturity. Meanwhile, since the 25 basis point reduction in the Central Bank's 'Repo' rate in September 2012, some commercial banks have begun to lower their prime lending rates.

Concerns about the Euro area and the impending fiscal cliff in the US have tempered expectations about a sustained global recovery and affected business confidence worldwide, including in Trinidad and Tobago. Against this background, and with the effects of the last 'Repo' rate reduction still working its way through the banking system, 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 November 30, 2012.

October 26, 2012

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- 3 -
MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	Aug 2012	Sep 2012	Aug 2012	Sep 2012
Headline Inflation	(1.2)	1.1	7.9	7.7
Food and Non-Alcoholic Beverages	(2.6)	2.4	15.4	14.7
Bread and Cereals	(0.2)	0.2	1.9	1.6
Meat	0.1	2.3	6.4	8.2
Fish	(1.6)	2.3	3.1	5.3
Vegetables	(4.0)	3.8	26.8	31.5
Fruits	(9.8)	(1.6)	10.2	4.3
Milk, Cheese & Eggs	(0.1)	0.7	3.6	3.4
Oils and Fats	1.0	1.0	13.5	12.8
Sugar, Jam, Confectionery, etc.	0.3	(0.5)	5.3	3.4
Core Inflation	(0.1)	0.1	2.7	2.8
Alcoholic Beverages & Tobacco	(0.1)	0.3	4.6	4.7
Clothing and Footwear	(0.6)	0.9	3.0	2.1
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	2.2	2.2
Health	(0.1)	0.1	2.4	2.5
Of which: Medical Services	0.0	0.0	7.0	7.0
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	2.7	2.7
Of which: Rent	0.0	0.0	6.5	6.5
Home Ownership	0.0	0.0	2.9	2.9
Education	0.0	0.0	1.7	1.7
Recreation & Culture	0.0	0.0	6.0	6.0
Hotels, Cafes & Restaurants	0.0	0.0	3.5	3.5
Transport	0.0	0.0	1.5	1.5

Source: Central Statistical Office.

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Appendices:

Media Releases on the Mortgage Market Reference Rate

1 Media Release dated June 01, 2012 - Mortgage Market Reference Rate (MMRR) for June 2012 Remains Unchanged at 3.25 Per Cent.

2 Media Release dated September 03, 2012 - Mortgage Market Reference Rate (MMRR) for September 2012 Falls to 3.00 Per Cent.

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

Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) FOR JUNE 2012 REMAINS UNCHANGED AT 3.25 PER CENT

The Central Bank of Trinidad and Tobago in consultation with the Bankers' Association of Trinidad and Tobago (BATT) has established a new set of rules for the Residential Mortgage Market. These rules, which take the form of a **Residential Real Estate Mortgage Market Guideline**[1] went into effect on September 14, 2011, and are applicable, in the first instance, to all commercial banks and their affiliated non-bank financial institutions that grant residential mortgages.

The Guideline establishes an interest rate benchmark – the **Mortgage Market Reference Rate (MMRR)** – against which all residential mortgage rates are to be priced and re-priced. This MMRR is computed by the Central Bank using information on commercial banks' funding cost and yields on applicable treasury bonds and is announced on a quarterly basis **(on the first business day in the months of March, June, September and December)**. The MMRR which was first introduced in December 2011 at 3.50 per cent declined to 3.25 per cent in March 2012.

Since the introduction of the MMRR on December 1, 2011, commercial banks have been adjusting their mortgage rates downwards for both existing and new customers. The latest available data show that the weighted average lending rate for **new residential mortgages** fell to 6.75 per cent in March 2012 from 6.93 per cent in June 2011. The weighted average lending rate on outstanding (existing) mortgages has also declined to 7.33 per cent in March 2012 from 7.58 per cent in June 2011. The data also show that commercial banks' residential real estate mortgage loans, which have continued to expand at a relatively robust pace, have been the dominant factor in credit expansion.

[1] The Residential Real Estate Mortgage Market Guideline could be accessed via the web-sites of the Central Bank (www.central-bank.org.tt), the National Financial Literacy Programme (www.national-financial-literacy.org.tt) and the Bankers' Association of Trinidad and Tobago (www.batt.org.tt).

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- 2 -

Faced with relatively high levels of excess liquidity deposit rates in commercial banks as well as treasury bond yields have remained generally compressed. The commercial banks' weighted average deposit rate inched down to 0.59 per cent in March 2012 from 0.61 per cent in December 2011, while yields on 10-year treasury bond bonds held at 4.72 per cent. With little movement occurring in interest rates, banks' funding costs also remained relatively unchanged in the quarter ending March 2012.

Against this background, the public is asked to note that the **MMRR for June 2012 which is based on data for the quarter ending March 2012 is 3.25 per cent**, the same as in the previous quarter. **Commercial banks and their affiliated non-bank financial institutions are expected to apply this rate to all existing residential mortgage loans that are due to be re-priced, as well as new mortgages from June 01, 2012.**

Customers are also reminded that the **MMRR is not the mortgage rate** that will be charged by the commercial bank. The mortgage rate will be based on the MMRR plus a margin which will be negotiated between the commercial bank and the customer. The margin will take into account the customer's credit rating, the location of the property, the size of the down payment and the size and quantity of collateral.

The next MMRR announcement is scheduled for September 3, 2012.

June 01, 2012

- End -

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

Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) FOR SEPTEMBER 2012 FALLS TO 3.00 PER CENT

The Central Bank of Trinidad and Tobago in consultation with the Bankers' Association of Trinidad and Tobago (BATT) has established a new set of rules for the Residential Mortgage Market. These rules, which take the form of a **Residential Real Estate Mortgage Market Guideline**[1] went into effect on September 14, 2011, and are applicable, in the first instance, to all commercial banks and their affiliated non-bank financial institutions that grant residential mortgages.

The Guideline establishes an interest rate benchmark - the **Mortgage Market Reference Rate (MMRR)** – against which all residential mortgage rates are to be priced and re-priced. This MMRR is computed by the Central Bank using information on commercial banks' funding costs and yields on applicable treasury bonds and is announced on a quarterly basis (**on the first business day in the months of March, June, September and December**).

The latest available data from the mortgage operations of commercial banks indicate that residential mortgage rates continued to trend downwards in June 2012. The **weighted average lending rate on new residential mortgages** fell to **6.60 per cent** in June 2012 from 6.75 per cent in March 2012 and 6.94 per cent in June 2011. Meanwhile, the **weighted average lending rate on outstanding (existing) mortgages** fell to **7.21** per cent in June 2012 from 7.33 per cent and 7.58 per cent in March 2012 and June 2011, respectively. Falling mortgage rates have contributed, in part, to the robust growth in residential real estate mortgage loans which has helped to shore up overall bank credit expansion. On a year-on-year basis, residential mortgage loans rose by 13.7 per cent in June 2012.

[1] The Residential Real Estate Mortgage Market Guideline could be accessed via the web-sites of the Central Bank (www.central-bank.org.tt), the National Financial Literacy Programme (www.national-financial-literacy.org.tt) and the Bankers' Association of Trinidad and Tobago (www.batt.org.tt).

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In the liquid financial environment, deposit rates and yields on treasury bonds have generally remained compressed. The weighted average rate on commercial bank deposits inched downwards to 0.58 per cent in June from 0.59 per cent in March 2012, while yields on ten-year treasury bonds (based on the yield curve estimated by the Central Bank) fell by 96 basis points to 3.76 per cent in June from 4.72 per cent in March 2012 as reported in the previous MMRR announcement. As a consequence, commercial banks' funding costs also declined in the quarter ending June 2012.

Against this background, the public is asked to note that **the MMRR for September 2012**, which is based on data for the quarter ending June 2012, **fell to 3.00 per cent** from 3.25 per cent in the previous quarter. **Commercial banks and their affiliated non-bank financial institutions are expected to apply this rate to all existing residential mortgage loans that are due to be re-priced as well as new mortgages from September 03, 2012**.

Customers are also reminded that the **MMRR is not the mortgage rate** that will be charged by the commercial bank. **The mortgage rate will be computed as the MMRR plus a margin which will be negotiated between the commercial bank and the customer**. The margin will take into account the customer's credit rating, the location of the property, the size of the down payment and the size and quality of collateral.

The next MMRR announcement is scheduled for December 3, 2012.

September 03, 2012.

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Correspondence relating to the Monetary Policy Report should be addressed to:

Chief Economist and Director of Research
Research Department
Central Bank of Trinidad and Tobago
P.O. Box 1250
Port-of-Spain
Trinidad

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