Summary:
- Economic activity during the first half of 2018 was supported by higher output in the energy sector. Activity in the non-energy sector, however, is yet to pick up.
- The Central Government achieved a smaller deficit in FY2017/18, financed principally from domestic sources.
- Low aggregate demand has kept inflation well contained below 2 per cent thus far in 2018.
- Private sector credit continued to recover, supported by higher consumer loans and real estate mortgages.

INTERNATIONAL DEVELOPMENTS
- Global growth revised downward by the IMF to 3.7% for both 2018 and 2019.
- Central banks in some advanced economies have continued the process of monetary policy normalization.
- International energy prices strengthened, supported by OPEC production cuts and robust demand.
- Growth in the emerging market and developing economies held steady over the first half of 2018.

DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS
- Labour market dynamics suggest conditions continue to loosen based on declines in the labour force and labour force participation rate.
- Reduced expenditure along with higher energy and non-energy revenues supported a smaller overall deficit of $4.5bn in FY2017/18.
- The Balance of Payments recorded an overall deficit of US$177.4mn in the second quarter of 2018.
- Gross official reserves fell to US$57.4bn (8.6 months of prospective imports) at the end of October 2018.
- Foreign currency sales by the Central Bank to authorized dealers amounted to US$1,285mn during January to October 2018.

MONETARY POLICY CONSIDERATIONS
- Inflation stood at 1.2% in September 2018.
- Private sector credit grew by 7.0% in August 2018 above the 5.0% average for 2018.
- Commercial bank excess reserves averaged $3.5bn for May-October 2018.
- Energy output rose by 8.1% in the first half of 2018, but the non-energy sector is still sluggish.
- The repo rate increased to 5.00% in June and held steady in September.
- The 3-month TT-US dollar differential stood at -104bps at the end of October 2018.