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CENTRAL BANK OF TRINIDAD & TOBAGO

Monetary Policy Report

May 2020

Volume XXII Number 1

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The Central Bank of Trinidad and Tobago conducts 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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Executive Summary

The novel coronavirus (COVID-19) pandemic has triggered a significant health crisis and disrupted economic activity globally. COVID-19, which the World Health Organization, labelled as a global pandemic in March 2020, has been wreaking havoc on the lives and well-being of millions of people worldwide. Governmental measures to limit the spread of the virus, such as stay-at-home orders, travel restrictions and social distancing, have led to a scaling back of business and economic activities, widespread job losses, and disruptions to global supply chains and commodity and financial markets. Many advanced and emerging markets and developing economies have recorded sharp falls in real output in early 2020.

The COVID-19 pandemic is having an unprecedented economic impact on Trinidad and Tobago. The country recorded its first case of COVID-19 on March 12. This development prompted the Government to begin implementing public health measures to control the spread of the virus. A Stay-at-Home Order requiring many businesses to close and workers to refrain from attending work followed these measures. The closure of businesses meant a severe loss of economic activity and employment in April and May. A slump in energy prices associated with the crisis is also affecting Government revenues. The Government has recently started easing lockdown measures on a phased basis. Before the pandemic, Trinidad and Tobago recorded an improvement in activity in the fourth quarter of 2019, led by the non-energy sector. Inflation has also remained contained for some time now. The country's gross official reserves and import cover have trended above international benchmarks. The country also has in place, a Heritage and Stabilisation Fund as a buffer during challenging economic times.

Notwithstanding the high degree of uncertainty, the extreme economic and financial stresses posed by the pandemic, have been met with strong policy actions. Similar to other countries, Trinidad and Tobago has been taking major policy actions to mitigate the economic fallout. The Government implemented a range of fiscal measures to support businesses and households in the economic downturn. The Central Bank of Trinidad and Tobago (Central Bank/Bank) complemented the Government's efforts with substantial monetary policy easing to support businesses and families and to guard against financial system instability. These measures are also intended to support a recovery in economic activity in the quickest possible time after the pandemic has ended.

The highly unpredictable nature of the pandemic makes it difficult to chart an outlook for the domestic economy with a high degree of confidence. Global and local economic activity will undoubtedly rebound when the pandemic ends. However, a recovery will depend on countries' ability to contain the virus while easing stay-at-home orders. The International Monetary Fund (IMF) has projected that the global economy will decline by 3 per cent in 2020. Domestically, the COVID-19 pandemic has already affected the outlook for 2020. In the second half of the year, fiscal and monetary policies will need to be coordinated and alert to deal with a still-evolving economic situation.

Introduction

The global economic environment has deteriorated significantly since the last Monetary Policy Report in November 2019. Following a sharp slowdown over the past two years, global economic growth was poised to stabilise in 2020, supported by an easing of trade tensions. However, the emergence and spread of the novel coronavirus (COVID-19) has wreaked havoc globally, impacting the health, well-being and lives of millions. Worldwide, governments' measures to limit the spread of the virus through social distancing, stay-at-home orders and travel restrictions are having severe impacts on businesses and economic activity. Furthermore, COVID-19 has depressed global demand, disrupted supply chains, and jolted financial and commodity markets, exacerbating the direct effects of the restriction measures on the global economy. Many countries now face historically deep contractions, alongside significant employment losses.

The COVID-19 pandemic has also impacted Trinidad and Tobago. The country recorded its first COVID-19 case on March 12 2020, and immediately following on March 13 the Government introduced a range of containment measures to prevent community transmission. These measures were followed on March 26 2020 by a 'Stay-at-Home' Order, which required all non-essential businesses and schools to remain shuttered until further notice. The Order significantly constrained domestic economic activity as most manufacturing, distribution and other services businesses remained closed. As a consequence, consumer spending - except perhaps for precautionary stocking up by households - generally eased.

Simultaneously, the domestic economy suffered from falls in international energy prices as global demand fell amidst international travel bans and the cessation of some economic endeavours in many countries. In the circumstances, unemployment is likely to have risen markedly. On May 9, the Government began a reopening of the economy in six phases, which included the resumption of manufacturing and construction sectors in phase 2. The country's borders are scheduled to be reopened in phase 6. In its efforts to support the economy, on March 17, the Central Bank eased monetary policy by reducing the Repo rate by 150 basis points and the primary reserve requirement ratio of commercial banks to 14 per cent from 17 per cent. These measures boosted liquidity immediately by $2.6 billion and lowered commercial banks' funding costs. Higher liquidity is expected to allow for more affordable financing to businesses and consumers as interest rate spreads decline. This Monetary Policy Report will focus on the measures adopted by the Bank and their objectives in light of the COVID-19 risks to the domestic economy.

Section I – *The Fiscal and Monetary Responses to COVID-19*

Given the severe economic disruption caused by the COVID-19 pandemic, the country's macroeconomic response has been rapid and involves both fiscal and monetary measures. On March 19 the Government outlined a package of measures to help businesses and individuals, aimed specifically at supporting businesses' cash flow needs, preserving jobs and assisting households that face income losses because of the crisis.

For businesses, the Government accelerated the payment of outstanding VAT refunds and overdue payables to suppliers and contractors, with priority on small and medium-sized enterprises. The Government also increased the amount of foreign exchange available for allocation to businesses through the Exim Bank facility and announced a grant facility of $50 million for upgrading hotels.

The Ministry of Finance accelerated payment of overdue income tax refunds and gave moratoria or deferrals to customers of the public sector agencies dealing with housing, i.e., the Trinidad and Tobago Mortgage Finance Company and the Housing Development Corporation. Persons who were retrenched, terminated or who experienced reduced income because of the pandemic, are eligible for a grant of up to $1,500 per month for three months. Food support has been provided to households through food cards while the Ministry of Transport started distributing a fuel support grant to 5,000 self-employed maxi-taxi owners.

The Government instituted a Liquidity Support Loan Programme of $100 million through the Credit Union movement to its members.

The COVID-19 pandemic has worsened the fiscal accounts. The Government has projected a loss of public revenues amounting to $9.2 billion (stemming from lower oil prices and tax collections) and extraordinary COVID-19-related spending of approximately $1.0 billion. Given the significant adverse impact on public revenues and expenditures, the fiscal deficit is projected to increase to $15.5 billion at the end of FY2019/20 from the initially forecast $5.3 billion. To help meet the shortfall, the Government will access financing from international financial institutions as well as draw down from the Heritage and Stabilisation Fund (HSF).

The Government's measures were complemented by strong monetary policy action by the Central Bank. Following an extraordinary Monetary Policy Committee meeting on March 17, 2020, the Central Bank announced an unprecedented lowering of the Repo rate by 150 basis points to 3.50 per cent. Simultaneously, the Bank reduced the primary reserve requirement applicable to commercial banks by 3 per cent to 14.0 per cent[1]. This represented the first reduction in the primary reserve requirement since June 2004.

The Bank's actions are intended to augment liquidity to support the economy and the financial system. Indeed, inadequate liquidity in the face of large adverse economic shocks can impair the functioning of credit and interbank markets. In particular, constrained liquidity can exacerbate uncertainty about the potential for 'cascading defaults' in a stressed financial system (Allen and Carletti, 2008)[2]. By making Central Bank overnight funding cheaper, commercial banks can benefit from a lower cost of funds and offer lower lending rates to their clients. In addition, reducing the quantity of their deposits at the Central Bank effectively increases the commercial banks' available loanable funds. In a general sense, liquidity provision as a response to financial system disruptions is highly effective in containing spillovers to the real economy (Quint and Tristani, 2017)[3].

Support to businesses through monetary easing was a

[1] The global monetary policy response, particularly in advanced economies (AEs), to the economic disruption caused by COVID-19, has also been tremendous (See section III below on comparison of TT's response to those of other countries).

[2] Allen, F., & Carletti, E. (2008). The Role of Liquidity in Financial Crises. Jackson Hole Economic Policy Symposium, Retrieved from http://repository.upenn.edu/fnce_papers/48.

[3] Quint, D, & Tristani, O. (2017). Liquidity Provision as a monetary policy tool: the ECB's non-standard measures after the financial crisis. Working Paper Series, No. 2113.

major concern of the Central Bank behind the decision in March. A reduction in loan rates by commercial banks based on the action to lower interest rates and increase liquidity would make credit more accessible and cheaper. For businesses, this matters especially for paying wages and meeting overhead expenses such as property and machinery rental in light of severe restrictions on income. Further, firms with commercial bank loans who close or scale-back their operations could benefit from lower debt servicing costs.

The need to support households was equally crucial in influencing the decision to loosen monetary policy. Recently, commercial bank lending for debt consolidation and refinancing has grown in importance as debt-burdened consumers rebalance their portfolios. COVID-19 has put added strain on some households, especially those servicing debt, including mortgages.

Though monetary stability is the primary focus of monetary policy, the potential financial stability implications of the COVID-19 shock is also of concern. Large business failures and widespread unemployment could undermine financial stability if the loan portfolios of financial institutions deteriorate significantly.
In combination with appropriate fiscal and structural efforts, monetary policy has an important role to play in mitigating the impact of the COVID-19 crisis on the economy. The Bank will continue to monitor the dynamic situation closely and amend policy accordingly. Some caveats do apply. The Central Bank's ability to stimulate the economy by lowering the policy rate is limited by the zero lower bound (ZLB)[4]. This scenario could be problematic, especially if the financial system amasses high liquidity, but there is no significant pickup in borrowing by the private sector. Near-zero policy rates complicated the response of several advanced economies (AEs) to the onset of the Great Recession in 2008 (Bhattarai and Egorov, 2016)[5]. Ensuring that the recent policy action is transmitted to the public, therefore, warrants close follow-up by the Central Bank and collaboration and co-operation with the commercial banking sector is critical.

[4] The Zero Lower Bound (ZLB) is a situation where the Central Bank has cut its policy interest rate to zero and can no longer use its policy interest rate to stimulate the economy.

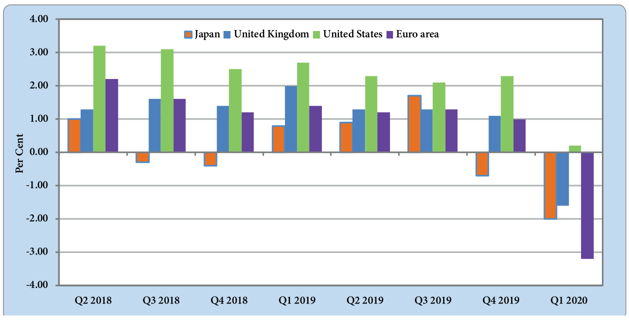
[5] Bhattarai, S., & Egorov, K (2016). Optimal Monetary and Fiscal Policy at the Zero Lower Bound in a Small Open Economy. Federal Reserve Bank of Dallas, Globalization and Monetary Policy Institute, Working Paper No. 260.

Section II – *The Global Economic Impact of the COVID-19 Pandemic*

The economic impact of COVID-19 is evident in most countries and has also been reflected in commodity and financial markets. In the United States (US) where economic growth was healthy in the final quarter of 2019, the closure of non-essential businesses in most states during the first quarter of 2020 dramatically curtailed economic activity and increased unemployment **(Chart IIa)**. Recent data showed lacklustre real GDP growth of 0.2 per cent (year-on-year) in the first quarter of 2020 and a significant increase in the US unemployment rate to 14.7 per cent in April 2020 (from 4.4 per cent in March 2020). In the United Kingdom (UK), after registering a modest outturn in the last quarter of 2019, real GDP shrank in the first quarter of 2020 due to COVID-19 concerns. The Euro Area confirmed a contraction in real economic activity of 3.2 per cent (year-on-year) in the first quarter of 2020, while weak available data bodes ill for the second quarter. Indicators of consumer and business confidence and PMI (Purchasing Managers' Index) for April 2020 in the Euro Area suggest that economic activity is set to remain weak. The Japanese economy has entered a recession following two consecutive quarters of negative real output growth owing to COVID-19.

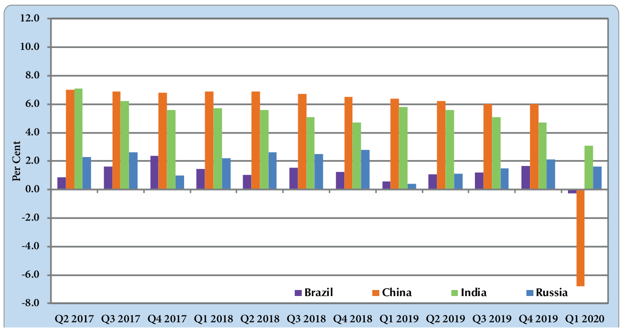
Regarding emerging market and developing economies (EMDEs), China's industrial production, retail sales, and fixed asset investment dropped drastically in the first quarter of 2020. The extended Lunar New Year holidays, the closure of non-essential businesses across the country and low demand for services because of social distancing resulted in a significant loss of working days and a contraction in first-quarter economic activity. However, the country has begun to take measures towards opening and production has started to recover. Following a slowdown in the final quarter of 2019, a nation-wide lockdown in India during March resulted in a significant output loss in the first quarter of 2020 **(Chart IIb)**. The situation in other EMDEs is likely to be comparable as they implement similar measures and perhaps will worsen as the rate of infections in some EMDEs picked up in the second quarter.

Chart IIa:
Selected Advanced Economies - Real GDP Growth
(Year-on-Year Per cent Change)



Source: Bloomberg

Chart IIb:
BRICs Countries – Quarterly Real GDP Growth
(Year-on-Year Per cent Change)



Source: Bloomberg

Economic growth in the Caribbean has been slowing as countries implement containment measures. For instance, in Jamaica, where economic growth stalled in the fourth quarter, a severe slump has occurred, especially within the tourism sector. Measures taken in March to contain the virus curtailed work days and severely compromised government revenue. The situation has been similar in Barbados and The Bahamas and other Caribbean territories.

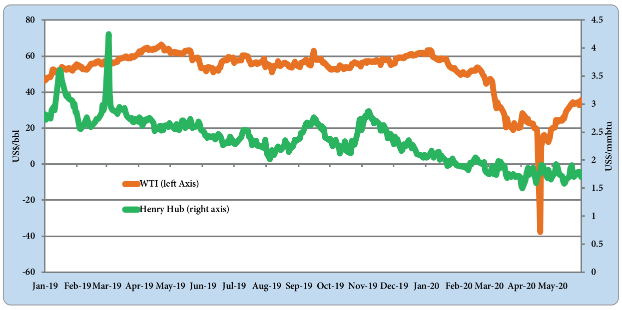
In commodity markets, between January and February, global crude oil demand plummeted in reaction to the spread of COVID-19, putting downward pressure on oil prices. Following this, in March, global supply rose sharply when OPEC-led talks about restraining output failed. On April 20, West Texas Intermediate (WTI) futures prices for delivery in May 2020 turned negative as fears arose that oil storage space in the US was running out **(Chart IIc)**. Owners of May oil futures were, therefore, willing to pay persons to take ownership of the stock. From January to April, crude oil prices dipped by almost US$41 per barrel, a decline of nearly 71 per cent. Natural gas prices fell by 14.3 per cent over the same period, reflecting the persistently weak demand due to mild weather in importing countries. In May, crude oil prices staged a small recovery following the drop to zero, but prices remained far below pre-pandemic levels.

The spread of COVID-19 has negatively affected international financial markets, heightening volatility and increasing borrowing costs. The Chicago Board Options Exchange (CBOE) volatility index (VIX[6]) began to rise in February 2020 and peaked at over 80 points in mid-March (the highest since the global financial crisis). The S&P 500, the Dow Jones Industrial Average and the FTSE100 shed, on average, about a fifth of their value during March 2020 **(Chart IId)**. Additionally, financial flows to EMDEs have reversed significantly as higher risk aversion and global uncertainty lead investors to shift their capital out of EMEs assets into safe haven instruments.

The Domestic Economy

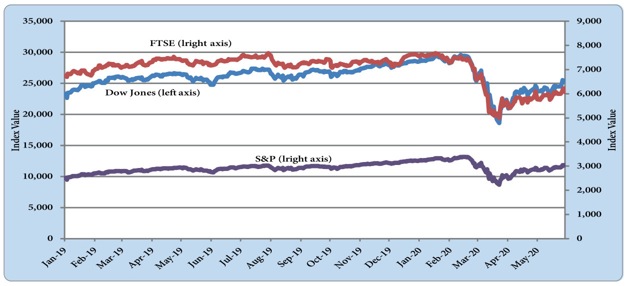
Before the COVID-19 pandemic, in the fourth quarter of 2019, the Trinidad and Tobago economy displayed tentative signs of modest activity. Preliminary data show a 1.4 per cent increase (year-on-year) in the Central Bank's Quarterly Index of Economic Activity (QIEA)[7] in the fourth quarter, led by the non-energy sector **(Chart IIe)**. Within

Chart IIc:
Crude Oil and Natural Gas Prices



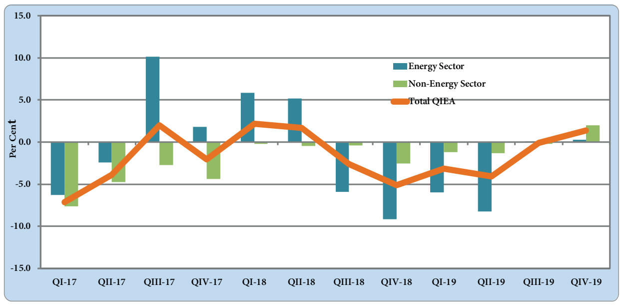
Source: Bloomberg

Chart IId:
International Stock Indicies



Source: Bloomberg

Chart IIe:
Domestic Economic Activity -
Quarterly Index of Economic Activity (QIEA)
(Year-on-Year Per cent Chaange)



Source: Central Bank of Trinidad and Tobago

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6 The VIX index is a benchmark index used to measure the market's expectation of future volatility. The index is based on option trading of the S&P 500 and is considered a main gauge of US equity market volatility. A level above 20 is considered to be high volatility.

7 The CSO is the official source of National Accounts (GDP) data in Trinidad and Tobago. The Bank compiles a Quarterly Index of Real Economic Activity (QIEA) to gauge short-term economic activity. The QIEA differs from the CSO's national accounts statistics in terms of methodologies and coverage. The QIEA is based on production indicators, excludes price effects and does not comprehensively cover all sub-industries measured by the CSO. For further details on the QIEA methodology and differences in the data see Box 2 of the January 2020 Economic Bulletin - https://www.central-bank.org.tt/sites/default/files/page-file-uploads/economic-bulletin-january-2020_5.pdf (pages 15-17); Box2 of the March 2017 Economic Bulletin- https://www.central-bank.org.tt/sites/default/files/ reports/ECONOMIC%20BULLETIN%20March%20 2017.pdf (pages 19-20); and Public Education Statement – November 2016 - https://www.central-bank. org.tt/sites/default/files/press_releases/ MPR-GDP%2014_11_16_0.pdf.See link to the CSO's quarterly National Accounts (GDP) data https://cso.gov.tt/subjects/national-accounts/.

the energy sector, higher crude oil production overshadowed a decline in natural gas production, but refining activity continued to falter. Activity within several key non-energy sectors, including wholesale and retail trade, finance and construction, improved when compared to the year-earlier period. Lending to the domestic private sector by the consolidated financial system continued to rise modestly, boosting activity in finance and insurance sector. Construction activity turned upward with the acceleration of public sector infrastructure programmes such as the Curepe Interchange and other major road works. One of several indicators used to track wholesale and retail trading activity is the number of motor vehicle registrations. An increase in the registration of motor vehicles also points to an improvement in the wholesale and retail trade sector, in the final quarter of 2019.

Latest available official labour market statistics show low unemployment in the third quarter of 2018 (4.6 per cent). This compared with an unemployment rate of 3.8 per cent in the second quarter of 2018. Supplemental data for 2019 suggest the labour market remains soft. More recently, as in most other countries, many workers stayed at home in late March to May 2020. Domestic inflation has remained low and stable. Headline inflation stood at 0.5 per cent in February 2020 (year-on-year), while food inflation stood at 1.0 per cent, mainly due to reported price declines for fresh vegetables and fruits **(Chart IIf)**.

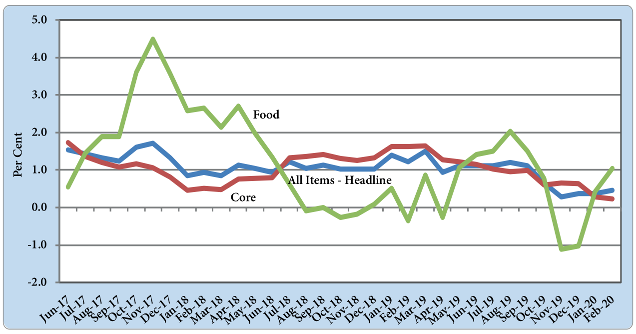
The Energy Commodity Prices Index[8] (ECPI), used by the Central Bank to gauge the overall movements in the prices of Trinidad and Tobago's main energy products, decreased (24.8 per cent) year-on-year during the period October 2019 to April 2020. Trade uncertainties and geopolitical tensions were significant contributors to suppressed oil prices over the final quarter of 2019 and early 2020 but by March the coronavirus restrictions worsened energy markets. Over the period October 2019 to May 2020, natural gas prices declined (24.9 per cent) on account of increasing shale gas supplies, milder weather conditions and the COVID-19 pandemic.

Over the first six months of FY2019/20, the Central Government recorded a higher budget deficit than in the comparable period a year earlier due to the decline in total revenue, which outpaced the fall in expenditure **(Table IIa)**. Energy revenue was affected by low energy prices, while non-energy revenue fell because of lower non-tax revenue as well as lower collections on income and international trade. To minimise the social and economic impact of COVID-19, the Government has implemented several financial and other support measures to affected persons and businesses. These support measures will contribute to a higher-than-projected budget deficit for 2020.

The local foreign exchange market remained tight over the first five months of 2020 **(Table IIb)**. Lower energy sector conversions led to reduced purchases from the market by authorised dealers. The economic situation was also reflected in a decline in demand for foreign exchange. Total sales to the public by authorised dealers fell by a relatively much larger magnitude compared to overall purchases. Over the period, the Central Bank lent support to the market via sales interventions amounting to US$585 million, slightly lower when compared with the year-earlier period. In May 2020, the weighted average selling rate stood at US$1 = TT$6.7773, from US$1 = TT$6.7791 in December 2019. At the end of May 2020, official international reserves stood at US$6.9 billion, equivalent to 8.0 months of import cover.

In December 2019, the Government of Trinidad and Tobago conducted a demonitization exercise of its $100 cotton note, replacing it with a polymer equivalent. **Box 1** presents a summary and an early evaluation of this exercise.

Chart IIf:
Index of Retail Prices
(Year-on-Year Per cent Change)



Source: Central Statistical Office

[8] For details on the calculation of the ECPI, see the Economic Bulletin July 2010, p84. https://www.central-bank.org.tt/sites/default/files/ Economic%20 Bulletin%20July%202010.pdf.

Table IIa: Summary of Central Government Fiscal Operations (TT$ Millions)

	2016/2017	2017/2018[r]	2018/2019[re]	Oct. 2019 - Mar. 2020	Oct. 2018 - Mar. 2019	2019/2020[b]
Revenue[1]	**36,180.6**	**43,169.7**	**46,559.1**	**17,477.5**	**21,557.0**	**47,748.9**
Current	34,870.1	42,331.9	45,586.3	17,400.1	20,586.6	46,798.4
Energy*	7,759.5	11,031.3	14,791.2	3,900.2	5,603.3	16,362.7
Non-Energy*	27,110.6	31,300.6	30,795.1	13,499.9	14,983.4	30,435.7
Capital	1,310.5	837.8	972.8	77.3	970.4	950.5
Expenditure	**49,712.0**	**48,866.5**	**50,503.7**	**22,864.5**	**23,408.0**	**53,036.4**
Current	46,263.5	45,374.4	46,910.3	21,428.5	22,165.2	47,800.4
Wages and Salaries	9,937.8	9,094.4	9,145.2	4,657.4	4,500.0	9,486.9
Goods and Services	5,827.2	6,102.1	5,570.1	2,369.7	2,364.3	6,951.4
Interest Payments	4,468.4	4,786.8	4,902.3	1,896.8	1,836.5	3,990.1
Transfers and Subsidies[2]	26,030.1	25,391.1	27,292.7	12,504.6	13,464.5	27,372.0
Capital Expenditure and Net Lending	3,448.5	3,492.1	3,593.4	1,435.9	1,242.8	5,236.0
Overall Non-Energy Balance[3]	**-21,290.9**	**-16,728.1**	**-18,735.8**	**-9,287.2**	**-7,454.2**	**-21,650.2**
Overall Balance	**-13,531.4**	**-5,696.8**	**-3,944.6**	**-5,387.0**	**-1,850.9**	**-5,287.5**
Total Financing (net)	**13,531.4**	**5,696.8**	**3,944.6**	**5,387.0**	**1,850.9**	**5,287.5**
Net Foreign Financing	**3,266.7**	**1,239.4**	**1,519.4**	**727.2**	**719.9**	**1,476.1**
Net Domestic Financing	10,264.7	4,457.4	2,425.2	4,659.8	1,131.0	3,811.4
Per Cent of GDP						
Revenue	**23.9**	**27.2**	**28.5**	**n.a.**	**n.a.**	**29.1**
Current	23.0	26.6	27.9	n.a.	n.a.	28.5
Energy	5.1	6.9	9.1	n.a.	n.a.	10.0
Non-Energy	17.9	19.7	18.9	n.a.	n.a.	18.5
Capital	0.9	0.5	0.6	n.a.	n.a.	0.6
Expenditure	**32.8**	**30.7**	**30.9**	**n.a.**	**n.a.**	**32.3**
Current	30.6	28.5	28.7	n.a.	n.a.	29.1
Wages and Salaries	6.6	5.7	5.6	n.a.	n.a.	5.8
Goods and Services	3.8	3.8	3.4	n.a.	n.a.	4.2
Interest Payments	3.0	3.0	3.0	n.a.	n.a.	2.4
Transfers and Subsidies	17.2	16.0	16.7	n.a.	n.a.	16.7
Capital Expenditure and Net Lending	2.3	2.2	2.2	n.a.	n.a.	3.2
Overall Non-Energy Balance	**-14.1**	**-10.5**	**-11.5**	**n.a.**	**n.a.**	**-13.2**
Overall Balance	**-8.9**	**-3.6**	**-2.4**	**n.a.**	**n.a.**	**-3.2**
Total Financing (net)	**8.9**	**3.6**	**2.4**	**n.a.**	**n.a.**	**3.2**
Net Foreign Financing	2.2	0.8	0.9	n.a.	n.a.	0.9
Net Domestic Financing	6.8	2.8	1.5	n.a.	n.a.	2.3
Memorandum items:						
HSF Transfers (+) / Withdrawals (-)	-1,712.2	0.0	0.0	-539.8	0.0	0.0

Source: Ministry of Finance

1 Prior to FY2018, asset sales are recorded under capital revenue. In FY2018, proceeds from the sale of NIF bonds are recorded under current revenue within the sub-category non-tax revenue.
2 Adjusted for transfers to the Infrastructure Development Fund, Government Assisted Tertiary Education Fund and CARICOM Petroleum Fund.
3 Computed as the sum of non-energy revenue and capital revenue less total expenditure.
* The energy and non-energy breakdown is based on the Central Bank's computations. Energy revenues comprise oil revenues plus revenues from Petrochemical companies. Budgeted data for FY2020 are estimates.
r Revised.
rb Revised Estimates.
b Budgeted.

Table IIb: Authorised Dealers: Foreign Exchange Market Activity (US$ Millions)

Date	Purchases from Public	Sales to Public	Net sales	Purchases from CBTT[1]
2015	4,930.8	7,382.2	2,451.4	2,640.9
2016	4,274.7	5,776.8	1,502.1	1,811.6
2017	3,606.9	5,195.3	1,588.4	1,816.0
2018	4,101.4	5,677.4	1,576.0	1,501.0
2019	4,285.6	5,939.8	1,654.2	1,504.0
Jan to May 2019	1,812.2	2,559.0	746.8	610.0
Jan to May 2020	1,496.5	1,941.4	444.9	585.0
Y-o-Y Per cent Change	**-17.4**	**-24.1**	**-40.4**	**-4.1**

Source: Central Bank of Trinidad and Tobago

[1] Purchases from the Central Bank of Trinidad & Tobago include transactions under the Foreign Exchange Liquidity Guarantee facility.

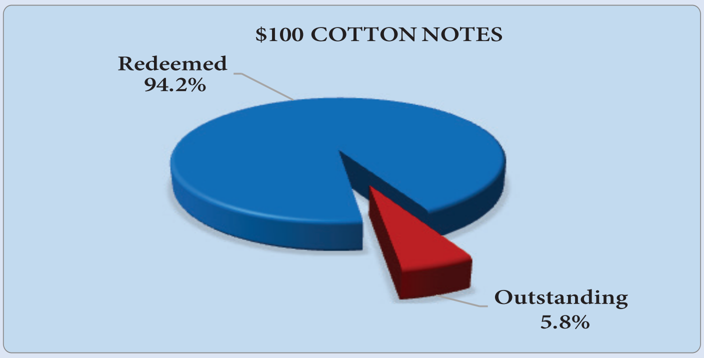
Box 1

Demonetization of the Trinidad and Tobago $100 cotton note

In December 2019, the Government and Central Bank of Trinidad and Tobago announced the demonetization of the $100 cotton note by December 31, 2019. The cotton $100 note was replaced by a polymer $100, which became legal tender on December 9, 2020. This box provides an overview of the process, as described by Hilaire and Mahabir (2020), and assesses the initial impacts of the process.

The demonetization process could be divided into three phases. In phase 1 the necessary amendments to the laws were undertaken, and the public was notified about the redemption process. Phase 2 saw the introduction of the polymer notes, and the public depositing and/or exchanging the cotton notes at financial institutions and the Central Bank. After the December 31, 2019 deadline, the public was allowed to exchange their cotton notes at the Central Bank until April 1, 2020 once certain criteria were fulfilled (phase 3).

Hilaire and Mahabir (2020) note that before the end of 2019, there was a significant increase in the value of deposits in commercial banks as persons relinquished $100 cotton notes in their possession. An increase in the number of deposit accounts was also noted, which suggested an increase in the level of financial inclusion in the country. The bulk of redemptions of $100 cotton notes at the Central Bank also occurred in the last two weeks of December 2019. By the beginning of 2020, currency in circulation had fallen significantly.



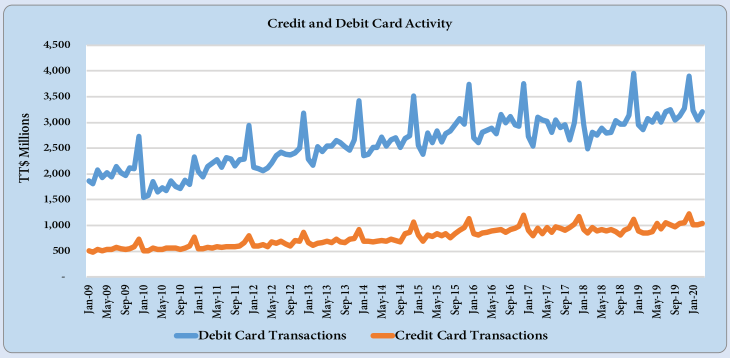
Source: Central Bank of Trinidad and Tobago

By April 2020, 94.2 per cent of the estimated 81.7 million cotton notes that were in circulation were returned to the Central Bank. This means that missing money amounted to TT$476.5 million. Compared to the experiences of India and Kenya this was a significant proportion that was not returned. Hilaire and Mahabir (2020) do make the point that not all the missing money would be illegal gains as some persons were not able to meet the deadlines for redemption, while some cash is being held as evidence in legal proceedings. The authors cite information from the Financial Intelligence Unit of Trinidad and Tobago which indicate a significant rise in the number of suspicious activity transactions reports in the December 2019 to April 2020 period. Investigations into these reports will determine if persons/companies were engaged in tax evasion/money laundering or other illegal activities.

Box 1 (Cont'd)

Demonetization of the Trinidad and Tobago $100 cotton note

The increased use of electronic financial products is one anticipated benefit of demonetization. In Trinidad and Tobago, the demonetization exercise took place at one of the busier shopping times, where there is usually a peak in the use of credit and debit cards. Information from the Central Bank suggests that while a peak did occur in December 2019, the use of cards fell to the pre-demonetization levels in the first quarter of 2020. Hilaire and Mahabir (2020) conclude that demonetization did not appear to have altered the trends in the use of cards and point of sale. They note that more formal testing of this hypothesis needs to be undertaken.



Source: Central Bank of Trinidad and Tobago

The Trinidad and Tobago experience provides lessons on how other countries can successfully implement a rapid demonetization.

Source: Hilaire, Alvin and Reshma Mahabir (2020). "The Great Exchange: Rapid Demonetization in Trinidad and Tobago", *Central Bank of Trinidad and Tobago* Working Papers WP 03/2020 June 2020.

Section III – *The Central Bank's Response to COVID-19*

Objectives, Measures and Tools

The response of the Central Bank to the COVID-19 shock is in keeping with its mandate and objectives. The mandate of the Central Bank is the promotion of monetary, credit and exchange rate policies that would foster monetary and financial stability and public confidence, favourable to the domestic economy. In keeping with its mandate, the Bank seeks to maintain a low and stable inflation rate, an orderly foreign exchange market, and an adequate level of foreign exchange reserves.

To achieve its policy objectives, the Bank monitors global and domestic economic and financial conditions and uses a variety indicators to inform its policy actions. The Bank monitors the differential movements in foreign and domestic interest rates (notably the 3-month and 10-year Treasury securities) to ensure that financial capital flows do not hamper growth and development. Significant swings in foreign interest rates, energy commodity prices and real output growth in overseas economies can transmit significant shocks to Trinidad and Tobago. The main domestic statistics monitored by the Bank relate to economic output, inflation rates, credit, fiscal, and balance of payment conditions, with special focus on energy sector developments. Moreover, the Bank conducts rigorous economic forecasts, which it uses to guide policy actions.

Generally, during periods of slow economic activity and benign inflationary conditions, the Bank's monetary policy is accommodative, usually achieved by a lowering of the policy interest rate and an expansion of financial system liquidity. Accommodative policy actions are generally aimed at supporting economic activity by reducing the cost of bank credit to the domestic private sector. Theoretically, by reducing the cost of borrowed funds, firms and households would be incentivised to increase their demand for bank credit. On the other hand, during periods of fast economic growth and elevated inflation, where the economy might be at risk of overheating, a tighter or more restrictive monetary policy stance would be required. In this situation, monetary tightening is achieved by increasing the policy interest rate and reducing financial system liquidity, which results in higher borrowing costs. This action is implemented in a controlled manner to alleviate elevated inflationary pressures.

However, the transmission of monetary policy actions to general financial conditions in many economies is notoriously slow. In Trinidad and Tobago, it has been estimated that a change in the Repo rate can take about 12 to 18 months to fully pass through. In the short run nonetheless, the Repo rate acts as a signal to economic agents as to where the Central Bank believes interest rates should be. One of the major domestic risks associated with the pandemic is a potential falloff in credit conditions and a downturn. As a result, the Bank's recent policy actions signalled a clear shift towards a robust accommodative stance.

During the 1990s when the country adopted many financial liberalisation policies, the Bank primarily employed indirect market-based instruments, open market operations (OMO), to effect monetary policy. However, in 2002, the Bank implemented a new framework utilising the Repurchase (Repo) rate to achieve its primary objectives. The Repo rate, which is an indirect policy tool, is the rate at which the Central Bank provides overnight financing to commercial banks that are temporarily unable to meet their liquidity requirements. The Repo rate is therefore used to influence the structure of commercial banks' interest rates and bank credit (via the interest rate and bank lending channels of monetary transmission), and changes to the rate are intended to signal the Central Bank's policy stance to the market **(Chart IIIa)**.

Although the Repo rate became the primary monetary policy tool of the Central Bank, the primary reserve requirement - which was introduced in 1966 for commercial banks, and extended to non-bank financial institutions in 1981 - was maintained as a direct policy tool. All licensed commercial banks and non-bank financial institutions are required to hold a percentage of their prescribed liabilities at the Central Bank on a non-remunerated basis. The Bank varies this reserve requirement percentage periodically to influence credit and monetary conditions through changes to banking system liquidity.

How are the tools intended to work?

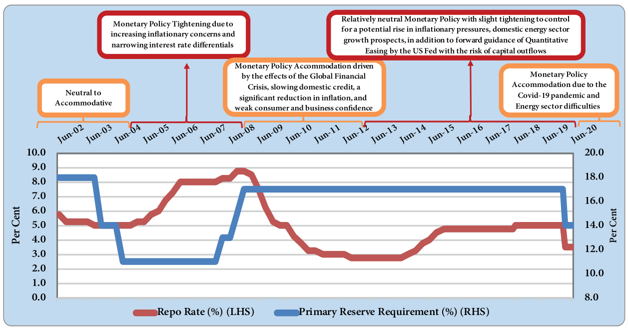
A reduction in the Repo rate reduces the cost of borrowing from the Central Bank and thereby lowers commercial banks' cost of funds. As the cost of borrowing becomes cheaper, commercial banks can grant loans at lower interest rates to their customers. All changes in the Repo rate since 2002 have generally been reflected in changes in the prime lending rates of commercial banks **(Chart IIIb)**. Interest rates linked to the prime rate will therefore decline, providing individuals and business entities with lower payments on their loans. However, the impact of lower interest rates on credit growth in the short run may be limited if many households lose jobs and businesses fail and an environment of uncertainty prevails.

The Central Bank of Trinidad and Tobago has also responded to the COVID-19 pandemic by reducing the primary reserve requirement of commercial banks. The primary reserve requirement determines the proportion of a commercial bank's prescribed liabilities that must be held at the Central Bank in a non-interest bearing account. A reduction in the reserve requirement increases the amount of funding resources that are available to commercial banks for on-lending. The Central Bank estimated that the most recent reduction in the reserve requirement lead to an immediate $2.6 billion increase in system liquidity. The boost in liquidity will support commercial bank measures which were implemented in response to the pandemic.

Results of the Central Bank's Response to the effects of COVID-19

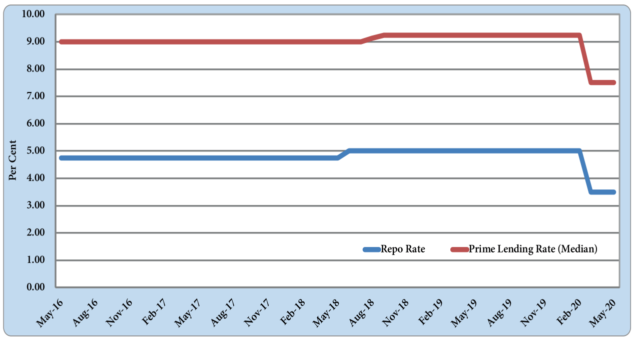
The effect of the Bank's measures on system liquidity was pronounced. Over January to mid-March 2020, excess liquidity generally declined, moving from $6,245.7 million on January 2, 2020 to $2,406.3 million on March 17, 2020. The daily average level of excess liquidity over January 2 - March 17, 2020 was $4,040.6 million. Following the Bank's actions, liquidity increased immediately to $5,147.8 million on March 18, 2020. Over March 18 - 31, 2020, daily excess liquidity averaged $5,720.9 million, before rising slightly to $5,736.8 million in April. Daily average excess liquidity increased further to $8,336.5 million over May 2020 **(Chart IIIc)**.

Chart IIIa:
Monetary Policy Instruments of the Central Bank of Trinidad and Tobago



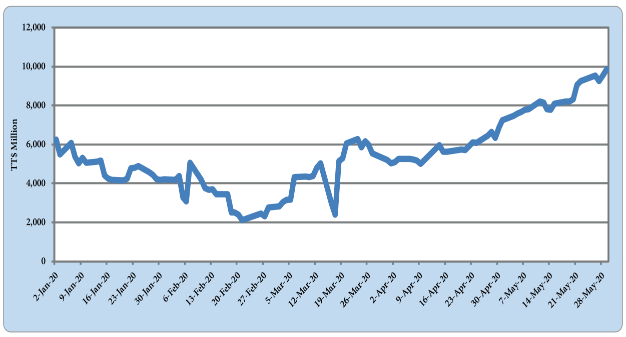
Source: Central Bank of Trinidad and Tobago

Chart IIIb:
The Repo Rate Median Prime Lending Rate



Source: Central Bank of Trinidad and Tobago

Chart IIIc:
Commercial Banks' Excess Reserves



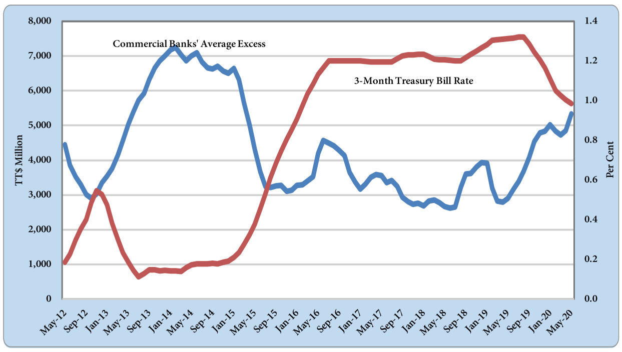
Source: Central Bank of Trinidad and Tobago

The increase in liquidity was supported by a rise in net maturities of open market operations (OMO) bills after mid-March. In January 2020, net OMO activity withdrew $5,392.0 million from the financial system, while in February 2020, OMOs withdrew a further $382.0 million from the system. However, as the monetary measures responding to the COVID-19 fallout were enacted, OMO activity resulted in net maturities of $2,567.0 million being injected into the financial system in March and $2,767.0 million in April 2020. Over May 2020, net maturities of OMOs injected $400.0 million into the financial system. The increase in excess liquidity after the Bank's response to COVID-19 reduced interbank borrowing activity to a daily average of $16.6 million over March 18 to May 29, 2020, from a daily average of $50.1 million observed over January 2 to March 17, 2020.

In terms of the impact on interest rates in the financial system, complete data from the financial system is not yet available to make a comprehensive assessment. However, following the reduction of the Repo rate by 150 basis points on March 17, most commercial banks adjusted their prime lending rates. The result was that the median prime lending rate fell from 9.25 basis points to 7.50 basis points. Interest rates on loans tied to prime fell automatically. For loans with variable interest rates, the interest rates will fall as customers interact with their banks when interest rates are due to be reset.

On the securities market, short-term interest rates decreased slightly from January to May 2020. The TT 3-month Treasury bill rate declined by 3 basis points since January 2020 to reach 0.96 per cent by May. The TT 3-month rate has gradually declined over the previous 12 months owing to the willingness of primary dealers of Treasuries to hold short-term instruments at lower rates, as the facilitation of capital market activity of the Central Government by the Bank over that period resulted in higher liquidity levels. While the rate on the TT 3-month Treasury bill has not yet been observed to decline as a specific result of the monetary actions in March 2020 related to COVID-19, a historically inverse relationship is known to exist between this rate and liquidity levels (Chart IIId). This implies that if high liquidity levels persist, the TT 3-month Treasury rate can be expected to decline further.

Chart IIId:
Historical Relationship between Excess Reserves and the 3-Month Treasury Bill Rate (6-Month Average)



Source: Central Bank of Trinidad and Tobago

The rate on the US 3-month Treasury bill declined by 221 basis points over the preceding 12-month period ending in May 2020, reaching 0.14 per cent at the end of May. This decline corresponded with the accommodative policy actions of the Federal Reserve undertaken in late 2019 through to the beginning of 2020 as a response to capital and financial market turbulence that preceded and accompanied the spread of the COVID-19 virus. As a result, the 3-month TT-US differential moved from 103 basis points below parity in May 2019 to reach 31 basis points below parity by the end of February 2020. As the 3-month US Treasury rate declined further in response to measures addressing COVID-19 in March 2020 by the Fed, the 3-month differential reached 85 basis points above parity. By the end of May, this differential declined slightly to 82 basis points above parity. Unless the Fed tolerates deeply negative short term rates in the near term, the US 3-month rate does not have much space to decline further. Thus the expected tempering effects of the amplification of excess reserves on domestic short term rates imply that it is reasonable to expect that the TT-US 3-month differential will decline in the coming months.

Comparison of the Central Bank of Trinidad and Tobago's measures with measures by other central banks

Many central banks around the world, like Trinidad and Tobago, have taken bold policy measures to contain the economic fallout of COVID-19. The objectives have been to provide liquidity to support businesses and consumers, to minimise the loss in economic activity and employment and to avoid any impairment of the financial systems. Most central banks have primarily loosened monetary policy through policy rate reductions but, given the severity of the COVID-19 shock, some have also provided direct liquidity injections by purchasing assets or by opening or expanding credit facilities to certain institutions.

The measures adopted by central banks will depend on several factors, one of which is inflation expectations. Ahead of the rise of COVID-19, inflation had been under control in many countries, thus affording space for banks to reduce interest rates. This was the case in Trinidad and Tobago where inflation had averaged below 1 per cent for over two years. Also, with the Repo rate at 5.00 per cent up to February 2020, the Bank possessed sufficient headroom to accommodate a sizeable reduction of 150 basis points in the rate as was needed. However, in some countries where the pass-through of policy rate reductions to market interest rates is lethargic or unreliable, where they exist, reserve requirements cuts can be an additional option. The Bank, partly for similar reasons, supplemented the reduction in the Repo rate by a decreasein the primary reserve requirement.

If permitted by their governing legislation or instruments, and in situations where policy rates are so low that there is not much room for cutting them further, some central banks may implement unconventional monetary measures such as quantitative easing. This was evident in many advance economies during the global financial crisis when some central banks introduced negative interest rates, expanded their balance sheets by buying government securities, introduced new lending facilities or extended the range of institutions that could benefit from them. In countries with deep capital markets and sizeable government security portfolios, asset purchase programmes are common when policy rate options have been exhausted. This option is not readily available to the Bank given the restrictions in the legislation and the shallowness of the domestic capital market. For comparison with what the Bank has done in response to COVID-19, the remainder of this section outlines some of the measures selected countries have taken in the wake of the COVID-19 shock.

Anticipating that the coronavirus will weigh on economic activity in the near term and pose risks to the US economic outlook over the medium term, the Federal Reserve implemented a range of measures. The Fed Funds rate was slashed by 50 basis points and 100 basis points on March 3 and March 15, respectively, before holding the target range for the instrument at 0 to 0.25 per cent in April 2020 **(Chart IIIe)**. Earlier, on March 23, 2020, the Fed outlined an extensive support programme, including unlimited bond purchases and a series of credit facilities for business and consumers. These facilities included up to US$300.0 billion in new financing encompassing:

- The establishment of support credit to large employers under the Primary and Secondary Market Corporate Credit Facilities.
- A Term Asset-Backed Securities Loan Facility (TALF).
- Facilitating the flow of credit to municipalities by expanding the Money Market Mutual Fund Liquidity Facility (MMLF).
- The expansion of the Commercial Paper Funding Facility (CPFF) for the flow of credit to municipalities and for eligible small and medium-sized businesses - the Main Street Business Lending Program.
- The Paycheck Protection Programme Liquidity Facility (PPPLF) to provide liquidity to small businesses.

Meanwhile, in the Euro Area, with policy interest rates already at extremely low levels (0.0 per cent on its main refinancing operations and -0.5 per cent on deposit facility), the European Central Bank's (ECB's) response to the COVID-19 crisis inevitably involved significant unconventional policy. On March 12, 2020, the Governing Council of the ECB announced a stimulus package including additional longer-term refinancing operations (LTROs) to provide immediate liquidity support to the Euro Area financial system until June 2020. Further, the ECB committed to apply more favourable terms for the targeted longer-term financing operations (TLTRO) III from June 2020 to June 2021 to support bank lending to small and medium-sized enterprises. On March 18, 2020, the ECB announced a new Pandemic Emergency Purchase Programme with an envelope of €750.0 billion which will complement its previous expansion of net asset purchases by €120.0 billion until the end of 2020. Finally, the ECB will make available up to €3.0 trillion in liquidity through its refinancing operations.

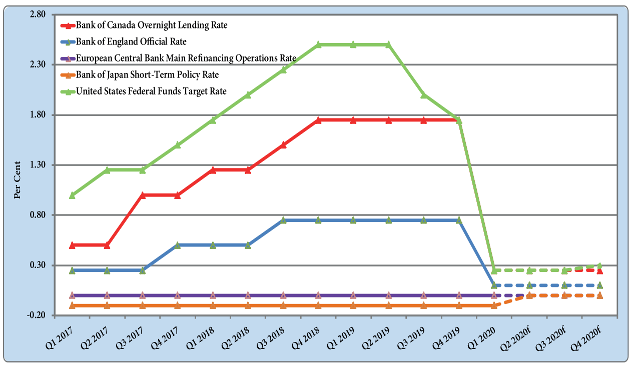
The COVID-19 response by the Bank of England (BoE) involves policy rate action and unconventional monetary policy. The BoE held its key interest rate steady at 0.1 per cent in May 2020, but this followed a cumulative interest rate cut of 65 basis points in March **(Chart IIIe)**. Given the low level of the policy rate, on March 17, 2020, the BoE introduced a Term Funding Scheme with additional incentives and launched the Coronavirus Business Loans Interruption Scheme to assist businesses. On March 19, the BoE increased the holdings of UK government bond and sterling non-financial investment grade corporate bonds by £200.0 billion to a total of £645.0 billion.

To ameliorate the economic fallout of the COVID-19 pandemic, the People's Bank of China (PBoC) injected liquidity into the financial system via open market operations (including RMB 3.0 trillion in the first half of February and RMB 170.0 billion in late-March), and cut policy interest rates and required reserves. In May, the PBoC maintained its benchmark interest rate- the 1-year Loan Prime Rate (LPR) at 3.85 per cent while the 5-year LPR- which is generally applied to new mortgage loans remained unchanged at 4.65 per cent. This follows previous reductions made to the rates in February and April 2020. Further, the PBoC announced that banks would grant extensions to qualifying small and medium-sized businesses on payments or interest due between January 25 and June 30, 2020. In addition, the interest rate on excess reserves (IOER) for financial institutions was lowered to 0.35 per cent from 0.72 per cent effective April 7, 2020. The PBoC also decided to implement targeted rate cuts of the required reserve ratio (RRR) by 50 to 100 basis points by mid-May.

In an emergency meeting on May 22, 2020, the Reserve Bank of India (RBI) lowered its Repo rate by 40 basis points to 4. 0 per cent following a previous reduction of 75 basis points on March 27. The RBI also decreased the interest rates on the reverse repos and marginal standing facility by 40 basis points to 3.35 per cent and 4.25 per cent respectively in May. However, the cash reserve ratio was kept steady at 3.0 per cent following a 100 basis points reduction to boost liquidity in March. The Reserve Bank also announced that it will conduct Targeted Long Term Repo Operation (TLTRO) of up to three year's tenor of appropriate sizes, and increased its marginal standing facility (MSF) to 3.0 per cent of the Statutory Liquidity Ratio (SLR).

The Bank of Jamaica (BOJ) kept its key policy rate at 0.5 per cent in March and May 2020. However, it announced other preemptive measures to assure adequate access of Jamaican and US dollar liquidity to financial institutions and the public. On March 26, 2020, the BOJ announced eight pre-emptive measures. Among three foreign liquidity measures were direct foreign exchange sales to

Chart IIIe:
Selected Advanced Economies (AEs): Policy Rates
(Per Cent)



Source: Bloomberg

authorised dealers and cambios and halting purchases of foreign exchange for investment transactions. Among the domestic measures outlined by the BOJ was the commencement of bond buying programmes (Government securities) and redemption of Bank of Jamaica securities. To ensure sufficient local currency in the system, the BOJ removed limits on and penalties for overnight borrowing by Deposit-Taking Institutions (DTIs) and reintroduced a longer-term lending facility and for DTIs for a period of 6 months. The BOJ also reactivated an Emergency Liquidity Facility that was established in 2015. Within the first five months of 2020, the BOJ introduced its Foreign Exchange Swap Arrangement and launched the reform of the Foreign Exchange Trading Platform to deepen the foreign exchange market as well as improve its liquidity and smooth functioning.

On March 30, the Central Bank of Barbados (CBB) eased its monetary policy stance. The CBB announced a reduction in the Bank's deposit rate - the rate at which it provides overnight lending to commercial banks and deposit-taking non-banks - to 2.0 per cent from 7.0 per cent as well as a reduction in the securities ratio for banks to 5.0 per cent from 17.5 per cent. For non-banks, the securities ratio would be eliminated from the previous 1.5 per cent. In addition, the CBB indicated its readiness to make collateralised loans for up to six months as liquidity support for licensees, if necessary.

In March, the Eastern Caribbean Central Bank (ECCB) approved EC$4.0 million or US$1.48 million to assist member countries[9] (EC$500,00 or US$185,185 0 per member) in the fighting COVID-19 - half of which has already been disbursed. On April 3, the ECCB reduced the central bank discount rate - the rate at which the Central Bank lends to governments and commercial banks to 2.0 per cent from 6.5 per cent.

[9] ECCU member countries are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

Section IV – *Outlook*

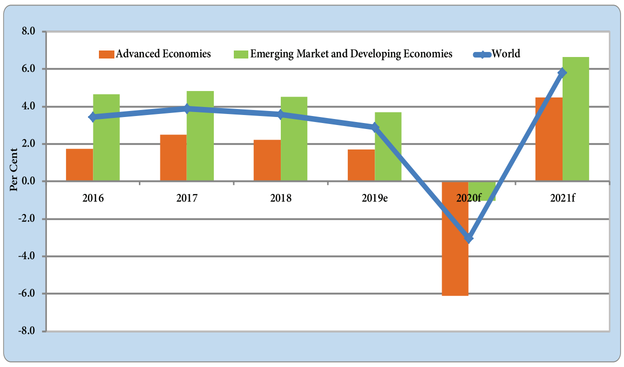
According to the IMF's World Economic Outlook (April 2020), the global economy is projected to contract by 3 per cent in 2020, an outcome worse than the 2008 global financial crisis **(Chart IVa)**. The recent projection represented a downward revision of over six percentage points relative to its October 2019 WEO and January 2020 WEO (Update). Economic growth in the AEs group, where several economies are experiencing widespread infection and are deploying containment measures, is forecasted to contract by 6.1 per cent in 2020. The EMDEs, taken as a whole, are forecasted to contract by 1 per cent. Other regions across the globe are also expected to experience severe contractions. In the Latin American and Caribbean (LAC) region, for instance, the IMF forecasted a decline of 5.2 per cent for 2020.

The IMF's global growth outlook carries significant downside risks. The impact of the pandemic could last longer than expected if the virus proves especially persistent and large-scale reinfections emerge in countries which contained its spread initially. Some affected countries have begun to relax containment and stay-at-home measures. The damage already done to business and consumer confidence implies that any recovery will proceed slowly in most cases. The pandemic will place immense pressures on central banks and governments and will increase the fiscal burden of some highly indebted countries, including those in the Caribbean region.

In Trinidad and Tobago, the impact of COVID-19 has adversely affected the short-term economic outlook, perhaps for the whole of 2020 depending on how the situation evolves. The necessary containment measures have already affected the non-energy sector, especially construction, manufacturing, transportation, and some segments of wholesale and retail trade **(Table IVa)**. In May, the Government outlined a six-phase plan for the reopening of the economy and tentative signs have emerged of a resumption in activity. In the second half of 2020, fiscal, structural and monetary policies will need to be closely coordinated and alert to deal with a very dynamic domestic economic environment, complicated by tremendous uncertainties on the global geopolitical and trading fronts.

The pace and extent of recovery in 2021 will depend on the still unknown path of this deadly pandemic and the repercussions on global trade, commodity markets and domestic business and employment. The Central Government's deficit is projected to be higher than initially budgeted for FY2019/20 resulting in a rise in public sector borrowing, supplemented by drawdowns from the HSF. The adjustments in the labor market that have already taken place, including layoffs and reductions in working hours, could persist for some time depending on the strength of aggregate demand. Meanwhile, headline inflation is likely to remain contained although prices of imported food items could pick up if global supply chains are severely disrupted. The Central Bank expects a smaller surplus in the country's external current account due to relatively subdued energy prices and more sluggish demand for Trinidad and Tobago's non-energy exports from CARICOM.

Chart IVa:
Global Growth: Real GDP
(Annual Per Cent Change)



Source: Central Bank of Trinidad and Tobago

Table IVa: Trinidad and Tobago: Summary Economic Indicators for 2018-2020

	2018	2019	Jan - May 2019	Jan - May 2020
Real Sector Activity				
Gross Domestic Product (GDP)[1]				
GDP at Current Market Prices (TT$ Billions)	161.2	n.a.	39.3*	n.a.
Real GDP Growth (%)	-0.2	n.a.	1.7*	n.a.
Energy Sector				
Total Depth Drilled (metres)	110,181.5	91,882.6	22,177.9*	11,539.7*
Crude Oil Production (b/d)	63,533.3	58,862.8	59,160.3*	57,375.0*
Crude Oil Exports (000 bbls)	8,047.0	21,971.7	5,818.8*	5,044.5*
Refinery Throughput (b/d)[1]	118,617.2	0.0	0.0*	0.0*
Natural Gas Production (mmcf/d)	3,585.1	3,587.8	3,790.0*	3,543.7*
Natural Gas Utilisation (mmcf/d)	3,378.0	3,439.1	3,628.0*	3,382.0*
LNG Production (000 cubic metres)	28,449.5	28,882.2	7,678.2*	7,252.4*
Fertiliser Production (000 tonnes)	5,431.1	6,103.9	1,663.4*	1,468.9*
Fertiliser Exports (000 tonnes)	4,924.3	5,205.9	1,391.5*	1,156.1*
Methanol Production (000 tonnes)	5,081.3	5,671.8	1,375.8*	1,467.5*
Energy Commodity Price Index (ECPI) (Jan 2007 = 100)	99.0	83.1	86.9*	66.8*
Non-Energy				
Local Sales of Cement (000 tonnes)	483.8	486.7	122.8*	121.9*
Vehicle Registered	24,073.0	25,091.0	10,284.0	5,868.0
Average Daily Job Vacancy Advertisements	357.0	320.0	340.1	180.2
Prices (Average)				
Year-on-Year Per Cent Change				
Producer Prices	-0.3	0.6	0.2*	n.a.
Headline Inflation	1.0	1.0	1.3**	0.4**
Food Inflation	1.1	0.6	0.1**	0.7**
Core Inflation	1.0	1.1	1.6**	0.3**
Monetary (End of Period)				
Year-on-Year Per Cent Change				
Private Sector Credit	4.3	4.6	3.5***	3.6***
Consumer Lending	6.0	6.1	6.0***	5.2***
Business Lending	0.2	-5.2	-4.3***	-5.7***
Real Estate Mortgages	6.6	12.5	8.8***	10.1***
M-1A	2.2	-4.3	0.8***	2.4***
M-2	3.1	0.1	2.4***	3.3***
Commercial Banks' Daily Average Excess Reserves (TT$ millions)	3,254.3	3,993.8	2,791.4	5,376.9
TT 91 day Treasury Bill Rate (End of Period; Per Cent)	1.30	1.08	1.32	0.96
Fiscal (Fiscal Year)				
Overall Fiscal Balance (TT$ Millions)	-5,696.8[r]	-3,944.6[re]	-1,850.9^	-5,387.0^
Overall Fiscal Balance to GDP	-3.6	-2.4	n.a.	n.a.
Financial Stability - Commercial Banks				
Non-Performing Loans to Gross Loans (Per Cent)	3.1	2.9	3.2	2.9
Capital Adequacy Ratio (Per Cent)	20.9	21.2	21.8	21.2
Capital Market				
Composite Price Index (1983 = 100; End of Period)	1,302.5	1,468.4	1,355.3	1,289.1
Volume of Shares Traded (Millions)	72.3	76.9	29.1	34.8
Mutual Funds Under Management (TT$Billions)	44.2	47.1	44.2^^	47.1^^
External				
US$ Millions				
Authorised Dealers Sales of Foreign Exchange to Public	5,677.4	5,939.8	2,559.0	1,941.4
Authorised Dealers Purchases of Foreign Exchange from Public	4,101.4	4,285.6	1,812.2	1,496.5
CBTT Sales to Authorised Dealers	1,501.0	1,504.0	610.0	585.0
Net Official Reserves (End of Period)	7,575.0	6,929.0	7,150.6	6,894.1
Import Cover (months)	8.0	7.7	8.1	8.0

Sources: Central Bank of Trinidad and Tobago, Central Statistical Office, Trinidad and Tobago Stock Exchange and Ministry of Energy and Energy Industries

1 GDP at current market prices and real GDP growth are sourced from the Central Statistical Office (CSO). Quarterly GDP are measured at producer prices. Growth rates for Q1-19 represent quarter-on-quarter growth rates.
2 Petrotrin's Refinery was closed in November 2018.
* For January-March.
** For January-February.
*** As at March.
^ For October - March.
^^ As at December.
r Revised.
re Revised estimates.
n.a. Not Applicable.