

HIGHLIGHTS



In Summary:

- The global economic outlook is clouded by uncertainty as the effects of China's growth slowdown, persistent inflationary pressures, the Russia-Ukraine crisis and possible recession in the US and other major economies has stymied the global recovery.
- Monetary authorities have aggressively tightened monetary policy to combat inflation. While policy tightening in Advanced Economies can help stabilise inflation, Emerging Market and Developing Economies are particularly susceptible to capital outflows and rising external borrowing costs.
- Domestically, economic activity continued its positive trajectory driven by an expansion in both energy and non-energy sector activity during the third quarter of 2022, according to Central Bank of Trinidad and Tobago estimates.
- Several global supply-side factors continue to have notable pass-through to domestic prices keeping food inflation relatively elevated.
- The reopening of the economy in late 2021 and resumption of regular activities set the stage for the expansion in business output. Strong business lending and a recovery in consumer lending drove credit expansion, despite the slow growth in real estate mortgage lending.
- The local market for foreign currency has benefitted from increased energy sector receipts in 2022 but remains tight. Higher inflows stemmed from increased conversions by energy sector companies.
- The Central Bank of Trinidad and Tobago's monetary policy stance continued to tilt in favour of supporting the domestic recovery; the Repo rate remained at 3.50 per cent since March 2020.

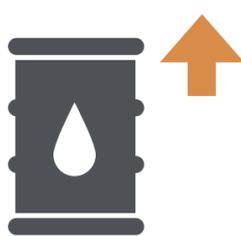
THE INTERNATIONAL ECONOMIC CONTEXT



Global growth forecasted to expand modestly by 3.2 per cent in 2022, according to the International Monetary Fund's October 2022 World Economic Outlook.



Multi-decade **high inflation rates challenge the global economy.** Inflation remained well above target in several major economies.



Crude oil prices remained elevated, driven by the Russia-Ukraine conflict, coupled with the reopening of several economies.



In **Latin America and the Caribbean real GDP growth was mixed** during the three months to September 2022.

DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS



Real economic activity gained momentum on account of **expansions in the energy and non-energy sectors.**



Domestic inflation accelerated, largely reflecting influences from the external environment which had **notable pass-through to domestic food prices.**



Elevated energy prices continued to fuel **export earnings growth,** but the reopening of the domestic economy has also increased imports.



Foreign exchange market conditions improved, benefitting from the rise in energy sector receipts in 2022. Purchases and sales of foreign exchange by authorised dealers rose over January to November 2022 compared to one year earlier.

MONETARY POLICY CONSIDERATIONS



Inflation stood at **6.2%** (y-o-y) in September 2022.



The 3-mth TT-US treasury differential declined to **-387 bps** in November 2022.



Private sector credit expanded by **7.1%** (y-o-y) in September 2022.



Excess reserves averaged **\$6.3bn** daily in November 2022.



Natural gas production improved by **20.0%**, but activity in the Petrochemicals sub-sector contracted by **8.6%** (y-o-y) in the third quarter 2022.

