

HIGHLIGHTS



In Summary:

- The global economy entered into recovery mode in the first half of 2021, but the recovery has been uneven across economies.
- The advent of the Omicron variant has heightened uncertainty as evidenced by the bout of volatility in international financial markets towards the end of November 2021. However, there is building consensus among economic analysts that the global economy is more resilient to the emergence of new variants.
- Major central banks continued to support their economies with the expectation that the recent bout in inflation would likely not persist beyond 2022.
- Based on Central Bank indicators, domestic economic activity continued to contract in the second quarter of 2021 due to lower energy and non-energy sector performances. However, the gradual reopening of the economy during the third quarter should be growth-supportive.
- Despite the softening of lending interest rates and elevated market liquidity, the ongoing crisis has caused private sector credit to taper off. Credit expansion was supported by real estate mortgage lending as business, and consumer credit continued to decline.
- The Central Bank of Trinidad and Tobago maintained an accommodative policy stance to ensure ample liquidity in the domestic financial and foreign exchange markets to support recovery from the effects of the COVID-19 pandemic.
- Inflation dynamics are likely to dominate monetary policy considerations in the coming months.

THE INTERNATIONAL ECONOMIC CONTEXT



The **International Monetary Fund**, in its October 2021 World Economic Outlook, marginally **revised downward** its global output growth forecast to **5.9 per cent** for 2021.



The **United States, China, and the Euro Area** are leading the global economic recovery despite weaker performances in the third-quarter of 2021.



The **global crude oil market** was **buoyed** by increased demand and tightened supply over June to October 2021.



Latin America and the **Caribbean** experienced **depressed economic performances** in the first half of 2021 partly due to low vaccination rates hindering the reopening of economies.

DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS

The COVID-19 pandemic continues to dampen the prospects for a rebound in real economic activity.



Up to September 2021 inflation remained contained but is expected to be impacted by supply-side factors.



Despite generally persistent tightness, elevated energy prices allowed some decompression of the domestic foreign exchange market thus far in 2021.



Exports have performed well thus far for 2021. The improvement was driven mainly by energy sector exports. The uptick in commodity prices amid stronger global demand underpinned the growth in energy receipts.



MONETARY POLICY CONSIDERATIONS

