Central Bank of Trinidad & Tobago

INFLATION

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FOREWORD

External communications are an important part of the business of the Central Bank of Trinidad and Tobago. The Bank's outreach initiatives are intended both to enhance its contribution to educating and informing the public generally, as well as to assist markets in understanding the Bank's policy actions and intentions.

In addition to the regular publications of its Research Department, the Bank's Outreach Programme has included lectures and speeches to school children by senior Bank officials, mentoring to undergraduate students and supporting an internship arrangement with the University of the West Indies.

This public education series is also a part of the Programme. Its intention is to provide information on topics and policies that are relevant to the management of the economy of Trinidad and Tobago. The world of business and trade is a fast-paced, ever-changing and challenging one, and the tools of knowledge and information must be strategically used to navigate it.

This pamphlet series is geared towards a broad readership. It is likely to be a good source of information for students at the secondary and tertiary levels, professionals and other members of the public who are interested in increasing their knowledge of economics and business.

The pamphlet will be published on a quarterly basis and will cover current and topical issues and explain new economic initiatives. In the series, every effort will be made to present the material in as non-technical a manner as possible while adhering to sound economic analysis and the highest editorial standards.

To this end, the Bank has invited three well-known economists from the private sector to join the editorial team, firstly to suggest

FOREWORD

topics that would be of interest to the public and secondly, to advise on ways to reach the target audience. The Bank also intends to invite guest contributors to the series from time to time.

We hope that the series raises the level of public awareness and public discourse on economic issues, and contributes to the strengthening of economic policy formation in Trinidad and Tobago.

Ewart S. Williams
Governor

Inflation

A. Definitions

Inflation is a sustained increase in the general level of prices. Since inflation is concerned with increases in the general level of prices, changes in the price of a single good or service cannot be characterized as inflation. The inflation rate is normally measured by percentage changes in the cost of a basket of consumer goods and services. In Trinidad and Tobago, the Retail Prices Index is the indicator used to measure inflation.

Inflation, as measured by the change in the overall retail prices index, is sometimes called “headline” inflation. This contrasts with core inflation, which excludes volatile changes in the prices of items like food (and in some countries, fuel).

The inflation rate for the year is measured either by the increase in the average value of the index over the previous year or the December-to-December increase in the index. By convention, the point-to-point increase is more widely used.

The term **“hyper-inflation”** has been coined to describe a scenario whereby prices rise to very high double-digit rates (usually in excess of 50 per cent). Hyper-inflation seriously erodes purchasing power, completely distorts economic signals and leaves the currency virtually worthless.

While **mild inflation** (of 2–3 per cent) is not considered a problem and may even provide useful support for resource allocation, it is widely accepted that inflation beyond single digits is highly distortionary. As a general rule, countries try to keep the domestic rate of inflation close to that of their trading partners to preserve competitiveness. In Trinidad and Tobago, the Government aims at maintaining an inflation rate of 4–5 per cent (measured on a December to December basis).

B. Sources of Inflation

Inflation can be explained by **"demand-pull"** and/or **"cost-push"** factors. **Demand-pull inflation** relates to the adage "too much money chasing too few goods". It is normally associated with money creation which, in most cases, comes from the monetization of a fiscal deficit, i.e. the provision of central bank credit to government to finance a fiscal deficit. In Trinidad and Tobago, while the fiscal accounts are in overall surplus, the drawdown of deposits at the Central Bank (the counterpart of energy sector revenues) to finance the non-energy fiscal deficit has a similar effect as money creation.

Since the wage bill is normally a sizable part of production costs, **cost-push inflation** could also result from an increase in wage rates in excess of productivity gains. Cost-push inflation may also be the result of increases in the prices of key inputs such as electricity, gasoline and transportation which affect the cost of a wide range of goods and services. Cost-push inflation could result from the devaluation of the currency which increases the prices of imported inputs in domestic currency terms.

C. Consequences of Inflation

Inflation can have widespread negative effects on various sectors of the economy, and high inflation prompts those affected to seek to protect the real value of their incomes. This makes the maintenance of relative price stability a paramount objective of economic policy.

First, **inflation affects the purchasing power of money**, i.e. it reduces the quantity of goods that can be purchased with a given amount of money. The higher the inflation rate, the faster one's purchasing power is eroded. Thus, for example, if inflation averaged

7 per cent a year for three consecutive years, then over the period, individuals would have effectively lost $196 out of every $1,000 held in cash.

Second, **inflation distorts incentives to save**. Under inflationary conditions, one's purchasing power is eroded over time and this encourages consumption rather than savings. For this reason, high inflation puts upward pressure on interest rates as savers demand compensation to forego consumption.

Inflation also affects investment decisions as it adds greater uncertainty to the future and this complicates business planning.

Economic agents seek to protect themselves from the consequences of inflation in several ways. For example, savers seek to protect themselves by demanding higher interest rates. They also avoid making long-term commitments and tend to prefer to hold short-term assets. More generally, in an inflationary environment, savers tend to avoid fixed-income investments in favor of assets where returns may adjust in line with inflation, such as indexed bonds or equities. On the lending side, in inflationary conditions, lenders tend to eschew fixed interest rate for variable interest rate loans (including mortgages).

Wage earners protect themselves by seeking larger wage settlements. In fact, especially when inflation is on the rise, trade unions tend to insist that wage agreements contain cost of living clauses as a means of protecting workers against inflation. Ironically, wage indexation has an inherent inflationary bias and can easily lead to a wage-price spiral – a situation in which one round of wage increases results in subsequent rounds of price increases which prompt further wage increases.

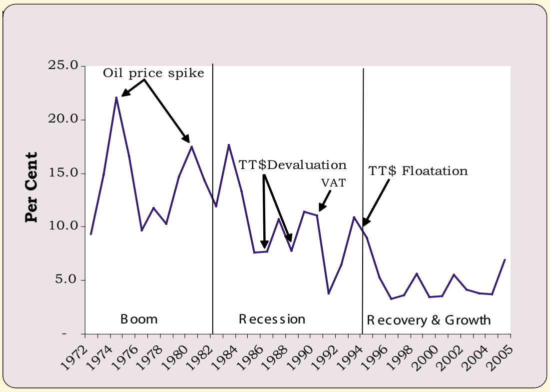
High inflation, or even moderate inflation sustained for a prolonged period, could foster an **inflation psychology** or **inflationary expectations**[1]. For example, if workers believe that inflation would remain high or is likely to be higher in the future, their wage demands are likely to reflect these expectations. Experience in non-competitive markets has shown that manufacturers and distributors are inclined to increase prices in anticipation of cost increases.

While some are able to protect themselves, **inflation affects disproportionately those who are on fixed incomes, like pensioners and the poor.** These groups face major hardships also because a significant part of their income is spent on basic cost-of-living items which are most affected by inflation.

D. The Inflation Experience of Trinidad and Tobago

During the last three decades, Trinidad and Tobago has had mixed experiences with inflation. Over the period, inflation has tended to follow a pro-cyclical path, rising in times of economic boom and falling during recessionary periods (Figure 1).

Figure 1
Trinidad and Tobago Inflation Profile, 1972 - 2005



Source: Central Bank of Trinidad and Tobago.

[1] **Inflationary expectations** must be distinguished from **inflationary perceptions**. The latter refers to the belief by consumers that the rate of increase in prices is larger than indicated by the consumer price index.

1973 - 1982

In the 1970s, the sharp rise in crude oil prices resulted in a significant increase in government expenditure which boosted growth and stimulated aggregate demand. With the non-energy fiscal deficit increasing sharply, inflation was at double-digit levels throughout this period. Between 1973 and 1982, the rate of inflation averaged 14.4 per cent and reached as high as 22 per cent in 1974 (Table 1).

TABLE 1

SELECTED ECONOMIC INDICATORS (1973 - 1982)

Year	Crude Oil Prices US$/bbl*	Real GDP Growth Rate %	Inflation Rate** %	Non-Energy Fiscal Deficit (% of GDP)
1973	2.70	1.7	14.8	-10.6
1974	9.76	3.8	22.0	-13.2
1975	10.72	1.5	17.0	-14.0
1976	11.51	6.4	10.4	-19.5
1977	12.40	9.1	11.8	-16.9
1978	12.70	10.2	10.2	-21.7
1979	17.26	3.6	14.7	-26.4
1980	28.67	10.4	17.5	-25.3
1981	32.50	4.6	14.3	-25.4
1982	33.47	3.8	11.4	-30.9

* Saudi Arabian Light crude was used as the marker crude for the period 1975-1988.

** period average.

Sources: Central Bank of Trinidad and Tobago and the Central Statistical Office.

1983-1992

Against the backdrop of a significant fall in government revenues resulting from the crash in crude oil prices, the economy slipped into a recession that lasted for about ten years (between 1983 and 1992). During this recessionary period, inflation eased markedly as the government implemented a number of fiscal adjustment measures which succeeded in significantly reducing private demand and the non-energy fiscal deficit (Table 2).

TABLE 2
SELECTED ECONOMIC INDICATORS (1983 - 1992)

Year	Crude Oil Prices US$/bbl*	Real GDP Growth Rate %	Inflation Rate** %	Non-Energy Fiscal Deficit (% of GDP)
1983	29.31	-10.3	16.7	-26.4
1984	28.47	-5.8	13.3	-26.8
1985	28.00	-4.1	7.7	-21.1
1986	15.00	-3.3	7.7	-17.2
1987	17.25	-4.6	10.8	-18.1
1988	13.43	-3.9	7.8	-14.6
1989	19.58	-0.8	11.4	-14.3
1990	24.12	1.5	11.0	-12.0
1991	21.62	2.7	3.8	-12.3
1992	20.57	-1.6	6.5	-10.6

* Saudi Arabian Light crude was used as the marker crude for the period 1975-1988. For the period 1989-2005, West Texas Intermediate (WTI) was used as the marker crude.

** period average.

Sources: Central Bank of Trinidad and Tobago and the Central Statistical Office.

1993-2004

Since 1993, Trinidad and Tobago has been experiencing significantly lower inflation. This can be traced to the pursuit of more disciplined demand management policies and the process of trade liberalisation which has facilitated an increase in imports.

Between 1994 and 2000, annual headline inflation averaged 4.8 per cent. Headline inflation which declined to an average of 3.7 per cent between 2003 and 2004 surged to 6.9 per cent in 2005. The sharp increase in inflation in 2005 reflected the resurgence in the prices of food items which accounted for 18 per cent of the basket

TABLE 3
SELECTED ECONOMIC INDICATORS (1993 - 2005)

Year	Crude Oil Prices US$/bbl*	Real GDP Growth Rate %	Inflation Rate** %	Non-Energy Fiscal Deficit (% of GDP)
1993	18.45	-1.5	10.8	-7.4
1994	17.14	3.6	8.8	-6.5
1955	18.44	3.8	5.3	-7.8
1996	22.20	3.9	3.3	-8.4
1997	20.35	2.7	3.6	-5.7
1998	14.40	7.8	5.6	-6.4
1999	19.25	4.4	3.4	-7.8
2000	30.29	7.3	3.6	-7.1
2001	26.09	4.3	5.5	-6.8
2002	26.03	6.8	4.2	-6.7
2003	31.34	13.2	3.8	-7.5
2004	41.47	6.2	3.7	-8.8
2005	56.53	7.0	6.9	-11.3

* West Texas Intermediate (WTI) was used as the marker crude for the period 1989-2005.

** period average.

Sources: Central Bank of Trinidad and Tobago and the Central Statistical Office.

of goods and services used for the computation of the Retail Prices Index.

Food and Non-Food Prices

An unusually strong increase in food prices has played a major role in the inflation performance of Trinidad and Tobago since the mid-1990s. This increase in food prices has been significantly larger than that experienced by our neighbouring Caribbean territories (Table 4).

TABLE 4
Movement of Food Prices In The Caribbean
/End of Period/

Countries	2000	2001	2002	2003	2004	2005
Bahamas	2.3	1.9	1.0	2.6	3.7	2.3
Barbados	3.5	1.1	3.0	3.1	7.3	5.9
Belize*	0.6	0.5	1.1	2.6	2.5	4.7
OECS economies	n.a	-2.6	-0.7	1.1	4.0	5.8
Guyana	4.3	2.4	2.0	2.9	5.6	7.8
Haiti	20.6	8.3	16.1	37.7	22.2	16.6
Jamaica	4.4	6.8	7.8	11.2	16.2	12.3
Trinidad & Tobago	13.4	7.5	11.0	12.3	20.6	22.6
Regional Average	**7.0**	**3.2**	**5.2**	**9.2**	**10.3**	**9.7**

** Annual average percentage change.*
n.a. - not available.

Source: Central Bank of Trinidad and Tobago.

Between 2000 and 2005, food prices in Trinidad and Tobago increased on average by 14.6 per cent, almost twice the average increase for the CARICOM region.

By 2005, while many CARICOM Countries (with the exception of Haiti and Jamaica) recorded single-digit rates of food price inflation, food prices in Trinidad and Tobago increased by as much as 22 per cent, almost three times the regional average of 8.7 percent. This increase in food prices was heavily concentrated in the "fruits" and "vegetables" components which rose at an annual average rate of 20.2 per cent and 48.4 per cent respectively, in the period 2003-2005.

The high rate of increase of food prices could be attributed in part to supply constraints related to the structural decline in domestic agriculture over the past several years (see Table 5).

TABLE 5
INDICATORS OF AGRICULTURAL ACTIVITY

	2001	2002	2003	2004
Value added in domestic agriculture (percentage change)	7.8	(0.6)	(6.6)	(2.3)
Employment in agriculture (000)	40.1	36.1	31.1	26.0
Employment in agriculture (as a percent of total employment)	7.8	6.9	5.9	4.6

Source: Central Statistical Office.

To compound the structural factors, in the past two years, agricultural production has been further affected by serious floods in the rural areas. Hurricane damage to the agricultural sector in some neighbouring CARICOM territories resulted in a decline in agricultural exports to Trinidad and Tobago, further affecting domestic supply.

Core inflation, which excludes the impact of food prices, has also been creeping upward from around 1 per cent at the end of 2003 to 2 per cent in 2004 and 2.7 per cent in 2005. The rise in core inflation reflects increases in the cost of pharmaceuticals, meals in cafes and restaurants,education and rent[2].

[2] Over the last two years, there has been a sharp increase in construction materials and real estate prices. These are, however, not included in the Retail Prices Index.

In addition to these specific factors, the rate of increase in food prices has undoubtedly been influenced by the oligopolistic structure of the wholesale distribution sector which has allowed increases in transportation costs and port charges to be passed on to consumers. The structure of the sector and buoyant consumer demand also allowed for increases in markups.

As noted earlier, inflation is affected by the volatility in fuel prices. In Trinidad and Tobago, however, the recent rise in international oil prices has not had a major direct impact on headline inflation as domestic fuel and energy prices are heavily subsidized. There has, however, been an indirect effect through higher import prices and freight costs.

As noted earlier, inflation can result from both demand-pull and cost-push factors.

Demand-Pull Factors

Demand-pull factors had a major impact on inflation over the past few years. With the non-energy fiscal deficit increasing two and one-half fold since fiscal year 2002, it is clear that the chronic excess liquidity has also contributed to the recent increase in both headline and core inflation. The impact of the agricultural supply bottlenecks noted above has been exacerbated by the current buoyant demand pressures. This has placed added pressure on food prices. Moreover, the increase in core inflation from around 1 per cent (end of year) in

2003, to 2 per cent in 2004 and to 2.7 per cent in 2005, coincided with a phenomenal increase in the main liquidity indicators, such as commercial bank special deposits at the Central Bank and, in the latter years, in base money and in total bank liabilities.

Cost-Push Factors

The impact of wage developments on core inflation in recent years is not clear, in part, because of data limitations. Data on contractual wage settlements (Table 6) show an annual increase of about 3-4 per cent between 2002 and 2004 (9-12 per cent for three-year wage contracts). The wage index for the manufacturing sector (the index of average weekly earnings) has increased on average by 11.6 per cent a year over the same period. The impact of wage increases on unit costs in the manufacturing sector has, however, been moderated by gains in productivity.

TABLE 6
WAGES AND PRODUCTIVITY: MANUFACTURING SECTOR
(PERCENTAGE CHANGE)

	2000	2001	2002	2003	2004
Contractual Wage Increases (All Sectors) [3]	3.0	2.9	3.1	3.4	3.6
Average Weekly Earnings	9.0	9.4	11.6	13.2	14.7
Productivity	10.5	25.4	9.1	16.3	10.0

Sources: Central Statistical Office and Industrial Court of Trinidad and Tobago.

[3] Data from the Industrial Court of Trinidad and Tobago.

E. Regional Inflation Comparisons

Between 1991 and 2004, inflation in Trinidad and Tobago was below the average for the region but somewhat above that in the OECS and in Barbados - the countries that have fixed exchange rate regimes (Table 7). Inflation rates in Jamaica, Guyana and the Dominican Republic - countries with flexible exchange rate regimes - have exceeded, on average, inflation rates in the domestic economy.

Most of the countries in the Caribbean experienced an up-tick in inflation in 2005. Generally, the proximate cause was the pass-through effects of the significant rise in international oil prices. In Trinidad and Tobago, however, rising food prices and excess demand pressures were the main factors.

Table 7
Annual Average Inflation Rates In The Caribbean
/percent/

Countries	Avg 1991-2003	2004	2005
Bahamas	2.5	0.9	2.2
Barbados	2.6	1.4	3.2
Belize	1.8	3.1	3.5
Dominican Republic	11.7	51.5	4.2
OECS economies	2.3	1.5	2.0p
Guyana	16.1	4.7	7.1
Haiti	19.6	27.1	15.3
Jamaica	22.0	12.8	15.3
Trinidad & Tobago	5.2	3.7	6.9
Regional Average	**9.3**	**11.8**	**6.6**

p - provisional.

Source: Caribbean Centre for Monetary Studies.

F. Controlling Inflation

In Trinidad and Tobago, inflationary pressures have arisen from sources other than excess demand. Accordingly, effective inflation control requires that tight monetary policies be supported by fiscal discipline, wage restraint, exchange rate stability and very importantly, measures to increase agricultural output so as to moderate the rise in food prices.

It is tempting during a period of rising inflation to seek to limit price increases by price controls. Such controls essentially involve setting price limits using a variety of approaches including maximum price fixing, cost-plus price controls and subsidies. Price controls have a strong appeal to consumers since they hold out the promise of taming market forces. Experience has shown, however, that these controls are easily circumvented, invariably lead to shortages, and, in addition, have distortionary effects.

The Central Bank regards low inflation as its primary mandate. The Bank pursues this objective through monetary policy combined with its efforts to maintain exchange rate stability. The current monetary policy framework involves the implementation of open market operations to influence liquidity conditions in the banking system and the use of a policy interest rate (the Repo rate) to influence the whole range of commercial bank interest rates.

Since late 2004, the Central Bank has sought to tighten monetary policy in an effort to address inflationary pressures. In the process, the Bank has intensified liquidity absorption activities (through an increase in open market operations and through a one-time compulsory deposit facility[4]) and has raised the Repo rate by 225 basis points between March 2005 and June 2006.

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[4] To address the build-up in liquidity commercial banks were required to deposit in aggregate TT$1 billion and TT$0.5 billion in an interest-bearing account at the Central Bank in December 2005 and June 2006, respectively.

Technical Appendix I

Measurement of Inflation

In Trinidad and Tobago, the Central Statistical Office (CSO) is the agency entrusted with the responsibility of measuring the inflation rate. The CSO compiles various measures of inflation such as the producer prices index, the GDP deflator and the Index of Retail Prices (RPI). The RPI is the main indicator of changes in the average price level.

This price index allows one to compare average price levels and the purchasing power of a dollar at different periods of time as it relates to a fixed basket of goods. The RPI is an estimate of the ratio of the current price of a fixed market basket of consumer goods and services of constant quality to the price of that market basket in a specific base period. Items in the basket consist of goods and services that consumers purchase in their day-to-day living. Therefore, the RPI is essentially a consumer price index since it excludes non-consumer prices such as the prices of capital goods or the prices of goods and services consumed by enterprises or the Government. The inflation rate is measured by the percentage change in this index from period to period.

Groups which Comprise the RPI

The Central Statistical Office (CSO) utilizes a Household Budgetary Survey (HBS) as the basis for determining those goods and services that make up the market basket.

Goods and Services in the RPI are organized according to a classification system known as the Classification of Individual Consumption by Purpose (COICOP). Using this classification system, there are 12 divisions in the RPI of Trinidad and Tobago.

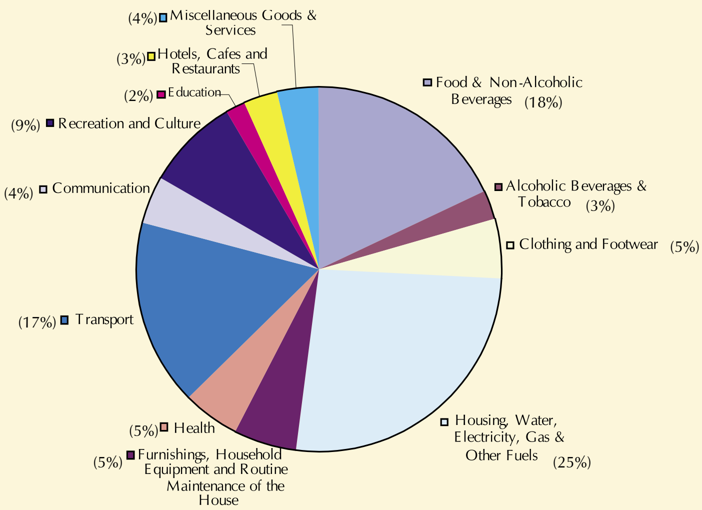
1. Food and Non-Alcoholic Beverages
2. Alcoholic Beverages and Tobacco
3. Clothing & Footwear
4. Housing, Water, Electricity, Gas and Other Fuels
5. Furnishings, Household Equipment and Routine Maintenance of the House
6. Health
7. Transport
8. Communication
9. Recreation and Culture
10. Education
11. Hotels, Cafes and Restaurants
12. Miscellaneous Goods and Services

Relative Importance of Commodities in the RPI (Weights)

The expenditure share of an item in the market basket is called its weight. The weight assigned to each item in the index reflects the item's relative importance. Weights are determined by calculating the relative proportion of expenditure of households on an item to the total expenditure by households on all items using data from the HBS. In order to maintain a basket composition that is representative of current consumption patterns, the CSO revises the weights every ten years based on data from the HBS. Since the weights remain fixed between revisions, the RPI is known as a fixed-weight index.

The weights of these categories are:

Figure 2
1997/1998 Weights by Division



Calculating the RPI

To produce an index for any given month, a 'price relative' for each item must be calculated. A price relative is the ratio of the price of an item between the current period and some base period. The base period is usually set to 100. The price relative gives us an item index for the particular month. At any point, the index shows the average change in price from the base period (initial price collection period). Price indices for the items are then combined following the hierarchy outlined in the classification system. A weighted average of the sub-indices produces an index for a particular category. This process continues up the hierarchy as category indices are combined to create class indices, followed by group indices, division indices and ultimately an "All Items" index, which is used to calculate the inflation rate for the period under review.

Interpreting Changes in the RPI

Once the index is calculated for a particular month, the published inflation rate is determined by calculating the percentage change between two periods. For reporting purposes, the most common comparisons of the index are:

- **Annual Point to Point:** between the current month and the corresponding month of the previous year;
- **Period Average:** between the average index for a period within a given year and the average index for the corresponding period of the previous year;
- **Annual Average:** between the annual average index of a given year and the previous year.

The first measure is the preferred method for reporting by the Central Bank of Trinidad and Tobago, since at the end of any given month the inflation rate reflects price changes for the preceding 12-month period (see Appendix Table A.1). The second measure (period average) is employed by CSO in the reporting of the inflation rate via the Trinidad and Tobago Gazette. The third measure (annual average) is calculated by deriving the percentage change between the annual average index for a given calendar year and the annual average for the previous year.

Appendix Table A.1
Trinidad & Tobago Inflation Profile, 2003 - 2005

	2003			2004			2005		
	Monthly Change	Year-to-Date	Year-on-Year	Monthly Change	Year-to-Date	Year-on-Year	Monthly Change	Year-to-Date	Year-on-Year
Jan	-0.13	-0.13	2.51	0.19	0.19	3.30	0.46	0.46	5.91
Feb	0.30	0.17	3.24	0.10	0.29	3.09	1.01	1.46	6.87
Mar	0.50	0.67	4.18	0.19	0.48	2.78	0.63	2.10	7.34
Apr	0.60	1.26	4.87	0.68	1.16	2.86	0.36	2.46	7.00
May	0.30	1.56	4.75	0.58	1.74	3.15	0.09	2.55	6.48
Jun	0.20	1.75	4.18	0.29	2.02	3.24	0.36	2.91	6.56
Jul	0.49	2.24	4.89	0.57	2.59	3.32	1.25	4.17	7.28
Aug	-0.10	2.15	3.60	0.28	2.88	3.71	0.26	4.43	7.26
Sep	0.00	2.15	2.98	0.57	3.44	4.30	0.26	4.69	6.94
Oct	0.59	2.73	3.72	0.75	4.19	4.47	0.61	5.30	6.79
Nov	0.29	3.02	3.82	0.56	4.75	4.75	0.78	6.08	7.03
Dec	-0.10	2.93	2.96	0.74	5.49	5.63	0.86	6.94	7.16
Annual Average		**3.81**			**3.72**			**6.89**	

Source: Central Statistical Office.

GLOSSARY OF TERMS

GLOSSARY

Cost-Plus Price Fixing
A method of price control where the profit markup of the seller is fixed.

Cost-push Inflation
A type of inflation which occurs when firms raise prices in order to maintain or protect margins after experiencing a rise in the cost of production.

Core Inflation
The component of measured inflation that has no medium to long-run impact on real output. It is usually derived by omitting volatile changes in the prices of certain items such as food and energy.

Demand-pull Inflation
Inflation which results from excess demand for goods and services. This excess demand leads consumers to bid up the prices of goods and services, especially in an environment of rising incomes.

Headline Inflation
The change in the general level of prices in the economy as measured by the Retail Prices Index.

Household Budgetary Survey
A survey conducted by the Central Statistical Office to determine the income and expenditure patterns of households.

Hyperinflation
A rapid and uncontrollable rise in prices at double-digit levels which may significantly erode a consumer's purchasing power.

GLOSSARY

Inflation
A sustained increase in the general level of prices.

Inflationary Expectations
Sentiments about the likely course that inflation may take over time. These can trigger price adjustments before the actual price indices are made known to the public.

Liquidity
The level of cash or near cash assets of financial institutions readily available to meet day-to-day transaction needs.

Market Basket
A collection of good and services that an average consumer purchases based on income and expenditure patterns determined by the Household Budgetary Survey.

Maximum Price Fixing
The establishment of a price ceiling for the trade of goods and services which sellers are legal bound to comply with.

Price Controls
Measures, usually temporary, taken by governments to limit price increases during times of rapid inflation.

Purchasing Power
The value of a particular monetary unit in terms of the goods or services that can be purchased with it.

NOTES

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Trinidad & Tobago

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