



**CENTRAL BANK OF
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MONETARY POLICY ANNOUNCEMENT

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CENTRAL BANK MAINTAINS REPO RATE AT 5.00 PER CENT

In October 2018, the International Monetary Fund lowered its global growth forecasts for both 2018 and 2019. Subsequently, several advanced and emerging economies reported slowing growth rates for the third quarter of 2018. Although trade tensions eased following the signing of the US-Mexico-Canada Agreement and signs of a truce in the tariff war between the United States (US) and China, Brexit remains a major source of global uncertainty that has been further shaken by recent US stock market volatility. In December, the US Federal Reserve raised the Fed Funds rate for the fourth time in 2018, to 2.25 - 2.50 per cent, but there is concern about potential crosscurrents that could soften growth in 2019 and affect the timing of further monetary policy normalization.

Domestically, after a positive outturn in the first half of 2018, a number of factors contributed to declines in production indicators in the energy sector in the third quarter. The year-on-year increase in natural gas production waned as the base effect of the coming on-stream of the Juniper natural gas platform in August 2017 ended, and several natural gas facilities suspended operations for maintenance within the three month period. Meanwhile crude oil production continued to slip in the context of maturing of the fields and methanol output was negatively affected by repair work to the plants. Preliminary indicators used by the Central Bank to measure non-energy economic activity, particularly construction and distribution, were also lower in the third quarter of 2018 relative to the same period in 2017.

Inflation remained low (1.00 per cent, year-on-year) in November 2018 with food prices contracting and core inflation holding steady. The floods of late October/early November resulted in price increases of certain fresh vegetables but these were offset by lower prices for

dried vegetables, fruits and meat. The one dollar increase in the price of a litre of super gasoline (from \$3.97 to \$4.97) in October 2018 led to only a small rise in general transportation costs to date. Throughout 2018 domestic inflationary impulses have been very muted in the context of sluggish demand.

Private sector credit continued to grow at a steady pace, with lending to consumers reaching 7.1 (year-on-year) per cent in October 2018. However, lending to businesses contracted by 1.3 per cent in October, reversing its growth trend since the start of the year. Available information to September 2018 show a slight narrowing in commercial bank interest spreads since the mid-year increase in the Central Bank's repo rate. The widening of the negative differential between Trinidad and Tobago and US 3-month treasury yields continued over the fourth quarter to mid-December from -89 to -112 basis points, reflecting faster increases in US yields on these instruments.

The Monetary Policy Committee (MPC) considered carefully the implications of international financial developments and prospects for Trinidad and Tobago's external balances. At the same time, it noted that the domestic growth momentum appeared to have slackened in the third quarter while inflation remained very low. Taking all factors into consideration, the MPC decided to **maintain the repo rate at 5.00 per cent.**

The Central Bank will continue to carefully monitor and analyze international and domestic developments. The next Monetary Policy announcement is scheduled for March 29, 2019.

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