



**CENTRAL BANK OF
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**MONETARY POLICY ANNOUNCEMENT
November 24, 2017**

CENTRAL BANK MAINTAINS REPO RATE AT 4.75 PER CENT

Since the last meeting of the Monetary Policy Committee (MPC) in September 2017, the International Monetary Fund raised its projections for global growth. In addition several of the advanced economies have gradually moved towards monetary policy normalization. It is widely anticipated that the US Federal Reserve will increase the Fed Funds rate in December 2017 and follow with similar actions in 2018. There has also been some firming of international energy prices.

Domestically, indicators suggest that there was slow activity in both the energy and non-energy sectors in the first half of 2017. However, statistics for the third quarter show that oil and gas production has increased in the context of higher output from BPTT's Juniper facility. A positive spillover effect to the non-energy sector is anticipated if the higher energy production is maintained.

Inflation has remained well contained through 2017 partly due to the subdued economic conditions. Headline inflation measured 1.2 per cent in September 2017 (year-on-year) with core inflation easing to 1.1 per cent and food inflation measuring 1.8 per cent. Other price indicators, such as at the wholesale level and for construction materials, showed similar patterns.

New information on the financial institutions reveals that private sector credit growth remains restrained. Overall lending to the private sector increased marginally in September 2017 to 3.7 per cent (year-on-year); this was largely due to growth in real estate mortgage loans (6.7 per cent) and loans to consumers (4.5 per cent) as lending to businesses was muted at 0.4 per cent. Liquidity in the banking sector crept up in last three months, with daily commercial banks'

excess reserves at the Central Bank averaging \$2,778 million over the first two weeks in November.

The MPC in its deliberations noted the positive global economic developments, the nascent recovery in the domestic energy sector and the low inflation rate. The MPC also took cognizance of the slow pace of lending to businesses as well as the possibility of a further narrowing of the TT-US interest rate differential. After taking all these factors into consideration, **the MPC agreed to hold the repo rate at its current level of 4.75 per cent.** The Bank will continue to carefully monitor and analyze international and domestic developments.

The next Monetary Policy Announcement is scheduled for March 29, 2018¹.

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¹ At the November 2017 meeting a decision was taken to adjust the periodicity of the regular MPC meetings from bi-monthly to quarterly in 2018, while allowing for the ability to convene extraordinary meetings if circumstances warrant.