Central Bank of Trinidad & Tobago

Monetary Policy Report

October 2010

Volume X   Number 2

MONETARY POLICY REPORT

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VOLUME X NUMBER 2

The Central Bank of Trinidad and Tobago conducts a monetary policy geared towards the promotion of low inflation and a stable foreign exchange market that is conducive to sustained growth in output and employment. This Report provides an account of how monetary policy actions support this objective, in light of recent economic developments.

Monetary Policy Report

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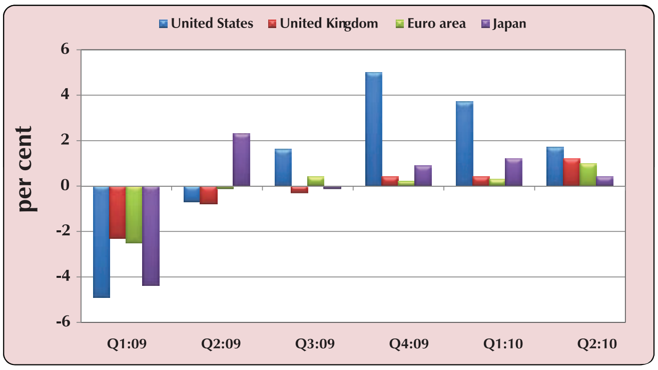
Chart Ia
Advanced Economies – Quarterly GDP Growth
(Quarterly Per Cent Change)



PART I – Overview

There is mounting evidence to confirm that the recovery in the global economy is proceeding at a slower pace than originally envisaged. Moreover, the data show marked disparities between the performance of the advanced and emerging market and developing countries (Chart Ia). In the former, the slow recovery is helping to keep inflation subdued but leaving in its wake historically high unemployment levels. Many of these economies are considering new measures to boost sluggish domestic demand and are looking to export expansion as an engine of faster growth. For their part, the emerging market countries are enjoying rapid growth and are recipients of sizeable capital inflows which are leading to exchange rate appreciation. The diverse exchange rate movements between the advanced and emerging market countries have raised concerns about currency manipulation.

The US economy is estimated to have grown at an annual rate of 2.0 per cent in the third quarter of 2010. While this was slightly faster than the 1.7 per cent pace recorded in the second quarter, it was still too weak to put a dent in the unemployment rate, which remains at 9.6 per cent. The slow pace of economic activity has prompted the Federal Reserve to commit to a new round of monetary easing, involving the purchase of Treasury bonds, in an effort to lower long-term interest rates.

In the Euro area, real GDP increased by 1.0 per cent in the second quarter of 2010, following a mere 0.3 per cent rise in the first quarter. More recent indicators suggest a moderation in the second half of the year reflecting ongoing fiscal consolidation and concerns related to new tensions in financial markets. Inflation measured 1.8 per cent in September, slightly higher than in August. Meanwhile, unemployment remained high, measuring 10.1 per cent in September.

In the United Kingdom, real GDP increased by 0.8 per cent in the third quarter, following a rise of 1.2 per cent in the second. The 12-month inflation rate for September was 3.1 per cent, unchanged from the previous month, while the unemployment rate edged down marginally to 7.7 per cent.

The sluggish economic performance of the advanced countries stands in stark contrast to the performance of the major emerging market countries (Chart Ib). In emerging Asia, real GDP growth in China is estimated at 9.6 per cent in the third quarter of 2010, down from an average of 11 per cent in the first two quarters of the year. The Bank of China has been introducing fiscal and monetary restraints to avoid the overheating of the economy. Nevertheless, at 3.6 per cent in September, inflation remains above this year's target of 3 per cent. In India real GDP growth reached 8.8 per cent in the second quarter, led by strong growth in manufacturing. The Reserve Bank of India has been raising interest rates to reduce inflation which now stands at 9.8 per cent.

Latin America is also performing strongly, with real GDP growth projected at around 7.0 per cent for 2010. The recovery is being led by Brazil, which has registered real GDP growth of 7.5 per cent. Meanwhile growth of 8.3 per cent is projected for Peru, 5.0 per cent for Mexico and 7.5 per cent for Argentina.

Chart Ib
Emerging Economies - Quarterly GDP Growth
(Year-on-Year Per Cent Change)

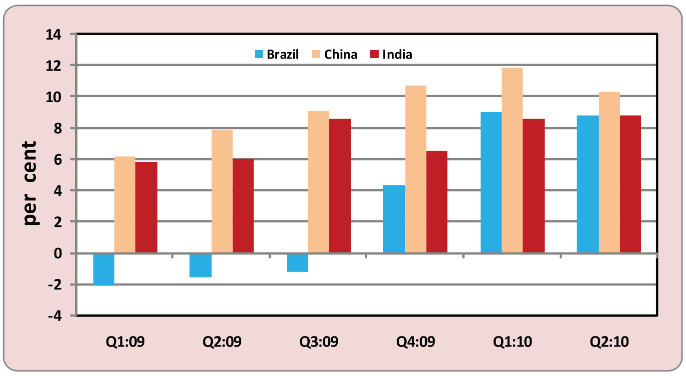
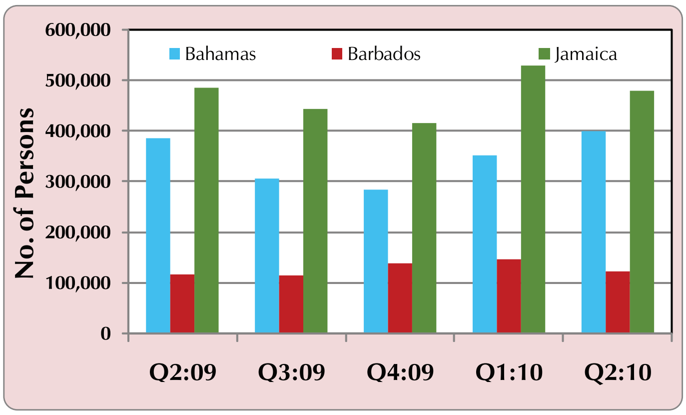


Chart Ic
Tourist Arrivals - Jamaica, Barbados and The Bahamas



Recovery in the Caribbean has been less robust than in Latin America. While tourist arrivals from the US have increased, this has been largely offset by the decline in European arrivals (Chart 1c). With continued high unemployment in the US, the likelihood is that there has been little if any recovery in workers' remittances. The impact of recent hurricanes can also further set back the recovery process. These factors explain the anemic economic performance of the region (Table Ia).

Table Ia
Caricom Real GDP Growth

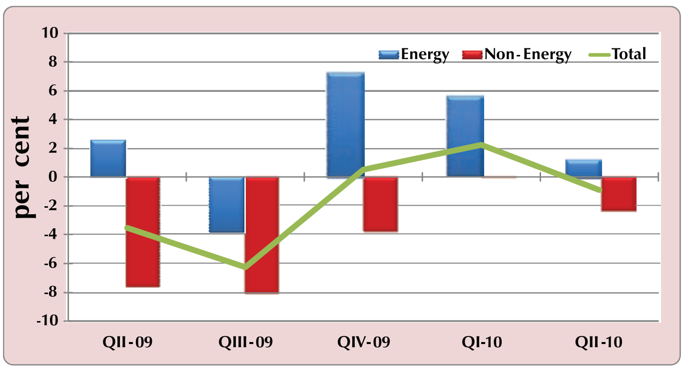
Country	2009	2010e
Bahamas	-4.3	0.5
Barbados	-5.5	-0.5
Belize	0.0	2.0
EC Currency Union	-6.7	-1.0
Guyana	3.0	2.9
Jamaica	-3.0	-0.1
Suriname	2.5	4.0

Source: International Monetary Fund, *World Economic* Outlook (October 2010).

The Domestic Economy

The last Monetary Policy Report in April, pointed to initial signs of recovery in the fourth quarter of 2009, after three consecutive quarters of GDP decline. Following another small rise in the first quarter of 2010, the trend was reversed as real GDP fell in the second quarter of 2010. The weakness in economic activity has been accompanied by a sharp increase in unemployment and a surge in headline inflation, largely reflecting supply bottlenecks in the agriculture sector. These developments have occurred in the context of a policy mix that sought to promote fiscal stimulus and an accommodating monetary stance.

Chart Id
Trinidad and Tobago: Real GDP Growth
(Year-on-Year Per Cent Change)



Economic Growth and Employment

Real GDP declined by 0.9 per cent in the second quarter of 2010, following growth of 1.9 per cent in the first quarter and 0.6 per cent in the last quarter of 2009.

The second quarter decline reflected slower growth in the energy sector and the continued decline in activity in the non-energy sector. The latest, the sixth consecutive quarterly decline in non-energy sector output, reflected falling output in construction, agriculture and distribution (Chart Id).

Several demand indicators confirm the weak non-energy performance. In June 2010, the index of retail sales of construction and hardware materials was 15.8 per cent lower than in the previous year and new automobile sales in September were 12 per cent below last year's level. Private sector credit granted by the financial system declined by 5.5 per cent in the 12 months to August 2010, while non-oil imports in the first six months were some 39 per cent lower than last year (Charts Ie to Ih).

Chart Ie
Index of Retail Sales
(Year-on-Year Per Cent Change)

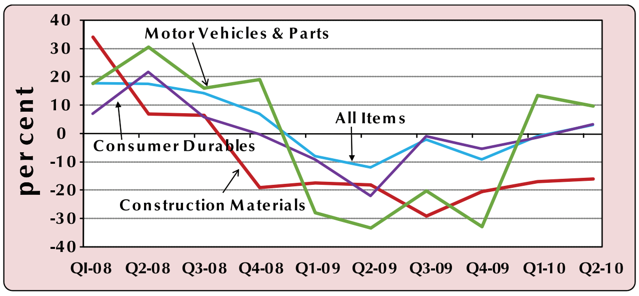


Chart If
New Motor Vehicle Sales

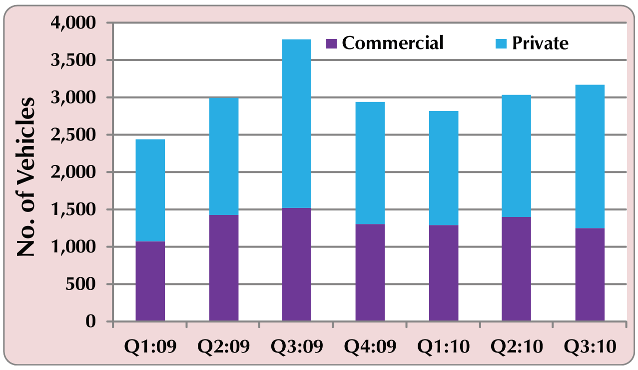


Chart Ig
Private Sector Credit by the Consolidated Financial System
(Year-on-Year Per Cent Change)

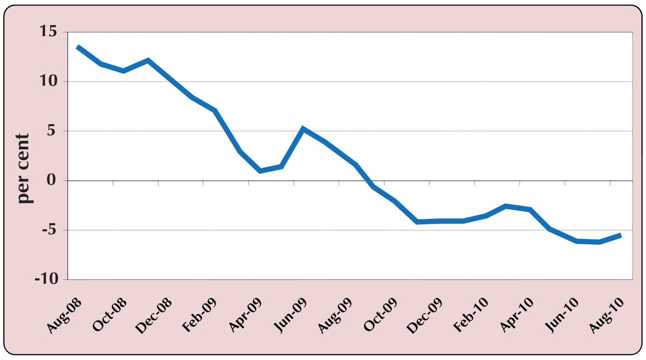


Chart Ih
Total ,Capital Good and Food Imports

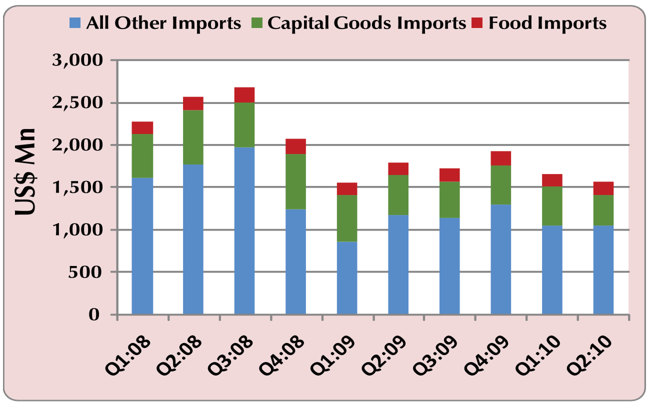


Chart Ii
Number of Persons employed and Unemployment Rate

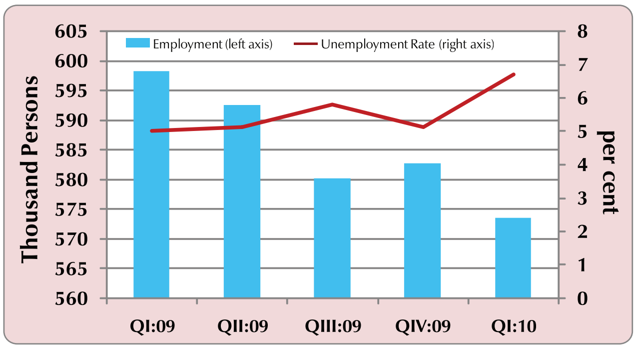
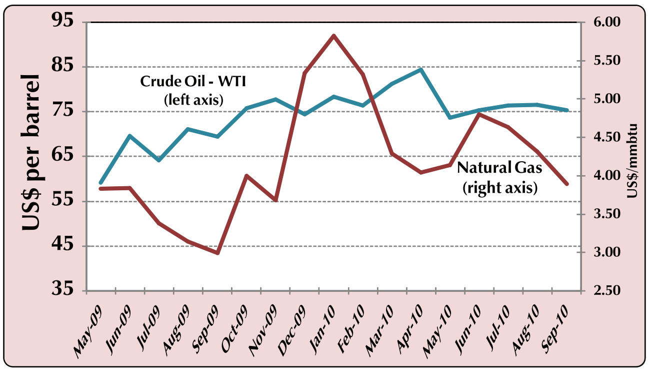


Chart Ij
Energy Prices



Rising unemployment has contributed to the weak demand conditions. During the first quarter, there were 24,700 fewer persons with jobs than in the corresponding period of 2009. More than one-half of the job losses were in the construction sector. The unemployment rate of 6.7 per cent in the first quarter of 2010, was the highest since June 2007 (Chart Ii).

External Developments

In the first six months of 2010, both exports and imports were lower than in the corresponding period of 2009. The 10 per cent decline in exports was largely due to the fall in volume of energy sector products. However, non-oil exports showed a significant increase. There was a small reduction in imports as an increase in crude oil imports was more than offset by a sharp reduction in non-oil imports, related to sluggish domestic demand. While the external current account surplus was 12 per cent smaller than in January-June 2009, because of the reduction in capital outflows, there was an overall balance of payments surplus of US$ 459 million in the first six months of 2010 compared with a deficit of US$ 578 million in the corresponding period of 2009.

Crude oil prices in the first half of 2010 have averaged about US$78 per barrel compared with US$51 per barrel in the corresponding period of 2009. While still well below the levels of 2007-2008, natural gas prices at US$ 4.7 per mmbtu (Henry Hub) were slightly higher than last year. There were also significant increases in petrochemical prices (Chart lj).

The rise in non-oil exports comes amidst concerns for the level of export competitiveness. Reflecting higher inflation than in our trading partners, the TT dollar appreciated by 14.9 per cent in real effective terms on a year-on-year basis to August 2010. Available data indicate that productivity in the manufacturing sector continued to increase, though at a much slower rate than in previous years. In addition a number of other indicators cited in the latest Global Competitiveness Report suggest that Trinidad and Tobago could be losing its competitive edge.

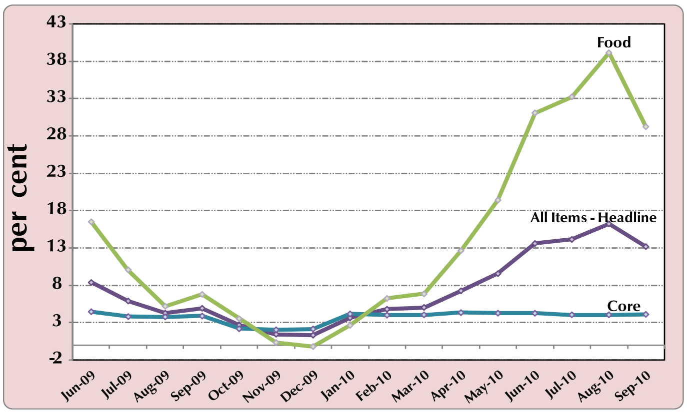
Inflation

Headline inflation, which stood at 1.3 per cent at end-2009 surged to 16.2 per cent as at August 2010, before declining to 13.2 per cent the following month. The jump was entirely due to food prices, which registered a 12-month increase of 39.1 per cent as at end-August before a 10-percentage point decline in September.

The sharp rise in food inflation has been driven by higher prices for fruits and vegetables following the crop destruction caused by floods. There have been much smaller increases in the prices of imported food suggesting that the sharp increases in international prices of certain main staples (wheat, rice and corn) have not been fully passed through to the retail level.

Since early 2010, core inflation has hovered around 4 per cent. The stickiness of core inflation, in the face of depressed demand and considerable spare capacity, reflects the relatively large share of administered prices in the food basket and a market structure that supports high levels of downward price rigidity (Chart Ik).

Chart Ik
Index of Retail Prices
(Year-on-Year Per Cent Change)



Financial Policies

(i) Fiscal Policy

The budget for FY 2010 (Oct-Sept) had envisaged a sizeable fiscal stimulus as represented by an overall deficit of 5.4 per cent of GDP (implying a non-energy fiscal domestic deficit of 16.4 per cent of GDP). The preliminary fiscal outturn indicated that, because of larger energy revenues, the overall deficit was of the order of 2.8 per cent of GDP. Whether this implies that the fiscal impulse was much less than projected is not certain since (i) central government capital expenditures (mainly construction) were larger than budgeted; (ii) several large scale capital projects were executed by special-purpose vehicles, which organised their own bank financing; and (iii) during the year there was reportedly a sizeable

Chart II
Fiscal Balance and Public Debt as a Per Cent of GDP

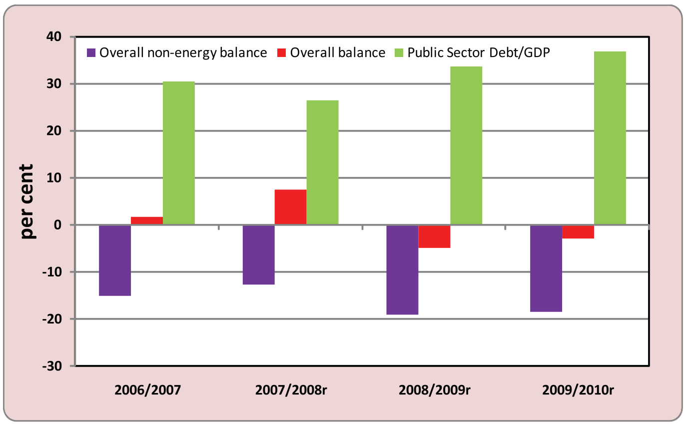
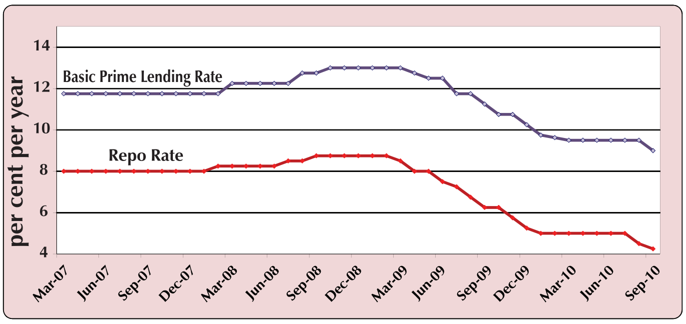


Chart Im
Repo Rate and the Prime Lending Rate



build-up of payment arrears, for which precise data are not available (Chart II).

The budget for FY2011 is designed to provide further fiscal stimulus, in the form of an overall fiscal deficit of 5.1 per cent of GDP (a non-energy fiscal deficit of 18 per cent of GDP). The budget also provides for a sizeable increase in transfers to households and specific fiscal incentives to stimulate activity in both the energy and non-energy sectors. It is far too early to assess the pace of budget execution. However, there is a downside risk that the fiscal deficit could be larger than budgeted because of the impact of i) slower economic growth on government revenues; and ii) wage settlements in the central government and the knock-on effect of a 38 per cent increase in the minimum wage. The budget deficit in FY 2011 is projected to raise public debt (excluding open market operations) further to 43 per cent of GDP.

(ii) Public Debt Management

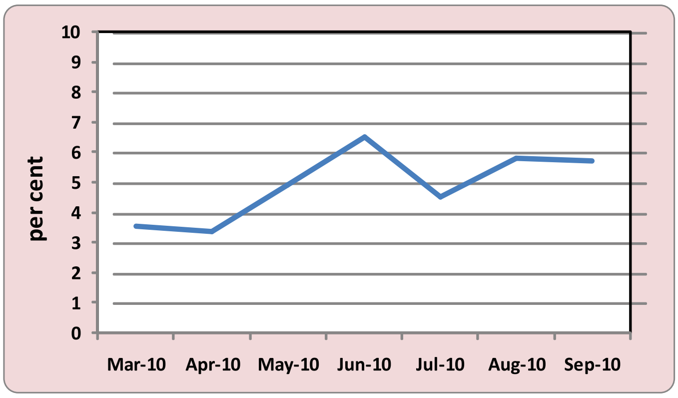
The shift from fiscal surplus to deficit combined with the fiscal cost of the Clico/CIB rescue has had an immediate impact on the public debt. From the equivalent of 34 per cent of GDP as at September 2009 public debt has risen to 37 per cent of GDP as at end-September 2010.

(iii) Monetary Policy

Since the last issue of the MPR April 2010, in an effort to reduce market interest rates and stimulate loan demand, the Central Bank lowered the repo rate by 100 basis points, from 5 per cent to 4 per cent. In response, commercial banks have lowered their prime lending rates from 9.5 to 8.9 per cent (Chart Im). The Central Bank policy action has, however, not yielded the expected results as bank credit outstanding has continued its steady decline which started 11 months ago. As at August, bank credit outstanding was 2.8 per cent lower than a year earlier. Both consumer and business credit show sharp declines but mortgage loans outstanding as at August 2010 were 7.1 per cent higher than 12 months earlier.

The non-response of credit demand to sharp declines in the policy rate can be attributed to several factors viz: i) uncertainties about the economy and about employment prospects have led many borrowers to avoid new indebtedness; ii) the interest rate reduction has been passed on to mortgage rates to a larger extent than to other bank loans; and (iii) the increase in non-performing loans have led some banks to tighten underwriting standards.

Chart In
Commercial Bank Excess Reserves
(in Per Cent of Deposit Liabilities)



Against the background of a marked increase in bank deposits and declining credit expansion, there has been an unprecedented rise in excess liquidity in the banking system which has driven treasury bill rates to record low levels (Chart In). This development combined with the narrowing of the spread between domestic and foreign interest rates has led to an increase in demand for foreign exchange to finance asset purchases abroad.

Short Term Outlook

While the economy was remarkedly resilient in the face of the international financial crisis, unlike in many emerging market countries, a strong resurgence in economic activity is yet to take hold in Trinidad and Tobago. Based on the latest indicators, real GDP growth in 2010 could be flat or at most 1 per cent, with inflation in double digits and unemployment reaching perhaps 7-8 per cent.

The outlook for 2011 will depend critically on the extent to which we arrive at a formula to re-establish consumer confidence and re-energize the private sector to begin investing and creating job opportunities.

The resurgence of private sector activity in 2011 is even more urgent since, after three successive years of fiscal deficits, the public sector cannot continue to be the sole engine of growth without pushing public debt to unsustainable levels.

The Bank has elaborated two scenarios for 2011. The more favourable assumes that global growth gains momentum, domestic private sector confidence recovers and household spending and private investment rebound. In this scenario, real GDP growth is projected at 2-3 per cent, just barely enough to generate new job creation and a marginal reduction in the unemployment rate. In the less favourable scenario, global growth recedes (with implications for both our energy and non-energy exports). Such an event may not promote an improvement in business and consumer confidence and would lead to another year of economic stagnation.

Fiscal policy will continue to have an important role in the economic recovery. In the Bank's view, a clear strategy for returning the fiscal accounts to approximate balance in the next two or three years should be an urgent priority. The Government should seek to achieve this objective without unduly compromising essential social programmes and infrastructural investment. This would require some combination of non-energy tax reform, a review of current expenditures and some re-prioritization of government capital spending.

Measures to bring inflation down to 6-7 per cent by end 2011 will help in the economic recovery. The Bank's calculations indicate that this could be achieved through a reduction in food price inflation to around 12-15 per cent combined with a further reduction in core inflation. The new policy thrust in the agricultural sector should serve to boost domestic production and contribute to reducing food price inflation. Reducing the fiscal deficit would facilitate the implementation of a monetary policy geared to achieve the required reduction in core inflation.

In the present environment of ample spare capacity, there is still room to accommodate an increase in domestic demand (through lower interest rates) without undue upward pressure on core inflation. As more spare capacity is utilized, the Central Bank will need to stand ready to tighten liquidity and raise interest rates to contain underlying inflationary pressures.

In addition to a three-to-five year fiscal framework, there is need for a clear strategy to set the stage for economic diversification and medium-term growth. One aspect of this strategy should be a programme, developed in collaboration with the major stakeholders, to significantly raise productivity and competitiveness in order to reduce reliance on the energy sector.

Part II – Monetary Policy

Monetary Policy

At the time of the last issue of the Monetary Policy Report in April, the Central Bank noted that it needed to carefully reassess its policy of reducing the repo rate in force since late 2009, in light of the threat of mounting inflationary pressures. Since then, food prices have continued to rise sharply as adverse weather conditions negatively impacted domestic agricultural production, driving up headline inflation. At the same time, core inflation has remained relatively stable while most indicators point to continued sluggish economic activity. Recent statistics show that real GDP declined slightly in the second quarter of 2010 following two quarters of growth driven by the energy sector. Moreover, job losses increased during the first quarter.

In the context of a still weak economy and inflation that appeared to be primarily driven by unusual supply shocks, the Bank resumed the reduction in the 'repo' rate, first cutting the rate by 50 basis points in August and then by 25 basis points in September as well as in October. Currently, the repo rate stands at its lowest ever level of 4.00 per cent (Chart IIa). In response, commercial banks' median prime lending rate has fallen to 9 per cent in September 2010 from 10.25 per cent in December 2009. Other lending rates have also decreased. In particular mortgage rates reached record lows, with those on new mortgages ranging from 6.65 per cent to 7.00 per cent.

Chart IIa

Changes To The Central Bank Policy Rate

Jun 2009:	'Repo' rate reduced to 7.50 per cent.
Jul 2009:	'Repo' rate reduced to 7.25 per cent.
Aug 2009:	'Repo' rate reduced to 6.75 per cent.
Sep 2009:	'Repo' rate reduced to 6.25 per cent.
Oct 2009:	'Repo' rate maintained at 6.25 per cent.
Nov 2009:	'Repo' rate reduced to 5.75 per cent.
Dec 2009:	'Repo' rate reduced to 5.25 per cent.
Jan 2010:	'Repo' rate reduced to 5.00 per cent.
Feb 2010:	'Repo' rate maintained at 5.00 per cent.
Mar 2010:	'Repo' rate maintained at 5.00 per cent.
Apr 2010:	'Repo' rate maintained at 5.00 per cent.
May 2010:	'Repo' rate maintained at 5.00 per cent.
Jun 2010:	'Repo' rate maintained at 5.00 per cent.
Jul 2010:	'Repo' rate maintained at 5.00 per cent.
Aug 2010:	'Repo' rate reduced to 4.50 per cent.
Sep 2010:	'Repo' rate reduced to 4.25 per cent.
Oct 2010:	'Repo' rate reduced to 4.00 per cent.

However, lower loan interest rates have so far failed to have the desired impact on credit demand. Bank lending continued to contract, while there has been a noticeable absence of private companies in the domestic bond market in 2010. Meanwhile there has been an apparent increase in risk aversion among depositors and investors over the past few months, leading to a greater move towards the relative safety of deposits at commercial banks. Such factors have contributed to a build up of liquidity in the banking system. Flush with surplus cash and limited investment opportunities, banks have reduced deposit rates to record lows (Chart IIb).

Conditions in the foreign exchange market have remained stable. Over time, however, a persistence of negative real rates of return on domestic deposits and a narrowing of the interest differential between local and foreign-currency denominated instruments could lead to an increased interest in foreign currency investments. Overall, during the first nine months of 2010, foreign exchange sales to the public by authorized dealers declined by 3.1 per cent when compared with the corresponding period one year ago. Meanwhile, inflows from the energy sector have been larger than in the similar period of 2009 and the Central Bank has had to intervene much less in the foreign exchange market. In this context, net official international reserves grew to just over US$9 billion at the end of September 2010 from US$8.7 billion at the end of December 2009.

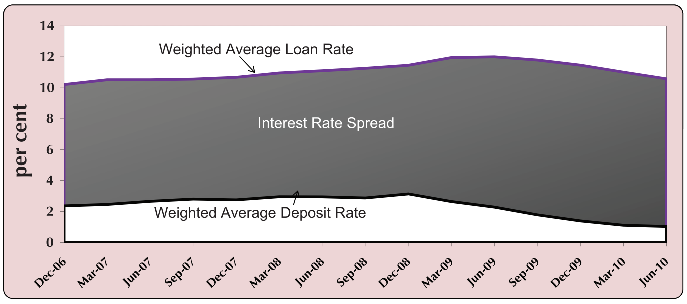
Domestic Setting

Following progressive reductions to the 'repo' rate since March 2009, which saw the rate fall from 8.75 per cent in February 2009 to 5 per cent in January 2010, rising inflationary pressures prompted the Bank to hold the rate steady in the following five months. However, in light of sustained evidence of a hesitant economic recovery including an increase in unemployment, as well as relatively stable core inflation, the Bank resumed its interest rate reduction strategy in August 2010. The 'repo' rate was lowered by 50 basis points in August then by 25 basis points in September as well as October, to a record low of 4.00 per cent.

In response to changes in the 'repo' rate, the median prime lending rate of commercial banks fell to 9.00 per cent by September 2010 from 10.25 per cent at the end of 2009. Weighted average lending rates also declined—the latest aggregated data show a drop by 88 basis points from the end of 2009 to10.58 per cent at the end of June 2010.

Meanwhile, over this period the weighted average deposit rate fell 36 basis points to 1.04 per cent. The sharper relative decline in lending rates resulted in some narrowing of the interest rate spread to 9.53 per cent in June from 10.05 per cent in December 2009. Nevertheless, these spreads remain well above international comparisons (Chart IIb).

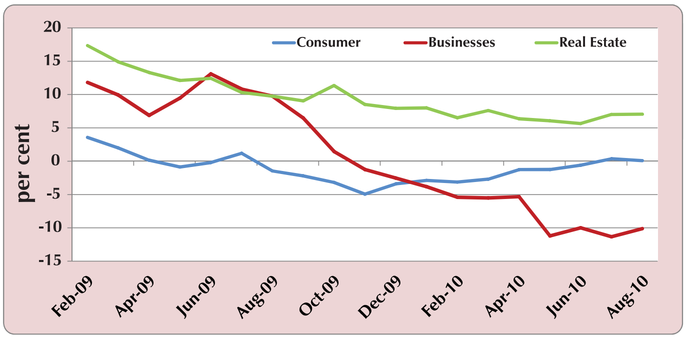
Chart IIb
Weighted Average Loan and Deposit Rates



Lower lending rates have so far not been enough to spark a resurgence of credit demand in the face of slow economic activity. For the twelfth consecutive month, credit granted by the overall consolidated financial system contracted, falling by 5.5 per cent on a year-on-year basis to August 2010 compared with growth of 2.1 per cent one year earlier (Chart IIc).

Nonetheless, the rate of decline in lending by commercial banks appears to be bottoming out, pointing to a possible recovery in credit, especially to consumers, in the near to medium term. Lending by banks dropped by 2.8 per cent in August 2010 (year-on-year) compared with contractions of 3.8 per cent and 4.0 per cent in July and June, respectively. Further, following eleven months of consecutive contractions, lending to consumers registered growth of 0.4 per cent in July 2010 and 0.1 per cent in August. Among other things, consumers appear to be taking advantage of the lower interest rate environment to consolidate and refinance debt.

Chart IIc
Credit to the Private Sector by the Consolidated Financial System
(Year-on-Year Per Cent Change)



It is less clear whether businesses are sufficiently confident in the short term outlook to resume borrowing for major investment projects. Loans to businesses contracted on a year-on-year basis by 10.1 per cent in August compared to growth of 9.8 per cent one year earlier. Second quarter data show a fall off in credit to the construction, manufacturing and distribution sectors of 5.7 per cent, 12.2 per cent and 17.2 per cent, respectively. Also, the decline in business lending is consistent with the estimated decline in real GDP in these sectors in the second quarter of 2010 (construction -8.9 per cent, manufacturing -0.6 per cent and distribution -5.1 per cent).

Chart IId
Credit to the Private Sector by the Consolidated Financial System
(Year-on-Year Per Cent Change)

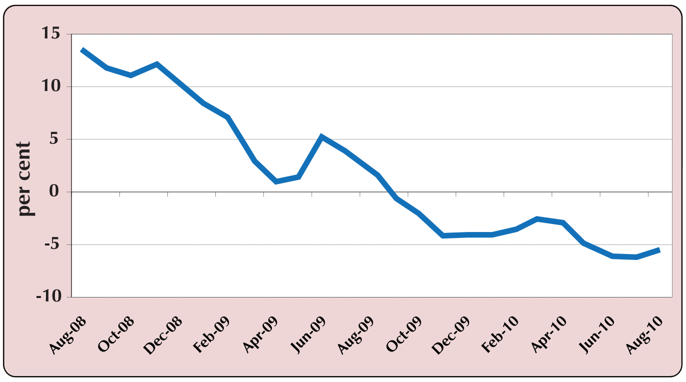


Chart IIe
Liquidity / Interest Rates

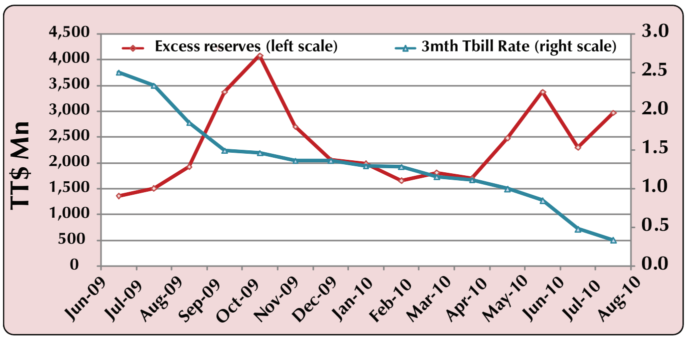
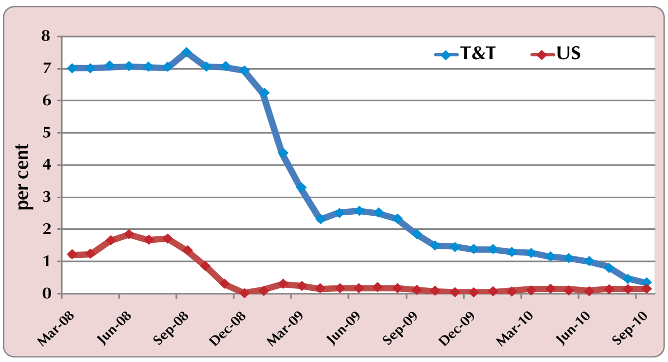


Chart IIf
Comparative 90 Day Treasury Bill Rates



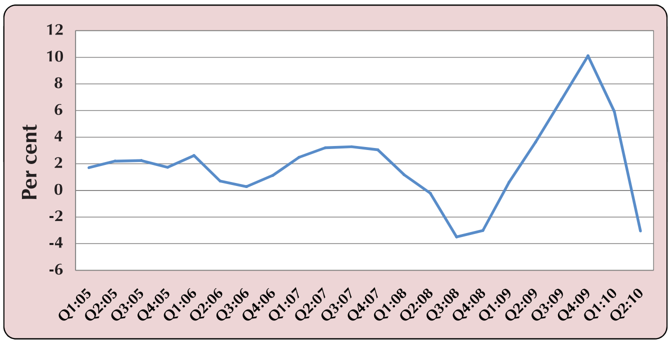
Aided by record low mortgage rates, real estate lending continued to be the healthiest component of private sector lending. On a year-on-year basis to August 2010, real estate lending by the consolidated financial system grew by 7.1 per cent compared with growth of 9.8 per cent one year earlier (Chart IId).

Depressed credit demand combined with limited investment alternatives continue to contribute to the buildup of excess liquidity in the financial system. On a monthly basis, commercial banks' excess reserves at the Central Bank averaged above $2 billion in the first nine months of 2010. Consistent with this state of affairs, latest data shows banks' average deposit to loan ratio at 161 per cent in July 2010 compared with 139 per cent a year earlier. Liquidity levels have been further fuelled by net domestic fiscal injections which added $7,519 million to the financial system in the nine months to September 2010. Meanwhile, Central Bank sales of US$935 million to authorized dealers removed $5,878 million from the financial system during the period, January to September.

Despite the high levels of liquidity, to facilitate large transactions which occurred from time to time some institutions briefly entered the inter-bank market. With the system as a whole very liquid, the inter-bank market met all temporary funding requirements and banks did not engage in repurchase agreements with the Central Bank.

Short term interest rates continued to plummet in the face of buoyant liquidity conditions and limited investment alternatives. Increased demand for government short term paper pushed the three month treasury- bill discount rate to a historic low of 0.34 per cent in September 2010 from 1.85 per cent a year earlier (Chart IIe). With the US three month treasury bill rate relatively stable at 0.16 per cent, (Chart IIf) the spread between the US and TT bills continued to narrow, falling to 18 basis points in September, a stark contrast from the near 600 basis point spread in early 2008.

Chart IIg
Real Interest Rate on Loans

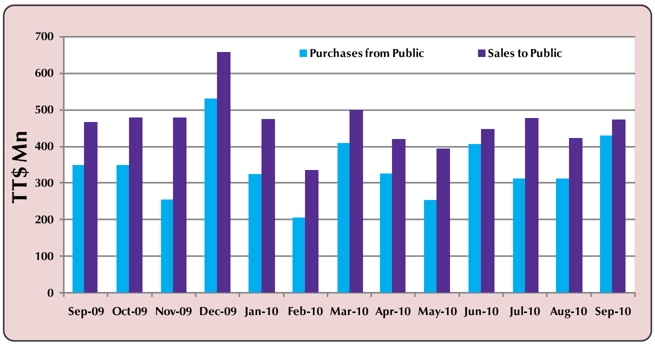


Higher inflation and softening interest rates have pushed measured real interest rates on loans into negative territory. As calculated by the difference between the weighted average loan rate and end-of-period inflation, the real interest rate on loans measured -3.05 per cent, compared with 10.12 per cent at the end of December 2009. (Chart IIg) In principle, this means that debtors could gain at the expense of creditors. However, as noted earlier, the rise in headline inflation in 2010 has so far been concentrated on the food component and likely overstates the decline in the overall value of money.

Developments in the Foreign Exchange Market

Though still strong, demand in the foreign exchange market eased somewhat over the period January – September 2010 when compared with the corresponding period last year. The lower demand for foreign currency is consistent with the latest trade statistics which show a decline in merchandise imports in the first half of 2010.

Chart IIh
Authorized Dealers Sales and Purchases of Foreign Exchange to the Public



Between January and September 2010, foreign currency purchases from the public (including energy sector companies) by the authorized foreign exchange dealers amounted to US$2,915.7 million, 8.9 per cent higher than a year earlier. Meanwhile, with import demand softening, the sale of foreign currency declined by 3.1 per cent to US$3,911.4 million (Chart IIh).

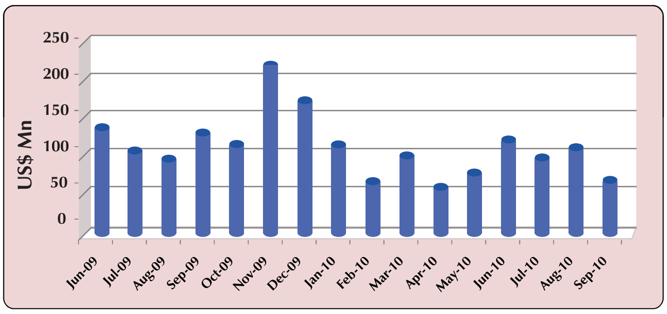
Given the fall off in demand as well as increased inflows from energy sector companies, the required level of support to the market by the Central Bank was

Table IIa
Foreign Exchange Purchases and Sales by Authorized Dealers
/US$ Million/

	Purchases from Public	Sales to the Public	Net Sales to the Public	Purchases from the Central Bank
2007	4,170.3	5,434.6	1,264.3	1,020.0
2008	5,785.2	6,466.3	681.1	822.8
2009	3,808.2	5,637.2	1,829.0	1,899.0
Jan - Sep 2009	2,678.6	4,035.8	1,357.2	1,339.1
Jan - Sep 2010	2,915.7	3,911.4	995.7	935.0

Source: Central Bank of Trinidad and Tobago.

Chart IIi
Central Bank Sales of Foreign Exchange to Authorized Dealers



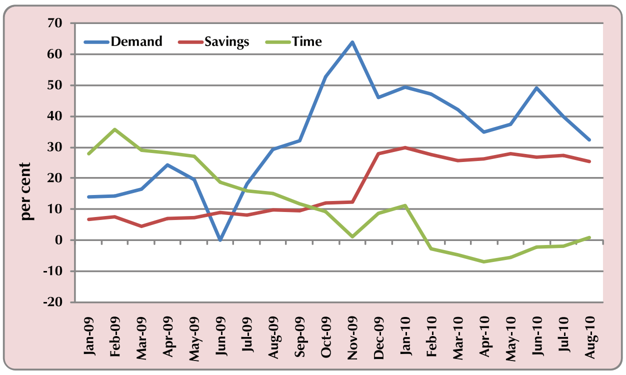
noticeably lower (Chart IIi). In the first nine months of 2010, Central Bank intervention amounted to US$935 million, representing a 30.2 per cent fall from the US$1,339.1 million in the same period of 2009. The exchange rate of the Trinidad and Tobago dollar remained stable in 2010. At the start of the year, the weighted average selling rate stood at US$1 = TT$$6.3794 and by the end of September had appreciated slightly to US$1 = TT$6.3643.

Part III – Monetary and Financial Sector Developments

Monetary Aggregates

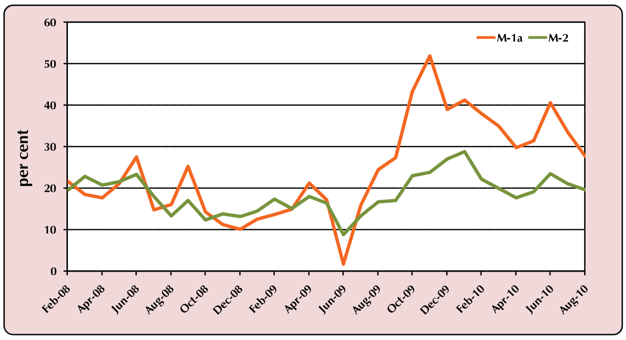
Despite very low interest rates offered since the beginning of the year, investors favoured holding their funds in deposit accounts at commercial banks. Apart from considerations of safety, liquidity appeared to be an important concern in the minds of depositors, accounting for the rise in the demand and savings categories, which tend to offer near zero interest rates (Chart IIIa). One of the specific factors that stimulated the move to bank deposits occurred at the end of 2009/beginning of 2010 when investors pulled out of one particular mutual fund which decided to switch its income funds to a floating net asset value basis.

Chart IIIa
Time, Savings and Demand Deposits
(Year-on-Year Per Cent Change)



Consequently, growth in the monetary aggregates was relatively strong in the twelve months to July 2010. Narrow money, M–1A, defined as currency in active circulation plus demand deposits, increased by 33.4 per cent year–on-year to July 2010 compared with 15.9 per cent in the same period of 2009. This increase was propelled by demand deposits (Chart IIIb).

Chart IIIb
Monetary Aggregates
(Year-on-Year Per Cent Change)



On a year-on-year basis, the broader measure of the money supply, M-2, (M–1A plus time and savings deposits) increased by 21 per cent in July 2010 compared with 13.2 per cent in the corresponding period a year earlier. Savings deposits grew by 27.4 per cent in July 2010 compared with 8.3 per cent in the same period last year. On the other hand, time deposits fell by 1.9 per cent in July 2010. The substitution towards demand and savings, as opposed to time deposits, suggests that the move towards bank deposits is not a permanent portfolio reallocation among investors/depositors. Instead, it suggests that they wish to maintain the flexibility to alter their portfolios quickly in the short term once the investment climate becomes clearer.

Stock Market

After experiencing bullish conditions at the beginning of the year, stock market performance fell off during June to August, before rebounding in September (Chart IIIc). In the year to May, the Composite Price Index (CPI) gained 67.1 points or 8.7 per cent, the All Trinidad and Tobago Index (ATI) was up 81 points or 7.3 per cent and, the Cross Listed Index rose by 11.9 per cent. However, there was some reversal during June to August, with both the CPI and the ATI dropping 15.9 points and 28.3 points, respectively. The major losers during this three month period were the Manufacturing II (-13.5 per cent), Conglomerate (-5.0 per cent) and Non-Banking (-5.8 per cent) sub-indices.

A 20 per cent decline in the stock price of Trinidad Cement Limited between June and August 2010 explained much of the fall in the Manufacturing II sub-index, as the depressed construction industry presented challenges for the company. Meanwhile, following the release of relatively flat earnings results in the first half of its fiscal year, the stock price of Neal and Massy Holdings Limited fell by 9 per cent, putting a drag on the Conglomerate sub-index. The slight uptick in the CPI in September 2010 was primarily due to a rise in the price of banking stocks, with those of National Commercial Bank of Jamaica (NCBJ) Limited and Scotiabank Limited increasing by 15.4 per cent and 5.9 per cent, respectively in September. Overall, in the year to September 2010, the CPI increased by 7.4 per cent, with market capitalization growing to $76.1 billion at the end of September from $70.6 billion from the end of 2009 (Chart IIId).

For the year thus far, trading activity has been higher compared to 2009 (Chart IIIe). Sixty-seven million shares were traded between January and September, an 11.7 per cent increase from the corresponding period one year ago. However, the value of shares traded fell by more than half, from $1,253.6 million to $593.5 million, as trading was concentrated in lower valued (mostly cross listed) shares. Over the nine month period, the volume leaders on the Trinidad and Tobago Stock Exchange were NCBJ Limited (15.2 per cent), Jamaica Money Market

Chart IIIc
Stock Market Movements in ATI and CPI
(Year-on-Year Per Cent Change)

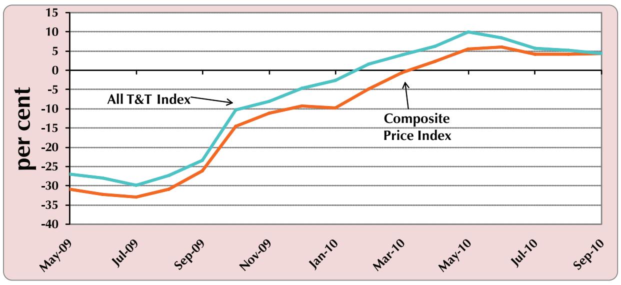


Chart IIId
Stock Market Capitalization

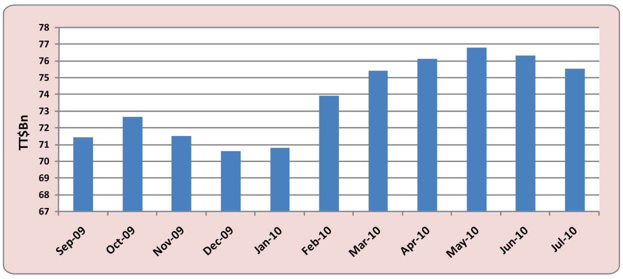
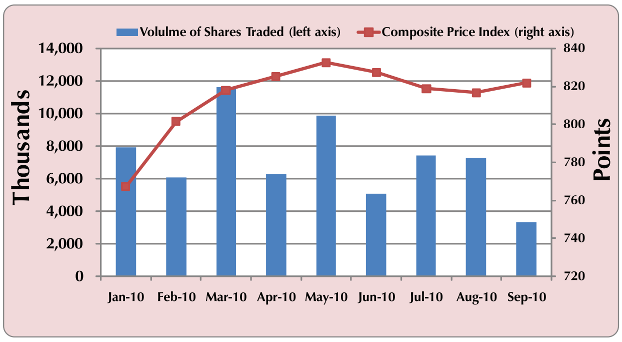
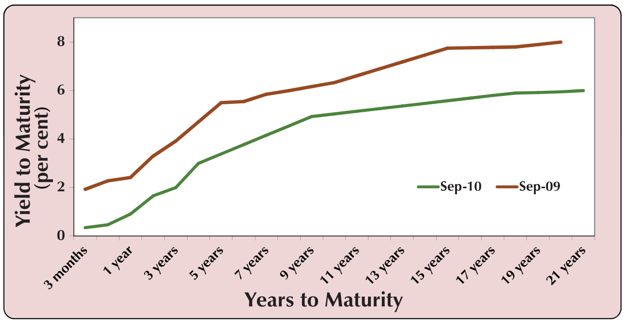


Chart IIIe
Stock Market Activity



Brokers Limited (11.8 per cent) and Grace Kennedy Limited (11 per cent), which collectively accounted for 38 per cent of the total volume of shares traded.

Chart IIIf
Trinidad and Tobago Government Yield Curve



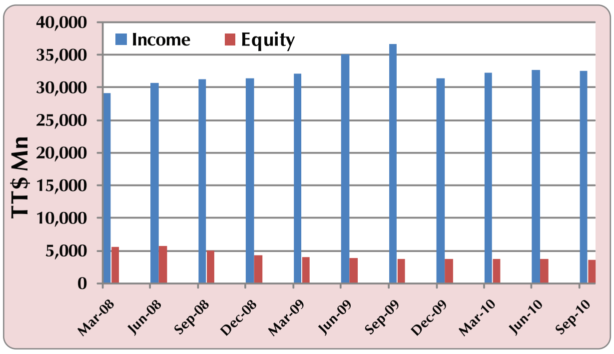
Bond Market

Between January and September 2010, the central government and state enterprises were the main borrowers on the domestic bond market. There were 15 bond issues with a face value of just under $6 billion, compared with the 19 bond issues in the corresponding period in 2009 which raised $5.8 billion. Unlike in 2009 when there was a more diverse range of borrowers, in 2010 there were only 4 participants on the primary bond market: the central government, the National Insurance Property Development Company Limited (NIPDEC), the Airports Authority and the Home Mortgage Bank (Table IIIa). The noticeable absence of the private sector from the primary bond market is indicative of a greater hesitancy by companies to increase leverage in the current economic climate.

With the reduction in primary bond issues, there has been a significant increase in secondary market trading of government bonds. In the first nine months of the year, 1.6 million government bonds were traded on the secondary market at a value of $1,724.2 million compared with 348,326 bonds with a value of $368.8 million in the same period one year ago.

Given the high levels of liquidity and lack of primary issues, government paper continues to trade at a premium. This has led to a downward shift in the government yield curve. (Chart IIIf).

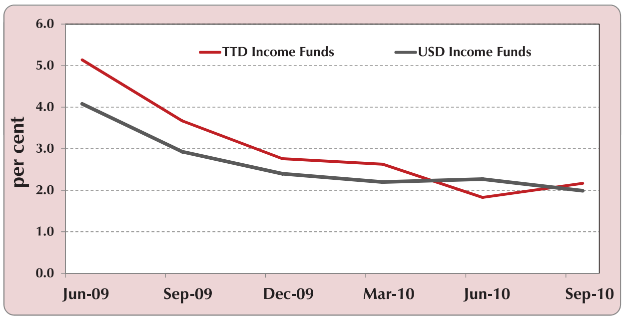
Chart IIIg
Funds under Mangement - Equity and Income



Mutual Funds

Following two consecutive quarters of growth, funds under management fell by 0.7 per cent (quarter-on-quarter) in the quarter ending September 2010 (Chart IIIg). However, overall for the first nine months of 2010 there has been some recovery in the mutual funds industry following the somewhat turbulent end to 2009. Funds under management increased to $36,556.2 million

Chart IIIh
Average Rates of Return on TT and US Dollar Income Funds



at the end of the third quarter of 2010 from $35,510.1 million at the end of December–a year to date increase of 2.9 per cent. (Appendix I)

In the slower economic environment, investor appetite has been mainly for income funds which tend to offer more principal protection than equity funds. In the nine months to September 2010, income funds under management grew by 3.6 per cent compared with 16.6 per cent in the nine months to September 2009. On the other hand, equity funds under management contracted by 1 per cent in the year to September 2010, a significantly slower rate than the 14.6 per cent decline recorded in the same period one year ago.

Probably prompted by the narrowing interest rate differential between TT and US dollar funds over the past quarters (Chart IIIh), the growth in United States dollar (USD)-denominated funds outpaced that of its Trinidad and Tobago dollar (TTD) counterpart. In the year to September, US dollar denominated funds expanded by 5.4 per cent while TT dollar denominated funds grew by 2.2 per cent.

TABLE IIIa
PRIMARY BOND MARKET[1]
JANUARY – SEPTEMBER 2010

	Borrower	Face Value ($Mn)	Period To Maturity	Coupon Rate Per Annum	Placement Type
February	Central Government of Trinidad and Tobago	1,099.97	17 yrs	Fixed Rate 6.60%	Private
	Central Government of Trinidad and Tobago	1,000.00	19 yrs	Fixed Rate 6.70%	Private
	Central Government of Trinidad and Tobago	1,000.00	21 yrs	Fixed Rate 6.80%	Private
	Central Government of Trinidad and Tobago	600.00	15 yrs	Fixed Rate 6.50%	Public
March	National Insurance Property Development Company Limited (NIPDEC)	500.00	18 yrs	Fixed Rate 6.25%	Public
April	Central Government of Trinidad and Tobago	794.00	13 yrs	Fixed Rate 5.95%	Public
	Home Mortgage Bank – Series A	13.45	7 yrs	Fixed Rate 5.25%	Private
	Home Mortgage Bank – Series B	42.45	7 yrs	Fixed Rate 6.00%	Private
	Home Mortgage Bank – Series C	1.00	9 yrs	Fixed Rate 6.25%	Private
May	Airports Authority	320.00	10 yrs	Fixed Rate 5.85%	Private
June	Home Mortgage Bank – Series A	26.16	7 yrs	Fixed Rate 5.25%	Private
	Home Mortgage Bank – Series B	49.33	7 yrs	Fixed Rate 6.00%	Private
	Home Mortgage Bank – Series C	21.2	9 yrs	Fixed Rate 6.25%	Private
August	Home Mortgage Bank – Series A	158.00	5.4 yrs	Fixed Rate 5.50%	Private
September	National Insurance Property Development Company Limited (NIPDEC)	360.00	18 yrs	Fixed Rate 6.10%	Public

Source: Central Bank of Trinidad and Tobago.
1.Represents fixed income securities with terms five years and greater.

Chart IIIi
Commercial Banks' Weighted Average Residential New Mortgage Rates

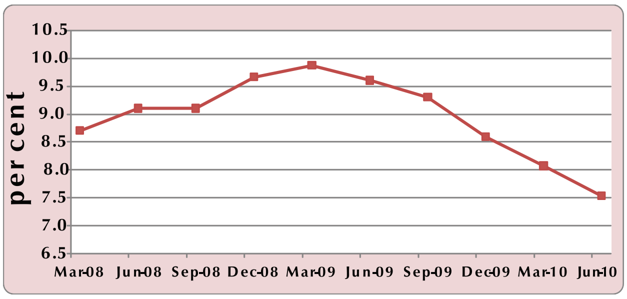
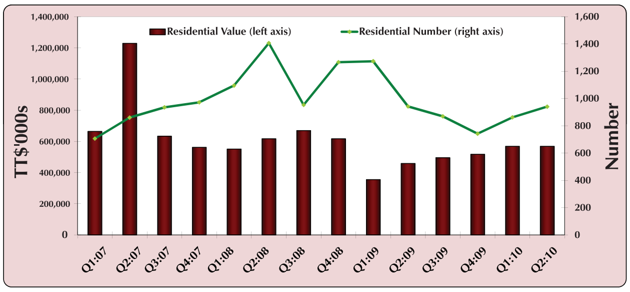


Chart IIIj
Commercial Banks: Real Estate Mortgage Approvals



Developments in the Real Estate Mortgage Market

As noted earlier, real estate mortgages have been the only component of private sector lending to consistently grow over the past year, albeit somewhat slower than in 2009. On a year-on-year basis, the value of mortgage loans outstanding on the books of commercial banks grew by 8 per cent in July 2010 compared with 11.7 per cent in July 2009.

During the first half of 2010, the number of approvals granted by the commercial banks for residential purposes totaled 1,618 or 44 per cent higher than in the same period of 2009, as customers attempted to take advantage of low mortgage rates. Also, in the second quarter 37.2 per cent of the value of new mortgages was contracted between 6.1 per cent and 7 per cent. This compared to just 2.3 per cent in the first quarter and zero in the second quarter of 2009 at these rates, when most new loans were contracted at between 9.1per cent and 10.0 per cent. The weighted average mortgage rate on new residential mortgages fell to 7.5 per cent in the quarterly period ending June 2010 from 9.6 per cent a year earlier. (Chart IIIi and Chart IIIj)

The relatively stable prices of building materials and a reduction in property prices also contributed to the resilience of the mortgage market. According to the Index of Retail Prices of Building Materials, (Appendix F) construction material prices rose by only 2.1 per cent year-on-year to September 2010. In addition, (based on information provided by valuators) after remaining stable at $900,000 over the six-month period ending March 2010, the estimated price of an average three bedroom house fell to $850,000 during the second quarter of 2010.

Part IV - International and Regional Developments

The International Setting

Macroeconomic indicators released so far in 2010 paint a mixed picture (Chart IVa and Chart IVb). While economic activity in the emerging economies (particularly China and India) remain vigorous, a slower than anticipated recovery in United States (US) economic indicators has renewed fears of a possible "double-dip" recession. The evidence suggests that there is not yet sufficient momentum to support a self-sustaining recovery in the US as private demand remains weak on account of high unemployment (Table IVa). Further, the softer labour market has led to a plunge in home demand which is undermining an upturn in the housing market. In light of these conditions, the US Federal Reserve expects the economic outlook in the near term to be more modest than earlier anticipated.

The US has therefore signaled its readiness to extend further monetary easing in an effort to bolster the economic recovery. The Euro area and the United Kingdom have advocated the need for a transition from short-term stimulus to medium-term fiscal consolidation in order to repair public finances and reduce their high public debt ratios.

Inflationary pressures in advanced economies are expected to remain subdued on account of the substantial spare capacity and anchored inflationary expectations. In contrast, inflation in emerging economies is expected to trend upwards because of narrowing excess capacity and high capital inflows.

Chart IVa
Advanced Economies – Quarterly GDP Growth
(Quarterly Per Cent Change)

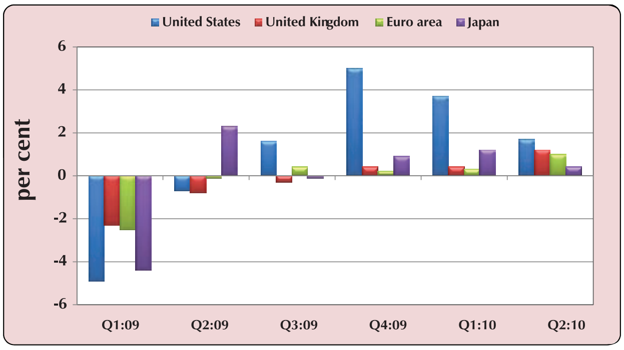


Chart IVb
Emerging Economies - Quarterly GDP Growth
(Year-on-Year Per Cent Change)

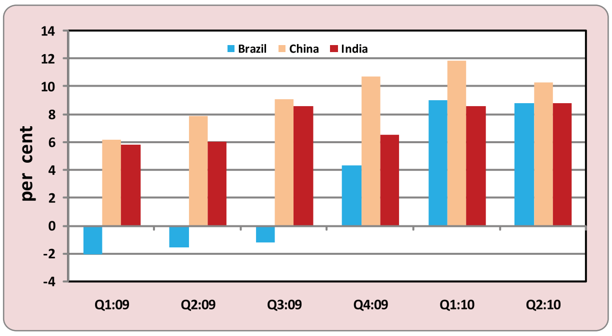


Table IVa
Rate of Unemployment in Developed Countries
/per cent/

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
United States	10.1	10.0	10.0	9.7	9.7	9.7	9.9	9.7	9.5	9.5	9.6	9.6
United Kingdom	7.9	7.8	7.8	7.7	8.0	8.0	7.9	7.8	7.8	7.8	7.7	n.a.
Euro area	9.8	9.9	9.9	9.9	9.9	10.0	10.0	10.1	10.1	10.1	10.1	10.1
Japan	5.2	5.3	5.2	4.9	4.9	5.0	5.1	5.2	5.3	5.2	5.1	5.0

Source: Bloomberg

Market tensions have increased on account of an undervaluation of several emerging market currencies. Following a series of interventions aimed at restraining the value of their domestic currencies to bolster economic growth, countries such as China and Brazil have faced increased international criticism for their current exchange rate policies (Boxes 1 and 2). The threat of an international "currency war" therefore remains a serious downside risk to the tepid global economic recovery.

International Developments

The US economy expanded by 2.0 per cent (quarter-on-quarter) in the third quarter of 2010, following growth of 1.7 per cent in the previous quarter (Table IVb). Despite this gradual recovery, the labour market remains weak with the unemployment rate staying at an elevated level of 9.6 per cent in September 2010, the seventeenth consecutive month above 9 per cent. Inflationary pressures have continued to be subdued due to substantial resource slack, with the change in the US Consumer Price Index (CPI) measuring 1.1 per cent on a year-on-year basis to September 2010. In light of these conditions, the Federal Reserve maintained its target range for the federal funds rate at between 0.00 and 0.25 per cent. In addition, the Federal Reserve announced a second round of monetary easing, launching a plan to purchase US$600 billion of longer term Treasury Securities.

Table IVb
Advanced Economies - Quarterly GDP Growth
(Quarterly Per Cent Change)

/per cent/	2009				2010		
	I	II	III	IV	I	II	III
United States	-4.9	-0.7	1.6	5.0	3.7	1.7	2.0
United Kingdom	-2.3	-0.8	-0.3	0.4	0.4	1.2	0.8
Euro area	-2.5	-0.1	0.4	0.2	0.3	1.0	n.a.
Japan	-4.4	2.3	-0.1	0.9	1.2	0.4	n.a.

Source: Bloomberg.

Economic stimulus has largely supported the expansion in the United Kingdom. The economy registered growth of 0.8 per cent in the third quarter, as the services and construction sectors gathered traction and consumption grew. Meanwhile, the change in the CPI reached 3.1 per cent in September 2010 on a 12-month basis, outside the Bank of England's (BOE) target of 2 per cent (Table IVc). The Monetary Policy Committee is of the view that the margin of spare capacity is likely to bear down on inflation, pushing it below target in the medium term. Consequently, the BOE maintained its benchmark interest rate at 0.5 per cent, the level since March 2009 (Table IVd) and its asset purchase scheme at £200 billion.

Table IVc
Headline Inflation in Developed Economies
(Year-on-Year Per Cent Change)

Country	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
United States	-0.2	1.8	2.7	2.6	2.1	2.3	2.2	2.0	1.1	1.2	1.1	1.1
United Kingdom	1.5	1.9	2.9	3.5	3.0	3.4	3.7	3.4	3.2	3.1	3.1	3.1
Euro area	-0.1	0.5	0.9	1.0	0.9	1.4	1.5	1.6	1.4	1.7	1.6	1.8
Japan	-2.5	-1.9	-1.7	-1.3	-1.1	-1.1	-1.2	-0.9	-0.7	-0.9	-0.9	-0.6

Source: Bloomberg

Real Gross Domestic Product (GDP) growth in the Euro area was recorded at 1.0 per cent in the second quarter of 2010, following an increase of 0.3 per cent in the first quarter. The ongoing recovery in the Euro area is largely supported by expansionary macroeconomic and financial measures as well as coordinated assistance from international institutions. However, a main challenge to the recovery in this region is, balancing the need to quickly curb budget deficits to stem the risk of another Greek style crisis, with minimizing the negative effect on growth and employment of too rapid fiscal consolidation. Meanwhile, annual inflation was 1.8 per cent in September 2010, from 1.6 per cent in the previous month. With inflation still below the European Central Bank's (ECB) target rate of 3 per cent, the ECB opted to maintain its benchmark interest rate at 1.0 per cent.

Table IVd
Key Central Bank Policy Rates

/per cent/

	Current Rate	Last Change	Amount of Change
United States	0 to 0.25	Dec-08	-0.75
Euro area	1.00	May-09	-0.25
United Kingdom	0.50	Mar-09	-0.50
Japan	0 to 0.10	Oct-10	- (0 to 0.10)
China	5.56	Oct-10	+0.25
India	6.25	Nov-10	+0.25

Source: Bloomberg

Economic growth in Japan weakened significantly in the second quarter of 2010 to 0.4 per cent as export performance was affected by a rise in the value of the yen. Further, domestic demand continues to be sluggish on account of a fragile labour market. Headline inflation fell by 0.6 per cent in September 2010, the nineteenth consecutive month of decline. The Bank of Japan (BOJ) expects the year-on-year rate of decline in the CPI (excluding fresh food) to slow in the coming months and thus reduced its key interest rate to a range between 0.0 to 0.1 per cent. The BOJ also announced a ¥35 trillion monetary easing programme.

Table IVe
Emerging Economies - Quarterly GDP Growth

(Year-on-Year Per Cent Change)

/per cent/	2009				2010		
	I	II	III	IV	I	II	III
Brazil	-2.1	-1.6	-1.2	4.3	9.0	8.8	n.a.
China	6.2	7.9	9.1	10.7	11.9	10.3	9.6
India	5.8	6.0	8.6	6.5	8.6	8.8	n.a.

Source: Bloomberg

China's economy expanded by 9.6 per cent (year-on-year) in the third quarter of 2010. This followed growth of 10.3 per cent in the second quarter (Table IVe). The robust growth in China's economy is mainly attributable to strong domestic demand. In September 2010, the CPI rose by 3.6 per cent (year-on-year) (Table IVf). The Bank of China has been progressively tightening monetary conditions in recent months via higher reserve requirements and bank lending curbs to rein in inflation. The Bank also recently raised its benchmark one-year lending rate by 25 basis points to 5.56 per cent, the first movement since December 2008.

Table IVf
Headline Inflation in Emerging Markets
(Year-on-Year Per Cent Change)

Country	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
Brazil	4.2	4.2	4.3	4.6	4.8	5.1	5.3	5.2	4.8	4.6	4.5	4.7
China	-0.5	0.6	1.9	1.5	2.7	2.4	2.8	3.1	2.9	3.3	3.5	3.6
India	11.5	13.5	15.0	16.2	14.9	14.9	13.3	13.9	13.7	11.3	9.8	9.8

Source: Bloomberg

Buoyed by private demand and strong capital inflows, India's economy advanced by 8.8 per cent (year-on-year) in the second quarter, the fastest pace in approximately two and a half years. Headline inflation increased by 9.8 per cent (year-on-year) in September 2010. In response, the Reserve Bank of India (RBI) raised its repurchase rate and reverse repurchase rate in November 2010 to 6.3 per cent and 5.2 per cent respectively.

Regional Economic Developments – Latin America and the Caribbean

The Latin America and Caribbean region (LAC) appears to be on its way to recovering from the global financial and economic crises. The International Monetary Fund (IMF) has projected growth for the region as a whole in the vicinity of 5.7 per cent in 2010, up from a contraction of 1.7 per cent in 2009 (Table IVg).

Latin America

In general, Latin American economies fared much better in the current economic crisis compared to previous ones because of improvements in their macroeconomic policy fundamentals and a capacity to extend fiscal support. A more favourable external financial environment and higher commodity revenues in 2010 have boosted domestic demand in several of these economies. Venezuela is the only Latin American country that is expected to experience an economic contraction in 2010.

Table IVg
Latin American Economies - Real GDP Growth*

Country	Real GDP		
	2008	2009	2010e
Argentina	6.8	0.9	7.5
Brazil	5.1	-0.2	7.5
Chile	3.7	-1.5	5.0
Colombia	2.7	0.8	4.7
Venezuela	4.8	-3.3	-1.3
The Caribbean	1.6*	0.4	2.4
Latin America and the Caribbean	4.3	-1.7	5.7

Source: International Monetary Fund, *World Economic Outlook* (October 2010).
* Data sourced from the Caribbean Centre for Money and Finance, Caribbean Economic Performance Report (June 2009).

The economies of South America, which are commodity-exporting countries with relatively less dependence on trade relations with the US, have been the best performers in Latin America. Several South American economies are forecast to expand by over 7 per cent in 2010, including Argentina (7.5 per cent), Brazil (7.5 per cent) and Peru (8.3 per cent).

The economic environment in Mexico and Central America is less favourable than in South America, especially since the former has stronger linkages (trade and remittances) with advanced economies, particularly the US. In 2010, real GDP growth in Central America is projected to range between 1.0 per cent in El Salvador and 6.2 per cent in Panama. Mexico's economy is expected to expand by 5.0 per cent.

The Caribbean

The recovery in the Caribbean has been less robust than in Latin America. In 2009, the Caribbean region expanded by 0.4 per cent, with several economies entering into recession, including The Bahamas (-4.3 per cent), Barbados (-5.5 per cent), and Jamaica (-3.0 per cent) – (Table IVh). During the first nine months of 2010, the Barbadian economy contracted by 0.9 per cent compared to a contraction of 4.7 per cent in the corresponding period of 2009. In Jamaica, while there are signs of a nascent recovery, real GDP is estimated to have declined by 1.5 per cent (year-on-year) during the first half of 2010. This compares to a contraction of 3.7 per cent (year-on-year) during the first six months of 2009.

Table IVh
Caribbean Economies - Selected Macroeconomic Indicators

Country	Real GDP			Inflation Rate		
	2008	2009	2010e	2008	2009	2010e
Bahamas	-1.7	-4.3	0.5	4.5	1.3	1.7
Barbados	-0.2	-5.5	-0.5	7.2	4.3	5.0
Belize	3.8	0.0	2.0	4.4	-0.4	5.9
EC Currency Union	1.9	-6.7	-1.0	4.2	0.7	1.5
Guyana	2.0	3.0	2.9	6.4	3.7	4.5
Jamaica	-0.9	-3.0	-0.1	16.8	10.2	10.2
Suriname	6.0	2.5	4.0	9.3	1.3	12.4

Source: International Monetary Fund, *World Economic Outlook* (October 2010).

Real GDP growth in the Caribbean for the whole of 2010 is anticipated to be subdued given the weak outlook for international tourism and remittances, and limited fiscal space due to the region's relatively high public debt burden. Prospects for the rest of 2010 also hinge on the sustainability of the economic recovery in advanced economies. A recent hotel industry report noted that Caribbean hotels experienced a reduction in total revenue of almost 12 per cent in 2009 compared to 2008. Meanwhile, the Caribbean Tourism Organisation (CTO) estimated that tourist arrivals in the Caribbean declined by 3.6 per cent in 2009 compared to the previous year.

During the first half of 2010, the Caribbean tourism sector began to show signs of recovery. According to the CTO, visitor arrivals from the United States to the Caribbean increased by 6.5 per cent during the first four months of 2010. In contrast, tourist arrivals from Europe declined. Given that employment in advanced economies appears to be improving only gradually, the IMF has anticipated weak growth for international tourism in the coming years. As such, the IMF forecasts a "modest" improvement in tourist arrivals to the region of 5.0 per cent in 2010. The performance of the tourism industry in the Caribbean will be further affected by the increasing openness of the US to Cuba as well as the pace of recovery in tourist arrivals in Mexico, which experienced sharp declines in 2009 due to the H1N1 outbreak.

As a result of the slowdown in economic activity in 2009, joblessness in the Caribbean has continued to increase in 2010. Unemployment in Barbados increased to 10.7 per cent during the third quarter of 2010, compared to 9.9 per cent during the same quarter of 2009. In Jamaica, the unemployment rate edged up to 12.4 per cent in April 2010, from 11.3 per cent in December 2009. Available data put the unemployment rate in The Bahamas and Belize at 14.2 per cent and 13.1 per cent respectively at the end of 2009.

Box 1
Key Issues Arising from the 2010 Annual Meetings of the IMF & World Bank Group
Washington D.C.
October 8-10, 2010

* **Global Economy**
  - o The recovery remains "fragile and uneven" with unemployment a major economic and social challenge. Latest projections indicate that the world economy is forecast to grow by 4.8 per cent in 2010. However, global growth is expected to slow in 2011 to 4.2 per cent.

* **Regulatory Reform**
  - o There is substantial need for the intensification of policy actions to deal with the legacy challenges in the banking system as well as establish a new regulatory and institutional landscape to ensure financial stability.
  - o A strategic plan for a global framework of regional financial safety nets should be created so that future crises can be managed better.

* **Currency Concerns**
  - o The issue of exchange rate adjustment was addressed against the background of increasing concern that a competitive series of devaluations will spark a currency war. The IMF considered that a stronger yuan would aid China's economy in rebalancing away from exports and toward greater domestic demand and household consumption. Other Asian countries were urged to follow in this vein and allow appreciation of their own currencies.
  - o Finance ministers and central bank governors pledged to work cooperatively to resolve tensions over currencies and trade imbalances. In addition, the joint Development Committee of the IMF and World Bank called for countries to avoid protectionism.

* **IMF Reform**
  - o With their economies driving global output, emerging economies pressed for representation commensurate with their increasing economic clout.
  - o The IMF indicated that it is closer to completing a package of reforms that will make the institution more representative and better able to tackle the economic problems facing the global economy.

* **Capital Controls**
  - o The IMF and the World Bank representatives expressed differing perspectives on whether emerging economies should regulate the flow of short-term capital across borders. World Bank President Robert Zoellick stated that countries may benefit from establishing controls. However, Naoyuki Shinohara, Deputy Managing Director of the IMF, held the view that it is natural for money to flow into rapidly growing economies and restrictions should not be placed on capital movement.

Box 2
Key Commitments Arising from the Group of 20 Meeting of Finance Ministers and Central Bank Governors
Gyeongju, Republic of Korea
October 22-23, 2010

* **Global Economy**
  - o Countries will pursue structural reforms to boost and sustain global demand, foster job creation and increase growth potential.
  - o Countries committed to make progress toward more market-determined exchange rate systems that reflect underlying economic fundamentals and refrain from competitive devaluation of currencies.
  - o All forms of protectionist measures will continue to be resisted and efforts to make significant progress to further reduce barriers to trade will be explored.

* **Prudential Regulation**
  - o Countries agreed to fully implement the new bank capital and liquidity framework designed by the Financial Stability Board and Basel Committee within an agreed timeframe.

* **IMF Governance**
  - o There will be shifts in quota shares of over 6 per cent to dynamic Emerging Markets and Developing Countries (EMDCs) and to underrepresented countries.
  - o Greater representation for EMDCs at the Executive Board to be facilitated by the removal of two Board members from the advanced European countries.
  - o The number of quotas will be doubled, with a corresponding roll-back of the New Arrangements to Borrow (NAB) preserving relative shares, when the next quota increase becomes effective.
  - o A comprehensive review of the quota formula to better reflect economic weights and the completion of the next regular review of quotas (by January 2013 and January 2014 respectively) will be aimed at enhancing the representation of EMDCs

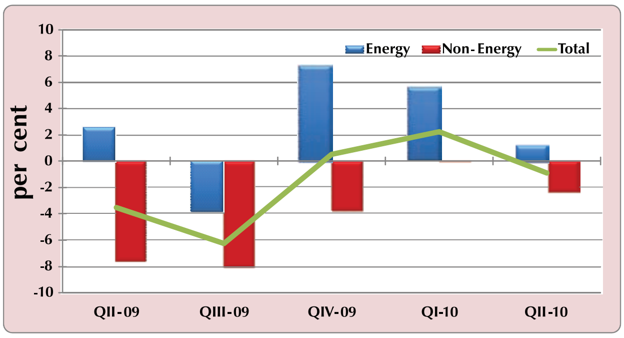
Source: Group of 20 Communiqué: Meeting of Finance Ministers and Central Bank Governors, Gyeongju, Republic of Korea, October 23, 2010.

Part V – Domestic Economic Developments

Gross Domestic Product

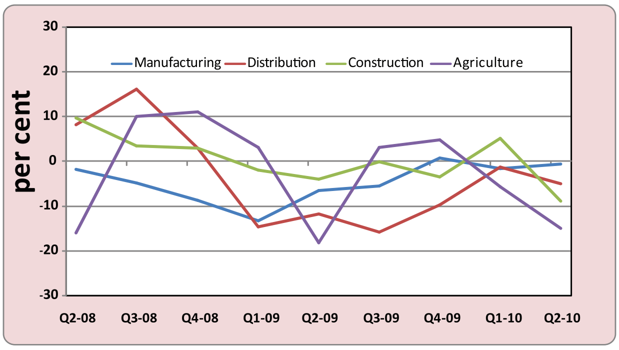
Activity in the domestic economy remained relatively weak during the second quarter, particularly in the non-energy sector. Subsequent to two successive quarters of positive year-on-year growth that were based entirely on energy sector performance, according to preliminary data, the Trinidad and Tobago economy posted a decline of 0.9 per cent in the second quarter of 2010 (Chart Va). This reflected a 2.3 per cent reduction in the non-energy sector and slower growth in the energy sector (1.2 per cent).

Chart Va
Real GDP Growth
(Year-on-Year Per Cent Change)



The pace of activity in the energy sector slowed on account of a higher rate of decline in crude oil production and a substantial deceleration in output of petrochemicals from earlier rates. Within the energy sector, exploration and production increased marginally (0.5 per cent) as an increase in natural gas production (1.8 per cent) outweighed an 8.3 per cent drop in crude oil output. Similarly, the petrochemicals sub-sector grew by 0.4 per cent. Methanol output, which slipped by 10.2 per cent, was affected by unplanned shutdowns of the M5000 methanol plant in late April and the Atlas methanol plant in June. However, this was more than offset by higher output of fertilizers (11.8 per cent). Refining activities fell by 0.6 per cent due to lower output of liquefied natural gas (1.2 per cent) and refinery throughput (16.4 per cent).

Chart Vb
Real GDP Growth: Selected Non-Energy Sectors
(Year-on-Year Per Cent Change)



By contrast, economic activity in the non-energy sector remained depressed. Value added in the distribution sector fell by 5.1 per cent reflecting lower levels of retail and wholesale trade activity (Chart Vb). The estimated volume of imports, an indicator of wholesale trade, declined by 11.7 per cent. Additionally, private sector credit granted by the consolidated financial system fell by 6.1 per cent in the 12 months to June. Consequent on a slowdown in government projects, available indicators point to a notable decline in the construction sector (-8.9

per cent). For example, local sales of cement plunged by 19.1 per cent. Moreover, the Index of Retail Sales shows that sales of construction and hardware materials in the second quarter were 15.8 per cent lower than the corresponding quarter of 2009.

Manufacturing output also experienced a slight decline (0.6 per cent). According to second quarter estimates, manufacturers continued to use just about two thirds of existing capacity. Based on partial data, the agriculture sector is estimated to have also suffered a drop in output on the order of 15 per cent in the wake of severe drought and flooding, with vegetables and root crops falling substantially.

On the positive side, the finance as well as water and electricity sectors showed signs of growth (1.0 per cent and 8.5 per cent). The growth in the water and electricity sector was largely related to developments in the energy sector, notably the boost to electricity generation from the Methanol Holdings Trinidad Limited (MHTL) AUM complex.

Domestic Output of Energy and Energy-Based Products

(i) Petroleum

Exploration activity (as measured by the total depth drilled) during the first eight months of 2010 was pushed to twice the amount completed in the corresponding period of 2009. British Gas augmented drilling activity at the beginning of the year with the spudding of a well at its Poinsettia field in the North Coast Marine Area in January 2010. Drilling at the well was completed in April. As a result, Trinidad and Tobago's upstream oil and gas operators drilled to a depth of 40.7 thousand meters in total during the first eight months of 2010, up from 21.5 thousand meters during January to August 2009.

Total output of crude oil fell 5.7 per cent during January to August 2010 compared to the same period in 2009. This is consistent with the maturation of Trinidad and Tobago's existing oil fields. Exports of crude oil also fell 14.5 per cent to 11.9 million barrels during January to August 2010 from 13.9 million barrels during the same period last year. Activity at the Pointe-à-Pierre refinery fell during 2010 as refinery throughout averaged 124.4 thousand barrels per day, a year-on-year fall of 18.3 per cent. As a result, the volume of crude oil imports also declined.

(ii) Natural gas

A major disruption in methanol production during the second quarter resulted in a slight decline in natural gas production. Natural gas was produced at a rate of 4,264.3 million cubic feet per day (mmcf/d) during May to August 2010 while the utilization rate averaged 3,928.3 mmcf/d during the same period. Each of these rates signifies a fall of 3.0 per cent from the earlier four-month period.

(iii) Liquefied Natural Gas

The domestic LNG industry has been steady, with no reports of disruptions at the facilities in south Trinidad thus far in 2010. Trinidad and Tobago produced 22.6 million cubic meters during the first eight months of 2010, a slight increase from the 22.4 million cubic meters of LNG produced during the same period in 2009.

(iv) Nitrogenous Fertilizers

Activity in the petrochemical sector was down during the second four-month period of 2010. This can be attributed to the start up of the first of two downstream melamine units at the AUM Complex in late May 2010, as well as some downtime from Point Lisas Nitrogen Limited. These factors resulted in a total of 2.0 million tonnes of fertilizer (ammonia and urea) being produced during May to August 2010, a 10.9 per cent fall from the prior four-month period. Correspondingly, exports declined 10.2 per cent from the first four months of the year to 1.9 million tonnes during May to August 2010.

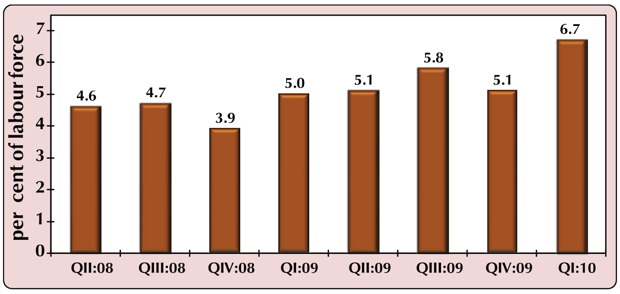
(iv) Methanol

An outage at the Atlas methanol plant resulted in a significant reduction in output. The plant, which has a capacity to produce methanol at a rate of 5,000 tonnes per day, was down for approximately 60 days from late April to early June on account of mechanical problems. The M5000 mega methanol plant also experienced some problems and had to be taken down for about two weeks. As a result, Trinidad and Tobago's 7 methanol plants produced a total of 1.84 million tonnes of methanol during May to August 2010, down from 2.14 million tonnes during the first four months of the year. Similarly, the country exported 1.87 million tonnes during the second four-month period of 2010 as opposed to 2.14 million tonnes during January to April. A twelve-month comparison also reveals significant declines in production (11.5 per cent) as well as exports (11.5 per cent).

(v) Iron and Steel

Despite a slight fall off in activity from the first quarter, iron and steel production in the second quarter of 2010 remained significantly above that of 2009. Domestic production of metals during the second quarter was more than three times that of the same period in 2009. While DRI increased by 397.0 per cent year-on-year, output of wire rods and billets were up 391.2 per cent and 313.1 per cent, respectively over the same period. Exports of DRI and wire rods also showed increases, at 142.4 per cent and 308.6 per cent respectively, above that of April to June 2009.

Chart Vc
Unemployment Rate



Labour Market Conditions

Unemployment

In the first quarter of 2010, the unemployment rate increased to 6.7 per cent, up from 5.0 per cent in the first quarter of 2009. Although the labour force declined by 15,400 persons in the first quarter of 2010 when compared to the same period of the previous year, this was insufficient to offset the increase in the number of persons unemployed (Chart Vc). Job losses were highest in the construction sector (excluding water and electricity service companies) which lost 13.3 thousand jobs. This is likely related to a slowdown in construction activity in the public sector. This was followed by the transport, storage and communication sector (5.5 thousand), the government (3.5 thousand) and the finance, insurance and real estate sector (3.7 thousand). Overall, total employment contracted by 24,700 persons from the first quarter of 2009 to the first quarter of 2010. Over this period the participation rate decreased from 63.6 per cent to 61.9 per cent.

Wages

With respect to wages, estimated data from the Central Statistical Office reveal that on a year-on-year basis, average weekly earnings in the manufacturing sector increased by 3.5 per cent in the second quarter of 2010. This was mainly attributed to increases in earnings in the food processing (50.6 per cent), wood products (35.8 per cent) and exploration of oil and gas (24.6 per cent) industries. These surprisingly large increases are likely related more to a rise in take home pay associated with more hours worked, as opposed to substantial jumps in hourly wages. Moving forward, the proposed increase in the minimum wage from \$9.00 to \$12.50 per hour announced in the government's 2010/2011 Budget Statement is expected to impact the trajectory of average weekly earnings in coming months.

Labour Productivity

According to the Index of Productivity, (measured by the Index of Domestic Production divided by the Index of Man Hours Worked) in the second quarter of 2010, productivity in the manufacturing sector increased by 5.7 per cent (year-on-year). This was attributable to higher productivity in the sugar (89.4 per cent), textiles, garments and footwear (59.7 per cent), as well as drink and tobacco (30.1 per cent) industries. Meanwhile, productivity declines were recorded in the wood and products (-19.3 per cent), assembly-type and related products (-15.4), printing, publishing and paper converters (-14.9 per cent) and exploration of oil and gas (-14.7 per cent) industries.

Chart Vdi
Bodi: Production and Prices

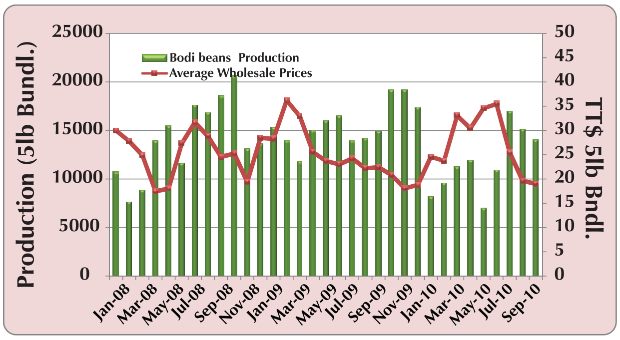


Chart Vdii
Carrots: Production and Prices

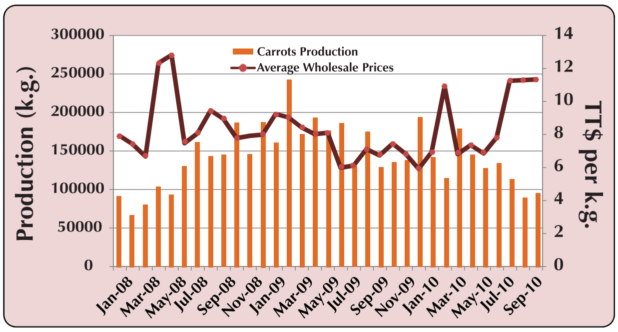


Chart Vdiii
Hot Peppers: Production and Prices

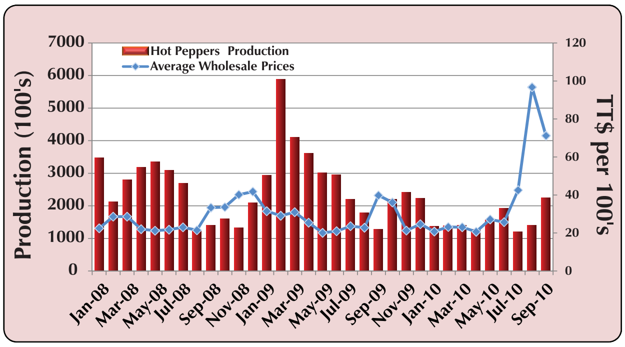
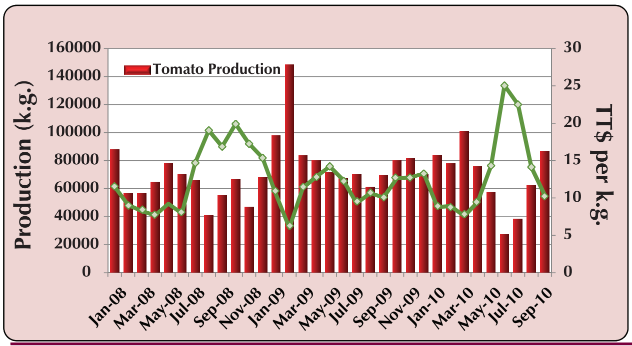


Chart Vdiv
Tomatoes: Production and Prices



Inflation

Prices

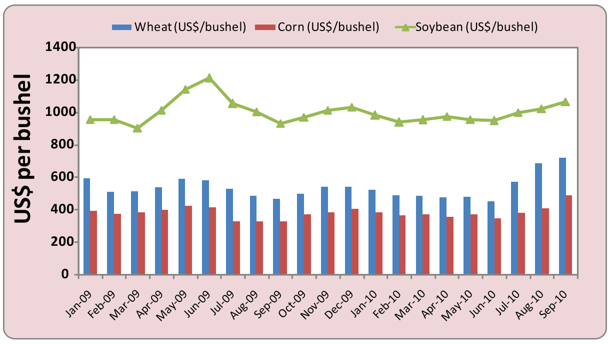
Consumer Prices

Inflationary pressures have intensified since the start of 2010. Headline inflation which measured 7.3 per cent in the twelve months to April 2010, increased to a high of 16.2 per cent in August 2010, before declining to 13.2 per cent in September 2010. The increase in headline inflation was mainly attributable to the escalation of food prices, which increased on a 12 month basis from 12.7 per cent in April 2010 to 39.1 per cent in August 2010. The rate of food prices however slowed to 29.2 per cent in September 2010. Nevertheless, core inflation, which excludes food prices, has remained relatively stable since the start of 2010.

The price movements in fruits and vegetables have been the most significant in the Food and Non-Alcoholic Beverages sub-index of the Index of Retail Prices (RPI). (Appendix B) On a year-on-year basis, vegetable prices jumped from 9.4 per cent in April 2010 to 48.6 per cent in September 2010. Furthermore, increases in fruit prices remained over 29.0 per cent (year-on-year) since the start of 2010. Also driving the increase in September were higher prices of fish (13.7 per cent) and salt and spices (73.9 per cent). In the first quarter of 2010, domestic agricultural supplies were adversely affected by arid weather conditions. Subsequent to the drought, excessive floods led to a significant loss of crops and further exacerbated the already limited supply of domestic food production (Charts Vdi - Vdiv).

In the twelve months to September 2010, core inflation measured 4.1 per cent, down from 4.4 per cent in April 2010. Slowdowns were primarily observed in the recreation and culture category of the RPI, to 4.6 per cent in September 2010, from 7.8 per cent in April 2010. One contributory factor was a slower rise in the cost of airfares, from 13.8 per cent in April 2010 (year-on-year) to 3.2 per cent in September 2010. Meanwhile, rising costs of the services of medical laboratory and X-ray centres and to a lesser extent of pharmaceutical products (from 0.6 per cent to 2.0 per cent) contributed to a rise in health care costs by 5.4 per cent in the twelve months to September 2010 compared to 4.4 per cent in April 2010.

Chart Ve
Global Food Prices



On the global front, after a deceleration in the rate of food price increases, particularly of wheat, corn and soybean since the third quarter of 2009, there has been a notable uptick in prices in the third quarter of 2010. (Chart Ve). In September 2010, the prices of wheat, corn and soybean were 55 per cent, 50 per cent and 14 per cent (respectively) higher than the corresponding month in 2009. A sustained rise in international food prices could add further pressures to domestic food inflation.

Price of Building Materials

After a decline in the prices of building materials in the second quarter of 2010 (-0.2 per cent on a year-on-year basis), prices increased in the third quarter by 2.1 per cent (Appendix F). The main contributor to the higher prices in the Index of Retail Prices of Building Materials were site preparation, structure and concrete frame (from -2.6 per cent to 1.9 per cent), walls and roof (from -3.2 per cent to -1.4 per cent) and plumbing and fixtures (from 0.5 per cent to 2.1 per cent).

Producer Prices

Wholesale prices for all industries, as proxied by the Index of Producers' Prices, increased during the second quarter of 2010 by 3.1 per cent on a year-on-year basis. This was mainly on account of higher prices in the food processing industry, which rose by 5.6 per cent in the second quarter of 2010, led by an increase in manufacturing costs in bakeries by 18.2 per cent. An increase in prices of 11.2 per cent in the printing, publishing and paper converters industry was mainly owing to a 26.9 per cent rise in the cost of newspaper publishing.

Balance of Payments

(Data in this section are in US dollars unless otherwise indicated)

Trinidad and Tobago's balance of payments recorded a surplus of $459.3 million for the first six months of 2010, compared with a deficit of $578.1 million over a similar period one year earlier. The current account surplus of just under $2 billion represented 15.6 per cent of GDP and is closely linked to the recovery in energy and petrochemical prices. The capital account continued to be in deficit as private sector outflows reached $1.8 billion and foreign direct investment flows remain subdued. At the end of June 2010, gross official reserves amounted to $9,110.9 million or 13.1 months of prospective imports. Subsequently, reserves declined by $25.5 million to $9,085.4 million at the end of September (Table Va).

Merchandise exports for the January-June 2010 period amounted to $5.5 billion. Energy exports fell by 10.5 per cent when compared to the corresponding period one year earlier to reach $4.6 billion as crude oil prices averaged $78.25 per barrel. Non-energy exports, amounted to $862.2 million for the first half of the year, $326.9 million more than the similar period in 2009.

Merchandise imports amounted to $3.2 billion in the first half of 2010, with energy imports reaching $1.1 billion. Food imports increased from $279 million in January-June 2009 to reach $305 million in the first half of 2010 while capital imports declined by 20 per cent over the same period. The increase in food imports was primarily due to greater volumes of fresh fish and crustaceans as well as fresh meat and meat related products.

The United States continued to be the country's major trading partner but the share of total exports to that destination declined from 53 per cent in the first half of 2009 to 45.8 per cent in 2010. Total exports to CARICOM amounted to $1,070 million for the first six months of the year compared to $694.3 million over a similar period one year earlier. However, while energy-based exports to CARICOM increased by 94.7 per cent, non-energy exports to CARICOM declined from $221.9 million in January-June 2009 to $150.4 million in January-June 2010. Of this amount, manufactured exports to CARICOM fell by 45.3 per cent given sluggish regional markets. Trinidad and Tobago's main manufactured exports to CARICOM (articles of paper, iron and steel bars and articles of plastic) declined by 31.1 per cent, 5.7 per cent and 37.2 per cent respectively.

The large increase in CARICOM energy exports can be attributable to an increase in energy exports to Antigua and Barbuda, from $50.5 million in January-June 2009 to $65.6 million in January-June 2010. This was as a result of that country's new arrangements under the PetroCaribe Initiative to import fuel from Venezuela every other month and not monthly as was previously done. It is therefore assumed that their alternative energy supply is from the Trinidad and Tobago market.

The surplus on the current account was partly offset by a deficit on the capital account of $1,360.2 million for the first half of 2010 as private capital outflows reached $1.8 billion. Net foreign direct investment amounted to just under $300 million with no regional bond issues occurring in the January-June period. Meanwhile, the net foreign position of commercial banks reached $163.3 million for the first six months of the year.

Table Va
Trinidad and Tobago: Summary Balance of Payments

/US$ Million/

	2005	2006	2007	2008	2009	Jan-Jun 2009	Jan-Jun 2010
Current Account Balance	3,594.3	7,270.5	5,364.3	8,518.8	1,759.1	2,083.2	1,808.7
Trade Balance	3,948.0	7,700.2	5,721.4	9,064.4	2,202.1	2,383.8	2,281.4
Exports	9,672.3	14,217.4	13,391.3	18,686.4	9,175.2	5,715.9	5,496.7
Energy	8,596.0	12,955.0	11,650.0	16,482.0	7,839.4	5,180.0	4,634.5
Non-Energy	1,076.3	1,262.4	1,741.3	2,204.4	1,335.8	535.9	862.2
Imports	5,724.3	6,517.2	7,669.9	9,622.0	6,973.1	3,332.1	3,215.3
Energy	2,412.6	2,809.4	3,150.1	4,130.0	2,843.4	1,239.3	1,937.9
Non-Energy	3,311.7	3,707.8	4,519.8	5,492.0	4,129.7	2,092.8	1,277.4
Services (net)	356.2	450.9	546.4	609.7	721.3	80.9	230.7
Income (Net)	-760.0	-935.8	-963.7	-1,202.2	-1,219.5	-398.1	-739.4
Current Transfers (Net)	50.1	55.2	60.2	46.9	55.2	16.6	36.0
Capital and Financial Account *of which:*	-2,118.3	-6,151.5	-3,823.3	-5,813.8	-2,472.1	-2,661.3	-1,349.4
Official Borrowing	-438.0	-591.0	-215.0	-1,044.0	-190.8	3.4	-21.5
Foreign Direct Investment	599.0	513.0	830.0	2,100.0	511.0	102.8	295.7
Regional Bond Issues	-258.0	-200.0	-252.0	-82.0	-120.0	0.0	0.0
Commercial Banks	98.0	-742.0	88.0	-383.0	-675.0	163.3	163.3
Other Private Capital Flows*	-2,119.3	-5,131.5	-4,274.3	-6,404.8	-1,997.3	-2,930.8	-1,786.9
Overall Balance	1,476.0	1,119.0	1,541.0	2,705.0	-713.0	-578.1	459.3
per cent of GDP							
Current Account Balance	22.4	39.4	25.6	32.6	8.3	19.7	15.6
Trade Balance	24.6	41.7	27.3	34.7	10.4	22.5	19.6
Exports	60.2	77.0	63.8	71.6	43.3	53.9	47.3
Energy	53.5	70.2	55.5	63.1	37.0	48.9	39.9
Non-Energy	6.7	6.8	8.3	8.4	6.3	5.1	7.4
Imports	35.6	35.3	36.5	36.9	32.9	31.4	27.6
Energy	15.0	15.2	15.0	15.8	13.4	11.7	16.7
Non-Energy	20.6	20.1	21.5	21.0	19.5	19.7	11.0
Services (net)	2.2	2.4	2.6	2.3	3.4	0.8	2.0
Income (Net)	-4.7	-5.1	-4.6	-4.6	-5.8	-3.8	-6.4
Current Transfers (Net)	0.3	0.3	0.3	0.2	0.3	0.2	0.3
Capital and Financial Account of which:	-13.2	-33.3	-18.2	-22.3	-11.7	-25.1	-11.6
Official Borrowing	-2.7	-3.2	-1.0	-4.0	-0.9	0.0	-0.2
Foreign Direct Investment	3.7	2.8	4.0	8.0	2.4	1.0	2.5
Regional Bond Issues	-1.6	-1.1	-1.2	-0.3	-0.6	0.0	0.0
Commercial Banks	0.6	-4.0	0.4	-1.5	-3.2	1.5	1.4
Other Private Capital Flows*	-13.2	-27.8	-20.4	-24.5	-9.4	-27.7	-15.4
Overall Balance	9.2	6.1	7.3	10.4	-3.4	-5.5	3.9
Memo Items:							
Gross Official Reserves (US$million) (end of period)	4,014.9	5,133.6	6,673.4	9,380.2	8,651.6	8,786.1	9,110.9
In months of Imports of goods and services	7.0	7.7	8.1	11.3	11.9	12.7	13.1

* Includes errors and omissions.

Terms of Trade and Real Effective Exchange Rate

Available data show that Trinidad and Tobago's terms of trade improved by about 6.5 per cent in the second quarter of 2010 in relation to the same period one year earlier primarily due to stronger prices of energy-based exports (Chart Vf). On a year-on-year basis, Trinidad and Tobago's Real Effective Exchange Rate index (REER)* appreciated by 14.9 per cent in August 2010 (Chart Vg). The main contributory factor was the surge in domestic inflation which significantly exceeded the 3.3 per cent weighted average inflation rate of the country's major trading partners. At the same time, an appreciation of the United States dollar against the Euro and pound caused an indirect appreciation of the Trinidad and Tobago dollar against these currencies.

Chart Vf
Terms of Trade
(1995=100)

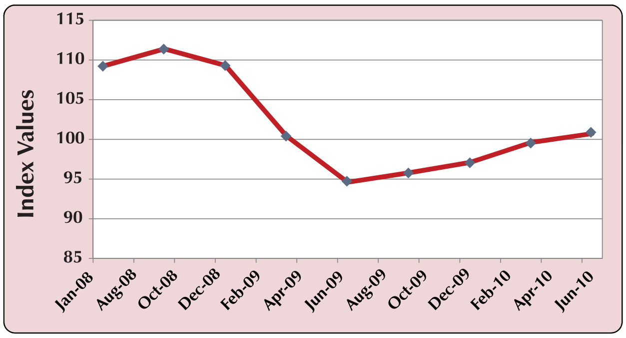
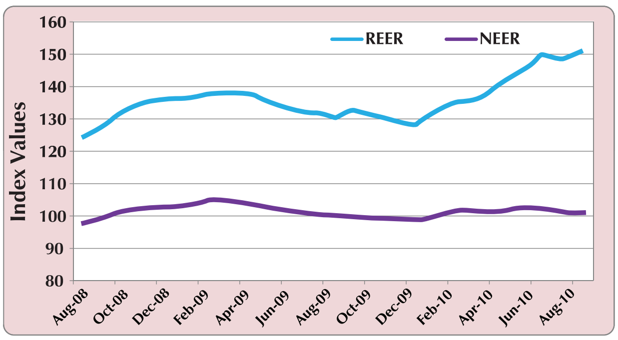


Chart Vg
Real Effective Exchange Rate and Nominal Effective Exchange Rtae



Global Competitiveness Report

In addition to price and exchange rate movements, institutional factors also affect country competitiveness. The Global Competitiveness Report (GCR) published annually by the World Economic Forum ranks countries on a number of factors to determine their level of competitiveness: basic requirements, efficiency enhancers and innovation and sophistication factors. These three indices are further divided into twelve pillars. Trinidad and Tobago ranked 84th out of 139 countries in the 2010-2011 report. Table Vb gives the rank in each of the sub indices and pillars.

Table Vb
Global Competitiveness Report 2010-2011

Sub index / pillar	Rank*
Basic requirements	55/139
• Institutions	68/139
• Infrastructure	45/139
• Macroeconomic environment	70/139
• Health and primary education	61/139
Efficiency enhancers	77/139
• Higher education and training	61/139
• Goods market efficiency	89/139
• Labor market efficiency	82/139
• Financial market development	43/139
• Technological readiness	53/139
• Market size	108/139
Innovation and sophistication factors	78/139
• Business sophistication	73/139
• Innovation	94/139
Overall Rank	84/139

Source: World Economic Forum.
* Trinidad and Tobago compared to all countries in the Report.

Fiscal Operations

Preliminary data as at August 2010, indicate a lower than expected deficit in fiscal year 2009/2010. This deficit is recorded at $3,807.0 million. However, there have been reports of large payments still owing to some contractors and suppliers which would affect the final numbers. Notwithstanding this, the fiscal outturn is likely to be much lower than budgeted ($7,702.6 million) and relative to the previous fiscal year. (Table Vc)

The improved fiscal outturn was largely related to higher energy sector collections. This was due in part to rising oil prices which averaged US$77.13 per barrel compared with the budgeted price of US$55.00 per barrel. Additionally, the completion of an audit exercise for the period 2001-2008 bolstered the flow of revenue through the collection of arrears on the Supplemental Petroleum Tax (SPT) and Petroleum Profits Tax (PPT).

Non-energy receipts were somewhat smaller than budget estimates. This was mainly due to the sluggishness of the domestic economy that resulted in lower than expected imports and hence customs duty collections, while depressed company sales held down Value Added Tax (VAT) receipts. Moreover, the non application of a planned property taxation system resulted in collections being significantly lower than the budgeted $325 million for this category of taxes.

Current expenditure was higher than budgeted partly because of higher transfers and subsidies—including for the Senior Citizens' Grant and the Petroleum Subsidy. At the same time, low interest rates kept government's interest expenses well within the budget envelope. As project execution accelerated towards the end of the fiscal year, capital spending rose about $470 million above the budgeted level.

The National Budget for fiscal year 2010/2011 was presented in Parliament on September 8, 2010. It was premised on an average oil price of US$65.00 per barrel (WTI) and a gas price (net-back) of US$2.75 per mmbtu. Total revenue is budgeted at $41,263 million, while total expenditure is estimated at $48,995 million. This will result in an anticipated deficit of $7,732 million (5.1 per cent of GDP).

According to the Finance Minister the 2010/2011 budget seeks to balance maintaining an adequate level of capital expenditure to stimulate economic activity while not compromising fiscal consolidation. It is expected that the measures in the budget would aid in this effort by encouraging increased private sector economic activity, including in the energy sector (Box V1). The estimated costs of selected capital projects in the 2010/2011 budget are presented in Table Vd.

Table Vc: Trinidad and Tobago: Summary of Central Government Operations

/TT$ Million/

	2006/2007	2007/2008r	2008/2009r	2009/2010p	2010/2011b
Revenue	**40,064.4**	**56,847.8**	**39,044.8**	**41,982.7**	**41,263.0**
Energy	22,248.5	32,730.4	19,317.8	21,389.9	19,367.8
Non-energy	17,815.9	24,117.4	19,727.0	20,592.8	21,895.2
Expenditure	**37,765.9**	**44,715.1**	**45,730.8**	**45,789.7**	**48,995.2**
Current	29,984.0	35,030.6	37,316.9	38,220.4	41,786.3
Wages and salaries	6,221.3	6,946.9	6,620.3	6,933.6	7,624.5
Goods and services	4,283.8	5,002.4	6,023.0	6,945.2	8,432.8
Interest payments	2,698.1	2,967.3	3,499.9	3,917.1	4,335.0
Transfers & Subsidies	16,780.8	20,114.0	21,173.7	20,424.5	21,394.0
Capital expenditure & net lending	7,781.9	9,684.5	8,413.9	7,569.3	7,208.9
Overall non-energy balance	**-19,950.0**	**-20,597.7**	**-26,003.8**	**-25,196.9**	**-27,100.0**
Overall balance	**2,298.5**	**12,132.7**	**-6,686.0**	**-3,807.0**	**-7,732.2**
Total financing	**-2,298.5**	**-12,132.7**	**6,686.0**	**3,807.0**	**7,732.2**
Net Foreign financing	753.8	796.7	-1,125.7	669.9	4,424.1
Net Domestic financing	-3,052.3	-12,929.4	7,811.7	3,137.1	3,308.1
Of which: transfers to HSF	-2,030.2	-6,587.8	0.0	-2,789.9	0.0
(In per cent of GDP)					
Revenue	**30.4**	**35.0**	**28.7**	**30.7**	**27.4**
Energy	16.9	20.1	14.2	15.6	12.8
Non-energy	13.5	14.8	14.5	15.0	14.5
Expenditure	**28.7**	**27.5**	**33.7**	**33.4**	**32.5**
Current	22.8	21.6	27.5	27.9	27.7
Wages and salaries	4.7	4.3	4.9	5.1	5.1
Goods and services	3.3	3.1	4.4	5.1	5.6
Interest payments	2.0	1.8	2.6	2.9	2.9
Transfers & subsidies	12.7	12.4	15.6	14.9	14.2
Capital expenditure & net lending	5.9	6.0	6.2	5.5	4.8
Overall non-energy balance	**-15.1**	**-12.7**	**-19.1**	**-18.4**	**-18.0**
Overall balance	**1.7**	**7.5**	**-4.9**	**-2.8**	**-5.1**
Total financing	-1.7	-7.5	4.9	0.7	5.1
Net Foreign financing	0.6	0.5	-0.8	0.5	2.9
Net Domestic financing	-2.3	-8.0	5.8	2.3	2.2
Of which: transfers to HSF*	-1.5	-4.1	0.0	-2.0	0.0

Source: Ministry of Finance and Central Bank of Trinidad and Tobago.
Notes: b – Budgeted p – Provisional r – Revised
* HSF: Heritage and Stabilization Fund.

Table Vd: Costing of Selected Capital Projects in the 2010/2011 Budget

Estimated Project Costs	(TT$ million)
Total Capital Expenditure	**7,208.9**
Of which:	
Accelerated Housing Programme and housing settlement development	814
Road construction and rehabilitation	509
Education Modernization Programme	507
Development of lands at Caroni and Orange Grove	300
Development of Industrial sites	283
Construction of hospitals and health centres	265
Academy of the Performing Arts – South Campus	202
Establishment of the Main Campus of UTT	200
Construction of Multi-fuel Pipeline	150
Construction of Pipeline to Tobago	100

Source: Ministry of Finance, Development Programme Estimates 2010/2011.

Box V1

Implications of the New Fiscal Measures for the Petroleum Upstream Sector

In Trinidad and Tobago, the main legislation governing the collection of taxes from petroleum companies is the Petroleum Taxes Act of 1974. Since its inception, this Act has been revised in 1981, 1988, 1992 and 2005. In presenting the budget for FY 2010/11, The Minister of Finance announced several changes to petroleum tax legislation, with a focus on exploration and production activities. The proposed new measures to take effect from January 1, 2011 are as follows:

- The Petroleum Profits Tax (PPT) on production in Deep Water Blocks will be reduced from 50 per cent to 35 per cent.
- A revision of the Supplemental Petroleum Tax (SPT) Regime will be undertaken, with the introduction of base rates and a sliding scale mechanism for both land and marine operations.
- Sustainability incentives will provide for a 20 per cent reduction in the SPT for mature or small marine oil fields.
- An investment tax credit of 20 per cent on qualifying capital expenditure in the calculation of the SPT tax liability for mature land and marine oil fields will be introduced.
- There will be a return to the conventional Production Sharing Contract[1] (PSC) of the 1995/1996 Competitive Bid Round as opposed to the taxable PSC used for the 2006 Competitive Bid Round. The new process will also be modified to accommodate a flexible bidding process.

These proposed revisions to the Petroleum Taxes Act are intended to stimulate activity in Deep Water Blocks and to revitalize activity in the crude oil sector which has been in a steady state of decline. As a result, the proposed measures are aimed at providing:

- A greater incentive for operators to bid for deep water blocks located in previously unexplored acreage in Trinidad and Tobago.
- An increase in the available finances of small and mature land and marine operators, which translates into an increase in investment potential, and could encourage production.
- A revival of the domestic energy services sector, which has been severely hit by the slowdown in upstream activity.

[1] A Production Sharing Contract (PSC) is a license granted by the government of Trinidad and Tobago to explore for and produce the nation's hydrocarbon resources. The PSC replaced the Exploration and Production (E & P) License as the primary means of rights to explore for hydrocarbons in Trinidad and Tobago since 1974.

Public Debt

Total public debt which comprises central government debt plus contingent liabilities is estimated at $70.7 billion at September 2010. This represented an increase of $4.4 billion (6.6 per cent) from September 2009. Excluding treasury bills and treasury notes issued for open market operations (OMOs), the debt is estimated to be 37.2 per cent of GDP.

Central government domestic debt outstanding experienced a 25.9 per cent increase ($4,125 million) from the end of fiscal year 2008/2009 to reach $20,072 million at the end of September 2010. This reflected the issue of several government bonds on the domestic capital market. In FY 2009/2010 the government raised a total of $5,093.9 million on the domestic market. An amount of $231.5 million was raised in October 2009 with the re-opening of a $600 million bond that was originally issued in June 2009 and was used to help finance government projects. Three bonds were issued via private placement:- 2 in February 2010 for a total face value of $3,100 million and another valued at $794 million in April. Another bond was issued in February valued at $600 million. Debt service on central government bonds amounted to $1,022.4 million in FY 2009/2010 and included a bullet payment of $360.8 million on a bond that matured in May 2010.

Central government external debt outstanding stood at US$1,435.1 million or 6.6 per cent of GDP at the end of fiscal year 2009/2010. This constituted a 6.3 per cent increase from the previous fiscal year. Disbursements from external creditors during the year amounted to US$153.4 million. The bulk of these inflows originated from commercial creditors (US$99.1 million) and included new disbursements of US$28.1 million from a loan contracted in February 2010 with BNP Paribas and the Export Import Bank of the United States for the supply of four helicopters. Inflows of US$54.3 million were received from multilateral creditors and were mainly directed towards ongoing projects in education (US$31.3 million), health (US$17.5 million), housing (US$3.3 million) and security (US$0.9 million).

Central government external debt service obligations during the fiscal year ended September 2010 amounted to US$135.8 million and was almost evenly distributed between payments of principal and interest. Principal repayments were recorded at US$68.2 million and consisted of obligations of US$58.2 million and US$10.0 million to multilateral and commercial creditors, respectively. Repayments are expected to be higher in the next fiscal year given that amortization on two loans contracted in May 2007 and April 2008 are scheduled to commence.

Central government contingent liabilities were estimated to have declined marginally from $21,240 million at the end of fiscal year 2008/2009 to $21,037.8 million at the end of fiscal year 2009/2010. New borrowings by state enterprises during the year amounted to $1,580.7 million and included two bonds ($500 million and $360 million) contracted by the National Infrastructure Development Company to finance the Programme for the Upgrade of Road Efficiency (P.U.R.E.). Bonds were also contracted by the Educational Facilities Company Limited (EFCL) and the Trinidad and Tobago Mortgage Finance Company Limited (TTMF) for $400 million and $320.7 million, respectively.

Appendices

Tables
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Monetary Policy Report

Appendices:

Tables

Appendix A

Index of Retail Prices (January 2003 = 100)

	ALL ITEMS 1,000			CORE 820		FOOD 180			TRANSPORT 167	
Date	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %	Index	Mthly %	Y-o-Y %	Index	Y-o-Y %
Aug-08	151.80	1.96	13.45	121.46	6.28	290.00	5.61	30.22	117.80	1.73
Sep-08	154.00	1.45	14.75	121.31	6.17	302.90	4.45	34.62	117.80	1.73
Oct-08	156.30	1.49	15.35	123.11	7.38	307.50	1.52	33.41	120.00	3.63
Nov-08	156.70	0.26	14.30	123.18	7.24	309.40	0.62	29.78	120.00	3.63
Dec-08	156.80	0.06	14.45	123.13	7.12	310.20	0.26	30.61	120.00	3.63
Jan-09	156.20	-0.38	11.65	123.40	5.17	305.60	-1.48	25.92	125.80	7.80
Feb-09	155.90	-0.19	11.68	123.48	5.25	303.60	-0.65	25.92	125.80	7.80
Mar -09	156.40	0.32	11.32	123.58	5.28	305.90	0.76	24.45	125.80	7.80
Apr-09	158.10	1.09	11.89	125.17	5.79	308.10	0.72	25.24	125.60	7.53
May-09	157.80	-0.19	10.27	125.27	5.84	306.00	-0.68	19.62	125.60	7.53
Jun-09	157.70	-0.06	8.38	125.23	4.48	305.60	-0.13	16.51	125.60	7.53
Jul-09	157.70	0.00	5.91	125.96	3.83	302.30	-1.08	10.09	125.60	6.62
Aug-09	158.30	0.38	4.28	126.08	3.80	305.10	0.93	5.21	125.60	6.62
Sep-09	161.60	2.08	4.94	126.06	3.91	323.50	6.03	6.80	125.60	6.62
Oct-09	160.50	-0.68	2.69	125.84	2.22	318.40	-1.58	3.54	125.20	4.33
Nov-09	159.00	-0.93	1.47	125.74	2.08	310.50	-2.48	0.36	125.20	4.33
Dec-09	158.90	-0.06	1.34	125.82	2.19	309.60	-0.29	-0.19	125.20	4.33
Jan-10	161.90	1.89	3.65	128.58	4.19	313.70	1.32	2.65	137.80	9.54
Feb-10	163.40	0.93	4.81	128.45	4.03	322.60	2.84	6.26	137.80	9.54
Mar-10	164.30	0.55	5.05	128.61	4.07	326.90	1.33	6.86	137.80	9.54
Apr-10	169.60	3.23	7.27	130.64	4.36	347.10	6.18	12.66	140.40	11.78
May-10	172.90	1.95	9.57	130.64	4.29	365.40	5.27	19.41	140.40	11.78
Jun-10	179.20	3.64	13.63	130.60	4.28	400.60	9.63	31.09	140.40	11.78
Jul-10	180.00	0.45	14.14	131.09	4.08	402.80	0.55	33.25	140.40	11.78
Aug-10	184.00	2.22	16.23	131.21	4.07	424.50	5.39	39.13	140.40	11.78
Sep-10	182.90	-0.60	13.18	131.27	4.13	418.10	-1.51	29.24	140.40	11.78

	HOUSING 262		HEALTH 51		EDUCATION 16		HOTELS, CAFES, RESTAURANTS 30		ALCOHOLIC BEVERAGES 25	FURNISHINGS HOUSEHOLD EQUIPMENT MAINTAINENCE 54
Date	Index	Y-o-Y%	Index	Y-0-Y%	Index	Y-0-Y%	Index	Y-0-Y%	Y-0-Y%	Y-0-Y%
Aug-08	122.50	7.64	134.00	6.26	155.80	16.44	159.10	25.37	16.13	2.94
Sep-08	121.70	6.94	134.40	6.58	155.80	16.44	159.10	25.37	15.88	2.94
Oct-08	124.10	8.01	134.70	6.06	164.00	9.19	166.70	21.77	14.81	4.15
Nov-08	124.10	8.01	134.80	5.81	164.00	9.19	166.70	21.77	7.99	4.15
Dec-08	124.10	7.91	135.00	6.05	164.00	9.19	166.70	21.77	6.62	4.15
Jan-09	124.20	7.81	135.50	4.31	164.00	9.19	168.80	20.49	5.54	5.25
Feb-09	124.20	7.72	135.60	4.23	164.00	9.19	168.80	20.49	5.81	5.25
Mar-09	124.20	7.53	136.10	4.53	164.00	9.19	168.80	20.49	7.56	5.25
Apr-09	125.70	8.36	141.30	7.70	166.40	6.80	170.80	15.88	7.62	-6.98
May-09	125.70	8.46	141.30	7.86	166.40	6.80	170.80	15.88	7.68	-6.98
Jun-09	125.70	4.23	141.30	6.96	166.40	6.80	170.80	15.88	7.61	-6.98
Jul-09	125.00	2.04	141.40	6.32	166.40	6.80	172.20	8.23	7.57	3.50
Aug-09	125.00	2.04	141.50	5.60	166.40	6.80	172.20	8.23	4.09	3.50
Sep-09	125.00	2.71	141.40	5.21	166.40	6.80	172.20	8.23	6.30	3.50
Oct-09	125.80	1.37	143.90	6.83	169.20	3.17	173.00	3.78	12.58	2.17
Nov-09	125.80	1.37	143.90	6.75	169.20	3.17	173.00	3.78	12.95	2.17
Dec-09	125.80	1.37	144.10	6.74	169.20	3.17	173.00	3.78	13.96	2.17
Jan-10	125.60	1.13	144.40	6.57	169.20	3.17	173.80	2.96	14.01	0.98
Feb-10	125.60	1.13	144.20	6.34	169.20	3.17	173.80	2.96	14.38	0.98
Mar-10	125.60	1.13	144.40	6.10	169.20	3.17	173.80	2.96	12.23	0.98
Apr-10	125.40	-0.24	147.50	4.39	171.20	2.88	174.30	2.05	12.16	-0.18
May-10	125.40	-0.24	147.60	4.46	171.20	2.88	174.30	2.05	12.08	-0.18
Jun-10	125.40	-0.24	148.00	4.74	171.20	2.88	174.30	2.05	12.15	-0.18
Jul-10	125.40	0.32	148.40	4.95	171.20	2.88	174.60	1.39	11.34	1.07
Aug-10	125.40	0.32	148.50	4.95	171.20	2.88	174.60	1.39	11.66	1.07
Sep-10	125.40	0.32	149.00	5.37	171.20	2.88	174.60	1.39	9.35	1.07

Source: Central Statistical Office.

Appendix B
Price Movements in the Major Categories of the Food Sub-Index of the RPI, March 2010-September 2010

(Year-on-Year Per Cent Change)

	Weight	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	6.86	12.66	19.41	31.09	33.25	39.13	29.24
FOOD	156.20	7.08	13.29	20.51	32.93	35.14	41.41	30.77
BREAD AND CEREALS	31.21	-5.67	-5.15	-3.54	-3.79	-3.95	-3.38	-2.79
Bread	5.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cereals -Includes rice and flour	18.74	-8.81	-7.84	-5.21	-5.63	-5.92	-4.89	-3.90
Pasta Products	1.38	-7.55	-8.41	-9.39	-9.15	-8.65	-8.63	-7.49
Pastry Cooked Products	5.27	0.28	-0.09	-0.05	0.09	0.06	-0.44	-0.87
MEAT	29.21	-2.89	-0.34	-1.90	2.39	4.14	5.09	4.37
Fresh, Chilled or Frozen Beef	3.09	-8.37	-2.83	-0.19	1.23	2.62	2.91	3.18
Fresh, Chilled or Frozen Lamb or Goat	1.13	-0.64	0.31	4.12	11.07	12.96	13.43	13.65
Fresh, Chilled or Frozen Pork	2.34	-1.15	-0.55	-2.17	-2.85	-2.14	-2.23	0.90
Fresh, Chilled or Frozen Poultry	18.18	-3.17	-0.14	-2.87	3.07	5.27	6.64	4.97
Dried, Salted or Smoked Meat	4.10	1.41	0.57	0.15	0.61	0.92	1.12	1.69
FISH	11.37	-3.20	-1.85	8.74	13.49	7.60	12.19	13.66
Fresh, Chilled or Frozen Fish	7.21	-4.98	-3.60	9.28	16.68	8.52	13.70	15.22
Fresh, Chilled or Frozen Seafood	1.83	0.85	-1.47	9.85	4.55	3.42	8.11	12.83
Other Preserved or Processed Fish	1.03	6.63	5.12	5.14	2.57	3.69	2.39	1.97
MILK, CHEESE AND EGGS	19.05	-8.30	-6.32	-3.22	1.21	2.32	5.71	8.37
Whole Milk	1.75	0.45	0.18	0.19	4.39	5.10	5.45	5.27
Preserved Milk	9.22	-10.03	-9.39	-5.92	0.66	0.80	5.64	10.64
Cheese, Yogurt & Milk Products	6.34	-10.69	-4.62	-0.71	2.90	6.07	8.22	8.57
Eggs	1.74	0.74	-0.74	0.70	-2.60	-1.70	0.00	0.13
OILS AND FATS	9.07	-2.01	-2.28	-2.37	-2.78	-3.96	-3.33	-3.49
Butter	0.82	-4.36	-2.83	-2.58	-1.28	-2.05	0.05	1.01
Margarine and Other Vegetable Fats	2.56	-2.97	-3.76	-4.22	-4.37	-3.45	-2.31	-3.31
Edible Oils and Animal Fats	5.69	-1.10	-1.46	-1.43	-2.28	-4.57	-4.46	-4.43
FRUIT	14.28	60.77	60.19	48.48	47.98	38.03	37.80	29.51
VEGETABLES	21.84	1.67	9.35	25.13	51.91	63.07	63.43	48.63
Fresh or Chilled Vegetables	12.09	6.65	11.82	44.34	74.40	80.65	71.41	40.10
Dried Vegetables	2.42	2.93	2.11	-0.24	0.47	-1.39	1.50	1.27
Fresh or Chilled Tuber Vegetables	7.33	-1.45	8.05	15.20	40.65	55.78	61.43	56.44
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	3.69	3.47	4.87	6.50	8.25	8.50	5.90
OTHER FOOD PRODUCTS	12.51	18.93	47.65	56.21	67.79	64.27	123.31	62.40
NON-ALCOHOLIC BEVERAGES	23.80	0.32	-0.11	2.63	2.52	3.77	4.07	4.08
Coffee, Tea and Cocoa	3.06	1.83	0.80	0.84	0.95	1.27	1.56	1.43
Soft Drinks	13.33	2.62	1.84	1.82	1.52	2.08	2.63	2.62
Juices	7.40	5.27	5.06	5.23	5.40	8.54	8.29	8.43

Source: Central Statistical Office.

Appendix C
Price Movements in the Categories of the Core Sub-Index of the RPI, March 2010 - September 2010

(Year-on-Year Percentage Change)

	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
Core Inflation	4.1	4.4	4.3	4.3	4.1	4.1	4.1
Alcoholic Beverages & Tobacco	12.2	12.2	12.1	12.2	11.3	11.7	9.4
Clothing and Footwear	-0.5	0.0	-0.6	0.3	-1.3	-2.3	-1.7
Furnishings, Household Equipment and Routine Maintenance	1.0	-0.2	-0.2	-0.2	1.1	1.1	1.1
Health	6.1	4.4	4.5	4.7	5.0	5.0	5.4
Housing, Water, Electricity, Gas & Other Fuels	1.1	-0.2	-0.2	-0.2	0.3	0.3	0.3
Of which: Rent	6.5	7.6	7.6	7.6	6.6	6.6	6.6
Home Ownership	-0.2	-2.3	-2.3	-2.3	-1.4	-1.4	-1.4
Education	3.2	2.9	2.9	2.9	2.9	2.9	2.9
Recreation & Culture	3.1	7.8	7.8	7.8	4.6	4.6	4.6
Hotels, Cafes & Restaurants	3.0	2.1	2.1	2.1	1.4	1.4	1.4
Transport	9.5	11.8	11.8	11.8	11.8	11.8	11.8

Appendix D
Index of Retail Sales: Base 2000=100
Base Period: Average of 4 Quarters 2000=100
(2006 - 2010)

	ALL SECTIONS INDEX		DRY GOODS STORES		SUPERMARKETS AND GROCERIES		CONSTRUCTION MATERIALS AND HARDWARE	
weights	*1000*		*76*		*279*		*130*	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Jun-06	163.4	11.4	214.6	12.3	175.3	20.4	157.1	18.5
Sep-06	180.5	11.3	247.8	20.8	176.9	19.3	177.2	15.8
Dec-06	214.1	12.2	330.8	14.0	204.1	8.6	198.5	29.5
2006	**177.2**	**10.8**	**249.2**	**17.0**	**176.6**	**14.3**	**170.6**	**20.1**
Mar-07	182.6	21.2	239.2	17.5	175.6	16.9	179.7	20.2
Jun-07	195.0	19.3	270.2	25.9	189.1	7.9	222.7	41.8
Sep-07	211.6	17.2	308.2	24.4	202.9	14.7	229.4	29.5
Dec-07	262.1	22.4	452.8	36.9	242.6	18.9	304.1	53.2
2007	**212.8**	**20.1**	**317.6**	**27.5**	**202.6**	**14.7**	**234.0**	**37.2**
Mar-08	215.3	17.9	372.2	55.6	202.6	15.4	241.1	34.2
Jun-08	229.4	17.6	428.4	58.5	208.1	10.0	238.5	7.1
Sep-08	242.1	14.4	482.6	56.6	217.5	7.2	244.5	6.6
Dec-08	281.1	7.2	620.5	37.0	252.6	4.1	247.1	-18.7
2008	**242.0**	**13.7**	**475.9**	**49.9**	**220.2**	**8.7**	**242.8**	**3.8**
Mar-09	198.7	-7.7	439.4	18.1	201.9	-0.4	199.3	-17.4
Jun-09	202.5	-11.7	458.3	7.0	212.4	2.1	195.8	-17.9
Sep-09	237.5	-1.1	742.8	53.9	213.8	-1.7	173.8	-28.9
Dec-09	256.1	-8.9	636.3	2.5	255.2	1.0	197.2	-20.1
2009	**223.7**	**-7.6**	**569.2**	**19.6**	**220.8**	**0.3**	**191.5**	**-21.1**
Mar-10	197.4	-0.6	449.1	2.2	198.5	-1.7	165.7	-16.8
Jun-10	209.2	3.3	535.4	16.8	211.3	-0.5	164.9	-15.8

	HOUSEHOLD APPLIANCES FURNITURE AND OTHER FURNISHINGS		TEXTILES AND WEARING APPAREL		MOTOR VEHICLES AND PARTS		PETROL FILLING STATIONS		OTHER RETAIL ACTIVITIES*	
weights	*79*		*43*		*173*		*99*		*121*	
	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %	Index	Y-on-Y %
Jun-06	120.8	11.2	70.9	-3.9	198.3	14.6	103.7	-24.8	170.1	8.3
Sep-06	140.1	16.8	95.2	-35.7	230.4	24.1	103.0	-25.8	199.0	1.8
Dec-06	292.8	2.8	110.4	-18.0	252.2	29.5	105.0	-28.1	200.7	12.2
2006	**164.0**	**6.8**	**82.6**	**-24.3**	**213.3**	**18.7**	**113.0**	**-18.3**	**183.2**	**5.7**
Mar-07	113.6	11.0	66.3	22.8	238.9	38.8	156.1	11.1	194.0	19.1
Jun-07	123.3	2.1	64.3	-9.3	242.3	22.2	158.9	53.2	186.9	9.9
Sep-07	150.8	7.6	67.5	-29.1	265.6	15.3	161.3	56.6	206.6	3.8
Dec-07	365.7	24.9	86.2	-21.9	282.4	12.0	147.9	40.9	201.5	0.4
2007	**188.4**	**14.8**	**71.1**	**-14.0**	**257.3**	**20.7**	**156.1**	**38.0**	**197.3**	**7.7**
Mar-08	121.7	7.1	63.0	-5.0	280.9	17.6	165.4	6.0	180.6	-6.9
Jun-08	150.3	21.9	61.9	-3.7	316.3	30.5	173.3	9.1	176.7	-5.5
Sep-08	159.8	6.0	76.5	13.3	308.1	16.0	166.9	3.3	225.2	9.0
Dec-08	365.1	-0.2	77.0	-10.7	336.3	19.1	177.3	19.9	194.2	-3.6
2008	**199.2**	**5.8**	**69.6**	**-2.1**	**310.4**	**20.6**	**170.7**	**9.4**	**194.2**	**-1.6**
Mar-09	110.8	-8.9	52.0	-17.4	202.7	-27.8	164.4	-0.6	171.0	-5.3
Jun-09	117.4	-21.9	66.7	7.7	211.2	-33.2	144.8	-16.4	164.6	-6.8
Sep-09	158.4	-0.9	60.2	-21.3	246.2	-20.1	168.0	0.7	202.1	-10.2
Dec-09	346.3	-5.1	83.6	8.6	226.0	-32.8	174.4	-1.7	194.7	0.2
2009	**183.2**	**-8.0**	**65.6**	**-5.7**	**221.5**	**-28.6**	**162.9**	**-4.6**	**183.1**	**-5.7**
Mar-10	109.3	-1.4	53.6	3.0	230.1	13.6	162.7	-1.1	160.8	-6.0
Jun-10	121.5	3.6	64.9	-2.7	231.7	9.7	165.5	14.3	158.8	-3.5

Source: Central Statistical Office.
*Pharmaceuticals and cosmetics, books and stationery and jewellery.

Appendix E
Index of Retail Prices by Area - September 2010
(Year-on-Year Per Cent Change)

	TRINIDAD & TOBAGO		PORT OF SPAIN		SAN FERNANDO		ARIMA BOROUGH	
	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09
ALL ITEMS	1,000.00	13.12	262.65	13.98	128.70	11.68	52.09	7.46
Food and Non-Alcoholic Beverages	180.00	29.25	27.25	36.31	17.27	29.97	8.13	25.77
Food	156.20	30.77	22.74	37.85	14.79	31.82	7.15	26.85
Bread and Cereals	31.21	-2.79	4.00	-3.30	2.79	-4.63	1.30	-1.04
Meat	29.21	4.37	3.21	6.66	2.45	1.97	1.43	9.33
Fish	11.37	13.66	1.81	17.22	1.00	12.22	0.44	43.84
Milk, Cheese and Eggs	19.05	8.37	3.24	13.10	1.87	6.53	0.79	5.13
Oils and Fats	9.07	-3.49	1.20	-7.54	0.85	-4.39	0.33	-6.91
FRUIT	14.28	29.51	2.94	26.14	1.53	12.81	0.72	16.85
VEGETABLES	21.84	48.63	3.32	68.45	2.28	52.50	1.17	35.65
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	7.66	5.90	1.33	1.76	0.68	12.89	0.44	8.29
Food Products N.E.C	12.51	62.40	1.69	48.31	1.34	84.99	0.53	94.54
Non-Alcoholic Beverages	23.80	-30.73	4.51	6.66	2.48	1.61	0.98	3.65

Source: Central Statistical Office.

Appendix E (continued)
Index of Retail Prices by Area - September 2010
(Year-on-Year Per Cent Change)

	DIEGO MARTIN		ST. ANNS (SAN JUAN)		TACARIGUA (TUNAPUNA)		CHAGUANAS BOROUGH	
	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09
ALL ITEMS	38.52	7.41	45.17	24.77	123.49	8.30	111.64	17.12
Food and Non-Alcoholic Beverages	12.00	15.59	17.92	37.23	20.23	11.36	19.75	38.40
Food	10.37	16.75	15.41	39.64	17.46	11.55	17.33	40.44
Bread and Cereals	2.34	-0.88	3.02	-4.76	3.50	-1.19	3.27	-2.72
Meat	1.99	8.60	2.57	-3.71	3.52	-2.08	3.32	11.89
Fish	0.72	8.16	1.17	12.15	1.13	21.70	1.22	27.31
Milk, Cheese and Eggs	1.56	7.95	2.08	6.81	2.28	5.54	1.87	7.52
Oils and Fats	0.52	-3.81	0.91	-4.64	0.99	-0.96	1.16	-0.68
FRUIT	1.12	16.40	1.60	70.39	1.35	-10.50	1.75	10.98
VEGETABLES	0.93	33.08	2.03	56.21	2.36	44.78	2.47	49.61
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.44	6.29	0.85	2.14	0.84	7.81	0.70	5.83
Food Products N.E.C	0.75	10.69	1.18	47.39	1.49	23.78	1.57	152.79
Non-Alcoholic Beverages	1.63	2.94	2.51	0.55	2.77	9.90	2.42	-0.39

Source: Central Statistical Office.

Appendix E (continued)
Index of Retail Prices by Area - September 2010
(Year-on-Year Per Cent Change)

	COUVA		COCAL (RIO CLARO)		MANZANILLA/TURERE (SANGRE GRANDE)		NAPARIMA (DEBE)	
	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09
ALL ITEMS	23.23	0.93	2.23	4.18	21.75	12.54	5.62	35.97
Food and Non-Alcoholic Beverages	7.61	0.70	1.04	5.55	4.68	30.94	4.73	37.54
Food	6.75	0.68	0.95	5.71	4.17	32.36	4.10	39.66
Bread and Cereals	1.28	0.07	0.25	3.01	0.85	-1.75	0.96	-2.20
Meat	1.75	1.91	0.21	-18.15	0.96	-7.74	1.07	48.48
Fish	0.63	0.00	0.09	0.28	0.29	5.59	0.26	-4.05
Milk, Cheese and Eggs	0.56	0.10	0.04	14.03	0.45	4.41	0.38	12.28
Oils and Fats	0.43	0.49	0.07	-3.18	0.26	-3.18	0.23	-10.50
FRUIT	0.56	4.19	0.10	10.40	0.30	59.66	0.17	-5.87
VEGETABLES	0.77	0.07	0.09	23.27	0.62	46.64	0.57	52.32
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.25	8.65	0.03	3.29	0.16	3.49	0.14	2.17
Food Products N.E.C	0.52	5.75	0.07	44.62	0.28	112.88	0.32	42.18
Non-Alcoholic Beverages	0.86	1.31	0.09	3.16	0.51	1.69	0.63	2.89

Source: Central Statistical Office.

Appendix E (continued)
Index of Retail Prices by Area - September 2010
(Year-on-Year Per Cent Change)

	SAVANA GRANDE (PRINCES TOWN)		SIPARIA		PT. FORTIN		TOBAGO (SCARBOROUGH)	
	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09	WEIGHT	SEP '10/ SEP '09
ALL ITEMS	13.12	17.91	48.14	15.42	28.07	30.06	95.58	5.10
Food and Non-Alcoholic Beverages	8.30	22.52	10.80	31.55	6.25	60.42	14.04	9.35
Food	7.33	23.89	9.79	32.29	5.52	62.85	12.34	9.86
Bread and Cereals	1.73	-1.71	2.26	-0.19	1.14	-3.18	2.52	-7.43
Meat	1.40	8.26	1.99	-2.69	1.28	2.04	2.06	-0.27
Fish	0.26	9.78	0.60	15.06	0.32	11.53	1.43	-0.35
Milk, Cheese and Eggs	0.79	10.97	0.84	6.96	0.62	10.56	1.68	12.00
Oils and Fats	0.46	-1.72	0.62	-2.66	0.25	-6.42	0.79	0.26
FRUIT	0.56	59.18	0.67	43.85	0.33	17.55	0.58	17.16
VEGETABLES	1.21	34.07	1.58	63.56	0.90	99.66	1.54	22.72
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.30	7.18	0.46	13.16	0.26	9.37	0.78	0.00
Food Products N.E.C	0.62	70.41	0.77	38.88	0.42	53.07	0.96	10.46

Source: Central Statistical Office.

Appendix F
Index of Retail Prices of Building Materials
Base Period: Average of 4 Quarters 1996=100

		ALL SECTIONS			SITE PREPARATION, STRUCTURE & CONCRETE FRAME			WALLS AND ROOF			ELECTRICAL INSTALLATION AND FIXTURES		
Date		Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %
2006	III	162.79	5.1	16.0	209.64	5.1	19.3	180.61	5.4	20.3	186.28	12.5	20.0
	IV	167.75	3.0	17.1	217.93	4.0	19.9	184.80	2.3	19.5	191.60	2.9	25.8
2007	I	178.30	6.3	21.1	238.70	9.5	27.5	197.50	6.9	25.7	199.80	4.3	24.0
	II	181.22	1.6	17.0	246.18	3.1	23.4	199.85	1.2	16.6	203.24	1.7	22.7
	III	182.72	0.8	12.2	248.26	0.8	18.4	201.21	0.7	11.4	207.62	2.2	11.5
	IV	184.30	0.9	9.9	250.00	0.7	14.7	202.90	0.8	9.8	211.30	1.8	10.3
2008	I	185.90	0.9	4.3	251.60	0.4	5.4	205.40	1.2	4.0	208.80	-1.2	4.5
	II	193.20	3.9	6.6	268.20	6.6	8.9	214.20	4.3	7.2	213.80	2.4	5.2
	III	200.55	3.8	9.8	295.09	10.0	18.9	219.32	2.4	9.0	218.28	2.1	5.1
	IV	204.25	1.8	10.8	300.74	1.9	20.0	225.24	2.7	11.0	218.38	0.1	3.4
2009	I	205.60	0.7	10.6	284.70	-5.3	13.2	226.90	0.7	10.5	230.50	5.6	10.4
	II	198.46	-3.5	2.7	267.79	-5.9	-0.2	216.51	-4.6	1.1	228.30	-1.0	6.8
	III	196.05	-1.2	-2.2	259.10	-3.2	-12.2	215.30	-0.6	-1.8	228.25	0.0	4.6
	IV	192.11	-2.1	-5.9	255.12	-1.5	-15.2	209.08	-2.9	-7.2	227.60	-0.3	4.2
2010	I	194.06	1.0	-5.6	257.64	1.0	-9.5	211.85	1.3	-6.6	232.12	2.0	0.7
	II	198.05	2.1	-0.2	260.87	1.3	-2.6	209.56	-1.1	-3.2	272.71	17.5	19.5
	III	200.15	1.1	2.1	263.99	1.2	1.9	212.39	1.4	-1.4	275.90	1.2	20.9

		PLUMBING & FIXTURES			WINDOWS, DOORS & BALUSTRADING			FINISHING, JOINERY UNITS AND PAINTING & EXTERNAL WORKS		
Date		Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %
2006	III	115.17	-0.6	2.9	122.05	2.1	4.9	112.41	2.7	7.9
	IV	117.95	2.4	3.7	130.18	6.7	11.1	114.25	1.6	7.4
2007	I	116.90	-0.9	2.2	137.30	5.5	15.8	118.33	3.6	9.5
	II	118.34	1.2	2.2	135.63	-1.2	13.4	121.42	2.6	10.9
	III	119.18	0.7	3.5	136.24	0.5	11.6	121.94	0.4	8.5
	IV	122.80	3.0	4.1	136.70	0.3	5.0	122.10	0.1	6.9
2008	I	127.90	4.2	9.4	140.40	2.7	2.3	122.20	0.1	3.3
	II	128.90	0.8	8.9	140.40	0.0	3.5	125.30	2.5	3.2
	III	129.26	0.3	8.5	141.76	1.0	4.1	127.57	1.8	4.6
	IV	130.48	0.9	6.3	142.18	0.3	4.0	129.83	1.8	6.3
2009	I	149.70	14.7	17.0	143.80	1.1	2.4	134.60	3.7	10.2
	II	152.00	1.5	17.9	144.22	0.3	2.7	132.72	-1.4	5.9
	III	149.90	-1.4	16.0	143.90	-0.2	1.5	130.30	-1.8	2.1
	IV	150.60	0.5	15.4	143.86	-0.0	1.2	125.76	-3.5	-3.1
2010	I	148.20	-1.6	-1.0	143.17	-0.5	-0.4	127.13	1.1	-5.6
	II	152.69	3.0	0.5	143.17	-0.0	-0.7	127.79	0.5	-3.7
	III	153.02	0.2	2.1	143.01	-0.1	-0.6	128.90	0.9	-1.1

Source: Central Statistical Office.

Appendix G
Export and Import Prices Indices, 2004 - 2010
(Per Cent)

		Import Prices			*Export Prices*			*Net Barter Terms of Trade*		
		INDEX VALUE	QUARTERLY CHANGE	YEAR-ON-YEAR CHANGE	INDEX VALUE	QUARTERLY CHANGE	YEAR-ON-YEAR CHANGE	INDEX VALUE	QUARTERLY CHANGE	YEAR-ON-YEAR CHANGE
2004	IV	121.10	3.9	5.1	129.40	3.2	14.0	106.85	-0.6	8.5
2005	I	122.40	1.1	-0.6	127.23	-1.7	8.2	103.95	-2.7	8.9
	II	124.16	1.4	9.9	132.42	4.1	15.4	106.65	2.6	5.0
	III	130.40	5.0	11.8	143.15	8.1	14.2	109.77	2.9	2.1
	IV	129.30	-0.8	6.8	143.05	-0.1	10.6	110.64	0.8	3.5
2006	I	137.50	6.3	12.3	157.04	9.8	23.4	114.21	3.2	9.9
	II	135.20	-1.7	8.9	153.57	-2.2	16.0	113.58	-0.6	6.5
	III	133.38	-1.3	2.3	157.57	2.6	10.1	118.14	4.0	7.6
	IV	140.41	5.3	8.6	160.14	1.6	11.9	114.05	-3.5	3.1
2007	I	144.50	2.9	5.1	159.45	-0.4	1.5	110.35	-3.3	-3.4
	II	154.20	6.7	14.1	159.98	0.3	4.2	103.75	-6.0	-8.7
	III	159.10	3.2	19.3	167.20	4.5	6.1	105.09	1.3	-11.0
	IV	162.10	1.9	15.4	172.66	3.3	7.8	106.51	1.4	-6.6
2008	I	164.40	1.4	13.8	165.40	-4.2	3.7	100.61	-5.5	-8.8
	II	169.70	3.2	10.1	185.40	12.1	15.9	109.25	8.6	5.3
	III	167.50	-1.3	5.3	186.60	0.6	11.6	111.40	2.0	6.0
	IV	164.72	-1.7	1.6	180.10	-3.5	4.3	109.34	-1.9	2.6
2009	I	159.32	-3.3	-3.1	160.00	-11.1	-3.3	100.43	-8.1	-0.2
	II	158.21	-0.7	-6.8	149.70	-6.4	-19.3	94.62	-5.8	-13.4
	III	154.05	-2.6	-8.0	147.59	-1.4	-20.9	95.81	1.3	-14.0
	IV	156.50	1.6	-5.0	151.98	3.0	-15.6	97.11	1.4	-11.2
2010	I	157.80	0.4	-1.3	157.20	3.4	-1.8	99.62	2.6	-0.8
	II	157.72	0.7	0.4	158.89	1.1	6.1	100.74	1.1	6.5

Source: Central Statistical Office.

Appendix H
Stock Market Indices
June 2003 - September 2010

	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T
	Index Values		*Quarterly Change (%)*		*Year on Year Change (%)*	
Jun-03	560.4	691.1	-0.7	0.3	16.5	27.1
Sep-03	600.0	759.1	7.1	9.8	22.8	37.9
Dec-03	694.1	912.0	15.7	20.1	27.2	39.4
Mar-04	839.4	1,118.3	20.9	22.6	48.8	62.4
Jun-04	904.7	1,155.5	7.8	3.3	61.5	67.2
Sep-04	962.7	1,197.7	6.4	3.7	60.5	57.8
Dec-04	1074.6	1,290.1	11.6	7.7	54.8	41.5
Mar-05	1148.5	1,432.2	6.9	11.0	36.8	28.1
Jun-05	1170.3	1,480.0	1.9	3.3	29.4	28.1
Sep-05	1082.9	1,345.9	-7.5	-9.1	12.5	12.4
Dec-05	1067.4	1,323.0	-1.4	-1.7	-0.7	2.5
Mar-06	958.6	1,170.4	-10.2	-11.5	-16.5	-18.3
Jun-06	920.3	1,168.4	-4.0	-0.2	-21.4	-21.1
Sep-06	868.8	1,090.3	-5.6	-6.7	-19.8	-19.0
Dec-06	969.2	1,205.7	11.6	10.6	-9.2	-8.9
Mar-07	929.1	1,178.2	-4.1	-2.3	-3.1	0.7
Jun-07	918.8	1,152.4	-1.1	-2.2	-0.2	-1.4
Sep-07	936.6	1,179.6	1.9	2.4	7.8	8.2
Dec-07	982.0	1,200.7	4.9	1.8	1.3	-0.4
Mar-08	992.9	1,256.6	1.1	4.7	6.9	6.7
Jun-08	1150.2	1,502.1	15.8	19.5	25.2	30.3
Sep-08	1065.6	1,444.1	-7.4	-3.9	13.8	22.4
Dec-08	842.9	1,154.8	-20.9	-20.0	-14.2	-3.8
Mar-09	821.8	1,121.9	-2.5	-2.8	-17.2	-10.7
Jun-09	779.6	1,080.9	-5.1	-3.7	-32.2	-28.0
Sep-09	787.5	1,105.0	1.0	2.2	-26.1	-23.5
Dec-09	765.3	1,099.2	-2.8	0.5	-9.2	-4.8
Mar-10	817.7	1,165.5	6.9	6.0	-0.5	3.9
Jun-10	827.2	1,172.2	1.2	0.6	6.1	8.4
Sep-10	821.7	1,151.9	-0.7	-1.7	4.3	4.2

Source: Central Bank of Trinidad and Tobago.

Appendix I
Trinidad and Tobago Mutual Funds Under Management by Type of Fund[1]
March 2004 - September 2010

	AGGREGATE FUND VALUE	INCOME FUNDS	EQUITY	AGGREGATE FUND VALUE	INCOME FUNDS	EQUITY	AGGREGATE FUND VALUE	INCOME FUNDS	EQUITY
	TT$ Million			*Quarterly Percent Change (%)*			*Year-on-Year Percent Change (%)*		
Mar-04	22,927.77	18,551.23	4,376.54	17.5	17.2	18.7	53.7	46.5	94.2
Jun-04	24,278.61	19,694.98	4,583.63	5.9	6.2	4.7	92.0	91.4	94.6
Sep-04	25,213.95	20,089.28	5,124.67	3.9	2.0	11.8	39.8	33.2	73.2
Dec-04	26,970.40	21,205.50	5,764.90	7.0	5.6	12.5	38.2	34.0	56.3
Mar-05	28,140.66	21,462.21	6,678.45	4.3	1.2	15.8	22.7	15.7	52.6
Jun-05	29,821.36	22,955.65	6,865.71	6.0	7.0	2.8	22.8	16.6	49.8
Sep-05	31,110.89	24,554.75	6,556.14	4.3	7.0	-4.5	23.4	22.2	27.9
Dec-05	31,304.82	25,029.62	6,275.20	0.6	1.9	-4.3	16.1	18.0	8.9
Mar-06	31,477.52	25,742.18	5,735.34	0.6	2.8	-8.6	11.9	19.9	-14.1
Jun-06	31,071.82	25,498.85	5,572.97	-1.3	-0.9	-2.8	4.2	11.1	-18.8
Sep-06	31,039.68	25,627.01	5,412.67	-0.1	0.5	-2.9	-0.2	4.4	-17.4
Dec-06	31,834.88	26,145.44	5,689.44	2.6	2.0	5.1	1.7	4.5	-9.3
Mar-07	32,172.25	26,441.20	5,731.05	1.1	1.1	0.7	2.2	2.7	-0.1
Jun-07	31,893.44	26,397.62	5,495.82	-0.9	-0.2	-4.1	2.6	3.5	-1.4
Sep-07	33,284.84	27,556.99	5,727.85	4.4	4.4	4.2	7.2	7.5	5.8
Dec-07	34,545.56	28,794.65	5,750.91	3.8	4.5	0.4	8.5	10.1	1.1
Mar-08	34,940.23	29,121.13	5,502.45	1.1	1.1	-4.3	8.6	10.1	-4.0
Jun-08	36,806.96	30,717.73	5,733.47	5.3	5.5	4.2	15.4	16.4	4.3
Sep-08	36,627.16	31,373.90	4,941.86	-0.5	2.1	-13.8	10.0	13.9	-13.7
Dec-08	36,154.62	31,528.35	4,315.63	-1.3	0.5	-12.7	4.7	9.5	-25.0
Mar-09	36,465.79	32,173.01	3,991.58	0.9	2.0	-7.5	4.4	10.5	-27.5
Jun-09	39,266.87	35,105.26	3,854.08	7.7	9.1	-3.4	6.7	14.3	-32.8
Sep-09	40,768.86	36,754.70	3,685.34	3.8	4.7	-4.4	11.3	17.2	-25.4
Dec-09	35,510.14	31,480.57	3,663.70	-12.9	-14.3	-0.6	-1.8	-0.2	-15.1
Mar-10	36,312.71	32,290.12	3,633.87	2.3	2.6	-0.8	-0.4	0.4	-9.0
Jun-10	36,812.39	32,745.57	3,677.50	1.4	1.4	1.2	-6.3	-6.7	-4.6
Sep-10	36,556.18	32,612.89	3,625.60	-0.7	-0.4	-1.4	-10.3	-11.3	-1.6

Source: Central Bank of Trinidad and Tobago.

[1] Aggregate funds under management refer to mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Roytrin, Republic Bank Limited and First Citizens Bank Limited.

Appendix J
Private Sector Credit by the Consolidated Financial System
February 2007 – August 2010

/Year-on-Year Per Cent Change/

PRIVATE SECTOR CREDIT BY INSTITUTION				MAJOR PRIVATE SECTOR CREDIT COMPONENTS		
	BANKS	NON-BANKS	CONSOLIDATED FINANCIAL SYSTEM	CONSUMER CREDIT	REAL ESTATE MORTGAGE LOANS	LOANS TO BUSINESS FIRMS
Feb-07	20.8	-19.1	13.2	20.2	12.5	19.8
Mar-07	20.6	-3.9	16.2	18.3	14.0	21.2
Apr-07	20.5	-4.8	16.0	16.5	14.1	21.0
May-07	20.5	-3.7	16.4	17.6	14.3	18.3
Jun-07	22.8	3.4	19.7	17.1	15.9	23.3
Jul-07	23.9	2.4	20.5	19.6	16.4	21.9
Aug-07	22.9	-8.5	17.8	21.3	18.0	15.6
Sep-07	24.0	-3.5	19.7	20.9	17.4	21.1
Oct-07	23.8	-8.3	18.7	21.6	18.3	17.8
Nov-07	22.5	-5.0	18.4	19.9	18.2	17.3
Dec-07	21.7	-15.3	16.1	21.3	17.5	13.2
Jan-08	23.0	-10.9	18.4	22.1	22.2	15.1
Feb-08	23.1	-9.5	18.7	20.4	21.1	16.2
Mar-08	24.3	-17.2	18.1	18.4	19.7	17.3
Apr-08	25.5	-13.9	19.7	19.7	21.1	19.4
May-08	25.0	-16.6	19.2	19.3	21.5	19.6
Jun-08	18.4	-23.5	12.7	16.3	18.7	8.8
Jul-08	17.5	-20.6	12.4	11.3	18.9	12.4
Aug-08	17.6	-12.9	13.7	11.6	18.4	12.6
Sep-08	16.2	-18.3	11.8	11.4	17.8	9.4
Oct-08	15.4	-19.4	11.1	10.5	16.5	10.9
Nov-08	16.0	-18.4	11.9	9.9	17.2	13.1
Dec-08	13.7	-16.4	10.4	5.7	17.1	11.8
Jan-09	11.0	-14.4	8.4	3.4	15.8	9.9
Feb-09	9.7	-15.7	7.1	3.6	17.4	11.8
Mar-09	5.5	-15.9	3.2	2.0	14.9	9.9
Apr-09	3.2	-16.4	1.2	0.2	13.3	6.9
May-09	3.0	-11.4	1.6	-0.9	12.1	9.5
Jun-09	4.5	13.3	5.3	-0.2	12.4	13.1
Jul-09	3.4	9.1	4.0	1.2	10.3	10.8
Aug-09	1.9	3.6	2.1	-1.5	9.8	9.8
Sep-09	0.2	-5.8	-0.4	-2.2	9.0	6.5
Oct-09	-2.2	-0.1	-2.0	-3.2	11.4	1.5
Nov-09	-4.4	-2.6	-4.2	-4.9	8.5	-1.2
Dec-09	-4.4	0.3	-4.0	-3.4	7.9	-2.5
Jan-10	-4.8	3.6	-4.1	-2.9	8.0	-3.8
Feb-10	-4.2	2.5	-3.6	-3.1	6.5	-5.4
Mar-10	-2.7	-1.8	-2.6	-2.7	7.5	-5.5
Apr-10	-2.4	-9.3	-3.0	-1.3	6.3	-5.3
May-10	-4.5	-10.2	-5.0	-1.2	5.7	-11.1
Jun-10	-4.0	-25.8	-6.1	-0.5	5.6	-10.0
Jul-10	-3.8	-28.4	-6.2	0.4	7.0	-11.3
Aug-10	-2.8	-30.1	-5.5	0.1	7.1	-10.1

Source: Central Bank of Trinidad and Tobago.

Appendices:

Media Releases on the Repo Rate from April 2010 to October 2010

1 Media Release dated April 23, 2010 -
Inflation at 5.1 Per cent in March: Central Bank Keeps 'Repo' Rate Unchanged.

2 Media Release dated May 28, 2010 -
Inflation Rises in April: Central Bank Maintains 'Repo' Rate at 5.0 Per cent.

3 Media Release dated June 25, 2010 -
Food Prices Push Headline Inflation Rate to 9.6 Per cent: Central Bank Maintains 'Repo' Rate at 5.0 Per cent.

4 Media Release dated July 23, 2010 -
Food Prices Push Headline Inflation Rate to 13.7 Per cent: Central Bank Maintains 'Repo' Rate at 5.0 Per cent.

5 Media Release dated August 27, 2010 -
Central Bank Lowers 'Repo' Rate by 50 Basis Points to 4.5 Per cent to Help Stimulate Domestic Demand.

6 Media Release dated September 23, 2010 -
The Continued Surge in Food Prices Pushes Inflation to 16.2 Per cent.

7 Media Release dated October 29, 2010 -
Central Bank Lowers 'Repo' Rate by 25 Basis Points to 4.0 Per cent

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Media Release

INFLATION AT 5.1 PER CENT IN MARCH: CENTRAL BANK KEEPS 'REPO' RATE UNCHANGED

Recent data released by the Central Statistical Office indicate that **headline inflation**, as measured by the twelve-month increase in the Index of Retail Prices, rose to **5.1 per cent** in March 2010 from 4.8 per cent in February. An important factor influencing the headline rate was the movement in **food prices** whose twelve-month rate of increase was **6.9 per cent** in March compared with 6.3 per cent in February. **Core inflation,** which excludes food prices, was **4.1 per cent** (year-on-year) in March, virtually unchanged from the previous month.

Underpinning the trend in food inflation was a **60.8 per cent** increase in the prices of fruits (up from **40.7 per cent** in February) which is partly related to the severe drought currently being experienced since the start of the year. While **vegetable prices** also generally exhibit upward sensitivity to the arid weather conditions, the year-on-year price increase in this category slowed to **1.7 per cent** in March, from 9.4 per cent in February.

In March 2010, retail prices of several major food categories continued to be lower than in the year-earlier period: **bread and cereals** (-5.7 per cent); **meat** (-2.9 per cent); **fish** (-3.2 per cent) and **oils and fats** (-2.0 per cent).

As regards core inflation, the rate of increase in the sub-index for **alcoholic beverages and tobacco** slowed to **12.2 per cent** (year-on-year) in March while the prices of footwear and clothing declined by **0.5 per cent**.

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The rise in headline inflation continues against the background of a protracted weakness in private sector credit demand. In the twelve months to February 2010, **private sector credit** by the consolidated financial system contracted by **3.6 per cent**. On a year-on-year basis, **consumer credit** fell for the seventh consecutive month in February by **3.1 per cent** while **business credit** declined for the fourth consecutive month by an even larger rate of **5.4 per cent**. On the other hand, **real estate mortgage lending** has continued to grow in February, albeit at a slower pace than in earlier months, in the wake of softer housing prices and lower mortgage rates.

Financial system liquidity for the first three weeks in April 2010 remained relatively high, with commercial banks' **excess reserves** at the Central Bank averaging close to $2 billion. However, by April 22, excess reserves declined to about $681 million following the issue of a $794 million 13-year government bond, the proceeds of which were sterilized at the Central Bank.

The relatively high levels of excess liquidity over the past several months have helped to suppress short-term interest rates which have continued to fall. The **three-month treasury bill rate** declined to **1.15 per cent** by April 21 from 1.85 per cent in September 2009. As a consequence, the **differential** between the TT and US three-month treasury bill rates has narrowed to **100 basis points** in April from 173 basis points in September 2009.

Looking ahead, persistent arid weather conditions—despite intermittent showers in April—will continue to have a negative impact on domestic food production, leading to further increases in the retail prices of several items. At the same time, underlying conditions of weak domestic demand and abundant spare capacity could exert downward pressure on non-food prices.

Against this background, **the Bank has decided to maintain the 'Repo' rate at 5.0 per cent**. The Bank will continue to keep a close watch on economic developments and stands ready to take early action to restrain inflationary pressures if circumstances so warrant.

The next 'Repo' rate announcement is scheduled for May 28, 2010.

April 23, 2010

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	February 2010	March 2010	February 2010	March 2010
Headline Inflation	**0.9**	**0.6**	**4.8**	**5.1**
Food Prices	2.8	1.3	6.3	6.9
Bread and Cereals	(0.2)	(0.1)	(6.3)	(5.7)
Meat	(1.9)	(0.1)	(3.4)	(2.9)
Fish	0.6	1.4	(4.9)	(3.2)
Vegetables	6.1	(2.9)	9.4	1.7
Fruits	5.0	10.1	40.7	60.8
Milk, Cheese & Eggs	0.1	0.4	(9.3)	(8.3)
Oils and Fats	0.3	(0.3)	(1.6)	(2.0)
Sugar, Jam, Confectionery, etc.	2.5	1.8	3.3	3.7
Core Inflation	**(0.1)**	**0.1**	**4.0**	**4.1**
Alcoholic Beverages & Tobacco	0.4	(0.1)	14.4	12.2
Clothing and Footwear	(1.0)	1.2	(1.9)	(0.5)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	1.0	1.0
Health	(0.1)	0.1	6.3	6.1
Of which: Medical Services	0.0	0.0	14.0	14.0
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	1.1	1.1
Of which: Rent	0.0	0.0	6.5	6.5
Home Ownership	0.0	0.0	(0.2)	(0.2)
Water, Electricity, Gas & Other Fuels	0.0	0.0	2.9	2.9
Education	0.0	0.0	3.2	3.2
Recreation & Culture	0.0	0.0	3.1	3.1
Hotels, Cafes & Restaurants	0.0	0.0	3.0	3.0
Transport	0.0	0.0	9.5	9.5

Source: Central Statistical Office.

- End -

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Media Release

INFLATION RISES IN APRIL: CENTRAL BANK MAINTAINS 'REPO' RATE AT 5.0 PER CENT

According to the latest data released by the Central Statistical Office (CSO), inflation continued on an upward trend for the fourth consecutive month. **Headline inflation**, measured by the 12-month increase in the Index of Retail Prices, rose to **7.3 per cent** in April 2010 from 5.1 per cent in March. On a monthly basis, headline inflation increased by 3.2 per cent in April compared to an average increase of 1.1 per cent for the first three months of 2010. The monthly increase in April is the largest recorded since January 1990.

The faster rate of growth in **food prices** was the main contributor to the higher headline inflation rate. In the twelve months to April, food prices rose by 12.7 per cent from 6.9 per cent in March and from a low-point of 2.7 per cent in January. Food prices rose by a brisk 6.2 per cent during the month of April led by increases in the prices of domestic produce, largely fruits and vegetables. On a 12-month basis, the prices of **fruit and vegetables** were respectively **60.2 per cent** and **9.4 per cent** higher than in April 2009. The intense drought, which affected domestic food crop production over the past three months, has been mainly responsible for the increase in local food prices.

Core inflation, which filters out the impact of food prices, edged up to **4.4 per cent** in the twelve months to April from 4.1 per cent in the previous month. The rise in the core inflation rate largely reflected increases in the transportation and recreation and culture sub-indices, which together account for around one-third of the weight in the core inflation index. On a year-on-year basis to April, the transportation sub-index increased by 11.8 per cent compared with 9.5 per cent in March, while the recreation and culture sub-index rose by 7.8 per cent compared to 3.1 per cent in the previous month. The rise in the price of new motor vehicles (3.8 per cent) was the main factor driving the increase in the transportation sub-index while higher airfares (13.8 per cent) associated with increased jet fuel costs were behind the increase in the recreation and culture sub-index.

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The steady rise in inflation over the past few months is occurring against the background of continued sluggishness in domestic demand and weak economic activity. On a year-on-year basis to March 2010, **private sector credit** by the consolidated financial system contracted **by 2.6 per cent**, following declines of 4.1 per cent and 3.6 per cent in January and February, respectively. **Consumer and business credit** posted year-on-year declines of **2.5 per cent** and **2.9 per cent**, respectively in March, following declines of 3.1 per cent and 5.4 per cent in the previous month. **Real estate mortgage lending**, however, has continued to remain quite robust growing by **7.4 per cent** in March from 6.5 per cent in February.

High net fiscal injections and **declining bank credit** have contributed to a sharp build-up in liquidity in the domestic financial system, with excess commercial bank balances at the Central Bank averaging just over TT$2.0 billion in May. This accumulation in excess liquid balances in the financial system has served to keep short-term interest rates at record lows with the **three and six-month treasury bill rates** declining to **1.11 per cent** and **1.27 per cent**, respectively on May 25 from 1.36 per cent and 1.48 per cent in January.

Looking ahead, the widespread flooding already being experienced since the start of the rainy season, combined with the expected increase in some international commodity prices, will continue to exert upward pressure on food prices. Domestic demand may pick up slowly now that the election uncertainties are over. However, the abundant spare capacity should help to contain any major increase in core inflation.

The Bank is of the view that the immediate policy challenge is to help promote economic recovery while keeping an eye on the course of headline inflation. In these circumstances, **the Bank has decided to maintain the 'Repo' rate at 5.0 per cent**.

The Bank will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for June 25, 2010.

May 28, 2010.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	March 2010	April 2010	March 2010	April 2010
Headline Inflation	**0.6**	**3.2**	**5.1**	**7.3**
Food Prices	1.3	6.2	6.9	12.7
Bread and Cereals	(0.1)	0.4	(5.7)	(5.2)
Meat	(0.1)	2.4	(2.9)	(0.3)
Fish	1.4	(2.3)	(3.2)	(1.9)
Vegetables	(2.9)	10.2	1.7	9.4
Fruits	10.1	6.6	60.8	60.2
Milk, Cheese & Eggs	0.4	0.8	(8.3)	(6.3)
Oils and Fats	(0.3)	0.6	(2.0)	(2.3)
Sugar, Jam, Confectionery, etc.	1.8	(0.5)	3.7	3.5
Core Inflation	**0.1**	**1.6**	**4.1**	**4.4**
Alcoholic Beverages & Tobacco	(0.1)	0.1	12.2	12.2
Clothing and Footwear	1.2	(0.3)	(0.5)	0.0
Furnishings, Household Equipment and Routine Maintenance	0.0	(0.1)	1.0	(0.2)
Health	0.1	2.2	6.1	4.4
Of which: Medical Services	0.0	5.0	14.0	9.6
Housing, Water, Electricity, Gas & Other Fuels	0.0	(0.2)	1.1	(0.2)
Of which: Rent	0.0	1.6	6.5	7.6
Home Ownership	0.0	(0.6)	(0.2)	(2.3)
Water, Electricity, Gas & Other Fuels	0.0	0.0	2.9	2.9
Education	0.0	1.2	3.2	2.9
Recreation & Culture	0.0	10.4	3.1	7.8
Hotels, Cafes & Restaurants	0.0	0.3	3.0	2.1
Transport	0.0	1.9	9.5	11.8

Source: Central Statistical Office.

- End -

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Media Release

FOOD PRICES PUSH HEADLINE INFLATION RATE TO 9.6 PER CENT: CENTRAL BANK MAINTAINS 'REPO' RATE AT 5.0 PER CENT

The latest information released by the Central Statistical Office indicates that the upward trend in inflation continued for a fifth consecutive month. Headline inflation, measured by the twelve-month increase in the Index of Retail Prices, rose to **9.6 per cent** on a year-on-year basis to May 2010 from 7.3 per cent in April and 1.3 per cent in December 2009.

Food prices, the main driver of the headline inflation rate, accelerated on a year-on-year basis to **19.4 per cent** in May from 12.7 per cent in the previous month. On a monthly basis, food prices rose by 5.3 per cent in May following an increase of a similar magnitude in April. The combined effects of the severe drought in previous months and the recent floods have adversely affected domestic crop production and pushed up local food prices. In particular, the prices of **fruits and vegetables** rose, on a year-on-year basis to May, by **48.5 per cent** and **25.1 per cent**, respectively. The sub-index for fish also registered an increase of 8.7 per cent (year-on-year) in May after recording declines in the four previous months.

Core inflation, which filters out the impact of food prices, edged downwards to **4.3 per cent** in the twelve months to May from 4.4 per cent in April. The marginal decline in core inflation reflected a deceleration in price increases in the sub-indices for alcoholic beverages and tobacco as well as clothing and footwear. However, there was a slight increase in the cost of **health services** to **4.5 per cent** (year-on-year) in May from 4.4 per cent in April. The relative stability in core inflation suggests that underlying inflationary pressures have not accelerated over the past few months.

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As a reflection of relatively sluggish domestic demand, credit growth has continued to decline. In the twelve months to April 2010, **private sector credit** by the consolidated financial system contracted by **3.0 per cent.** This follows declines of 2.6 per cent and 3.6 per cent in March and February, respectively. In April, **consumer and business credit** posted year-on-year declines of 1.3 per cent and 2.7 per cent, respectively. By contrast, **real estate mortgage lending** remains resilient, growing by **6.4 per cent** (year-on-year) in April.

High net fiscal injections and the tepid demand for credit have contributed to more buoyant liquidity conditions in the domestic banking system. The slow credit demand and increased competition for treasury bills have helped to depress short-term interest rates which have remained at record lows over the past few months. The three-month treasury bill rate drifted downwards to 1.0 per cent by June 21 from 1.34 per cent in January.

Headline inflation is now approaching a threshold which, in the past, has increased inflationary expectations and complicated wages policy. In these circumstances, the immediate challenge is to reverse the steady increase in food prices. Since the current availability of agricultural produce is still uncertain, nationwide measures to boost domestic food stocks could help to ease supply constraints.

While there is room to reduce core inflation, monetary policy is faced with the challenge of addressing a rapid increase in headline inflation and at the same time fostering conditions that are conducive to a sustained economic recovery.

In the meantime, the Bank is of the view that the current accommodative policy stance remains appropriate in order to create conditions for private sector growth. In these circumstances, **the Bank has decided to maintain the 'Repo' rate at 5.0 per cent**.

The Bank will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for July 23, 2010.

June 25, 2010

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	April 2010	May 2010	April 2010	May 2010
Headline Inflation	**3.2**	**2.0**	**7.3**	**9.6**
Food Prices	6.2	5.3	12.7	19.4
Bread and Cereals	0.4	0.2	(5.2)	(3.4)
Meat	2.4	(1.5)	(0.3)	(1.9)
Fish	(2.3)	(2.8)	(1.9)	8.7
Vegetables	10.2	9.6	9.4	25.1
Fruits	6.6	10.7	60.2	48.5
Milk, Cheese & Eggs	0.8	2.6	(6.3)	(3.2)
Oils and Fats	0.6	(0.3)	(2.3)	(2.4)
Sugar, Jam, Confectionery, etc.	(0.5)	0.1	3.5	4.9
Core Inflation	**1.6**	**0.0**	**4.4**	**4.3**
Alcoholic Beverages & Tobacco	0.1	0.0	12.2	12.1
Clothing and Footwear	(0.3)	(0.1)	0.0	(0.6)
Furnishings, Household Equipment and Routine Maintenance	(0.1)	0.0	(0.1)	(0.1)
Health	2.2	0.1	4.4	4.5
Of which: Medical Services	5.0	0.0	9.6	9.6
Housing, Water, Electricity, Gas & Other Fuels	(0.2)	0.0	(0.2)	(0.2)
Of which: Rent	1.6	0.0	7.6	7.6
Home Ownership	(0.6)	0.0	(2.3)	(2.3)
Water, Electricity, Gas & Other Fuels	0.0	0.0	2.9	2.9
Education	1.2	0.0	2.9	2.9
Recreation & Culture	10.4	0.0	7.8	7.8
Hotels, Cafes & Restaurants	0.3	0.0	2.1	2.1
Transport	1.9	0.0	11.8	11.8

Source: Central Statistical Office.

- End -

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Media Release

FOOD PRICES PUSH HEADLINE INFLATION RATE TO 13.7 PER CENT: CENTRAL BANK MAINTAINS 'REPO' RATE AT 5.0 PER CENT

According to data from the Central Statistical Office, inflation has accelerated further in mid-2010, driven by an unexpectedly large rise in domestic food prices. **Headline inflation**, measured by the twelve-month increase in the Index of Retail Prices, rose to **13.7 per cent** in June from 9.6 per cent in the previous month. The June outcome represents the highest year-on-year increase since October 2008 when the rate peaked at 15.4 per cent. On a monthly basis, headline inflation rose by 3.7 per cent compared to an average of 1.7 per cent over the past five months.

Food prices jumped sharply in June to 31.1 per cent (year-on-year), up from 19.4 per cent in May and 7.0 per cent in March. On a monthly basis, food prices rose by 9.6 per cent in June – the highest monthly rate of increase in well over a decade. The recent floods in some key agricultural districts, in conjunction with the severe drought which led to the widespread rationing of water earlier in the year, have severely hampered domestic crop production. In the twelve months to June, **fruit and vegetables**, which account for 20 per cent of the food prices sub-index, posted price increases of **48.0 per cent** and **51.9 per cent**, respectively. The prices of **fish**, **sugar and confectionery products** and **meat products** also registered year-on year increases of **13.5 per cent**, **6.5 per cent**, and **2.4 per cent,** respectively.

Core inflation, which excludes food prices, remained virtually unchanged from the previous month at 4.3 per cent. The steadiness of the core inflation rate over the past six months, along with the slow movement in producer prices and the prices of building materials, suggest that underlying inflationary pressures have not accelerated.

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Private sector credit has continued to contract against the background of weak domestic demand. On a year-on-year basis, **private sector credit** by the consolidated financial system declined for the ninth consecutive month, falling by **5.0 per cent** in May 2010. **Business credit** also continued to fall at a rapid rate (**-11.2 per cent**) outstripping the rate of contraction of **consumer lending** (**-1.2 per cent**). Conversely, **real estate mortgage lending** remains resilient growing by **6.1 per cent** in the twelve months to May. Associated with the sluggish private sector credit demand, liquidity in the banking system has persisted at relatively high levels, with commercial banks' balances at the Central Bank in excess of the reserve requirement recorded at just over $2.0 billion in mid-July.

Over the course of the past six months, short-term interest rates have plummeted to record lows in the face of slow credit demand and buoyant liquidity conditions. The **three-month treasury bill rate** has declined to 0.97 per cent in July from 1.3 per cent in January 2010 and from 2.5 per cent a year ago. As a consequence, the **differential** between the US and TT short-term interest rates narrowed further to **81 basis points** in July from 130 basis points in January 2010.

The surge in the headline inflation rate since the start of the year highlights the inordinate impact that food prices are having on domestic inflation. Measures to augment the amount of produce available at markets and to streamline distribution channels could help to bring food supplies back to more normal levels. This may entail an increase in imports of certain fruits and vegetables in the short run, depending on how long it takes for local crops to recuperate from the impact of the drought and subsequent floods in the first half of the year.

There is no doubt that weather-related factors have put pressure on domestic agricultural supplies resulting in significant volatility in some basic food prices and consequently in headline inflation. Thus for example, the 12-month change in the food price index has moved from 25 per cent in January 2009 to minus 1.0 per cent in December 2009 and to 31 per cent in June 2010. The Central Statistical Office will soon begin an exercise, with technical support from the International Monetary Fund, to examine more closely the reasons behind this excessive volatility.

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Meanwhile, monetary policy is faced with the difficult challenge of containing rising inflation while, at the same time, fostering appropriate conditions to kick-start and sustain an economic recovery. While driven largely by an unusually large jump in food prices since the start of the year, the high rate of headline inflation could spill over into wage and general price-setting behaviour.

For the time being, the Bank is of the view that reversing the current accommodative policy stance too quickly could stifle emerging growth prospects. In these circumstances, **the Bank has decided to maintain the 'Repo' rate at 5.0 per cent**.

The Bank will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for August 27, 2010.

July 23, 2010.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	May 2010	June 2010	May 2010	June 2010
Headline Inflation	**2.0**	**3.7**	**9.6**	**13.7**
Food Prices	5.3	9.6	19.4	31.1
Bread and Cereals	0.2	(0.1)	(3.4)	(3.8)
Meat	(1.5)	2.6	(1.9)	2.4
Fish	(2.8)	(2.2)	8.7	13.5
Vegetables	9.6	21.4	25.1	51.9
Fruits	10.7	0.1	48.5	48.0
Milk, Cheese & Eggs	2.6	4.2	(3.2)	1.2
Oils and Fats	(0.3)	(0.4)	(2.4)	(2.8)
Sugar, Jam, Confectionery, etc.	0.1	(0.9)	4.9	6.5
Core Inflation	**0.0**	**0.0**	**4.3**	**4.3**
Alcoholic Beverages & Tobacco	0.0	0.0	12.1	12.1
Clothing and Footwear	(0.1)	(0.6)	(0.6)	0.2
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	(0.1)	(0.1)
Health	0.1	0.2	4.5	4.7
Of which: Medical Services	0.0	0.0	9.6	9.6
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	(0.2)	(0.2)
Of which: Rent	0.0	0.0	7.6	7.6
Home Ownership	0.0	0.0	(2.3)	(2.3)
Water, Electricity, Gas & Other Fuels	0.0	0.0	2.9	2.9
Education	0.0	0.0	2.9	2.9
Recreation & Culture	0.0	0.0	7.8	7.8
Hotels, Cafes & Restaurants	0.0	0.0	2.1	2.1
Transport	0.0	0.0	11.8	11.8

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK LOWERS 'REPO' RATE BY 50 BASIS POINTS TO 4.5 PER CENT TO HELP STIMULATE DOMESTIC DEMAND

Recent data released by the Central Statistical Office indicate that inflation continued its upward trajectory in the face of persistent adverse weather conditions. **Headline inflation**, measured by the twelve-month increase in the Index of Retail Prices, rose to **14.1 per cent** in July from 13.7 per cent last month. **Food Inflation**, measured on a twelve-month basis, increased to **33.3 per cent** in July from 31.1 per cent in June. **Core inflation**, which filters out the impact of food prices, declined to **4.1 per cent** (year-on-year) in July from 4.3 per cent in the previous month. The continued steadiness of the core inflation rate suggests that the underlying inflationary pressures are still relatively contained.

The rise in food prices was led by **fruits** (**38.0 per cent**) **and vegetables** (**63.1 per cent**), but there were also increases in the sub-indices for **meat (4.1 per cent)**, **milk, cheese and eggs (2.3 per cent)** and **sugar and confectionery products (8.3 per cent)**. The floods, which have accompanied the persistent rainy weather, have disrupted domestic food crop production in many agricultural districts.

Available indicators suggest that aggregate demand continues to be sluggish. In the twelve months to June 2010, **private sector credit** by the consolidated financial system declined for the tenth consecutive month by **6.1 per cent**. Among the major categories of private sector credit, **business credit** contracted sharply by **10.0 per cent** (year-on-year) in June, outpacing the rate of decline in **consumer credit** (**-0.6 per cent**). Although real estate mortgage lending has been somewhat more resilient over the past several months, the rate of growth of existing **real estate mortgage loans** slowed to **5.7 per cent** in June 2010 from around 8.0 per cent at the start of the year.

An analysis of the sectoral distribution of business credit reveals that there were notable year-on-year declines in credit to the **distribution (-17.2 per cent**), **manufacturing (-12.2 per cent**) and **construction (-5.7 per cent)** sectors. Within the consumer grouping, there were also sharp declines in loans for **home improvement and renovations (-8.4 per cent**) and for the purchase of **motor vehicles (-6.5 per cent**). The sharp fall-off in credit growth is associated with a build-up in liquidity, with commercial banks' balances at the Central Bank in excess of the reserves requirement averaging around TT$2.5 billion since May 2010.

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Although short-term interest rates have continued to plummet to new lows, there has been some lag in the reduction in commercial bank lending rates. The **three-month treasury bill rate** has declined to **0.48 per cent** in August 2010 from 1.36 per cent in December 2009 while **commercial banks' weighted average loan rates** fell to **10.58 per cent** in June 2010 from 11.46 per cent in December 2009.

Production data for the first half of 2010 show that most of the increase in economic activity has been concentrated in the energy sector. By contrast, activity in the non-energy sector still remains quite weak. Notwithstanding the availability of surplus funds in the banking system, the low appetite for new investments in the non-energy sector continues to limit the strength of the economic recovery.

In these circumstances, **the Bank has decided to reduce the 'Repo' rate by 50 basis points to 4.5 per cent to help stimulate domestic demand.**

The Bank will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for September 23, 2010.

August 27, 2010.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	June 2010	July 2010	June 2010	July 2010
Headline Inflation	**3.7**	**0.5**	**13.7**	**14.1**
Food Prices	9.6	0.5	31.1	33.3
Bread and Cereals	(0.1)	(0.1)	(3.8)	(4.0)
Meat	2.6	2.4	2.4	4.1
Fish	(2.2)	(1.8)	13.5	7.6
Vegetables	21.4	2.5	51.9	63.1
Fruits	0.1	(9.7)	48.0	38.0
Milk, Cheese & Eggs	4.2	0.1	1.2	2.3
Oils and Fats	(0.4)	(1.3)	(2.8)	(4.0)
Sugar, Jam, Confectionery, etc.	(0.9)	0.6	6.5	8.3
Core Inflation	**0.0**	**0.4**	**4.3**	**4.1**
Alcoholic Beverages & Tobacco	0.0	(0.2)	12.2	11.3
Clothing and Footwear	(0.6)	(0.9)	0.3	(1.3)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.4	(0.2)	1.1
Health	0.2	0.3	4.7	5.0
Of which: Medical Services	0.0	0.5	9.6	10.1
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	(0.2)	0.3
Of which: Rent	0.0	0.6	7.6	6.6
Home Ownership	0.0	(0.1)	(2.3)	(1.4)
Education	0.0	0.0	2.9	2.9
Recreation & Culture	0.0	3.3	7.8	4.6
Hotels, Cafes & Restaurants	0.0	0.2	2.1	1.4
Transport	0.0	0.0	11.8	11.8

Source: Central Statistical Office.

- End -

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Media Release

THE CONTINUED SURGE IN FOOD PRICES PUSHES INFLATION TO 16.2 PER CENT

According to the latest data released by the Central Statistical Office, **headline inflation**, continued its upward trend, rising to **16.2 per cent** in the twelve months to August from 14.1 per cent in July. The August outcome represents the highest year-on-year increase since November 1983 when the rate also measured 16.2 per cent. On a monthly basis, headline inflation rose by 2.2 per cent following an increase of 0.5 per cent in July.

On a year-on-year basis, **food prices increased** by **39.1 per cent in August,** up from 33.3 per cent in July. The main contributors to food inflation were increases in the prices of **vegetables** (**63.4 per cent**), **fruits** (**37.8 per cent**), **fish** (**12.2 per cent**), **milk, cheese and eggs** (**5.7 per cent**) and **meat** (**5.1 per cent**). Over the past few months, the persistent rains and accompanying floods have seriously affected domestic food production in several of the main agricultural areas. By contrast, there were declines in the sub-indices for **bread and cereals** (**-3.4 per cent**) and **oils and fats** (**-3.3 per cent**), notwithstanding the recent rise in global prices of wheat and dairy products.

Core inflation, which excludes food prices, measured **4.1 per cent** (year-on-year) unchanged from the previous month. The data show that core inflation has remained sticky at around 4.0 per cent since the beginning of the year, perhaps reflecting weak demand and the existence of much spare productive capacity.

Reflecting the continued sluggish demand conditions, in July 2010, **private sector credit** granted by the consolidated financial system declined for the eleventh consecutive month by **6.2 per cent** (year-on-year) led by the **11.2 per cent** fall in **business credit.** **Consumer credit**, staged a small recovery growing by **0.4 per cent** and aided by reductions in mortgage interest rates, **real estate mortgage lending** has remained relatively robust, increasing by **6.7 per cent** on a year-on-year basis.

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The overall depressed credit conditions have contributed to a build-up in commercial banks' excess reserves over the past few months. In the first three weeks of September 2010, commercial bank reserves held at the Central Bank, in excess of the statutory limit, climbed to a daily average of TT$3.2 billion compared to TT$2.6 billion in August. The deposit-to-loan ratio in the commercial banking industry also rose sharply to 161 per cent in July 2010 from 139 per cent, a year earlier.

Short-term interest rates have continued to slide in the face of buoyant liquidity conditions. The increased demand for short-term government securities has pushed the **three-month treasury bill** rate to an historic low of **0.34 per cent** in September, down from 0.85 per cent at the end of July.

Recent economic indicators show **no signs of a resurgence** in activity in the non-energy sector. While the presentation of the national budget in September should help in removing some of the uncertainty in the business environment, it may take some time before business confidence solidifies to provide a platform for increased private sector investment.

Against this background of **muted activity in the non-energy sector**, **rising unemployment**, **still declining credit demand** and **relatively stable core inflation**, the Bank has decided to **reduce the repo rate by 25 basis points to 4.25 per cent** to help stimulate domestic demand and private investment.

The Bank will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for October 29, 2010.

September 23, 2010

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	July 2010	August 2010	July 2010	August 2010
Headline Inflation	**0.5**	**2.2**	**14.1**	**16.2**
Food Prices	0.6	5.4	33.3	39.1
Bread and Cereals	(0.1)	(0.6)	(4.0)	(3.4)
Meat	2.4	0.2	4.1	5.1
Fish	(1.8)	6.2	7.6	12.2
Vegetables	2.5	4.2	63.1	63.4
Fruits	(9.7)	4.0	38.0	37.8
Milk, Cheese & Eggs	0.1	0.6	2.3	5.7
Oils and Fats	(1.3)	(0.1)	(4.0)	(3.3)
Sugar, Jam, Confectionery, etc.	0.6	(0.4)	8.3	8.5
Core Inflation	**0.4**	**0.1**	**4.1**	**4.1**
Alcoholic Beverages & Tobacco	(0.2)	0.2	11.3	11.7
Clothing and Footwear	(0.9)	(0.2)	(1.3)	(2.3)
Furnishings, Household Equipment and Routine Maintenance	0.4	0.0	1.1	1.1
Health	0.3	0.0	5.0	5.0
Of which: Medical Services	0.5	0.0	10.1	10.1
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	0.3	0.3
Of which: Rent	0.6	0.0	6.6	6.6
Home Ownership	(0.1)	0.0	(1.4)	(1.4)
Education	0.0	0.0	2.9	2.9
Recreation & Culture	3.3	0.0	4.6	4.6
Hotels, Cafes & Restaurants	0.2	0.0	1.4	1.4
Transport	0.0	0.0	11.8	11.8

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK LOWERS 'REPO' RATE BY 25 BASIS POINTS TO 4.0 PER CENT

The latest data released by the Central Statistical Office indicate that **headline inflation** measured **13.2 per cent** (year-on-year) in September 2010 compared with 16.2 per cent in the previous month. **Food price inflation**, the main driver of the headline inflation rate, slowed to **29.2 per cent** in the twelve months to September from 39.1 per cent in August 2010. **Core inflation**, which excludes the influence of food prices, measured **4.1 per cent** on a year-on-year basis and has remained unchanged for the past three months.

The slower rise in the food prices index reflects the decline in the sub-indices for **bread and cereals (-2.8 per cent**) and **oils and fats (-3.5 per cent**). There was also some moderation of price increases for **fruits** (**29.5 per cent** compared with 37.8 per cent in August), **vegetables** (**48.6 per cent** compared with 63.4 per cent in August), **meat** (**4.4 per cent** compared with 5.1 per cent) and **sugar and confectionery** products (**5.9 per cent** compared with 8.5 per cent). The short-term outlook for food prices remains uncertain especially in light of rising commodity prices at the global level.

The stickiness of core inflation at the level of 4.0 per cent, in the face of weak demand conditions and significant spare capacity, continues to be of some concern.

Sluggish economic activity along with rising unemployment continues to dampen credit demand, a situation that has obtained for the past twelve months. On a year-on-year basis to August 2010, **private sector credit** by the consolidated financial system fell by **5.5 per cent**, following declines of 6.2 and 6.1 per cent in the two previous months.

Among the major categories of private sector credit, **business credit** continued to register double-digit contractions as firms seem to be wary of accumulating new debt. **Business loans** declined for the tenth consecutive month in August by **10.1 per cent** (year-on-year).

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On the other hand, the decline in **consumer credit**, evident since August 2009, seemed to have bottomed out with such credit rising by **0.1 per cent** in August 2010 on the heels of an increase of 0.4 per cent in July. However, further analysis of the consumer credit information at a more disaggregated level indicates that the improvement is more related to debt consolidation and refinancing by consumers in the lower interest rate environment rather than to the contracting of new consumer loans. Meanwhile, **real estate mortgage lending** remained resilient rising by **7.1 per cent** in August 2010, about the same rate as in the previous month.

Depressed credit demand along with the availability of limited investment alternatives has kept excess reserves in the commercial banking sector at record high levels. For the month of October 2010, excess reserve balances at commercial banks climbed to TT$3.3 billion, the highest level for the year so far. Net open market operations along with the sale of foreign exchange have however helped to withdraw close to TT$1.0 billion in liquidity from the financial system. Given the relatively high levels of liquidity, banks had no need to resort to borrowing either from the inter-bank market or the "repo window" at the Central Bank to meet their financing needs.

Short-term interest rates have continued to fall in the face of sluggish credit demand and buoyant liquidity conditions. The increase demand for Government securities has pushed the **three-month treasury bill rate** to **0.35 per cent** in October 2010, down from 1.35 per cent at the start of the year. Consequently, the **differential between TT and US short-term interest rates** has narrowed sharply to **22 basis points** from around 130 basis points in January.

Weak consumer and business confidence are still placing a drag on activity in the non-energy sector, which still shows no sign of any sustained resurgence. In these circumstances, the Bank has decided to **reduce the repo rate by 25 basis points to 4.00 per cent** so as to provide further stimulus to domestic demand and private investment.

The Bank will continue to keep economic and monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for November 26, 2010.

October 29, 2010.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	August 2010	September 2010	August 2010	September 2010
Headline Inflation	**2.2**	**(0.6)**	**16.2**	**13.2**
Food Prices	5.4	(1.5)	39.1	29.2
Bread and Cereals	(0.6)	(0.3)	(3.4)	(2.8)
Meat	0.2	0.8	5.1	4.4
Fish	6.2	1.9	12.2	13.7
Vegetables	4.2	(3.6)	63.4	48.6
Fruits	4.0	3.3	37.8	29.5
Milk, Cheese & Eggs	0.6	0.1	5.7	8.4
Oils and Fats	(0.1)	(0.5)	(3.3)	(3.5)
Sugar, Jam, Confectionery, etc.	(0.4)	(0.2)	8.5	5.9
Core Inflation	**0.1**	**0.1**	**4.1**	**4.1**
Alcoholic Beverages & Tobacco	0.2	0.1	11.7	9.4
Clothing and Footwear	(0.2)	0.5	(2.3)	(1.7)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	1.1	1.1
Health	0.0	0.4	5.0	5.4
Of which: Medical Services	0.5	0.0	10.1	10.1
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	0.3	0.3
Of which: Rent	0.6	0.0	6.6	6.6
Home Ownership	0.0	0.0	(1.4)	(1.4)
Education	0.0	0.0	2.9	2.9
Recreation & Culture	0.0	0.0	4.6	4.6
Hotels, Cafes & Restaurants	0.0	0.0	1.4	1.4
Transport	0.0	0.0	11.8	11.8

Source: Central Statistical Office.

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