

# HIGHLIGHTS



## In Summary:

- Spurred by the energy sector, there were tentative signs of a rebound in economic output but non-energy sector activity remains weak.
- Inflation remained well contained on account of subdued domestic aggregate demand and negligible external price pressures.
- The interest rate differential between short-term TT-US treasury securities turned negative in the fourth quarter of 2017; nonetheless this has so far not translated into significant capital outflows.
- The Central Bank maintained a neutral monetary policy stance and kept the "Repo" rate at 4.75 per cent. In doing so—against the backdrop of well-anchored inflation expectations—the Bank weighed carefully the need to support to the economy while recognizing the potential for increased capital outflows given the negative TT-US treasury yield differentials.

Headline inflation is expected to remain relatively low over 2018, but the near certainty of additional interest rate hikes by the US Federal Reserve in 2018 would create further challenges for domestic monetary policy by exacerbating the already negative interest differential between Trinidad and Tobago and US short term instruments.

## INTERNATIONAL DEVELOPMENTS



Global growth is likely to strengthen to **3.9%** in both 2018 and 2019.



The global monetary policy environment remained generally **supportive** in early 2018.



Crude oil prices (WTI) averaged **\$65/bbl** in the first 5 months of 2018.

## DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS

Latest official unemployment statistics point to an unemployment rate of **5.3%** in Q1-17.



In its mid-year Budget Review the Central Government signalled its intention to lower the overall deficit by **\$0.5bn**. As at end April 2018 gross public sector debt is estimated at **\$120.4 bn**.



Gross official reserves were equivalent to **8.9 months** of prospective imports at end May 2018. For QIV-17, the external current account balance to GDP was **9.2%** compared to -8.0% in QIV-16.



Compared to the same period last year, Authorised Dealer FX sales increased by 4.2% to **US\$2.2bn** for January to May 2018; purchases increased by 13.6% to **US\$1.6bn**, while CBTT interventions declined by 20.4% to **US\$645mn**.



## MONETARY POLICY CONSIDERATIONS

