CENTRAL BANK OF
TRINIDAD & TOBAGO

Monetary Policy Report

April 2011

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MONETARY POLICY REPORT

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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.

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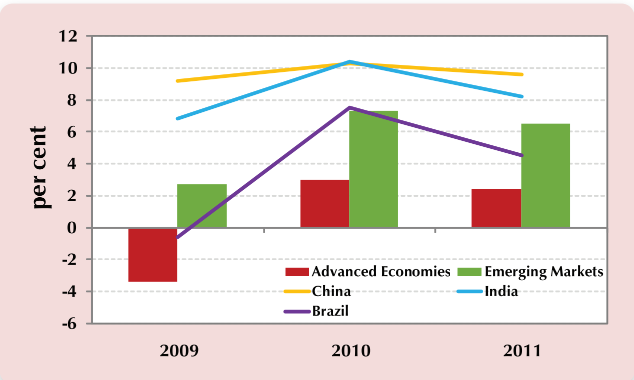
PART I - Overview

The International Economy

The global economy is continuing to show strength, driven by robust growth in the emerging markets. While the recovery in the advanced economies remains on track, unemployment remains high and persistent sovereign debt problems in Europe threaten to complicate the recovery. In addition, new challenges have arisen in the form of soaring commodity prices, geo-political turmoil in the Middle East and North Africa and natural disasters in Japan. These factors could impact the medium-term outlook for the world economy.

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



After increasing at a rate of 3.0 per cent in 2010, real GDP in the advanced economies is projected to rise by about 2.4 per cent in 2011. In the case of the emerging market economies, real GDP growth is expected to moderate slightly from 7.3 per cent in 2010 to 6.5 per cent in 2011. In many emerging market economies rapid economic growth and sizeable capital inflows have made overheating and inflation a growing policy concern (Chart Ia).

For the most part, developing countries have begun to benefit from the global upturn. However, economic growth in the Caribbean economies has been lagging behind that of the more dynamic developing countries. In the tourism-dependent economies, increased tourist arrivals from the United States (US) and Canada are being partly offset by a decline in arrivals from Europe, related to the increase in the tax on travel to the region, imposed by the Government of the United Kingdom. In addition, high unemployment in the US and UK continued to impact workers' remittances to the region, though levels have rebounded from the lows of 2009. The high debt burdens of the regional economies reduced their fiscal space and consequently limited the extent to which fiscal stimuli could be used to promote faster growth (Table Ia).

Table Ia
CARICOM Economic Growth and Inflation
/Per Cent/

	Real GDP*		Inflation**	
	2009	2010	2009	2010
Bahamas	(4.3)	0.5	2.1	1.7
Barbados	(4.7)	0.3	3.7	5.1
Belize	0.0	2.9	2.0	0.5
ECCU	(5.6)	(2.7)	0.6	2.0
Guyana	2.3	3.6	3.0	3.7
Jamaica	(3.0)	(1.2)	9.6	12.6
Suriname	3.1	4.4	-0.1	6.9

*Source: CCMF and Statistical Institute of Jamaica.
** Source: WEO and ECCB.

The Domestic Economy

Hopes for a modest recovery in 2010 floundered in the fourth quarter as real GDP declined by an estimated 3.8 per cent (year-on-year). Accordingly, real GDP for 2010 is now estimated to have declined by 0.6 per cent, following upon a real GDP decline of 3.5 per cent in the previous year (Table Ib). In 2010, the increase in activity in the energy sector was insufficient to compensate for the continued fall in domestic demand which affected activity in construction, manufacturing and the retail sectors.

Table Ib
Real GDP Growth
(Year-on-Year Per Cent Change)

		2010				
	2009	QI	QII	QIII	QIV	2010[e]
Total	**-3.5**	1.9	-1.2	0.8	-3.8	**-0.6**
Energy	**2.6**	5.4	0.7	5.3	-4.1	**1.7**
Non-Energy	**-7.2**	-0.6	-2.6	-2.4	-3.6	**-2.3**

Source: Central Bank of Trinidad and Tobago.
[e] Estimate.

Chart Ib
Unemployment Rate

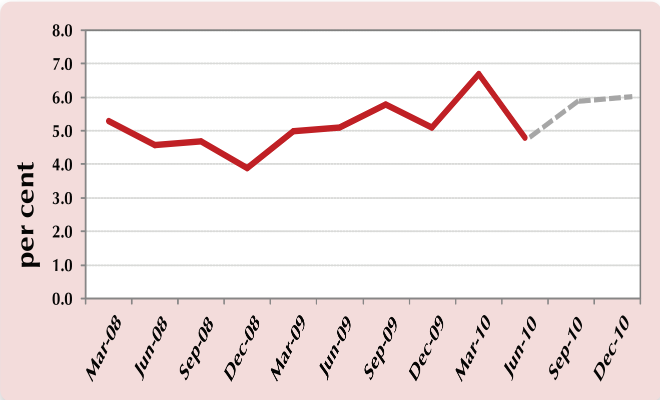


Chart Ic
Index of Retail Prices
(Year-on-Year Per Cent Change)

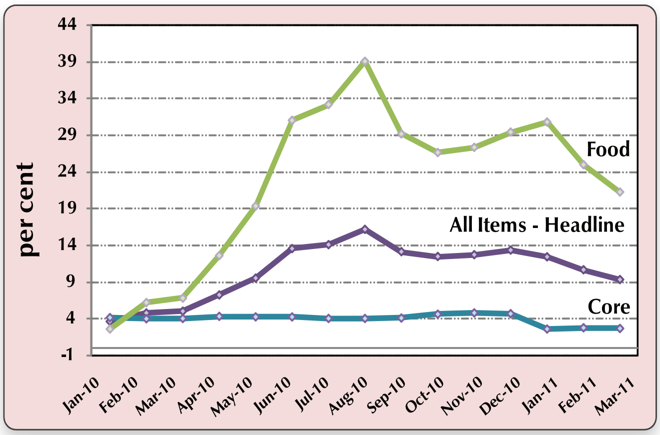
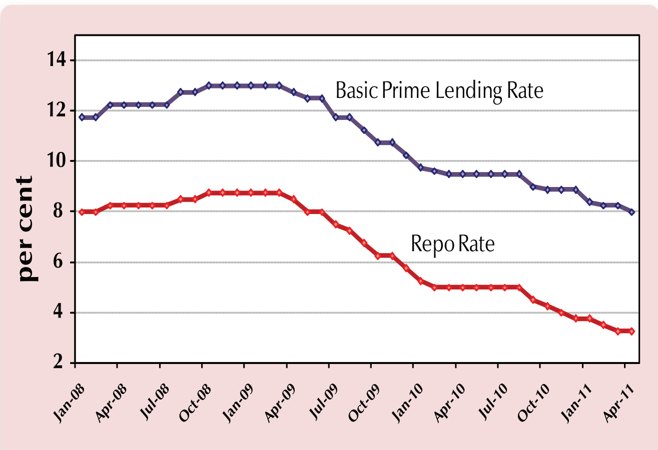


Chart Id
Repo Rate and Commercial Banks' Basic Prime Lending Rate



Weaker economic activity in the non-energy sector resulted in depressed labour market conditions for the majority of 2010. Official data from the CSO indicate that unemployment declined to 4.8 per cent in the second quarter from 6.7 per cent in the first quarter (Chart Ib). The available evidence suggests that this increase in employment may be entirely due to the creation of a large number of temporary jobs associated with the general elections of May 2010.

There are no official employment data available for the second half of the year. However, information from the Ministry of Labour, Small and Micro-Enterprises indicate the number of persons retrenched during 2010 fell by almost two-thirds from the previous year. This would seem to support the conclusion that the period of heavy job loss is over and that with the reversal of the second quarter temporary job creation, the unemployment rate at year-end could be around 5.5-6 per cent.

For most of the year, sluggish domestic demand and abundant spare capacity kept core inflation in the 4 per cent range. However, severe domestic supply shocks pushed the food price index to 30 per cent and headline inflation to 13.4 per cent as at the end of 2010 (Chart Ic).

With a sustained economic recovery remaining elusive and with core inflation relatively contained, both monetary and fiscal policy took on an accommodating stance. As regards **monetary policy**, the policy interest rate (the repo rate) was reduced on five occasions during 2010 to an all-time low of 3.75 per cent by December. In response, the commercial banks' prime lending rate was lowered from 9.75 to 8.38 per cent during the year and there were parallel reductions in banks' actual lending rates (Chart Id).

Fiscal policy was programmed to provide a sizeable fiscal stimulus as indicated by a budgeted overall central government deficit of 5.4 per cent for FY 2010. The deficit was to result from the maintenance of government expenditures (in particular, capital spending) in the face of an expected decline in oil revenue collections.

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

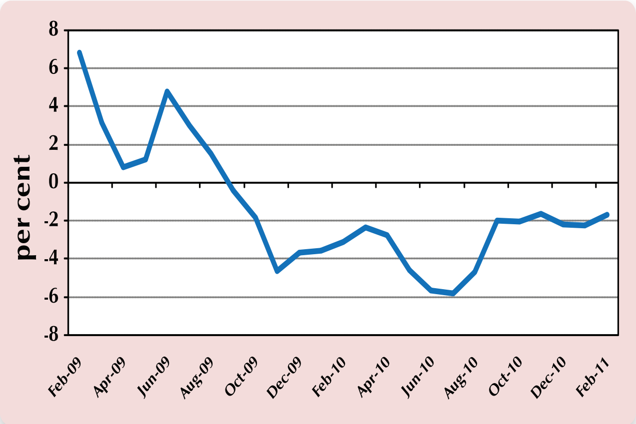
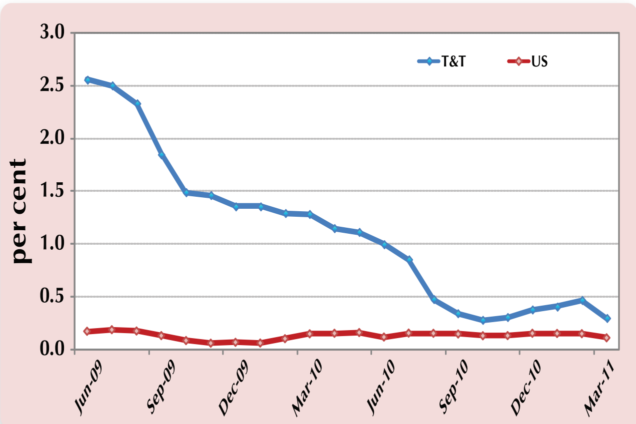


Chart If
Comparative 91-day Treasury Bill Rates: Trinidad and Tobago and the United States



Unfortunately, neither the budgetary outcome nor the bank credit dynamics turned out as envisaged.

Despite the reduction in bank lending rates, total bank credit outstanding by the consolidated banking sector declined steadily during the year and by December 2010 was 2.2 per cent below the corresponding level of the previous year (Chart Ie). While mortgage lending increased by 9.0 per cent during the year, credit outstanding to business firms as at December 2010 was 6.2 per cent lower than in December 2009. Consumer credit declined for most of 2010 before staging a small recovery beginning in October.

In the absence of bank credit growth, commercial banks sharply increased their excess reserve balances held at the Central Bank.

Excess liquidity contributed to forcing down the yields on short-term government securities. Thus the rate on 3-month government treasury bills reached 0.38 per cent in December, compared with 1.36 per cent in January 2010 (Chart If), while the rate on 1-year treasury bills showed a similar decline to 1.03 per cent from a high of 1.95 per cent in March. Bank deposit rates fell in line with the general structure of interest rates, making domestic interest rates significantly negative in real terms.

The low level of domestic interest rates and the reduction in the differential between domestic and foreign interest rates led to an increase in demand for foreign exchange which was partly met by rising Central Bank foreign exchange sales to the authorized dealers.

Fiscal operations in FY 2010 failed to yield the stimulus that was envisaged in the budget. Central government operations registered a small overall deficit of 0.2 per cent of GDP against an overall deficit of 5.4 per cent of GDP targeted in the budget (Table Ic). The significantly lower budget deficit reflected higher revenues as well as some under-spending, particularly on the public sector investment programme. A sizeable accumulation of payment arrears to contractors also contributed to weakening the expected fiscal impulse.

Table Ic
Actual vs Budgeted Fiscal Operations
(TT$ Million)

	Actual Oct.08 - Sept.09	Actual Oct.09 - Sept.10	Budgeted Oct.09 - Sept.10
Total Revenue	39,044.8	43,211.9	36,644.7
Total Expenditure	45,730.8	43,520.1	44,347.3
Overall Surplus (+)/Deficit (-)	-6,686.0	-308.2	-7,702.6
Overall Surplus of (+)/Deficit (-) in per centGDP (per cent)	-4.9	-0.2	-5.4

Source: Ministry of Finance.

Public sector debt levels remained manageable by international standards. Total public sector debt, excluding open market operations, measured $73,237 million (37.4 per cent of GDP) at the end of December 2010, with the external debt component totalling US$1,684.6 million (7.1 per cent of GDP).

During 2010, buoyant energy prices and the impact of weak domestic demand on import growth contributed to the maintenance of a strong balance of payments. The latest CSO estimates indicate that:

(i) there has been a 10 per cent increase in exports, including a marked recovery in non-energy exports; and

(ii) the value of imports in the first three quarters of 2010 was 5 per cent lower than in the corresponding period of the previous year.

The overall balance of payments outturn was an increase in reserves of US$435 million, reversing the decline registered in 2009. The level of official reserves as at the end of 2010 was US$9.1 billion, the equivalent of 13.1 months of imports.

Developments in 2011

While business sentiment seems to be improving, driven by firmer energy prices, the settlement of the PSA wage negotiations and better tourism performance in the region, there is as yet no firm evidence of strong growth in private demand or any pick-up in private investment. At the same time, the data for the first half of the fiscal year imply that the fiscal stimulus will again fall considerably short of the amount budgeted.

The main economic indicators available for 2011 are provided in (Table Id):

- In the energy sector, exploratory drilling has begun and there has been an increase in developmental drilling activity. However, crude oil production in the first two months of 2011 averaged 98,235 barrels per day, 7 per cent lower than in the corresponding period of 2010.

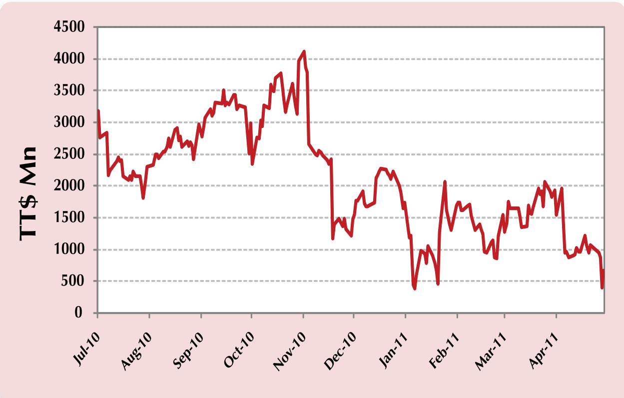
- While natural gas production levelled off, LNG production in January-February 2010 was 4 per cent higher than the corresponding period of last year. Methanol production in January-February was 11 per cent below the corresponding level of 2010.

- Headline inflation fell to 9.4 per cent year-on-year to March 2011. The decline reflected some moderation in food price inflation and a sizeable decline in core inflation.

- The number of job vacancy advertisements posted in the print media increased by 81.5 per cent during the first quarter of 2011. Most of the ads were for low or semi-skilled positions.

- In the first quarter of 2011, local sales of cement declined by 18.2 per cent compared with the corresponding period of last year. In the same period, motor vehicle sales increased by 18.3 per cent.

Chart Ig
Commercial Banks' Excess Reserves



- In the first six months of FY2011, the overall fiscal deficit is estimated at $207.5 million compared with the budgeted deficit of $3.28 billion. The main reason was a short-fall in capital expenditure of about $2 billion, part of which is related to delays in the implementation of infrastructural projects.

- Private sector credit extended by the consolidated financial system continued to decline in the first two months of 2011, albeit at a reduced pace. The slow recovery in consumer lending which began in October last year has continued with the increase reaching 3.9 per cent (year-on-year) in February. In February 2011, real estate mortgage loans outstanding were 7.7 per cent higher than a year earlier, while business lending remained depressed having declined by 4.8 per cent from a year earlier.

- With the slight improvement in credit conditions, the level of excess reserves has declined sharply – to $1 billion in April 2011 compared with $3.3 billion in October 2010 (Chart Ig). In response, short-term interest rates have risen slightly to 0.47 per cent and 1.67 per cent for 91-day and 1-year treasury securities.

- The strong demand for foreign exchange has carried over to 2011. In the first quarter, despite higher purchases from the market, Central Bank sales to authorized dealers amounted to US$385 million compared with US$325 million a year earlier.

Table Id
Summary Indicators for 2011

	Q1 2011	Q1 2010
Real Sector Activity		
Energy Sector*		
Total Depth Drilled (metres)	20,037	18,048
Crude Oil Production (b/d)	97,060	105,134
Refinery Throughput (b/d)	145,749	133,873
Natural Gas Production (mmcf/d)	4,307	4,401
LNG Production (mmcf/d)	2,255	2,312
Fertlizer Production (000 tonnes)	1,495	1,725
Methanol Production (000 tonnes)	1,525	1,599
ECPI (Jan 2007 = 100)	148	116.3
Non Energy		
Local Sales of Cement (000 tonnes)	119,677	146,246
Motor Vehicle Sales	3,297	2,812
Job Vacancy Advertisements	608	562
Prices		
Year-on-Year per cent change		
Headline Inflation	9.4	5.1
Food Inflation	21.3	6.9
Core Inflation	2.7	4.1
Monetary**		
Year-on-Year per cent change		
Private Sector Credit	-1.7	-3.1
Consumer Lending	3.9	-2.9
Business Lending	-4.8	-4.8
Real Estate Mortgage Lending	7.7	6.5
Commercial Banks' Excess Reserves ($ millions)***	1,036.9	1,510.1
TT 91 day Treasury Bill Rate (per cent)***	0.47	1.15
Capital Market		
Composite Price Index (quarter-on-quarter per cent change)	4.4	6.9
External		
US$ Million		
Central Bank of Trinidad and Tobago Sales to Authorized Dealers	385.0	325.0
Net Official Reserves ***	9,419.3p	8,991.6

* January to February.

** As at February.

*** As at April.

Short-term Outlook

In the last issue of the MPR the Central Bank had projected real GDP growth of 2-3 per cent in 2011 based on a resumption in private sector confidence and the contribution of some fiscal stimulus. Developments since then have not all been consistent with the strong recovery envisaged and with one-third of the year gone, the Bank is now projecting a slightly slower recovery in the region of 1-2 per cent with increased downside risks.

Value added in the energy sector is projected to grow by 2.5 per cent in 2011, reflecting marginal increases in natural gas and petrochemical output and greater exploration activity, which will provide a much needed boost to the energy services sector.

There are now clear indications that consumer spending is on the rise. The evidence could be found in five consecutive months of expansion in consumer credit, the strong rise in motor vehicle sales and an increase in retail sales in the last quarter of 2010, which has shown signs of spilling over into the first quarter of 2011. The steady growth in tourism and economic activity in the Caricom region is also translating into increased demand for manufactured goods produced in Trinidad and Tobago. Initially, this was reflected in some de-stocking. This is now at an end and the increase in demand should now directly translate into a rise in output.

Barring weather related setbacks, agricultural production should receive a boost from ongoing initiatives by the government, such as improvements to the network of agricultural access roads and the expansion of state-farming arrangements. Finally, after a slow start, the expected pick-up in government's housing and infrastructural development programmes should also add impetus to increased activity in the construction sector, with implications for increased employment and domestic demand.

The above scenario discounts the possibility of a sudden downturn in the global economy (a double-dip recession) triggered by a continuing surge in international oil prices. A recovery in private demand and inventory investment in the advanced economies reinforce the underlying growth fundamentals. It, however, assumes that domestic consumer confidence continues to strengthen and the ongoing deleveraging of the business sector is abated. Business activity is unlikely to pick-up on a sustainable basis in the absence of an increase in bank credit expansion. Government's ability to accelerate the pace of project implementation will also be critical to a resurgence of activity in the second half of the year.

The settlement of the PSA wage negotiations has brought temporary relief to the industrial relations climate. However, several other significant wage negotiations are still to be concluded, including in the vital energy sector. The maintenance of industrial peace will certainly facilitate a strong economic recovery.

With core inflation seemingly contained and with substantial spare capacity still evident, monetary policy would continue to be tilted in support of economic recovery over the short-term. The Bank's current projection is for year-end inflation of 7-8 per cent, based on a further reduction in the pace of food price inflation. There is, however, the downside risk that rising international food prices would finally be passed through to domestic commodities, prompting an up-tick in domestic food price inflation.

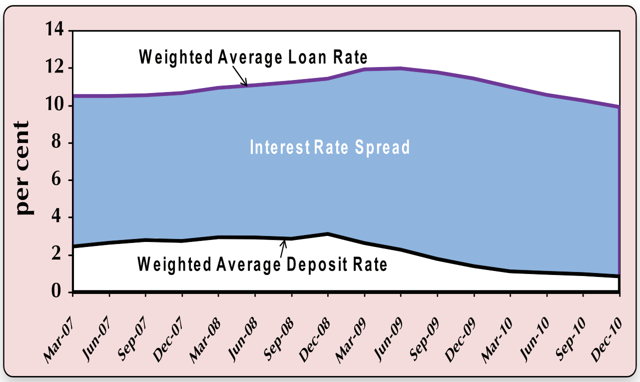
Chart IIa

Changes To The Central Bank Policy Rate

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.
Nov 2010:	'Repo' rate reduced to 3.75 per cent.
Dec 2010:	'Repo' rate maintained at 3.75 per cent.
Jan 2011:	'Repo' rate reduced to 3.50 per cent.
Feb 2011:	'Repo' rate reduced to 3.25 per cent.
Mar 2011:	'Repo' rate maintained at 3.25 per cent.
Apr 2011:	'Repo' rate maintained at 3.25 per cent.

Chart IIb

Weighted Average Loan and Deposit Rates



Part II - Monetary Policy

Domestic Setting

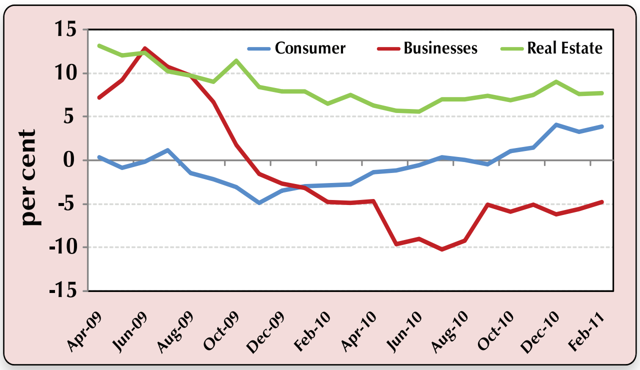
Monetary policy continued to be challenged by weak economic activity in the non-energy sector on the one hand and relatively high price increases on the other. Price pressures were mainly driven by food items which were affected by weather-induced supply shocks over the past year. Stripping out food prices, core inflation has been more contained and slowed to under 3 per cent in March 2011. With core inflation anchored and persistent weaknesses in the non-energy sector, the Central Bank has conducted monetary policy with the aim of reviving domestic economic growth. The Bank's accommodative monetary policy stance has seen the repo rate reduced by 75 basis points since October 2010 to 3.25 per cent in April 2011 (Chart IIa).

In response to the reductions in the repo rate, commercial banks brought down their prime lending rate to 8.00 per cent in April from 8.88 per cent in October 2010. Other loan rates have also come down. Commercial banks' weighted average rates on new loans declined by approximately 45 basis points to 10.79 per cent in February 2011 from 11.24 per cent in October. Meanwhile, the weighted average lending rate on all loans fell to 9.93 per cent in December from 10.28 per cent in September 2010. Similarly, weighted average rates on deposits lost 12 basis points, falling from 0.97 per cent in September 2010 to 0.85 per cent in the last quarter of 2010. As a result, the interest rate spread narrowed to a still substantial 9.09 per cent in December 2010 from 9.31 per cent in September and 10.05 per cent in December 2009 (Chart IIb).

Despite the lower interest rate environment, credit demand remains relatively weak, particularly from the business sector. On a year-on-year basis, private sector credit granted by the consolidated financial system[1] contracted by 1.7 per cent in February 2011 compared

[1] The consolidated financial system defined here refers to commercial banks and non-bank financial institutions (trust and mortgage finance companies and finance houses and merchant banks).

Chart IIc
Credit by the Consolidated Financial System: Major Categories
(Year-on-Year Per Cent Change)



with a fall of 2.2 per cent in December 2010 and a decline of 3.1 per cent a year earlier. However, there are early signs of a revival in commercial bank credit, with lending by these institutions growing by 0.9 per cent in February following marginal increases in January 2011 and December 2010. Meanwhile, credit granted by the non-bank financial institutions (defined as trust and mortgage finance companies and finance houses and merchant banks) continued to languish, falling by 14.9 per cent in February 2011 compared with growth of 2.4 per cent one year earlier (Chart IIc).

There has been a marked improvement in consumer lending over the last six months. On a year-on-year basis, consumer lending by the consolidated financial system rose by 3.9 per cent in February — the fifth consecutive month of growth — reflecting a significant improvement from a contraction of 2.9 per cent in February 2010. Disaggregated data showed that loans for the purpose of debt consolidation and refinancing rose by 21.2 per cent and 10.4 per cent, respectively as consumers took advantage of the lower interest rate environment.

On the other hand, credit to businesses remained depressed, contracting for the sixteenth consecutive month in February. In the twelve months to February 2011 business lending fell by 4.8 per cent; a similar rate of decline was also experienced a year earlier. Data to December 2010 showed that credit to the major business categories such as manufacturing, construction, distribution and finance, insurance and real estate all contracted. Meanwhile, real estate mortgage lending expanded by 7.7 per cent in February 2011, compared with 6.5 per cent one year earlier.

After rising in November 2010, financial system liquidity came down markedly in the first four months of 2011. On November 2, 2010 commercial banks' excess reserves reached $4.1 billion, prompting the Central Bank to request banks to place in aggregate $1 billion in an interest-bearing account for 18 months. Over the six month period October 2010 to March 2011, Central Bank operations, including net open market activity and foreign exchange sales to authorized dealers also removed $5,735.5 million from the domestic system. In addition, net domestic fiscal injections which are usually a major source of liquidity amounted to $6,707.1 million in the six months to March 2011, representing a 20.1 per cent decline from the corresponding period a year earlier. Banks' excess reserves fell to a daily average of $1 billion in April 2011 compared with $3.3 billion in October 2010.

In the context of tighter liquidity short-term rates inched up slightly from historic lows. After falling to 0.28 per cent in October 2010, the domestic three-month treasury bill rate moved up to 0.47 per cent in April 2011. Meanwhile, the US Treasury bill rate slipped to 0.07 per cent, causing the spread between the TT and US treasury bill rates to widen to 41 basis points in April 2011.

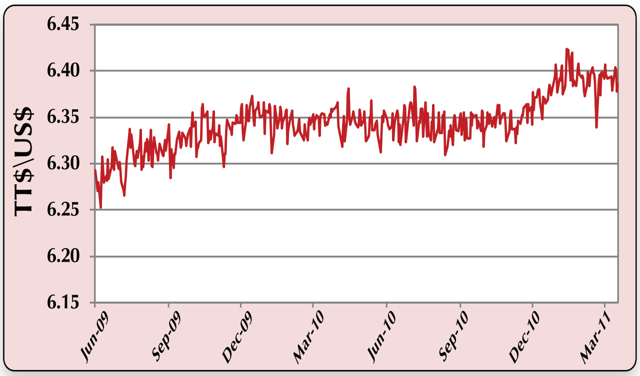
Developments in the Foreign Exchange Market

Rebounding international energy prices in 2010 buoyed energy sector earnings resulting in higher levels of conversions[2] by several companies. With the WTI oil price averaging US$79.41 per barrel in 2010 compared with US$61.66 per barrel in 2009, the supply of foreign currency provided by the energy sector rose to an estimated US$2.5 billion in 2010 from US$2.3 billion in 2009. As a result, purchases from the public by authorized foreign exchange dealers increased by 6.2 per cent to US$4,043.3 million in 2010 from $3,808.2 million in 2009 (Table IIa).

Meanwhile, demand for foreign currency remained strong throughout 2010 notwithstanding falling imports. During the year, authorized dealers sold US$5,536 million or just 1.9 per cent less when compared to 2009. Central Bank's sales to the market in 2010 were US$1,550 million, or 18.4 per cent lower than in the previous year. Nevertheless, these sales were 33.5 per cent higher than the average for the last five years.

[2] Energy sector companies convert earnings which are predominantly in foreign currency into TT dollars to meet local expenses such as salaries and tax payments.

Chart IId
TT/US Exchange Rate
(Year-on-Year Per Cent Change)



Over the period January - March 2011, foreign currency purchases by authorized dealers reached US$947.7 million, a similar amount to the corresponding period in 2010. The Central Bank increased its support to the market, selling US$385 million to authorized dealers compared with US$325 million in January-March 2010. Consequently, total sales of foreign exchange to the public rose to US$1,433.6 million in the first quarter of 2011, compared with US$1,298.5 million in the period a year earlier.

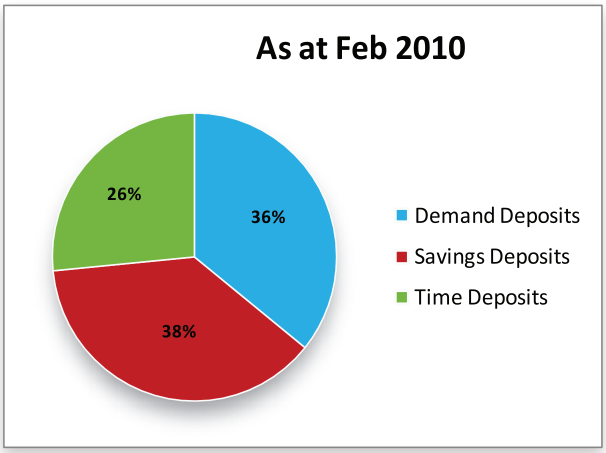
In the first three months of 2011, the Trinidad and Tobago dollar depreciated marginally against the US dollar. In March, the weighted average selling rate stood at US$1 = TT$6.4217 compared with US$1 = TT$6.4018 in December 2010 (Chart IId).

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
2010	4,043.3	5,536.0	1,492.7	1,550.0
Jan - Mar 2010	941.0	1,298.5	357.5	325.0
Jan - Mar 2011	947.7	1,433.6	485.9	385.0

Source: Central Bank of Trinidad and Tobago.

Chart IIIa
Commercial Banks Deposits by Type
/per cent of total deposits/



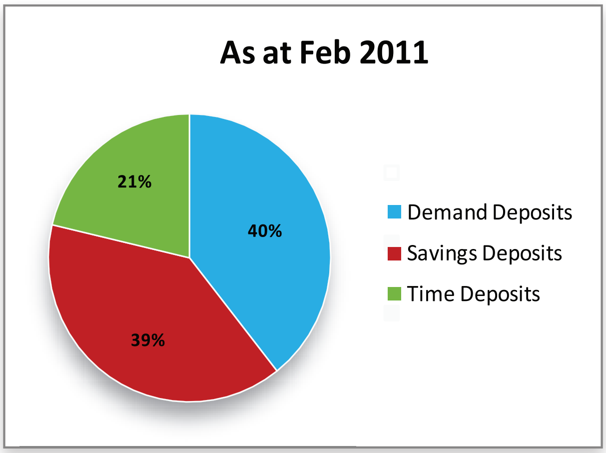
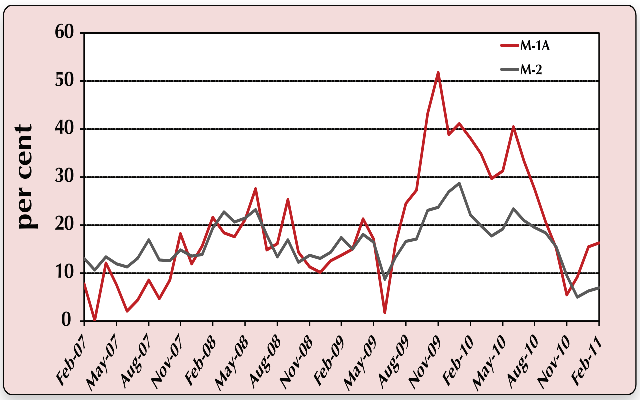


Chart IIIb
Monetary Aggregates
(Year-on-Year Per Cent Change)



Part III - Monetary and Financial Sector Developments

Monetary Aggregates

Growth in the monetary aggregates has slowed significantly in recent months. For some time now, economic agents have been moving their assets into transaction accounts with shorter maturities. As such, demand deposits which are shorter term in nature have consistently outgrown longer-term deposits over the past year (Chart IIIa). This development reflects the low interest rates on deposit accounts leading investors to become indifferent between holding liquid demand deposits and longer term time deposits.

On a year-on-year basis, the narrow measure of the money stock (M-1A), consisting of currency in active circulation plus demand deposits, increased by 16.2 per cent in February 2011 compared with 38.1 per cent in February 2010 (Chart IIIb). Demand deposits, which are transactional accounts, expanded by 17.2 per cent in February 2011 compared with 47 per cent a year ago. Meanwhile, currency in active circulation rose by 11.8 per cent in February 2011 from 8.3 per cent in the same period a year before.

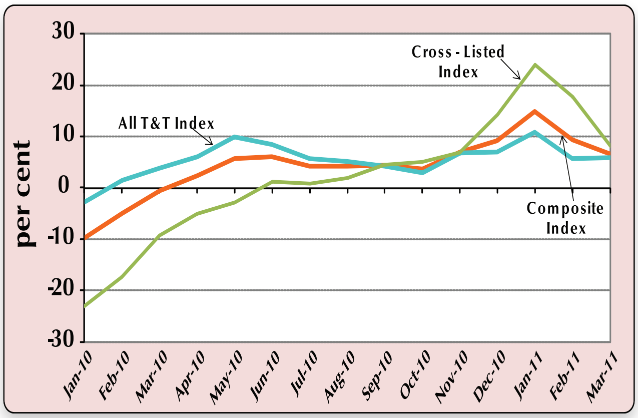
The broader measure of the money supply, M-2, which consists of M-1A plus time and savings deposits, also trended in a similar direction. On a twelve month basis, M-2 growth slowed to 6.9 per cent in February 2011 from 22.1 per cent in February 2010. In stark contrast to the robust growth in demand deposits, time deposits declined by 14.4 per cent in February 2011 compared with a moderate fall of 2.7 per cent in the same period one year earlier. Likewise, foreign currency deposits fell by a sharp 16.2 per cent in February 2011 compared with growth of 33 per cent a year ago. Additionally, savings deposits recorded a slowdown of 11.1 per cent in February 2011, from 27.8 per cent in February 2010.

Stock Market

The domestic stock market rebounded in 2010, recovering most of the ground lost in the bearish 2009. The Composite Price Index (CPI) rose by 9.2 per cent in 2010 compared with a 9.2 per cent fall in 2009. During 2010, the Manufacturing I and Banking sub-indices outperformed the market, rising by 21.5 per cent and 18.2 per cent, respectively. Trading activity, however, was sluggish with 77.6 million shares traded in 2010, up 0.9 per cent from the sixteen-year low of 76.9 million in 2009.

Trading during the first weeks of 2011 saw a sharp rise in the domestic stock indices; however, there was some pull back in February and March. In January, the CPI gained 45.6 points from the end of December 2010; since then the market has cooled somewhat with the CPI falling by roughly 9.1 points by the end of March 2011 to 872.1 points. Overall for the first quarter of 2011, the CPI was up 4.4 per cent. Meanwhile, the All Trinidad and Tobago and Cross Listed indices were also up 5 per cent and 3 per cent respectively, from the end of 2010 (Chart IIIc). Given the performance of the stock indices in the first quarter, market capitalization rose to $81.2 billion at the end of March from $77.8 billion at the end of December 2010.

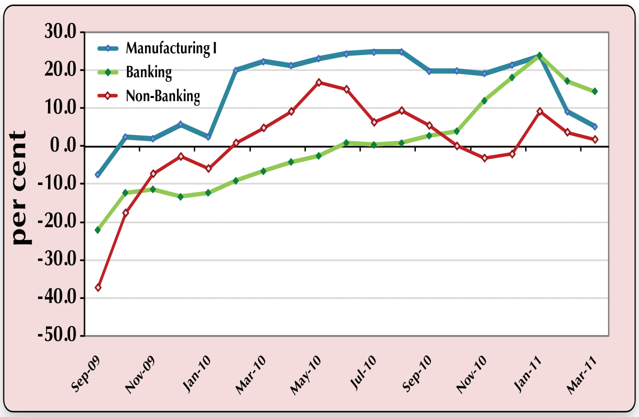
Chart IIIc
Trinidad and Tobago Stock Price Indices
(Year-on-Year Per Cent Change)



The Non-banking and Banking categories were the better performing sub-indices during the first quarter of 2011, with these sub-indices rising by 7.6 per cent and 5.4 per cent respectively, from the end of 2010. Within Non-banking, Jamaican Money Market Brokers and National Enterprises Limited were the biggest gainers, while shares of Scotiabank Limited and Republic Bank Limited were the top Banking stocks. However, the Manufacturing I sub-index could not maintain its robust performance in the New Year, as it slipped by 3.1 per cent. The resumption of trading in the shares of Angostura Holdings Limited[3] on February 14, 2011 saw

[3] Trading in Angostura Holdings Limited ordinary shares were suspended on 13 July 2009 as the company failed to submit audited financial statements within the timeframe specified by the Trinidad and Tobago Stock Exchange.

Chart IIId
Trinidad and Tobago Stock Price Indices - Selected Sub-Sectors
(Year-on-Year Per Cent Change)



its price fall 27.5 per cent by the end of the February, while weak earnings results by One Caribbean Media Limited resulted in a 15 per cent drop in its price. The Manufacturing II and Property sub-indices also weighed on the stock market, falling by 3.4 per cent and 8.2 per cent respectively, in the first quarter (Chart IIId).

Despite the bullish trends in the stock market, trading activity remained relatively low. Trading in the first quarter of 2011 saw roughly 14.6 million shares exchanging hands with a combined value of $191 million compared with 25.6 million shares traded with a collective value of $239 million in the first quarter of 2010. Share trading was concentrated in the better performing sub-indices with Banking and Non-banking shares accounting for 60.7 per cent of total trades. Neal and Massy Holdings has also been relatively active, with trading in its stock accounting for just under 12 per cent of total trading activity.

Bond Market

The primary bond market saw a slowdown in activity in 2010. During the year, there were nineteen bond issues with a combined face value of $7.1 billion compared with the twenty-four issues in 2009 which raised approximately $7.5 billion (Table IIIa). As in 2009, the central government and state enterprises were the main borrowers on the domestic primary bond market in 2010. Of the nineteen bonds, central government, state enterprises and other government-owned institutions collectively accounted for seventeen issues. Private sector companies were less inclined to borrow, with only two private sector companies tapping the primary bond market in 2010. As noted earlier, the unwillingness of firms to increase leverage was also reflected in the contraction in financial system credit to private businesses.

In the first quarter of 2011, there were two issues on the primary bond market. Guardian Holdings Limited issued a twelve-year $900 million 7.98 per cent fixed rate bond in January. Guardian Holdings is expected to come to the market again towards the middle of the

Chart IIIe
Sovereign Yield Curves

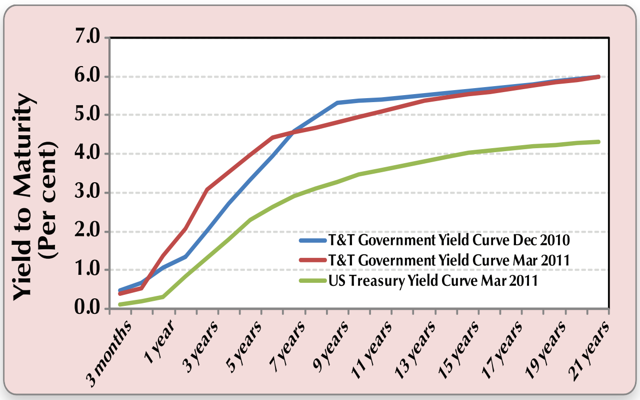
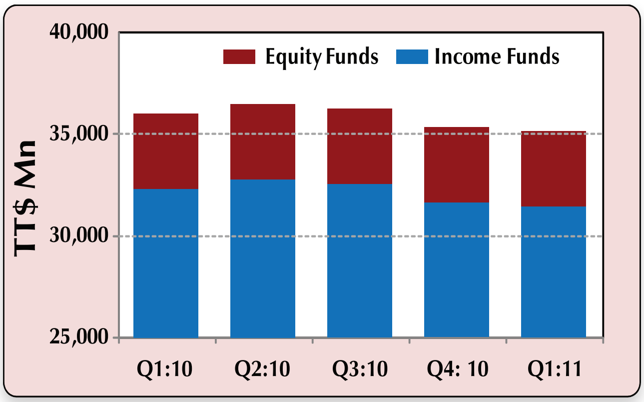


Chart IIIf
Mutual Funds Under Management



year to raise approximately $100 million. The Water and Sewage Authority (WASA) also came to the market raising $1,335.9 million via a twenty-year, 6.95 per cent fixed rate bond in March to fund infrastructural developments. Further, it is anticipated that the government and/or other government agencies will access the primary bond market in the coming months for project financing.

Consistent with anaemic trading on the domestic stock market, trading on the secondary bond market has also been lower in the first three months of 2011. Bonds with a combined face value of $82.9 million were traded in the first quarter of 2011, compared with $779.7 million in the corresponding period during the previous year. Trading in central government bonds in the first quarter of the year saw a rise in yields at the shorter portion of the curve, while there was a fall in yields at intermediate tenors (Chart IIIe). As a result, the interest rate differential between the TT and US treasury securities widened at the shorter portion of the curve and narrowed at the longer end. For instance, at the benchmark five-year tenor the differential stood at 1.56 per cent in March 2011 compared with 1.33 per cent in December 2010; while the differential narrowed to 1.50 per cent in March 2011 from 1.72 per cent in December for fifteen-year bonds.

Mutual Funds[4]

The mutual fund industry struggled to grow consistently throughout 2010. Growth in funds under management in the first half of 2010 was all but erased by contractions of 0.7 per cent and 2.5 per cent in the third and fourth quarters of the year, respectively. At the end of 2010, mutual funds under management stood at $35.6 billion, a mere 0.4 per cent higher than the $35.5 billion in December 2009. This growth was due to capital gains achieved by the funds which offset a net redemption of $359.7 million from the industry in 2010 (Chart IIIf).

[4] 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.

However, continuing from a disappointing second half of 2010, funds under management fell for the third consecutive occasion (quarter-on-quarter) in the first quarter of 2011. At the end of March 2011, funds under management stood at $35.5 billion, representing a decline of 0.3 per cent from the end of December 2010 and a drop of 2.2 per cent from March 2010. During the quarter, there were net redemptions of roughly $265.5 million.

Income funds, which tend to invest heavily in bonds and money market instruments, suffered from net redemptions of approximately $328.9 million during the first quarter of 2011. As a result, income funds under management contracted on a quarter-on-quarter basis by 1.0 per cent to $31.4 billion at the end of March 2011. On the other hand, net sales of $39.8 million and positive returns on the domestic stock exchange in the first quarter of 2011, caused equity funds under management to grow by 4.6 per cent in the three months to March 2011 to $3.8 billion.

Notwithstanding the strong demand for foreign currency in the first three months of 2011, there was a decline in US-dollar denominated mutual funds. US-dollar denominated mutual funds fell by 0.8 per cent (quarter-on-quarter) in the quarter ending March 2011. Meanwhile, on a year-on-year basis, US-dollar denominated mutual funds contracted by 6.3 per cent in the first quarter of 2011, which is also consistent with a 16.2 per cent (year-on-year) fall in foreign currency deposits held at commercial banks in February 2011. The fall in both foreign currency mutual funds and bank deposits as well as the rise in ‘other private capital’ outflows on the capital and financial account in 2010, suggest that investors could be placing investments directly in foreign markets rather than channeling funds through a local intermediary.

TABLE IIIa
PRIMARY BOND MARKET[1]
JANUARY 2010 – MARCH 2011

	Borrower	Face Value ($Mn)	Period To Maturity	Coupon Rate Per Annum	Placement Type
		2010			
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	21.20	9 yrs	Fixed Rate 6.25%	Private
	RGM Limited	109.00	20 yrs	Fixed Rate 10.00%	Private
July	National Infrastructure Development Company Limited (NIDCO)	153.80	8 yrs	Fixed Rate 5.85%	Private
August	Home Mortgage Bank	158.00	5.4 yrs	Fixed Rate 5.50%	Private
	First Citizens Bank Limited	500.00	7 yrs	Fixed Rate 5.25%	Private
September	National Insurance Property Development Company Limited (NIPDEC)	360.00	18 yrs	Fixed Rate 6.10%	Public
October	Neal and Massy Holdings Limited	350.00	10 yrs	Fixed Rate 6.65%	Private
		2011			
January	Guardian Holdings Limited	900.00	12 yrs	Fixed Rate 7.98	Private
March	Water and Sewage Authority	1,335.90	20 yrs	Fixed Rate 6.95	Private

Source: Central Bank of Trinidad and Tobago and the Securities and Exchange Commission.

[1] Represents fixed income securities with terms five years and greater.

Real Estate Mortgage Market

In 2010 and continuing into the first two months of 2011, real estate mortgage lending has been the most robust component of private sector credit, with growth ranging between 5 and 9 per cent (year-on-year basis) during this period. Real estate mortgage loans outstanding rose by 7.7 per cent in the twelve months to February 2011. Much of the expansion was encouraged by lower mortgage rates by providers as well as still relatively low home prices when compared with the highs of 2007. Advertised mortgage rates have come down to historical lows. The weighted average interest rate on new mortgages reached a low of 6.9 per cent in December 2010, compared with 9.3 per cent in December 2009 (Chart IIIg). Given these rate reductions, over the period July – December 2010, the number of new mortgage approvals granted by mortgage providers increased by 7.5 per cent to 1,550 compared with 1,442 in the same period of 2009 (Chart IIIh).

Apart from the lower interest rate environment, the demand for mortgages has been associated with relatively tame prices for residential property. Based on data from valuators, the estimated median price of a three-bedroom house rose by just 2.9 per cent to $875 thousand in 2010 compared with $850 thousand in 2009 and was still much lower when compared with a median price of over $1 million in 2007 (Chart IIIi).

Consistent with the small up-tick in house prices, the Index of Building Material prices, which tracks movements in the prices of materials used to construct a house, increased by 4.8 per cent in December 2010 (year-on-year). Into the New Year, building material prices have continued to rise, with the Index of Building Materials increasing by 4.9 per cent in the twelve months to March 2011. The main items driving the index during the first quarter of 2011 were electrical and plumbing

Chart IIIg
Commercial Banks' Weighted Average Residential Mortgage Rates

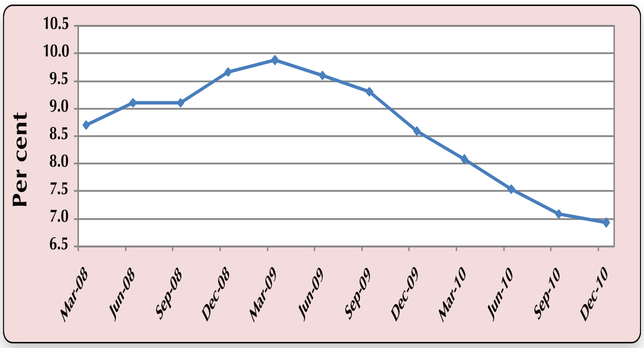


Chart IIIh
Residential Real Estate Mortgage Approvals

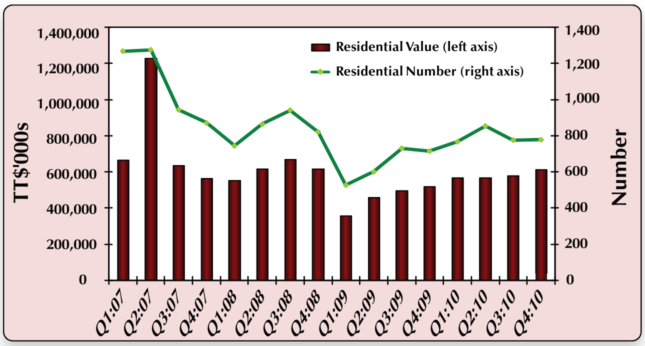
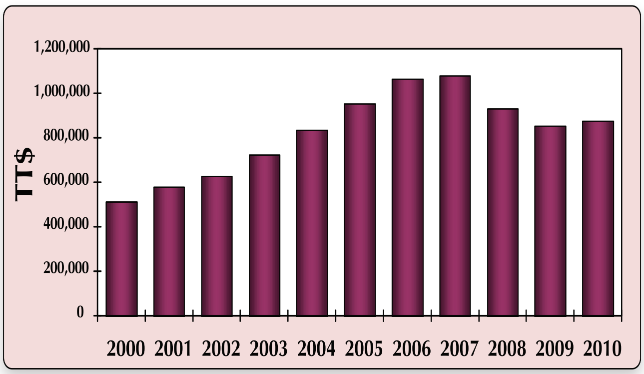


Chart IIIi
Trinidad and Tobago: Estimated Median House Prices (3 bdrm) 2000-2010



fixtures. Meanwhile, in March 2011 there has also been a rise in the prices of raw materials such as cement, sharp sand, aggregate and steel bars from one year ago. (Table IIIb).

Table IIIb
Trinidad and Tobago: Prices of Selected Building Materials
(Quarterly Per cent Change)

	Cement (Per Bag)	Sharp Sand (12 cu.yd Per Load)	Aggregate 16mm (12 cu. yd. Per Load)	Plastering Sand (12 cu. Yd. Per Load)	M.s. bar 12mm (1/2")	M.s bar 6mm (1/4")	Vertical core block 100mm	Vertical core block 150mm
Jun-08	46.89	2,272.08	2,437.67	1,005.23	38.94	9.49	6.57	8.79
Sep-08	48.23	2,425.50	2,540.40	1,075.23	57.75	13.64	6.58	9.22
Dec-08	49.72	2,604.40	2,604.40	1,075.23	54.24	13.12	6.88	9.65
Mar-09	50.29	2,793.13	2,704.50	1,294.38	38.94	11.01	8.26	9.16
Jun-09	50.10	2,731.25	2,731.25	1,281.88	31.11	8.28	6.25	7.55
Sep-09	48.30	2,731.25	2,731.25	1,258.03	30.89	8.25	6.21	7.44
Dec-09	47.49	2,400.42	2,400.42	1,143.03	29.94	8.00	5.83	7.30
Mar-10	47.72	2,557.50	2,557.50	1,158.75	29.95	8.18	5.84	7.37
Jun-10	47.72	2,629.38	2,629.38	1,173.13	31.06	8.51	5.89	7.49
Sep-10	47.56	2,660.63	2,393.96	1,347.50	34.74	9.86	5.85	7.17
Dec-10	47.56	2,550.42	2,550.42	1,347.50	33.83	9.86	5.91	7.16
Mar-11	48.20	2,641.88	2,641.88	1,070.83	35.05	9.49	5.90	6.95

Source: Central Statistical Office.

Part IV - International and Regional Developments

The International Setting

The global recovery continued at varying speeds across differing regions. Given the persistently weak labour (Table IVa) and housing markets, growth remained sluggish in advanced economies. In emerging economies, activity remained buoyant, due in part to sizeable capital inflows and robust domestic demand.

Although some amelioration was observed in private demand, on the whole, economic growth in advanced economies continued to be weighed down by high levels of joblessness. Inflationary pressures, which were relatively restrained in 2010, are beginning to threaten in early 2011. Though many central banks in the advanced economies continued to adopt an accommodative monetary policy stance, policy makers would be closely monitoring price developments. Indeed, the European Central Bank (ECB) increased its policy rate in April 2011. In the Euro area, policy is further challenged by difficulties facing the financial systems and the weak fiscal positions of several member nations.

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

	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
United States	9.6	9.8	9.4	9.0	8.9	8.8
United Kingdom	7.9	7.9	7.9	8.0	7.8	n.a.
Euro area	10.1	10.0	10.0	9.9	9.9	9.9
Japan	5.1	5.1	4.9	4.9	4.6	4.6

Source: Bloomberg.

Emerging economies, led by China and India, continued to grow rapidly (Table IVb). However, inflationary pressures have emerged on account of high food and energy prices. Further, signs of overheating were evident in some countries due to rising property prices and rapid credit growth. In order to stem the risk of overheating, several rounds of monetary tightening have been implemented by various countries. In the medium-term, a key policy challenge in emerging economies is to guard against the renewed surge in capital inflows and asset prices.

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

	2009				2010			
	I	II	III	IV	I	II	III	IV
China	6.5	7.9	9.1	10.7	11.9	10.3	9.6	9.8
India	5.8	6.3	8.6	7.3	8.6	8.9	8.9	8.2
Brazil	-3.0	-2.8	-1.8	5.0	9.3	9.2	6.7	5.0
Russia	-9.3	-11.0	-8.6	-2.9	3.1	5.2	3.1	4.5

Source: Bloomberg.

The current turmoil in the Middle East has driven up oil prices which could pose a serious threat to global growth. A protest movement which began in Tunisia spread to Egypt, Libya and Yemen among others. After violence in Libya disrupted production, oil prices rose to their highest levels in two-and-a-half years as markets feared that the unrest might be extended to larger oil producing nations. Saudi Arabia and other oil producers have indicated their willingness to replace lost Libyan production which, according to analysts would be vital in reducing oil prices.

International Developments

The US economy expanded by 1.8 per cent (quarter-on-quarter) in the first quarter of 2011, as consumers and businesses slowly increased their spending despite persistent weakness in the labour market. While the unemployment rate declined to 8.8 per cent in March 2011 from 9.8 per cent in November 2010, most of this improvement was attributable to a drop in the size of the labour force. Despite a recent pick-up in energy and food prices, overall inflationary pressures have so far remained subdued, with the most recent data showing inflation at 2.7 per cent (year-on-year) in March 2011. With inflationary pressures contained, the Federal Reserve maintained the target range for the federal funds at 0 to 0.25 per cent.

Output in the United Kingdom rose marginally by 0.5 per cent (quarter-on-quarter) in the first quarter of 2011 after declining by 0.5 per cent in the previous quarter. Growth in the first quarter was due to the business services and finance sectors, while the construction sector continued to be negatively affected by adverse weather conditions (Table IVc). Meanwhile, the Consumer Price Index (CPI) rose by 4.0 per cent (year-on-year) in March 2011 (Table IVd), well above the 2 per cent target set by the Bank of England (BOE). Nevertheless, given the weakness in the economy, the BOE maintained an accommodative policy stance, keeping the benchmark interest rate at 0.5 per cent (Table IVe), unchanged since March 2009 and its asset purchase scheme at £200 billion.

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

/per cent/	2009				2010				2011
	I	II	III	IV	I	II	III	IV	I
United States	-4.9	-0.7	1.6	5.0	3.7	1.7	2.6	3.1	1.8
United Kingdom	-2.2	-0.8	-0.3	0.5	0.2	1.1	0.7	-0.5	0.5
Euro area	-2.5	-0.2	0.4	0.2	0.4	1.0	0.4	0.3	n.a.
Japan	-5.4	2.6	-0.5	1.8	1.5	0.5	0.8	-0.3	n.a.

Source: Bloomberg.

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

	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
United States	1.1	1.5	1.6	2.1	2.7
United Kingdom	3.3	3.7	4.0	4.4	4.0
Euro area	1.9	2.2	2.3	2.4	2.4
Japan	0.1	0.0	0.0	0.0	0.0

Source: Bloomberg.

Table IVe
Key Central Bank Policy Rates
/per cent per annum/

	Current Rate	Last Change	Amount of Change
United States	0 to 0.25	Dec-08	-0.75
Euro area	1.25	Apr-11	+0.25
United Kingdom	0.50	Mar-09	-0.50
Japan	0 to 0.10	Oct-10	- (0 to 0.10)
China	6.31	Apr-11	+0.25
India	6.75	March-11	+0.25

Source: Bloomberg.

The pace of economic activity in the Euro area remained sluggish in the fourth quarter of 2010, with real Gross Domestic Product (GDP) expanding by just 0.3 per cent (quarter-on-quarter). Diverse growth patterns were observed across the region. Driven largely by both domestic and external demand, Germany, the region's largest economy, grew by 0.4 per cent in the fourth quarter (quarter-on-quarter). In contrast, growth in other Euro area countries that are grappling with significant challenges such as large fiscal imbalances and stressed banking sectors, remained subdued. In the 12 months to March 2011, headline inflation rose by 2.4 per cent, just above the 2 per cent target rate set by the ECB. In light of this, the ECB increased its key policy rate to 1.25 per cent in April 2011 – the first interest rate increase since 2008.

Following the debt crises in Greece and Ireland, there was a resurgence in market concerns over the public finances in several countries including Portugal and Spain. Notably in March 2011, several credit ratings agencies downgraded the sovereign debt of both Portugal and Spain, citing poor growth prospects and the need for fiscal consolidation. At the time of writing, Portugal was negotiating an estimated €80 billion (US$160 billion) bailout package from the European Union, to meet short-term debt obligations and restructure its public finances.

The massive 9.0 magnitude earthquake which struck northern Japan on March 11 2011 and the tsunami that ensued were among the worst and costliest disasters in recent history. The World Bank estimated that the cost of rebuilding may exceed US$200 billion and speculation that there may be large capital inflows into Japan to meet immediate cash needs, pay insurance claims and meet reconstruction costs caused the yen to appreciate in the days after the quake. This prompted the Group of 7 industrialized nations to jointly intervene in the currency market to stem the sharp rise in the yen.

In the immediate aftermath of the disaster, the Bank of Japan (BOJ) provided approximately ¥33 trillion (US$391.6 billion) in emergency money market liquidity and doubled its asset purchase programme to ¥10 trillion (US$118.7 billion). It is also expected that the BOJ will keep its policy rate at near zero over the medium term. The rebuilding efforts may pose a challenge to the government as Japan's gross general government debt (approximately 225.9 per cent of 2010 GDP[5]) is already the highest in the industrialized world. On the positive side, reconstruction efforts may act as a stimulus to the economy, whose recovery had previously been fragile and reported a contraction of 0.3 per cent (quarter-on-quarter) in the fourth quarter of 2010.

In the first quarter of 2011, China's economy expanded by 9.7 per cent (year-on-year) on the back of well-entrenched domestic consumption and followed growth of 9.8 per cent in the previous quarter. Food prices have been the major driver of inflation which was recorded at 5.4 per cent (year-on-year) in March 2011 (Table IVf). To curb inflation and cool the property market, the Bank of China progressively tightened monetary conditions via higher reserve requirements and increased the benchmark interest rate. The Bank of China raised its interest rates four times since mid-October 2010 with the most recent being a 25 basis points hike in April 2011.

[5] International Monetary Fund, World Economic Outlook Database, October 2010.

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

Country	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
China	5.1	4.6	4.9	4.9	5.4
India	8.3	9.5	9.3	8.8	n.a.

Source: Bloomberg.

Supported by vibrant domestic demand and capital inflows, India's economy advanced by 8.2 per cent (year-on-year) in the fourth quarter of 2010, compared with 8.9 per cent in the third quarter. As in China, food prices have placed considerable upward pressure on inflation. The headline inflation rate increased by 8.8 per cent (year-on-year) in February 2011. To contain upward inflationary pressures, the Reserve Bank of India (RBI) twice raised its benchmark interest rate, first to 6.50 per cent in January and then to 6.75 per cent in March 2011.

Box 1
Japanese Earthquake and Middle East Unrest: Potential and Economic Implications

The 9.0 magnitude earthquake and tsunami which devastated north-east Japan on March 11 2011 brought greater ambiguity in a global economy already battling uncertain prospects for economic recovery and a sovereign debt crisis in the Euro area. This also came at a time when unrest in the Middle East and North Africa (MENA) threatens to take oil prices back up to levels seen in 2008 before the onset of the global economic meltdown. As the events in Japan and the Middle East unfold, concerns over their economic implications have grown. Here, we examine possible implications facing the global economy, and in particular Trinidad and Tobago, arising from these events.

Japan Earthquake

The Japanese earthquake and tsunami crippled three of the country's nuclear power plants, caused major fires at two refineries and left three prefectures[6] in northern Japan without electricity. In the aftermath, the Japanese government was forced to impose rolling blackouts on several other regions in an effort to conserve energy. With close to 11 gigawatts (GW) of power production capacity removed from the grid, Japan is expected to need an extra 10 million tonnes of LNG as well as increased fuel oil in 2011. Japan, one of the world's largest consumers of metals, will see a fall in demand for the commodity as Japanese vehicle and electronics companies including Toyota Motor, Nissan Motor, Sony and Panasonic were forced to temporarily suspend their production operations on account of power shortages and/or physical damage to plants. However, Japan is also a significant exporter of primary metals and as a result of the power shortages, operations at several steel mills, copper refineries and smelters have also been crippled. Turning to agriculture, Japan already imports 60 per cent of its caloric intake. Given that the tsunami has torn through vast tracts of rice and other crops in north eastern Japan, the country may seek to expand its imports, thereby driving prices further upward.

As the world's third largest economy seeks to substitute lost nuclear power generation capacity, natural gas is the next best alternative. In the medium-term, this could mean a surge in gas imports into Japan, which is already the world's leading importer of LNG. Damage to several refineries may also mean an increase in the import of crude and/or refined products. Already, the third largest importer of crude, any increase in demand from Japan can have notable effects on energy prices. Being a major player in the global metals market, the events in Japan will also have a notable impact on metal prices. However, as the country is both a significant exporter and importer of the product, the immediate effect on the global market is difficult to ascertain. Over the medium-term though, as reconstruction efforts are initiated, Japan should return to the market firstly with an increased demand for metals, and later on with a restoration of supply.

MENA Unrest

Several of the world's largest oil and natural gas exporters are located in the MENA region. This region accounts for roughly 40 per cent and 20 per cent of internationally traded oil and natural

[6] The prefectures of Japan are the country's 47 sub-national jurisdictions.

Box 1 continued
Japanese Earthquake and Middle East Unrest: Potential and Economic Implications

gas, respectively. The unrest, which began in Tunisia, quickly spread to Egypt and raised deep concerns over disruption of the transportation of oil and natural gas through the Suez Canal. The turmoil then spread to Libya and resulted in the shutdown of a portion of the country's 1.6 million barrels per day oil production capacity. These events, coupled with increasing tensions in Bahrain, have further exacerbated concerns over the supply of oil from the region and have resulted in the crude oil price surpassing the US$100 per barrel psychological barrier for the first time since mid-2008. Perhaps the greatest concern to oil market participants is the risk that the unrest may spread to Saudi Arabia and other larger producers, which may push oil prices even higher. Saudi Arabia is second only to Russia as the world's largest producer of oil. The country also holds 20 per cent of the world's crude oil reserves and accounts for roughly 80 per cent of global spare oil production capacity. The ability of the country to stave off the contagion effects of the unrest in the region is therefore critical to the stability of global crude prices.

Potential Impact on Trinidad and Tobago

The earthquake and tsunami may see an increase in natural gas prices in the medium to long-term, when Japanese thermal power units and manufacturing plants restart operations. Also, as countries around the world reassess the safety of nuclear energy in the wake of the crisis at Japan's Fukishima-Daiichi plant, the world may see a temporary shifting away from nuclear power generation to fossil fuels until renewable energy can be sufficiently harnessed. As a major exporter of natural gas, the cleanest and cheapest of the fossil fuels, Trinidad and Tobago stands to benefit from global gas price-gains resulting from increased global demand for power generation. In terms of crude oil, rising prices as a result of activities in the MENA region should also boost Trinidad and Tobago's revenue-generating capability. However, higher oil prices can also negatively impact the economies of our major trading partners as it has the potential to weaken their demand for exports.

Japan accounts for roughly 0.4 per cent of Trinidad and Tobago's merchandise exports. The bulk of these exports (98 per cent) comprised mineral fuels, of which natural gas and natural asphalt were the largest items. Given the small share of exports going to Japan, which consists mainly of items that will most likely be used in the country's restoration activities, Trinidad and Tobago's exports will depend more on developments in Libya and the effect of higher oil prices on our major trading partners. On the other hand, Japan accounts for roughly 3.2 per cent of Trinidad and Tobago's total imports, most of which is for transportation purposes (vehicles and parts). The domestic market may be subject to rising prices of these products in the short-term, as a ready supply out of Japan may be curtailed. Barring initiatives by the Government of Trinidad and Tobago to bolster agricultural production, further tsunami-related increases in international food prices can exert upward pressures on local food inflation. This will augment the incentive for Trinidad and Tobago to expedite attempts at increasing food security and self-sufficiency.

Regional Economic Developments

In January 2011, the World Bank reported that the Latin America and Caribbean (LAC) region had emerged from the global financial and economic crises faster than expected. Following a contraction of 2.2 per cent in 2009, the World Bank has estimated that the LAC region expanded by 5.7 per cent in 2010 – a growth rate that is similar to the average growth registered during the boom years of 2004-2007.

During 2010, some Caribbean economies showed signs of arresting the downward trajectory in GDP growth. This compared well against the previous year when most Caribbean countries reported negative or low growth rates (Table IVg). The Central Bank of Barbados expects the Barbadian economy to recover in 2011, with a growth rate of 2.0 per cent following the contraction of 0.4 per cent in 2010. The economies of the Eastern Caribbean are also forecasted to recover in 2011 (by 1.9 per cent) after contracting for a second consecutive year in 2010.

Table IVg
Selected Caribbean Economies - Quarterly GDP Growth
(Year-on-Year Per Cent Change)

Country	2009				2010			
	I	II	III	IV	I	II	III	IV
Barbados	-5.1	-7.3	-5.2	-1.2	-1.8	2.3	1.1	-0.1
Belize	-2.1	-1.0	1.0	2.2	3.2	2.4	1.7	n.a.
ECCU*	-3.9	-6.2	-7.4	-7.3	-4.0	-2.8	-4.0	n.a.
Jamaica	-3.5	-3.9	-2.4	-2.4	-1.1	-2.0	-0.9	-0.9

Source: Caribbean Centre for Money and Finance, Central Bank of Barbados, Statistical Institute of Belize, and Statistical Institute of Jamaica.
*Data here is cumulative, that is, January-March year-on-year; January-June year-on-year; and January-September year-on-year.
.

Since the last quarter of 2010, several Caribbean economies have experienced a rise in inflationary pressures due to higher prices for food and fuel. At the end of 2010, Jamaica's year-on-year inflation rate measured 11.8 per cent while the year-on-year food price inflation rate was 12.8 per cent. For Barbados, in the 12-months to November 2010, headline and food price inflation measured 5.1 per cent and 5.4 per cent, respectively, while fuel prices surged by 17.2 per cent. Since the beginning of March 2011, several Caribbean countries, including Dominica, Jamaica and Antigua and Barbuda, have announced increases in domestic fuel prices.

Fortunately for the region, the tourism sector began to show signs of recovery in 2010. According to the Caribbean Tourism Organization (CTO), the total number of tourist arrivals to the Caribbean[7] and stay-over expenditure both increased by 4.2 per cent in 2010 compared to 2009. More specifically, Barbados (3.4 per cent in 2010), the Bahamas (13.0 per cent in the first nine months of 2010), and Jamaica (6.9 per cent in the 12-months to July 2010) all reported an up-tick in tourist arrivals during 2010. However, activity in the sector has still not returned to pre-crisis levels.

According to the CTO, tourist arrivals from the US and Canada led the rebound, increasing by 5.7 per cent and 2.9 per cent, respectively, while European tourist arrivals continued to contract (-1.5 per cent) (Table IVh). Some European countries, such as the UK, have implemented higher airfares and travel taxes for flights to the Caribbean. Many Caribbean countries are highly dependent on the UK market in particular for tourism revenue. On the basis of CTO data, visitors from the UK account for 34 per cent, 29 per cent and 24 per cent of tourist arrivals in Barbados, Antigua and Grenada, respectively. Overall, the outlook for regional tourism is positive and the CTO has estimated that total arrivals will increase by approximately 5 per cent in 2011.

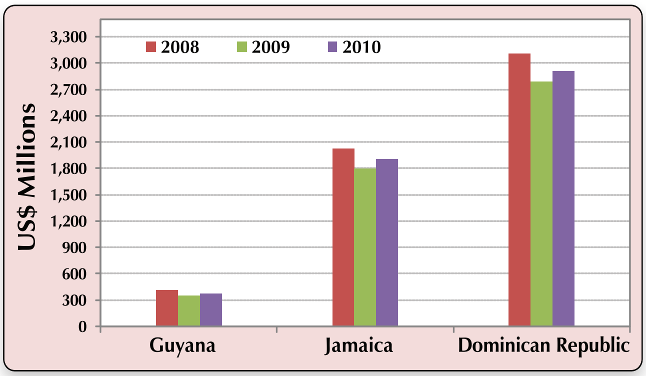
[7] The Caribbean Tourism Organization in its definition of the Caribbean includes: the Organization of Eastern Caribbean States (OECS) countries; Other CARICOM countries (e.g. Bahamas, Barbados, Jamaica and Trinidad and Tobago); Other Commonwealth countries; and the Dutch and French Caribbean.

Table IVh
Tourist Arrivals to the Caribbean from Region of Origin
(Thousand Persons)

Market	2007	2008	2009	2010	Percentage Change (2010/2009
Total Arrivals	**22,889.8**	**22,941.7**	**22,162.9**	**23,037.1**	**3.9**
United States	11,790.9	11,531.6	11,088.9	11,716.3	**5.7**
Canada	2,084.7	2,398.5	2,544.7	2,617.7	**2.9**
Europe	5,549.5	5,434.3	4,988.8	4,913.1	**-1.5**
Other	3,464.7	3,576.8	3,540.5	3,790.0	**7.0**

Source: Caribbean Tourism Organization.

Chart IVa
Remittance Flows to Selected Economies



Remittance flows to the LAC region stabilized in 2010 following a contraction of 15 per cent in 2009 due to the financial crisis in the US, according to the Inter-American Development Bank (IDB). The IDB has noted that remittances to the region are likely to rise in 2011, although a weaker US dollar and higher inflation are reducing purchasing power in many countries. However, this expected rise in the volume of remittances in 2011 will remain below the levels prior to the global crisis. The pace of growth will depend largely on how strongly the labour markets improve in source countries such as the US and Spain. In the Caribbean, some of the more remittance-dependent countries registered positive growth in remittance inflows in 2010 following declines in 2009. In 2010, remittances increased in Jamaica (6.3 per cent), Guyana (5.1 per cent) and the Dominican Republic (4.2 per cent) (Chart IVa).

In May 2010, the Economic Commission for Latin America and the Caribbean (ECLAC) estimated that foreign direct investment (FDI) flows to LAC will rebound in 2010 after declining substantially in 2009 as a result of the global crisis. FDI inflows are important to several economies in the region and in 2008 net FDI was as high as 25 per cent and 21 per cent of GDP in Grenada and Antigua and Barbuda, respectively. During 2010, FDI inflows to some Caribbean countries improved, while other countries continued to report lower direct investment flows. For instance, the Bahamas, Barbados and Guyana reported higher inflows of FDI during the first six months of 2010. Meanwhile, net FDI continued to contract in the OECS and the Dominican Republic.

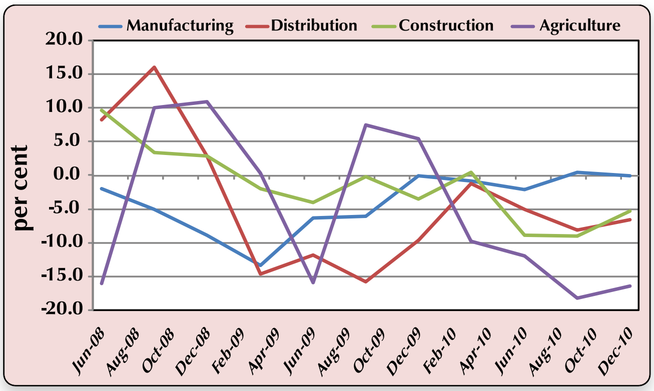
Part V - Domestic Economic Developments

Gross Domestic Product

The domestic economy continued to display signs of weakness in the fourth quarter of 2010, as both the energy and non-energy sectors experienced declines. Provisional estimates from the Central Bank's Quarterly Gross Domestic Product (QGDP) index suggest that the Trinidad and Tobago economy contracted by 3.8 per cent on a year-on-year basis in the fourth quarter of 2010. The non-energy sector posted its eight successive quarter of negative growth (3.6 per cent) while the energy sector slipped by 4.1 per cent following growth in the preceding four quarters.

The energy sector experienced contractions in several areas, particularly as several companies simultaneously conducted maintenance exercises and infrastructural work. Exploration and production declined by 5.1 per cent and was attributable to the reductions in crude oil (16.7 per cent) and natural gas (3.5 per cent) production. Crude oil output fell as BHP Billiton temporarily ceased oil production at its Angostura Field during the fourth quarter to install equipment to enhance natural gas production in early 2011. Refining activities decreased (1.4 per cent) on account of reductions in Petroleum refining (14.9 per cent) and LNG output (0.4 per cent). Petrochemicals output also declined by 8.7 per cent due to lower production of fertilizers and methanol. The drop in fertilizer output reflected lower reported output of ammonia, as some of this product was now being used as an input in the production of melamine. Methanol output also fell (10.6 per cent) due to the scheduled maintenance of MHTL M5000 plant.

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



Activity in the non-energy sector remained lethargic with several sectors contracting (Chart Va). Although activity in the Distribution sector was again weak, retail sales showed some improvement, rising by 3.9 per cent as sales of dry goods and motor vehicles and parts increased. However, sales continued to deteriorate in other industries including supermarkets and groceries, household appliances, furniture and other furnishings.

Available indicators point towards a drop of 5.3 per cent in the Construction sector, as both local sales of cement and retail sales of hardware and construction materials fell by 12.0 per cent and 9.2 per cent, respectively in the last quarter of 2010.

While official agriculture data for the fourth quarter are not yet available, data from the National Agricultural Marketing and Development Corporation (NAMDEVCO) suggest that there were reduced quantities of most domestically produced vegetables and root crops available on the market. On the basis of these trends, it is estimated that the Agriculture sector could have declined by as much as 16 per cent in the fourth quarter of 2010. The Finance, Insurance and Real Estate sector also posted a slight fall (-0.5 per cent) following several quarters of modest growth.

On the other hand, the Water and Electricity sector grew marginally (0.9 per cent) as a slight increase in electricity generation overshadowed a small decline in water production. Growth in the Manufacturing sector was basically flat as Food processing activities remained weak. However, the Chemicals sub-sector would have benefited from the introduction of melamine production in the second quarter of 2010, while Assembly Type and Related activities showed some improvements. Fourth quarter estimates of capacity utilization indicated that manufacturers utilized approximately 67.6 per cent of existing capacity.

Ahead of the release of final data by the Central Statistical Office, preliminary Central Bank estimates suggest a slight decline (-0.6 per cent) for 2010 as a whole, with an expansion of 1.7 per cent in the energy sector being offset by a decline of about 2.3 per cent in the non-energy sector. Energy sector growth was spurred by higher production of natural gas (3.2 per cent), LNG (1.4 per cent) and Natural Gas Liquids (8.3 per cent). However, there were declines in the production of crude oil (8.3 per cent) petroleum refining (16.7 per cent) and petrochemicals (0.7 per cent). In the non-energy sector, a slowdown in government projects contributed to a fall of 5.8 per cent in construction activity while lower levels of retail and wholesale activity influenced a decline of 5.3 per cent in distribution. Weather-related problems saw agriculture contracting by 14.8 per cent in 2010.

Domestic Production

Energy Sector

(i) Petroleum

While there were significant contractions in average crude production in the last four months of 2010, with production falling below 100,000 barrels per day, there were initial signs of a revival during early 2011. The spudding of a new well by EOG Resources in January boosted drilling in the first two months to a total depth drilled of 12,452 meters, a year-on-year increase of 20 per cent. The restart of activity in the Angostura field took production to an average of 98,235 barrels per day during January and February 2011 from 86,610 barrels per day during the fourth quarter of 2010. Crude oil exports declined somewhat in the first two months of the year however, to 1.9 million barrels, from 2.8 million barrels in the corresponding period of 2010.

Added to this upstream activity, four blocks were awarded in late 2010 arising from the Shallow/Average Water Bid Round concluded last September. The 2010 Deep Water Bid Round closed in February 2011, with three of the eleven proposed blocks receiving bids.

Activity at the oil refinery increased during the first two months of 2011 after an adverse performance in 2010. Refinery throughput averaged 143 thousand barrels per day in the first two months of the year following an average of 129 thousand barrels per day for 2010. Imports of crude also rebounded in 2011 averaging 2.5 million barrels during the first two months, from a monthly average of 2.0 million barrels during the second half 2010.

(ii) Natural gas

The restart of natural gas production from BHP Billiton during January 2011 pushed the average for January and February to 4,337 mmcf/d[8] from 4,200 mmcf/d in the fourth quarter of 2010. During the latter period, BHP Billiton temporarily cut production from its Angostura field to install and upgrade infrastructure. Utilization rates were slightly up in 2011, mainly on account of the start-up of melamine production during 2010. The country utilized gas at a rate of 4,053 mmcf/d during January-February 2011, slightly up from 4,047 mmcf/d during the first quarter of 2010.

(iii) Liquefied Natural Gas

LNG production began 2011 on a positive note, increasing by 4.1 per cent from the same period in 2010. The local facility managed to produce 5.7 million cubic meters of LNG in January and February 2011. LNG exports were maintained at year-earlier levels of around 5.6 million cubic meters.

[8] Million cubic feet per day.

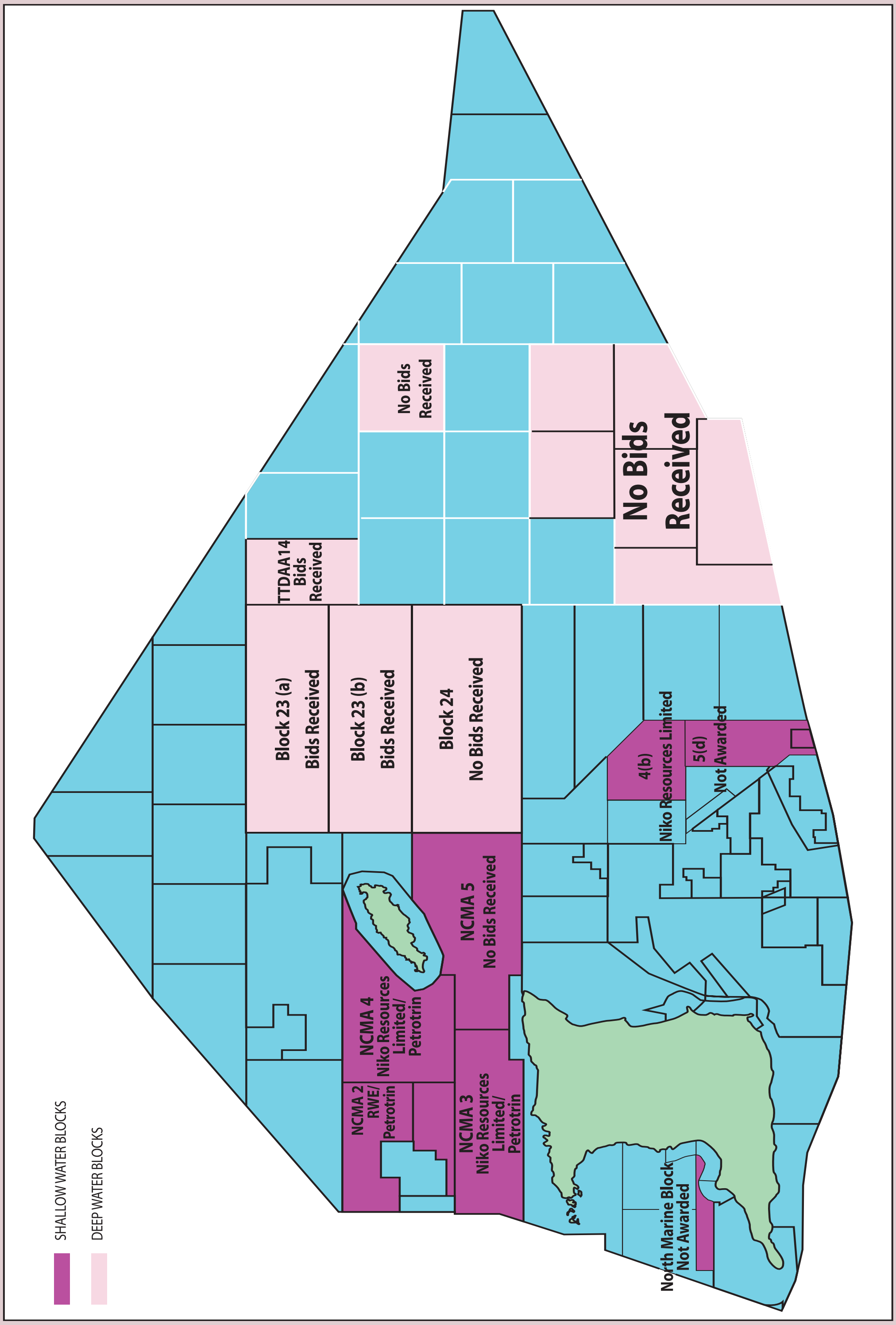
Box 2
Oil Production: Exploring New Frontiers

Crude oil production has consistently declined on an annual basis from 144.4 thousand barrels per day in 2005 to 98.3 thousand barrels per day in 2010. This represented the lowest level of oil production in more than fifty years. After more than 100 years of commercial oil production, Trinidad and Tobago is considered a mature oil province and this may suggest that oil reservoirs are in a phase of structural decline. However, most of the oil extraction (especially on land) has relied on primary recovery efforts. That is, production rates depend on the natural pressure of the reservoir to bring the oil to the surface. Although some secondary recovery mechanisms are employed, such as water injection and natural gas reinjection, recovery rates in Trinidad and Tobago are below international benchmarks. The average rate of recovery in the international oil industry is approximately 30 per cent, whereas in Trinidad and Tobago the rate hovers around 10-12 per cent. One solution to arresting the decline in oil production in the short run is not only to emphasize new discoveries but to focus on enhanced oil recovery efforts.

In September 2010, the Ministry of Energy and Energy Affairs launched a competitive bid round (no. 2) for 11 deepwater, offshore blocks. This followed an earlier bid round for 7 offshore blocks in April 2010. Given that most of the nearshore/ onshore blocks have been explored and with 2.5 billion barrels of unexploited reserves, the deepwater provinces are regarded as the new exploration frontier. At the close of the bid round in February 2011, only 3 out of the 11 blocks attracted bids. This was not a favourable outturn as one block usually attracts 5-10 bids. However, the bid round marked the return of BPTT to the exploration landscape. Despite a redesigned competitive bid process which should take no more than nine months, Trinidad and Tobago is unlikely to benefit in the short term from the two recent bid rounds as the process of awarding and negotiating a production sharing contract to eventual commercialization of resources (if discovered) usually takes 8-10 years. Should the status quo prevail, projections suggest that the rate of oil production would continue to decline precipitously over the medium term.

If growth in the energy sector is to be sustained and government revenues from the sector improved, increasing the recovery rates from existing oil wells should be the immediate focus of the domestic oil industry. As a key player in the industry by virtue of possessing the most expansive acreage, state-owned Petrotrin has to shoulder a large measure of the responsibility for improving crude oil production. After the completion of geological evaluations, Petrotrin is expected to drill 22 exploration wells in 2011. The Minister of Energy issued a mandate to Petrotrin to increase oil production by 8 thousand barrels per day by the end of fiscal 2011. Given that Petrotrin is highly leveraged, achieving the stated objective would critically depend on joint venture partnerships and the expansion of the lease-out/farm-out arrangement. As Trinidad and Tobago enters the second century of oil production, enhancing the recovery rate of existing wells combined with output from new discoveries would support the long term viability of the petroleum industry.

Box 2
Oil Production: Exploring New Frontiers (Continued)



(iv) Nitrogenous Fertilizers

Output of ammonia declined significantly during 2010 due to the start up of melamine production in May 2010. The melamine facility uses around 50,000 tonnes of ammonia per month in the manufacture of melamine. As a result, the data showed a downward trend in final output of fertilizers (ammonia and urea) in 2010. This trend continued into early 2011 and was exacerbated by the significant outage of the Tringen 1 plant during the period. Total production of fertilizer during January and February 2011 amounted to 963.8 thousand tonnes, down from 1,145.7 thousand tonnes in the first couple months of 2010. Similarly, exports fell to 433.1 thousand tonnes in January 2011 from 589.7 thousand tonnes 12 months prior.

(v) Methanol

Local methanol production has been somewhat curtailed in recent months. Several production outages at major plants limited operations during 2010. Activity in early 2011 suggest that operations may have regularized somewhat, although production may not have fully recovered. Total methanol production during the first two months of 2011 amounted to 998.7 thousand tonnes, while 934.0 thousand tonnes were exported. These volumes corresponded to year-on-year declines of 10.6 per cent and 14.6 per cent, respectively.

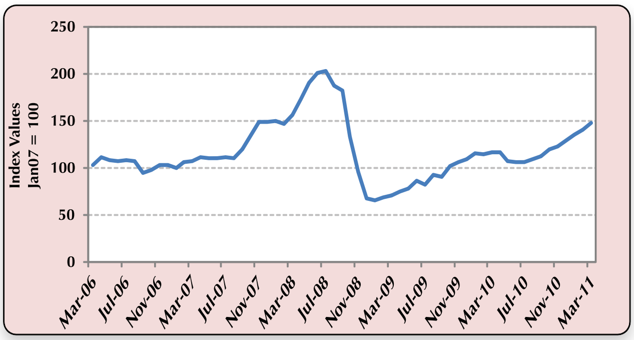
(vi) Iron and Steel

After considerable growth during the first three quarters of 2010, maintenance operations at the local iron and steel facility during the final quarter resulted in a year-on-year decline in overall output. This decline was most apparent in DRI production, which fell by 8.3 per cent to a total of 345.8 thousand tonnes during the fourth quarter of 2010. Billet production also declined by 6.4 per cent. An increase of 43.3 per cent in wire rod production to 92.5 thousand tonnes was not enough to reverse the overall reduction in output. Correspondingly, exports also dipped in the fourth quarter of 2010, as total exports fell 8.3 per cent from the corresponding period in 2009.

Energy Commodity Price Index (ECPI)[9]

The ECPI has been on an upward path since mid-2010 on the back of a nascent recovery in commodity markets, increasing steadily from 106.72 in July 2010 to 147.95 in March 2011. Though the natural gas price (which accounts for 40 per cent of the index) has remained relatively subdued over the period, notable price increases have been recorded in the nine other commodities which comprise the index[10] (Chart Vb).

Chart Vb
The Energy Commodity Price Index



The Energy Services Sector[11] Survey

The Energy Services Sector Survey (ESSS) is a quarterly survey conducted by the Energy Chamber of Trinidad and Tobago. The survey which maps the performance and sentiment of the members of Trinidad and Tobago's energy services sector has revealed that the value and volume of business in the sector continued to decrease in the fourth quarter of 2010. However, recently concluded bid rounds have already resulted in mobilization of offshore rigs for field developments, prompting anticipated increases in offshore drilling activity and increased optimism for the sector.

[9] The Energy Commodity Price Index (ECPI) is a summary measure of the price movements of Trinidad and Tobago's top ten energy-based commodity exports.

[10] The other commodities making up the ECPI are crude oil, ammonia, methanol, gas oil, motor gasoline, natural gasoline, jet fuel, propane and urea.

[11] The energy services sector comprises all services contracted along the process from exploration to end-use of energy that require energy-sector specific skills, knowledge or capabilities, including the provision of specialist equipment, tools or processes.

Agricultural Production

Official data from NAMDEVCO showed that there was a 25 per cent decline in the availability of commodities during the fourth quarter of 2010 compared with the same period of 2009. All agricultural items showed decreased volumes with vegetables, condiments and spices, and root crops reduced by 36 per cent, 34 per cent and 25 per cent, respectively. The fall in volumes may have been partly attributable to the heavy flooding across the country that occurred during the quarter.

It must be noted that market data may not be truly representative of the production of commodities due to increase avenues for sale of produce including direct contract arrangements with supermarkets, restaurants and the Trinidad and Tobago Agri-Business Association (TTABA). The TTABA has expanded its operations from the four base crops to seventeen commodities. The expansion has increased the number of fruits, root crops and leafy and green vegetables that TTABA purchases from farmers.

Box 3
Institutional Developments within the Agriculture Sector

During the first quarter of 2011, the Ministry of Food Production, Land and Marine Affairs distributed 600 Agricultural Land Leases. This is expected to increase the volume of local crops produced in 2011. Other initiatives being implemented to rebuild confidence in the sector include the provision of irrigation ponds and construction of agricultural access roads.

The fishing industry was the beneficiary of some technological innovation in the first quarter of 2011. The “mFisheries” project is a joint initiative between the University of the West Indies, Ministry of Science, Technology and Tertiary Education and the Caribbean Fisheries Training and Development Institution. The project utilizes NAMDEVCO as an intermediary between the fishermen and their market. NAMDEVCO updates the prices of various types of fish on a daily basis and provides this information to the fishermen via a mobile communication device. The fisherman can then advertise their catch while at sea through NAMDEVCO, who in turn attempts to match demand with supply. As it stands, the project is expected to extend beyond the two-month trial period with inclusion of additional research on the issue of mobile payments.

Box 4
International Agriculture Commodity Prices[12]

After a period of moderate prices, international agricultural commodity prices have been on the upswing since mid-2010. Driven by supply constraints and increased trading of agricultural commodities on the financial markets, international food prices reached historic highs in February 2011 before retreating slightly in March 2011 according to the United Nations Food and Agriculture Organization (FAO). The FAO Food Price Index[13], showed a year-on-year increase of 41 per cent for March 2011. The Oils Price Index rose by 53 per cent mainly on account of adverse weather conditions affecting soybean production in Brazil and Argentina (see Table 4).

The cereals sub-index increased by 65 per cent (year-on-year) in March 2011, as corn and wheat prices rose by 83 per cent and 66 per cent respectively, for the same period. The main factors for the sharp rise in the corn and wheat prices were adverse weather conditions in Australia, Russia and China, which restricted supply as well as growing demand. In response to reduced supplies, traditional exporters of grain curtailed exports in order to satisfy domestic demand. In addition, there is also increasing demand for corn for use as a "bio fuel" following the upsurge in crude oil prices. Further, the current political situation within the Ivory Coast has led to increased prices for coffee robusta and cocoa, with these commodities rising by 69 per cent and 10 per cent, respectively.

While inflationary pressures have been increasing around the world, inflation in Trinidad and Tobago has trended in the opposite direction in recent months, with the year-on-year inflation rate falling to single digits in March 2011 from 16.2 per cent in August 2010. However, empirical analysis has shown a time lag of roughly 2-5 months between price changes in the international market and price adjustments domestically[14]. Thus, the appreciation in international prices of wheat, corn and coconut oil prices, etc. may have not yet transferred to the domestic economy. These higher international commodity prices may be felt in the second half of 2011.

Table 4
Food Price Index

Date	Food Price Index	Meat Price Index	Dairy Price Index	Cereals Price Index	Oils Price Index	Sugar Price Index
Feb-10	175.9	142.0	191.4	164.2	169.2	360.8
Mar-10	168.3	144.7	187.4	157.8	174.8	264.8
Apr-10	170.0	150.8	204.3	154.8	173.5	233.4
May-10	169.5	151.7	209.2	155.1	170.4	215.7
Jun-10	168.1	152.4	203.1	151.2	168.4	224.9
Jul-10	172.5	151.0	197.8	163.3	174.4	247.4
Aug-10	182.8	155.4	192.9	185.3	192.4	262.7
Sep-10	194.0	153.4	198.4	208.3	197.6	318.1
Oct-10	204.6	157.3	202.6	219.9	220.0	349.3
Nov-10	212.5	160.4	207.8	223.3	243.3	373.4
Dec-10	222.6	164.7	208.4	237.8	263.0	398.4
Jan-11	230.9	166.2	221.3	244.8	277.7	420.2
Feb-11	236.0	169.5	230.0	253.8	279.3	418.2
Mar-11	229.8	168.6	234.4	251.9	259.9	372.3

Source: Food and Agriculture Organisation.

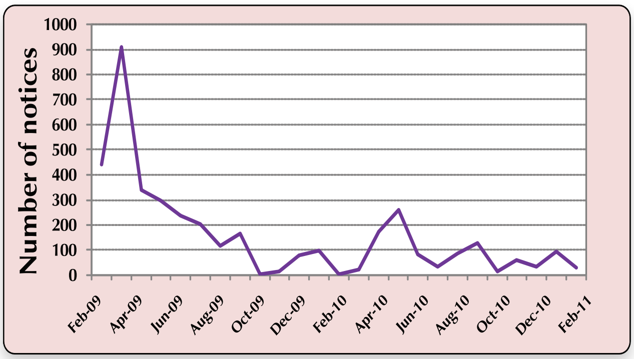
[12] The Index values sourced from the FAO while individual commodities price were calculated from the Index Mundi database.
[13] The Index values sourced from the FAO while individual commodities price were calculated from the Index Mundi database.
[14] Central Bank of Trinidad and Tobago. Economic Bulletin January 2011. "What accounts for Food Price Inflation in Trinidad and Tobago in Recent Years."

Labour Market Conditions

Unemployment

Official data from the Central Statistical Office show that the unemployment rate decreased to 4.8 per cent during the second quarter of 2010 from 6.7 per cent in the previous quarter and 5.1 per cent in the corresponding period of 2009. The decline in the unemployment rate was largely owing to the 14.6 thousand jobs gained in the services sector in the second quarter of 2010. Other sectors displaying job growth were the manufacturing sector (2.1 thousand jobs) and energy sector (0.6 thousand jobs). On the other hand, primarily due to a slowdown in construction activity, employment fell sharply in the construction sector (excluding water and electricity service companies) by 17.6 thousand. Similarly, in agriculture, 7.9 thousand jobs were lost as a result of a decline in activity within the sector.

Chart Vc
Retrenchment Notices



Data released by the Ministry of Labour and Small and Micro Enterprise Development show that 1,118 retrenchment notices were filed by various firms in 2010. (Chart Vc). This figure represents a substantial reduction in job cuts since 3,075 retrenchment notices were filed in 2009. A closer analysis of these statistics revealed that the majority of job cuts occurred in the energy sector, followed by the construction sector.

Meanwhile, despite the settlement of wage negotiations between the government and the PSA in April 2011, the industrial relations climate remains tense. Following months of intense negotiations, the PSA and the government agreed to a 5 per cent salary increase over the three year period, 2008 to 2010, as well as housing and medical benefits. However, other public sector wage negotiations are on-going or on the horizon with trade unions such as the Prison Officers' Association and the Trinidad and Tobago Unified Teachers' Association (TTUTA); with the public servants' collective agreement a 'de facto' benchmark for other public bodies, another round of intense wage negotiations may ensue.

Wages

Data on average weekly earnings from the Central Statistical Office show that wages in the manufacturing sector (as measured by the Index of Average Weekly Earnings) increased by 5.3 per cent in the year to December 2010 compared with 9.0 per cent in 2009. The more substantial wage increases were recorded in the wood products (38.9 per cent), assembly-type and related products (17.8 per cent) and exploration and production of oil and natural gas (32.9 per cent) industry groupings.

Labour Productivity

According to data released by the Central Statistical Office, productivity in the manufacturing sector rose in 2010. The Index of Productivity (measured by the Index of Domestic Production divided by the Index of Man Hours Worked) increased by 9.0 per cent during the fourth quarter of 2010. Productivity increases were significant in the wood and related products (27.0 per cent), textiles, garments and footwear (25.1 per cent) and food processing (17.8 per cent) industries.

Inflation

Consumer Prices

Although food prices continue to rise at the global level, inflationary pressures subsided in the domestic economy in recent months. On a year-on-year basis to March 2011, headline inflation slowed to 9.4 per cent compared with 10.7 per cent in the previous month and 12.5 per cent in January (Chart Vd). This was the lowest rate since May 2010. The decline in headline inflation over the past few months was due to a deceleration in food price inflation, which measured 21.3 per cent in March compared with 25.1 per cent and 30.9 per cent in February and January 2011, respectively. The rate of increase in vegetable prices fell to 31.1 per cent in March from 33.3 per cent in February and 51.0 per cent in January 2011. On the other hand, negligible price increases were also observed for bread and cereals, meat and milk, cheese and eggs (Chart Ve).

In light of the spiraling international food prices, domestic food price inflation is anticipated to regain momentum as the prices for some key global food items such as wheat and dairy products, corn, oil and fats and sugar have been consistently increasing in recent months (Chart Vf). Further, Nutrimix, one of this country's flour mills, stated that the cost of imported wheat rose by approximately 50 per cent recently, due to erratic weather patterns experienced by the major producers. As a consequence, domestic consumers may soon be required to pay more for flour.

Since the start of 2011, core inflation, which excludes food prices, remained below 3 per cent. In the twelve months to March 2011, core inflation measured 2.7 per cent, representing a marked reduction from a monthly average of 4.3 per cent in 2010. The fall in core inflation was attributable to a decline in the Transport sub-index, due primarily to technical factors within the sub-index. However, prices in the Housing sub-index edged up slightly, while an increase in cost of packaged holidays drove the Recreation and Culture sub-index up.

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

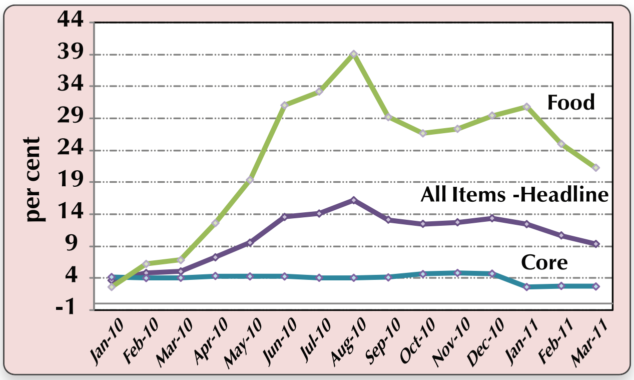


Chart Ve
Components of Food Sub-Index of RPI
(Year-on-Year Per Cent Change)

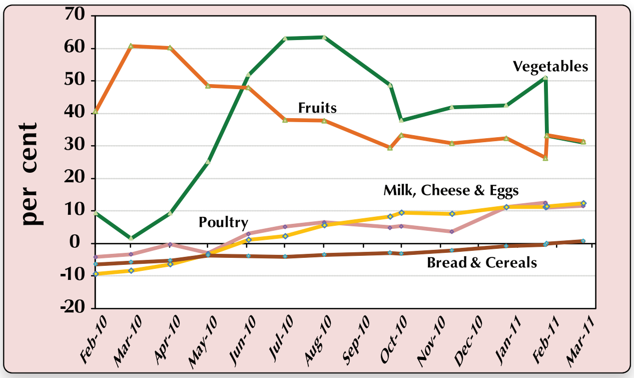
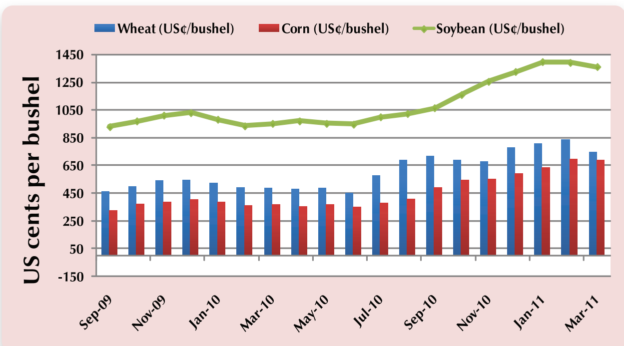


Chart Vf
Global Food Prices



Producer Prices

Reflecting a similar trend to consumer prices, the rate of price increases at the producer level also slowed. According to the Producers' Price Index, in the twelve months to March 2011, wholesale prices rose by 2.7 per cent compared with an increase of 3.8 per cent for the corresponding period a year earlier. Most notably, wholesale prices in the drink and tobacco industry group rose by 8.4 per cent. Higher prices in this category were due mainly to an increase in the price of alcoholic beverages and cigarettes. The rise in the former emanated from an increase in the cost of local rum, while the main impetus for the increase in the latter was the rise in the cost of imported tobacco leaves. On the other hand, a fall in wholesale prices of metal building materials caused the assembly-type and related products industry group to decline marginally.

Balance of Payments

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

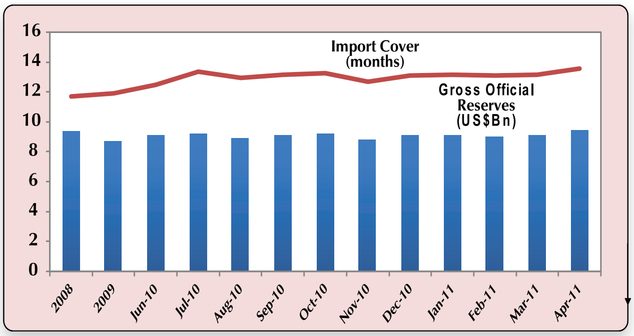
Preliminary data suggest that for 2010, the external accounts registered an overall surplus of $418.4 million, compared with a deficit of $712.6 million in 2009 (Table Va). At the end of 2010, the level of gross official reserves amounted to just over $9.1 billion or 13.1 months of prospective imports of goods and non factor services. The overall current account recorded an estimated surplus of $2.9 billion for the year while the capital account remained in deficit.

The surplus on the current account was largely due to an estimated[17] merchandise trade balance of $3.4 billion as commodity prices trended upward and imports declined. Actual data for the first nine months of 2010 showed that energy sector exports amounted to $6.6 billion, $311.9 million more than the corresponding period one year earlier. However, preliminary data for the fourth quarter of 2010 revealed that energy exports declined by approximately 19.1 per cent as a result of the fall in crude oil and natural gas production during the quarter. In the first nine months of the year, non-energy exports increased by 49.6 per cent to $1.4 billion. Meanwhile, merchandise imports in the nine months to September 2010 were down to $4.9 billion as non energy imports fell by $195.7 million given lower demand for capital imports.

The capital and financial account recorded an overall deficit of just over $2.4 billion for 2010. Net foreign direct investment declined to $549.4 million in 2010 compared with $709.1 million in 2009. Meanwhile, commercial bank assets held abroad increased by $32.8 million in 2010 compared with a rise of $675.2 million a

[17] Actual data on merchandise trade are up to September 2010. Annual data for 2010 represent Central Bank estimates.

Chart Vg
Gross Official Reserves and Import Cover



year earlier. Central government principal repayments on external debt fell from $339.9 million in 2009 to $71.6 million in 2010 largely on account of a $230 million bond payment made in September 2009. Total public debt service amounted to $121.2 million, compared with $434.4 million in 2009. As at the end of March 2011, the level of gross official reserves stood at $9,143.5 million (Chart Vg).

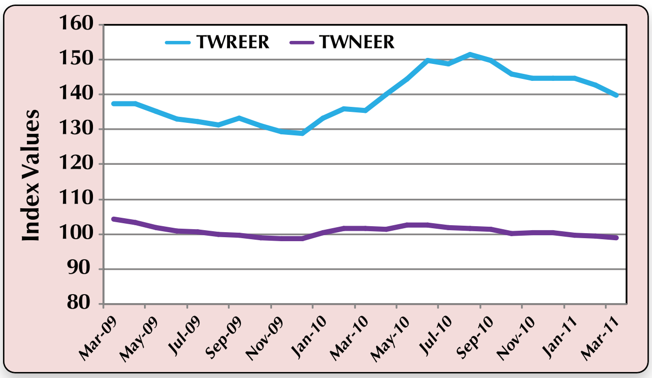
Table Va
Trinidad and Tobago: Summary Balance of Payments
/US$ Million/

	2007	2008	2009[r]	Jan-Sep 2009	Jan-Sep 2010	2010[e]
Current Account Balance	5,364.3	8,518.8	1,614.1	1,828.3	2,516.1	2,890.1
Trade Balance	5,721.4	9,064.4	2,202.1	2,174.2	3,114.5	3,428.4
Exports	13,391.3	18,686.4	9,175.2	7,225.6	7,986.7	9,862.2
Energy	11,650.0	16,482.0	7,839.4	6,319.2	6,631.1	7,862.5
Non-Energy	1,741.3	2,204.4	1,335.8	906.4	1,355.6	1,999.7
Imports	7,669.9	9,622.0	6,973.1	5,051.4	4,872.2	6,433.8
Energy	3,150.1	4,130.0	2,843.4	1,968.0	1,984.5	2,649.8
Non-Energy	4,519.8	5,492.0	4,129.7	3,083.4	2,887.7	3,784.0
Services (net)	546.4	609.7	381.7	325.2	385.5	514.1
Income (Net)	-963.7	-1,202.2	-996.7	-691.8	-1,035.5	-1,119.6
Current Transfers (Net)	60.2	46.9	27.0	20.7	51.6	67.2
Capital and Financial Account	-3,822.9	-5,813.8	-2,326.7	-2,257.5	-2,081.3	-2,471.7
Official Borrowing	-270.0	-992.7	-151.0	-205.0	54.0	168.1
Foreign Direct Investment	830.0	2,100.0	709.1	510.0	395.7	549.4
Regional Bond Issues	-252.0	-82.0	-120.0	-120.0	0.0	0.0
Commercial Banks	88.0	-383.0	-675.2	-281.1	23.0	-32.8
Other Private capital Flows*	-4,218.9	-6,456.1	-2,089.6	-2,161.4	-2,554.0	-3,156.4
Overall Balance	1,541.4	2,705.0	-712.6	-429.2	434.8	418.4
per cent of GDP						
Current Account Balance	24.7	31.2	8.2	12.4	16.4	14.1
Trade Balance	26.3	33.2	11.2	14.7	20.3	16.8
Exports	61.6	68.4	46.6	48.9	52.1	48.2
Energy	53.6	60.3	39.8	42.8	43.3	38.5
Non-Energy	8.0	8.1	6.8	6.1	8.8	9.8
Imports	35.3	35.2	35.4	34.2	31.8	31.5
Energy	14.5	15.1	14.4	13.3	12.9	13.0
Non-Energy	20.8	20.1	21.0	20.9	18.8	18.5
Services (net)	2.5	2.2	1.9	2.2	2.5	2.5
Income (Net)	-4.4	-4.4	-5.1	-4.7	-6.8	-5.5
Current Transfers (Net)	0.3	0.2	0.1	0.1	0.3	0.3
Capital and Financial Account	-17.6	-21.3	-11.8	-15.3	-13.6	-12.1
Official Borrowing	-1.2	-3.6	-0.8	-1.4	0.4	0.8
Foreign Direct Investment	3.8	7.7	3.6	3.5	2.6	2.7
Regional Bond Issues	-1.2	-0.3	-0.6	-0.8	0.0	0.0
Commercial Banks	0.4	-1.4	-3.4	-1.9	0.2	-0.2
Other Private capital Flows*	-19.4	-23.6	-10.6	-14.6	-16.7	-15.4
Overall Balance	7.1	9.9	-3.6	-2.9	2.8	2.0

Source: Central Bank of Trinidad and Tobago.

* Includes errors and omissions.
[r] revised
[e] Central Bank merchandise trade estimates from October - December 2010.

Chart Vh
The Real Effective Exchange Rate (2000 =100)



Real Effective Exchange Rates

Over the 7-month period September 2010 to March 2011, Trinidad and Tobago's currency depreciated by 6.5 per cent in real effective terms (Chart Vh).The depreciation in the real effective exchange rate was a result of a steady reduction in domestic price rises relative to price increases in Trinidad and Tobago's major trading partners. During the seven months to March 2011, Trinidad and Tobago's inflation rate slowed from 13.2 per cent in September 2010 to 9.4 per cent in March 2011 while the weighted average inflation rate of the country's major trading partners remained relatively stable (ranging between 2.7 per cent and 3.9 per cent).

The trade-weighted nominal exchange rate depreciated as well over the review period by 2.4 per cent. At the same time, the depreciation of the United States dollar against other major currencies like the British pound (3.5 per cent), the Japanese yen (3.2 per cent) and the Chinese renminbi (2.6 per cent) would have caused an indirect depreciation of the Trinidad and Tobago dollar.

Box 5
Developments in National Competitiveness

Recently, in light of renewed focus on economic diversification, national competitiveness has also come to the forefront. The latest data for the various indicators of competitiveness suggest a shift from a long trend of persistent deterioration in national competitiveness. However, it may be premature to assess if the changes observed are temporal or structural in nature.

Since 2000, the **Real Effective Exchange Rate (REER)** has appreciated by over 40 per cent, signifying a loss of competitiveness. However, during the period June 2010 – February 2011, the REER depreciated by 4.6 per cent suggesting an improvement in competitiveness. The **Index of Unit Labour Cost**, as measured by the Index of Average Weekly Earnings divided by the Index of Productivity, has also improved. In the twelve months to December 2010, unit labour cost declined by 28.4 per cent, primarily on account of broad-based productivity gains. The **terms of trade**, which is a ratio of the prices of Trinidad and Tobago's exports to the prices of imports, improved by 1 per cent during the first nine months of 2010 when compared to the same period a year earlier. Meanwhile, the GCI produced by the World Economic Forum, showed that Trinidad and Tobago rose in the 2010/2011 rankings to 84th out of 139 countries from 86th the previous year.

These early indications of improving competitiveness must be nurtured for the gains to be sustained. This will require even closer collaboration between the government, the private sector and civil society.

Fiscal Operations

The fiscal outturn was better than originally budgeted for the first half of FY2010/2011. The central government recorded a deficit of $207.5 million compared with the budgeted deficit of $3,278.3 million over the period October 2010 to March 2011 (See Table Vb). The outturn was mainly due to a weaker than anticipated fiscal impulse due to delays in expenditure. However, the pace of spending is expected to quicken in forthcoming months as the capital programme gains momentum and the central government settles some of its outstanding obligations[18]. Meanwhile, the revenue outturn was generally in keeping with budget projections since a sharp reduction in oil production (of 1.2 million barrels) during the fourth quarter of 2010 offset the effect of higher oil prices.

Revenue collections were broadly in line with initial estimates despite the weak receipts from the non-energy sector. Total revenue amounted to $20,019.2 million, $317 million lower than budgeted but higher (by $1,335.4 million) than in the same period one year earlier. Weak non-energy collections (665 million lower than budgeted) were partly offset by higher oil receipts ($350.5 million). The shortfall in budgeted revenue is symptomatic of the weak economic activity in the non-energy sector and its negative effect primarily on VAT collections. Net VAT receipts continue to be depressed due to the overall slowdown in domestic demand and to a lesser extent by the recent increase in the payment of VAT refunds to eliminate a sizeable backlog.

The pace of Central Government spending was much slower than anticipated during the first six months of FY2010/2011. Total expenditure amounted to $20,226.7 million, which was $3,387.8 million lower than the budgeted level. This shortfall was reflected in most of the major categories of expenditure but was especially pronounced in spending on goods and services, interest payments and the capital programme. The expenditure shortfalls were mainly the result of administrative delays,

[18] These obligations include: the payment of UDeCOTT's debt and the debt to contractors and outstanding levels of VAT refunds. The Central government settled the 2008-2010 salary negotiations with the Public Service Association in the month of April 2011.

outstanding submission of invoices for payment and initial delays in the implementation of large projects. Despite these temporary setbacks, the government's intention is to maintain the expansionary fiscal stance to support economic recovery and job creation. It is expected that during the second half of the year, the problems that constrained expenditure will be corrected such that the overall deficit will be broadly in line with the budget projection for the year as a whole. Central government borrowing thus far has been relatively sluggish, although this is expected to pick-up in the ensuing months as major government projects accelerate.

Table Vb
Summary Central Government Fiscal Operations

/TT$ Million/

	Actual Oct.10 - Mar.11	Projected Oct 10 – Mar.11	Budgeted Oct.10 – Sept.11	Actual Oct.09 – Sep.10	Budgeted Oct.09 – Sep.10
TOTAL REVENUE	**20,019.2**	**20,336.2**	**41,263.0**	**43,211.9**	**36,644.7**
Current Revenue	20,017.1	20,331.6	41,241.9	43,152.2	36,625.8
Energy Revenue	10,831.0	10,480.6	19,367.8	22,597.4	15,556.2
Non-Energy Revenue	9,186.1	9,851.0	21,874.1	20,554.8	21,069.6
Income	3,817.0	3,783.8	9,249.7	7,810.2	7,694.1
Property	4.4	52.2	173.9	22.3	325.0
Goods & Services	3,054.9	3,815.8	7,748.4	7,201.3	8,040.0
International Trade	1,026.4	1,092.5	2,101.0	1,837.6	2,002.4
Non-Tax Revenue	1,283.4	1,106.7	2,601.1	3,683.4	3,008.1
Capital Revenue	2.1	4.6	21.1	59.7	18.9
TOTAL EXPENDITURE	**20,226.7**	**23,614.5**	**48,995.2**	**43,520.1**	**44,347.3**
Current Expenditure	18,012.5	19,478.2	41,786.3	37,524.7	37,250.1
Wages and Salaries	3,422.3	3,617.3	7,624.5	6,734.5	7,044.1
Goods and Services	2,581.6	4,063.8	8,432.8	6,485.0	7,554.4
Interest Payments	1,324.0	2,005.2	4,335.0	3,171.7	4,408.7
Transfers and Subsidies[1]	10,684.6	9,791.9	21,394.0	21,133.5	18,242.9
Capital Expenditure and Net Lending[2]	2,214.2	4,136.3	7,208.9	5,995.4	7,097.2
Current Account Surplus (+)/Deficit (-)	**2,004.6**	**853.4**	**-544.4**	**5,627.5**	**-624.3**
Overall Surplus (+)/Deficit (-)	**-207.5**	**-3,278.3**	**-7,732.2**	**-308.2**	**-7,702.6**
Net Financing	**207.5**	**3,278.3**	**7,732.2**	**308.2**	**7,702.6**
Net Foreign Financing	473.1	777.6	4,424.1	-186.1	2,282.6
Net Domestic Financing	-265.6	2,500.7	3,308.1	494.3	5,420.0
Memo items:					
Non-energy Fiscal Deficit	-11,038.5	-13,758.9	-27,100.0	-22,905.6	-23,258.8
Transfers to the HSF	0.0	0.0	0.0	-3,026.5	0.0

Source: Ministry of Finance.

[1] Adjusted for transfers to the Infrastructure Development Fund, Government Assisted Tertiary Education Fund and CARICOM Petroleum Fund.
[2] Includes an adjustment for Repayment of Past Lending.

Box 6
The Role of Fiscal Stimuli in Fostering Economic Growth

Introduction

In this box, the role of fiscal policy in supporting economic growth is discussed in the context of the impact of the fiscal impulse on the economy. The fiscal impulse can be defined as the change in the government balance resulting from shifts in discretionary policy. This measure removes the effects of cyclical and other factors which can significantly influence the fiscal outturn in any given year. As a result, the fiscal impulse provides a better indication of the effect of central government's policy decisions, particularly with regards to expenditure, on aggregate demand.

Measurement of the Fiscal Impulse

There are various methods used to calculate the fiscal impulse, ranging from simple indicators based on fiscal aggregates to more complicated approaches requiring greater use of judgement and economic theory. One widely adopted approach developed by the International Monetary Fund (IMF), utilises simple arithmetic formulas to assess the budget's impact on aggregate demand. The IMF's version of the fiscal impulse is useful in indicating the approximate directions of fiscal impact. In cases where actual GDP differs from potential GDP an output gap emerges. A negative output gap signals that the economy is operating below its potential and is referred to as a recessionary gap, while, a positive output gap points towards general upward pressure on prices in the economy.

Using the IMF's methodology, the cyclical effect of the budget (CEB) is also estimated. This involves a distinction between government receipts and expenditures associated with cyclical fluctuations in an economy and those which may be viewed as imparting expansionary or contractionary impulses to the economy. The CEB is calculated as the difference between the actual budget balance and a budget balance deemed to be cyclically neutral for that year and is commonly referred to as the fiscal stance. The fiscal impulse is then computed as the change in the fiscal stance. A positive/negative value for the fiscal impulse indicates that fiscal policy is more expansionary/contractionary relative to the previous year.

The Fiscal Impulse for Trinidad and Tobago

Figure 1 illustrates the importance of government activity to economic growth in the non-energy sector. Changes in non-energy growth almost mirror movements in government's fiscal impulse. During the period 2006 – 2008, sizeable fiscal injections were mostly responsible for the economy breaching its absorptive capacity as indicated by a positive output gap over the period. This period also coincided with an uptick in inflation from 8.3 per cent in 2006 to 12.1 per cent in 2008. The global financial crisis of 2008/2009 and the ensuing worldwide economic slowdown resulted in an easing of the fiscal position by mid 2009. Though the overall stance for fiscal 2009 was expansionary, the signal to the non-energy sector of expenditure downshifting was clear. Activity in the non-energy sector slowed significantly as construction activity plateaued and consumers became more cautious

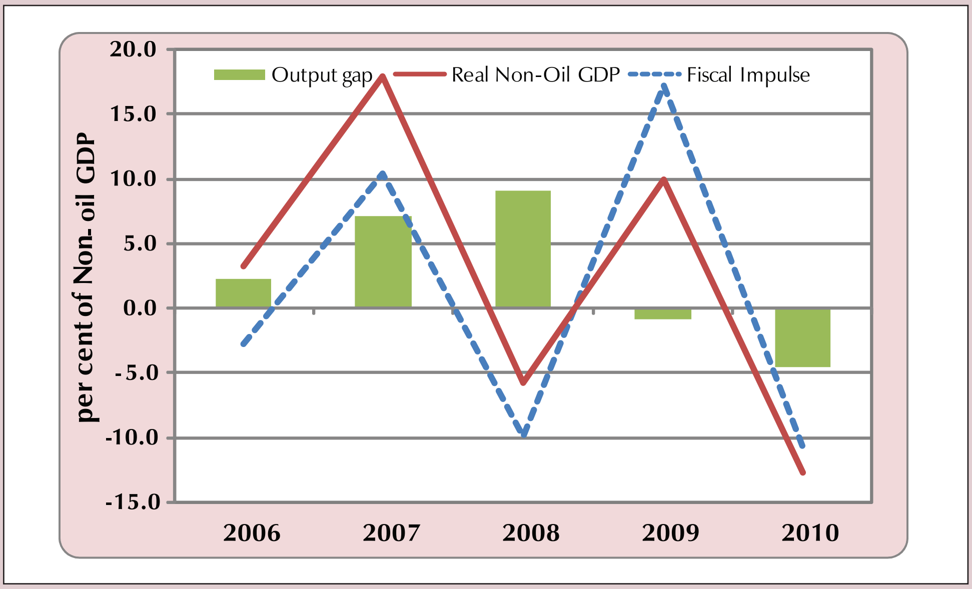
Box 6 (continued)
The Role of Fiscal Stimuli in Fostering Economic Growth

about their spending decisions. This prevailing climate continued into fiscal 2010. By this time, the economy was operating with considerable spare capacity and the pace of government spending slowed tremendously. However, unlike the previous year, there was no corresponding fiscal impulse in 2010 in response to the slowdown in economic activity. In the absence of a much needed fiscal response, non-energy GDP declined sharply in fiscal 2010.

As the economy attempts to return to a path of sustainable economic growth, particularly in the non-energy sector, government's active participation will be critical. The State is the largest purchaser of goods and services in the economy and plays a crucial part in engendering private sector confidence through its own spending programme. In the first six months of fiscal 2011, the pace of budget execution (particularly the capital programme) has been slower than anticipated and is having an impact on private sector activity. Based on the analysis, the recovery of the non-energy sector in the short to medium term can be jeopardized without the necessary fiscal support.

However, in the process of adopting an appropriate fiscal stimulus, the government has to strike a delicate balance between fostering economic growth and containing potential inflationary pressures, as well as ensuring that the fiscal outturn is sustainable. The latter is very important, as consistent fiscal deficits can translate into larger debt levels and in-turn higher debt servicing. The experiences of Jamaica and more recently Ireland, Greece and Portugal show how harmful unsustainable government spending can be to an economy.

Figure 1: The Role of Fiscal Stimuli in Fostering Economic Growth



Public Debt

(Data is in TT Dollars unless otherwise stated)

Total public sector debt rose to $73,237.0 million at the end of December 2010, from $70,472.1 million at the end of September 2010.[19] Excluding treasury bills and treasury notes issued for open market operations, public debt outstanding measured 37.4 per cent of GDP at the end of December 2010. Available data to the end of January 2011 indicated that Central Government external debt outstanding was US$1,672.0 million, an increase of 7.1 per cent from US$1,561.4 million at the end of the fiscal year 2009/2010. Disbursements amounted to US$134.5 million between October 2010 and January 2011.

The largest inflow represented a loan receipt in December 2010 from the Inter-American Development Bank (IDB) of US$100.0 million. These funds were part of an expected loan package of US$1.3 billion from the IDB over the next 3-5 years to finance various projects in the public sector. The loan received in December was to support the government's efforts to enhance and modernize the public sector's capital expenditure management. In February 2011, the government signed another loan agreement with the IDB for US$40.0 million to help finance a neighbourhood upgrade programme [20]. The IDB also approved a US$0.4 million loan to rationalize social safety net spending and to improve the effectiveness of these programmes.

During the four-month period ending January 2011, external debt service amounted to US$50.6 million. Principal repayments were recorded at US$23.9 million, the bulk of which went to multilateral creditors (US$19.3 million). Interest payments totalled US$26.7 million of which US$12.2 million represented a semi-annual payment of interest on a US$250.0 million Eurobond.

[19] Total public debt comprises Central Government domestic and external debt plus contingent liabilities.

[20] The Programme comprises three components: (i) squatter upgrading; (ii) family subsidies for new incremental housing and home improvements; and (iii) sector and institutional developments.

Central government domestic debt outstanding showed a small decline to $21,127.0 million at the end of January 2011 from $21,240.6 million at the end of September 2010. There was no new borrowing by the central government on the domestic market in the four-month period ending January 2011. Debt service payments amounted to $267.9 million comprising of principal repayments ($113.7 million) and interest payments ($154.2 million). Contingent liabilities fell by $267.0 million to $22,294.0 million as at the end of December 2010 from $22,561.0 million at the end of September 2010. There were no new borrowings by state enterprises during the period under review.

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Tables

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Appendix A

Index of Retail Prices (January 2009 – March 2011)

	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 %
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
Oct-10	180.60	-1.26	12.52	131.69	4.65	403.40	-3.52	26.70	140.40	12.14
Nov-10	179.30	-0.72	12.77	131.82	4.83	395.60	-1.93	27.41	140.40	12.14
Dec-10	180.20	0.50	13.40	131.75	4.72	400.90	1.34	29.49	140.40	12.14
Jan-11	182.10	1.05	12.48	131.96	2.63	410.50	2.39	30.86	140.40	1.89
Feb-11	180.90	-0.66	10.71	132.06	2.81	403.40	-1.73	25.05	140.40	1.89
Mar-11	179.70	-0.66	9.37	132.09	2.71	396.60	-1.69	21.32	140.40	1.89

	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%
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
Oct-10	126.00	0.16	149.50	3.89	172.40	1.89	174.30	0.75	3.35	0.97
Nov-10	126.00	0.16	149.60	3.96	172.40	1.89	174.30	0.75	6.50	0.97
Dec-10	126.00	0.16	149.60	3.82	172.40	1.89	174.30	0.75	6.01	0.97
Jan-11	126.50	0.72	149.70	3.67	172.40	1.89	174.50	0.40	6.17	0.62
Feb-11	126.50	0.72	149.60	3.74	172.40	1.89	174.50	0.40	6.09	0.62
Mar-11	126.50	0.72	149.80	3.74	172.40	1.89	174.50	0.40	6.20	0.62

Source: Central Statistical Office.

Appendix B
Price Movements in the Major Categories of the Food Sub-Index of the RPI, October 2010 - March 2011

(Year-on-Year Per Cent Change)

	Weight	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	26.70	27.41	29.49	30.86	25.05	21.32
FOOD	156.20	28.20	28.99	31.24	32.63	26.39	22.40
BREAD AND CEREALS	31.21	-3.05	-2.07	-0.74	-0.35	0.15	0.83
Bread	5.51	0.00	0.00	0.15	0.89	1.86	2.05
Cereals -Includes rice and flour	18.74	-4.29	-2.90	-0.87	-0.61	-0.51	0.47
Pasta Products	1.38	-8.54	-3.54	-3.43	-5.21	-5.53	-8.18
Pastry Cooked Products	5.27	-0.70	-1.15	-0.61	0.39	2.04	3.04
MEAT	29.21	5.21	4.41	9.35	10.16	9.88	10.65
Fresh, Chilled or Frozen Beef	3.09	6.74	6.54	9.58	9.63	10.83	12.12
Fresh, Chilled or Frozen Lamb or Goat	1.13	16.17	18.08	16.37	13.54	15.17	17.31
Fresh Chilled or Frozen Pork	2.34	1.46	4.69	1.75	2.67	8.23	10.07
Fresh, Chilled or Frozen Poultry	18.18	5.41	3.78	11.27	12.60	11.14	11.65
Dried, Salted or Smoked Meat	4.10	2.28	2.15	2.05	1.79	2.46	3.14
FISH	11.37	9.04	10.08	7.86	7.21	7.65	7.26
Fresh, Chilled or Frozen Fish	7.21	9.96	11.05	7.59	7.00	7.90	6.77
Fresh, Chilled or Frozen Seafood	1.83	7.94	8.34	10.09	7.69	9.30	12.77
Other Preserved or Processed Fish	1.03	2.01	2.03	3.15	3.92	2.62	2.10
MILK, CHEESE AND EGGS	19.05	9.59	9.23	11.28	11.31	11.50	12.48
Whole Milk	1.75	6.17	6.04	5.60	5.30	4.69	4.64
Preserved Milk	9.22	12.76	12.11	12.53	12.35	12.74	12.69
Cheese, Yogurt & Milk Products	6.34	9.20	9.23	12.42	13.35	13.22	14.26
Eggs	1.74	-0.70	-0.87	6.94	5.86	6.51	12.48
OILS AND FATS	9.07	-2.60	-2.57	-2.84	-3.13	-2.60	-1.78
Butter	0.82	4.09	3.90	2.74	3.43	4.55	5.39
Margarine and Other Vegetable Fats	2.56	-2.36	-1.94	-2.30	-2.66	-1.98	-0.58
Edible Oils and Animal Fats	5.69	-3.95	-4.06	-4.14	-4.58	-4.22	-3.66
FRUIT	14.28	33.39	30.89	32.42	26.33	33.26	31.39
VEGETABLES	21.84	37.86	41.95	42.51	51.02	33.27	31.05
Fresh or Chilled Vegetables	12.09	38.00	50.25	53.32	69.13	31.83	32.68
Dried Vegetables	2.42	1.59	4.07	4.26	3.26	6.64	3.48
Fresh or Chilled Tuber Vegetables	7.33	39.38	38.52	37.39	41.42	35.48	31.23
SUGAR,JAM,HONEY,SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	6.71	4.21	4.13	3.87	3.65	4.44
OTHER FOOD PRODUCTS	12.51	77.35	77.23	92.60	80.53	70.79	36.09
NON-ALCOHOLIC BEVERAGES	23.80	2.81	2.83	2.68	3.00	3.19	3.55
Coffee, Tea and Cocoa	3.06	1.03	1.68	1.45	1.70	1.71	3.07
Soft Drinks	13.33	1.91	1.69	1.42	1.59	1.85	1.82
Juices	7.40	5.48	5.70	5.73	6.50	6.65	7.39

Source: Central Statistical Office.

Appendix C
Price Movements in the Categories of the Core Sub-Index of the RPI, September 2010 - March 2011

(Year-on-Year Percentage Change)

	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
Core Inflation	4.1	4.7	4.8	4.7	2.6	2.8	2.7
Alcoholic Beverages & Tobacco	9.4	3.4	6.5	6.0	6.2	6.1	6.2
Clothing and Footwear	-1.7	-0.6	-0.6	-1.5	-1.7	-0.2	-1.5
Furnishings, Household Equipment and Routine Maintenance	1.1	1.0	1.0	1.0	0.6	0.6	0.6
Health	5.4	3.9	4.0	3.8	3.7	3.7	3.7
Housing, Water, Electricity, Gas & Other Fuels	0.3	0.2	0.2	0.2	0.7	0.7	0.7
Of which: Rent	6.6	7.0	7.0	7.0	5.9	5.9	5.9
Home Ownership	-1.4	-0.8	-0.8	-0.8	0.1	0.1	0.1
Education	2.9	1.9	1.9	1.9	1.9	1.9	1.9
Recreation & Culture	4.6	13.7	13.7	13.7	14.0	14.0	14.0
Hotels, Cafes & Restaurants	1.4	0.8	0.8	0.8	0.4	0.4	0.4
Transport	11.8	12.1	12.1	12.1	1.9	1.9	1.9

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 %
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
Sep- 10	223.3	-6.0	608.4	-18.1	216.0	1.0	156.1	-10.2
Dec-10	266.2	3.9	770.7	21.1	252.8	-0.9	179.1	-9.2
2010	**224.0**	**0.2**	**590.9**	**5.5**	**219.7**	**-0.5**	**166.5**	**-13.0**

	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 %
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
Sep-10	154.5	-2.5	80.0	32.9	232.8	-5.4	164.5	-2.1	200.8	-0.6
Dec-10	340.4	-1.7	96.0	14.8	251.3	11.2	169.3	-2.9	186.6	-4.2
2010	**181.4**	**-0.5**	**73.6**	**12.0**	**236.5**	**7.2**	**165.5**	**2.1**	**176.8**	**-3.6**

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

Appendix E
Index of Retail Prices by Area - March 2011
(Year-on-Year Per Cent Change)

	TRINIDAD & TOBAGO		PORT OF SPAIN		SAN FERNANDO		ARIMA BOROUGH	
	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10
ALL ITEMS	1,000.00	9.38	262.65	8.58	128.70	6.76	52.09	9.61
Food and Non-Alcoholic Beverages	180.00	21.31	27.25	16.74	17.27	18.34	8.13	31.25
Food	156.20	22.40	22.74	17.36	14.79	19.47	7.15	32.43
Bread and Cereals	31.21	0.83	4.00	1.40	2.79	0.16	1.30	0.73
Meat	29.21	10.65	3.21	28.74	2.45	8.69	1.43	3.16
Fish	11.37	7.26	1.81	5.12	1.00	6.33	0.44	28.81
Milk, Cheese and Eggs	19.05	12.48	3.24	18.95	1.87	7.99	0.79	9.94
Oils and Fats	9.07	-1.78	1.20	-6.47	0.85	-3.30	0.33	-1.05
FRUIT	14.28	31.39	2.94	8.60	1.53	10.82	0.72	30.01
VEGETABLES	21.84	31.05	3.32	26.26	2.28	33.42	1.17	54.79
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	10.12	7.66	4.44	1.33	2.26	0.68	2.44	0.44
Food Products N.E.C	12.51	36.09	1.69	28.21	1.34	35.86	0.53	26.60
Non-Alcoholic Beverages	23.80	3.55	4.51	5.34	2.48	1.07	0.98	6.91

Source: Central Statistical Office.

Appendix E (continued)
Index of Retail Prices by Area - March 2011

(Year-on-Year Per Cent Change)

	DIEGO MARTIN		ST. ANNS (SAN JUAN)		TACARIGUA (TUNAPUNA)		CHAGUANAS BOROUGH	
	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10
ALL ITEMS	38.52	8.65	45.17	26.13	123.49	3.67	111.64	12.33
Food and Non-Alcoholic Beverages	12.00	15.04	17.92	37.87	20.23	7.89	19.75	30.48
Food	10.37	16.33	15.41	40.21	17.46	8.65	17.33	31.77
Bread and Cereals	2.34	1.55	3.02	-1.41	3.50	3.98	3.27	3.41
Meat	1.99	7.05	2.57	0.22	3.52	10.98	3.32	10.43
Fish	0.72	14.53	1.17	34.05	1.13	-6.48	1.22	5.66
Milk, Cheese and Eggs	1.56	11.19	2.08	8.87	2.28	8.72	1.87	12.55
Oils and Fats	0.52	0.69	0.91	0.48	0.99	0.08	1.16	-1.37
FRUIT	1.12	31.39	1.60	89.09	1.35	-9.54	1.75	38.48
VEGETABLES	0.93	28.01	2.03	40.17	2.36	27.65	2.47	32.81
Sugar,Jam,Honey,Syrups,Chocolate and Confectionery	0.44	9.64	0.85	2.21	0.84	3.76	0.70	2.33
Food Products N.E.C	0.75	5.74	1.18	15.50	1.49	3.51	1.57	84.67
Non-Alcoholic Beverages	1.63	1.57	2.51	1.79	2.77	2.66	2.42	4.16

Source: Central Statistical Office.

Appendix E (continued)
Index of Retail Prices by Area - March 2011

(Year-on-Year Per Cent Change)

	COUVA		COCAL (RIO CLARO)		MANZANILLA/TURERE (SANGRE GRANDE)		NAPARIMA (DEBE)	
	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10
ALL ITEMS	23.23	-0.07	2.23	3.99	21.75	12.96	5.62	53.33
Food and Non-Alcoholic Beverages	7.61	-0.02	1.04	4.64	4.68	26.32	4.73	57.46
Food	6.75	0.03	0.95	4.95	4.17	27.25	4.10	61.45
Bread and Cereals	1.28	1.07	0.25	-1.54	0.85	1.75	0.96	1.86
Meat	1.75	1.13	0.21	2.38	0.96	0.80	1.07	2.83
Fish	0.63	0.10	0.09	-0.39	0.29	8.55	0.26	-8.71
Milk, Cheese and Eggs	0.56	1.39	0.04	6.93	0.45	7.40	0.38	8.57
Oils and Fats	0.43	-0.22	0.07	-5.86	0.26	-1.34	0.23	-7.00
FRUIT	0.56	-1.63	0.10	19.96	0.30	41.72	0.17	-3.81
VEGETABLES	0.77	-0.32	0.09	4.02	0.62	32.33	0.57	94.38
Sugar,Jam,Honey,Syrups,Chocolate and Confectionery	0.25	5.90	0.03	15.22	0.16	3.37	0.14	0.09
Food Products N.E.C	0.52	-0.05	0.07	29.45	0.28	77.74	0.32	33.75
Non-Alcoholic Beverages	0.86	-1.29	0.09	0.22	0.51	4.41	0.63	1.00

Source: Central Statistical Office.

Appendix E (continued)
Index of Retail Prices by Area - March 2011
(Year-on-Year Per Cent Change)

	SAVANA GRANDE (PRINCES TOWN)		SIPARIA		PT. FORTIN		TOBAGO (SCARBOROUGH)	
	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10	WEIGHT	MAR '11/ MAR '10
ALL ITEMS	13.12	10.76	48.14	7.87	28.07	14.77	95.58	3.22
Food and Non-Alcoholic Beverages	8.30	12.36	10.80	19.12	6.25	28.33	14.04	9.38
Food	7.33	12.64	9.79	19.49	5.52	29.35	12.34	9.78
Bread and Cereals	1.73	1.17	2.26	3.85	1.14	1.28	2.52	-7.89
Meat	1.40	3.03	1.99	22.26	1.28	19.37	2.06	12.62
Fish	0.26	10.62	0.60	-15.00	0.32	-5.66	1.43	6.21
Milk, Cheese and Eggs	0.79	11.65	0.84	12.14	0.62	12.46	1.68	23.45
Oils and Fats	0.46	4.11	0.62	-1.27	0.25	-5.65	0.79	0.17
FRUIT	0.56	22.75	0.67	31.02	0.33	58.22	0.58	9.06
VEGETABLES	1.21	7.88	1.58	33.24	0.90	36.03	1.54	13.93
Sugar,Jam,Honey,Syrups,Chocolate and Confectionery	0.30	12.58	0.46	3.63	0.26	25.88	0.78	-0.46
Food Products N.E.C	0.62	72.37	0.77	15.82	0.42	23.11	0.96	21.88
Non -Alcoholic Beverages	0.97	8.37	1.01	10.61	0.73	2.92	1.70	2.70

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 %
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
IV	201.26	0.6	4.8	263.06	-0.4	3.1	216.40	1.9	3.5	277.90	0.7	22.1
2011 I	203.49	1.1	4.9	265.31	0.9	3.0	219.19	1.3	3.5	273.80	-1.5	18.0

	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 %
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
IV	153.80	0.5	2.2	143.30	0.2	-0.4	125.90	-2.3	0.1
2011 I	167.90	9.2	13.3	144.40	0.8	0.9	127.70	1.4	0.4

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
March 2004 - March 2011

	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T
	Index Values		*Quarterly Change (%)*		*Year on Year Change (%)*	
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
Dec-10	835.6	1,175.7	1.7	2.1	9.2	7.0
Mar -11	872.1	1,234.7	4.4	5.0	6.6	5.9

Source: Central Bank of Trinidad and Tobago.

Appendix I
Trinidad and Tobago Mutual Funds Under Management by Type of Fund[1]
March 2004 –March 2011

	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
Dec-10	35,648.97	31,728.88	3,585.09	-2.5	-2.7	-1.1	0.4	0.8	-2.1
Mar-11	35,524.84	31,406.65	3,750.08	-0.3	-1.0	4.6	-2.2	-2.7	3.2

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
January 2008 – February 2011

/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
Jan-08	22.5	-6.1	16.1	22.4	21.2	11.3
Feb-08	22.6	-7.6	15.8	20.7	20.2	12.3
Mar-08	23.9	-10.9	15.6	18.7	18.8	12.9
Apr-08	25.0	-8.0	17.3	19.9	20.2	14.9
May-08	24.6	-11.3	16.3	19.4	20.5	14.9
Jun-08	18.0	-8.0	12.6	16.6	18.4	8.9
Jul-08	17.1	-3.8	12.8	11.8	18.6	12.1
Aug-08	17.6	-0.8	13.9	11.9	18.1	12.8
Sep-08	16.2	-7.3	11.4	11.6	17.5	9.5
Oct-08	15.4	-8.4	10.7	10.5	16.1	11.1
Nov-08	16.0	-7.0	11.4	10.0	17.1	13.5
Dec-08	13.7	-7.3	9.7	5.9	16.8	12.4
Jan-09	11.0	-6.7	7.8	3.8	15.6	10.5
Feb-09	9.7	-6.5	6.8	3.8	17.1	12.2
Mar-09	5.5	-7.3	3.1	2.3	14.8	10.5
Apr-09	3.2	-9.9	0.8	0.4	13.2	7.2
May-09	3.0	-7.1	1.2	-0.8	12.0	9.3
Jun-09	4.5	6.1	4.7	-0.1	12.4	12.9
Jul-09	3.4	0.7	3.0	1.1	10.3	10.7
Aug-09	1.9	-0.6	1.5	-1.4	9.7	9.7
Sep-09	0.2	-3.4	-0.4	-2.1	9.0	6.7
Oct-09	-2.2	0.1	-1.8	-3.0	11.5	1.8
Nov-09	-4.4	-6.4	-4.7	-4.8	8.5	-1.5
Dec-09	-4.4	-0.2	-3.7	-3.4	7.9	-2.7
Jan-10	-4.8	2.9	-3.6	-2.9	8.0	-3.2
Feb-10	-4.2	2.4	-3.1	-2.9	6.5	-4.8
Mar-10	-2.7	-0.9	-2.4	-2.7	7.5	-4.9
Apr-10	-2.4	-4.7	-2.8	-1.3	6.3	-4.7
May-10	-4.5	-5.1	-4.6	-1.2	5.7	-9.6
Jun-10	-4.0	-13.9	-5.7	-0.5	5.6	-9.0
Jul-10	-3.8	-15.6	-5.8	0.3	7.0	-10.3
Aug-10	-2.8	-14.2	-4.7	0.0	7.0	-9.2
Sep-10	-1.5	-4.6	-2.0	-0.5	7.4	-5.1
Oct-10	-0.4	-10.8	-2.1	1.1	6.9	-5.9
Nov-10	0.0	-10.2	-1.7	1.5	7.5	-5.1
Dec-10	0.5	-15.9	-2.2	4.1	9.0	-6.2
Jan-11	0.5	-15.8	-2.3	3.3	7.6	-5.7
Feb-11	0.9	-14.9	-1.7	3.9	7.7	-4.8

Source: Central Bank of Trinidad and Tobago.

Appendices:

Media Releases on the 'Repo' Rate from November 2010 to April 2011

1 Media Release dated November 26, 2010 -
Headline Inflation Falls to 12.5 Per cent: Central Bank Lowers 'Repo' Rate by 25 Basis Points to 3.75 Per cent.

2 Media Release dated December 23, 2010 -
Public Notice - Postponement of 'Repo' Rate Announcement Scheduled for December 23, 2010.

3 Media Release dated January 28, 2011 -
Rising Food Prices Drive Year-End Headline Inflation Rate to 13.4 Per cent.

4 Media Release dated February 25, 2011 -
Inflation Slows to 12.5 Per cent: Central Bank Lowers 'Repo' Rate to 3.25 Per cent.

5 Media Release dated March 25, 2011 -
Inflation Falls to 10.7 Per cent: Central Bank Maintains 'Repo' Rate at 3.25 Per cent.

6 Media Release dated April 29, 2011 -
Headline Inflation Falls to 9.4 Per cent: Central Bank Maintains 'Repo' Rate at 3.25 Per cent.

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Media Release

HEADLINE INFLATION FALLS TO 12.5 PER CENT: CENTRAL BANK LOWERS REPO RATE BY 25 BASIS POINTS TO 3.75 PER CENT

Recent data released by the Central Statistical Office indicate that **headline inflation** slowed to **12.5 per cent** (year-on-year) in October 2010 from 13.2 per cent in the previous month.The October outcome represented the second consecutive year-on-year slowdown in the headline rate for 2010 thus far. On a monthly basis, **headline inflation** contracted by **1.3 per cent** in October 2010 compared to a decline of 0.6 per cent in September 2010.

Food price inflation, which has been the major catalyst for headline inflation, slowed to**26.7 per cent** (year-on-year) in October 2010 from 29.2 per cent in September. The slower increase in food prices came mainly from declines in the prices of **bread and cereals (-3.1 per cent)** and **oils and fats (-2.6 per cent).** There was also some moderation in the price increases for **fish** (9.0 per cent in October compared with 13.7 per cent in September) and **vegetables** (37.9 per cent in October from 48.6 per cent in September). In contrast, faster price increases were recorded for **meat (5.2 per cent), milk, cheese and eggs (9.6 per cent), fruit (33.4 per cent)** and **sugar and confectionery products (6.7 per cent).**

Core inflation, which had been hovering around 4.1 per cent (year-on-year) for the pastthree months, expanded at a slightly faster rate of **4.7 per cent** in October. The acceleration in the core inflation rate has been driven, in the main, by increases in the subindices for recreation and culture, and transportation. In the case of recreation and culture, the increase reflected higher costs for packaged holidays while higher prices of new motor vehicles contributed to the rise in the transportation sub-index.

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Sluggish demand has been placing a severe drag on private sector credit, which continued to decline albeit at a slower pace. In the twelve months to September 2010, **private sector credit** by the consolidated financial system fell by **2.7 per cent** on a 12-month basis, following contractions of 6.2 per cent and 5.5 per cent in July and August, respectively. Among the major categories of credit, **consumer lending**, which seemed to have been staging a partial recovery in the months of July and August, fell by **0.4 per cent** in September. **Business lending** also declined, though more moderately than in previous months, by **6.8 per cent** in September from **-11.3 per cent** and **-10.1 per cent** in July and August, respectively. An examination of the sectoral distribution of business credit reveals significant contraction in commercial bank lending to the **manufacturing (-15.0 per cent), construction (-6.5 per cent)** and **distribution (-19.0 per cent)** sectors. **Real estate mortgage lending** has however remained the only category of lending to register a consistent growth performance for the past several months, rising by **8.4 per cent** (year-on-year) in the twelve months to September.

Large net fiscal injections, along with a relatively unenthusiastic demand for credit, have kept liquidity quite buoyant, with **excess reserves** climbing to a new record high of over **$4.1 billion** in early November. In order to keep liquidity at a manageable level, commercial banks were requested on November 4, 2010 to place $1 billion in an interest-bearing account at the Central Bank for a period of 18 months. Simultaneously, existing commercial bank deposits totalling $1 billion that were due to mature were also rolled over for an extra year. These measures, along with the additional sales of foreign exchange, have helped to reduce excess reserves in the banking system to just around $1.4 billion. In the still liquid environment, commercial banks had no need to access the “repo” window at the Central Bank to satisfy their financing needs.

Notwithstanding the removal of a significant quantum of excess liquidity from the system, short-term interest rates remained at record low levels. The **three-month treasury bill rate** fell to **0.31 per cent** in November from 0.35 per cent in October while the **six-month treasury bill** rate dropped to **0.48 per cent** from 0.50 per cent in September.

With the consumer and business environment still displaying some degree of fragility, the Bank has decided to **reduce the repo rate by 25 basis points to 3.75 per cent** in order 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 December 23, 2010.

November 26, 2010.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	September 2010	October 2010	September 2010	October 2010
Headline Inflation	**(0.6)**	**(1.3)**	**13.2**	**12.5**
Food Prices	(1.5)	(3.5)	29.2	26.7
Bread and Cereals	(0.3)	0.2	(2.8)	(3.1)
Meat	0.8	2.3	4.4	5.2
Fish	1.9	0.9	13.7	9.0
Vegetables	(3.6)	(7.9)	48.6	37.9
Fruits	3.3	(4.9)	29.5	33.4
Milk, Cheese & Eggs	0.1	0.3	8.4	9.6
Oils and Fats	(0.5)	0.0	(3.5)	(2.6)
Sugar, Jam, Confectionery, etc.	(0.2)	0.3	5.9	6.7
Core Inflation	**0.1**	**0.3**	**4.1**	**4.7**
Alcoholic Beverages & Tobacco	0.1	1.8	9.4	3.4
Clothing and Footwear	0.5	0.2	(1.7)	(0.6)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.4	1.1	1.0
Health	0.4	0.4	5.4	3.9
Of which: Medical Services	0.0	0.2	10.1	6.0
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.4	0.3	0.2
Of which: Rent	0.0	0.4	6.6	7.0
Home Ownership	0.0	0.6	(1.4)	(0.8)
Education	0.0	0.7	2.9	1.9
Recreation & Culture	0.0	0.1	4.6	13.7
Hotels, Cafes & Restaurants	0.0	(0.2)	1.4	0.8
Transport	0.0	0.0	11.8	12.1

Source: Central Statistical Office.

- End -

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Media Release

PUBLIC NOTICE
POSTPONEMENT OF 'REPO' RATE ANNOUNCEMENT SCHEDULED FOR DECEMBER 23, 2010

In its 'Repo' Rate release of November 26, 2010, which provided **inflation data for October 2010**, the Central Bank indicated that the 'Repo' Rate announcement with **inflation data for November** was scheduled for release on December 23, 2010. Unfortunately, because of industrial relations problems at the Central Statistical Office, inflation data for November are not yet available. **Accordingly, the Bank is unable to meet its scheduled "Repo Rate" announcement date of December 23, 2010.**

The Bank undertakes to issue this announcement as soon as the data become available.

The Bank apologizes for any inconvenience caused.

December 23, 2010.

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Media Release

RISING FOOD PRICES DRIVE YEAR-END HEADLINE INFLATION RATE TO 13.4 PER CENT

The final inflation figures released by the Central Statistical Office for 2010 indicate that **headline inflation** surged in the last two months of 2010 to reach **13.4 per cent** in December compared with 12.5 per cent in October. **Core inflation**, however, remained virtually unchanged from October 2010 at **4.7 per cent** (year-on-year).

Food price inflation, which had reached a high of 39.1 per cent in August before easing to 26.7 per cent in October, rose again to **29.5 per cent** as at **December 2010**. The unprecedented level of food price inflation is mainly due to domestic supply shocks resulting from unusually heavy floods. In December 2010, the prices of **vegetables, fruits** and **milk, cheese and eggs** were **42.5 per cent**, **32.4 per cent** and **11.3 per cent** higher than a year earlier.

As regards core inflation, the sub-indices for **Health** and **Alcoholic Beverages and Tobacco** posted slower year-on-year increases of **3.8 per cent** and **6.0 per cent**, respectively while there was a **1.5 per cent** decline in the sub-index for **clothing and footwear.**

On the macroeconomic front, while recent economic indicators point to improved energy sector activity, the pace of revival in the non-energy sector remains tardy. Business firms seem to be still reticent about engaging in new investment activity while consumer sentiment, though improving, remains cautious about the economy's growth prospects.

Private sector credit by the consolidated financial system, an important gauge of demand conditions, declined for the fifteenth consecutive month by **2.5 per cent** (year-on-year) led by the **5.9 per cent fall in business credit.** **Consumer credit,** on the other hand, staged a tentative recovery in the months of October and November, growing by **1.1 per cent** and **1.5 per cent**, respectively. **Real estate mortgage lending** remains the only category of private sector credit that continues to display robust growth, rising by **7.6 per cent and 7.0 per cent** in October and November, respectively.

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With credit on a declining trend, liquidity levels in the financial system remained buoyant **(around a daily average of $3.3 billion)** for most of October 2010, driven in part by increased net fiscal injections. By mid-November, however, on the heels of the liquidity measures introduced by the Central Bank, commercial banks' **excess reserves** fell to a daily average of **$1.4 billion** and further to **$960 million** in January 2011. As liquidity tightened, commercial banks needed to have greater recourse to the inter-bank market and to repurchases to meet their financing needs.

In the somewhat tighter liquidity environment, **short-term interest rates** edged up slightly from their historic lows. The **three-month treasury bill** rate rose to **0.41 per cent** in January 2011 from 0.28 per cent in October 2010 while the rate on six-month treasury bills inched up to 0.52 per cent in January from 0.48 per cent in November 2010. **Commercial banks' weighted average lending rates** fell to **10.28 per cent** in September 2010 from 10.58 per cent in June 2010.

With core inflation well anchored for the time being and with a recovery of activity in the non-energy sector continuing to be an urgent priority, the Bank has decided to **reduce the 'Repo' rate by 25 basis points to 3.50 per cent.**

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

The next 'Repo' rate announcement is scheduled for February 25, 2011.

January 28, 2011

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly			Year-on-Year		
	October 2010	November 2010	December 2010	October 2010	November 2010	December 2010
Headline Inflation	**(1.3)**	**(0.7)**	**0.5**	**12.5**	**12.8**	**13.4**
Food Prices	(3.5)	(1.9)	1.3	26.7	27.4	29.5
Bread and Cereals	0.2	(0.4)	0.5	(3.1)	(2.1)	(0.7)
Meat	2.3	(1.9)	4.5	5.2	4.4	9.4
Fish	0.9	0.8	2.1	9.0	10.1	7.9
Vegetables	(7.9)	0.7	0.3	37.9	42.0	42.5
Fruits	(4.9)	(7.5)	1.6	33.4	30.9	32.4
Milk, Cheese & Eggs	0.3	0.2	1.5	9.6	9.2	11.3
Oils and Fats	0.0	0.0	(1.1)	(2.6)	(2.6)	(2.8)
Sugar, Jam, Confectionery, etc.	0.3	0.0	0.2	6.7	4.2	4.1
Core Inflation	**0.3**	**0.1**	**(0.1)**	**4.7**	**4.8**	**4.7**
Alcoholic Beverages & Tobacco	1.8	3.4	0.1	3.4	6.5	6.0
Clothing and Footwear	0.2	(0.2)	(0.8)	(0.6)	(0.6)	(1.5)
Furnishings, Household Equipment and Routine Maintenance	0.4	0.0	0.0	1.0	1.0	1.0
Health	0.4	0.0	0.0	3.9	4.0	3.8
Of which: Medical Services	0.2	0.0	0.0	6.0	6.0	6.0
Housing, Water, Electricity, Gas & Other Fuels	0.4	0.0	0.0	0.2	0.2	0.2
Of which: Rent	0.4	0.0	0.0	7.0	7.0	7.0
Home Ownership	0.6	0.0	0.0	(0.8)	(0.8)	(0.8)
Education	0.7	0.0	0.0	1.9	1.9	1.9
Recreation & Culture	0.1	0.0	0.0	13.7	13.7	13.7
Hotels, Cafes & Restaurants	(0.2)	0.0	0.0	0.8	0.8	0.8
Transport	0.0	0.0	0.0	12.1	12.1	12.1

Source: Central Statistical Office.

- End -

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Media Release

INFLATION SLOWS TO 12.5 PER CENT: CENTRAL BANK LOWERS REPO RATE TO 3.25 PER CENT

Recent data released by the Central Statistical Office indicate that **headline inflation** measured by the 12-month increase in the Index of Retail Prices slowed to **12.5 per cent** in January 2011 from 13.4 per cent in December 2010. **Core inflation**, which had remained virtually unchanged for the past several months, declined to **2.6 per cent** (year-on-year) in January from 4.7 per cent in the previous month.

On a year-on-year basis, **food prices** increased by **30.9 per cent** in January, slightly up from 29.5 per cent in December. The rise in food prices was led mainly by **vegetables (51.0 per cent)** and **meat (10.2 per cent)**. Within the vegetables sub-index, significant price increases were recorded for **tomatoes** (92.6 per cent), **green pigeon peas** (103.0 per cent), **christophene** (106.9 per cent) and **ochroes** (77.0 per cent). The rate of price increases however slowed for **fruits (26.3 per cent** in January compared with 32.4 per cent in December) and **fish (7.2 per cent** in January compared with 7.9 per cent).

The slower rate of increase in **core inflation** reflected movements in the transportation sub-index, largely due to technical factors. There was a surge in this sub-index in January 2010 following the inclusion of cumulative increases (between January and December 2009) in the prices of fuels and lubricants. This elevated level, which forms the base for the year-on-year comparison, now gives rise to a significantly slower annual rate of increase in the **transportation sub-index** in January 2011 **(1.9 per cent)** compared with the average of 11.3 per cent throughout 2010. Besides this "base effect", there were also slower price increases in other non-food categories including **Health** and **Furnishings and Household Equipment.**

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Underlying demand pressures continue to be fairly subdued as reflected by credit developments. In the twelve months to December 2010, **private sector credit** by the consolidated financial system contracted by **2.3 per cent** led by **business credit**, which declined for the fourteenth consecutive month by **7.2 per cent.** Information at a more dis-aggregated level reveals that there was a decline in lending to all the major business sectors including **manufacturing** (-0.4 per cent), **construction** (-8.9 per cent) and **distribution** (-11.4 per cent). It should be noted however that **consumer credit** has begun to recover and, after monthly increases of just above 1.0 per cent in the past two months, has strengthened significantly in December 2010, rising to 4.2 per cent.

Net fiscal injections, the major source of domestic liquidity, have been somewhat lower for the first five months of the fiscal year and, combined with the liquidity absorption measures undertaken by the Central Bank, have served to reduce **excess liquidity.** For the month of February thus far, commercial banks' reserve balances held at the Central Bank in excess of the statutory limit averaged $1.4 billion daily compared with $2 billion in December 2010.

In the somewhat tighter liquidity environment, the **three-month treasury bill** has inched up over the past few months from its historic low of 0.28 per cent in October 2010 to **0.47 per cent** in February 2011.

Inflation risks are likely to remain on the upside in the coming months following the sharp increases in the global prices of some key food staples such as wheat, maize, sugar and edible oils. Several of these price increases have not yet begun to impact domestic food prices. In addition, there are indications that private demand has begun to pick up. The Bank will keep a close watch on the evolution of the credit and liquidity aggregates which have implications for aggregate demand and core inflation.

Meanwhile with the recovery of the non-energy sector activity remaining an urgent priority, the Bank has decided to **reduce the 'Repo' rate by 25 basis points to 3.25 per cent.**

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

The next 'Repo' rate announcement is scheduled for March 25, 2011.

February 25, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	December 2010	January 2011	December 2010	January 2011
Headline Inflation	**0.5**	**1.1**	**13.4**	**12.5**
Food Prices	1.3	2.4	29.5	30.9
Bread and Cereals	0.5	0.2	(0.7)	(0.4)
Meat	4.5	0.0	9.4	10.2
Fish	2.1	2.6	7.9	7.2
Vegetables	0.3	4.3	42.5	51.0
Fruits	1.6	6.6	32.4	26.3
Milk, Cheese & Eggs	1.5	0.0	11.3	11.3
Oils and Fats	(1.1)	0.0	(2.8)	(3.1)
Sugar, Jam, Confectionery, etc.	0.2	0.4	4.1	3.9
Core Inflation	**(0.1)**	**0.2**	**4.7**	**2.6**
Alcoholic Beverages & Tobacco	0.1	0.3	6.0	6.2
Clothing and Footwear	(0.8)	0.5	(1.5)	(1.7)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	1.0	0.6
Health	0.0	0.1	3.8	3.7
Of which: Medical Services	0.0	0.0	6.0	5.7
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.4	0.2	0.7
Of which: Rent	0.0	3.1	7.0	5.9
Home Ownership	0.0	0.1	(0.8)	0.1
Education	0.0	0.7	2.9	1.9
Recreation & Culture	0.0	0.0	13.7	14.0
Hotels, Cafes & Restaurants	0.0	0.1	0.8	0.4
Transport	0.0	0.0	12.1	1.9

Source: Central Statistical Office.

- End -

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Media Release

INFLATION FALLS TO 10.7 PER CENT: CENTRAL BANK MAINTAINS REPO RATE AT 3.25 PER CENT

The latest data released by the Central Statistical Office indicate that inflation continued on a downward trend for the second consecutive month in 2011. **Headline inflation**, measured by the 12-month increase in the Index of Retail Prices, declined to **10.7 per cent** in February 2011 from 12.5 per cent in January. On a monthly basis, headline inflation fell by 0.7 per cent in February following an increase of 1.1 percent in the previous month.

Food inflation, which has been the major driver of the headline inflation rate, slowed to **25.1 per cent** in the twelve months to February 2011 from 30.9 per cent in the previous month. This moderation in food inflation came mainly from slower price increases in February compared to the previous month for **meat (9.9 per cent** compared with 10.2 per cent), **vegetables (33.3 per cent** compared with 51.0 per cent) and **sugar and confectionery products (3.7 per cent** compared with 3.9 per cent). Faster price increases were however recorded for **milk, cheese and eggs (11.5 per cent** compared with **11.3 per cent)**, **fish (7.7 per cent** compared with **7.2 per cent)** and **fruits (33.3 per cent** compared with **26.3 per cent).**

Core Inflation, which excludes the impact of food prices, inched up to **2.8 per cent** (year-on-year) in February from 2.6 per cent in the previous month. This slightly higher core inflation rate was led by increases in the prices of **pharmaceutical products (2.6 per cent)** and **clothing (2.0 per cent)**.

Recent macroeconomic indicators suggest that the sluggish pace of private demand is delaying recovery in the non-energy sector.

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Private sector credit extended by the consolidated financial system, an important yardstick of underlying demand conditions, contracted by **2.3 per cent (year-on-year)** in January 2011. The main factor behind this lethargic response was the weak performance of business credit, which declined by **5.9 per cent** in the twelve months to January 2011. At a more dis-aggregated level, the information reveals that that there were declines in lending to several key non-energy sub-sectors including **distribution (-11.4 per cent), construction (-8.9 per cent), finance, insurance and real estate (-13.2 per cent)** and **manufacturing (-0.4 per cent).** In contrast, **consumer credit** has continued on a path of recovery (growing by **3.4 per cent** on a **year-on-year** basis in January) while **real estate mortgage lending** maintained a robust growth rate of **7.6 per cent** in the same period.

Net domestic fiscal injections, the main source of liquidity, were **15 per cent lower** in the six months through March 2011 than in the corresponding period of the previous year. For the month of March to date, commercial banks' reserve balances at the Central Bank in excess of the statutory limit have averaged $1.6 billion daily compared with $2.0 billion in December 2010.

In the somewhat tighter liquidity environment, short-term interest rates have continued to rise from the record lows that were reached during the final quarter of 2010. The yields on **three-month and six-month treasury bills** rose to **0.40 per cent** and **0.55 per cent**, respectively in March 2011 from 0.28 per cent and 0.50 per cent in October 2010.

There are potential upside risks to the inflation outlook in the coming months especially given the surge in prices for some key global food staples such as wheat, maize, corn and sugar. However, the existence of spare capacity, given the delayed recovery in the domestic economy, could help to offset these risks.

Over the past few months, the Central Bank has been lowering the 'Repo' rate with a view to providing further stimulus to domestic demand and private investment. These reductions are still working their way through the financial system as commercial banks adjust their lending rates accordingly. **In these circumstances, the Bank has decided to maintain the Repo rate at 3.25 per cent.**

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

The next 'Repo' rate announcement is scheduled for April 29, 2011.

March 25, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	January 2011	February 2011	January 2011	February 2011
Headline Inflation	**1.1**	**(0.7)**	**12.5**	**10.7**
Food Prices	2.4	(1.7)	30.9	25.1
Bread and Cereals	0.2	0.4	(0.4)	0.2
Meat	0.0	(2.1)	10.2	9.9
Fish	2.6	1.0	7.2	7.7
Vegetables	4.3	(6.4)	51.0	33.3
Fruits	6.6	10.8	26.3	33.3
Milk, Cheese & Eggs	0.0	0.3	11.3	11.5
Oils and Fats	0.0	0.8	(3.1)	(2.6)
Sugar, Jam, Confectionery, etc.	0.4	2.3	3.9	3.7
Core Inflation	**0.2**	**0.1**	**2.6**	**2.8**
Alcoholic Beverages & Tobacco	0.3	0.4	6.2	6.1
Clothing and Footwear	0.5	0.5	(1.7)	(0.2)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	0.6	0.6
Health	0.1	0.0	3.7	3.7
Of which: Medical Services	0.0	0.0	5.7	5.7
Housing, Water, Electricity, Gas & Other Fuels	0.4	0.0	0.7	0.7
Of which: Rent	3.1	0.0	5.9	5.9
Home Ownership	0.1	0.0	0.1	0.1
Education	0.0	0.0	1.9	1.9
Recreation & Culture	0.0	0.0	14.0	14.0
Hotels, Cafes & Restaurants	0.1	0.0	0.4	0.4
Transport	0.0	0.0	1.9	1.9

Source: Central Statistical Office.

- End -

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Media Release

HEADLINE INFLATION FALLS TO 9.4 PER CENT: CENTRAL BANK MAINTAINS 'REPO' RATE AT 3.25 PER CENT

The latest data released by the Central Statistical Office indicate that inflation fell in March for the third consecutive month. **Headline inflation**, measured by the 12-month increase in the Index of Retail Prices, declined to **9.4 per cent** in March 2011 from 10.7 per cent in the previous month. This is the first time since May 2010 that the headline rate has fallen to a single-digit figure. On a monthly basis, headline inflation fell by 0.7 per cent in March following a decline of a similar magnitude in February.

Food inflation, the main influence on headline inflation, slowed to **21.3 per cent** in the twelve months to March 2011 from 25.1 per cent in the previous month. Within the food sub-index, there was a decline in the year-on-year increase for **fruits (31.4** per cent compared with 33.3 per cent in February) and **vegetables (31.1** per cent compared with 33.3 per cent in February). In contrast, the sub-indices for **milk, cheese and eggs; meat;** and **sugar and confectionery products** posted year-on-year increases of **12.5** per cent (from 11.5 per cent in February), **10.7** per cent (from 9.9 per cent in February) and **4.4** per cent (from 3.7 per cent in February), respectively.

Core inflation, which excludes the impact of food prices, fell marginally to **2.7** per cent (year-on-year) in March from 2.8 per cent in February. This slight reduction in the core inflation rate was mainly due to a decrease in the prices of **clothing and footwear (-1.5 per cent).** The subdued rate of core inflation testifies to the sluggishness of domestic demand in conditions of ample spare capacity.

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Available indicators suggest that the steady decline in bank credit outstanding for the past 18 months has begun to bottom out. In the twelve months to February 2011, the rate of decline of **private sector credit** by the consolidated financial system slowed to **1.7 per cent** from 2.3 per cent in January and from an average rate of decline of 3.4 per cent in 2010. Among the major categories of private sector credit, **consumer credit** continued to strengthen for the fifth consecutive month, rising by 3.9 per cent (year-on-year) in February while real estate lending maintained a robust rate of increase of 7.7 per cent. **Business lending** was the only category that continued to register a decline (**-4.8 per cent** on a year-on-year basis), albeit at a much slower pace than in previous months. **However, it is important to note that on a monthly basis, credit to the business sector grew by 1.9 per cent in February – the most significant monthly increase since September 2010.**

In recent months, lower **net domestic fiscal injections** along with the liquidity absorption measures adopted by the Central Bank have helped to reduce excess liquidity in the financial system. In April so far, **commercial banks' excess reserve balances** at the Central Bank (i.e. excess liquidity) have averaged **$1.1 billion** compared with **$1.9 billion** in December 2010. As at April 28 2011, these excess reserve balances had declined to **$400 million** prompting an increase in activity in the inter-bank market. The repurchase window at the Central Bank was also accessed to meet short-term financing needs.

In the somewhat tighter liquidity environment, short-term interest rates have begun to inch up from the record lows that were reached during the final quarter of 2010. The **yields on three-month and six month treasury bills** rose to **0.40 per cent** and **0.55 per cent** respectively in March 2011 from 0.28 per cent and 0.50 per cent in October 2010.

The pace of inflation reduction in the coming months is uncertain due to the upside risks arising from the surge in energy and international food prices. The full impact of the latter has not yet been reflected in domestic food prices. In addition, inflationary expectations at the domestic level are being influenced by the loss of acreage for food crop cultivation in certain agricultural districts.

In recent months, the cycle of reductions in the 'Repo' rate has led to a fall in commercial banks' prime lending rates and provided some stimulus to consumer credit and real estate lending. The nascent recovery in business credit is also a signal that these reductions in the 'Repo' rate are still working their way through the financial system. As such, **the Bank has decided to maintain the 'Repo' rate at 3.25 per cent.**

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

The next 'Repo' rate announcement is scheduled for May 27, 2011.

April 29, 2011

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	February 2011	March 2011	February 2011	March 2011
Headline Inflation	**(0.7)**	**(0.7)**	**10.7**	**9.4**
Food Prices	(1.7)	(1.7)	25.1	21.3
Bread and Cereals	*0.4*	*0.6*	*0.2*	*0.8*
Meat	*(2.1)*	*0.6*	*9.9*	*10.7*
Fish	*1.0*	*1.0*	*7.7*	*7.3*
Vegetables	*(6.4)*	*(4.5)*	*33.3*	*31.1*
Fruits	*10.8*	*8.6*	*33.3*	*31.4*
Milk, Cheese & Eggs	*0.3*	*1.3*	*11.5*	*12.5*
Oils and Fats	*0.8*	*0.5*	*(2.6)*	*(1.8)*
Sugar, Jam, Confectionery, etc.	2.3	2.6	3.7	4.**4**
Core Inflation	**0.1**	**0.0**	**2.8**	**2.7**
Alcoholic Beverages & Tobacco	0.4	0.0	6.1	6.2
Clothing and Footwear	0.5	(0.1)	(0.2)	(1.5)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	0.6	0.6
Health	0.0	0.1	3.7	3.7
Of which: Medical Services	0.0	0.0	5.7	5.7
Housing, Water, Electricity, Gas & Other Fuels	0.4	0.0	0.7	0.7
Of which: Rent	0.0	0.0	5.9	5.9
Home Ownership	0.0	0.0	0.1	0.1
Education	0.0	0.0	1.9	1.9
Recreation & Culture	0.0	0.0	14.0	14.0
Hotels, Cafes & Restaurants	0.0	0.0	0.4	0.4
Transport	0.0	0.0	1.9	1.9

Source: Central Statistical Office.

- End -

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