Central Bank of
Trinidad & Tobago

Monetary Policy Report

November 2011

Volume XI Number 2

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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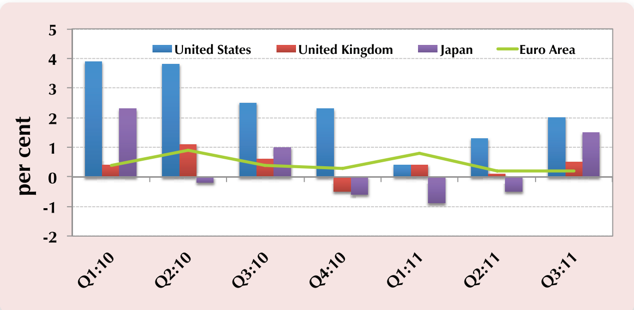
PART I - Overview

The International Economy

Since the publication of the Bank's last Monetary Policy Report in April 2011, the global economy has slowed markedly as fiscal strains in the Euro Area, especially in Ireland and Portugal and, more recently, Greece and Italy, have increased financial volatility and weighed heavily on market and investor confidence. The fiscal crisis has spread from debt and currency markets to the European banking system, increasing the prospects for a prolonged economic slowdown in the Euro Area (Chart 1a).

Chart Ia
Advanced Economies - GDP Growth
(Quarter-on-Quarter Per Cent Change)



Across the Atlantic, the situation in the US is only slightly better. The July 2011 report released by the US Bureau of Economic Analysis noted that the US recession was far deeper than previously reported. Efforts to repair household balance sheets continue to restrain the pick-up in US domestic demand. Rising concerns about debt sustainability in Europe and the political difficulty of reaching agreement on an appropriate debt reduction plan have led credit rating agencies to downgrade the sovereign ratings of the US and several European countries.

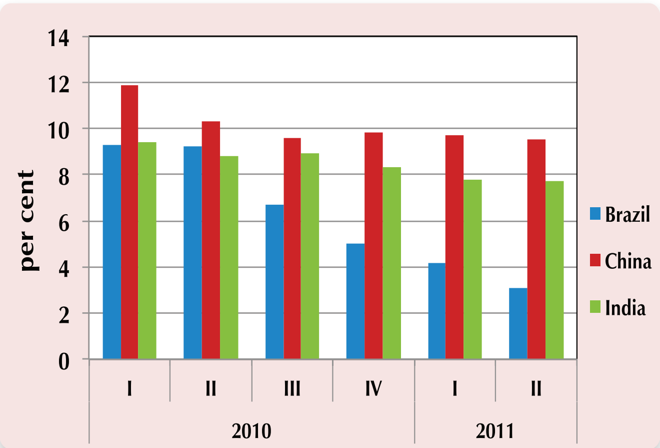
Fearing that liquidity levels in currency markets could dry up, the Federal Reserve and major central banks (including the European Central Bank) coordinated their actions at the end of November to increase liquidity in currency markets.

In the face of heightened levels of uncertainty, global economic growth has weakened in recent months prompting the International Monetary Fund (IMF) to revise downwards the global outlook for 2011. In September 2011, the World Economic Outlook lowered global growth in 2011 to 4.0 per cent, down from the previous projection of 4.3 per cent. By early December, the broad sentiment among analysts is that global growth could in fact be much lower in 2011.

The US economy grew at a slightly slower pace of 2.0 per cent in the third quarter, relative to the previously estimated 2.5 per cent. The US recovery is still being plagued by falling private sector investment and lower state and local government spending. With the economy still sputtering, the unemployment rate slipped to 8.6 per cent in November 2011 after remaining stubbornly high at around 9 per cent for most of the year. It is not clear however whether the recent gains in jobs will persist.

In the Euro Area, growth has stalled amid intensified financial turmoil associated with the sovereign debt crisis. Rising uncertainties about the exposure of banks to Euro-area sovereigns have caused inter-bank markets to freeze up and has led to some deterioration in funding conditions for banks in the Eurozone. Real GDP growth declined to 0.2 per cent in the second quarter of 2011 and is projected to stagnate for the remainder of the year. With economic growth slowing sharply, firms have been putting new hirings on hold, exacerbating the already high levels of unemployment. The unemployment rate in the Eurozone area stood at an average of 10.2 per cent in September 2011 and has reached as high as 22.6 per cent and 17.6 per cent in Greece and Spain, respectively.

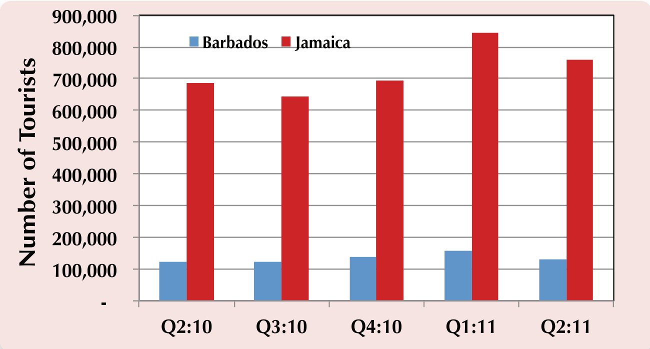
Chart Ib
Emerging Market Economies: GDP Growth
(Year-on-Year Per Cent Change)



The pace of economic growth in emerging markets has also slowed, although it is still robust and substantially above growth rates in advanced economies. Real GDP in China expanded by 9.5 per cent in the second quarter of 2011 while in India, real output grew by almost 8.0 per cent in the same period (Chart 1b). Latin America has been characterized by rapid expansion in the first half of 2011, buoyed by strong domestic demand, accommodative macroeconomic policies, high capital inflows and favorable terms of trade. While still remaining above potential, growth in the Latin American region moderated during the second half of the year as many countries had fully recovered from the global crisis and macroeconomic policies were tightened.

While the Caribbean region has been experiencing some modest revival, growth rates are still below the average for the Latin American and Caribbean (LAC) region as a whole. For 2011, the Caribbean is expected to grow by 3.3 per cent, around the same level as in the previous year. Much of the impetus in the region has come from improved economic performances in Guyana and Suriname. Latest available data indicate that the Guyanese economy grew by 5.9 per cent in the first half of 2011 while in Suriname growth is projected to reach 5.0 per cent in 2011, up from 4.4 per cent in 2010. Most of this growth has been as a result of increased activity in the manufacturing and mineral sectors. In the case of Barbados and Jamaica, the moderate rates of growth experienced in the first two quarters of 2011 were underpinned by some revival in tourism activity (Chart 1c). Nevertheless, there are fears that the deteriorating outlook in advanced economies could severely curb any sustained recovery in the tourism sector in the region.

Chart Ic
Tourist Arrivals - Barbados and Jamaica

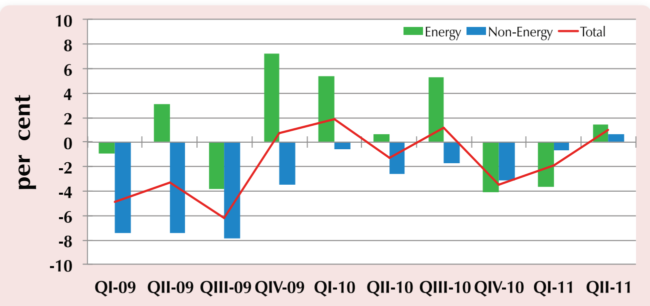


The Domestic Economy

According to provisional estimates from the Central Bank's Quarterly Index of Real GDP the Trinidad and Tobago economy contracted by 0.9 per cent (year-on-year) in the first half of 2011. This decline reflected falling energy sector output (-1.1 per cent) and relatively flat growth in the non-energy sector. (Chart 1d)

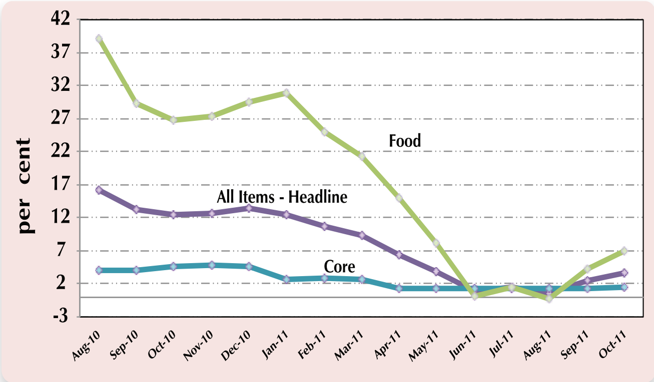
Within the energy sector, continued maintenance operations at BPTT and other plants contributed to lower crude oil and natural gas production. Crude oil and natural gas production fell by 7.8 per cent and 1.4 per cent, respectively over the period January – June 2011 compared with the corresponding period in 2010.

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



In the case of non-energy activities, real output in the construction and finance, real estate and insurance sectors declined by 5.3 per cent and 0.4 per cent, respectively. The subdued state of the construction sector is also borne out by other indicators such as local sales of cement and retail sales of hardware and construction materials which fell by 10.5 per cent and 9.9 per cent, respectively in the first half of 2011. The bright spots in the non-energy sector were largely in manufacturing and transportation

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



which experienced growth rates of 3.2 per cent and 2.8 per cent respectively. Real output in agriculture and distribution however remained relatively flat.

For the third quarter, preliminary energy sector data point to a decline in output in the vicinity of 6.2 per cent associated with prolonged maintenance work by several major oil and gas companies. Furthermore, reduced working hours in the context of the end-August to mid-November curfew led to a reduction in business activity and private sector demand. Companies in the food and distribution industries were particularly affected.

The overall sluggish economic climate has resulted in less favourable labour market conditions. According to the latest official data, the unemployment rate rose to 6.3 per cent in the fourth quarter of 2010 from 5.9 per cent in the third quarter. While official unemployment figures are not yet available for 2011, retrenchment notices lodged with the Ministry of Labour and Small and Microenterprises in the third quarter of 2011 were more than double the amount filed in the corresponding period of 2010. For the month of September 2011 alone, retrenchment notices were 34.4 per cent higher than in September 2010.

With subdued domestic demand, abundant spare capacity and slower food price increases, there has been a marked slowdown in overall inflationary pressures in 2011. Food inflation, which had been increasing at the start of 2011 at a rate of close to 31 per cent (year-on-year), has slowed to single-digit levels since May. On a year-on-year basis, headline inflation measured 3.7 per cent in October 2011 with food prices hovering around 6.9 per cent. Core Inflation, which excludes food prices, has remained well anchored at around 1.6 per cent (Chart 1e).

The Bank maintained its accommodative monetary policy stance in 2011. The Repo rate was cut by 75 basis points between the start of the year and September 2011 and currently stands at 3.00 per cent. Reductions in the Repo rate led to a fall in commercial banks' prime lending rates which encouraged consumer borrowing, including

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

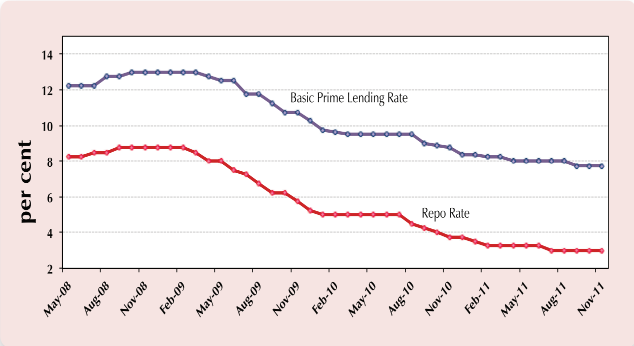


Chart Ig
Credit by the Consolidated Financial System: Major Categories
(Year-on-Year Per Cent Change)

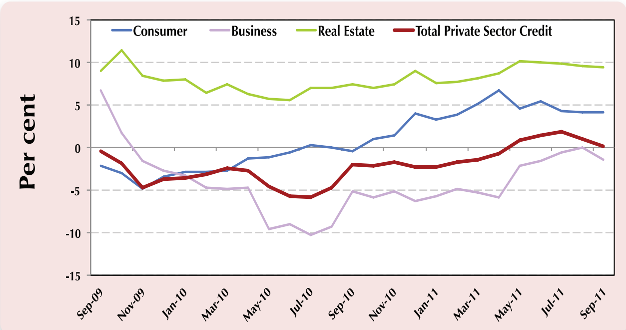
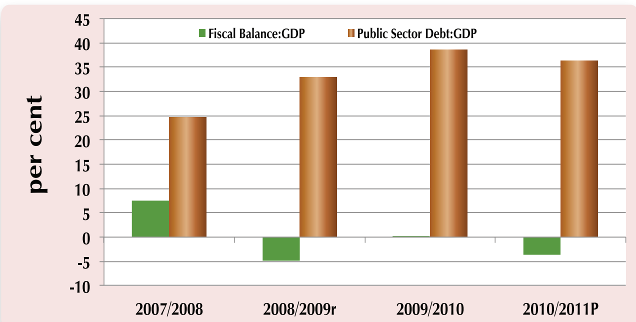


Chart Ih
Fiscal Balance and Gross Public Sector Debt to GDP



for real estate, but the responsiveness of business lending is still quite sluggish (Chart 1f).

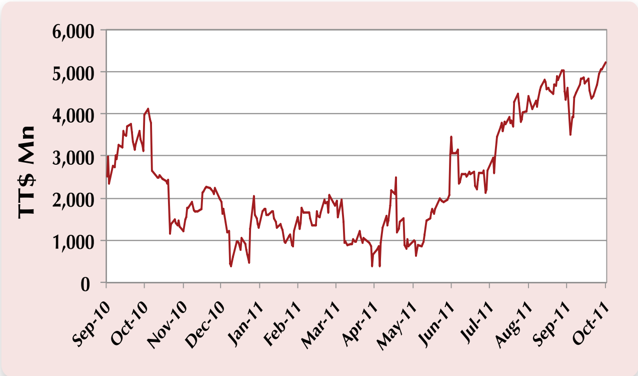
In September 2011, consumer credit grew for the eleventh consecutive month by 4.1 per cent (year-on-year), while real estate lending maintained a robust rate of increase of 9.5 per cent (year-on-year) (Chart 1g). Business firms appear to be still very reluctant to increase their indebtedness to banks although the steep decline in bank credit to private companies has been tapering off. After remaining relatively flat in August 2011 following twenty-one consecutive months of decline, business credit fell once again in September 2011 by 1.4 per cent (year-on-year).

In the face of weak private sector demand, the Government budget was the main driver of economic activity during 2011. Preliminary data from the Ministry of Finance indicate that Central Government fiscal operations shifted from near balance in FY 2010 to a deficit of TT$5.1 billion (3.6 per cent of GDP) in FY 2011 (Chart 1h). While total revenue in FY 2011 (TT$45.1 billion) was 2.6 per cent higher than in FY 2010, total expenditure (TT$50.1 billion) was 14.7 per cent higher than in the previous fiscal year. Increased spending on transfers and subsidies and acceleration in the execution of the capital programme towards the end of the fiscal year were among the factors that helped to boost spending.

Much of the Government's planned external borrowing did not materialize and the fiscal deficit was financed mainly from domestic sources including a drawdown of government balances held at the Central Bank. The monetary impact of the decline in these balances has been offset by the sharp buildup of excess reserves in the financial system in the face of sluggish credit demand.

With no new borrowing between April 2010 and September 2011, public sector debt remained at fairly manageable levels by international standards. Total public sector debt (excluding open market operations) stood at TT$71 billion (36.2 per cent of GDP) at the end of

Chart Ii
Commercial Bank Excess Reserves



September 2011 with external debt totaling US$1,638.4 million (7.4 per cent of GDP).

As the pace of Government capital spending gathered momentum, substantial net fiscal injections during the last quarter of FY 2011 resulted in an unprecedented build up in financial system liquidity. Excess reserves held by commercial banks at the Central Bank averaged TT$4.6 billion in October (Chart 1i).

In the face of this significant liquidity build up, short-term interest rates plummeted to historic lows with the three month and six month Treasury Bill rates falling to 0.25 per cent and 0.38 per cent respectively in October from 0.41 and 0.52 per cent at the start of the year.

On the external front, robust energy prices have contributed to a relatively strong balance of payments position during the first half of 2011. Provisional data show that total exports increased by 22 per cent in the first six months of 2011 compared to the corresponding period in 2010 with non-energy exports to CARICOM growing by 25 per cent. However, reflecting the sluggish domestic demand, non-energy imports declined by about 2 per cent in the January-June period. Notwithstanding the decline in imports, there was a 12 per cent increase in foreign exchange sales to the public in the first ten months of 2011, (compared with the corresponding period of last year). Over this period, the Central Bank sold US$ 1.3 billion, some 15 per cent more than in 2010.

In the capital markets, domestic stock prices increased in the context of strong financial results posted by several listed companies. The Composite Price Index rose on a year-to-date basis by 18.4 per cent in September 2011 while the All Trinidad and Tobago and Cross Listed Indices rose by 22.6 per cent and 9.7 per cent, respectively.

SHORT-TERM OUTLOOK

External conditions in the short term are expected to be uncertain, at best, or most likely very unfavourable. In the case of the Eurozone, the consensus is that the scale of the imbalances would imply a prolonged period of subdued growth. In the US, political stalemate in the run-up to the Presidential elections is likely to postpone effective policy action, setting the stage for another year of anaemic growth and continued high unemployment. Indeed, the IMF has recently warned that the on-going financial turbulence in the Euro Area and the continued softening of the US economy could lead to a possible double-dip recession on both continents.

The less benign global economic climate and the impact of the curfew have already taken a toll on domestic business activity. Economic performance for the remainder of 2011 is likely to be much lower than earlier anticipated, despite the added fiscal stimulus from higher government expenditure. In the April 2011 Monetary Policy Report, the Bank had projected a modest revival in domestic economic activity for 2011 with real growth in the range of 1-2 per cent. In the face of less favorable economic conditions, both at home and in the global environment, a small contraction in real GDP—on the order of 1.4 per cent—is more likely for 2011.

For 2012, the Bank is projecting an improved outlook with real GDP expected to grow moderately at around 1.5 per cent, although the balance of risks is tilted towards the downside. This improved outlook reflects the following domestic factors:

- evidence of a slow but steady recovery in the demand for bank credit including from private businesses;
- a modest improvement in the pace of implementation of the central government's capital projects; and

- based on the Bank's discussions with several private sector representatives, the cautious boost to private sector confidence that has resulted from the fiscal stimulus provided by the 2012 budget along with the Government's attempts to deal with the country's security issues.

In the energy sector, while no new plants are expected to come on stream in 2012, on-going safety upgrades and maintenance work, which affected output in 2011, should be completed by the first quarter of 2012. This should allow gas production and petrochemical output to return to 2010 levels. The regularization of gas and petrochemical production levels along with increased exploration is expected to stimulate energy sector activity, including by energy services companies.

In the non-energy sector, construction is expected to receive a major boost from the implementation of certain public sector projects - including the highway to Point Fortin, the HDC housing repair programme, three mega sport facilities announced in the budget and some smaller construction projects, for which contracts are expected to be awarded soon. While no major private sector investment projects seem to be on the cards, many business firms are hopeful that increasing demand, both from the domestic market and from CARICOM, would facilitate a rise in capacity utilization in the manufacturing sector from current levels of between 66 and 68 per cent.

Following three years of economic stagnation, the tepid economic recovery in 2012 is not expected to have any major impact on employment. However, the projects that the Government has targeted for implementation are expected to be highly labour-intensive, and should help to ease somewhat the current unemployment problem. Meanwhile, barring weather-related setbacks or a new round of commodity price shocks and given the existence of considerable spare capacity, the increase in real GDP of 1.5 per cent is not expected to re-kindle inflationary pressures. Inflation should remain contained at around 5 per cent in 2012.

There are several downside risks to the Bank's GDP projection for 2012. The first and most obvious is a pronounced worsening of the international environment, which would affect energy and non-energy exports and weaken consumer and business confidence – a similar situation to what occurred in late 2008 and the first half of 2009.

Secondly, because the recovery in 2012 depends so heavily on a strong fiscal impulse, bottlenecks in Government's project implementation (arising either from problems in the procurement system or delays in raising financing) could severely constrain construction activity and limit the pace of economic growth.

It is important to note that many of the emerging market economies (including Brazil, Mexico and Peru) that are enjoying high rates of growth in the current volatile global environment, have been able to do so because of sizeable buffers achieved through prudent fiscal policies, low public debt and adequate savings. In short, these countries have established strong fundamentals, sound policy frameworks and prudent macro-economic policies.

The challenges confronting the domestic economy in the medium term are to: (a) move to a more sustainable fiscal position; and (b) expand non-energy exports while broadening non-energy export markets.

Surmounting the first challenge will require a combination of measures to increase non-energy tax collections and concerted efforts to reduce the share of subsidies and transfers in total government expenditures. This type of fiscal consolidation will allow a return to fiscal balance, while leaving adequate room for productive investment in education, health and infrastructure. It will also permit an increase in the rate of savings in the Heritage and Stabilization Fund.

Overcoming the second challenge would require greater diversification of exports of goods and services towards the new growth poles – that is, the more dynamic emerging market economies of China, India and Latin America.

Table Id
Summary Economic Indicators for 2010 - 2011

	Jan-Sep 2010	Jan-Sep 2011
Real Sector Activity		
Energy Sector		
Total Depth Drilled (metres)	44,504	82,220
Crude Oil Production (b/d)	102,165	93,745
Crude Oil Exports (bbls)	13,153,199	10,705,398
Refinery Throughput (b/d)	16,176	139,842
Natural Gas Production (mmcf/d)	4,359	4,194
Natural Gas Utilization (mmcf/d)	3,991	3,886
LNG Production (mmcf/d)	2,291.0	2,196.0
Fertilizer Production (000 tonnes)	4,712.7	4,439.9
Fertilizer Exports (000 tonnes)	4,567.9	4,157.6
Methanol Production (000 tonnes)	4,517.2	4,522.5
ECPI (Jan 2007 = 100)*	112.2	148.1
Non Energy		
Local Sales of Cement (000 tonnes)	422,041	400,667
Motor Vehicle Sales	9,004	9,596
Daily Job Vacancy Advertisements	634	643
Prices*		
Year-on-Year per cent change		
Producer Prices	2.2	3.3
Headline Inflation	13.2	2.5
Food Inflation	29.2	4.3
Core Inflation	4.1	1.3
Monetary*		
Year-on-Year per cent change		
Private Sector Credit	-2.0	0.1
Consumer Lending	-0.5	3.9
Business Lending	-5.1	-1.4
Real Estate Mortgages	7.4	9.8
M-1A	20.7	13.8
M-2	18.4	8.0
Commercial Banks' Excess Reserves ($ millions)	2,203.7	2,109.0
TT 91 day Treasury Bill Rate (per cent)	0.35	0.25
Financial Stability*		
Non-performing Loans (per cent)	5.2	7.5
Capital Adequacy Ratio (per cent)	23.3	25.8
Capital Market*		
Composite Price Index (1983 = 100)	821.7	989.3
Volume of Shares Traded (millions)	64.7	549.7
Mutual Funds Under Management ($billions)	36.6	36.1
External		
US$ Million		
Sales of Foreign Exchange to Public	3,911.9	4,545.8
Purchases of Foreign Exchange from the Public	2,919.9	3,442.6
CBTT Sales to Authorized Dealers	935.0	1130.0
Net Official Reserves*	9,086.4	9,346.1

* As at September.

Chart IIa

Changes To The Central Bank Policy Rate

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.
May 2011:	'Repo' rate maintained at 3.25 per cent.
Jun 2011:	'Repo' rate maintained at 3.25 per cent.
Jul 2011:	'Repo' rate reduced to 3.00 per cent.
Aug 2011:	'Repo' rate maintained at 3.00 per cent.
Sep 2011:	'Repo' rate maintained at 3.00 per cent.
Oct 2011:	'Repo' rate maintained at 3.00 per cent.
Nov 2011:	'Repo' rate maintained at 3.00 per cent.

Part II – Monetary Policy

Domestic Setting

The generally sluggish economic activity in Trinidad and Tobago evident over the course of 2010 continued into 2011. At the same time, by March 2011 headline inflation dropped into the low single digits from the double-digit rates that characterized most of 2010. The low inflation scenario further strengthened the case for continuation of the accommodative monetary policy stance that the Central Bank had been pursuing since mid-2009, and the Repo rate was reduced further to 3.00 per cent (Chart IIa).

Following a small contraction in real GDP (year-on-year) during the first quarter of 2011, there was some evidence of a recovery in output in energy as well as a few non-energy sector activities. Taken together, it is estimated that GDP declined during the first half of 2011 by 0.9 per cent, compared to the first half of 2010.

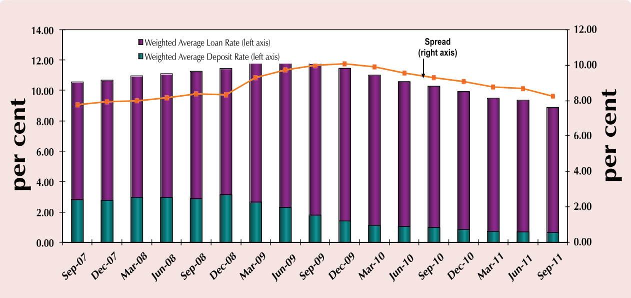
Partial data since July 2011 show that production may have slipped further, particularly as working hours of some businesses were curtailed because of the initial 9 p.m. to 5 a.m. and subsequent 11 p.m. to 4 a.m. curfew between late August and early November 2011. The curfew, which was put into force in several parts of the country, was one element of a National State of Emergency called by the Government on August 22. Compounding matters, developments in the international arena, including stubbornly high unemployment rates and the expanding debt crisis in Europe, have added downside risks to near-term domestic economic prospects.

Meanwhile, the impact of the severe weather-induced supply shock on domestic food prices in 2010 appears to have dissipated in early 2011. From over 29 per cent in December 2010, the annual rate of increase in food prices plummeted to 6.9 per cent by October 2011. Core inflation, which excludes food, also declined in the face of slow domestic demand, a situation also reflected in the low increase in other available price data such as producer and construction material prices. As a result, headline inflation dropped from 13.4 per cent at the end of 2010 to reach a low of 0.6 per cent in August 2011. By October the 12-month change in overall prices was recorded at 3.7 per cent.

Against this backdrop, the Central Bank reduced the benchmark repo rate in January, February and July to 3.00 per cent, where it has remained until the end of November. With banks remaining very liquid in an environment of very soft loan demand, they had very little need to access either the Central Bank's repo window or indeed the inter bank market.

Nonetheless, taking the cue from the monetary policy actions, the commercial banks brought their prime lending rates down, albeit with some lag. By October 2011, the median prime rate of commercial banks reached 7.75 per cent, down from 8.38 per cent at the beginning of the year. As a consequence, loan and deposit rates also declined. The weighted average of commercial banks' rates on total outstanding loans lost 105 basis points since the start of the year to reach 8.88 per cent in September 2011, while the weighted average deposit rate slipped 20 basis points to 0.65 per cent (Chart IIb).

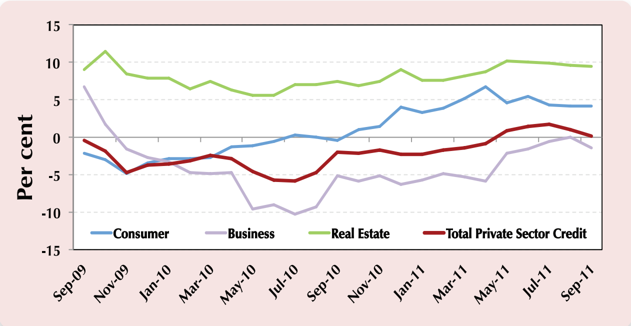
Chart IIb
Weighted Average Loan and Deposit Rates



As anticipated, there was a larger adjustment in the rates on new loans, as opposed to total loans which includes pre-existing loans on which rates may not have been modified. Available information shows that there was a 123 basis point reduction in the average rate on new loans in the year to September 2011. The lower interest rate environment was evident across the board, with high liquidity in the financial system contributing to record lows in treasury bill rates by October. (see Section below on Capital Markets).

After a prolonged period of contraction, there were tentative signs around the middle of the year that credit to the private sector had started to recover. On a year-on-year basis, total private sector credit granted by the consolidated financial system expanded by 1.8 per cent in July 2011 and by 0.1 per cent in September. Commercial banks in particular had some success in expanding credit, with the year-on-year growth rate recorded at 4.1 per cent in September compared with a

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



decline of 1.5 per cent in the same period of the previous year. Meanwhile, the balance sheet of the non-banking sector has continued to shrink, with credit to the private sector from this source dropping by 20.7 per cent in September 2011.

While loan demand from private companies continued to be weak, there were indications that the decline in business lending might be bottoming out, with business lending by the consolidated financial system falling by just 1.4 per cent in September (6.2 per cent decline at the end of 2010). One encouraging sign is the 5 per cent rise in business credit from commercial banks, although it is too early to determine whether this increase will be sustained.

Consumer credit grew slowly over the course of 2011, rising in September by 3.9 per cent (year-on-year) (Chart IIc). The value of consumer loans for the purchase of new motor vehicles (which accounted for 12.5 per cent of total consumer loans) grew by 8.1 per cent (year-on-year) in September 2011 compared with a decline of 0.2 per cent one year earlier. Borrowing for the purpose of refinancing and debt consolidation grew by 7.3 per cent and 23.4 per cent, respectively in September 2011 as consumers took advantage of the low interest rate environment.

Real estate lending has remained strong, driven in part by lower interest rates advertised by financial institutions on new mortgage loans. The growth rate of mortgage lending by commercial banks suggests that they have been increasing their market share in mortgage activity relative to other lenders. In September 2011, real estate loans by banks increased at a 12-month rate of 10.5 per cent compared to 8.2 per cent in September 2010.

As indicated earlier, financial institutions maintained a high degree of liquidity in their asset portfolio into late 2011. One manifestation of this is the size of commercial bank's excess reserves held at the Central Bank which rose from a daily average of $1.3 billion in the second

Chart IId
Central Bank Monthly Sales of Foreign Exchange to Authorized Dealers

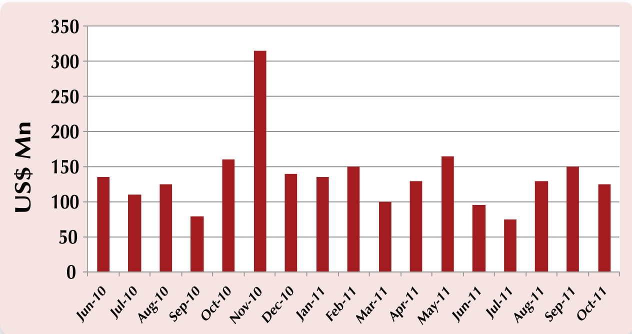


Chart IIe
Authorized Dealers Monthly Purchases and Sales of Foreign Exchange

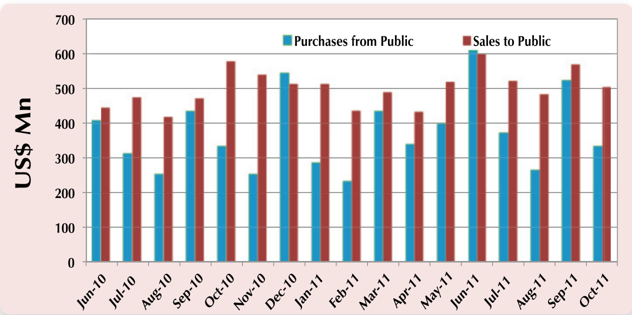
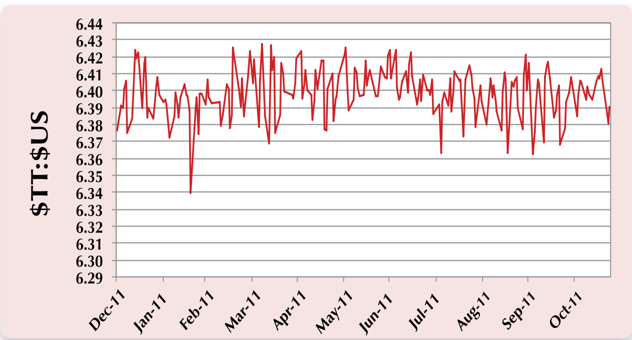


Chart IIf
TT/US Exchange Rate
(Year-on-Year Per Cent Change)



quarter to $4.6 billion in July - September 2011. The acceleration of government expenditure around the close of the fiscal year in September was partly responsible for the high level of liquidity which persisted into October and November. The combination of Central Bank's open market operations and the sale of foreign exchange to authorized dealers removed TT$9.2 billion from the financial system between January and October 2011 (Chart IId).

Developments in the Foreign Exchange Market

Trading activity in the foreign exchange market intensified somewhat during January to October 2011 compared to the same period in 2010. Foreign currency sales to the public by the authorized dealers grew by 12.2 per cent to US$5,049.3 million from US$4,487.3 million. Information from market participants suggests that part of the increase in the demand for foreign exchange was related to local investors increasing their portfolios abroad as well as a rise in credit card transactions for foreign purchases (Chart IIe).

Purchases from the public by authorized dealers grew by 16.1 per cent to US$3,774.4 million (January to October 2011 relative to year-ending period) and refected the higher prices received by energy companies for their commodity exports. Meanwhile, the Central Bank increased its net sales to the market to US$1,255.0 million, from US$1,095 million in the same period of 2010. Latest data show that there were small fluctuations in the exchange rate of the Trinidad and Tobago dollar relative to the United States dollar over the course of 2011 (Chart IIf). The weighted average selling rate moved from TT$ 6.4234 to TT$6.4262 from the end of 2010 to November 23, 2011.

Part III – Monetary and Financial Sector Developments

Monetary Aggregates

After some slackening from around the middle of 2010, the rate of growth in the monetary aggregates has picked up since the start of 2011, with the expansion in the narrow measure of money supply, (M1-A), outstripping growth in the broader measure, M2. The faster increase in M1-A reflects the preference of economic agents for the shorter term, more liquid demand deposits as opposed to the longer-term time deposits, on which interest rates have gone down substantially.

Narrow money, M1-A, which includes demand deposits and cash in circulation, grew on a year-on-year basis to September 2011 by 13.8 per cent. Particularly noteworthy was the 18.2 per cent increase in demand deposits held by the business sector (Chart IIIa). Broad money (M-2), which comprises M1-A as well as savings and time deposits, grew at the slower pace of 8 per cent in September, with savings deposits rising by 11.7 per cent but the time deposit component falling by 9.7 per cent (Chart IIIb).

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

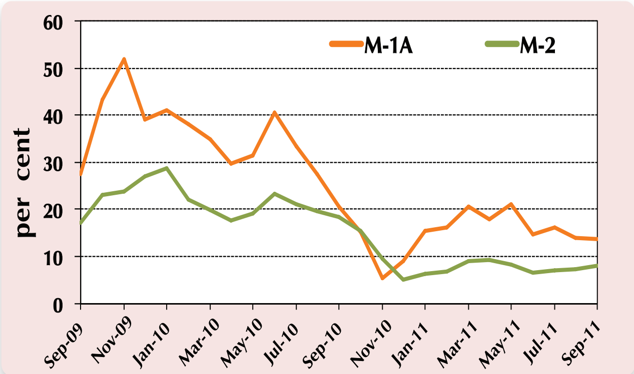
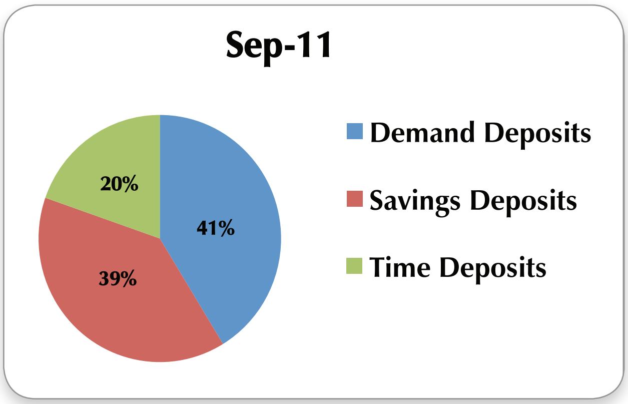
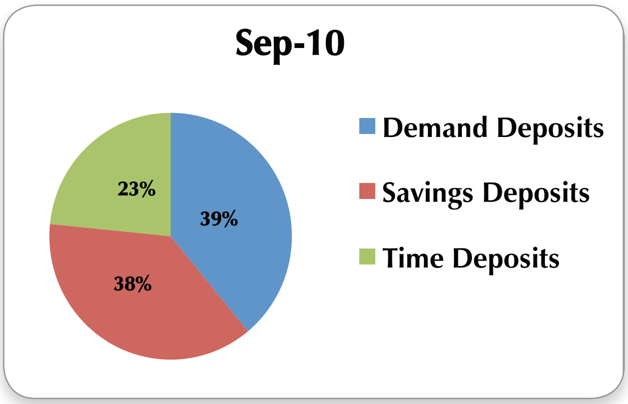


Chart IIIb
Commercial Banks Deposits by Type
(per cent of total deposits)





Stock Market

Notwithstanding the sluggishness in the economy in 2011, the performances of the price indices on the domestic stock market were encouraging, reflecting strong financial results posted by several listed companies. The Composite Price Index (CPI) rose on a year-to-date basis by 18.4 per cent in September 2011, while the All Trinidad and Tobago and Cross Listed Indices rose by 22.6 per cent and 9.7 per cent, respectively. Given the pick-up in stock prices, market capitalization rose to $92.3 billion in September 2011 from $77.8 billion at the end of 2010. For 2011 so far, the domestic stock market has demonstrated little volatility. Volatility, as assessed by the standard deviation of daily returns on the CPI, measured

Chart IIIc
Trinidad and Tobago Stock Price Indices

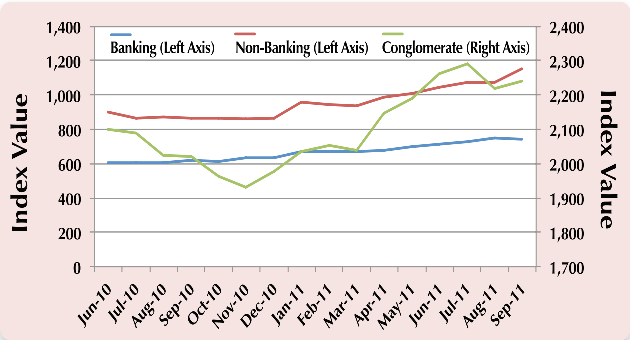
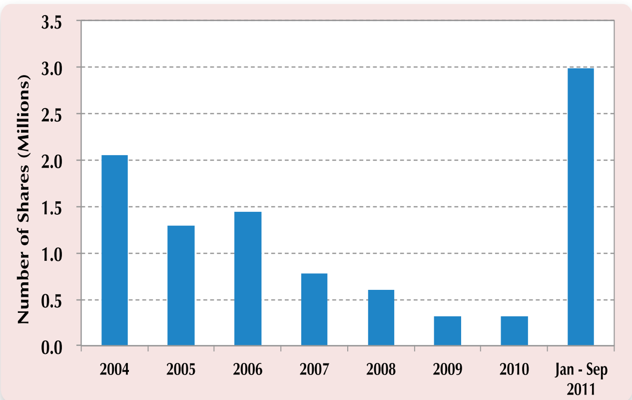


Chart IIId
Volume of Shares Traded Daily Average



just 3.5 per cent (annualized) over January to September 2011 compared with 21.9 per cent (annualized) on the S&P 500 over the same period.

Leading the gains on the stock market over the first three quarters were the Trading (25.3 per cent), Banking (16.7 per cent) and Non-Banking (32.9 per cent) sub-indices (Chart IIIc). The Trading sub-index was buoyed by a rise of 32.3 per cent in the share price of Agostini's Limited, and by capital gains of 59 per cent by Prestige Holdings. The share prices of National Commercial Bank of Jamaica (NCBJ) Limited, Scotiabank Limited and Republic Bank Limited also strengthened, stimulated in part by announcements of higher net profits. Within the non-banking sub-sector, Scotia Investments Jamaica Limited (44 per cent) and National Enterprises Limited (NEL) (55.5 per cent) also made impressive gains on the strength of solid financial performances. However, the Property (-7.8 per cent) and Manufacturing II[1] (-12.6 per cent) sub-indices underperformed.

After being relatively sedate in the first half of 2011, trading activity increased over the third quarter, mainly due to a few, large, one-off transactions. On August 5, 2011, NCB Capital Markets (NCBCM) Limited, a subsidiary of NCBJ Limited, purchased roughly 429 million shares, equivalent to a 29 per cent stake in Jamaica Money Market Brokers Limited (JMMB). There were also large transactions involving Angostura Holdings Limited and NCBJ Limited shares in September. Overall, in the year to September, a total of 550 million shares were traded, with JMMB accounting for roughly 86.5 per cent of total trades (Chart IIId).

In August 2011, the Trinidad and Tobago Stock Exchange (TTSE) launched the US Dollar (USD) Securities Market in an effort to increase the mix of investments available to local investors. The TTSE has indicated its intention to develop USD Equity, USD Bond and USD Mutual Fund markets that will 'mirror' the respective TT Dollar markets. Thus far, there has been one listing on the USD Equity market, that of convertible, redeemable

[1] The Manufacturing II sub-index includes Berger Paints Trinidad Limited, Flavorite Foods Limited, Readymix (WI) Limited, and Trinidad Cement Limited.

preference shares issued by Sagicor Financial Corporation Limited. In the upcoming months, the listings on the local stock exchange could be boosted as the plan by the government (announced in its 2011-2012 budget statement to launch a 3rd tier market catering primarily to the financing needs of small and medium-sized enterprises) takes shape.

Bond Market

Activity on the primary bond market in the first nine months of 2011 fell substantially below the level observed in the similar period of 2010. In January-September 2011, 12 bonds were issued, raising a total of approximately $4.4 billion. In the comparative period of 2010, 18 bonds with a combined face value of $6.7 billion were issued. The third quarter activity included issuances by Ansa Merchant Bank Limited (US$25 million) and Udecott Limited (US$88 million). More recently, NIPDEC raised $500 million in October while the Central Government raised $1,500 million in November, both via public auctions (Table IIIa). Given the high liquidity environment and the dearth of outlets for investments, both issues were heavily oversubscribed and issued at a premium, the first with a yield of 5.5 per cent and the second with a yield of 5.4 per cent.

Trading on the secondary bond market slackened substantially in 2011. Over the course of the first three quarters, bonds with a combined face value of $117.9 million were traded on this market compared with a combined face value of $1.6 billion over the year-earlier period. Given the low interest rate setting, the high liquidity and the paucity of new bond issues, most bonds continued to trade at a premium on the secondary market.

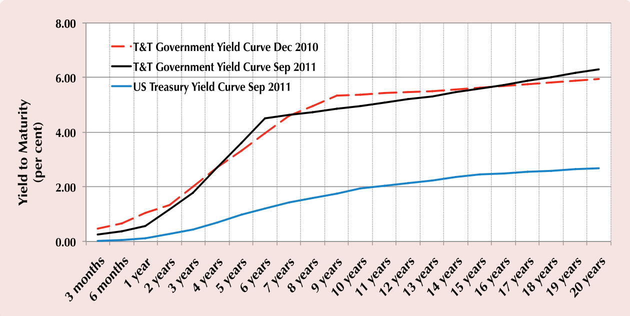
The high levels of funding liquidity in the banking system have pushed down short-term yields. The yield on 3-month treasury bills fell to 0.25 per cent in September, a record low, while the 6-month treasury bill yield fell to 0.38 per cent. The declines in short-term rates are expected to drag down rates on longer term tenors.

TABLE IIIa
PRIMARY BOND MARKET
JANUARY – NOVEMBER 2011

	Borrower	Face Value ($Mn)	Period To Maturity	Coupon Rate Per Annum	Placement Type
January	Guardian Holdings Limited	900.0	12 yrs.	Fixed Rate 7.98 %	Private
March	Water and Sewerage Authority (WASA)	1,335.9	20 yrs.	Fixed Rate 6.95%	Private
May	National Insurance Property Development Company Limited (NIPDEC)	750.0	19 yrs.	Fixed Rate 6.55%	Public
	Home Mortgage Bank – Series 1	40.6	5.3 yrs.	Fixed Rate 5.00%	Private
	Home Mortgage Bank – Series 2	33.7	5.3 yrs.	Step up, 1-3 yrs. @4.75%; 4-5 yrs. @5.25%	Private
	Home Mortgage Bank – Series 3	27.5	8.1 yrs.	Step up, 1-4 yrs. @5%; 5-8 yrs. @5.75%	Private
	Home Mortgage Bank – Series 4	83.2	13 yrs.	Fixed Rate 6.25 %	Private
June	Fautum Holdings N.V.	US$50.0	5 yrs.	Floating Rate: LIBOR + 480 bps	Private
July	Ansa Merchant Bank Limited – Tranche 1	US$25.0	3 yrs.	Fixed Rate 3.50%	Private
	Ansa Merchant Bank Limited – Tranche 2	US$10.0	5 yrs.	Fixed Rate 5.00%	Private
	Ansa Merchant Bank Limited – Tranche 3	US$15.0	7 yrs.	Fixed Rate 5.50%	Private
August	Udecott	US$88.0	10 yrs.	Fixed Rate 5.67%	Private
October	National Insurance Property Development Company Limited (NIPDEC)	500.0	15 yrs.	Fixed Rate 6.05%	Public
November	Central Government of Trinidad and Tobago	1,500.0	20 yrs	Fixed Rate 6.00%	Public

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

Chart IIIe
Sovereign Yield Curves



However, in light of the sparsity of new issues and the limited activity on the secondary market, yields at the intermediate and long portions of the yield curve have so far been relatively sticky (Chart IIIe). In this context and with the implementation of the Federal Reserve's "Operation Twist", which drove down yields on US treasuries (particularly longer term instruments), the interest rate differential between TT and US treasuries widened over most of the yield curve in September 2011 from December 2010.

Mutual Funds[2]

Important developments in both external and domestic financial markets have had spillover effects on the mutual fund industry in Trinidad and Tobago in 2011. On a year-to-date basis to September, aggregate funds under management rose by just 1.4 per cent to $36.1 billion. The industry attracted $267.3 million on a net basis in the first nine months of 2011 compared with $454.1 million in the same period a year earlier. Meanwhile, on a quarter-on-quarter basis, funds under management contracted by 0.4 per cent in the third quarter of 2011.

TT mutual dollar funds rose by $605.2 million in January-September 2011, serving as a partial outlet for the high level of financial system liquidity, especially at the close of the period. In contrast, US dollar-denominated funds under management declined by 4.5 per cent in the year to September. S&P's downgrade of the US Government's credit rating in August and the resulting increased volatility in the US equity markets, as well as the possibility of lower income returns on US bond markets in the context of the Federal Reserve's 'Operation Twist', may have contributed to investors becoming bearish on US dollar funds.

The performances of income and equity funds under management also varied. Income funds, which invest

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

Chart IIIf
Commercial Bank Residential Real Estate Mortgage Loans

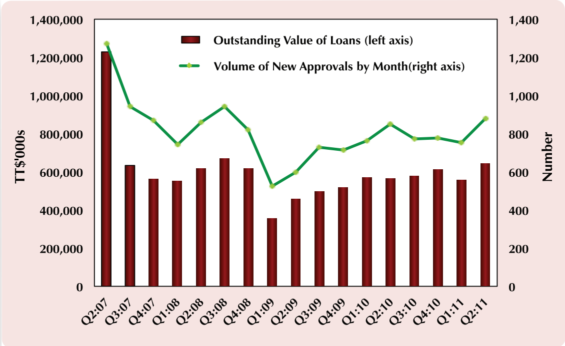


Chart IIIg
Commercial Banks' Weighted Average Interest Rate on New Mortgages

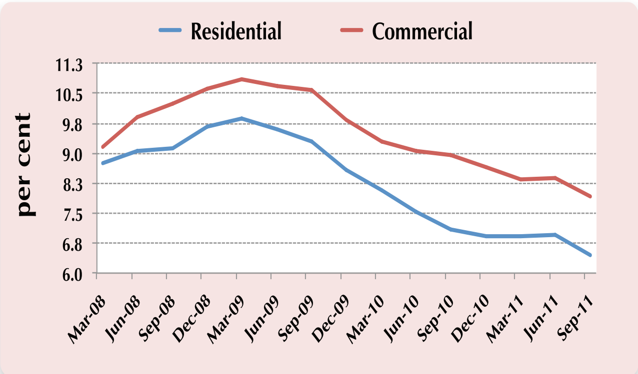
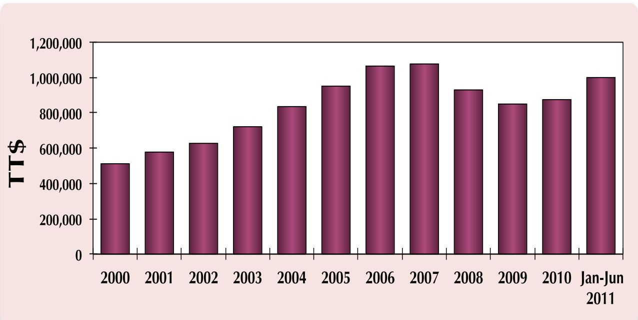


Chart IIIh
Trinidad and Tobago: Estimated Median House Prices (3 bdrm) 2000 - June 2011



primarily in fixed income securities, grew by 0.6 per cent from the end of 2010 to $31.9 billion at the end of September 2011. Over this period, TT dollar income funds rose by 2.2 per cent, offsetting a 4.4 per cent decline in US dollar income funds. Meanwhile, with the TTSE's Composite Price Index up 18.4 per cent in the nine months to September 2011, equity funds under management expanded by 7.4 per cent.

Real Estate Mortgage Market

As discussed earlier, the real estate mortgage portfolios of commercial banks continued to grow robustly in 2011, with activity concentrated in the residential rather than the commercial sub-sector. On a year-on-year basis, real estate mortgage loans granted by the commercial banks increased by 10.2 per cent to $10,126 million in September 2011. Also, in the quarter ending September 2011, commercial banks reported a total of 1,082 new residential approvals, and this was 39.8 per cent higher than the 774 approvals recorded in the same period of the previous year (Chart IIIf).

Lower interest rates supported the buoyancy of mortgage lending by the commercial banks. Provisional data indicate that the weighted average rate on new residential mortgages fell to 6.5 per cent in September 2011 from 7.1 per cent in September 2010 while the rate for commercial mortgages eased to 7.9 per cent from 8.5 per cent in September 2010 (Chart IIIg). In order to improve public transparency on the adjustment of mortgage rates by commercial banks, the Central Bank issued a new Guideline in mid-September (Box 1).

The cost of new construction has risen gradually. Building materials prices have been on the rise, and increased by 3.2 per cent in the 12 months to September. Prices of plumbing and fixtures have increased markedly, up 16.1 per cent over the same period but there were also declines in the prices of some key building commodities such as sharp and plastering sand (Table IIIb).

The rise in construction costs as well as the increase in mortgage lending, albeit likely concentrated on existing as opposed to newly constructed homes, may have helped to nudge up residential property prices. Using preliminary data supplied by valuers, the estimated price of a typical three-bedroom house stood at approximately $1 million over the first half of 2011 compared with a low of $850,000 in 2009 (Chart IIIh).

Box 1
Residential Real Estate Mortgage Market Guideline

In order to improve transparency and disclosure, the Central Bank of Trinidad and Tobago, in consultation with the Banker's Association of Trinidad and Tobago, introduced a new set of rules for residential mortgages. These rules take the form of a "Residential Real Estate Mortgage Market Guideline" which is applicable in the first instance to all commercial banks and their affiliated non-bank financial institutions that grant residential mortgages. The Guideline contains two important features: (1) the introduction of a **"Mortgage Market Reference Rate" (MMRR);** and (2) the requirement for banks to provide a **"Disclosure Statement"** to their customers.

The MMRR is computed by the Central Bank based on information on commercial banks' funding costs and yields on applicable treasury bonds. This new interest rate benchmark will form the basis for the pricing and re-pricing of all residential mortgages granted by licensed mortgage lending institutions in Trinidad and Tobago. The mortgage rates will be based on the MMRR plus a margin which will be negotiated between the commercial bank and the customer. The MMRR was calculated at 3.50 per cent in December 2011.

The Disclosure Statement is intended to provide borrowers with pertinent facts about their mortgage contracts in an easy to read and understandable format. This Statement will include information on the type of mortgage (fixed, variable or adjustable); the MMRR; the margin applied by the bank to the mortgage and the mortgage rate. It will also be accompanied by an amortization schedule showing how mortgage payments are split between principal and interest.

Table IIIb
Trinidad and Tobago: Prices of Selected Building Materials
($TT)

	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″) diameter	M.s bar 6mm (1/4″)	Vertical core block 100mm	Vertical core block 150mm
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	2,375.21	1,128.13	35.05	9.49	5.90	6.95
Jun-11	47.39	2,803.13	2,803.13	1,128.13	37.32	9.70	5.84	6.86
Sep-11	47.46	2,591.88	2,591.88	1,279.17	38.87	10.26	4.68	7.37

Source: Central Statistical Office.

Part IV – International and Regional Developments

The International Setting

In the first half of 2011, a series of adverse shocks including rising oil prices as a result of the Middle East North Africa (MENA) unrest as well as the Japanese earthquake and its disruption on global supply chains temporarily dampened global growth. More recently, fiscal concerns in the US and the expanding sovereign debt crisis in Europe have raised the likelihood of an extended period of weak performance in many developed countries, which would act as a drag on global prospects. In this context, the International Monetary Fund (IMF) lowered its forecasts for global growth to 4.0 per cent in 2011 and 2012 from earlier projections of 4.3 per cent and 4.5 per cent respectively[3].

As fiscal challenges extended beyond Greece, Portugal and Ireland to Spain and Italy, the sovereign debt crisis in the Euro area escalated. This, coupled with the political stalemate over raising the US debt ceiling and the subsequent downgrade of the US sovereign credit rating severely rattled capital markets and eroded investor confidence. With lackluster economic indicators, including still high levels of unemployment and low retail sales, the policy options available to restore economic growth in developed economies are limited as countries attempt to improve the health of their fiscal balance sheets (Table IVa). Moreover, there appears to be little room left for expanding the scope of monetary policies that are already very accommodative. The situation is proving to be highly dynamic and at the end of November major central banks, including the Federal Reserve and the European Central Bank took comprehensive and coordinated action in order to increase liquidity in currency markets.

[3] International Monetary Fund, *World Economic Outlook*, September 2011.

Meanwhile, emerging economies such as China and India are expected to face a mild slowdown due to attempts to control rising inflation in the face of well-entrenched domestic demand (Table IVb). Moreover, the performance of other smaller emerging economies with significant trade linkages to industrialized counterparts could be weakened if industrial country demand slackens considerably. In the coming months, the contagion effect from Europe could also lead to a decline in cross-border capital flows to emerging markets.

Table IVa
Rate of Unemployment in Developed Countries
(per cent)

	Jun-11	Jul-11	Aug-11	Sept-11	Oct-11	Nov-11
United States	9.2	9.1	9.1	9.1	9.0	8.6
United Kingdom	7.9	7.9	8.1	8.3	n.a.	n.a.
Euro Area	10.0	10.1	10.1	10.2	10.3	n.a.
Japan	4.6	4.7	4.3	4.1	4.5	n.a.

Source: Bloomberg.

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

	2010				2011		
	I	II	III	IV	I	II	III
China	11.9	10.3	9.6	9.8	9.7	9.5	9.1
India	9.4	8.8	8.4	8.3	7.8	7.7	6.9
Brazil	9.3	9.2	6.7	5.0	4.2	3.1	n.a.
Russia	3.5	5.0	3.1	4.5	4.1	3.4	4.8

Source: Bloomberg.

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

	2010				2011		
	I	II	III	IV	I	II	III
United States	3.9	3.8	2.5	2.3	0.4	1.3	2.0
United Kingdom	0.2	1.1	0.6	-0.5	0.4	0.1	0.5
Euro Area	0.3	0.9	0.4	0.3	0.8	0.2	0.2
Japan	2.5	0.0	0.7	-0.7	-0.7	-0.3	1.5

Source: Bloomberg.

International Developments

Despite intense bi-partisan differences over the US debt ceiling and the sovereign rating downgrade, the pace of economic growth in the US accelerated in the third quarter of 2011. Following growth of 1.3 per cent in the second quarter, the US economy expanded by 2.0 per cent (quarter-on-quarter) in the third quarter of 2011 (Table IVc). However, persistently high unemployment close to 9.0 per cent and a weak housing market continue to cast a shadow on the fragile recovery. These developments placed extensive pressures on policymakers such that despite a pickup in the inflation rate, the Federal Reserve opted to focus on growth and promised to maintain the federal funds rate at least through mid-2013. Further, in another unconventional effort to spur spending and investment, the Federal Reserve announced its intention to increase its share of longer-term Treasuries by US$400 billion by the end of June 2012.

In the UK, economic growth remained sluggish as "front-loaded" fiscal austerity measures began to take effect. Following growth of 0.1 per cent (quarter-on-quarter) during the second quarter, real GDP expanded by 0.5 per cent in the third quarter of 2011. However, this slight acceleration mainly signified a rebound from the effects of several one-off factors that occurred in the second quarter including the Japanese tsunami and an additional bank holiday. The annual rate of change in the Consumer Price Index (CPI) was estimated at 5.0 per cent in October 2011, compared with 5.2 per cent in the previous month (Table IVd). This decline reflected downward pressures on the cost of food, air fares and

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

	Jun-11	Jul-11	Aug-11	Sept-11	Oct-11
United States	3.6	3.6	3.8	3.9.	3.5
United Kingdom	4.2	4.4	4.5	5.2	5.0
Euro Area	2.7	2.5	2.5	3.0	3.0
Japan	-0.4	0.2	0.2	0.0	-0.2

Source: Bloomberg.

petrol offset by increases in the cost of clothing, electricity and gas. Nonetheless, the rate remained well above the 2 per cent target set by the Bank of England (BOE). In the context of the fragility of the economic recovery, the BOE maintained its benchmark interest rate at 0.5 per cent and kept the value of its asset purchase scheme at £75 billion (Table IVe).

Output in the Euro area rose marginally by 0.2 per cent (quarter-on-quarter) in the third quarter of 2011, the same as in the second quarter. This mainly incorporated sluggish growth in Germany, the region's largest economy. Plagued by a deteriorating trade balance and weak consumption, Germany's economy grew by 0.5 per cent during this period. In the 12 months to October 2011, headline inflation in the Euro area rose by 3 per cent, above the 2 per cent target rate of the European Central Bank (ECB). Despite rising inflationary pressures, the ECB reduced its benchmark interest rate from 1.5 per cent to 1.25 per cent in November 2011 in an attempt to stave off the consequences of the escalating debt crisis in the region.

The effects of the sovereign debt crisis continued to be felt across the European Union (EU) region. The governments of Greece and Italy were affected as the reigning Prime Ministers resigned. While the affected EU governments attempt to curb their debt through the implementation of austerity measures, they were faced with downgrades of their credit ratings, as well as high interest rates on the bond markets. Belgium's credit rating

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	Nov-11	-0.25
United Kingdom	0.50	Mar-09	-0.50
Japan	0 to 0.10	Oct-10	- (0 to 0.10)
China	6.56	Jul-11	+0.25
India	8.50	Oct-11	+0.25

Source: Bloomberg.

was downgraded by Standard and Poor's from AA+ to AA, while Moody's downgraded Hungary's from Baa3 to Ba1, which is just below investment grade. Meanwhile, Italy faced higher interest rates on its debt. In an auction of Treasury Bills at the end of November 2011 the rate of interest for new debts to be repaid in six months was 6.504 per cent compared with 3.525 per cent in a similar sale on October 26, 2011.

Turning to Asia, the Japanese economy grew by 1.5 per cent during the third quarter of 2011, after three consecutive quarters of decline as supply chains disrupted by the huge earthquake and tsunami were restored. Inflationary pressures remain subdued and in the 12 months to October 2011 there was a decline in consumer prices by 0.2 per cent, with weaker price increases for petrol and the disappearance of the 2010 tobacco tax hike from the year-on-year comparison. The Bank of Japan kept its benchmark interest rate in a range between 0 per cent and 0.1 per cent.

In the third quarter of 2011, China's economy expanded by 9.1 per cent (year-on-year), on the back of solid domestic demand and investment. The performance was down from 9.5 per cent in the previous quarter as the Chinese authorities' attempts to rein in inflation began to take hold. Inflation, as measured by the CPI, reached a three-year high of 6.5 per cent (year-on-year) in July before slipping to 5.5 per cent in October 2011. To curb inflation, the People's Bank of China raised its benchmark interest rate five times since October 2010 and lifted banks' reserve requirement ratio nine times.

The Indian economy grew by 6.9 per cent (year-on-year) in the third quarter of 2011, the slowest rate in more than two years. Further, high inflation prompted the Reserve Bank of India (RBI) to raise its benchmark interest rate to 3.50 per cent in September 2011, its thirteenth increase in 18 months. Due in part to the tightening of monetary policy, consumer prices rose year-on-year by 9.4 per cent in October 2011, slower than a rise of 10.1 per cent in September 2011 (Table IVf).

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

	Jun-11	Jul-11	Aug-11	Sept-11	Oct-11
China	6.4	6.5	6.2	6.1	5.5
India	8.6	8.4	9.0	10.1	9.4

Source: Bloomberg and the Indian Ministry of Commerce and Industry.

Box 2
Whither the Global Economy

Market concerns over a possible double-dip recession, particularly in the US and Euro area, have reappeared in the face of weak macroeconomic data in advanced economies and the spiraling crisis in the Euro area. Some views on the evolution of the global and US and Euro area economies are presented here.

International Monetary Fund (IMF)

Lowering its projections for economic growth in both advanced and emerging economies, the IMF warned that the global economy is entering a *"dangerous new phase"*. Further, downside risks are growing and are much higher than earlier in the year. Such risks include greater financial turbulence in the Euro area and continued softening of the US economy. Either of these may have serious consequences on the global economy and could result in the US and the Euro area falling back into a recession. The IMF recommended that countries be swift in determining the appropriate policy mix to ensure a continued recovery. *(Source: IMF. September 2011. World Economic Outlook)*

Organization for Economic Co-operation and Development (OECD)

In November 2011, the OECD lowered its growth forecasts for advanced economies. As concerns regarding the contagion of the European debt crisis and the ability of European policy makers to manage the crisis became pronounced, the OECD urged that if economic growth weakens *"the financial sector must be stabilized; the social safety net protected; further monetary policy easing should be undertaken; and fiscal support should be provided where it is practical." (Source: OECD. November 2011. Economic Outlook)*

RGE Monitor

Macro and policy risks in the Euro area and the US have increased downside risks to global growth, according to RGE Monitor. Further, with advanced economies at a standstill, the limited policy options available to bolster economic growth raise the risk of a recession. According to a baseline scenario by RGE Monitor, the likelihood of a recession in advanced economies in 2012 is 60 per cent. Downside risks to the baseline scenario include deterioration of the Euro area periphery debt crisis and fiscal drag in the US. Upside risks to the scenario include a change in the policy stance in the US (more monetary support) and a resolution to the Euro area crisis. *(Source: RGE Monitor. September 2011. Q4 2011 Global Scenario Analysis: High Risk of Recession in Advanced Economies)*

Regional Economic Developments

According to the IMF, economic activity in the Caribbean region is subdued, reflecting the strong linkages with the US and other advanced economies and, in several cases, high public debt[4]. Growth in the Caribbean is expected to be constrained by a slow recovery in remittances and tourism, and the region is now projected to expand by 3.3 per cent in 2011 and 4.3 per cent in 2012. This latest projection for 2011 is 1 percentage point lower than the IMF's October 2010 forecast. Risks to the outlook point downward and stem from a sharper slowdown in growth in advanced economies, which has affected the Caribbean through several channels, including trade, tourism expenditure and remittances.

Some Caribbean economies have been performing better in 2011 compared to the previous year. Jamaica is estimated to have recorded two consecutive quarters of positive growth during the first half of 2011, following declines during 2008-2010. During the first nine months of 2011, growth in Barbados also improved, expanding by 1.7 per cent in the first quarter and 1.6 per cent in both the second and third quarters. Guyana, which was little affected by the 2008-2009 global economic and financial crises, continued to perform well, expanding by 5.9 per cent over the January to June 2011 period (Table IVg).

The IMF (WEO, September 2011) projected that consumer prices in the region will increase by 7.8 per cent by the end of 2011, up from 7.1 per cent at end-2010 due to higher international commodity prices. In September 2011, Jamaica's 12-month headline inflation rate measured 8.1 per cent, while the food price inflation was 8.6 per cent, and energy prices (electricity, gas and other fuels) surged by 22.0 per cent. For Barbados, annual inflation to June 2011 measured 9.3 per cent, with food price inflation measuring 8.2 per cent, while fuel and light prices soared by 25.0 per cent (Table IVh).

Tourism in the region continued to improve but the pace of improvement may not be sustained in the coming

4. World Economic Outlook (September 2011).

Table IVg
Selected Caribbean Economies - Quarterly GDP Growth

(Per Cent)

Country	2010				2011		
	I	II	III	IV	I	II	III
Barbados	-1.9	1.1	0.8	0.9	1.7	1.6	1.6
Belize	2.7	1.8	1.1	5.5	6.7	-1.0	n.a.
ECCU[1]	-4.0	-2.8	-4.0	3.2	-0.2	n.a.	n.a.
Jamaica	-1.1	-1.9	-0.9	-0.9	1.6	2.1	n.a.

Sources: Central Bank of Barbados, Statistical Institute of Belize, Eastern Caribbean Central Bank, and the Statistical Institute of Jamaica.
[1] Data for the ECCU are cumulative, that is, January-March year-on-year; January-June year-on-year; and January-September year-on-year.

Table IVh
Selected Caribbean Countries – Inflation Rate

(Per Cent)

Country	Inflation Rate[1]				
	2010	Q1:2011	Q2:2011	Q3:2011	2011f
Barbados	6.6	7.9	9.3	n.a.	7.2
Guyana	4.5	6.1	5.5	n.a.	6.2
Jamaica	11.8	7.8	7.2	8.1	6.9
OECS	4.6	3.1	3.7	3.8	n.a.
Suriname	10.3	21.2	17.7	16.5	19.9

Sources: Regional Central Banks and International Monetary Fund, World Economic Outlook (September 2011).

[1] End of period.
n.a. not available
f IMF Forecast

year. According to the Caribbean Tourism Organization (CTO), tourist (stop-over) arrivals during the first half of 2011 were estimated to be in excess of 5 million persons, more than half the total of 9.3 million visitors for all of 2010. The situation in Barbados was promising, with tourist arrivals increasing by 8.7 per cent year-on-year during the first eight months of the year. Arrivals from the country's main source market, the UK, increased by 10.2 per cent, while traffic from the US grew by 7.8 per cent. On the downside, in September 2011, British Airways announced plans to reduce flights to the Caribbean in 2012, following the sharp rise in the British Government's Air Passenger Duty. The airline plans to reduce capacity to the Caribbean by approximately 6.0 per cent.

In 2011, Caribbean countries continued to seek assistance from the International Monetary Fund under different lending facilities. In July 2011, under its Rapid Credit Facility, the Fund approved US$2.0 million for

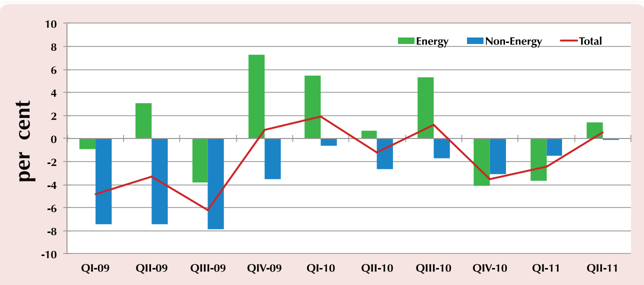
St. Vincent and the Grenadines for balance of payments support following weather-related shocks in April 2011. In early September, a three-year Stand-By Arrangement was signed with St. Kitts-Nevis for approximately US$84 million, to help boost growth and reduce the country's high public debt. Assistance to the region also came from China. During the third China-Caribbean Economic and Trade Cooperation Forum in mid-September, the Chinese government pledged US$1 billion in preferential loans to support economic development in the Caribbean. China also pledged US$1 million towards the Caribbean Development Fund (CDF).

Part V – Domestic Economic Developments

Gross Domestic Product

Activity in the domestic economy improved slightly in the second quarter of 2011. According to provisional estimates from the Central Bank's Quarterly Gross Domestic Product (QGDP) index, on a year-on-year basis, the Trinidad and Tobago economy grew marginally (0.6 per cent) in the second quarter of 2011. Real output in the energy sector increased by 1.4 per cent while the non-energy sector declined slightly (0.1 per cent) (Chart Va).

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

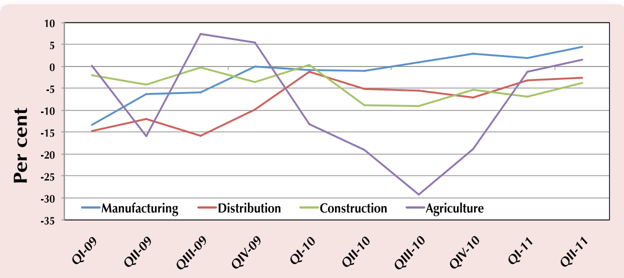


The energy sector recorded moderate growth on account of higher production of natural gas and petrochemicals. Exploration and production increased by 0.1 per cent as a 1.0 per cent rise in natural gas output (due to higher outturn from the recently installed capacity at BHP Billiton) offset a 7.7 per cent decline in crude oil output. Natural gas output was also affected by ongoing safety upgrades and maintenance work at BPTT's production facilities. The petrochemicals sub-sector grew by 4.9 per cent due to an elevation in methanol production (16.2 per cent) which mainly reflected the "base effect" associated with plant disruptions during the corresponding period in 2010. However, fertilizer production declined (4.9 per cent) due to the scheduled shutdown of the Yara ammonia plant during April and May.

On the other hand, refining activity decreased marginally (0.6 per cent) due to reduced production of LNG (1.7 per cent) and natural gas liquids (1.5 per cent) which overshadowed a 13.8 per cent growth in petroleum refining that was facilitated by a rise in imported crude oil (18.9 per cent).

Preliminary data suggest that activity in the non-energy sector remained sluggish as some sectors continued to contract (Chart Vb). The construction sector declined (3.7 per cent) as several indicators suggest that construction activity remained subdued. For example, local sales of cement and retail sales of hardware and construction materials fell by 2.7 per cent and 10.0 per cent, respectively, in the second quarter of 2011. Preliminary estimates suggest that the distribution sector declined (2.6 per cent) despite a 5.5 per cent increase in retail sales (its third successive year-on-year increase). The rise in retail sales in the second quarter of 2011 reflected increased sales of dry goods (14.6 per cent), supermarkets and groceries products (10.6 per cent), household appliances, furniture and other furnishings (22.2 per cent), and textiles and wearing apparels (15.9 per cent). Data also show that new motor vehicle sales rose by 9.3 per cent for the second quarter of 2011 compared with the similar period in 2010.

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



On the other hand, the manufacturing sector posted growth of 4.5 per cent, driven by activity in the assembly and chemicals sub-sectors. Expansions in these sub-sectors were linked to higher production of several products including steel, cement, melamine and PVC pipes and fittings. Available data suggest that manufacturers utilized about 68.8 per cent of existing capacity. The existence of a significant amount of spare capacity is indicative of the subdued economic climate and the associated fall-off in aggregate demand.

Following a small contraction in the first quarter, the agriculture sector grew by an estimated 1.6 per cent in the second quarter. In the absence of official statistics, National Agricultural Marketing and Development Corporation's (NAMDEVCO) data indicate that there were some improvements in the quantity of certain crops put on the wholesale market. These include eddoes (66.1 per cent), lettuce (10.0 per cent) and christophene

(125.8 per cent). Meanwhile, the finance and water and electricity sectors experienced growth of 1.0 per cent and 5.4 per cent, respectively.

Taken as a whole, economic activity in the first half of 2011 is estimated to have been 0.9 per cent lower than in the first half of 2010. The energy and non-energy sectors recorded declines of 1.1 per cent and 0.8 per cent, respectively.

Domestic Production
Energy Sector

(i) Petroleum

Petrotrin's Lease Out Programmes[5] contributed significantly to the improvement in exploration activity in 2011. As measured by the total depth drilled, exploration activity increased by 84.7 per cent for the first nine months of 2011 compared to the corresponding period in 2010. Depth drilled totalled 82.2 thousand metres for the period January to September 2011 compared to 44.5 thousand metres for the first nine months of 2010. Additionally, the number of rig days increased by 64.8 per cent to an average of 162 rig days for the first nine months of 2011.

Despite the heightened exploration, crude oil production fell by 8.2 per cent in the first nine months of 2011 from the level in the corresponding period of 2010. Production fell to its lowest level for the year thus far in the month of July, reaching 89,760 barrels per day. This was largely as a result of production curtailments at BPTT and Repsol. Relatedly, crude oil export volumes declined by 18.6 per cent from 13.2 million barrels to 10.7 million barrels over the first three quarters of 2011 relative to 2010. Given the fall in crude oil output, Petrotrin has sought to increase crude imports in order to meet the domestic and foreign demand for refined products. As a result, crude imports rose by 23.4 per cent to approximately 23.7 million barrels over the same period.

[5] A Lease Out Programme is one whereby companies can lease the mineral rights to set parcels of acreage and begin exploration activities. The parties involved agree on specific terms such as duration of lease, data sharing, and payments, prior to exploration.

Chart Vc
Crude Oil and Natural Gas Production

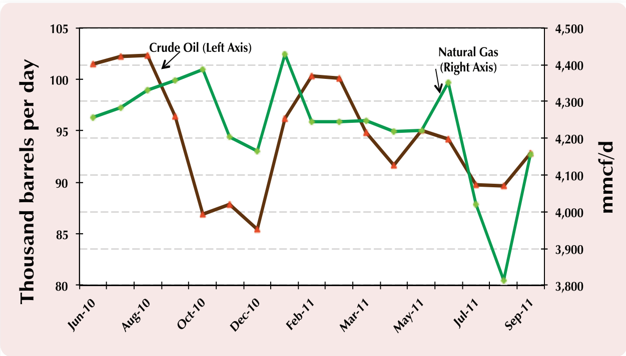


Chart Vd
Crude Oil and Natural Gas Prices
(in $US)

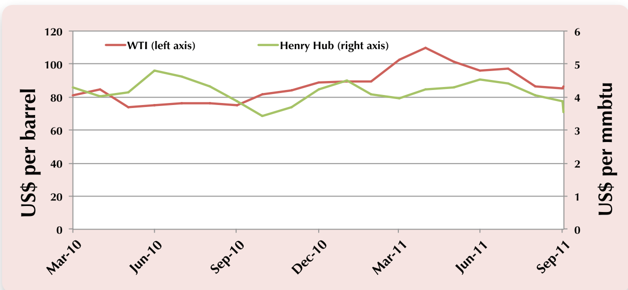
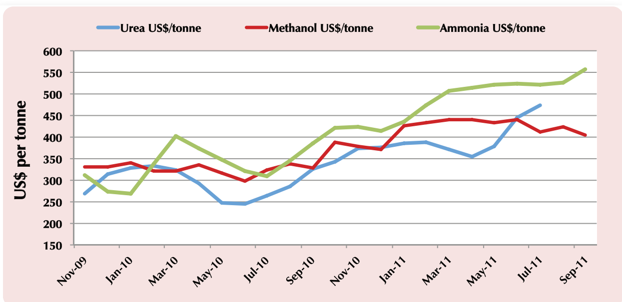


Chart Ve
Prices of Selected Energy Commodities



(ii) Natural Gas

The first nine months of 2011 saw a 3.8 per cent decline in gas production when compared with the same period in 2010. New gas came from BHP Billiton's Angostura field, which began gas production in May 2011, but total output declined, nonetheless, as production from BPTT fell by 9 per cent. This resulted from prolonged maintenance activity and safety upgrades at BPTT during the year, in an effort to meet enhanced safety standards. As a consequence, downstream producers at the Point Lisas Estate have been reporting a significant gas shortage for the major part of 2011. Natural gas utilization, which involves gas used by purchasers of the commodity, averaged 3,886 million cubic feet per day (mmcf/d) for the first nine months of 2011, down from 3,991 mmcf/d for the same period in 2010 (Charts Vc-e).

(iii) Liquefied Natural Gas (LNG)

Commensurate with the lower gas utilization rate, LNG production also suffered in 2011. LNG output declined by 4.0 per cent (1.0 million cubic metres) for the first nine months of 2011 from the corresponding period in 2010.

(iv) Nitrogenous Fertilizers

Petrochemical production was also affected by the curtailment of the natural gas supply, coupled with the shutdown of the Yara plant for routine maintenance. In the first nine months of 2011 approximately 4.4 million tonnes of fertilizer (ammonia and urea) were produced, a decline of 5.8 per cent from the corresponding period one year earlier. Accordingly, fertilizer export volumes also fell by 9.0 per cent to 4.2 million tonnes over this time period.

(v) Methanol

Despite the closure of the Titan Methanol Facility for maintenance in February, methanol production, which totaled 4.5 million tonnes during January to September 2011, was relatively unchanged compared with the same period in 2010. All of the output was subsequently exported.

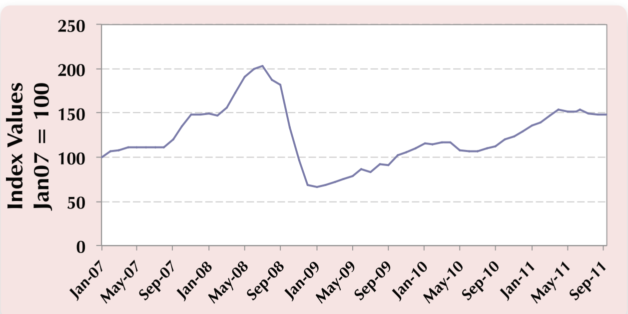
(vi) Iron and Steel

The iron and steel industry has been showing signs of growth during 2011. Direct reduced iron (DRI) production for the first eight months of 2011 equaled 1.3 million tonnes, 2.3 per cent higher than the corresponding period in 2010 while DRI exports increased by 9.5 per cent. The other product lines also improved over January-August: billet production increased by 4.1 per cent and wire rods by 24.8 per cent while exports of these products jumped by 23.3 per cent and 28.3 per cent, respectively.[6]

(vii) Energy Commodity Price Index (ECPI)[7]

Energy commodity prices have shown considerable strength in 2011 as the price of all commodities making up the ECPI[8] have increased over the twelve months to October 2011. This is especially true for petrochemicals, with ammonia and urea prices increasing by 47.9 per cent and 45.6 per cent year-on-year, respectively, in October 2011. The increase in energy commodity prices came on the back of strength in the crude price following turmoil in the Middle East and North Africa region in early 2011. These price increases resulted in an ECPI value of 148.67 in October 2011, an increase of 24.2 per cent over that of October 2010 (Chart Vf).

Chart Vf
The Energy Commodity Price Index



[6] According to news reports, there has been some layoff of personnel in the Steel industry in 2011 despite the rise in production levels.

[7] The Energy Commodity Price Index (ECPI) is a summary measure of the price movements in Trinidad and Tobago's top ten energy-based commodity exports. See K. Finch and D. Cox, The Energy Commodity Price Index, Economic Bulletin Vol XII No.2 for details on the ECPI.

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

(viii) The Energy Services Sector Survey (ESSS)[9]

Results of the ESSS for the third quarter of 2011 revealed reduced levels of optimism among energy service companies compared to the first half of the year, despite increased exploration activity in the energy sector. The survey report indicated that this may reflect the uncertain global and local economic environment, including the potential impact of the curfew that commenced in August on production and volume of business. Some specific concerns were related to potential delays in transportation services, maintenance, local staff travel and the arrival of foreign teams travelling to Trinidad.

Agricultural Production

Production estimates from the Central Statistical Office for the first quarter of 2011 suggested mixed results for the agriculture sector. The total production of green vegetables increased by 5.0 per cent to 2.2 million kilograms when the first quarter of 2011 was compared to the analogous period in 2010. Conversely, root crop production fell by 8.8 per cent for the same period.

More recent data from the National Agricultural Marketing and Development Corporation (NAMDEVCO) showed that the markets have seen increased availability of some commodities in the third quarter of 2011 compared to the equivalent period of 2010 (Table Va). More dasheen (153 per cent), pineapple (59 per cent) and cassava (16.8 per cent) were provided to the Northern wholesale market, helping to keep prices of these items down. NAMDEVCO's data suggest that root crops are becoming more prevalent in the markets on account of more active marketing by the Trinidad and Tobago Agri-Business Association (TTABA). TTABA makes contractual arrangements with farmers for the purchase of particular commodities at estimated quantities.

[9] The Energy Services Sector Survey is a quarterly survey conducted by the Energy Chamber of Trinidad and Tobago.

Table Va
Selected Commodity Availability at the Northern Wholesale Market

Commodity	Jan-Sep 11	Jan-Sep 10	Per cent change
LOCAL			
Root Crops			
Sweet Potato (kg)	882,175	934,244	(5.6)
Cassava (kg)	539,205	461,673	16.8
Dasheen (kg)	305,596	120,784	153.0
Eddoes (kg)	63,888	62,035	3.0
Leafy Vegetables			
Cabbage (Local Green) (kg)	601,089	495,175	21.4
Callaloo Bush (Roll) (Bundle)	144,725	87,185	66.0
Vegetables			
Tomato(kg)	1,007,066	1,463,883	(31.2)
Cucumber(kg)	851,763	1,205,754	(29.4)
Sweet Pepper(kg)	372,459	346,960	7.3
Christophene(kg)	274,279	161,890	69.4
Fruits			
Watermelon(kg)	590,229	613,368	(3.8)
Pineapple(kg)	507,291	318,992	59.0
IMPORTS			
Root Crops			
Dasheen(kg)	588,654	469,200	25.5
Eddoes(kg)	442,569	329,249	34.4
Sweet Potato(kg)	314,470	113,659	176.7
Leafy Vegetables			
Cabbage (Green)			
(Imported) (kg)	457,223	406,280	(12.5)
Vegetables			
Tomato(kg)	119,220	110,980	7.4
Sweet Pepper(kg)	7,201	10,251	(29.8)

Source: NAMDEVCO.

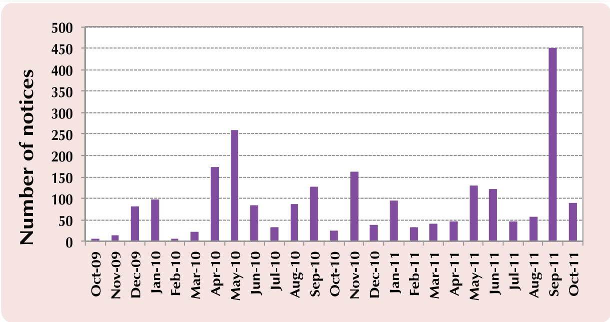
Labour Market

(i)Unemployment

Latest available data from the Central Statistical Office reveal that unemployment stood at 6.3 per cent for the last quarter of 2010, representing an increase of 1.2 per cent from the end of 2009. The statistics indicate that the overall number of persons with jobs actually increased over the period by approximately 9,600 but at the same time the number of persons in the job market (labour force) rose by about 18,600 persons resulting in an increase in the participation rate from 61.9 per cent to 63.2 per cent.

In terms of gender, unemployment among males fell in the last quarter of 2010 to 4.9 per cent from the previous quarter's 5.2 per cent but this was still higher than the 2009 rate of 4.5 per cent. On the other hand, female unemployment did not seem to be abating, and stood at 8.3 per cent for the last quarter of 2010 compared with 6.8 per cent in the previous quarter and 5.9 per cent in the comparative quarter one year earlier. These new data also show that the female unemployment rate increased for the third successive quarter.

Chart Vg
Retrenchment Notices



(ii) Retrenchment Notices

Analysis of data from the Ministry of Labour, Small and Micro-Enterprise Development for January to October 2011 showed a 20.4 per cent increase in the number of retrenchment notices (1,108) compared to the analogous period in 2010 (920 notices). This was mainly due to an increase from 25 to 375 notices in the food processors and drink categories. The jump in 2011 was associated with the closure of a seafood company in September. In October 2011, 90 notices of retrenchment were filed compared to 25 for the equivalent month in 2010. The majority of the notices for October 2011 came from within the construction sector, followed closely by the textiles, garments, footwear and headwear sector and then distribution activities (Chart Vg).

(iii) Labour Productivity

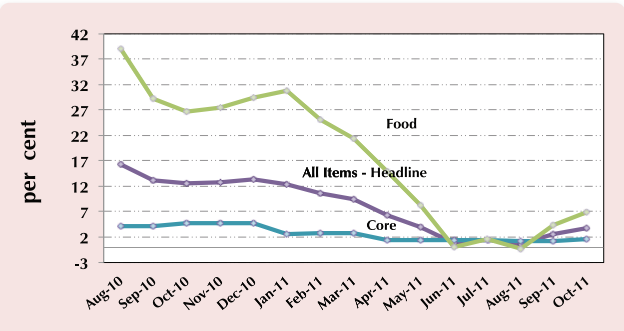
According to the Index of Productivity (the Index of Domestic Production divided by the Index of Man Hours Worked), productivity in the manufacturing sector increased by 1.8 per cent in the second quarter of 2011 compared to the similar period in 2010. Productivity in the wood products sub-sector rose by 58.1 per cent, and may have been related to increased production of school furniture in preparation for the re-opening of the school term in September. In addition, productivity in the food-processing sector rose year-on-year by 11.0 per cent due to higher production levels reported. In contrast, productivity fell within the assembly type and related products (-15.4 per cent) and drink and tobacco (-9.6 per cent) sub-sectors as the increase in hours worked were accompanied by a less than proportionate change in output.

Inflation

(i) Consumer Prices

Headline inflation decelerated progressively between January and August 2011 but rose slightly toward the end of the year. The persistent decline in inflation owed much to a "base effect" caused by the unusually rapid rise of the index of retail prices in much of 2010. On a year-on-year basis, from 12.5 per cent in January 2011, headline inflation slumped to 0.6 per cent in August 2011, equaling the historic low reported in October 1969, before rising to 3.7 per cent in October 2011.

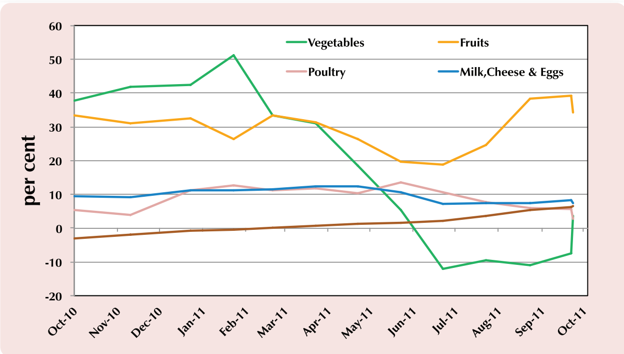
Chart Vh
Index of Retail Prices
(Year-on-Year Per Cent Change)



Food prices remained the key factor influencing headline inflation. By way of example, food inflation moved from 30.9 per cent in January 2011 to -0.3 per cent in August. However, increasing rates of food inflation in September and October resulted in upward movements of the headline inflation rate (Chart Vh). The main reason for the year-on-year rebound in food price inflation in October 2011 was higher prices for fruits, whose index rose by 34.1 per cent. Some other food categories increased more moderately, including bread and cereals (6.7 per cent), oils and fats (9.8 per cent), and milk and cheese (7.4 per cent). In addition, the prices of vegetables increased by 3.7 per cent in October 2011, following a decline in the index of 7.5 per cent in the previous month (Chart Vi).

Core inflation has been relatively contained in 2011 indicating that, for the most part, food inflation was not being passed on through second round effects to underlying inflation. Since April, the rate has been below 2 per cent and measured 1.6 per cent for the twelve months ending October 2011. In October, the strongest year-on-year impulse to core inflation came from alcoholic beverages and tobacco, (4.5 per cent) while recreation and cultural services declined by 0.6 per cent. The latter may have been related to a drop in utilization of such services in the context of the curfew.

Chart Vi
Selected Components of Food Sub-Index of Retail Prices
(Year-on-Year Per Cent Change)



(ii) Price of Building Materials

The costs of building materials continued to increase year-on-year in the third quarter of 2011, extending the rebound which began a year earlier. The Index of Retail Prices of Building Material (which tracks movements in the prices of materials used to construct a house) rose by 3.2 per cent, just around the same rate as in the second quarter of 2011. The upward movements in the index are being led by higher prices for plumbing and fixtures, which have registered consecutive year-on-year increases above 10 per cent in the first three quarters of 2011. On the other hand, the rise in prices for electrical installation and fixtures has tailed off to 2 per cent in the third quarter of 2011, following an increase of 20.3 per cent in the first quarter of 2011.

(iii) Producer Prices

The Producer Price Index showed a 3.3 per cent increase for the third quarter of 2011, 1.1 per cent higher than the corresponding period a year earlier. This was mainly on account of a 9.1 per cent rise in the drink and tobacco index and a 4.4 per cent increase in the prices for wood products. The main impetus for these changes came from movements in prices for local rum, other local alcoholic drinks and furniture.

(iv) The Food and Agriculture Organization's Food Price Index

International prices of food commodities have been declining during the second half of 2011 but are still higher than in the previous year. The level of the Food Price Index compiled by the Food and Agriculture Organization (FAO), has been falling since July 2011 to reach its lowest point for eleven months in October (Table Vb). Nonetheless, the Index was still 5.5 per cent higher than the level in October 2010. The meat price index showed the largest year-on-year increase of 12.2 per cent, followed by cereals (5.4 per cent), sugar (3.5 per cent), oils (1.4 per cent) and dairy (0.4 per cent).

Table Vb
Food Price Index

Date	Food Price Index	Meat Price Index	Dairy Price Index	Cereals Price Index	Oils Price Index	Sugar Price Index
Oct-10	204.8	157.8	202.6	219.9	220.0	349.3
Nov-10	212.7	160.8	207.8	223.3	243.3	373.4
Dec-10	223.1	166.1	208.4	237.8	263.0	398.4
Jan-11	231.1	166.8	221.3	244.8	277.7	420.2
Feb-11	237.7	170.5	230.0	258.6	279.3	418.2
Mar-11	231.7	174.5	234.4	251.2	259.9	372.3
Apr-11	234.6	180.4	228.7	265.4	259.1	345.7
May-11	231.3	180.0	231.1	261.3	259.1	312.2
Jun-11	233.2	178.1	231.6	259.0	257.2	357.7
Jul-11	231.0	176.5	227.8	247.2	251.2	400.4
Aug-11	230.4	178.6	220.6	252.4	243.6	393.7
Sep-11	225.2	177.8	214.7	244.7	238.0	379.0
Oct-11	216.1	177.0	203.5	231.7	223.0	361.4

Source: Food and Agriculture Organisation.

Chart Vj
Global Food Prices

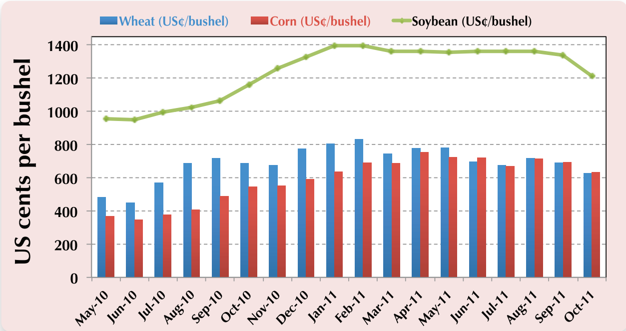


Chart Vk
Gross Official Reserves and Import Cover

The cereals market continued to be challenged by reduced yields, poor quality harvests, and diminished stock piles, even as demand continued to increase. In August 2011, rice prices rose 17.8 per cent year-on-year, while wheat prices jumped 32.8 per cent. Between July - August 2011, wheat prices increased by 7.6 per cent, despite Russia's lifting of the ban on wheat exports in July 2011 (Chart Vj).

Balance of Payments

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

Reserves data for the first ten months of 2011 indicate that the external accounts registered an overall surplus of $501.1 million. Gross official reserves at the end of October amounted to $9.6 billion or 11.7 months of prospective imports of goods and non-factor services. (Chart Vk). Estimated data show an overall current account surplus of $2.4 billion for the first half of 2011, an improvement from the $1.8 billion recorded in the corresponding period of 2010. Meanwhile, the capital account deficit was estimated at approximately $1.7 billion.

The higher surplus on the current account reflected buoyant energy exports which underpinned an estimated trade surplus of $2.3 billion[10] (Table Vc). Actual data for the first five months of 2011 show that total merchandise exports increased by 13.6 per cent compared with January – May 2010. Energy exports amounted to $4.3 billion, $463.0 million more than the corresponding period a year earlier, driven in large part by the strength in crude oil prices. Non-energy exports increased by $148.1 million to $836.6 million, mainly due to an increase in non energy exports to CARICOM, particularly manufacturing, following two consecutive years of decline. Meanwhile, total merchandise imports increased by $690.7 million in the January-May 2011 period to $3.3 billion as energy imports reached $1.7 billion and non-energy imports remained relatively unchanged in the face of lower demand for capital imports (Table Vd).

[10] Actual data from the Central Statistical Office on merchandise trade are up to May 2011. Data for the rest of the second quarter represent Central Bank estimates.

Table Vc
Trinidad and Tobago: Summary Balance of Payments
(US$ Million)

	2007	2008	2009	2010	Jan-Jun 2010	Jan-Jun 2011[e]
Current Account Balance	**5,364.3**	**8,518.8**	**1,614.1**	**4,192.1**	**1,808.7**	**2,354.1**
Trade Balance	5,721.4	9,064.4	2,202.1	4,700.5	2,281.4	2,343.2
Exports	13,391.3	18,686.4	9,175.2	11,204.1	5,496.7	6,716.6
Energy	11,856.9	16,357.0	7,768.1	9,141.1	4,634.5	5,612.3
Non-Energy	1,534.4	2,329.4	1,407.1	2,063.0	862.2	1,104.3
Imports	7,669.9	9,622.0	6,973.1	6,503.6	3,215.3	4,373.4
Energy	3,150.1	4,151.0	2,845.2	2,664.4	1,937.9	3,119.8
Non-Energy	4,519.8	5,471.0	4,127.9	3,839.2	1,277.4	1,253.6
Services (net)	546.4	609.7	381.7	484.8	230.7	265.3
Income (Net)	-963.7	-1,202.2	-996.7	-1,057.8	-739.4	-412.2
Current Transfers (Net)	60.2	46.9	27.0	64.6	36.0	157.8
Capital and Financial Account	**-3,823.2**	**-5,813.8**	**-2,326.7**	**-3,773.7**	**-1,349.4**	**-1,686.4**
Official Borrowing	-270.3	-992.7	-151.0	178.8	-21.5	-10.2
Foreign Direct Investment	830.0	2,100.0	709.0	549.4	295.7	287.0
Regional Bond Issues	-252.0	-82.0	-120.0	0.0	0.0	-50.0
Commercial Banks	88.0	-383.0	-675.0	493.3	163.3	-236.4
Other Private capital Flows*	-4,218.9	-6,456.1	-2,089.7	-4,995.2	-1,786.9	-1,676.8
Overall Balance	**1,541.1**	**2,705.0**	**-712.6**	**418.4**	**459.3**	**667.7**
			per cent of GDP			
Current Account Balance	**24.7**	**30.4**	**8.2**	**20.0**	**4.3**	**5.2**
Trade Balance	26.3	32.4	11.2	22.4	5.4	5.2
Exports	61.6	66.7	46.5	53.5	13.1	14.9
Energy	54.6	58.4	39.4	43.6	11.1	12.5
Non-Energy	7.1	8.3	7.1	9.8	2.1	2.5
Imports	35.3	34.3	35.3	31.0	7.7	9.7
Energy	14.5	14.8	14.4	12.7	4.6	6.9
Non-Energy	20.8	19.5	20.9	18.3	3.0	2.8
Services (net)	2.5	2.2	1.9	2.3	0.6	0.6
Income (Net)	-4.4	-4.3	-5.0	-5.1	-1.8	-0.9
Current Transfers (Net)	0.3	0.2	0.1	0.3	0.1	0.4
Capital and Financial Account	**-17.6**	**-20.8**	**-11.8**	**-18.0**	**-3.2**	**-3.8**
Official Borrowing	-1.2	-3.5	-0.8	0.9	-0.1	0.0
Foreign Direct Investment	3.8	7.5	3.6	2.6	0.7	0.6
Regional Bond Issues	-1.2	-0.3	-0.6	0.0	0.0	-0.1
Commercial Banks	0.4	-1.4	-3.4	2.4	0.4	-0.5
Other Private capital Flows*	-19.4	-23.0	-10.6	-23.8	-4.3	-3.7
Overall Balance	**7.1**	**9.7**	**-3.6**	**2.0**	**1.1**	**1.5**
Gross Official Reserves (US$ Million)	6,673.4	9,380.2	8,651.6	9,070.0	9,110.9	9,571.1**
In months of Imports	8.1	11.3	11.9	13.1	13.1	11.7

Source: Central Bank of Trinidad and Tobago.

* Includes errors and omissions.
** Data as at the end of October 2011.
[e] Estimate. Data for the Trade Balance includes actual data for January to May 2011.

Table Vd
Trinidad and Tobago Trade by SITC
(US$ Million)

	Imports		Exports	
	Jan-May 2010	Jan-May 2011	Jan-May 2010	Jan-May 2011
1. Food	255.5	278.8	54.7	75.9
2. Beverage and Tobacco	21.7	19.1	40.7	66.1
3. Crude materials	133.5	196.2	193.8	290.2
4. Minerals and Fuels	863.9	1,530.3	3,239.6	3,124.1
5. Animal and Vegetable Oils and Fats	13.2	18.4	0.8	1.0
6. Chemicals	198.1	202.9	549.1	1,127.6
7. Manufactured Goods	280.0	284.7	266.9	300.3
8. Machinery and Transport Equipment	720.3	657.7	112.8	79.2
9. Misc. Manufactured Articles	129.4	118.8	18.6	23.7
10. Misc. Transactions and Commodities	2.3	1.5	0.2	0.2
TOTAL	**2,617.8**	**3,308.5**	**4,477.3**	**5,088.3**
Energy (Sections 4 and 6)	1,062.0	1,733.2	3,788.7	4,251.7
Non-Energy	1, 555.8	1,575.3	688.6	836.6

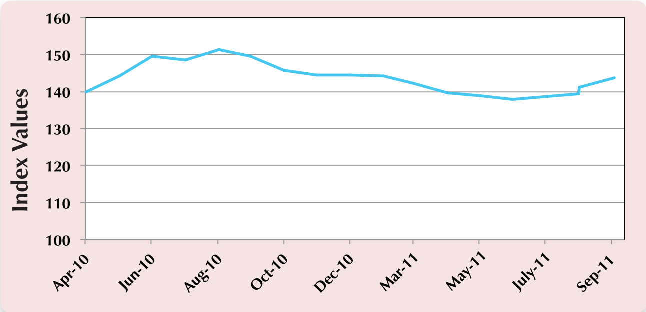
Source: Central Statistical Office .

The capital and financial account recorded an overall deficit of approximately $1.7 billion in the first half of 2011. Net foreign direct investment was recorded at $287 million. Meanwhile, the net foreign position of commercial banks decreased by $236.4 million compared with a rise of $163.3 million in the corresponding year-earlier period. Central government principal repayments on external debt rose to $49.4 million from $29.8 million and included repayments made to Lloyds Bank of London for offshore patrol vessels. Public debt service amounted to $91.8 million, compared with $60.9 in the first six months of 2010.

Effective Exchange Rates

In the 12 months to September 2011, the trade-weighted real effective exchange rate (TWREER) depreciated by 3.9 per cent. Movements in the TWREER can be decomposed into two effects, an exchange rate effect which is measured by the trade-weighted nominal exchange rate (TWNEER) and an inflation effect which

Chart VI
Trade-Weighted Real Effective Exchange Rate
(2000 =100)



is measured by the effective inflation rate (EIR). The TWNEER depreciated by 1.8 per cent while the EIR (which measures domestic inflation rates relative to those of the country's major trading partners) declined by 2.1 per cent. More specifically, the slight depreciation in Trinidad and Tobago's currency in real effective terms was influenced by the steady reduction in domestic price increases relative to price increases in Trinidad and Tobago's major trading partners. Trinidad and Tobago's inflation rate plummeted from 13.2 per cent in September 2010 to 2.5 per cent in September 2011. Further, over the review period, the US dollar weakened against other major currencies, such as the Japanese Yen (9.0 per cent), the Chinese Renminbi (5.2 per cent), the Canadian dollar (3.0 per cent), and the British pound (1.1 per cent). This depreciation in the US currency would have caused an indirect depreciation of the Trinidad and Tobago dollar (Chart VI).

Apart from movements in exchange rates and consumer prices, institutional factors also influence a country's level of competitiveness. The World Economic Forum publishes the Global Competitiveness Report annually, which ranks countries based on their level of competitiveness using a Global Competitiveness Index. The Index is based on twelve pillars, which are broadly categorized into three themes: basic requirements; efficiency enhancers; and innovation and sophistication factors. In the latest Global Competiveness Report 2011-2012, Trinidad and Tobago's ranking improved, moving to 81 (out of 142 countries), from 84 (out of 139 countries) in the 2010-2011 Report.

Fiscal Operations

Preliminary data from the Ministry of Finance indicate that the fiscal accounts posted a deficit of $5,058.0 million for the fiscal year spanning October 2010 to September 2011. In outlining its budget plans for fiscal year 2010/2011, the government had programmed a deficit as one component of its plan to revitalize the economy. Higher than anticipated export commodity prices had the effect of boosting revenue, despite the drag on non-energy collections due to the sluggish state of the economy, while the planned investment programme was not fully implemented. Consequently, the estimated deficit turned out to be around 3.6 per cent of GDP compared to the initially programmed deficit of 5.1 per cent of GDP (Table Ve).

Total revenue for the period October 2010 to September 2011 amounted to $45,018.5 million, which was 2.6 per cent higher than the corresponding period in fiscal year 2009/2010. The gains in revenue were largely attributable to higher-than-budgeted energy sector receipts as a result of higher crude oil prices which averaged US$92.82 per barrel[11] compared to the budgeted price of US$65 per barrel. The over performance of oil prices allowed the government to transfer $2,890.0 million into the Heritage and Stabilization Fund[12]. Collections from the non-energy sector, however, remained sluggish in spite of the boost provided by a tax amnesty.

Non-energy receipts amounted to $20,662.3 million, 2.4 per cent lower than in the previous fiscal year. The diminished contribution from non-energy revenue was linked to the softness of domestic economic activity and its negative effects on VAT and other collections. Additionally, the Government increased VAT refunds substantially during July to September 2011[13], to an average of $683.3 million per month compared with an average of $400 million in the prior months. This rise in refunds was geared towards reducing the sizeable backlog accumulated from previous fiscal years.

Central Government expenditure was recorded at $50,076.5 million, which was 14.7 per cent higher than in fiscal year 2009/2010 but 3.4 per cent lower than programmed ($51,840 million). Implementation of the capital programme was initially slow, and then accelerated toward the end of the fiscal year. A significant part of the payments on projects was reportedly related to preparatory works and on outstanding arrears to

[11] West Texas Intermediate (WTI).

[12] The Heritage and Stabilization Fund which was established by the Government on March 15, 2007 is geared towards saving some of the excess revenue generated from elevated oil and natural gas prices. These balances are to be used to insulate fiscal policy and the economy from adverse swings in commodity prices as well as to accumulate savings from the country's exhaustible assets of oil and gas for future generations.

[13] The Minister of Finance reported in the 2012 Budget Speech that as at October 10th, 2011 most of the outstanding VAT refunds to businesses had been paid.

contractors. Expenditure on transfers and subsidies was also ramped up and included higher payments to senior citizens and increased petroleum subsidy payments. The lower spending in most of the other categories of recurrent expenditure can be partly attributed to lower interest expenses.

Much of the Central Government's planned external borrowing in FY 2010/11 did not materialize, and as such the deficit was financed mainly from domestic sources which included drawing down of balances held in the Central Bank.

The Government has outlined plans for increasing the fiscal stimulus to the economy, by way of a deficit of $7,642.2 million in fiscal year 2011/2012. An ambitious set of infrastructure projects could provide an important fillip to the construction sector and may alleviate some of the unemployment pressures in the short term. The public sector investment programme (PSIP) is estimated to be on the order of $7.6 billion (Table Vf).

Public Debt

Despite the deficit of $5,058 million in FY2010/2011 there was not a large increase in the debt stock due to the central government drawing down on its balances held at the Central Bank. Preliminary data from the Ministry of Finance showed a 0.8 per cent increase in gross public debt during the fiscal year 2010/2011. Public debt outstanding stood at $71 billion compared to $70.5 billion at the end of the previous fiscal year (Table Vg). Excluding Bills and Notes issued for Open Market Operations (OMOs), the debt to GDP ratio is estimated to be 36.2 per cent at the end of September 2011. The increase in the stock of debt was driven by new external borrowings by the Central Government as well as an increase in the Government's contingent liabilities from new borrowings undertaken by state enterprises and statutory authorities.

The stock of Central Government domestic debt fell by 1.9 per cent to $38.4 billion at the end of September 2011 as there was no new borrowing on the domestic

Table Ve
Summary Central Government Fiscal Operations
(TT$ Million)

	2008/2009	2009/2010	Mid-Year Revised Budget 2010/2011	2010/2011[p]	2011/2012[b]
REVENUE	**39,044.8**	**43,862.9**	**43,301.3**	**45,018.5**	**46,959.9**
Energy	19,317.8	22,702.2	20,365.3	24,356.2	n.a.
Non-energy	19,727.0	21,160.7	22,936.0	20,662.3	n.a.
Expenditure	**45,730.8**	**43,674.9**	**51,840.0**	**50,076.5**	**54,602.3**
Current	37,316.9	37,275.7	43,787.3	42,552.8	47,020.4
Wages and salaries	6,620.3	6,711.0	8,288.9	7,288.0	8,481.9
Goods and services	6,023.0	6,441.2	8,052.5	6,858.9	9,091.5
Interest payments	3,499.9	3,290.3	3,747.4	2,767.3	4,128.9
Transfers & Subsidies *of which*	21,173.7	20,833.2	23,698.5	25,638.6	25,318.1
Senior Citizens Grants	1,624.9	1,810.2	2,767.9	2,769.1	2,590.0
Petroleum Subsidy Payments	1,049.6	905.0	1,178.0	1,178.0	1,500.0
Payments to CLICO and HCU	0.0	0.0	0.0	834.0	0.0
Capital expenditure & net lending	8,413.9	6,399.2	8,052.7	7,523.7	7,581.9
Overall non-energy balance	**-26,003.8**	**-22,514.2**	**-28,904.0**	**-29,414.2**	**n.a.**
Overall balance (excl. transfers into the HSF)	**-6,686.0**	**188.0**	**-8,538.7**	**-5,058.0**	**-7,642.4**
Total financing (net)	**6,686.0**	**-188.0**	**8,538.7**	**5,058.0**	**7,642.4**
Net Foreign financing	-1,416.0	393.5	4,473.0	379.1	2,847.1
Net Domestic financing *of which*	8,102.0	-581.5	4,065.7	4,678.9	4,795.3
Transfers to Heritage & Stabilization Fund	0.0	-3,026.5	-445.0	-2,890.0	0.0
per cent of GDP					
Revenue	**28.5**	**33.5**	**30.7**	**31.9**	**30.8**
Energy	14.1	17.4	14.4	17.3	n.a.
Non-energy	14.4	16.2	16.2	14.6	n.a.
Expenditure	**33.4**	**33.4**	**36.7**	**35.5**	**35.9**
Current	27.2	28.5	31.0	30.1	30.9
Wages and salaries	4.8	5.1	5.9	5.2	5.6
Goods and services	4.4	4.9	5.7	4.9	6.0
Interest payments	2.6	2.5	2.7	2.0	2.7
Transfers & subsidies *of which*	15.4	15.9	16.8	18.2	16.6
Senior Citizens Grants	1.2	1.4	2.0	2.0	1.6
Petroleum Subsidy Payments	0.8	0.7	0.8	0.8	1.0
Payments to CLICO	0.0	0.0	0.0	0.6	0.0
Capital expenditure & net lending	6.1	4.9	5.7	5.3	5.0
Overall non-energy balance	**-19.0**	**-17.2**	**-20.5**	**-20.8**	**n.a.**
Overall balance	**-4.9**	**0.1**	**-6.0**	**-3.6**	**-5.0**
Total financing	**4.9**	**-0.1**	**6.0**	**3.6**	**5.0**
Foreign financing	-1.0	0.3	3.2	0.3	1.9
Domestic financing *of which*	5.9	-0.4	2.9	3.3	3.1
Transfers to Heritage & Stabilization Fund	0.0	-2.3	-0.3	-2.0	0.0

Source: Ministry of Finance.

[p] Provisional.
[b] Budgeted.

Table Vf
Costing of Selected Capital Projects in the 2011/2012 Budget

Projects	TT$ Million
Total Capital Expenditure	7,581.9
Of which:	
Accelerated Housing Programme and housing settlement development	859
Roads and Bridge construction and rehabilitation	773
Tertiary Education	658
Early Childhood, Primary and Secondary School Modernization Programme	590
Public Safety and Citizen Security	476
Construction of Hospitals and Health Centres	365
Upgrade of major water sources	352
Development of Lands at Caroni and Orange Grove	290
Construction of Multi fuel pipeline	260
Establishment of the main campus of UTT - Tamana	250
Sport	177

Source: Ministry of Finance, Public Sector Investment Programme, Estimates of the Development Programme 2012.

market. Bonds and notes, the largest component, declined by 3.8 per cent to $17.6 billion. The last time the government borrowed on the domestic capital market was in April 2010 when a bond valued at $794 million was issued. The lack of borrowing since the April 2010 issue reflected the approach of the legal borrowing limit of $20 billion on the outstanding balance on bonds and notes. However, in September 2011, parliamentary approval was granted for an increase in several of the legal borrowing limits including the limit on bonds and notes outstanding which was increased to $30 billion, while the limit on state enterprise borrowing was increased from $9 billion to $25 billion (Box 3).

Given the increased space to borrow, government borrowing could pick up in fiscal year 2011/2012. Signs of increased borrowing on the domestic market are already emerging with a bond valued at $1,500 million that was issued through the Central Bank's auction system on November 22, 2011 to finance the government's payouts to CLICO policyholders.

BOX 3
Changes In The Statutory Limits For Borrowing By The Government Of Trinidad And Tobago

Statutory Borrowing Acts provide the limits under which the Government of Trinidad and Tobago can borrow. Over the years, several of these limits have been increased in order to facilitate greater borrowing.

The most recent amendments took place in September 2011 as Parliament approved increases to three of the legal borrowing limits (Table 4a). The limit under the Development Loans Act, Chapter 71:04 was increased from $20 billion to $30 billion while the limit under the External Loans Act, Chap 71:05 was raised from $9 billion to $15 billion. Both of these Acts stipulate borrowing for the purpose of financing the general development of Trinidad and Tobago. The amendments to these limits were intended to enhance the government's capacity in meeting its borrowing requirements over the medium-term. The limit under the Guarantee of Loans (Companies) Act, Chapter 71:82 was the third limit to be amended and was necessitated by the need to convert existing Letters of Comfort into Government Guarantees as well as to accommodate planned borrowings by State Enterprises over the medium-term. The increase from $9 billion to $25 billion represents the largest single increase in a limit for any of the existing Borrowing Acts.

Table 4A

Borrowing Act	Purpose of Borrowing	Balance Outstanding at Sep-11p	Statutory Limit Prior to Sep-11	New Limit as at Sep-11
		In TT$ Million (unless otherwise stated)		
External Loans Act 31,Chap. 71:05	Finance general development in T&T or repay borrowings effected for such development.	6,405.0	9,000	15,000
Development Loans Act, Chap 71:04	Finance general development in T&T or repay borrowings effected for such development.	17,634	20,000	30,000
Treasury Notes Act, 995 1 (5-yr maturity)	Promote monetary credit and exchange conditions most favorable to the economy of T&T.	5,000	5,000	Unchanged
Treasury Bills Act 1995, Chap. 71.40	Facilitate the conduct of open market operations by the Central Bank of T&T.	14,200	15,000	Unchanged
Treasury Bonds Act, 2008 (5.5 - 10 yr. maturity)	Facilitate liquidity management and to supplement existing instruments for open market operations.	-	No Limit	No Limit
Guarantee of Loans (State Companies) Act, Chap. 71.82	Guarantee the discharge by a Company of its obligations under any agreement entered into with a Lending Agency in respect of any borrowing by that Company that is authorized by the Government of T& T.	7,181.3	9,000	25,000
Guarantee of Loans (Statutory Authorities) Act, Chap. 71.71	To provide for the guarantee by the Government of T&T of loans to the Statutory Authorities by Lending Agencies.	9,715.8	No Limit	No Limit
IBRD Act 2, 1967, Chap. 7:06	To finance economic development in T&T through borrowing from the International Bank for Reconstruction and Development.	115.0	No Limit	No Limit
IADB Act 32, 1967, Chap. 71:07	For the purpose of financing economic and social development through borrowing from the Inter-American Development Bank.	2,719.5	No Limit	No Limit

p Provisional.

Central Government external debt outstanding was recorded at US$1, 638.4 million at the end of September 2011, an increase of 4.9 per cent (US$77 million) from the end of September 2010. The increase reflected, in the main, the US$100 million loan contracted with the Inter-American Development Bank (IDB) in December 2010 as part of the US$1.3 billion which the IDB has committed to provide over the medium-term[14]. While there were no subsequent inflows from the new IDB financing arrangement, the IDB approved several smaller loans which were earmarked for specific projects. Other disbursements during the twelve-month period ending September 2011 amounted to US$74.1 million and were directed towards ongoing projects. The bulk of these funds came from commercial creditors, notably BNP Paribas to finance the purchase of helicopters for national security purposes.

New borrowings by state enterprises resulted in Central Government's contingent liabilities increasing to $23.3 billion at the end of September 2011. During fiscal year 2010/2011, the Water and Sewerage Authority (WASA) and National Insurance Property Development Company (NIPDEC) were able to raise bonds valued at $1,350 million and $750 million, respectively. More recent data show that NIPDEC was able to raise another bond valued at $500 million on October 25, 2011. Several Letters of Comfort[15] were converted into full government guarantees resulting in a decline in Letters of Comfort outstanding and an increase in government-guaranteed debt.

[14] See Box 5 in the Central Bank's Economic Bulletin July 2011 for details on the IDB loan package.

[15] The government issues a Letter of Comfort (LOC) to a state enterprise or statutory authority whenever such an entity is requested to execute a capital project on behalf of the government. The LOC allows the entity to raise funds on the domestic market and hence commence the project while the official government guarantee is being finalized. It takes between 6 to 24 months for an LOC to be converted into a full government guarantee The guarantee is an assurance to the creditor that in the event the entity defaults the government will assume full responsibility for repaying the loan.

Table Vg
Total Gross Public Debt
September 2010 – September 2011

	September 2010	September 2011[p]
	In Million of TT Dollars	
Total Public Sector Debt	**70,472**	**71,034**
Central Government Domestic Debt	**39,182**	**38,444**
Bonds and Notes	18,239	17,575
OMOs:	19,200	19,200
Treasury Bills	14,200	14,200
Treasury Notes	5,000	5,000
Debt Management Bills	800	800
Build Own Lease Transfers (BOLTS)	612	540
Other [1]	332	330
Central Government External Debt	**8,729**	**9,240**
Contingent Liabilities	**22,561**	**23,350**
Government Guaranteed	14,332	16,897
Letters of Comfort	8,229	6,453
	In Per cent of GDP	
Total Public Debt	53.9	50.3
Total Public Debt (excluding OMOs)	38.6	36.2
Memo:		
Nominal GDP at market prices (fiscal year) [2]	130,810	141,151

Source: Ministry of Finance and Central Bank of Trinidad and Tobago.

[p] Preliminary
[1] Comprises outstanding balances of National Tax-Free Saving Bonds, Public Sector Arrears and Central Bank Fixed-Interest Rate Bonds.
[2] Computed using nominal GDP from the *"Review of the Economy 2011"*.

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Appendix A

Index of Retail Prices (September 2009 – October 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 %
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
Apr-11	180.40	0.39	6.37	132.37	1.33	399.20	0.66	15.01	140.40	0.00
May-11	179.70	-0.39	3.93	132.37	1.32	395.30	-0.98	8.18	140.40	0.00
Jun-11	180.70	0.56	0.84	132.36	1.35	400.90	1.42	0.07	140.40	0.00
Jul-11	182.60	1.05	1.44	132.86	1.35	409.20	2.07	1.59	141.30	0.64
Aug-11	185.10	1.37	0.60	132.81	1.22	423.30	3.45	-0.28	141.30	0.64
Sep-11	187.50	1.30	2.52	132.93	1.26	436.10	3.02	4.31	141.30	0.64
Oct-11	187.30	(0.11)	3.71	133.74	1.55	431.30	(1.10)	6.92	141.30	0.64

	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%
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
Apr-11	126.60	0.96	150.50	2.03	175.70	2.63	177.60	1.89	5.98	0.97
May-11	126.60	0.96	150.90	2.24	175.70	2.63	177.60	1.89	5.75	0.97
Jun-11	126.60	0.96	151.50	2.36	175.70	2.63	177.60	1.89	5.42	0.97
Jul-11	126.90	1.20	151.50	2.09	175.70	2.63	179.10	2.58	6.10	0.88
Aug-11	126.90	1.20	151.50	2.02	175.70	2.63	179.10	2.58	5.97	0.88
Sep-11	126.90	1.20	151.50	1.68	175.70	2.63	179.10	2.58	6.20	0.88
Oct-11	129.10	2.46	151.30	1.20	175.40	1.74	179.60	3.04	4.56	1.58

Source: Central Statistical Office.

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

(Year-on-Year Per Cent Change)

	Weight	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	8.18	0.08	1.61	-0.30	4.30	6.92
FOOD	156.20	8.29	-0.21	1.48	-0.52	4.29	7.01
BREAD AND CEREALS	31.21	1.70	2.25	3.70	5.29	6.17	6.88
Bread	5.51	2.14	2.14	5.28	7.66	7.90	7.90
Cereals -Includes rice and flour	18.74	1.65	2.60	3.50	4.61	5.51	6.02
Pasta Products	1.38	-6.98	-7.56	-7.20	-6.63	-6.90	(3.51)
Pastry Cooked Products	5.27	3.71	3.69	5.59	8.36	10.18	10.53
MEAT	29.21	12.02	10.50	8.49	7.82	7.60	5.21
Fresh, Chilled or Frozen Beef	3.09	12.22	13.00	14.03	17.85	16.94	12.76
Fresh, Chilled or Frozen Lamb or Goat	1.13	17.99	13.20	11.85	13.99	13.81	14.84
Fresh Chilled or Frozen Pork	2.34	8.11	10.44	9.09	8.47	11.13	10.56
Fresh, Chilled or Frozen Poultry	18.18	13.44	10.61	7.59	6.04	5.53	2.61
Dried, Salted or Smoked Meat	4.10	5.65	7.61	8.00	7.69	7.79	7.51
FISH	11.37	7.57	5.42	10.26	7.13	5.36	4.28
Fresh, Chilled or Frozen Fish	7.21	8.70	5.78	10.30	6.56	5.22	2.72
Fresh, Chilled or Frozen Seafood	1.83	3.81	4.57	14.77	15.66	8.12	11.93
Other Preserved or Processed Fish	1.03	2.32	3.99	5.31	2.60	3.74	4.09
MILK, CHEESE AND EGGS	19.05	10.48	7.18	7.28	7.53	8.42	7.44
Whole Milk	1.75	7.70	5.61	4.76	7.28	9.33	9.63
Preserved Milk	9.22	9.02	2.72	2.70	3.43	4.07	3.09
Cheese, Yogurt & Milk Products	6.34	11.97	11.65	11.65	10.05	10.95	10.45
Eggs	1.74	15.04	17.93	19.68	20.49	21.82	18.70
OILS AND FATS	9.07	1.88	4.22	5.64	6.53	8.76	9.76
Butter	0.82	6.38	5.44	6.69	6.33	7.93	9.28
Margarine and Other Vegetable Fats	2.56	9.05	9.30	8.38	9.71	12.18	14.89
Edible Oils and Animal Fats	5.69	-2.35	1.55	4.09	4.99	7.23	7.30
FRUIT	14.28	19.69	18.80	24.55	38.36	39.24	34.14
VEGETABLES	21.84	5.38	-12.06	-9.50	-10.91	-7.51	3.67
Fresh or Chilled Vegetables	12.09	0.12	-18.02	-3.53	4.65	11.83	27.32
Dried Vegetables	2.42	6.91	7.40	8.12	8.24	11.07	10.28
Fresh or Chilled Tuber Vegetables	7.33	9.11	-8.22	-14.11	-21.36	-19.63	(11.94)
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	5.34	6.45	5.99	6.69	8.24	8.90
OTHER FOOD PRODUCTS	12.51	5.66	3.50	2.73	-20.35	-0.77	8.56
NON-ALCOHOLIC BEVERAGES	23.80						
Coffee, Tea and Cocoa	3.06	6.21	6.52	6.71	7.13	9.28	9.21
Soft Drinks	13.33	5.05	5.48	4.05	3.99	4.19	4.07
Juices	7.40	8.02	6.96	3.77	3.37	4.66	3.89

Source: Central Statistical Office.

Appendix C
Price Movements in the Categories of the Core Sub-Index of the RPI, May 2011 - October 2011

(Year-on-Year Percentage Change)

	Weight	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct -11
CORE INFLATION SUB-INDEX	**820.00**	**1.32**	**1.35**	**1.35**	**1.22**	**1.26**	**1.55**
Alcoholic Beverages and Tobacco	**25.00**	**5.75**	**5.42**	**6.10**	**5.97**	**6.20**	**4.56**
Alcoholic Beverages	16.90	5.26	4.71	5.76	5.67	6.06	6.41
Tobacco	8.10	6.81	6.81	6.71	6.53	6.51	1.14
Clothing and Footwear	**53.00**	**(0.95)**	**(0.63)**	**1.92**	**1.71**	**2.98**	**1.91**
Clothing	39.23	(0.65)	(0.25)	2.25	1.99	3.58	2.89
Footwear	13.75	(1.83)	(1.83)	0.79	0.79	0.79	(1.01)
Housing, Water, Electricity, Gas and Other Fuels	**262.00**	**0.96**	**0.96**	**1.20**	**1.20**	**1.20**	**2.46**
Rental for Accommodation	24.00	4.74	4.74	6.00	6.00	6.00	9.41
Imputed Rentals for Owner Occupiers	180.00	0.64	0.64	0.83	0.83	0.83	2.28
Materials and Services for the Repair of Dwelling	8.51	2.13	2.13	2.58	2.58	2.58	4.18
Electricity	47.87	0.00	0.00	0.00	0.00	0.00	0.00
Liquefied Hydrocarbons and Other Fuels	4.08	0.21	0.06	0.10	0.06	0.04	(0.01)
Furnishings, Household Equipment and Routine Maintenance	**54.00**	**0.97**	**0.97**	**0.88**	**0.88**	**0.88**	**1.58**
Furniture, Furnishings and Floor Coverings	12.44	2.49	2.49	0.43	0.43	0.43	(1.41)
Household Appliances- Refrigerators, Freezers, and Fridge-freezers	6.51	(0.36)	(0.36)	(1.36)	(1.36)	(1.36)	0.80
Cleaning and Maintenance products	7.95	1.12	1.12	1.88	1.88	1.88	3.82
Health	**51.00**	**2.24**	**2.36**	**2.09**	**2.02**	**1.68**	**1.20**
Pharmaceutical Products	23.06	3.12	3.48	3.48	3.42	2.61	1.63
Medical Services	19.91	1.63	1.63	1.16	1.16	1.16	0.99
Transportation	**167.00**	**0.00**	**0.00**	**0.64**	**0.64**	**0.64**	**0.64**
Purchase of Motor Vehicles	53.89	0.00	0.00	0.00	0.00	0.00	0.00
Fuel and Lubricants	25.79	0.00	0.00	2.78	2.78	2.78	2.78
Transport Services (including passenger transport by road)	65.29	0.00	0.00	0.00	0.00	0.00	0.00
Recreation and Culture	**85.00**	**3.37**	**3.37**	**(0.21)**	**(0.21)**	**(0.21)**	**(0.55)**
Recreational and Cultural Services	29.28	0.16	0.16	(2.87)	(2.87)	(2.87)	(3.03)
Newspaper, Books and Stationery	18.51	0.24	0.24	0.32	0.32	0.32	2.07
Package Holidays	23.05	10.59	10.59	1.84	1.84	1.84	0.25
Hotels, Cafes and Restaurants	**30.00**	**1.89**	**1.89**	**2.58**	**2.58**	**2.58**	**3.04**
Catering (Restaurants, Cafes, Vendors)	28.57	1.92	1.92	2.61	2.61	2.61	3.12
Education	**16.00**	**2.63**	**2.63**	**2.63**	**2.63**	**2.63**	**1.74**
Tuition Fees (all levels)	10.13	2.85	2.85	2.85	2.85	2.85	1.83
Miscellaneous Goods and Other Services	**36.00**	**2.98**	**2.98**	**3.08**	**3.08**	**3.08**	**3.07**
Personal Care	25.85	2.95	2.95	3.04	3.04	3.04	3.35
Jewellery, Clocks and Watches	4.16	6.66	6.66	6.92	6.92	6.92	4.45

Source: Central Statistical Office.

Appendix D
Index of Retail Sales: Base 2000=100
Base Period: Average of 4 Quarters
(2007 - 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 %
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**
Mar-11	211.7	7.2	573.6	27.7	208.6	5.1	149.1	-10.1
Jun-11	220.7	5.5	613.7	14.6	233.7	10.6	148.4	-10.0

	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 %
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**
Mar-11	111.9	2.4	61.0	13.8	260.4	13.1	137.3	-15.6	168.4	4.7
Jun-11	148.6	22.2	75.2	15.9	226.1	-2.4	159.5	-3.6	163.0	2.6

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

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

	TRINIDAD & TOBAGO		PORT OF SPAIN		SAN FERNANDO		ARIMA BOROUGH	
	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10
ALL ITEMS	1,000.00	2.56	262.65	-0.35	128.70	4.80	52.09	5.35
Food and Non-Alcoholic Beverages	180.00	4.29	27.25	-1.98	17.27	12.18	8.13	9.67
Food	156.20	4.26	22.74	-2.08	14.79	12.43	7.15	9.72
Bread and Cereals	31.21	6.17	4.00	5.93	2.79	7.34	1.30	3.04
Meat	29.21	7.60	3.21	19.30	2.45	6.40	1.43	0.57
Fish	11.37	5.36	1.81	8.94	1.00	5.92	0.44	7.24
Milk, Cheese and Eggs	19.05	8.42	3.24	5.92	1.87	9.83	0.79	6.39
Oils and Fats	9.07	8.76	1.20	12.57	0.85	5.40	0.33	14.98
FRUIT	14.28	39.24	2.94	31.50	1.53	55.33	0.72	-6.36
VEGETABLES	21.84	-7.51	3.32	-24.96	2.28	8.71	1.17	21.86
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	7.66	8.24	1.33	6.51	0.68	8.40	0.44	4.93
Food Products N.E.C	12.51	-0.77	1.69	-7.33	1.34	-0.83	0.53	7.72
Non-Alcoholic Beverages	23.80	4.95	4.51	0.42	2.48	7.05	0.98	8.23

Source: Central Statistical Office.

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

	DIEGO MARTIN		ST. ANNS (SAN JUAN)		TACARIGUA (TUNAPUNA)		CHAGUANAS BOROUGH	
	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10
ALL ITEMS	38.52	-3.36	45.17	15.47	123.49	1.23	111.64	3.97
Food and Non-Alcoholic Beverages	12.00	-8.62	17.92	21.09	20.23	-1.82	19.75	5.94
Food	10.37	-9.66	15.41	21.77	17.46	-2.93	17.33	5.81
Bread and Cereals	2.34	5.00	3.02	4.43	3.50	6.48	3.27	4.72
Meat	1.99	6.42	2.57	9.24	3.52	11.60	3.32	2.49
Fish	0.72	2.31	1.17	9.96	1.13	-3.52	1.22	6.51
Milk, Cheese and Eggs	1.56	9.37	2.08	11.83	2.28	5.80	1.87	8.31
Oils and Fats	0.52	15.67	0.91	11.18	0.99	7.59	1.16	2.47
FRUIT	1.12	-16.26	1.60	67.56	1.35	9.79	1.75	40.26
VEGETABLES	0.93	-25.46	2.03	-3.51	2.36	-26.73	2.47	-6.52
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.44	11.61	0.85	7.57	0.84	7.53	0.70	9.64
Food Products N.E.C	0.75	-1.93	1.18	-0.78	1.49	-3.75	1.57	13.94
Non-Alcoholic Beverages	1.63	4.12	2.51	6.62	2.77	6.82	2.42	9.37

Source: Central Statistical Office.

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

	COUVA		COCAL (RIO CLARO)		MANZANILLA/TURERE (SANGRE GRANDE)		NAPARIMA (DEBE)	
	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10
ALL ITEMS	23.23	-1.15	2.23	4.02	21.75	9.15	5.62	9.45
Food and Non-Alcoholic Beverages	7.61	-1.80	1.04	4.53	4.68	18.64	4.73	9.53
Food	6.75	-2.11	0.95	4.65	4.17	19.14	4.10	9.87
Bread and Cereals	1.28	4.30	0.25	-1.05	0.85	4.34	0.96	4.75
Meat	1.75	1.79	0.21	2.67	0.96	17.40	1.07	-20.64
Fish	0.63	1.94	0.09	6.22	0.29	7.18	0.26	8.75
Milk, Cheese and Eggs	0.56	6.74	0.04	6.60	0.45	7.21	0.38	6.80
Oils and Fats	0.43	10.22	0.07	12.08	0.26	5.38	0.23	4.67
FRUIT	0.56	-2.11	0.10	3.24	0.30	108.16	0.17	-4.32
VEGETABLES	0.77	-4.57	0.09	15.37	0.62	-8.05	0.57	14.39
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.25	10.66	0.03	18.73	0.16	5.95	0.14	9.94
Food Products N.E.C	0.52	-3.45	0.07	-14.28	0.28	-7.28	0.32	6.38
Non-Alcoholic Beverages	0.86	6.70	0.09	2.70	0.51	5.35	0.63	2.08

Source: Central Statistical Office.

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

	SAVANA GRANDE (PRINCES TOWN)		SIPARIA		PT. FORTIN		TOBAGO (SCARBOROUGH)	
	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10	WEIGHT	SEP '11/ SEP '10
ALL ITEMS	13.12	2.59	48.14	4.01	28.07	-6.57	95.58	0.81
Food and Non-Alcoholic Beverages	8.30	1.74	10.80	7.10	6.25	-13.18	14.04	1.68
Food	7.33	1.41	9.79	7.55	5.52	-13.67	12.34	1.43
Bread and Cereals	1.73	4.59	2.26	12.58	1.14	3.26	2.52	9.67
Meat	1.40	7.72	1.99	4.02	1.28	18.99	2.06	9.05
Fish	0.26	4.74	0.60	7.71	0.32	1.14	1.43	-2.78
Milk, Cheese and Eggs	0.79	8.29	0.84	7.06	0.62	4.09	1.68	13.99
Oils and Fats	0.46	10.06	0.62	10.99	0.25	14.24	0.79	2.94
FRUIT	0.56	-9.00	0.67	67.99	0.33	33.09	0.58	-15.25
VEGETABLES	1.21	-2.74	1.58	5.41	0.90	-23.28	1.54	-4.96
Sugar, Jam, Honey, Syrups, Chocolate and Confectionery	0.30	15.68	0.46	6.30	0.26	22.64	0.78	3.51
Food Products N.E.C	0.62	1.60	0.77	-12.03	0.42	-8.22	0.96	15.87
Non -Alcoholic Beverages	0.97	7.18	1.01	-4.60	0.73	5.55	1.70	6.51

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 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	201.30	0.6	4.8	263.06	-0.4	3.1	216.40	1.9	3.5	277.90	0.7	22.1
2011 I	204.11	1.4	5.2	265.31	0.9	3.0	219.19	1.3	3.5	279.24	0.5	20.3
II	204.59	0.2	3.3	269.38	1.5	3.3	217.51	-0.8	3.8	280.66	0.5	2.9
III	206.62	1.0	3.2	273.78	1.6	3.7	219.11	0.7	3.2	281.29	0.2	2.0

	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 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	167.9	9.2	13.3	144.39	0.8	0.9	127.7	1.4	0.4
II	175.2	4.3	14.8	143.82	-0.4	0.5	128.0	0.3	0.2
III	177.6	1.4	16.1	145.71	1.3	1.9	129.6	1.2	0.6

Source: Central Statistical Office.

Appendix G
Export and Import Prices Indices, 2005 - 2011
(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
2005	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	0.8	-1.0	157.20	3.4	-1.8	99.62	2.6	-0.8
	II	157.72	-0.1	-0.3	158.89	1.1	6.1	100.74	1.1	6.5
	III	171.47	8.7	11.3	160.38	0.9	8.7	93.53	-7.2	-2.4
	IV	171.76	0.2	9.8	163.88	2.2	7.8	95.41	2.0	-1.8
2011	I	164.17	-4.4	4.0	173.47	5.9	10.3	105.66	10.7	6.1

Source: Central Statistical Office.

Appendix H

Stock Market Indices
March 2005 – September 2011

	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T	COMPOSITE	ALL T&T
	Index Values		*Quarterly Change (%)*		*Year on Year Change (%)*	
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
June-11	950.1	1,376.1	8.9	11.5	14.9	17.4
Sep-11	989.3	1,441.2	4.1	4.7	20.4	25.1

Source: Central Bank of Trinidad and Tobago.

Appendix I
Trinidad and Tobago Mutual Funds Under Management by Type of Fund[1]
March 2005 – September 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-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
Jun-11	36,285.99	31,988.14	3,909.93	2.1	1.9	4.3	-1.4	-2.3	6.3
Sep-11	36,146.02	31,914.39	3,851.86	-0.4	-0.2	-1.5	-1.1	-2.1	6.2

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 2009 – September 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-09	11.0	-14.4	8.4	3.4	15.8	9.9
Feb-09	9.7	-15.7	7.1	3.6	17.4	11.8
Mar-09	5.5	-15.9	3.2	2.0	14.9	9.9
Apr-09	3.2	-16.4	1.2	0.2	13.3	6.9
May-09	3.0	-11.4	1.6	-0.9	12.1	9.5
Jun-09	4.5	13.3	5.3	-0.2	12.4	13.1
Jul-09	3.4	9.1	4.0	1.2	10.3	10.8
Aug-09	1.9	3.6	2.1	-1.5	9.8	9.8
Sep-09	0.2	-5.8	-0.4	-2.2	9.0	6.5
Oct-09	-2.2	-0.1	-2.0	-3.2	11.4	1.5
Nov-09	-4.4	-2.6	-4.2	-4.9	8.5	-1.2
Dec-09	-4.4	0.3	-4.0	-3.4	7.9	-2.5
Jan-10	-4.8	3.6	-4.1	-2.9	8.0	-3.8
Feb-10	-4.2	2.5	-3.6	-3.1	6.5	-5.4
Mar-10	-2.7	-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
Mar-11	1.5	-15.8	-1.4	5.1	8.2	-5.3
Apr-11	1.6	-13.3	-0.8	6.7	8.8	-5.9
May-11	3.3	-11.5	0.9	4.6	10.2	-2.2
Jun-11	4.0	-11.5	1.5	5.4	10.0	-1.5
Jul-11	4.5	-13.2	1.8	4.3	9.9	-0.6
Aug-11	4.1	-16.0	1.0	4.2	9.6	0.0
Sep-11	4.1	-20.7	0.1	3.9	9.8	-1.4

Source: Central Bank of Trinidad and Tobago.

Monetary Policy Report

Appendices:

Media Releases on the 'Repo' Rate from May 2011 to November 2011

1 Media Release dated May 27, 2011 -
Headline Inflation Rate Falls to 6.4 Per cent: Central Bank Maintains 'Repo' Rate at 3.25 Per cent.

2 Media Release dated June 24, 2011 -
Headline Inflation Rate Falls to 3.9 Per cent: Central Bank Maintains 'Repo' Rate at 3.25 Per cent.

3 Media Release dated July 29, 2011 -
Headline Inflation Rate Falls to 0.8 Per cent: Central Bank Lowers 'Repo' Rate by 25 Basis Points to 3.00 Per cent.

4 Media Release dated August 26, 2011 -
Inflation Recorded at 1.4 Per cent in July: Central Bank Maintains 'Repo' Rate at 3.00 Per cent.

5 Media Release dated September 30, 2011 -
Inflation Slows to 0.6 Per cent in August: Central Bank Maintains 'Repo' Rate at 3.00 Per cent.

6 Media Release dated October 28, 2011 -
Inflation Rises to 2.5 Per cent: Central Bank Maintains 'Repo' Rate at 3.00 Per cent.

7 Media Release dated November 25, 2011 -
Inflation Rises to 3.7 Per cent in October: Central Bank Maintains 'Repo' Rate at 3.00 Per cent.

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Media Release

HEADLINE INFLATION RATE FALLS TO 6.4 PER CENT: CENTRAL BANK MAINTAINS 'REPO' RATE AT 3.25 PER CENT

Recent data on retail prices released by the Central Statistical Office indicate that there was a sharp drop in **headline inflation** in April 2011 to **6.4 per cent** (year-on-year) from 9.4 per cent in March. Much of this decline is explained in terms of the "base effect" reflecting the sharp spurt in the Index of Retail Prices in April 2010. This increase, which forms the basis of the year-on-year comparisons, has led to a slower annual rate of growth in the Index. On a monthly basis however, headline inflation rose by 0.4 per cent in April following two consecutive months of decline in February and March.

Food inflation, which had ranged between 20-30 per cent since the beginning of 2011, declined sharply to **15.0 per cent** (year-on-year) in April – the lowest rate of increase since May 2010. The easing of food inflation was mainly due to slower price increases for **vegetables (18.5** per cent in April compared with 31.1 per cent in March), **fruits (26.5** per cent compared with 31.4 per cent in March) and **meat (9.9** per cent compared with 10.7 per cent in March). However prices accelerated for **fish (12.1 per cent), sugar and confectionery (5.6 per cent)** and **bread and cereals (1.3 per cent).**

Core inflation, which excludes food prices, fell to **1.3** per cent (year-on-year) in April from 2.7 per cent in March. This has been the first time since 2004 that the core inflation rate has fallen below 2.0 per cent. The slowdown in the core rate was mainly attributed to slower price increases in the **health** (2.0 per cent compared with 3.7 per cent in March) and **recreation and culture** (3.4 per cent compared with 14. 0 per cent in March) sub-indices.

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It should be noted that the sharp fall in inflation coincided with improved credit conditions. On a year-on-year basis, the rate of decline in private sector credit extended by the consolidated financial system slowed to 1.6 per cent in March from 2.3 per cent in January. **Consumer credit** has continued on a steady path of recovery expanding for the sixth consecutive month, by **5.1 per cent** (year-on-year) while real estate mortgage lending accelerated to **8.4 per cent** in the twelve months to March, up from 7.6 per cent in January. In contrast, **business lending** has continued to languish, declining in March for the seventeenth consecutive month, by 5.4 per cent. On a sectoral basis, commercial bank lending to the manufacturing, distribution and construction sectors, which represented just over one-third of overall business lending, declined by 0.8 per cent, 4.2 per cent and 14.1 per cent, respectively in March 2011.

Smaller **net domestic fiscal injections** together with the various liquidity absorption measures undertaken by the Central Bank have helped to contain excess liquid balances in the financial system. Central Bank actions in the government securities and foreign exchange markets withdrew approximately $1.0 billion from the financial system in May. As a consequence, commercial banks' balances in excess of the statutory requirement averaged $1.4 billion in May compared with $1.7 billion in March.

Short-term interest rates continued to rise in the tighter liquidity environment with the yield on 3-month treasury bills rising to 0.68 per cent as at May 23 from 0.47 per cent in April. With the slight fall in US 3-month treasury bill yields, the spread between domestic and US short-term rates widened to 62 basis points in May from 26 basis points in January.

Overall, underlying inflationary pressures appear well contained for the time being. Nonetheless, the Bank remains cautious about the inflation outlook and considers the risks to be still tilted towards the upside as credit demand picks up and international energy and food prices continue to surge. 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 June 24, 2011.

May 27, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

(Per Cent Change)

	Monthly		Year-on-Year	
	March 2011	April 2011	March 2011	April 2011
Headline Inflation	**(0.7)**	**0.4**	**9.4**	**6.4**
Food Prices	(1.7)	0.7	21.3	15.0
Bread and Cereals	0.6	0.8	0.8	1.3
Meat	0.6	1.7	10.7	9.9
Fish	1.0	2.1	7.3	12.1
Vegetables	(4.5)	(0.4)	31.1	18.5
Fruits	8.6	2.6	31.4	26.5
Milk, Cheese & Eggs	1.3	0.8	12.5	12.5
Oils and Fats	0.5	1.2	(1.8)	(1.2)
Sugar, Jam, Confectionery, etc.	2.6	0.7	4.4	5.6
Core Inflation	**0.0**	**0.2**	**2.7**	**1.3**
Alcoholic Beverages & Tobacco	0.0	(0.2)	6.2	6.0
Clothing and Footwear	(0.1)	(0.3)	(1.5)	(1.5)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.2	0.6	1.0
Health	0.1	0.5	3.7	2.0
Of which: MedicalServices	0.0	1.0	5.7	1.6
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.1	0.7	1.0
Of which: Rent	0.0	0.6	5.9	4.8
Home Ownership	0.0	0.0	0.1	0.7
Education	0.0	1.9	1.9	2.6
Recreation & Culture	0.0	0.1	14.0	3.4
Hotels, Cafes & Restaurants	0.0	1.8	0.4	1.9
Transport	0.0	0.0	1.9	0.0

Source: Central Statistical Office.

- End -

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Media Release

HEADLINE INFLATION RATE FALLS TO 3.9 PER CENT: CENTRAL BANK MAINTAINS 'REPO' RATE AT 3.25 PER CENT

Recent data released by the Central Statistical Office indicate that inflation continued on a downward trajectory in May for the fifth consecutive month. On a year-on-year basis, **headline inflation** slowed to **3.9 per cent** in May from 6.4 per cent in the previous month. Headline inflation is now at the lowest level since January 2010 when the rate measured 3.7 per cent. On a monthly basis, the Index of Retail Prices fell by 0.4 per cent in May following an increase of a similar magnitude in the previous month. **Core inflation,** which excludes the impact of food prices, measured **1.3 per cent** (year-on-year) in May, the same rate as in the previous month.

The marked slowdown in headline inflation is due, in large measure, to the sharp decline in **food inflation** which fell to **8.2 per cent** in May from 15.0 per cent in April. This decline reflected the "base effect" associated with the surge in food prices in May 2010 as well as the 1.0 per cent decline in food prices during the month of May 2011. On a monthly basis, the fall in prices in May for **fish (-6.7 per cent), vegetables (-2.5 per cent)** and **sugar and confectionery products (-0.2 per cent)** compensated for price increases in other major food groups such as **oils and fats (2.9 per cent), fruits (4.8 per cent), bread and cereals (0.6 per cent)** and **meat (0.4 per cent).**

The Bank continues to be cautious about the outlook for domestic inflation given the steady increase in the global price of some key grains such as corn and soya meal which are major inputs in some main domestic food groups such as dairy products and poultry.

Over the last four months, credit conditions in the financial system have shown incipient signs of a weak recovery. In the twelve months to April 2011, **private sector credit** extended by the consolidated financial system fell by **0.8 per cent** (year-on-year) following declines of 1.4 per cent in March and 2.3 per cent at the start of the year. Within the financial sector, commercial bank lending to the private sector rose by 1.6 per cent in April (year-on-year) while credit extended by non-bank financial institutions recorded a 13.3 per cent decline.

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Both **consumer credit and real estate mortgage lending** have been the major drivers behind the improvement in overall credit, growing by relatively robust rates of **6.7 per cent and 8.8 per cent,** respectively in the twelve months to April 2011. **Business lending** still remains relatively sluggish and declined for the eighteenth consecutive month by **5.9 per cent**.

In recent months, lower net fiscal injections along with the liquidity absorption measures employed by the Central Bank have helped to reduce liquidity in the financial system. In June, actions by the Central Bank in the government securities and foreign exchange markets withdrew approximately **$125 million** from the financial system. Commercial banks' excess reserve balances at the Central Bank have averaged $1.3 billion in June so far compared with $2.0 billion in December 2010. As liquidity conditions tightened, some commercial banks tapped the inter-bank market as well as the 'Repo' window at the Central Bank to meet their short-term funding requirements.

In the somewhat tighter liquidity environment, short-term interest rates continued to increase with the **yield on 3-month treasury bills** rising to **0.98 per cent** in June, up from 0.68 per cent in May and 0.47 per cent in April. As a consequence, the differential between local and US short-term interest rates widened to 93 basis points in June from 62 basis points in May.

With the recovery in credit gaining steady momentum and with underlying inflationary pressures remaining well contained for the time being, **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 July 29, 2011.

June 24, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	April 2011	May 2011	April 2011	May 2011
Headline Inflation	**0.4**	**(0.4)**	**6.4**	**3.9**
Food Prices	0.7	(1.0)	15.0	8.2
Bread and Cereals	0.8	0.6	1.3	1.7
Meat	1.7	0.4	9.9	12.0
Fish	2.1	(6.7)	12.1	7.6
Vegetables	(0.4)	(2.5)	18.5	5.4
Fruits	2.6	4.8	26.5	19.7
Milk, Cheese & Eggs	0.8	0.7	12.5	10.5
Oils and Fats	1.2	2.9	(1.2)	1.9
Sugar, Jam, Confectionery, etc.	0.7	(0.2)	5.6	5.3
Core Inflation	**0.2**	**0.0**	**1.3**	**1.3**
Alcoholic Beverages & Tobacco	(0.2)	(0.2)	6.0	5.8
Clothing and Footwear	(0.3)	0.4	(1.5)	(1.0)
Furnishings, Household Equipment and Routine Maintenance	0.2	0.0	1.0	1.0
Health	0.5	0.3	2.0	2.2
Of which: Medical Services	1.0	0.0	1.6	1.6
Housing, Water, Electricity, Gas & Other Fuels	0.1	0.0	1.0	1.0
Of which: Rent	0.6	0.0	4.8	4.8
Home Ownership	0.0	0.0	0.7	0.7
Education	1.9	0.0	2.6	2.6
Recreation & Culture	0.1	0.0	3.4	3.4
Hotels, Cafes & Restaurants	1.8	0.0	1.9	1.9
Transport	0.0	0.0	0.0	0.0

Source: Central Statistical Office.

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Media Release

HEADLINE INFLATION RATE FALLS TO 0.8 PER CENT: CENTRAL BANK LOWERS 'REPO' RATE BY 25 BASIS POINTS TO 3.00 PER CENT

The latest data released by the Central Statistical Office show a marked deceleration in the rate of inflation. **Headline Inflation**, measured by the 12-month increase in the Index of Retail Prices, slowed sharply in June 2011 to **0.8 per cent** from 3.9 per cent in May 2011. This rate is the lowest on record since October 1969 when headline inflation measured 0.6 per cent. **The drastic deceleration in the headline rate partly reflects the "base effect" associated with the sharp rise in the Index of Retail Prices during the month of June 2010.** On a monthly basis however, headline inflation rose by 0.6 per cent in June following a decline of 0.4 per cent in May 2011. **Core inflation,** which excludes the impact of food prices, inched up marginally to **1.4 per cent** (year-on-year) from 1.3 per cent in the previous month.

Food inflation, which has been the major driver of the headline inflation rate, decelerated to **0.1 per cent** (year-on-year) in June from 8.2 per cent in May. The decrease in food inflation was mainly led by the sharp decline in **vegetable prices (-12.1 per cent)** which have a large weight in the overall food basket. Within the vegetables sub-index, significant price reductions were recorded in June for tomatoes (-40.3 per cent), pumpkin (-10.0 per cent), cucumber (-11.4 per cent), christophene (-42.7 per cent) and patchoi (-10.5 per cent).

Slower price increases for **fruits (18.8 per cent** in June compared with 19.7 per cent in May), **meat (10.5 per cent** compared with 12.0 per cent) and **fish** (5.4 per cent compared with 7.6 per cent) also contributed to the lower food inflation rate. In contrast, prices gained momentum for **bread and cereals (2.3 per cent** compared with 1.7 per cent in May), **oils and fats (4.2 per cent** compared with 1.9 per cent in May) and **sugar and confectionery products (6.5 per cent** compared with 5.3 per cent in May).

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Although favourable weather conditions and an increase in acreage under cultivation are contributing to higher domestic crop yields, there are signs that high international prices are starting to influence some local food prices. The increases in the global prices of some key staples such as grain and dairy products are now being reflected in higher local prices for bread, eggs and edible oils.

Private sector credit continues to improve although not at a robust enough pace to underpin a strong economic recovery. On a year-on-year basis, **private sector credit** extended by the consolidated financial system increased by **0.9 per cent** in May 2011 following a run of twenty consecutive months of decline. **Consumer credit** rose by **4.7 per cent** in May **while real estate mortgage lending** maintained a robust growth rate, expanding by **10.1 per cent. Credit to the business sector** however, declined for the nineteenth consecutive month in May by 2.2 per cent. Business firms still appear hesitant to borrow in the wake of sluggish economic activity.

During the first six months of 2011, lower net fiscal injections along with the liquidity absorption measures adopted by the Central Bank helped to keep the level of excess liquidity in the financial system in check. Commercial banks' excess reserve balances held at the Central Bank averaged $1.3 billion in the period January – June 2011 compared with $2.0 billion in the corresponding period a year earlier. The slight tightening in liquidity led some banks to tap the inter-bank market and the 'repo' facility at the Central Bank to meet their short-term funding requirements.

The yield on **3-month treasury bills** held steady at **0.93 per cent** in July while the differential between US and TT short-term rates narrowed to **87 basis points** from 94 basis points in June as US short-term rates edged up by 3 basis points.

Short-term indicators suggest that business activity is still quite lethargic and that the pace of economic recovery continues to be weak. With underlying inflationary pressures well contained thus far, there is room for monetary policy to provide additional impetus to private sector economic activity. As a consequence, **the Bank has decided to lower the 'Repo' rate by 25 basis points to 3.00 per cent.**

The Bank will continue to keep economic and monetary conditions under close review in the coming months.

The next 'Repo' rate announcement is scheduled for August 26, 2011.

July 29, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	May 2011	June 2011	May 2011	June 2011
Headline Inflation	**(0.4)**	**0.6**	**3.9**	**0.8**
Food Prices	(1.0)	1.4	8.2	0.1
Bread and Cereals	0.6	0.4	1.7	2.3
Meat	0.4	1.2	12.0	10.5
Fish	(6.7)	(4.1)	7.6	5.4
Vegetables	(2.5)	1.3	5.4	(12.1)
Fruits	4.8	(0.7)	19.7	18.8
Milk, Cheese & Eggs	0.7	1.1	10.5	7.2
Oils and Fats	2.9	1.9	1.9	4.2
Sugar, Jam, Confectionery, etc.	(0.2)	0.2	5.3	6.5
Core Inflation	**0.0**	**0.0**	**1.3**	**1.4**
Alcoholic Beverages & Tobacco	(0.2)	(0.3)	5.8	5.4
Clothing and Footwear	0.4	(0.3)	(1.0)	(0.6)
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	1.0	1.0
Health	0.3	0.4	2.2	2.4
Of which: Medical Services	0.0	0.0	1.6	1.6
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	1.0	1.0
Of which: Rent	0.0	0.0	4.8	4.8
Home Ownership	0.0	0.0	0.7	0.7
Education	0.0	0.0	2.6	2.6
Recreation & Culture	0.0	0.0	3.4	3.4
Hotels, Cafes & Restaurants	0.0	0.0	1.9	1.9
Transport	0.0	0.0	0.0	0.0

Source: Central Statistical Office.

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Media Release

INFLATION RECORDED AT 1.4 PER CENT IN JULY: CENTRAL BANK MAINTAINS 'REPO' RATE AT 3.00 PER CENT

The latest data released by the Central Statistical Office indicate that inflation has remained well contained. On a year-on-year basis, **headline inflation measured 1.4 per cent in July 2011,** compared with 0.8 per cent in the previous month. On a monthly basis, headline inflation rose by 1.1 per cent in July, slightly faster than the 0.6 per cent rise in June.

Higher food prices were primarily responsible for the slight pick-up in headline inflation. **Food inflation measured 1.6 per cent** in July (year-on-year) compared with 0.1 per cent in June. Higher international prices of agricultural commodities such as wheat are beginning to be passed through to domestic prices. For example, the prices of **breads and cereals rose to 3.7 per cent** (12-month basis) in July from 2.3 per cent in June. There were also faster increases for **fruits** (24.6 per cent compared with 18.8 per cent) and **fish** (10.3 per cent compared with 5.4 per cent). In contrast, the price increase for **meats** slowed to 8.5 per cent from 10.5 per cent in the previous month, while **vegetable** prices continued to decline, though at a slower pace (-9.5 per cent compared with -12.1 per cent in June).

Core inflation, which excludes food prices, was unchanged in July from the previous month at **1.4 per cent** (year-on-year) as underlying demand pressures remained subdued. The **alcoholic beverages and tobacco** sub-index recorded the largest price increase of 6.1 per cent. Annual (year-on-year) price increases in most other major categories remained in the low single digits, viz.: **health** (2.1 per cent), **clothing and footwear** (1.9 per cent), **housing** (1.2 per cent) and **transportation** (0.6 per cent).

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Credit conditions have continued to improve. On a year-on-year basis, **private sector credit** granted by the consolidated financial system grew by **1.5 per cent** in June 2011 following growth of 0.9 per cent in May. The recovery in **consumer lending** appears to have gained traction, with the increase in loans outstanding to consumers rising in June to 5.4 per cent (year-on-year) — the ninth consecutive month of increase. Loans for the acquisition of new vehicles rose by 11 per cent, while consumers expanded their financing of purchases via credit cards by 9.6 per cent. In addition, growth in **real estate mortgage loans** remained relatively strong at around 10 per cent.

Meanwhile, the decline in business lending continues, albeit at a much slower pace. **Credit to businesses** by the consolidated financial system contracted by 1.5 per cent (year-on-year) in June 2011, substantially slower than the 5.7 per cent decline recorded in January and the 9.0 per cent reduction in June 2010.

Liquidity in the banking system rose during the third quarter of 2011 in line with the acceleration of the government's capital spending. In the first three weeks in August 2011, **commercial banks' excess reserves** at the Central Bank averaged $3.7 billion, up from $2.6 billion in July and an average of $1.3 billion over the period January – June 2011. In an environment of higher liquidity, banks reduced their reliance on inter-bank financing, resulting in a fall in activity in this market to a daily average of $18 million in August from $62 million in July.

The rise in liquidity contributed to a decline in the yield on **3-month treasury bills** to **0.73 per cent** in late August from 0.94 per cent at the end of July. As a result, despite US short-term rates declining to near zero, the differential between TT and US 3-month treasury bill rates narrowed to **71 basis points** in August from 88 basis points in July.

With economic activity remaining sluggish and with inflation seemingly contained, the Central Bank views the present accommodative monetary stance as still appropriate. In the current circumstances the Bank has decided to **maintain the 'repo' rate at 3.00 per cent,** which was established in July.

The Bank will continue to keep economic and monetary conditions under close review in the coming months.

The next 'repo' rate announcement is scheduled for September 30, 2011.

August 26, 2011

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	June 2011	July 2011	June 2011	July 2011
Headline Inflation	**0.6**	**1.1**	**0.8**	**1.4**
Food Prices	1.4	2.1	0.1	1.6
Bread and Cereals	0.4	1.4	2.3	3.7
Meat	1.2	0.5	10.5	8.5
Fish	(4.1)	2.7	5.4	10.3
Vegetables	1.3	5.5	(12.1)	(9.5)
Fruits	(0.7)	(5.3)	18.8	24.6
Milk, Cheese & Eggs	1.1	0.2	7.2	7.3
Oils and Fats	1.9	0.1	4.2	5.6
Sugar, Jam, Confectionery, etc.	0.2	0.1	6.5	6.0
Core Inflation	**0.0**	**0.4**	**1.4**	**1.4**
Alcoholic Beverages & Tobacco	(0.3)	0.4	5.4	6.1
Clothing and Footwear	(0.3)	1.7	(0.6)	1.9
Furnishings, Household Equipment and Routine Maintenance	0.0	0.3	1.0	0.9
Health	0.4	0.0	2.4	2.1
Of which: Medical Services	0.0	0.0	1.6	1.2
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.3	1.0	1.2
Of which: Rent	0.0	1.8	4.8	6.0
Home Ownership	0.0	0.1	0.7	0.9
Education	0.0	0.0	2.6	2.6
Recreation & Culture	0.0	(0.4)	3.4	(0.2)
Hotels, Cafes & Restaurants	0.0	0.8	1.9	2.6
Transport	0.0	0.6	0.0	0.6

Source: Central Statistical Office.

- End -

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Media Release

INFLATION SLOWS TO 0.6 PER CENT IN AUGUST: CENTRAL BANK MAINTAINS 'REPO' RATE AT 3.00 PER CENT

Recent data released by the Central Statistical Office indicate that inflationary pressures have remained subdued. **Headline inflation,** measured by the 12-month change in the Index of Retail Prices, slowed to 0.6 per cent in August 2011 from 1.4 per cent in the previous month. However, on a monthly basis, the overall price level increased by 1.4 per cent in August, slightly faster than the 1.1 per cent rise recorded in July.

Food price inflation, which exerts a strong influence on the headline inflation rate, declined by **0.3 per cent** (year-on-year) in August following an increase of 1.6 per cent in July. The decrease in food price inflation was mainly led by the fall in the price of **vegetables** (-10.9 per cent) as well as by slower price increases in the sub-indices for **meat** (7.8 per cent in August compared to 8.5 per cent in July) and **fish** (7.1 per cent compared to 10.3 per cent in July). However, the prices in some categories of the food basket gained momentum during the month. Faster year-on-year price increases were recorded for **bread and cereals** (5.3 per cent in August compared with 3.7 per cent in July) in the context of higher global wheat prices, **oil and fats** (6.5 per cent compared with 5.6 per cent), **fruits** (38.4 per cent from 24.5 per cent) and **sugar and confectionery products** (6.7 per cent from 6.0 per cent).

Core inflation, which excludes the influence of food prices, slowed to **1.2 per cent** in August from 1.4 per cent in July 2011. The slowdown in core inflation mainly reflected slightly slower price increases in the sub-indices for clothing and footwear and alcoholic beverages and tobacco.

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Credit conditions have continued to improve although activity in the non-energy sector remains subdued. In the twelve months to July 2011, private sector credit granted by the consolidated financial system expanded by 1.8 per cent following growth of 1.5 per cent in the previous month. The major impetus behind the resurgence in credit growth has come largely from the consumer and real estate mortgage lending categories. On a year-on-year basis to July, **consumer credit** grew by **4.3 per cent** following increases of 4.6 per cent and 5.4 per cent in May and June, respectively. The pace of growth in **real estate mortgage lending** has also remained quite robust at around **10 per cent** in July. Meanwhile, the rate of decline in **business lending** has moderated significantly, slowing in July to **-0.6 per cent** (the slowest year-on-year fall since November 2009) from -5.7 per cent at the beginning of the year.

Over the course of the last two months, high levels of net domestic fiscal injections associated with an acceleration in the pace of government capital spending, have contributed to a sizeable liquidity build-up in the banking system. Commercial bank excess reserves at the Central Bank, which averaged $2.6 billion in July, have jumped to an average of $4.6 billion in September. With liquidity at such a high level, there was no activity on the interbank market or repo transactions with the Central Bank in September.

In the more liquid banking environment, short-term interest rates slipped to record lows. The three-month treasury bill rate fell to 0.25 per cent in September from 0.98 per cent in June while the yield on six-month bills declined to 0.38 per cent from 1.23 per cent in May. As a consequence, the differential between US and TT 3-month treasury bill rates narrowed sharply to 23 basis points in September from 95 basis points in June.

Whereas inflationary pressures appear to be well contained for the time being, downside risks to a stronger revival of the domestic economy remain amidst rising concerns that the global recovery is faltering. The reduction in business hours for some firms in the context of the state of emergency could also have a dampening effect on activity in the non-energy sector in the final months of 2011.

Against this background, the Bank views the present accommodative monetary stance to be appropriate and has decided to maintain the 'Repo' rate at 3.00 per cent.

The Bank will continue to keep economic and monetary conditions under close review in the coming months.

The next 'Repo' rate announcement is scheduled for October 28, 2011.

September 30, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	July 2011	August 2011	July 2011	August 2011
Headline Inflation	**1.1**	**1.4**	**1.4**	**0.6**
Food Prices	2.1	3.4	1.6	(0.3)
Bread and Cereals	1.4	0.9	3.7	5.3
Meat	0.5	(0.4)	8.5	7.8
Fish	2.7	3.2	10.3	7.1
Vegetables	5.5	2.6	(9.5)	(10.9)
Fruits	(5.3)	15.5	24.5	38.4
Milk, Cheese & Eggs	0.2	0.8	7.3	7.5
Oils and Fats	0.1	0.8	5.6	6.5
Sugar, Jam, Confectionery, etc.	0.1	0.3	6.0	6.7
Core Inflation	**0.4**	**0.0**	**1.4**	**1.2**
Alcoholic Beverages & Tobacco	0.4	0.1	6.1	6.0
Clothing and Footwear	1.7	(0.4)	1.9	1.7
Furnishings, Household Equipment and Routine Maintenance	0.3	0.0	0.9	0.9
Health	0.0	0.0	2.1	2.0
Of which: Medical Services	0.0	0.0	1.2	1.2
Housing, Water, Electricity, Gas & Other Fuels	0.3	0.0	1.2	1.2
Of which: Rent	1.8	0.0	6.0	6.0
Home Ownership	0.1	0.0	0.9	0.9
Education	0.0	0.0	2.6	2.6
Recreation & Culture	(0.4)	0.0	(0.2)	(0.2)
Hotels, Cafes & Restaurants	0.8	0.0	2.6	2.6
Transport	0.6	0.0	0.6	0.6

Source: Central Statistical Office.

- End -

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Media Release

INFLATION RISES TO 2.5 PER CENT: CENTRAL BANK MAINTAINS 'REPO' RATE AT 3.00 PER CENT

Recent data released by the Central Statistical Office indicate that there was a slight pick-up in domestic inflation in September. **Headline Inflation,** measured by the 12-month increase in the Index of Retail Prices, rose to 2.5 per cent in September 2011 after having slowed to an historic low of 0.6 per cent in August 2011. On a monthly basis, headline inflation increased by 1.3 per cent in September following an increase of 1.4 per cent in August.

The increase in food prices was largely responsible for the pick-up in the headline inflation rate. On a year-on-year basis to September, **food inflation** rose by 4.3 per cent after declining by 0.3 per cent in August. Higher international prices may have begun to impact several categories of the domestic food basket. Faster year-on-year price increases were recorded for **bread and cereals (6.2 per cent** in September from 5.3 per cent in August), **milk, cheese and eggs (8.4 per cent** from 7.5 per cent in August), **oils and fats (8.8 per cent** from 6.5 per cent) and **sugar and confectionery** products **(8.2 per cent** from 6.7 per cent). The fruits sub-index, which had been increasing at a strong pace for some time now, also accelerated to **39.2 per cent** (year-on-year) in September from 38.4 per cent in the previous month. In contrast, prices slowed for **meat** (7.6 per cent) and **fish** (5.4 per cent) and declined for **vegetables** (-7.5 per cent).

Core inflation, which excludes the influence of food prices, edged up to 1.3 per cent in September from 1.2 per cent in August 2011. The sub-indices for **alcoholic beverages and tobacco** and **clothing and footwear** posted faster year-on-year increases of 6.2 per cent and 3.0 per cent, respectively.

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Credit conditions have continued to improve steadily although economic activity particularly in the non-energy sector is still quite lethargic. On a year-on-year basis to August, private sector credit extended by the consolidated financial system rose for the fourth consecutive month by 1.0 per cent, albeit at a slightly slower pace than in July. Among the major categories of lending, **consumer lending** rose by **4.2 per cent** in August while **real estate mortgage lending** maintained a robust growth momentum of **9.6 per cent.** Meanwhile, the level of business lending remained unchanged in August from a year ago, suggesting that the sharp rate of decline in business loans experienced for the past several months might finally be bottoming out.

As the pace of Government's capital spending gathered momentum, substantial net fiscal injections during the last two months of fiscal year 2010/2011 resulted in an unprecedented build-up of financial system liquidity. Commercial banks' excess reserves, which averaged TT$1.7 billion in June, reached an average of TT$4.5 billion in the first three weeks of October. Given the sharp build up in liquidity, there was no activity on the inter-bank market nor were there repo transactions with the Central Bank.

In the face of significant excess liquidity, short-term interest rates have declined with the three-month treasury bill rate falling to 0.25 per cent in October from 0.73 per cent in July. The differential between the TT and US 3-month treasury bill rates also narrowed to 0.23 basis points in October from 71 basis points in August.

With inflationary pressures remaining well contained so far and credit conditions improving, the Bank views the present accommodative stance to be appropriate and has decided to maintain the 'Repo' rate at 3.00 per cent.

The Bank will continue to keep economic and monetary conditions under close review in the coming months.

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

October 28, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	August 2011	September 2011	August 2011	September 2011
Headline Inflation	**1.4**	**1.3**	**0.6**	**2.5**
Food Prices	3.4	3.0	(0.3)	4.3
Bread and Cereals	0.9	0.5	5.3	6.2
Meat	(0.4)	0.6	7.8	7.6
Fish	3.2	0.2	7.1	5.4
Vegetables	2.6	0.1	(10.9)	(7.5)
Fruits	15.5	4.0	38.4	39.2
Milk, Cheese & Eggs	0.8	1.0	7.5	8.4
Oils and Fats	0.8	1.6	6.5	8.8
Sugar, Jam, Confectionery, etc.	0.3	1.2	6.7	8.2
Core Inflation	**0.0**	**0.1**	**1.2**	**1.3**
Alcoholic Beverages & Tobacco	0.1	0.2	6.0	6.2
Clothing and Footwear	(0.4)	1.7	1.7	3.0
Furnishings, Household Equipment and Routine Maintenance	0.0	0.0	0.9	0.9
Health	0.0	0.0	2.0	1.7
Of which: Medical Services	0.0	0.0	1.2	1.2
Housing, Water, Electricity, Gas & Other Fuels	0.0	0.0	1.2	1.2
Of which: Rent	0.0	0.0	6.0	6.0
Home Ownership	0.0	0.0	0.9	0.9
Education	0.0	0.0	2.6	2.6
Recreation & Culture	0.0	0.0	(0.2)	(0.2)
Hotels, Cafes & Restaurants	0.0	0.0	2.6	2.6
Transport	0.0	0.0	0.6	0.6

Source: Central Statistical Office.

- End -

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Media Release

INFLATION RISES TO 3.7 PER CENT IN OCTOBER: CENTRAL BANK MAINTAINS REPO RATE AT 3.00 PER CENT

The latest data released by the Central Statistical Office indicate that inflation continued on an upward trend in October 2011. **Headline inflation**, measured by the 12-month increase in the Index of Retail Prices, rose to **3.7 per cent** in October from 2.5 per cent in September.

The main impetus to the pick-up in the headline inflation rate has come from **food prices**, which increased to **6.9 per cent** (year-on-year) in October, up from 4.3 per cent in the previous month. Poor weather conditions and accompanying floods have disrupted food supply in some agricultural districts and, together with higher international prices, have begun to impact domestic food inflation. The **price of vegetables,** which had been declining for the past four months, rose on a twelve-month basis to **3.7 per cent** in October while **fruit prices** maintained a robust pace of increase, rising by **34.1 per cent** in the twelve months to October.

Faster year-on-year price increases were also recorded for **bread and cereals** (6.7 per cent in October compared with 6.2 per cent in September), **oils and fats** (9.8 per cent in October compared with 8.8 per cent in September) and **sugar and confectionery products** (8.9 per cent in October compared with 8.2 per cent in September). In contrast, lower price increases were recorded for **meat, fish and milk, cheese and eggs.**

Core inflation, which excludes the impact of food prices, inched up to **1.6 per cent** (year-on-year) in October from 1.3 per cent in the previous month. The slight upward movement in the core rate came mainly from price increases in the sub-indices for **housing** (2.5 per cent), **hotels, cafes and restaurants** (3.0 per cent) and **household furnishings** (1.6 per cent).

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The lack of buoyancy in economic activity has continued to hinder credit growth, especially to the business sector. On a year-on-year basis, **private sector credit** granted by the consolidated financial system rose by **0.1 per cent** in September compared with 1.0 per cent in August. Of the three major categories of private sector credit, **consumer credit** slowed to 3.9 per cent (year-on-year) in September from 4.2 per cent in August while **real estate lending** maintained a robust growth rate of **9.8 per cent.** Meanwhile, **business lending** resumed the downward trend in September, falling by **1.4 per cent** (year-on-year) after a brief hiatus in August when it had remained relatively flat. A more detailed examination of the sectoral distribution of bank credit to the business sector revealed that loans to the **distribution** and **other services** sub-groups declined by **4.8 per cent** and **10.6 per cent,** respectively in September. **Business lending** to the manufacturing sector was however up by **18 per cent** in the twelve months to September.

High net fiscal injections along with relatively slack credit demand, particularly by business firms, kept liquidity levels in the financial system quite buoyant. **Commercial banks' excess balances** at the Central Bank climbed to an average of **TT$5.5** billion during the first three weeks of November from an average of TT$4.6 billion in August. The recent issue of a TT$1.5 billon Government bond, which was heavily oversubscribed, has however helped to withdraw some of this excess liquidity from the system. As at November 22 (the settlement date for the bond), commercial banks' excess reserve balances at the Central Bank have declined to TT$4.3 billion.

The significant build-up in excess reserve balances has kept **short-term interest rates** at **record lows** with the three and six-month treasury bill yields declining to 0.22 per cent and 0.32 per cent, respectively in November from 0.25 per cent and 0.38 per cent in September. The **differential between the TT and US 3-month treasury bill rates** also narrowed sharply to **20 basis points** in November from 71 basis points in August.

While inflationary pressures remain well contained for the time being, heightened uncertainty in the global environment and weak business confidence at home continue to retard a stronger recovery in economic activity. In the context of a still sluggish economy, the Central Bank views its present accommodative monetary stance as appropriate and has decided to maintain the 'Repo' rate at 3.00 per cent.

The Bank will continue to keep economic and monetary conditions under close review in the coming months.

The next 'Repo' rate announcement is scheduled for December 30, 2011.

November 25, 2011.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Per Cent Change/

	Monthly		Year-on-Year	
	September 2011	October 2011	September 2011	October 2011
Headline Inflation	**1.3**	**(0.1)**	**2.5**	**3.7**
Food Prices	3.0	(1.1)	4.3	6.9
Bread and Cereals	0.5	0.7	6.2	6.7
Meat	0.6	0.0	7.6	5.2
Fish	0.2	(0.1)	5.4	4.3
Vegetables	0.1	3.2	(7.5)	3.7
Fruits	15.5	4.0	38.4	39.2
Milk, Cheese & Eggs	0.1	3.2	(7.5)	3.7
Oils and Fats	1.6	0.9	8.8	9.8
Sugar, Jam, Confectionery, etc.	1.2	0.9	8.2	8.9
Core Inflation	**0.1**	**0.6**	**1.3**	**1.6**
Alcoholic Beverages & Tobacco	0.2	0.2	6.2	4.6
Clothing and Footwear	1.7	(0.8)	3.0	1.9
Furnishings, Household Equipment and Routine Maintenance	0.0	1.0	0.9	1.6
Health	0.0	(0.1)	1.7	1.2
Of which: Medical Services	0.0	0.0	1.2	1.0
Housing, Water, Electricity, Gas & Other Fuels	0.0	1.7	1.2	2.5
Of which: Rent	0.0	3.6	6.0	9.4
Home Ownership	0.0	2.0	0.9	2.3
Education	0.0	(0.2)	2.6	1.7
Recreation & Culture	0.0	(0.2)	(0.2)	(0.6)
Hotels, Cafes & Restaurants	0.0	0.3	2.6	3.0
Transport	0.0	0.0	0.6	0.6

Source: Central Statistical Office.

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Appendices:

Media Release on the Mortgage Market Reference Rate

1 **Media Release dated December 01, 2011- Central Bank Introduces Mortgage Market Reference Rate (MMRR) for December 2011 at 3.50 per cent**

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Media Release

CENTRAL BANK INTRODUCES MORTGAGE MARKET REFERENCE RATE (MMRR) FOR DECEMBER 2011 AT 3.50 PER CENT

In order to improve transparency and disclosure, the Central Bank of Trinidad and Tobago in consultation with the Bankers' Association of Trinidad and Tobago (BATT) introduced, on September 14, 2011, a set of new rules for residential mortgages. These rules take the form of a **Residential Real Estate Mortgage Market Guideline**[1] which is applicable, in the first instance, to all commercial banks and their affiliated non-bank financial institutions that grant residential mortgages.

One key feature of the Guideline is the new **Mortgage Market Reference Rate (MMRR),** which is an interest rate benchmark against which all residential mortgage rates are to be priced and re-priced. This MMRR is computed by the Central Bank using information on commercial banks' funding costs and yields on applicable treasury bonds. It will be published on a quarterly basis, on the first business day in the months of March, June, September and December.

Since the information on banks' funding costs and treasury yields are captured with a lag, the MMRR that goes into effect on December 1 will reflect data for the quarter ending September while that announced on March 1 2012 will be based on data for the quarter ending December 2011. The same principle will apply for the MMRRs that are announced in June and September.

The public is asked to note that the **MMRR for December 2011 which is based on data for the quarter ending September 2011 is 3.50 per cent.** This rate is applicable to all new residential mortgages granted between December 1, 2011 and February 28, 2012.

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Customers are reminded that the MMRR is not the mortgage rate that will be charged by the commercial bank. The mortgage rate will be based on the MMRR plus a margin which will be negotiated between the commercial bank and the customer. The margin will take into account the customer's credit rating, the location of the property, the size of the down-payment and the size and quantity of collateral.

The next MMRR announcement is scheduled for March 1, 2012.

December 01, 2011.

- End -

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