



CENTRAL BANK OF
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Media Release

INFLATION RISES TO 5.7 PER CENT IN NOVEMBER: CENTRAL BANK MAINTAINS REPO RATE AT 3.00 PER CENT

The latest data released by the Central Statistical Office show that inflation continued to creep up in November. **Headline inflation, measured by the 12 month increase in the Index of Retail Prices rose to 5.7 per cent in November**, up from 3.7 per cent in the previous month. On a monthly basis the general price level rose by 1.2 per cent in November, following a decline of 0.1 per cent in October.

The increase in the headline inflation rate was mainly attributable to higher food prices. For the first time in six months year-on-year food inflation reached double digits—12.3 per cent in November. This increase may have been the result of the flooding of some agricultural areas in late October and early November which impacted local supply and prices of fruits and vegetables. For the year to November, fruit prices increased by 51.9 per cent, compared with 34.1 per cent in October, while prices of vegetables rose by 8.1 per cent compared with 3.7 per cent in October. Retail prices for several other categories of food items likewise increased on a 12 month basis to November. Prices of oils and fats rose by 14.9 per cent, meats by 7.7 per cent, fish by 6.7 per cent, and milk, cheese and eggs by 8.3 per cent.

Core inflation, which excludes the impact of food prices, has been relatively well contained for most of 2011, indicative of the overall sluggish demand conditions in the economy. In November, core inflation slowed to 1.4 per cent on a year-on-year basis from 1.6 per cent in October. While most sub categories remained unchanged, prices decelerated for alcoholic beverages and tobacco (0.8 per cent compared with 4.6 per cent in October), health (0.5 per cent compared with 1.2 per cent) and recreation and culture (0.5 per cent compared with 0.6 per cent). The sole sub category to register an increase was clothing and footwear where prices rose by 2.4 per cent in the year to November compared with 1.9 per cent in October.

There are encouraging signs that private sector credit expansion is continuing to stage a slow recovery. On a year-on-year basis to October 2011, private sector credit extended by the consolidated financial system grew by 1.4 per cent following an increase of 0.1 per cent in September. While consumer and real estate mortgage lending continue to grow, business lending also registered growth for the first time in 23 months. Lending to consumers rose by 3.7 per cent (year-on-year) in October, slightly lower than the 4.0 per cent averaged in August and September. Real estate mortgage lending remains a strong loan category, rising by 8.9 per cent in October. Meanwhile, loans to businesses grew by 1.6 per cent—the first increase since October 2009—as commercial banks expanded their lending to private companies.

The domestic financial system remained very liquid at the end of the year. Commercial banks' excess balances at the Central Bank averaged just over TT\$5.2 billion in November, rising close to TT\$6 billion by the last week in December. A pickup in government expenditure in the first quarter of its fiscal year 2011/2012, financed by a drawdown in government deposits at the Central Bank, has contributed to the build-up of financial system liquidity. Given the extent of liquid resources available, commercial banks did not need to access the inter-bank market nor the Central Bank's repo facility.

The accumulation of excess liquid balances in the financial system has served to keep short-term interest rates at record lows with the three-month treasury bill rate reaching 0.28 per cent in late December, slightly higher than the 0.23 per cent in November. The rate on US 91-day treasury bills also ended the year at a low of 0.03 per cent, resulting in a marginal widening of the spread between the TT and US 3-month treasury bill rates to 0.25 per cent from 0.20 per cent a month earlier.

While there are signs that credit demand may be increasing, the basis for a sustained economic recovery is still to be established. In the current circumstances, **the Bank 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.

The next 'repo' rate announcement is scheduled for January 27, 2012.

December 30, 2011

APPENDIX

MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES /Percentage Change/

	Monthly		Year-on-Year	
	October 2011	November 2011	October 2011	November 2011
Headline Inflation	(0.1)	1.2	3.7	5.7
Food Prices	(1.1)	3.0	6.9	12.3
Bread and Cereals	0.7	(0.4)	6.7	6.7
Meat	0.0	0.4	5.2	7.7
Fish	(0.1)	3.1	4.3	6.7
Vegetables	3.2	5.0	3.7	8.1
Fruits	(8.4)	4.8	34.1	51.9
Milk, Cheese & Eggs	(0.6)	1.0	7.4	8.3
Oils and Fats	0.9	4.7	9.8	14.9
Sugar, Jam, Confectionery, etc.	0.9	(0.1)	8.9	8.8
Core Inflation	0.6	(0.0)	1.6	1.4
Alcoholic Beverages & Tobacco	0.2	(0.2)	4.6	0.8
Clothing and Footwear	(0.8)	0.3	1.9	2.4
Furnishings, Household Equipment and Routine Maintenance	1.0	0.0	1.6	1.6
Health	(0.1)	(0.7)	1.2	0.5
<i>Of which:</i> Medical Services	0.0	0.0	1.0	1.0
Housing, Water, Electricity, Gas & Other Fuels	1.7	0.0	2.5	2.5
<i>Of which:</i> Rent	3.6	0.0	9.4	9.4
Home Ownership	2.0	0.0	2.3	2.3
Education	(0.2)	0.0	1.7	1.7
Recreation & Culture	(0.2)	0.1	(0.6)	(0.5)
Hotels, Cafes & Restaurants	0.3	0.0	3.0	3.0
Transport	0.0	0.0	0.6	0.6

Source: Central Statistical Office.