HIGHLIGHTS

Central Bank of Trinidad and Tobago
Monetary Policy Report, May 2023

Central Bank of Trinidad & Tobago

In Summary:

- Since the November 2022 Monetary Policy Report, monetary tightening in several economies dampened the global economic outlook.
- Geopolitical tensions, along with persistent inflation, pose challenges in Advanced Economies.
- Domestically, there was an increase in energy output in the fourth quarter of 2022, while the non-energy sector displayed some sluggishness. Available data in the first quarter of 2023 suggest that overall energy production was fairly steady.
- Headline inflation decelerated due to slower growth in food and core inflation.
- Local financial conditions remained stable. Ample financial system liquidity underpinned expansions in private sector credit.
- Monetary policy continued to balance considerations of inflation alongside domestic and external factors. The Central Bank, in its latest Monetary Policy Committee (MPC) meeting, kept the Repo rate steady while adjusting its open market operations to deal more flexibly with changing liquidity conditions.

THE INTERNATIONAL ECONOMIC CONTEXT

Slower global growth is forecasted in 2023 (2.8%) **due to heightened global financial stability risks**, according to the International Monetary Fund's April 2023 World Economic Outlook and Global Financial Stability Report.

Global monetary and financial conditions tightened due to efforts to tame high inflation. Policy rate hikes raised **financial stability concerns**.

Crude oil prices dropped due to inventory increases and recession fears.

In **Latin America and the Caribbean inflation remained elevated** and **real GDP growth was mixed** over Q4 2022 to Q1 2023.

DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS

Energy sector output increased in Q4 2022, while **non-energy sector output displayed some sluggishness.** Data for Q1 2023 suggest **energy sector activity** was fairly **steady**.

Inflation decelerated in early 2023, owing to easing external and domestic pressures.

Export earnings fell, 6.5% (year-on-year), owing to lower energy exports.

Improved consumer and **business demand** boosted spending and credit.

Foreign exchange market conditions remained tight, due to less conversions by energy companies.

Primary Government bond market activity slowed over late 2022 and early 2023. In contrast, **secondary Government bond market activity picked up** over Q1 2023.

MONETARY POLICY CONSIDERATIONS

Inflation slowed to **6.0%** (y-o-y) in April 2023.

The 3-mth TT-US treasury differential widened to **-476 bps** in May 2023.

Private sector credit expanded by **6.4%** (y-o-y) in March 2023.

Excess reserves averaged **$6.3 bn** daily by May 2023.

Natural gas and crude oil production declined (**0.4%** and **6.0%,** respectively).

Repo rate was maintained at **3.50%**