



CENTRAL BANK OF
TRINIDAD & TOBAGO

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MONETARY POLICY ANNOUNCEMENT

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CENTRAL BANK MAINTAINS REPO RATE AT 3.50 PER CENT

Global economic conditions remain relatively stable. According to the International Monetary Fund, world growth for 2024 is forecast at 3.2 percent, unchanged from the 2023 estimate. Most central banks have either held their policy rates stable or lowered their rates as inflation pressures have eased. In June 2024, the United States (US) Federal Reserve (Fed) maintained its federal funds target range of 5.25 per cent to 5.50 per cent, while the European Central Bank cut its policy rate by 25 basis points to 4.25 per cent after a nine-month pause. At the same time, the long period of high interest rates has contributed to a meaningful increase in debt service obligations in many countries.

In Trinidad and Tobago, the latest data from the Central Statistical Office (CSO) showed that headline inflation rose to 0.9 per cent (year-on-year) in May 2024 from 0.5 per cent one month earlier. With core inflation (which excludes food prices) unchanged at 0.3 per cent, higher food prices were primarily responsible for the upward drift of inflation. Food inflation accelerated to 3.1 per cent in May compared with 1.1 per cent in April 2024 on account of price increases for several locally produced and imported food items.

CSO data also showed a year-on-year decline in real GDP of 2.3 per cent during the third quarter of 2023, with contraction in the energy sector (-10.3 per cent) offsetting the positive performance of the non-energy sector (1.3 per cent). Production indicators monitored by the Central Bank during the fourth quarter of 2023 and into the first three months of 2024, such as local sales of cement and new motor vehicle sales, point to vibrancy in some non-energy sectors. Meanwhile, data from the Ministry of Energy and Energy Industries indicate that output of crude oil and natural gas from the mature fields continued to slip over this period.

Financial sector liquidity remained ample during the second quarter of 2024, in the face of an increase in domestic financing by the Government. Commercial banks' excess reserves at the Central Bank averaged \$4.2 billion in the first half of June 2024, marginally lower than in May 2024 (\$4.3 billion). There was nonetheless some skewness in the liquidity positions of banks, leading some institutions to temporarily borrow on the interbank market. Private sector credit performed favourably, growing by 6.7 per cent (year-on-year) in April 2024 compared with 7.9 per cent in January 2024. Led by robust lending for motor vehicles, the growth in consumer loans (10.2 per cent) surpassed the expansion in business lending (9.5 per cent).

Interest rates on 3-month treasuries in Trinidad and Tobago (TT) continued to trend upwards, rising by 27 basis points since February 2024. Meanwhile, the corresponding 3-month rate on US treasuries has been relatively stable over the same period. In this regard, the TT-US interest differential on 3-month treasuries moved to -406 basis points in May 2024 from -432 basis points in February 2024.

In its assessment of external economic conditions, the Monetary Policy Committee (MPC) took note of the relative steadiness of global inflation, the likely easing of monetary policy rates, and the geopolitical uncertainties that are clouding the international growth outlook. Domestically, the low level of inflation and buoyancy of credit were supportive of the ongoing economic recovery, although the negative interest rate differential warranted close monitoring given its potential impact on the country's external balance.

Taking all these factors into account, **the MPC agreed to maintain the repo rate at 3.50 per cent.** The Central Bank will continue to carefully examine and analyse international and domestic developments and prospects.

The next Monetary Policy Announcement is scheduled for September 27, 2024.

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