CENTRAL BANK OF
TRINIDAD & TOBAGO

Monetary Policy Report

October 2007

Volume VII Number 2

MONETARY POLICY REPORT

OCTOBER 2007

VOLUME VII NUMBER 2

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 recent monetary policy actions support this objective, in light of recent economic developments.

MONETARY POLICY REPORT

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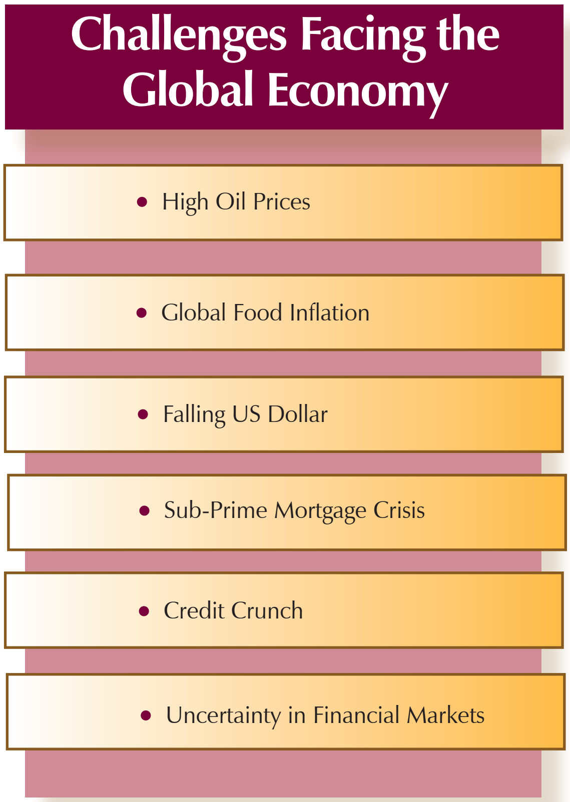
Chart 1



Overview and Inflation Outlook

This end of year edition of the Central Bank's Monetary Policy Report sees the international economy facing a number of serious challenges triggered by a seemingly uncontrollable rise in commodity prices, de-stabilizing currency movements and the growing impact of a world-wide credit squeeze resulting from the sub-prime mortgage crisis that began in the United States.

- Since late September, **oil prices** have been hovering at just under US$100 per barrel, a high considered to be unattainable just 2 ½ years ago when oil prices topped the US$50 per barrel mark.

- The last six months have also seen an **unprecedented increase in food prices** (mainly wheat, corn, vegetable oils, dairy), resulting from poor weather conditions in the major producing countries, strong demand from China and the diversion of supplies to bio-fuels.

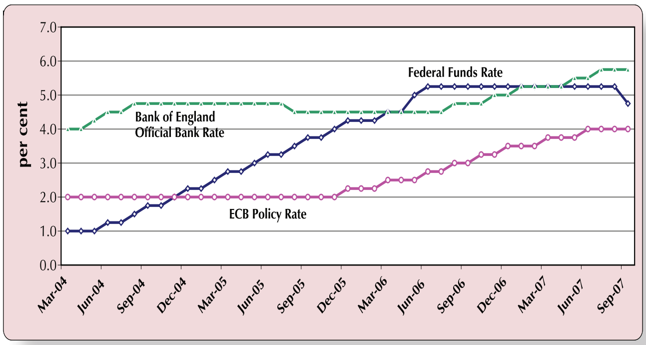
- The **US dollar** has fallen to record lows against the pound sterling, the euro and the Canadian dollar.

- With the dollar and oil prices pushing to opposite extremes, the price of **gold**, the traditional refuge in times of financial turmoil, has risen to US$831 an ounce, its highest level since 1980.

- Even after significant write-downs by major financial institutions and a wave of credit-rating downgrades on mortgage securities, **financial markets** continue to be nervous about the extent of additional losses arising from the sub-prime mortgage crisis.

- With the credit crunch looming as a major brake to economic growth and with the threat of rising inflation once more on the agenda, the world's major central banks are facing a **serious policy dilemma** (Chart 1).

Chart 2
Federal Funds Rate, ECB Policy Rate and Bank of England Official Bank Rate

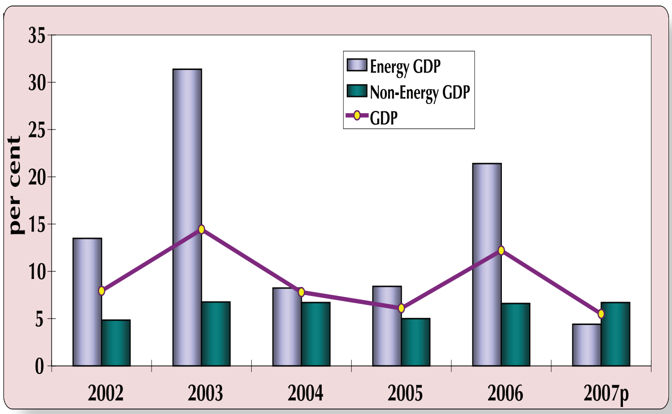


In the US, for instance, while economic growth in the third-quarter was strong, the Federal Reserve identified as major risks to growth for the remainder of the year and next year, the record high oil prices, the disruptions in financial markets and the continuing weaknesses in asset prices, especially housing prices. However, with inflationary pressures seemingly subdued, on October 30, **the Federal Reserve cut its policy interest rate by a quarter point to 4.5 per cent.** This followed a cut of one-half per cent in September. The Fed cautioned, however, that with inflation remaining a potential threat because of high oil prices, further interest rate cuts may not be forthcoming (Chart 2).

In the United Kingdom, where the sub-prime mortgage crisis has had a significant impact, there are even clearer signs that tighter credit conditions and the strengthening of the pound sterling are taking a toll on the economy. However, the Bank of England's inflation target of 2 per cent has also been overshot, in part because of high oil prices. On November 8, the Bank of England addressed the policy challenge by maintaining the policy interest rate unchanged at 5.75 per cent.

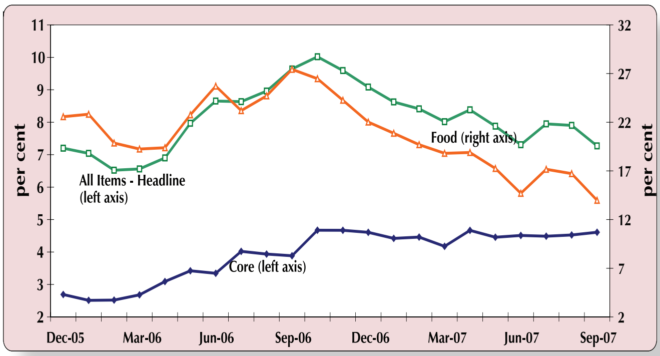
The **Eurozone** faces the same policy dilemma. Inflation has accelerated to its fastest rate in more than two years (2.6 per cent compared with the target rate of 2 per cent). However, the stronger euro and the higher cost of borrowing also seem to be slowing economic growth. Accordingly, on November 10, the European Central Bank (ECB) left its policy interest rate unchanged at 5.75 per cent for the fifth month in a row.

Chart 3
Real GDP Growth : 2002-2007



These international developments have also had a far-reaching impact on the **Trinidad and Tobago economy.** The record rise in international energy prices has boosted foreign exchange receipts and government revenues. In the absence of a financing constraint, buoyant public spending, reflecting in part, sizeable wage increases in the public sector, have continued to boost domestic demand fuelling strong growth in non-energy GDP. With an expected slowdown in GDP growth in the energy sector (following the surge in 2006, related to the coming on stream of new productive capacity), **real GDP growth** in 2007 is likely to be around 5.5-6 per cent, which is about half the growth rate of last year (Chart 3).

Chart 4
Index of Retail Prices
Year-on-Year per cent change



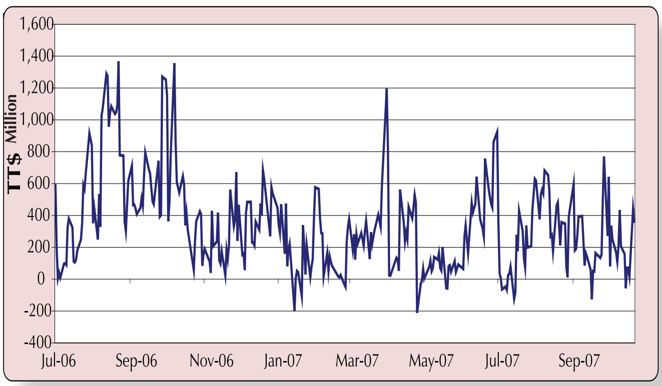
Against tight capacity constraints, the rapid rate of economic growth has continued to exert upward pressures on domestic prices. Over the last six months, these pressures were further exacerbated by the surge in import prices (particularly food) and the devaluation of the TT dollar against non-US currencies.

It is to be noted, however, that with the aid of bold policy initiatives on both the demand and the supply side, **much progress has been made on the inflation front over the past nine months.**

After a steady increase during 2005, **headline inflation** peaked at 10 per cent in October 2006, led by a steady rise in food prices, which reached 26 per cent (on a 12-month basis). **Core inflation**, which excludes the impact of food prices, measured 4.7 per cent as at October 2006, compared with 2.7 per cent as at end- 2005. Since that time, headline inflation has fallen to 7.3 per cent as at end-September 2007 as the 12-month increase in food prices fell to 14 per cent; core inflation has, however, remained stuck at 4.6 per cent (Chart 4).

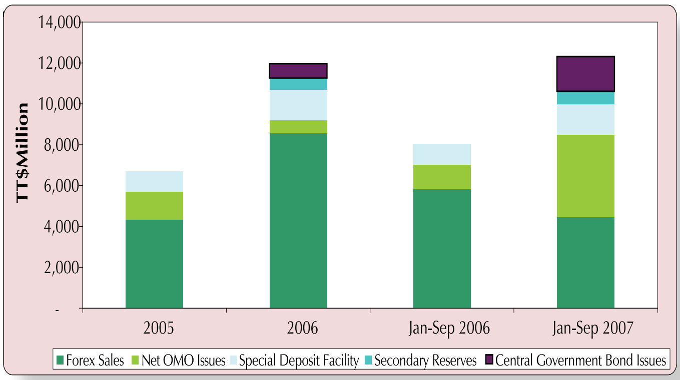
The existence of a structural liquidity overhang has always presented challenges for inflation control in Trinidad and Tobago. Since 2005, the rapid rate of economic growth, as well as strong credit expansion has increased bank liquidity to unprecedented levels (Chart 5). Against this background, the reduction in inflation over the past nine months has been partly due to an aggressive programme of liquidity absorption as well as the implementation of a number of supply-side initiatives which have resulted in a lowering of domestic agricultural prices.

Chart 5
Excess Reserves



Since October 2006, in addition to regular open market operations utilizing short-term bills and notes, the Central Bank has sought to increase liquidity absorption through the issue of special long- term government bonds, the proceeds of which have been sterilized in the Bank. Over the past 6 months, an amount of $2.4 billion in special liquidity bonds have been issued, in maturities ranging from five to eight years.

Chart 6
Liquidity Absorption



These liquidity absorption measures have been supported by the re-introduction of a supplementary reserve requirement on commercial banks and by occasional recourse to a compulsory deposit scheme for commercial banks. In addition, the Central Bank has increased foreign exchange sales to absorb liquidity. During FY 2007, these sales amounted to US$ 1.2 billion at around the same level as the previous fiscal year (Chart 6).

Reflecting the impact of these measures, average excess liquidity in the banking system during FY 2007 was 41 per cent lower than in the previous year. The reduction in liquidity also prompted an increase in inter-bank lending activity and in commercial banks' recourse to the Central Bank's Repo market.

The presence of a large liquidity overhang has traditionally worked to frustrate the transmission of "Repo" rate signals to commercial bank interest rates. Thus, with the Bank concentrating on liquidity absorption, the "Repo" rate was left unchanged at 8 per cent. Liquidity absorption, however, resulted in an increase in short-term interest rates from 6.72 per cent in October 2006 to 7.00 per cent in October 2007. Commercial bank lending rates also rose from 9.9 per cent in September 2006 to 10.4 per cent in September 2007.

The slowdown in the growth of food prices is mainly attributable to the establishment of more orderly marketing arrangements for domestic agricultural products and the selective use of subsidies on a few major products through the National Flour Mills Limited (NFM). In respect of the former, the Government established a number of farmers' markets to create a more direct link between producers and consumers. This had the impact of placing downward pressure on competing items sold in supermarkets. Increased dissemination of information on agricultural prices by the Ministry of Legal and Consumer Affairs and the National Agricultural Marketing Development Company (NAMDEVCO) also served to produce more competitive markets and to encourage comparison shopping. The removal of the common external tariff (and VAT) on selected food items also led to a fall in prices on a range of basic food items (Chart 7). Increased imports from Costa Rica under

Chart 7

Suspension of the Common External Tariff (CET) on Selected Food Items (2007)

Commodity	
Milk and Cream not containing added sugar or other sweetening material e.g. evaporated milk, full cream milk	Other vegetables and mixtures of vegetables, frozen
Grated or powdered cheese, of all kinds	Other vegetables, prepared or preserved otherwise than by vinegar or acetic acid, not frozen, prepared for infant use
Blue veined cheese and other cheese containing veins	Cod
Maté	Herring
Fresh butter	Sardines
Jams, fruit jellies, marmalade, fruit or nut puree and fruit or nut pastes	Tuna
Sago	Skipjack and bonito
Dried grapes	Mackerel
Dried prunes	Canned corned beef
Raisin bran	Pickled pig tails
Frozen french fries	Other meat of swine, salted or in brine
Other grape juice of a Brix value not exceeding 30, in packages	Active yeasts
Green tea (not fermented) in immediate packings of a content not exceeding 3 kgs	Homogenized composite food preparations for infant use
Other green tea (not fermented)	Food preparations not elsewhere specified or included for infant use
Black tea (fermented) and partly fermented	Refined maize (corn) oil

Source: Minstry of Legal Affairs, Consumer Affairs Division.
Notes: The 40% surcharge on chicken was removed in December 2006.
Suspensions enacted via legal notice #20 & #106 of 2007.

the CARICOM-Costa Rica agreement have also boosted local supply and contributed to a moderation in price increases in selected food items (vegetables and rootcrops).

The Inflation Outlook for 2008

Inflation control is now on the agenda of an increasing number of developed and developing countries in part because of international developments. In Trinidad and Tobago, the urgent imperative is to continue the inflation reduction momentum of the last several months. But several challenges persist.

In addition to international price trends, it is clear from the continuing rigidity of core inflation that underlying demand pressures are still very strong. Moreover, it appears that the recent reduction in inflation has not dampened inflationary expectations which remain quite strong. Further, capacity constraints are becoming more evident as regards employment and in the non-tradeable sector. Relieving these constraints could only be achieved over time.

Analysts are uncertain about the prospects for international oil and food prices and the likely course of the US dollar. A pronounced slowdown in economic growth in the US, Europe and China could dampen further increases in oil and food prices in 2008. As for currency movements, while a meaningful correction of the US dollar vis-a-vis other major currencies will depend on the reduction of fiscal and external imbalances in the US, the reduction in uncertainties related to the sub-prime mortgage crisis and the transition to a higher interest rate environment in the US could reverse some of the currency depreciation that has taken place recently.

In the final analysis, the evolution of inflation in Trinidad and Tobago will depend more critically on the stance of domestic policies. The budget for FY 2008 plans for a moderate decline in the non-energy fiscal deficit. While the calculations are still preliminary, it is possible that some recent increases in public sector wages (and other unexpected expenditure commitments, for example, the oil subsidy) were larger than envisaged in the budget. Thus

Chart 8

Key Measures for Inflation Control in the Domestic Economy

- Continued tight monetary policy
- Greater fiscal restraint
- Increased agricultural supply

even to attain the budgeted non-energy fiscal deficit, and in the absence of expenditure shortfalls, some expenditure cuts will be necessary. More fundamentally, however, with external inflationary influences not being very favourable, this may be an appropriate time to review and re-phase spending commitments in order to reduce the public sector's contribution to demand pressures and inflation.

Wage policies also have a role to play if inflation is to be reduced on a sustainable basis. In many cases, recent wage increases in the public sector as well as the latest increase in the minimum wage were to catch up for lagging public sector wages. There is always the risk, however, that wages in the private sector may respond in order to maintain differentials. In the absence of productivity gains, this situation would not only put upward pressure on prices, but would also impact on export competitiveness.

The Central Bank would continue to maintain a tight monetary policy to support fiscal restraint. Even though the proceeds have to be sterilized, the law requires that the issuance of the liquidity bonds count against the legal debt ceilings, which have almost been reached. Pending the increase in the ceilings, the Central Bank will need to utilize alternative mechanisms for liquidity absorption.

Expansion in agricultural supply will be critical to the trend in food prices and inflation. Until now, the establishment of more competitive markets and the cuts in import duties and value added taxes have paid handsome dividends by way of a reduction in food price inflation. The extent of additional gains from these initiatives will become more limited over time. While an increase in food subsidies could help in the short term (although this will impact the budget) a sustainable reduction in domestic food prices could only be based on an expansion in domestic food production. The efficient and timely implementation of the Government's food production plan **(see Box 1)** is thus a critical imperative.

The Government has targeted an inflation rate of 7 per cent by end calendar 2007 and 5 per cent by end-2008. These targets are feasible but will require (i) continued tight monetary policy; (ii) greater fiscal restraint and

Chart 9
Real GDP Growth Rates - Selected Economies

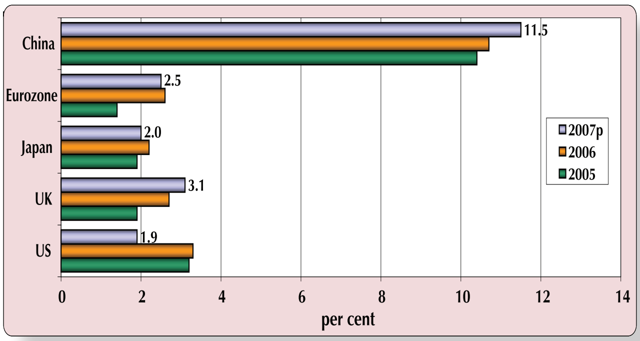
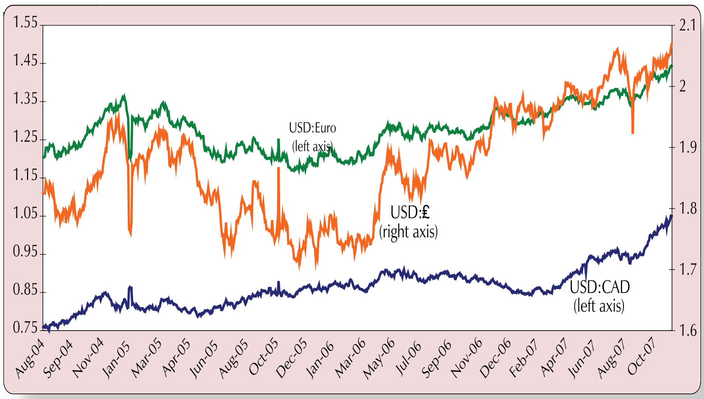


Chart 10
US Dollar Movements Against Major Currencies



(iii) the implementation of the agricultural supply policies announced in the last budget (Chart 8). The transition to a more benign international economic environment will also facilitate inflation control in Trinidad and Tobago.

Part I - International Developments

This section provides additional details on growth and inflation and the monetary policy stance of central banks in major global economies and the CARICOM region.

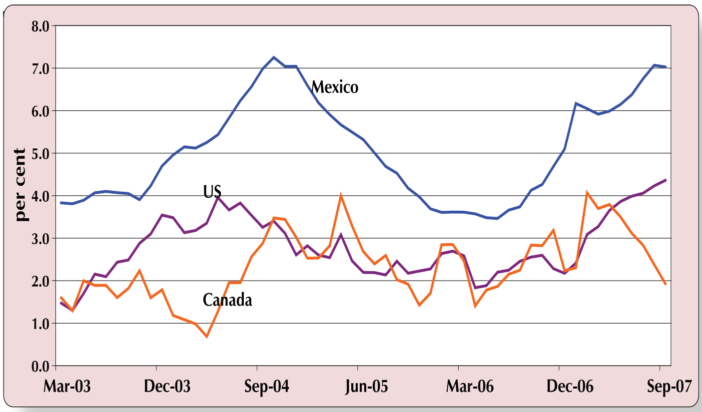
The fall-out from the sub-prime mortgage market in an environment of increasing energy prices is threatening to derail the robust performance of the global economy. While global growth expanded at a vigorous pace of just above 5 per cent in the first half of 2007, the **global outlook has changed significantly since August** as credit and financial markets were negatively affected by the crisis in the sub-prime mortgage market. The World Economic Outlook (October 2007) published by the International Monetary Fund expects global growth to slow to 5.2 per cent in 2007 from 5.4 per cent in 2006 (Chart 9).

In the **US**, the considerable drag by the housing sector limited growth in the domestic economy to 2.25 per cent in the first half of 2007. In the face of a sharp contraction in liquidity, the federal funds rate was cut by 50 basis points to 4.75 per cent in September to provide easier liquidity conditions and to boost domestic consumer spending. A further rate cut of 25 basis points was made in October as inflationary pressures remained subdued. Economic growth for 2008 has also been marked down to 1.9 per cent from just under 3 per cent.

After regaining some ground in August, the US dollar continued to depreciate against major currencies as the liquidity crunch and a depressed housing market slowed economic growth. From end-2000 to mid-November 2007, the US dollar has depreciated against the pound, Euro and Canadian dollar by 37 per cent, 56 per cent and 53 per cent, respectively (Chart 10).

Consumer prices in the **US**, excluding food and energy,

Chart 11
Food Inflation
Selected Economies
Year-on-Year per cent change



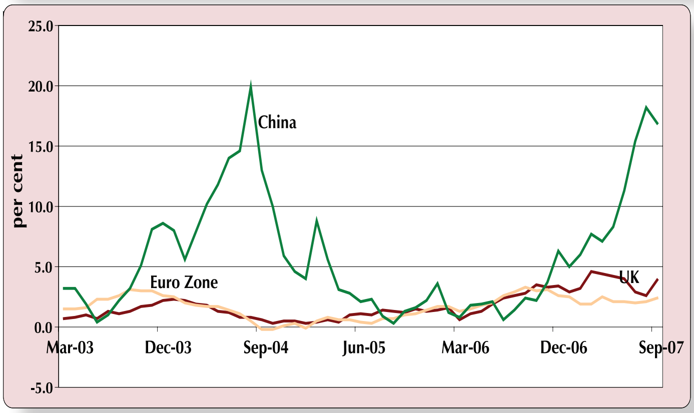
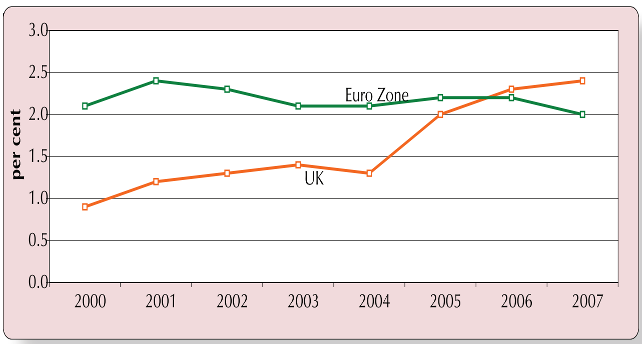


Chart 12
Inflation Rates - UK and Euro Zone



rose at a rate of 2.5 per cent in the third quarter, following increases at rates of 2.3 per cent in each of the first two quarters of 2007. This compared with an increase of 2.6 per cent for all of 2006.

In the **Eurozone**, growth slowed in the second quarter of 2007 to 0.3 per cent following the effects of the appreciation in the euro and a tighter liquidity environment arising from the sub-prime mortgage crisis. Like in the US, growth has been marked down to 2.5 per cent in 2007 from 3 per cent and is anticipated to be reduced further to 2.1 per cent in 2008.

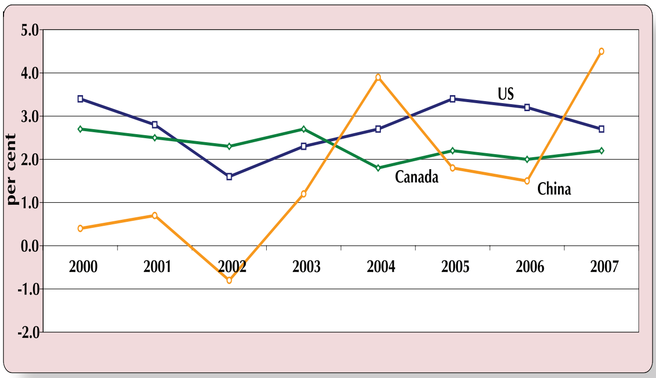
Energy and food prices drove annual inflation in the Eurozone to a higher-than-expected 2.6 per cent in October, from 2.1 per cent in September (Chart 11). This was the fastest rate of price increases for more than two years. The risk of soaring oil prices driving inflation higher while economic growth slides, raises concern of possible "stagflationary" conditions.

The European Central Bank (ECB) raised its benchmark interest rate by a quarter percentage point to 4 per cent in June 2007 for the eighth time since December 2005. The ECB saw inflationary threats from energy prices, increasing bottlenecks in European production and rising wages. It felt that these threats could feed into higher consumer prices.

Since August however, the ECB has kept its benchmark rate unchanged. The strengthening of the Euro and slower growth in the months ahead appear likely considerations to **deter the ECB** raising interest rates in the immediate future.

In the **United Kingdom**, growth continued at a steady pace of 3 per cent in the second quarter of 2007. However, the inflation momentum picked up and overshot the Bank of England's 2 per cent target on account of rising energy prices (Chart 12). Faced with tighter credit conditions, the sharp appreciation of the pound and rising inflationary pressures, the Bank of England has had to balance inflation risks, with competitiveness and the growth of the economy. It opted to keep its benchmark rate unchanged at 5.75 per cent in November.

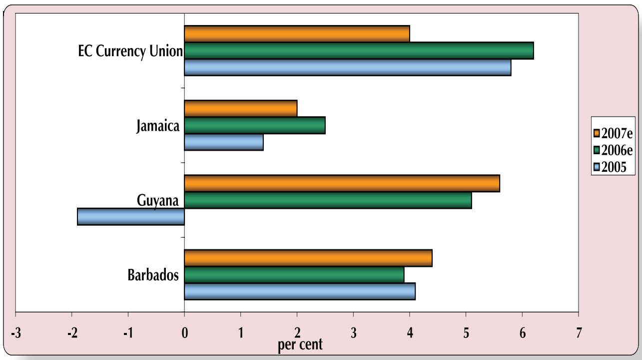
Chart 13
Inflation Rates - US, Canada and China



In **Canada**, real GDP grew in excess of 3 per cent in the first half of 2007 reflecting strong domestic demand, credit expansion and favourable trade performance. Core CPI inflation was above the midpoint of the Bank of Canada's 1–3 per cent target range despite the substantial appreciation of the Canadian dollar. The Bank of Canada has maintained its policy rate at 4 ½ per cent since July 2007 (Chart 13).

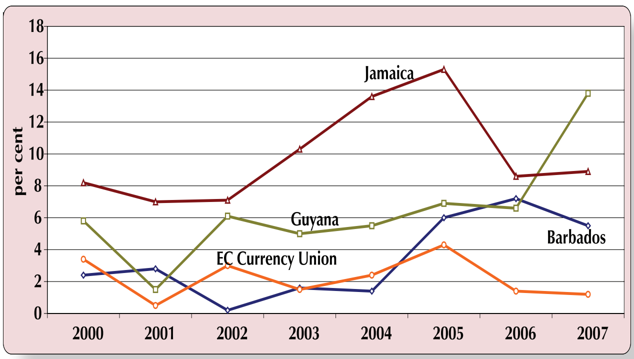
China's economy continued to expand rapidly, with real GDP growing by 11 ½ per cent in the first-half of 2007. With vast amounts of foreign exchange flowing into the economy, China is experiencing a severe liquidity problem. The Consumer Price Index rose to an 11-year high of 6.5 per cent in August, before falling slightly to 6.2 per cent in September 2007. Amid concerns of accelerating inflationary pressures in an economy that is on the verge of overheating, the Bank of China has raised the reserve requirement 16 times since June 2006 to combat inflationary pressures.

Chart 14
Real GDP Growth - Selected CARICOM Economies



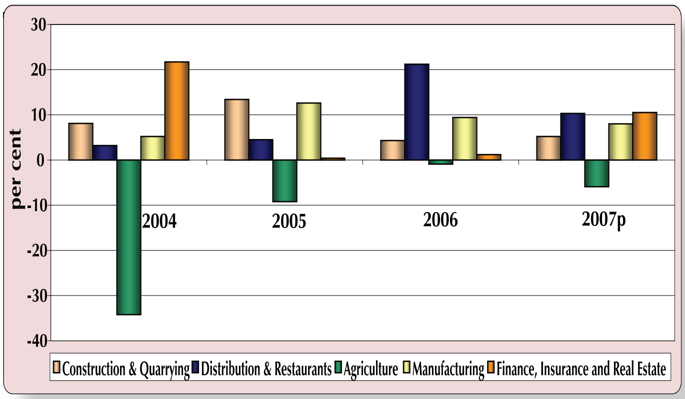
Japan's economy grew at around 2 per cent in the first half of 2007, just slightly above its potential rate. Headline inflation is running at close to 0.0 per cent although the Bank expects higher oil prices to make a positive contribution to inflation in the ensuing months. With a low unemployment rate of around 3.8 per cent and uncertainty in global markets, the Bank has held off raising its benchmark overnight interest rate, which currently stands at 0.5 per cent.

Chart 15
Inflation Rates - Selected CARICOM Economies



On the whole, the **CARICOM region** exhibited a solid growth performance in 2007 notwithstanding rising inflationary pressures fuelled in the main by higher energy and food prices. The Barbadian economy expanded by 4.4 per cent in the first nine months of 2007 while growth in the Eastern Caribbean Currency Union is projected at around 4.0 per cent for 2007. Following a fall in tourism arrivals earlier in the year and slower construction activity due to a shortage of cement, economic growth in Jamaica is projected at around 2.0 per cent in 2007 (Chart 14). However, with higher energy costs and global food inflation passing through to domestic prices, the inflationary momentum in the CARICOM region has begun to pick up. Jamaica has recorded an inflation rate of 8.9 per cent in the nine months to September 2007, while inflation in Guyana and Barbados is running at 13.8 per cent (year-on-year to July 2007) and 5.2 per cent (12-month moving average rate to July 2007), respectively (Chart 15).

Chart 16
Growth in Real GDP by Major Sub-Sectors



Part II - The Domestic Economy

(a) Economic Growth and Employment

Based on available indicators, the pace of growth in the domestic economy is expected to moderate to just around 5.5 per cent on the basis of a sharp deceleration of activity in the energy sector (Table 1). In 2006, the coming on stream of new productive capacity boosted growth in the energy sector to around 21 per cent. With no major additions to productive capacity in 2007 and a temporary shortfall at one of the major energy plants, energy output is expected to slow to around 4.4 per cent in 2007. By contrast, the non-energy sector, is expected to grow at around 6.7 per cent with activity in construction, distribution, manufacturing and financial services increasing at a fairly rapid rate during the year (Chart 16).

Table 1
Growth in Real GDP, 2000-2007
/Per Cent/

	Average 2000-2004	2005	2006	Projection 2007
Real GDP	8.3	6.1	12.2	5.5
Energy	14.2	8.4	21.4	4.4
Non-Energy	5.3	5.0	6.6	6.7
Construction	8.9	13.4	4.3	5.2
Manufacturing	7.4	12.6	9.4	8.0
Agriculture	-6.9	-9.2	-0.9	-5.9
Distribution	1.9	4.5	21.2	10.3
Finance Insurance and Real Estate	10.7	0.4	1.2	10.5

Source: Central Statistical Office.

Chart 17
Trends in Labour Force and Unemployment

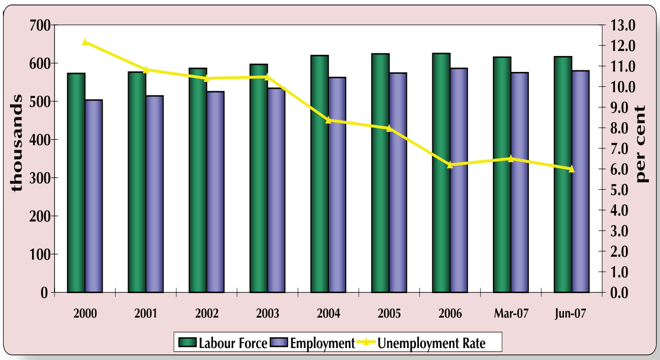
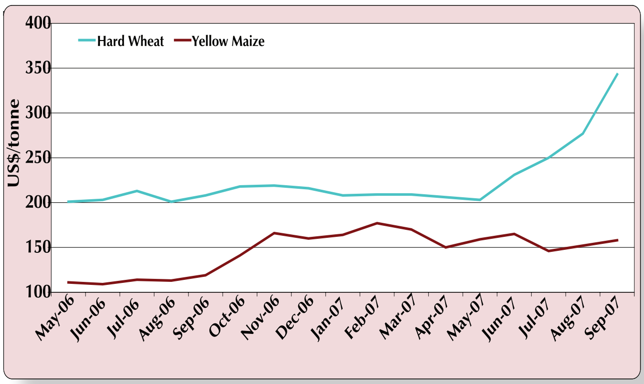


Chart 18
Prices of Grain: Hard Wheat and Yellow Maize



The robust expansion in non-energy sector activity has been accompanied by a significant increase in job creation and a resultant sharp fall in the unemployment rate. In the second quarter of 2007, this rate declined to 6.0 per cent from around 7.2 percent in the corresponding period last year. A total of 5,700 persons were able to find employment in the first half of 2007 (Chart 17).

(b) Inflation Performance

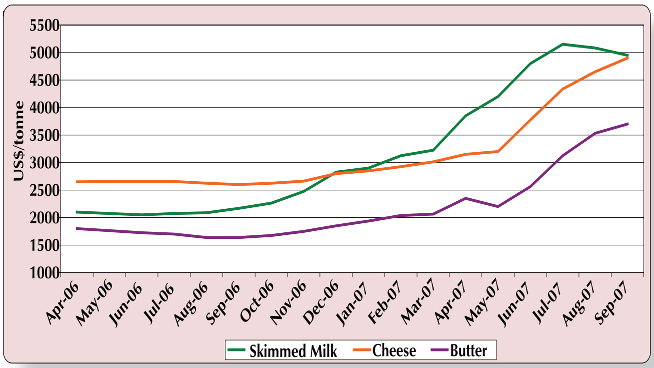
Since peaking at 10 per cent in October 2006, headline inflation has trended downwards on account of measures introduced on the demand side to tighten liquidity as well as a range of supply-side initiatives specifically targeted at enhancing marketing arrangements for domestic agricultural products and improving the dissemination of information on agricultural prices to consumers. These initiatives have introduced greater competitiveness in agricultural markets and encouraged comparison shopping among consumers.

Headline inflation, which rose on a year-on-year basis to January 2007 by 8.6 per cent eased to 7.3 per cent in September 2007, the lowest rate for the year to date. Food price inflation, which exerts a strong influence on headline inflation, slowed to 14 per cent on a year-on-year basis to September from around 27.4 per cent, a year ago.

While the on-going efforts have helped to contain the rise in food prices, significant downside risks are still possible from rising global food inflation. Climate change, increased demand by China and India and the gradual shift in utilization of agricultural commodities from food to bio-fuels have begun to put pressure on global food supply. In addition, increased ocean freight associated with higher oil prices, the cost of compliance with new international transportation regulations and the continued depreciation of the US dollar against other major traded currencies have also impacted global food inflation.

A recent publication by the Food and Agricultural Organisation (FAO) notes that national food import bills for items such as meat and oilseeds (soyabean and vegetable oils) could rise by at least 13 per cent above the 2006 price level. There has been a significant rise in the prices of grain

Chart 19
Prices of Dairy Products: Skimmed Milk, Cheese and Butter



and dairy products in international markets. In October 2007, the prices of hard wheat and yellow maize were 60 per cent and 16 per cent higher than in the corresponding period in 2006 (Chart 18). Diary products such as skimmed milk and butter also increased in excess of 125 per cent in the twelve-month period to September 2007. A similar picture exists for cheese which increased by 88 per cent over the same period (Chart 19).

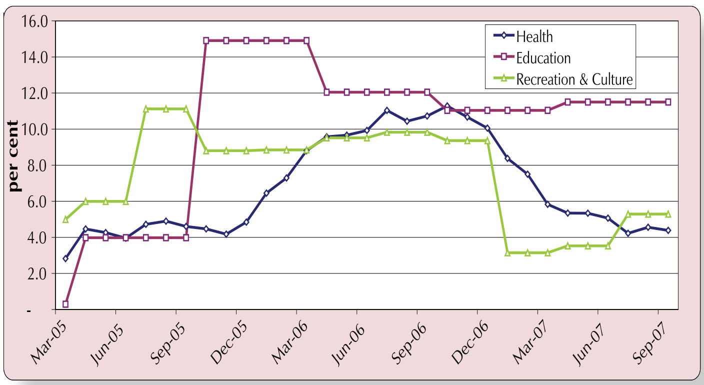
So far, these international factors have contributed in part to higher domestic prices for bread (17.1 per cent), cereals[1] (4.5 per cent) and milk, cheese and eggs (17.6 per cent). The trajectory of global food inflation implies that Trinidad and Tobago will be exposed to higher prices for some key commodities in the future. Apart from the fruit and vegetables categories, significant increases in the food sub-index may be observed in items that have a high import content such as bread & cereals; meat; and milk, cheese and eggs.

Core inflation (which excludes food prices) has remained relatively unchanged in the 4.5-4.6 per cent range over the past five months. In September 2007, core inflation edged up to 4.6 per cent just about half a percentage point higher than in the corresponding period of 2006 (Table 2).

The stickiness of core inflation especially against the background of significant liquidity absorption, suggests that underlying inflationary pressures are still very strong. The main areas of price increases in the non-food index are:-

Transport (5.6 per cent) – Transport costs have risen by 5.6 per cent on a year-on-year basis to September 2007. The transport sub-index measures the cost of spare parts and accessories and passenger transport services. In particular, maxi and taxi fares along various routes throughout the country have been rising over the past twelve months as taxi drivers sought to maintain incomes in the face of higher operating costs and fewer trips related to transportational bottlenecks.

Chart 20
Selected Components of Core Inflation



[1] Includes rice and flour.

Recreation and Culture (5.3 per cent) – Higher international oil prices have resulted in a marked increase in package tours.

Alcoholic beverages (8.4 per cent) – These rose by 8.5 per cent (year-on-year) and largely reflected increases in government taxes.

Health (4.4 per cent) – The increase in health costs largely reflects the increased cost of prescription drugs and antibiotics.

Education (11.5 per cent) – The cost of educational services has risen by 11.5 per cent in the twelve months to September largely because of increases in tuition fees associated with the depreciation of the TT dollar vis-à-vis other non-US currencies (Chart 20).

Hotel, Cafes and Restaurants (7.5 per cent) - The increase in the sub-index for hotels, cafes and restaurants largely reflects the higher costs of 'meals-out' arising from food price inflation.

Table 2
Index of Retail Prices (January 2003=100)

	ALL ITEMS			CORE			FOOD		
Date	Index	Mthly %	Y-o-Y %	Index	Mthly %	Y-o-Y %	Index	Mthly %	Y-o-Y %
Jan-07	127.20	(0.08)	8.63	111.00	0.37	4.42	201.00	(1.18)	20.87
Feb-07	127.60	0.31	8.41	111.05	0.04	4.46	203.00	1.00	19.69
Mar-07	128.00	0.31	8.02	111.03	(0.02)	4.18	205.30	1.13	18.81
Apr-07	129.30	1.02	8.38	112.51	1.33	4.67	205.80	0.24	18.89
May-07	130.10	0.62	7.88	112.56	0.04	4.46	210.00	2.04	17.25
June-07	130.70	0.46	7.31	112.61	0.04	4.51	213.10	1.48	14.69
July-07	133.10	1.84	7.95	114.22	1.43	4.49	219.10	2.82	17.17
Aug-07	133.80	0.53	7.90	114.29	0.06	4.53	222.70	1.64	16.72
Sept-07	134.20	0.30	7.27	114.27	(0.01)	4.61	225.00	1.03	13.98

Source: Central Statistical Office.

Box 1
National Consultation on Food Prices

Over the past several years, food inflation in Trinidad and Tobago has been rising at a faster pace than in the rest of CARICOM (Table 3).

Table 3
Food Inflation in Selected Countries

	Weight %	Percentage Change			
		2004	2005	2006	2007*
International					
United States	15.0	3.4	2.5	2.4	4.2
United Kingdom	15.2	1.3	1.7	2.3	3.7
Regional					
Bahamas	14.0	2.9	3.2	4.7	3.0
Barbados	33.8	4.5	7.0	7.9	7.1
Belize	34.7	2.6	2.5	4.7	n.a
Guyana	44.1	5.6	7.8	5.1	15.8
Jamaica	55.6	16.2	12.3	5.3	5.4
ECCU	34.6	4.0	5.8	0.5	n.a
Suriname	35.0	0.7	19.0	(2.2)	11.2
Trinidad & Tobago	18.0	12.8	22.9	23.2	14.07

Source: Official Statistical Agencies.
* - Year-on-year increases

Growing public concern about the pace of food price inflation in 2007 prompted the Government to host a National Consultation on Food Prices during the period August 15-16, 2007. This consultation was aimed at identifying the major factors behind rising food prices and devising appropriate solutions to contain food inflation. The two-day event brought together a wide array of stakeholders, including the Central Bank of Trinidad and Tobago; the Federation of Independent Trade Unions and NGOs; the Trinidad and Tobago Agri-Business Association; the Port Authority of Trinidad and Tobago; the Bakers' Association; the Food and Agricultural Organisation; the National Flour Mills; the Poultry Association of Trinidad and Tobago; the National Food Crop Farmer's Association; NAMDEVCO and the Agricultural Development Bank.

Out of the many recommendations presented at the Consultation, the Government agreed to implement fifteen proposals in the interim until the necessary mechanisms could be instituted to facilitate long-term solutions.

These proposals are:-

1. The establishment of a Prices Council.

2. The establishment of a Consumer Advisory Board to advise the Minister on all matters pertaining to prices.

3. A review of the package of incentives for small and large farmers in order to encourage organic farming, agro-processing, etc.

Box 1
National Consultation on Food Prices (continued)

4. New funding arrangements for first-time farmers.

5. An increase in the availability of land for farming in the shortest possible time frame.

6. Negotiation with ammonia producers to undertake a demonstration farm.

7. The development of a three-year plan for infrastructural improvement.

8. The expansion of the Youth Apprenticeship Programme in Agriculture (YAPA).

9. Support for contract farming.

10. Negotiation of new pricing arrangements for the domestic sale of fertilizers.

11. Exploration of the possibility of implementing new arrangments to address the problem of praedial larceny.

12. The removal of restrictions to facilitate the importation of food from lower-cost sources, for example, South America.

13. Expediting the operationalization of the Fair Trading Commission.

14. The establishment of an Agricultural Development Commission to advise the Minister of Agriculture.

15. Improved funding to the Agricultural Development Bank (ADB)[2].

[2] In the budget for FY 2008, the GOTT increased funding to the ADB to $75 million, with a further $25 million available should it be required. The ADB's prime lending rate was also reduced to 6 per cent.

Chart 21
Non-Energy Deficit and Overall Fiscal Balance in per cent of GDP

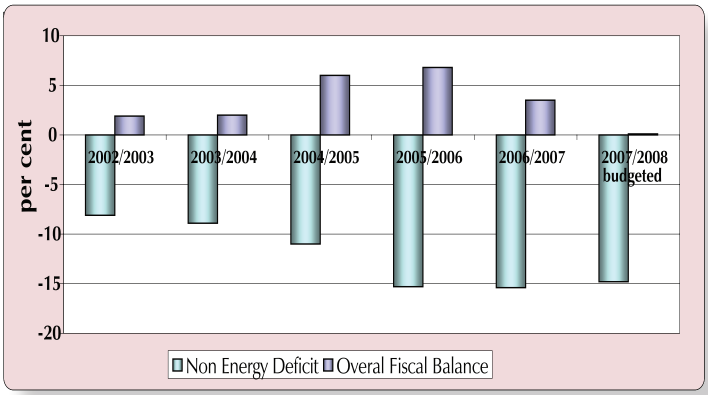
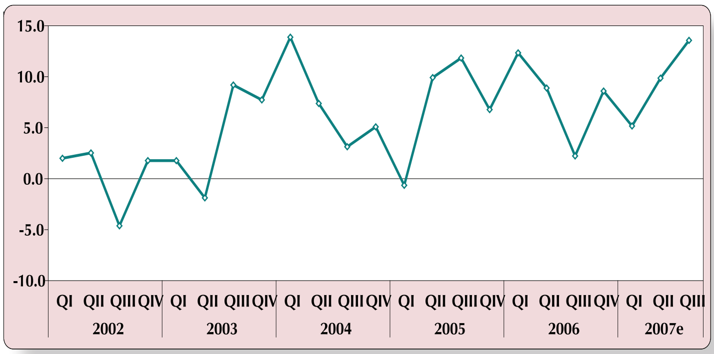


Chart 22
Import Price Index
Year-on-Year per cent change



(c) Factors contributing to Underlying Inflationary Pressures

Besides supply-side constraints, there are a number of factors which contribute to underlying inflationary pressures. These include the expanding non-energy fiscal deficit, wage increases in excess of productivity gains, rising import prices and bank credit expansion.

(i) Non-energy fiscal deficit

Relatively buoyant energy prices have bolstered the fiscal accounts and have enabled the government to engage in significant public investment in infrastructure, education and health. Government spending as a per cent of GDP rose from around 26 per cent in FY 2005 to 28 per cent in FY 2007 and has been accompanied by a widening in the non-energy fiscal deficit from 11 per cent of GDP to 15.5 per cent over the period. Fiscal injections in FY 2007 were 24 per cent higher than in the previous fiscal year. The expansion in the non-energy deficit has been a major source of liquidity injection in the economy (Chart 21).

(ii) Wages

Available indicators suggest that the level of wage increases has picked up markedly in 2007. While the data on wage settlements are not comprehensive, information for the contracts for which data are available suggest that many of these agreements provide for basic wage increases of 15-20 per cent over the contract period as well as 'catch-up' and on-going cost-of-living allowances. An increase in other fringe benefits is also discernable. Higher wage settlements (including cost-of-living allowances and other adjustments) in the absence of productivity gains not only exacerbate inflationary pressures, but also impact on the export competitiveness of domestic industries.

(iii) Import prices

High energy costs and rising food inflation in the global economy have also led to a sizeable increase in import prices. Provisional estimates suggest that for the 12 months

Chart 23
Monetary Policy Responses

Liquidity Management Measures

Dec. 2005:	Commercial banks deposited TT$1 billion in an interest-bearing account at the Central Bank for a minimum period of one year. Special Deposit rate reduced to zero.
June 2006:	Commercial banks deposited TT$500 million in an interest-bearing account at the Central Bank for a minimum period of one year.
Sept. 2006:	Commercial banks were required to hold, on a temporary basis, a secondary reserve requirement of 2 per cent of their prescribed liabilities, effective October 4 2006 remunerated at 350 basis points below the 'Repo' rate.
Sept 2006:	Parliament approved an increase in open market securities for government borrowing from $8 billion to $15 billion.
Nov 2006:	Additional steps were taken by the Central Bank in consultation with the Government to increase liquidity absorption. To this end, a TT$700 million, 8-year government bond was issued to the public in November, the proceeds of which have been sterilized.
Feb 2007:	Another bond in the advertised amount of $300 million was offered, but due to overwhelming public support, the actual size was increased to $674.3 million with a maturity date of August 9, 2012 and a coupon rate of 7.80 per cent. The proceeds of this bond were also sterilized.
April 2007:	A third bond aimed at liquidity absorption was initially offered in the amount of $650 million, but again due to the public's reception of the issue, the bond's value was raised to $1 billion with a coupon rate of 8.00 per cent and a tenor of 7 years. The proceeds of this bond were sterilized.
May 2007:	A 5-year Treasury Note in the amount of $500 million was issued to the commercial banks with a coupon rate of 6.00 per cent.

ending September 2007, there was a 13.5 per cent increase in the import price index (Chart 22). As noted earlier, there have been significant increases in the international prices of grain and dairy products such as milk, butter and cheese.

(iv) Bank credit expansion

Bank credit expansion continued to exert upward pressure on domestic demand in an environment of tight capacity constraints. Credit by banks increased on a year-on-year basis to September 2007 by 21 per cent with consumer credit rising sharply by 28 per cent. Whereas bank credit as a proportion of GDP has been declining, it is still at an uncomfortably high level.

(d) Anti-inflationary Measures

Monetary Policy Measures

While the 'Repo' rate has been maintained at 8.00 per cent since September 2006, the Central Bank has implemented several measures to tighten liquidity and force increases in market interest rates. These measures included the introduction of a temporary secondary reserve requirement (of 2.0 per cent) for commercial banks, a compulsory deposit facility for commercial banks, increases in open market operations and the auction of special liquidity absorption government bonds of varying maturities (Chart 23). Sales of foreign exchange have also assisted with the containment of excess liquidity.

Through the net issue of open market treasury bills, the Central Bank removed $3,458 million from the financial system during FY 2007 compared with net issues of $1,256 million, the year earlier. In addition, the central government issued three (3) special liquidity bonds – an 8-year issue of TT$700 million, a 5 ½ - year issue of TT$674 million and a 7-year issue of TT$1018 million - with a total face value of $2,392 million, the proceeds of which have been sterilized by the Bank (Table 3).

Table 3
Fiscal Injections and Liquidity Absorption
/TT$ Million/

	Oct 04 - Sept 05	Oct 05 - Sept 06	Oct 06 - Sept 07
Fiscal Injections	7,032.4	9,840.9	12,180.2
Liquidity Absorption Measures			
Open Market Operations	3,111.4	1,256.3	3,457.8
CBTT Sale of Foreign Exchange	3,551.1	7,664.2	7,758.0
Central Gov't Bond Issues	800.0	0.0	2,392.3
Special Deposit facility*	-	1,500.0	-
Secondary Reserve Requirement	-	-	618.8

Source: Central Bank of Trinidad and Tobago.

These measures along with the sale of US$1,245 million (TT$7,758 million) in foreign exchange helped to keep liquidity conditions relatively tight in FY 2007. The average level of excess reserves, one of the key indicators of liquidity conditions in the financial system, fell to $284 million in FY 2007 from $483 million in the previous fiscal year.

The impact of the tighter liquidity environment is evident in the increased use of the interbank market and greater recourse to the repurchase window at the Central Bank by commercial banks. Inter-bank activity increased to an average of $218 million for the twelve months to September 2007 from $145 million in FY 2006. The total value of repurchase transactions more than doubled to $12,746 million in FY 2007 (Table 4).

Table 4
Indicators of Bank Liquidity
/TT$ Million/

	Oct 04 - Sept 05	Oct 05 - Sept 06	Oct 06 - Sept 07
Special Deposits/ Excess Reserves (Avg.)*	536.6	483.5	284.6
Repos	1,817.5	6,064.9	12,746.4
Inter-Bank Activity	28,947.6	34,505.1	52,924.9

Source: Central Bank of Trinidad and Tobago.

Market interest rates have been impacted by the tighter liquidity environment. The discount rate on the three-month treasury bills increased to 7.00 per cent in October 2007 from 6.74 per cent in December 2006, while the discount rate on six-month treasury bills rose to 7.10 per cent from 6.78 per cent over the same period. The inter-bank rate has also been trending upward since May 2007 from an average rate of 7.18 per cent to an average of 7.25 per cent in late October 2007.

In December 2006, commercial banks increased rates on new residential mortgage loans to 8.75 per cent and also raised cash-secured retail loans (such as motor vehicle loans) in line with the prime loan rate of 11.75 per cent, in January 2007.

Mortgage interest rates have responded to the tighter monetary conditions and have been moving up during 2007. Just under a quarter of new mortgages granted by commercial banks were priced between 9.1-10.0 per cent for the quarter ending June 2007, up from 6.1 per cent for all new mortgages contracted in the quarter ending June 2006 (Table 5).

Table 5
Distribution of New Real Estate Mortgages by Interest Rate Bands
/Percentage/

	April - June 2006		
Interest Rate Band	Total Real Estate Mortgages	Total Residential Real Estate Mortgages	Total Commercial Real Estate Mortgages
Under 5%	0.0	0.0	0.0
5.1%-6%	0.0	0.0	0.0
6.1%-7%	0.0	0.0	0.0
7.1%-8%	23.7	27.4	0.1
8.1%-9%	66.0	71.1	33.1
9.1%-10%	6.1	1.4	35.9
10.1%-11%	4.2	0.0	30.9
11.1%-12%	0.0	0.0	0.0
Over 12.1%	0.0	0.0	0.0
	April - June 2007		
Interest Rate Band	Total Real Estate Mortgages	Total Residential Real Estate Mortgages	Total Commercial Real Estate Mortgages
Under 5%	0.9	1.4	0.00
5.1%-6%	0.0	0.0	0.00
6.1%-7%	0.0	0.1	0.00
7.1%-8%	7.3	9.5	2.96
8.1%-9%	62.2	72.9	41.98
9.1%-10%	21.0	11.2	39.53
10.1%-11%	1.0	0.3	2.25
11.1%-12%	4.5	1.2	10.73
Over 12.1%	3.1	3.4	2.55

Source: Central Bank of Trinidad and Tobago.

Commercial banks' lending and deposit rates have also begun trending upwards. The weighted average lending rate of commercial banks increased to 10.55 per cent at the end of June 2007 from 10.21 per cent at the end of 2006. There were also upward movements in the weighted average deposit rate which increased by 28 basis points to 2.65 per cent in June 2007 from 2.37 per cent in December 2006. These movements in both lending and deposit rates resulted in a slight widening of the interest rate spread from 7.84 per cent in December 2006 to 7.90 per cent in June 2007.

The sharp cut in the federal funds rate to 4.5 per cent at the end of October 2007 resulting from the sub-prime crisis has led to a widening in the interest rate differential between the US and TT 3-month treasury bill rates (Chart 24).

Chart 24
Comparative 90-Day Treasury Bill Rates: Trinidad and Tobago and the United States

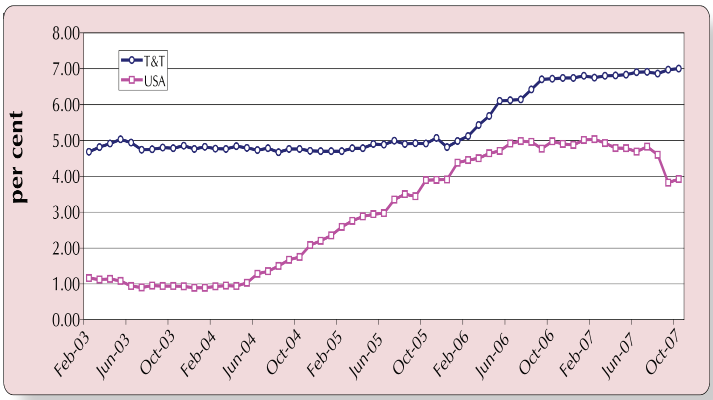


Chart 25
Growth in Monetary Aggregates
Year-on-Year per cent change

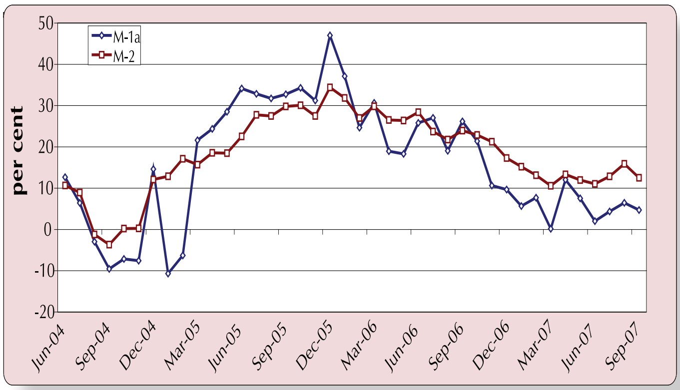


Chart 26
Commercial Banks' Foreign Currency Deposits
Year-on-Year per cent change

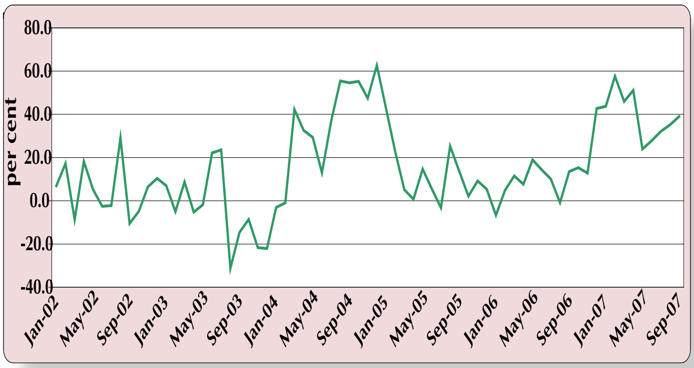
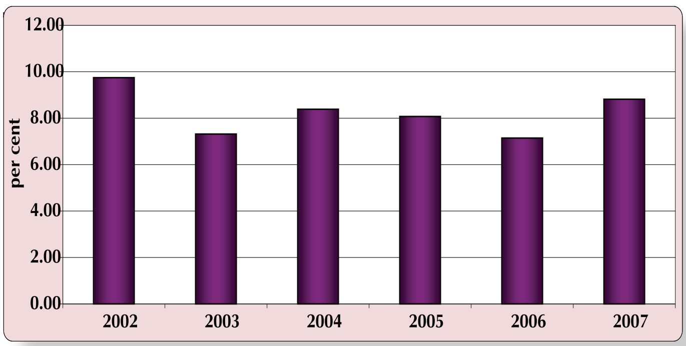


Chart 27
Foreign Currency Deposits to GDP



Part III - Recent Economic Developments

(a) Money and Credit

Monetary Aggregates

Growth in the monetary aggregates moderated in the twelve months to September 2007 against the background of rising short-term yields in the government securities markets and tighter liquidity conditions. The pace of growth of narrow money, M-1A, slowed to 3.1 per cent on a year-on-year basis to September from the relatively strong increase of 29.3 per cent registered in 2006 (Chart 25). Demand deposits, the largest component of narrow money, registered relatively sluggish growth of 2.3 per cent (year-on-year).

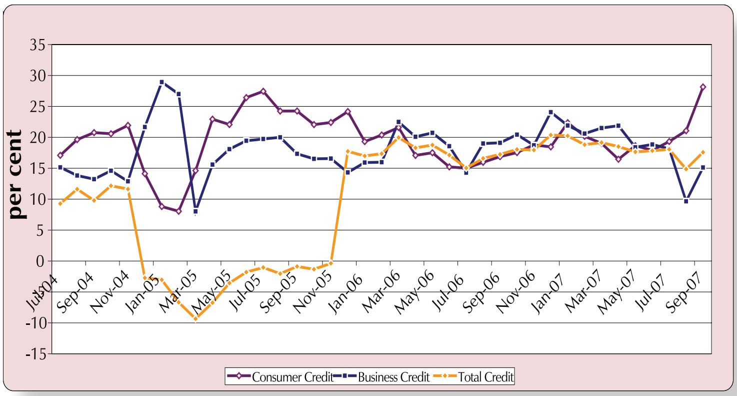
The broad measure of money supply, M2 (defined as M-1A plus savings and time deposits) also slowed to 11.1 per cent on a year-on-year basis in September, from 24.4 per cent, one year earlier. This slowdown reflected a slower rate of growth in savings and time deposits. While the reasons for this slowdown are not clear, one possible explanation is that, in an environment of relatively low bank deposit rates and a stock market that is still in a depressed state, savers and investors are shifting their funds into government securities.

Foreign currency deposits, by contrast, exhibited relatively strong growth, expanding by 29.3 per cent (year-on-year) in September 2007, from 13.5 per cent, a year ago (Chart 26). However, as a proportion of GDP, the growth in these deposits has remained relatively stable over the last 3-4 years (Chart 27).

Credit

The efforts to dampen the growth in credit expansion continue to pose challenges for monetary policy management. Notwithstanding the tightening of monetary policy, private sector credit expansion is still growing at a robust pace. The data show that on a year-on-year basis to August 2007, private sector credit by the consolidated financial system increased by 14.8 per cent from 10.0 per cent, a year ago. Recent information from the financial system also indicates

Chart 28
Credit to the Private Sector by the Consolidated Financial System



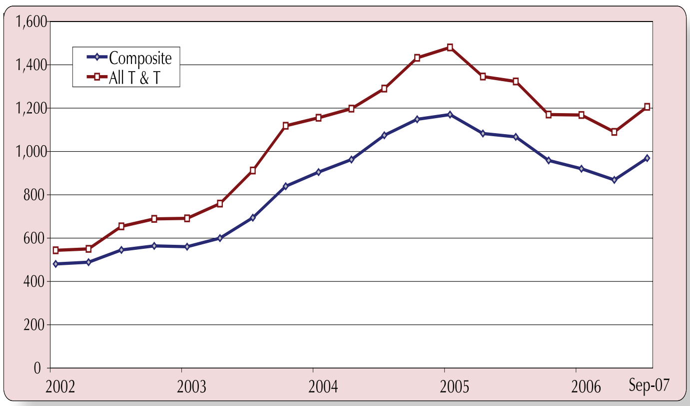
a further acceleration in the rate of private sector credit expansion by 17.6 per cent (year-on-year) in September 2007. While the demand for business loans continues to trend downwards, slowing to 13.9 per cent (year-on-year) in September, the growth in consumer credit continues to outpace business credit. In the twelve months to September, consumer credit grew by 28 per cent, the fastest pace for the year to date (Chart 28).

(b) Financial Sector Developments

Stock Market

Following strong growth in 2002 and 2003, stock market growth peaked at 54.8 per cent in 2004, before declining by 9.2 per cent in 2006 (Chart 29). The weak performance continued into 2007, as the market declined by 1.1 per cent at the end of the second quarter of 2007. This bearish performance was influenced by a combination of factors, including rising interest rates, disappointing results from several major companies on the Stock Exchange and the absence of institutional investors in the market, related to restrictions on investments in equities by pension funds. There seems to be an incipient recovery in the third quarter of 2007 with the composite stock price index ending the quarter at 936.6 points– 1.9 per cent higher than in the second quarter of 2007.

Chart 29
Trinidad and Tobago Stock Price Indices



Trading activity also experienced an upswing with the volume of shares traded (37.1 million) between July and September 2007 increasing by 10.8 million relative to the corresponding period of 2006, while the market value of shares traded increased by $363.3 million to $622.8 million. Market capitalization, which had been declining for most of 2007, picked up ending October 2007 at $94.5 billion, an increase of 8 per cent compared with the same period in 2006.

Over the past nine months, stock market activity was influenced by the prospect of mergers and acquisitions, business confidence and the pace of overall economic activity. Earlier in the year (April 2007), there was speculation of a possible merger between RBTT and First Caribbean

Chart 30
Trinidad and Tobago Stock Price Indices - Selected Sub-Sectors

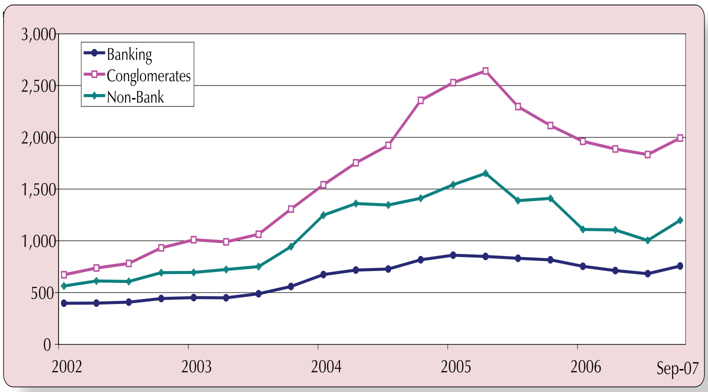
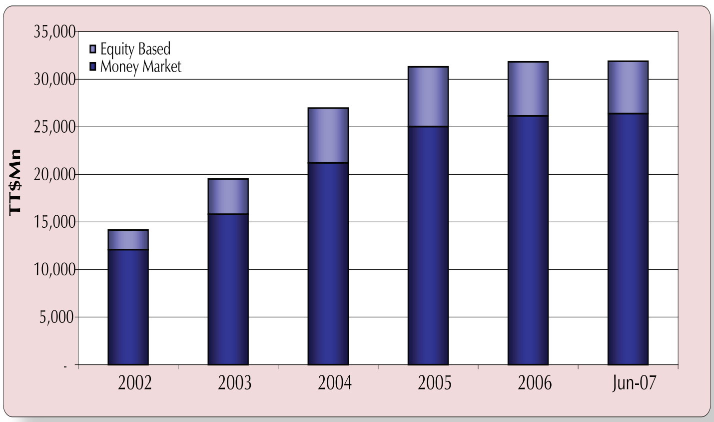


Chart 31
Mutual Funds - Aggregate Fund Values



International Bank followed by the announcement in October 2007 of a proposed acquisition of RBTT by the Royal Bank of Canada. These developments impacted RBTT's share price which increased from $30.03 on March 27 2007 to $34.00 on April 10 2007 and from $34.01 on September 28, 2007 to $36.50 on October 3, 2007. In addition, the "bidding war" between the ANSA McAl Group and Neal and Massy Holdings Limited for Barbados Shipping and Trading Company Limited (BS&T) has led to a sharp rise in the price for BS&T shares which increased from $17.00 at the beginning of August 2007 to $28.35 on October 12, 2007 and in the temporary suspension of trading in this stock. The amendment to the pension plan legislation in 2008 is expected to stimulate activity in the market, though not as strongly as in the period 2003-2004 (Chart 30).

Mutual Funds

The slight upswing in activity in the stock market has also been translated into an improvement in the performance of the mutual funds industry. At the end of the third quarter of 2007, total funds under management increased to $33,255 million, 4.3 per cent higher than in the second quarter of 2007 and more than 7 per cent higher than in the corresponding period of 2006 (Chart 31). Although the money market has continued to lead the growth of this industry, there was a noticeable pick-up in the contribution of equity-based funds. Money market funds, which account for 83 per cent of the funds under management in the industry, increased by 7.5 per cent over the twelve month period to September 2007 while equity-based funds increased by 5.3 per cent, a significant recovery from the 17.5 per cent decline that was experienced in the corresponding period of 2006. Over the period July – September 2007, a new fund, the Unit Trust Corporation Energy Fund, was launched and several proposals for the issue of new funds are currently under consideration.

Bond Market

During the first nine months of 2007, there were ten placements on the primary bond market. Five of these placements were denominated in US dollars (US$141 million) while the remaining five were issued in local currency.

Chart 32
Mortgage Loans Outstanding by Deposit Taking Institutions

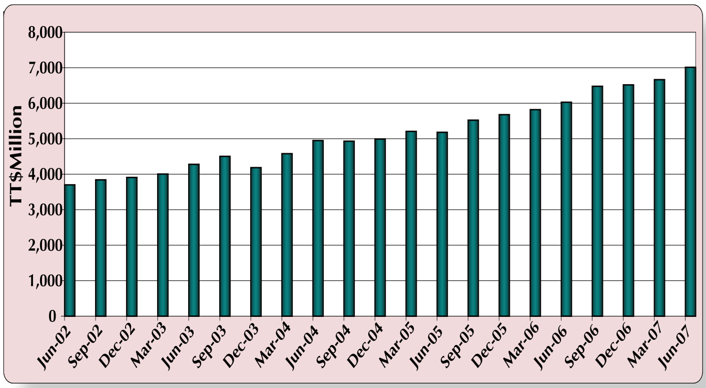
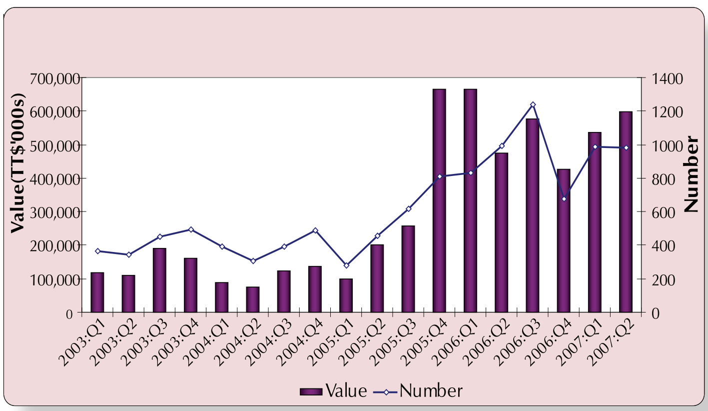


Chart 33
New Real Estate Mortgage Approvals: Commercial Banks and Trust and Mortgage Finance Companies



Of the five US-dollar placements, four were regional issues (including an issue by a regional sovereign – the Government of St. Vincent and the Grenadines), while the fifth was issued by a local private sector corporation. The coupon rates on these US dollar denominated placements ranged between 6.96 per cent and 8.55 per cent with tenors between 5 and 15 years.

Of the remaining five bonds denominated in local currency ($2,481.5 million), two were issued by the Government of Trinidad and Tobago for the purpose of liquidity absorption. The face value of these issues totalled $1,692 million ($674 million in February 2007 and $1,018 million in April 2007) and the proceeds were sterilized by the Central Bank. Other market participants included Transcorp Development Company Limited with one placement valued $665 million in April 2007 and the Home Mortgage Bank which raised $53.5 million in two tranches and $71 million in four tranches in April 2007 and September 2007, respectively. The coupon rates on the TT dollar denominated bonds ranged between 6.38 per cent and 11 per cent with tenors between 2 years and 18 years.

Real Estate Mortgage Market

The strong performance of the real estate mortgage market continued into the first nine months of 2007 (Table 6). Real estate mortgage loans extended by deposit-taking institutions (commercial banks and trust and mortgage companies) grew by 16.9 per cent to $6,799 million in the twelve months to September 2007 reflecting an upsurge in the number and size of new real estate mortgage approvals. In the corresponding period of 2006, real estate mortgage loans had increased by 13.6 per cent (Chart 32).

There is evidence to suggest that mortgage interest rates of the commercial banks have begun to rise in response to the tighter monetary policy stance. Available data for the period April-June 2007 indicate that 21 per cent of all new mortgages granted by commercial banks were priced between 9.10 per cent – 10.00 per cent compared with 6.1 per cent of all new mortgages in the quarter ending June 2006 (Chart 33). Nevertheless, the majority of new real estate mortgage loans remained in the 8.10 -9.00 per cent range.

Table 6
Commercial Banks
Real Estate Mortgages Outstanding Distributed According To Interest Rate Bands

/Percentage/

	As at end Jun-06		
Interest Rate Band	**Total Real Estate Mortgages**	**Total Residential Real Estate Mortgages**	**Total Commercial Real Estate Mortgages**
Under 5%	5.1	7.5	0.06
5.1%-6%	0.2	0.3	0.00
6.1%-7%	3.7	3.2	4.72
7.1%-8%	25.3	28.4	18.78
8.1%-9%	42.1	43.5	39.10
9.1%-10%	10.7	9.4	13.60
10.1%-11%	3.7	1.7	7.97
11.1%-12%	3.6	2.2	6.74
Over 12.1%	5.5	3.9	9.02
	As at end Jun-07		
Interest Rate Band	**Total Real Estate Mortgages**	**Total Residential Real Estate Mortgages**	**Total Commercial Real Estate Mortgages**
Under 5%	4.3	6.2	0.38
5.1%-6%	0.2	0.2	0.01
6.1%-7%	1.2	0.9	1.68
7.1%-8%	23.5	29.8	11.05
8.1%-9%	49.1	47.9	51.42
9.1%-10%	11.3	8.3	17.22
10.1%-11%	2.5	1.1	5.20
11.1%-12%	3.6	2.2	6.35
Over 12.1%	4.5	3.3	6.71

Source: Central Bank of Trinidad and Tobago.

Appendices:

Tables

Appendix A
Price Movements in the Major Categories of the Food Sub-Index of the RPI, April 2007 - September 2007

(Year-on-Year Per cent Change)

	Weight	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
FOOD AND NON-ALCOHOLIC BEVERAGES	**180.00**	**18.89**	**17.25**	**14.69**	**17.17**	**16.72**	**13.98**
BREAD AND CEREALS	**31.21**	**3.33**	**3.48**	**4.88**	**5.28**	**8.18**	**8.07**
Bread	5.51	11.66	11.77	13.01	12.99	19.65	17.06
Cereals (Includes rice and flour)	18.74	0.70	1.27	3.34	3.88	4.27	4.52
Pasta Products	1.38	0.74	0.66	0.04	1.96	9.73	13.28
Pastry Cooked Products	5.27	4.13	2.93	2.62	2.64	9.62	9.66
MEAT	**29.21**	**19.00**	**14.80**	**13.17**	**12.93**	**12.96**	**14.79**
Fresh, Chilled or Frozen Beef	3.09	18.63	20.28	17.53	16.92	14.44	12.43
Fresh, Chilled or Frozen Lamb or Goat	1.13	10.09	3.38	4.78	5.68	3.38	4.53
Fresh Chilled or Frozen Pork	2.34	8.12	8.46	7.52	9.76	6.69	7.49
Fresh, Chilled or Frozen Poultry	18.18	23.68	17.51	15.32	14.76	15.67	18.52
Dried, Salted or Smoked Meat	4.10	8.47	6.72	6.50	6.07	6.71	7.55
FISH	**11.37**	**16.49**	**20.81**	**12.42**	**12.21**	**13.39**	**11.34**
Fresh, Chilled or Frozen Fish	7.21	18.31	24.06	13.87	14.39	17.08	12.49
Fresh, Chilled or Frozen Seafood	1.83	15.49	16.44	8.28	5.68	1.64	9.65
Other Preserved or Processed Fish	1.03	10.77	7.68	8.47	6.12	8.13	7.96
MILK, CHEESE AND EGGS	**19.05**	**7.78**	**10.46**	**13.62**	**15.13**	**16.82**	**17.61**
Whole Milk	1.75	4.24	9.97	12.33	16.80	20.43	20.36
Preserved Milk	9.22	10.71	13.58	18.57	18.04	19.85	19.50
Cheese,Yogurt and Other Milk Products	6.34	2.85	3.87	5.50	10.48	11.73	15.21
Eggs	1.74	11.52	16.18	14.31	12.65	13.65	12.58
OILS AND FATS	**9.07**	**5.42**	**5.08**	**4.11**	**4.47**	**5.16**	**5.49**
Butter	0.82	5.78	7.07	7.38	7.76	9.33	12.18
Margarine and Other Vegetable Fats	2.56	7.23	3.40	3.32	3.66	4.56	6.16
Edible Oils and Animal Fats	5.69	4.63	5.52	4.01	4.37	4.85	4.31
FRUIT	**14.28**	**18.65**	**23.92**	**24.36**	**19.23**	**24.96**	**32.76**
VEGETABLES	**21.84**	**31.64**	**25.98**	**19.35**	**26.83**	**23.46**	**14.44**
Fresh or Chilled Vegetables	12.09	3.66	17.79	29.22	28.42	6.97	3.91
Dried Vegetables	2.42	8.41	13.52	16.97	16.53	23.45	20.62
Fresh or Chilled Tuber Vegetables	7.33	49.70	30.54	14.76	26.51	32.09	19.36
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	**7.66**	**7.59**	**6.91**	**5.42**	**5.43**	**4.90**	**6.41**
FOOD PRODUCTS	**12.51**	**21.44**	**18.86**	**14.81**	**19.84**	**13.96**	**8.70**
NON-ALCOHOLIC BEVERAGES							
Coffee, Tea and Cocoa	3.06	3.70	1.14	(0.01)	(0.58)	(0.07)	2.39
Soft Drinks	13.33	17.89	14.32	13.87	13.41	11.87	9.29
Juices	7.40	4.51	2.79	6.53	7.38	7.67	7.49

Source: Central Statistical Office.

Appendix B
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Trinidad & Tobago		Port of Spain		San Fernando		Arima Borough	
	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06
ALL ITEMS	**1,000.00**	**7.26**	**262.65**	**6.40**	**128.70**	**8.43**	**52.09**	**5.16**
FOOD AND NON-ALCOHOLIC BEVERAGES	180.00	13.98	27.25	17.87	17.27	20.53	8.13	19.75
FOOD	156.20	14.47	22.74	18.01	14.79	22.17	7.15	20.67
BREAD AND CEREALS (ND)	31.21	8.07	4.00	8.20	2.79	8.00	1.30	11.13
MEAT	29.21	14.79	3.21	27.23	2.45	13.40	1.43	20.57
FISH	11.37	11.34	1.81	13.07	1.00	32.49	0.44	14.75
MILK, CHEESE AND EGGS	19.05	17.61	3.24	15.76	1.87	18.22	0.79	21.55
OILS AND FATS	9.07	5.49	1.20	(1.05)	0.85	2.61	0.33	7.64
FRUIT	**14.28**	**32.76**	**2.94**	**26.41**	**1.53**	**46.19**	**0.72**	**72.77**
VEGETABLES	**21.84**	**14.44**	**3.32**	**26.58**	**2.28**	**27.63**	**1.17**	**2.86**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	7.66	6.41	1.33	3.94	0.68	8.40	0.44	12.09
FOOD PRODUCTS N.E.C	12.51	8.70	1.69	3.79	1.34	5.85	0.53	27.82
NON-ALCOHOLIC BEVERAGES	23.80	n.a.	4.51	16.24	2.48	2.73	0.98	8.05

Source: Central Statistical Office.

Appendix B (continued)
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Diego Martin		St. Anns (San Juan)		Tacarigua (Tunapuna)		Chaguanas Borough	
	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06
ALL ITEMS	**38.52**	**2.48**	**45.17**	**9.22**	**123.49**	**6.64**	**111.64**	**7.69**
FOOD AND NON-ALCOHOLIC BEVERAGES	12.00	(3.57)	17.92	14.78	20.23	7.97	19.75	9.70
FOOD	10.37	(4.51)	15.41	15.60	17.46	7.56	17.33	10.32
BREAD AND CEREALS (ND)	2.34	10.83	3.02	8.89	3.50	8.81	3.27	4.68
MEAT	1.99	10.65	2.57	16.01	3.52	11.00	3.32	25.18
FISH	0.72	15.80	1.17	19.65	1.13	26.09	1.22	5.89
MILK, CHEESE AND EGGS	1.56	19.31	2.08	17.69	2.28	17.51	1.87	20.54
OILS AND FATS	0.52	9.69	0.91	6.95	0.99	7.81	1.16	12.21
FRUIT	**1.12**	**(4.75)**	**1.60**	**47.18**	**1.35**	**6.04**	**1.75**	**34.79**
VEGETABLES	**0.93**	**(20.31)**	**2.03**	**6.46**	**2.36**	**(1.33)**	**2.47**	**(2.48)**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.44	6.91	0.85	3.36	0.84	5.39	0.70	7.45
FOOD PRODUCTS N.E.C	0.75	(3.98)	1.18	14.25	1.49	0.94	1.57	20.34
NON-ALCOHOLIC BEVERAGES	1.63	7.38	2.51	6.62	2.77	11.00	2.42	1.66

Source: Central Statistical Office.

Appendix B (continued)
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Couva		Cocal (Rio Claro)		Manzanilla/Turere (Sangre Grande)		Naparima (Debe)	
	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06
ALL ITEMS	**23.23**	**10.15**	**2.23**	**10.71**	**21.75**	**11.12**	**5.62**	**3.40**
FOOD AND NON-ALCOHOLIC BEVERAGES	7.61	10.96	1.04	15.38	4.68	24.69	4.73	2.86
FOOD	6.75	11.21	0.95	15.27	4.17	25.97	4.10	2.32
BREAD AND CEREALS (ND)	1.28	6.43	0.25	(4.42)	0.85	10.85	0.96	7.18
MEAT	1.75	12.17	0.21	13.16	0.96	6.93	1.07	2.21
FISH	0.63	4.26	0.09	12.07	0.29	14.39	0.26	3.75
MILK, CHEESE AND EGGS	0.56	13.39	0.04	19.75	0.45	21.54	0.38	17.49
OILS AND FATS	0.43	11.10	0.07	(0.86)	0.26	13.18	0.23	12.97
FRUIT	**0.56**	**19.60**	**0.10**	**26.63**	**0.30**	**162.20**	**0.17**	**70.86**
VEGETABLES	**0.77**	**11.69**	**0.09**	**80.04**	**0.62**	**26.09**	**0.57**	**(5.49)**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.25	4.12	0.03	6.15	0.16	9.13	0.14	4.14
FOOD PRODUCTS N.E.C	0.52	6.84	0.07	2.32	0.28	12.43	0.32	22.13
NON-ALCOHOLIC BEVERAGES	0.86	5.20	0.09	16.75	0.51	8.82	0.63	9.08

Source: Central Statistical Office.

Appendix B (continued)
Index of Retail Prices by Area

(Year-on-Year Per cent Change)

	Savana Grande (Princess Town)		Siparia		Point Fortin		Tobago (Scarborough)	
	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06	Weight	Sep '07/ Sep '06
ALL ITEMS	**13.12**	**9.90**	**48.14**	**6.00**	**28.07**	**18.77**	**95.58**	**5.53**
FOOD AND NON-ALCOHOLIC BEVERAGES	8.30	11.38	10.80	14.98	6.25	43.90	14.04	8.49
FOOD	7.33	12.13	9.79	15.35	5.52	46.02	12.34	8.98
BREAD AND CEREALS (ND)	1.73	8.02	2.26	6.03	1.14	1.60	2.52	13.06
MEAT	1.40	13.33	1.99	6.90	1.28	4.56	2.06	2.80
FISH	0.26	8.06	0.60	0.74	0.32	10.57	1.43	(3.81)
MILK, CHEESE AND EGGS	0.79	16.43	0.84	15.87	0.62	12.03	1.68	17.57
OILS AND FATS	0.46	(3.86)	0.62	7.83	0.25	5.35	0.79	1.95
FRUIT	**0.56**	**12.29**	**0.67**	**(10.97)**	**0.33**	**50.94**	**0.58**	**(1.40)**
VEGETABLES	**1.21**	**17.31**	**1.58**	**34.74**	**0.90**	**73.18**	**1.54**	**14.38**
SUGAR, JAM, HONEY, SYRUPS, CHOCOLATE AND CONFECTIONERY	0.30	4.83	0.46	6.17	0.26	7.65	0.78	9.17
FOOD PRODUCTS N.E.C	0.62	7.47	0.77	10.68	0.42	22.90	0.96	10.09
NON-ALCOHOLIC BEVERAGES	0.97	2.98	1.01	9.10	0.73	8.26	1.70	1.79

Source: Central Statistical Office.

Appendix C
Index of Retail Prices of Building Materials
Base Period: Average of 4 Quarters 1996=100 (REVISED)

		ALL SECTIONS			SITE PREPARATION, STRUCTURE & CONCRETE FRAME			WALLS AND ROOFS			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 %
2003	I	114.0	0.18	2.24	137.4	0.73	5.13	122.9	0.90	3.98	103.3	-1.62	-2.18
	II	115.2	1.05	4.07	139.2	1.31	6.18	123.9	0.81	6.63	100.9	-2.32	-2.79
	III	115.1	-0.09	2.04	140.2	0.72	3.39	123.0	-0.73	3.10	100.5	-0.40	-3.83
	IV	114.8	-0.26	0.88	139.9	-0.21	2.57	122.8	-0.16	0.82	99.3	-1.19	-5.43
2004	I	116.3	1.31	2.02	142.6	1.93	3.78	124.9	1.71	1.63	99.4	0.10	-3.78
	II	122.6	5.42	6.42	158.3	11.01	13.72	133.1	6.57	7.43	105.3	5.94	4.36
	III	125.9	2.69	9.38	160	1.07	14.12	136.0	2.18	10.57	114.2	8.45	13.63
	IV	131.7	4.61	14.72	163.9	2.44	17.16	140.3	3.16	14.25	143.7	25.83	44.71
2005	I	133.2	1.1	14.5	165.5	1.0	16.1	141.7	1.00	13.45	151.2	5.22	52.11
	II	136.8	2.7	11.6	170.5	3.0	7.7	145.7	2.82	9.47	153.9	1.79	46.15
	III	140.3	2.6	11.4	175.8	3.1	9.9	150.2	3.09	10.44	155.2	0.85	35.91
	IV	143.3	2.1	8.8	181.8	3.4	10.9	154.6	2.93	10.19	152.3	-1.87	5.98
2006	I	147.2	2.7	10.5	187.2	3.0	13.1	157.1	1.62	10.87	161.1	5.78	6.55
	II	154.84	5.2	13.2	199.55	6.6	17.0	171.45	9.13	17.67	165.65	2.82	7.63
	III	162.79	5.1	16.0	209.64	5.1	19.3	180.61	5.35	20.25	186.28	12.46	20.02
	IV	167.75	3.0	17.1	217.93	4.0	19.9	184.80	2.32	19.54	191.60	2.86	25.81
2007	I	178.30	6.3	21.1	238.70	9.5	27.5	197.50	6.87	25.72	199.80	4.28	24.02
	II	181.22	1.6	17.0	246.18	3.1	23.4	199.85	1.19	16.57	203.24	1.72	22.70
	III	182.72	0.8	12.2	248.26	0.8	18.4	201.21	0.68	11.41	207.62	2.16	11.46

		PLUMBING & FIXTURES			WINDOWS, DOORS & BALAUSTRADING			FINISHING, JOINERY UNITS AND PAINTING & EXTERNAL WORKS		
Date		Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %	Index	Qtrly %	Y-o-Y %
2003	I	104.0	-0.67	0.10	102.8	-2.93	-2.93	90.5	0.78	1.57
	II	103.1	-0.87	-0.67	107.9	4.96	1.98	91.5	1.10	1.89
	III	104.6	1.45	0.00	107.4	-0.46	1.42	92.0	0.55	1.88
	IV	105.1	0.48	0.38	107.8	0.37	1.79	91.5	-0.54	1.89
2004	I	105.0	-0.10	0.96	108.0	0.19	5.06	92.7	1.31	2.43
	II	105.7	0.67	2.52	108.1	0.09	0.19	92.8	0.11	1.42
	III	106.9	1.14	2.20	114.2	5.64	6.33	94.0	1.29	2.17
	IV	106.7	-0.19	1.52	114.8	0.53	6.49	97.0	3.19	6.01
2005	I	107.7	0.94	2.57	115.3	0.44	6.76	97.1	0.10	4.75
	II	109.1	1.30	3.22	115.6	0.26	6.94	101.3	4.33	9.16
	III	111.9	2.57	4.68	116.4	0.69	1.93	104.2	2.86	10.85
	IV	113.7	1.61	6.56	117.2	0.69	2.09	106.4	2.11	9.69
2006	I	114.4	0.62	6.22	118.6	1.19	2.86	108.1	1.60	11.33
	II	115.84	1.26	6.18	119.56	0.81	3.43	109.49	1.28	8.08
	III	115.17	-0.58	2.93	122.05	2.08	4.85	112.41	2.67	7.88
	IV	117.95	2.41	3.74	130.18	6.66	11.08	114.25	1.64	7.38
2007	I	116.90	-0.89	2.19	137.30	5.47	15.77	118.33	3.57	9.46
	II	118.34	1.23	2.16	135.63	-1.22	13.44	121.42	2.61	10.90
	III	119.18	0.71	3.48	136.24	0.45	11.63	121.94	0.43	8.48

Source: Central Statistical Office.

Appendix D
Index of Retail Sales: Base 2000=100
Base Period: Average of 4 Quarters 1996=100 (REVISED)

	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 %
Mar-05	139.9	15.1	165.7	6.3	136.2	9.7	129.2	10.1
Jun-05	146.7	12.5	191.1	10.5	145.6	10.8	132.6	-2.6
Sep-05	162.2	16.5	205.1	15.5	148.3	8.6	153.0	7.5
Dec-05	190.8	13.7	290.1	34.1	188.0	10.6	153.3	-2.5
2005	**159.9**	**14.4**	**213.0**	**17.9**	**154.5**	**10.0**	**142.0**	**2.7**
Mar-06	150.6	7.6	203.5	22.8	150.2	10.3	149.5	15.7
Jun-06	163.4	11.4	214.6	12.3	175.3	20.4	157.1	18.5
Sep-06	180.5	11.3	247.8	20.8	176.9	19.3	177.2	15.8
Dec-06	214.1	12.2	330.8	14.0	204.1	8.6	198.5	29.5
2006	**177.2**	**10.8**	**249.2**	**17.0**	**176.6**	**14.3**	**170.6**	**20.1**
Mar-07	182.6	21.2	239.2	17.5	175.6	16.9	179.7	20.2
Jun-07	195.0	19.3	270.2	25.9	189.1	7.9	222.7	41.8

	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 %
Mar-05	100.7	23.0	80.0	33.1	165.1	32.3	130.9	2.5	161.9	19.4
Jun-05	108.6	17.4	73.8	2.8	173.1	29.1	137.9	10.7	157.1	12.0
Sep-05	120.0	24.7	148.1	67.9	185.6	38.1	138.9	4.2	195.4	11.1
Dec-05	284.9	12.6	134.6	18.8	194.7	25.9	146.0	17.2	178.8	10.9
2005	**153.5**	**17.3**	**109.1**	**30.9**	**179.6**	**31.1**	**138.4**	**8.5**	**173.3**	**13.1**
Mar-06	102.3	1.6	54.0	-32.5	172.1	4.2	140.5	7.3	162.9	0.6
Jun-06	120.8	11.2	70.9	-3.9	198.3	14.6	103.7	-24.8	170.1	8.3
Sep-06	140.1	16.8	95.2	-35.7	230.4	24.1	103.0	-25.8	199.0	1.8
Dec-06	292.8	2.8	110.4	-18.0	252.2	29.5	105.0	-28.1	200.7	12.2
2006	**164.0**	**6.8**	**82.6**	**-24.3**	**213.3**	**18.7**	**113.0**	**-18.3**	**183.2**	**5.7**
Mar-07	113.6	11.0	66.3	22.8	238.9	38.8	156.1	11.1	194.0	19.1
Jun-07	123.3	2.1	64.3	-9.3	242.3	22.2	158.9	53.2	186.9	9.9

Source: Central Statistical Office.

*Pharmaceuticals and cosmetics, books and stationary and jewellery.

Appendices:

Media Releases on the 'Repo' Rate from May 2007 to October 2007

1 **Media Release dated May 25, 2007 -**
Inflation Edges Up in April: Central Bank Continues to Tighten Liquidity and Maintains 'Repo' Rate at 8.0 Per cent

2 **Media Release dated June 22, 2007 -**
Inflation Declines in May: Central Bank Maintains 'Repo' Rate at 8.0 Per cent

3 **Media Release dated July 27, 2007 -**
Inflation Eases Further in June: Central Bank Maintains 'Repo' Rate at 8.0 Per cent

4 **Media Release dated August 24, 2007 -**
Central Bank Maintains 'Repo' Rate at 8.0 Per cent

5 **Media Release dated September 21, 2007 -**
Central Bank Maintains 'Repo' Rate at 8.0 Per cent

6 **Media Release dated October 26, 2007 -**
Central Bank Maintains 'Repo' Rate at 8.0 Per cent

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Media Release

INFLATION EDGES UP IN APRIL: CENTRAL BANK CONTINUES TO TIGHTEN LIQUIDITY AND MAINTAINS 'REPO' RATE AT 8.0 PER CENT

Recent inflation data released by the Central Statistical Office indicate that headline inflation, measured by the 12-month increase in the index of retail prices, rose to 8.4 per cent in April 2007 compared to 8.0 per cent in the previous month. This rise in inflation comes on the heel of five consecutive months of decline in the headline inflation rate. On a monthly basis, headline inflation measured 1.0 per cent in April 2007 compared to 0.3 per cent in March.

Food price inflation, which has been the major catalyst for headline inflation, inched up to 18.9 per cent (year-on-year) in April from 18.8 per cent in the previous month. The main contributors to the rise in food price inflation were increases in the prices of bread and cereals (3.3 per cent), fish (16.5 per cent), milk, cheese and eggs (7.8 per cent) and vegetables (31.6 per cent). In contrast, the rate of price increases for meat and fruits slowed in April while that for vegetables remained relatively unchanged.

Core inflation, which excludes the volatile food component, was 4.7 per cent (year-on-year) in April compared with 4.2 per cent in March. The higher rate of core inflation resulted mainly from increases in the transportation (mainly taxi fares) and housing (mainly rent and homeownership) sub-indices. The rate of price increases slowed for health services (5.3 per cent in April compared to 5.8 per cent in March) and meals out (6.7 per cent April compared with 7.0 per cent in March).

In terms of the main factors behind the high level of inflation, in the first seven months of the fiscal year, net fiscal injections were 67 per cent higher than in the corresponding period of the previous fiscal year. The rate of bank credit expansion, which declined somewhat towards the end of the last year, picked up in the first quarter of 2007, notwithstanding tighter liquidity and increases in interest rates. Credit expansion continues to be largely in the area of consumer loans.

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The five-month decline in inflation was beginning to have a positive impact on inflationary expectations. It is therefore important that the reversal in April does not undermine this downward trend, as lower inflation expectations are critical to bringing actual inflation down to more acceptable levels.

Accordingly, the Bank will reinforce its efforts at liquidity absorption through the issue of a special Treasury Note to the commercial banks. The Bank will also continue its programme of open market operations and foreign exchange sales.

The Bank has decided to **maintain the current "Repo" rate at 8.0 per cent** and will continue to keep monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for June 22, 2007.

May 25, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	March 2007	April 2007	March 2007	April 2007
Headline Inflation	**0.3**	**1.0**	**8.0**	**8.4**
Food Prices	1.1	0.2	18.8	18.9
Bread and Cereals	0.2	0.6	2.7	3.3
Meat	2.7	(1.5)	23.1	19.0
Fish	(2.1)	2.4	6.4	16.5
Vegetables	1.2	1.4	31.2	31.6
Fruits	7.0	(1.4)	20.8	18.7
Milk, Cheese & Eggs	1.3	2.4	5.7	7.8
Oils and Fats	(0.1)	(0.5)	6.1	5.4
Sugar, Jam, Confectionery, etc.	1.2	0.2	8.7	7.6
Core Inflation	**(0.02)**	**1.3**	**4.2**	**4.7**
Alcoholic Beverages & Tobacco	(0.1)	1.0	18.4	18.2
Clothing and Footwear	(0.6)	0.7	(0.2)	1.5
Health	(0.1)	2.1	5.8	5.3
Of which: *Phamaceutical Products*	(0.3)	0.7	8.0	7.9
Paramedical Services	0.0	0.0	3.2	0.2
Medical Services	0.0	4.4	5.2	4.4
Of which: *Doctors Fees*	0.0	5.6	6.7	5.6
Rent	0.0	2.8	3.1	3.8
Home Ownership	0.0	1.9	5.4	6.3
Education	0.0	1.5	11.1	11.5
Of which: *Tuition fees (all schools)*	0.0	1.3	12.1	12.2
Recreation & Culture	0.0	2.0	3.1	3.5
Hotels, Cafes & Restaurants	0.0	0.2	7.0	6.8
Transport	0.0	1.3	2.8	3.8
Of which: *Passenger Transport by Road*	0.0	1.3	7.0	8.4
Purchase of Vehicles	0.0	2.2	(1.5)	(0.2)

Source: Central Statistical Office.

- End -

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Media Release

INFLATION DECLINES IN MAY: CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

The latest statistics released by the Central Statistical Office indicate that, following a reversal in April 2007, inflation continued on a downward trend in May. This implies that inflation has declined for six of the last seven months since the rate peaked at 10.0 per cent in October 2006.

Headline inflation measured 7.9 per cent on a year-on-year basis to May 2007, down from the 8.4 per cent figure reported in April. **Food price inflation**, which has been the main stimulus to headline inflation, slowed to 17.3 per cent in May 2007 from 18.9 per cent in the previous month.

The slower rise in the food sub-index came mainly from reductions in the prices of meat and vegetables. However, the data also show that there were strong increases in the prices of fruits and fish.

Core inflation, which filters out the impact of food prices, nudged down slightly to 4.5 per cent in May from 4.7 per cent in the twelve months to April. Contributing to the fall in core inflation were declines in the prices of clothing and footwear and in alcoholic beverages and tobacco.

In terms of the macroeconomic underpinnings, net domestic fiscal injections and increases in bank credit continue to exert upward pressure on domestic demand. These influences are being offset, in part, by liquidity absorption and foreign exchange sales by the Central Bank.

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Inflation control over the next several months will continue to present challenges. Recent increases in the prices of grain on international markets have already led to increased prices for flour and bread. The impact of these increases has not yet been fully reflected in the consumer prices index. Furthermore, the advent of the rainy season raises the possibility of floods which could negatively impact supply and result in shortages of agricultural commodities. The likely increase in government expenditure, as indicated by the supplementary budgetary allocations, along with the payment of sizeable salary arrears, could also be expected to raise demand pressures.

In these circumstances, an appropriate response should involve a combination of measures including (a) the re-programming of public sector expenditures; (b) encouraging wage earners to save a larger proportion of their salary arrears and (c) increasing imports to cushion the effect of domestic supply shortages if and when they arise.

The Bank will continue to intensify liquidity absorption through the sale of open market bills and special government bonds. It will also need to introduce further measures to slow the growth in private sector credit.

Against this background, the Bank has decided to **maintain the current "Repo" rate at 8.0 per cent.**

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

The next 'Repo' rate announcement is scheduled for July 27, 2007.

June 22, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	April 2007	May 2007	April 2007	May 2007
Headline Inflation	**1.0**	**0.6**	**8.4**	**7.9**
Food Prices	0.2	2.0	18.9	17.3
Bread and Cereals	0.6	0.8	3.3	3.5
Meat	(1.5)	(1.1)	19.0	14.8
Fish	2.4	0.1	16.5	20.8
Vegetables	1.4	1.2	31.6	26.0
Fruits	(1.4)	10.5	18.7	23.9
Milk, Cheese & Eggs	2.4	2.5	7.8	10.5
Oils and Fats	(0.5)	0.8	5.4	5.1
Sugar, Jam, Confectionery, etc.	0.2	0.1	7.6	6.9
Core Inflation	**1.3**	**0.1**	**4.7**	**4.5**
Alcoholic Beverages & Tobacco	1.0	(0.7)	18.2	9.7
Clothing and Footwear	0.7	(0.8)	1.5	0.8
Health	2.1	0.1	5.3	5.3
Education	1.5	0.0	11.5	11.5
Recreation & Culture	2.0	0.0	3.5	3.5
Hotels, Cafes & Restaurants	0.2	0.0	6.8	6.8
Transport	1.3	0.0	3.8	3.8

Source: Central Statistical Office.

- End -

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Media Release

INFLATION EASES FURTHER IN JUNE: CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

According to the latest data released by the Central Statistical Office, headline inflation continued on a downward trend, slowing to **7.3 per cent** in the twelve months to June 2007 from 7.9 per cent in the previous month. **Food price inflation**, which has been the main driver of headline inflation, slowed to **14.7 per cent** (year-on-year) in June from 17.3 per cent in May and 18.9 per cent in April. The slower increase in the food prices sub-index came mainly from declines in the prices of meat, fish and vegetables. There were, however, increases in the prices of bread (13 per cent), fruits (24.4 per cent), and milk, cheese and eggs (13.6 per cent).

Core inflation, which excludes the impact of food prices, remained unchanged from the previous month at **4.5 per cent**. The sub-indices for clothing and footwear, health care and alcoholic beverages posted year-on-year increases of 2.3 per cent, 5.1 per cent and 9 per cent, respectively.

Broadly speaking, the steady reduction in inflation since October 2006 (from 10 per cent) could be traced to tightened liquidity conditions and more orderly market conditions for agricultural produce.

Over the course of the past six months, the Bank has pursued an aggressive programme of liquidity absorption through the issue of special long-term bonds, the proceeds of which have been sterilized. In addition, intensified open market activity and increased sales of foreign exchange have helped to keep liquidity conditions in check. As liquidity conditions have tightened, commercial banks needed to have greater recourse to the inter-bank market and to repurchases to meet their financing needs. While there continues to be a strong increase in the prices of food imports, the rise in prices of several locally produced staples has moderated significantly in the face of increased competition and the consequent reduction in retail margins.

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The pace of inflation reduction over the next few months remains uncertain, in part, because the proximate causes, such as credit expansion and fiscal injections, are still much stronger than they should be. In addition, recent announcements of increases in electricity rates as well as concerns about rising food prices in global markets will continue to impact on inflationary expectations.

The emphasis on liquidity management will remain the prime focus of the Bank's monetary policy stance geared to reducing inflation to no more than 7 per cent by year's end. This policy will be supported by Central Bank foreign exchange sales and continued Government efforts to boost domestic agricultural supplies.

Against this background, the Bank has decided to **maintain the current "Repo" rate at 8.0 per cent.** The Bank will continue to keep monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for August 24, 2007.

July 27, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	May 2007	June 2007	May 2007	June 2007
Headline Inflation	**0.6**	**0.5**	**7.9**	**7.3**
Food Prices	2.0	1.5	17.3	14.7
Bread and Cereals	0.8	1.3	3.5	4.9
Meat	(1.1)	1.8	14.8	13.2
Fish	0.1	(1.6)	20.8	12.4
Vegetables	1.2	1.3	26.0	19.4
Fruits	10.5	0.5	23.9	24.4
Milk, Cheese & Eggs	2.5	4.1	10.5	13.6
Oils and Fats	0.8	(0.1)	5.1	4.1
Sugar, Jam, Confectionery, etc.	0.1	0.4	6.9	5.4
Core Inflation	**0.1**	**0.1**	**4.5**	**4.5**
Alcoholic Beverages & Tobacco	(0.7)	0.7	9.7	9.0
Clothing and Footwear	(0.8)	1.4	0.8	2.3
Health	0.1	0.2	5.3	5.1
Rent	0.0	0.0	3.8	3.8
Home Ownership	0.0	0.0	6.3	6.3
Education	0.0	0.0	11.5	11.5
Recreation & Culture	0.0	0.0	3.5	3.5
Hotels, Cafes & Restaurants	0.0	0.0	6.7	6.7
Transport	0.0	0.0	3.8	3.8

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

The latest data released by the Central Statistical Office indicate that **headline inflation** rose to just under 8.0 per cent **(7.95 per cent)** on a year-on-year basis to July from **7.3 per cent** in the previous month. This increase comes on the heel of a sustained decline in headline inflation since October 2006.

Food price inflation, whose decline was responsible for the fall in headline inflation over the past seven months, showed a reversal with a year-on-year increase of **17.2 per cent** in July compared to 14.7 per cent in June. Food price inflation had reached 26.5 per cent on a year-on-year basis in October 2006. On a monthly basis, food prices rose by 2.8 per cent in July 2007 - the largest monthly increase for the year to date.

In July 2007, **core inflation** remained at around 4.5 per cent, the same level for the last three months. This rigidity suggests that underlying inflationary pressures have not yet been fully contained.

The reversal in the food prices came largely from the vegetables sub-group, where prices rose by 7.3 per cent in the month of July alone. On a year-on-year basis to July, the **price of vegetables**, which has a significant weight in the food basket, rose by **26.8 per cent** compared with 19.4 per cent in June. The main contributor within the vegetable category was the increase in the prices of root-crops. According to NAMDEVCO, domestic supply shortages and lower imports from regional trading partners related to transportation problems, were mainly responsible for the upward pressure on the price of root-crops.

The food sub-index also saw sizeable increases in the prices of **cereals** (3.9 per cent), **cheese, yogurt and milk products** (10.5 per cent), **oils and fats** (butter, margarine and edible oils) (4.5 per cent) and **juices** (7.4 per cent). These reflect, in the main, the rise in food import prices now being felt at the global level.

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Strong **demand pressures** continue to impact on the domestic price level. In addition to the high level of fiscal injections, private sector credit expansion remains unusually rapid, notwithstanding the intensification of open market operations and sizeable sales of foreign exchange.

Inflation control will continue to present challenges over the next several months. While improvements in transportation arrangements are expected to remove one of the factors contributing to the spike in July, continued increases in **food import prices** along with the current imbalance between the demand and supply for agricultural commodities will exert upward pressure on the domestic price level. Increased imports of fruits and vegetables from regional markets are expected to meet the shortfall in the short term. However, the timing of these imports is still somewhat uncertain.

Fiscal policy is likely to continue to have an expansionary impact on inflation while the effects of measures to expand domestic food production announced in the 2008 budget would take some time to have the intended effect. Against this background, the Bank will need to intensify measures on the demand side through open market operations, sales of foreign exchange and additional steps to absorb liquidity.

The Bank has decided to **maintain the current "Repo" rate at 8.0 per cent** while keeping monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for September 21, 2007.

August 24, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	June 2007	July 2007	June 2007	July 2007
Headline Inflation	**0.5**	**1.8**	**7.3**	**8.0**
Food Prices	1.5	17.2	14.7	17.2
Bread and Cereals	1.3	0.4	4.9	5.3
Meat	1.8	(0.4)	13.2	12.9
Fish	(1.6)	1.0	12.4	12.2
Vegetables	1.3	7.3	19.4	26.8
Fruits	0.5	(5.2)	24.4	19.2
Milk, Cheese & Eggs	4.1	2.3	13.6	15.1
Oils and Fats	(0.1)	0.4	4.1	4.5
Sugar, Jam, Confectionery, etc.	0.4	0.5	5.4	5.4
Core Inflation	**0.1**	**1.4**	**4.5**	**4.5**
Alcoholic Beverages & Tobacco	0.7	0.3	9.0	8.4
Clothing and Footwear	1.4	0.0	2.3	2.3
Health	0.2	1.0	5.1	4.2
Education	0.0	0.0	11.5	11.5
Hotels, Cafes & Restaurants	0.0	2.6	6.7	7.5
Transport	0.0	1.9	3.8	5.6

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

According to the latest inflation data released by the Central Statistical Office, **headline inflation** measured **7.9 per cent** on a year-on-year basis to August, slightly lower than the rate of **8.0 per cent** recorded last month.

Food price inflation, which exerts a strong influence on headline inflation, edged downwards to **16.7 per cent** in August from 17.2 per cent in July. The decline in food price inflation came mainly from a slower increase in the sub-index for vegetables which grew by 23.5 per cent (year-on-year) in August compared with 26.8 per cent in the previous month. Information obtained from NAMDEVCO indicates that increased imports of vegetables from Costa Rica under the CARICOM-Costa Rica Agreement are beginning to boost local supply and may have contributed to a moderation in the increase in the price of vegetables.

As regards other major items in the food basket, there were, increases (year-on-year) in the prices of bread and cereal (8.2 per cent), fish (13.4 per cent), milk, cheese and eggs (16.8 per cent) and fruits (25 per cent).

Core inflation, which filters out the effect of food prices, measured **4.5 per cent** in the twelve months to August, the same as in the previous three months. The sub-indices for housing and health care posted increases of **3.9 per cent** and **4.6 per cent**, respectively.

Net domestic fiscal injections, which continue to add to liquidity in the financial system, have been partly offset by more intensified open market operations and by sales of foreign exchange. Notwithstanding the significant liquidity absorption, **bank credit expansion** continues to grow on average by **21 per cent** over the last four months. Consumer credit growth, which had been on a declining trend since March 2007, has also begun to rise sharply.

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The pace of reduction in inflation remains uncertain and will depend on the evolution of import prices, the effect of the increased supply of agricultural commodities and the effectiveness of measures to contain credit expansion.

The Bank will continue to pursue its aggressive liquidity absorption programme in order to keep domestic demand in check and contain inflationary pressures. Additional measures may be warranted to slow the growth in private sector credit demand.

Against this background, the Bank has decided to **maintain the current "Repo" rate at 8.0 per cent** while keeping monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for October 26, 2007.

September 21, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	July 2007	August 2007	July 2007	August 2007
Headline Inflation	**1.8**	**0.5**	**8.0**	**7.9**
Food Prices	17.2	1.6	17.2	16.7
Bread and Cereals	0.4	2.6	5.3	8.2
Meat	(0.4)	0.1	12.9	13.0
Fish	1.0	1.0	12.2	13.4
Vegetables	7.3	1.5	26.8	23.5
Fruits	(5.2)	9.7	19.2	25.0
Milk, Cheese & Eggs	2.3	1.6	15.1	16.8
Oils and Fats	0.4	0.7	4.5	5.2
Sugar, Jam, Confectionery, etc.	0.5	0.2	5.4	4.9
Core Inflation	**1.4**	**0.1**	**4.5**	**4.5**
Alcoholic Beverages & Tobacco	0.3	0.5	8.4	8.3
Clothing and Footwear	0.0	0.2	2.3	2.5
Health	1.0	0.2	4.2	4.6
Rent	0.6	0.0	4.1	4.1
Home Ownership	0.1	0.0	4.5	4.5
Education	0.0	0.0	11.5	11.5
Recreation & Culture	7.5	0.0	5.3	5.3
Hotels, Cafes & Restaurants	2.6	0.0	7.5	7.5
Transport	1.9	0.0	5.6	5.6

Source: Central Statistical Office.

- End -

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Media Release

CENTRAL BANK MAINTAINS 'REPO' RATE AT 8.0 PER CENT

Recent data released by the Central Statistical Office indicate a further slowdown in the rate of inflation.

Headline inflation measured **7.3 per cent** on a year-on-year basis to September 2007 compared with 7.9 per cent in August. **Food price inflation**, which has been the major catalyst for headline inflation, slowed to **14 per cent** (year-on-year) in September 2007 from 16.7 per cent in the previous month.

The reduction in **food price inflation** reflected lower price increases for vegetables and fish. The prices of meat, fruits, milk, cheese and eggs continued a steady monthly rise. According to NAMDEVCO, higher prices for bananas, oranges and mangoes have contributed to the overall increase in the price of fruits. The increase in the price of diary products, especially cheese, reflects higher import costs and the depreciation of the TT dollar against major non-US currencies.

Core inflation, which filters out the effect of food prices, edged up to 4.6 per cent after remaining at around 4.5 per cent over the previous four months. The sub-indices for clothing and footwear and alcoholic beverages and tobacco posted year-on-year increases of 2.6 per cent and 8.4 per cent, respectively.

Lower fiscal injections and the aggressive programme of liquidity absorption being pursued by the Central Bank (through open market operations and foreign exchange sales) contributed to a significant tightening in liquidity conditions over the past month. In this tighter environment, commercial banks had greater recourse to the inter-bank market and the "repo" window at the Central Bank to meet their financing needs. Meanwhile, growth in private sector credit by the consolidated financial system slowed to 14.7 per cent in the twelve months to August 2007 from 18.4 per cent in the previous month.

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Underlying inflationary impulses remain strong given current fiscal, credit and wage pressures. At the same time, a substantial increase in global food prices continues to fan food price inflation in both developed and developing countries.

Accordingly, inflation control will continue to be the main focus of Central Bank's monetary policy. In these circumstances, the Bank has decided to **maintain the current "Repo" rate at 8.0 per cent** while keeping monetary conditions under close review.

The next 'Repo' rate announcement is scheduled for November 30, 2007.

October 26, 2007.

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MOVEMENT OF SELECTED CATEGORIES OF THE INDEX OF RETAIL PRICES

/Percentage Change/

	Monthly		Year-on-Year	
	August 2007	September 2007	August 2007	September 2007
Headline Inflation	**0.5**	**0.3**	**7.9**	**7.3**
Food Prices	1.6	1.0	16.7	14.0
Bread and Cereals	2.6	0.8	8.2	8.1
Meat	0.1	2.3	13.0	14.8
Fish	1.0	0.7	13.4	11.3
Vegetables	1.5	0.8	23.5	14.4
Fruits	9.7	3.5	25.0	32.8
Milk, Cheese & Eggs	1.6	0.8	16.8	17.6
Oils and Fats	0.7	0.3	5.2	5.5
Sugar, Jam, Confectionery, etc.	0.2	1.4	4.9	6.4
Core Inflation	**0.1**	**0.0**	**4.5**	**4.6**
Alcoholic Beverages & Tobacco	0.5	0.2	8.3	8.4
Clothing and Footwear	0.2	(0.1)	2.5	2.6
Health	0.2	0.0	4.6	4.4
Rent	0.0	0.0	4.1	4.1
Home Ownership	0.0	0.0	4.5	4.5
Education	0.0	0.0	11.5	11.5
Recreation & Culture	0.0	0.0	5.3	5.3
Hotels, Cafes & Restaurants	2.6	0.0	7.5	7.5
Transport	1.9	0.0	5.6	5.6

Source: Central Statistical Office.

- End -

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