HIGHLIGHTS

Central Bank of Trinidad and Tobago Monetary Policy Report, November 2018

CENTRAL BANK OF TRINIDAD & TOBAGO

Summary:

- Economic activity during the first half of 2018 was supported by higher output in the energy sector. Activity in the non-energy sector, however, is yet to pick up.
- The Central Government achieved a smaller deficit in FY2017/18, financed principally from domestic sources.
- Low aggregate demand has kept inflation well contained below 2 per cent thus far in 2018.
- Private sector credit continued to recover, supported by higher consumer loans and real estate mortgages.
- The ongoing improvement in the energy sector has helped ease some of the pressures in the foreign exchange market.
- In June 2018 the Monetary Policy Committee increased the "Repo" rate by 25 basis points to 5.00 per cent.
- The secondary reserve requirement was removed in August 2018.

INTERNATIONAL DEVELOPMENTS

Global growth revised downward by the IMF to **3.7 %** for both 2018 and 2019.

Central banks in some advanced economies have continued the process of monetary policy **normalisation**.

International energy prices **strengthened**, supported by OPEC production cuts and robust demand.

Growth in the emerging market and developing economies held **steady** over the first half of 2018.

DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS

Labour market dynamics suggest conditions continue to **loosen** based on declines in the labour force and labour force participation rate.

Reduced expenditure along with higher energy and non-energy revenues supported a smaller overall deficit of **$6.3bn** in FY2017/18.

The Balance of Payments recorded an overall deficit of **US$171.6mn** in the second quarter of 2018.

Gross official reserves fell to **US$7.4bn** (**8.0 months** of prospective imports) at the end of October 2018.

Foreign currency sales by the Central Bank to authorised dealers amounted to **US$1,285mn** during January to October 2018.

MONETARY POLICY CONSIDERATIONS