

## Central Bank: T&T economy grew in Q1, 2019

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Trinidad and Tobago has experienced an energy-led recovery in domestic economic activity during the first half of fiscal year 2018/19 according to the Central Bank's June monetary policy announcement.

The Central Bank noted that government's deficit for the first half of the 2018/2019 fiscal year was much lower when compared to the corresponding period last fiscal year.

"The boost to natural gas output from the Juniper project positively affected downstream production of petrochemicals and liquid natural gas (LNG). At the same time, toward the end of the year, refining output fell substantially as a result of the closure of the Petrotrin refinery.

"There were also maintenance-related production stoppages at some petrochemical plants in the final quarter of 2018," the report said.

It added that more recent information shows that natural gas production rose further in the first two months of 2019 with the coming on-stream of new gas from the Angelin platform.

"LNG and petrochemicals output also increased while crude oil production continued to decline owing to mature acreage.

"The spillover from the energy to the non-energy sectors appeared to be slow and somewhat uneven in 2018, however, based on available data," the report said.

Energy prices displayed positive trends over November 2018 to May 2019.

According to the Central Bank strong seasonal demand over the winter months accounted for the rise in natural gas prices (7.5 per cent year-on-year) to US\$3.16/million British Thermal Units (mmbtu) over the period.

The Bank said latest data indicated an increase in the unemployment rate to 4.8 per cent in 2017 even as the labour market participation rate also declined as some people opted to leave the job market, perhaps as a result of difficulty in obtaining employment.

The bank noted that more recent data point to a year-on-year rise in retrenchment notices filed with the Ministry of Labour in 2018 and early 2019, suggesting a further slackening of labour market conditions.

Inflation however continued to be low and stable in early 2019 due to low international food prices and moderate domestic demand. Headline inflation stood at 1.2 per cent and construction sectors boosted growth in 2018.

The report said consolidated private sector credit, which had been expanding moderately in 2018, dipped in March 2019.

Regionally the Central Bank said in early 2019 Barbados output suffered from fall-offs in construction and other non-traded sectors .

It added that following some tightening in the latter part of 2018, global monetary and financial conditions have eased since the beginning of 2019 as major central banks have kept monetary policy unchanged or have implemented further accommodation measures

The Bank has continued to conduct open market operations in light of changing market conditions.

Lower fiscal injections over November 2018 to May 2019 relative to the previous seven-month period (April to October 2018) resulted in the Bank injecting a net amount of \$4.2 billion in liquidity into the financial system through net maturities of OMOs. Furthermore, sales of foreign exchange by the Central Bank to authorised dealers indirectly withdrew liquidity from the system. Liquidity levels over the period were lower compared to the prior seven-month period, which led to a rise in daily interbank

borrowing; however, the interbank rate remained unchanged, the report noted.

It added the local foreign exchange market remained tight despite an increase in authorised dealers' foreign currency purchases from the public.

Over November 2018 to May 2019, both purchases and sales of foreign exchange by authorised dealers increased when compared to the corresponding period a year earlier.