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Domestic

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CBTT raises Repo Rate to 4.00%

- The Monetary Policy Committee (MPC) of the CBTT decided to increase the benchmark 'repo' rate for the fifth consecutive time at its May 2015 meeting.
- The repo rate (which is the rate at which the Central Bank is prepared to provide overnight financing to commercial banks that are temporarily unable to meet their liquidity requirements) now stands at 4.00%, from 3.75% previously.
- The decision was based on three (3) main factors:
 1. Guidance from the US Federal Reserve about the future path of its monetary policy.
 2. The potential for rising domestic inflationary pressures in the rest of 2015.
 3. The "still relatively positive" growth outlook for the non-energy sector in 2015.
- According to the CBTT, the Fed Funds policy interest rate would likely increase by the end of 2015, which is expected to make US dollar assets more attractive relative to TT dollar assets, which may prompt capital outflows. The increase in the repo rate therefore, seems to be a preemptive to avoid portfolio capital flows out of Trinidad and Tobago.
- The MPC expects inflationary pressures to further pick up in the rest of 2015 due to a number of factors:
 1. The effect of poor weather conditions over the wet season on food prices.
 2. Growth of consumer credit remains strong and the successful settlement of outstanding wage negotiations is expected to boost consumer spending.
 3. Central Government's expansionary fiscal stimulus remains on track.
- Even though the Repo rate has increased by a cumulative 125 basis points since September 2014, the MPC believes monetary policy still remains accommodative to economic growth. The non-energy sector has registered 16 consecutive quarters of fairly respectable growth to March 2015, and the MPC expects continued steady performance in non-energy output during the rest of 2015.
- The next Monetary Policy Announcement is scheduled for July 31st, 2015.

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