

Economic Alert iQ

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Local

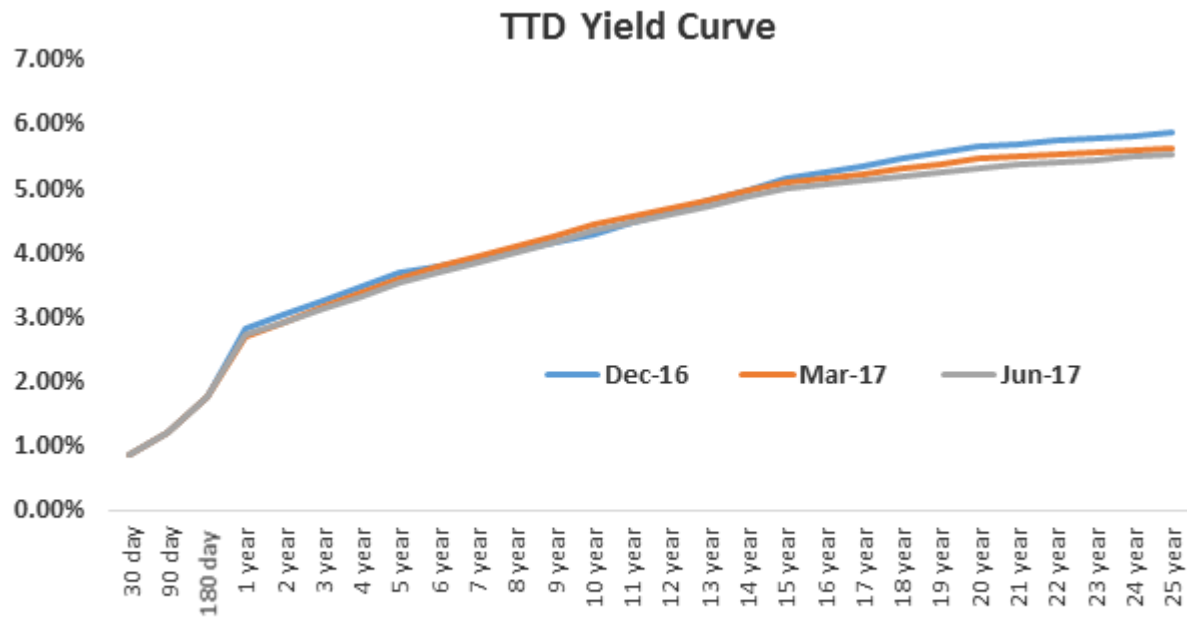
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Economic Alert: CBTT Maintains Repo Rate at 4.75%

- At its July 2017 Monetary Policy Committee (MPC) meeting a decision was taken to maintain the repo rate at 4.75%.
- Inflationary pressures have been well contained with the overall inflation rate measuring 1.7 % (year-on-year) in May 2017. Food inflation was registered as 1.8% whilst core inflation was 1.7%.
- Liquidity levels in the banking system remained fairly comfortable with commercial banks excess reserves averaging at around \$3.1 billion between May- July 2017.
- Credit growth remains unimpressive as credit to business rose slightly by a mere 0.3%, consumers' loans by 4.5% and lending to real estate mortgages was stable at 4.4%.
- The latest Monetary Policy Report produced by CBTT showed the energy sector remains pressured by low prices and production. For the 4Q2016, crude oil production was down by 4.2% year-on-year, and natural gas production was lower year-on year by 10%.
- However, natural gas output in the 4Q2016 recovered significantly from the falloff in the third quarter of 2016 which resulted from downtime related to the tie-in of bpTT's Juniper plant.
- Data available for 1Q2017 for the energy sector revealed a further downturn in production. Crude oil production declined 0.5% , year-on-year, to an average of 74,343 barrels of oil per day (bbl/d) while natural gas production fell by 8.5% to 3,286 million standard cubic feet per day (mmscf/d) compared to y-o-y.
- Moreover, the non-energy sector also saw some shortfalls in the 1Q2017. In the construction sector, local sales of cement declined by 16.6 % y-o-y and mined aggregates fell by 28.9% while in the distribution sector, new motor vehicle sales contracted by 25.5%.

- Depressed energy sector exports resulted in low energy export earnings. Based on most recent data compiled by the Central Bank, the current account deficit stood at 10.9% of GDP in 2016 from a surplus of 3.9% y-o-y.
- For the first half of FY 2016/2017, government spending recorded a deficit of \$6.9 billion compared to a deficit of \$3.1 billion y-o-y.
- The next Monetary Policy Announcement is scheduled for September 29, 2017.



Selected Indicators	2013	2014	2015	2016	2017f	2018f	2019f	2020f
Real GDP growth (%)	2.7	(0.6)	(0.6)	(2.3)	1.0	2.0	2.2	2.3
Real Export Growth (%)	44.7	(21.9)	(47.8)	(2.3)	1.0	2.0	2.2	2.3
Unemployment Rate (%)	3.7	3.3	3.4	4.1	4.3	4.3	4.3	5.3
General government balance/GDP (%)	(5.9)	(2.6)	(1.7)	(5.0)	(4.5)	(3.4)	(2.9)	(2.1)
General government debt/GDP (%)	52.9	57.4	76.7	81.8	83.1	81.6	79.2	75.5
Net general government debt/GDP (%)	15.3	17.5	31.7	34.6	36.8	35.5	32.9	30.3
General government interest /revenues (%)	5.3	5.3	6.0	6.7	11.4	10.6	6.8	6.6
CPI growth (%)	5.2	5.7	4.7	3.1	4.0	5.0	5.5	5.5
Current account balance/GDP (%)	12.8	1.4	(1.0)	(10.3)	(8.5)	(7.4)	(6.1)	(3.7)
Current account balance/CARs (%)	17.0	2.4	(1.8)	(23.8)	(18.9)	(15.4)	(11.9)	(7.1)

Source: Standard & Poor's , First Citizens Research & Analytics



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