T&T growth moderating, says Central Bank

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The Central Bank's May 2026 Monetary Policy Report suggests that the T&T economy is entering a period of moderation as higher interest rates, tighter financial conditions and economic uncertainty begin to influence borrowing and spending decisions.

The report shows slower growth across several key categories of lending, including consumer loans, business credit, and mortgages. Foreign currency lending has also turned negative, while growth in monetary aggregates continues to narrow.

While the Central Bank report does not point to severe economic stress, it does reveal an economy becoming increasingly cautious. Households are borrowing less, businesses are becoming more selective with investment decisions, and investors are repositioning portfolios in response to changing market conditions.

Consumers pull back

The Central Bank's May 2026 Monetary Policy Report said consumer lending slowed significantly between October 2025 and March 2026, reflecting what the report described as a moderation in overall consumer loan activity.

Consumer loans grew by 5.2 per cent in March 2026, down from 8.0 per cent six months earlier.

The Central Bank report said the slowdown may have been driven by "changes in labour market dynamics, higher lending rates, and broader macroeconomic uncertainty, coupled with the recent scaling back of card transaction limits."

The report showed weaker growth across several categories of borrowing.

Motor vehicle lending slowed from 10.2 per cent to 9.0 per cent, while debt consolidation loans eased from 5.8 per cent to 4.0 per cent. Refinancing activity also weakened, falling from 2.2 per cent to 1.4 per cent.

The Central Bank report said these categories "contributed to the slowdown in consumer lending" during the period.

Home improvement and renovation financing deteriorated further.

The report said the category "declined from -0.8 per cent to -1.9 per cent" between December 2025 and March 2026, suggesting households may be postponing discretionary spending projects.

One notable exception was land and real estate lending. The Central Bank report said, "Land and real estate expanded from 21.5 per cent to 22.2 per cent," making it one of the strongest-performing segments of consumer credit despite the broader slowdown.

Taken together, the figures in the Central Bank report point to consumers becoming more selective about borrowing, even as demand for property-related financing continues to show resilience.

Business borrowing slows

The Central Bank also reported weaker growth in lending to businesses.

Business credit expanded by 3.7 per cent in March 2026, down from 6.6 per cent in October 2025.

The Central Bank report said, "Developments in economic activity, shifts in operating costs, and heightened market uncertainty likely shaped corporate financing decisions."

Commercial bank lending accounted for much of the slowdown.

The Central Bank's sectoral analysis showed distribution lending slowing from 5.8 per cent to 3.7 per cent, while manufacturing lending weakened from 4.3 per cent to 1.9 percent.

The report said this deceleration was "overshadowed by an uptick in lending" to several sectors.

"Construction lending accelerated sharply from 4.4 per cent to 12.5 per cent. Finance, insurance, and real estate lending increased from 15.2 per cent to 16.3 per cent, while lending to other services also improved from 3.0 per cent to 3.9 per cent," The Central Bank report said.

The Central Bank report suggests that while businesses remain willing to borrow, investment activity is becoming increasingly concentrated in selected sectors.

Mortgage demand softens

The Central Bank report also highlighted the impact of higher interest rates on the mortgage market.

Real estate mortgage lending grew by 4.4 per cent for the six months ended March 2026 compared with 5.8 per cent in October 2025.

The report linked the slowdown to rising mortgage costs.

Interest rates on new commercial bank mortgages increased from 4.84 per cent in March 2025 to 5.23 per cent by December 2025.

The Mortgage Market Reference Rate also increased from 3.0 per cent to 3.5 per cent by the end of 2025.

Residential mortgage lending remained relatively resilient, growing by 5.8 per cent.

Commercial mortgage lending was considerably weaker at 1.8 percent.

One of the more interesting findings in the Central Bank report was the growth in non-bank mortgage lending, which surged from 8.8 per cent to 17.78 per cent over the same period. The figures suggest some borrowers may be increasingly turning to alternative lenders as borrowing conditions evolve.

Foreign $ credit contracts

Among the most significant findings in the Central Bank report was the reversal in foreign currency lending.

Foreign currency credit contracted by 1.3 per cent in March 2026 after growing by 8.7 per cent in October 2025.

The report attributed the decline to weaker lending by both commercial banks and non-bank financial institutions.

At the same time, foreign currency deposits continued to grow.

The Central Bank reported growth of 7.9 per cent in foreign currency deposits, up from 6.5 per cent in October 2025.

Business deposits increased from 6.9 per cent to 8.9 per cent, while consumer deposits fell from positive growth of 10 per cent to negative 1.3 per cent.

The data points to businesses accumulating foreign currency balances while households draw down savings.

Money growth weakens

The Central Bank's broader monetary indicators also point to slower activity.

The report showed M1-A, which includes currency in circulation and demand deposits, declining by 2.1 per cent in March 2026, compared with a decline of 0.7 per cent in October 2025.

Demand deposits fell by 3.0 per cent while currency in circulation grew by 3.1 per cent.

The report also showed M2 growth slowing to 0.9 per cent.

Meanwhile, time deposits expanded by 16.5 per cent as households and businesses took advantage of higher interest rates.

The Central Bank data suggests more money is being placed in longer-term savings instruments and less is circulating through the economy.

Debt market slows

The Central Bank report found that activity in the primary debt market remained subdued between October 2025 and April 2026.

Only three domestic bond issues came to market, raising a combined $2.3 billion. All were Government issues.

During the same period one year earlier, eight issues raised more than $8.4 billion.

The government also issued a US$1 billion international bond for refinancing and budget support.

While new issuance slowed, the Central Bank reported stronger activity in the secondary market as investors traded existing Government and corporate bonds more actively.

Stocks provide bright spot

One of the more encouraging findings in the Central Bank report came from the stock market.

The Composite Price Index rose 2.1 per cent over the five months ending April 2026, increasing total market capitalisation to $93.5 billion.

The report showed gains in the All T&T Index and the Cross Listed Index, supported by stronger earnings across several sectors.

Energy stocks recorded the strongest performance, while property, non-bank financial, and banking shares also advanced.

However, the Central Bank report noted declines in trading, manufacturing, and conglomerate stocks, while the SME market continued to contract.

Impact of Iran war

The Central Bank report also looked at the vulnerability of the T&T economy to the war in the Middle East involving Israel, US and Iran. The report said that for a small, open, energy-exporter with a heavy reliance on imports, T&T faces vulnerabilities to the conflict through several channels, including raising import and transport costs, a falloff in tourism demand, and a slowdown in economic growth.

In terms of energy, according to the Central Bank, a prolonged war could affect the domestic economy on two fronts: Higher prices for hydrocarbon products could result in increased energy export earnings, while a corresponding pickup in prices for refined products could raise spending on imports.

“Whether the impact of this occurrence is positive or negative for the local economy depends on the direction and magnitude of these price increases. At the same time, higher fuel costs will also make it more expensive for air and maritime services, which could raise the prices for some non-energy commodities including food. Additionally, a deterioration in global economic conditions, particularly in key source markets, could negatively impact tourism activity.”

The Central Bank noted that while T&T possesses financial buffers, such as its reserves holdings, to safeguard against economic spillovers from this crisis, taken together, “these factors have the potential to dampen domestic economic growth unless there is a timely resolution to the conflict.”