

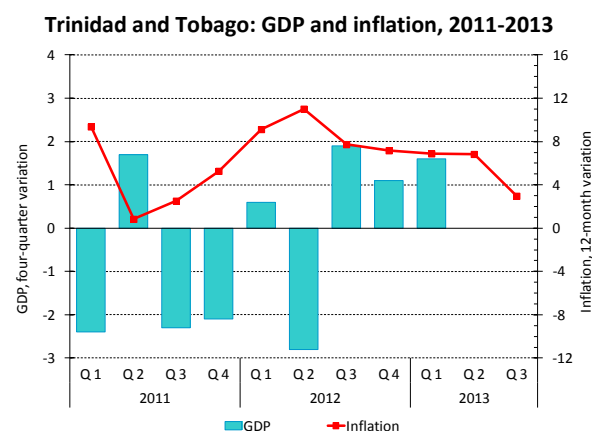
TRINIDAD AND TOBAGO

Trinidad and Tobago's economic growth is estimated to be 1.6% for 2013 and is projected at 2.1% in 2014. As in the previous year, growth in 2013 was fuelled primarily by the non-petroleum sector, along with a return to positive (albeit limited) growth in the petroleum sector. The deficit for the 2013 fiscal year¹ is estimated to have expanded to 4% of GDP, up from 2.3% in 2012, owing mainly to increased wage and salary expenditure. Inflation decreased over the year, falling to a 21-month low in July. New draft policies that the government is debating encompass the introduction of a new tax system, which would include a new land and buildings tax, the occupational pension plan bill—a regulatory and supervisory framework to supervise and govern pension plans—and a Memorandum of Understanding with the Government of Guyana to provide access to agricultural land in that country. The CARIFORUM-European Union Economic Partnership Agreement Bill was passed in 2013, implementing the economic partnership agreement that was signed in 2008, and amending the Customs Act. The Customs Act was also amended in 2013 to allow for the electronic transfer of passenger and cargo information in advance of shipment, with a view to increasing security and making border patrols more effective.

Preliminary data indicate that the central government incurred a fiscal deficit of 6.5 billion Trinidad and Tobago dollars (TT\$), or 4% of GDP. This represents a widening from the 2.3%² deficit in fiscal 2012. Total revenue and grants in fiscal 2013 are estimated at TT\$ 52.9 billion (32.1% of GDP), representing a 7.5% increase from 2012. This increase was chiefly attributable to unexpectedly high receipts from taxes on income and profits and on goods and services. The income tax take swelled thanks to a rise in the number of companies paying corporation taxes and to the inclusion of receipts that had previously been counted under the business levy. The larger receipts from goods and services taxes reflected increased sales of new and used vehicles and greater administrative income. Higher revenue from value added tax also contributed to the increase in taxes on goods and services. Non-tax revenue was TT\$ 7.3 billion, a 29.7% increase on last year's receipts.

Total expenditure and net lending is estimated to have risen by 12.6% to TT\$ 59.5 billion or 36.6% of GDP; of this amount, recurrent expenditure accounted for 85% and capital expenditure made up the remaining 15%. The conclusion of a number of wage negotiations in fiscal 2013 led to an increase of 32% in expenditure on wages and salaries. Expenditure on other goods and services increased by 13% and outgoings on interest payments and transfers and subsidies grew marginally.

The 2013 fiscal deficit is financed to the tune of 39% from external sources and 61% from domestic sources. Despite the deficit, net public-



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

¹ The fiscal year in Trinidad and Tobago runs from October to September.

² Revised figure.

sector debt is expected to decrease slightly to 44.7% of GDP, down from 45% in the previous year. The heritage and stabilization fund was increased by US\$ 42.5 million to reach approximately US\$ 5 billion as of July 2013.

The Central Bank of Trinidad and Tobago maintained its accommodative stance from previous years in 2013, keeping the repo rate at 2.75% after cutting it from 3.0% in September 2012. The basic prime lending rate fell from 7.8% in June 2012 to 7.5% in November 2013. The weighted average loan rate dropped to 7.5% in November 2012 and remained constant for much of the period up to September 2013. Despite the lowering of loan rates, private sector credit grew only slightly, by 2.2%, from December 2012 to August 2013. There was, however, some expansion in consumer credit in early 2013.

Trinidad and Tobago's economy is expected to grow by 1.6% in 2013, up slightly from the 1.2% growth measured in 2012, but down from the optimistic projections of 2.5% made in late 2012. This higher projection is based on 2.5% growth in the non-petroleum sector, up from 1.9% in the previous year. The contribution of this sector to overall GDP also increased to 60.2%, its highest share since 2005. The main driver of non-petroleum growth was the 2.4% expansion of services, the largest non-petroleum subsector. The other main subsectors, manufacturing and agriculture, grew by 6.1% and 5.1% respectively.

In addition, the petroleum sector is projected to see growth of 0.5%, its first expansion for three years. Production of crude oil, condensate, ammonia and urea has decreased, but this is expected to be outweighed by increased production of natural gas, liquefied natural gas (LNG) and methanol. The planned shutdowns of two of the major oil and gas producers in the second half of 2013 are not expected to impact greatly on output due to negotiations carried out between the government and the upstream producers. Higher export prices, as a result of the global economic recovery, also contributed to growth in the petroleum sector. An interesting development in Trinidad and Tobago's energy exports was the shift in LNG export markets. In the first seven months of fiscal 2013, LNG exports to the United States fell steeply enough to move the country down to fourth position in the ranking of LNG export destinations, after being the number one for the first 14 years of LNG production. The leading export markets for this product over this period were Chile, Argentina and Spain.

Preliminary data for Trinidad and Tobago's balance of payments in 2013 show a 75% contraction in the current account balance in the first quarter of 2013 in year-on-year terms. Exports grew by 17%, while imports were up 3%. Net foreign direct investment rose slightly (by just under 1%) between first-quarter 2012 and first-quarter 2013. In addition, the financial account balance fell by 6%, and the overall balance fell by 124% in first quarter 2013. Net official reserves shrank by 6% from US\$ 9.8 billion (or 13.5 months of import cover) in 2011 to US\$ 9.2 billion (or 10.4 months of import cover) in 2012. While reserves fell further in the period up to March 2013, they bounced back in the following months, suggesting a recovery in the current account in the second and third quarter.

Trinidad and Tobago: main economic indicators, 2011-2013

	2011	2012	2013 ^a
Annual growth rate			
Gross domestic product	-1.6	1.5	1.6
Per capita gross domestic product	-2.0	1.2	1.3
Consumer prices	5.3	7.2	2.7 ^b
Money (M1)	17.2	15.4	17.2 ^c
Real effective exchange rate ^d	0.7	-7.2	-4.4 ^b
Annual average percentage			
Open urban unemployment rate	5.1	5.0 ^e	...
Central government			
Overall balance / GDP	-2.7	-2.3	-4.1
Monetary policy rate	3.2	2.9	2.8 ^b
Nominal lending rate ^f	8.0	7.7	7.5 ^b
Millions of dollars			
Exports of goods and services	20 747	18 111	13 476 ^g
Imports of goods and services	14 807	13 768	7 976 ^g
Current account balance	2 899	959	4 350
Capital and financial balance ^h	-2 146	-1 581	-3 758
Overall balance	753	-622	592

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Estimates.

^b Figures as of October.

^c Figures as of August.

^d A negative rate indicates an appreciation of the currency in real terms.

^e Figures as of September.

^f Prime lending rate.

^g Does not include services.

^h Includes errors and omissions.

Prices have trended downwards in 2013. The inflation rate began the year at 7.3% in January and fell gradually over the following seven months. In July inflation stood at a 21-month low of 3.8%, and the most recent data for August put it at 5.1%. The primary cause for this fall was the reduction in food inflation, which reached its lowest value in almost two years. Core inflation remained fairly stable, increasing slightly from 2.2% in January 2013 to 3.1% in August.

Recent official unemployment data for Trinidad and Tobago remain elusive. The most recent data indicate that unemployment was 4.8% in the third quarter of 2012, down from 5.4% in the first quarter. Data on retrenchment, however, are available for the first six months of 2013, during which time retrenchment notices with the Ministry of Small and Micro Enterprise Development increased by 19.6%.