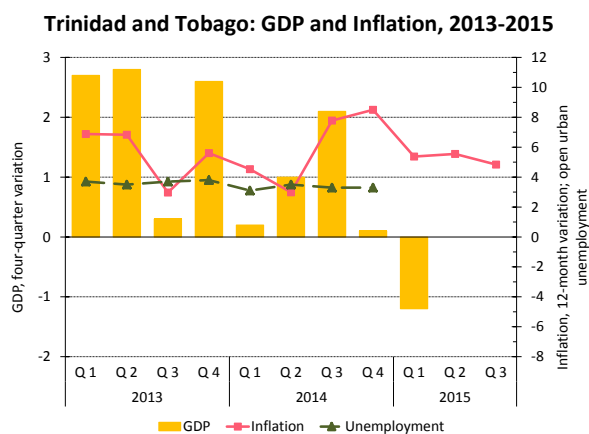


## Trinidad and Tobago

Economic growth in Trinidad and Tobago is projected at 0.2% in 2015, representing an improvement over the recently revised estimate of 1% negative growth for 2014. The fall in oil and gas prices, combined with maintenance shutdowns in the upstream gas sector, contributed to a major contraction in the energy sector, which was offset by an expansion in the non-energy sector, resulting in the positive, albeit marginal, growth estimate for 2015. The economy is expected to grow by 0.6% in 2016, owing to continued soft oil prices and natural gas curtailments. Lower oil prices have hit the real, fiscal and external sectors of the economy. Reduced fiscal revenues drove up the government deficit from 2.5% in the 2014 fiscal year to 4.2% of GDP in the 2015 fiscal year. As foreign exchange inflows declined, the central bank sold almost US\$ 2.5 billion to authorized dealers between January and October 2015; however, foreign exchange reserves remain high. Inflation decreased from 7.5% in January 2015 to 4.5% in August 2015, and unemployment, though still very low, rose from 3.1% in the first quarter of 2014 to 3.7% in the first quarter of 2015.

As oil prices fell in the first half of fiscal 2015, the government lowered expenditure to reduce the impact on the fiscal deficit. According to the most recently revised figures, a government deficit of 4.2% of GDP is projected for fiscal 2015. Total revenue and grants are expected to drop by 6.2%, as energy sector revenues plummet by 30%; while total expenditure is expected to decline by just 1.6%. With respect to current expenditure, interest payments were down by 5% and transfers and subsidies by 9%, while expenditure on goods and services increased by 8% and wages and salaries by 20%, owing mainly to increased salaries and the payment of arrears following the conclusion of new collective agreements. Capital expenditure fell by 0.8% in fiscal 2015, with a 14% decrease in the Infrastructure Development Fund offsetting an 18% increase in the Public Sector Investment Programme. Despite facing the challenge of containing the deficit as revenues plunge, the new government, which was elected in September, has projected a budget deficit of 1.7% of GDP for the 2016 fiscal year.

The central bank maintained its contractionary stance in the first half of 2015, raising the repo rate by 0.25 percentage points in January, March, May, July and September 2015. It has since held steady at 4.5%. The primary reason for these increases was to guard against capital outflows resulting from expected interest rate hikes in the United States. The central bank absorbed some of the excess liquidity in the banking system and, as a result, commercial banks average excess reserves fell from 7.0 billion Trinidad and Tobago dollars (TT\$) in the first half of 2014 to TT\$ 3.7 billion in the first half of 2015. As a consequence of the central bank's actions, interest rates have gone up. The commercial bank average basic prime lending rate increased from 7.69% in October 2014 to 8.70% in October 2015, and the Mortgage Market Reference Rate rose from 2.25% at the start of the year to 2.5% in June 2015, and is expected to rise to 2.75% in December. Growth in credit to the private sector fell from 6.81% at the start of the year to 5.75% year-on-year in September 2015, while lending to consumers remained strong, growing by 8.08% year-on-year in September, up from 7.89% in January.



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

For the second year in a row, the foreign exchange market was tight, as business owners and private individuals were frustrated by United States dollar shortages at different points in the year. To satisfy the excess demand and to maintain a stable exchange rate, the central bank sold United States dollars to authorized dealers throughout the year, including a record injection of US\$ 400 million in January, which was surpassed by an even larger injection of US\$ 695 million in October. At the end of October, following special directives from the new Minister of Finance, the central bank re-established the original foreign exchange distribution system that had been changed in early 2014. Foreign exchange reserves remain high, and were equivalent to just under one year of imports at the end of October 2015.

The overall balance-of-payments deficit stood at 2.3% of annual GDP in the first quarter of 2015, compared with a surplus of 0.1% in the first quarter of 2014. The current account posted a surplus of 0.1% of GDP for the same period, up from a deficit of 1.3% of GDP in the first quarter of 2014, reflecting a narrowing of the investment income account deficit. As a result of the lower energy exports, the merchandise trade account surplus narrowed from 0.7% of GDP in the first quarter of 2014 to 0.1% of GDP in the first quarter of 2015. The slump in the energy sector was accompanied by a decline in non-energy exports due to limited economic activity in destination markets such as the Caribbean Community (CARICOM).

The balance on the capital and financial account almost doubled in the first quarter of 2015, to 3.2% of GDP, from 1.7% of GDP in the first quarter a year earlier. Net foreign direct investment increased from 1.1% of GDP in the first quarter of 2014 to 1.6% of GDP in the first quarter of 2015, owing primarily to higher inter-company debt transactions.

The impact of the fall in international oil prices in 2014 is still being calculated. The Central Statistical Office has revised its economic growth figure for 2014 from positive growth of 1.9% to a contraction of 1%. According to projections, the economy will grow by 0.2% in 2015. The energy sector experienced its second consecutive year of negative growth—the fourth of the last five—owing to the low oil prices and reduced natural gas production by upstream gas producers. The upstream gas industry was once again affected by shutdowns for major maintenance and upgrading work, which led to a drop in natural gas use for Liquefied Natural Gas (LNG) production, ammonia and methanol production, power generation and steel manufacturing. The non-energy sector has been Trinidad and Tobago's engine of growth for the last five years and is expected to record growth of 2.3% in 2015, propelled especially by the services sector, which was, in turn, driven by strong growth in the finance, insurance and real estate subsector. Construction and quarrying were up by 3.4%, thanks to increased implementation of government projects in the lead-up to the September general election and continued private sector construction. Manufacturing exports to the CARICOM market are expected to increase in 2016, on the back of higher growth in the Caribbean. However, oil prices are expected to remain below US\$ 60 a

**Trinidad and Tobago: main economic indicators,  
2013-2015**

	2013	2014	2015 <sup>a</sup>
<b>Annual growth rate</b>			
Gross domestic product	2.3	-1.0	0.2
Per capita gross domestic product	1.8	-1.5	-0.2
Consumer prices	5.6	8.5	4.8 <sup>b</sup>
Money (M1)	19.2	19.8	2.7 <sup>b</sup>
Real effective exchange rate <sup>c</sup>	-3.6	-4.4	-7.3 <sup>d</sup>
<b>Annual average percentage</b>			
Open urban unemployment rate	3.6	3.3	3.7 <sup>e</sup>
Central government			
Overall balance / GDP	-3.0	-2.5	-4.2
Nominal deposit rate <sup>f</sup>	0.2	0.2	0.2 <sup>b</sup>
Nominal lending rate <sup>g</sup>	7.5	7.7	8.2 <sup>d</sup>
<b>Millions of dollars</b>			
Exports of goods and services	18,071	15,999	...
Imports of goods and services	13,901	12,266	...
Current account balance	1,920	1,637	...
Capital and financial balance <sup>h</sup>	-1,133	-307	...
Overall balance	786	1,330	...

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

a Estimates.

b Figures as of September.

c A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.

d Figures as of October.

e Figures as of March.

f Ordinary savings rate.

g Prime lending rate.

h Includes errors and omissions.

barrel and curtailments in natural gas production are expected to continue in the short term. Economic growth of 0.6% is therefore projected for 2016.

The national inflation rate (year-on-year) showed little volatility in 2015, falling from 7.5% in January 2015 to 3.2% in October 2015. The inflation rate echoed the trend of its main subcomponent, food inflation, which fell from 14.6% in January to 6.1% in October. Core inflation held below 2% for the first nine months of 2015, fluctuating between 1.5% and 1.9%, before rising to 2.4% in October.

Despite negative growth in 2014 and minimal growth projected for 2015, unemployment remains very low, though it did rise gradually in 2014, from 3.1% in the first quarter to 3.3% in the fourth quarter. In the first quarter of 2015 it was estimated at 3.7%. The sector with the highest unemployment rate in the first quarter of 2015 (other than the “not stated” sector, which had 7.1% unemployment) was petroleum and gas, with 6.5% unemployment.