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ECONOMIC SURVEY OF LATIN AMERICA 1981

TRINIDAD AND TOBAGO

This preliminary version of the *Economic Survey of Latin America, 1981* is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.268, and a number of addenda, each containing a study of the economic evolution of a country of the region. These studies will not be published in alphabetical order, but in order of completion.
The final version of the complete *Survey* will be published once the observations regarding this preliminary version have been received.

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Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.
A dash (—) indicates that the amounts is nil or negligible.
A blank space in a table means that the item in question is not aplicable.
A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.
A full stop (.) is used to indicate decimals.
A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.
Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.
References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.
Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.
Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

TRINIDAD AND TOBAGO

1. Recent economic trends: Introduction and summary

Because of the pervasive influence of petroleum on the Trinidadian economy, the energy crisis and the subsequent oil price hikes to which it gave rise accounted for Trinidad's vigorous growth throughout the 1970s. The petroleum sector alone directly accounts for 36% of the gross domestic product (GDP) in Trinidad. Moreover, its indirect impact —especially via government revenues and expenditure— is likewise impressive, for the bulk of government revenues are made up of taxes on petroleum or petroleum-dependent activities, and government revenues in turn are equal to 40% of GDP. Hence, the evolution of the Trinidadian economy is largely governed by the growth of petroleum output and/or prices.

The substantial economic growth experienced over the last few years, influenced mainly by the sharp increase in oil prices in 1979, slowed down considerably in 1981. Preliminary estimates reveal that the gross domestic product, at current prices, grew by only 11% in 1981 after increases of 24% and 21% in 1980 and 1979 respectively. Real growth of output was thus of the order of minus 2 1/2% once the 14% increase in the general price level is taken into account (see table 1). Yet, because of higher petroleum prices the terms of trade were nevertheless fairly favourable to Trinidad and Tobago (of the order of 5%), so that real income may not have declined significantly between 1980 and 1981.

The reduction in the physical output of petroleum during the year was due to various factors, including lower world demand for crude and refined petroleum and the closure of some wells in favour of gas conservation. These contributed to the 4% fall in earnings accruing to the petroleum sector, but increased earnings in the non-oil sectors, especially construction and services, more than compensated for this decline. Thus, what little growth in output did take place in 1981 was due to the spending of petroleum-derived income in non-petroleum sectors of the economy.

Inflation abated somewhat in 1981, decelerating to 14%, due in large part to the lower rate of imported inflation resulting from the revaluation of the US dollar, and to a somewhat less expansive monetary policy.

Thanks to the strength of petroleum revenues, both the fiscal and foreign reserve situation of the country was quite solid. Indeed, the surplus on the balance of payments in 1981 alone was sufficiently large to cover all of Trinidad's outstanding foreign debt.

2. Trends in economic activity

(i) *Agriculture.* No single sector of the economy has been so severely hurt by the energy crisis as agriculture. From the onset of the oil price hike in 1972 through 1980, agricultural output declined by close to 50%, notwithstanding the resources the government increasingly dedicated to this sector (these almost trebled in real terms between 1975 and 1980, and in the latter year government resources to agriculture almost equalled the value of the whole of agricultural production). The oil bonanza has of course made food imports relatively cheap, given the combination of a fixed exchange rate since 1975 and domestic inflation substantially above that of the country's major trade partners. Then, too, the attraction of relatively high-paying jobs for easier work in the city has accelerated urban migration and made suitable agricultural labour hard to find, pressuring agricultural wage costs upward. Had agricultural productivity increased substantially, the problem would have been manageable. Instead, however, agricultural productivity has been stagnant. Hence agriculture's role in the economy has been eroding sharply, falling to well under 3% of GDP in 1981 (see table 2).

Table 1

TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1977	1978	1979	1980	1981[a]
A. **Basic economic indicators**					
Gross domestic product at factor costs (millions of dollars at 1970 prices)	990	1 069	1 126	1 208	1 175
Population (thousands of inhabitants)	1.1	1.1	1.1	1.2	1.2
Per capita gross domestic product (dollars at 1970 prices)	943	1 002	1 040	1 100	1 050
	Growth rates				
B. **Short-run economic indicators**					
Gross domestic product	10.4	8.0	5.3	7.3	-2.7
Per capita gross domestic product	8.8	6.3	4.0	5.8	-4.2
Terms of trade	0.1	-5.9	20.8	35.6	4.7
Current value of exports of goods and services	11.8	6.0	32.9	44.2	-1.6
Current value of imports of goods and services	15.5	22.6	28.4	28.2	-7.8
Consumer price index					
December-December	11.4	8.8	19.6	16.6	11.6
Annual averages variation	11.8	10.2	14.7	17.5	14.3
Money supply	31.4	27.6	27.9	24.5	16.1
Rate of unemployment	...	-12.9	-16.4	...	4.9
Current revenue of government	25.6	3.4	31.0	54.1	4.
Total expenditure of government	20.6	28.2	44.9	51.9	76.9
	Millions of dollars				
C. **External sector**					
Trade balance (goods and services)	318	145	258	663	797
Balance on current account	288	52	-24	433	637
Variation in net international reserves	462	334	334	642	565
External debt	208	315	374	437	435
Exchange rate (TT$ per US$)	2.4	2.4	2.4	2.4	2.4

Source: CEPAL on the basis of official data.
[a]Preliminary figures.

In the face of such past trends, agricultural output in 1981 —mixed and spotty as was its performance— showed something of a reversal. The current value of agricultural production grew almost 23%, well above the -2%, 4% and 2% growth in 1978, 1979 and 1980 respectively. To be sure, this growth was low, if not negative, in real terms (it was anywhere between -6% and +5% according to the deflator used).[1] Be that as it may, it represented a reversal of the sharp declines the sector had previously been experiencing, with real output falling by close to 10% in each of the last three years (1977-1980)

[1]If the growth in the current value of agricultural production (22.6%) is deflated by the rise in the food component of the consumer price index (16.6%), then real growth is 5%. On the other hand, since the food prices index is a mix of imported and domestic prices, and imported prices rose only 3%, it can be argued that the price of domestic food production must have risen by around 30% to yield a cost of living rise (imported plus local food produce) of 16.6%. In view of the existence of price controls and food subsidies, this latter argument is not, strictly speaking correct, but it nevertheless establishes an upper limit on the rise in prices of domestic produce, and so a lower limit on real growth.

Table 2

TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of current Trinidad nd Tobago dollars			Percentage breakdown		Growth rates		
	1979	1980	1981[a]	1979	1981[a]	1979	1980	1981[a]
Total gross domestic product	**11 407**	**15 327**	**17 037**	**100.0**	**100.0**	**21.0**	**34.4**	**11.2**
Goods	**6 099**	**8 958**	**9 235**	**53.4**	**52.2**	**15.9**	**46.9**	**3.1**
Agriculture	355	362	443	3.1	2.6	4.0	1.9	22.6
Petroleum	4 053	6 421	6 139	35.5	36.0	15.0	58.4	-4.4
Manufacturing (excluding petroleum)	761	912	997	6.7	5.9	23.0	19.9	9.3
Construction	928	1 263	1 656	8.1	9.7	20.4	36.2	31.1
Basic services	**1 527**	**1 753**	**2 139**	**13.4**	**12.6**	**28.8**	**14.8**	**22.0**
Electricity and water	159	180	201	1.4	1.2	26.0	13.3	11.8
Transport, storage and communications	1 368	1 572	1 938	12.0	11.4	29.2	14.9	23.2
Other services	**3 782**	**4 617**	**5 657**	**33.2**	**33.2**	**26.3**	**22.6**	**22.5**
Commerce, restaurants and hotels	1 173	1 438	1 718	10.3	10.1	17.0	22.6	19.4
Finance insurance and real estate	1 064	1 363	1 898	9.3	11.1	29.1	28.1	39.2
Government	1 002	1 146	1 310	8.8	7.7	45.0	14.3	14.4
Education and culture and community services	304	382	399	2.7	2.3	16.0	25.8	4.6
Personal services	240	288	333	2.1	1.9	7.0	20.1	15.1

Source: CEPAL on the basis of official data.
[a] Preliminary figures.

This reversal in 1981 was led by important spurts in cocoa and coffee production, but it was braked by the continued decline in sugar production. All in all, then, 1981 showed mixed trends, but nevertheless marked a reversal in the decline of overall output.

The sharpest setback was suffered by sugar, the economy's principal non-petroleum export. Cane production fell 13% in 1981 (see table 3), while sugar production dropped even more (17%). This disappointing result was explained by the decline in the price of sugar in world markets, combined with low levels of productivity and rising production costs.

The continued high incidence of unplanned cane fires, poor crop management and unusually heavy rainfall during the harvesting season caused an acute drop in the sucrose content of the sugar cane, resulting in poor-quality cane. Harvesting of the crop was made difficult by the heavy rains and muddy terrain. These factors had a severe effect on the amount of sugar extracted from each ton of cane, accelerating the decline of the past few years. Sugar factories continued to operate well below capacity due to poor pre-harvesting preparations and factory down time, the latter due to the lack of spare parts on the one hand and the uneven movement of the cane from field to factory on the other. In addition, operation was adversely affected by sporadic work stoppages occasioned by insufficient notice to workers about changes in harvesting operations during the inclement weather and also by conflicting interpretations of negotiated agreements between management and labour. Further, the general lack of information as to the future of the sugar industry has caused some degree of apathy and generated a lack of motivation to work, as evidenced by the high incidence of absenteeism during the harvesting period, both in the fields and the factories.

Table 3

TRINIDAD AND TOBAGO: INDICATORS OF AGRICULTURAL PRODUCTION

	Thousands tons			Growth rates		
	1979	1980	1981[a b]	1979	1980	1981[c]
Sugar cane	1 710.0	1 499.0	1 299.0	-3.0	-12.3	-13.3
Cocoa beans	2.6	2.4	2.3	-21.4	-9.4	25.5
Coffee beans	2.5	2.2	2.3	-0.1	-13.5	10.3
Oranges	3.0	2.6	...	35.6	-12.8	...
Grapefruit	3.9	4.0	...	-29.6	2.8	...
Copra	6.8	4.0	...	-8.1	-41.2	...
Meat						
Beef and veal	2.0	2.0	1.0	37.1	2.2	-2.0
Pork	2.4	1.8	0.9	12.0	-25.9	3.9
Poultry[d]	26.7	23.5	12.9	-20.6	-12.3	-
Fish	2.5	2.4	1.0	-13.6	-4.4	-4.9
Eggs	2.9	...	...	-19.0	...	...
Milk[e]	6.3	5.5	4.2	5.5	-12.2	40.6

Source: Quarterly Economic Report, October-December 1979; Review of the Economy 1980 and data supplied to CEPAL.

[a] Preliminary figures.
[b] January-June.
[c] January-June 1981 with respect to January-June 1980.
[d] Live weight.
[e] Thousand litres.

Cocoa production, which had been on the decline over the last decade, showed a rapid turnaround in 1981, when output more than doubled, virtually recovering its 1975 level. This increased production can be attributed to the revival of the cocoa industry through the National Rehabilitation Programme, which introduced a system of guaranteed prices for the crop. Almost 60% of cocoa bean production was exported in 1981, the volume of cocoa exports thereby increasing by over one-third. Estimates for 1981 suggest that coffee production grew over 55% during the year, thereby reversing the declining trend of the last six years and enabling output to approach its previous peak, registered in 1975. This subsector also benefitted from the National Rehabilitation Programme. Exports of coffee were expected to be much improved in 1981, with preliminary estimates indicating a two-thirds increase in their volume. The substantial increase in the output of both cocoa and coffee can be partially attributed to the heavy rains experienced early in the year.

Data for the first six months of 1981 indicate a 35% decline in citrus production as against the corresponding period in 1980. Crop diseases, poor estate management, labour shortages and the use of large parcels of citrus lands for housing have contributed to the fall in production. Moreover, local producers continue to face the effects of the importation of large quantities of concentrated juice from other Caribbean Community countries, mainly Belize.

With regard to other crops, such as tobacco, copra and vegetables, it is believed that these suffered setbacks in production in 1981 due to poor local demand, crop diseases, reduction of acreage under cultivation and labour shortages. Because of poor drainage, there was severe flooding in most agricultural areas throughout the year, resulting in massive crop losses and making necessary the importation of vegetables. An ineffective agricultural marketing system, together with an inefficient transport system, has hindered the production of perishable and seasonal crops. Moreover, production of these crops was reduced as farmers responded negatively to what they considered unsatisfactory levels of guaranteed prices. Another factor in the decline in agricultural production was the withdrawal of prime land from agriculture and its use for housing developments, new industrial activities and the construction of roads. Although the Government has increased its agricultural subsidy programme and introduced specific programmes aimed at developing agriculture, many infrastructural prerequisites (roads, electricity, irrigation, etc.) are not fully satisfied.

As regards the livestock sector, half-year estimates indicate a mixed performance in this sub-sector. Whereas there were improved production levels for pork and mutton, beef and veal production declined somewhat, while poultry output held steady. Major factors affecting the meat industry have been the difficulties in obtaining adequate supplies of feed and also the high costs of the available supplies.

(ii) *Petroleum.* Petroleum is the dominant sector of the economy accounting for 36% of the gross domestic product, over 90% of exports, and the bulk of government revenue. The Trinidadian economy is thus to a large extent governed by the behaviour of this single activity (along with refining). In 1981 the value of overall petroleum output declined by a little over 4% in nominal terms (see table 2). Inasmuch as the prices of petroleum and its derivatives rose by almost 14%, this implies that the volume of output must have fallen by almost 18%. Crude oil production has been on the decline since 1978, when it reached its peak production of 13.3 million cubic metres. Preliminary estimates suggest that production in 1981 was 12% less than 1980 (see table 4), largely due to the introduction of gas conservation measures in fields producing associated gass off the East Coast, to the maturing of existing wells and to the closure of wells of the East Coast to avoid the flaring of associated gas. Indications are that marine wells continued to account for the greater part of domestic production, despite their decline in output since 1978. Land production, on the other hand, has remained stable over the last few years, thanks to the fiscal incentives granted to producers, the drilling of new wells and the adoption of secondary recovery techniques. Local crude petroleum exports have been declining, reflecting the pattern of domestic production. In 1980, just over 7.3 million cubic metres (59% of domestic production) was exported, whereas in 1981 6.0 million cubic metres (56% of local crude production) was exported, some 18% less than in 1980.

Trinidad not only produces crude petroleum but also refines it. Indeed, heretofore it refined more than it produced, processing substantial amounts of imported crude in its own refineries. These are designed, however, for heavy oils, whereas national output of crude is largely of a lighter variety. Consequently, much of national output is exported as crude to be processed abroad, while

Table 4

TRINIDAD AND TOBAGO: LOCAL CRUDE PETROLEUM EXPORTS AND LOCALLY REFINED CRUDE, 1975-1981

(Millions of cubic metres)

Year	Total production			Domestic crude exports	Percentage of total	Domestic crude refined locally	Percentage of total
	Total	Land	Marine				
1975	12.5	...	...	7.7	62	4.8	38
1976	12.3	2.6	9.7	7.0	57	5.3	43
1977	13.3	2.6	10.0	7.9	59	5.4	41
1978	13.3	2.6	10.7	8.1	61	5.2	39
1979	12.4	2.7	9.7	7.0	56	5.4	44
1980	12.3	2.7	9.6	7.3	59	5.0	41
1981	10.8	...	...	6.0	56	4.8	44

Source: Central Bank of Trinidad and Tobago: **Review of the Economy**, 1981 and **Quarterly Economic Bulletin**, March 1982.

at the same time substantial amounts of heavy crude are imported to be processed in Trinidad's refineries and then re-exported. Nevertheless, on a net basis up to now Trinidad has still refined more than it has produced.

Over the last five years, throughput at the refineries has been on the decline, and this trend continued into 1981, when throughput was estimated to have declined some 19% below the 1980 level (see table 5). This again resulted in significant excess refinery capacity (estimated at 45% in 1980). This overall decline in refinery throughput is due to the substantial reduction in the amount of imported crude processed under agreement and the declining supply of spot imported crude.

Imports of crude oil fell to 6.1 million cubic metres in 1981, down 27% from 1980. Thus, for the first time in the industry's history, the level of crude imports was virtually equalled by that of exports, so that Trinidad is no longer refining more than it produces (see table 6). Should this tendency continue, it will become more a producer than a processer of petroleum.

The sharp decline in the refining of crude in Trinidad is due to the shift away from heavy crude to the more profitable light crude, for which Trinidad's refineries are not designed. Added to this, US tax legislation has made it more profitable for US-owned companies to have their crude processed in the United States and dependencies rather than elsewhere. Further, the deep recession in the United States and a system of fuel-switching, together with the decline in international demand for petroleum products, have resulted in local refineries having a large amount of excess capacity.

Production of natural gas reached a record level in 1980. However, preliminary estimates suggest that output for 1981 was marginally lower due to government conservation measures. Approximately half of total gas production is used as fuel or processed gas, mainly by the refineries, the Electricity Commission and a few energy-intensive industries. It is expected that the conservation measures introduced early in 1981 will help to reduce the proportion of gas flared. To this end some wells of the East and North Coast areas were capped to avoid the flaring of high-pressure associated gas. This has resulted in lower oil production from these wells.

In April 1981, Parliament promulgated the Petroleum Taxes (1980) Act. This revised the taxation system for petroleum companies in keeping with international principles. One of the provisions involves the use of actual or realized prices in the computing of taxable income, rather than the tax reference prices. There were also other production incentives.

Table 5

TRINIDAD AND TOBAGO: REFINERY THROUGHPUT, OUTPUT AND EXPORTS OF REFINED PRODUCTS

(Millions of barrels/cubic metres)

Year	Refinery throughput		Refinery output		Refinery products exported		Imports as percentage of refinery throughput
	Barrels	Cubic meters	Barrels	Cubic meters	Barrels	Cubic meters	
1975	85.7	13.6	82.9	13.2	91.4	14.5	67.6
1976	117.6	18.7	114.3	18.2	103.5	16.5	72.2
1977	99.3	15.9	75.5	15.3	82.2	13.1	66.9
1978	85.9	13.7	83.0	13.2	72.6	11.5	65.7
1979	82.9	13.2	79.6	12.7	66.8	10.6	62.1
1980	78.3	12.4	82.5	13.1	67.4	10.7	66.9
1981	63.3	10.1	54.1	8.6	-	...	60.4

Source: Ministry of Energy and Energy-Based Industries.

Table 6

TRINIDAD AND TOBAGO: CRUDE OIL PRODUCTION, IMPORTS AND EXPORTS

(Millions of barrels/cubicmetres)

Year	Crude oil production		Crude oil imports		Crude oil exports	
	Barrels	Cubic metres	Barrels	Cubic metres	Barrels	Cubic metres
1975	78.6	12.5	58.1	9.2	48.8	7.7
1976	77.7	12.3	84.8	13.5	44.4	7.0
1977	83.6	13.3	65.8	10.5	49.4	7.9
1978	83.8	13.3	56.8	9.0	51.2	8.1
1979	78.2	12.4	51.6	8.2	44.3	7.0
1980	77.6	12.3	52.4	8.3	41.1	7.3
1981	68.0	10.8	38.6	6.1	37.6	6.0

Source: Ministry of Energy and Energy-Based Industies.

In 1981 the Government presented a White Paper on natural gas, establishing the Natural Gas Corporation as the sole purchaser or distributor. It also indicated that the country's proven reserves were now 10.6 TCF (trillion cubic feet), while estimated local reserves were 17.9 TCF.

(iii) *Manufacturing.* Industrial output (exclusive of oil and sugar) fell 4 1/2% in 1981 (see table 7). This was the first such decline since 1972, and contrasts sharply with the strong growth of the past five years, which was never less than 6% in any year and averaged 10% per year over the period. As a result the share of manufacturing in the gross domestic product fell below 6% in 1981.

Activity in the beverages and tobacco sector declined some 5% in 1981 after recording growth of 18% in 1980. This downturn was mainly due to the closure of one tobacco company and the low level of domestic supply of raw tobacco and non-alcoholic beverages.

Output in the textiles, knitted garments and footwear subsector declined by an estimated 21% after the 9% growth rate of 1981. This reduction in output can be attributed to labour disputes in the textile and footwear industries, which reduced the number of man-hours available for production, to the increased importation of garments, and to the closure of some firms. After two years of rising production levels, output in the wood and related products sector fell by 26%.

The 20% decline in production in the chemical and non-metallic products sector was due to the low levels of production of fertilizers, of glass and plastic components for construction, and of petrochemicals and pharmaceuticals. The lower fertilizer output (some 19% below the 1980 level) was due to industrial unrest, to the unreliable supply of natural gas, and to numerous interruptions in the supply of electricity and water.

In the assembly-type manufacturing subsector growth decelerated to 2%. The production of motor vehicles rose 13% in 1981 (see table 8), thus making up for a good part of the 22% decline in 1980, but the production of household appliances fell considerably in 1981: by 46% in the case of refrigerators, and by 35% in that of gas cookers. Finally, production of television sets and radios rose marginally in 1981 (by 4% and 3% respectively).

(iv) *Construction.* Construction, which accounts for nearly 10% of the GDP, continued to be the most dynamic activity of the economy in 1981, its growth being estimated at 13% (in real terms). The performance of this sector was governed by the growth of both the disposable income of consumers and investment by producers, each of these being a clear reflection of the increased income generated by the petroleum industry after the 1979 price hikes. This continued dynamism is all the more impressive given the fact that in 1981 there continued to be bottlenecks due to shortages of both materials and skilled building craftsmen.

During the year, there was an inadequate supply of most building materials which was worsened by the fall in domestic production of cement and of bricks and blocks (by 25% and 18%

Table 7

TRINIDAD AND TOBAGO: INDICATORS OF MANUFACTURING PRODUCTION

(1977 = 100)

	1978	1979	1980	1981[a]
Index of manufacturing production - Total[b]	108.4	115.0	123.3	117.8
Food processing	105.8	116.1	126.1	126.0
Drink and tobacco	96.2	93.4	110.3	104.5
Textiles, knitted goods and footwear	99.1	96.3	104.9	82.6
Printing, publishing and paper converters	97.7	116.6	122.6	135.1
Wood and related products	88.7	119.0	122.5	90.2
Chemical and non-metallic products	126.1	128.6	139.2	111.6
Assembly-type and related industries	112.4	114.8	123.8	126.0
Miscellaneous manufactures	103.8	120.9	107.2	124.6
Oil	86.3	82.6	86.8	64.1
Sugar	86.2	83.6	65.1	55.8
All industry index	99.0	101.4	107.2	94.9

Source: Central Bank of Trinidad and Tobago, **Quarterly Economic Bulletin**, Vol. VII, Nº3, March 1982

[a] *Preliminary figures.*

[b] Excluding oil and sugar.

Table 8

TRINIDAD AND TOBAGO: OUTPUT OF SELECTED INDUSTRIAL PRODUCTS

	1978	1979	1980	1981[a]	1978	1979	1980	1981
Sugar[b]	147	143	113	93	-16.5	-2.8	-21.2	-17.8
Rum[c]	4.7	3.2	4.9	...	10.4	-31.1	53.4	...
Beer and stout[d]	2.5	3.0	3.5	...	-18.9	21.4	11.6	...
Cigarettes[e]	1.0	0.9	0.8[f]	...	1.4	-12.5	-31.3	...
Edible oil[d]	7.3	8.1	5.7[g]	...	-1.5	10.8	76.3	...
Margarine, lard and butter substitutes[e]	7.6	7.4	3.6[g]	...	11.1	-1.7	-6.2	...
Soap[e]	4.4	3.9	1.7[g]	...	-0.6	-11.7	-22.8	...
Cement[b]	223.5	217.7	186.2	139.3	2.5	-2.6	-14.5	-25.2
Bricks and blocks[h]	2.5	2.7	2.9	2.4	-0.8	-7.7	7.0	-18.2
Fertilizers[b]	632.0	604.9	687.0	555.4	84.8	7.2	13.6	-19.2
Assembly Industries[i]								
Motor vehicles	16.2	15.2	11.9	13.4	13.0	-5.8	-22.3	13.4
Radios	10.0	8.0	8.3	8.5	-33.4	-20.3	3.7	2.8
Televisions	2.0	10.5	12.8	13.3	-10.8	-12.3	21.2	3.8
Gas cookers	22.3	15.3	23.4	15.3	-17.5	-31.7	53.3	34.7
Refrigerators	25.0	21.1	27.6	14.9	9.0	-15.6	30.4	-46.1

Source: **Quarterly Economic Report.**

[a] Preliminary figures.

[b] Thousands of tons.

[c] Thousands of proof gallons.

[d] Millions of litres.

[e] Tons.

[f] January-September.

[g] January-June.

[h] Millions of units.

[i] Thousands of units.

respectively). In order to meet the shortfall in production, imports rose substantially, reaching almost 2/3 of total consumption of cement in 1981. Since bricks and blocks are more costly to import than cement, some construction firms adopted the precast system of building to speed up delivery of housing projects. Even so, the block-making industry suffered under-utilization of plant capacity because of the insufficient supply of key inputs such as cement, sand and gravel.

The National Housing Authority continues to be the main source of funds for low-income and emergency housing. Despite the Government's goal of building 6 500 houses a year, public funds for housing fell by 17% in nominal terms, and less than 3 000 houses were scheduled for completion in 1982.

3. The external sector

Provisional balance-of-payments estimates indicate a surplus of almost US$ 800 million dollars on trade in goods and services: a 20% increase over 1980 (see table 9).

The value of exports fell off 2% in 1981, after a near 50% increase in 1980. This was the first such decline since before 1970, and it affected both petroleum and non-petroleum-related exports, traditional as well as non-traditional exports (see table 10). As for imports, tighter monetary controls by the Central Bank are thought to be responsible for their even sharper decline in 1981, by nearly 8%: again the first such decline since before 1970.

Because the unit price of exports rose almost 14%, whereas that of imports grew only 3%, the terms of trade for goods rose over 9% (see table 11), while the terms of trade for goods and services improved almost 5% during 1981. This improvement was due to the residual increase in petroleum prices on world markets and the relatively slow growth of import prices in US dollars, given the revaluation of the dollar.

Overall trade with CARICOM countries was estimated at nearly 280 million in 1981 —an increase of 6% over 1980. This was the result of the 14% increase in imports, since exports to this area grew by only 1% in 1981. It was nevertheless estimated that Trinidad and Tobago would record a favourable trade balance with the CARICOM market of about TT$ 42 million (23% lower than the 1980 surplus).

The surplus on current account grew 47% with respect to 1980, reaching almost US$ 640 million. This increase was due to the strong trade surplus, plus the continued growth in interest payments received by Trinidad on its overseas investments and holdings of foreign reserves. These receipts equalled almost 70% of the interest and factor payments made by Trinidad in 1981.

Net movements on the capital account seem to have been negligible in 1981 —well below 1980's US$ 200 million— so that the balance-of-payments surplus declined 12%, although still permitting a US$ 550 million rise in the reserves. It is worth pointing out that this increase in the reserves was by itself 30% larger than all of Trinidad's foreign debt. The overall foreign reserves at the end of 1981 stood close to US$ 3 200 million: the equivalent of 18 months of imports and of the order of 50% of the gross domestic product. This means, for example, that were Trinidad to receive 5% real interest on its reserves, its national income would grow annually by roughly 2 1/2% because of interest payments alone.

The Government of Trinidad and Tobago continued its policy of giving financial assistance to CARICOM countries, providing balance-of-payments support, and making available loans for development purposes and the purchasing of Bonds and Treasury bills. These funds have been issued (over the past two years) mainly through the "Facility for Financing Oil, Fertilizer and Asphalt Purchases by CARICOM from Trinidad and Tobago" (commonly called the CARICOM Oil Facility) and the Caribbean Aid Council. The CARICOM Oil Facility finances the increases in cost of the commodities it covers over the prices prevailing at the base rate of 1 January 1979 by making concessionary loans with a 15-year maturity. These amounted to close to TT$ 60 million in 1980 and close to TT$ 10 million in 1981, more than 98% of which has gone to Guyana.

Table 9

TRINIDAD AND TOBAGO: BALANCE OF PAYMENTS

(Millions of US dollars)

	1975	1976	1977	1978	1979	1980	1981
Exports of goods and serrices	1 231	1 320	1 475	1 563	2 078	2 995	2 948
Goods FOB	987	1 053	1 175	1 218	1 649	2 536	2 468
Services[a]	244	266	300	345	428	460	480
Transport and insurance	91	95	116	145	204	220	220
Travel	75	76	91	111	122	135	160
Imports of goods and services	857	1 002	1 157	1 418	1 820	2 333	2 151
Goods FOB	677	787	893	1 045	1 325	1 753	1 581
Services[a]	181	215	264	373	495	580	570
Transport and insurance	101	118	137	197	249	330	300
Travel	33	37	52	66	102	130	150
Merchandise balance	**311**	**266**	**282**	**173**	**324**	**783**	**887**
Trade balance	**374**	**318**	**318**	**145**	**258**	**663**	**797**
Profits and interest	-78	-101	-13	-69	-251	-200	-130
Profits	-102	-144	-81	-172	-356	-400	-400
Interest received	43	60	77	125	160	270	350
Interest paid	-19	-17	-9	-22	-55	-70	-80
Unrequited private transfer payments	-12	-11	-17	-24	-30	-30	-30
Balance on current account	**284**	**206**	**288**	**52**	**-24**	**433**	**637**
Unrequited official transfer payments	-12	-20	-15	-17	-19	0	0
Long-term capital	189	-25	222	268	297	66	0
Direct investment	203	10	84	129	94	0	0
Portfolio investment	-1	-9	-1	101	-4	0	0
Other long-term capital	-13	-123	140	38	207	66	0
Official sector[b]	-13	-100	144	-1	56	68	0
Loans received	5	5	156	3	60	232	0
Amortization payments	-13	-30	-4	-4	-4	-164	0
Commercial banks[b]	0	-1	-5	0	-1	-2	0
Loans received	0	0	0	0	0	0	0
Amortization payments	0	0	0	0	0	0	0
Other sectors[b]	0	-22	1	39	152	0	0
Loans received	2	1	3	83	196	0	0
Amortization payments	-2	-23	-1	-42	-44	0	0
Basic balance	**461**	**162**	**496**	**303**	**255**	**499**	**637**
Short-term capital	-17	-27	44	13	-56	2	0
Official sector	-10	-11	0	-15	-11	-24	0
Commercial banks	7	-4	6	17	-30	25	0
Other sectors	-14	-12	37	12	-16	0	0
Errors and omissions (net)	15	66	-96	21	145	132	-82
Balance on capital account	**174**	**-6**	**156**	**285**	**368**	**200**	**-82**
Global balance[c]	**458**	**200**	**444**	**337**	**344**	**633**	**554**
Total variation in reserves[c] (- sign indicates an increase)	-365	-265	-462	-334	-334	-642	-565
Monetary gold	0	0	0	-1	-1	0	0
Special Drawing Rights	1	0	-6	-7	-19	-5	-14
IMF reserve position	-16	-10	-1	-5	-11	-31	-11
Foreign exchange assets	-345	-252	-461	-311	-303	-607	-540
Other assets	-4	-3	6	-10	0	0	0
Use made of IMF credit	0	0	0	0	0	0	0

Source: 1975-1980: International Monetary Fund, **Balance of Payments Yearbook** 1981; CEPAL, on the basis of official data.

[a] Services also include other official and private transactions, but not profits and interest.

[b] In addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.

[c] The difference between total variation in reserves of opposite sign and the global balance represents counterpart items: monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.

Table 10

TRINIDAD AND TOBAGO: SELECTED EXPORTS OF GOODS

	Millions of TT dollars (FOB)				Growth rates			
	1978	1979	1980	January June 1981	1978	1979	1980	1981[a]
Total domestic exports	4 803	6 175	9 716	4 307	-7.4	28.6	57.3	3.1
Main traditional exports								
Petroleum products	2 343	3 288	5 115	2 274	-14.2	40.3	55.6	-11.4
Crude petroleum[b]	2 029	2 349	3 925	1 679	-1.3	15.8	61.1	14.7
Sugar[c]	54	84	61	65	-35.6	57.2	-20.2	-3.3
Rum	10	14	13	5	30.8	41.2	-11.8	2.0
Natural asphalt	-	3	3	1	-87.1	...[d]	-2.9	-
Main non-traditional exports								
Petrochemicals	56	92	91	33	-16.2	63.4	-1.2	-34.8
Fertilizers and ammonia	122	117	150	49	99.3	-3.8	28.3	-33.6
Cocoa beans	27	22	18	13	28.4	-18.0	-19.6	-9.9
Coffee beans	11	9	7	4	16.7	-20.2	-21.1	-0.5
Citrus and citrus juice	3	4	5	2	63.2	35.5	19.0	-29.4
Cement	-	-	-	-	-	-	-	-

Source: Central Statistical Office, **Quarterly Economic Report**, October-December 1979, and data supplied to CEPAL.
[a] January-June 1981 with respect to same period of 1980.
[b] Crude and partly refined petroleum.
[c] Refined and unrefined sugar.
[d] Because of the relatively low base at 1975 the value for 1979 yields an enormous growth rate of 750 per cent.

Table 11

TRINIDAD AND TOBAGO: MAIN FOREIGN TRADE INDICATORS

	1976	1977	1978	1979	1980	1981
	Growth rates					
Exports of goods						
Value	6.7	11.6	3.6	35.4	53.7	-2.7
Volume	9.1	-0.7	1.9	-5.6	-1.6	-14.4
Unit value	-2.2	12.4	1.7	43.5	56.2	13.8
Imports of goods						
Value	16.3	13.4	17.0	26.8	32.3	-9.8
Volume	12.1	5.5	5.8	18.1	17.3	12.6
Unit value	3.8	7.5	10.7	7.4	12.7	3.2
Terms of trade	-5.9	4.6	-7.6	33.1	39.4	9.4
	Indexes (1970 = 100)					
Terms of trade	303.9	317.9	293.7	391.0	545.2	596.5
Purchasing power of exports of goods	260.9	271.0	256.9	322.5	440.9	409.7
Purchasing power of exports of goods and services	213.8	222.5	215.7	265.8	340.7	320.1

Source: CEPAL, on the basis of official data.

4. Prices and wages

(a) *Prices*

The rate of inflation, as measured by the Consumer Price Index, abated somewhat in 1981, when prices rose by a little over 14%, compared with inflation rates of 15% and 18% in 1979 and 1980 respectively. Nevertheless, inflation continued to be a source of concern within the economy. The persistent inflationary situation in the industrialized countries, the increased cost of imported goods, the poor performance of local activities, the lack of growth in labour productivity and the impact of increased government expenditure were among factors contributing to the rise in the general price level. The deceleration compared with 1980 was due to tighter monetary control and very especially to the lower rate of imported inflation. Moreover, the impact of inflation was cushioned by a policy of price controls and the continuation of the subsidy programme.

The most significant deceleration in the rate of price rises in 1981 was observed in the Transportation section of the index, where the rates of increase measured in 1979, 1980 and 1981 were 27, 24 and 11% respectively (see table 12). Price controls on foodstuffs accounted to some extent for the observed decline in the rate of price rises in the Food and Drink and Tobacco sections. The Food section, which carries 33% of the weight of the index, registered a near 17% price increase —some 3% below the rate of the previous year. A general decline in the rate of price increases in all the sections with the exception of clothing was noted.

(b) *Wages*

During the year, wage negotiations for over 52 000 public servants were concluded, with a 60% wage increase being agreed on for a three-year period commencing 1981. No payments of the

Table 12

TRINIDAD AND TOBAGO: EVOLUTION OF CONSUMER PRICE INDEX

(September 1975 = 100)

	1977	1978	1979	1980	1981
	Percentage variation December to December				
Total	**11.4**	**8.8**	**19.6**	**16.6**	**11.6**
Food	11.2	6.8	22.9	17.9	12.0
Drink and tobacco	10.6	11.7	19.3	17.5	14.3
Housing	14.8	14.1	21.8	18.5	11.4
Household supplied	10.7	11.3	15.1	13.9	7.6
Services	13.9	13.9	26.8	17.9	14.8
Clothing	10.4	6.1	13.0	7.2	11.8
Transportation	...	...	24.2	26.5	8.0
	Annual average variations				
Total	**11.8**	**10.2**	**14.7**	**17.5**	**14.3**
Food	6.9	9.1	13.8	19.3	16.6
Drink and tobacco	10.5	15.0	11.6	19.3	14.6
Housing	12.8	16.0	20.2	17.6	15.3
Household supplied	12.2	10.9	13.8	13.6	12.5
Services	10.6	18.3	17.4	23.0	16.5
Clothing	14.7	8.3	8.8	9.0	12.5
Transportation	20.0	10.2	27.3	24.0	10.6

Source: Trinidad and Tobago Gazette (Extraordinary) Vol. 21, Nº 32, 3 February 1982 and data supplied from Central Statistical Office.

new salary increases will be made until 1982, however. As may be observed from table 13, the overall level of nominal wages and salaries grew by almost 19% in 1981, implying an increase of close to 4% in real terms, the fourth consecutive year in which real wages grew significantly.

Table 13

TRINIDAD AND TOBAGO: EVOLUTION OF WAGES[a] AND SALARIES

	Index 1976 = 100				Growth rates			
	1978	1979	1980	1981[b]	1978	1979	1980	1981[c]
Wages and salaries								
Nominal	140.8	170.4	208.2	238.1	24.4	21.0	22.2	18.5
Real	114.3	120.6	125.4	130.0	12.8	5.5	4.0	3.7

Source: Data supplied CEPAL by Central Statistical Office, Trinidad and Tobago.
[a] Data are in respect of average of May/November.
[b] May 1981.
[c] May 1981 with respect to May 1980.

5. Monetary and fiscal policy

(a) *Monetary developments*

During 1981 the Monetary Authority's demand management policies, together with the general slowdown of the economy, resulted in relatively slow growth of liquidity in the economy: M_1 rose 16%, M_2 grew 23%, and both together increased just under 21% (see table 14). This, together with the revaluation of the US dollar, helped to slow the rate of inflation.

Table 14

TRINIDAD AND TOBAGO: MONETARY BALANCE

	Balance at end of year in millions of Trinidad and Tobago dollars				Growth rates		
	1978	1979	1980	1981	1979	1980	1981
Money	**928**	**1 187**	**1 478**	**1 716**	**27.9**	**24.5**	**16.1**
Currency outside banks	296	412	467	533	39.3	13.5	14.1
Demand deposits	632	775	1 011	1 183	22.6	30.4	17.0
Factors of expansion	**3 428**	**4 611**	**5 533**	**7 359**	**34.5**	**20.0**	**33.0**
Foreign assets (net)	4 225	5 076	6 482	7 780	20.1	27.7	20.0
Domestic credit (net)	-797	-465	-949	-421	-41.6	104.1	-55.7
Government (net)	-3 211	-3 320	-4 490	4 792	3.4	35.3	6.8
Official entities	78	121	227	308	55.7	87.6	36.0
Private sector	2 337	2 734	3 314	4 069	17.0	21.2	22.8
Factor of absorption	**2 500**	**3 423**	**4 054**	**5 643**	**36.9**	**18.4**	**39.2**
Quasi-money	2 027	2 725	3 002	3 693	34.4	10.1	23.0
Savings deposits	1 053	1 537	1 648	2 089	45.9	7.2	26.7
Time deposits	974	1 188	1 354	1 604	22.0	13.9	18.6
Other items	473	698	1 052	1 950	47.7	50.7	85.3

Source: **Monthly Statistical Digest**, May 1982, Central Bank of Trinidad and Tobago.

Throughout the year, the government continued its policy of selective credit, limiting new credit to individuals for non- business purposes and at the same time increasing the marginal reserve requirement of commercial banks. An additional 15% of all new deposits (making a total of 20%) was required to be placed with the Central Bank in order to dampen the rate of monetary growth. Consequently, at the end of 1981 commercial bank reserves deposited with the Central Bank had risen 26% over the 1980 level.

In other measures adopted to curb the growth of monetary resources, the government allowed some TT$ 20 million of Barbados Government Bonds to be offered on the domestic market and at the same time sought to raise TT$ 17 million in local Treasury bills (tax free bonds) during 1981. Additionally, in August 1981 the Caribbean Development Bank issued TT$ 10 million in bonds on the local market.

A further development in the financial system was the promulgation of the Unit Trust Corporation of Trinidad and Tobago Act in October 1981, aimed at offering small investors wide participation in the securities market. Also in October 1981 came the promulgation of the Securities Industries Act and the opening of the Trinidad and Tobago Stock Exchange for business. The opening of this Exchange resulted in a sharp rise in the number of transactions for public company shares in 1981.

(b) ***Fiscal developments***

Though the government's direct contribution to the gross domestic product is estimated at only 8%, total government revenue in 1981 amounted to close to TT$ 2 800 million, or about 40% of GDP (see table 15). This, of course, reflects the importance of petroleum in the economy and in fiscal revenues. The government recycles these funds back into the economy, either by capital expenditure (50% of government expenditures) or by income transfers and subsidies to individuals and local authorities (together, 21% of government expenditures). Thus, by far the smallest part of government spending (20%) is accounted for by recurrent expenditure on wages and salaries to provide traditional government services.

In 1981 the rate of expansion of fiscal expenditure and revenues decelerated sharply from the previous year's strong growth, to 15% and 8% respectively, reflecting the much slower increase in petroleum prices. Nonetheless, a small fiscal surplus was generated. Revenue from corporation taxes rose 14%, down from 77% in 1980. This was the result of a revised tax policy on oil companies as well as a consequence of the downturn in industrial activity in 1981. Revenue from personal income tax grew some 24%, despite the introduction of tax relief, because of the upward creep of tax brackets due to inflation. Nevertheless, on the expenditure side the central government's total expenditure rose only about 15%, well below the previous two years' growth rates. Whereas recurrent expenditure rose by 21% capital expenditure grew by a moderate 9%. Wages and salaries accounted for some 40% of recurrent expenditure, with transfers to local authorities and others taking up 39% of the same account. The financing of these expenditures was met by government borrowing on the local and foreign markets, thereby raising the public debt at the end of 1981 to TT$ 1 714 million (marginally higher than 1980): 61% of this was external debt.

Table 15

TRINIDAD AND TOBAGO: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

(TT$ 1.000 million)

	1977	1978	1979	1980	1981	Growth rates			
						1978	1979	1980	1981
Recurrent revenue									
Tax revenue of which:									
Income tax	1.83	1.83	2.48	4.24	4.91	-0.3	35.7	70.6	15.9
Royalties	26	27	41	54	60	3.7	52.6	31.0	11.1
Customs and excise	24	28	33	46	50	16.1	15.0	40.8	8.7
Purchase tax	5	6	8	10	10	17.3	23.5	28.0	3.3
Other	57	62	71	81	51	8.2	15.4	13.7	-36.5
Total recurrent revenue	2.98	3.08	4.03	6.17	6.65	3.4	31.0	53.1	7.7
Recurrent expenditure									
Wages and salaries	59	71	89	1.08	1.34	20.5	25.6	20.6	24.2
Goods and services	20	25	39	52		28.6	53.0	33.4	
Transfer to persons	7	12	15	17		57.4	22.5	16.9	
Transfer to local authorities and others	14	16	28	35	1.41	14.0	79.6	22.3	301.5
Interest on the public debt	4	8	12	12	19	88.5	56.5	-0.5	57.8
Subsidies	5	7	16	28	41	56.1	109.9	72.5	43.8
Unemployment fund	5	6	21	21	26	22.4	235.4	-2.2	24.8
Total recurrent expenditure	1.16	1.48	2.24	2.77	3.36	27.5	51.6	23.2	21.3
Current surplus	1.81	1.60	1.78	3.40	3.29	12.0	11.8	103.9	-3.2
Capital receipts				2	3	-58.3	-96.0	...[a]	34.1
Capital expenditure	1.09	1.40	194	3.15	3.45	28.8	37.9	62.4	9.4
Total expenditure	2.25	2.89	4.19	5.92	6.81	28.2	44.9	41.3	15.0
Total revenue	2.98	3.08	4.03	6.20	6.69	3.3	39.6	53.6	7.9
Fiscal surplus (+) or deficit (-)	73	19	-15	27	12	...	...	...	-55.6

Source: **Monthly Statistical Digest**, May 1982, Central Bank of Trinidad and Tobago.
[a] Small base yields sizeable increase (48 100.0).