

## TRINIDAD AND TOBAGO

### 1. General trends

Economic growth in Trinidad and Tobago continues to rebound from the negative and negligibly positive rates seen during the period 2009-2011. Estimates indicate that the economy grew by 1.6% in 2013, up from the 1.2% recorded in 2012, and a figure of 2% is projected for 2014. In 2013 growth was mainly driven by a 2.4% expansion of the non-energy sector as a result of growth in services. The energy sector also grew by 0.5%, despite third-quarter shutdowns at two major oil and gas providers and the dependent downstream companies.

Prices remained fairly stable in 2013, with Trinidad and Tobago recording a year-end inflation rate of 5.6%. Prices held even steadier in early 2014, and inflation fell to 3.3% in April. The retreat in headline inflation has been attributed to food disinflation on the back of falling international food prices and increased supply in the domestic market.

The central government fiscal deficit was 2.4% of GDP and the primary deficit was 1% of GDP in 2013. The fiscal deficit widened by one percentage point from 2012; higher spending on wages and salaries and increased capital expenditure were partly offset by larger receipts from corporation tax and value added tax. Higher-than-expected oil prices and production, in addition to significant non-tax revenues, suggest the country will run a fiscal surplus in the first half of fiscal year 2013-2014.

A current account surplus of 14.6% of GDP was recorded for the period January to September 2013.

### 2. Economic policy

#### (a) Fiscal policy

The Government of Trinidad and Tobago continued to pursue an expansionary fiscal policy, with the result that the central government's deficit widened from 2.2 billion Trinidad and Tobago dollars (TT\$) or 1.4% of GDP in fiscal year 2011-2012 to TT\$ 4.2 billion or 2.4% of GDP in fiscal year 2012-2013. The primary balance deteriorated from a surplus of 0.5% of GDP to a deficit of 1%. On the revenue side, income tax receipts burgeoned thanks to a rise in the number of companies paying corporation tax, while larger receipts from goods and services taxes reflected increased sales of new and used vehicles and higher revenue from value added tax. Non-tax revenue also surged by 38%. Total expenditure and net lending grew, mainly with regard to wages and salaries, which increased by 29% following the conclusion of wage negotiations. Capital expenditure grew by 18% owing to additional spending on infrastructure. Transfers and subsidies were also up, while interest payments decreased.

Early estimates for the 2013-2014 fiscal year point to a budgetary surplus. Government revenues swelled in late 2013 as a result of a number of factors: energy revenues were up thanks to higher-than-expected oil prices and production; non-energy revenues increased as a result of higher company and personal taxes; and non-tax revenue was boosted by a large dividend from a State-owned enterprise and

receipts from the initial public offering of a State-owned commercial bank. Government expenditure also contracted, despite increases in wages (owing to completed wage negotiations); goods and services (following increases in service contracts and lease payments); and interest payments (partly due to payments on treasury bonds). The decline in expenditure was as a result of the government's continued push to reduce the petroleum subsidy, and petroleum subsidy payments in the first half of fiscal year 2013-2014 amounted to less than 25% of their value in the year-earlier period.

Total public sector debt (sterilized debt) was recorded at 41% of GDP in December 2013, down five percentage points on the previous year. External debt, which was 8% of GDP, declined from the 8.8% of GDP that was recorded in 2012. The official debt figures exclude a TT\$ 1 billion bond intended for road infrastructure projects, and a TT\$ 3.5 billion bond for the completion of a government building in central Port of Spain.

### **(b) Monetary policy**

The Central Bank of Trinidad and Tobago maintained its accommodative stance from previous years in 2013. The repo rate, which has remained unchanged since September 2012, was held at 2.75%. The average deposit rate fell from 8.75% at the end of 2012 to 8.51% at the end of 2013. The nominal deposit rate fell marginally to 0.56% from 0.57% the previous year. Private-sector credit was up 3.7% (year-on-year) in December 2013, compared with a 4.7% increase in the same month of the previous year. Private-sector credit growth was driven by consumer loans in 2013, issued primarily for the purchase of motor vehicles, home improvement and debt consolidation. Business lending, however, contracted throughout 2013. Liquidity expanded as M2 increased by 8.8% from 2012 to 2013, and by 5.4% from 2013 to the first quarter of 2014. This expansion was brought on by government fiscal operations, particularly in the second half of 2013.

In December 2013, the central bank raised the borrowing limits under the Treasury Bills Act and the Treasury Notes Act. With the corresponding increase in liquidity, the central bank strengthened its open market operations and removed about TT\$ 1.2 billion from the banking system. In the commercial sector, banks lowered their lending rates in the first quarter of 2014 to encourage borrowing. The commercial banks' weighted average lending rate fell from 8.51% at the end of 2013 to 8.28% at the end of March 2014, representing the largest quarterly decrease in over two years. The average deposit rate, meanwhile, slipped by 0.01 percentage points over the same period, narrowing the interest rate spread to 7.72% at the end of March 2014 from 7.96% at the end of 2013.

Private-sector credit expanded in early 2014, driven by the first expansion in business lending in 15 months. The majority of this increase corresponded to growth in loans to the distribution and other services sector. Consumer loans maintained their uptrend from 2013, growing by 5.8% year-on-year in March 2014. The recent demand for real estate mortgage loans has been boosted by mortgage rates at record lows.

### **(c) Exchange-rate policy**

In 2013, authorized foreign exchange dealers purchased US\$ 1.32 billion from the central bank, 26% less than was purchased in 2012. This drop is explained by higher inflows from the energy sector, which met the rising public demand for foreign exchange during the second half of the year. Sales of foreign exchange in 2013 went mainly to the retail and distribution sector of the economy, which accounted for 31% of sales in the second half of 2013.

In early 2014, there were reports of a tighter foreign exchange market. Several commercial banks resorted to rationing their supply of United States dollars to deal with the shortage. The central bank then entered the market to compensate for the foreign exchange sales gap. Over the first five months, the central bank sold US\$ 610 million to authorized dealers. These interventions boosted the supply of United States dollars and increased their accessibility by mid-year. They also resulted in slight fluctuations in the TT dollar/US dollar exchange rate during the first half of the year.

### 3. The main variables

#### (a) The external sector

The goods surplus for the first nine months of 2013 grew by 21.7% over the year-earlier period. The current account balance was estimated at US\$ 2.8 billion (14.6% of GDP) for the period January to September 2013, while the capital and financial account posted a deficit of US\$ 1.4 billion (7.5% of GDP) over the same period. The overall balance is estimated to be in surplus by US\$ 227 million (1.2% of GDP).

Foreign direct investment was estimated at US\$ 1.32 billion over the first nine months of 2013, down 8% on the same period of the previous year.

Net official reserves were estimated to be US\$ 9.99 billion (12 months of import cover) at year-end 2013.

#### (b) Economic activity

In 2013 Trinidad and Tobago's economy grew by 1.6%, up slightly from the rate of 1.2% recorded in 2012. This growth was generated mainly by the non-energy sector, which expanded by 2.4%, in line with the growth it experienced in the previous year. This sector's contribution to GDP also increased to 60.3%, its highest share of recent years. The main driver of the non-energy sector was the expansion in services, the largest non-energy sub-sector. The non-energy sector was also boosted by strong growth in the manufacturing and agricultural sectors. Agricultural production rallied after two years of decline, thanks in part to the government's introduction of the Caroni Green Initiative in June 2013. This initiative provides opportunities for farmers with no land tenure to farm unutilized agricultural land, and is designed to increase the supply of locally produced food on the domestic market.

Growth of the energy sector remained muted in 2013, at only 0.5%. Positive growth in the first half of the year was countered by third-quarter shutdowns at two major natural gas producers for maintenance and at the dependent downstream companies. These stoppages resulted in a 4.1% year-on-year contraction of the energy sector in the third quarter of 2013. In the fourth quarter, however, the sector returned to positive growth. High international energy prices in the second half of 2013 also contributed to the recovery.

In September 2013 the Government of Trinidad and Tobago and the Government of the Bolivarian Republic of Venezuela signed an agreement to develop a large gas field that lies on the maritime border between both countries. Under the agreement, 73.8% of the approximately ten trillion cubic feet of natural gas will be allocated to the Bolivarian Republic of Venezuela, and the remaining 26.2% will be allocated to Trinidad and Tobago. In December 2013 a deposit of 50 to 115 million barrels of high-quality crude oil was discovered off the south-eastern coast of Trinidad. Also in December, a

series of oil spills off the south-western coast of Trinidad led the Environmental Management Authority to impose a TT\$ 20 million fine on the State-owned oil company, Petrotrin.

The energy sector saw declines in oil and gas production in January 2014 but increases in March. The petrochemical sector also experienced an expansion of production of 2.9% during the first quarter of 2014. Providing that the energy sector has completed the majority of its maintenance activities and there are no major stoppages this year, high energy prices could mean greater production and revenue in the sector in 2014. The non-energy sector is expected to post further growth in 2014, owing in part to both private- and public-sector projects. Ongoing public projects include a hospital and aquatic centre, while a cinema and shopping centre represent the main private construction projects. Growth of 2% is projected for 2014, boosted by a combination of fiscal and monetary stimuli.

### **(c) Prices, wages and employment**

Headline inflation was measured at 7.3% (year-on-year) in January 2013. It fell gradually over the year to a 21-month low of 2.7% in October, before rising again to 5.6% by the end of the year. Inflation fluctuated somewhat in early 2014. The most recent data indicate that inflation was 3.3% in March. The retreat in headline inflation was primarily attributable to the reduction in food inflation. Local food price inflation eased thanks to higher output resulting from the Caroni Green Initiative and generally favourable growing conditions. Core inflation remained steady throughout 2013, edging down from 2.2% in January 2013 to 2.0% in December, but climbed relatively sharply to 2.6% in April 2014. The central bank predicts that core inflation may rise further if the economy continues to grow and consumption expands.

Unemployment data for Trinidad and Tobago lag by about a year. The latest data place unemployment at 3.7% in the first quarter of 2013, which is a decline from 4.7% in the fourth quarter of 2012 and also represents a historic low for the country. Reports for the first quarter of 2014 are mixed; there are indications of labour shortages, especially in the manufacturing and agriculture sectors, alongside increased retrenchment notices, particularly in two sectors: finance, insurance, business services and real estate; and chemical and non-metallic minerals.

Table 1  
**TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013 a/
	<b>Annual growth rates b/</b>								
Gross domestic product	5.4	14.4	4.5	3.4	-4.4	0.2	-2.6	1.2	1.6
Per capita gross domestic product	4.8	13.8	3.9	2.9	-4.8	-0.2	-2.9	0.9	1.4
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	-5.4	-10.1	21.8	7.6	-32.4	76.8	-0.1	-19.1	23.6
Mining and quarrying	6.1	24.2	1.7	-0.3	-1.8	3.2	-3.9	-2.6	2.1
Manufacturing	13.5	13.1	13.9	4.1	1.9	1.2	-1.1	2.1	3.6
Electricity, gas and water	6.2	-0.4	6.5	3.0	0.3	0.1	6.4	4.5	3.0
Construction	16.1	6.2	7.1	4.5	-7.1	-28.4	-8.8	-2.0	3.0
Wholesale and retail commerce, restaurants and hotels	4.5	15.1	5.8	16.8	-19.7	0.2	-2.6	1.2	1.6
Transport, storage and communications	7.7	5.8	4.8	8.5	-0.5	2.5	-1.0	1.4	1.4
Financial institutions, insurance, real estate and business services	-2.4	1.0	10.4	3.1	-4.5	8.1	-0.6	6.1	5.3
Community, social and personal services	1.1	1.3	-0.6	-0.6	13.2	0.2	-2.6	1.2	1.6
Balance of payments	<b>Millions of dollars</b>								
Current account balance	3,881	7,125	5,166	8,499	1,633	4,172	2,899	929	2,736
Goods balance	4,268	7,575	5,529	9,070	2,241	4,735	5,433	3,918	4,687
Exports, f.o.b.	9,996	14,086	13,215	18,647	9,221	11,239	14,944	12,983	13,558
Imports, f.o.b.	5,728	6,511	7,687	9,577	6,980	6,504	9,511	9,065	8,871
Services trade balance	356	451	546	610	382	488	506	359	703
Income balance	-793	-956	-969	-1,228	-1,017	-1,080	-3,074	-3,387	-2,682
Net current transfers	50	55	60	47	27	29	33	39	28
Capital and financial balance c/	-2,407	-6,006	-3,626	-5,794	-2,345	-3,754	-2,146	-929	-2,736
Net foreign direct investment	599	513	830	2,101	709	549	771	772	1,759
Other capital movements	-3,005	-6,519	-4,456	-7,894	-3,054	-4,303	-2,917	-1,702	-4,495
Overall balance	1,475	1,119	1,541	2,706	-713	418	753	-622	786
Variation in reserve assets d/	-1,475	-1,119	-1,541	-2,706	713	-418	-753	622	-786
Other external-sector indicators									
Real effective exchange rate (index: 2005=100) e/	100.0	96.6	94.8	90.7	82.7	78.8	79.3	73.7	70.7
Net resource transfer (millions of dollars)	-3,200	-6,962	-4,594	-7,022	-3,362	-4,833	-5,220	-4,317	-5,418
Gross external public debt (millions of dollars)	1,282	1,299	1,399	1,476	1,422	1,561	1,639	1,861	1,693
Employment	<b>Average annual rates</b>								
Labour force participation rate f/	63.7	63.9	63.5	63.5	62.7	62.1	61.3	61.8	61.3
Unemployment rate g/	8.0	6.2	5.6	4.6	5.3	5.9	5.1	5.0	3.6
Prices	<b>Annual percentages</b>								
Variation in consumer prices (December-December)	7.2	9.1	7.6	14.5	1.3	13.4	5.3	7.2	5.6
Variation in nominal exchange rate (annual average)	1.3	0.3	0.1	-0.6	0.7	0.6	0.7	0.0	-0.1
Nominal deposit rate h/	2.4	2.4	2.4	2.4	1.7	0.4	0.3	0.2	0.2
Nominal lending rate i/	9.1	10.2	10.5	12.3	11.9	9.2	8.0	7.7	7.5

Table 1 (concluded)

	2005	2006	2007	2008	2009	2010	2011	2012	2013 a/
Central government j/	<b>Percentajes of GDP</b>								
Total revenue	29.4	33.6	29.2	32.4	32.2	33.4	31.6	31.7	33.9
Tax revenue k/	26.4	30.3	26.0	29.5	26.8	28.2	27.9	28.0	29.1
Total expenditure	27.0	32.0	29.1	30.7	37.7	33.3	32.3	33.1	36.6
Current expenditure	24.2	27.8	22.7	25.0	30.2	30.7	29.2	29.0	32.5
Interest	2.5	2.1	2.0	1.7	2.9	2.5	1.9	1.9	2.0
Capital expenditure	2.9	4.2	6.3	5.8	7.5	4.9	5.0	5.0	5.8
Primary balance	4.9	3.7	2.2	3.4	-2.6	2.6	1.2	0.5	-0.7
Overall balance	2.4	1.6	0.2	1.7	-5.5	0.1	-0.7	-1.4	-2.7
Public debt	36.8	32.1	28.8	34.5	54.4	53.8	48.6	56.8	57.6
Money and credit	<b>Percentages of GDP, end-of-year stocks</b>								
Domestic credit	11.8	6.7	14.7	9.3	27.2	25.9	22.4	24.4	12.4
To the public sector	-14.9	-20.8	-12.8	-15.3	-6.8	-4.5	-5.5	-4.4	-15.3
To the private sector	27.2	27.0	27.5	24.6	34.0	30.4	27.9	28.8	27.8
Monetary base	7.0	7.2	6.8	8.0	15.2	15.6	17.1	17.9	19.5
Money (M1)	12.2	11.6	11.0	9.5	19.1	19.3	20.7	23.2	24.3
M2	27.8	28.3	27.2	24.1	44.1	42.8	42.6	46.1	46.6
Foreign-currency deposits	7.3	9.1	8.7	9.2	18.9	14.4	13.0	15.3	13.1

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) indicates an increase in reserve assets.

e/ Annual average, weighted by the value of goods exports and imports.

f/ Nationwide total.

g/ Nationwide total. Includes hidden unemployment.

h/ Special savings interest rate.

i/ Prime lending rate.

j/ Fiscal years, from October 1 to September 30.

k/ Corresponds to non-petroleum sector.

Table 2  
**TRINIDAD AND TOBAGO: MAIN QUARTERLY INDICATORS**

	2012				2013				2014	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross domestic product (variation from same quarter of preceding year) b/	0.3	-2.8	1.6	1.1	2.5	2.3	-0.4	2.1	...	...
Gross international reserves (millions of dollars)	9,794	9,799	9,368	9,196	9,129	9,324	9,331	9,551	9,927	10,362
Real effective exchange rate (index: 2005=100) c/	78.8	81.5	79.5	77.0	75.1	73.1	73.1	72.6	71.3	71.0 d/
Consumer prices (12-month percentage variation)	8.3	11.8	8.8	8.2	6.7	6.0	4.0	4.2	3.8	...
Average nominal exchange rate (Trinidad and Tobago dollars per dollar)	6.39	6.38	6.38	6.38	6.38	6.37	6.38	6.37	6.37	6.40
Nominal interest rates (annualized percentages)										
Deposit rate e/	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	...	...
Lending rate g/	7.8	7.8	7.8	7.6	7.5	7.5	7.5	7.5	7.5	7.5
Interbank rate	0.7	0.5	0.3	0.3	0.3	0.3	...	...	...	...
Monetary policy rates	3.0	3.0	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8
International bond issues (millions of dollars)	-	-	-	-	-	-	-	550	-	...
Stock price index (national index to end of period, 31 December 2005 = 100)	95	96	8,168	8,629	103	106	107	111	110	109
Domestic credit (variation from same quarter of preceding year)	-3.5	17.2	7.7	11.8	1.9	-17.1	-31.2	-34.0	-23.4	-28.1
Non-performing loans as a percentage of total credit	6.8	...	5.4	5.4	4.7	...	...	...	...	...

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Quarterly average, weighted by the value of goods exports and imports.

d/ Figures as of May.

e/ Special savings interest rate.

f/ Figures as of January.

g/ Prime lending rate. .