

Trinidad and Tobago

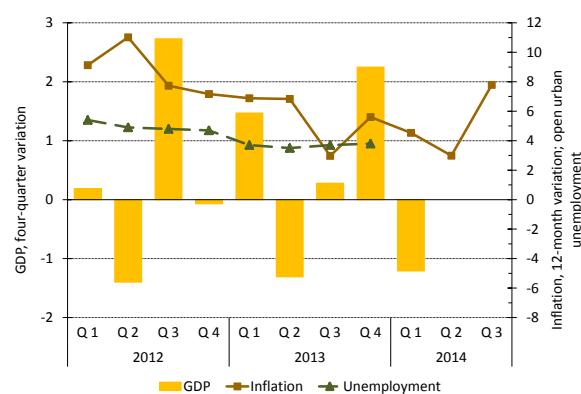
Economic growth in Trinidad and Tobago is projected to be 1.8% in 2014 and 1.9% in 2015. The non-energy sector provided the bulk of growth in 2014, while growth in the energy sector remained modest due a slight fall-off in production in the first half of the year and lower oil prices in the second. The government narrowed the fiscal deficit to 2.7% of GDP for the 2014 fiscal year. Inflation rose slowly over the year to 9.0% in October 2014, and the most recent data show that unemployment in the third quarter of 2013 remained historically low at 3.7%.

Fiscal policy remained expansionary in fiscal 2014, with the Government of Trinidad and Tobago recording an overall fiscal deficit of 2.7% of GDP for the period, an improvement over the 3.1% deficit recorded in 2013. The contraction in the deficit was brought about by a 13.6% increase in total revenue offsetting an 11.8% increase in total expenditure. In late fiscal 2014, current and capital expenditure were increased by 6.2% from the government's initial allocations with the passing of the Finance (Supplementary Appropriation) Bill, 2014. Some 42% of this increase was allocated to the payment of adjusted salaries, cost of living allowances and arrears, while another 42% went towards capital projects. For the 2015 fiscal year, the government is projecting a reduced fiscal deficit of 2.3% of GDP. This is based on an average oil price of US\$ 80 per barrel and a gas price of US\$ 2.75 per MMBtu. While gas prices remain above the level assumed, oil prices have fallen steadily since mid-year, from US\$ 115 per barrel in June to below US\$ 70 in November. Even though the country produces much more gas than oil on an energy equivalency basis, so that its fortunes are more closely tied to the price of natural gas, the drop in the oil price could still have a negative impact on the government's revenue and thus its ability to reduce the fiscal deficit. Net public-sector debt increased slightly to 43.4% of GDP in fiscal 2014 from 40.4% the previous year.

The Central Bank of Trinidad and Tobago maintained its accommodative monetary policy stance through the first half of 2014. In the second half, however, the Bank's position became more contractionary, as it increased the repo rate to 3.00% in September from the historic low of 2.75% it had stood at since September 2012. This decision was taken partly in response to the announcement by the United States Federal Open Market Committee that its quantitative easing programmes would end sooner than expected, and to a rise in inflation in late 2014.

Foreign-exchange markets have been tight throughout 2014 to varying degrees. Early in the year, some banks had to resort to rationing their sales of United States dollars to customers. The central bank entered the market to make up the sales gap, and over the first nine months of the year sold US\$ 1.080 billion, 0.9% more than in the same period the year before, to authorized dealers. Despite the central bank's actions and high levels of international reserves, reports of shortages have persisted. These actions, in any event, have had little effect on the exchange rate, causing just a slight appreciation. The weighted average selling rate moved from US\$ 1.00 = TT\$ 6.4415 at the end of June 2013 to US\$ 1 = TT\$ 6.4110 at the end of June 2014, while the weighted average buying rate moved from US\$ 1 = TT\$ 6.3878 to US\$ 1 = TT\$ 6.3654 over the same period.

Trinidad and Tobago: GDP, Inflation and unemployment, 2012-2014



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

Trinidad and Tobago's balance of payments recorded an overall surplus of US\$ 26.2 million in the first quarter of 2014, up 277% from the deficit of US\$ 14.8 million in the first quarter of 2013. The current account balance fell by 428% from a surplus of US\$ 45.8 million to a deficit of US\$ 150.5 million. The deterioration in the current account was mainly the result of a worsening merchandise trade balance and a significant investment income deficit. On the other hand, the balance on the financial account went from negative to positive, posting year-on-year growth of 302%. This growth came on the back of a 139% increase in net foreign direct investment.

Trinidad and Tobago's economy is expected to grow by 1.8% in 2014, continuing the positive trend that began in 2012. The non-energy sector continues, as in recent years, to be the main driver of economic growth, expanding by an expected 2.5%. In the non-petroleum sector, services are expected to show the greatest strength this year, with growth of 3.0%. Manufacturing, the second-largest non-energy subsector, is expected to contract by 0.7% in 2014, which is still an improvement on the contractions of 5.8% and 1.8% in 2012 and 2013, respectively. The energy sector also showed some continued resurgence, with projected growth of 1% in 2014. The main contributors were the distribution, exploration and production, petrochemicals and service contractors subsectors. Prospects for 2015 are somewhat muted with the decline in oil prices since mid-year. Besides the fall in oil prices, the central bank's Energy Commodity Price Index, which is a weighted index that tracks price changes in the economy's top ten energy-based commodity exports, has also declined over the year, though not as drastically as oil prices. If prices remain depressed, the energy sector may return to negligible growth. However, in 2015 the already steady non-energy sector should be bolstered by expansion in the construction sector; general elections are due next year, and an increase in government capital spending is expected. As a result, growth in 2015 is projected to be 1.9%.

While inflation rates increased slowly over the year, they remained below 10% in 2014. Headline inflation rose from 2.9% in January to 4.5% in March, before falling in the three months following and increasing again to 9.0% by October 2014. Core inflation remained stable for most of the period under review, fluctuating between 2.5% and 2.7% between January and June before falling to 1.3% in July and rising slightly to 1.4% by October.

The most recent data put the unemployment figure at 3.7% in the third quarter of 2013, which is a slight increase from the historic low of 3.5% measured in the second quarter of 2013. Unemployment rates higher than the national average were recorded in sectors such as construction (7.0%), petroleum and gas (4.9%) and wholesale and retail trade, restaurants and hotels (4.1%). While the national rate is among the lowest in the world, local experts suggest that the nation's true unemployment figure is masked by government unemployment relief programmes. In the budget announcement for the 2015 fiscal year, the government announced a 20% increase in the minimum wage, effective January 2015.

Trinidad and Tobago: main economic indicators, 2012-2014

| | 2012 | 2013 | 2014 ^a |
|--|----------------------------------|--------|---------------------|
| | Annual growth rate | | |
| Gross domestic product | 1.2 | 1.6 | 1.8 |
| Per capita gross domestic product | 0.9 | 1.4 | 1.6 |
| Consumer prices | 7.2 | 5.6 | 7.8 ^b |
| Money (M1) | 15.4 | 19.2 | 21.4 ^b |
| Real effective exchange rate ^c | -7.4 | -3.6 | -3.2 ^b |
| | Annual average percentage | | |
| Open urban unemployment rate | 5.0 | 3.7 | ... |
| Central government | | | |
| Overall balance / GDP | -2.3 | -3.1 | -2.7 |
| Nominal deposit rate | 0.2 | 0.2 | 0.2 ^b |
| Nominal lending rate ^d | 7.7 | 7.5 | 7.5 ^e |
| | Millions of dollars | | |
| Exports of goods and services | 18,110 | 18,071 | 15,520 ^f |
| Imports of goods and services | 13,833 | 13,698 | 12,285 ^f |
| Current account balance | 929 | 2,147 | 554 |
| Capital and financial balance ^g | -929 | -1,361 | -221 |
| Overall balance | -622 | 786 | 334 |

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.

d/ Prime lending rate.

e/ Figures as of November.

f/ Does not include services.

g/ Includes errors and omissions.