Trinidad and Tobago

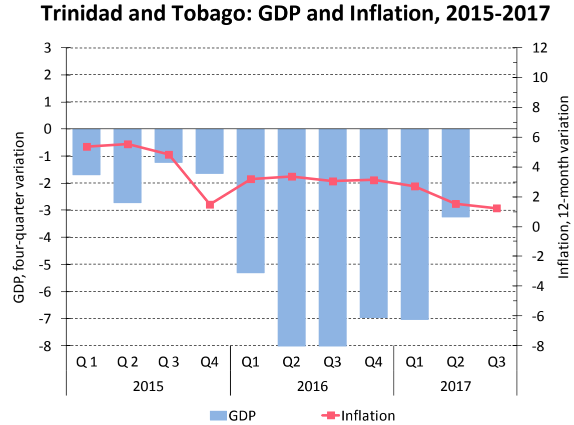
Trinidad and Tobago's economic recession persisted in 2017, with growth estimated at -2.3%. The government continued its fiscal consolidation efforts in 2017 as tax revenue continued to fall. Despite a slight increase in energy revenue, the budget deficit is estimated at 8.4% of GDP, while net public debt had already risen to 62.6% of GDP by September. The external current account balance moved into surplus in the first quarter of 2017, on account of higher energy prices. The weak economic activity was reflected in sluggish private sector lending growth and low inflation. Growth is projected to come to 0.5% in 2018, based on an expected expansion in the energy sector owing to stronger upstream gas supply.

The government budget deficit for fiscal 2017 is estimated at 8.4% of GDP, up from 5.5% in fiscal 2016. Total revenue fell far short of the original estimates, owing mainly to much lower than expected capital revenue, on account of delays in recovering the money loaned to CL Financial and CLICO. Despite a small increase in energy sector revenue, total current revenue fell from 28.2% of GDP in fiscal 2016 to 23.9% of GDP in fiscal 2017. Both tax and non-tax revenue decreased, and almost all fiscal subcategories posted declines. Total expenditure fell from 36.3% of GDP in fiscal 2016 to 33.4% in fiscal 2017. Increases in wages and salaries and in interest payments were offset by decreases in spending on goods and services, in transfers and subsidies, and in capital expenditure. The higher interest payments correspond to increased debt financing in fiscal 2016. For fiscal 2017, funding for 24% of the deficit is estimated to come from external financing, with the other 76% coming from domestic sources. The external financing sources include drawdowns from the Heritage and Stabilization Fund. Net public sector debt increased from 58.8% of GDP at the end of fiscal 2016 to 62.6% at the end of fiscal 2017. For fiscal 2018, the government projects a deficit of 3.1% of GDP, predicated on a fairly modest oil price forecast of US$ 52 per barrel.

There were no major changes in monetary policy in the first few months of 2017. The repo rate remained at 4.75%, unchanged since December 2015. Interest rates also remained unchanged from December 2016: the weighted average lending rate and the weighted average deposit rate stood at 8.24% and 0.60%, respectively, in June 2017. Year-on-year growth in private sector lending remained restrained in 2017, notwithstanding an increase from 1.9% in January to 2.6% in July 2017. Corporate lending returned to positive growth (0.3%) in July 2017 after shrinking by 2% in January, while growth in consumer credit slowed from 5.2% year-on-year in January to 4.1% in July 2017.

Conditions in the foreign exchange market remained tight and commercial banks continued to ration the United States dollars made available to customers in 2017. Between October 2016 and August 2017, the central bank injected US$ 1.725 million into the foreign exchange market in order to close the gap between demand and supply. Over the same period, the weighted average United States dollar selling rate rose from TT$ 6.7507 per US$ 1 to TT$ 6.7820, which represents a 0.5% depreciation.

Trinidad and Tobago: GDP and Inflation, 2015-2017



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

A current account surplus equivalent to 1.7% of GDP was recorded in the first quarter of 2017, up from a deficit of 8% of GDP in the year-earlier period. The central bank estimates that total exports grew by 27.4%, on the back of stronger energy exports boosted by higher energy prices. The services deficit contracted by 48%, owing mainly to reduced expenditure abroad by travellers from Trinidad and Tobago. Gross official reserves fell to 10.1 months of import cover by August 2017, down from 10.5 months at the end of 2016 and 11.2 months at the end of 2015.

Trinidad and Tobago: main economic indicators, 2015-2017

	2015	2016	2017 [a]
	Annual growth rate		
Gross domestic product	1.5	-6.0	-2.3
Per capita gross domestic product	1.1	-6.3	-2.6
Consumer prices	1.5	3.1	1.2 [b]
Money (M1)	0.0	1.2	-1.2 [c]
Real effective exchange rate [d]	-8.8	1.2	3.2 [b]
	Annual average percentage		
Open urban unemployment rate [e]	3.5	4.0	4.5 [f]
Central government			
Overall balance / GDP	-1.8	-5.5	-8.4
Nominal deposit rate [g]	0.2	0.2	0.2 [h]
Nominal lending rate [i]	8.2	9.0	9.0 [j]
	Millions of dollars		
Exports of goods and services	12 306	9 239	...
Imports of goods and services	10 879	11 631	...
Current account balance	957	-2 598	...
Capital and financial balance [k]	-2 521	2 130	...
Overall balance	-1 564	-467	...

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

a/ Estimates.
b/ Figures as of September.
c/ Figures as of August.
d/ A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.
e/ Includes hidden unemployment.
f/ Figures as of March.
g/ Special savings interest rate.
h/ Figures as of July.
i/ Prime lending rate.
j/ Figures as of October.
k/ Includes errors and omissions.

The Trinidad and Tobago economy is projected to contract by 2.3% in 2017, which is still an improvement over the 6% contraction seen in 2016. After shrinking by 13.2% in 2016, the mining and quarrying sector is expected to contract by 2.2% and to contribute -0.43 percentage points to economic growth owing to declines in crude oil output. The decline in crude oil production is expected to be tempered by an increase in natural gas production in the fourth quarter, stemming from the launch of the Juniper platform. The largest contraction is projected to be seen in the trade and repairs sector, which is expected to decline by 9.4% and to contribute -1.59 percentage points to growth. The wholesale and retail trade subsector has been severely affected by weaker private consumption in the current recession. Financial and insurance activities are expected to make the largest positive contribution to growth. This sector is forecast to increase by 4% and to contribute 0.38 percentage points to growth, down from 0.82 percentage points and 0.63 percentage points 2015 and 2016, respectively. Professional, scientific and technical services (0.33 percentage points) and transport and storage (0.28 percentage points) are also expected to make significant positive contributions. Growth of 0.5% is projected in 2018, as a result of stronger upstream gas production and an expected increase in energy prices.

Inflation remained subdued in 2017, in line with the economic slowdown, and fell from 3.6% in January to 1.2% in September 2017. The largest increases were seen in the health subcomponent of the retail price index, which fell from 18.7% year-on-year growth in January to 12.3% in September 2017. The year-on-year change in the food price subcomponent fell from 7.7% in January to 1.9% in September 2017. The slowdown in food inflation stemmed partly from a decrease in international food inflation, as well as the end of the price shock resulting from the reintroduction of value-added tax on several previously exempt food items in February 2016.

Unemployment stood at 3.6% in the fourth quarter of 2016, up slightly from the 3.5% recorded in the year-earlier period. The minimal change stemmed partly from a significant number of workers leaving the labour force over the period. The electricity and water, construction and manufacturing sectors posted the highest unemployment rates, of 8.5%, 6.3% and 4.6%, respectively.