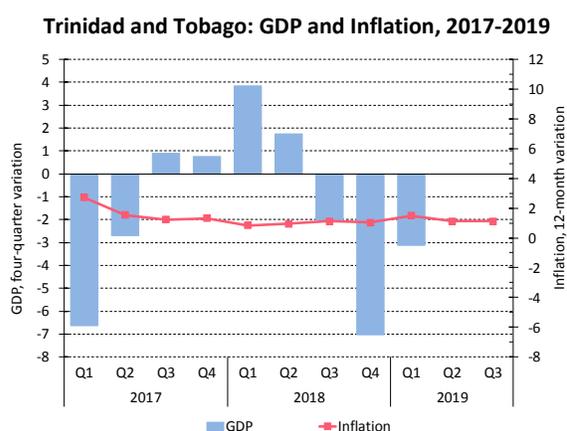


## Trinidad and Tobago

Economic activity in Trinidad and Tobago was stagnant during the first quarter of 2019, with the year-on-year growth rate negative by 3.1%. For the year overall, the country is expected to record positive, albeit sluggish, growth (0.4%), owing to spillover effects from the new natural gas project, Angelin, in the downstream energy sector. Higher energy prices and a tax amnesty resulted in an improved budget deficit of 2.5% of GDP in fiscal 2019, while net public debt, which excludes open market operations, increased to 62.0% of GDP at the end of that period. The external current account surplus widened to 8.3% of GDP in the first quarter of 2019, on account of lower profit remittances and reduced services imports, primarily by energy companies. The inflation rate has been low as result of subdued aggregate demand. In 2020, growth is projected at 1.5%, supported by new natural gas projects and increased execution of public sector investment programmes ahead of the general election.

The government budget deficit for fiscal 2019<sup>1</sup> narrowed to 2.5% of GDP, from 3.6% in fiscal 2018. Total revenue jumped 7.9%, owing to improved tax collection resulting from a temporary tax amnesty, which allowed payment of outstanding taxes without penalties and interest. An increase in energy revenues, stemming from a higher royalty rate on the extraction of natural gas introduced during fiscal 2018, and extraordinary payments from Shell following its November 2018 agreement with the government on gas-related issues (such as the gas pricing formula), also contributed to narrowing the budget deficit. Total expenditure increased by 3.4%, driven by an increase in transfers and subsidies, which may be attributed mainly to the shortfall in subsidies in the comparison period relating to the sale of petroleum products, and costs associated with the closure of the refinery of the State-owned Petroleum Company of Trinidad and Tobago (Petrotrin). For fiscal 2020, the government projects a deficit of 3.1% of GDP. Total revenue is expected to rise by 2.6%, mainly thanks to an increase in energy-related non-tax revenues, but this will be offset by an expansion in capital expenditure.

Despite the subdued economic activity, the Central Bank of Trinidad and Tobago maintained its monetary policy rate, the repo rate, at 5.00% during the first 11 months of 2019, in view of foreign-exchange shortages. However, the commercial bank weighted average lending rate decreased from 8.01% in December 2018 to 7.90% in June 2019, reflecting competition for loan business. Year-on-year growth in credit to the private sector decelerated to 3.8% during the first eight months of 2019, compared to a rate of 5.9% in the prior-year period, owing to a decline in business lending (by 3.8%) amid weak economic activity. On the other hand, consumer loans (6.6%) and mortgage lending (8.2%) remained strong, driven mainly by debt consolidation and persistent housing supply shortages.



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

<sup>1</sup> October 2018 – September 2019.

The foreign-exchange market continued to be tight in 2019. Between January and October 2019, the authorized dealers' purchases from the public—an indicator of foreign-exchange supply—grew by 8.5% on a year-on-year basis, mainly reflecting increased conversions by energy companies. However, foreign-exchange demand also grew, by 8.6%, as the country started to import refined oil products following the closure of the Petrotrin refinery. As a result, the central bank intervened in the market with US\$ 1.270 billion, only 1.2% less than the previous year. Over the same period, the central bank kept the United States dollar selling rate steady at around 6.78 Trinidad and Tobago dollars (TT\$) to US\$ 1.

The current account surplus widened to 8.3% of GDP in the first quarter of 2019, from 3.8% in the year-earlier period. While total exports decreased by 15.4% year-on-year, deficits in the services and primary income accounts narrowed, owing, respectively, to lower repatriation abroad and reduced services imports, primarily by energy companies. As the financial account recorded a large net outflow (14.9% of GDP), influenced by returns-seeking movements in portfolio investment, the overall balance remained in deficit (by 3.8% of GDP), resulting in a decline in international reserves. Gross official reserves fell to 7.9 months of import cover at the end of October 2019, marginally down from 8.0 months at the end of 2018, but still well above the international benchmark of 3 months.

After a run of positive growth from the third quarter of 2017 to the second quarter of 2018 on the back of the launch of several natural gas projects, growth turned negative again as Petrotrin ceased its refinery operations and expansion slowed in natural gas production. During the first quarter of 2019, real GDP shrank by 3.1% year-on-year, dragged down primarily by the energy sector, which recorded negative growth of 8.9%. Non-energy sector growth was sluggish at 0.5%, although this was still an improvement over the 4.9% contraction in the previous quarter. The manufacturing of food, beverages and tobacco products expanded for a fifth consecutive quarter, by 22.5%, while the trade and repair sector grew by 1.5%, a marked turnaround from the hefty 12.5% contraction in the previous quarter. Conversely, construction sector growth declined for the first time in three quarters, by 3.2%, and transport and storage continued its double-digit contraction, reflecting weak aggregate demand. Trinidad and Tobago is expected to record positive, albeit sluggish, growth for 2019 overall, at 0.4%, as the Angelin field, which started gas production at the end of February 2019, should have spillover effects in the downstream energy sector, and the negative impacts of the Petrotrin refinery closure are expected to dissipate. In 2020, growth is projected at 1.5%, supported by new natural gas projects, contingent exploration projects by Shell in the Barracuda field and by EOG Resources in the Toucan field, and increased execution of public sector investment programmes ahead of the general election.

Inflation remained subdued in 2019 amid weak economic activity, although food inflation rose from 0.1% in December 2018 to 1.5% in September 2019, largely owing to a surge in vegetable prices (6.6% in September 2019). Headline inflation increased only slightly, from 1.0% in December 2018 to 1.1% in September 2019, while core inflation eased from 1.3% to 1.0% over the same period, reflecting lower costs of home ownership and foreign used motor vehicles, as well as stable fuel costs.

#### Trinidad and Tobago: main economic indicators, 2017-2019

	2017	2018	2019 <sup>a</sup>
	<b>Annual growth rate</b>		
Gross domestic product	-2.3	-0.2	0.4
Per capita gross domestic product	-2.6	-0.5	0.2
Consumer prices	1.3	1.0	1.1 <sup>b</sup>
Money (M1)	-1.9	0.1	0.4 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	2.9	1.5	-2.1 <sup>b</sup>
	<b>Annual average percentage</b>		
Unemployment rate <sup>e</sup>	4.8	3.8 <sup>b</sup>	...
Central government			
Overall balance / GDP	-9.1	-3.6	-2.5
Nominal deposit rate <sup>f</sup>	0.2	0.2	0.2 <sup>c</sup>
Nominal lending rate <sup>g</sup>	9.1	9.1	9.3 <sup>b</sup>

**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 September.

g/ Special savings interest rate.

h/ Prime lending rate.

Employment conditions remained weak in 2018 and 2019. Although the unemployment rate came down to 3.8% in the first half of 2018 from 4.9% in the prior-year period, this reflected the withdrawal of unemployed individuals from the labour market owing to the difficulty of finding a job. The number of employed persons decreased by 900 over this same period, with the losses occurring particularly in the transport, storage and communication sector and in manufacturing. Further, during the first eight months of 2019, the number of retrenched workers, at 834, was similar to those laid off in the year-earlier period (854), while reduced labour demand led to a 9.8% drop in the number of vacancies advertised in the print media over the same period.