

Trinidad and Tobago

The economy of Trinidad and Tobago, like many others, has been significantly affected by the coronavirus disease (COVID-19) pandemic. The first case of COVID-19 in Trinidad and Tobago was detected on 13 March 2020. On 22 March 2020, soon after this first confirmed case, the country's borders were closed to all individuals (nationals and non-nationals). Entry was permitted by the Minister of National Security only for individuals who had applied for and been granted exemptions. Cargo vessels transporting goods were allowed entry into the country. These measures were implemented to mitigate the spread and impact of the virus.

As the number of cases grew, the government introduced several short-term measures to control the spread of COVID-19. These included a lockdown of the economy whereby non-essential workers were required to stay at home and all teaching institutions were ordered to close. Additional measures included the closure of public places to discourage mass gatherings. Large sums of public funding were funnelled into various support programmes aimed at keeping individuals afloat during the downturn. The support measures implemented included soft interest loans, wage subsidies, cash transfers and grants. As a result, as in most economies, economic activity in Trinidad and Tobago was curtailed and several of its sectors negatively impacted, with the economy expected to contract by as much as 6.8%.

The government budget deficit for fiscal 2020 is projected to have increased significantly to 11% of GDP, more than quadrupling the deficit of 2.5% of GDP in fiscal 2019. Total revenue fell to 23% of GDP in fiscal 2020 from 28.2% of GDP in fiscal 2019. A major factor contributing to this decrease was the reduction of energy revenue from 10% to 5% of GDP in fiscal years 2019 and 2020, respectively. Given current economic conditions and the need for COVID-19 relief and support programmes, there was an elaborate effort to control government outlays, and thus total expenditure increased only slightly. For fiscal 2020, total expenditure is projected to be 34.3% of GDP. Reductions in wages and salaries were offset by corresponding increases in outlays on goods and services as well as capital expenditure.

The government of Trinidad and Tobago anticipates little difficulty in financing the upcoming fiscal year, with an array of resources expected to be used to facilitate the task. These include a combination of local and international borrowing as well as the sale of assets, such as the State-owned network of filling stations.

In an effort to encourage a moderate economic recovery amidst the current pandemic, the Central Bank of Trinidad and Tobago kept its policy interest rate steady at 3.5%. However, despite the efforts of the Bank to increase liquidity in the economy, credit growth remained cautiously low as the uncertainty brought about by the pandemic continued to stymie economic activity. For example, business lending contracted by 6.1% year on year in June 2020.¹

Although the foreign-exchange market has improved in recent months, it continues to be closely managed. Between October 2019 and September 2020, authorized dealers' purchases from the public, an indicator of foreign-exchange supply, fell by 20.7% year on year. In this period, the main sources of demand for foreign-exchange sales were the distribution sector, energy companies and settlements of credit card transactions. It is expected that the Bank will maintain the exchange-rate peg close to 6.8

¹ See Central Bank of Trinidad and Tobago website [online] <https://www.central-bank.org.tt/>.

Trinidad and Tobago dollars (TT\$) per US\$ 1 in order to continue to keep energy exports competitive and boost the supply of foreign exchange while concomitantly reducing pressure on the Bank's foreign reserves.

In 2019, the current account surplus was US\$ 1.167 billion, down 14.8% from the previous year as the result of a contraction in the balance of trade in goods. Energy prices and output levels have continued to have an unfavourable impact on export revenue. The services deficit is estimated at 5.7% of GDP as a result of profit remittances by foreign companies. In September 2020, import cover improved to 8.7 months from 7.7 months at the end of 2019. This increase was attributed to greater inflows into the reserves due to central government borrowing and withdrawals from the Heritage and Stabilization Fund.

After marginal growth of 0.1% in 2018, the economy of Trinidad and Tobago contracted by 1.2% in 2019. Although the non-energy sector experienced growth of 1.7%, these gains were outstripped by the energy sector's contraction of 4.5% owing to reductions in both energy commodity prices and global demand. A further decline is expected for 2020, with the economy projected to contract by as much as 6.8% because of continued unfavourable energy prices and the impact of COVID-19 on international trade and domestic demand.

During the first quarter of 2020, the performance of economic activity in the non-energy sector was mixed. The manufacturing and mining and quarrying sectors were the main contributors to the overall decline in real GDP in 2019, with construction and transportation, professional, scientific and technical services, information and communication, accommodation and food services and agriculture, forestry and fishing also declining. There was a small contraction of the wholesale and retail trade sector, although there were sudden increases in demand for food and grocery items in March as a result of public panic buying. On the other hand, there was growth in commerce and repairs, public administration, financial and insurance activities and electricity and gas. Nevertheless, further contractions are anticipated across all major sectors in line with the estimated contraction in overall GDP growth.

Inflation continued to be sluggish because of weak economic activity. Headline inflation rose marginally to 0.4% during the first quarter of 2020 after maintaining monthly year-on-year rates consistently above 1% for most of 2019. Core inflation subsided at the end of the first quarter, falling from 0.4% in January to 0.2% in March. A major reason for the slowing of core inflation were decreases in the price of medications, so that the health component fell from 1.9% in January to 1.1% in March. Given the continuance of sluggish economic activity, inflation is likely to remain low.

There have been no official unemployment data available since 2018, but the impact of COVID-19 on employment has been clear. In March 2020, the central government began to undertake measures to mitigate the spread of the virus. The actions implemented to limit social and non-essential economic activities weighed on the economy. To curtail potential recessionary effects, the government attempted to address the issues of job losses and other socioeconomic challenges by providing wage relief grants, income support for the retrenched, loan guarantees for microenterprises and expedited income tax and value added tax (VAT) refunds. A survey conducted by the Trinidad and Tobago Coalition of Services Industries (TTCSI) and the Trinidad and Tobago Manufacturers' Association (TTMA) revealed that people in the arts, entertainment and recreation, tourism, manufacturing, food processing and drinks, and construction sectors were among those losing their employment. Other individuals, though still employed, were either subjected to wage cuts or furloughed. Furthermore, given the economic impact of the pandemic, unemployment may have increased, as there have been several closures of non-essential services leading to companies being unable to generate sufficient income to pay expenses.