Trinidad and Tobago

The reopening of the domestic and global economies as coronavirus disease (COVID-19) restrictions were eased and higher energy prices have benefited Trinidad and Tobago's economy. In the first quarter of 2022, the Central Statistical Office reported real GDP growth of 0.1% relative to a decline of 7.9% in the first quarter of 2021. This outturn was primarily supported by growth in the non-energy sector. In contrast, the performance in the energy sector was mixed, with reduced production of some energy commodities. However, if planned energy projects come onstream in late 2022 or early 2023, the sector will certainly grow, as energy prices are expected to remain elevated in at least the short to medium term. Given this prospect and the continued rebound in the non-energy sector, GDP growth is projected to reach 2.0% in 2022 and repeat that rate in 2023. Increased economic activity and high energy prices will also boost fiscal accounts, as the fiscal deficit is expected to narrow to 5.8% of GDP for the 2021/22 fiscal year. Adjusted government debt is forecast to fall to 70.4% of GDP by the close of the same fiscal period. By providing liquidity support and keeping the repo rate at 3.5%, the Central Bank of Trinidad and Tobago has maintained an accommodative stance aimed at promoting economic recovery. However, this position is likely to be revisited given upward inflationary pressures and changes in interest rate differentials. Headline inflation rose to 6.3%, primarily impacted by rising food prices, although core inflation also increased to 4.9%. This rapid rise in inflation was a result of supply-side challenges, higher shipping costs, and delays in international transportation. By the second quarter of 2022, the unemployment rate had improved to 4.5%, given the rebound in economic activity.

The overall fiscal deficit for the 2021/22 fiscal year is expected to narrow to 5.8% of GDP relative to 8.6% of GDP in the 2020/21 fiscal year. High oil and natural gas prices and a rollback of COVID-19 restrictions underpin the improvement in the fiscal accounts. Based on the fiscal 2022 budget, total revenue is expected to jump by 4.0 percentage points to 27.7% of GDP as both tax and non-tax revenue improve. Total expenditure, however, is also expected to increase by 1.8 percentage points to 33.5% of GDP, reflecting higher recurrent expenditure and capital expenditure related to the Consolidated Fund and the Infrastructure Development Fund. Adjusted general government debt, which excludes borrowings for open market operations, is expected to decline by 9.1 percentage points to 70.4% of GDP by the end of the 2021/22 fiscal year.

Until September 2022, the Central Bank of Trinidad and Tobago had maintained an accommodative monetary policy stance, focused on promoting domestic economic recovery by ensuring sufficient liquidity in the system. Therefore, the repo rate has remained constant at 3.5% for the first nine months of 2022, after being cut in March 2020 by 150 basis points. Although liquidity in the financial system has declined, levels remained ample in July 2022. However, rising inflation and changes in interest rate differentials may change the Central Bank of Trinidad and Tobago's monetary policy position going forward. In October 2022, gross official reserves stood at US$ 6.870 billion representing 8.6 months of import cover, down US$ 163.3 million relative to the same period in 2021. Private sector credit improved, as business credit increased and real estate credit picked up, but consumer lending remained subdued. The central bank has continued to closely manage the foreign-exchange market, which remained tight up to July 2022. As a result, from January to July 2022, authorized dealers' sales to the public increased by 38.3%. Between December of 2021 and July 2022, the central bank sold US$ 750.0 million to authorized dealers to maintain market stability.

For the first quarter of 2022, Trinidad and Tobago's fiscal accounts showed an overall deficit of 3.4%, narrowing slightly from the deficit of 4.7% for the first quarter of 2021. The small improvement was primarily a result of the current account strengthening to a surplus of 24.1% of GDP relative to 4.5% of GDP in the same period in 2021. The growth in imports was offset by strong growth in exports owing to higher energy earnings as international energy prices rose. The financial account recorded a net outflow of 6.6% of GDP at the end of the first quarter of 2022 relative to a net outflow of 22.5% of GDP at the end of the first quarter of 2021.

Although economic activity has picked up since the easing of COVID-19 restrictions, performance across sectors has been mixed. In the first quarter of 2022, the Central Statistical Office reported a contraction of 0.1% in real GDP, a significant recovery from the contraction of 7.9% in the same period of 2021. This improvement was primarily supported by growth of 2.2% in the non-energy sector, partially offset by a contraction of 5.1% in the energy sector. In the non-energy sector, the manufacturing sector and transport and storage sector posted the largest improvements at the end of the first quarter of 2021. Although real GDP data for the second quarter of 2022 remains unavailable at the time of writing, preliminary data on the production of selected energy commodities suggest performance in the energy sector remained weak for most of the quarter: in the second quarter natural gas production fell by 3.1% and crude oil by 2.6%, while ammonia and methanol production declined by 29.2% and 11.0%, respectively, on account of maintenance work at the Tringen I ammonia plant and the M5000 methanol plant. However, production of liquefied natural gas grew by 9.7% and natural gas liquids by 6.9%. Given the mixed performance in the energy and non-energy sectors, GDP growth for the remainder of 2022 is expected to be 2.0%, with strong performance expected in the non-energy sector and growth in crude oil and natural gas production. If additional energy projects materialize and the non-energy sector continues to rebound, GDP growth in 2023 is forecast to be 2.0%, as there is continued downside risk from the projected slowdown in global economic activity in 2023.

The unemployment rate continued to slowly improve as economic activity gradually picked up in the first half of 2022. At the end of the second quarter of 2022, the unemployment rate stood at 4.5%, marking a marginal decline from 4.7% at the end of the second quarter of 2021. Contributing to this slow recovery was the retrenchment (redundancy) of 1,407 persons in July 2022, primarily in the transportation and storage and communications sectors. The anticipated slowdown in the global economy could potentially affect unemployment in 2023. Headline inflation rose to 6.3% in August 2022, relative to 2.2% in the same month of 2021. Food inflation jumped to 11.7% in August 2022 relative to 5.7% in August 2021. However, core inflation (which excludes food) rose more slowly to 4.9% in August 2022 relative to 1.5% the same month of 2021. These increases were largely driven by supply-side challenges related to surging international food prices, higher shipping costs, and international transportation delays. Given that these challenges are likely to continue, upward pressure on inflation is expected to persist into the last quarter of 2022 and possibly into 2023.