Trinidad and Tobago

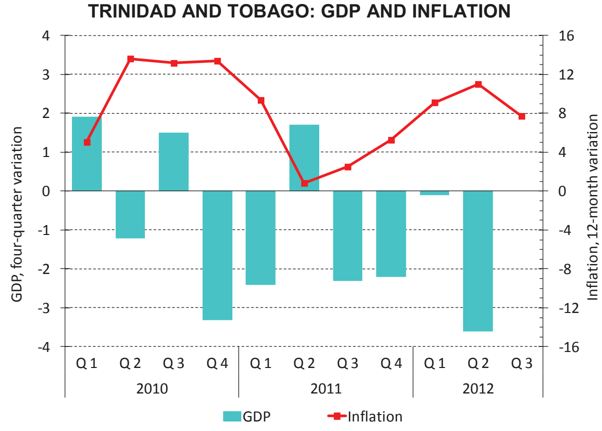
Positive growth in the non-energy sector, led by services, offset a decline in the energy sector and resulted in a 1% expansion of the economy of Trinidad and Tobago in 2012. Growth of 2.5% is projected for 2013, assuming major repairs in the energy sector are completed, industrial action is resolved, and government investment projects are implemented. Unemployment in the first quarter was down slightly from 2011 and inflation increased in the first half of the year before easing back to more moderate levels. The government's budget for 2012/2013 projected a deficit of 7.7 billion Trinidad and Tobago dollars (TT$) or 4.6% of GDP.

The government instituted a few new policy measures in 2012, including the creation of a new entity to bail out holders of Colonial Life Insurance Company (CLICO) financial instruments and the introduction of a computerized customs management system to facilitate business and promote private sector activity. In addition, fiscal measures announced alongside the 2013 budget were implemented to encourage the purchase and usage of compressed natural gas vehicles, with a view to reducing the automobile fuel subsidy. In the budget statement, the government also announced the removal of value added taxes from all food items and an extensive public sector investment programme equivalent to 4.5% of GDP.

In fiscal year 2011/2012[1] the government ran a fiscal deficit of TT$ 6.7 billion, or 4.4% of GDP. Total revenue and grants were estimated at TT$ 47.7 billion. Tax revenue accounted for 86.3% of total revenue and grants, while non-tax revenue made up the other 13.7%. Total expenditure and net lending was an estimated TT$ 54.4 billion, with current expenditure comprising 84.7% of the total and capital expenditure 15.3%. Total revenue was up by 0.4%, and total expenditure by 10.6%. The government increased its capital spending by 7.3% from the previous year in a bid to stimulate economic activity. Spending through the public sector investment programme went to infrastructure projects such as the accelerated housing programmes, the early childhood, primary and secondary modernisation programme and the rehabilitation of roads and bridges. The budget announcement for 2012/2013 projects another deficit, this time of TT$ 7.7 billion, or 4.6% of GDP. Revenue is projected at TT$ 50.7 billion: TT$ 20 billion in oil revenue and TT$ 30.7 billion in non-oil revenue. Expenditure is expected to be TT$ 58.4 billion. The budget is predicated on crude oil and gas prices of US$ 75 per barrel (WTI) and US$ 2.75 per MMBtu, respectively.

Public sector debt is estimated to be 46.6% of GDP in fiscal year 2012, up from 36% in fiscal 2011. In addition to the continued budget deficits, the jump

TRINIDAD AND TOBAGO: GDP AND INFLATION



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

[1] The fiscal year in Trinidad and Tobago runs from October to September.

in debt was partly attributable to the government's efforts to secure a settlement for policyholders of the failed company CLICO. Over TT$ 10 billion was issued in zero coupon bonds to enable the purchase of certain holdings of short-term investment products issued by CLICO. Public debt could continue rising, given that the government has indicated an intention to remain in deficit until 2016.

The central bank continued its accommodative monetary policy from last year, lowering its repo rate to 2.75% in September 2012, from 3% in 2011. Commercial bank lending rates remained at 7.75% until August 2012. Credit to the private sector fell slightly (0.02%) from December 2011 to August 2012, compared with a 2% increase in the year-earlier period. Business credit demand reversed its decline of 2011 to post a rise of 2.3% up to August 2012. The excess reserves held by commercial banks peaked at TT$ 6.6 billion on 9 March 2012, due partly to an estimated net domestic fiscal injection of TT$ 2.5 billion in the first quarter. In response to this, the central bank requested that banks increase their holdings of interest-bearing special deposits by TT$ 1.5 billion for one year. Excess reserves then fell to a daily average of TT$ 2.2 billion by June, before continued fiscal injections brought them back up to TT$ 3.9 billion per day in September 2012.

GDP in Trinidad and Tobago declined in real terms in the first two quarters of 2012, by year-on-year rates of -0.1 and -3.6%, respectively, reflecting consecutive quarterly contractions of 0.6% and 7.3% in the energy sector and a 0.7% downturn in the non-energy sector in the second quarter, following an increase of 0.3% in the first. These contractions were due mainly to maintenance work in the energy sector and industrial action in the non-energy sector. A three-month strike at Trinidad Cement Limited led to a cement shortage that impacted the construction and manufacturing industries. Despite these early declines, real GDP growth is estimated at 1% for 2012, boosted by a 1.9% expansion in the non-petroleum sector, which offset the petroleum industry's 1.0% contraction. Despite a downturn in agriculture and manufacturing, the non-petroleum sector posted positive growth thanks to an upturn of 2.4% in services. The economy is projected to grow by 2.5% in 2013, with the non-energy sector continuing to be the main driver (up 2.9%), although the energy sector is also expected to rebound (1.8%). These estimates for 2012 and 2013 are made on the assumption of improved industrial relations, implementation of the public sector investment programme and the completion of maintenance work in the energy sector.

TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	2010	2011	2012 [a]
	Annual growth rates		
Gross domestic product	0.0	-1.4	1.0
Per capita gross domestic product	-0.4	-1.7	0.7
Consumer prices	13.4	5.3	7.7 [b]
Money (M1)	25.5	17.2	16.5 [c]
Real effective exchange rate [d]	-5.4	0.8	-7.6 [e]
	Annual average percentages		
Open urban unemployment rate	5.9	5.1	…
Central government overall balance / GDP	-0.2	-2.8	-4.4
Monetary police rate	4.7	3.2	3.0 [f]
Nominal lending rate [g]	9.2	8.0	7.8 [f]
	Millions of dollars		
Exports of goods and services	12 080	15 067	14 235 [h]
Imports of goods and services	6 895	9 304	10 048 [h]
Current account balance	4 192	2 623	2 070
Capital and financial balance [i]	-3 774	-1 870	-2 170
Overall balance	418	753	-100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Estimates.
[b] Twelve-month variation to September 2012.
[c] Year-on-year average variation, January to August.
[d] A negative rate indicates an appreciation of the currency in real terms.
[e] Year-on-year average variation, January to October.
[f] January-October average.
[g] Prime lending rate.
[h] Does not include services.
[i] Includes errors and omissions.

Headline inflation stood at 7.7% year-on-year in September 2012, well up from the 2.5% measured in the prior-year period, and slightly down from the 9.1% measured in March 2012. The headline inflation was driven by rising food prices, particularly for vegetables and meat. Core inflation has continued its stable trend, measuring 2.8% year-on-year in September. Inflation is projected to be 5.8% in 2013.

Unemployment averaged 5.1% in 2011. Although no official figures are yet available for unemployment in 2012, it should be noted that the rate fell continuously for the last four recorded quarters, from 6.3% in the last quarter of 2010 to 4.2% in the last quarter of 2011. This decline, amid economic contraction, was due partly to short-term government-run projects in construction and agriculture.

The current account surplus was estimated at 7.2% of GDP for the first quarter of 2012, down from 7.3% in the year-earlier period and 11.2% in 2010. An increase in imports alongside a decrease in exports lowered the trade surplus from 21.6% in the first quarter of 2011 to 14.3% of GDP in the first quarter of 2012. The capital and financial account deficit widened to 6.1% of GDP that quarter, from 6.0% in the first quarter of 2011. Foreign direct investment came mainly from reinvested earnings of foreign-owned companies, and stood at 10.1% of GDP, up from 6.8% in the first quarter of 2011 and 2.7% in 2010. Commercial banks increased their net foreign balances, leading to a net outflow of 1.2% of GDP. Trinidad and Tobago's net official reserves stood at US$ 9.3 billion by August 2012, down from US$ 9.8 billion in 2011. This value would cover 11 months of prospective imports.