Trinidad and Tobago

Like other economies, the economy of Trinidad and Tobago was weakened by ongoing management of coronavirus disease (COVID-19) in 2021, when the country experienced its most severe waves of the pandemic and strict measures were introduced to contain the spread of the virus. This, however, delayed the expected recovery in GDP, which declined by 1.0% in 2021 after contracting by 7.4% in 2020. The fiscal deficit narrowed slightly to 9.2% of GDP but remained well above pre-pandemic levels. However, gross government debt increased to 91.4% of GDP on account of increased expenditure related to the pandemic. In order provide liquidity support, the Central Bank of Trinidad and Tobago adopted an accommodative monetary stance, maintaining the repurchase agreement (repo) rate at 3.5%. Headline inflation rose to 2.4%, driven by rising prices, particularly for food, which was affected by global supply disruption. Though the unemployment figures for 2021 remain unavailable at the time of publication, they are expected to have improved, albeit narrowly, by the end of the year. The pandemic has been detrimental for employment and in 2020 the unemployment rate stood at 5.7%.

The overall fiscal deficit for the 2020/21 fiscal year was 9.2%, smaller than in the previous fiscal year. This improvement was supported by a marginal 1.7 percentage point increase in total revenue to 24.8% of GDP, driven in particular by rises in revenue from the energy and non-energy sectors. On the expenditure side, there was a small 0.4 percentage point fall to 34% of GDP. Total general government debt rose by 4.1 percentage points to 91.9% of GDP, primarily driven by increases in domestic borrowing to support COVID-19 containment measures.

In 2021, the central bank maintained an accommodative monetary policy stance given the impact of the COVID-19 pandemic on the domestic economy. In this regard, it maintained the repo rate at 3.5%, following the reduction in March 2020. The central bank has adopted a strategy of high levels of foreign reserves (US$ 11.5 billion in September 2021, representing 8.6 months of import cover), to support lower interest rates and thus boost private sector credit. Nonetheless, growth in private sector credit slowed to 0.9% of GDP in September 2021 relative to 1.5% in the same month of 2020 as business credit and consumer lending remained depressed.

The central bank has continued to closely manage the foreign-exchange market, which remained tight in 2021. As a result, from October 2019 to September 2020, authorized dealers' purchases from the public —an indicator of supply of the foreign exchange— increased by 31.1%. For this period, the improved performance stemmed from an uptick in crude oil and petrochemical production and higher energy prices. The central bank is expected to maintain the exchange-rate peg at close to 6.8 Trinidad and Tobago dollars (TT$) to US$ 1, as foreign exchange supply was boosted by continued improvements in energy exports through to the close of 2021.

At the time of publication, 2021 balance of payment data was unavailable. However, in 2020, subdued international demand, reduced production owing to natural gas supply constraints, and initially lower energy prices negatively impacted the current account surplus, which weakened to 0.1% of GDP in 2020 relative to 4.8% of GDP in 2019, with substantial declines in the goods and services and the financial account as foreign direct investment declined. Because of reduced global demand, declines in goods exports were insufficient to offset declines in imports. In 2021, the current account balance is expected to have strengthened, with rises in international demand, high energy prices and increased energy production.

To boost global liquidity and support economic recovery globally, the International Monetary Fund (IMF) allocated special drawing rights (SDRs) equivalent to US$ 644 million and is also encouraging voluntary channelling of SDRs from countries with strong external positions to more vulnerable member countries, to support the recovery from the pandemic.

Economic activity continued to be hampered by COVID-19 containment measures in 2021. Economic activity measured by the central bank's index of economic activity fell by 7.2% year-on-year in the second quarter of 2021, with declines of 9.4% in the energy sector and 5.7% in the non-energy sector. In the second quarter, the energy sector continued to be affected by reduced natural gas supply, with natural gas production falling 22.1 % year-on-year despite improvements in crude oil and methanol production. This, in turn, affected the refining subsector, with a 44.1% decline in liquified natural gas production during the period. Within the non-energy sector, growth in the electricity and water, financial and insurance, transportation and storage, and real estate sectors was largely offset by contractions in construction, retail and manufacturing. In the second half of 2021, the reopening of the borders, gradual lifting of restrictions and increased availability of COVID-19 vaccines is expected to have boosted performance in non-energy sectors. Therefore, the contraction in real GDP is projected to have improved to -1.0% by the end of 2021. As a result of continued lifting of COVID-19 restrictions along with expected boost in natural gas production and increasing global energy prices in 2022, real GDP growth is forecast to improve to 5.7% in 2022.

The repercussions of the response to the COVID-19 pandemic continued to place substantial strain on global supply chains in 2021. This contributed to rises in international prices and higher import costs. Further, higher input costs of raw materials and freight drove up domestic inflation in 2021, with core inflation rising from 0.0% in September 2020 to 1.6% in September 2021, primarily owing to food prices. Headline inflation, measured by the year-on-year rate of change in the Retail Price Index (RPI), climbed to 2.4% in September 2021, up from 0.7% in September 2020, reflecting inflationary pressures from rising food prices and other core components of RPI.

While unemployment rates for 2021 remain unavailable at the time of publication, in 2020 the average unemployment rate was 5.7% following the onset of the pandemic, up from 4.3% in 2019. The Ministry of Labour also reported that 837 persons in wholesale and retail trade, restaurants and hotels, petroleum and gas including production, refining and service contractors and transport, storage, and communication were retrenched (furloughed) in the first nine months of 2021. While reduced activity owing to containment measures appears to have affect the economy for much of 2021, the overall unemployment rate is expected to have improved by the fourth quarter of 2021 with the reopening of borders and ports of entry, coupled with gradual increases in business activity.