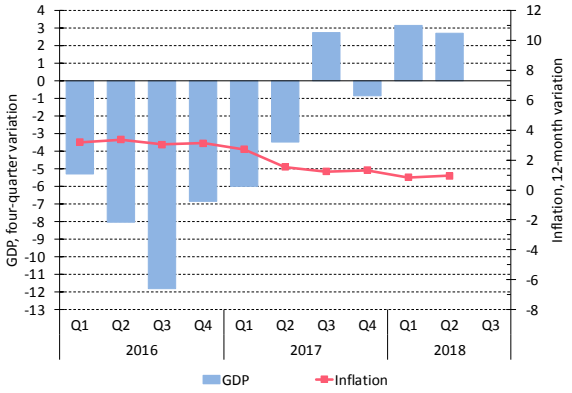
Trinidad and Tobago

Trinidad and Tobago is expected to return to positive, albeit sluggish, growth (1.9%) in 2018 for the first time in three years, largely driven by a recovery in the energy sector. Thanks to the government's efforts at fiscal consolidation and an increase in energy revenue, the budget deficit decreased to 4.0% of GDP in fiscal 2018 and net public debt, which excludes open market operation instruments, improved to 60.9% of GDP at the end of fiscal 2018. The external current account surplus widened to 17.3% of GDP in the first half of 2018 on account of increased natural gas production. However, the inflation rate has been low owing to still-lacklustre economic recovery and a decline in food inflation. In 2019, growth is projected to be 1.6%, despite the closure of the oil refinery of the State-owned company, Petrotrin. Although this growth projection is slightly down on 2018, as the effect of a number of new natural gas projects will abate, the energy sector will continue its expansion and, more importantly, the growth drivers will gradually shift from the energy sector to the non-energy sector.

The government budget deficit for fiscal 2018 narrowed to 4.1% of GDP, from 9.0% in fiscal 2017. Total revenue increased from its fiscal 2017 level of 24.2% of GDP to 27.8% of GDP in fiscal 2018, owing to higher commodity prices, as well as the government's fiscal consolidation efforts, including the introduction of a new tax bracket for commercial banks, a new royalty rate on the extraction of natural gas and a sale of bonds by the National Investment Fund (NIF). Total expenditure decreased from 33.2% of GDP in fiscal 2017 to 31.9% in fiscal 2018, reflecting decreases in wages and salaries and in expenditure on transfers and subsidies. As a result of the decline in the budget deficit and a pick-up of nominal GDP growth, the debt-to-GDP stabilized at 60.9% at the end of fiscal 2018. For fiscal 2019 the government projects a deficit of 2.5% of GDP, mainly on account of an increase in taxes from oil companies. Although the forecast was predicated on a modest oil price assumption of US$ 65 per barrel and a gas price of US$ 2.75 per MMBtu, uncertainty has grown given the steep oil price decline and the gas price increase in November 2018.

Despite the lacklustre economic recovery, especially in the non-energy sector, the Central Bank of Trinidad and Tobago slightly tightened its monetary policy stance in consideration of foreign-exchange shortages. For the first time in 30 months, the central bank raised the repo rate, its main monetary policy tool, by 25 basis points to 5.00% in June 2018. Partly influenced by the repo rate hike, the yield on 3-month Treasury bills increased from 1.21% in December 2017 to 1.30% in October 2018. However, the commercial banks' weighted average lending rate came down from 8.20% in December 2017 to 8.13% in June 2018, reflecting competition for loan business. Year-on-year growth in credit to the private sector accelerated to 7.0% in August 2018 from 4.6% in December 2017, but was largely driven by an increase in debt consolidation and consumer loan refinancing (18.4% and 17.7%, respectively, in August 2018) and growth of mortgage lending (9.1%), stemming from persistent housing supply

Trinidad and Tobago: GDP and Inflation, 2016-2018



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

shortages. Growth of business lending remained slow (3.8%), reflecting the weak economic activity in the non-energy sector.

Although the foreign-exchange market remained tight in 2018, some of its pressures have been eased by the improvement in the energy sector. Over the period from January–October 2018, authorized dealers' purchases from the public, an indicator of foreign-exchange supply, grew by 16.8% on a year-on-year basis, reflecting higher energy exports. As demand grew more slowly (8.5%) than supply, the central bank injected US$ 1,285 million into the market, 17.4% 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.

Trinidad and Tobago: main economic indicators, 2016-2018

	2016	2017	2018 [a]
	Annual growth rate		
Gross domestic product	-6.5	-1.9	1.9
Per capita gross domestic product	-6.8	-2.2	1.6
Consumer prices	3.1	1.3	1.0 [b]
Money (M1)	1.2	-1.9	-1.5 [b]
Real effective exchange rate [c]	1.3	3.5	2.0 [d]
	Annual average percentage		
Open urban unemployment rate [e]	4.0	4.8	...
Central government			
Overall balance / GDP	-5.4	-9.0	-4.1
Nominal deposit rate [f]	0.2	0.2	0.2 [b]
Nominal lending rate [g]	9.0	9.0	9.1 [h]
	Millions of dollars		
Exports of goods and services	9 239	...	...
Imports of goods and services	11 631	...	...
Current account balance	-2 598	...	...
Capital and financial balance [i]	2 130	...	...
Overall balance	-467	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Figures as of August.
c/ A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.
d/ Figures as of September.
e/ Includes hidden unemployment.
f/Special savings interest rate.
g/ Prime lending rate.
h/ Figures as of October.
i/ Includes errors and omissions.

The current account surplus widened to 17.3% of GDP in the first half of 2018, from 8.1% of GDP in the first half of 2017. Total exports grew by 31.5% year-on-year, on the back of increased energy exports boosted by higher prices and natural gas production. While the financial account recorded a small net inflow (0.05% of GDP), the overall balance remained in deficit by 4.7% of GDP, owing to a large negative figure (22.1% of GDP) in the net errors and omissions line, resulting in a decline in international reserves. Gross official reserves fell to 8.0 months of import cover at the end of October 2018, down from 9.7 months at the end of 2017, although this was still well above the international benchmark of 3 months.

Growth in Trinidad and Tobago is projected at 1.9% in 2018, which is still sluggish after two consecutive years of negative growth: -1.9% in 2017 and -6.5% in 2016. Energy sector growth rallied to 2.2% in 2018, from 0.0% in 2017, driven by increased natural gas production stemming from the launch of the Juniper platform in August 2017, the Starfish programme in May 2018 and the Dolphin field in August 2018, despite a contraction in oil extraction and refining activity. The growth of the non-energy sector was almost flat, at 0.1% in 2018, although this was still an improvement over the 2.9% contraction in 2017. The manufacturing of food, beverages and tobacco products expanded 5.6% in 2018, a marked turnaround from a heavy 12.0% contraction in 2017. Growth in the trade and repairs sector remained negative for the third consecutive year, but by a narrower 1.2% in 2018, after contractions of 11.3% in 2017 and 7.2% in 2016. The largest contribution to growth in 2018, however, came from taxes less subsidies on products, which were up by 30.7%, reflecting a reduction in the fuel subsidy and an increase in VAT collection. In 2019, growth is projected to be 1.6%, supported by a new natural gas project, Angelin, which will come on stream in the first quarter, and increased implementation of public sector investment programmes, despite the closure of the oil refinery of the State-owned company Petrotrin.

Inflation remained subdued in 2018 due to the lacklustre economic recovery, as well as a decline in food inflation. Headline inflation increased only slightly, from 0.9% in January 2018 to 1.2% in September, while core inflation rose from 0.5% to 1.4% over the same period. A higher cost of home ownership and an increase in the cost of motor vehicles contributed to the uptick in core inflation. On

the other hand, food inflation came down from 2.6% in January to 0.0% in September, owing to greater supply of some food items amid favourable weather conditions and increased issuance of land leases for agricultural purposes. The flooding throughout the country in October 2018, however, could exert upward pressure on food inflation in the short term.

Employment conditions remained weak in 2017, as the unemployment rate climbed to 4.4% in the fourth quarter of 2017, from 3.6% in the same quarter of 2016. Weakness in the domestic economy led to job losses, particularly in the construction and the petroleum and gas sectors, which shed 14,700 and 5,700 jobs, respectively.