

Economic Alert iQ



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Domestic

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Highlights of Mid-Year FY 2015/16 Budget Review

The Economy in 1st Half of FY 2015/2016

- For the first five months in FY 2015/2016, revenue was \$2.96 billion lower than projected while government's expenditure was \$7.75 billion below budgeted.
- The revised estimate for current revenue in fiscal 2016 is now \$52.68 billion as compared to \$60.28 billion in the original Budget estimates, a shortfall of \$7.6 billion.
- The major shortfalls in revenue include taxes from oil companies, at an estimated \$2.4 billion, other companies at \$1 billion and VAT at \$3 billion.
- Total expenditure in 2016 is expected to be \$59 billion which represents \$4 billion less than in the original estimates. As such, fiscal deficit for 2016 is now expected to be about \$6.7 billion or about 4% of GDP. This is expected to be financed through borrowings and an appropriate drawdown.
- Fiscal operations during the second half of the fiscal year will now be based on an oil price of *US\$35 per barrel* and a gas price of *\$2.00 per mmbtu*, compared to US\$45 per barrel and US\$2.75 per mmbtu.

Proposed Revenue Streams

- In October 2015, the Minister of Finance highlighted that there will be measures aimed to reduce \$15 billion gap with borrowings and one off items of extraordinary income, such as:
 1. Proceeds from the sale of Clico Assets
 2. Repayment of past lending to TGU
 3. Dividends from NGC
 4. Drawdowns from the HSF
 5. Proceeds of the Phoenix Park IPO

Outstanding Payments to Public Servants

- Government intends to honor its obligations to pay 50% of the salary arrears to public officers by the end of June 2016.
- The remaining 50% will either be paid in interest-bearing Government Bonds by the end of September 2016, or in two further instalments in cash in 2017, at the discretion of the workers.

Fuel Subsidy

- The fuel subsidy is projected to have cost \$31 billion over the last 10 years. As oil prices trended upwards between 2009 to September 2014, the subsidy averaged over \$3.5 billion per year and exceeded 2% of GDP.
- Government has announced the following prices will take immediate effect:

Super Gasoline	increased by 15% to \$3.58 per litre
Diesel	increased by 15% to \$2.00 per litre

Foreign Exchange

- A 7% levy on online purchases of goods and services from overseas retail companies will take effect in September 2016 following conversation with commercial banks.
- An immediate 50% increase in customs duty and motor vehicle tax on luxury.
- The TTD exchange rate will be managed such that the depreciation will be limited to 7% from the September 2015 rate. Therefore, the currency is expected to end the FY around TTD6.8 or thereabouts.
- TT Exim Bank to provide raw material funding for export manufacturing.

Proposed Infrastructural Projects

- Improving road infrastructure to ease traffic congestion and assist the travelling public. Some road improvement projects that have been identified include the following:
 - Wallerfield to Manzanilla Highway, which includes a ring road around Sangre Grande
 - Curepe Interchange
 - Valencia to Toco Freeway
 - Upgrade of the Moruga Road
 - Completion of the Pt. Fortin Highway
 - San Fernando to Princes Town Highway

Capital Markets

- Plans to raise domestic funding from capital markets to finance expenditure.

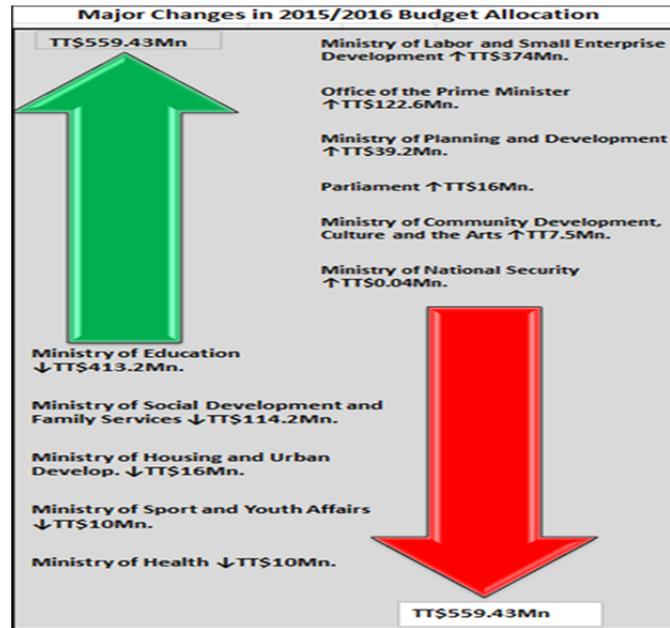
CLICO

- Disposal of CLICO shares in Home Construction Limited, Angostura and CL World Brands adding over \$3 billion in revenue.
- Disposal of remaining MHTL shares at valuation price (\$2 billion), as well as CLICO traditional portfolio of insurance policies (\$1billion)
- All remaining creditors still on CLICO books will be paid in fiscal 2016.

GATE

- GATE to be reviewed by July with changes to be implemented by new academic year. (September 2016).

Ministerial Expenditure Reallocation



Source: First Citizens Research & Analytics, Parliamentary Secretariat



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