

Economic Alert iQ



Friday 30th September 2016 – 6:50 pm

Domestic

Prepared by: First Citizens Research and Analytics

Highlights of the FY 2016/17 Budget Statement

“Shaping a Brighter Future: A Blueprint for Transformation and Growth”

Review of FY 2015/16

- Revenue for fiscal 2016 is now estimated at TTD45 billion, TTD7 billion lower than the mid-term estimates and TTD15 billion lower than the original budget estimate.
- Total expenditure is now estimated at TTD52.2 billion, TTD6.8 billion lower than the revised expenditure target and TTD11 billion lower than the original expenditure estimate in October 2015.
- The 2015/2016 overall deficit of TTD7.3 billion was financed by the proceeds of a drawdown of TTD2.5 billion from the Heritage and Stabilization Fund and by domestic and foreign borrowing.
- Total energy sector revenues are estimated to be as much as TTD11 billion lower than in FY 2015; and TTD18 billion lower than in FY 2014.
- One-off capital revenues were about TTD3 billion lower than expected because of significantly lower dividend payments from the National Gas Company, reflecting the depressed gas prices.

- The Central Statistical Office (CSO)'s provisional estimates, real GDP is estimated to have declined by around 2.3% in 2016, which represents the third consecutive year of decline in real economic activity.
- The major contributor for this decline was attributable to a 10% contraction in value-added in the petroleum sector, with almost all branches of the industry showing declines. Moreover, 25% reduction in real economic activity in the petroleum services industry also proved to paint significant challenges plaguing the energy industry.
- The construction sector also saw a 7.6% decline for the last fiscal year, given restrained by government in its spending.
- Following the closure of ArcelorMittal and the decline in private consumption, manufacturing activity declined by an estimated 6% in 2016.
- Retail price index stood at 2.9% as at the end of July 2016 while food inflation stood at 6.8% compared to 11.5% y-o-y. Core inflation remained low at 2%.
- The unemployment rate increased from 3.4% to 3.8% in the 4Q2015.
- Preliminary data shows that the external current account of the balance of payments incurred a deficit of US TTD2.7 billion in 2016.
- Direct Foreign Investment currently stands at USTTD10 billion, a minimal decline from the USTTD10.3 billion in reserves y-o-y.
- The net public debt to GDP ratio, based on the revised GDP, which is now TTD30 billion lower than previously estimated (from TTD175 billion in 2015 and the previously estimated TTD165 billion in 2016, now revised downwards to TTD145 billion), now stands at 60.8%, compared with 50.9 % at the end of 2015. Debt service paid in 2016 was approximately TTD6.6 billion.

Key Sector Development

Housing

- Extending partnerships with private sector land developers and contractors to provide additional housing units.
- With respect to the 2% financing regime , there will be an increase in the qualifying income from TTD10,000 to TTD14,000 and the property value from TTD850,000 to TTD1.0 million.
- Moreover, the 5% facility the qualifying income will be increased from a lower limit of TTD14,001 to TTD30,000 and a property value from in excess of TTD1.0 million to TTD1.5 million.

- For FY 2017, it is expected that 2,500 houses will be delivered.

National Security

- Establishment of the Joint Border Patrol Agency which serves to strengthen security of maritime borders;
- Signed an Intergovernmental Agreement with the United States which would facilitate the implementation of the Foreign Account Tax Compliance Act (FATCA);
- Signed a Customs information sharing agreement with the USA which assist in obtaining convictions for smuggling, drug trafficking and gun-running;
- Approval of TTD117 million expenditure on major equipment to upgrade intelligence and evidence gathering;
- The establishment of municipal community constabularies and a supporting corps of volunteers;
- Decentralization of the police service manpower and leadership over a regional substructure;
- Roll-out of programmes to foster the building of public trust in the police service while at the same time rooting out corrupt and otherwise unsuitable individuals.

Education and Training

- A comprehensive ICT in Education Plan will be rolled out in the next fiscal year.

This 5-year plan will ensure:

- The establishment of an overarching ICT in Education Policy;
- Training and Professional development of teachers and other educators;
- Provision of adequate and appropriate ICT infrastructure in schools;
- Curriculum reform to include ICT-infused lesson plans for students;
- Establishment of an ICT Steering Committee.

GATE

- Implementation of means test effective academic year 2017-2018;

Students whose household income falls

-Below TTD10,000 per month will be eligible for 100% funding

-Above TTD10,000 per month students would be required to pay 25%

- Above TTD30,000 per month students would be required to pay 50%
- Students pursuing post-graduate programmes would be funded subject to their programmes alignment with the country's developmental needs.
- Students enrolled in non-medical programmes at the regional UWI campus will only be funded to the equivalent level of the St. Augustine Campus.
- Students are only allowed funding for one undergraduate programme and one post- graduate programme
- Students over 50 will no longer be eligible for funding
- St. Georges University Grenada medical students will no longer receive funding.
- Only institutions and programmes accredited by the Accreditation Council of Trinidad and Tobago will receive funding
- Increase in loan ceiling for students studying at local institutions from TTD25,000 to TTD35,000.

Health and Healthcare

- Finalize long term financing arrangements for Arima and Point Fortin Hospitals;
- A public-private partnership (PPP) arrangement whereby a private operator would manage, operate and maintain the Hospital

Public Utilities

- In an attempt to assist the low income households, it is proposed that the government will cover the first TTD100 in electricity charges for persons whose monthly electricity bill is TTD400 or lower and takes effect from December 1, 2017
- The 2011-2014 wage settlements for T&TEC, Petrotrin, Trinmar, NP, UWI and UTT is estimated to cost over TTD1 billion
- T&TEC owing the National Gas Company (NGC) over TTD2 billion for the supply of natural gas to the independent power producers
- WASA continues to require major financial support from the Government, in the form of overdraft facilities, loan financing and subventions. This is so as WASA's expenditure when compared to revenue is in excess of TTD1 billion

Works and Transport

- Tenders have been invited for the Wallerfield to Manzanilla Highway and work on the first phase of this project from Cumuto to Guaico is scheduled to commence in 2017.
- Design work has commenced for the upgrade of the Moruga main road. Construction of the Moruga Port and roadworks is scheduled for 2017.
- NIDCO to resume construction work on the Point Fortin highway Project with tenders to be invited from local contractors.

- Design work is in progress for the proposed new road from Valencia to Toco.

Rural development and Local Government

- The approval from cabinet was granted for the recommendations in the detailed Report arising out of the extensive consultation process on local government reform be submitted in parliament in fiscal year 2017.

Tourism

- The proposed Sandals Resort project comprises two hotels, a hotel for couples and a family hotel. An average of 2,000 persons would be directly employed during the construction period of the project
- It is expected that Sandals will purchase in excess of TTD100 million in local goods and services annually
- The intention to focus on “niche marketing”, such as meetings, convention tourism, events tourism and eco-tourism will see the following:
 - The construction of another large hotel in Trinidad
 - The upgrading of tourism sites and attractions, including beach facilities at Maracas, Las Cuevas, Manzanilla and Vessigny as well as the La Brea Pitch Lake Visitor Centre
 - The upgrading of Quayside on the Port of Spain Waterfront to enhance the cruise visitor experience
 - A well-targeted marketing strategy combined with a dedicated focus on service improvement, through training and industry certification, will be the platform for making Trinidad a thriving meetings and convention centre

Energy

- Revenue expected from petroleum to recover from the present *TTD2 billion to TTD14 billion by 2020*
- Fiscal plan assumes that oil prices will rise to about USD60 per barrel. Expect revenues to recover by up to TTD19 billion;
- Gas production is expected to recover & production from two new fields are expected to come on stream within the next year;
- Begun to look at and propose active consideration to tax regimes but will give oil companies time to respond;
- There's an estimated 3 billion barrels of oil that can be properly taxed using the new regimes and will increase revenue;
- Energy sector will continue to be driver of economy for next decade;

- Government & Venezuela signed a memorandum which will help use produce & sell more gas;
- Outlook for energy would be further enhanced if ongoing discussions with neighboring Venezuela are quickly concluded;
- Petrotrin's existing oil reserves represent best available option to boosting production and Petrotrin's income;
- Critical need to cut Petrotrin's debt by TTTTD500 million in next four years or increase profitability;
- Implementation of a new aluminum plant which will employ many of the 3.8% unemployed public;
- Another 100 CNG vehicles will join the PTSC fleet of vehicles;
- Hybrid vehicles are already on the market after removal of taxes earlier this year.

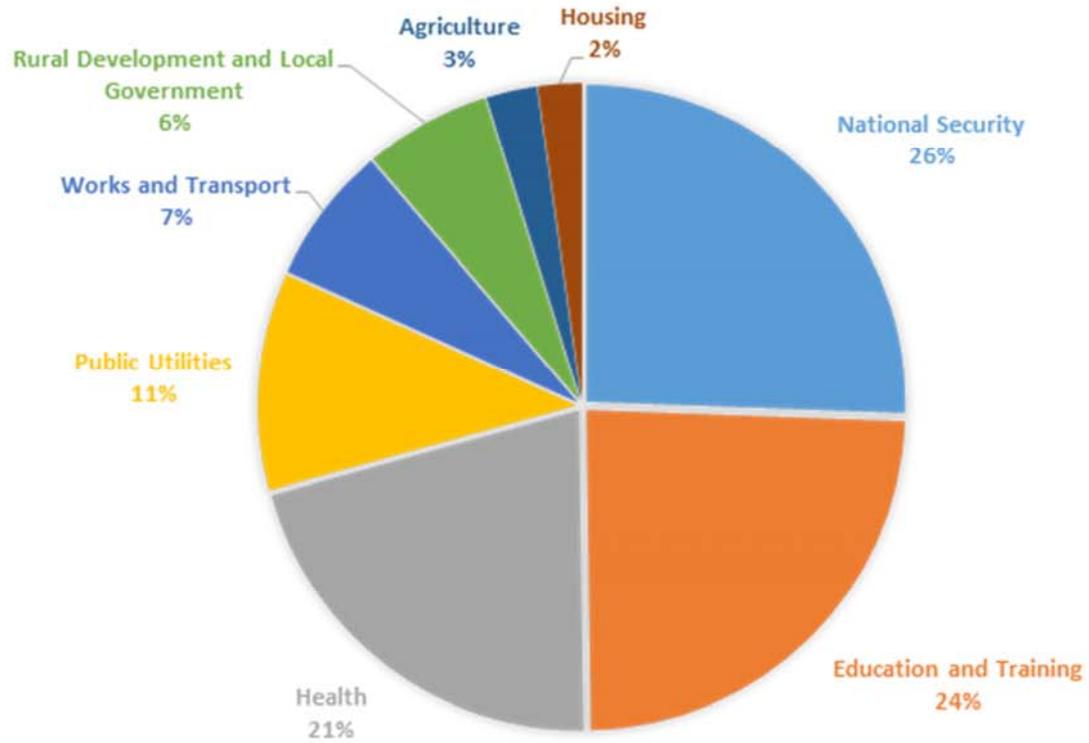
Agriculture

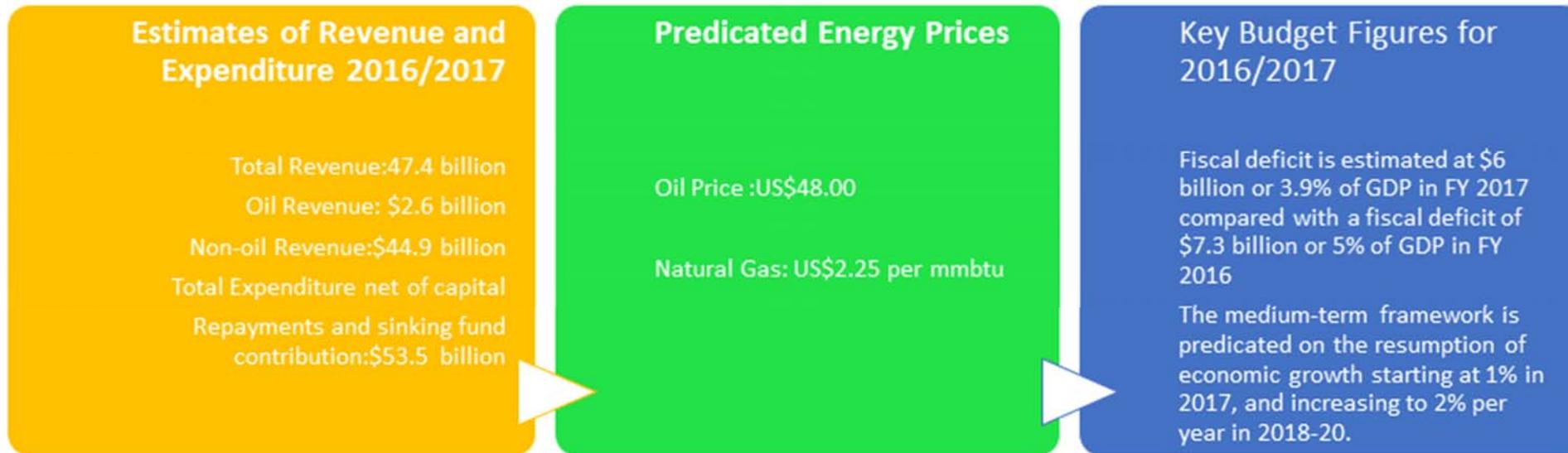
- All approved agro-processing operations will now be tax free.
- The Ministry of Agriculture, Lands and Fisheries will now introduce a certification process to ensure that only qualified applicants benefit from this tax relief.
- The qualifying criteria will be that at least 75% of the processing of agricultural products must be done in Trinidad and Tobago and 75% of the ingredients must be produced or harvested locally. This measure will be implemented in the second quarter of fiscal 2017

Arts & Culture

- NAPA has undergone successful completion of remedial works, the Ministry of Works has advised that the building is fit for occupation.
- Provision of TTD25 million to replace the audio and electrical equipment at NAPA
- Further rehabilitation works budgeted for the National Art Gallery and Museum, the Red House and soon work will be started on other major heritage buildings such as Mille Fleurs, Stollmeyer's Castle and President's House

FY 2016/2017- KEY SECTOR ALLOCATION





Major plans to be implemented:

- Proposal to make foreign yacht repair services a VAT exempt service for yacht owners with effect from first quarter 2017;
- Establish Revenue Authority in FY2017;
- Property Tax collections will be fully implanted in 2017 based on The Property Tax Act 2009;
- Regulate gaming industry;
- Removal of 15% diesel subsidy. New price is TTD2.30 per liter, up from TTD1.98;

- Increase with effect from October 20, 2016 the excise duty on locally-manufactured tobacco products by 15% as well as on alcoholic products by 20%;
- Tax bracket of 30% on high income individuals whose chargeable income exceeds TTD1.0 million per annum and on companies with chargeable profits also in excess of TTD1.0 million per annum;
- With effect from October 20, 2016, a 7% charge on purchases that arrive in Trinidad and Tobago through the courier companies or are brought in directly by individuals via air freight;
- An offer for sale will be made by the National Gas Company of Trinidad and Tobago Limited of its residual 51% shareholding in Trinidad and Tobago NGL Limited (TTNGL);
- An offer for sale will be made by the Government of Trinidad and Tobago (GORTT) of an additional 20% of its shareholding in First Citizens Holdings Limited;
- Competitive sale processes for 50% of the industrial estates now under the remit of Evolving Technologies and Enterprise Development Company Limited (eTeck);
- The sale of 20.0% of Trinidad Generation Unlimited (TGU) to institutional investors, such as the National Insurance Board (NIB) and the Trinidad and Tobago Unit Trust Corporation;
- Partial divestment of Lake Asphalt to an International Strategic Partner in 2017;
- All approved agro-processing operations will now be tax free;
- Over the next 4 years, utilizing a public private partnership approach, the Government will provide 50% tax relief and other appropriate fiscal incentives to businesses which can mobilize private sector funding to provide public infrastructure and/or public facilities, amenities and services, now provided solely by the Government.

Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or solicitation to buy or sell.