

Economic Alert iQ



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Domestic

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“The negative outlook captures lack of visibility on how effective fiscal consolidation efforts will ultimately be and the extent to which fiscal consolidation will have to rely on one-off measures in the coming 1 to 2 years.”- Moody’s

Today, Moody's Investors Service downgraded Trinidad and Tobago's credit ratings to Baa3 from Baa2 with a negative outlook.

The credit rating agency's outlook has been based on the following key drivers:

- Low energy prices will negatively and materially undermine the country's economic and government financial strength at least throughout 2018 despite fiscal consolidation efforts.
- The Government's policy response to the commodity price shock may not be as timely and effective due to lack of macroeconomic data and weak policy execution capacity.

- Concern on how effective fiscal consolidation efforts would ultimately be and the extent to which fiscal consolidation will have to rely on one-off measures in the coming 1 to 2 years.
- Government support in the form of loan guarantees to Petroleum Company of Trinidad & Tobago (Petrotrin, Ba3) could be higher than currently assumed.

What could move the rating up?

- Should revenue and expenditure adjustments, in addition to one-off revenue measures, lead to lower fiscal deficits in the 2016/17 and 2017/18 fiscal years, a stable outlook may be affirmed.
- Credible fiscal and economic policy response, which offers the prospect of containing the deterioration, would be considered a credit positive.

What could move the rating down?

- Moody's would downgrade Trinidad and Tobago's Baa3 ratings if it concluded that the government's planned fiscal efforts for 2016/17 were unlikely to reverse the deteriorating fiscal performance and the steady rise in government debt.
- Any government support, in the form of loan guarantees to Petrotrin, could be higher than currently assumed and would add negative pressure to the rating.

- Early signs of an emerging balance-of-payments crisis, such as a further sustained fall in the price of oil, pressure on the exchange rate regime or a significant fall in international reserves, would also exert downward pressure on the rating.

Credit Rating Agency	Rating	Outlook
S&P	A	Negative
Moody	Baa3	Negative



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