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Local
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Key Finding from the IMF 2017 Article IV Mission to Trinidad And Tobago

- Following the conclusion of the Article IV consultation with Trinidad and Tobago in October, the IMF highlighted that the country has faced several years of weak or negative growth on the back of low global energy prices and energy supply shocks. This have led to sharp deteriorations in the country's internal and external balances.
- In 2016, GDP declined by an estimated 5.4% following two years of 0.5% declines. The energy sector contracted 10.1% amid maintenance shutdowns, continued oil field depletion, and gas shortages. The negative spill overs from the energy sector drove a contraction in the non-energy sector of around 3.0%.
- New energy projects that came on stream in the second-half of 2017 and the winding down of maintenance-related downtime should partially offset weak first-half energy production and continued contraction of the non-energy sector.
- Growth is projected to fall in 2017 by 3.2% before turning positive in 2018 1.9% and then settling to around 1.4% by 2022. The positive growth in 2018 is predicated on a strong turnaround in the oil sector, due in part to expansion of refining capacity, and the expectation that several gas projects will come online, combined with a full year of production from gas projects coming on stream in 2017.
- The FY 2016 fiscal deficit rose sharply to almost 13% of GDP. Energy-related revenues declined by 7 percentage points of GDP from FY 2015 due to falling energy prices and volumes and energy sector fiscal incentives. Government spending fell 2 percentage points of GDP, largely from decreased capital spending and fuel subsidies.
- The authorities implemented several fiscal measures aimed at containing the deficit including increasing the price of some fuels by 15%, reducing the number of zero-rated items for the VAT and cutting the recurrent allocations of all ministries.

- The Central government debt is expected to increase from 37.5% in 2016 to about 41.1% of GDP in 2017. Public debt is expected to increase to 61.2 % of GDP and external debt to 17.2% of GDP for 2017.Despite this, the IMF indicates that substantial buffers remain, with the HSF amounting to 27% of GDP and sinking fund assets of 5% of GDP.
- According to the IMF, the real effective exchange rate (REER) calculated by the CPI-based approach shows an overvaluation of the currency of 28.5% at the end of 2016. The substantial overvaluation reflects, among other factors, the significant terms-of trade shock and, given that the CBTT mostly keeps the nominal exchange rate stable against the US dollar, U.S. dollar appreciation from 2012-2016.
- Despite the TT dollar being depreciated by 7% against the US dollar in the second half of 2016, the foreign exchange shortages continues to persist.
- Gross reserves fell slightly, from US$9.9 billion (10.25 months of imports) in 2015 to US$9.5 billion (9.50 months of imports) in 2016, and are projected to fall by another US$1 billion (1 month of imports) this year, albeit amid continued foreign exchange shortages.
- Headline and core inflation remained low at 3.1% and 2.2 % (y/y), respectively, at end-2016, while unemployment ticked up to 4.1.
- Private sector credit growth slowed in 2016 and into 2017, with business credit grinding to a virtual halt and household credit slowing. The slowdown appears to be entirely demand-driven given still high bank liquidity.
- The banking sector continues to remain strong with the NPL ratio remaining low at 3% as of April 2017, despite the economic slowdown.

Key Indicator	***2014***	***2015***	***2016 Estimate***	***2017 Projection***	***2018 Projection***
Real GDP Growth (%)	*-0.3*	*1.5*	*-6.0*	***-3.2***	***1.9***
Inflation Rate (end of period)	*8.4%*	*1.6%*	*3.1*	***3.2***	***3.2***
Unemployment Rate	*3.3%*	*3.4*	*4.1**	***N/A***	***N/A***
Balance of Payments Current Account Balance Surplus(+)/Deficit(-)	*14.5%*	*3.8%*	*-10.7%*	***-8.5%***	***-7.9%***
Gross Public Debt as % of GDP	*42.0%*	*47.7%*	*58.3%*	***61.2%***	***62.5%***
Central Government Local Debt	*25.4%*	*27.9%*	*37.5%*	***41.1%***	***41.4%***
Central Government External Debt	*8.6%*	*10.2%*	*15.7%*	***17.2%***	***19.2%***
Overall Budget Surplus(+)/ Deficit (-)	*-5.4%*	*-8.3%*	*-12.1%*	***-11.0%***	***-9.6%***

Source: IMF, First Citizens Research & Analytics

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