

Friday 24<sup>th</sup> November 2017 –10.40 am  
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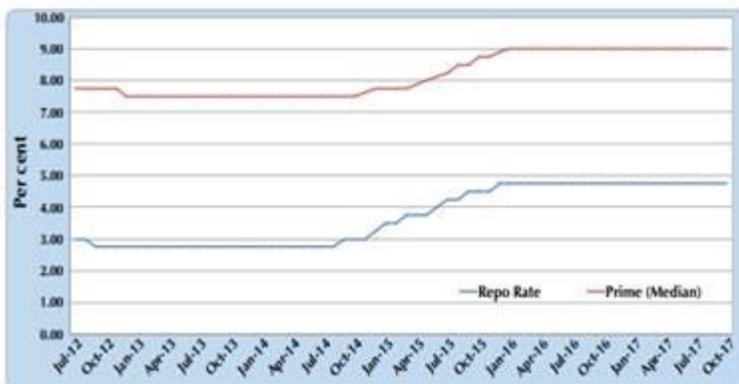
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## Summary of The Monetary Policy Report (November 2017) Released by Central Bank of Trinidad and Tobago

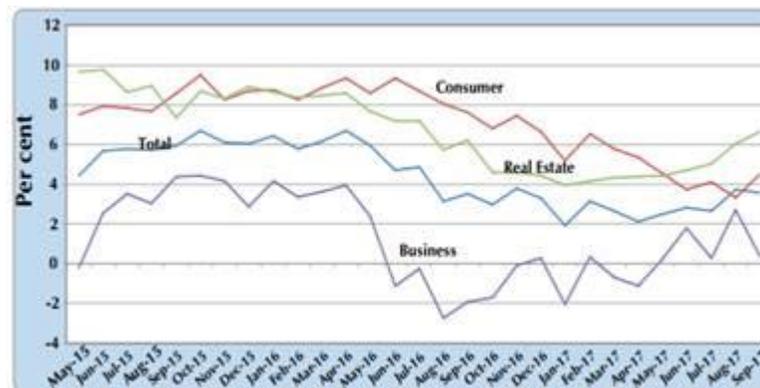
- In the November 2017 Monetary Policy Report, it was highlighted that the Central Statistical Office (CSO) estimates that real GDP contracted by 6.0% in 2016 after increasing by 1.5% in 2015, as key sectors declined.
- Based on information for the first half of 2017, the CSO projects a further contraction in real GDP of 2.3% for 2017. Energy sector activity in the first half of the year was characterized by declines across the majority of sub-sectors. While crude oil output was relatively maintained, natural gas production declined 6.8% as the slump in production seen in previous years extended into the first half of 2017.
- Available indicators monitored by the Central Bank suggest that non-energy activity remains lethargic as retail sales and motor vehicle sales declined by 6.8% and 19.6% respectively for the first half of 2017.
- In the meantime, preliminary data for third quarter of 2017 offer a more promising outlook for the energy sector. Improved output from bpTT buoyed production of both crude oil and natural gas resulting in increases of 3.7% and 13.8% in output respectively.
- Headline Inflation has remained relatively subdued measuring 1.2% in September 2017, slightly lower than the 1.7% recorded in May 2017. According to the Central Bank, some fiscal measures announced in the FY 2017/18 budget are expected to result in direct price rises for several products, with spill-over effects in some cases.
- The unemployment rate increased to 4.5% in the first quarter of 2017 from 3.8% in the corresponding quarter of 2016. Between March 2016 and March 2017, the number of persons employed declined by 6,700 persons. The highest rates of unemployment during the first quarter of 2017 were observed in the petroleum and gas (9.1%) and construction (8.0%) industries.
- During the second quarter of 2017, labour productivity in the manufacturing sector continued to trend downward, driven by a faster fall in domestic production than in the number of hours worked.

- Central Government operations remained challenged in fiscal year (FY) 2016/17. Provisional estimates from the Ministry of Finance show that the Central Government realised an overall deficit of \$12.6 billion (8.5% of GDP), a much higher deficit than envisioned in the initial and (mid-year) revised budgets for FY 2016/17.
- The FY 2016/17 deficit was financed through a US\$250.0 Mn drawdown from the Heritage and Stabilisation Fund (HSF), as well as borrowings from domestic and external sources. On the domestic front, Central Government borrowed roughly \$8.2Bn through the issuance of bonds. On the external side, a US\$300.0Mn, 15-year loan from the Corporación Andina de Fomento (CAF) was accessed. This compared with a US\$1.0Bn international bond issued one year earlier.
- Trinidad and Tobago's external accounts recorded an overall deficit of US\$729.8Mnn (6.6% of GDP) over the first six months of 2017, larger than the deficit of US\$367.3Mn (3.2% of GDP) registered in the corresponding period of 2016.
- Following a deficit of US\$982.6Mn (8.7% of GDP) over the period January to June 2016, the external current account posted a narrowed estimated deficit of US\$246.9Mn (2.2% of GDP) in the similar period of 2017.
- At the end of the first nine months of 2017, gross official reserves amounted to US\$8,506.6Mn, compared with US\$9,465.8Mn as at December 31, 2016. This represents 9.8 months of prospective imports of goods and nonfactor services.
- Conditions in the foreign currency market remain tight in the context of lower foreign currency inflows, particularly from the energy sector. Both purchases and sales of foreign exchange by authorized forex dealers from and to the public (i.e. excluding the Central Bank) declined.
- Meanwhile the Central Bank continued to intervene with fortnightly sales of around US\$75Mn for the period January to early November 2017; intervention in 2017 so far amounted to US\$1,631Mn, compared with US\$1,577Mn for the same period in 2016.
- The Central Bank reported that at the end of the first half of 2017, Trinidad and Tobago's net international investment position fell by US\$527.6Mn reaching US\$4,973.4Mn. The lower net international investment position is representative of a decline in international assets coupled with an increase in international liabilities.
- On the Banking side the Central Bank noted that Commercial banking weighted average lending rates have remained stable thus far in 2017, reaching 8.24% in June. This follows the unchanged Repo rate thus far for the year, as well as the median prime lending rate which has remained at 9.00% in 2017.

### Repo Rate and Commercial Banks 'Median Prime Lending Rate



### Private Sector Credit to the Consolidated Financial System (Y-o-Y% change)



Source: The Central Bank of Trinidad & Tobago, First Citizens Research & Analytics

**Stock Market Developments**

- Performance of the domestic stock market continued to be mixed during the first three quarters of 2017.
- The major Composite Price Index (CPI) ended the period 2.7% higher. The performance of the CPI was buoyed by the strong performance of regionally listed firms, represented by the Cross Listed Index (CLI) which advanced by 20.5% over the year ending September 2017.
- However, the CPI also experienced some downward pressures, exerted by a 2.8% decline in the All T&T Index (ATI), reflective of subdued domestic economic conditions.

**Primary Debt Market Activity**

- Provisional data suggest that for the period January to September 2017 activity on the primary debt market increased substantially when compared to the same period in 2016.
- Over the period, there were 13 primary issues at a value of approximately \$9,536.0Mn compared to 10 primary issues at a value of roughly \$5,922.5Mn in the same period one year earlier
- The Central Bank noted that in light of lower energy revenues, the Central Government continued to be the major borrower during the nine-month period, issuing 5 bonds totalling \$7.2Bn.

**Secondary Gov't Bond Market Activity**

- Despite being significantly lower than the same period in 2016, trading activity on the secondary government bond market continued to be strong over the period January to September 2017.
- Over the period, 74 trades occurred at a face value of roughly \$499.8Mn. Comparatively, during the same period in 2016, the exchange witnessed 137 trades at a face value of \$1,519.3Mn.

Source: The Central Bank of Trinidad & Tobago, First Citizens Research & Analytics



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