Economic Alert iQ

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Trinidad and Tobago
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Central Bank of Trinidad and Tobago – Economic Bulletin January 2019 - Summary

Domestic Economic Activity

- The energy sector achieved mixed results during Q3 2018 with the 1% y-o-y uptick in natural gas production and 1.2% increase in LNG production being offset by reduced production of methanol and ammonia due to outages and downtime at several plants.
- The non-energy sector also showed mixed Q3 2018 results as construction sector indicators declined by 6.4% while the retail sector, represented by the distribution indicator, increased by 0.4%. The manufacturing sector remained relatively flat with a minimal decline of 0.2%.
- Commercial banking and real estate both recorded growth while insurance and non-bank financial institutions experienced lower levels of activity.
- While port activity increased by 8.0%, it was completely offset by declines in the transport, storage and communications sectors.

Labour Market

- Data from the Central Statistical Office (CSO) indicated that the unemployment rate in Q4 2017 stood at 4.4%, up from 3.6% in 2016.
- Due to the lack of official labour market data, the CBTT used other indicators which showed that the number of persons retrenched increased by 38.0% during 2018.

- The number of job advertisements posted in the three daily newspapers showed a decline of 22.1% during 2018. This suggests that there was decreased demand for labour.

- The Index of Productivity increased by 14.3% driven mostly by the non-energy sector. The weaker performance of the energy sector was due to declines in domestic production in both natural gas refining and petrochemicals.

- Wages increased marginally by 1.1% in the non-energy sector but a 31% increase in oil refining wages boosted the overall weekly earnings index up by 11.0% y-o-y.

Domestic Prices

- Headline inflation declined further to 1.1% in December 2018 while core inflation remained stable at 1.3%.

- Upward movements in the housing and transportation sub-index were tempered by declines in the furnishings, clothing and footwear, and alcoholic beverages and tobacco indices.

- The Producer Price Index remained fairly flat at 0.3% growth in Q4 2018.

- All costs associated with the Retail Prices of Building Materials increased in Q4 2018 resulting in an overall increase of the index by 3.8%. The largest increase was in the electrical installation and fixtures segment.

- Some inflationary pressures are expected due to the increase in the price of Super (RON92) Gasoline from TTD3.97/l to TTD4.97/l.

Central Government Fiscal Operations and Public Sector Debt

- According to estimates from the Ministry of Finance, the overall deficit for FY2017/18 was TTD5.4 billion, representing 3.4% of GDP.

- The fiscal deficit for FY2018/19 is expected to be approximately TTD4.1 billion. Revenue is expected to be TTD47.7 billion while expenditure is expected to be TD51.8 billion.

- Gross Public Sector debt amounted to TTD124.6 billion at the end of December 2018. When sterilized securities were removed from this figure, public sector debt stood at TTD98.9 billion or 62.2% of GDP.

- The first three months of FY2018/19 saw the central government borrowing TTD1.7 billion from the domestic capital market in two bonds. The proceeds from these two bonds was used to partially finance the closure of the Petroleum Company of Trinidad and Tobago (Petrotrin).

- Details of other central government guaranteed borrowings are shown below:

State-Owned Enterprise	Loan Value
Petrotrin	USD197.3 million
National Maintenance Training and Security	TTD400.0 million
Urban Development Company of Trinidad and Tobago	USD54.7 million
Urban Development Company of Trinidad and Tobago	TTD180.3 million

- External debt outstanding increased marginally at the end of December 2018 to USD3,733.7 million.

Money, Credit and Interest Rates

- The repo rate remained at 5.00% at the end of December 2018. This was due to what the Monetary Policy Committee considered to be "*low inflation and a still weak economy*". This move however, left the differential between yields on TTD and USD short-term instruments in negative territory.

- Liquidity in the financial system increased in H2 2018 with excess liquidity averaging TTD3.9 billion on a daily basis compared to TTD2.6 billion daily over H1 2018.

- The CBTT removed the 2% secondary reserve requirement on banks' deposit liabilities in August 2018, effectively returning TTD1.6 billion in liquidity to the system.

- The increased liquidity led to a marked decrease in interbank borrowing of TTD56.9 million, down to a daily average of TTD86.5 million in H2 2018. The average interbank rate stood at 0.50% over 2018.

- The difference between the TTD and USD 91-day treasury fell even further to 115 basis points below parity in December 2018.

- The median prime lending rate stood at 9.25% while the weighted average lending rate declined to 8.11% at year end. This meant that banking spreads fell by 4 basis points to 7.47% indicating increased competition between banks for credit business in a subdued economy.

- Consumer and real estate lending continued to support credit expansion while business lending declined. Lending for new and used vehicles also fell from 2.8% in Q2 2018 down to 1.3% in Q3 2018. Credit card lending also declined from 7.3% in Q2 2018 to 6.9% in Q3 2018.

- New residential mortgage interest rates were fairly stable at 4.8% at the end of Q3 2018 while new commercial mortgage interest rates were down to 6.7% at the end of the same period.

- Loans to the manufacturing, chemical and non-metallic manufacturing and construction sector all declined while loans to the finance, insurance and real estate showed growth in September 2018.

Foreign Currency

- Foreign currency loans declined by 10.2% in October 2018 on a y-o-y basis.

- Foreign currency deposits also continued to decline throughout 2018 but at a slower pace than 2017.

- The foreign currency market remained tight in 2018 even though there was an increase in inflows from the energy sector. The energy sector contributed approximately 66.6% of all foreign currency purchases.

- Of the USD5.7 billion sold to authorized dealers in 2018, 31.8% was absorbed by Retail and Distribution, 26.9% by Credit Cards, 10.9% by Manufacturing and 6.5% by Automobile Companies.

- The CBTT's intervention in the market was USD1.5 billion in 2018 down from USD1.8 billion in 2017.

- The weighted average exchange rate stood at TTD6.7861/USD1 in 2018 representing a slight depreciation from TTD6.7817/USD1.

Capital Market

- The TTSE Composite Price Index grew by 5.4% in 2018 driven mainly by a 21.8% increase in the Cross Listed Index. Conversely, the All T&T Index declined by 1.36% over the same period.

- The largest gain of 12.0% was achieved in the Banking sub-index, and was again driven by cross-listed assets. The Manufacturing I sub-index was the only other sector to record a positive performance, all other sub-indices declined during the 2018 period.

- Primary debt market activity increased in H2 2018 compared to H2 2017. Central government continued to be the major player in the debt market, raising TTD2.79 billion versus the private sector which raised TT0.53 billion over the period.

- Trading activity on the secondary debt market declined with a total face value of TTD194 million traded in 2018 compared to TTD529.9million in 2017.

- The short end of the Central Government Yield Curve showed an upward trend to settle at 2.75% on the 1-year while the longer-term end remained relatively unchanged at 5.10% on the 15-year.

- Mutual funds showed an increase in funds under management of 1.8% to approximately TTD44.0 billion. This was due to a net sales position of TTD1,108.4 million.

- Equity funds saw the largest increase of 12.0% followed by Money Market funds which saw a 7.6% increase. Income funds and “Other” funds fell by 2.0% and 2.7% respectively.

International Trade and Payments

- The overall deficit as at the end of Q3 2018, was USD351.0 million representing 6.0% of GDP.

- Gross official reserves totaled USD7,575.0 million at the end of December 2018 indicating a decline of USD794.7 million when compared to the total at the end of December 2017. Import cover also declined from 9.7 months at the end of December 2017 to 8.0 months at the end of December 2018.

- The current account surplus narrowed to USD68.3 million. Export earnings from the energy sector improved due to improvements in global commodity prices. Non-energy exports however, showed a significant decline of 19.0%. This decline was due to reductions in the export of machinery and transport equipment; manufactured goods; beverages and tobacco; as well as food and live animals.

- Total imports rose by 12.3% due to the higher levels of fuel importation.

- An improvement in the other business services account resulted in a narrowing of the services account deficit to USD374.8 million.

- Companies in the energy sector were the primary driver of the USD473.1 million net outflow recorded on the financial account. This was due to the repayment of inter-company loans by the local enterprises. These outflows were partially offset by reinvestment of these earnings by the companies.

- The net international investment position was estimated at USD4,105.1 million at the end of September 2018 representing a net increase of USD152.5 million.

- Depreciation of the trade weighted real effective exchange rate (TWREER) and lower domestic inflation implies that Trinidad and Tobago's exports were more price-competitive in some markets.

	2012	2013	2014	2015	2016	2017	2018[p]
INTERNATIONAL							
World Output[1]	3.5	3.5	3.6	3.5	3.3	3.7	3.7
Advanced Economies (% change)	1.2	1.4	2.1	2.3	1.7	2.3	2.3
Emerging and Developing Markets (% change)	5.3	5.1	4.7	4.3	4.4	4.7	4.6
DOMESTIC ECONOMY							
Real Sector Activity							
Real GDP (y-o-y % change)[2]	1.3	2.0	-1.0	1.8	-6.5	-1.9	1.9
Energy (y-o-y % change)2	-2.8	3.7	-3.8	-0.9	-9.8	1.1	2.4
Non-Energy (y-o-y % change)[2]	2.3	1.9	1.3	2.1	-3.5	-3.5	0.0
Headline Inflation (% end-of-period)	7.2	5.6	8.5	1.5	3.1	1.3	1.1
Headline Inflation (% average)	9.3	5.2	5.7	4.7	3.1	1.9	1.0
Core Inflation (% average)	2.5	2.4	2	1.8	2.2	1.6	1.0
Unemployment Rate (% average)	5	3.7	3.3	3.4	4.0	4.8	n.a.
Fiscal Operations[3]							
Central Government Fiscal Balance (% GDP)	-1.3	-2.9	-2.5	-1.7	-5.4	-9.1	-3.4
Public Sector debt[4] (% GDP)	39.5	38.4	40.4	47.1	59.3	62.7	61.0
Money and Finance							
Commercial Banks Credit to the Private Sector (y-o-y % change)	3.9	4.7	7.3	6.1	4.1	5.1	5.6*
Broad Money Supply (M2) (y-o-y % change)	10.6	8.8	13.1	-1.4	3.2	-2.1	2.3*
External Sector							
Current Account Balance (% GDP)[5]	12.8	19.9	14.5	7.4	-3.9	4.9	4.6***
Net Official Reserves (in months of prospective imports of goods and non-factor services)	10.6	12.2	12.9	11.2	10.5	9.7	8.0

Sources: Central Bank of Trinidad and Tobago, Ministry of Finance, Central Statistical Office and the International Monetary Fund

1 Sourced from IMF World Economic Outlook, October 2018 and World Economic Outlook Update (January 2019).
2 Real GDP growth rates are sourced from the Central Statistical Office.
3 On a fiscal year basis (October – September) - Fiscal flows represent data for the twelve months October to September, debt stocks as at September of each year.
4 Represents outstanding balances at the end of the fiscal year and excludes all securities issued for Open Market Operations (OMOs) including: Treasury Bills, Treasury Notes, Treasury Bonds and Liquidity Absorption Bonds.
5 Energy goods data for 2012-2018 comprise estimates by the Central Bank of Trinidad and Tobago.
* As at November 2018.
** For the period January to November 2018.
*** For the period January to September 2018.
p Provisional.

Table 1 – Summary of Economic Indicators
(Sources: Central Bank of Trinidad and Tobago, Economic Bulletin – January 2019)

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