Economic Alert iQ

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Economic Alert: Key Findings of CBTT's Economic Bulletin March 2018

- According to the CBTT's Economic Bulletin for March 2018, activity in the energy sector picked up during the third quarter of 2017. Natural Gas output from the Juniper field has assisted largely in curbing the gas shortage facing downstream producers.
- Meanwhile, indicators for the non-energy sector activity suggest that in the third quarter the sector contracted at its slowest quarterly rate (1.9%) since the fourth quarter of 2015.
- The latest available labour market information from the Central Statistical Office (CSO) show that the unemployment rate increased to 4.5% during the first quarter of 2017 from 3.8% in the first quarter of 2016.
- Retrenchment notices filed with the Ministry of Labour indicate that during 2017, 1,106 persons were retrenched, compared with 1,315 persons in the same period of 2016. Retrenchments extended several sectors, including the petroleum and gas (285 persons), manufacturing (257 persons), and finance, insurance, real estate and business services (214 persons) sectors.
- Headline inflation remained low over 2H2017, measuring 1.3% in December despite a pickup in food inflation in the latter months.
- A fiscal deficit of TTD228.3 million was recorded compared with one of TTD2, 468.0 million in the 1Q of FY 2016/17. Government continued to access the domestic capital market in the 4Q2017 to manage timing mismatches between the receipt of revenues and payments coming due.
- Central Government total revenue increased y-o-y by TTD1, 057.4 million to TTD9, 045.5 million during the first three months of FY 2017/18. Energy revenue almost doubled, and reached TTD2, 211.8 million reflecting both higher petroleum prices and natural gas output. In addition, non-energy revenues grew by 9.1% to TTD6, 826.3 million largely on account of greater collections from income and profits and excise duties.
- Central Government total expenditure fell by 11.3% to TTD9, 273.8 million in the first quarter of FY 2017/18 when compared to the year-earlier period as the Government continued to curb spending.
- Total public sector debt amounted to TTD120.9 billion (77.5% of GDP) in December 2017, compared with TTD121.4 billion in September 2017.

- The bulletin further stated that weak domestic output and low inflation provided a case for lowering the ‘repo’ rate in order to support economic activity but this could also push interest rates downward, further narrowing the interest rate differentials between TT and US short term rates and increasing pressures in the foreign exchange market.
- Considering these scenarios, the Monetary Policy Committee of the Central Bank decided to keep the ‘repo’ rate at 4.75%.
- Private sector demand for credit was modest, with business sector credit growing by just 1.3% y-o-y in December and consumer credit by 5.1%.
- Excess liquidity, as measured by commercial banks’ holdings of reserves at the Central Bank in excess of the statutory requirement averaged TTD2.8 billion daily over July to December 2017 compared with TTD3.4 billion daily over the first half of 2017.
- Trinidad and Tobago’s external transactions produced a deficit of USD959.2 million over the period January to September 2017, which meant that the level of gross official reserves fell to approximately USD8, 500.0 million, equivalent to 9.8 months of prospective imports of goods and non-factor services, as at September 2017. Of particular note, the deficit on the current account was 60% when compared to a year earlier, mainly as a result of improved prices for this country’s main energy products.
- As at the end of 2017 gross international reserves had fallen further to USD8, 369.8 million or 9.7 months of prospective imports of goods and non-factor services.
- The CBTT believes that the growth prospects for the Trinidad and Tobago economy have improved over the short to medium term owing to an upturn in the energy sector. This upturn reflects a boost to natural gas production from several new projects including EOG’s Sercan field and bpTT’s Trinidad Onshore Compression Project (TROC) and the Juniper field which is helping to alleviate gas supply shortfalls to the downstream sector.
- Additionally, the start-up of bpTT’s Angellin project scheduled for 2019 could extend the growth momentum further into the medium term. The sector may also benefit from a more stable oil market following OPEC’s decision on November 30, 2017 to extend the Group’s production cuts to the end of 2018.

Crude Oil Production

- Over the 3Q2017, crude oil production increased by 3.8 % y-o-y. Output averaged 70,447.3 barrels of oil per day (bopd), up from 67,884.0 bopd in the corresponding period of 2016

Natural Gas

- The natural gas industry was boosted in the third quarter of 2017 by the startup of the Juniper platform. Natural gas production rose 13.7% (year-on-year) during the third quarter of 2017 with output averaging 3,452.0 million standard cubic feet per day (mmscf/d)

Methanol Production

- Despite the closure of two facilities, methanol output improved 25.2 per cent year-on-year during the third quarter of 2017. In addition, to benefitting from higher natural gas supplies, the methanol companies were able to achieve a more efficient conversion of their gas feedstock.

Source: CBTT, FCIS Research & Analytics

- The energy sector continues to be the bright star of the local economy as more recent information revealed that activity in the energy sector continued to improve in the fourth quarter of 2017 buoyed by higher natural gas production. Following the launch of the Juniper platform in the 3Q2017, natural gas production rose by 6.5 % y-o-y in the final quarter of 2017.
- As a result, LNG and NGL production also improved, by 7.8% and 7.3%, respectively. Methanol production also remained strong improving 22.1% y-o-y in the fourth quarter. However, there were some challenges in the last quarter of 2017 as crude oil production saw a slight decline (1.9%) while the local refinery continued to face challenges resulting in throughput suffering a 9.7% decline.
- With regards to the non-energy sector, data shows that grow remained sluggish for the 3Q2017. The distribution sector is estimated to have contracted by 3.6% y-o-y as suggested by a fall of 2.5% in the Index of Retail Sales. Supermarket and grocery sales picked up, but sales of construction and hardware materials, as well as household appliances and furniture, continued to decline.
- The finance, insurance and real estate sub-sector contracted (1%) as slower activity in the commercial bank and non-bank financial institutions sub-sectors weighed down improvements in other areas such as the trust and mortgage companies.
- Construction activity remained weak but there was an improvement in the sales of mined aggregates (6.6%), the first increase since the first quarter of 2015. However, local sales of cement continued to fall (4%) in the third quarter of 2017.

- The manufacturing sector contracted by 0.5% during the quarter, with continued declines in the food, drink and tobacco and the assembly sub-sectors underpinning the outturn.
- The transport and electricity and water sectors also recorded declines, of 0.8%and 0.1%, respectively.
- Consistent with the tepid outturn in manufacturing, capacity utilization in the sector declined year-on-year in the third quarter of 2017 to 68.8%.
- Partial data for the 4Q 2017 reflected continued sluggish activity in the non-energy sector, in particular, the distribution and construction sectors. Sales of new motor vehicles, an indicator of activity in the distribution sector, declined by 14.6%as the sales of both private (17.1%) and commercial vehicles (9.3%) declined over October to November 2017 (y-o-y). Additionally, local sales of cement contracted by 6.9% in the same period (year-on-year), suggesting weak construction activity.
- Sales of foreign exchange to the public by authorized dealers amounted to USD5.2 billion in 2017 with sales to the Retail and Distribution sector absorbing 30.8% of all sales. Credit Cards (29.7%), Manufacturing (10.9%), and Automobile Companies (7.4%) made up the bulk of the remainder of foreign exchange sales.

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