

Monday 1st October 2018 – 8.15 pm

Domestic

Prepared by: First Citizens Research and Analytics

Highlights of the FY 2018/19 Budget Statement

“TURNAROUND”

Review of FY 2017/2018

- Growth in the energy sector has resumed with 2.2% being reported for 2018 as gas production experienced a boost from an average of 3.37 billion standard cubic feet per day in 2017 to an average of 3.80 billion standard cubic feet per day in 2018.
- The manufacturing sub-sector grew by 7.3% in 2018 contributing to a significant increase in non-oil revenue from \$32.9 billion in 2017 to \$35.2 billion in 2018.
- The minister reported that the unemployment rate was in the vicinity of 5.0%
- Budget estimates for fiscal 2018 were premised on a crude oil price of US\$52 per barrel and a natural gas price of US\$2.25 per MMBTU.
- Total Revenues for the 2018 fiscal year were \$42.7 billion with Total Expenditure at \$48.9 billion, with a resultant budget deficit of \$6.2 billion.
- As stated by the minister, liquid external assets remain healthy in 2018 with gross official reserves covering over 8 months of imports of goods and services and the Heritage and Stabilization Fund close to US\$6.0 billion as at September 25 2018.
- Net public sector debt is now at 60.9% of GDP, including external public debt at 17% of GDP which is at a sustainable level and within internationally acceptable benchmarks.
- It was noted that the external accounts are improving under the influence of fiscal consolidation efforts and rising gas production and oil prices. The minister noted that the external current account is strengthening primarily due to an uptick in energy exports and the net outflow on the financial account has now turned into a net inflow.

Investment

- On September 4, 2018 the asset backed National Investment Fund bonds began to trade on the Trinidad and Tobago Stock Exchange.
- New interest-bearing housing bonds in an initial amount of \$1.5 billion would be offered by the Government to the national community to fund the accelerated housing construction and to finance the subsidy arising from the 2.0% interest rate for low-income mortgages.

Energy

- Oil production over the period 2019 – 2021 is expected to rise to 77,500 barrels of oil per day.
- Gas production has been increasing with an annual average of 3.80 billion standard cubic feet per day in 2018 and with projected increases to: 3.94 billion, 4.05 billion and 4.14 billion standard cubic feet per day in 2019, 2020 and 2021 respectively.
- BP Trinidad and Tobago (BPTT) announced an investment programme of US\$8.0 billion over the next ten (10) years and has in place nine (9) projects.
- Government has concluded the commercial negotiations for the sale of gas from the Dragon Field in Venezuela. A pipeline, to be built at a cost of \$1.0 billion, will be owned in a joint venture company between the National Gas Company and Shell Trinidad.
- Up-stream producers have reversed the decline in gas production and are returning the gas supply to the peak levels of approximately 4.1 billion standard cubic feet per day, thereby keeping the petrochemical plants and LNG trains at full operational and efficient levels.
- The Methanol to Dimethyl Ether (DME) Complex, being established by Caribbean Gas Chemical Limited, with majority ownership by Mitsubishi Chemical Holdings Corporation, is at an advanced stage of completion with commercial operations slated for the first quarter of 2019.
- Two additional downstream gas projects in aluminium production are programmed for the southwest peninsula.

Renewable Energy

- Commitment to increase energy supply by using renewables up to 10.0% by 2021.
- Two projects to allow small producers of renewable energy to feed electricity into the National Grid with amendments to the Trinidad and Tobago Electricity Commission (T&TEC) Act and Regulated Industries Commission (RIC) for:
 - Utility scale renewable energy development
 - Waste-to-Energy (WtE) Development
- Commitment to a 30.0% conversion rate to CNG for all Government-owned vehicles by 2020 has not been as successful as envisaged. As a result, new mandate to all Government agencies to adhere to that objective by introducing into existing tendering arrangements for motor vehicles, whether being purchased or leased, a provision that a minimum of 30.0% of all such vehicles should be provided either through original equipment manufacturer (OEM) or CNG-converted.

Fuel Subsidy

- The subsidy has been provided at a great fiscal cost of over \$29.0 billion over the period 2002-2018.
- At current oil prices (WTI oil - was US\$73.43), and with current fuel prices, the fuel subsidy in 2019 is estimated to cost the Treasury \$1.5 billion.
- Super gasoline to increase from \$3.97 per litre to \$4.97 per litre. Diesel fuel to remain at the current price of \$3.41 per litre.
- This phased move to the deregulation of fuel prices, by keeping the price of diesel unchanged, will cost the Treasury over \$700.0 million in 2019.
- At an oil price of US\$73 per barrel, the actual unsubsidised price of super gasoline should be \$5.47 per litre and the unsubsidised price of diesel should be \$4.96 per litre.
- When the importation of fuel begins within the next few months, the diesel fuel sold in Trinidad and Tobago at a heavily subsidized price will be of a much higher quality than the diesel produced by the PETROTRIN refinery, with a substantially lower sulphur content.

National Security

- Restructuring of the police service. Greater emphasis is now being placed on electronic and cyber-crime.
- Establishing of the Trinidad and Tobago Police Service Operational Command Centre which will ensure daily command and control of all operations, design patrol method and ensure proper management and accountability of every patrol and every action taken by the police service.
- Revamping, rebranding and expanding the K9 Unit.
- Increased use of technology in police operations:
 - Global Positioning System (GPS) for Vehicle tracking
 - Dashboard Cameras in all police vehicles.
 - Body Cameras on all police men patrolling and responding to calls from the public for service.
 - Laptops and Tablets for all Police Vehicles.
 - Computerization of all Police Stations.
 - An Enhanced National Finger Print Data System.
 - Modernization of the Firearm Users License System.
- Legal arrangements to allow the use of non-lethal weapons: pepper spray, tasers, mace and rubber bullets by the police service.
- Five police stations are moving to construction phase: at Old Grange and Roxborough in Tobago and Manzanilla, Matura and Matelot in Trinidad. The Carenage and St. Clair Police Stations are also now in construction mode.
- Increase in budgetary allocation for Crime Stoppers by an additional \$2.5 million to increase rewards up to \$100,000.

Petrotrin

- The monthly wage bill amounted to \$183.0 million per month or \$2.2 billion on an annual basis. The wage bill coupled with the medical plan resulted in PETROTRIN facing an annual cost of approximately \$245.0 million.
- Survival of the company was only possible through the non-payment of \$3.5 billion in taxes and royalties.
- To continue in its present state, PETROTRIN will require an immediate cash injection of \$25.0 billion; but the company will continue accumulating losses at approximately \$2.0 billion per year.
- Closing the refinery is the only commercially-sound and viable option: with the 40,000 barrels of local crude now exported and earning the country substantial foreign exchange.
- The exploration and production activity will be aggressively pursued to increase production from the current low level of 40,000 barrels per day to minimum of 60,000 barrels per day.

Taxation

- Core revenue from taxation from oil and non-oil sectors in 2018 was \$5.0 billion more than 2017.
- Trinidad and Tobago Revenue Authority will be established in 2019; full benefits of reform would be experienced in 2020.
- Issue notices to property owners for the payment of property tax in 2019; not be required to be paid on a retroactive basis.
- Tax allowance for Tertiary Education increased from \$60,000 to \$72,000.
- Tax credit for manufacturing sector earners of foreign exchange.
- Collection and Recovery of Tax to increase penalty/ fines from \$3,000 to \$10,000 for submission of incorrect information in TD1s regarding fraudulent documents to support claims.

Transfers and Subsidies

- Agriculture Financial Support Programme – provide one-off grant of up to \$100,000

Grant	Value	No. of Recipients
Public Assistance Grants	\$340.8 million	22,861
Senior Citizens' Pension	\$3.5 billion	95,300
Disability Grants	\$502.0 million	23,245
NGO Grant Funding	\$42.0 million	24 NGO's and 3 statutory bodies

- Public Assistance Grant increased as follows:
 - for 1 person from \$1150 to \$1300
 - for 2 persons from \$1400 to \$1550

- for 3 persons from \$1600 to \$1750
- for 4 or more persons from \$1750 to \$1900

This measure will cost an additional \$41.4 million per annum, will impact 22,861 persons and will take effect on January 1, 2019.

- The new cap will now be \$6,000 thus allowing a person in receipt of both a NIS pension and a Senior Citizens' Pension to receive \$3,000 a month from the NIS and up to a further \$3,000 per month in the Senior Citizens' Pension.

Infrastructure

Highways

- The San Fernando - Point Fortin Highway is advancing to completion in 2020 with road accessibility to Debe, Penal, Fyzabad, La Brea, Point Fortin and Siparia.
- The Valencia - Toco Highway is now moving to construction phase with a hybrid route alignment which would involve the upgrade of segments along the 23-kilometre existing roadway of Valencia Road and the Toco Main Road
- The Churchill Roosevelt Highway Extension to Sangre Grande is being constructed in phases with the Cumuto to Toco Main Road segment as the first phase

Toco Port

- The proposed Ferry Port in Toco is now in the design stage. The new Ferry Port will provide a faster alternative sea route to Tobago from east Trinidad.

La Brea Dry-Docking Facility

- A recent foreign investment decision by the China Harbour Engineering Company Limited (China Harbour) to establish a maritime business anchored on a dry-docking facility at La Brea in southwest Trinidad.

Moruga Fishing Port

- A new fishing port in Moruga and associated facilities is in the design stage and would involve a network of facilities with an onshore component, including a modern fishing facility and an offshore component consisting of berthing and landing facilities.

San Fernando Waterfront

- The San Fernando Waterfront redevelopment and re-generation project is modernizing King's Wharf Central and South Nodes

Skinner Park Redevelopment

- Restoration and upgrading Skinner Park as a host for sporting, cultural and recreational activities in San Fernando and its environs.

Pedestrian Safety and Traffic Management

- The Sea Lots Walkover across the Beetham Highway
- The Water Taxi Pedestrian Walkover to the Brian Lara Promenade over Wrightson Road.

Hospitals

- The Point Fortin Hospital is scheduled to be operationalized in September 2019.
- The Arima Hospital is scheduled for completion in July 2019 at a cost of \$1.2 billion and with 150 beds will serve the surrounding communities of Arima, including D'Abadie, La Horquetta, Malabar and Arouca.
- Port of Spain General Hospital: Central Block is being re-developed at a cost of \$1.7 billion.
- The Couva Medical and Multi-Training Facility is now being operationalized under the remit of a new company: the Couva Medical and Multi-Training Facility Limited.
- A new Sangre Grande Hospital is scheduled to begin construction in 2019, this hospital will be built at an estimated cost of \$850.0 million and would be a 100-bed facility.

Police Stations

- The Trinidad and Tobago Police Service is being equipped with the relevant resources and the building facilities to meet their essential operating needs. Five (5) police stations are moving to construction phase: at Old Grange and Roxborough in Tobago and Manzanilla, Matura and Matelot in Trinidad. The Carenage and St. Clair Police Stations are also now in construction mode.

Non Oil / Non Energy

EXIM Bank Facility

- The EXIM Bank Foreign Exchange Facility which was established in 2018 is now fully operational. Consistent with its mandate to promote non-energy exports, the EXIM Bank is now able to fund its foreign exchange account - with US\$100.0 million to meet the foreign exchange requirements of certain qualifying non-oil domestic manufacturers.

Housing Construction Incentive Programme

- This programme is designed to encourage private developers to construct homes with a view to expediting the supply of affordable housing for our low-income applicants.

Manufacturing

- The manufacturing sector rebounded in 2018, with amazing growth of 7.3%, with growth in all manufacturing subsectors. The recovery in gas production and the recent buoyancy in oil prices are driving the recovery in growth in other sectors.

Yachting Sector

- Yacht arrivals have been on the increase; from 545 in the January - June 2017 period to 683 by June 2018; this represents an increase of 25.0% in arrivals, bringing much needed business in yacht repairs and maintenance to Trinidad.

Industrial Estates

- A phase 1 plan to divest six (6) properties owned by eTeck- five (5) undeveloped land sites and one (1) commercial building.
- Development a new modern industrial park in Phoenix Park Couva at a construction cost of US\$104.3 million almost \$700 million TT dollars.

Agriculture

- The Government-driven Moruga Agro-Processing and Light Industrial Park, now in construction phase, represents quality infrastructure to support high-quality products capable of competing with international brands.
- The Next Generation Hatchery at Brechin Castle, Couva is public-private-partnership-driven under which the Government has provided state lands to facilitate the construction and development by the private sector of a modern hatchery. This will consolidate the poultry sector which is already contributing over 50.0 percent of the gross domestic product of the agricultural sector.

- The Coconut Rehabilitation and Re-planting Programme, 2,000 coconut seedlings were distributed to our farmers, 15 of whom in the East Coast were provided with technical support.

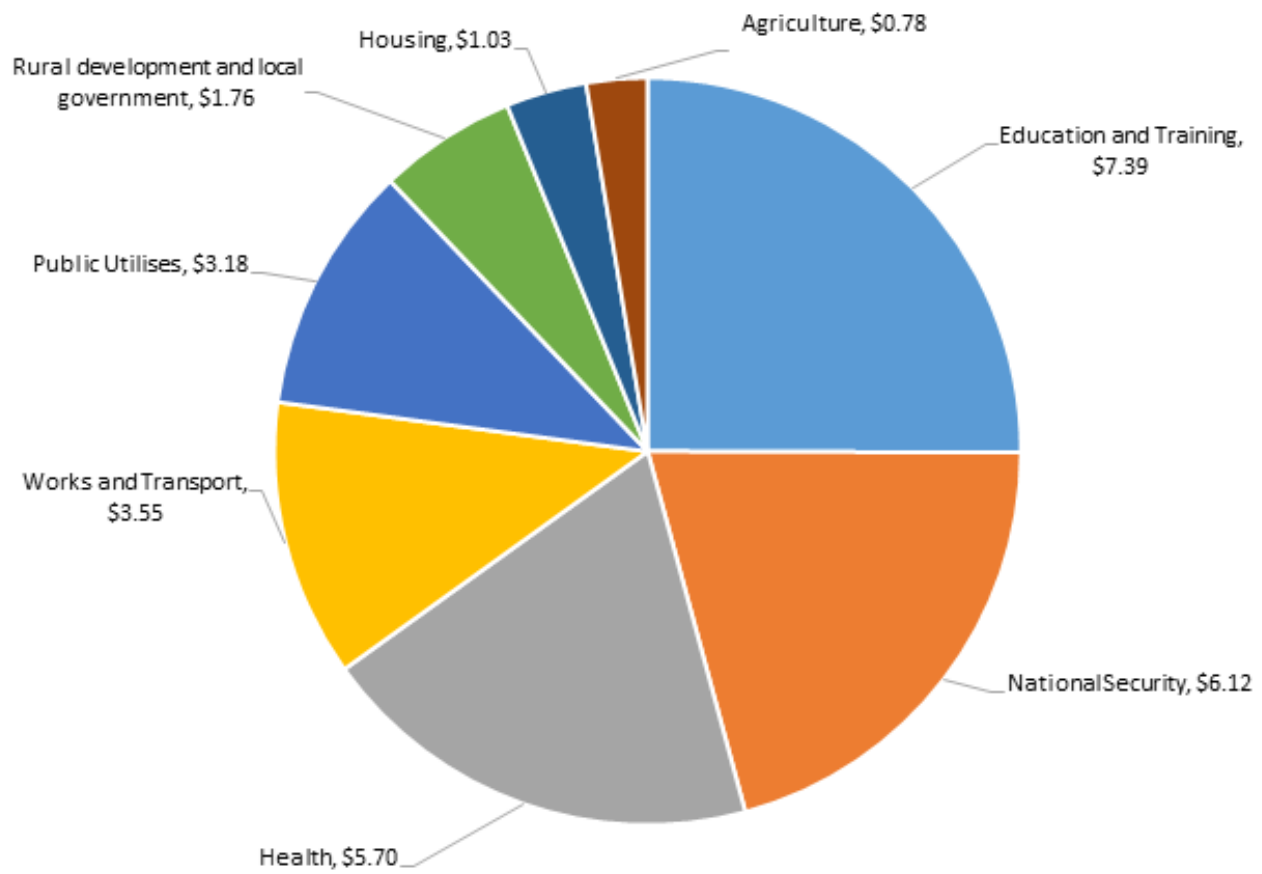
Tourism

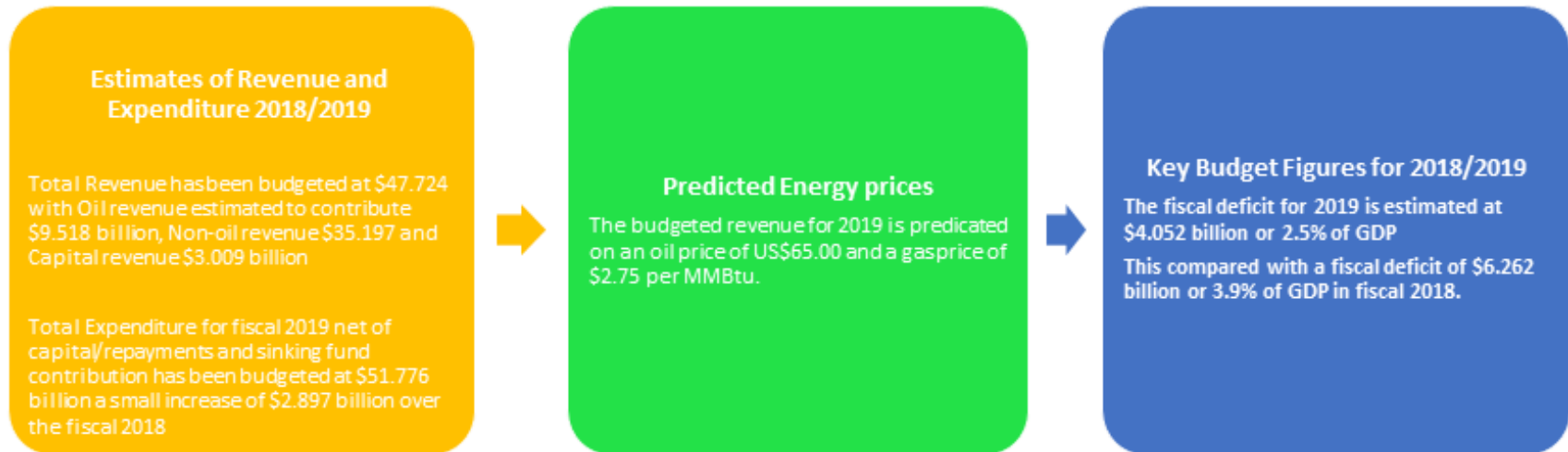
- Sandals Tobago
- Magdalena Grand Beach and Golf Resort
- Air and Sea Bridge
- International Airport: Tobago

Outlook

- The economy is now projected to grow at much better rates: 1.9% in 2018 and reaching 2.1% in 2021. Increased levels of gas production will materialize in the context of the plans and activities of gas producers; from 3.37 billion standard cubic feet per day in 2017 to an average of 4.14 billion standard cubic feet per day in 2021.
- The minister of Finance stated that this return to growth is taking place in the context of low and stable inflation rates which averaged around 2% in the period 2016 - 2018, and now down to 1.0%.
- Growth in the non-energy sector is projected to reach 2% in 2021 after recording a marginal decline in 2018.
- The medium-term fiscal adjustment is being stabilized at about 3.3% of GDP by 2021, in the context of an average revenue to GDP of 28.0% and expenditure of 32.0% of GDP in the period 2018 - 2021.
- The public sector debt is projected to remain sustainable over the period: 2018 - 2021 and within the acceptable international benchmark of between 65.0% – 70.0% of GDP.
- The favourable external environment with stronger energy prices is driving projected current account surpluses which as a percentage of GDP are expected to average 7.0% of GDP in the period 2018 -2021.

FY 2018/2019- Major Sector Allocation (\$ billion)





Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.