

Economic Alert iQ



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S&P Downgrades Trinidad & Tobago's Credit Rating to “BBB+” with a Stable Outlook

- On 21st April 2017, Trinidad & Tobago had its credit rating lowered to “BBB+” from “A-” by Standard and Poor's.
- Moreover, the rating was assigned a “*Stable*” outlook, citing that that Trinidad and Tobago's economy will see some modest recovery in 2017-2020 on the premise of higher natural gas prices and production, supporting deficit reduction and the stabilization of the debt burden.
- The downgrade comes at a time when T&T's debt burden, as well as a higher-than-expected rise in net general government debt to GDP and the interest burden over 2017-2020 has seen further deterioration.



Source: Standard & Poor's, First Citizens Research & Analytics

- The agency further estimated that net general government debt rose to 35% of GDP in 2016, from 32% of GDP in 2015, and is likely to rise again this year, to 37% of GDP, before gradually declining in 2018-2020.
- It is projected that government's interest payments will account for more than 5% of revenue in 2017-2020 as a result of the increased debt stock and tightening in global monetary conditions.
- Although the government has less fiscal room to maneuver than before, S&P notes that T&T's debt burden remains moderate and is narrowly exposed to exchange-rate and rollover risk as foreign currency-denominated external debt was only around 18% of total debt.

- S&P further expressed confidence in T&T's credit quality as it continues to benefit from substantial financial buffers, with adequate international reserves and around USD5.5 billion in the HSF (25%of GDP).
- With regards to the energy sector, expected improvements in domestic gas production underpin S&P's projected decline in the current account deficit over the next few years, along with a moderate recovery in energy prices.
- Further depreciation of the exchange rate should also help boost net exports over time. Public external debt remains low, despite a global bond issuance of USD1 billion in July 2016. After sustaining a quasi-fixed exchange rate since 2010, the central bank allowed the currency to depreciate by 6% in 2016.
- Nevertheless, U.S. dollar shortages have continued to constrain economic activity, weakening local businesses' ability to pay suppliers and obtain key imports.
- It is estimated that T&T's gross external financing needs at 68% of current account receipts plus usable reserves on average for 2017-2020.

Trinidad & Tobago is rated Baa3 (Negative) by Moody.

Selected Indicators	2013	2014	2015	2016	2017f	2018f	2019f	2020f
Real GDP growth (%)	2.7	(0.6)	(0.6)	(2.3)	1.0	2.0	2.2	2.3
Real Export Growth (%)	44.7	(21.9)	(47.8)	(2.3)	1.0	2.0	2.2	2.3
Unemployment Rate (%)	3.7	3.3	3.4	4.1	4.3	4.3	4.3	5.3
General government balance/GDP (%)	(5.9)	(2.6)	(1.7)	(5.0)	(4.5)	(3.4)	(2.9)	(2.1)
General government debt/GDP (%)	52.9	57.4	76.7	81.8	83.1	81.6	79.2	75.5
Net general government debt/GDP (%)	15.3	17.5	31.7	34.6	36.8	35.5	32.9	30.3
General government interest /revenues (%)	5.3	5.3	6.0	6.7	11.4	10.6	6.8	6.6
CPI growth (%)	5.2	5.7	4.7	3.1	4.0	5.0	5.5	5.5
Current account balance/GDP (%)	12.8	1.4	(1.0)	(10.3)	(8.5)	(7.4)	(6.1)	(3.7)
Current account balance/CARs (%)	17.0	2.4	(1.8)	(23.8)	(18.9)	(15.4)	(11.9)	(7.1)

Source: Standard & Poor's



Source: Bloomberg



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