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Domestic

Prepared by: First Citizens Research and Analytics

## Highlights of the FY 2017/18 Budget Statement

### *“Changing the Paradigm: Putting the Economy on a Sustainable Path”*

#### Review of FY 2017/2018

- Budget estimates for fiscal 2017 were premised on a weighted average price for crude oil of US\$48 per barrel and a natural gas price of US\$2.25 per million BTU.
- Total Revenues and Grants were estimated at \$47,441.3 million, Total Expenditure at \$53,475.1 million, with a resultant budget deficit of \$6,033.8 million.
- Given the less volatile and higher-than-projected oil prices during the first half of fiscal 2016/2017, the Mid-Year Revised projections were adjusted to reflect a weighted average crude oil price of US\$51 per barrel.
- Revised Revenues and Grants were therefore projected to increase to \$48,012.0 million.
- Partially offsetting these gains, however, was a projected increase in Total Expenditure to \$53,885.8 million.
- As a result, a lower Overall Deficit of \$5,873.8 million was anticipated for fiscal 2016/2017.
- Central Government’s operations are now expected to realize an Overall Deficit of \$12,643.5 million, with a Current Account Deficit of \$10,772.2 million.
- Provisional data shows that Total Revenues and Grants have been revised to \$37,835.7 million, while Total Expenditure is projected at \$50,479.2 million.
- Net Public Sector Debt is anticipated to increase by 7.1 % from \$87,508.2 million in fiscal 2015/2016 to a projected \$93,742.4 million by the end of fiscal 2016/2017.
- Domestic Debt, which includes Central Government Domestic borrowing and Contingent Liabilities, is projected to increase by \$4,269.4 million or 6.6% while External Debt is anticipated to grow by \$1,964.8 million or 8.4% by the end of the fiscal 2016/2017.

Summary of Fiscal Operations:

	<i>(In TTD, billions)</i>		
	<b>FY 2015/ 2016</b>	<b>FY 2016/2017 (Provisional)</b>	<b>FY 2017/2018 (Budgeted)</b>
Total Revenue	44.973	37.836	45.741
Oil Revenue	8.278	9.039	6.412
Non-Oil Revenue	36.69	36.135	32.910
Capital Revenue	3.814	1.700	6.419
Total expenditure net of capital repayments and sinking fund contributions	52.944	50.479	50.501
Overall Fiscal Deficit	-7.972	12.643	4.50
Overall Fiscal Deficit (In % of GDP)	5.0	8.4	3.0
Central Government Debt Service as a % of Total Revenue	9.84	19.68	--

## Key Sector Development

### Housing

- Government intends to return HDC to original mandate of housing for lower and lower-middle families.
- According to the Finance Minister, although there are currently over 150,000 applications for housing on the HDC's waiting list, the HDC can construct at most 2,000 new houses a year.
- In 2018, the housing construction incentive programme will be initiated to encourage private developers to construct houses to help fill this gap.
- The programme will provide a cash incentive of up to \$100,000 to all approved developers who construct housing units in accordance with specifications or provide suitable land at no cost in lieu of the cash payment per unit.
- The government shall engage in discussions with the commercial banks to design a suitable housing loan regime including, if necessary, mortgage loan interest subsidy.
- A Ministerial Oversight Committee would be established and chaired initially by the Prime Minister, to monitor and expedite the attainment of building approvals from all regulatory agencies, including the Town and Country Planning Division, WASA and T&TEC.
- The process for registering approved housing developers will be simplified, monitored for efficiency and fast-tracked. The Town and Country Planning Division will be requested to relax existing guidelines for the allowable density of housing developments.

## **CLICO Financial**

- \$23.1 billion of tax payers' money was put into CL Financial, in which the 'private CL Financial' sold assets and kept the proceeds for their own benefit.
- Clico is only member of CL Financial to repay debt to Government, to the sum of \$8 billion, reason being that Clico is under the control of Central Bank.
- The assets of CL Financial will be divested either on the stock exchange or mutual fund and will be available for the general public and institutional investors, such as pension funds, the NIB and the UTC.
- Preparation has begun for the creation of the new National Mutual Fund, with the transfer by Clico to the Corporation Sole of 29.9% of the shares of Angostura and 16% of the shares of Home Construction.
- These two shareholdings are together worth \$1.4 billion, and the transfer will go towards reduction of the debt owed by CLF/Clico to the Government.

## **Heritage and Stabilisation Fund**

- The withdrawals from the fund were less than the returns and so there was net increase in the Heritage and Stabilisation Fund.
- There have been two withdrawals from HSF over the last two years, amounting to US\$628 million.
- Withdrawals from the fund were less than returns resulting in a "net increase" in the Fund between September 2015 and August 2017, according to the Minister of Finance.
- In periods of persistent budget deficits there would be orderly withdrawals from the Stabilisation while the Heritage would be preserved and protected.

## **Finance**

- A new tax bracket of 35% was introduced for commercial banks and is chargeable on profits from January 1<sup>st</sup>, 2018.

## **Agriculture**

- Allocation of \$0.5446 billion.
- Targeting of a doubling of agricultural output to just over 1.0% of GDP over the next two years and hence reduce food imports. Government will continue to seek to encourage farmers to upgrade skills and educate themselves in the latest farming techniques.
- The Community Environmental Protection and Enhancement Programme (CEPEP) will engage in agriculture targeting areas of reforestation, preservation, planting and rejuvenation of terrain.
- Agriculture sector to benefit from incentives including: exemption from income tax for approved agricultural holdings, tax concessions on vehicles, equipment, raw materials and other inputs, subsidised loan programmes, purpose built markets, planting materials, access roads, and state land leases.

- An agricultural financial support programme will be implemented with grants for new and existing farmers who meet prerequisites of up to \$100,000.00. To start this programme, an allocation of \$20 million has been put into the 2018 Budget.
- To encourage the establishment of larger farms, Section 14 of the Income Tax Act to be amended to remove the restriction of 100 acres of land to receive exemptions from tax on income from approved agricultural holdings.

### **Works and Transport**

- Allocation of \$3.0912 billion.
- Removal of all traffic lights from Port of Spain to Arima through the construction of Interchanges. Contracts for the Curepe interchange at the intersection of the Churchill Roosevelt Highway and the Southern Main Road has been awarded and is scheduled to be completed by 2019
- The widening of several main arteries, including the Churchill Roosevelt Highway and the Beetham Highway from Uriah Butler Highway to Port of Spain.
- The expansion of the traffic surveillance and control system and the corridor traffic management system, which will improve traffic monitoring.
- For institutional strengthening, the Government has passed legislation to enforce breaches of road traffic regulations, reform the fixed penalty traffic system and introduce a demerit point system as part of the traffic regulation system.
- Removal of restrictions on allocation of maxi taxi licenses.
- 35 new buses to be purchased in 2018 to replace the ageing fleet of the Public Transport Service Corporation.
- The removal of all taxes and duties on hybrid passenger vehicles to be maintained and extended to CNG passenger vehicles, both with engine sizes under 1599 cc. All incentives currently available to passenger vehicles with engine sizes exceeding 1599cc to be removed.
- 25% increase in the motor vehicle tax and customs duty on private passenger vehicles with engine sizes exceeding 1599cc and not exceeding 1999cc. The increase in taxes imposed last year on vehicles with engine sizes exceeding 1999cc will remain.
- All motorcycles with engine sizes under 300cc to be exempt from all duties and taxes.
- Inspection fee to increase from \$165.00 to \$300.00
- Harmonization of 30% tax on all tyres new and used. However, the customs duty on the importation of new tyres utilized on buses and lorries will remain at 15%.
- Environmental tax of \$20.00 per tyre on all tyres imported into Trinidad and Tobago.
- Adjustment of fuel subsidy. In 2018 the Ministry of Energy and Energy Industries will be required to publish on a monthly basis the wholesale and retail product prices for the five categories of fuel. In this way, fuel prices will in the future fluctuate with the prices of oil and the prices of refined products.
- Increase all wholesale margins; for premium, super and regular from 14.5 cents to 19.5 cents and for diesel and kerosene from 9.5 cents to 14.5 cents.

- The adjustment to the subsidy plus the increase in Gross Margins will increase the price of Super Gasoline from \$3.58 per liter to \$3.97 per liter and the price of Diesel from \$2.30 per liter to \$3.41 per liter.

### **Gaming**

- The existing rate of duty on all mechanical games of chance for gambling of 20% be increased to 40%.
- The introduction of a 10% tax on all cash winnings by the National Lotteries Control Board.
- The electronic roulette devices operating in bars throughout the country, under the Liquor Licence Act, Chap 84:10 will now attract a flat device tax of \$120,000.00 annually.
- The gaming tax which shall be payable annually under the Liquor Licence Act, Chap 84:10 will be increased from \$3,000.00 to \$6,000.00 in respect of each amusement game.
- Increased taxation on gaming tables and other devices by private members' clubs.

### **Tobago**

- Sandals Resort, Tobago is progressing satisfactorily.
- Sandals will lead to an expansion in air and sea traffic to Trinidad and Tobago, as well as a boost in stay-over arrivals and increased employment.
- In relation to the sea bridge between Trinidad and Tobago, the Port Authority of Trinidad and Tobago has been mandated to find a resolution to the existing problems in the quickest possible time.
- Draft legislation to grant self-government and a greater devolution of powers to Tobago is before Cabinet and in the upcoming fiscal year we will table the legislation before Parliament.
- The budgetary allocation to the Tobago House of Assembly for fiscal 2018 is \$2.1936 billion, of which \$1.86 billion will be for recurrent expenditure, \$315.683 million for capital expenditure and \$18 million for the unemployment relief programme.
- This allocation to the Assembly represents 4.34% of the national Budget.

### **Current Account Summary**

- Revised tax revenue for 2017 is \$26.9 billion, a 9.8% fall from the initial 2017 estimate of \$29.9 billion. In 2018 Revenue from tax is expected to increase by 14.3% to \$30.8 billion.
- Non-Tax Revenue is forecasted to fall 9.0% from \$8.3 billion to \$7.5 billion.
- Total Personal Expenditure is expected to contract 6.4% from 2017 revised figure of \$9.7 billion to 2018 estimates \$9.1 billion

- Within personal expenditure, total salaries is estimated to decline in 2018 by 5.3% from \$6.4 billion to 2017 revision of \$6.8 billion.

## **Energy**

- Oil production is expected to reach around 85,000 bpd by 2020.
- The bpTT Juniper Platform which commenced gas production in August 2017 would have peak output capacity of 590 million.
- Total revenue from the energy sector has declined from \$28 billion to \$9 billion.
- Making the Supplemental Petroleum Tax responsive not to price but to underlying profitability.
- Extending the Supplemental Petroleum Tax to gas, which is now the country's main petroleum product.

### Gas Master Plan:

- Ensuring that new exploration efforts are undertaken to the maximum extent possible;
- Ensuring that all suppliers develop and supply their gas resources to the market in an optimal manner;
- Maximizing the Government take from the gas sector subject to ensuring that all producers along the value chain are sufficiently incentivized to perform optimally for the country;
- Ensuring that sufficient gas supply is available to strategic downstream sectors; and
- Ensuring that if gas supply curtailment is required it is applied in a transparent consistent and fair basis.

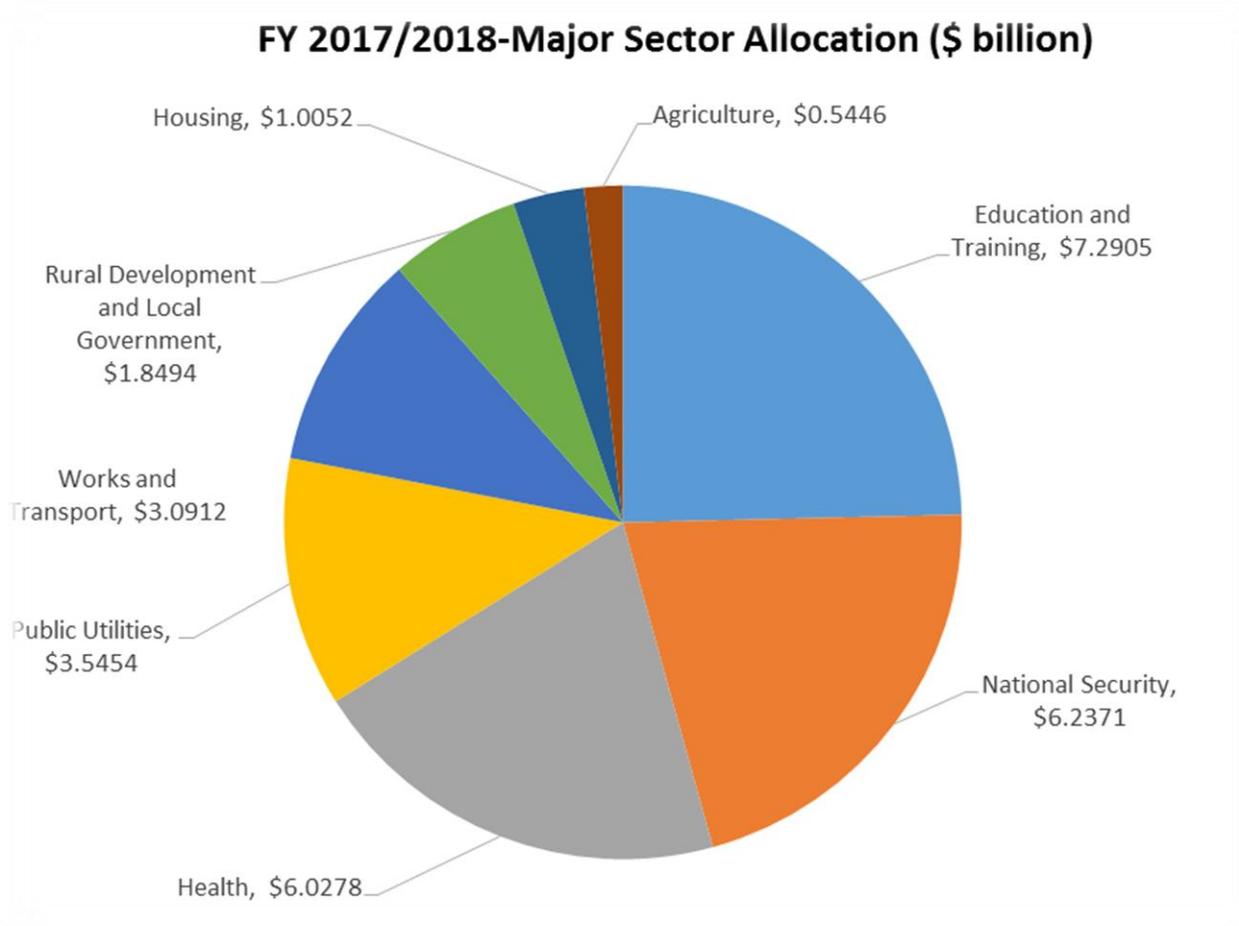
## **National Security**

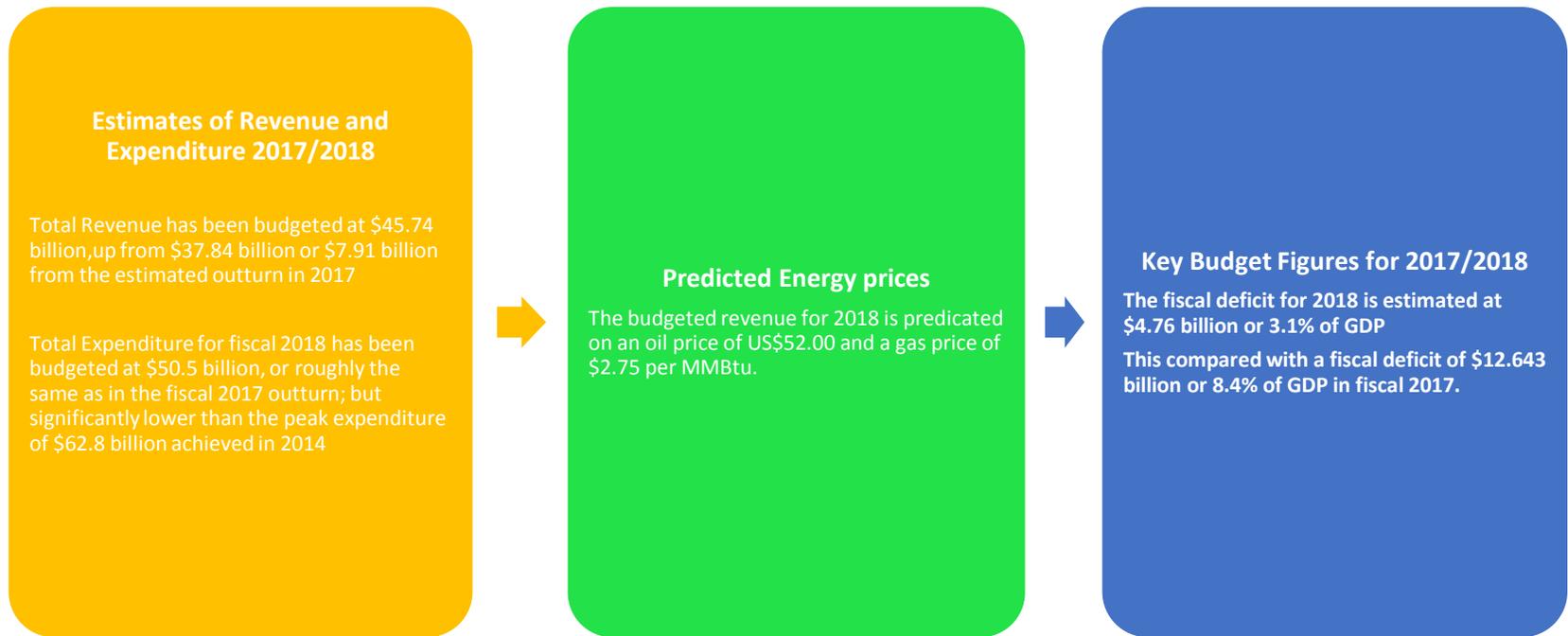
- Strengthening national security operations in Tobago, the construction/refurbishment of two fire stations, one at Roxborough and the other in Moriah,
- Upgrading the Immigration Detention Centre: when completed, the facility will satisfy international detention center standards; and
- Establishing an Offender Management Programme which will manage the inmate population and allow information to be shared with other agencies as well as improve the accountability of the Trinidad and Tobago Prison Service.

## **Health**

- Construction of Arima Hospital is more than 35% complete. Financing for the remainder of the project is \$1.2 billion and expected to be operational in 2019
- Construction of new Point Fortin Hospital is ongoing with financing to be sourced through Export Credit Agreement with the Unicredit Bank of Austria and expected to be completed in 2019

- Continue search for operator for the Couva Medical and Training Facility.





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