



TRINIDAD AND TOBAGO

ECONOMIC BRIEF

US\$ refers to United States Dollars.



Trinidad and Tobago's economy rebounded sharply in 2022, supported by robust growth in the energy sector which filtered through to the non-energy sectors.

Oil and gas production spiked in response to greater external demand and favorable international prices for energy products, reflecting the rise in global crude oil and natural gas prices. The labour market continued to recover from the COVID-19 shock but significant slack remains as some businesses have not fully recovered. Inflation accelerated driven by soaring food import prices reflecting supply constraints exacerbated by the Russia-Ukraine conflict and the strengthening of the United States of America dollar. The central government's (CG) fiscal position strengthened, due to higher growth in revenue relative to expenditure. The external current account surplus improved significantly, attributed to sharp increases in earnings from energy sector exports. Monetary policy remained accommodative to the recovery while managing rising inflation.

The positive performance of the non-energy sector coupled with potential uptick in energy production will likely support the near-term recovery.

The economy is projected to grow by 4.4% in 2023, and near return to pre-pandemic levels of real gross domestic product (GDP). This forecast is premised on a positive outturn in oil and gas production and the continued robust performance of the non-energy sector.

KEY DEVELOPMENTS IN 2022¹

Real GDP growth accelerated in 2022 by 3.0% in contrast to a decline of 1.0% in the previous year based on improvements in both the energy and non-energy sectors (Chart 1). Registering a modest uptick in 2022, the energy sector performed favorably towards the end of the year, with successive quarters of improved performance compensating for earlier declines. The positive outturn was

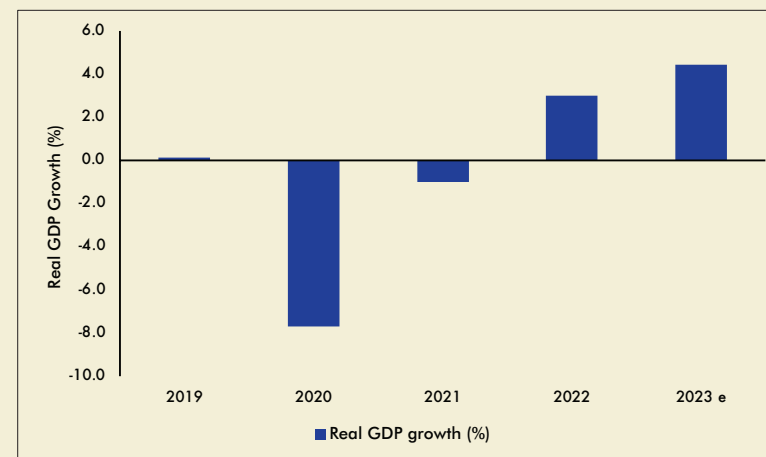
¹All comparisons are with respect to 2021, unless otherwise stated.

related to increased extraction of crude oil and natural gas. The expansion in output also coincided with higher energy prices resulting in soaring revenues in the sector. In particular, the petrochemical industry witnessed significant expansion driven by increased output and higher prices of ammonia, urea, and methanol.

The non-energy sector accounts for more than two-thirds of economic activity and is estimated to have grown by 4.6% in 2022.

Broad-based growth across non-energy industries was supported by the positive windfall from the energy sector helping drive higher levels of domestic consumption, and the spill over demand coming from improved economic conditions in intra-regional tourist markets. Sectors such as manufacturing, construction, wholesale and retail and accommodation experienced appreciable growth.

Chart 1: Real GDP Growth (%)



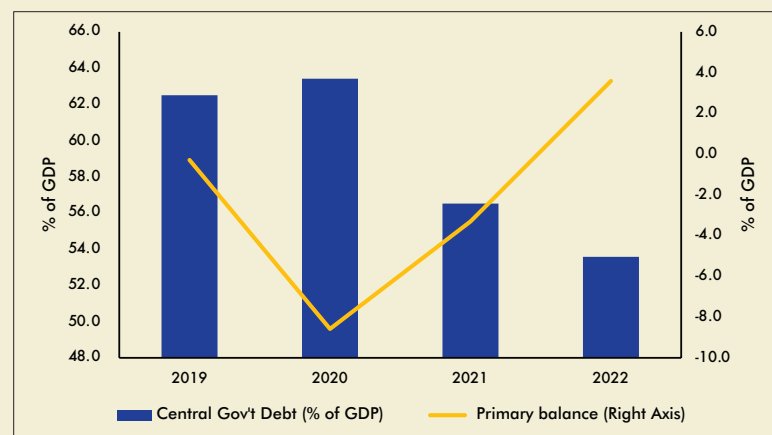
Sources: Central Bank of Trinidad and Tobago (CBTT), Central Statistical Office of Trinidad and Tobago (CSO), Caribbean Development Bank (CDB) estimates.

Labor market conditions improved. Improving economic conditions helped the unemployment rate to fall to an annual average of 4.9%, the first annual net increase in the number of persons with jobs since 2018.

The rate of inflation in Trinidad and Tobago accelerated in 2022. Prices rose on account of the pass through of rising commodity prices, increasing shipping costs, and climate events negatively impacting domestic production of key food items. Headline inflation soared by 5.8% in 2022, compared with 2.1% in 2021; food prices increased 10.4%, and core inflation rose by 4.7%.

Economic expansion and increased revenue supported improvement in CG fiscal operations. The improved fiscal outturn was evidenced by an overall surplus of 1.2% of GDP, a significant turnaround from the previous year's deficit of 6.4% of GDP. The prevailing high commodity price environment and stabilisation of energy sector output coupled with improved non-energy activity helped the country reverse its deficit position. CG total revenue was up by 45% buoyed by the rebound in economic activity, while total expenditure grew by an estimated 10%. The primary balance, an important contributor to debt dynamics, improved to a surplus position of 3.6% of GDP after recording a deficit. The ratio of CG total debt to GDP declined to 53.6% from 56.5% in 2021 (see Chart 2).

Chart 2: Fiscal and Debt Performance

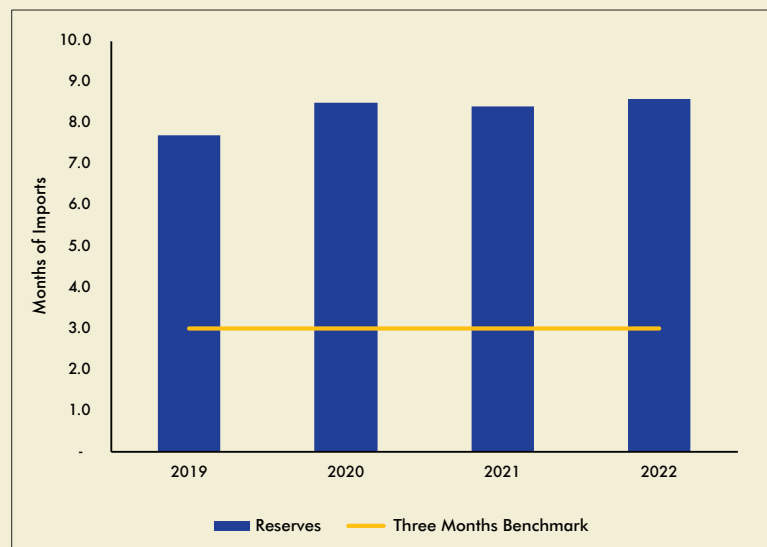


Sources: CBTT, Ministry of Finance (MOF).

The financial system remained sound despite mixed performance in some key indicators. Domestic credit conditions supported the economic recovery evidenced by a 6.7% (year-on-year) increase in consolidated financial system credit, mainly in corporate sector lending. The level of liquidity in the banking system declined as net domestic fiscal injections expanded rapidly during 2022, compared with a net withdrawal in 2021. Notwithstanding the lower level of liquidity, commercial banks' lending rates declined while deposit rates inched up slightly, resulting in a lowering of interest rate spreads. Financial exposures are well managed throughout the banking system with the regulatory capital to risk-weighted assets contained at around 16.7% and non-performing loans to gross loans stable at 3.1% in 2022.

The external current account was also a beneficiary of improved prices for energy exports in international markets. The current account surplus increased to 18.9% of GDP in 2022, from 11.9% of GDP. This surplus is expected to decline in the coming years but remain above 6.0%, with stabilisation of global energy prices and domestic energy production. Official net international reserves declined slightly in 2022 to US\$6.8 billion (bn) from an approximate US\$6.9 bn in the previous year. However, based on CBTT estimates, the country's import coverage marginally improved to 8.6 months of coverage in 2022 from 8.4% in 2021 (see Chart 3).

Chart 3: Gross Foreign Reserves



Source: CBTT.

2023 OUTLOOK

Growth prospects for the Trinidad and Tobago economy is positive but is largely contingent on the coming onstream of new oil and gas fields, as well as the implementation of production partnerships earmarked in nearby fields. Recent investments by upstream companies in oil and gas production are likely to result in increased production in 2023 and onwards. As consumer confidence improves further from the effects of the pandemic, growth in domestic demand could accelerate but its impetus will be driven by the performance of the energy sector. The slowdown in the global economy, tightening global credit conditions, and rising inflation could temper the prospects of energy sector led growth. Based on the anticipated increased energy sector activity and continued recovery of non-energy sector output, initial projections show the Trinidad and Tobago economy growing by 4.4% in 2023, before slowing to a still robust 3.5% in 2024.

Fiscal and debt outturns in 2023 are expected to build on the improvements registered in 2022. The overall fiscal deficit is projected to narrow in 2023, mainly on account of a slowdown in growth in expenditure as the Government seeks fiscal consolidation. The establishment of the Revenue Authority is expected to result in improved revenue collections and reduce the level of revenue leakages. The debt-to-GDP ratio is projected to be lower on account of a reduced primary deficit.

DATA

The table below summarises the key economic indicators underpinning this Country Brief. These data are taken from several sources and are the latest available at time of publication. 2023 data are estimates and subject to revision.

Table 1: Selected Indicators

	2019	2020	2021	2022	2023 e
Real GDP Growth (%)	0.1	-7.7	-1.0	3.0	4.4
Average Inflation (%)	1.0	0.6	2.1	5.8	5.6
Unemployment (%)	4.3	5.7	5.4	4.9	3.1
Primary Balance (% of GDP)	-0.3	-8.6	-3.3	3.6	n.a
CG Debt (% of GDP)	62.5	63.4	56.5	53.6	51.2

Sources: CSO, CBTT, MOF, CDB, the International Monetary Fund.