Using High Frequency Economic Indicators in Trinidad and Tobago

CENTRAL BANK OF TRINIDAD & TOBAGO

Alvin Hilaire & Shanta Dhoray-Baig

Outline

•Overview of Trinidad & Tobago (T&T)

• Economic indicators in T&T

•An ideal situation

•The importance of business and consumer sentiment

•Reforms in the institutional environment for data collection in T&T

•Challenges in reform

•The way forward

Sweet T&T

• Southern-most island in the Caribbean.

• Capital city Port-of-Spain is a major financial hub.

• Trinidad is known for oil & gas; Tobago for its tourism.

• Population of 1.3 million is a blend of many ethnicities originating from Africa, India, Europe and the Far East.

• Trinidad's Carnival is the greatest show on earth (according to us)!

Economic Profile

- **Real GDP Growth** of **1.2%** in **2012** with **2.5%** projected growth for **2013**; and GDP per capita for 2012 at approximately US$18,000.

- The **energy sector** drives growth – in 2012 it accounted for 43.7% of GDP, 54.3% of government revenue and 81.4% of exports.

- **Dynamic** banking system; and a **low interest rate environment** – TT/US Treasury Bill Differential around **0.1%**.

- **Open economy** with no capital controls and **high integration** with the rest of the world with major trading partners being US, UK CARICOM, Brazil, China and India.

Approach to tracking economic indicators

- Currently, indicators were collected, processed and analysed by economic sector – Monetary, Fiscal, External and Real.

- Most indicators are captured at a quarterly or annual frequency.

- But, in the new dynamic world and with close integration globally, policy makers need to keep in touch in **virtual real time** with what is happening domestically and internationally.

Monetary, fiscal and external indicators

	Monetary	Fiscal	External
Frequency of Data Capture	D, W, M, Q, A	M, A	M, Q, A
Publication & Analysis of Data	M, Q, A	Q, A	Q, A
Compilation Standard	MFS2000	GFS86	BPM5
Response Rate on Surveys/Returns	100 per cent	N/A	65 per cent
Lag Length	🟩	🟨	🟥

D - Daily; W – Weekly; M – Monthly; Q- Quarterly; A – Annual

High frequency indicators we use

Monetary Indicators

- Excess Reserves - daily
- Open Market Operations Issues - daily
- Sale of Foreign Exchange - daily
- Short Term Interest Rates - daily

Fiscal Indicators

- Net Domestic Fiscal Injections - daily
- Central Government Balances - daily
- Revenue and Expenditure - monthly
- Total Debt and Borrowing Limits - monthly

External Indicators

- International Reserves - weekly
- Exchange Rates - daily
- Competitiveness Indicators – monthly/quarterly
- Trade - monthly

Real Sector Indicators

- GDP - quarterly
- Energy Production and Prices – monthly/daily
- Inflation - monthly
- Labour Market - quarterly

Work needs to be done to shore up the real sector

- The Central Statistical Office (CSO) produces comprehensive statistics on **annual GDP** based on the 1993 SNA. But **intra-year movements** are not captured.

- Since 1987 the Central Bank has developed a **Quarterly Real GDP Index (base year 2000)**, compiled with a 3-month lag. The manufacturing sub-sector is compiled from data captured on a survey which has a response rate of approximately 38 per cent.

- Other **real sector statistics** include:
    - indices of domestic production, hours worked, productivity;
    - wages in manufacturing;
    - indices of retail and building material prices;
    - labour force, sectoral employment, unemployment rates and retrenchment notices;
    - indicators of energy sector activity including energy production, depth drilled and rig days.

- Weights not reflective of current economic situation as base years are outdated (IDP - 1995, RPI - 2003) and survey responses are weak.

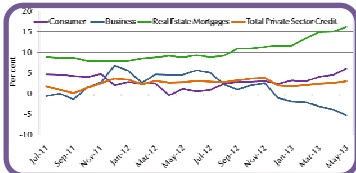# Some complementary indicators of activity in the real sector

Cement Sales

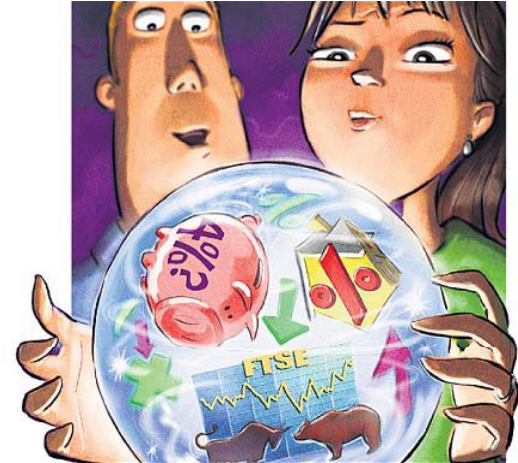Motor Vehicle Sales

Job Advertisements

Private Sector Credit

Informal talks with Private Sector

In the ideal situation…

- T&T will be compiling and analyzing more pertinent, higher frequency leading, lagging and coincident economic indicators as in larger emerging markets and developed countries.

- These statistics will :
    - be made available at a higher frequency;
    - be more timely;
    - adhere to the latest international standards;
    - be released according to published advanced-release calendars;
    - be compiled on higher response rates.

Example of release calendar for Euro Area

September 2013		
Indicator Name	**Month/Quarter**	**Day**
Building Permits	May 2013	2
Industrial Producer Prices	July 2013	3
Retail Trade	July 2013	4
National Accounts (GDP)	Q2/2013 – 2nd estimate	4
Quarterly Balance of Payments	Q2/2013 – 1st release	6
International trade in goods	July 2013	13
Employment	Q2/2013	13
Job Vacancy	Q2/2013	16
Production in Construction	July 2013	18
Business and Consumer Survey	September 2013	27

Source: Eurostat Release Calendar.

Surveys of business and consumer sentiment are also needed

- ***Why use confidence surveys?***
    - Historical data are becoming less able to predict the future trajectory of economic variables.
    - Econometric models which are based on historical data are usually unable to signal directional changes in the economy.
    - Capture the sentiments and intention and provide valuable insight into the business and consumer decisions which underlie official economic statistics.

- ***Where are they used?***
    - Central banks in Belgium and Japan have been conducting these surveys for some years and institutes in over 60 countries in Europe, North America, Central and Latin America, Asia and Africa are currently conduct business confidence surveys.
    - In the Caribbean, confidence surveys are carried out in Jamaica, Barbados and Bahamas.

Confidence surveys in Trinidad and Tobago

- The Arthur Lok Jack business school produced a group of corporate confidence indices over the period 2003 -2006.

- Republic Bank Ltd. and Market Facts and Opinion produced a Consumer Confidence Indicator over the period 2003-2011.

- Over the period 2011-2012 the Central Bank of Trinidad and Tobago began some preliminary work on a survey of business confidence.

- In August 2013 the Central Bank established a partnership with the Arthur Lok Jack business school to conduct surveys on business and consumer confidence in order to publish indices early in 2014.

- Additionally, the Bank meets with energy and financial sector experts every quarter.

Two of the key agencies that disseminate statistics in T&T are undergoing reforms...

1. Central Statistical Office (CSO)

- Statistics Sweden was contracted to help strengthen, resource and reorganise the CSO.

Key Deliverable	Recommendations
Determine supply and demand of statistical information.	Realign functional grouping within the CSO.
Define most appropriate organization structure.	Flatter organization. New management roles. Recruitment of professional staff with improved skills in statistics.
Develop IT Master Plan.	Establish an ICT division . More uniform IT systems (fewer packages). More streamlined, documented processes.

Two of the key agencies that disseminate statistics in T&T are undergoing reforms...

2. Central Bank of Trinidad and Tobago

- Recently formed Statistics Department with main objectives to:
    - increase efficiency, rigor, and timeliness in collection, processing and analysis of statistical data.
    - harmonize specialized skills more effectively.
    - provide greater attention to data development areas.
    - ensure that production of statistical publications could be timelier & better streamlined.
    - Improve dissemination strategies.

Research Department

Statistics and Publications

May 2013

Statistics Department

International Support

International Agency	Area of Support
IMF	Technical Assistance Missions on Compilation Standards – BPM6 & MFS Special Data Dissemination Standard (SDDS)
CARTAC	Rebasing of the QGDP and Retail Price Indices
Commonwealth Secretariat	Implementation of CS-DRMS software for improved recording and monitoring of total public sector debt
UN ECLAC and UNDP	Information sharing
CEMLA	Improve data coverage on Remittances
UNCTAD	ASYCUDA - Automated SYstem for CUstoms DAta
Statistics Sweden	Strengthening and reorganising the CSO

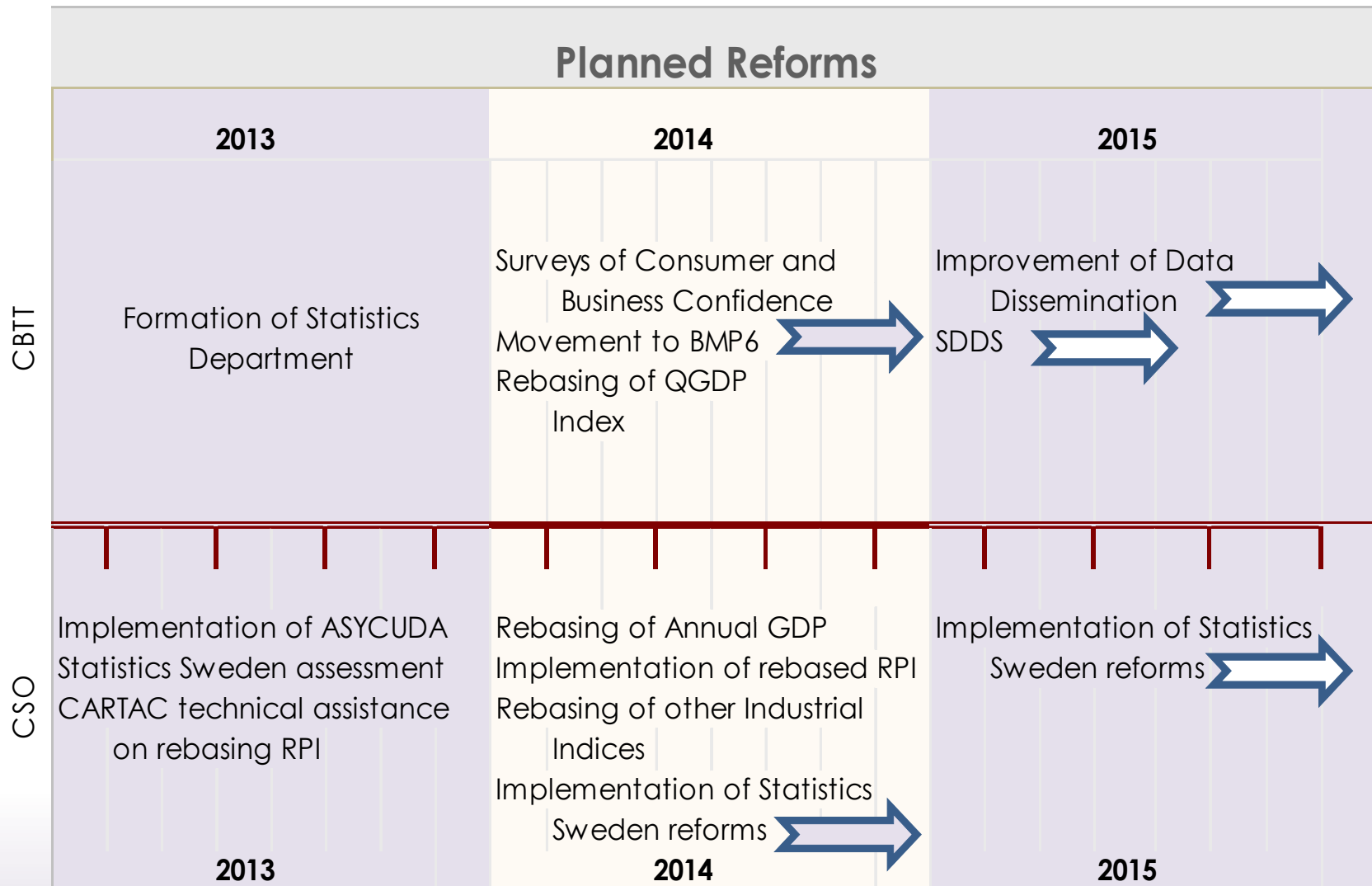# In the reform process certain challenges need to be confronted…

- The legal framework may not always support data capture in the way that is needed.

- The general public or business mentality may not as yet appreciate the importance of a strong statistical base.

- Funding for statistical activities may not always be priority.

- Experienced statistical expertise may be lacking in the short term.

The way forward...

	Planned Reforms		
	2013	**2014**	**2015**
CBTT	Formation of Statistics Department	Surveys of Consumer and Business Confidence Movement to BMP6 Rebasing of QGDP Index	Improvement of Data Dissemination SDDS
CSO	Implementation of ASYCUDA Statistics Sweden assessment CARTAC technical assistance on rebasing RPI	Rebasing of Annual GDP Implementation of rebased RPI Rebasing of other Industrial Indices Implementation of Statistics Sweden reforms	Implementation of Statistics Sweden reforms
	2013	**2014**	**2015**

Thank you for your attention