Central Bank of
Trinidad & Tobago

DRAFT

2016 ANNUAL ECONOMIC SURVEY

Charts on Selected Economic Indicators

Chart 1
Real GDP Growth, 2012 - 2016P

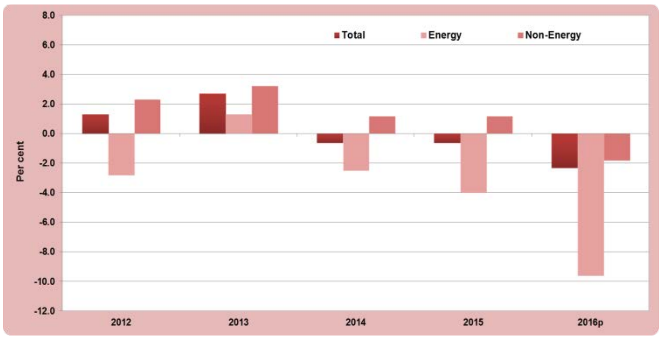

Chart 2
Crude Oil and Natural Gas Prices, 2012 - 2016

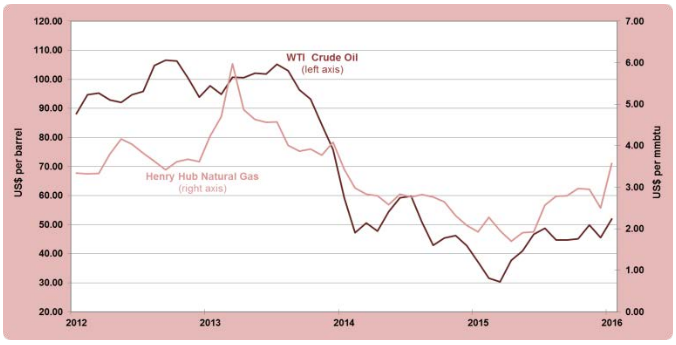

Chart 3
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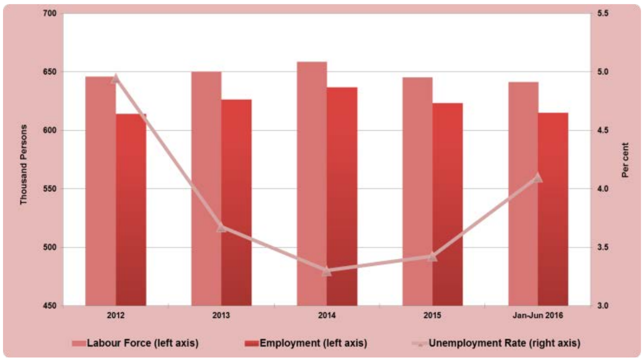

Chart 4
Per Cent Changes in The Retail Price Index,
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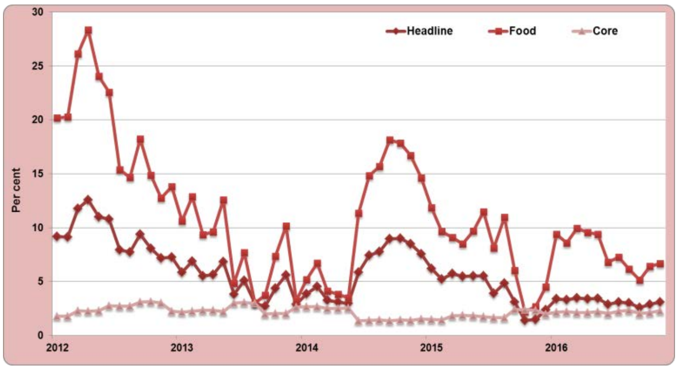

Chart 5
Fiscal Balances in Per Cent of GDP,
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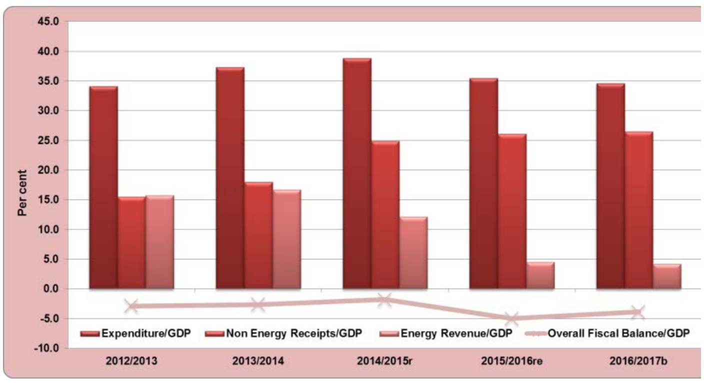

Chart 6
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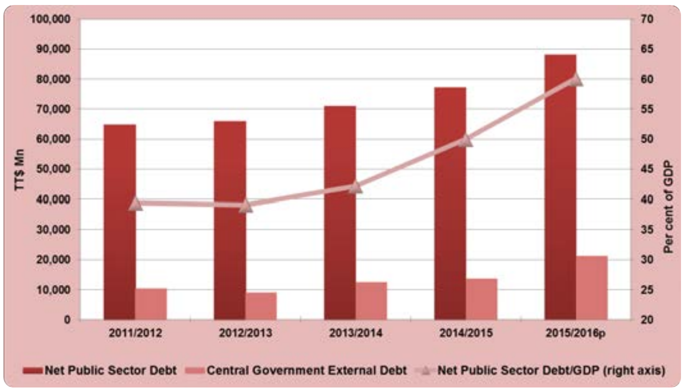

CHARTS ON SELECTED ECONOMIC INDICATORS

CHART 7
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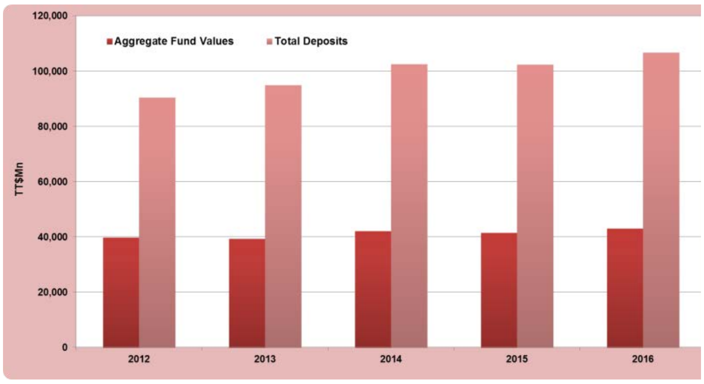

CHART 8
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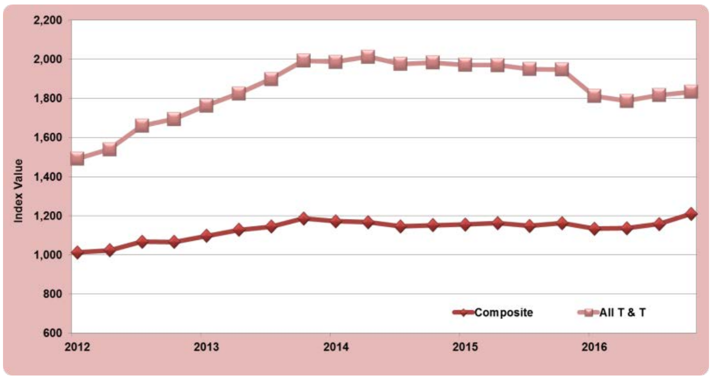

CHART 9
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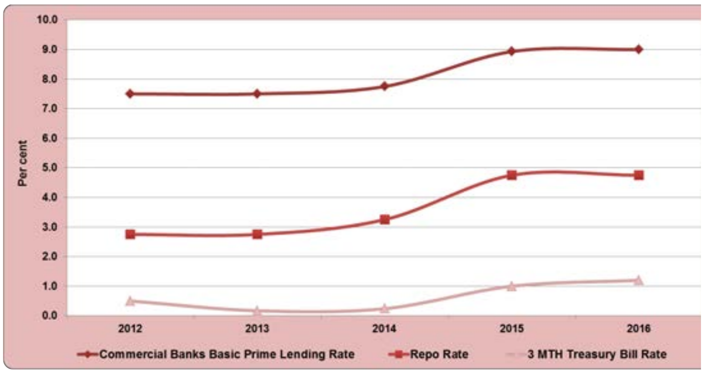

CHART 10
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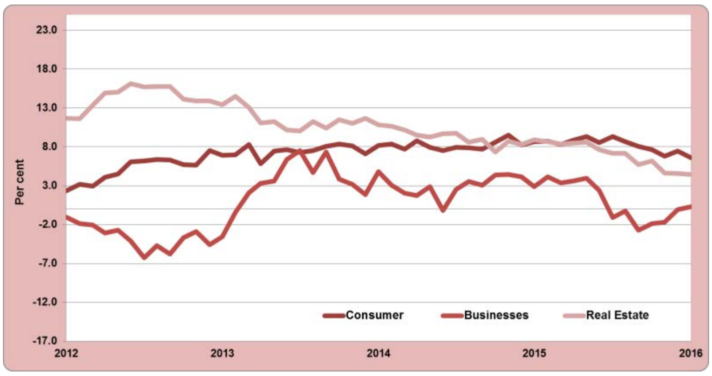

CHART 11
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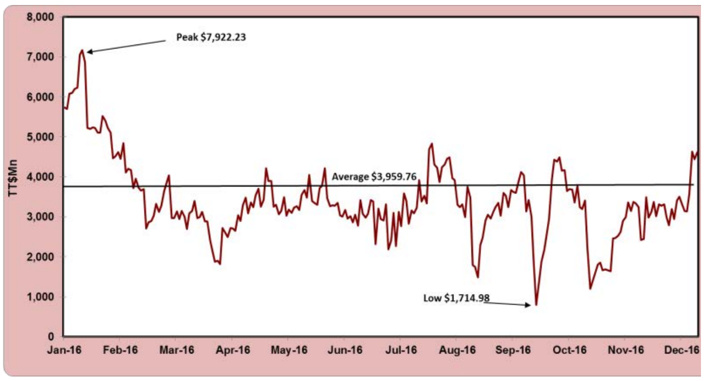

CHART 12
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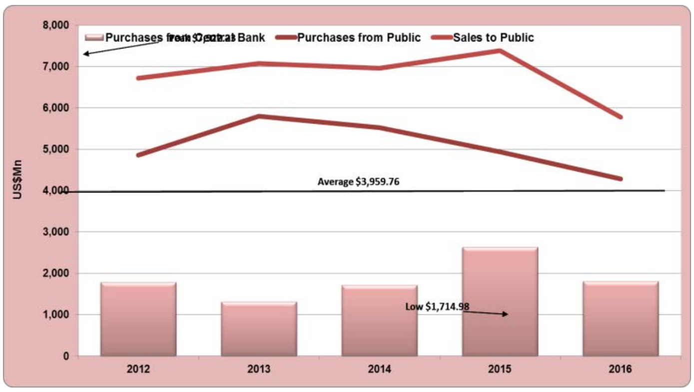

CHART 13

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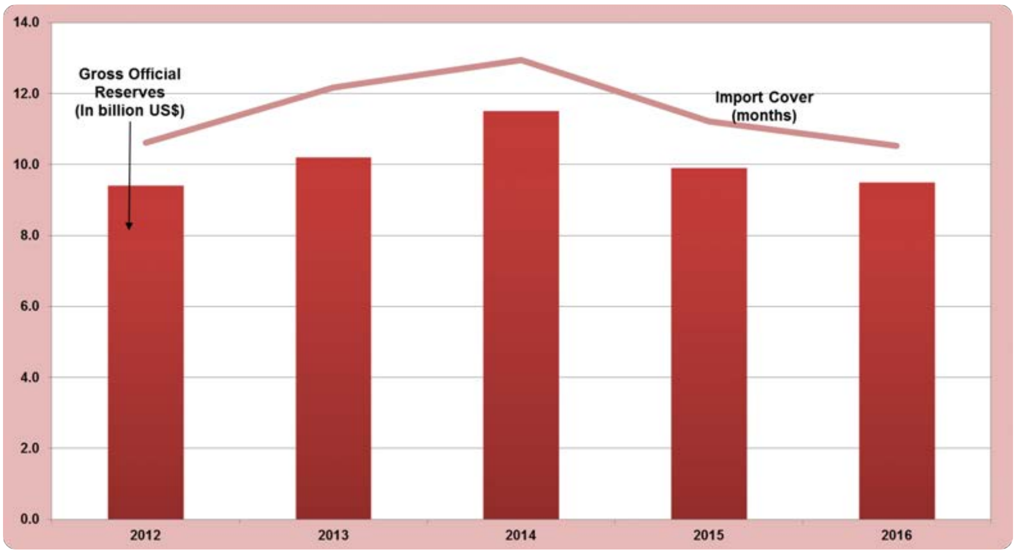

CHART 14

MONETARY POLICY ACTIONS, 2016

Liquidity Management Measures

March 2016:	$1.5 billion 1-year special deposit rolled over at a rate of 0.75 per cent.
May 2016:	Maturity of $1 billion deposit.

Changes To The Central Bank Policy Rate

Jan 2016:	'Repo' rate maintained at 4.75 per cent.
Mar 2016:	'Repo' rate maintained at 4.75 per cent.
May 2016:	'Repo' rate maintained at 4.75 per cent.
Jul 2016:	'Repo' rate maintained at 4.75 per cent.
Sep 2016:	'Repo' rate maintained at 4.75 per cent.
Nov 2016:	'Repo' rate maintained at 4.75 per cent.

CHAPTER 1 – OVERVIEW OF 2016 AND OUTLOOK FOR 2017

OVERVIEW OF ECONOMIC DEVELOPMENTS IN 2016

The global economy grew modestly in 2016 in a context of depressed commodity prices, brief episodes of financial market volatility and weak trade. Commodity prices remained low for most of the year, but towards year's end energy prices improved as a result of the agreement by members of the Organisation of Petroleum Exporting Countries (OPEC) to cut oil production within the Group. Speculation about the outcome of the United Kingdom's referendum to leave the European Union (EU) and, later, the results and implications of the United States (US) presidential election spurred moderate but short-lived volatility in financial markets during the year. Markets were also watchful of a possible rise in interest rates in the US as economic conditions there strengthened. Meanwhile, the contribution of global trade to growth was weak as total world trade rose by just 1.3 per cent following growth of 2.8 per cent in 2015. Global growth was supported by a stronger-than-anticipated performance in advanced economies (AEs), as emerging market and developing economies (EMDEs) slowed. Employment conditions and inflation improved in the US such that the Federal Reserve increased the federal funds target range in December 2016, for only the second time in a decade. In the UK and Euro Area monetary policy remained accommodative in order to support growth and stave off deflation. The Chinese economy recorded its slowest expansion in almost three decades, but Brazil contracted notably, weighed down by political uncertainty and a decline in commodity prices. The Latin American and Caribbean (LAC) region saw mild economic contraction with a mixed economic performance in the Caribbean region. Consumer prices in the Caribbean in 2016 were relatively contained as result of low energy and food prices while labour market conditions generally improved as evidenced by declining unemployment rates in many territories in the region.

The Trinidad and Tobago economy continued to contract in 2016, adversely impacted by a combination of domestic and external factors. A mid-year 2016 projection from the Central Statistical Office (CSO) estimated that the economy would decline by 2.3 per cent in 2016. In 2016 the local economy was largely set back by declines in energy sector activity, which continued to be plagued by low yields from maturing fields, and shortages of natural gas. Additionally, the low energy price environment has been a disincentive to upstream activity. The outturn for the energy sector in 2016 showed a fall of 9.1 per cent in crude oil production and sharper drop of 13.2 per cent in natural gas output. The subdued performance of the energy sector was accompanied by declines in non-energy output. Production indicators monitored by the Central Bank indicate that all sub-sectors of non-energy activity with the exception of the finance and agriculture sub-sectors declined. Indicators for the construction sector point to a substantial decline: sales of cement, mined aggregates, and ready mix cement were all markedly below levels in 2015, and business loans to the sector contracted by 5.1 per cent in December 2016.

The lacklustre economic performance of the local economy also had knock-on effects on the labour market. Latest available data from the CSO indicated that the unemployment rate increased to 4.1 per cent in the third quarter of the year compared to 3.4 per cent in the corresponding period of 2015. Along with the increase in unemployment, there was a fall in the participation rate, to 60 per cent from 60.7 per cent, as some persons who could not find work might have withdrawn from the labour force.

Inflation remained contained throughout 2016, averaging 3.1 per cent compared to 4.7 per cent in 2015. The slowdown was largely related to the food category, which benefited from lower international food prices and relatively favourable growing conditions for agriculture locally. The deceleration in food inflation was evident in slower price increases in the meat index in addition to a decline in the milk, cheese and eggs index. Conversely, there was an uptick in core inflation from 1.8 per cent over 2015 to 2.1 per cent in 2016. This was driven mainly by price increases in the health subcategory.

The Central Bank has held its repo rate at 4.75 per cent since January 2016 after a series of policy rate hikes over the previous two years. The Bank halted the rate increases to support the weak domestic economy amidst reduced risk from rising inflation. **The fiscal deficit increased in fiscal year 2015/16[1] largely as a result of lower energy revenues.** Estimates from the Ministry of Finance indicate that the deficit was $7.3 billion (5.0 per cent of GDP). Revenues from non-energy sources improved from the previous year, however, supported by one-off measures, including the sale of CLICO assets, repayment of past lending by Trinidad Generation Unlimited and proceeds from the Trinidad and Tobago National Gas Liquids (TTNGL) Initial Public Offering. Meanwhile, Government spending declined by 12.9 per cent.

Total public sector debt increased in fiscal year 2015/16 by $3.7 billion. The increase included proceeds from a US$1 billion Eurobond in August and new borrowing on the domestic market. Contingent debt declined by $720.8 million while domestic debt (excluding contingent liabilities) rose to $35.9 billion. External debt rose by $TT7,514.9 billion largely on account of the US$1 billion Eurobond.

[1] The fiscal year of the Trinidad and Tobago Government runs from October to September.

Gross official reserves amounted to US$9,465.8 million at the end of December 2016, equivalent to 10.5 months of import cover. This means that the external account registered a deficit of $467.2 million in 2016. For 2016 the current account balance was adversely affected by lower volumes of energy exports coupled with a falloff in commodity prices. Additionally, the country's international investment position deteriorated on account of noticeable declines in direct investments.

In light of the country's lower earnings of foreign exchange because of the low energy commodity prices, foreign exchange purchases from the public by authorized dealers declined 13.2 per cent from 2015 levels. Central Bank sales to authorized dealers also declined 31.4 per cent in 2016.

OUTLOOK

The global economic outlook, though positive, remains susceptible to financial volatility and geopolitical risks. According to the International Monetary Fund (IMF) global economic activity is expected to accelerate to 3.4 per cent in 2017 from 3.1 per cent in 2016, led by EMDEs such as India (7.2 per cent) and China (6.5 per cent). AEs are also likely to see improved economic activity as the momentum garnered in these countries during the latter half of 2016 has spilled over into 2017. Prospects have been buoyed in the US by the new administration's plans to ramp up infrastructure spending and cut regulation. The US economy grew at an annualized rate of 1.4 per cent quarter-on-quarter in the first three months of 2017 while in the U.K growth expanded by 2.0 per cent. Energy commodity prices are expected to strengthen in 2017 in light of the December 2016 agreement between OPEC and some non-OPEC territories to reduce oil output. In the Caribbean, tourism-based countries should benefit from the expansion of advanced and emerging market economies.

The Trinidad and Tobago economy is likely to improve marginally in 2017. The energy sector will be boosted by increased natural gas production from three gas projects: the Trinidad Onshore Compression project, the Sercan field and bpTT's Juniper project which is likely to start production in the third quarter of 2017. With these additions to natural gas production, there should be fewer supply disruptions to the downstream LNG and petrochemical industries. Inflation is likely to edge upward in 2017 if international food prices continue the rising trend observed towards the end of 2016, but has declined so far in the year (1.8 per cent in April). Oil prices above US$50 will allow the Government to benefit from payment of Supplemental Petroleum Taxes by local producers. However, prices could be undermined by higher production of oil from shale fields in the US in response to the initial rise of international energy prices. After averaging above US$50 dollars in the first three months of 2017, monthly average WTI Oil prices have dipped below that level since.

CHAPTER 2 – NATIONAL ACCOUNTS

The Trinidad and Tobago economy weakened in 2016. Initial projections from the Central Statistical Office (CSO) in July 2016 indicated that GDP was expected to fall by approximately 2.3 per cent in 2016, with the Energy sector contracting by 9.6 per cent and the Non-Energy sector by 1.8 per cent **(Table 1).** Available data on output of the major sectors of the economy suggest that the economy suffered as a result of low energy prices, stagnating output from the Energy sector and the curtailment of government expenditure, which reduced fiscal stimulus to the Non-Energy sector.

The energy sector experienced significant setbacks to activity during 2016. Crude oil production averaged 71,503 barrels per day, a 9.1 per cent reduction from the previous year as the industry grappled with maturing acreage, higher downtime due to increased maintenance and upgrade works, and low energy prices. Exploration activity also slowed notably as evidenced by a 26.0 per cent decline in total depth drilled and a 33.3 per cent drop in rig days from 2015 levels. Some companies announced a roll back of investment activity due to the low energy price environment. Natural gas production contracted by 13.2 per cent as output was also adversely affected by major disruptions during the year. However, two shutdowns were to facilitate the installation of new facilities which would support increased gas production in the future. They included shutdowns by BHP Billiton to facilitate the startup of Angostura Phase 3 and a 30-day shutdown by bpTT to tie in the new Juniper gas field.

The Refining sub-sector saw a 10.6 per cent reduction in activity largely on account of the setbacks faced by upstream counterparts. Reduced natural gas production resulted in a 16.1 per cent decline in LNG output from Atlantic LNG as all four of the company's plants operated below capacity in 2016. Production of natural gas liquids (NGLs) also declined by 16.2 per cent when compared to 2015 levels. On a positive note, the Petrotrin refinery benefitted from the upgrade programme completed in 2015. Refinery throughput averaged 148,251 barrels of oil per day (BOPD), an improvement of 18.5 per cent from the previous year. Crude oil imports increased 29.3 per cent to a record 37 million barrels in order to support refinery activity.

Lower natural gas production negatively affected Petrochemical output, which fell by 8.1 per cent. Fertilizer production declined marginally in 2016 as several facilities, including the Tringen I, Tringen II and Yara facilities were taken down for maintenance on account of the reduced supply of natural gas.

Similarly, methanol production declined 15.4 per cent as the sector faced widespread shutdowns. The TTMC I plant was shut down for six months in 2016 on account of limited gas feedstock.

Recent data for 2016 suggest that economic activity in all major Non-Energy sectors with the exception of finance and agriculture fell. The decline in economic activity was most pronounced in the Construction sector. Indicators for this sector monitored by the Central Bank have fallen off significantly, for instance, on an annual basis in 2016, local sales of cement were down by 20 per cent, sales of mined aggregates by National Quarries 24.8 per cent, and sales of ready mix concrete 32.6 per cent. One reason for the fall-off in construction activity relates to the pullback of Government expenditure on public sector projects[2] because of significantly reduced public revenues. Distribution activity also tapered off during 2016, as evidenced by lower retail sales and new motor vehicle sales (13.7 per cent). The performance of the Manufacturing sector was dampened by a decline in output of cement and other construction products given the slowdown in construction activity. In addition, manufacturing output was weakened by the closure of the ArcelorMittal steel plant. Commercial banking activity led growth of 1.3 per cent in the Finance, Insurance and Real Estate sector and agriculture performed relatively well, benefiting from favourable weather and good growing conditions in 2016.**(Table 4)**.

[2] Government spending on capital projects under the Public Sector Investment Programme declined by 64.3 per cent to $2.5 billion in 2016 from $7.1 billion in 2015.

TABLE 1

TRINIDAD AND TOBAGO SELECTED ECONOMIC INDICATORS

	2012	2013	2014	2015	2016[p]
Real GDP Growth (%) (2000 = 100)[1]	1.3	2.7	-0.6	-0.6	-2.3
Energy Sector	-2.8	1.3	-2.5	-4.0	-9.6
Non-energy Sector	2.3	3.2	1.2	1.2	-1.8
Agriculture	-12.6	-5.8	1.7	1.2	-6.0
Manufacturing	0.9	-2.4	-3.4	1.6	-5.7
Construction	-2.0	6.4	2.9	-3.7	-7.6
Financial Services	3.0	8.3	-4.9	8.4	3.7
Inflation Rate (%)[2]					
(period average)	9.3	5.2	5.7	4.7	3.1
(end of period)	7.2	5.6	8.5	1.5	3.1
Unemployment Rate (%)[3]	4.9	3.7	3.3	3.4	4.1*
Overall Central Government Operations					
Surplus(+)/Deficit(-), (end of fiscal year)	-1.3	-2.9	-2.6	-5.0	-3.9
Balance of Payments Current Account Balance	12.5	20.0	14.9	3.3	-9.7^
Surplus(+)/Deficit(-)					
Public Sector Debt, (end of fiscal year)[4]	39.4	39.1	42.2	50.0	60.1
Central Government External Debt, (end of fiscal year)	6.4	5.4	7.5	8.9	14.5
MEMORANDUM ITEMS:					
Central Government External Debt in US$M (end of fiscal year)	1,652.2	1,481.8	2,071.1	2,170.8	3,141.2
Debt Service Ratio (fiscal year; %)[5]	1.0	1.0	1.0	1.2	1.9
W.T.I. (US$/barrel, annual average)	94.2	97.9	93.1	48.7	43.2
Net Official Reserves (US$Mn)[6]	9,370.7	10,175.9	11,497.1	9,933.0	9,465.8

Sources: Central Bank of Trinidad and Tobago, Central Statistical Office and Ministry of Finance.

1 Real GDP growth rates are sourced from the Central Statistical Office.
2 Changes in the Index of Retail Prices (RPI), January 2015 = 100.
3 This represents the average of the four quarters.
4 Includes the external and internal debt of the Central Government as well as contingent liabilities and excludes Treasury Bills, OMO Bills and Notes, Treasury Bonds and Liquidity Bonds.
5 This is defined as the ratio of external Central Government debt service to exports of goods and non-factor services.
6 International reserves have been revised to include Trinidad and Tobago's reserve position in the IMF. International reserves are defined as external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitudes of such imbalances through intervention in exchange markets and for other purposes. Typically, they include Securities, gold, IMF special drawing rights (SDRs), a country's holding of foreign currency and deposits, reserve position in the IMF, and other Claims (Balance of Payments Manual 6th Edition Paragraph 6.64).
p Provisional.
* Jan-June 2016.
^ Jan-Sep 2016.

TABLE 2

ECONOMIC CONTRIBUTION OF THE ENERGY SECTOR

ITEM	2012	2013	2014	2015	2016[p]
Share of GDP					
Energy Sector	41.4	37.2	34.2	24.8	18.8
Exploration and Production	23.3	22.7	19.1	11.7	8.2
Refining (including LNG)	6.3	4.2	4.9	2.9	2.9
Petrochemicals	6.9	5.0	5.6	6.0	5.0
Other [1]	4.9	5.3	4.6	4.3	2.8
Share of Government Revenue (fiscal years)					
Energy Sector [2]	54.0	50.4	48.2	32.6	14.6
Oil and Gas Exploration and Production [3]	32.1	28.0	29.1	18.4	2.3
Other Taxes [4]	21.9	22.4	19.1	14.2	12.3
Share of Merchandise Exports Receipts					
Energy Sector[5]	80.8	79.8	83.5	78.6	78.0*
Extracted[6]	7.7	7.4	7.9	5.4	5.0*
Refined[7]	46.4	48.6	48.2	41.5	44.7*
Processed[8]	26.7	23.8	27.4	31.7	28.3*
Share of Total Employment	3.3	3.3	3.3	3.3	3.1**
MEMORANDUM ITEMS:					
Crude Oil and Condensate Production (millions of barrels)	29.9	29.6	29.7	28.7	26.2
Natural Gas Production (millions of barrels of oil equivalent)	286.7	287.5	282.1	265.8	231.3

Sources: Central Bank of Trinidad and Tobago, Central Statistical Office, Ministry of Finance and Ministry of Energy.

1 Includes Service Contractors, Distribution and Asphalt Production.
2 Numbers may not add due to rounding.
3 Includes refining and gas processing, petrochemicals and service contractors.
4 Other taxes include: corporation tax, withholding tax, royalties, oil impost, unemployment levy, excise duties and receipts from signature bonuses for the award of product sharing contracts.
5 Energy goods data for 2011-2016 comprise estimates by the Central Bank of Trinidad and Tobago.
6 Exports refer only to crude oil.
7 This includes refined petroleum, liquefied natural gas and natural gas liquids.
8 This refers to all other energy related exports e.g. petrochemicals, the rest of the world and supplemental data on activity in the energy sector.
* For the period January-September 2016.
** For the period January to June 2016.
r Revised.

Table 3
Manufacturing Sector Capacity Utilization Rate

	2011	2012	2013	2014	2015	2016P
Manufacturing	68.4	65.0	66.2	70.8	69.0	69.1
Food, Drink & Tobacco	72.2	70.6	72.2	79.1	77.3	73.9
Chemicals and Non-Metallic Minerals	65.3	57.0	63.2	67.3	65.7	60.6
Assembly Type and Related Industries[3]	60.0	55.5	54.8	49.6	43.9	63.4

Source: Central Bank of Trinidad and Tobago.

Table 4
Selected Commodity Volumes At The Norris Deonarine Northern Wholesale Market

Commodity	2015	2016	(Year-on-Year Per Cent Change)
Local			
Root Crops			
Sweet Potato (kg)	2,067,700.0	1,789,229.8	-13.5
Cassava (kg)	542,522.9	689,553.1	27.1
Dasheen (kg)	157,029.0	180,770.0	15.1
Eddoes (kg)	37,810.0	75,188.2	98.9
Leafy Vegetables			
Cabbage (Local Green) (kg)	523,936.5	587,214.2	12.1
Callaloo Bush (Roll) (Bundle)	162,790.0	214,618.0	31.8
Vegetables			
Tomato(kg)	1,623,798.9	1,670,389.0	2.9
Cucumber(kg)	1,484,369.7	1,513,421.3	2.0
Sweet Pepper(kg)	403,324.3	442,751.2	9.8
Christophene(kg)	263,338.9	211,250.3	-19.8
Fruits			
Watermelon(kg)	1,259,675.6	1,459,631.3	15.9
Pineapple(kg)	837,757.0	997,734.2	19.1
Imports			
Root Crops			
Dasheen(kg)	1,103,432.8	1,337,267.7	21.2
Eddoes(kg)	880,462.1	932,702.7	5.9
Sweet Potato(kg)	325,504.2	222,428.5	-31.7
Leafy Vegetables			
Cabbage (Green) (kg)	605,556.0	566,886.6	-6.4
Vegetables			
Tomato(kg)	139,400.1	108,848.4	-21.9

Source: The National Agricultural Marketing and Development Corporation (NAMDEVCO).

[3] The computation of the capacity utilization rate for 2016 no longer includes capacity output from the ArcelorMittal steel plant in Point Lisas because of its closure.

CHAPTER 3 – LABOUR MARKET

UNEMPLOYMENT

Employment conditions were adversely impacted by a weak economic environment in 2016. Latest available data from the CSO point to an increase in the unemployment rate to an average of 4.1 per cent in the first nine months of 2016 compared with an average of 3.4 per cent in the corresponding period of 2015 **(Table 5)**. Though the number of persons with jobs fell by 9,270 persons, the number of unemployed persons rose by just 4,170 persons, as the labour force contracted by 5,070 persons. Some portion of the decline may represent persons who decided to withdraw from the labour force after searching unsuccessfully for work for some time[4]. Job losses occurred mainly among male workers: the male unemployment rate increased to 3.9 per cent in the first nine months of 2016 from 2.7 per cent one year earlier, while the female unemployment rate declined slightly to 4.2 per cent from 4.4 per cent recorded during the first three quarters of 2015. The worsening of the labour market was mirrored in a decline in the participation rate to 60 per cent over the first nine months of 2016 from 60.7 per cent in the corresponding period of 2015.

High rates of unemployment were recorded among the youth population (ages 15 to 24) but within this group, the prospects for the 20-24 age category worsened significantly. Over the period January to September 2016, the unemployment rate for persons in the 15-19 age category averaged 14.6 per cent compared with 14.3 per cent in the year-earlier period, while the unemployment rate for the 20-24 age grouping rose to an average of 9.7 per cent from 7.2 per cent for the similar period in 2015. In terms of sectoral trends, 5,400 jobs were lost in the Wholesale and Retail Trade (which is closely related to the Distribution sector), 2,800 in Petroleum and Gas and 2,400 in Construction. Some other sectors, which perhaps have not been as severely affected by the weakness of the economy, added jobs. Gains in employment were evident in the Transport, Storage and Communication (3,000 persons), Community, Social and Personal Services (2,000 persons), and Finance, Insurance, Real Estate and Business Services (1,500 persons) sectors **(Table 6)**.

[4] The unemployment rate is calculated as the number of unemployed people divided by the total number in the labour force. The unemployed refers to those persons 15 years old and over, who are without jobs, are available for employment, and are actively seeking employment. The labour force consists of the unemployed and the employed.

Early indicators suggest that job losses may have moderated over the last quarter of the year when compared to the similar period one year earlier. According to data on Retrenchment Notices[5] from the Ministry of Labour and Small Enterprise Development, 300 persons were retrenched over the period October to December 2016 compared with 741 persons in the corresponding period of 2015. Retrenchment mainly occurred in the Distribution (85 persons), Petroleum and Mining (67 persons), Manufacturing (64 persons) and Finance (43 persons) sectors. Meanwhile, the number of job vacancies advertised in the major local newspapers[6] declined by 27.9 per cent (year-on-year) during October to December 2016, suggesting a significant softening of labour demand.

TABLE 5
LABOUR FORCE STATISTICS: 2011-SEPTEMBER 2016
/THOUSANDS/[1]

	2011	2012	2013	2014	2015	JAN-SEP 2015	JAN-SEP 2016
Non-Institutional Population - 15 years and over	1,006.5	1,044.1	1,059.6	1,063.4	1,065.1	1,064.7	1,068.1
Labour Force	611.6	646.0	650.2	658.6	645.3	645.7	640.7
Persons with jobs	581.9	614.0	626.3	636.9	623.3	623.9	614.6
Persons without jobs	29.7	32.0	23.9	21.8	22.0	21.9	26.0
Participation Rate (%)	60.8	61.9	61.4	61.9	60.6	60.7	60.0
Male	72.3	72.2	71.6	72.2	71.2	71.3	69.8
Female	49.3	51.7	51.2	51.8	50.0	50.0	50.2
Unemployment Rate (%)	4.9	5.0	3.7	3.3	3.4	3.4	4.1
Male	3.9	4.1	3.0	2.8	2.9	2.7	3.9
Female	6.3	6.2	4.6	4.0	4.2	4.4	4.2

Source: Central Statistical Office of Trinidad and Tobago.

1 Numbers may not sum due to rounding.

5 Retrenchment refers to the termination of employment of a worker at the initiative of an employer for the reason of redundancy (Act No. 32 of 1985). Under the act, where an employer proposes to terminate the services of five or more workers for the reason of redundancy he shall give formal notice of termination in writing to each involved worker, to the recognized majority union and to the Minister of Labour.

6 This indicator is constructed by the Central Bank using the number of employment vacancies advertised in the Daily Express, Newsday and Guardian newspapers.

TABLE 6
THE SECTORAL DISTRIBUTION OF EMPLOYMENT[1]

	2012		2013		2014		2015		JAN-SEP 2015		JAN-SEP 2016	
	(000 s)	%	(000 s)	%	(000 s)	%	(000 s)	%	(000 s)	%	(000 s)	%
Agriculture	22.9	3.7	22.0	3.5	22.9	3.6	21.3	3.4	21.8	3.5	19.9	3.2
Petroleum & Gas	20.1	3.3	20.6	3.3	21.3	3.3	20.5	3.3	20.7	3.3	17.9	2.9
Manufacturing (including Mining & Quarrying)	51.0	8.3	51.1	8.2	50.5	7.9	51.2	8.2	51.2	8.2	49.8	8.1
Construction (including Electricity & Water)	103.6	16.9	107.3	17.1	106.2	16.7	101.8	16.3	103.4	16.6	100.5	16.4
Transport, Storage & Communications	43	7.0	46.0	7.4	43.925	6.9	44.3	7.1	42.7	6.8	58.1	9.5
Other Services	373.4	60.8	379.2	60.5	392.1	61.6	384.2	61.6	384.0	61.5	368.5	60.0
Of which:												
Wholesale & Retail	*111.8*	*18.2*	*114.2*	*18.2*	*117.3*	*18.4*	*117.2*	*18.8*	*118.0*	*18.9*	*112.6*	*18.3*
Community, Social & Personal Services	*204.4*	*33.3*	*205.3*	*32.8*	*213.6*	*33.5*	*206.8*	*33.2*	*206.8*	*33.1*	*208.8*	*34.0*
Finance, Insurance & Real Estate	*55.7*	*9.1*	*56.3*	*9.0*	*57.2*	*9.0*	*57.9*	*9.3*	*56.6*	*9.1*	*45.8*	*7.4*
Not classified	*1.6*	*0.3*	*3.4*	*0.5*	*4.0*	*0.6*	*2.3*	*0.4*	*2.6*	*0.4*	*1.4*	*0.2*
Total Employment	**614.0**	**100.0**	**626.3**	**100.0**	**636.8**	**100.0**	**623.2**	**100.0**	**623.9**	**100.0**	**614.6**	**100.0**

Source: Central Statistical Office.

1 Numbers may not sum due to rounding.

PRODUCTIVITY[7]

Labour productivity continued to deteriorate during 2016. The Index of Productivity showed that, excluding the energy sector, productivity fell by 13.4 per cent in 2016 following a decline of 9.8 per cent in 2015. With the energy sector included, however, productivity declined less sharply, by 7.3 per cent in 2016 compared with a decline of 1.8 per cent the year before.

In the non-energy sector, the decline in productivity in the Assembly-type and related products industry (61.2 per cent) stands out, the sector having lost output on account of the closure of the ArcelorMittal Iron and Steel plant. Less severe declines in productivity occurred in textiles, garments and footwear (10.9 per cent), water (8.6 per cent) and electricity (6.3 per cent). These declines were partially offset by productivity gains in the food processing (28 per cent), drink and tobacco (6.3 per cent) and wood and related products (5.2 per cent) industries.

Within the energy sector, labour productivity increased most notably in the oil refining industry (17.3 per cent) as output was ramped up following the upgrade of the Petrotrin refinery. There were also minor productivity gains in the exploration and production of oil and gas and in petrochemical industries as labour hours and manpower declined faster than production. On the other hand, productivity declined in the natural gas refining industry (13 per cent) as shortages in natural gas feedstock supplies curtailed LNG output.

WAGE AGREEMENTS

Available data suggests a slowdown in wage growth during 2016 (Table 7). Wage growth is influenced, in part, by economic conditions and by employers' business prospects. Collective agreements registered with the Industrial Court of Trinidad and Tobago revealed that the median wage increase was 4.00 per cent in 2016, down from a median of 4.25 per cent in 2015. The largest wage increases for 2016 were recorded in the textiles, garments and footwear (6.00 per cent), and personal services (5.00 per cent) sectors.

Meanwhile, weekly earnings have also fallen. The Index of Average Weekly Earnings (AWE) compiled by the CSO declined by 1.9 per cent in 2016 compared with an increase of 7.1 per cent in 2015. The largest decline in AWE was seen in the Assembly-type and related products industry (29.1 per cent) as the shut-down of the local iron and steel company (ArcelorMittal) resulted in the dismissal of

[7] The Index of Productivity is calculated for the manufacturing, energy, electricity and water sectors. It is calculated as the Index of Domestic Production divided by the Index of Hours Worked.

employees. Earnings also fell in the wood and related products industry (6.6 per cent), perhaps associated with weakness in construction activity. Plant shutdowns for maintenance and falling levels of production in the energy sector reduced labour hours and manpower resulting in declines in the petrochemicals (5.9 per cent), exploration and production of oil and natural gas (4.7 per cent) and oil and gas refining (5.6 per cent) indices. These decreases offset increased weekly earnings in the electricity (25.7 per cent), textiles, garments and footwear (17.1 per cent) and printing and paper products (4.3 per cent) industries.

INDUSTRIAL RELATIONS

During 2016 there were isolated incidents of industrial action throughout the year, some of which were fuelled by layoffs at some public and private institutions. In February 2016, approximately 500 workers were retrenched at ArcelorMittal, while 200 workers from Centrin were laid off. Later in March, over 800 Construtora OAS workers lost their jobs. Several wage agreements, and outstanding salary arrears were settled in 2015 and early 2016. Some of these agreements were with major trade unions, including the Public Services Association (PSA), the Transport and Industrial Workers Union (TIWU), and the Banking, Insurance and General Workers Union (BIGWU).

Table 7
Wage Increases For 2016

Sector	No. of Agreements Analysed	Duration of Agreements	Wage Increase for 2016	Range of Yearly Increases	Average Yearly Increase	Median Wage Increase for Agreements Analysed
Finance, Insurance, Real Estate and Business Services	3	2015-2017	4.00	2.00-5.00	3.94	
		2015-2018	4.50			
Food Processors and Drinks	5	2014-2016	3.50	2.00-6.00	4.13	
		2015-2018	4.00			
		2015-2017	3.00			
Personal Services	1	2015-2017	5.00	5.00-7.00	6.00	4.00
Printing, Publishing and Paper Converters	2	2014-2016	3.00	3.00-5.00	4.00	
Retail Trade	1	2015-2018	4.00	2.00-5.00	3.67	
Textiles, Garments, Footwear and Headwear	1	2014-2017	6.00	5.00-6.00	5.67	

Source: The Industrial Court of Trinidad and Tobago.

CHAPTER 4 – PRICES

INFLATION

Domestic retail price inflation eased in 2016, for the second consecutive year. Over the course of 2016, headline inflation eased to an average of 3.1 per cent compared to an average of 4.7 per cent in 2015. The moderation of headline inflation is owed much to slower food price increases, which averaged 7.4 per cent over 2016 compared with 8.6 per cent in 2015. Other influences on inflation included the depreciation of the TT dollar (5.4 per cent), fiscal measures such as the expansion of the VAT base, and the partial withdrawal of fuel subsidies. Core inflation, which is the measure of inflation arrived at after stripping away the volatile food component, ticked up to 2.1 per cent over 2016 from 1.8 per cent over 2015.

The fall in international prices for some categories of food helped to moderate the rise in domestic food inflation. According to the Food and Agriculture Organisation (FAO), international food prices declined for the fifth year running in 2016. This may have tempered the upward pressure on prices from the depreciation of the TT dollar against the US dollar. However, some domestic food retailers might have also absorbed part of the increased costs resulting from depreciation. The deceleration in food inflation was driven by slower price increases in the meat index (7.4 per cent from 16.9 per cent) and the decline in the milk, cheese and eggs index (-1.2 per cent from 1.3 per cent). However, notable increases were recorded for some food items which were removed from the Value Added Tax (VAT) zero-rated list. These included bread and cereals (6.5 per cent from 1.9 per cent), non-alcoholic beverages (12.7 per cent from 2.6 per cent) and butter, margarine and edible oils (7.6 per cent from 0.3 per cent).

Underlying inflationary pressures remained contained over the year in the context of subdued demand. Several indicators suggest that aggregate demand turned down during the year, thus putting less upward pressure on prices: national output was down, unemployment increased and weekly earnings declined. Nevertheless, core inflation rose marginally, led by price increases in the health subcategory (6.5 per cent from 1.0 per cent). The increase in fuel prices announced in the 2016 Mid-Year Review was reflected in a rise in the transportation subcategory (3.2 per cent from 1.0 per cent), as this impacted the taxi fares (7.7 per cent), gasoline (11.2 per cent) and diesel (24.1 per cent) indices. The communication category also increased (6.6 per cent from -0.8 per cent) on account of a surge in mobile phone prepaid rates (15.2 per cent) as one of the major mobile providers announced higher prices for prepaid unbundled minutes.

PRODUCERS' PRICES

Movements in Producers' Prices also supported the stability of retail price inflation as these prices, as measured by the CSO's Producers' Price Index (PPI), slowed over 2016. The overall index rose by 1.2 per cent on average in 2016, compared to 2.4 per cent in 2015. The moderation was due to slower price increases within the drink and tobacco (3.2 per cent from 7.5 per cent) and chemicals and non-metallic minerals (0.9 per cent from 1.8 per cent) indices. Although the food processing index registered a marginal increase (0.5 per cent from 0.4 per cent), all other sub-indices remained unchanged over the review period.[8]

BUILDING MATERIALS PRICES

Consistent with diminished activity levels in the construction sector, building materials prices as measured by the CSO's Index of Retail Prices of Building Materials (BMI), contracted over 2016. The overall index fell by 0.3 per cent in 2016 compared to an increase of 4.2 per cent in 2015. Notable declines occurred in the sub-indices associated with the early stages of a project as well as completion and renovation works. The contraction resulted from decreases within the categories of site preparation, structure and concrete frame (-2.7 per cent from 3.0 per cent) and finishing, joinery units and painting and external works (-1.2 per cent from 3.2 per cent). However, the plumbing and fixtures category recorded a significant increase (4.4 per cent from 2.3 per cent).

INTERNATIONAL FOOD PRICES

International food prices contracted for a fifth consecutive year in 2016, although the decline abated significantly compared to 2015. According to the Food and Agriculture Organization's (FAO) Food Price Index, international food prices decreased by 1.5 per cent in 2016 compared to a decline of 18.7 per cent in 2015. Continued declines in the meat, dairy and cereals price indices were outweighed by increases in the sugar and vegetable oils indices. Bumper harvests depressed cereals prices (-9.6 per cent from -15.4 per cent), while stable demand and ample supplies continued to impact meat (-7.1 per cent from -15.2 per cent) and dairy (-4.1 per cent from -28.5 per cent) prices. At the same time, double-digit increases were recorded for the oils (11.4 per cent from -18.8 per cent) and sugar (34.2 per cent from 20.9 per cent) price indices as a result of weather disruptions related to El Niño and La Niña, which damaged sugar cane production in India, China and Brazil and palm oil crops in Indonesia and Malaysia.

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[8] The other sub-indices of the PPI include i) textiles and garments, ii) wood products and iii) assesmbly-type and related industries.

CHAPTER 5 – FISCAL OPERATIONS

FISCAL OPERATIONS

Throughout 2016, the fiscal accounts were adversely impacted by reduced energy sector output and the low energy commodity price environment. Revised estimates from the Ministry of Finance indicate that the Central Government fiscal accounts registered a deficit of $7.3 billion (5.0 per cent of GDP) in fiscal year[9] (FY) 2015/16 compared with an initially budgeted deficit of $2.8 billion **(Table 9).** The higher-than-projected shortfall was the result of a fall-off in energy revenues, the effects of which were only partially offset by a decrease in expenditure. The deficit was also higher than the $2.7 billion (1.8 per cent of GDP) deficit recorded in FY 2014/15. The prolonged slump in energy commodity prices influenced the first withdrawal from the HSF since its establishment (TT$2.5 billion).

Total central Government revenues fell by 21.5 per cent in FY 2015/16, but non-energy revenue collections improved partly on the strength of one-off revenue-generating measures. Energy revenues fell sharply (64.7 per cent year-on-year) in FY 2015/16 on account of decreased energy sector production and lower energy prices[10]. In contrast, non-energy revenue (excluding capital revenue) increased by 2.6 per cent to $34.4 billion in FY 2015/16. Following the reduction in the VAT rate from 15 per cent to 12.5 per cent and a simultaneous widening of the VAT base, VAT collections rose to $7.0 billion in FY 2015/16 compared to $5.7 billion in the previous year. More importantly, non-energy revenue was bolstered by one-off sources of non-tax revenue. These included the repayment of past lending by Trinidad Generation Unlimited (TGU) ($2.6 billion) and proceeds ($1.5 billion) from the Trinidad and Tobago Natural Gas Liquids Initial Public Offering (IPO).

Total expenditure fell by 12.9 per cent, as the Central Government implemented expenditure-reducing measures. Recurrent expenses were reduced by $4.8 billion reflecting cuts in transfers and subsidies—in particular petroleum subsidy payments—and lower transfers to state enterprises. During the year the Government announced increases to motor gasoline and diesel prices at the pump thus slashing the subsidies on these items. However, the fall in international energy prices helped to cut the outlay on petroleum subsidies even further. Petroleum subsidy payments are estimated to have fallen to $1.0 billion in FY 2015/16, from $4.6 billion in the previous fiscal year. Spending on goods and

[9] The Trinidad and Tobago fiscal year runs from October to September.
[10] See Chapter 2 on National Accounts and Chapter 10 on International Commodity Markets.

services also declined to $7.2 billion in FY 2015/16 from $8.1 billion in FY 2014/15, partly reflecting a special initiative to cut discretionary expenditure by 7.0 per cent cut across all ministries. Meanwhile, expenditure on wages and salaries moderated in FY 2015/16, largely on account of outstanding salary arrears being paid in FY 2014/15. Moreover, other components of personnel expenditure were also streamlined in the reporting period. Capital expenditure also fell to $4.7 billion compared with $7.6 billion given the re-prioritizing of capital projects as well as administrative delays in project implementation.

TABLE 8
SUMMARY OF CENTRAL GOVERNMENT FINANCES, 2012/2013 - 2016/2017
/TT$ MILLION/

	FISCAL YEARS					
	2011/2012	2012/2013	2013/2014	2014/2015[r]	2015/2016[re]	2016/2017[b]
Current Revenue	49,234.5	52,259.1	57,062.2	52,244.6	41,026.6	38,701.2
Current Expenditure	44,487.1	49,228.7	54,386.3	52,322.9	47,526.2	48,375.1
Current Surplus (+)/ Deficit (-)	**4,747.4**	**3,030.4**	**2,675.9**	**-78.3**	**-6,499.6**	**-9,673.9**
Capital Receipts	43.4	501.4	1,316.5	4,989.2	3,915.2	8,740.1
Capital Expenditure and Net Lending[1]	6,987.7	8,439.8	8,434.6	7,620.8	4,708.7	5,100.0
Overall Surplus(+)/ Deficit (-)	**-2,196.9**	**-4,908.0**	**-4,442.2**	**-2,709.9**	**-7,293.1**	**-6,033.8**
Financing	2,196.9	4,908.0	4,442.2	2,709.9	7,293.1	6,033.8
External (Net)	1,054.1	-155.1	3,312.4	-199.2	9,783.2	1,538.8
Domestic (Net)	1,142.8	5,063.5	1,129.8	2,909.0	-2,490.1	4,495.0
	SURPLUS (+) / DEFICIT (-) AS A PER CENT OF FISCAL YEAR GDP (CURRENT MARKET PRICES)					
Current Surplus (+)/ Deficit (-)	2.9	1.8	1.6	-0.1	-4.4	-6.3
Overall Surplus(+)/ Deficit (-)	-1.3	-2.9	-2.6	-1.8	-5.0	-3.9
Fiscal Year Nominal GDP	164,654.4	169,039.0	168,402.6	154,626.0	146,994.7	154,447.8

Sources: Ministry of Finance and the Central Bank of Trinidad and Tobago.

1 Includes an adjustment for Repayment of Past Lending for the fiscal years 2012, 2013, 2014 and 2015.
r Revised
re Revised Estimates.
b Budgeted

Table 9
Summary of Central Government Fiscal Operations, 2012/2013 - 2016/2017
/TT$ Million/

	Fiscal Years					
	2011/2012	2012/2013	2013/2014	2014/2015[r]	2015/2016[re]	2016/2017[b]
Revenue	**49,277.9**	**52,760.2**	**58,378.4**	**57,233.8**	**44,941.8**	**47,441.3**
Current	49,234.5	52,258.8	57,061.9	52,244.6	41,026.6	38,701.2
Energy	26,625.8	26,603.6	28,111.3	18,660.9	6,584.6	6,530.6
Non-Energy	22,608.7	25,655.2	28,950.6	33,583.7	34,442.0	32,170.6
Capital	43.4	501.4	1,316.5	4,989.2	3,915.2	8,740.1
Expenditure	**51,474.8**	**57,668.6**	**62,820.5**	**59,943.7**	**52,234.9**	**53,475.1**
Current	44,487.1	49,228.8	54,385.7	52,322.9	47,526.2	48,375.1
Wages and Salaries	7,282.3	9,171.5	8,590.8	10,077.1	9,750.1	10,601.4
Goods and Services	7,061.6	7,180.1	8,008.8	8,105.4	7,250.7	6,787.1
Interest Payments	2,937.1	2,808.7	3,122.6	3,438.4	3,027.9	3,675.7
Transfers and Subsidies[1]	27,206.1	30,068.4	34,663.5	30,702.0	27,497.5	27,310.9
Capital Expenditure and Net Lending[2]	6,987.7	8,439.8	8,434.8	7,620.8	4,708.7	5,100.0
Overall Non-Energy Balance	**-28,822.7**	**-31,512.0**	**-32,553.4**	**-21,370.8**	**-13,877.7**	**-12,564.4**
Overall Balance	**-2,196.9**	**-4,908.4**	**-4,442.2**	**-2,709.9**	**-7,293.1**	**-6,033.8**
Total Financing (Net)	**2,196.9**	**4,908.4**	**4,442.2**	**2,709.9**	**7,293.1**	**6,033.8**
Net Foreign Financing	1,054.1	-155.1	3,312.4	-199.2	9,783.2	1,538.8
Net Domestic Financing	1,142.8	5,063.5	1,129.8	2,909.0	-2,490.1	4,495.0
Of Which: Transfers to Heritage and Stabilization Fund	*1,332.1*	*271.7*	*0.0*	*0.0*	*0.0*	*0.0*
	(Per Cent Of Gdp)					
Revenue	**29.9**	**31.2**	**34.7**	**37.0**	**30.6**	**30.7**
Current	**29.9**	**30.9**	**33.9**	**33.8**	**27.9**	**25.1**
Energy	16.2	15.7	16.7	12.1	4.5	4.2
Non-Energy	13.8	15.2	17.2	21.7	23.4	20.8
Capital	0.0	0.3	0.8	3.2	2.7	5.7
Expenditure	**31.3**	**34.1**	**37.3**	**38.8**	**35.5**	**34.6**
Current	27.0	29.1	32.3	33.8	32.3	31.3
Wages and Salaries	4.4	5.4	5.1	6.5	6.6	6.9
Goods and Services	4.3	4.2	4.8	5.2	4.9	4.4
Interest Payments	1.8	1.7	1.9	2.2	2.1	2.4
Transfers and Subsidies	16.5	17.8	20.6	19.9	18.7	17.7
Capital Expenditure and Net Lending	4.2	5.0	5.0	4.9	3.2	3.3
Overall Non-Energy Balance[3]	**-17.5**	**-18.6**	**-19.3**	**-13.8**	**-9.4**	**-8.1**
Overall Balance	**-1.3**	**-2.9**	**-2.6**	**-1.8**	**-5.0**	**-3.9**
Total Financing (Net)	**1.3**	**2.9**	**2.6**	**1.8**	**5.0**	**3.9**
Net Foreign Financing	0.6	-0.1	2.0	-0.1	6.7	1.0
Net Domestic Financing	0.7	3.0	0.7	1.9	-1.7	2.9
Of which: Transfers to Heritage and Stabilization Fund	*0.8*	*0.2*	*0.0*	*0.0*	*0.0*	*0.0*

Sources: Ministry of Finance and the Central Bank of Trinidad and Tobago.

1 Adjusted for transfers to the Infrastructure Development Fund, Government Assisted Tertiary Education Fund and CARICOM Petroleum Fund.
2 Includes an adjustment for Repayment of Past Lending for fiscal years 2012, 2013, 2014 and 2015.
3 Computed as the sum of non-energy revenue and capital revenue less total expenditure.
r Revised
re Revised Estimates.
b Budgeted.

TABLE 10
ENERGY-BASED GOVERNMENT REVENUES, 2011/2012 - 2015/2016
/PER CENT OF GOVERNMENT REVENUE/

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015[r]	2015/2016[re]
ENERGY SECTOR	**57.2**	**54.0**	**50.4**	**48.2**	**32.6**	**14.6**
Petroleum Profit Tax (PPT)	23.8	25.5	20.4	20.5	9.4	2.0
Supplemental Petroleum Tax (SPT)	9.7	6.6	7.6	8.5	9.0	0.3
Corporation tax	13.6	12.3	12.5	11.3	8.7	6.3
Royalities	5.1	5.0	4.5	4.1	1.9	1.6
Unemployment Levy	2.6	2.6	2.2	2.1	1.0	0.1
Withholding Tax	1.9	1.6	1.3	1.2	1.4	1.2
Exercise Duty	0.2	0.2	0.2	0.2	0.2	0.3
Oil Impost[1]	0.2	0.2	0.2	0.2	0.2	0.3
Signature Bonus	0.0	0.0	0.0	0.0	0.0	0.0
Production Sharing Contracts	0.0	0.0	0.0	0.0	0.8	2.2
Surplus Income - Sale of Pet. Products	0.0	0.0	0.0	0.0	0.0	0.3
	(PER CENT OF GDP)					
ENERGY SECTOR	**17.2**	**16.2**	**15.7**	**16.7**	**11.8**	**3.8**
Petroleum Profit Tax (PPT)	7.2	7.6	6.4	7.1	3.5	0.6
Supplemental Petroleum Tax (SPT)	2.9	2.0	2.4	3.0	3.3	0.1
Corporation tax	4.1	3.7	3.9	3.9	3.2	1.9
Royalties	1.5	1.5	1.4	1.4	0.7	0.5
Unemployment Levy	0.8	0.8	0.7	0.7	0.4	0.0
Withholding Tax	0.6	0.5	0.4	0.4	0.5	0.4
Exercise Duty	0.1	0.1	0.1	0.1	0.1	0.1
Oil Impost[1]	0.1	0.1	0.1	0.1	0.1	0.1
Signature Bonus	0.0	0.0	0.0	0.0	0.0	0.0
Production Sharing Contracts	0.0	0.0	0.0	0.0	0.0	0.1

Sources: Ministry of Finance and the Central Bank of Trinidad and Tobago.

1 Oil Impost refers to a tax on petroleum producing companies to cover the administration expenses of the Ministry of Energy and Energy Industries.
2 Comprises Signature Bonus and Share of Profits (Production Sharing Contracts).
r Revised
re Revised Estimate

TABLE 11
CENTRAL GOVERNMENT RECURRENT EXPENDITURE[1]: A FUNCTIONAL CLASSIFICATION 2012/2013- 2016/2017
/ TT$ MILLION /

	FISCAL YEARS					
	2011/2012	2012/2013	2013/2014[r]	2014/2015[r]	2015/2016[re]	2016/2017[b]
ECONOMIC SERVICES	**3,161.3**	**6,187.6**	**8,792.9**	**6,407.2**	**3,959.4**	**3,935.5**
Energy	1,590.7	4,569.0	7,115.1	4,712.9	1,085.6	917.9
Agriculture, Land and Marine Resources[2]	598.6	569.7	699.6	626.9	786.0	749.0
Transport	972.0	1,048.9	978.2	1,067.4	2,087.8	2,268.6
SOCIAL SERVICES	**14,826.7**	**16,844.9**	**16,147.6**	**18,110.5**	**16,924.4**	**16,830.6**
Education[3]	5,727.7	6,620.5	6,478.8	7,249.7	5,769.1	4,965.2
Health	3,580.4	4,088.4	4,183.8	4,321.0	4,672.3	5,308.7
Housing	1,687.7	2,101.8	1,571.4	1,917.3	1,010.5	1,026.0
Small and Micro-Enterprise Development	146.4	154.6	162.6	165.4	431.5	410.2
Social Services[4]	3,684.5	3,879.6	3,751.0	4,457.1	5,041.0	5,120.5
PUBLIC SERVICES	**2,359.0**	**2,588.4**	**2,393.1**	**2,515.7**	**4,038.9**	**4,092.4**
National Security	2,359.0	2,588.4	2,393.1	2,515.7	4,038.9	4,092.4
OTHER5	**23,704.4**	**23,167.2**	**29,340.1**	**25,539.0**	**20,714.3**	**21,981.4**
TOTAL RECURRENT EXPENDITURE6	**44,051.4**	**48,788.1**	**56,673.7**	**52,572.4**	**45,637.0**	**46,839.9**

Sources: Ministry of Finance and the Central Bank of Trinidad and Tobago.

R Revised
re Revised Estimates.
b Budgeted
1 Classified according to recurrent expenditure allocated to the respective ministry head.
2 Includes Ministry of Food Production
3 Includes Ministry of Education, Ministry of Tertiary Education and Skills Training, Ministry of Science and Technology.
4 Includes Ministry of the People and Social Development, Ministry of Community Development, Ministry of Gender, Youth and Child Development, Ministry of National Diversity and Social Integration and Ministry of Social Development and Family Services.
5 Includes Office of the President, Auditor General, Judiciary, Industrial Court, Parliament, Service Commissions, Statutory Authorities, Elections and Boundaries Commission, Tax Appeal Board, Registration, Recognition and Certification Board, Public Service Appeal Board, Office of the Prime Minister, Tobago House of Assembly, Central Administrative Services, Tobago and all other Ministries. Other excludes Charges on Account of the Public Debt.
6 Represents Recurrent Expenditure from the Consolidated Fund only.

PUBLIC SECTOR DEBT

Latest data from the Ministry of Finance reveal that total public sector debt increased during the FY 2015/16 by $3.7 billion to $119.7 billion (81.4 per cent of GDP) (Table 12). The increase in public debt reflected the floating in 2016 ofa US$1 billion Eurobond and new borrowing on the domestic market for budgetary support. Excluding debt issued for sterilisation purposes (monetary policy purposes), public sector debt increased to $88.3 billion, equivalent to 60.1 per cent of GDP compared with 50 per cent of GDP one year earlier.

Contingent debt declined by $720.8 million to $31.1 billion at the end of September 2016, owing to larger principal repayments. Short term debt facilities totalling $3.7 billion matured during the FY 2015/16 and were replaced with the issuance of equivalent long term facilities[11]. Meanwhile, Petrotrin and the Regional Health Authorities (RHAs) borrowed US$180 million and TT$500 million, respectively on the domestic market.

Central Government domestic debt excluding contingent liabilities and debt issued for liquidity management rose 6.8 per cent to $35.9 billion in FY 2015/16. Borrowing for budgetary support amounted to slightly more than $4.7 billion in the FY 2015/16, up from $3.8 billion in the corresponding period one year earlier. During FY 2015/16, three major bonds were issued. In November 2015, the Government raised a floating rate bond with First Citizens Bank Limited for $1.5 billion with a tenor of five years. This bond was issued in two tranches. The first tranche, disbursed on November 30, 2015, was valued at $1.25 billion and carried an interest rate of 3.03 per cent. The remaining $0.25 billion was disbursed on December 15, 2015 at an interest rate of 3.1 per cent. Additionally, in May 2016, the Government borrowed approximately $1.2 billion through the Central Bank auction system. This bond matures in 12 years and carries an interest rate of 4.5 per cent. Finally, in June 2016, the Central Government issued a bond valued at $2.0 billion via private placement with Republic Bank Limited. This final bond carries a 14-year tenor and a fixed interest rate of 4.5 per cent per annum.

External debt outstanding increased by TT$7,514.9 billion to $21.3 billion at the end of September 2016. External disbursements amounted to US$1,046.8 million during the FY 2015/16. Most notable was a Eurobond valued at US$998.8 million raised on the international capital market in August 2016.

[11] These include bonds issued by the Urban Development Corporation of Trinidad and Tobago (UDECOTT) ($1 billion), the National Infrastructure Development Company (NIDCO) ($1.5 billion) and the Housing Development Corporation (HDC) ($1.2 billion).

This bond carries a fixed interest rate of 4.5 per cent and has a tenor of ten years. Additional disbursements included US$28.7 million from the Inter-American Development Bank (IDB) of which US$11.6 million was earmarked for the Neighbourhood Upgrading Programme[12], while US$8.6 million was geared towards the Multiphase Wastewater Rehabilitation Program[13]. Meanwhile, US$19.3 million was disbursed from the Export-Import Bank of China, of which US$12.1 million was for the development of six National Sporting Facilities, while the remaining US$7.2 million was allotted for the Couva Children's Hospital.

At the end of September 2016, most of the external debt stock was denominated in US dollars (88 per cent). The remaining 12.0 per cent was distributed among the Yuan (6.9 per cent), Yen (3.2 per cent), Euro (1.4 per cent) and the Australian Dollar (0.5 per cent). Regarding creditor composition, 65.2 per cent of the debt was owed to bondholders, 21.7 per cent to multilateral creditors, 9.2 per cent to bilateral creditors and 3.8 per cent to commercial creditors.

Central Government debt service obligations were lower in FY 2015/16, owing to smaller domestic repayments. Central Government domestic debt service declined to $3,410.6 million during the FY 2015/16, from $4,091.1 million in the corresponding period one year earlier. Meanwhile, external debt service repayments increased slightly to US$176.6 million from the US$168.7 million recorded in the previous year. Principal repayments totalled $76.5 million while interest payments amounted to $100.1 million.

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[12] The Neighbourhood Upgrading Program is geared towards improving housing and urban conditions for low income groups in Trinidad and Tobago. The cost of the program is US$50 million of which US$40 million is being financed through the IDB.

[13] The Multiphase Waste Water Rehabilitation Program is a program to assist the Government in aspects related to the rehabilitation and expansion of water and sewerage treatment plants in Trinidad and Tobago and to improve operational efficiency in WASA. The program consists of five phases the first of which costs $246.5 million. The entire program is funded by the IDB

Table 12
Total Public Debt, September 2012 - September 2016
/TT$ Million/

	End of Period				
	Sep-12[r]	Sep-13[r]	Sep-14[r]	Sep-15	Sep-16
Gross Public Debt	**87,928.2**	**90,929.3**	**97,180.3**	**115,976.0**	**119,676.0**
Central Government Domestic	**49,756.7**	**53,623.1**	**55,743.5**	**70,384.0**	**67,289.9**
Bonds/Notes	29,544.8	31,658.1	31,054.4	32,534.7	34,892.0
Of which: CLICO and HCU	17,384.4	19,438.0	19,127.9	18,595.7	17,987.7
Bolts and Leases	471.2	395.0	319.1	243.7	186.3
Treasury Bonds	0.0	1,559.3	2,559.3	2,559.3	2,559.3
Treasury Bills	13,930.0	14,200.0	15,108.0	25,038.2	19,788.9
Treasury Notes	5,000.0	5,000.0	5,892.0	9,197.5	9,052.8
Debt Management Bills	800.0	800.0	800.0	800.0	800.0
Other[1]	10.7	10.7	10.7	10.6	10.6
Central Government External	**10,583.3**	**9,198.4**	**12,654.6**	**13,759.6**	21,274.5
Contingent Liabilities	**27,588.2**	**28,107.8**	**28,782.2**	**31,832.4**	**31,111.6**
Government Guaranteed	21,302.2	20,094.8	18,597.3	17,299.2	15,287.1
Letters of Guarantee	6,286.0	8,013.0	10,184.9	14,533.2	15,824.5
			(Per Cent of GDP)		
Gross Public debt	53.4	53.8	57.7	75.0	81.4
Net Public Debt[2]	39.4	39.1	42.2	50.0	60.1
Central Government Domestic Debt[2]	16.2	17.0	17.6	20.5	24.4
Central Government External Debt	6.4	5.4	7.5	8.9	14.5
Contingent Liabilities	16.8	16.6	17.1	20.6	21.2
MEMO:					
Liquidity Absorption Bonds	4,073.9	4,073.9	2,540.0	1,840.0	0.0
Nominal GDP (Fiscal Year)[3]	164,654.4	169,039.0	168,402.6	154,626.0	146,994.7

Sources: Ministry of Finance and the Economy and the Central Bank of Trinidad and Tobago.

R Revised.
1 Comprises the outstanding balances of public sector arrears, tax-free saving bonds & Central Bank fixed interest rate bonds.
2 Includes the external and internal debt of the Central Government as well as contingent liabilities but excludes OMO Bills, Treasury Notes, Treasury Bonds and Liquidity absorption Bonds.
3 Sourced from the "Review of the Economy and converted into Fiscal Years.

CHAPTER 6 – MONETARY AND FINANCIAL DEVELOPMENTS

MONETARY POLICY

The Central Bank maintained a broadly accommodative monetary policy stance in 2016, holding its main policy rate constant throughout the year. The Bank held the Repo rate at 4.75 per cent at six successive meetings of the Monetary Policy Committee (MPC) in 2016, following consistent increases in 2015. The pause in rate increases was adopted to support the domestic economy. The Bank also considered that domestic inflationary pressures had eased and that pressures for capital outlflows from the local economy had also abated with the halt in interest rate increases by the Fed. The Bank also continued its active liquidity management strategy during 2016.

Liquidity levels in the domestic banking system increased during 2016, despite weaker impetus from Government spending. Commercial banks' holdings of excess reserves rose to a monthly average of $4.0 billion from $3.4 billion in 2015. Net domestic fiscal injections, the main driver of liquidity, amounted to $8,299 million, approximately 37.1 per cent lower than in 2015 partly on account of significantly curtailed Governent revenues. Though domestic fiscal injections were lower on an annual basis, the maturity of commercial banks' special fixed deposits and lower indirect liquidity extractions as a result of reduced foreign exchange sales to authorized dealers help explain the increase in whole-year liquidity.

Over the first six months of the year, the Bank allowed net injections of $283 million via net open market operations (OMOs) and did not roll over commercial banks' special fixed deposit valued at $1.0 billion upon maturity in May. Liquidity also built up in anticipation of Government's borrowing on the domestic bond market. During the year Government issued three bonds domestically valued at $4.2 billion in total. **Over the second half of 2016** excess liquidity levels tightened significantly, and averaged $3.4 billion **daily over the period**. Open market operations extracted $1.2 billion over July to December 2016 and $957.2 million for the whole year. Two large CLICO-related payments to the Government in July and August withdrew $2.6 billion from the financial system. Meanwhile, although not a liquidity absorption tool, Central Bank sales of foreign exchange to authorized dealers indirectly removed $11,928 million from the system in 2016, 28.1 per cent less than in 2015.

The level of interbank borrowing varied during the year in accordance with liquidity conditions, but declined significantly for the whole of 2016. Interbank activity for 2016 totalled $5.6 billion at a daily average level of $22.6 million. This compares with interbank activity of $28.9 billion in 2015 at a daily average of $116.4 million.

Interest rates were generally stable over the course of 2016. The median prime lending rate of commercial banks remained at 9.00 per cent throughout the year in the context of an unchanged Repo rate, after increasing from 8.93 per cent in January. Short-term Treasury rates, rose only marginally in 2016. Changes in the differentials between the TT short term Treasury rates and those of the US were therefore mainly on account of movements in the US rates. The differential on the 91-day Treasury bill reached as high as 99 basis points in March, but had fallen back to 69 basis points at the end of 2016, influenced in part by the rise in the Fed's policy rate hike in December.

Commercial banks' lending rates rose overall in 2016, but towards the end of the year evidence was emerging of a softening in rates. The commercial banks' weighted average lending rate rose by 50 basis points between December 2015 and December 2016 to reach 8.24 per cent. However, the weighted average lending rate on new loans had fallen to 8.22 per cent in December (and further to 8.16 per cent in January 2017) from 8.64 per cent in August 2016. Rates on new mortgage loans were also trending downward.

Meanwhile, interest rates on deposits, rose, but by just four basis points in comparison with the more substantial increase in loan rates (50 basis points). Thus the loan-rate deposit-rate spread in 2016 rose by 46 basis points following a fall in 2015. The decrease in interbank activity throughout 2016 saw the interbank borrowing rate decrease from 0.72 per cent in 2015 to 0.56 per cent in 2016.

The growth of private sector credit by the consolidated financial system slowed markedly, albeit gradually, over 2016. The deterioration was, however, most distinct among the non-banks, where credit actually declined, by 3.9 per cent. In contrast, lending by the commercial banks expanded by 4.1 per cent in December 2016, which was considerably slower than in December 2015 (6.1 per cent).

Credit to businesses deteriorated once more over 2016, following lacklustre growth in 2015. Lending to businesses rose marginally by 0.3 per cent year-on-year by December 2016 compared with growth of 2.9 per cent in 2015. However, this represented somewhat of a recovery following consecutive monthly year-on-year declines since June 2016. In December loans to businesses showed notable slippages in lending to the construction (-5.1 per cent), distribution (-1.3 per cent) and petroleum (-22.6 per cent) sectors, while the finance, insurance and real estate sector rebounded (11.1 per cent). Lending to the manufacturing sector expanded (11.9 per cent), largely due to borrowing by companies within the Chemicals and Non-Metallic Minerals sub-sector.

Growth in consumer credit gradually softened over the year, increasing by 6.6 per cent in December 2016 compared with growth of 8.7 per cent in December 2015. Within the consumer credit sector, the demand for loans to purchase motor vehicles—particularly new vehicles—eased notably. This aligns with Distribution sector data which show sales of new motor vehicle dropped by 13.7 per cent. Lower vehicle purchases might have been influenced by the implementation of increased taxes on vehicles with engine sizes exceeding 1999cc that came into effect on May 20, 2016[14.] Meanwhile, home improvement/renovation loans also decelerated (3.7 per cent from 8.1 per cent). However, loans for other purposes improved (9.5 per cent from 3.4 per cent), on account of a surge in credit card balances (13.7 per cent from 3.9 per cent).

The growth of real estate mortgage lending continued to slow over 2016. Growth in real estate mortgage loans decelerated to 4.4 per cent at the close of 2016 compared with 8.9 per cent in 2015. Consumers' and businesses' real estate mortgages decelerated notably (4.4 per cent and 4.6 per cent, respectively) following robust growth rates in 2015 (7.8 per cent and 11.4 per cent). Consumer real estate mortgage loans slowed broadly, including for existing houses, new homes and for land. However, loans for renovations accelerated. The slowing real estate mortgage market has yet to impact house prices and the median house price for 2016 remained fairly stable at $1.25 million compared to $1.2 million in 2015.

Foreign currency loans to the private sector declined substantially over 2016 given the reduced availability of foreign exchange. Foreign currency loans (almost 10.0 per cent of private sector credit) declined by 3.4 per cent on average for 2016, compared with average growth of around 3 per cent over 2015. Foreign currency loans to businesses, which comprise over 80 per cent of total foreign currency loans and over 20 per cent of business loans, also declined by 4.3 per cent on average over the year, compared with growth of 3.4 per cent over 2015.

The main monetary aggregates grew at a subdued pace in 2016. M1-A, which comprises currency in active circulation and demand deposits, rose by 1.2 per cent on average over 2016, compared with 0.2

[14] Sales of vehicles in this category declined by 36.9 per cent in 2016. With effect from May 20, 2016, the customs duty and motor vehicle tax were increased by 50 per cent on vehicles with engine sizes exceeding 1999cc. This, however, did not apply to commercial vehicles such as taxis, maxi-taxis, good vehicles, agricultural vehicles, trucks, private school buses and vehicles used for public purposes.

per cent over 2015. The broad measure of the money supply, M-2, which includes M1-A plus savings and time deposits, slowed to 2.8 per cent compared to growth of 3.9 per cent in 2015.

Foreign currency deposits of the consolidated financial system continued to expand in 2016. On a year-on-year basis, total foreign currency deposits grew by 8.8 per cent in December 2016, following growth of 5.4 per cent in 2015. The increase was driven by a notable pickup in foreign currency deposits held by the business sector (27.5 per cent), while consumers' foreign currency deposits decelerated over the year (3.2 per cent).

FOREIGN EXCHANGE MARKET

Consistent with the country's lower export earnings, authorized dealers' purchases of foreign exchange from the public declined 13.2 per cent from the total in 2015 to US$4,289 million in 2016. Purchases from the energy sector accounted for 66.6 per cent of all inflows in 2016. On the other hand, authorized dealers sold US$5,777 million in foreign exchange to the public, a decline of 21.8 per cent in sales from 2015. The Retail and Distribution sector was the main driver of foreign exchange sales, accounting for 30.8 per cent. Credit cards absorbed 24.3 per cent of sales, Manufacturing accounted for 13.2 per cent and the Automobile companies absorbed 7.6 per cent of sales. Overall, the net sales gap decreased to US$1,488 million in 2016 from US$2,441 million in 2015. In 2016, the Central Bank supported the market with sales of US$1,812 million to authorized dealers, a decrease of 31.4 per cent from the US$2,641 million sold in 2015. In December 2016, the weighted average selling rate stood at TT$6.7802 per US dollar, a depreciation of 5.4 per cent from TT$6.4342 per US dollar in December 2015.

Chapter 7 – Capital Markets

Stock Market

Strong performances of regionally listed stocks assisted the domestic stock exchange in achieving a notable gain in 2016 (Figure 1). Over the year, the Composite Price Index (CPI) recorded an overall 4.1 per cent gain, supported largely by the Cross Listed Index (CLI), which soared 57.9 per cent. However, the All Trinidad and Tobago Index (ATI) index declined by 5.9 per cent year-on-year, reflecting the challenging conditions in the domestic economy. Total stock market capitalization gained 4.2 per cent during the year to end 2016 at $118.3 billion.

The sub-indices on the domestic stock exchange also displayed mixed performances over 2016 (Figure 2 and 3). The Banking sub-index expanded by 13.0 per cent over the year, driven by the regionally listed First Caribbean International Bank Limited and National Commercial Bank of Jamaica, which jumped 69.7 per cent and 42.9 per cent, respectively. The Manufacturing II sub-index gained 4.3 per cent, supported by Berger Paints Trinidad Limited and Trinidad Cement Limited which both witnessed increases in their share price of just over 10.0 per cent. The Trading sub-index also increased by 4.3 per cent, buoyed by Prestige Holdings Limited (8.9 per cent) while the Conglomerates sub-index added 1.9 per cent due to GraceKennedy Limited whose three-way stock split[15] prompted a 97.8 per cent increase in share price. The sub-indices which experienced declines were Manufacturing I (-0.8 per cent), Energy (-2.3 per cent), Property (-5.9 per cent), and Non-Bank Finance which dropped 11.7 per cent due to a significant fall in the share price of National Enterprise Limited (-34.9 per cent) and despite strong double-digit movements in regionally listed Non-Bank Finance stocks.

While trading volumes on the domestic stock market were higher, total trading values were significantly lower in 2016. Over the year, almost 92.0 million shares were exchanged compared to 78.2 million in 2015. However, the total value of shares traded in 2016 was recorded at $951.8 million while 2015 logged a total value of $1,152.9 million.

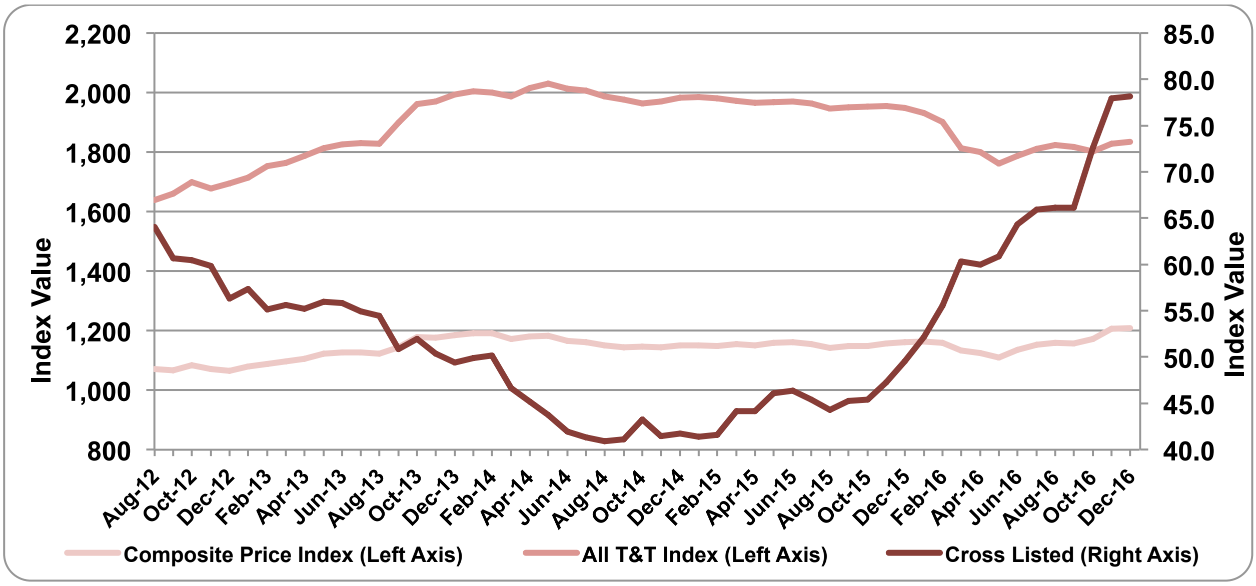
A noteworthy development in the domestic capital market was the successful acquisition of Trinidad Cement Limited (TCL) by Cemex. Under its subsidiary Sierra Trading, Cemex presented an initial Offer and Take-Over Bid on December 5, 2016 to the Board of Directors of TCL to acquire just over 132.6

[15] In June 2016, the Board of Directors of GraceKennedy Limited approved a recommendation for a three-for-one sub-division of its ordinary shares in an effort to make the stock units more accessible to investors and to increase liquidity in the trading of the company's stock. By July 11th 2016, GraceKennedy shareholders voted unanimously in favour of a three-for-one stock split at an extraordinary general meeting.

million TCL shares at a price of TT$4.50 per share. Following discussions by the TCL board, which recommended rejecting the initial offer, Cemex presented an amended offer on January 9, 2017 of TT$5.07 or US$0.76 per share. By January 25, 2017 the count of shares deposited in response to the amended offer exceeded 114 million, which increased Cemex's total shareholding in TCL to just over 70.0 per cent. The success of the offer and take-over bid was likely due to the option offered shareholders to be paid in US dollars for deposited TCL shares. The offer and take-over bid resulted in TCL's share price jumping by 28.7 per cent to $4.40 over the second half of 2016.

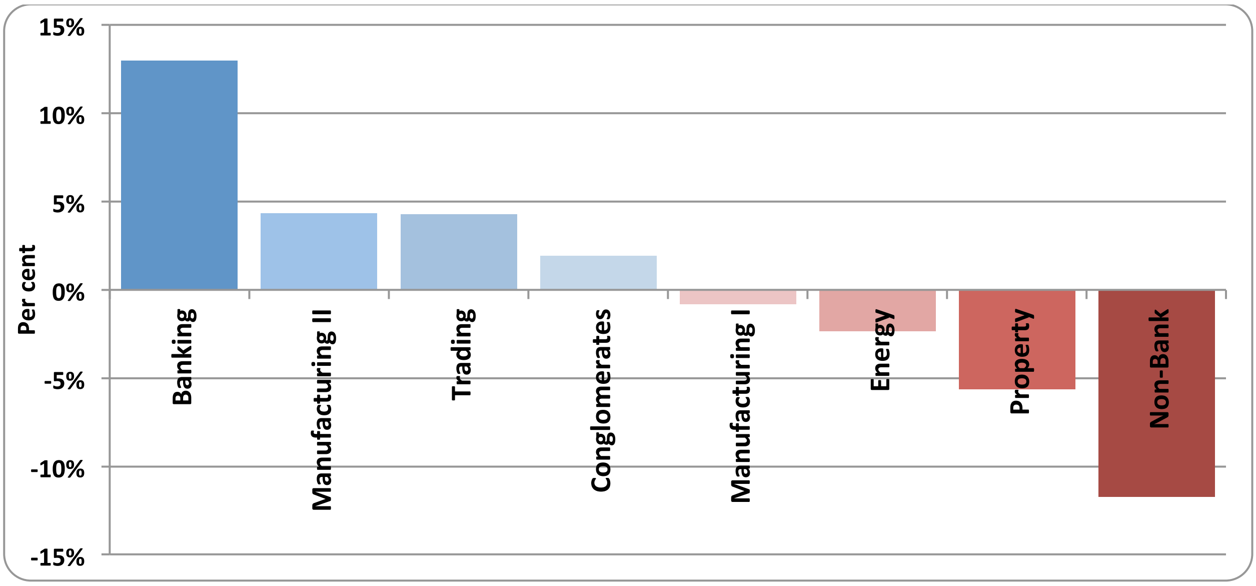
Listings on the domestic stock market also increased earlier in 2016 with the listing of the Trinidad and Tobago Unit Trust Corporation's newest equity-based mutual fund, the Calypso Macro Index Fund. The closed-ended fund was listed on the exchange on Monday January 11, 2016 at an initial entry price of $25 per unit and a total market capitalization of TT $500 million. The fund offered an investment distribution of 35 per cent in funds traded on the Global Energy Index and 65 per cent in securities listed on the All Trinidad and Tobago Index. The fund was fully subscribed over the investment period with a final allocation of just over 20 million units. Reflective of the challenging conditions in the international energy markets and the weak performance of the ATI, the Calypso Macro Index Fund experienced a 12.4 per cent decline in its share price with its market capitalization falling to just over $442 million over 2016.

FIGURE 1
TRINIDAD AND TOBAGO STOCK INDICES



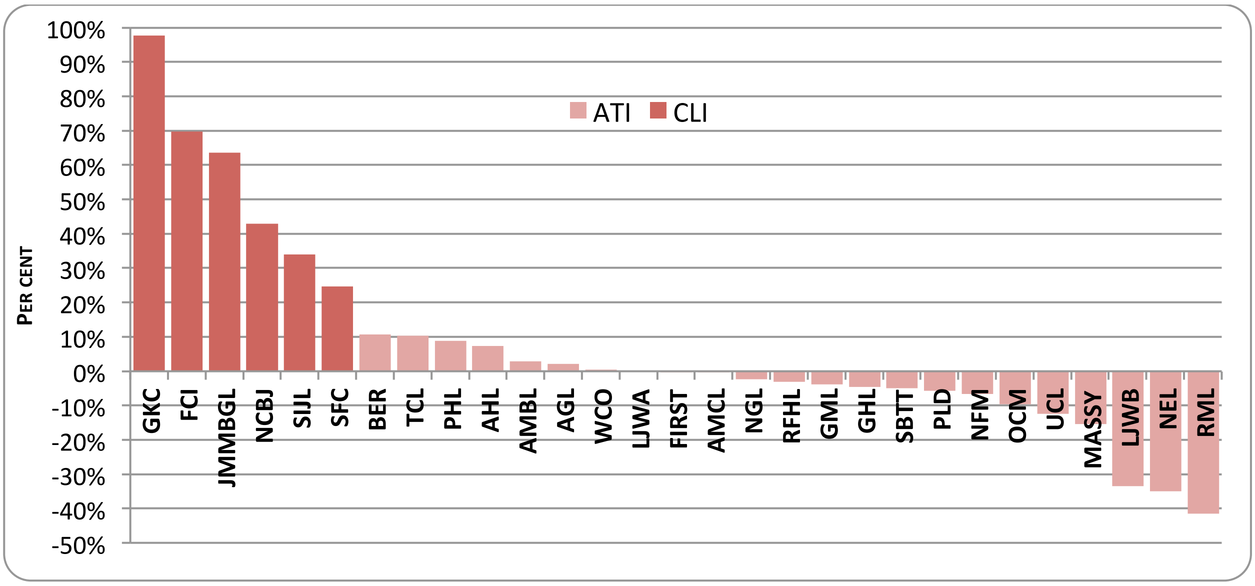
Source: Trinidad and Tobago Stock Exchange (TTSE).

FIGURE 2
TRINIDAD AND TOBAGO STOCK MARKET SUB-INDICES
(YEAR-TO-DATE, ENDING DECEMBER 2016)



Source: Trinidad and Tobago Stock Exchange (TTSE).

FIGURE 3
TRINIDAD AND TOBAGO INDIVIDUAL STOCK INDICES
(YEAR-TO-DATE, ENDING DECEMBER 2016)



Source: Trinidad and Tobago Stock Exchange (TTSE).

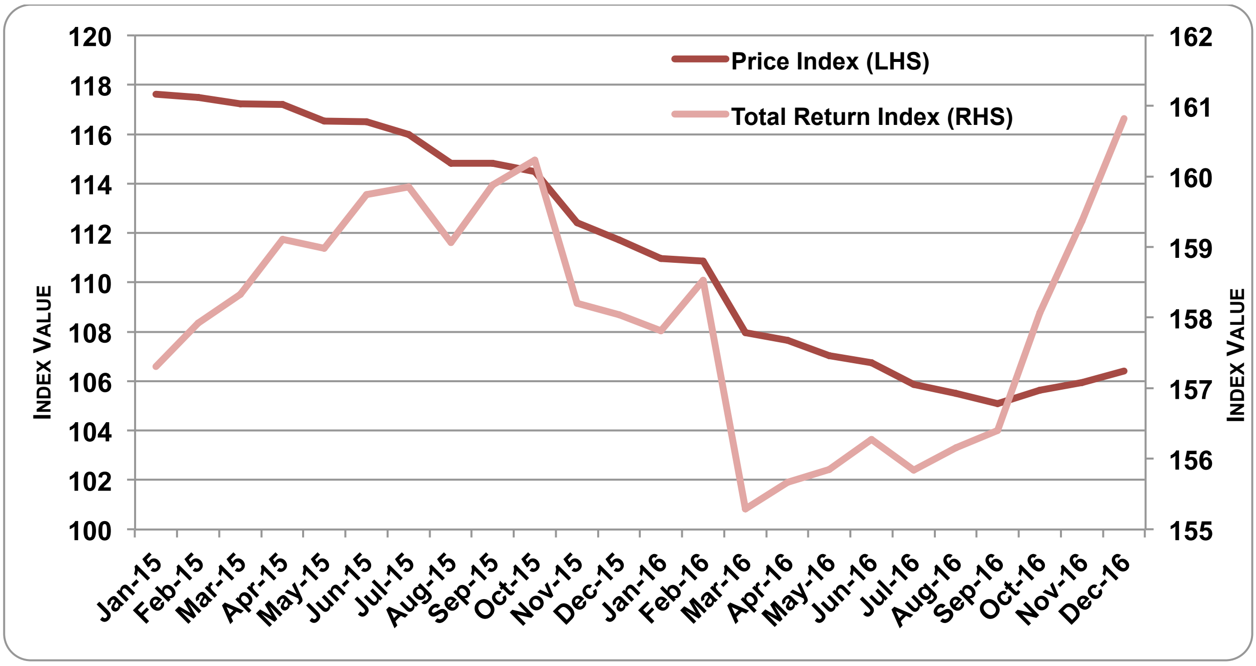
PRIMARY DEBT MARKET

Activity on the domestic primary debt market increased in 2016 compared to the previous year. Provisional data suggests that there were 15 primary debt issues at a value of approximately $7,547.9 million on the domestic bond market during 2016 compared to 12 issues at roughly $6,496.9 million in 2015 **(Table 13)**. In light of declining revenues, the Central Government continued to be the largest borrower. During the year, the Central Government issued three (3) primary bonds financing $4,162.9 million while in the previous year the Government had raised almost $3,475.3 million with four (4) primary issues. Three state enterprises – National Infrastructure Development Co. Ltd (NIDCO), Trinidad and Tobago Mortgage Finance (TTMF), and Urban Development Corporation of Trinidad and Tobago Limited (UDECOTT) – accessed the domestic market in 2016, with six primary issues, acquiring $2,132.4 million in funding. In comparison, three primary issues were offered by state enterprises, financing $1,557.5 million in 2015. Three private sector companies – HADCO Limited, Milshirv Properties Limited and Sagicor – also accessed the domestic market, raising $1,177.0 million in 2016 compared to $1,342.9 million raised by the private sector in 2015.

Domestic entities also accessed the international capital market through two major bond issues. The first occurred in August 2016 with the Central Government issuing a US$1.0 billion 10-year bond at a coupon rate of 4.5 per cent. The bond was oversubscribed, generating US$3.5 billion in orders. Additionally, in November, Trinidad Generation Unlimited (TGU) issued a US$600 million amortizing bond maturing in 2027 with a 5.25 per cent coupon. This bond was also oversubscribed, attracting US$2.4 billion in orders. The bond was used for refinancing purposes.

Trading activity on the secondary Government bond market was significantly stronger in 2016. Over the year, 155 trades were conducted at a face value of $1,722.3 million. In comparison, a total of 31 trades with a face value of $71.6 million were observed in 2015. This increased activity is likely due to continued portfolio adjustments in light of increasing yields experienced during the start of the year. Furthermore, despite some relative flattening of Treasury yields over the second half of 2016, the Central Government Price Index continued to decline. Over the year, the Price Index fell by 4.7 per cent, compared to a 5.0 per cent decline in 2015. Conversely, the Total Return Index improved by 1.8 per cent in 2016, following a marginal improvement of 0.8 per cent in the previous year (Figure 4).

FIGURE 4
CENTRAL GOVERNMENT OF TRINIDAD AND TOBAGO BOND INDICES
(JAN 2010 = 100)



Source: Central Bank of Trinidad and Tobago.

TABLE 13

PRIMARY DEBT SECURITY ACTIVITY

JANUARY – DECEMBER 2016 [P]

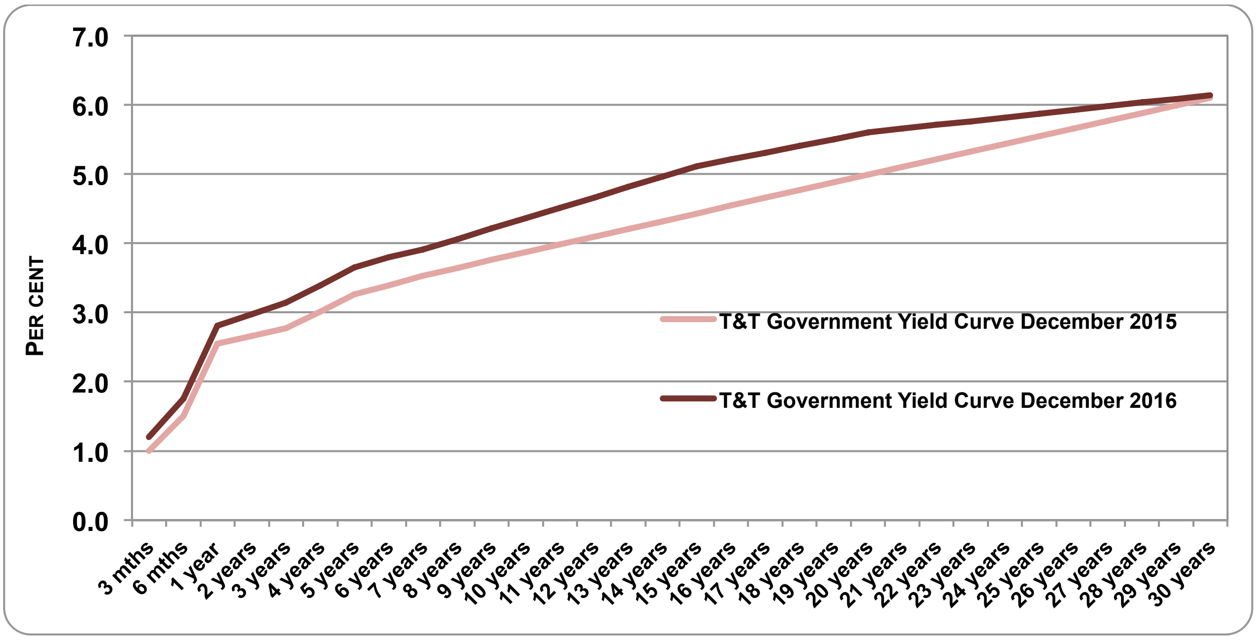
PERIOD ISSUED	BORROWER	FACE VALUE (TT$ M)	PERIOD TO MATURITY	COUPON RATE PER ANNUM (PER CENT)	PLACEMENT TYPE
January	TTMF – Series 1	53.7	6 years	Fixed Rate 4.62%	Private
	HADCO	30.0	11.25 years	Fixed Rate 6.00% Monthly Amortizing	Private
February	TTMF – Series 2	14.0	10 years	Floating Rate 4.52% - Reset after 5th year	Private
March	Sagicor Financial Corporation	494.8 (US $75.0 M)	1 year	Fixed Rate 5.00%	Private
April	Milshirv Properties Limited	130.8	20 years	Fixed to Floating Rate 6.00%	Private
May	Central Government of Trinidad and Tobago	1,162.9	12 years	Fixed Rate 4.50%	Public
June	National Infrastructure Development Co. Ltd (NIDCO)	1,500.0	15 years	Fixed Rate 4.90%	Private
	Central Government of Trinidad and Tobago	2,000.0	14 years	Fixed Rate 4.50% Amortizing	Private
July	TTMF – Multiple Series	174.6	Multiple	Multiple	Private
August	Central Government of Trinidad and Tobago	6,687.1 (US $1.0 B)	10 years	Fixed Rate 4.50%	Private
September	Home Mortgage Bank – Multiple Series	61.6	2.3 years	Multiple Rates	Private
	TTMF	300.0	1 year	Fixed Rate 4.15%	Private
November	Home Mortgage Bank	14.0	2 years	Fixed Rate 3.75%	Private
	Trinidad Generation Unlimited (TGU)	4,044.0 (US $600 M)	11 years	Fixed Rate 5.25%	Private
	Urban Development Corporation of Trinidad and Tobago Limited (UDECOTT)	90.0	5 years	Fixed Rate 3.30%	Private
December	HADCO	15.0	1 year	Fixed Rate 6.0%	Private
	Central Government of Trinidad and Tobago	1,000.0	6 years	Fixed Rate 3.80%	Public
	Sagicor Financial Corporation	506.4 (US $75.0 M)	2.7 years	Fixed Rate 4.85%	Private

Source: Central Bank of Trinidad and Tobago.

[p] Provisional

The Central Government yield curve generally continued to trend upward over 2016 despite some flattening of the yields observed during the second half of the year (Figure 5). Over the year, the 3-month and 1-year Treasury rates increased by 20 basis points to 1.20 per cent and 26 basis points to 2.81 per cent, respectively. Comparatively, in the previous year, the 3-month and 1-year rates jumped by 89 basis points and 184 basis points respectively. On the longer end of the curve, the major 10-year rate moved up by 49 basis points to 4.36 per cent at the end of 2016, following a 115 basis point surge in the previous year.

FIGURE 5
TT TREASURY YIELD CURVE



Source: Central Bank of Trinidad and Tobago.

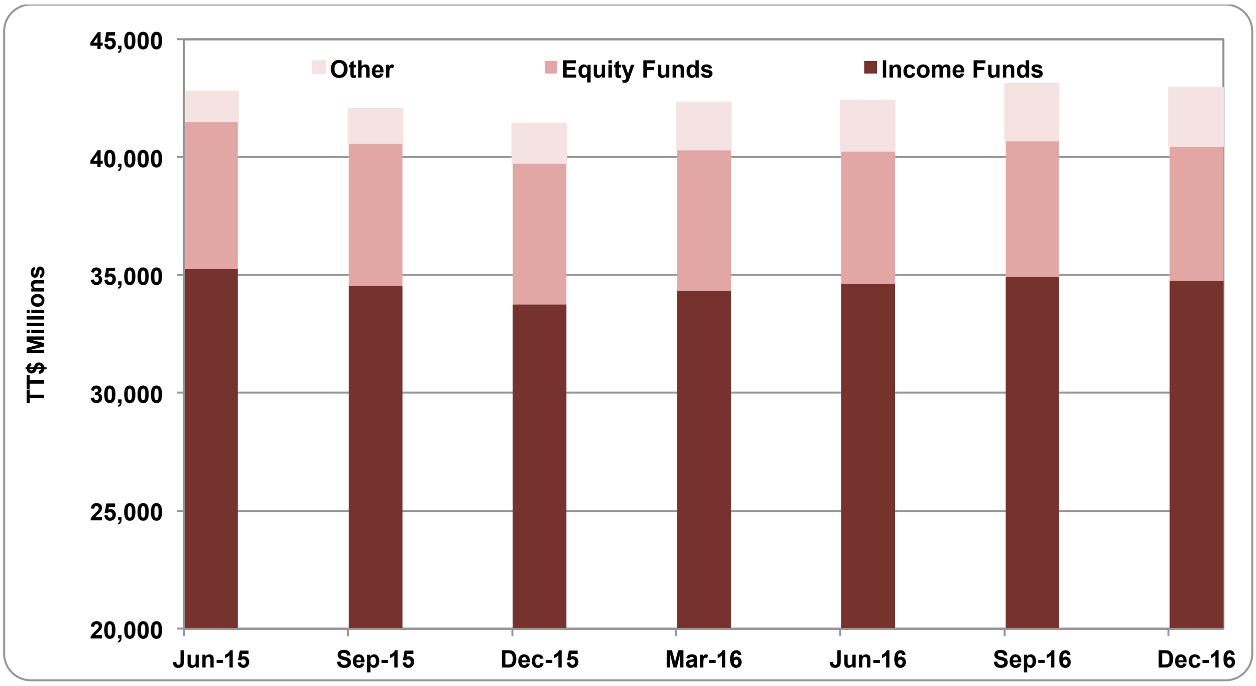
MUTUAL FUNDS

Following a contraction in 2015, the local mutual funds industry rebounded during 2016. Over the year, aggregate funds under management[16] rose by 3.7 per cent to $42.9 billion compared to a 1.4 per cent decline in the same period one year prior (Figure 6). Income funds, which represent the largest share of the industry, grew by 3.0 per cent to $34.8 billion in 2016 following a 3.0 per cent decline in 2015. Furthermore, following a marginal 0.7 per cent improvement in 2015, equity funds under management fell by 5.4 per cent to just under $5.7 billion during 2016, reflecting the overall decline of locally listed stocks on the domestic stock exchange. On the other hand, funds classified as "Other", which represent money market funds and special purpose funds, continued to outperform, expanding by 50.0 per cent to roughly $2.5 billion in 2016. This was likely due to investors seeking higher yielding investments. In terms of currency profile, over 2016, US dollar funds expanded by 8.8 per cent to TT equivalent $8.9 billion, while TT dollar funds grew by 2.4 per cent to $34.0 billion. In comparison, during the same period in 2015, US dollar and TT dollar funds declined by 0.6 per cent and 1.6 per cent respectively.

Over the year, the industry witnessed net sales of $399.6 million, comprised of total sales of $15,033.7 million and total redemptions of $14,634.1 million. In comparison, over the previous year, net sales of $199.9 million were recorded with $14,345.3 million in total sales and $14,045.2 million in total redemptions.

[16] Aggregate funds under management refer to mutual fund information collected by the Central Bank of Trinidad and Tobago, including funds managed by the Trinidad and Tobago Unit Trust Corporation, Royal Bank Trinidad and Tobago, Republic Bank Limited and First Citizens Bank Limited.

FIGURE 6
MUTUAL FUNDS - AGGREGATE FUND VALUES



Source: Central Bank of Trinidad and Tobago.

CHAPTER 8 – INTERNATIONAL TRADE AND PAYMENTS

BALANCE OF PAYMENTS

(Data in this section are in US dollars unless otherwise indicated)

Data for the first nine months of 2016 revealed that the balance of payments for Trinidad and Tobago recorded a surplus of $75.8 million (0.5 per cent of GDP). This marked an improvement from the deficit of $1,037.9 million (5.8 per cent of GDP) for the corresponding period of 2015 **(Table 14A)**. The data point to significant declines in the estimated value of merchandise exports, which pushed the external current account into deficit. Meanwhile, the financial account recorded a net inflow of $1,811.8 million over the nine-month period, largely on account of the movements in portfolio investment. Trinidad and Tobago's gross official reserves amounted to $10,008.8 million at the end of September 2016, compared with $9,933.0 in December 2015, representing 11.2 months of prospective imports of goods and non-factor services.

The estimated overall deficit on the current account of $1,607.4 million (9.7 per cent of GDP) was underpinned by a merchandise trade balance deficit of $872.0 million as subdued activity in the energy sector affected trade. According to estimates by the Central Bank, total merchandise exports in the first nine months of 2016 declined by 31.0 per cent from in the corresponding period in 2015. Energy exports amounted to $4,632.4 million, $2,154.6 million less than the similar period of 2015 as a result of lower energy prices and production[17]. Within energy, natural gas exports experienced the largest decline, falling by an estimated 47.5 per cent to $967.8 million. Crude oil exports were lower by an estimated 36.3 per cent. Non-energy exports were also down substantially.

Total merchandise imports during the nine months to September 2016 increased by $550.5 million to an estimated total of $6,811.0 million. The increase can be explained by higher imports of crude oil for use as feedstock in the local refinery given the fall-off in local oil production. On the non-energy side, the dampened economic conditions may have influenced a fall of 4.4 per cent in non-energy imports. While details are not available from the trade estimates, the available data for the distribution sector point to significant fall-off in purchases of items such as new cars purchases. The contraction in foreign exchange supplies in the domestic market may have also affected the level of these imports.

[17] See Chapter 2 - National Accounts and Chapter 10 - International Commodities Markets.

The deficit on the services sub-account increased marginally by $0.5 million to $804.2 million. This was mainly a reflection of smaller surpluses in transport ($169.0 million) and travel services ($253.5 million), down 15.3 per cent and 13.0 per cent respectively, relative to the first nine months of 2015. Meanwhile, insurance and pension services registered a lower deficit of $109.2 million in the nine months to September 2016, compared to a deficit of $167.8 million in the corresponding period one year earlier.

The primary income account revealed a turnaround in the first nine months of 2016, recording a surplus of $62.9 million, relative to the previous year's deficit of $486.0 million. Investment income recorded a surplus of $194.6 million during the review period, compared to the deficit of $401.8 million in 2015 as foreign-owned energy companies lowered their repatriations of earnings abroad. Meanwhile, the secondary income balance improved to $5.8 million as private outbound transfers declined.

The financial account recorded a net inflow of $1,811.8 million in the first nine months of 2016, a shift from the net outflow of $45.4 million registered in the similar period of 2015. Over the first nine months of 2016, the portfolio investment sub-account recorded a net inflow of $1,212.9 million, compared to an outflow of $819.4 million in the year earlier period, due to a reduction in foreign assets held by domestic investors coupled with higher non-resident holdings of domestic bonds. A withdrawal of $375 million from the Heritage and Stabilization Fund during the second quarter of 2016 contributed to the decline in local investors' holdings of foreign assets. Meanwhile, direct investment recorded a net inflow of $351.9 million, lower than the previous year's inflow of $331.4 million. Direct investment assets fell by $248.7 million in the first nine months of 2016 as foreign equities held by the financial sector decreased. Meanwhile, direct investment liabilities fell by $103.2 million as the reinvestment of earnings in the domestic economy by multinational energy companies declined. The net inflow on the other investment sub-account narrowed by $193.3 million to $246.9 million in the first nine months of 2016, reflecting increased gains in trade credits due to non-residents. However, this growth was somewhat offset by increases in loans and other assets held abroad by residents of Trinidad and Tobago.

Gross official reserves amounted to $9,465.8 million at the end of December 2016, compared with $9,933.0 million in December 2015. This represents 10.5 months of prospective imports of goods and non-factor services. Furthermore, it suggests that the external accounts registered an overall deficit of $467.2 million in 2016.

Table 14A

Trinidad and Tobago: Summary Balance of Payments

(US$Million)

	2011	2012	2013	2014	2015p	Jan-Sep 2015p	Jan-Sep 2016p
Current Account	**4,134.1**	**3,223.7**	**5,302.5**	**3,841.3**	**773.1**	**1,014.5**	**-1,607.4**
Goods and Services	**7,145.4**	**5,586.6**	**6,952.4**	**5,702.1**	**1,385.2**	**1,532.1**	**-1,676.2**
Goods, net*	7,879.5	6,440.1	7,596.8	6,406.3	2,512.4	2,335.9	-872.0
Exports	17,041.3	16,324.7	17,593.1	14,964.5	11,113.9	8,596.3	5,939.0
Energy	14,694.9	13,189.9	14,036.3	12,491.5	8,750.7	6,787.0	4,632.4
Non-energy	2,346.4	3,134.8	3,556.7	2,473.0	2,363.2	1,809.3	1,306.6
Imports	9,161.8	9,884.5	9,996.2	8,558.2	8,601.5	6,260.4	6,811.0
Energy	3,981.9	3,829.8	4,508.6	2,867.7	2,428.4	1,726.1	2,476.8
Non-energy	5,179.9	6,054.8	5,487.7	5,690.5	6,173.1	4,534.4	4,334.2
Services, net	-734.1	-853.5	-644.4	-704.3	-1,127.3	-803.7	-804.2
Primary income, net	-3,031.7	-2,399.8	-1,675.5	-1,839.5	-570.5	-486.0	62.9
Secondary income, net	20.4	36.8	25.6	-21.2	-41.6	-31.5	5.8
Capital Account	**0.1**	**-0.6**	**1.0**	**0.3**	**0.5**	**0.5**	**-0.3**
Financial Account	**1,089.2**	**3,943.4**	**-37.8**	**103.8**	**408.7**	**45.4**	**-1,811.8**
Direct investment	**12.7**	**2,038.7**	**1,196.9**	**-689.3**	**-253.4**	**-331.4**	**-351.9**
Net acquisition of financial assets	67.2	189.4	62.5	-17.7	152.7	90.3	-248.7
Net incurrence of liabilities	54.6	-1,849.3	-1,134.4	671.6	406.1	421.7	103.2
Portfolio investment	**1,165.5**	**1,587.9**	**142.6**	**846.0**	**870.2**	**819.4**	**-1,212.9**
Net acquisition of financial assets	1,090.9	1,130.8	574.1	739.1	743.4	706.4	-306.2
Net incurrence of liabilities	-74.5	-457.1	431.5	-107.0	-126.8	-113.0	906.7
Financial derivatives	**-1.9**	**-2.6**	**4.2**	**-3.2**	**-1.0**	**-2.4**	**0.0**
Net acquisition of financial assets	-1.9	-2.3	3.9	-1.8	-1.9	-2.2	-0.4
Net incurrence of liabilities	0.0	0.2	-0.2	1.3	-0.9	0.2	-0.4
Other investment	**-87.0**	**319.3**	**-1,381.5**	**-49.8**	**-207.2**	**-440.2**	**-246.9**
Net acquisition of financial assets	88.5	-271.9	-1,426.9	254.6	-672.0	-751.7	-23.4
Net incurrence of liabilities	175.4	-591.2	-45.4	304.4	-464.8	-311.4	223.5
Net errors and omissions	**-2,243.4**	**108.1**	**-4,536.1**	**-2,416.6**	**-1,929.1**	**-2,007.6**	**-128.2**
Overall Balance	**801.6**	**-612.2**	**805.2**	**1,321.3**	**-1,564.2**	**-1,037.9**	**75.8**
Per Cent of GDP							
Current Account	**16.2**	**12.5**	**20.0**	**14.6**	**3.3**	**5.7**	**-9.7**
Goods, net	30.9	25.0	28.6	24.4	10.6	13.1	-5.3
Exports	66.9	63.3	66.3	57.0	47.0	48.4	35.9
Imports	36.0	38.3	37.7	32.6	36.4	35.2	41.1
Services, net	-2.9	-3.3	-2.4	-2.7	-4.8	-4.5	-4.9
Primary income, net	-11.9	-9.3	-6.3	-7.0	-2.4	-2.7	0.4
Overall balance	**3.1**	**-2.4**	**3.0**	**5.0**	**-6.6**	**-5.8**	**0.5**
Memorandum Items							
Gross Official Reserves**	9,982.8	9,370.7	10,175.9	11,497.1	9,933.0	10,459.2	10,008.8
Import Cover (months)**	13.7	10.6	12.2	12.9	11.2	11.9	11.2

Source: Central Bank of Trinidad and Tobago.

Note: This table is an analytical presentation of the Balance of Payments and is presented in the accordance with the IMF's Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). Refer to Box 3 of the Economic Bulletin, January 2017 for a Technical Note on the Transition to BPM6.

p Provisional.
* Energy goods data for 2011-2016 comprise estimates by the Central Bank of Trinidad and Tobago.
** End of Period.

INTERNATIONAL INVESTMENT POSITION

(Data in this section are in US dollars unless otherwise stated)

Trinidad and Tobago's net international investment position deteriorated by $9.1 million to $6,647.5 million in the first nine months of 2016 when compared with 2015 (Table 14B). International assets decreased by 2.7 per cent to $24,276.5 million primarily on account of a 37.9 per cent fall in direct investment to $493.1 million at the end of September 2016. However, this decline was somewhat offset by a marginal increase in reserve assets which amounted to $10,008.8 million. The proceeds of a Central Government bond issue in August 2016 was the main factor contributing to the uptick in reserves.

Meanwhile, the country's international liabilities continued on a downward trajectory in 2016. International liabilities amounted to $17,629.0 million at the end of September 2016, compared to the total of $18,290.6 million as at December 2015. Lower direct investment liabilities on account of reduced reinvestment of earnings in the energy sector largely contributed to the falloff in overall international liabilities. However, this decline was partially mitigated by an increase in portfolio investment liabilities of $825.8 million, which includes an increase in non-resident holdings of domestic bonds.

TABLE 14B

TRINIDAD AND TOBAGO: INTERNATIONAL INVESTMENT POSITION (AT END OF PERIOD)

(US$ MILLION)

	2011	2012	2013	2014	2015p	Sep-2016p
Net International Investment Position	**428.7**	**3,884.8**	**4,945.5**	**7,038.2**	**6,656.6**	**6,647.5**
Assets	**22,083.3**	**22,697.4**	**23,751.9**	**26,006.3**	**24,947.2**	**24,276.5**
Direct investment	426.7	555.2	616.2	599.5	794.5	493.1
Portfolio investment	5,124.3	6,290.6	7,834.6	8,611.2	9,585.2	9,356.0
Financial derivatives	2.3	0.0	3.9	2.1	0.2	0.0
Other investment	6,547.2	6,481.0	5,121.2	5,296.3	4,634.3	4,418.7
Reserve assets	9,982.8	9,370.7	10,175.9	11,497.1	9,933.0	10,008.8
Liabilities	**21,654.6**	**18,812.6**	**18,806.4**	**18,968.1**	**18,290.6**	**17,629.0**
Direct investment	12,441.2	10,701.4	10,253.4	10,164.3	9,771.4	8,480.3
Portfolio investment	2,989.8	2,676.3	3,086.5	2,992.9	2,885.9	3,711.6
Financial derivatives	0.0	0.0	0.0	0.0	0.6	1.9
Other investment	6,223.5	5,434.9	5,466.4	5,810.9	5,632.8	5,435.2

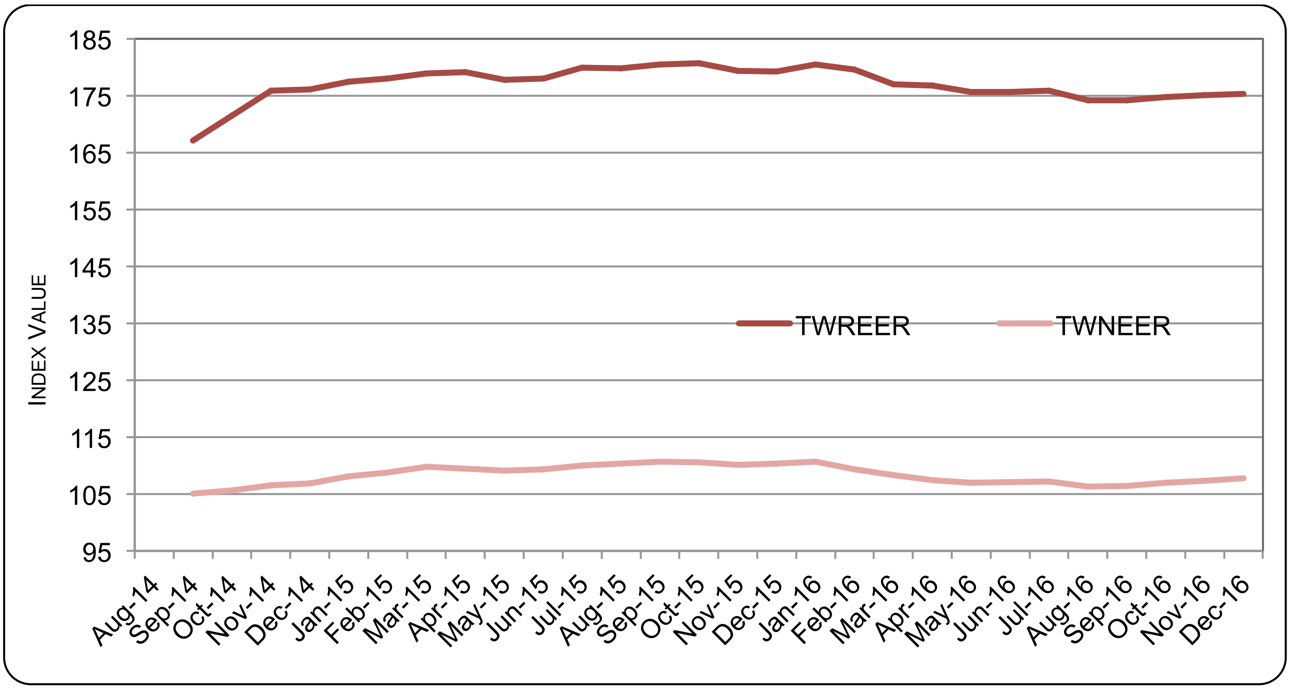
Source: Central Bank of Trinidad and Tobago.

p Provisional.

Competitiveness

Trinidad and Tobago's international price competitiveness as measured by the Trade Weighted Real Effective Exchange rate (TWREER)[18] improved by 1.6 per cent in 2016 when compared to the previous year (Figure 7). This gain can be attributed to the depreciation of the domestic currency over the year, by 4.5 per cent, compared to an average appreciation of 0.1 per cent in the exchange rates of the country's major trading partners. The other component of the TWEER, the domestic inflation level relative to inflation in the country's major trading partners, would have contributed to a worsening of competitiveness, but this effect was offset by the exchange rate movements. In 2016, inflation increased by an average of 3.1 per cent locally compared with an average rise of just 0.2 per cent in the country's major trading partners.

Figure 7
Trade Weighted Real and Nominal Effective Exchange Rates
(2000=100)



Source: Central Bank of Trinidad and Tobago.

[18] The TWEER reflects the weighted average of a country's currency relative to a basket of other major currencies. It is calculated as the trade weighted-nominal effective exchange rate (TWNEER) adjusted for the effects of inflation.

According to the Global Competitiveness Report (GCR)[19] 2016-2017, Trinidad and Tobago's competitiveness ranking worsened, moving to 94 out of 138 countries from 89 out of 140 countries in the 2015-2016 report **(Table 15)**. Despite the movement in ranking, Trinidad and Tobago's overall competitiveness score remained unchanged from the previous year at 3.9 out of 7. However, Trinidad and Tobago ranked 114 out of 138 countries under the pillar of macroeconomic environment[20], significantly down from the previous year's ranking of 54 out of 140 countries.

TABLE 15
GLOBAL COMPETITIVENESS INDEX, 2016-2017

SUB-INDEX/ PILLAR	RANK*	SCORE
Basic Requirements	**82**	**4.4**
1. Institutions	107	3.4
2. Infrastructure	54	4.3
3. Macroeconomic environment	114	3.9
4. Health and primary education	61	5.9
Efficiency Enhancers	**76**	**4.03**
5. Higher education and training	74	4.3
6. Goods market efficiency	103	4.0
7. Labour market efficiency	89	4.0
8. Financial market and development	61	4.1
9. Technological readiness	50	4.7
10. Market size	99	3.0
Innovation and sophistication factors	**83**	**3.47**
11. Business sophistication	67	3.91
12. Innovation	105	3.0
Overall Rank and Score: 2016-2017 (out of 138)	94	3.9
Overall Rank and Score: 2015-2016 (out of 140)	89	3.9
Overall Rank and Score: 2014-2015 (out of 144)	89	4.0

Source: World Economic Forum, Global Competitiveness Report, 2016-2017.

* Trinidad and Tobago compared to all 138 countries in the Report.

[19] The Global Competitiveness Report, produced annually by the World Economic Forum, uses a Global Competitiveness Index (GCI) to rank countries based on their level of competitiveness. The index is based on twelve pillars which are broadly categorized into three themes: basic requirements, efficiency enhancers, and innovation and sophistication factors.

[20] This pillar focuses on the government budget balance, gross national savings, inflation, government debt and country credit rating in assessing macroeconomic performance for the reporting period.

CHAPTER 9 – INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

The global economy recorded modest growth in 2016 on account of a slowdown in some EMDEs, depressed commodity prices and periods of financial volatility. According to the IMF[21], global growth was estimated at 3.1 per cent in 2016, slightly slower than the 3.2 per cent expansion in 2015. However, global economic activity is expected to accelerate to 3.4 per cent in 2017, driven by growth in EMDEs such as India and China, which are anticipated to grow by 7.2 per cent and 6.5 per cent, respectively.

Advanced economies recorded a stronger than expected performance during the second half of 2016. The US economy expanded at an annualized rate of 1.6 per cent (year-on-year) in 2016 **(Table 16),** reflecting positive contributions from personal consumption expenditure (PCE), residential fixed investment, state and local government spending, exports, and federal government spending. Amidst improved economic conditions, the Federal Reserve increased the federal funds target range to between 0.50 and 0.75 per cent in December 2016, the only hike for the year. Meanwhile, growth in the UK remained resilient despite the referendum decision on June 23, 2016 to leave the EU. Real GDP in the UK increased by 1.8 per cent (year-on-year) during 2016, supported by activity within the services industry. Monetary policy in the UK remained accommodative as the Bank of England reduced its key policy rate from 0.5 per cent to 0.25 per cent and expanded its Assets Purchase Programme to £435 billion (US$565.5 billion) from £375 billion (US$487.5 billion) in August 2016. Supported by lower oil prices as well as modest credit availability, growth in the Euro Area reached 1.7 per cent (year-on-year) in 2016. In an attempt to support growth and stave off deflation, the European Central Bank (ECB) lowered its benchmark interest rate by 0.05 per cent to 0.00 per cent in March 2016 and expanded its Asset Purchase Programme to €80 billion (US$86.9 billion) from €60 billion (US$65.2 billion) in April 2016. In Japan, in September 2016, the Bank of Japan introduced a new monetary policy framework of Quantitative and Qualitative Easing (QQE). The framework includes yield curve control, which aims to maintain a zero-interest target on long-term Japanese Government Bonds by adjusting the volume of asset purchases.

[21] International Monetary Fund (IMF), World Economic Outlook Update, January 2017.

TABLE 16
ADVANCED ECONOMIES – REAL GDP GROWTH
/PER CENT/

	2012	2013	2014	2015	2016	2017[f]
United States	2.2	1.7	2.4	2.6	1.6	2.3
United Kingdom	1.3	1.9	3.1	2.2	1.8	1.5
Euro Area	-0.9	-0.3	1.2	2.0	1.7[e]	1.6
Japan	1.5	2.0	0.4	1.2	1.0	0.8

Sources: Bloomberg and International Monetary Fund World Economic Outlook, January 2017.

e IMF estimate.
f forecast

While EMDEs remained the key driver of global growth, there were noticeable slowdowns in China and India. China grew by 6.7 per cent (year-on-year) in 2016 **(Table 17)**, the lowest rate of growth since 1990, but this was helped by the Bank of China (PBoC) policy to keep its key policy rate at 4.35 per cent throughout 2016. In India, the withdrawal from circulation of certain bank notes in the last quarter of 2016 dampened consumption and contributed to a fall in the growth rate of real GDP to 6.6 per cent (year-on-year) in 2016, compared with 7.0 per cent in the previous year. The economies of Brazil and Russia recorded smaller contractions in 2016, indicative of some improvements within their economies. The Brazilian economy contracted by 3.5 per cent (year-on-year) in 2016 compared with 3.8 per cent in 2015, as the effects of low commodity prices and political uncertainty began to wane. Similarly, the Russian economy showed signs of recovery as it adjusted to lower oil prices and the imposition of international sanctions, and as financial conditions eased after public funds were used to recapitalize several private banks.

TABLE 17
EMERGING ECONOMIES – REAL GDP GROWTH
/PER CENT/

	2012	2013	2014	2015	2016	2017[f]
China	7.9	7.8	7.3	6.9	6.7	6.5
India	4.9	6.3	6.2	7.0	6.6	7.2
Russia	3.5	1.3	0.7	-2.8	-0.2	1.1
Brazil	1.9	3.0	0.5	-3.8	-3.5[e]	0.2

Sources: Bloomberg and International Monetary Fund World Economic Outlook, January 2017.

e IMF estimate.
F forecast.

REGIONAL ECONOMIC DEVELOPMENTS

Economies in the Latin American and Caribbean region continued their struggle to emerge from downturns in 2016 (Table 18). According to provisional estimates from the IMF, economic activity in the Latin America and Caribbean region contracted by 0.7 per cent in 2016 following an expansion of 0.1 per cent in 2015[22]. The cconomic growth performance in the Caribbean remained mixed, with contractions in some commodity-exporting countries and expansion in some services-oriented economies. Given the buoyant activity in the mining and services sector, Guyana's economy grew by 2.6 per cent in 2016. However, the economic expansion was slower than the initial forecast of 4.0 per cent on account of declines in sugar and other manufacturing sub-sectors. Meanwhile, Suriname's economic crisis continued as the country grappled with challenges from the spillover of the closure of the Suralco alumina plant in 2015.

Consumer prices in most countries in the Caribbean region remained relatively contained in 2016. Important contributors to this included the falls in prices of fuels and food on the world stage. For the twelve months to December 2016, consumer prices in Jamaica slowed to 1.7 per cent compared to 3.7 per cent in the previous year and Guyana's inflation rate eased to 1.2 per cent (year-on-year) in November 2016 compared to a decline of 1.7 per cent at the end of 2015. In contrast, inflation in Suriname measured 52.4 per cent by December 2016 compared to 25.1 per cent recorded in December 2015, partly fueled by the devaluation of the currency amidst the introduction of a floating exchange rate regime.

Labour market conditions improved in most economies within the Caribbean region as evidenced by declining unemployment rates. The unemployment rate in Jamaica declined to 12.9 per cent in October 2016 from 13.5 per cent in October 2015, due to job gains in the Wholesale and Retail, Repair of Motor Vehicle and Equipment category. The unemployment rate remained in double digits in Barbados decreasing to 10.0 per cent in September 2016 compared to 11.3 per cent in a similar period one year earlier.

On the external front, a modest increase in commodity prices resulted in improved terms of trade positions for some countries (Table 19). Increases in merchandise export receipts outpaced the increases in merchandise imports in Guyana and Barbados. Increased export earnings from gold fueled an improvement in Guyana's current account balance to a surplus of 2.1 per cent of GDP in 2016, a

[22] International Monetary Fund, World Economic Outlook update, January 2017.

reversal from a deficit of 5.7 per cent of GDP in 2015. Meanwhile, the current account deficit narrowed in service-oriented economies like Barbados (to 5.3 per cent of GDP in 2016 from 7.2 per cent of GDP in 2015) mainly driven by increased inflows in travel services. Concurrently, Jamaica's current account deficit decreased marginally to 3.3 per cent of GDP in 2016 compared to 3.4 per cent of GDP one year earlier as a result of a reduction in imports of consumer goods and fuel. There was a substantial decrease in Suriname's current account deficit to 4.2 per cent of GDP in 2016 compared to a deficit of approximately 16.0 per cent of GDP one year earlier as merchandise importscontracted sharply following the floating of the exchange rate.

International organizations continued to provide support programs to the Caribbean throughout 2016 (Table 20). In May 2016, Guyana became an official member of the Islamic Development Bank (IsBD) from which it can obtain finance at favorable rates for the development of various sectors, particularly infrastructure. Furthermore, the Caribbean Development Bank (CDB) approved an assistance program valued at US$194 million for Guyana to promote social and economic development, support environmental sustainability and promote good governance. Meanwhile, improvements in Jamaica's economy, evidenced by low inflation, foreign exchange accumulation and the narrowing of the current account deficit, led the IMF to approve a three-year Stand-By Arrangement valued at US$1.64 billion in November 2016. The new program, which aims to sustain macroeconomic stability, increase employment and raise the standard of living, will replace the Extended Fund Facility.

TABLE 18
REAL GDP GROWTH - SELECTED LAC
/PERCENT/

COUNTRY	2012	2013	2014	2015	2016[e]
The Bahamas	3.1	0.0	-0.5	-1.7	0.3
Barbados	0.3	-0.1	0.2	0.9	1.7
Belize	3.7	1.3	4.1	1.0	0.0
Chile	5.5	4.0	1.8	2.3	1.7
Colombia	4.0	4.9	4.4	3.1	2.2
Eastern Caribbean Currency Union	0.4	1.7	3.2	2.3	2.2
Guyana	4.8	5.2	3.8	3.2	4.0
Haiti	2.9	4.2	2.8	1.2	1.5
Jamaica	-0.5	0.2	0.5	0.9	1.5
Mexico	4.0	1.4	2.2	2.5	2.1
Suriname	3.1	2.8	1.8	-0.3	-7.0

Sources: International Monetary Fund, World Economic Outlook Database (October 2016) and Regional Economic Outlook (October 2016).

e Estimate

TABLE 19
RATIO OF CURRENT ACCOUNT TO GDP - SELECTED LAC
/PER CENT/

Country	2012	2013	2014	2015	2016
The Bahamas	-17.9	-17.5	-22.0	-16.0	-11.4
Barbados	-9.3	-9.1	-9.9	-7.2	-5.3
Belize	-1.2	-4.6	-7.4	-9.8	-12.4
Guyana	-11.6	-13.3	-10.7	-5.7	2.1
Haiti	-5.7	-6.3	-6.3	-2.5	0.4
Jamaica	-11.1	-9.2	-7.7	-3.4	-3.3
St. Kitts and Nevis	-9.8	-13.4	-12.1	-12.3	-17.2
St. Lucia	-13.6	-11.4	-6.8	-3.7	-6.7
St. Vincent and the Grenadines	-27.6	-30.9	-29.6	-26.2	-23.0
Suriname	3.3	-3.8	-8.0	-15.7	-4.2

Source: International Monetary Fund, World Economic Outlook Database (October 2016).

TABLE 20

FINANCIAL ASSISTANCE FROM INTERNATIONAL AND REGIONAL LENDING AGENCIES, 2013 – 2016 /US$MILLION/

COUNTRY	INSTITUTION	DATE OF ARRANGEMENT	AMOUNT	PURPOSE
Barbados	IDB	December 16, 2014	$17.50	To grant SMEs greater access to credit.
	IDB	September 21, 2015	$10.00	To reduce extreme poverty and create jobs.
	IDB	December 8, 2016	$34.00	To improve energy security and diversify the energy mix.
Dominica	CDF	July 23, 2013	$7.14	CAP to support the agriculture sector and infrastructure
	IMF	October 28, 2015	$8.70	Rapid Credit Facility (RCF)[1] for damage caused by Tropical Storm Erika.
Dominican Republic	IDB	September 16, 2013	$146.00	To strengthen health services management.
	IDB	June 6, 2014	$78.00	To modernize the electricity distribution grid and reduce energy losses
	IDB	November 19, 2015	$300.00	To improve the efficiency of the health care system.
	IDB	December 5, 2016	$200.00	To expand the coverage of early childhood education.
Grenada	CDF	October 28, 2013	$3.76	To enhance private sector competitiveness.
	IMF	June 26, 2014	$21.70	Extended Credit Facility[2] to improve competitiveness and medium-term growth.
Guyana	CDF	July 6, 2013	$7.30	CAP to improve existing infrastructure.
	IDB	December 19, 2014	$15.00	To finance citizen security program.
	IDB	November 30, 2016	$9.00	To help strengthen the economy and stimulate exports and investments.
	CDF	December 14, 2016	$10.40	To provide support to farmers
	IDB	December 15, 2016	$8.00	To support criminal justice reform.
Haiti	IDB	May 23,2013	$3.00	To test different renewable energy solutions with the goal of expanding rural electrification.
	IDB	June 24, 2013	$35.50	To expand and improve drinking water services in Port-au-Prince
	IDB	June 28,2013	$25.00	Grant to support the institutional transformation and modernization of Haiti's energy sector.
	IDB	November 22, 2013	$50.00	To improve Haiti's transport system.
	IDB	December 12, 2013	$25.00	To fund a water management program in the Artibonite basin.
	IDB	January 2,2014	$40.50	To expand the Caracol Industrial Park.
	IDB	July 28, 2014	$14.00	Grant to modernize agricultural health services.
	IDB	December 12, 2014	$36.00	Grant to foster tourism.
	IDB	June 30, 2015	$15.00	Funding sustainable artisan-fishing development project in southern Haiti.
	IDB	November 3, 2015	$65.00	To increase efficiency and safety of transportation system.
	IDB	December 16, 2015	$42.00	To improve natural disaster mitigation.

Country	Institution	Date of Arrangement	Amount	Purpose
Jamaica	IDB	December 13, 2013	$14.00	To improve the efficiency of the public sector.
	IDB	February 5, 2014	$60.00	To improve competitiveness.
	IDB	June 25, 2014	$20.00	To support community projects to reduce crime.
	IDB	December 12, 2014	$10.00	To increase resilience to climate change.
	IDB	August 6, 2015	$130.00	To strengthen its structural program for economic growth
	IDB	October 28, 2015	$50.00	To assist in poverty alleviation.
	IDB	December 18, 2015	$175.00 (max)	To increase capacity of the country's most important port facility.
	IDB	July 1, 2016	$265.00	To optimize and expand Kingston's container terminal capacity in Jamaica
	IMF	November 11 ,2016	$1,640.00	To support the economic reform agenda
	IDB	December 15, 2016	$50.00	To boost its tax revenues and strengthen its fiscal sustainability program for economic growth.
	IDB	December 16 ,2016	$15.00	To promote electricity conservation.
St. Vincent and the Grenadines	IMF	August 1, 2014	$6.40	RCF to meet urgent balance-of-payments need due to severe flooding and landslides in December 2013 that caused massive damage to infrastructure, housing and agriculture.
	CDF	August 25, 2016	$0.75	For the Installation of a Photovoltaic Solar Energy system.
Suriname	IDB	June 24, 2013	$50.00	To strengthen the financial sector.
	IDB	December 5, 2013	$20.00	To modernize its tax administration system.
	IDB	December 17, 2013	$15.00	To boost agricultural productivity.
	IDB	December 4, 2015	$20.00	To continue education reforms.
	IDB	June 8, 2016	$70.00	To support the development of an institutional and regulatory policy framework to enhance the nation's energy sector and its government institutions.
	IMF	May 27, 2016	$478.00	Stand by arrangement to support the economic reform program
Trinidad and Tobago	IDB	December 18, 2014	$110.00	To prevent and control risk factors of chronic diseases among adults, and primary and secondary school students.
	IDB	November 16, 2015	$25.00	To improve its trade facilitation processes
	IDB	January 20, 2016	$0.50	To support climate change adaptation in Tobago

Sources: International Monetary Fund, Inter-American Development Bank and the CARICOM Development Fund.

1 RCF provides rapid financial assistance for low-income countries with an urgent balance of payment need, and does not require any Programme based conditionality or review.
2 The Extended Credit Facility (ECF) is a three-year arrangement for lower income countries. It was formerly known as the Poverty Reduction Growth Facility.

CHAPTER 10 – INTERNATIONAL COMMODITY MARKETS

ENERGY COMMODITY PRICE INDEX (ECPI)

Large declines in petrochemical prices helped pull the Energy Commodity Price Index (ECPI) down 17 per cent to an average of 69.1 in 2016 from 83.3 in 2015. Ammonia prices fell 43.3 per cent in 2016 to US$235.1 per tonne while the urea price fell 26.7 per cent to US$206.8 per tonne. Similarly, methanol prices were down 28.8 per cent year-on-year to an average of US$272.1 per tonne. Together, these commodities account for 23.4 per cent of the ECPI.

PETROLEUM

Crude oil prices began 2016 on a weaker note, but strengthened as the year progressed. The lifting of sanctions on Iran and the expected increase in that country's crude oil output pulled crude prices down in early 2016. However, several supply-side factors helped to drive prices for most of the year. Some of these include militancy in Nigeria—which impaired country's production capacity—wildfires in Canada and further geo-political disruptions in Libya. The market was also bolstered toward the end of 2016 by an OPEC-led agreement to cut production by 1.8 million barrels per day by June 2017. Nevertheless, West Texas Intermediate (WTI) prices averaged US$43.2 per barrel in 2016, a year-on-year decline of 11.3 per cent. Similarly, Brent prices declined 15.7 per cent to an average of US$44.6 per barrel in 2016.

NATURAL GAS

Despite a rally in natural gas prices in the second half of 2016, the commodity closed the year at the lowest level in nearly twenty years. The Henry Hub price in 2016 fell 3.8 per cent year-on-year to an average of US$2.5 per mmbtu, the lowest annual average since 1999. Following a warmer-than-normal first quarter and a notable decline in Henry Hub prices over the first half of 2016, prices benefited from changes in demand and supply conditions in the second half of the year. A decline in supply was largely on account of reduced drilling activity in the United States. On the demand side, very hot summer conditions, followed by the onset of colder temperatures toward the end of the year increased the demand for natural gas for air-conditioning and heating, respectively.

NITROGENOUS FERTILIZERS

Weak market fundamentals resulted in a continued decline in fertilizer prices in 2016. Markets were largely characterized by weak demand throughout the year. In addition, the low feedstock costs (natural gas) during the first half of 2016 aided in suppressing prices. As natural gas prices surged toward the end of the year, fertilizer prices showed minimal signs of recovery. However, any possibility of a major resurgence during this period was dampened by seasonal factors, as the winter period traditionally sees a decline in fertilizer prices.

METHANOL

Weak demand and an oversupplied market prevailed throughout most of 2016, resulting in a significant decline in methanol prices. Methanol prices followed a downward trajectory throughout the first half of the year as the market remained abundantly supplied. Throughout the second half of the year, prices showed signs of resurgence largely on account of fluctuations in crude oil and natural gas prices. Additionally, market participants cited the continued production curtailments in Trinidad and Tobago as a major factor. In European markets, prices were also buoyed in December by logistical issues which limited shipping activities and brought the market closer to equilibrium.