Central Bank of Trinidad & Tobago

2006 Annual Economic Survey

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Review of the National Economy

Central Bank of Trinidad & Tobago

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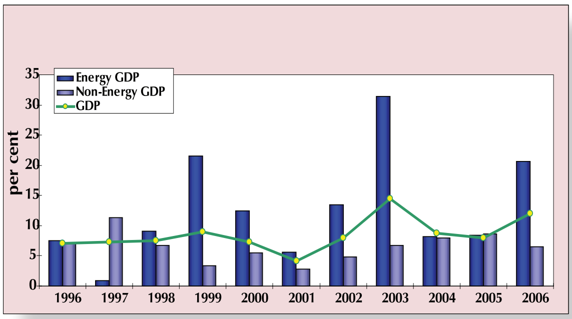

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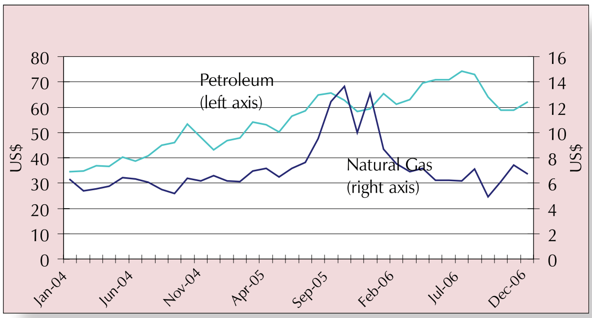

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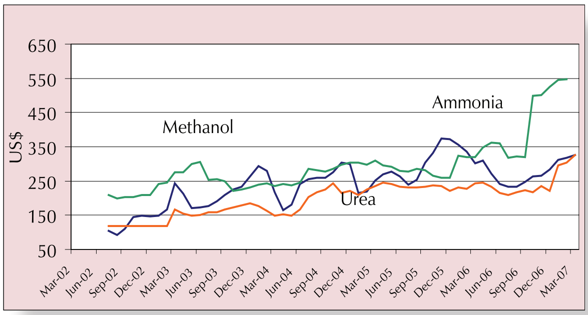

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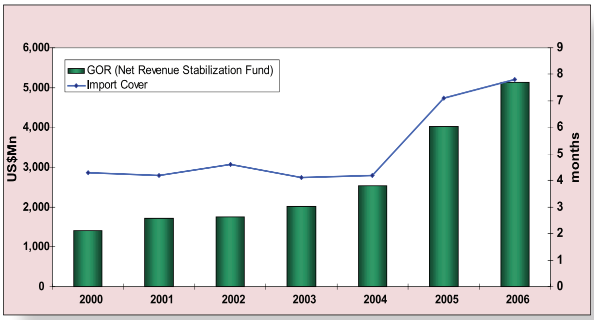

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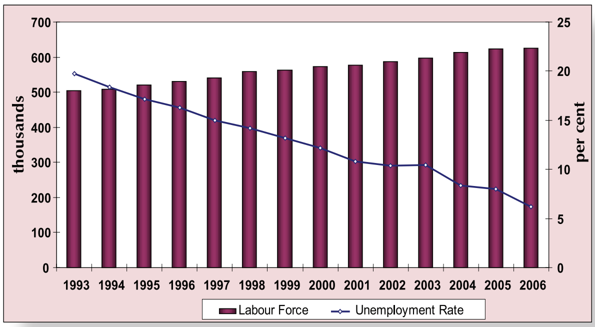

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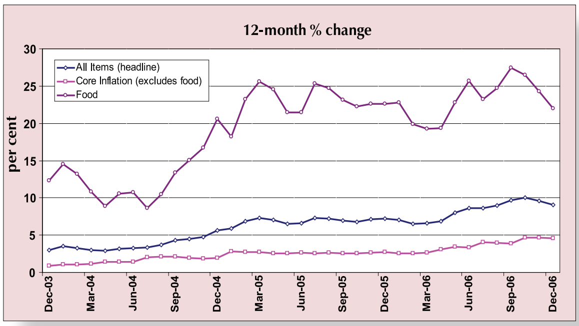

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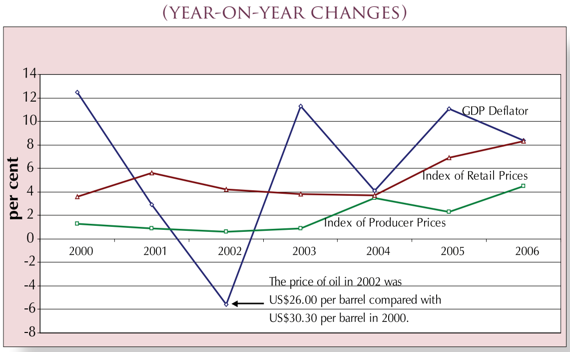

Buoyed by a significant expansion in the energy sector, the Trinidad and Tobago economy continued along its growth momentum in 2006. Strong energy prices and large export volumes contributed to the ongoing balance of payments surplus and reserves build-up.

The sustained period of economic expansion has contributed to the tightening of the labour market and the lowest unemployment rate on record as the economy hovers near full capacity; in 2006 inflationary pressures posed significant challenges for monetary policy.

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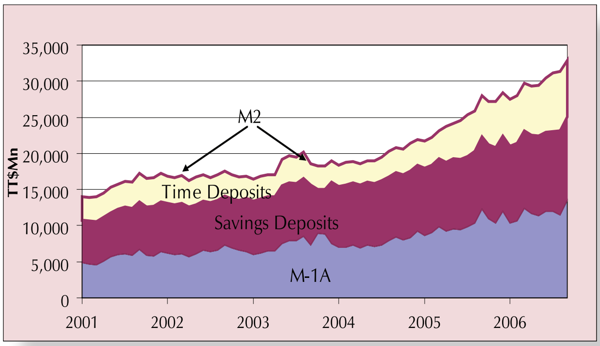

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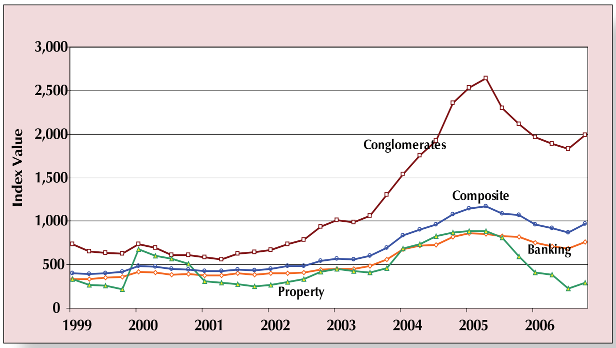

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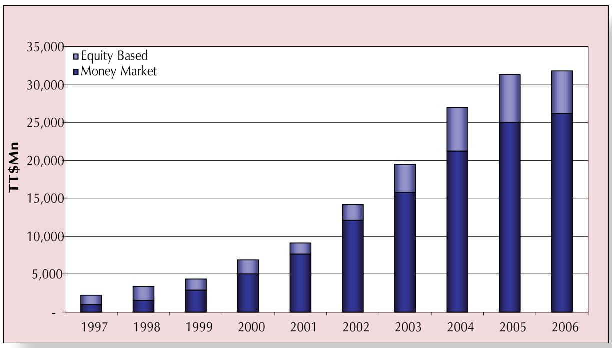

While the monetary aggregates have increased in line with the growth in nominal GDP, the decline in the stock market continued in 2006 and coincides with a slowdown in the rate of growth of funds under management.

CHAPTER ONE

OVERVIEW OF ECONOMIC DEVELOPMENTS

OVERVIEW OF ECONOMIC DEVELOPMENTS

OVERVIEW

The Trinidad and Tobago economy recorded another year of strong growth, bolstered mainly by record high energy prices and increased output levels in the energy sector. However, these robust conditions were challenged by rising inflationary pressures as headline inflation reached double digits at the start of the fourth quarter, but fell below this threshold subsequently, due to policy measures introduced by the fiscal and monetary authorities. The momentum in the domestic economy was supported by the strength of the world economy which grew by 5.4 per cent, fuelled again by strong demand in the United States and China as these economies expanded by 3.3 per cent and 10.7 per cent, respectively. Robust conditions in the US were threatened by the deterioration in the housing market, but a decline in oil prices helped to sustain consumer expenditure which comprises about two-thirds of the economy. The pace of growth in the eurozone (2.6 per cent) gained strength as the year advanced, supported by strong export demand and a recovery in consumer spending. To date, the recovery in Japan has not been consistent and by mid-year this had faltered somewhat, but regained strength by year's end to record growth of 2.2 per cent for 2006 as a whole. The Latin American and Caribbean region recorded another year of robust growth expanding by 5.4 per cent and 8.3 per cent, respectively. Many of these countries continued to benefit from high commodity prices and strong export demand from a buoyant world economy.

In 2006, economic growth in the domestic economy was estimated at 12 per cent, sharply higher than the 8 per cent increase in the previous year. This reflected the continued expansion of the energy sector which recorded increased output mainly from a full year's production at two plants (Atlantic LNG Train IV and the M5000). Consequently, the activity in the energy sector rose by 20.6 per cent, supported also by higher output of crude oil. Output in the non-energy sector increased by 6.5 per cent in 2006, somewhat below the growth rate (8.7 per cent) in 2005. Strong growth was recorded in Manufacturing (11.8 per cent), Construction and Quarrying (14.5 per cent), Finance, Insurance and Real Estate (7.5 per cent) and Education and Cultural Services (9.4 per cent). While other sectors showed moderate growth, Agriculture and Government contracted by 0.6 per cent and 1.5 per cent, respectively.

In other developments, rising inflationary pressures posed some risk to the overall stability of the economy. Headline inflation peaked at a double-digit level (10 per cent) in October on a year-on-year basis, driven mainly by significant increases in food prices, which rose by 26.5 per cent. However, the rate declined thereafter to 9.1 per cent in December 2006. For the year as a whole, the increase in consumer prices averaged 8.3 per cent compared with 6.9 per cent in 2005. Core inflation, which excludes food prices, also accelerated to an average 3.6 per cent compared with 2.7 per cent in 2005. To dampen the upward pressures on consumer prices, the authorities implemented various measures during the year. The Central Bank raised the 'Repo' rate on eight occasions within a nine-month period from 6.00 per cent at the start of the year to 8.00 per cent in

September, where it remained until the end of the year. However, this policy measure was not having the desired impact due to the high levels of excess liquidity in the system. Consequently, in June 2006, the commercial banks were requested to deposit $500 million in an interest-bearing account at the Central Bank, following a similar deposit of $1,000 million in December 2005. Later in the year, in October, the Bank introduced, on a temporary basis, a secondary requirement equivalent to 2 per cent of prescribed liabilities. In addition, the Bank's support to the foreign exchange market, which more than doubled in 2006 to US$1,465.1 million, also served to withdraw excess liquidity from the system. The government, after consultation with the Central Bank, issued a $700 million bond in November with a maturity of 8 years and an interest rate of 8 per cent, with the aim of further absorbing excess liquidity. These measures led to a fall in excess liquidity from an average of $427.1 million in January to $375.6 million in December, peaking at $1,035.9 million in June. Additionally, the public dissemination of prices of market items (the main impetus behind the higher food prices) at various points-of-sale allowed for comparison shopping by households and may have had a dampening effect on the prices of these items. Moreover, farmers' markets were established which facilitated trade in agricultural produce between farmers and consumers at significantly lower prices.

Another characteristic of an economy near capacity and experiencing strong growth momentum was a tight labour market, as the unemployment rate averaged a historic low of 6.2 per cent in 2006. This was accompanied by reports of labour shortages in several sectors, particularly Construction and Manufacturing. Concerns were expressed about cost-push factors in the form of wage pressures further impacting on headline inflation, but available data showed that wage agreements have generally been contained in the region of 15 per cent in recently negotiated wage settlements.

Given the tighter monetary policy stance, credit demand fell during the year. The average growth in loans to the private sector by the consolidated financial system slowed to 12.1 per cent in 2006 from 15.8 per cent a year ago. Consumer credit expanded by 18.2 per cent, down from a 20.6 per cent increase in 2005, while business lending picked up from a growth rate of 18.2 per cent to 19.2 per cent in 2006.

In light of the buoyant conditions in the economy and particularly in the energy sector, the government recorded a surplus of $7,426.7 million or 6.5 per cent of GDP on its accounts in the fiscal year 2005/2006. Total revenue increased by 29.8 per cent to $38,488.6 million, while expenditure grew by 26.1 per cent to $31,061.9 million, and the sum of $3,160.2 million was transferred to the Heritage Stabilisation Fund which stood at $8,644.6 million at the end of the fiscal year. However, the non-energy fiscal deficit rose to 14.3 per cent of GDP from 11.4 per cent of GDP in fiscal 2004/2005, raising concerns about the long-term sustainability of current spending levels[1].

The buoyant economic conditions were also reflected in the country's external account which recorded a surplus of US$1,645.4 million (9 per cent of GDP) in 2006. The positive balance on the current account surged to US$4,654.9 million, mainly because of significant earnings on the merchandise account (US$5.3 billion), attributed largely to higher volume and prices of energy exports. As a result, at the end of 2006, gross official reserves, net of balances in the Heritage Stabilisation Fund, stood at US$5.1 million, equivalent to 7.8 months of prospective imports of goods and non-factor services.

[1] The calculation of the non-energy fiscal deficit has been revised to include tax revenues from the petrochemical companies, service contractors in the energy sector and refining and natural gas processing companies. Consequently, the non-oil fiscal deficit has been reclassified as the non-energy fiscal deficit (Box 7).

SHORT-TERM OUTLOOK

The pace of expansion of the global economy is expected to moderate in 2007 to about 4.9 per cent. The drag on growth prospects is forecast to come mainly from developments in the United States where the slump in the housing market is impacting negatively on a number of sectors, although a soft landing for that economy is projected. China's economy is also expected to slow marginally, largely as a result of efforts by the authorities there to contain the blistering pace of activity. Growth in the eurozone is forecast to ease somewhat on account of monetary policy tightening and further fiscal consolidation, while economic activity in Japan is expected to maintain the pace recorded in 2006. Resource-rich countries in Latin America and the Caribbean are projected to continue to prosper in 2007, while the oil-importing territories in CARICOM should benefit from increased activity generated by the cricket World Cup taking place in the Caribbean in March and April 2007.

The domestic economy is expected to experience buoyant conditions, mainly because the energy sector is forecast to continue to exhibit strong growth. Consequently, both the fiscal and external accounts are projected to record surpluses, with a healthy accumulation of foreign exchange reserves. However, there are some challenges facing the economy, chief among which are rising inflationary pressures. While the Bank is committed to reducing inflation to no more than 7 per cent by the end of 2007, the pace of inflation reduction will depend on several factors including trends in government spending, the evolution of import prices and the extent to which wages and other cost increases are passed on to the consumer. Although, preliminary estimates for the first half of 2007 put government spending below budget projections, the $3 billion increase in the expenditure allocation for fiscal year 2006/2007 could add to government expenditure and exarcebate liquidity pressures. The growing global demand for corn is likely to push up the prices of a number of agricultural products (especially grain and dairy products). The containment of excess liquidity will continue to be a major feature of monetary policy in the year ahead.

TABLE 1

SELECTED ECONOMIC INDICATORS, 2002 - 2006

ITEM	2002	2003	2004	2005	2006[p]
National Income and prices			(ANNUAL PERCENTAGE CHANGES)		
Real GDP (2000=100)	7.9	14.4[r]	8.8[r]	8.0[r]	12.0
Energy	**13.5**	**31.4**	**8.2**	**8.4**	**20.6**
Non-energy	**4.8**	**6.8**	**7.9**	**8.7**	**6.5**
Agriculture	8.7	-15.3	-25.3	9.7	-0.6
Manufacturing	3.8	12.2	8.6	11.6	11.8
Construction	-5.1	23.4	12.6	15.6	14.5
Financial Services	11.5	7.3	21.7	9.9	7.5
Inflation Rate (%)[1]					
(period average)	4.2	3.8	3.7	6.9	8.3
(end of period)	4.3	3.0	5.6	7.2	9.1
Unemployment Rate (%)	10.4	10.5	8.4	8.0	6.2
			(IN PERCENT OF GDP)		
Overall Central Government Surplus(+)/Deficit(-)[2]	-0.6	1.4	2.0[r]	5.3[r]	6.5
External Current Account Surplus(+)/Deficit(-)	0.8	8.9	13.4	23.7[r]	25.5
Overall External Account Surplus(+)/Deficit(-)	0.5	3.1[r]	6.0	12.4[r]	9.0
Public Sector Debt[2]	58.3	50.2[r]	46.2[r]	37.7[r]	32.6
Memorandum Items:					
External Public Debt (US$M)	1,549.1[r]	1,553.0[r]	1,350.6[r]	1,280.8	1,261.0
Debt Service Ratio (%)[3]	4.4	3.5	4.6	1.8[r]	2.8
W.T.I. (US$/barrel)	26.03	31.70	41.47	56.53	66.00
Gross Official Reserves (US$M) (net of HSF)	1,760.1	2,007.5	2,539.1	4,014.9	5,134.1

SOURCE: Central Bank of Trinidad and Tobago and Central Statistical Office.

[1] The Index of Retail Prices (RPI) was rebased to January 2003=100.
[2] This refers to the fiscal year which is the twelve-month period between October 1 and September 30.
[3] This is defined as the ratio of external public sector debt service to exports of goods and non-factor services.
[r] - revised; [p] – provisional.

TABLE 2

ECONOMIC CONTRIBUTION OF THE ENERGY SECTOR, 2002 - 2006
(PER CENT)

ITEM	2002	2003	2004	2005	2006[p]
Share of Total Employment	3.4	3.2	3.6	3.4	3.5
Share of GDP					
Energy Sector	26.2	33.9	37.1	42.9	45.1
Exploration and Production	14.1	19.4	21.0	25.2	25.0
Refining (including LNG)	4.5	6.1	7.2	7.1	7.5
Petrochemicals	3.1	3.9	4.7	6.2	5.5
Other[1]	4.5	4.4	4.2	4.4	7.0
Share of Government Revenues					
Energy Sector	27.8[r]	42.8[r]	42.4[r]	53.6[r]	61.7
Oil and Gas Exploration and Production	13.5[r]	25.9[r]	26.5[r]	36.4[r]	45.8
Other Taxes[2]	14.2[r]	16.9[r]	15.9[r]	17.1[r]	15.9
Share of Merchandise Export Receipts					
Energy Sector	75.9	83.3	85.8	85.9	91.0
Extracted[3]	14.9	15.5	15.7	10.7	15.5
Refined[4]	44.5	50.5	53.5	53.5	59.3
Processed[5]	16.5	17.2	16.6	21.7	16.2
Memorandum Items:					
Crude Oil and Condensate Production (millions of barrels)	47.8	49.1	45	52.7	52.1
Natural Gas Production (millions of barrels of oil equivalent)	118.6	168.5	190.3	209.1	251.9

Source: Ministry of Finance, Ministry of Energy and Central Bank of Trinidad and Tobago.

[1] Includes Service Contractors, Distribution and Asphalt Production.
[2] Other taxes include Withholding tax, royalties oil impost, unemployment levy, excise duties and receipts from signature bonuses for the award of product sharing contracts.
[3] Exports refer only to crude oil.
[4] This includes refined petroleum, liquefied natural gas and natural gas liquids.
[5] This refers to all other energy related exports e.g. petrochemicals.
[r] - revised; [p] - provisional.

CHAPTER TWO

NATIONAL ACCOUNTS

NATIONAL ACCOUNTS

GROSS DOMESTIC PRODUCT

The Trinidad and Tobago economy was estimated to have grown by 12 per cent in 2006, with real value added in the energy sector surging by 20.6 per cent, and a moderate expansion of 6.5 per cent in the non-energy sector. Over the last five years, the economy grew at an average annual rate of 10.2 per cent, propelled by ongoing developments in the energy sector.

The enhanced performance of this sector was accredited mainly to the first full year of production of the fourth LNG train which was commissioned in December 2005. As a consequence, there was a surge in LNG production resulting in a significant boost in output from the Refining sub-sector of 37.4 per cent, compared with growth of only 1.7 per cent in the previous year. In addition, real value added in the Exploration and Production sub-sector rose by 16.9 per cent on account of higher crude oil and natural gas production. The start-up of the M5000 Methanol plant in October 2005 also contributed to the burgeoning output emanating from the energy sector as the Petrochemical sub-sector increased by 15.9 per cent.

Performance within the non-energy sector was mixed, and the main categories which contributed to expansion in the non-energy sector were Construction, Manufacturing, Finance, Insurance and Real Estate and Education. Construction activity continued to lead the way as output grew by 14.5 per cent, primarily due to government's heightened building thrust in terms of housing projects, the Government Office Complex, the POS International Water Front Complex, refurbishment of buildings, the upgrading of the nation's roads and bridges as well as projects undertaken by private sector companies. Moreover, the Manufacturing sector performed creditably expanding by 11.8 per cent as a result of increased output in the Food, Beverages and Tobacco and the Assembly-Type industries. Substantial growth was also estimated for Education and Cultural Services (9.4 per cent) and Finance, Insurance and Real Estate sectors (7.5 per cent).

Moderate to negligible growth occurred in Transport, Storage and Communication (4 per cent), Distribution and Restaurants (3.2 per cent), Electricity and Water (2.2 per cent) and Personal Services (0.1 per cent) while, negative growth occurred in Agriculture (-0.6 per cent), Government (-1.5 per cent) and Hotels and Guest Houses (-1.7 per cent). Following the increase in Agricultural production in 2005, the sector experienced a marginal decline reflecting lower sugar and domestic production.

TABLE 3

GROWTH IN GDP AT CONSTANT (2000) PRICES BY SECTOR, 2002 - 2006
/PER CENT/

SECTOR	2002[r]	2003[r]	2004[r]	2005[r]	2006[p]
Petroleum	**13.5**	**31.4**	**8.2**	**8.4**	**20.6**
Of which					
Petrochemicals	12.5	4.5	11.3	19.4	15.9
Exploration and Production	14.9	30.5	8.3	10.9	16.9
Refining (incl. Atlantic LNG)	24.9	71.1	8.2	1.7	37.4
Non-Petroleum	**4.8**	**6.8**	**7.9**	**8.7**	**6.5**
Agriculture	8.7	-15.3	-25.3	9.7	-0.6
Manufacturing[1]	3.8	12.2	8.6	11.6	11.8
Electricity and Water	8.7	5.3	3.2	6.2	2.2
Construction and Quarrying	-5.1	23.4	12.6	15.6	14.5
Transport, Storage & Communication	9.5	5.4	1.9	9.4	4.0
Distribution and Restaurants[2]	1.3	2.0	3.2	6.6	3.2
Finance, Insurance & Real Estate	11.5	7.3	21.7	9.9	7.5
Government	3.7	-1.0	0.6	1.9	-1.5
Education and Cultural Services	7.1	2.3	-0.3	0.4	9.4
Personal Services	2.6	20.7	1.6	2.2	0.1
FISIM[3]	-0.7	9.9	11.7	3.3	3.8
GDP at Constant Prices (2000)	**7.9**	**14.4**	**8.8**	**8.0**	**12.0**

SOURCE: Central Statistical Office.

[1] Excludes oil refining and petrochemical industries.
[2] Excludes distribution of petroleum products.
[3] Financial Intermediation Services Indirectly Measured.
[r] - revised; [p] - provisional.

GROSS DOMESTIC EXPENDITURE

Preliminary data indicated that Gross Domestic Expenditure (GDE) averaged 74.3 per cent of Gross Domestic Product (GDP) for the period 2005-2006 compared with an average of 88 per cent between 2000 and 2004. Following a 25.1 per cent increase in 2004, Consumption Expenditure, and in particular Private Consumption Expenditure, grew at a slower pace in 2005 and 2006 as Government Final Consumption remained fairly stable at around 12 per cent.

During the period under review, Gross Capital Formation (GCF) continued to be driven mainly by capital investments in the energy sector and government spending via the Public Sector Investment Programme (PSIP). GCF averaged 14.7 per cent of GDP over 2005-2006, compared with 21.8 per cent in the first half of the decade.

Construction activity had intensified with the expansion of Atlantic LNG (Trains II and III) and the construction of two ammonia plants and Atlas Methanol at a total estimated cost of US$2.1 billion. The slowdown in investment spending coincided with the completion of the fourth LNG train and the M5000 methanol plant. Another wave of energy sector projects is expected to boost GCF in 2007-2008 as more than US$4 billion in projects will be completed by 2009.

The higher levels of investment spending have boosted domestic production which is reflected in the significant increase in exports of goods and non-factor services, which averaged 66.9 per cent of GDP in the period 2005-2006, compared with 54.8 per cent in 2000-2004.

TABLE 4

GROSS DOMESTIC EXPENDITURE AND GROSS NATIONAL PRODUCT, 2000 – 2006 CURRENT MARKET PRICES

/TT$ Millions/

ITEM	2000	2001	2002	2003	2004	2005	2006[e]
Consumption Expenditure	35,620.7	34,412.4	40,438.7	42,732.5	53,453.8	60,316.2	63,877.5
Private	29,480.20	26,864.40	32,786.40	33,690.50	43,869.33	48,431.47	50,822.93
Government	6,140.5	7,548.0	7,652.3	9,042.0	9,584.5	11,884.7	13,054.6
Gross Capital Formation	8,622.7	14,694.2	12,735.7	17,926.3	13,906.3	14,748.7	15,859.9
Gross Domestic Expenditure	**44,243.4**	**49,106.6**	**53,174.4**	**60,658.8**	**67,360.1**	**75,064.9**	**79,737.4**
Less: Imports of goods and non-factor services	23,293.8	24,527.8	25,183.4	26,812.2	33,014.7	41,323.2	44,489.7
Plus: Exports of goods and non-factor services	30,421.0	30,428.4	28,299.0	36,872.1	45,480.7	61,315.3	79,226.7
Gross Domestic Product at Market Prices	**51,370.6**	**55,007.2**	**56,290.0**	**70,718.7**	**79,826.1**	**95,057.0**	**114,474.4**
Less: Net Factor Incomes	(3,943.8)	(3,343.5)	(2,980.0)	(4,264.7)	(2,491.7)	(4,762.0)	(5,863.5)
Gross National Product at Market Prices	**47,426.8**	**51,663.7**	**53,310.0**	**66,454.0**	**77,334.4**	**90,295.0**	**108,610.9**

SOURCE: Central Statistical Office and Central Bank of Trinidad and Tobago.

[e] - Estimate.

TABLE 5

GROSS DOMESTIC EXPENDITURE, 2000 – 2006

/PERCENTAGE CHANGE/

ITEM	2000	2001	2002	2003	2004	2005	2006[e]
Consumption Expenditure	13.4	(3.4)	17.5	5.7	25.1	12.8	5.9
Private	17.4	(8.9)	22.0	2.8	30.2	10.4	4.9
Government	(2.5)	22.9	1.4	18.2	6.0	24.0	9.8
Gross Capital Formation	(4.3)	70.4	(13.3)	40.8	(22.4)	6.1	7.5
Gross Domestic Expenditure	**9.4**	**11.0**	**8.3**	**14.1**	**11.0**	**11.4**	**6.2**
Less: Imports of goods and non-factor services	22.7	5.3	2.7	6.5	23.1	25.2	7.7
Plus: Exports of goods and non-factor services	41.9	0.0	(7.0)	30.3	23.3	34.8	29.2
Gross Domestic Product at Market Prices	**19.8**	**7.1**	**2.3**	**25.6**	**12.9**	**19.1**	**20.4**

SOURCE: Central Statistical Office and Central Bank of Trinidad and Tobago.

[e] - Estimate.

TABLE 6

GROSS DOMESTIC EXPENDITURE, 2000 – 2006

/PER CENT OF GDP AT MARKET PRICES/

ITEM	2000	2001	2002	2003	2004	2005	2006[e]	Average 2000 - 2004	Average 2005 - 2006[e]
Consumption Expenditure	69.3	62.6	71.8	60.4	67.0	63.5	55.8	66.2	59.6
Private	57.4	48.8	58.2	47.6	55.0	50.9	44.4	53.4	47.7
Government	12.0	13.7	13.6	12.8	12.0	12.5	11.4	12.8	12.0
Gross Capital Formation	16.8	26.7	22.6	25.3	17.4	15.5	13.9	21.8	14.7
Gross Domestic Expenditure	**86.1**	**89.3**	**94.5**	**85.8**	**84.4**	**79.0**	**69.7**	**88.0**	**74.3**
Less: Imports of goods and non-factor services	45.3	44.6	44.7	37.9	41.4	43.5	38.9	42.8	41.2
Plus: Exports of goods and non-factor services	59.2	55.3	50.3	52.1	57.0	64.5	69.2	54.8	66.9
Gross Domestic Product at Market Prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

SOURCE: Central Statistical Office and Central Bank of Trinidad and Tobago.

[e] - Estimate.

BOX 1

TOWARDS A MEASURE OF HOUSEHOLD DEBT IN TRINIDAD AND TOBAGO

Introduction

The Central Bank is in the process of developing a preliminary measure of Trinidad and Tobago's household debt, the size of which, along with its growth and composition is important for several reasons. Firstly, household debt ratios can be used to evaluate the financial health of households - a high debt service ratio means that consumers have less income at their disposal to spend, and these households are more likely to default on their loans if faced with any adversity such as job loss or illness; rising levels of household debt may put restraints on future spending by households and consequently impact negatively on the economy; a more indebted household may be more sensitive to changes in interest rates and incomes (increased sensitivity due to changes in interest rates will depend on the proportion of loans with floating rates). Secondly, household debt ratios can be used to forecast final consumption expenditure. Thirdly, household debt ratios can be used to evaluate consumer spending behaviour - credit extension makes it easier for households to spend and changes in interest rates (by the monetary authority) can affect credit extension, thereby influencing aggregate demand.

Definition of Household Debt

Household debt can be defined as an obligation or liability of households, arising from borrowing money or taking goods or services on credit. Household debt comprises two main components – household credit and mortgage advances.[1]

Household Debt in Trinidad and Tobago

A preliminary estimate of Trinidad and Tobago's household debt was established using macro-level data on consumer loans outstanding from licensed deposit-taking institutions for the period 1986 to 2006.[2] This estimate excludes data from other lending institutions, such as, the Home Mortgage Bank, Trinidad and Tobago Mortgage Finance, insurance companies and credit unions. At the end of 2006, households held $14.9 billion in outstanding debt. Over the period 1986 to 2006, household debt fell from 18 per cent of GDP to 13 per cent of GDP; however, between 2000 and 2006, debt to non-oil GDP averaged 22 per cent.

The debt-to-income measure was used to give an indication of Trinidad and Tobago's household indebtedness, even though there is no generally accepted benchmark for this ratio[3]. Household debt to GDP over the period 1986-2006 averaged 16 per cent. However, household debt to household income (measured by compensation to employees) averaged 27.3 per cent over the same period (Chart A).

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[1] According to the International Monetary Fund's Compilation Guide on Financial Soundness Indicators, households can be defined as small groups of persons who share the same living accommodation, pool some or all of their income and wealth, and consume certain types of goods and services collectively (e.g. housing, food, etc.). Unattached individuals are also considered households.

[2] Deposit-taking institutions include commercial banks, finance companies and merchant banks and trust and mortgage companies.

[3] Japan's ratio was approximately 130 per cent after the property bubble burst; in the Netherlands the ratio exceeded 180 per cent in 2002; and the UK's ratio has risen from 100 per cent in the late 1990s to 150 per cent recently.

BOX 1 (CONTINUED)

TOWARDS A MEASURE OF HOUSEHOLD DEBT IN TRINIDAD AND TOBAGO

CHART A
HOUSEHOLD DEBT TO INCOME MEASURES

Chart B reveals that real estate mortgage loans and other related debt is the largest component of household debt which accounted for 48 per cent of total consumer credit in 2006.[4] During the period 1994 to 2003, there was a decline in mortgage lending as a share of total consumer debt, reaching as low as 38 per cent in 1999. This may have been due, in part, to lower real estate mortgage interest rates and higher real estate prices.[5] Unlike industrialised countries, credit card debt is not a significant component of consumer debt, accounting for a mere 8.4 per cent share of the total in 2006 (not shown).

Household debt is considered to be sustainable if the borrower has a positive net worth and is able to service the debt at the pre-determined contractual terms. This would require household balance sheet data, which are currently not available for Trinidad and Tobago households. However, when compared with other emerging economies, Trinidad and Tobago's debt-to-GDP ratio is considerably lower. The IMF's Financial Stability Report (2006) reveals that the average household debt to GDP ratio for emerging economies is 18 per cent, but ranges from 3 per cent to 64 per cent. At the end of 2005, Trinidad and Tobago household debt to GDP was 14.3 per cent, compared with the ratios for Malaysia and Singapore of 62 per cent and 85 per cent, respectively. Based on these comparative statistics, **Trinidad and Tobago household debt is low and appears to be sustainable.**

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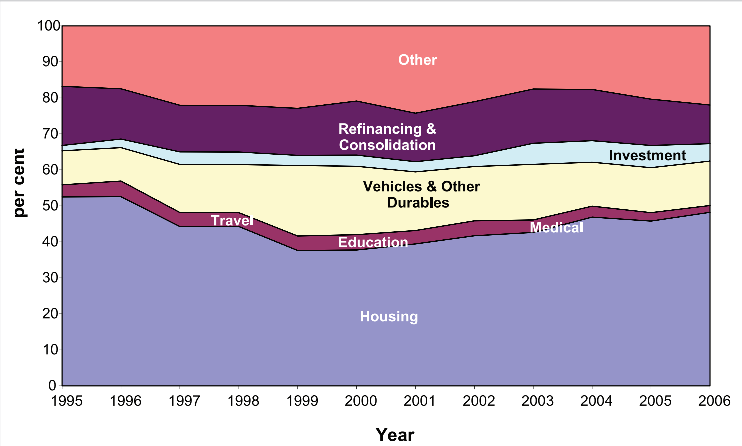
[4] Other housing debt refers to bridging finance, land and real estate financing, and home improvement and renovation loans.

[5] Commercial bank real estate mortgage interest rates have steadily declined from 18.50 per cent in 1998 to 11.75 per cent at the end of 2006.

BOX 1 (CONTINUED)

TOWARDS A MEASURE OF HOUSEHOLD DEBT IN TRINIDAD AND TOBAGO

CHART B
COMPOSITION OF HOUSEHOLD DEBT



CHAPTER THREE

DOMESTIC PRODUCTION

DOMESTIC PRODUCTION

PETROLEUM AND PETROCHEMICALS

PETROLEUM

In 2006, the domestic oil industry faced several challenges, including unsuccessful exploration activity, disruptions to crude oil production and industrial action at downstream facilities. However, these events provided valuable experience which industry participants could utilize in the future to improve the management of an industry faced with many risks.

Exploration and Production

BHP Billiton, BPTT and Talisman Energy were among some of the companies which engaged in drilling activity during the year. Exploration activity (as measured by depth drilled) totaled 164.2 thousand meters, an increase of 40 per cent from the previous year, with approximately 76 per cent classified as developmental as opposed to pure exploration. Most of the exploratory drilling was unsuccessful as no fewer than three dry holes were declared, while the number of rig days averaged 272, a rise of 42 per cent from 2005.

Oil production (including condensate) totaled 52.1 million barrels (an average of 142.8 thousand barrels per day (b/d), representing a slight decline of 1.2 per cent from the previous year. Production may have been higher were it not for supply disruptions experienced by the country's largest producer – BHP Billiton, whose production levels in June, fell by more than 50 per cent due to the planned maintenance of both onshore and offshore facilities. In addition, there was an unscheduled temporary shutdown on November 28, and although production resumed in December, the company was only able to produce just over 10 per cent of its average monthly production levels. Nevertheless, crude exports rose by 3.3 per cent to total 28.4 million barrels.

Refining

Refinery disruptions on account of industrial action by Petrotrin workers occurred on a few occasions during the year and Petrotrin was forced to voluntarily shut down the company's processing units in order to safeguard the integrity of its assets. As a consequence, refinery throughput fell to 55.6 million barrels or 152.3 thousand b/d, 7.5 per cent below the previous year's level. However, average capacity utilization for the year remained above 90 per cent. Declining throughput also translated into a reduction in crude imports which totaled 29.7 million barrels, a fall of 13.1 per cent from the previous year.

BOX 2

DEVELOPMENTS IN THE ENERGY SECTOR

Petroleum

Upstream

- Fourteen companies paid pre-application bid fees to the Ministry of Energy and Energy Industries for information on eleven onshore/nearshore blocks on auction in the 2005/2006 bid round. The companies paid US$150,000 for data on any or all of the onshore blocks and US$50,000 for each of the three shallow water blocks on auction. Companies also had the opportunity to bid on eight offshore blocks (800 km2 each) in Trinidad's Deep Atlantic Area acreage. The blocks attracted international interest from companies in Italy, Malaysia, Brazil, Venezuela, Canada and the United States (US). However, Petrotrin will retain a 20 per cent exploration carrying interest in the blocks from the outset.

The 'Oilbird' platform, the largest and heaviest platform fabricated in Trinidad and Tobago, was scheduled to begin production in December. The platform which is owned by EOG Resources Limited is expected to service the Oilbird oilfield located in the South-East Consortium Block. The gas will be used to satisfy contract sales commitments to Atlantic LNG Train IV and the M5000 methanol plant. Two BPTT platforms, the Mango and Cashima, are currently being constructed at the fabrication facilities in La Brea and should be completed by the fourth quarter of 2007. Upon completion, the platforms will increase natural gas production by 1.5 billion cubic feet per day (bcf/d).

- After six months of drilling, Talisman Energy failed to discover oil or gas in commercial quantities in the Zaboca 1 well located in the Eastern Block. The well was drilled to the targeted depth of 17 thousand feet and cost the company approximately US$20 million. The company moved to its second well (the Shadon Beni) which was drilled to a targeted depth of 14,000 feet, but was also unsuccessful. The company was expected to drill a third well (the Shandilay 1) located to the southeast of the Zaboca well.

- The Soldado 866 exploration well, located off the south-west coast of Trinidad and owned by ExxonMobil and Petrotrin, at an estimated US$9 million, was declared a dry hole. The outturn derailed hopes of increasing oil production at Trinmar from 35,000 b/d to 40,000 b/d.

- In November, oil was discovered at BHP Billiton's Ruby-1 exploration well located in block 3(a) off the northeast coast of Trinidad at a depth of 5,750 feet with a flow in excess of 4,000 b/d. The well cost an estimated US$15-20 million. The oil is a light, clean blend with an API of approximately 30°-31°. The flow rates were similar to that of the Kairi 1 and Canteen 1 wells which formed the basis for the Angostura development. Block 3(a) is adjacent to BHP's block 2(c). As a result, there is the possibility that the same infrastructure utilized in the development of the Greater Angostura field could

BOX 2 (CONTINUED)

DEVELOPMENTS IN THE ENERGY SECTOR

be used in this venture. A few weeks later, the company spudded the Ruby-2 well in 200 feet of water to assist in the appraisal of the Ruby discovery.[1] Block 3(a) is operated by BHP Billiton which has a 25.5 per cent interest and is co-owned by Talisman (Trinidad Block 3a) Ltd. (25.5 per cent), Anadarko Petroleum Corporation (25.5 per cent), Petrotrin (15 per cent) and Total (8.5 per cent).

- Petro-Canada announced its decision to spend approximately US$450,000 per day for up to six months on a six-well drilling programme located in the Gulf of Paria in the hope of discovering oil and natural gas, the probability of which was set at 25 per cent. The programme is scheduled for the second half of 2007 and any oil discovered would be refined at Petrotrin. There were also plans to drill four wells in waters to the north of Tobago.

Policy

- After months of delay, the Government unveiled a new production sharing contract (PSC) for oil and natural gas companies. The new PSC will apply to the companies that participated in the two bid rounds for eleven onshore/nearshore blocks located in the South Coast Marine Area and the Shallow Marine Acreage and eight blocks in the Trinidad Deep Atlantic Area. The new PSC states that companies must now pay petroleum profits tax, withholding tax, the green fund levy and the unemployment levy directly to the Ministry of Finance. Previously, these taxes were paid from profit oil (the government's share of production). Nevertheless, the government is still liable for the payment of the contractor's royalties, petroleum impost, supplemental petroleum tax and the petroleum production levy. Other features of the new PSCs include the following: (i) the consolidation of profit and losses for both land and marine areas; (ii) the implementation of a formula for the optimization of returns when oil and natural gas prices exceed US$40/bbl and US$4/mmbtu, respectively and; (iii) an assignment fee to be incurred by the operator should control of the PSC be transferred.

Natural Gas

- The Cannonball platform, located off the southeast coast of Trinidad, commenced operations on March 12, 2006 after a setback in the construction of the pipeline infrastructure. At full capacity, this platform will account for 25 per cent of BPTT's total gas production in Trinidad and Tobago.

[1] Spudding refers to the initial drilling of a well.

BOX 2 (CONTINUED)

DEVELOPMENTS IN THE ENERGY SECTOR

- The US$268 million Cross Island Pipeline at Beachfield, Guayaguayare commenced operations in April after completion in October 2005. The pipeline will more than triple the National Gas Company's (NGC) transmission capacity to over 4.4 bcf/d.

- EOG Resources discovered 399 feet of net pay of gas (hydrocarbon bearing sands) in block 4(a) located off the east coast of Trinidad, and expected that the find could prove to contain between 200 to 400 bcf.

- After four months of drilling and reaching a depth of 19,068 feet, BPTT's Ibis Deep well was declared a dry hole in August as no commercial hydrocarbons were found. The well, located in the South East Coast Consortium (SECC), cost US$80 million and was drilled on behalf of the block's licensee – EOG Resources.

- British Gas of Trinidad and Tobago (BGTT) sold its 30 per cent interest in block 3(a) off the east coast of Trinidad to Kerr McGee. This was done in order to focus on the delivery of the company's "material assets". The block, operated by BHP Billiton, is adjacent to the Angostura field in block 2(c).

- BGTT and ChevronTexaco delivered first gas from Dolphin Deep (the first sub-sea development in Trinidad and Tobago) to the onshore processing facilities at Beachfield on July 20. Gas production, from two wells, is expected to peak at 250 mmcf/d and will feed BGTT's supply rights to Atlantic LNG.

- NGC signed an agreement with BGTT and ChevronTexaco to supply 220 mmcf/d for a 15-year period to commence in 2009.

Natural Gas Liquids (NGLs)

- Subsequent to the completion of phase 3 of the fractionisation expansion project in 2005, Phoenix Park Gas Processors Limited (PPGPL) signed a new gas processing agreement with the National Gas Company Limited which extended the expiration date of the current agreement from 2018 to 2027. The agreement increased PPGPL's gas processing rights from 1.35 bcf/d to 1.95 bcf/d over the period. The company was also involved in providing inputs into the development of some key downstream projects, including the West Lake Ethylene Project, Petrotrin's Alkylation Project, and the Maelic Anhydride Project.

NATURAL GAS

Exploration activities for natural gas were not as fruitful in 2006 as originally envisaged, as the complex geological structure of the environment hampered efforts. The availability of natural gas was at the forefront of discussions for most of the year and the failure to find new resources served only to intensify the debate especially with the slate of proposed projects scheduled for construction. Meanwhile, natural gas usage continued to increase mainly on account of export market commitments. Natural gas production averaged 3,878 million cubic feet per day (mmcf/d) in 2006, an increase of 20.5 per cent from the previous year, while natural gas utilization averaged an estimated 3,674 mmcf/d, 21.1 per cent above the level in 2005. Gas usage by the LNG sector increased by almost one-third, reflecting in part, the commissioning of the Atlantic LNG's Train IV facility. This sector as a whole accounted for 57 per cent of total gas usage with the petrochemical industry utilizing 30 per cent, followed by electricity generation (6.8 per cent) and the iron and steel industry (2 per cent).

Liquefied Natural Gas (LNG)

Although, the Atlantic LNG's Train IV facility completed its inaugural year of production in 2006, the plant did not reach full capacity (804 mmcf/d) during the year as it takes several months for a facility of this size to 'ramp up' to capacity. In addition, some difficulties were encountered in the completion of the pipeline infrastructure used to transmit natural gas to the train. Nevertheless, LNG production totaled 29,880.5 thousand cubic meters (m3), an increase of 28.3 per cent from the previous year. Exports of LNG totaled 11.7 million metric tonnes (mt) which represented an increase of 24.7 per cent from 2005. Exports were shipped to the customary markets in the US (65.1 per cent), Spain (18 per cent), Puerto Rico (5.4 per cent) and the Dominican Republic (2.3 per cent). The remainder was exported to the United Kingdom (3.7 per cent) and Japan, (2.7 per cent), while new markets (Belgium, Mexico, Taiwan, France and South Korea) each accounted for less than 1 per cent of total exports.

Natural Gas Liquids (NGLs)

In 2006, PPGPL produced 11.3 million barrels of natural gas liquids, an increase of 13.8 per cent from the previous year, reflecting largely higher output of butane and propane. This was attributable to the rise in the availability of gas liquids corresponding with the start up of Atlantic LNG's Train IV facility. Exports of NGLs totaled 11.6 million barrels, 11.5 per cent above the level in 2005. Although the price of NGLs increased during 2006, the prices of these commodities softened in the fourth quarter commensurate with a moderation in prices in the crude oil market. Propane and butane prices averaged US$44.01/bbl and US$51.26/bbl, representing increases of 10.9 per cent and 13.4 per cent, respectively from the previous year, while the price of natural gasoline averaged US$55.24/bbl, 14.1 per cent higher than the previous year.

PETROCHEMICALS

Methanol

Despite an unexpected three-week outage at the new methanol plant in 2006, methanol production increased significantly by 28.1 per cent to 6,015.6 thousand tonnes. This reflected mainly the first full year of production from the M5000 plant which was commissioned in October 2005 with an effective capacity of 5,400 metric tonnes per day. Similarly, exports totaling 5,872.3 thousand tonnes, increased by 27.2 per cent over the period.

Nitrogenous Fertilizers

During the year, the local fertilizer industry was beset by numerous unexpected shutdowns as well as gas curtailments which impacted negatively on output. In addition, fertilizers fetched a lower price on the global market than in the previous year. The nation's 10 ammonia plants produced 5,110.5 thousand tonnes of ammonia, down by 1.5 per cent on the 2005 total, while 4,660.7 thousand tonnes were exported, a marginal decline of 0.9 per cent. Urea production and exports were also less than the levels produced in 2005, falling by 8 per cent to 688.3 thousand tonnes and by 6.6 per cent to 692.5 thousand tonnes, respectively.

IRON AND STEEL

The local iron and steel market in 2006 was fairly stable, as production and exports were not significantly different from the levels of 2005. DRI production rose by 0.8 per cent to 2,071.5 thousand tonnes, while exports of DRI fell by 3.9 per cent to 1,218.8 thousand tonnes. Output of wire rods increased by 2.9 per cent to 485.7 thousand tonnes, while exports expanded by 1.1 per cent to 448.4 thousand tonnes. Billet production declined by 5.5 per cent to 673.0 thousand tonnes. ISG Trinidad Unlimited ceased production of hot briquette iron in January 2006 and exported their last shipment two months later. This situation arose as the International Steel Group found that it was no longer economically feasible to continue production at the plant. As at the end of December 2006, the future of the plant is uncertain as the Mittal Group has not disclosed any plans concerning the sale or restart of the plant.[2]

[2] Mittal Steel has subsequently acquired the assets of the International Steel Group.

AGRICULTURE

Sugar

Although the 2006 crop was off to a very late start due to heavy rains during the month of January, production of sugar totaled 34.9 thousand tonnes surpassing the 2005 level by 5.4 per cent. The higher output however, was not enough to meet the reduced export quota of 42 thousand tonnes to the European Union and volumes shipped for the year amounted to 34.9 thousand tonnes. The government of Trinidad and Tobago has announced that 2007 is the final year of state involvement in sugar production and an exit strategy from the industry is to be prepared.

Cocoa

Available data indicated that cocoa production reached 433 thousand tonnes in the first half of 2006. This was 20 per cent less than the level produced (540.3 thousand tonnes) in the corresponding period of 2005.

Citrus

After a poor citrus crop in 2005 when output totalled 111.7 thousand kilograms, production rebounded in 2006 with 889.6 thousand kilograms. In recent times, adverse weather conditions, labour shortages and the divestment of Caroni (1975) Ltd (which was a major producer of citrus) have negatively affected production of this crop.

CHAPTER FOUR

THE LABOUR MARKET

THE LABOUR MARKET

In 2006, conditions in the labour market tightened considerably and as a consequence, the unemployment rate in Trinidad and Tobago reached an historic low of 5 per cent in the fourth quarter, which helped to bring the average rate for the year down to an unprecedented 6.2 per cent. This was significantly less than the previous record level of 9.9 per cent in 1982, when the economy was experiencing boom conditions. With economic fortunes favourable once more, the country appeared to have reached its natural rate of unemployment which was estimated to be within the range of 5-7 per cent. During 2006, the labour market was characterized by widespread reports of labour shortages, particularly in the construction and manufacturing sectors. Employers revealed that they had to pay higher wages in order to attract and retain staff and some vacancies went unfilled. The apparent shortage of skilled labour necessitated the importation of workers from both regional and extra-regional sources, to work mainly on government projects.

In 2006, the unemployment rate averaged 6.2 per cent compared with 8 per cent in the previous year. Although the labour force expanded by 1.5 thousand persons, an additional 12.2 thousand persons found employment. Of this amount, the Services sector employed 9.4 thousand persons, with the Finance, Insurance and Real Estate sub-group generating an additional 3.1 thousand persons, followed by the Distribution (3 thousand) sector. After averaging an increase of nearly 7 thousand persons per year for the past three years, only a further 2.5 thousand jobs were generated in the Community, Social and Personal Services sector. One contributing factor to this was the flat growth in employment opportunities in the Community Environment Protection and Enhancement Programme (CEPEP).

Employment levels rose by 1.9 thousand in the Construction sector, in contrast to the previous two years when the industry was the main source of employment. One reason advanced for the deceleration in employment was that some large projects in the energy sector were completed in 2005 and there was an intermittent period of inactivity as workers moved from one project to another. In addition, the lower job creation supported claims of a shortage of skilled labour in the sector. Despite reports of an inability to attract and retain workers, the number of persons employed in the Manufacturing sector remained constant. With buoyant economic conditions, manufacturers were using the opportunity to re-tool as several businesses were improving their technology. Despite the marginal decline in output in the agricultural sector, the number of persons with jobs in the sector rose by 1 thousand. Although the energy sector accounts for a large proportion of the country's GDP, employment gains (400) in the sector continued to be negligible.

BOX 3

DEVELOPMENTS IN THE LABOUR MARKET

Legislative progress was also made in the area of labour market improvements. After several delays and intensified lobbying by labour unions, the Occupational Health and Safety Act was proclaimed. In addition, the legislation governing the minimum age for employment was changed from fourteen to sixteen via the Miscellaneous Provisions Act of 2006. On a regional level, the operationalisation of the Caribbean Single Market (CSM) created some concern about an influx of foreign workers. However, the majority of applications for skilled certificates were by nationals of Trinidad and Tobago.

TABLE 7

LABOUR FORCE STATISTICS, 2003-2006*
/THOUSANDS/

	2003	2004	2005	2006
Population (Mid Year) Estimates	1,282.4	1,290.6	1,294.5	1,297.9
Non-Institutional Population - 15 years and over	968.3	973.6	979.0	978.3
Labour Force	596.6	613.5	623.7	625.2
Persons with jobs	534.2	562.4	574.0	586.2
Persons without jobs	62.4	51.2	49.7	39.0
Participation Rate (%)	61.6	63.0	63.7	63.9
Unemployment Rate (%)	10.5	8.4	8.0	6.2

Source: Central Statistical Office.

* The figures represent the averages of the four quarters of the year, with the exception of the mid-year population estimates.

TABLE 8

THE SECTORAL DISTRIBUTION OF EMPLOYMENT, 2003 - 2006*

	EMPLOYMENT							
	2003		2004		2005		2006	
	(000)	%	(000)	%	(000)	%	(000)	%
Agriculture	31.4	5.9	26.0	4.6	25.0	4.4	25.7	44.4
Petroleum & Gas (including Mining & Quarrying)	16.9	3.2	20.1	3.6	20.4	3.4	20.4	3.5
Manufacturing	55.0	10.3	58.8	10.5	55.5	9.9	55.5	9.5
Construction (including Electricity & Water)	80.0	15.0	91.1	16.2	101.8	17.7	104.5	17.8
Transport, Storage & Communications	41.6	7.8	41.6	7.4	41.8	7.3	42.7	7.3
Other Services	307.3	57.5	322.9	57.4	327.1	57.0	335.6	57.3
Of which Wholesale & Retail	*99.0*	*18.5*	*101.2*	*18.0*	*103.6*	*18.1*	*106.6*	*18.2*
Community, Social & Personal Services	*163.4*	*30.6*	*175.3*	*31.2*	*178.5*	*31.1*	*181.0*	*30.9*
Finance, Insurance & Real Estate	*45.0*	*8.4*	*46.4*	*8.3*	*45.0*	*7.8*	*48.1*	*8.2*
Not Classified	2.0	0.4	1.9	0.3	2.5	0.4	1.6	0.3
Total Employment	**534.2**	**100.0**	**562.4**	**100.0**	**574.0**	**100.0**	**586.2**	**100.0**

Source: Central Statistical Office.

* The figures represent the averages of the four quarters of the year.

BOX 4

COMPILATION OF LABOUR FORCE STATISTICS

The Central Statistical Office (CSO) is the official agency mandated to produce labour force statistics in Trinidad and Tobago. According to the International Labour Organization (ILO), the standard international definition of the unemployed refers to any worker who was actively seeking a job during the week of the survey. The extended definition of unemployment adds those persons in the labour force who looked for work at some time during the three months preceding the week of the survey, and are still available for work, but who did not look for work during the week of the survey. If we use the standard definition, it should be noted that the rate was in single digits since 1998, but the extended definition is the one used by the CSO in compiling the Trinidad and Tobago labour force statistics.

Survey Design

The main instrument used to provide timely labour market data is the Continuous Sample Survey of Population (CSSP). The CSSP was designed as a multi-purpose survey in 1963 with the primary objective of providing timely data on labour force characteristics. The survey has undergone three revisions based on decennial Population and Housing censuses. The latest revision was undertaken using the 1990 census data and implemented in 1994. The main features of the design revisions included:

- The treatment of Trinidad and Tobago as independent island clusters.
- The selection of households (Ultimate Sampling Units) in contiguous clusters as opposed to a systematic selection in order to minimize the total estimation error.
- The assignment of Primary Sampling Units (PSUs) within Administrative Areas to predetermined groupings of occupational categories based on the Dictionary of Occupations for Trinidad and Tobago (1990). Occupational groupings were classified by skill codes: 1 (highly skilled professionals); 2 (skilled/semi-skilled) and 3 (unskilled). A PSU was assigned a skill code in relation to the group to which the largest percentage of economically active persons belongs.
- The reallocation of certain PSU's to other Administrative Areas because of the redefinition of boundary limits in these areas.
- An increase in the number of Administrative areas to fifteen, in order to include Chaguanas.[1]

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[1] There were 14 Administrative areas with specific reference made to "Urban" Stratas. The number of sampling units assigned to an Administrative Area was based on the statistical method of Proportional Allocation.

BOX 4 (CONTINUED)

COMPILATION OF LABOUR FORCE STATISTICS

The CSSP itself is based on a stratified cluster sample of Enumeration Districts (EDs) consisting of PSUs with a size of 150 to 200 households. Based on the 1990 Population and Housing Census, Trinidad and Tobago was divided into 2,324 EDs and 115 EDs, respectively. The average cluster size of households for Administrative Areas in Trinidad was approximately 4.9 households and 3.2 in Tobago. Households are sampled quarterly using a two-stage selection process. During the first stage, EDs are sampled based on probability proportional to size (PPS). The second stage involves sampling households in each ED with a probability inversely proportional to size (PPS-1). Thus, each household has the same probability of selection. The probability of selection during the second stage must remain fixed throughout the life of the sampling frame. This is achieved by assigning a fixed zoning interval of selection to each first-stage sampling unit.[2]

Data Collection

Field work for the survey is conducted over a three-month period. Each month of the survey is divided into two periods of two weeks so that listing and enumeration could be carried out in alternate weeks. The first phase of a period consists of listing all the households in the selected primary units. The second phase consists of enumerating a randomly selected cluster of households. The allocation of clusters for each period is done by office staff. Information for the selected households with their respective addresses for each ED is extracted from the listing records and assigned to the various enumerators. Data for the CSSP is collected by personal interview from a responsible household member, usually the head of each household. A permanent field unit of trained enumerators and supervisors is utilized for the data collection. Sample estimates are inflated to separate population estimates by sex based on the population ratio estimation method. In the estimating procedure, the Vital Statistics estimates of the total Non-Institutional Population 15 years and over at the middle of each quarter is used to inflate the sample estimates.

At the end of each quarter, the survey produces a variety of statistics such as the non-institutional population, the labour force, the number of persons employed and the number of persons unemployed. It is also possible to track the participation rate and the number of persons who choose to remain voluntarily idle. The statistics are internationally comparable since their development is based on internationally established conventions.

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[2] The zoning interval, which is the number of clusters or households assigned to each ED, is derived by finding the ratio of the total number of households of an ED to the average cluster size assigned to the Administrative area of the ED.

Source: Central Statistical Office, Continuous Sample Survey of Population – Labour Force Report.

INDUSTRIAL RELATIONS

The industrial relations climate was relatively tranquil, with small pockets of unrest throughout the year. Despite an increase in the number of labour disturbances, these were not of a protracted nature to significantly impact overall output and productivity. As one of the largest employers, the public sector was at the centre of the majority of labour disturbances in 2006. Other sectors in which there was unrest included the manufacturing and services sectors.

The state-owned oil company experienced industrial action throughout the year as there were several work stoppages as employees protested stalled wage negotiations for the bargaining period 2006-2008 and outstanding health and safety issues. This impacted negatively on output and the company decided to shut down all operating units on a number of occasions to protect the refinery. On one occasion, it took approximately seven days to restart the plant. Exploration and production operations at Trinmar facilities were also moderately affected as workers withheld their labour on account of outstanding safety issues. The company and the union eventually settled at 15 per cent plus other benefits such as wage indexation. National Petroleum Marketing Company Ltd also experienced industrial action as the union was concerned about the road-worthiness of delivery vehicles. This resulted in the non-delivery of fuel to service stations which led to reports of fuel shortages on account of panic buying by consumers. A number of other workers employed in various branches of the public sector also engaged in industrial action, agitating for higher wages while the representing unions were in negotiations with the employers. There was also protest action at two state enterprises as workers expressed dissatisfaction with the voluntary separation and severance packages on offer. There were some positive developments with respect to labour relations in the public sector. For the first time, a collective agreement was negotiated between the relevant union and the Regional Health Authorities (RHAs). The agreement covered the period 2002-2004 and included a consolidated Cost of Living Allowance (COLA). Negotiations for the period 2005-2007 are now ongoing.

In the private sector, workers at the tobacco company engaged in protest action because they were concerned about several outstanding matters, which related primarily to the permanent employment of floor staff and the hiring of foreign labour. Employees at a food-processing company engaged in a silent demonstration with respect to several issues including the adequacy of a pension plan, but recommenced work as dialogue between the parties resumed.

TABLE 9

WORK STOPPAGES IN TRINIDAD AND TOBAGO, 2000 - 2005

YEAR	STRIKES	LOCKOUTS	STOPPAGES	WORKERS INVOLVED	MAN DAYS LOST
2000	0	0	38	3,126	515
2001	0	0	80	8,064	18,036
2002	0	0	22	6,176	11,872
2003	0	0	31	10,134	52,568
2004	0	1	22	7,536	1,583,373
2005	0	0	13	4,069	31,670

Source: Industrial Court of Trinidad & Tobago.

WAGES[3]

An examination of the wage agreements registered with the Industrial Court of Trinidad and Tobago for 2005 illustrated that total increases in wages and salaries have generally been contained at around 15 per cent over three years with the exception of a few sectors such as Energy, the Utilities and Educational and Cultural Community Services. In fact, the median yearly increase for three-year agreements extending from 2004 and beyond has generally been between 3-4 per cent.

Although nominal wage growth in the manufacturing sector accelerated, the increase remained below that of the gains in productivity. During the first nine months of 2006, the Index of Average Weekly Earnings (inclusive of energy and sugar) rose by 9 per cent compared with 0.6 per cent registered one year earlier. The more significant increases occurred in the following industries: Assembly-Type & Related Products (31 per cent); Refining of Oil and Gas (16.9 per cent) and Petrochemicals (10 per cent). Conversely, there were declines in earnings in the Exploration of Oil and Gas and Sugar industries of 43.4 per cent and 3.6 per cent, respectively.

[3] Data on median wage increases are based on wages and salaries extracted from Collective Agreements registered at the Industrial Court for unionized labour. The Index of Average Weekly Earnings is derived from data collected as part of the quarterly Survey of Domestic Production and no distinction is made between unionized and non-unionized workers. In addition, data are collected for both production and office workers. Consequently, the two databases are not directly comparable.

TABLE 10

SUMMARY OF INDUSTRIAL AGREEMENTS REGISTERED IN 2005 FOR THE PERIOD, 1999 – 2007

PERIOD OF AGREEMENT	NUMBER OF AGREEMENTS	MEDIAN YEARLY WAGE INCREASES (%)	RANGE OF AVERAGE YEARLY INCREASES (%)
1999-2001	3	6.0	1.3-31.5
2000-2002	7	3.0	0.0-13.5
2001-2003	4	3.0	1.3-11.4
2001-2005	1	7.0	3.0-11.4
2002-2004	15	3.3	1.7-27.5
2003-2005	27	4.0	2.3-11.6
2004-2006	30	4.0	2.8-7.0
2005-2007	9	3.3	3.7-5.5

SOURCE: Industrial Court of Trinidad and Tobago.

TABLE 11

AGREEMENTS REGISTERED IN 2005 BY SECTOR

SECTOR	DURATION OF AGREEMENTS	NO. OF AGREEMENTS	RANGE OF YEARLY INCREASES (%)
Energy	2002-2004	1	4.36-27.50
	2003-2005	4	4.36-11.60
	2004-2006	2	4.36-5.75
Government	2002-2004	2	2.00-10.00
Utility	1999-2001	1	7.50-31.50
	2002-2004	1	2.00-7.50
	2003-2005	1	6.00-7.50
Manufacturing	2000-2002	1	0.00-4.00
	2002-2004	6	3.63-5.25
	2003-2005	2	3.63-5.25
	2004-2006	13	4.25-5.25
	2005-2007	7	3.71-4.98
Distribution	2000-2002	1	2.88-7.00
	2001-2003	1	2.50-4.63
	2002-2004	2	2.88-4.63
Construction	2003-2005	1	3.70-4.63
	2004-2006	4	3.25-4.10
	2003-2005	4	2.25-5.80
	2004-2006	1	2.80-9.00
Transport, Storage & Communications	2000-2002	2	3.00-4.50
	2003-2005	5	3.13-4.14
	2004-2006	2	3.21-4.14
Finance, Insurance & Business Services	1999-2001	1	1.33-2.00
	2001-2003	2	1.33-6.60
	2002-2004	1	1.67-6.60
	2003-2005	7	2.83-6.60
	2004-2006	5	2.83-5.75
Educational and Cultural Community Service	1999-2001	1	4.00-18.00
	2000-2002	1	4.00-13.50
	2002-2004	1	5.00-13.50
	2003-2005	1	4.00-7.75
Personal Services	2000-2002	2	0.00-10.00
	2001-2003	1	3.00-11.38
	2001-2005	1	3.00-11.38
	2002-2004	1	7.00-11.38
	2003-2005	2	4.80-11.38
	2004-2006	3	4.80-7.00
	2005-2007	2	4.80-5.50

SOURCE: Industrial Court of Trinidad & Tobago.

PRODUCTIVITY

With the exception of the Sugar industry, there were marked improvements in productivity in 2005 as measured by the Index of Output Per Man Hours Worked. During the first nine months of 2005, productivity in the Manufacturing sector increased by 7.3 per cent, but the largest gains were seen in the energy sector, particularly in Refining of Oil and Gas (18.3 per cent), Petrochemicals (16.4 per cent) and Exploration of Oil and Gas (12.6 per cent).

In the non-energy sector, productivity improved in the Food Processing and Drink & Tobacco industries by 31.4 per cent and 31.1 per cent, respectively. The latter increase reflected mainly the substitution of capital for labour by the major brewery. The Textiles, Garment & Footwear industry recorded efficiency gains of 55 per cent, while the Chemical & Non-Metallic Products industry showed an improvement of 10.8 per cent. By contrast, productivity declined in the following industries: Sugar (-23.8 per cent), Wood Products (-10.4 per cent) and Printing, Publishing and Paper Converters (5 per cent). In the sugar industry the large fall in productivity was as a result of operational difficulties which severely hampered production at the mill.

TABLE 12

THE MANUFACTURING SECTOR
CHANGES IN KEY ECONOMIC INDICATORS
/PER CENT/

	EXPLORATION & PRODUCTION OF OIL & NATURAL GAS JAN - SEPT		SUGAR MANUFACTURING JAN - SEPT		MANUFACTURING (EXCLUDING ENERGY & SUGAR) JAN - SEPT		ALL INDUSTRIES JAN - SEPT	
	2005	2006	2005	2006	2005	2006	2005	2006
Production	(10.3)	9.0	(3.4)	(36.2)	19.9	17.0	10.4	10.9
Hours Worked	(19.7)	15.5	25.1	(35.7)	5.1	0.2	2.9	0.9
Nominal Earnings	0.4	(43.4)	26.5	(3.6)	2.3	13.7	0.6	9.0
Real Earnings	0.3	(46.9)	24.8	(3.9)	2.1	12.7	0.6	8.4

Source: Central Statistical Office.

CHAPTER FIVE

PRICES

PRICES

CONSUMER PRICES

In 2006, heightened inflationary pressures were a major concern to the Central Bank as headline inflation accelerated to average 8.3 per cent compared with 6.9 per cent in the previous year. The Food and Non-Alcoholic beverages sub-index was the largest contributor to the rise in prices, with an average increase of 23.2 per cent compared with 22.9 per cent in 2005, reflecting higher costs of fruit, fish and vegetables of 22.9, 28.8 and 63 per cent, respectively. During the second half of the year, meat prices, led by poultry, began to rise and averaged 8.4 per cent. Traditionally, food prices have been the largest contributor to inflation, but the components which drive the increase in the food index are constantly changing. Since 2004, the rising cost of fruits and vegetables has driven the food index as adverse weather conditions, both locally and regionally, have contributed to supply shortages. Additionally, in 2006, the data showed that the operations of some of the participants along the supply chain have added significant premiums to agricultural prices. Towards the end of the year, an initiative by the National Agricultural Marketing and Development Corporation (NAMDEVCO) aimed at educating the population about price differences at supermarkets and the municipal markets appeared to have had some impact. The prices of fruits and vegetables, which are historically higher during the fourth quarter, moderated to levels not seen since 2003.

Core inflation (which excludes food prices) also rose steadily during the year, averaging 3.6 per cent from 2.7 per cent in the previous year, reflecting in the main capacity constraints. The main contributors to rising core inflation were the following sub-indices:

- Health cost (9.7 per cent) - Despite the expansion of the government's Chronic Disease Assistance Programme (CDAP), pharmaceutical product prices rose throughout the year as well as the cost of medical services, particularly doctors' fees. The sporadic disruptions in the public health sector served to increase the demand for private healthcare services;

- Recreation & Culture (9.4 per cent) - The cost of income elastic goods such as packaged holidays rose during the year, reflecting mainly increased disposable incomes combined with the rising cost of aviation fuel;

- Education (12.5 per cent) - While free tertiary education has allowed for the expansion of the number of persons pursuing higher education, tuition fees at private education institutions increased, mainly as a result of unfavourable exchange rate movements of the TT dollar against the pound sterling;

- Alcoholic Beverages & Tobacco (12.4 per cent) - The fiscal measures in the 2006/07 Budget imposed an increase of 15 per cent in customs and excise duties on alcoholic beverages and tobacco; and

- Hotels, Cafes and Restaurants (6.2 per cent) - Rising food prices translated into increased cost of dining out at various culinary establishments.

However, there were declines in the cost of communication as well as clothing and footwear of 10.2 per cent and 0.5 per cent, respectively.

BOX 5

OTHER MEASURES OF INFLATION, WITH SPECIAL REFERENCE TO THE GDP DEFLATOR

In Trinidad and Tobago, the Central Statistical Office (CSO) is the agency entrusted with the responsibility of measuring the rate of inflation. The main instrument used as an indicator of changes in the average price level is the *Index of Retail Prices (RPI)*. This price index allows one to compare average price levels and the purchasing power of a dollar at different periods of time as it relates to a fixed basket of goods. The RPI is an estimate of the ratio of the current price of a fixed market basket of consumer goods and services of constant quality to the price of that market basket in a specific base period. Items in the basket consist of goods and services that consumers purchase in their day-to-day living. Therefore, the RPI is essentially a *consumer price index* since it excludes non-consumer prices such as capital goods or goods and services consumed by enterprises or the government. However, there are other measures of inflation such as the *Producer Price Index (PPI)* and the *GDP Deflator.* The PPI measures the average change in prices at the wholesale level received by domestic producers for their output. It also measures the prices charged by producers at various stages in the production process. There are three broad subcategories within the PPI: crude, intermediate, and finished goods. The finished goods index is more closely scrutinized, as this represents prices for goods that are ready for sale to the end user.

The GDP deflator, also called the GDP implicit price deflator, measures the price of output relative to its price in a particular base year. It reflects changes to the overall level of prices in the economy. This is a broader measure of inflation since it takes into account all new, domestically produced, final goods and services in an economy and isolates the proportion of the increase in GDP attributable to price effects. The GDP deflator is calculated by dividing the value of Gross Domestic Product (GDP) at current year prices by the GDP in the same year at constant prices.

There are two notable points about the GDP deflator. Firstly, since GDP does not include imports the GDP deflator does not measure changes in the price of imported goods. Secondly, the deflator is not based on a fixed basket of goods and services. The basket is allowed to change with consumption and investment patterns. Therefore, new expenditure patterns are exhibited in the deflator as persons respond to price changes. The advantage of this approach is that the GDP deflator measures changes in both prices and the composition of the basket. Therefore, as prices and consumer preferences change, the GDP deflator accurately tracks both automatically. For this reason, the GDP deflator is a more accurate and purer representation of price changes in the overall economy. In practice, the difference between the deflator and a price index is often relatively small, but in some instances can be significant. The PPI is the closest to the GDP deflator because both are based on a basket of goods representative of national production. Nevertheless, given the concerns about various biases in consumer price indices, the GDP deflator could be used to complement measures such as the RPI.

BOX 5 (CONTINUED)

OTHER MEASURES OF INFLATION, WITH SPECIAL REFERENCE TO THE GDP DEFLATOR

COMPARISON OF THE GDP DEFLATOR AND THE INDEX OF RETAIL PRICES /PERCENTAGE CHANGE/

	GDP DEFLATOR	NON-ENERGY GDP DEFLATOR	RPI
2000	12.5	2.1	3.6
2001	2.9	8.2	5.6
2002	(5.6)	0.1	4.2
2003	11.3	2.7	3.8
2004	4.1	1.9	3.7
2005	11.1	3.0	6.9
2006	8.4	7.2	8.3

SOURCE: Central Statistical Office.

WHOLESALE PRICES

The Index of Producer Prices rose by an average of 4.5 per cent during 2006, in large measure because of increases in the Chemical and Non-Metallic Products (10 per cent) and the Drink & Tobacco industry (9.3 per cent). In the Chemicals and Non-Metallic Products industry, producers charged higher prices for bricks, blocks and tiles (29 per cent), readymix concrete (46.5 per cent) and cement (7 per cent). The increase in taxes on alcoholic beverages and tobacco announced in the budget for fiscal 2007, contributed to higher wholesale prices of these commodities in the amount of 11.1 per cent and 10.1 per cent, respectively.

There was also an increase of 3 per cent in the wood products industry grouping mainly on account of an 8.5 per cent rise in prices in the furniture industry. Within the food processing industry, prices rose by an average of 2.4 per cent, reflecting mainly increases at bakeries (5.8 per cent), fruits and vegetables processors (3.9 per cent) and meat, poultry and fish processors (2.9 per cent). There were negligible increases in the other industry groupings and small declines were registered at the flour mills and for glass and plastic products for construction industries.

CHAPTER SIX

FISCAL OPERATIONS

FISCAL OPERATIONS

During 2006, sustained high energy prices and growth in energy sector production levels continued to have a positive impact on the fiscal accounts. The central government posted an overall surplus of $7,426.7 million or 6.5 per cent of GDP in fiscal 2006 which was higher than the surplus of $5,006.9 million recorded in the previous fiscal year. The Heritage and Stabilisation Fund expanded to $8,644.6 million at the end of the fiscal year as $3,160.2 million, ($567.1 million higher than the amount transferred in fiscal year 2005) was transferred to the Fund. The non-energy fiscal deficit increased from 11.4 per cent of GDP to 14.3 per cent of GDP between fiscal years 2005 and 2006.

Recurrent revenue amounted to $38,479.5 million, an increase of 29.8 per cent from fiscal 2005, attributed to improved receipts from both the energy and non-energy sectors. However, the energy sector continued to be the main driver of the local economy with oil revenues climbing from $14,044.1 million in fiscal 2005 to $21,385.3 million and contributing 55.6 per cent of recurrent revenue in fiscal 2006. This strong performance resulted from a combination of higher oil prices and production levels and the amendments to the oil and gas taxation regimes in the 2006 budget. Oil prices averaged US$66 per barrel (WTI) in fiscal 2006 up from an average of US$53.6 per barrel (WTI) in fiscal 2005.

Revenue from the non-oil sector grew by 9.6 per cent to $17,094.3 million, considerably slower than the increase of 20.1 per cent recorded in the previous fiscal year. One of the reasons for the slow down was reduced receipts from income taxes due to the changes made to the personal income tax regime in the national budget for fiscal year 2006.[4] The growth in non-oil revenue was due mainly to taxes on goods and services which increased from $4,200.8 million in fiscal 2005 to $5,487.7 million in fiscal 2006 as collections from the value added tax (which represents 74.4 per cent of taxes on goods and services) grew from $2,962.6 million to $4,084.2 million.

Central government expenditure increased sharply by 26.1 per cent to $31,061.9 million in the period under review compared with an increase of 28.9 per cent in the previous fiscal year. The expansionary nature of fiscal policy during the year was clearly evident with the increases in all of the major categories of expenditure, but particularly in transfers and subsidies; in the latter case, spending rose by $3,999 million to $14,820.6 million compared with an increase of $2,911 million in fiscal 2005. This was due largely to increased subventions ($1.3 billion) to households which reflected the payment of pensions, disability grants and other expenses by the Ministry of Social Development. In addition, there was an increase of $964.9 million in the subvention to British West Indies Airways in fiscal 2006. Spending on wages and salaries and goods and services both increased between fiscal years 2005 and 2006, by 2.8 per cent and 18.4 per cent, respectively. Interest payments fell from $2,541.5 million to $2,496.9 million, as there were marginal declines in both domestic and external payments.

[4] These amendments included an increase in the personal allowance for persons under 60 years of age from $25,000 to $60,000 and for persons 60 years and over from $40,000 to $60,000 per annum. Furthermore, the personal income two-tiered tax rate system of 25 per cent and 30 per cent was replaced by a flat rate of 25 per cent for all income levels.

There was also a significant rise in capital expenditure which more than doubled from $2,798.6 million in fiscal 2005 to $4,531.6 million in fiscal 2006. This increase reflected largely transfers to the Infrastructure Development Fund (IDF) which was re-introduced to facilitate the expeditious mobilization of financial resources for infrastructure development for the special purpose state enterprises introduced in 2005. Capital expenditure from the Infrastructure Development Fund totalled $3,011.3 million in fiscal 2006, compared with transfers of $5,750 million. During the period October 2005 to September 2006, the central government amortized debt amounting to $1,647.8 million. These debt obligations were largely financed through the overall surplus and external borrowing which amounted to $305.9 million since the government did not issue any new bonds in the domestic capital market during the year. There was no external borrowing from the domestic private sector in fiscal 2006.

BOX 6

ADDITIONAL ALLOCATION FOR EXPENDITURE PURPOSES

There was a supplementary appropriation of $4 billion to transfers and subsidies in the middle of the fiscal year. Of this amount, $2.3 billion was allocated to the Ministry of Finance for the following purposes: a transfer of $600 million into the Heritage Stabilisation Fund, $282.4 million to the Trinidad and Tobago Electricity Commission to assist in servicing its 2005-2006 debt, $630 million was paid to the British West Indies Airways (BWIA) as equity injection for the recapitalization of the airline and $750 million to the Infrastructure Development Fund. The Ministry of Energy received the second largest transfer of $730 million to subsidize gasoline prices at the pumps. Other allocations included: $371.6 million to the Public Sector Investment Programme, $292.5 million to the Water and Sewerage Authority to assist in meeting its operating deficit and Water Sector Improvement Programme, $156.6 million to the Ministry of Works for the Tobago ferry service, highway extension, road improvement works and research and $3.1 million to the Trinidad and Tobago Entertainment Company Limited.

TABLE 13

SUMMARY OF CENTRAL GOVERNMENT FINANCES, 2003/04 - 2006/07
($MILLION)

	OCT. 03 - SEPT. 04	OCT. 04 - SEPT. 05	OCT. 05 - SEPT. 06	OCT. 06 - SEPT. 07[1]
Current Revenue	20,625.6	29,638.8	38,479.6	35,038.2
Current Expenditure	17,498.5	21,842.4	26,530.3	28,704.6
Current Surplus (+)/Deficit (-)	**3,127.1**	**7,796.2**	**11,949.2**	**6,333.6**
Capital Receipts	4.1	9.1	9.0	44.4
Capital Expenditure and Net Lending	1,621.1	2,798.6	4,531.6	6,349.6
Overall Surplus (+)/Deficit (-)	**1,510.1**	**5,006.9**	**7,426.7**	**28.4**
Financing	-1,510.1	-5,006.9	-7,426.7	-28.4
External (Net)	-278.8	-1,273.3	-300.1	20.1
Domestic (Net)	-1,231.4	-3,733.4	-7,126.6	-48.5
SURPLUS (+)/DEFICIT(-) AS A PER CENT OF GDP (CURRENT MARKET PRICES)				
Current Surplus (+)/Deficit (-)	3.9	8.2	10.4	5.1
Overall Surplus (+)/Deficit (-)	1.9	5.3	6.5	0.0

Source: Appendix Table A.16.

[1] Based on estimates in the 2006/2007 Budget.

TABLE 14

SUMMARY OF CENTRAL GOVERNMENT FINANCES, 2003/04 - 2006/07
(PER CENT)

	2003	2004	2005[r]	2006	2007
			PER CENT OF RECURRENT REVENUE		
A. Recurrent Revenue					
Oil Revenue	36.9	37.0	47.4	55.6	47.0
Non-Oil Revenue	63.1	63.0	52.6	44.4	53.0
Income Taxes	32.0	30.6	27.2	20.7	22.9
Property Taxes	0.5	0.4	0.2	0.2	0.2
Taxes on Goods and Services	18.4	19.9	14.2	14.3	15.0
International Trade Taxes	5.9	6.0	5.0	4.8	5.5
Non-Tax Revenue	6.3	6.1	6.1	4.5	9.4
Total Recurrent Revenue	100.0	100.0	100.0	100.0	100.0
			PER CENT OF RECURRENT EXPENDITURE		
B. Recurrent Expenditure					
Wages and Salaries	30.2	27.7	18.6	20.6	22.2
Goods and Services	13.4	13.6	12.8	14.2	16.0
Interest	16.6	13.5	8.5	9.4	8.8
Transfers and Subsidies	39.7	45.2	60.0	55.9	53.0
Total Recurrent Expenditure	100.0	100.0	100.0	100.0	100.0

Source: Appendix Tables A.17 and A.18.

TABLE 15

ENERGY-BASED GOVERNMENT REVENUES, 2003/04 - 2005/06

	2003/2004	2004/2005	2005/2006
		PER CENT OF GOVERNMENT REVENUE	
Energy Sector	**42.4**	**53.5**	**61.7**
Corporation Tax	26.5	36.4	45.8
Royalties	5.3	4.1	4.4
Unemployment levy	1.4	3.0	3.3
Withholding tax	0.9	1.4	1.6
Excise duty	2.8	2.1	0.3
Other	0.0	0.0	0.0
Other Companies	5.3	6.2	6.2
Oil Impost	0.2	0.1	0.2
		PERCENT OF GDP	
Energy Sector	11.0	16.7	20.7
Corporation Tax	6.8	11.4	15.4
Royalties	1.4	1.3	1.5
Unemployment levy	0.4	1.0	1.1
Withholding tax	0.2	0.5	0.5
Excise duty	0.7	0.7	0.1
Other [1]	1.4	1.9	2.2

Source: Ministry of Finance.

[1] Includes Oil Impost and receipts from Signature Bonuses for the award of production-sharing contracts.

TABLE 16

CENTRAL GOVERNMENT FISCAL OPERATIONS, 2003/2004 - 2005/2006
IN PER CENT OF GDP

	2002/2003	2003/04	2004/2005	2005/2006
Total Revenue	23.7	25.8	31.2	33.6
Of which				
Energy Sector	10.1	11.0	16.7	20.7
Non-Energy Sector	23.7	25.8	14.5	12.9
Total Expenditure	22.3	24.0	25.9	27.1
Current Expenditure	21.2	21.9	23.0	23.2
Capital Expenditure	1.1	2.0	2.9	4.0
Overall Surplus/Deficit	1.4	1.9	5.3	6.5
Non-energy Deficit	1.3	1.9	-11.4	-14.3

Source: Ministry of Finance.

TABLE 17

CENTRAL GOVERNMENT EXPENDITURE
A FUNCTIONAL CLASSIFICATION

	2000/2002	2002/2003	2003/2004	2004/2005	2005/2006[re]
Economic Services	**1,918.9**	**1,488.9**	**2,132.8**	**2,570.1**	**3,810.5**
Energy	173.6	254.5	763.3	1,009.7	1,766.9
Agriculture, Land and Marine Resources	221.5	364.9	377.7	362.9	458.4
Transport	1,523.8	869.5	991.8	1,197.5	1,585.2
Social Services	**4,659.7**	**3,946.0**	**4,690.3**	**5,967.9**	**8,209.4**
Education[1]	1,842.1	2,363.8	2,861.3	3,355.6	3,937.3
Health	1,013.8	1,259.8	1,435.3	1,995.7	1,974.9
Housing	102.7	73.8	116.7	134.3	159.8
Small & Micro-Enterprise Development	26.7	31.6	46.7	133.8	107.3
Social Services[2]	1,674.4	217.0	230.3	348.5	2,030.1
Public Services	**1,432.6**	**1,651.9**	**1,874.5**	**2,215.2**	**2,586.9**
National Security	1,432.6	1,651.9	1,874.5	2,215.2	2,586.9
Other[3]	**5,276.6**	**7,088.6**	**8,619.5**	**12,070.4**	**19,952.1**
Total Recurrent Expenditure	**13,287.8**	**14,175.4**	**17,317.1**	**22,823.6**	**34,558.9**

Source: Ministry of Finance.
[1] Includes Ministries of Education and Science, Technology and Tertiary Education.
[2] Includes Ministries of Community Development, Culture and Gender Affairs, Social Development and Youth Affairs.
[3] Includes the Office of the President, Auditor General, Judiciary, Industrial Court, Parliament, Service Commission, Statutory Authorities, Elections and Boundaries Commission, Tax Appeal Board, Registration, Recognition and Certification Board, Public Service Appeal Board, Tobago House of Assembly, Central Administrative Service, Tobago and all other Ministries. Other excludes Charges on Account of the Public Debt.
[re] - revised estimate.

PUBLIC SECTOR EXTERNAL DEBT

(Data in this Section are in US dollars)

The public sector external debt stock declined further to $1,261 million at the end of 2006 or an estimated 6.9 per cent of GDP[5]. The debt remained predominantly US-dollar denominated, with medium- and long-term maturities and with more than 60 per cent owed to private creditors and the balance to multilateral creditors.

In 2006, in keeping with the Inter American Development Bank's (IDB) policy of funding smaller projects, two Agreements for Lines of Credit were approved for the Preparation of a Citizen Security Programme and an Information and Communication Technology Support Programme. The central government also issued a bond with the Import Export Bank of China valued at Rmby 812 million for 20 years for the construction of two centres for the performing arts in Port of Spain and San Fernando. During the year, the IDB provided 83 per cent of the multilateral flows disbursed to the central government for on-going public sector projects with respect to highway construction ($14.1 million), the health sector ($3 million), secondary school modernization ($3.3 million) and housing ($3 million), as well as trade and public sector reforms and citizen security ($1 million). The World Bank disbursed $5.1 million towards HIV/AIDS Prevention ($4.5 million) and postal services reform ($0.6 million).

Central government's debt service increased by $15.2 million to $201.1 million at the end of 2006. Principal repayments on energy sector obligations ($36.2 million) included the final amortization on outstanding loans for the refurbishment of the Point-a-Pierre Refinery. Other repayments partially liquidated debt owed to the IDB ($38.9 million) and the World Bank ($16.5 million), while the Caribbean Development Bank and the European Union received $5.5 million and $0.2 million, respectively. Interest payments ($103.8 million) made up more than 50 per cent of the total debt service, and $82 million was interest on bond issues.

CENTRAL GOVERNMENT DOMESTIC DEBT

Central government domestic debt stock stood at $12,789.9 million (11.1 per cent of GDP) at the end of December 2006, from $12,088.4 million (12.7 per cent of GDP) at the end of 2005. Gross central government domestic borrowings amounted to $700 million, which comprised an 8-year bond, with an interest rate of 8.00 per cent and contracted principally to assist with capital market development and to absorb excess liquidity in the banking system. Central government principal repayments have declined sharply to $444,000 and represented liquidation of public sector non-interest bearing bonds, as the other components of the debt stock have been restructured. Interest payments amounted to $75 million and were on a US$150 million domestic bond due in 2008. Other central government repayments decreased to $305.7 million from $340 million in 2005. Interest payments also fell from $667 million to $658 million, reflecting a decline in total debt service payments of $43.3 million from 2005.

Contingent liabilities outstanding increased from $15,571.3 million in 2005 to $16,163 million in 2006 and

[5] The size of the public sector external debt stock at the end of 2006 was not affected by a US$150 million bond contracted in 1996 and due to mature in 2006, because the maturity of the bond was extended to May 18, 2007. At this time, refinancing arrangements were finalized and another bond was issued with maturity in 2027.

included government guaranteed debt ($11,610 million) and Letters of Comfort ($4,553.6 million). Between January and September 2006, Letters of Comfort ($2,272.7 million) and Government Guarantees ($614 million) were approved totaling $2,886.7 million. Of this amount, 49.2 per cent represented requests to refinance existing debt, while a further $1,140.8 million was for short-term borrowing. Three agencies incurred debt for new projects – National Insurance Property Development Company, ($286 million), to finance projects for the Ministry of National Security Construction project, the National Helicopter Service ($40 million) to provide aerial surveillance support for law enforcement and Estate Management and Business Development Company (EMBDC) to finance contract payments. The contingent debt carried an average interest rate of 6.85 per cent and a tenor of 6.2 years.

BOX 7

THE NON-OIL DEFICIT: DEFINITION, METHODOLOGY AND ANALYSIS

Introduction

The primary determinant of the fiscal stance of an economy is the government's budget balance, which is in surplus when the government's revenue exceeds its expenditure and vice versa over a particular period of time. In general, discussions of the fiscal stance focus on deficits rather than surpluses. There are several measures of the fiscal deficit which can be specified by (1) the type of public sector deficit, (2) the coverage or size of the public sector and (3) its composition and the relevant time horizon.

Definition and Methodology

This box focuses attention on the non-oil fiscal balance of the central government as one of the key determinants of the fiscal stance in the domestic economy. The non-oil fiscal balance can be defined as the difference between domestic or non-oil revenue and total central government expenditure. This balance is usually in deficit in petroleum-rich economies where the predominant source of revenue receipts derives from taxes on the sale of this natural resource. The deficit increases when either total expenditure or petroleum revenue grows at a faster pace than non-oil revenue.

In the Trinidad and Tobago context, the terms, non-oil and non-energy deficits are sometimes used interchangeably. However, there is a subtle difference between both terms, as the non-oil deficit is a subset of the non-energy fiscal deficit. The non-energy fiscal deficit includes on the revenue side, receipts from petrochemical companies, refining and gas processing companies and service contractors, whilst the non-oil deficit comprises receipts solely from companies engaged in oil extraction and production. Both the non-oil and non-energy fiscal balances can be computed by subtracting domestic non-oil/non-energy revenue from total expenditure.

In Trinidad and Tobago, the non-oil and non-energy deficits yielded similar values up to 2003, because several energy-based companies had enjoyed a number of fiscal incentives such as tax holidays. The need to distinguish between the non-oil and non- energy deficits has become more important in recent times given the conclusion of tax holidays allotted to several energy-based companies and the revision of the oil and gas taxation regime as announced in the 2006 budget.

Analysis

Trinidad and Tobago is presently on a strong growth path supported by the large surpluses on its fiscal accounts. These surpluses, however, mask certain fiscal vulnerabilities. Amongst them is the nature of resource prices, which are externally determined and are subject to extreme fluctuations which could cause ripple effects in the exchange rate, business cycle and economy. Additionally, buoyant prices are traditionally accompanied by increased government expenditure at levels which quickly become unsustainable if resource prices trend downward.

Within this context, the non-oil fiscal deficit is an important indicator of fiscal sustainability for economies dependent on petroleum revenues, by gauging whether non-oil revenue can support government expenditure in the event of shocks to the external sector. Sudden shocks to revenue can have especially deleterious effects in growing economies since these can derail the development efforts of the government.

Over the last five years, the non-oil budget deficit in Trinidad and Tobago increased from approximately 6.4 per cent of GDP in fiscal 2002 to 14.4 per cent of GDP in fiscal 2006. The increase in the deficit can be attributed to expansionary fiscal policy, which has been driven by high oil prices and increasing production levels in both the oil and natural gas industry. To aid in cushioning the domestic economy against commodity shocks, the central government has been making large transfers to the Heritage and Stabilisation Fund[1].

The purposes of the fund as outlined in The Heritage and Stabilisation Fund, Act No.6 2007 are: to cushion the impact on or sustain public expenditure capacity during periods of revenue downturn; to generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn and provide savings for future generations. The balance in this Fund was $415.3 million in 2000 but has since increased to $8,792.4 million at the end of 2006, with the largest transfer to date, ($3,160.2 million) occurring in fiscal year 2006. While the large deposits into the Heritage and Stabilization Fund are a step in the right direction, it must be accompanied by the appropriate legal and regulatory framework and tighter reigns on expenditure policy to ensure sustainability within the domestic economy.

[1] This fund was established in 2000, and was referred to then as the Interim Stabilisation Fund.

BOX 7 (CONTINUED)

THE NON-OIL DEFICIT: DEFINITION, METHODOLOGY AND ANALYSIS

TABLE A

THE NON-OIL FISCAL BALANCE, 1990 – 2006[1]

/$ MILLION/

FISCAL YEARS[2]	NON-OIL REVENUE	TOTAL EXPENDITURE[3]	NON-OIL FISCAL BALANCE	GDP (AT CURRENT MARKET PRICES)	NON-OIL FISCAL BALANCE AS A PER CENT OF GDP
1990	3,303.5	5,893.9	-2,590.4	21,539.3	-12.0
1991	4,034.6	6,805.3	-2,770.7	22,558.6	-12.3
1992	4,283.6	6,728.8	-2,445.2	23,118.1	-10.6
1993	4,941.0	6,783.4	-1,842.4	24,986.9	-7.4
1994	5,668.8	7,571.0	-1,902.2	29,311.7	-6.5
1995	5,975.9	8,458.5	-2,482.6	31,697.0	-7.8
1996	6,481.8	9,371.4	-2,889.6	34,586.6	-8.4
1997	7,884.0	9,912.3	-2,028.3	35,870.8	-5.7
1998	8,016.0	10,399.5	-2,383.5	38,065.1	-6.3
1999	7,714.5	11,069.3	-3,354.8	42,889.1	-7.8
2000	8,211.7	12,069.6	-3,857.9	51,370.6	-7.5
2001	9,410.0	13,102.9	-3,692.9	55,007.2	-6.7
2002	10,623.1	14,226.8	-3,603.7	56,290.0	-6.4
2003	10,578.8	15,802.9	-5,224.1	70,731.5	-7.4
2004	12,988.1	19,119.6	-6,131.5	79,826.1	-7.7
2005	15,742.0	24,641.0	-8,899.0	95,057.0	-9.4
2006	17,278.4	33,800.6	-16,522.2	114,474.4	-14.4

SOURCE: Central Bank of Trinidad and Tobago.

1 The Non-Oil Fiscal Balance is equal to Non-oil Revenue less Total Expenditure.[2] Includes Ministries of Community Development, Culture and Gender Affairs, Social Development and Youth Affairs.

2 Represents the period October 1-September 30 for the years 1998-2006.

3 Includes an adjustment for Repayment of Past Lending and Transfers to the Revenue Stabilisation Fund.

CHAPTER SEVEN

MONETARY AND FINANCIAL DEVELOPMENTS

MONETARY AND FINANCIAL DEVELOPMENTS

MONEY, CREDIT AND INTEREST RATES

During 2006, the Central Bank's monetary policy stance was aimed primarily at rising inflationary pressures and a highly liquid financial system. Developments in the foreign exchange market and interest rate trends also influenced the Bank's conduct of monetary policy. Headline inflation stood at 9.1 per cent in the twelve months to December 2006 with a core rate (which excludes food prices) of 4.6 per cent . During the year, headline inflation peaked at 10 per cent in October and was at its lowest for the year in February, at 6.5 per cent. In response, the Central Bank implemented a number of measures designed to tighten monetary policy. These included upward adjustments of the 'Repo' rate which was raised on eight occasions in increments of 25 basis points from 6.00 per cent in January to 8.00 per cent in September and left unchanged until the end of the year. In addition, the Bank made use of open market operations, introduced a compulsory deposit facility, and implemented on a temporary basis, a secondary reserve requirement. Furthermore, the Bank sought and gained Parliamentary approval to issue open market securities up to $15 billion from a previous limit of $8 billion. As part of the more aggressive programme of liquidity absorption, the Bank also planned the issue of a series of government bonds through the auction system. The first of these in the amount of $700 million, with a duration of 8 years and an interest rate of 8.00 per cent, was issued in November 2006.

During the year, steady increases in government expenditure contributed extensively to sharply rising liquidity levels within the domestic financial system. The cumulative net domestic fiscal injections amounted to $10 billion compared with $7.2 billion in 2005. Excess liquidity, which is measured by commercial banks' reserves over and above the statutory reserve requirement averaged $219.2 million in the first quarter of the year but more than doubled in the second quarter to $448.4 million. Given this increase, the Bank announced in June that the commercial banks were required to deposit $500 million at the Central Bank for a period of one year to be remunerated at an interest rate of 5.50 per cent. Although excess liquidity levels dipped subsequently, the levels remained persistently high, ($821.8 million in August), and as a result, the Bank instituted additional measures. On October 4, 2006, a secondary reserve requirement equivalent to 2 per cent of prescribed liabilities was introduced with an interest rate of 350 basis points below the 'Repo' Rate. Subsequently, excess reserves averaged $361.2 million between October 4 and the end of 2006. For the year, the volume of net open market operations amounted to $626.3 million compared with an amount of $1,385.4 million in 2005. However, in September 2006, Parliament approved an increase in government borrowing from $8 billion to $15 billion to allow the Bank to further enhance its liquidity management capabilities through open market operations. In addition, the sale of foreign currency by the Bank to the foreign exchange market (US$1,465.1 million) also served indirectly to withdraw TT$9,230 million from the system.

During the year, short-term interest rates generally trended upward. The inter-bank rate rate stood at 4.55

per cent at the beginning of the year and moved up to 7.26 per cent at year's end, peaking at 7.38 per cent in September. Meanwhile, the 3-month TT-treasury bill rate rose from around 5 per cent to 6.8 per cent and the 6-month TT-treasury bill rate from 5.1 per cent to 7.3 per cent. The prime lending rate of the commercial banks moved in tandem with the increases in the 'Repo' rate in equivalent amounts from 9.75 per cent at the start of the year to 11.75 per cent in September. However, there was not a similar movement with respect to the banking system's entire structure of interest rates and the commercial banks were generally able to keep their lending rates down, which contributed to strong, if somewhat slower, credit growth. This reflected the easy liquidity conditions in the domestic economy, as well as the level of competition in the financial system. Thus real estate mortgage loan rates, for instance, remained steady (between 7.5 and 8.5 per cent) due to competition and the involvement of public sector institutions in the real estate mortgage market. Deposit rates within the banking system generally also remained low reflecting the easy liquidity conditions. The weighted average deposit rate increased to 2.96 per cent in December 2006 from 1.89 per cent in December 2005, while the weighted average loan rate increased to 9.60 per cent from 8.90 per cent. In light of these movements, the interest rate differential narrowed somewhat to 6.64 per cent in December 2006 from 7.01 per cent in December 2005, on account of a greater increase in the deposit rate.

The growth in credit to the private sector by the consolidated financial system remained strong but slowed in 2006 to average 12.1 per cent in 2006 from 15.8 per cent, a year ago. Commercial banks continued to be the major source of funding to the private sector as loans by this sector expanded by 23.4 per cent, while credit to the non-bank financial institutions contracted by 22.9 per cent, reflecting mainly the transfer of mortgage portfolios to affiliate commercial banks. The average growth in credit extended by the consolidated financial system for consumer lending slowed to 18.2 per cent from 20.6 per cent in the previous year. In contrast, business credit and real estate mortgage loans rose at a faster rate of 19.2 per cent and 14.9 per cent, respectively.

The monetary aggregates expanded in 2006, in line with buoyant conditions in the domestic economy. Narrow money, M1-A, expanded by 21.8 per cent reflecting increases in both currency in active circulation and demand deposits of 16 per cent and 23.4 per cent, respectively. The broader measure of money supply, M2, defined as M1-A plus savings and time deposits, expanded by 24.8 per cent on account of increases in M1-A, and quasi money of 26.7 per cent (time and savings deposits). Although foreign currency deposits held at commercial banks increased by 11.8 per cent in 2006, the share of total deposits declined from 26.4 per cent in 2005 to 25.8 per cent in 2006. Available data indicated that at the end of December 2006, businesses (both incorporated and unincorporated) held the largest proportion of total foreign currency deposits (45.7 per cent). Over the period 2003 to 2005, foreign currency holdings by businesses increased from 41.9 per cent to 45.7 per cent. This growing trend reflected mainly the increased level of trade conducted by businesses. Individuals on the other hand held 29.5 per cent of commercial banks' foreign currency deposits at the end of December 2006 compared with 34 per cent at the end of the previous year.

TABLE 18

SUMMARY OF MONETARY CONDITIONS
2004-2006 (ANNUAL AVERAGE)
($MILLION)

				PERCENTAGE CHANGE (%)	
	2004	2005	2006	2006/2005	2005/2004
Currency in active circulation	1,779	2,077	2,411	16.0	16.8
M-0	4,473	5,117	7,289	42.5	14.4
M-1A	7,636	9,482	11,550	21.8	24.2
M-2	19,032	23,545	29,270	24.8	23.7
M-2*	25,971	31,238	37,925	21.4	20.3
M-3	22,588	26,110	31,569	20.9	16.0
M-3*	32,206	37,342	43,248	15.8	15.9
Domestic Credit (Net)	24,663	30,252	34,399	13.7	22.7
Private Sector	20,574	23,718	28,508	20.2	15.3
Public Sector	4,089	6,534	5,891	-9.8	59.8

Source: Central Bank of Trinidad and Tobago.

Following the adoption of new arrangements in October 2005 to address the imbalances in the foreign exchange market, the Central Bank increased its support to the market in 2006. Consequently, the Central Bank sold US$1,465.1 million to authorized dealers compared with US$695 million and US$400 million in 2005 and 2004, respectively. Despite some fluctuations during the year, the weighted average selling rate for the US dollar (US$1= TT$6.31476 at year's end) remained almost unchanged from US$1=TT$6.30436 in January.

TABLE 19

FACTORS INFLUENCING CHANGES IN THE MONEY SUPPLY, 2002 - 2006
($MILLION)

	2002	2003	2004	2005	2006
Net Domestic Budget Deficit	63	2,010	1,168	2,883	10,125
Increase in Credit to the Private Sector	1,338	1,516	3,837	4,714[r]	2,294
Bal. of Payments Deficit of Private Sector	1,916	4,735	5,647	896[r]	11,353
Changes in Net Unclassified Assets	825	2,292	1,750	1,822	4,760
Central Bank	569	19	3,150	2,310[r]	4,599
Commercial Bank	256	2,273	1,400	488[r]	161
Change in Money Supply (M-2)	310	1,083	1,108	4,513	5,826
Change in Money Supply (M-1A)	636	-23	620	1,846	2,068
Change in Quasi-Money	326	1,106	488	2,667	3,755
Memo Items:					
Money Supply (M-2)					
Annual Growth (%)	1.8	5.8	6.2	23.7	24.3
Total Composition (%)	100.0	100.0	100.0	100.0	100.0
Money	41.9	39.3	40.2	40.3	39.3
Quasi-Money	58.1	60.7	59.8	59.7	60.7

Source: Central Bank of Trinidad and Tobago.

[r] - revised.

INSTITUTIONAL DEVELOPMENTS

During the year, a number of developments, designed to improve the regulatory environment and efficiency of the financial system were introduced. Among these were the enactment of legislation to amend the Financial Institutions Act (FIA) 1993 and the launching of an Automated Clearing House (ACH) by the Central Bank in conjunction with the commercial banks. In order to treat with some critical gaps in the existing FIA, certain amendments were fast-tracked and enacted in the Financial Institutions (Amendment) Act 2006. These amendments related to the following:

1. The criteria for becoming a controlling shareholder in a licensed financial institution was expanded;

2. Mergers and acquisitions of licensed financial institutions are subject to the approval by the Minister, following consultation with the Governor;

3. The sharing of information with financial regulators both locally and in other jurisdictions.

4. The fit and proper criteria to be taken into account in granting a permit to a controlling shareholder was expanded.

In other developments, a Corporate Governance guideline was issued to financial institutions in May 2006. The guideline is aimed at establishing a framework by which the boards of directors and senior management of financial institutions are held accountable for the operations of the institutions they oversee. Other guidelines which were circulated for comments included the following: guidelines designed to strengthen the administration of pension funds and the management valuation of certain assets of licensed financial institutions, and to govern the financial activities of credit unions.

The Trinidad and Tobago Interbank Payments System Limited (TTISP) launched an automated clearing house system in January 2006. This new payment system is a safe and secure means of making and receiving small-value (under $500,000) electronic payments, to be used by corporations, utility companies and the general public to process transactions such as salaries, annuities, pensions, mortgages and insurance payments, utility payments and other transactions.

Republic Bank (TT) Cayman Limited acquired Dextra Bank & Trust Company Limited as part of its expansion thrust in the Cayman Islands. Dextra Bank & Trust Company Limited provided a full range of services including: offshore and private banking, trust, investment management, company formation and management, and trustee services. However in the Dominican Republic, Republic Bank (RBL) sold its personal banking portfolio, which comprised loans, credit cards and selected deposits, along with 14 branch operations to Banco BHD. RBL intends to concentrate on the corporate sector in this market. In other developments, RBL has officially renamed its Grenada subsidiary, Republic Bank (Grenada) Ltd to more closely reflect the bank's corporate identity. Scotiabank, Jamaica obtained majority shares in Dehring Bunting & Golding Limited and First Caribbean International Bank announced its intention to seek regulatory approvals for expanding its business operations into retail banking.

The Deposit Insurance Corporation (DIC) celebrated 20 years of operations in September 2006. At the end of fiscal 2006, the total assets of DIC increased by 14 per cent over the previous year, although the number of registered institutions remained unchanged at 23. Since its inception, DIC has provided insurance coverage to a total of eight institutions and has contributed to the stability, safety and public confidence in the financial system in Trinidad and Tobago.

TABLE 20

FINANCIAL SYSTEM - TOTAL ASSETS, 2002 - 2006
($MILLION)

	2002	2003	2004	2005	2006
1. Central Bank	16,244	18,205	22,884	29,095[r]	42,906
External Assets	13,117	14,957	19,580	27697[r]	41,247
Domestic Assets	3,127	3,248	3,304	1,399[r]	1,659
2. Commercial Banks	40,104	43,226	48,426	58,847[r]	67,906
3. Finance Companies and Merchant Banks	6,885	8,303	12,422	13,970[r]	17,284
4. Trust & Mortgage Finance Companies	9,292	11,228	10,324[r]	10,083[r]	7,723
5. Thrift Institutions	66	68	67	65	65
6. Development Finance Institutions	1,406	1,880	2,140	2,205	2,412
7. Unit Trust Corporation	8,456	11,340	14,280	16,828	17,477
8. Deposit Insurance Corporation	575	652	743	842	957
9. Home Mortgage Bank	1,141	1,631	1,749	1,944	1,924
10. Life Insurance Companies	14,913	17,968	24,211	26,892[r]	25,259
11. National Insurance Board	8,310	9,679	11,829	13,650[r]	14,360

Source: Central Bank of Trinidad and Tobago.

[r] - revised.

As supervisor and regulator of insurance companies, the Central Bank intervened in the operations of two insurance companies in 2006, Citizens Insurance Company Limited and Goodwill General Insurance Company Limited, as they were deemed unable to pay their debts under Section 77 of the Insurance Act. Both companies were subsequently placed under judicial management, Goodwill General Insurance Company in September 2006 and Citizens Insurance Company Limited in January 2007.

The government announced in 2005 that the supervision of the financial activities of all credit unions is to be assigned to the Central Bank. During 2006, a policy proposal document for credit unions was developed and extensive consultations were held with the stakeholders. The Bank has since revised the document which is to inform the preparation of the Credit Union Bill; and is in the process of fine-tuning the reporting requirements and monitoring systems for the credit unions. In addition, the Central Finance Facility (CFF) launched a wire transfer service which affords member credit unions quick, accurate and reliable money transfers to meet their liquidity needs.[6] Moreover, COPOS Credit Union Co-operative Society Limited in conjunction with Intercommercial Bank Limited issued a Co-branded Visa International Debit Card product to its members.

[6] The Central Finance Facility (CFF) offers a reliable source of finance to its members in meeting their liquidity needs. This institution was incorporated in 2002 and is open to all credit unions licensed under the Co-operative Societies Act Chapter 81:03.

BOX 8

CONSOLIDATION IN THE BANKING SECTOR OF TRINIDAD AND TOBAGO

The rapid pace of consolidation since the 1990s fundamentally altered the structure of the banking sector of Trinidad and Tobago. The trend was largely influenced by financial liberalization, improved technology and telecommunications and the need for institutions to remain competitive in a more globalized financial environment. Consolidation activity however was not confined to the banking industry, but also occurred between banks and other financial service providers such as insurance and securities companies and across national borders.

Consolidating Activities

The 1990s saw a wave of restructuring activities, the most significant being mergers and acquisitions (M&A). A merger can be defined as a transaction where one or more firms are fully integrated so that at least one of the initial firms loses its distinct identity. An acquisition occurs when an acquiring firm purchases a partial, non-controlling or controlling stake of a target firm without combining the assets of the target firm(s), as the objective is to maintain separate corporate structures for operational, geographic and legal reasons. Partial acquisitions tended to be a preliminary step for acquirers to obtain control or ownership of the target. Of the six commercial banks, the two largest, Republic Bank and RBTT were most actively engaged in M&A activity.

Acquisitions were however the most popular form of consolidation and generally occurred where the acquirer wished to extend his market and the target operated in a separate market. Domestic targets tended to be other financial service providers (such as securities firms) while cross-border acquisitions were generally in the same market segments (i.e. commercial banks). However in November 2004, there were two interesting developments. Jamaican Money Market Brokers (JMMB), a foreign financial service company acquired 50 per cent shareholding in Intercommercial Bank, while CL Financial Holding Company, a mixed conglomerate acquired majority shareholding in RBL, the largest commercial bank in Trinidad and Tobago.

An important development over the late 1990s was the increased investment in equity in subsidiaries and affiliates outside of the CARICOM region, namely the Dutch and Spanish-speaking Caribbean territories. The rationale from the perspective of the commercial bankers is that the Trinidad and Tobago market is "over-banked" and there is increased competition from other financial service providers and therefore limited scope for growth.

Joint ventures and strategic alliances facilitate firms working together without either firm relinquishing control of its own operations. Strategic alliances are partnerships between independent firms that involve the creation of tangible or intangible assets. Joint ventures occur when two or more independent firms

BOX 8 (CONTINUED)

CONSOLIDATION IN THE BANKING SECTOR OF TRINIDAD AND TOBAGO

form and jointly control a different entity which is created to pursue a specific objective. Strategic Alliances were the least observed form of consolidation.

Operating Structures

Two distinctive operating structures, the **operating subsidiary model** and the **complex financial holding company model** were observed. In the operating subsidiary model the commercial bank becomes the parent of the group with non-commercial bank activities such as securities, merchant banking, trustee and asset management being located in the bank's subsidiaries and consolidated into the financial statements of the parent bank, e.g. Republic Bank. In contrast, the complex financial holding company model features a company which directly or indirectly owns or controls 25 per cent or more of the voting powers of both commercial banks and all other non-bank financial subsidiaries, e.g. First Citizens Holdings Ltd and RBTT Financial Holdings Limited.

Challenges and Conclusion

The Caribbean and Central America are the new growth areas for domestic commercial banks. Increased cross-border investments by commercial banks and their holding companies however poses particular challenges for both the banks and the regulator. While banks seek increased diversification, they are also exposed to new risks. There is heightened operational risk that new acquisitions may not complement the expansion strategy, or cultural issues may hamper integration into the group. There is also the issue of contagion risks, where poor performance of a significant entity within the group negatively impacts the commercial bank operations, and if the bank commands a large market share, the contagion can spread to the financial system. For the CBTT, the issue of consolidated and cross border supervision arises. An interim measure to address one of the challenges was the passage and proclamation of The Financial Institutions (Amendment) Act, 2006. The amendments require institutions or holding companies engaging in mergers and acquisitions to seek prior approval from CBTT to become controlling shareholders. In addition, the draft of the Amendments to the FIA has proposed a number of changes to regulate financial holding companies.

Of greatest concern to the regulator is the moral hazard associated with the concept of "too big to fail." Such institutions have the potential to undermine the safety and soundness of the financial system and hinder market discipline. There may be an expectation on the part of the public that the government would not allow failure and would bailout these institutions in the interest of preserving financial stability. The Central Bank as regulator is aware of the challenges and is in the process of amending various pieces of legislation to address these and other issues.

APPENDIX A

INSURANCE COMPANIES AND PRIVATE PENSION PLANS

The Central Bank assumed supervisory responsibilities for insurance companies and private pension plans on May 25 2004, with the passage of the Insurance (Amendment) Act No. 15 of 2004. The following provides a review of developments over the last five years, 2001-2005.

The Insurance Industry

Over the past five years, 2001 – 2005, there has been rapid expansion in the insurance industry in Trinidad and Tobago, with gross premium income doubling from $3,058 million in 2001 to roughly $6,327.1 million in 2005. The local insurance companies offer a range of products and services categorized into life and non-life which include traditional life, health, motor, property and casualty insurance. There were twenty companies registered to transact long-term or life insurance business as at the end of 2005, nine of which were active and another five wrote both life and general business. In the general insurance segment of the industry, there were 31 companies registered to transact general insurance as at the end of 2005, twenty of which were active.

To protect policy holders the Insurance Act specifies that both long-term and general insurance companies must establish a Statutory Fund/Deposit. The law governing the statutory funds varies with the type of insurance business that the company conducts.[1] Provisional data indicated that life insurers placed $17.5 billion in the Statutory Fund in 2005, compared with $16.9 billion in 2004 and $8.7 billion in 2001.

With respect to general insurance, the legal provisions require the maintenance of a Statutory Deposit, a Statutory Fund for motor vehicle insurers and a solvency test. The requirements of this test can be found under Section 77 of the Insurance Act where general companies' admissible assets must exceed liabilities by a certain amount, which is described as the greater of 20 per cent of the general premium income or TT$250,000. As at the end of 2005, funds placed in the statutory deposit amounted to $345.9 million compared to $415.4 million in 2004 and $329.5 million in 2001.[2] The value of assets placed in the statutory fund with respect to motor vehicle insurance business (similar to the statutory fund of the long-term insurance companies) totalled $286.8 million compared with $194 million and $159.4 million in 2004 and 2002, respectively.[3] General insurers are required by law to maintain a solvency ratio (calculated as net assets divided by net premiums written) greater than 20 per cent. In 2005, provisional data indicated that the solvency ratio of the industry was 356 per cent, well over the 20 per cent requirement. High solvency ratios have not been unusual over the recent past, as the ratio averaged 230.9 per cent over the period 2002 to 2005.

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[1] For long-term business, Section 37(4) of the Insurance Act refers and states: "Every company carrying on long-term business in Trinidad and Tobago shall place in trust in Trinidad and Tobago assets equal to its liability and contingency reserves with respect to its Trinidad and Tobago policyholders as established by the balance sheet of the Company as at the end of its last financial year."

[2] Section 29 of the Insurance Act requires that general insurance companies maintain a minimum of 40 per cent of their net premium income in a deposit at the Central Bank.

[3] Section 37(5) of the Insurance Act requires that every company conducting motor vehicle insurance business should establish a statutory fund by placing in trust in Trinidad and Tobago assets equal to its liability and reserves less the amount held on deposit in accordance with Section 29 of the Act.

APPENDIX A - INSURANCE COMPANIES AND PRIVATE PENSION PLANS (CONTINUED)

The assets of life insurance companies have more than doubled over the period 2001-2005, increasing from $10,015 million to $26,944 million in 2005. The industry has also recorded strong growth of 140.4 per cent in net premium income (defined as gross premia written less reinsurance ceded) from $1,661.3 million in 2000 to $3,993 million in 2005. The number of new policies written in 2005 was 63,182 compared with 62,601 in 2004 and 52,591 in 2001, bringing the number of existing policies to 505,750 at the end of 2005 with the total amount assured at $51,562.3 million. This compared with 384,251 existing policies in 2001 with a value of $36,223.9 million.

In the general insurance segment of the market, motor vehicle business accounts for the lion share of total net premium income, at 52 per cent and 59 per cent in 2005 and 2004, respectively. In 2005, net premium income arising from motor vehicle business amounted to $523.7 million compared with $302.1 million in 2000, an increase of 73.4 per cent. Over the four-year period 2002 to 2005, growth in premium income for property business was not as robust, totaling $62.2 million in 2005, 28.8 per cent more the $48.3 million collected in 2002. On the other hand, net premium income earned from the category classified as other than motor, property and long-term business increased sharply during the period 2002 and 2005, but this was due to the reclassification of some long-term business to short-term business in 2005. Net premium income earned from this category fell from $244.4 million in 2002 to $241 million in 2004, but then increased to $417.6 million in 2005.

Private Pension Plans

Subsequent to the assumption of regulatory control of the insurance industry and private pension funds by the Central Bank, it was discovered that at the end of 2004, approximately 42 out of 204 active pension plans had exceeded the 50 per cent limit of total assets held in equity. This was reduced to 11 at the end of 2005 and to 2 at the end of 2006. The philosophy behind the 50 per cent threshold is intended to restrict the level of risk exposure of the pension funds, and was extended from 40 per cent in 2000 in order to accommodate the new public offerings which arose from the Government's divestment programme. At the end of 2005, there were 200 active registered pension plans with a total of $23 billion under management. The Bank has been in discussions with stakeholders and preliminary work on the new Pension Act has already begun.

TABLE B
PENSION PLANS: SELECTED INDICATORS, 2001 -2005

YEAR	ACTIVE REGISTERED PLANS			FUNDS UNDER MANAGEMENT ($TT MILLIONS)			SIZE OF INDUSTRY (FUNDS UNDER MANAGEMENT AS A PERCENTAGE OF GDP)
	SELF ADMINISTERED	INSURED	TOTAL	SELF ADMINISTERED	INSURED	TOTAL	
2001	92	120	212	12333.1	1604.7	13937.8	20.3
2002	91	124	215	11974.6	926.9	12901.6	22.8
2003	89	118	207	16745.7	1590.3	18336.0	27.0
2004	90	111	201	14870.6	1033.5	15904.1	20.5
2005	91	109	200	22109.0	908.0	23017.0	24.7

Source: Central Bank of Trinidad and Tobago.

CHAPTER EIGHT

THE DOMESTIC CAPITAL MARKET

THE DOMESTIC CAPITAL MARKET

In 2006, there were a number of significant developments in the international equities markets. Mergers and acquisitions in addition to potential alliances dominated the market landscape for most of the year, but these trends were upstaged in the last quarter of the year as one of the major US indices reached a record high. The US market proved to be the most resilient of the three regions despite a weaker US dollar due to the growing current account deficit. Electoral developments in Venezuela (the re-election of the incumbent, Hugo Chavez) and the US (control of the House of Representatives and the Senate returned to the Democrats) had little impact on the markets. In the regional and domestic equity markets, while there was some merger activity, the stock markets declined for the majority of the year. In the domestic mutual fund segment of the market, funds under management remained relatively constant at around TT$31 billion due in large part to the fallout in the equity market. On the primary bond market, a lacklustre performance was also evident with only 17 issues valued at TT$4.1 billion.

BONDS

The primary bond market was not as active as in the previous two years when there were in excess of 30 placements. In 2006, 17 placements were recorded which represented a collective face value of TT$4.1 billion compared with 37 bond issues valued at TT$7.8 billion in 2005. Foreign currency placements accounted for 41.2 per cent or 7 of the 17 issues with the remaining 10 denominated in local currency. These foreign-denominated issues had an aggregate face value of US$220.8 million, 5 of which were in US dollars and the other 2 in Bahamian dollars (BSD). The Government of Turks and Caicos was the only sovereign to raise capital on the local bond market in the amount of US$5 million, with a fixed rate of 7.98 per cent and a tenor of 12 years, while the Bahamian Electricity Corporation raised US$100 million through three issues with 10-, 15- and 20-year tenors. The remaining ten placements were TT-dollar denominated and totaled TT$2.7 billion with statutory corporations and public enterprises accounting for five of these.

The Urban Development Company of Trinidad and Tobago (UDeCOTT), the Water and Sewerage Authority (WASA), the National Insurance Property Development Company (NIPDEC) and the Housing Development Corporation (HDC) raised a total of TT$1.8 billion. Yields on these issues remained within a narrow range, between 7.8 per cent on a 10 year issue by WASA to 8.75 per cent over 25 years for an issue by HDC.

The Government of Trinidad and Tobago in an attempt to absorb excess liquidity in the financial system and provide investment opportunities also returned to the market with a single TT$700 million bond issue in the last quarter of the year at a fixed rate of 8.00 per cent, with an eight-year maturity. The private sector accounted for the other four TT dollar denominated issues, a marked decline from the 11 TT dollar private issues in 2005. Among these issues, were Cadel Trading with a semi-fixed $53 million issue for a period of 15 years, Misons Industries Limited (TT$25.0 million at a fixed rate of 7.50 per cent) and Prestige Holdings Limited (TT$92.0 million at a fixed rate of 7.75 per cent), both with a ten-year duration.

TABLE 21

PRIMARY BOND MARKET ACTIVITY
JANUARY- DECEMBER 2006

PERIOD ISSUED	BORROWER	(FACE VALUE) $MN	PERIOD TO MATURITY	INTEREST RATE	PLACEMENT TYPE
January	UDeCOTT	192.00	12 yrs.	Fixed rate 7.00% p.a.	Auction
February	Knights Investments Limited/Cadel Trading Limited	53.00	15 yrs.	Fixed rate 8.25% p.a. to change after 2 years to commercial prime less margin of 175 bps	Private
March	Housing Development Corporation	464.23	25 yrs.	Fixed rate 7.75% p.a.	Private
	Misons Industries Limited	25.00	10 yrs.	Fixed rate 7.50% p.a.	Private
	Government of Turks & Caicos	US 5.00	12 yrs.	Fixed rate 7.98% p.a.	Private
	La Vallee Greens Limited (Tranche 1)	US 50.00	5 yrs.	Fixed rate 9.50% p.a.	Private
April	Prestige Holdings Limited	92.00	10 yrs.	Fixed rate 7.75% p.a.	Private
June	La Vallee Greens Limited (Tranche 2)	US 50.00	5 yrs.	Fixed rate 9.50% p.a.	Private
	Water & Sewerage Authority (WASA)	360.00	10 yrs.	Fixed rate 7.50% p.a	Auction
	Home Mortgage Bank Limited	30.06	8 yrs.	Tax Free Fixed rate 6.75% p.a	Private
August	Consolidated Water Company Limited	US 15.80	10 yrs.	Fixed rate 5.95% p.a	Private
October	Housing Development Corporation	475.00	15 yrs.	Fixed rate 8.50% p.a	Auction
	NIPDEC	286.25	12 yrs.	Fixed rate 8.75% p.a	Private
November	Government of Trinidad & Tobago	700.00	8 yrs.	Fixed rate 8.00% p.a.	Auction
December	Bahamas Electricity Corporation	US 57.00	10 yrs.	Fixed rate 6.43% p.a.	Private
	Bahamas Electricity Corporation	BSD 21.50	15 yrs.	Fixed rate 6.406% p.a.	Private
	Bahamas Electricity Corporation	BSD 21.50	20yrs.	Fixed rate 6.562% p.a.	Private

Source: Central Bank of Trinidad and Tobago.

EQUITIES

Although the economy continued along a growth path, the domestic stock market weakened further in 2006 as measured by the Composite Stock Price Index (CPI 1983=100) and the All Trinidad and Tobago Index (ATI 1999=100) which were down 9.2 per cent and 8.9 per cent from their opening positions of 1,043.8 points and 1,280.5 points, respectively. In addition, all sub-indices registered negative growth, closing the year lower than at the start. However, the market gained some momentum in the fourth quarter with both the CPI and the ATI growing by 11.6 per cent and 10.6 per cent, respectively compared with the previous quarter. There was significant activity in the fourth quarter as 116.8 million shares were traded which represented in excess of 52 per cent of the total number of shares traded in the year, with approximately 50 per cent (58.3 million) sold in the month of December alone. On the last trading day of the year, 31.6 million shares crossed the floor and the major mover on the day in terms of volume was Jamaica Money Market Brokers (JMMB) (28.6 million shares). Market capitalisation also declined by 9.9 per cent to TT$96.8 billion, down from TT$107.5 billion, one year earlier. The top performers in 2006 were the Trinidad Publishing Company Limited whose share price appreciated by 46.2 per cent followed by Dehring, Bunting and Golding which stock price increased by 25 per cent. The sharpest drop was the share price of Prestige Holdings Limited which declined by 52.5 per cent.

Regionally, the equities market recorded varied results with the Barbados index falling by 8.8 per cent for the year followed by the Jamaican market index which closed the year 3.7 per cent lower than its opening position of 104,510.4 points. However, in Jamaica the second half of the year did provide investors with an optimistic outlook for 2007 as there was a pick-up in activity, largely on account of improvements in the performance of the listed companies and the economy as a whole. Once again acquisitions in the financial sector were in the spotlight for the third year in a row, with the acquisition by the Bank of Nova Scotia Jamaica of Dehring, Bunting and Golding (DB&G). In other developments, CIBC Holdings also made a bid to acquire First Caribbean Bank Limited.

On the international markets, the news was more favourable with the major markets all ending the year well above their opening positions. The returns on the Asian markets led the way with gains as much as 130.4 per cent as measured by the Shanghai Composite Index. For the year, the Hong Kong market and the Japanese market both performed well with the Hang Seng climbing by 34.2 per cent and the Nikkei 225 by 6.9 per cent. Results were also upbeat in both the US and European market with the German DAX growing by 22 per cent, followed by the London FTSE 100 (10.7 per cent) in 2006. In the US market, the major indices performed relatively well with the S&P 500 and the NASDAQ increasing by 13.6 per cent and 9.5 per cent, respectively. After falling by 0.6 per cent in the previous year, The Dow Jones Industrial Average set new records and reached new heights in 2006 as the index surpassed a previous high of 11,723.0 set on January 14 2000 to close the year at 12,463.2 points, a gain of 16.3 per cent from the end of 2005.

All these positive results in 2006 were overshadowed by pending mergers, acquisitions and possible trans-Atlantic alliances between some of the major players in the European and US equity markets. In December, the shareholders of the NYSE Group voted to support the takeover of the European exchange Euronext in what will be the first trans-Atlantic stock exchange company, to be known as NYSE Euronext. In other developments, NASDAQ also launched a takeover bid for the London Stock Exchange in April 2006; this was met with resistance from the London Stock Exchange on the grounds that the bid of £2.7 billion substantially undervalued the exchange. Also in April, the NYSE merged operations with Archipelago, one of the biggest electronic trading operators, to form the NYSE Group. It is expected that the deal will enable the NYSE to expand its ability to handle trades electronically; will serve to stave off challenges from its traditional rival NASDAQ and other global competitors; and allow the NYSE to maintain its global competitiveness and leadership. Subsequent to this merger, NASDAQ also purchased Instinet the institutional brokerage and electronic trading network controlled by the Reuters Group. The two deals mean that the four major competitors were reduced to two long-time rivals: the Big Board and NASDAQ.

BOX 9

THE DOW JONES INDUSTRIAL AVERAGE

The Dow Jones Industrial Average (DJIA) commenced as a way to measure the performance of the industrial component on USA's stock markets. The index was first published in May 1896 and comprised the average of twelve stocks from different American industries, of which only one remains listed today namely General Electric (GE). The original twelve were:

- General Electric
- American Tobacco Company
- American Sugar Company, now Amstar Holdings
- American Cotton Oil Company, now part of Unilever
- Chicago Gas Company, now Peoples Energy Corporation
- Distilling and Cattle Feeding Company, now Millennium Chemicals
- Laclede Gas Light Company
- National Lead Company, now NL Industries
- North American Company
- Tennessee Coal, Iron and Railroad Company
- US Leather Company
- United States Rubber Company

In 1916, the number of stocks in the index was increased to 20 and then to 30 in 1928. Today the index still comprises 30 of the major public companies in the US. Initially, the index was computed as a direct average but has since been modified to a scaled average to take account of stock splits and other market adjustments. The DJIA has been criticized for being a price weighted average, which gives relatively higher priced stocks more influence over the average than their lower priced counterparts. Additionally, the 30 company index is used as a representation of the overall market performance.
of legislation to address these and other issues.

BOX 9 (CONTINUED)
THE DOW JONES INDUSTRIAL AVERAGE

The following 30 company shares currently comprise the DJIA:

3M	ALCOA	American Express
Altria Group	AT&T	Boeing
AIG	Caterpillar	Coca Cola
General Electric	Citigroup	E.I. Du Pont de Nemours
Exxon Mobil	General Motors	Hewlett-Packard
Honeywell International	Intel	Home Depot
IBM	Johnson & Johnson	JP Morgan Chase
McDonald's	Merck	Microsoft
United Technologies	Procter & Gamble	Pfizer
Verizon Communications	Wal-Mart	Walt Disney

Major Milestones

- Largest one day percentage gain of 14.87 per cent occurred in October 1931.
- The index closed above 1,000 for the first time in November 1972.
- One of the largest one day percentage falls in the index occurred on 'Black Monday' in October 1987, when the index fell by 22.6 per cent.
- In November 1995, the DJIA closed above 5,000 points for the first time.
- In March 1999, the DJIA closed at 10,006.78 points, its first close above 10,000.
- On January 14 2000, the DJIA closed at a record 11,722.98, a level unbroken until October 3 2006.
- At the end of 2006, the index closed at 12,463.15 points.

TABLE 22

TRINIDAD AND TOBAGO STOCK EXCHANGE: END-OF-YEAR PRICES (TT DOLLARS)

	2002	2003	2004	2005	2006
Banks					
CIBC (WI) Holdings/FCIB	8.45	8.05	13.02	13.44	11.47
NCB Jamaica	n.a.	n.a.	2.35	1.80	2.10
RBTT Financial Holdings	18.15	34.20	40.50	40.50	37.50
Republic Bank Limited	42.00	53.60	92.00	90.00	84.00
Scotiabank	21.00	27.70	32.00	40.50	27.03
Non-Bank Financial					
ANSA Finance and Merchant	7.85	11.40	16.75	21.50	18.70
Capital and Credit Merchant	n.a.	0.80	3.00	2.03	1.65
Dehring, Bunting and Golding	n.a.	n.a.	2.25	2.00	2.50
Guardian Holdings	21.30	31.80	35.10	32.08	28.00
Jamaica Money Market Brokers		1.00	1.70	1.85	1.85
Life of Barbados	15.00	n.a.	n.a.	n.a.	n.a.
National Enterprises Limited	4.95	5.91	10.20	11.24	7.51
Sagicor Financial	n.a.	n.a.	14.00	13.91	13.44
Conglomerates					
Ansa Mcal Limited	16.00	23.06	41.76	40.50	43.75
Barbados Ship & Trading	11.00	17.10	24.00	20.10	15.90
Grace Kennedy	5.00	5.80	12.10	9.02	6.13
Neal and Massy Holdings	18.00	26.90	48.00	44.95	42.66
Trading					
Agostini's Limited	6.50	6.00	10.30	10.24	10.99
BWIA	2.25	2.15	0.60	0.97	n.a.
Furness Trinidad	2.55	5.00	5.70	6.15	6.15
Prestige Holdings Limited	4.30	4.40	9.00	11.57	5.50
Property					
PLIPDECO	10.05	11.15	21.60	14.50	6.93
Valpark	5.00	5.00	5.00	5.00	5.00
Manufacturing					
Angostura Holdings	6.00	4.25	5.00	5.76	4.50
Berger Paints	2.80	3.00	3.20	3.45	3.40
Flavourite Foods	3.65	3.60	4.55	4.95	5.10
National Flour Mills	3.00	3.35	2.85	1.78	1.60
CCN/ One Caribbean Media	3.30	6.92	10.50	19.40	18.99
Readymix	5.90	6.05	6.95	3.80	4.22
Trinidad Cement Limited	5.70	6.00	8.05	10.00	7.01
Trinidad Publishing Limited	4.00	6.91	10.00	13.00	19.00
Unilever	27.00	30.31	29.00	17.28	19.65
WITCO	16.85	19.91	22.35	23.02	24.00

Source: Trinidad and Tobago Stock Exchange.

MUTUAL FUNDS

In 2006, the growth in funds under management slowed to 1.7 per cent, a significant decline from an average growth rate of 35.8 per cent over the period 2001-2005. Equity funds grew by 5.1 per cent to TT$5.7 billion in the last quarter, the first expansion since June 2005. However, coinciding with the downturn in the stock market, these funds were still 9.3 per cent lower than the level at the end of 2005 and TT$1.2 billion below the high set in the second quarter of 2005. On the other hand, money market funds grew by 4.5 per cent in 2006 to TT$26.1 billion, but sharply lower than the expansion (17.9 per cent) recorded for 2005. When disaggregated by currency, both TT and US dollar denominated funds in the mutual fund industry expanded by 0.9 per cent and 4.6 per cent, respectively. Net incremental investments totaled TT$5.6 billion in 2006, of which approximately 80 per cent was invested in TT dollar denominated funds, and the remainder in US dollar denominated funds. The Income and Growth instruments attracted 3 per cent of net incremental investments, while 97 per cent was invested in the money market segment of the industry.

The money market instruments continued to outperform the income and growth funds with returns ranging between 5.17 per cent and 7.22 per cent. Returns for the year on both the TT dollar and US dollar denominated equity funds remained negative with the US dollar denominated funds yielding marginally higher returns.

CHAPTER NINE

INTERNATIONAL TRADE AND PAYMENTS

INTERNATIONAL TRADE AND PAYMENTS

(All values in this section are expressed in US dollars)

BALANCE OF PAYMENTS

Trinidad and Tobago continues to exhibit large surpluses on its balance of payments on account of the robust performance of the energy sector. The country's balance of payments recorded a surplus of $1, 645.4 million (9 per cent of GDP) in 2006, $247.6 million less than the previous year. The external current account improved significantly, reflecting net earnings on the merchandise account of $5.3 billion. By contrast, the capital account recorded a deficit as private sector outflows including those of the commercial banks and regional bond issues reached just under $0.3 billion. As a result, the year-end level of gross official reserves, net of balances in the Revenue Stabilization Fund (RSF), stood at $5.1 billion, equivalent to 7.8 months of prospective imports of goods and non-factor services.

Current Account

Following a surplus of 13.4 percent of GDP in 2004, the external current account posted an estimated surplus of $2,672.3 million or 18.5 percent of GDP in 2005. Total exports increased by 38 percent, mainly on account of higher prices for energy exports as well as increased volumes. Mineral fuels and lubricants earned $5,729 million compared with $3,860 in 2004, as international crude oil prices rose by 34.1 percent. Other products exhibiting strong export growth were chemicals and manufactured goods. In the case of the former exports grew by $400.4 million to $1,922 million as ammonia, urea and methanol enjoyed higher prices on world markets, while exports of manufactured goods increased from $575.2 million in 2004 to $591.6 million. Merchandise imports amounted to $6,186 million in 2005, exceeding the 2004 level by 26.4 percent. Reflecting the rapid pace of ongoing infrastructural development the country's imports of capital goods rose by $204.1 million to $2,000 million, while imports of mineral fuels and lubricants claimed $1,981.9 million in 2005.

Capital Account

In contrast to the positive performance on the current account, the capital account recorded a deficit of $2,593 million (-14.2 per cent of GDP) with investments in regional bond issues of $220.8 million in outflows. On a net basis, there was a reduction in foreign direct investment inflows in 2006, while the commercial banks net foreign position increased to $844.6 million. In addition, "other private" capital flows have increased as the private sector continues to diversify its portfolio and spread its risk by holding assets abroad. Official capital transactions during 2006 registered a deficit of $146 million, compared with $70 million in 2005. The central government was the sole recipient of multilateral disbursements amounting to $179.5 million. Principal repayments on existing external debt increased from $92 million to $247.3 million in the reporting year as the repayment of the $150 million bond issue was refinanced. Interest payments amounted to $103.8 million resulting in total debt service of $351.1 million. Consequently, the debt service ratio for the year 2006 stood at 2.8 per cent compared with 1.8 per cent in 2005.

Trinidad and Tobago's gross foreign assets amounted to $8,578.6 million at the end of December 2006, $2,285.6 million above the level at the end of the previous year. The country's net foreign reserves position as at December stood at $7,810 million, an increase of $2,489.7 million from the end of 2005. This comprised an increase of $1, 645.4 million in the Central Bank's net international reserves and an increase of $844.3 million in the net foreign position of commercial banks.

TABLE 23
SUMMARY BALANCE OF PAYMENTS, 2002 – 2006
/US$ MILLION/

	2002	2003	2004	2005[r]	2006[p]
Current Account	76.4	984.7	1,647.1	3,594.0	4,654.9
Merchandise	237.7	1,293.2	1,508.7	3,947.7	5,257.5
Services	264.0	313.8	479.5	356.2	286.4
Income	-479.8	-680.9	-397.3	-760.0	-935.8
Transfers	54.5	58.6	56.2	50.1	46.8
Capital Account	328.7	-505.7	-789.0	-1,228.1	-2,593.0
Official	-50.8	-63.5	-202.7	-69.8	-146.3
State Enterprises	-10.2	-10.2	-10.7	-10.7	-10.7
Private Sector	389.7	-432.0	-575.6	-1,147.6	-2,436.0
Errors and Omissions	-356.2	-144.8	-123.1	-472.9	-416.5
Overall Surplus / Deficit	48.9	334.2	735.0	1,893.0	1,645.4
Change in Reserves					
Increase (-) / decrease (+)	**-48.9**	**-334.2**	**-735.0**	**-1,893.0**	**-1,645.4**
Exports: Non-energy	1,046.0	962.0	1,260.0	1,076.0	1,085.6
Energy	2,874.0	4,244.0	5,143.0	2,872.0	11,014.4
Gross Official Reserves (net of HSF)	1,760.1	2,007.5	2,539.1	4,014.9	5,134.1
Import Cover (months)	4.9	4.6	5.5	7.1	7.8

Source: Central Bank of Trinidad and Tobago.

[r] - revised; [p] - provisional.

BOX 10

MIGRATION AND REMITTANCES

The movement of people from one place to another has shaped today's political, social and economic world and continues to be a major influence on society. In the year 2000, almost 175 million people, or 2.9 per cent of the world's population, were living outside their country of birth for longer than one year, 65 million of which were economically active.[1] Of these economically active persons, 65 per cent were classified as "highly skilled" that is, those persons assumed to have completed tertiary education and have a professional job.

Labour migration and remittances have increasingly become a part of the global landscape, with profound economic and social consequences. Remittances have been identified as the third pillar of development as globally their volume is estimated to be second to foreign direct investment flows and higher than overseas development assistance.[2] Over the last 10 years, the annual estimate of the volume of remittances was valued around US$200 billion. The US was the largest source country, with US$31 billion of remittance outflows annually, followed by Saudi Arabia, with US$15 billion. In 2003, Mexico, India and the Phillipines were the top three recipients in terms of volume, while Tongo, Lesotho and Jordan were the top three in percentage of GDP terms. Globally, remittances represent 2.9 per cent of the GDP of low income countries.

Migrant remittances to Latin America and the Caribbean represent the largest flow to a particular region, accounting for approximately 30 per cent of worldwide flows, with Mexico as the largest recipient country.[3] Table 1 shows that in CARICOM, Jamaica is the leading recipient of remittances, followed by Haiti, Guyana and Trinidad and Tobago. For 2005, remittances to Latin America and the Caribbean amounted to over US$53 billion, making the region the largest remittances market in the world.

Remittance inflows to Trinidad and Tobago stood at US$97 million or 0.7 % of GDP in 2005. Although these flows have been increasing steadily over the last few years, they remain well below 1% of GDP. The insignificance of remittances in Trinidad and Tobago may be explained in some measure by the relatively low migration rates of the country. Data on remittance flows to Trinidad and Tobago are obtained from two principal sources, namely, enterprise surveys and the domestic commercial banking

[1] Bulletin of the World Health Organization (August, 2004).

[2] The three pillars of development are Foreign Direct Investment, Overseas Development Assistance and Remittances.

[3] "International Financial flows and Worker Remittances: Issues and Lessons". Orozco, Manuel (November, 2004).

system. The institutions surveyed include the money transfer companies operating in the country as well as the national postal agency. Other possible sources of data include credit unions and other non-bank financial institutions as well as the migrants themselves who may visit from time to time particularly during the Carnival and Christmas seasons. Only money order transactions are reported, as information from some of the additional sources is not readily available.

TABLE C
REMITTANCES IN SELECTED LATIN AMERICAN AND CARIBBEAN COUNTRIES /US$ MILLION/

	1995	2001	2002	2003	2004	2005
Latin America and the Caribbean (US$ Billion)	**18.0**	**24.0**	**32.0**	**38.0**	**45.0**	**53.0**
of which:						
Latin America	14,683	19,497	25,952	31,749	38,890	46,831
Guyana	67	na	119	137	143	270
Haiti	553	810	931	977	1,026	1,077
Jamaica	670	967	1,288	1,426	1,497	1,651
Trinidad and Tobago	34	41	79	87	87	97

SOURCE: MIF Estimates, Latin America and the Caribbean Central Banks.

Migrants usually send between 6 and 16 per cent of their household income back to their countries of origin, typically US$100/$200/$300 a month. These amounts vary based on age, education, labour market experience, monthly earnings and so on. They also depend on family needs back home. According to the Committee on Payments Settlement Systems and the World Bank (CPSS-WB), the following general principles for International Remittances Systems should apply: (1) transparency and consumer protection; (2) an efficient domestic payment system infrastructure; (3) a sound, predictable, and non-discriminatory legal and regulatory framework; (4) market structure and competition and (5) appropriate governance and risk management practices.

Trinidad and Tobago is part of a Western Hemisphere initiative the goal of which is to increase the net proceeds of remittances in the region while reducing the cost of sending money in a more affordable and competitive market.

BOX 10 (CONTINUED)
MIGRATION AND REMITTANCES

Economic Impact of Remittances

Remittances provide a mechanism for combating poverty and unequal income distribution, as the low income and poor receive a significant portion of these transfers. For the most part, remittances are used for daily expenses such as food, clothing and health care, and they make up a significant portion of the income of those households. Funds are also spent on building or improving housing, buying land or cattle, and buying consumer goods such as washing machines and televisions.

A significant portion of remittances tend to be used by households for short-term consumption needs (which increase import demand) rather than for savings or "productive investments". However, many policy makers in developing countries believe that remittances should be channeled toward development, small businesses, and other projects that increase local production and income and reduce unemployment. In addition, it is argued that increased hard currency flows can result in exchange rate appreciation, inflation, and higher interest rates, leading to the "Dutch disease" syndrome and deterring investment. These flows can also create dependency and raise inequality in recipient countries.

EFFECTIVE EXCHANGE RATES

BOX 11

The Nominal Effective Exchange Rate Index (1990=100) is calculated as a geometric average of bilateral exchange rates between the Trinidad and Tobago dollar and other currencies, weighted by non-oil merchandise trade shares. The Real Effective Exchange Rate Index is similarly constructed but also takes into account relative inflation rates using consumer price indices. An increase in the value of indices represents a loss of competitiveness, while a decrease represents a gain in competitiveness.

Trade-weighted Real Effective Exchange Rate

The trade-weighted real effective exchange rate (TWREER) index is the main indicator used by the Central Bank of Trinidad and Tobago to measure the international price competitiveness of domestic exports, as well as, local goods that face competition from imports in the domestic market.

Trade-weighted Real Effective Exchange Rate

The trade-weighted real effective exchange rate (TWREER) index is the main indicator used by the Central Bank of Trinidad and Tobago to measure the international price competitiveness of domestic exports, as well as, local goods that face competition from imports in the domestic market. Against the backdrop of rising domestic inflation, Trinidad and Tobago's international price competitiveness fell for the second consecutive year in 2006 as the TWREER index rose by 3.7 per cent compared with 2 per cent in 2005. Indeed, this loss of competitiveness resulted mainly from the relatively higher domestic prices which overshadowed favourable but modest movements in relative exchange rates.

Inflation Effect

In 2006, domestic prices continued to climb at an accelerated pace leading to a further widening of the inflation differential between Trinidad and Tobago and its major trading partners. The domestic inflation rate which was driven by the escalating food prices averaged 8.3 per cent compared with 6.9 per cent in 2005, and measured 4.4 percentage points higher than those of the country's trading partners. This unfavourable inflation effect exerted substantial influence on the changes in the TWREER.

Exchange Rate Effect

Unlike the inflation effect, the relative exchange rate movements as measured by the trade-weighted nominal effective exchange rate (TWNEER) index contributed positively to the country's overall competitive position. This impact was experienced from both direct and indirect exchange rate movements. The former reflects the relatively small depreciation of the TT dollar vis-à-vis the US dollar in 2006 while the latter refers to the fall in value of the US dollar against the currencies of the major trading partners. However, this exchange rate effect was only able to offset less than one per cent of the strong inflation effect.

Intra-Year Changes

Following the sharp increase in the TWREER index in the fourth quarter of 2005, there was a slowdown of the decline in competitiveness during the first half of 2006. This trend was reversed in the third quarter and continued into the last quarter of the calendar year as domestic inflation intensified reaching double-digits on a year-on-year basis. Consequently, this led to an environment which made locally produced goods increasingly less competitive than foreign goods.

TABLE 24

EFFECTIVE EXCHANGE RATES
2002 - 2006

PERIOD AVERAGE	TRADE-WEIGHTED		EXPORT-WEIGHTED		EFFECTIVE INFLATION RATE	
	TWREER	TWNEER	XWREER	XWNEER	TRADE-WEIGHTED	EXPORT-WEIGHTED
			INDEX (1990=100)			
2002	101.50	156.40	96.97	115.83	64.90	83.73
2003	100.13	155.06	96.85	117.11	64.58	82.70
2004	98.10	152.30	95.25	116.94	64.41	81.46
2005	100.05	151.98	97.31	117.61	65.83	82.73
2006	103.79	151.02	101.46	117.97	68.74	86.01
			PERCENTAGE CHANGES			
2002	3.83	2.84	3.55	3.05	0.97	0.50
2003	-1.35	-0.86	-0.12	1.11	-0.50	-1.22
2004	-2.03	-1.78	-1.65	-0.14	-0.25	-1.51
2005	1.99	-0.21	2.15	0.57	2.20	1.57
2006	3.74	-0.64	4.27	0.31	4.42	3.96

Source: Central Bank of Trinidad and Tobago.

APPENDIX ONE

INTERNATIONAL COMMODITY MARKETS

INTERNATIONAL COMMODITY MARKETS

(In this Chapter, $ refers to US dollars unless otherwise indicated)

COMMODITIES

PETROLEUM

The year 2006 was one of contrast for the international oil market. Earlier in the year there was concern that oil prices would reach as high as $100/bbl mainly because of geopolitical tensions in the Middle East and some measure of apprehension about the severity of the Atlantic Hurricane season. However, oil prices (West Texas Intermediate) peaked at $77.03/bbl on July 14. Later in the year, around the fourth quarter, the oil market began a period of correction as it became evident that the 2006 hurricane season would be relatively calm and petroleum product inventories were adequate. Commercial traders/speculators rushed to liquidate long positions as prices declined. As the major consuming nations stockpiled crude in preparation for the winter season, crude inventories swelled and as a result, oil prices fell to a low of $55.81/bbl on November 17. This spurred OPEC into action as the cartel sought to defend an implicit target of $60/bbl for its basket of crudes. In 2006, oil prices averaged $65.97/bbl (WTI), an increase of 16.7 per cent from a year earlier. Market fundamentals indicated that crude oil supply outstripped demand.

OIL DEMAND

World crude oil demand averaged 84.4 million barrels per day (b/d). Total oil demand grew by 0.8 million b/d, the lowest in almost three years, due to a slowdown in demand in China and Europe and mild weather in the United States. Although the figure appears lower than originally estimated, the reliance on crude stocks in the later part of 2006 heavily influenced the eventual outturn.

OIL SUPPLY

Crude oil supply was projected slightly higher than demand at 85.2 million b/d in 2006, with non-OPEC and OPEC supplies at an estimated 50.9 million b/d and 29.7 million b/d, respectively (excluding natural gas liquids). Overall supply was affected by geopolitics, inventory levels, the weather and unplanned outages both upstream and downstream. Undoubtedly geopolitics drove the international oil market in 2006. The impact of ongoing ethnic unrest in Nigeria and the re-nationalisation of strategic oil assets in Venezuela was not as strong as the fallout from events in the Middle East, in particular, the standoff between Iran and the West over the former's nuclear programme, and in the second half, the intense fighting in Lebanon. The concern that hostilities could spread throughout the region added a significant premium to oil prices. A warmer than normal winter in the northern hemisphere followed by a relatively uneventful hurricane season led to inventory levels surpassing five-year averages, as OECD stocks for example, reached historic highs in excess of 4 billion barrels. Nevertheless, there were disruptions to supplies to the US as BP shut down its 400 thousand b/d Prudhoe Bay oil field in Alaska because of evidence of pipeline corrosion. This was offset in part by a recovery of production in the Gulf of Mexico in the aftermath of Hurricane Katrina.

REFINING

The challenges facing the refining industry in 2006 were twofold. Firstly, strong seasonal demand for gasoline saw prices exceed $3 per gallon provoking claims of price gouging on the part of the oil majors. Secondly, new fuel specifications requiring the production of environmentally friendly, low–sulfur products necessitated the increased importation of costlier light, sweet crude and significant investment in refinery upgrades. Despite operational problems at some US refineries and a protracted period of maintenance after the summer driving season, average capacity utilization rates were higher in 2006 than in the previous year when several refineries were offline due to hurricane damage.

OPEC

With geopolitics driving the international oil market, the power that OPEC wielded on the market seemed to wane somewhat. At OPEC's January 31 meeting, the group decided to leave its production ceiling unchanged at 28 million b/d, citing persistent high prices. The decision was the same at the March 8 meeting although members were considering the possibility of cutting production in anticipation of seasonally lower demand during the second quarter. As prices continued to climb, the group decided to leave its production ceiling at 28 million barrels per day at its June 1 meeting, maintaining that markets were well supplied. In fact, there was evidence to suggest that high prices were causing some weakening of demand. However, with the softening of prices later in the year, OPEC moved to equalize demand and supply. At the cartel's September 11 meeting, the group agreed that formal output quotas would no longer apply in order to give the cartel greater flexibility. Just over a month later, as prices began to dip below $60/bbl, OPEC convened a special meeting where it was agreed that production would be cut by 1.2 million b/d from a baseline of 27.5 million b/d which was the output recorded for September 2006. A further softening of prices, prompted the cartel at its December 15 meeting to cut production by a further 500,000 b/d effective February 1, 2007. The news was met with displeasure among the major consuming nations as it was perceived that the move could lead to another round of escalating oil prices which could negatively affect economic growth. At that meeting it was also decided that Angola would join the cartel effective January 1, 2007, the first new member in over thirty years.

In 2007, the international oil market will face some significant downside risks. Crude oil demand may be constrained by an economic slowdown mainly in the US. However, since transportation fuels account for most of the demand which is highly inelastic, overall demand may not be significantly affected. On the supply side, non-OPEC production is expected to increase with the commissioning of supplies in Australia, Brazil, Russia and northern Africa. However, if the trend of the past few years holds, the planned increases may be lower than expected because of random events. OPEC's actions should provide some degree of uncertainty with respect to oil price movements. If the cartel decides to aggressively defend a price level of around $60/bbl and impose further cuts, oil prices could begin to escalate once more especially if there are any perceived or real threats to a secure supply of oil. However, further cuts could signal that the problem of insufficient spare capacity has ended and serve to reduce the 'fear' premium associated with concerns about security of supplies.

NATURAL GAS

In 2006, the natural gas market softened considerably because of record storage levels and warmer than normal winter temperatures in the northern hemisphere. Natural gas prices averaged $6.76/mmbtu representing a decline of 23.7 per cent from the previous year. Large inventories of natural gas were influenced by higher than normal storage injections at the end of 2005 in the aftermath of two hurricanes and in preparation for the winter demand. When combined with lower gas withdrawals because of warmer weather and a price-related fall in both industrial and residential usage, natural gas inventories in the United States ended the winter of 2006 at 1.7 trillion cubic feet (tcf), an increase of approximately 30 per cent from the corresponding period of 2005. At the end of the filling season in October, natural gas storage was an estimated 3.5 tcf, which represented approximately 88 per cent of installed storage capacity. A relatively inactive hurricane season and a recovery of gas production from the Gulf of Mexico also contributed to the stock-build. Storage surpluses persuaded some producers to cut production, drill fewer wells and even contemplate reducing budgets for the remainder of 2006 and in 2007.

Gas prices rose towards the end of March because of unplanned outages at nuclear plants, but quickly retreated in early April. Natural gas traded at a deep discount compared with heating oil and residual fuel oil on a BTU basis, despite continued production shut-ins in the Gulf of Mexico. A US price premium over UK gas usually occurs during the summer months, but the trend was reversed in 2006 because of a long heat spell in Europe. However, with the advent of a record heat wave in the US, natural gas prices firmed towards the end of July as the Energy Information Administration announced net withdrawals from storage. Gas prices exceeded $8/mmbtu on July 31 as the demand for electricity generation and air-conditioning burgeoned. In addition to the inventory and weather variables the natural gas market also took signals from the oil market and started to soften when oil prices began to fall quickly in September. However, the decline in gas prices was more precipitous, falling below $5/mmbtu to a low of $3.63/mmbtu in September, the first occasion since October 2004 that prices fell to such a level. In Europe, UK prices reached highs not experienced since the market was deregulated in the 1990s on account of extremely frigid weather and dwindling gas supplies. In the midst of a colder than normal winter, gas supplies to Europe from Russia were threatened on two separate occasions at the beginning of the year.[1]

With the expectation of normal winter weather in 2007, there may be a tightening of storage which will serve to lift gas prices from depressed levels. Any resurgence of crude oil prices may also lend support to gas prices at least up until the first quarter of 2007. Downside risks are embodied in the current El Niño phenomenon which may cause another warmer than normal winter. Should this occur, large stock-builds could contribute to softer prices. However, declining imports from Canada as more gas is diverted to oil sands production could support prices in the US.

LNG

In 2006, Mexico and China joined the list of importing countries, bringing the total number of LNG importers to seventeen. The global trade of LNG continued to expand during the year, despite a downturn in the US market. Close to 14 per cent of all LNG cargoes traded was sold on the spot market, a significant increase from just a few years ago. The most notable occurrence of the year was the disparity in prices in the US, Western Europe and Asia markets which provided lucrative arbitrage opportunities for LNG exporters. The diversion of cargoes from the US resulted in an increase of 12.6 per cent in European LNG imports on a year-on-year basis to October.

[1] The pipeline infrastructure which supports Russian exports to Europe traverses the Ukraine. A conflict surrounding gas pricing between Russia and Ukraine temporarily cut supplies to Europe. On the second occasion, Russia cut gas exports to Europe because the cold weather increased domestic consumption.

In the US, LNG imports fell by 8 per cent to an estimated 580 bcf because of record high gas storage levels and increased competition for cargoes from Europe where the weather was colder than usual. LNG imports from Trinidad and Tobago totaled 392 billion cubic feet (bcf), a decline of 13.2 per cent from the same period a year earlier. Trinidad and Tobago accounted for 67.6 per cent of LNG imports to the US, followed by Egypt (18.8 per cent), Nigeria (10 per cent) and Algeria (3.6 per cent), which represented a reduction in the number of countries exporting LNG to the US. Utilization rates were also very low at some import terminals during the year. Nonetheless, the US LNG market is set for further expansion with the approval of five LNG receiving terminals by the Federal Energy Regulatory Commission, with three under construction for commissioning in 2008. This will increase US import capacity by 8.2 bcf. The LNG market is expected to remain tight in 2007 because of liquefaction project delays, gas supply constraints and the growth in global LNG trade.

METHANOL

Prices trended upward in the methanol market in 2006, especially in the last quarter to an average price of $376.42 (fob Rotterdam) 32.5 per cent higher than that recorded for 2005. From early October, prices increased significantly as global supply was negatively affected by the unplanned shutdown of the M5000 in Trinidad and Tobago for three weeks and the AMPCO unit in Equatorial Guinea for two, because of technical problems. These two shutdowns came at a time when inventories were already low, and resulted in methanol prices soaring to unprecedented levels in markets in North America. Apart from these outages, a number of other shutdowns throughout the year resulted in the loss of a significant amount of material from the various markets. Demand for methanol was relatively strong over the period, which helped to maintain prices in spite of increasing supply as a result of the fall in demand from the MTBE market. A number of MTBE producers, especially in North America, have switched to the production of alternative fuel additives, leaving just about two or three producers in the market.

NITROGENOUS FERTILIZERS

Ammonia prices were trending downward for most of 2006, except for the fourth quarter, when prices were on the upswing worldwide. Supply in North America was boosted during the first quarter as falling natural gas prices facilitated the re-opening of a number of plants that went out of commission during the second half of 2005, due to rising feedstock costs. Counter to this, was a number of cutbacks and closures of MAP/DAP facilities, the most significant being the permanent closure of the US Chem MAP/DAP facility in Florida, which resulted in the loss of up to 600,000t/y of potential ammonia imports.[2]

By contrast, in European and Asian markets, gas prices were generally high during the year and as a result a number of plants remained closed in the United Kingdom for most of 2006. Import demand was buoyant in Europe, especially in the second quarter, as high gas prices and falling ammonia prices resulted in a decline in domestic ammonia production.

During 2006 new capacity came on stream in Western Australia and Saudi Arabia, which increased the supply of ammonia in the Middle East/Asian market, and coupled with low import demand in the US, facilitated further price reductions worldwide. Prices took an upturn in September as buyers sought to

[2] MAP and DAP refer to mono-ammonium phosphate and di-ammonium phosphate, respectively. They are both fertilizers and are derivatives of ammonia and phosphate.

stockpile material and production was boosted by rising ammonia prices and falling gas costs. However, the widening gap between these two prices did not generate any substantial increase in output since plants were running at full capacity with no idle units available. For this reason, imports of ammonia (7.4 million tonnes) comprised close to half of US ammonia requirements. This compared with 8 million tonnes imported in 2005, when high gas prices forced a number of producers out of the market.

In 2006, the market was influenced more by the tight supply situation and higher freight rates than by the US gas price which has been a key influencing factor in the price of ammonia since 2000. Overall, the average price of ammonia on the global market for 2006 was $278.43 per tonne (fob Caribbean), marginally down from the 2005 average of $280.73 per tonne (fob Caribbean). The urea market was characterized by bearish activity as there was relatively low demand in most consuming areas. Apart from a few intermittent rebounds over the year, prices generally trended downward to average $226.53 per tonne (fob Caribbean), 2.2 per cent below the level in 2005.

IRON AND STEEL

International steel production (1.22 billion tonnes) in 2006 was the highest on record, exceeding 1 billion tonnes for the third consecutive year and 9 per cent greater than the amount produced in the previous year. This increase reflected largely an 18.5 per cent expansion in China's output, which has grown by 314 per cent over the last ten years and accounted for 33.8 per cent of global steel production in 2006. Notwithstanding greater supply, increased demand during the year resulted in higher prices. The price of billets rose by 17.3 per cent to average $391.60 per tonne (fob Latin America), while wire rods were sold at an average price of $448.02 per tonne (fob Latin America), an increase of 13.1 per cent from 2005.

The iron and steel market was dynamic over the period, as demand was down in the first quarter, but jumped in the second and third quarters which resulted in a surge in prices which peaked in July. Production and exports in China soared to record levels in June on the back of high demand in China as well as the rest of the world. But by July, a warning was issued by the International Iron and Steel Institute (IISI) concerning a need to avoid world steel overcapacity mainly because of persistently high exports and production from China.

The oversupply of steel in the US caused great concern in the sector as demand had declined by the fourth quarter. However, US steel producers acted quickly and cut production in an effort to equate steel production with consumer demand and hence stem the trend of softening prices, but these cuts failed to arrest the growth in world steel output. Steel production was also cut in Europe during the last three months of the year in order to stabilize rising inventories, driven mainly by a transport bottleneck and which resulted in a fall in European steel prices.

In 2006, Mittal Steel, Europe's largest producer, acquired 92 per cent of the assets of Arcelor, Europe's second largest producer through a hostile takeover bid. The new company, Arcelor Mittal, is now the world's largest producer with a capacity of more than 110 million tonnes per year of crude steel. There were also further moves toward consolidation in Australia, the United Kingdom, China, Germany as well as other areas.

TABLE 25

PRICES OF SELECTED COMMODITIES
(US$/TONNE)

FOR THE PERIOD	AMMONIA FOB CARIBBEAN	UREA FOB CARIBBEAN	METHANOL FOB ROTTERDAM	BILLETS FOB LATIN AMERICA	WIRE RODS FOB LATIN AMERICA
1997	161	136	187	222	295
1998	118	105	139	221	264
1999	91	82	109	177	226
2000	146	130	168	190	221
2001	138	114	203	171	221
2002	111	116	164	194	221
2003	201	157	257	245	278
2004	252	230	265	367	453
2005	281	232	284	334	396
2006	278	227	376	392	448
2006					
Jan	356	231	323	335	390
Feb	335	228	319	336	399
Mar	301	243	319	356	410
Apr	309	245	348	380	414
May	271	233	363	420	465
Jun	241	215	360	433	495
Jul	234	209	318	445	525
Aug	233	217	321	410	465
Sep	248	233	320	402	459
Oct	264	218	498	398	454
Nov	265	235	502	393	450
Dec	283	222	526	393	450

SOURCE: Green Markets; Fertilizer Week; European Chemical News; Monthly Methanol Newsletter (TECNON); Metal Bulletin.
All prices are monthly averages of published quotations and not necessarily realized prices.

APPENDIX TWO

ECONOMIC STATISTICS

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LIST OF TABLES A.1 - A.44

r - revised **n.a. - not available** **p - provisional**

LIST OF TABLES A.1 - A.44 (continued)

TABLE A.1

GROSS DOMESTIC PRODUCT AT CONSTANT (2000) PRICES BY SECTOR OF ORIGIN, 2002 - 2006[1] / PER CENT /

SECTOR	2002[r]	2003[r]	2004[r]	2005[r]	2006[p]
Agriculture	8.7	-15.3	-25.3	9.7	-0.6
Petroleum	13.5	31.4	8.2	8.4	20.6
Manufacturing	3.8	12.2	8.6	11.6	11.8
Electricity and Water	8.7	5.3	3.2	6.2	2.2
Construction	-5.1	23.4	12.6	15.6	14.5
Transport, Storage and Communication	9.5	5.4	1.9	9.4	4.0
Distribution	1.3	2.0	3.2	6.6	3.2
Finance, Insurance and Real Estate	11.5	7.3	21.7	9.9	7.5
Government	3.7	-1.0	0.6	1.9	-1.5
Other Services[2]	5.2	7.8	1.8	0.8	4.9
FISIM[3]	-0.7	9.9	11.7	3.3	3.8
Value Added Tax	-8.6	-4.2	35.0	-11.5	6.1
TOTAL	**7.9**	**14.4**	**8.8**	**8.0**	**12.0**

SOURCE: Central Statistical Office.

[1] In 2004 the GDP was rebased to a base year of 2000 = 100 from 1985 = 100 and the statistical methodology amended.

[2] Includes Hotels and Guest Houses, Education and Community Services and Personal Services.

[3] Financial Intermediation Services Indirectly Measured.

TABLE A.2

GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES BY SECTOR OF ORIGIN, 2002 - 2006 / $MILLION /

SECTOR	2002	2003[r]	2004[r]	2005[r]	2006[p]
Agriculture	787.2	674.6	729.3	626.7	705.4
Petroleum	14,765.0	25,610.7	29,848.8	39,813.4	51,600.1
Manufacturing	4,494.1	4,508.1	5,330.5	5,955.5	6,491.8
Electricity and Water	802.6	896.3	924.8	891.8	866.7
Construction	4,092.1	5,197.0	6,184.3	7,730.5	9,585.7
Transport, Storage and Communication	5,657.9	5,668.7	5,779.9	5,707.9	5,955.4
Distribution	9,286.7	9,901.9	10,623.5	12,211.8	13,426.8
Finance, Insurance and Real Estate	8,890.1	9,182.2	10,538.6	11,708.5	13,309.8
Government	4,332.9	5,560.0	5,963.8	6,522.7	8,147.4
Other Services[1]	2,967.8	3,660.7	3,620.4	4,129.4	4,617.4
FISIM[2]	-2,187.3	-2,493.0	-2,888.7	-3,189.6	-3,537.1
PLUS: Value Added Tax	2,400.9	2,364.3	3,170.9	2,948.4	3,305.2
GROSS DOMESTIC PRODUCT AT MARKET PRICES	**56,290.0**	**70,731.5**	**79,826.1**	**95,057.0**	**114,474.6**

SOURCE: Central Statistical Office.

[1] Includes Hotels and Guest Houses, Education and Community Services and Personal Services.

[2] Financial Intermediation Services Indirectly Measured.

TABLE A.3

ANNUAL CHANGES IN G.D.P. AT CURRENT MARKET PRICES BY SECTOR OF ORIGIN, 2002 - 2006
/ PER CENT /

SECTOR	2002	2003r	2004r	2005r	2006p
Agriculture	11.2	-14.3	8.1	-14.1	12.6
Petroleum	-5.1	73.5	16.5	33.4	29.6
Manufacturing	10.3	0.3	18.2	11.7	9.0
Electricity and Water	-8.9	11.7	3.2	-3.6	-2.8
Construction	-6.0	27.0	19.0	25.0	24.0
Transport, Storage and Communication	1.6	0.2	2.0	-1.2	4.3
Distribution	6.4	6.6	7.3	15.0	9.9
Finance, Insurance and Real Estate	18.4	3.3	14.8	11.1	13.7
Government	-8.1	28.3	7.3	9.4	24.9
Other Services[1]	4.0	23.3	-1.1	14.1	11.8
FISIM[2]	-3.4	-14.0	-15.9	-10.4	-10.9
PLUS: Value Added Tax	10.2	-1.5	34.1	-7.0	12.1
TOTAL	**2.3**	**25.7**	**12.9**	**19.1**	**20.4**

SOURCE: Table A.2.

[1] Includes Hotels and Guest Houses, Education and Community Services and Personal Services.

[2] Financial Intermediation Services Indirectly Measured.

TABLE A.4

SECTORAL COMPOSITION OF G.D.P. AT CURRENT MARKET PRICES, 2002 - 2006 / PER CENT /

SECTOR	2002	2003r	2004r	2005r	2006p
Agriculture	1.4	1.0	0.9	0.7	0.6
Petroleum	26.2	36.2	37.4	41.9	45.1
Manufacturing	8.0	6.4	6.7	6.3	5.7
Electricity and Water	1.4	1.3	1.2	0.9	0.8
Construction	7.3	7.3	7.7	8.1	8.4
Transport, Storage and Communication	10.1	8.0	7.2	6.0	5.2
Distribution	16.5	14.0	13.3	12.8	11.7
Finance, Insurance and Real Estate	15.8	13.0	13.2	12.3	11.6
Government	7.7	7.9	7.5	6.9	7.1
Other Services[1]	5.3	5.2	4.5	4.3	4.0
FISIM[2]	-3.9	-3.5	-3.6	-3.4	-3.1
PLUS: Value Added Tax	4.3	3.3	4.0	3.1	2.9
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

SOURCE: Table A.2.

[1] Includes Hotels and Guest Houses, Education and Community Services and Personal Services.

[2] Financial Intermediation Services Indirectly Measured.

TABLE A.5

MAJOR AGRICULTURAL COMMODITIES, 2002- 2006

PRODUCTS	2002	2003	2004	2005	2006
SUGAR					
Cane Production (000 tonnes)					
Estates	598	364	83	92	78
Farmers	741	542	528	454	427
Production of raw sugar (000 tonnes)*	98	68	43	33	35
Production of refined sugar (000 tonnes)	45	55	42	36	39
Sales (000 tonnes)					
Exports	61	59	44	33	35
Local**	64	60	54	50	48
Estate Canes Reaped (hectare/acre)	10,366	8,234	2,232	8,425	7,074
Estate Canes Yield (tonnes/acre)	58	44	37	27	18
Conversion Factor (tonnes cane/ tonnes sugar)	13	13	15	15	16
COCOA (000 kgs)* * *					
Production	1,722	912	1,321	n.a.	433
Exports	1,032	855	728	n.a.	511
Local Sales	571	81	65	n.a.	333
COFFEE (000 kgs) * * *					
Production	247	586	109	n.a.	89
Exports	13	2	2	n.a.	2
Local Sales	290	321	320	n.a.	126
CITRUS (000 kgs) * * *					
Production	7,495	284	3,148	1,117	890
Exports	-	-	-	-	-

SOURCE: Central Statistical Office.

* Includes production of wash grey sugar.

** Data for 2002 to 2006 include the sale of imported sugar.

*** Includes data to 2nd Quarter 2006.

TABLE A.6

PRODUCTION OF SELECTED FOOD CROPS, 2002 - 2006
/ 000 KGS /

CROP	2002	2003	2004	2005	2006p
Tomato	2,411	1,811	1,748	1,645	1,358
Cabbage	2,251	2,225	1,575	991	1,063
Cucumber	4,708	1,889	1,889	4,590	2,297
Dasheen	2,286	3,931	4,814	4,239	3,165
Rice	3,262	1,720	1,720	2,082	2,259
Pigeon Peas	1,642	1,487	1,487	954	976
Pumpkin	5,795	3,718	4,862	2,172	2,047
Melongene	1,856	2,976	2,976	2,232	1,949

SOURCE: Central Statistical Office.

TABLE A.7

LOCAL PRODUCTION AND IMPORTS OF SELECTED AGRICULTURAL PRODUCTS, 2002-2006

PRODUCTS	2002	2003	2004	2005[r]	2006[p]
Total Meat Supply (000 kgs)	**9,401**	**4,412**	**12,461**	**12,318**	**13,768**
(excluding poultry)					
Production	3,810	1,803	3,236	2,982	2,584
Imports	5,591	2,609	9,225	9,336	11,184
Beef and Veal (000 kgs)	**3,588**	**1,516**	**5,093**	**4,648**	**4,775**
Production	848	426	707	606	399
Imports	2,740	1,090	4,386	4,042	4,376
Pork (000 kgs)	**5,239**	**2,628**	**6,191**	**6,563**	**6,711**
Production	2,935	1,370	2,513	2,362	2,171
Imports	2,304	1,258	3,678	4,201	4,540
Mutton (000 kgs)	**574**	**268**	**1,177**	**1,107**	**2,282**
Production	27	7	16	14	14
Imports	547	261	1,161	1,093	2,268
Broilers (000 birds)[1]	**31,016**	**14,367**	**32,057**	**29,550**	**31,959**
Production					
Table Eggs (000 doz)[1]	**5,542**	**2,390**	**5,582**	**7,018**	**5,748**
Production					
Milk (000 litres)	**9,605**	**5,451**	**7,438**	**6,148**	**5,943**
Production	9,605	5,451	7,438	6,148	5,943
Imports	n.a.	n.a.	n.a.	n.a.	n.a.

SOURCE: Central Statistical Office.

[1] Imports of broilers and table eggs are negligible.

TABLE A.8

PRODUCTION AND UTILIZATION OF CRUDE OIL AND RELATED PRODUCTS AND PETROCHEMICALS, 2002-2006

COMMODITY GROUP	2002	2003	2004	2005	2006
Crude Oil					
Exploration (meters)					
Depth Drilled	144,046	149,991	154,613	117,311	164,199
of which: Exploration	20,593	28,941	23,968	17,868	38,363
Production (000 barrels)					
Crude Oil and Condensates	47,824	49,117	44,985	52,740	52,105
of which: Condensates	4,746	6,100	5,677	n.a.	n.a.
Daily Average (b/d)	130,626	134,089	122,933	144,442	142,777
Imports (000 barrels)					
Crude Oil Imports	32,241	33,186	22,772	34,200	29,728
of which: u.p.a.	337	345	298	346	275
Refining (000 barrels)					
Refinery Throughput	54,801	54,512	47,838	60,088	55,602
Refinery Output	54,788	52,876	46,349[p]	55,219	57,585
Capacity Utilization (%)[1]	82	85	79	94	92
Exports (000 barrels)					
Crude Oil Exports	24,895	26,002	20,467	27,488	28,391
Petroleum Products	n.a.	39,057	48,095	47,030	47,521
Natural Gas (Mn cubic feet/day)					
Production	1,826	2,594	2,929	3,219	3,878
Utilization[2]	1,722	2,520	2,850	3,033	3,674
of which: Petrochemicals	694	731	817	944	1,101
Electricity Generation	219	230	239	246	251
LNG	858	1,364	1,566	1,585	2,093
Natural Gas Liquids (000 barrels)					
Production	8,608	10,505	10,687	9,889	11,251
Exports	8,767	10,236	10,184	10,413	11,609
Local Sales	0	0	0	55	81
Closing Stock	159	269	503	223	180
Fertilizers (000 tonnes)					
Production	4,662	4,965	5,336	5,936	5,799
Exports	4,239	4,595	4,919	5,445	5,353
Local Sales	12	11	8	8	7
Stock Change	408	360	409	483	438
Methanol (000 tonnes)					
Production	2,829	2,846	3,418	4,695	6,016
Exports	2,788	2,868	3,344	4,618	5,872
Local Sales	19	17	22	19	18
Stock Change	22	-39	52	57	125

SOURCE: Ministry of Energy; Central Bank of Trinidad and Tobago.

[1] Refinery capacity is estimated at 165,000 barrels per day from 1995.

[2] Utilization refers to gas sales, and does not include natural gas used in own consumption.

TABLE A.9

PRODUCTION OF IRON AND STEEL PRODUCTS AND CEMENT, 2002 - 2006

COMMODITY	2002	2003	2004	2005	2006
Steel Products (000 tonnes)					
(i) Direct Reduced Iron					
Production	**2,316.3**	**2,275.0**	**2,336.5**	**2,055.0**	**2,071.5**
Exports	1,377.1	1,268.3	1,358.8	1,267.9	1,218.8
Local Sales	0.0	0.0	0.0	0.0	0.0
Own Consumption	903.2	978.9	888.0	785.1	731.1
(ii) Billets					
Production	**816.9**	**896.0**	**789.8**	**712.0**	**673.0**
Exports	0.0	0.0	0.0	0.0	0.0
Local Sales	87.8	237.8	125.2	237.1	198.9
Own Consumption	714.3	667.1	642.7	497.0	507.2
(iii) Wire Rods					
Production	**704.5**	**640.9**	**616.2**	**472.1**	**485.7**
Exports	655.1	635.3	548.0	443.5	448.4
Local Sales	31.5	35.5	39.3	40.5	46.6
Own Consumption	2.0	1.3	1.5	1.0	0.9
Cement (000 tonnes)					
Production	**743.7**	**765.6**	**768.4**	**686.4**	**883.0**
Imports	0.0	0.0	0.0	12.5	0.0
Local Sales	445.8	509.7	525.2	564.8	648.4
Exports	296.1	257.6	244.8	136.5	260.8

SOURCE: Central Bank of Trinidad and Tobago.

TABLE A.10

INDEX OF DOMESTIC PRODUCTION (1995=100), 2003 - 2006[1]

INDUSTRY	*WEIGHT*	2003	2004	2005	JAN – SEPT 2005[r]	JAN – SEPT 2006
Food Processing	*58*	236.4	294.7	358.9	360.2	363.4
Drink and Tobacco	*63*	320.6	350.9	423.9	417.8	528.2
Textiles, Garments and Footwear	*6*	1,219.4	1,427.7	1,687.9	1,725.2	1,839.1
Printing, Publishing and Paper Converters	*27*	191.2	233.3	233.4	221.1	456.3
Wood and Related Products	*7*	543.5	644.5	655.8	662.6	641.5
Chemicals and Non-Metallic Minerals	*43*	307.4	320.7	365.5	366.7	385.5
Assembly-Type and Related Industries	*61*	425.5	478.0	480.7	448.1	616.0
Miscellaneous Manufacturing Industries	*10*	230.2	214.4	211.3	211.4	194.7
Electricity	*40*	114.4	119.5	125.3	123.5	125.8
Water	*6*	140.3	145.4	146.5	145.5	151.9
Sugar	*-1*	15.5	66.6	60.8	74.2	47.3
All Industry Index (excluding petrochem, oil & natural gas, explor. product & refining)	***320***	**299.7**	**337.2**	**374.7**	**367.1**	**429.4**
Explor. & product of oil, natural gas, etc.	*445*	147.9	149.2	157.1	133.8	168.9
Petrochemicals	*182*	151.0	150.4	167.7	166.1	163.2
Oil & natural gas refining	*53*	310.6	318.2	375.9	377.2	381.6
All Industry Index (including petrochem, oil & natural gas, explor. product & refining)	***1,000***	**205.6**	**218.8**	**240.2**	**236.6**	**262.4**

SOURCE: Central Statistical Office.

[1]Indices are computed as quarterly averages for the relevant period.

TABLE A.11

ANNUAL CHANGES IN THE INDICES OF PRODUCTION AND HOURS WORKED (ALL EMPLOYEES), 2004 - 2006[1]
/ PER CENT /

INDUSTRY	INDEX OF DOMESTIC PRODUCTION[2]				INDEX OF HOURS WORKED[2]			
	2004	2005	JAN–SEPT 2005	JAN–SEPT 2006	2004	2005	JAN–SEPT 2005	JAN–SEPT 2006
Food Processing	24.7	21.8	26.4	0.9	4.4	-3.7	-4.1	3.4
Drink and Tobacco	9.4	20.8	34.5	26.4	3.3	-1.8	2.4	-3.5
Textiles, Garments and Footwear	17.1	18.2	18.1	6.6	-4.2	10.4	11.3	-0.7
Printing, Publishing and Paper Converters	22.0	0.03	-6.6	106.4	2.4	0.7	-1.6	4.2
Wood and Related Products	18.6	1.8	8.4	-3.2	4.0	20.3	20.5	-1.3
Chemicals and Non-Metallic Minerals	4.3	14.0	18.3	5.1	8.8	4.8	6.7	9.0
Assembly-Type and Related Industries	12.3	0.6	-1.5	37.5	-8.4	4.9	7.5	4.5
Miscellaneous Manufacturing Industries	-6.9	-1.5	-3.2	-7.9	-2.4	10.6	12.6	-3.9
Electricity	4.4	4.9	5.4	1.9	1.7	5.3	5.1	3.7
Water	3.6	0.8	0.6	4.4	-0.9	5.0	5.2	1.9
Sugar	329.2	-8.7	1.1	-36.2	22.6	19.6	30.9	-35.7
All Industry Index (excluding petrochem, oil, natural gas, explor. product & refining etc.)	6.4	9.8	14.2	17.0	2.3	3.6	5.3	0.2
Explor. & product of oil, natural gas, etc.	0.9	5.3	3.9	9.0	23.2	-18.6	-19.7	15.5
Petrochemicals	-0.4	11.5	10.6	-1.8	7.2	-5.1	-4.3	-3.7
Oil & natural gas refining	2.4	18.2	19.5	1.2	-1.9	1.4	0.6	2.0
All Industry Index (including petrochem, oil & natural gas, explor. product & refining etc.	6.4	9.8	11.9	10.9	2.2	2.0	3.1	0.9

SOURCE: Central Statistical Office.

[1] Indices are computed as quarterly averages for the relevant period.

[2] Percentage changes over the corresponding period.

TABLE A.12

ANNUAL CHANGES IN THE INDICES OF AVERAGE WEEKLY EARNINGS AND EMPLOYMENT (ALL EMPLOYEES), 2004 - 2006[1]
/ PER CENT /

INDUSTRY	AVERAGE WEEKLY EARNINGS[2]				EMPLOYMENT[2]			
	2004[r]	2005[r]	JAN–SEPT 2005[r]	JAN–SEPT 2006	2004	2005	JAN–SEPT 2005[r]	JAN–SEPT 2006
Food Processing	24.7	21.8	26.4	0.9	4.4	-3.7	-4.07	3.4
Drink and Tobacco	9.4	20.8	34.5	26.4	3.3	-1.8	2.4	-3.5
Textiles, Garments and Footwear	17.1	18.2	18.1	6.6	-4.2	10.4	11.3	-0.7
Printing, Publishing and Paper Converters	22.0	0.03	-6.6	106.4	2.4	0.7	-1.6	4.2
Wood and Related Products	18.6	1.8	8.4	-3.2	4.0	20.3	20.5	-1.3
Chemicals and Non-Metallic Minerals	4.3	14.0	18.3	5.1	8.8	4.8	6.7	9.0
Assembly-Type and Related Industries	12.3	0.6	-1.5	37.5	-8.4	4.9	7.5	4.5
Miscellaneous Manufacturing Industries	-6.9	-1.5	-3.2	-7.9	-2.4	10.6	12.6	-3.9
Electricity	4.4	4.9	5.4	1.9	1.7	5.3	5.1	3.7
Water	3.6	0.8	0.6	4.4	-0.9	5.0	5.2	1.9
Sugar	329.2	-8.7	1.1	-36.2	22.6	19.6	30.9	-35.7
All Industry Index (excluding petrochem, oil, natural gas, explor. product & refining etc.)	6.4	9.8	14.2	17.0	2.3	3.6	5.3	0.2
Explor. & product of oil, natural gas, etc.	0.9	5.3	3.9	9.0	23.2	-18.6	-19.7	15.5
Petrochemicals	-0.4	11.5	10.6	-1.8	7.2	-5.1	-4.3	-3.7
Oil & natural gas refining	2.4	18.2	19.5	1.2	-1.9	1.4	0.6	2.0
All Industry Index (including petrochem, oil & natural gas, explor. product & refining etc.)	6.4	9.8	11.9	10.9	2.2	2.0	3.1	0.9

SOURCE: Central Statistical Office.

[1] Indices are computed as quarterly averages for the relevant period.

[2] See footnote 2 of Table A.11.

TABLE A.13
ANNUAL CHANGES IN THE INDICES OF REAL EARNINGS AND OUTPUT PER MAN HOUR WORKED (ALL EMPLOYEES), 2004 - 2006[1]
/ PER CENT /

INDUSTRY	REAL EARNINGS[2]				INDEX OF OUTPUT PER MAN HOUR WORKED[2]			
	2004	2005[r]	JAN–SEPT 2005[r]	JAN–SEPT 2006	2004	2005[r]	JAN–SEPT 2005[r]	JAN–SEPT 2006
Food Processing	12.9	0.9	-1.7	-4.3	19.5	26.5	31.4	-2.2
Drink and Tobacco	20.5	7.1	8.3	-6.7	5.9	23.0	35.1	31.1
Textiles, Garments and Footwear	-2.4	4.4	1.4	-4.4	24.4	10.4	9.5	8.2
Printing, Publishing and Paper Converters	-2.4	-7.8	-10.0	-4.9	19.2	-0.6	-5.0	97.5
Wood and Related Products	-8.7	-8.4	-9.3	-3.4	14.0	-15.4	-10.4	-2.0
Chemical and Non-Metallic Minerals	6.9	-2.4	-1.9	-2.4	-4.1	8.7	10.9	-3.5
Assembly-Type and Related Industries	1.6	7.8	2.5	21.4	22.7	-4.1	-8.4	31.6
Miscellaneous Manufacturing Industries	7.7	-2.5	-2.4	-0.5	-4.6	-10.9	-14.2	-4.0
Electricity	3.1	-4.1	-7.7	7.4	2.7	-0.4	0.2	-1.8
Water	3.5	-8.4	-10.4	15.2	4.5	-4.0	-4.2	2.4
Sugar	76.7	-6.4	-6.4	-10.5	250.2	-23.7	-23.8	-0.8
All Industry Index (excluding petrochem, oil, nautral gas, explor. product & refining)	7.3	-2.6	-4.7	5.3	10.0	7.3	8.3	16.7
Explor. & product of oil, natural gas, etc.	20.2	15.6	-6.0	-47.6	-18.1	29.4	29.5	-5.1
Petrochemicals	-6.6	0.8	1.5	2.1	-7.1	17.4	15.6	2.1
Oil & natural gas refining	17.1	6.7	-8.8	8.1	4.4	16.6	18.3	-0.6
All Industry Index (including petrochem, oil & natural gas, explor. product & refining)	10.4	-5.0	-5.8	1.0	4.1	7.6	8.5	9.9

SOURCE: Central Statistical Office.

[1] Indices are computed as quarterly averages for the relevant period.

[2] See footnote 2 of Table A.11.

TABLE A.14(A)

RETAIL PRICES INDEX: INFLATION RATES, 2002-2006[1]
(ANNUAL AVERAGE)
/ JANUARY 2003=100 /

ITEM	*WEIGHT*	2002	2003	2004	2005	2006
All Items	**1000**	**98.1**	**101.9**	**105.7**	**112.9**	**122.3**
Inflation Rate (%)		4.2	3.8	3.7	6.9	8.3

SOURCE: Central Statistical Office.

[1] Retail Prices Index was revised and rebased to January 2003 = 100.

TABLE A.14(B)

RETAIL PRICES INDEX FOR MAJOR EXPENDITURE CATEGORIES, 2004-2006
/ JANUARY 2003=100 /

SECTIONS	WEIGHTS	2003	2004	2005	2006	2006 I	2006 II	2006 III	2006 IV
All Items[1]	**1000**	**101.9**	**105.7**	**112.9**	**122.3**	**117.8**	**120.6**	**124.1**	**126.8**
		3.8	***3.7***	***6.9***	***8.3***	***1.8***	***2.4***	***2.9***	***2.2***
(i) Food	180	108.5	122.4	150.5	185.4	169.6	179.3	191.7	200.7
		13.8	***12.8***	***23.0***	***23.2***	***5.0***	***5.8***	***6.9***	***4.7***
(ii) Clothing	53	98.7	93.4	91.8	91.3	91.9	91.4	91.2	90.8
		-1.2	***-5.4***	***-1.7***	***-0.5***	***0.1***	***-0.5***	***-0.2***	***-0.5***
(iii) Transport	167	100.9	105.3	108.3	110.1	109.1	109.4	109.7	112.2
		0.6	***4.3***	***2.9***	***1.7***	***0.1***	***0.3***	***0.3***	***2.3***
(iv) Housing	262	100.5	103.2	105.8	108.9	107.0	108.2	109.5	110.8
		0.1	***2.7***	***2.5***	***2.9***	***0.6***	***1.1***	***1.2***	***1.2***
(v) Others[2]	338	100.4	100.9	104.1	110.1	106.9	108.9	111.7	112.8
		0.7	***0.5***	***3.1***	***5.8***	***1.1***	***1.9***	***2.6***	***1.0***
Per Cent Contribution To Change In Index									
(i) Food	180	68.7	70.6	68.5	60.9	61.7	71.4	61.1	49.7
(ii) Clothing	53	-8.5	-4.0	-0.1	-0.1	3.3	-1.8	-0.3	-1.5
(iii) Transportation	167	22.8	9.6	3.5	5.8	0.9	1.5	1.5	19.2
(iv) Housing	262	7.6	20.6	4.0	11.4	11.8	8.0	10.0	15.7
(v) Others[2]	338	9.4	3.2	24.1	22.0	22.4	20.9	22.7	16.9
Memorandum:									
All Items (Sept. 1993=100)		**153.6**	**159.4**	**170.3**	**184.6**	**177.7**	**181.9**	**187.3**	**191.3**

SOURCE: Central Statistical Office.

[1] The figures **in bold italics** represent the percentage change over the average for the previous year/quarter.

[2] Includes Hotels, Cafés and Restaurants (30), Alcohol, Beverages and Tobacco (25), Furnishings, Household Equipment and Routine Maintenance (54), Health (51), Recreation and Culture (85), Education (16), Communication (41) and Miscellaneous goods and services (36). Figures in parentheses in this footnote are section weights.

TABLE A.15

INDEX OF PRODUCERS' PRICES, 2003 - 2006
/ OCT. 1978=100 /

INDUSTRY	WEIGHTS	2003	2004	2005	2006	2006 I	2006 II	2006 III	2006 IV
Food Processing	*191*	444.0	453.8	459.3	473.2	468.1	468.5	471.7	484.2
		4.4	***2.2***	***1.2***	***3.0***	***1.5***	***0.1***	***0.7***	***2.7***
Drink and Tobacco	*121*	515.7	544.1	573.9	627.1	579.0	627.8	638.4	662.3
		2.0	***5.5***	***5.5***	***9.3***	***0.5***	***8.4***	***1.7***	***3.7***
Textiles, Garments and Footwear	*101*	294.0	294.9	295.9	298.0	296.7	298.4	298.4	298.4
		-0.8	***0.2***	***0.3***	***0.7***	***0.0***	***0.6***	***0.0***	***0.0***
Printing, Publishing & Paper Converters	*93*	323.4	323.9	325.5	329.0	326.5	326.5	331.5	331.5
		-3.7	***0.1***	***0.5***	***1.1***	***0.6***	***0.0***	***1.5***	***0.0***
Wood & Related Products	*89*	278.4	293.3	299.9	309.0	305.1	305.1	312.4	313.1
		0.1	***5.4***	***2.2***	***3.0***	***1.9***	***0.0***	***2.4***	***0.2***
Chemicals and Non-Metallic Minerals	*148*	422.2	424.9	435.3	479.4	455.4	477.3	484.5	500.0
		1.2	***0.6***	***2.4***	***10.2***	***1.2***	***4.8***	***1.5***	***3.2***
Assembly-Type and Related Industries	*257*	300.5	314.9	321.4	325.5	322.1	324.3	327.3	328.3
		1.7	***4.8***	***2.1***	***1.3***	***0.3***	***0.7***	***0.9***	***0.3***
All Industry	*1000*	369.4	382.3	391.0	409.1	397.1	407.1	411.9	419.8
		0.9	***3.5***	***2.3***	***4.6***	***0.8***	***2.5***	***1.2***	***1.9***

SOURCE: Central Statistical Office.

The figures in **bold** represent the percentage change over the average for the previous year/quarter.

TABLE A.16

CENTRAL GOVERNMENT FISCAL OPERATIONS, 2002 - 2006[1] / $MILLION /

	FISCAL YEARS[2]				
	2002	2003	2004	2005[r]	2006
Current Revenue	13,825.0	16,754.2	20,625.6	29,638.8	38,479.6
Current Expenditure	13,544.4	15,007.4	17,498.5	21,842.4	26,530.3
Current Account Surplus(+)/Deficit(-)	**280.6**	**1,746.8**	**3,127.1**	**7,796.3**	**11,949.2**
Capital Revenue	47.5	7.1	4.1	9.1	9.0
Capital Expenditure and Net lending[3]	682.4	795.5	1,621.1	2,798.6	4,531.6
Overall Surplus(+)/Deficit(-)	**-354.3**	**958.4**	**1,510.1**	**5,006.9**	**7,426.7**
Total Financing (net)	**354.3**	**-958.4**	**-1,510.1**	**-5,006.9**	**-7,426.7**
External Financing (Net)	**-182.7**	**-182.8**	**-278.8**	**-1,273.3**	**-300.1**
Net External Borrowing	-182.7	-182.8	-278.8	-1,273.3	-300.1
Disbursements	240.6	151.3	211.0	285.4	305.9
Repayments [4]	423.3	334.1	489.7	1,558.7	606.0
Divestment Proceeds	0.0	0.0	0.0	0.0	0.0
Domestic Financing (Net)	**537.0**	**-775.6**	**-1,231.4**	**-3,733.6**	**-7,126.6**
Treasury Bills(Net)	0.0	0.0	0.0	0.0	0.0
Bonds(Net)	361.9	-889.9	907.0	-955.9	-1,041.8
Disbursements	1,138.0	2,000.0	1,756.0	808.0	0.0
Repayments	776.1	2,889.9	849.0	1,763.9	1,041.8
Divestment Proceeds	250.0	0.0	0.0	0.0	0.0
Uncashed Balances (Net)[5]	-74.9	114.3	-2,138.4	-2,777.7	-6,084.8
Memo Items					
Primary Balance[6]	**2,054.7**	**3,452.2**	**3,874.4**	**7,548.4**	**9,923.4**
Surplus(+)/Deficit(-) as a Percentage of GDP (current market prices)					
Current Account Surplus(+)/Deficit(-)	0.5	2.5	3.9	8.2	10.4
Overall Surplus(+)/Deficit(-)	-0.6	1.4	1.9	5.3	6.5
Primary Surplus(+)/Deficit(-)	3.7	4.9	4.9	7.9	8.7

SOURCE: Ministry of Finance: Review of Fiscal Measures, various years. Review of the Economy, 2006.
Central Bank of Trinidad and Tobago: **Monthly Statistical Digest**, various issues.

[1]Refers to accounts of Consolidated Fund, Unemployment Fund, Road Improvement Fund and the Infrastructure Development Fund.
[2]Represents the period October 1st - September 30th.
[3]Includes an adjustment for Repayment of Past Lending.
[4]Figures do not include repayments of loans from the IDB and the EIB received by the Central Government for onlending to the energy sector.
[5]Includes errors and omissions, advances from the Central Bank and drawdowns from the treasury deposit accounts. Negative numbers represent an increase in deposits at the Central Bank.
[6]The primary balance, also known as the non-interest balance, is equal to the overall balance exclusive of interest payments.

TABLE A.17

CENTRAL GOVERNMENT REVENUE, 2002 - 2006[1]
/ $MILLION /

REVENUE	FISCAL YEARS[2]				
	2002	2003	2004	2005[r]	2006
A. Oil Sector	**3,249.4**	**6,182.5**	**7,641.7**	**14,044.1**	**21,385.3**
Corporation	1,644.1	4,079.4	5,428.3	10,805.6	17,620.3
Withholding Tax	95.3	172.4	200.7	429.2	614.4
Royalties	599.6	1,011.1	1,094.5	1,228.5	1,679.3
Oil impost	29.5	33.9	36.8	42.7	65.9
Unemployment levy	102.5	290.5	294.2	903.2	1,275.0
Excise duties	524.9	562.8	587.2	634.8	130.4
Other[3]	253.5	32.4	0.0	0.0	0.0
B. Non Oil Sector	**10,575.6**	**10,571.7**	**12,983.9**	**15,594.6**	**17,094.3**
Taxes on Income	**4,530.0**	**5,359.6**	**6,304.5**	**8,058.4**	**7,959.5**
Companies	1,418.3	2,083.8	2,308.3	3,166.2	3,994.2
Individuals	2,692.7	2,793.0	3,280.8	4,250.1	3,168.4
Unemployment Levy	21.8	0.3	115.9	1.8	4.3
Health Surcharge	137.4	133.3	164.8	187.0	156.7
Other	259.8	349.3	295.7	**453.3**	**635.9**
Taxes on Property	**94.3**	**77.6**	**85.4**	**62.7**	**64.2**
Lands and Buildings Taxes	94.3	77.6	85.4	62.7	64.2
Taxes on Goods and Services	**3,436.4**	**3,087.6**	**4,103.0**	**4,200.8**	**5,487.7**
Purchase Tax	0.2	0.2	0.1	0.1	0.1
Excise Duties	386.5	406.8	403.2	436.4	444.9
Motor Vehicles	212.2	211.6	173.2	217.0	246.8
Value Added Tax	2,475.4	2,028.4	3,021.2	2,962.6	4,084.2
Other[4]	362.1	440.7	505.3	584.8	711.7
Taxes on International Trade	**855.4**	**994.1**	**1,242.7**	**1,473.5**	**1,832.5**
Import Duties	855.4	994.1	1,242.7	1,473.5	1,832.5
Other	0.0	0.0	0.0	0.0	0.0
Non-Tax Revenue	**1,659.6**	**1,052.9**	**1,248.1**	**1,799.1**	**1,750.4**
National Lottery	133.5	109.3	127.0	127.0	95.5
Interest	180.2	111.0	86.2	137.4	100.4
Central Bank	135.3	80.7	96.3	161.5	161.9
Other	1,210.5	751.9	938.7	1,373.2	1,392.5
TOTAL CURRENT REVENUE	**13,825.0**	**16,754.2**	**20,625.6**	**29,638.8**	**38,479.6**
Capital Revenue	47.5	7.1	4.2	9.1	9.0
TOTAL REVENUE[4]	**13,872.5**	**16,761.3**	**20,629.7**	**29,647.9**	**38,488.6**

SOURCE: Ministry of Finance. **Review of Fiscal Measures**, various issues.
Estimates of Revenue, various issues.

[1] Refers to accounts of Consolidated Fund, Unemployment Fund, Road Improvement Fund and the Infrastructure Development Fund.
[2] Represents the period October 1st – September 30th .
[3] Includes receipts of $118.4 million and $31.2 million from signature bonuses for the award of production sharing contracts in 2002 and 2003, respectively.
[4] Includes Road Improvement Tax.

TABLE A.18

CENTRAL GOVERNMENT EXPENDITURE
2002 - 2006[1]
/ $MILLION /

EXPENDITURE	FISCAL YEARS[2]				
	2002	2003	2004	2005[r]	2006
Current Expenditure[2]	**13,544.4**	**15,007.4**	**17,498.5**	**21,842.4**	**26,530.3**
Wages and Salaries	4,188.9	4,537.8	4,849.2	5,309.2	5,458.4
Goods and Services	1,759.8	2,012.4	2,374.5	3,170.1	3,754.4
Interest	2,409.0	2,493.8	2,364.3	2,541.5	2,496.9
External	823.3	726.3	726.1	666.0	659.6
Domestic	1,585.7	1,767.5	1,638.2	1,875.5	1,837.3
Transfers and Subsidies	5,186.7	5,963.4	7,910.6	10,821.6	14,820.6
of which:					
Loans & Grants to Statutory Boards and State Enterprises	1,266.0	1,571.7	2,448.7	2,481.6	3,805.5
Households	1,899.7	2,055.3	2,173.0	2,601.2	4,336.8
Capital Expenditure and Net-Lending[3]	**682.4**	**795.5**	**1,621.1**	**2,798.6**	**4,531.6**
TOTAL EXPENDITURE	**14,226.8**	**15,802.9**	**19,119.6**	**24,641.0**	**31,061.9**
(as a % of GDP at current market prices)	25.3	22.3	24.0	25.9	27.1
	Per Cent of Total Expenditure				
Memo Items (%)					
Current Expenditure	95.2	95.0	91.5	88.6	85.4
Capital Expenditure and Net-Lending	4.8	5.0	8.5	11.4	14.6
Total Expenditure	100.0	100.0	100.0	100.0	100.0

SOURCE: Ministry of Finance. **Review of Fiscal Measures**, various issues.
Estimates of Revenue, various issues.

[1] Refers to accounts of Consolidated Fund, Unemployment Fund, Road Improvement Fund and the Infrastructure Development Fund.

[2] Represents the period October 1st – September 30th .

[3] See footnotes to Table A.16.

TABLE A.19(A)

PUBLIC SECTOR EXTERNAL DEBT, 2002 - 2006
/ US$MILLION /

SECTOR	2002	2003	2004	2005	2006
CENTRAL GOVERNMENT					
Receipts	42.8	86.5	36.8	57.6	179.5
of which: Leases	0.0	0.0	0.0	0.0	0.0
Amortization	68.6	89.7	226.1	92.2	247.3
of which: Leases	0.0	0.0	0.0	0.0	0.0
Debt Conversion	0.0	0.0	0.0	0.0	0.0
Rescheduling	0.0	0.0	0.0	0.0	0.0
Valuation Adjustment	7.9	6.0	0.0	0.0	0.0
Balance Outstanding[1]	1,499.5	1,502.3	1,313.0	1,278.4	1,210.5
of which: Leases	0.0	0.0	0.0	0.0	0.0
Interest	129.7	116.7	109.9	92.3	103.8
NON-GOVERNMENT PUBLIC SECTOR[2]					
Receipts	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.0
Rescheduling[3]	0.0	0.0	0.0	0.0	0.0
Valuation Adjustment	1.1	1.1	0.3	0.0	0.0
Balance Outstanding	49.6[4]	50.7	51.0	51.0	51.0
Interest	0.0	0.0	0.0	0.0	0.0
TOTAL					
Receipts	42.8	86.5	36.8	57.6	179.5
Amortization	68.6	89.7	226.1	92.2	247.3
of which: Debt Conversion	0.0	0.0	0.0	0.0	0.0
Rescheduling	0.0	0.0	0.0	0.0	0.0
Valuation Adjustment	9.0	7.1	0.5	0.6	0.4
Balance Outstanding	1,549.1	1,553.0	1,364.0	1,329.4	1,261.0
Interest	129.7	116.7	109.9	92.3	103.8

SOURCE: Central Bank of Trinidad and Tobago.

[1] Excludes a short-term US dollar denominated bond of US$150 million provided by resident financial institutions in 1998.
[2] Comprises state enterprises and Central Bank external debt. See Table A.19(b).
[3] Once rescheduled, the external debt of the state enterprises becomes the external liability of the central government.
[4] A portion of this debt is no longer defined as government-guaranteed debt.

TABLE A.19(B)

NON-GOVERNMENT PUBLIC SECTOR EXTERNAL DEBT 2002 - 2006
/ US$MILLION /

SECTOR	END OF PERIOD				
	2002	2003	2004	2005	2006
GOVERNMENT-GUARANTEED[1]					
Receipts	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.0
Rescheduling	0.0	0.0	0.0	0.0	0.0
Balance Outstanding	42.6	42.5	43.0	47.0	47.0
Interest	0.0	0.0	0.0	0.0	0.0
NON-GOVERNMENT GUARANTEED[2]					
Receipts	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.0
Balance Outstanding	3.3[3]	3.8	4.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0	0.0
CENTRAL BANK					
Receipts	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.0
Balance Outstanding	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0	0.0
TOTAL					
Receipts	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.0
Rescheduling	0.0	0.0	0.0	0.0	0.0
Valuation Adjustments	1.1	1.1	0.3	0.0	0.0
Balance Outstanding	49.6[3]	50.7	51.0	51.0	51.0
Interest	0.0	0.0	0.0	0.0	0.0

SOURCE: Central Bank of Trinidad and Tobago.

[1] External debt of state enterprises and public utilities guaranteed by the government of the Republic of Trinidad and Tobago.

[2] Non-guaranteed debt of state enterprises and public utilities.

[3] See footnote 4 on Table A. 19(a).

TABLE A.20(A)

COMMERCIAL BANKS: SELECTED DATA, 2002 - 2006
/ $MILLION /

	END OF PERIOD				
	2002	2003	2004	2005[r]	2006
A. **Outstanding**					
1. **Aggregate Deposits** (adj.)	**21,521.5**	**21,153.7**	**25,871.5**	**32,949.3**	**37,567.6**
Demand Deposits (adj.)[1]	5,829.8	5,600.8	6,420.2	9,890.7	8,957.1
Time Deposits (adj.)[2]	3,399.9	3,019.6	3,511.1	5,729.0	8,188.4
Savings Deposits (adj.)[2]	6,778.7	8,264.2	8,952.4	9,967.3	11,645.7
Foreign Currency Deposits (adj)[3]	5,513.1	4,296.1	6,987.8	7,362.3	8,776.4
2. **Gross Bank Credit**[4]	**14,789.1**	**16,348.1**	**20,545.3**	**27,143.3**	**31,515.7**
of which:					
Business purposes	7,411.4	7,931.4	10,178.6	11,699.5	14,749.5
Corporate	*6,634.0*	*7,070.1*	*9,149.4*	*10,244.7*	*13,447.3*
Non-corporate	*776.5*	*861.3*	*1,029.2*	*1,454.8*	*1,302.2*
3. **Investments**	**8,220.9**	**9,890.3**	**10,243.9**	**11,543.2**	**12,223.2**
Government Securities	2,768.6	3,320.4	3,415.4	4,029.7	3,326.5
Other Investments[5]	5,452.3	6,569.9	6,828.5	7,513.5	8,896.7
of which:					
Special Deposits[6]	*281.3*	*621.5*	*660.9*	-	-
Interest-bearing Special Deposit Facility[6]	*n.a.*	*n.a.*	*660.9*	*1,000.0*	*1,500.0*
B. **Annual Change**					
1. **Aggregate Deposits** (adj.)	**700.0**	**-367.8**	**4,717.8**	**7,077.8**	**4,618.3**
Demand Deposits (adj.)	507.7	-229.0	819.4	3,470.5	-933.6
Time Deposits (adj.)	-469.8	-380.3	491.5	2,217.9	2,459.4
Savings Deposits (adj.)	144.4	1,485.5	688.2	1,014.9	1,678.4
Foreign Currency Deposits (adj.)	517.7	-1,244.0	2,691.7	374.5	1,414.1
2. **Gross Bank Credit**[4]	**366.4**	**1,559.0**	**4,197.2**	**6,598.0**	**4,372.4**
of which:					
Business purposes	369.8	520.0	2,247.2	1,520.9	3,050.0
Corporate	*311.2*	*436.1*	*2,079.3*	*1,095.3*	*3,202.6*
Non-Corporate	*58.6*	*84.8*	*167.9*	*425.6*	*-152.6*
3. **Investments**	**474.0**	**1,669.4**	**353.6**	**219.9**	**680.0**
Government Securities	-22.7	551.8	95.0	614.3	-703.2
Other Investments[5]	496.7	1,117.6	258.6	685.0	1,383.2
of which:					
Special Deposits	*-501.8*	*340.2*	*39.4*	*-660.9*	-
Interest-bearing Special Deposit Facility[6]	*n.a.*	*n.a.*	*n.a.*	*1,000.0*	*500.0*

SOURCE: Central Bank of Trinidad and Tobago.

[1] Total demand deposits ***minus*** non-residents' and Central Government's demand deposits, cash items in process of collection on other banks, and branch clearings, plus cashiers and branch clearings.

[2] Total time deposits ***minus*** Central Government's deposits and deposits of non-residents.

[3] Total demand, savings and time deposits in foreign currency ***minus*** those of non-residents.

[4] Total loans excluding loans to non-residents and central government.

[5] Special deposits, other interest-bearing deposits at the Central bank, other local and foreign securities, and equity in subsidiaries and affiliates.

[6] In December 2005, the interest rate paid on special deposits was reduced to zero and the commercial banks were required to place in aggregate a total of TT$1.0 billion in a special interest-bearing deposit account at the Central Bank for a minimum of one year. In June 2006, an additional TT$500 million was placed by the commercial banks into the account.

TABLE A.20(B)

SUMMARY ACCOUNTS OF THE MONETARY SYSTEM, 2002 - 2006
/ $MILLION /

	END OF PERIOD				
	2002	2003	2004	2005	2006
Net Foreign Assets	**12,856**	**14,065**	**22,209**	**33,652**	**48,919**
Monetary Authorities	12,517	14,315	18,929	31,291	40,770
Commercial Banks	339	-250	3,280	2,361	8,149
Net Domestic Assets	**13,662**	**13,438**	**10,330**	**4,306**	**-4,732**
Net Claims on public Sector	-2,825	-4,925	-10,244	-16,295	-26,545
Central Government (net)	-3,797	-5,041	-10,115	-16,939	-24,603
Treasury bills	1,406	1,117	1,828	1,883	1,935
Other government securities	1,373	2,203	1,588	2,147	1,392
Other credit(net)	-6,576	-8,362	-13,530	-20,969	-27,930
Local government (net)	-144	-55	-166	-238	-385
Statutory bodies (net)	602	525	432	517	-650
Public enterprises (net)	514	-354	-395	366	-907
Official capital and surplus	-2,172	-2,207	-2,207	-2,351	-1,530
Credit to Other Financial Institutions(net)	189	1,984	44	-1,865	-3,599
Credit to private sector	14,691	15,234	19,805	24,662	29,330
Interbank float	70	75	457	1,589	658
Other assets (net)	3,709	3,277	2,474	-1,432	-4,445
Liabilities to private sector (M3)	**26,518**	**27,502**	**32,540**	**37,958**	**44,187**
Money and quasi-money	19,802	20,415	23,792	28,943	33,649
Money	6,895	7,304	8,823	11,495	12,597
Currency in circulation	1,502	1,709	1,957	2,425	2,654
Demand deposits	5,393	5,595	6,866	9,069	9,943
Quasi-Money	12,907	13,111	14,969	17,449	21,052
Time deposits	4,222	3,410	3,858	4,722	5,832
Savings deposits	8,685	9,701	11,111	12,727	15,220
Less: nonresidents' deposits	0	0	0	0	0
Securitized Instruments	1,333	1,136	1,800	1,674	2,395
Private capital and surplus	5,383	5,952	6,948	7,341	8,142
	Changes as a percent of beginning-of-period M3				
Net Foreign Assets	**3.5**	**4.6**	**29.6**	**35.2**	**40.2**
Net Domestic Assets	2.7	-0.8	-11.3	-18.5	-23.8
Net Claims on public Sector	1.7	-7.9	-19.3	-18.6	-27.0
Of which: Central Government	-1.5	-4.7	-18.4	-21.0	-20.2
Credit to private sector	2.6	2.0	16.6	14.9	12.3
Other assets (net)	1.3	-1.6	-2.9	-12.0	-4.2
Liabilities to private sector (M3)	**6.2**	**3.7**	**18.3**	**16.7**	**16.4**
Memorandum items:					
Net Domestic Assets (Net of HSF)	14,677	15,005	13,176	9,791	4,060
Net claims on public sector (Net of HSF)	-1,810	-3,358	-7,398	-10,813	-16,354
Central Government (Net of HSF)	-2,782	-3,474	-7,269	-11,458	-14,412
Credit to the private sector (12-month increase)	4.6	3.7	30.0	24.5	18.9
M3 Velocity	2.1	2.6	2.5	2.5	2.6

SOURCE: Central Bank of Trinidad and Tobago.

TABLE A.21

LIQUIDITY POSITION OF COMMERCIAL BANKS, 2004:IV - 2006:IV[1] / $MILLION /

	END OF PERIOD								
	2004	2005				2006			
	IV	I	II	III	IV[r]	I	II	III	IV
Legal Reserves Position[2]									
Required Reserves[3]	2,055.1	2,149.2	2,250.7	2,422.9	2,601.9	2,711.7	2,846.3	2,944.6	3,649.2
Cash Reserves	2,121.6	2,210.5	2,980.0	2,471.8	3,672.5	3,853.4	3,543.9	4,215.4	4,188.0
Excess (+) or Shortage (-)*	66.5	61.3	729.2	48.9	1,070.6	1,141.7	697.6	1,270.8	538.8
Liquid Assets									
Cash Reserves	2,121.6	2,210.5	2,980.0	2,471.8	3,672.5	3,853.4	3,543.9	4,215.4	4,188.0
Special Deposits	660.9	616.1	193.0	867.3	0.0	0.0	0.0	0.0	0.0
Total Deposits at CBTT[4]	2,782.5	2,826.6	3,173.0	3,339.1	3,672.5	3,853.4	3,543.9	4,215.4	4,188.0
Local Cash in Hand	596.8	488.3	511.8	424.2	566.0	464.1	507.1	486.3	906.0
Treasury Bills	60.2	431.3	290.9	431.2	415.1	520.2	359.9	345.7	561.5
TOTAL LIQUID ASSETS	**3,439.5**	**3,746.2**	**3,975.7**	**4,194.5**	**4,653.6**	**4,837.7**	**4,410.9**	**5,047.4**	**5,655.5**
Total Deposit/Liabilities (Adj)	18,682.7	19,538.2	20,460.9	22,026.4	23,653.6	24,651.8	25,875.5	26,769.1	28,070.9
As a percentage of Total Deposit Liabilities (Adj)									
Legal Reserves Position									
Required Reserves	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	13.0
Actual Reserves	11.4	11.3	14.6	11.2	15.5	15.6	13.7	15.7	14.9
Excess (+) or Shortage (-)	0.4	0.3	3.6	0.2	4.5	4.6	2.7	4.7	1.9
Average Excess (+) or Shortage (-)**	50.1	25.1	44.9	40.9	181.5	147.2	588.3	505.1	359.6
Liquid Assets									
Cash Reserves	11.4	11.3	14.6	11.2	15.5	15.6	13.7	15.7	14.9
Special Deposits	3.5	3.2	0.9	3.9	0.0	0.0	0.0	0.0	0.0
Total Deposits at CBTT	14.9	14.5	15.5	15.2	15.5	15.6	13.7	15.7	14.9
Local Cash in Hand	3.2	2.5	2.5	1.9	2.4	1.9	2.0	1.8	3.2
Treasury Bills	0.3	2.2	1.4	2.0	1.8	2.1	1.4	1.3	2.0
TOTAL LIQUID ASSETS	**18.4**	**19.2**	**19.4**	**19.0**	**19.6**	**19.6**	**17.0**	**18.9**	**20.1**

SOURCE: Central Bank of Trinidad and Tobago.

[1] The statutory cash reserves requirement was reduced from 14 per cent in 2003 to 11 per cent effective September 15, 2004. A secondary reserve requirement of 2 per cent was introduced on a temporary basis effective October 4, 2006.

[2] See note (1) of Table A.20.

[3] Required reserves comprise the legal reserve requirement plus the secondary reserve requirement as at QIV 2006.

[4] Central Bank of Trinidad and Tobago.

* Represents the excess/shortage for the end of the month.

** Represents the excess/shortage as an average through the month.

TABLE A.22

COMMERCIAL BANKS: DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR, 2001 - 2006 / $MILLION /

SECTORS	END OF PERIOD					
	2001	**2002**	**2003**	**2004**	**2005**	**2006**
Central & Local Government	98.4	41.8	22.2	10.1	11.5	64.7
Agriculture	172.5	273.8	145.9	115.8	92.1	66.2
Petroleum	810.9	1,101.7	764.7	632.0	808.9	1,274.9
Manufacturing	1,702.5	1,565.4	1,794.6	1,912.0	2,020.2	2,575.8
Construction	555.2	715.9	1,238.7	1,381.5	1,685.7	2,164.6
Distributive Trades	1,093.4	1,124.5	1,235.9	1,312.9	2,068.2	2,177.0
Hotels and Guest Houses	440.0	181.2	296.9	442.3	483.7	650.8
Transport, Storage and Communication	728.6	617.7	611.4	773.1	775.2	953.8
Finance, Insurance and Real Estate	1,844.3	2,032.5	2,940.5	3,825.6	4,853.4	5,296.7
Education, Cultural and Community Services	23.7	20.3	155.1	75.1	41.9	98.1
Personal Services	710.7	739.2	642.8	994.7	1,001.8	1,328.0
Electricity and Water	145.5	360.4	88.6	552.5	1,869.7	1,463.9
Consumers	5,671.6	5,600.9	6,000.4	6,842.3	8,585.9	10,088.4
TOTAL (excluding Real Estate Mortgage Loans)	**13,988.6**	**14,375.3**	**15,937.7**	**18,869.9**	**24,298.2**	**28,202.9**
Real Estate Mortgage Loans & Lease Financing	761.4	839.1	819.6	2,359.9	4,450.8	5,400.2
TOTAL LOANS	**14,750.0**	**15,214.4**	**16,757.3**	**21,229.8**	**28,749.0**	**33,603.1**

SOURCE: Central Bank of Trinidad and Tobago.

TABLE A.23

COMMERCIAL BANKS: PERCENTAGE DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR, 2001-2006[1]
/ PER CENT /

SECTOR	END OF PERIOD					
	2001	2002	2003	2004	2005	2006
Central Government	0.7	0.3	0.1	0.1	0.1	0.2
Agriculture	1.2	1.8	0.9	0.5	0.3	0.2
Petroleum	5.5	7.2	4.5	3.0	2.7	3.8
Manufacturing	11.5	10.3	10.5	9.0	7.0	7.7
Construction	3.8	4.7	7.3	6.5	5.9	6.4
Distributive Trades	7.4	7.4	7.2	6.2	7.2	6.5
Hotels and Guest Houses	3.0	1.2	1.7	2.1	1.7	1.9
Transport, Storage and Communication	4.8	4.1	3.6	3.6	2.7	2.8
Finance, Insurance and Real Estate	12.5	13.4	17.2	18.0	16.9	15.8
Education, Cultural and Community Services	0.2	0.1	0.9	0.4	0.1	0.3
Personal Services	4.8	4.8	3.8	4.7	3.5	4.0
Electricity and Water	1.0	2.4	0.5	2.6	6.5	4.4
Consumers	38.4	36.8	35.1	32.2	29.9	30.0
TOTAL (excluding Real Estate Mortgage Loans)	**94.8**	**94.5**	**93.3**	**88.9**	**84.5**	**84.0**
Real Estate Mortgage Loans and Lease Financing	5.2	5.5	6.7	11.1	15.5	16.0
TOTAL LOANS	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

SOURCE: Table A.22.

[1]Figures may not sum to 100 due to rounding.

TABLE A.24

COMMERCIAL BANKS - INTEREST RATES, 2004 - 2006
/ PER CENT /

INTEREST RATES[1]		2004	2005	2006	2006 I	II	III	IV
A. Loan Rates (Prime)								
(i) Term	- Range	4.25-26.75	4.00– 26.75	4.00-25.98	4.00-25.98	4.00-25.98	4.00-25.98	4.00-25.98
	- Median	9.50	9.00	10.25	9.75	10.00	10.50	10.63
(ii) Demand	- Range	3.50-25.75	3.50-25.75	5.00-26.75	5.00-26.50	5.00-26.75	5.00-26.50	5.00-23.82
	- Median	9.50	9.13	10.75	10.00	10.50	11.00	11.75
(iii) Overdraft	- Range	7.00-26.75	4.75 – 31.75	4.75-45.00	4.75-45.00	4.75-35.25	4.75-36.50	4.75-36.50
	- Median	9.50	9.13	10.94	10.00	10.50	11.38	11.75
(iv) Basic Prime Rate	- Range	8.75-12.00	8.00 – 9.75	9.50-11.75	9.50-10.50	10.50-11.50	11.00-11.75	11.75-11-75
	- Median	9.50	9.13	10.94	10.00	10.50	11.38	11.75
(v) Real Estate Mortgage	- Range	3.00-19.00	3.00 – 18.50	6.00-24.00	6.00-18.04	6.00-18.04	6.00-24.00	6.00-24.00
	-Median	9.50	9.32	10.38	10.13	10.63	11.50	11.75
B. Deposit Rates (Announced)								
(i) Ordinary Savings	- Range	0.50-5.25	0.50 – 5.20	0.50-5.50	0.50-5.20	0.50-5.20	0.50-5.50	0.50-5.50
	- Median	1.78	1.45	1.46	1.71	1.46	1.46	1.40
(ii) Special Savings	- Range	0.05-8.75	0.50 – 4.00	0.50-4.00	0.50-4.00	0.50-4.00	0.50-4.00	0.50-4.00
	- Median	2.56	2.39	2.39	2.39	2.39	2.39	2.39
(iii) 3-Month Time	- Range	1.00-8.75	1.00 – 4.80	1.00-6.75	1.00-5.35	1.00-5.85	1.00-6.75	1.00-4.00
	- Median	2.58	2.65	2.72	2.75	2.68	2.75	2.20
(iv) 6-Month Time	- Range	1.00-8.75	1.25 – 5.05	1.25-3.70	1.25-3.70	1.25-3.70	1.25-3.70	1.25-3.70
	- Median	3.32	3.06	2.11	2.11	2.11	2.11	2.11
(v) 1-Year Time	- Range	1.00-9.25	1.00 – 7.50	1.00-11.00	1.00-7.50	1.10-11.00	1.25-10.75	1.25-9.00
	- Median	3.60	3.51	3.69	3.69	3.69	3.88	3.38

SOURCE: Central Bank of Trinidad and Tobago.

[1] Annual data represent the rates for the twelve (12) months of the year and quarterly data represent the rates for the three (3) months of the quarter.

TABLE A.25

MONEY SUPPLY, 2002 - 2006
/ $MILLION /

	END OF PERIOD				
	2002	2003	2004	2005r	2006
A. **Narrow Money Supply**	**7,331.6**	**7,309.4**	**8,377.6**	**12,316.1**	**13,507.9**
Currency in Active Circulation	1,501.8	1,708.6	1,957.4	2,425.4	2,654.4
Demand Deposits (adj.)	5,829.8	5,600.8	6,420.2	9,890.7	10,853.5
B. **Factors Affecting Changes in Money Supply**					
1. **Net Bank Credit to Central Government**	**-3,796.8**	**-5,040.8**	**-10,114.5**	**-16,939.0**	**-24,602.9**
(a) Central Bank	-6,502.3	-8,155.5	-12,871.1	-20,585.9	-27,230.3
(b) Commercial Banks	2,705.5	3,114.7	2,756.6	3,646.9	2,627.4
2. **Bank Credit**	**19,731.9**	**20,447.1**	**24,386.6**	**30,841.3**	**34,722.0**
(a) Public Sector[1]	2,841.9	2,041.3	2,143.7	3,884.7	3,283.3
(b) Private Sector[2]	16,890.0	18,405.8	22,242.9	26,956.6	31,438.7
3. **External Assets** (net)	**12,790.5**	**13,981.0**	**21,928.0**	**32,456.0**	**49,169.2**
4. **Quasi-Money**[3]	**-10,178.6**	**-11,283.8**	**-12,463.5**	**-15,696.3**	**-19,834.1**
5. **Foreign Currency Deposits (Adj)**	**-5,513.1**	**-4,296.1**	**-6,987.8**	**-7,362.3**	**-10,505.5**
6. **NFIs Foreign Currency Deposit (Adj)**	**-1,520.7**	**-1,827.0**	**-3,621.4**	**-3,307.1**	**-3,684.8**
7. **Other Items** (Net)	**-5,702.5**	**-6,498.0**	**-8,371.0**	**-10,983.6**	**-15,922.9**
C. **Broad Money Supply** (M-2)	**17,510.1**	**18,593.3**	**20,841.2**	**28,012.4**	**32,859.9**
D. **Broad Money Supply** (M2*)[4]	**23,023.2**	**22,889.4**	**27,829.0**	**35,374.7**	**43,365.4**
Memo:[5]					
Money Supply M-3	21,495.6	22,619.2	23,908.5	29,941.2	35,269.4
Money Supply M-3*	28,527.4	28,738.0	34,498.2	40,610.4	49,459.3

SOURCE: Central Bank of Trinidad and Tobago.

1 Includes Central Bank's and commercial banks' loans and holdings of public sector securities.
2 Includes commercial banks' loans and holdings of private sector securities.
3 Excludes foreign currency deposits of residents which are shown separately below.
4 Includes foreign currency deposits of residents.
5 In addition to M-2, M-3 includes the time deposits of non-bank financial institutions (NFIs) while in addition to M-2*, M-3* includes foreign currency deposits of residents at NFI's.

TABLE A.26

CHANGES IN MONEY SUPPLY, 2002 - 2006
/ $MILLION /

	2002	2003	2004	2005[r]	2006
A. Narrow Money Supply (M-IA)	**636.0**	**-22.2**	**1,068.2**	**3,938.5**	**1,191.8**
	9.5	*-0.3*	*14.6*	*47.0*	*9.7*
Currency in Active Circulation	128.3	206.8	248.8	468.0	229.0
	9.3	*13.8*	*14.6*	*23.9*	*9.4*
Demand Deposits (adj.)	507.7	-229.0	819.4	3,470.5	962.8
	9.5	*-3.9*	*14.6*	*54.1*	*9.7*
B. Factors Affecting Changes in Money Supply					
1. Net Bank Credit to Government	**-369.7**	**-1,244.0**	**-5,073.7**	**-6,824.5**	**-7,663.9**
	-10.8	*-32.8*	*-100.7*	*67.5*	*45.2*
Central Bank	-389.0	-1,653.2	-4,715.6	-7,714.8	-6,644.4
	-6.4	*-25.4*	*57.8*	*60.0*	*32.3*
Commercial Banks	19.3	409.2	-358.1	890.3	-1,019.5
	0.7	*15.1*	*-11.5*	*32.3*	*27.9*
2. Bank Credit	**1,209.0**	**715.2**	**3,939.5**	**6,454.7**	**3,880.7**
	6.5	*3.6*	*19.3*	*26.5*	*12.6*
Public Sector[1]	-128.6	-800.6	102.4	1,741.0	-601.4
	-4.3	*-28.2*	*5.0*	*81.2*	*-15.5*
Private Sector[2]	1,337.6	1,515.8	3,837.1	4,713.7	4,482.1
	8.6	*9.0*	*20.8*	*21.2*	*16.6*
3. Net Foreign Assets	**865.9**	**1,190.5**	**7,947.0**	**10,528.0**	**16,713.2**
	7.3	*9.3*	*56.8*	*48.0*	*51.5*
4. Quasi-Money[3]	**325.4**	**-1,105.2**	**-1,179.7**	**-3,232.8**	**-4,137.8**
	3.1	*-10.9*	*-10.5*	*-25.9*	*-26.4*
5. Foreign Currency Deposits (Adj)	**-517.7**	**1,217.0**	**-2,691.7**	**-374.5**	**-3,143.2**
	-10.4	*22.1*	*-62.7*	*-5.4*	*-42.7*
6. NFIs Foreign Currency Deposits (Adj)	**472.9**	**-306.3**	**-1,794.4**	**-314.3**	**-377.7**
	23.7	*-20.1*	*-98.2*	*-8.7*	*-11.4*
7. Other Items (net)	**-877.2**	**-795.5**	**-1,873.0**	**-2,612.6**	**-4,939.3**
Increase (-), Decrease (+)	*-18.2*	*-14.0*	*-28.8*	*-31.2*	*-45.0*
C. Broad Money Supply (M-2)	**310.5**	**1,083.2**	**2,247.9**	**7,171.2**	**4,847.5**
	1.8	*6.2*	*12.1*	*34.4*	*17.3*
D. Broad Money Supply (M-2*)[4]	**828.1**	**-133.8**	**4,939.6**	**7,545.7**	**7,990.7**
	3.7	*-0.6*	*21.6*	*27.1*	*22.6*
Memo: Money Supply M-3	**-119.6**	**1,123.6**	**1,289.3**	**6,032.6**	**5,328.2**
	-0.6	*5.2*	*5.7*	*25.2*	*17.8*
Money Supply M-3*	**-44.6**	**210.6**	**5,760.2**	**6,112.2**	**8,848.9**
	-0.2	*0.7*	*20.0*	*17.7*	*21.8*

SOURCE: Table A.25.

[1]Includes Central Bank's and commercial banks' loans and holdings of public sector securities.
[2] Includes commercial banks' loans to the private sector and holdings of private sector securities.
[3]See footnote (3) of Table A.25.
[4]See Note (4) of Table A.25.

Figures in italics represent percentage changes.

TABLE A.27

FINANCE COMPANIES AND MERCHANT BANKS: SUMMARY OF ASSETS AND LIABILITIES, 2002 - 2006 / $THOUSAND /

END OF PERIOD	EXTERNAL ASSETS (NET)	CASH AND DEPOSITS AT CENTRAL BANK	BALANCES DUE FROM BANKS (NET)	DOMESTIC CREDIT		
				INVESTMENTS	LOANS	TOTAL
	(1)	(2)	(3)	(4)	(5)	(6)
2002	512,707	228,962	-18,954	3,799,754	1,778,780	5,578,534
2003	532,506	487,275	31,505	4,635,933	1,795,626	6,431,559
2004	103,640	255,507	-22,522	8,858,229	2,200,020	11,058,249
2005	-245,114	305,704	-142,279	9,361,364	3,307,121	12,668,485
2006	-273,419	299,954	54,878	11,816,264	3,681,682	15,497,946
2005						
I	-5,528	269,442	-721,242	8,968,536	2,321,235	11,289,771
II	-52,576	218,837	-698,528	10,119,309	2,498,119	12,617,428
III	-493,057	710,618	-57,433	9,436,327	2,795,690	12,232,017
IV[r]	-245,114	305,704	-142,279	9,361,364	3,307,121	12,668,485
2006						
I	-208,870	379,224	-105,328	10,349,601	3,111,967	13,461,568
II	-219,959	312,988	-139,010	10,172,514	3,248,732	13,421,246
II	123,386	321,787	81,971	10,802,283	3,422,945	14,225,228
IV[p]	-273,419	299,954	54,878	11,816,264	3,681,682	15,497,946

END OF PERIOD	TOTAL ASSETS/ LIABILITIES	DEPOSITS	BORROWINGS[1]	PROVISIONS	CAPITAL AND RESERVES	OTHER ITEMS (NET)
	(7)	(8)	(9)	(10)	(11)	(12)
2002	6,301,249	2,978,964	1,585,368	45,879	870,620	820,418
2003	7,482,845	3,431,185	1,820,729	76,864	981,416	1,172,651
2004	11,394,874	5,317,646	1,624,088	67,851	2,182,769	2,202,520
2005[r]	12,586,796	5,157,129	2,425,179	118,746	2,331,064	2,554,678
2006	15,579,359	6,147,060	2,206,954	134,898	2,666,362	4,424,085
2005						
I	10,832,443	5,145,472	1,761,079	120,099	2,309,930	1,495,863
II	12,085,161	5,159,587	2,436,007	123,190	2,539,878	1,826,499
III	12,392,145	5,380,716	2,882,519	122,838	2,290,024	1,716,048
IV[r]	12,586,796	5,157,129	2,425,179	118,746	2,331,064	2,554,678
2006						
I	13,526,594	5,234,615	2,106,353	120,896	2,166,770	3,897,960
II	13,375,265	5,207,039	2,239,755	127,737	2,383,756	3,416,978
III	14,752,539	5,381,818	2,923,724	127,007	2,450,317	3,869,673
IV[p]	15,579,359	6,147,060	2,206,954	134,898	2,666,362	4,424,085

SOURCE: Central Bank of Trinidad and Tobago.

[1] Borrowings from all sources other than commercial banks. Borrowings from commercial banks are reflected in column 3.

TABLE A.28

FINANCE COMPANIES AND MERCHANT BANKS: DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR, 2003 - 2006
/ $MILLION /

SECTORS	END OF PERIOD						
				2006			
	2003	2004	2005[r]	I	II	III	IV
Public Sector	**59.2**	**3.9**	**201.6**	**201.6**	**207.7**	**207.7**	**214.6**
Private Sector	**1,154.7**	**1,551.5**	**2,608.1**	**2,135.0**	**2,218.1**	**2,439.7**	**2,648.3**
Agriculture	5.3	7.5	17.9	14.3	6.4	17.0	5.3
Petroleum	17.6	38.2	464.3	222.7	221.4	296.6	523.3
Manufacturing	87.5	193.6	245.0	180.0	167.1	176.0	239.1
Construction	148.5	147.1	204.9	198.6	212.2	223.2	228.3
Distributive Trades	67.2	73.4	112.5	103.1	90.1	110.8	130.8
Hotels and Guest Houses	30.0	143.2	151.2	46.0	46.1	49.4	55.9
Transport, Storage and Communication	78.9	88.3	128.0	133.4	137.5	152.3	154.5
Finance, Insurance, Real Estate and Services	526.7	708.6	964.9	933.0	1,054.7	1,087.2	954.2
Education, Cultural and Community Services	3.8	3.4	6.6	5.2	4.9	5.5	6.2
Personal Services	5.6	4.1	50.1	53.2	40.2	30.3	34.6
Consumers	183.6	144.1	262.7	245.5	237.5	291.4	316.1
TOTAL (excluding Real Estate Mortgage & Leases)	**1,213.9**	**1,555.4**	**2,809.7**	**2,336.6**	**2,425.8**	**2,647.4**	**2,862.9**
Real Estate Mortgage Loans	27.0	28.5	74.2	50.6	36.7	67.2	66.5
Leases	225.7	176.5	224.3	233.8	212.3	251.3	262.3
TOTAL LOANS	**1,466.6**	**1,760.4**	**3,108.2**	**2,621.0**	**2,674.8**	**2,965.9**	**3,191.7**

SOURCE: Central Bank of Trinidad and Tobago.

TABLE A.29

FINANCE COMPANIES AND MERCHANT BANKS: PERCENTAGE DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR, 2003 - 2006
/ PER CENT /

	END OF PERIOD						
				2006			
SECTORS	2003	2004	2005r	I	II	III	IV
Public Sector	**4.0**	**0.2**	**6.5**	**7.7**	**7.8**	**7.0**	**6.7**
Private Sector	**78.8**	**88.2**	**83.9**	**81.5**	**82.9**	**82.2**	**83.0**
Agriculture	0.4	0.4	0.6	0.5	0.2	0.6	0.2
Petroleum	1.2	2.3	14.9	8.5	8.3	10.0	16.4
Manufacturing	6.0	11.0	7.9	6.9	6.2	5.9	7.5
Construction	10.1	8.4	6.6	7.6	7.9	7.5	7.2
Distributive Trades	4.6	4.2	3.6	3.9	3.4	3.7	4.1
Hotels and Guest Houses	2.0	8.1	4.9	1.8	1.7	1.7	1.8
Transport, Storage and Communication	5.4	5.0	4.1	5.1	5.1	5.1	4.8
Finance, Insurance, Real Estate and Business Services	35.9	40.3	31.0	35.6	39.4	36.7	29.9
Education, Cultural and Community Services	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Personal Services	0.4	0.2	1.6	2.0	1.5	1.0	1.1
Consumers	12.5	8.1	8.5	9.4	9.0	9.8	9.8
TOTAL (excluding Real Estate Mortgage & Leases)	**82.8**	**88.4**	**90.4**	**89.2**	**90.7**	**89.2**	**89.7**
Real Estate Mortgage Loans	1.8	1.6	2.4	1.9	1.4	2.3	2.1
Leases	15.4	10.0	7.2	8.9	7.9	8.5	8.2
TOTAL LOANS	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

SOURCE: Table A.28.

TABLE A.30

TRUST AND MORTGAGE FINANCE COMPANIES: SUMMARY OF ASSETS AND LIABILITIES, 2002 - 2006
/ $THOUSAND /

END OF PERIOD	CASH AND DEPOSITS AT CENTRAL BANK	BALANCES DUE FROM BANKS (NET)	DOMESTIC CREDIT			TOTAL ASSETS/ LIABILITIES
			INVESTMENTS	LOANS	TOTAL	
	(1)	(2)	(3)	(4)	(5)	(6)
2002	353,897	957,241	3,136,420	4,123,822	7,260,242	8,571,380
2003	466,290	773,987	4,224,501	4,879,617	9,104,118	10,344,395
2004	358,671	1,069,101	4,328,651	3,790,994	8,119,645	9,547,417
2005[r]	181,488	1,297,386	5,040,321	2,756,925	7,797,246	9,276,120
2006	146,002	823,047	3,062,735	3,011,569	6,074,304	7,043,353
2005						
I	360,077	1,505,030	4,493,324	3,901,837	8,395,161	10,260,268
II	258,758	1,551,993	4,133,266	3,931,286	8.064,552	9,875,303
III	225,477	1,371,865	5,497,655	3,994,287	9,491,942	11,089,284
IV	181,488	1,297,386	5,040,321	2,756,925	7,797,246	9,276,120
2006						
I	134,605	1,199,742	3,927,508	2,788,979	6,716,487	8,050,834
II	126,862	668,922	3,229,491	2,634,299	5,863,790	6,659,574
III	134,301	1,306,926	3,051,752	2,935,574	5,987,326	7,428,553
IV	146,002	823,047	3,062,735	3,011,569	6,074,304	7,043,353

END OF PERIOD	DEPOSITS	BORROWINGS	PROVISIONS	CAPITAL AND RESERVES	OTHER ITEMS (NET)
	(7)	(8)	(9)	(10)	(11)
2002	2,762,005	331,555	74,899	1,583,440	3,819,481
2003	2,631,503	138,710	125,073	2,112,653	5,336,456
2004	1,514,478	246,110	69,420	1,946,124	5,771,285
2005	502,845	460,131	98,495	2,062,353	6,152,296
2006	440,019	428,631	88,182	2,164,499	3,922,022
2005					
I	1,581,514	885,416	59,386	2,119,762	5,614,190
II	1,486,986	193,576	63,167	2,110,620	6,020,954
III	1,124,114	50,324	113,432	2,155,218	7,646,196
IV	502,845	460,131	98,495	2,062,353	6,152,296
2006					
I	462,471	443,918	115,311	2,227,543	4,801,591
II	421,027	40,334	87,445	2,063,262	4,047,506
III	479,284	428,122	87,014	2,207,218	4,226,915
IV	440,019	428,631	88,182	2,164,499	3,922,022

SOURCE: Central Bank of Trinidad and Tobago.

TABLE A.31

DEVELOPMENT BANKS: SUMMARY OF ASSETS AND LIABILITIES, 2002 - 2006 /$THOUSAND/

END OF PERIOD	EXTERNAL ASSETS (NET)	NET DOMESTIC ASSETS				TOTAL ASSETS/ LIABILITIES	PROVISIONS*	CAPITAL AND RESERVES	OTHER ITEMS (NET)
		DEPOSITS IN LOCAL BANKS	PUBLIC SECTOR CREDIT	PRIVATE SECTOR CREDIT	TOTAL				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2002	-16,800	-20,756	-505,409	1,282,594	756,429	739,629	0	341,583	398,046
2003	-12,600	-34,488	-500,656	1,786,902	1,251,758	1,239,158	0	402,568	836,590
2004	-8,399	-11,023	-476,132	2,027,974	1,540,819	1,532,420	0	444,685	1,087,735
2005	-6,281	-41,253	-855,684	2,132,711	1,235,774	1,229,493	0	464,068	765,425
2006	119	-16,057	-678,366	2,338,721	1,644,298	1,644,417	0	498,383	1,146,034
2005									
I	-6987	-33,311	-476,132	2,070,637	1,561,194	1,554,207	0	456,060	1,098,147
II	-6281	-45,023	-470,851	2,076,546	1,560,672	1,554,391	0	467,042	1,087,349
III[r]	-5,219	-33,084	-800,851	2,114,830	1,280,895	1,275,676	0	458,766	816,910
IV[r]	-4,157	-41,850	-855,684	2,155,063	1,257,529	1,253,372	0	470,396	782,976
2006									
I	-3,084	-26,705	-923,934	2,237,347	1,286,708	1,283,624	0	479,906	803,718
II	-2,013	-17,863	-678,366	2,294,858	1,598,629	1,596,616	0	474,649	1,121,967
III[p]	-942	-19,735	-678,366	2,311,610	1,613,509	1,612,567	0	468,780	1,143,787
IV[p]	119	-16,057	-678,366	2,338,721	1,644,298	1,644,417	0	498,383	1,146,034

SOURCE: Central Bank of Trinidad and Tobago.

* From 2001 provisions for loan losses have been reported on the asset side where it is subtracted from loans.

TABLE A.32

THRIFT INSTITUTIONS: SUMMARY OF ASSETS AND LIABILITIES, 2002-2006
/ $THOUSAND /

END OF PERIOD	EXTERNAL ASSETS (NET)	NET DOMESTIC CREDIT				TOTAL ASSETS/ LIABILITIES	DEPOSITS			SHARES	OTHER ITEMS (NET)
		NET DEPOSITS IN LOCAL BANKS	PUBLIC SECTOR CREDIT	PRIVATE SECTOR CREDIT	TOTAL		TIME	SAVINGS	TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2002	0	5,452	10,642	42,240	58,334	58,334	8,010	4,262	12,272	18,393	27,669
2003	0	7,268	10,391	42,863	60,522	60,522	10,483	4,512	14,995	16,162	29,365
2004	0	10,557	9,396	41,506	61,459	61,459	10,776	4,376	15,152	13,335	32,972
2005	0	9,252	8,065	41,160	58,477	58,477	10,314	4,915	15,229	6,744	36,504
2006	0	10,063	7,447	41,030	58,540	58,540	8,722	5,211	13,933	6,247	38,360
2004[r]											
I	0	6,427	10,382	43,186	59,995	59,995	10,056	4,306	14,362	14,955	30,678
II	0	7,895	9,669	71,761	59,325	59,325	11,142	3,188	14,330	14,632	30,363
III	0	8,186	9,643	41,470	59,299	59,299	10,484	4,145	14,629	13,387	31,283
IV	0	10,557	9,396	41,506	61,459	61,459	10,776	4,376	15,152	13,335	32,972
2005											
I	0	5,859	9,348	41,244	56,451	56,451	10,715	4,460	15,175	7,299	33,977
II	0	6,072	9,539	42,032	57,643	57,643	10,847	4,624	15,471	7,336	34,836
III	0	6,596	9,238	42,858	58,692	58,692	10,782	4,607	15,389	6,872	36,431
IV	0	9,252	8,065	41,160	58,477	58,477	10,314	4,915	15,229	6,744	36,504
2006											
I	0	8,193	8,045	42,830	59,068	59,068	9,068	4,820	13,888	6,667	38,513
II	0	9,270	7,808	42,014	59,092	59,092	8,579	4,857	13,436	6,682	38,974
III	0	10,601	7,787	41,383	59,771	59,771	8,571	5,046	13,617	6,386	39,768
IV	0	10,063	7,447	41,030	58,540	58,540	8,722	5,211	13,933	6,247	38,360

SOURCE: Central Bank of Trinidad and Tobago.

TABLE A.33

NON-BANK FINANCIAL INSTITUTIONS INTEREST RATES, 2004-2006
/ PER CENT /

INTEREST RATES[1]	FOR THE PERIOD						
				2006			
	2004	2005	2006	I	II	III	IV
1. Thrift Institutions							
(a) **Savings Deposits**							
Range	5.00-5.00	3.00 – 4.00	3.00 - 4.00	3.00 – 4.00	3.00 – 4.00	3.00 – 4.00	3.00 – 4.00
Median	5.00	3.50	3.50	3.50	3.50	3.50	3.50
(b) **Time Deposits**							
(i) l - 3 years							
Range	5.00-10.00	3.00 – 8.50	3.00 - 8.00	3.00 – 8.00	3.00 – 8.00	3.00 – 8.00	3.00 – 8.00
Median	8.00	5.75	5.13	5.13	5.13	5.13	5.13
(c) **Mortgage Loans (Residential)**							
Range	12.50-14.00	8.00 – 11.00	8.00 - 11.00	8.00 – 11.00	8.00 – 11.00	8.00 – 11.00	8.00 – 11.00
Median	12.00	9.50	9.25	9.25	9.25	9.25	9.25
2. Trust & Mortgage Finance Companies							
(a) **Time Deposits**							
(i) 1 - 3 years							
Range	2.00-10.75	2.90 – 7.00	2.90 – 7.00	2.90 – 7.00	2.90 – 7.00	2.95 – 6.35	2.95 – 6.35
Median	4.56	4.72	4.68	4.72	4.63	4.65	4.73
(ii) Over 3 years							
Range	2.90-11.50	2.90 – 11.50	2.90 - 11.50	2.90 – 11.50	2.90 – 11.00	2.90 – 9.60	3.00 – 7.75
Median	4.10	7.20	6.41	7.20	6.58	6.25	5.00
(b) **Mortgage Loans**							
(i) Residential							
Range	6.00-16.00	6.00 – 16.00	6.00 - 16.00	6.00 – 16.00	6.00 – 16.00	6.00 – 16.00	6.00 – 16.00
Median	10.13	12.13	11.88	11.88	11.88	11.88	11.88
(ii) Commercial							
Range	6.75-15.00	9.75 – 14.50	9.75 - 14.50	9.75 – 14.50	9.75 – 14.50	9.75 – 13.50	9.75 – 13.50
Median	10.75	12.13	11.63	11.63	11.63	11.63	11.63
3. Finance Companies and Merchant Banks							
(a) **Time Deposits**							
1 year to 3 years							
Range	2.00-11.75	2.00 – 9.00	2.00 - 8.50	2.00 – 8.50	2.00 – 8.50	2.00 – 8.50	2.00 – 8.50
Median	8.33	6.06	6.06	6.06	6.06	6.06	6.06
(b) **Instalment Loans**							
Range	3.00-19.50	3.00 – 28.00	5.75 - 44.04	5.75 – 44.04	5.75 – 43.78	5.75 – 43.88	5.75 – 43.78
Median	9.44	10.84	11.25	10.75	11.00	11.50	11.70

SOURCE: Central Bank of Trinidad and Tobago.

[1] Annual and quarterly data represent the rates for the twelve (12) months of the year and the three (3) months of the quarter respectively.

TABLE A.34

MONEY AND CAPITAL MARKET ACTIVITY, 2003-2006

END OF PERIOD	NEW ISSUES ($MN) GOVERNMENT SECURITIES	NEW ISSUES ($MN) TREASURY BILLS	NEW ISSUES ($MN) OTHER[3]	SECONDARY MARKET TURNOVER[1] GOVERNMENT SECURITIES[2] FACE VALUE ($MN)	GOVERNMENT SECURITIES[2] NO. OF TRANSACTIONS	TREASURY BILLS FACE VALUE ($MN)	TREASURY BILLS NO. OF TRANSACTIONS	PUBLIC COMPANY SHARES MARKET VALUE ($MN)	PUBLIC COMPANY SHARES NO. OF TRANSACTIONS	PUBLIC COMPANY SHARES VOLUME OF SHARES TRADED (MN)
2003	2,640.0	0.0	3,939.0	0.0	0	710.3	37	2,303.2	16,690r	409.6
I	0.0	0.0	1,035.1	0.0	0	10.7	4	290.4	1,899	121.7
II	1,000.0	0.0	725.8	0.0	0	281.3	7	319.8	3,190	58.5
III	1,000.0	0.0	1,362.3	0.0	0	293.6	10	790.4	4,749	83.7
IV	640.0	0.0	815.8	0.0	0	124.7	16	902.6	6,852	145.7
2004	1,116.0	0.0	1,447.4	0.0	0	701.1	68	3,033.4	36,057	312.5
I	0.0	0.0	0.0	0.0	0	174.7	15	518.0	9,048r	91.6
II	0.0	0.0	331.0	0.0	0	115.7	19	784.6	9,908	61.9
III	1,116.0	0.0	276.0	0.0	0	238.3	24	753.0r	8,439r	77.3
IV	0.0	0.0	840.4	0.0	0	172.4	10	977.9	8,662	81.6
2005	800.0	0.0	432.2	0.0	0	748.3	89	3,918.1	32,316	193.6
I	400.0	0.0	0.0	0.0	0	165.9	17	1,026.7	9,959	54.4
II	202.8	0.0	125.0	0.0	0	271.8	34	1,272.8	10,190	57.2
III	197.2	0.0	192.2	0.0	0	250.8	26	1,008.0	6,174	42.3
IV	0.0	0.0	115.0	0.0	0	59.7	12	610.6	5,993	39.7
2006	700.0	0.0	0.0	0.0	0	1,192.8	106	2,463.2	20,772	219.1
I	0.0	0.0	0.0	0.0	0	409.7	25	715.1	6,284	41.1
II	0.0	0.0	0.0	0.0	0	196.9	33	701.9	5,385	34.9
III	0.0	0.0	0.0	0.0	0	586.0	47	259.5	3,961	26.3
IV	700.0	0.0	0.0	0.0	0	0.20	1	786.7	5,142	116.8

SOURCES: Central Bank of Trinidad and Tobago; Stock Exchange of Trinidad and Tobago.

[1] Data refer to the double transactions of buying and selling.
[2] Trading in Government Securities and Treasury Bills was conducted under the aegis of the Investment Division, Central Bank of Trinidad and Tobago. From 1993 trading in government securities has been conducted by the Stock Exchange of Trinidad and Tobago.
[3] Data include new issues by state corporations and other private organizations.

TABLE A.35

SELECTED INTEREST RATES, 2004-2006
/ PER CENT /

	FOR THE PERIOD[1]						
				2006			
	2004	2005	2006	I	II	III	IV
A. Central Bank							
(i) Bank Rate	7.00	8.00	10.00	8.75	9.25	10.00	10.00
(ii) Special Deposits Rate	3.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii) Repo Rate[2]	5.00	6.00	8.00	6.75	7.25	8.00	8.00
(iv) Reverse Repo Rate[2]	4.50	5.50	7.50	6.25	6.75	7.50	7.50
B. Government							
(i) Treasury Bills[3]	4.77	4.86	6.02	5.13	5.80	6.38	6.75
C. Commercial Banks - Local Currency							
(i) Weighted Average Rate on Loans	9.49	8.98	9.67	9.19	9.35	9.93	10.21
(ii) Weighted Average Rate on Deposits	2.07	1.84	2.21	2.01	2.16	2.30	2.37
(iii) Interest Spread (i - ii)	7.42	7.13	7.46	7.17	7.18	7.64	7.84
D. Non-Bank Financial Institutions[4]							
(i) Weighted Average Rate on Loans	9.25[r]	8.38	8.46	8.31	8.38	8.52	8.61
(ii) Weighted Average Rate on Deposits	5.78[r]	6.05	6.18	6.07	6.13	6.34	6.19
(iii) Interest Spread (i - ii)	3.47[r]	2.33	2.28	2.25	2.25	2.18	2.42

SOURCE: Central Bank of Trinidad and Tobago.

1 Annual data refer to the average of the quarterly averages for the respective years, except for the Bank Rate, Repo Rate and Reverse Repo Rate which reflect the end of quarter/year position.

2 In May 2002, the Central Bank introduced a system of announced overnight repurchase or 'repo' rates for short-term government paper.

3 Data are weighted averages of the monthly discount rates for issues occurring during the period.

4 Includes Finance Houses, Trust and Mortgage Finance Companies and represents rates for licensed institutions only.

TABLE A.36 (A)

BALANCE OF PAYMENTS, 2002 - 2006
/US$MILLION/

ITEM	2002	2003	2004	2005r	2006p
(1) Merchandise (Net)	**237.7**	**1,293.2**	**1,508.7**	**3,947.7**	**5,257.5**
Exports	3,920.0	5,204.9	6,402.9	9,672.3	12,100.2
Imports	3,682.3	3,911.7	4,894.2	5,724.6	6,842.7
(2) Services (Net)	**264.0**	**313.8**	**479.5**	**356.2**	**286.4**
Transportation	85.1	85.2	132.4	23.8	114.5
Travel	55.7	141.7	245.6	273.0	94.8
Communication	24.5	36.0	39.5	21.2	28.3
Insurance	99.6	108.1	113.0	104.7	133.0
Other Government	6.2	-23.1	-44.0	-55.9	-66.4
Other Services	-7.1	-34.1	-7.0	-10.6	-17.8
(3) Income	**-479.8**	**-680.9**	**-397.3**	**-760.0**	**-935.8**
Investment Income	-479.8	-680.9	-397.3	-760.0	-935.8
(4) Unrequited Transfers (Net)	**54.5**	**58.6**	**56.2**	**50.1**	**46.8**
(5) Current Account (1+2+3+4)	**76.4**	**984.7**	**1,647.1**	**3,594.0**	**4,654.9**
(6) Net Capital Movement (Net)	**328.7**	**-505.7**	**-789.0**	**-1,228.1**	**-2,593.0**
Portfolio Investment	-4.2	-14.9	-11.5	-26.4	-28.1
Direct Investment	684.3	583.1	972.7	598.7	512.7
Regional bond issues	-70.1	-509.2	-690.1	-258.2	-220.8
Other Private[1]	-141.0	-584.9	-322.4	-1,559.5	-1,855.2
Commercial Banks	-79.3	93.9	-524.3	97.8	-844.6
Official Borrowing	-50.8	-63.5	-202.7	-69.8	-146.3
Official Loans	0.0	0.0	0.0	0.0	0.0
State Enterprises[2]	-10.2	-10.2	-10.7	-10.7	-10.7
Other Assets	0.0	0.0	0.0	0.0	0.0
(7) Net Errors & Omissions	**-356.2**	**-144.8**	**-123.1**	**-472.9**	**-416.5**
(8) Overall Surplus or Deficit	**48.9**	**334.2**	**735.0**	**1,893.0**	**1,645.4**
(9) Official Financing	**-48.9**	**-334.2**	**-735.0**	**-1,893.0**	**-1,645.4**
Government	0.0	0.0	0.0	0.0	0.0
Central Bank (Net)[3]	-48.9	-334.2	-735.0	-1,893.0	-1,645.4
(10) Exceptional Financing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which:					
Debt Rescheduling	0.0	0.0	0.0	0.0	0.0
Memoranda Items					
Current Account/GDP (per cent)	0.8	8.9	13.4	23.7	25.5
Gross Official Reserves (US$Mn)	1,923.6	2,257.8	2,993.0	4,885.8	6,531.2
Import Cover	5.5	5.4	6.9	8.9	9.9
Gross Official Reserves (US$Mn; net RSF)	1,760.1	2,007.5	2,539.1	4,015.0	5,134.1
Import Cover	4.9	4.6	5.5	7.1	7.8
Debt Service Ratio	4.4	3.5	4.7	1.8	2.8

SOURCE: Central Bank of Trinidad and Tobago.

1 Represents estimated short-term foreign capital.
2 Changes in Foreign Currency Balances of those Enterprises are included here.
3 Includes Central Bank holdings, IMF Reserve Tranche and SDR holdings, and use of Fund (IMF) Credit.

TABLE A.36 (B)

SUMMARY BALANCE OF PAYMENTS, 2002-2006
/US$Million/

ITEM	END OF PERIOD				
	2002	2003	2004	2005r	2006p
Current Account Balance	**76**	**985**	**1,647**	**3,594**	**4,654**
Trade Balance	238	1,293	1,509	3,948	5,257
Exports	3,920	5,205	6,403	9,672	12,100
Petroleum crude and refined	1,768	2,386	1,643	4,418	5,891
Gas	459	951	1,978	2,371	3,162
Petrochemicals	647	907	1,522	1,807	1,962
Other	1,046	962	1,260	1,076	1,085
Imports	3,682	3,912	4,894	5,725	6,843
Fuel imports	1,019	1,064	1,181	1,992	2,281
Capital	1,276	1,257	1,796	1,125	1,921
Other	1,388	1,591	1,917	2,608	2,641
Services and transfer (net)	-161	-309	139	-354	-603
Nonfactor services (net)	264	314	480	356	286
Factor income (net)	-480	-681	-397	-760	-936
Current transfers (net)	55	59	56	50	47
Capital and financial account (net)[1]	**-28**	**-627**	**-912**	**-1,701**	**-3,009**
Official, medium and long-term (net)	-61	-64	-203	-70	-146
Disbursements	18	26	23	22	198
Amortizations	-69	-90	-226	-92	-344
Direct Investment (net)	684	583	973	599	513
Inward	791	808	1,001	940	883
Outward	106	225	29	341	370
Commercial banks (net)	-79	94	-524	98	-845
Other private sector capital (net)[1]	-572	-1,264	-1,158	-2,328	-2,531
Of which: net errors and omissions	-356	-145	-123	-473	-417
Overall balance	**49**	**334**	**735**	**1,893**	**1,645**
Change in gross official reserves (increase-)	-49	-334	-735	-1,893	-1,645
	In percent of GDP, unless otherwise specified				
Memorandum items:					
Current Account	0.8	8.9	13.4	23.7	25.5
Exports	43.1	48.2	52.0	63.7	66.4
Imports	40.5	36.2	39.7	37.8	37.5
Gross international reserves (millions of US$, end of period)	2,594.0	3,266.8	4,209.2	6,115.8	8,824.6
Oil prices (WEO, spot crude).	25.0	28.9	37.8	56.5	66.0

SOURCE: Central Bank of Trinidad and Tobago, Central Statistical Office.

1 Includes net errors and omissions.

TABLE A.37

VALUE OF EXPORTS[1] AND IMPORTS BY SECTIONS OF THE S.I.T.C. (R2), 2004-2006
/$MILLION/

	2004		2005		2006*	
	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS
Total[2]	**40,144.4**	**30,600.3**	**60,548.5**	**35,869.1**	**69,508.0**	**29,901.9**
0. Food and Live Animals	884.2	2,208.5	1,048.9	2,723.8	873.3	1,989.5
1. Beverages and Tobacco	520.9	177.7	800.7	264.5	650.6	162.7
2. Crude Materials Except Fuels	97.7	715.0	255.6	1,665.5	246.4	440.6
3. Mineral Fuel Lubricants	24,209.5	7,407.2	42,503.2	12,482.6	54,170.9	11,370.2
4. Animal and Vegetable Oils and Fats	45.6	104.8	49.3	112.8	11.8	85.0
5. Chemicals	9,543.2	2,130.0	11,518.3	2,633.9	9,065.3	2,550.5
6. Manufactured Goods	3,607.2	5,075.1	2,980.3	4,502.3	3,355.3	3,659.1
7. Machinery & Transport Equipment	813.6	11,262.6	875.8	9,484.4	775.3	7,994.2
8. Misc. Manufactured Articles	418.6	1,490.1	514.6	1,958.3	357.6	1,615.5
9. Misc. Transactions and Commodities	3.9	29.3	1.8	41.0	1.5	34.6
Memorandum item: Ships' Stores/Bunkers	251.2	-	686.9	-	660.1	-

SOURCE: Central Statistical Office.

1 Domestic Exports.
2 Unadjusted for Balance of Payments.
* Reflects data for January – September 2006 only.

TABLE A.38

EXPORTS BY ECONOMIC FUNCTION, 2002-2006
/ $MILLION /

COMMODITY GROUPS	2002	2003	2004	2005	2006*
1. Consumer Goods	**2,005.5**	**1,906.3**	**1,924.9**	**2,473.8**	**1,971.5**
NON-DURABLES	1,673.2	1,582.6	1,582.0	2,049.6	1,681.2
Food	808.7	715.1	832.2	994.9	858.9
Other	864.5	867.5	749.8	1,054.7	822.3
DURABLES	332.3	323.7	342.9	424.2	290.3
2. Raw Materials and Inter. Goods	**20,879.3**	**29,827.4**	**36,960.2**	**56,651.0**	**66,347.3**
Fuels	14,457.3	21,735.4	24,209.5	42,503.2	54,170.9
Construction Materials	2,101.6	2,157.3	2,940.8	2,202.7	2,742.1
Chemicals	4,019.3	5,679.6	9,543.2	11,518.3	9,065.2
Other Raw Materials	301.1	255.1	266.7	426.8	369.1
3. Capital Goods	**491.8**	**348.5**	**686.3**	**672.2**	**744.9**
Transport Equipment	42.9	36.9	260.5	138.0	321.9
Other Machinery and Equipment	448.9	311.6	425.8	534.2	423.0
4. Other Commodities	**685.7**	**518.1**	**573.0**	**751.5**	**444.3**
5. Total Exports Unadjusted for Balance of Payments (1+2+3+4)	**24,062.3**	**32,600.3**	**40,144.4**	**60,548.5**	**69,508.0**

SOURCE: Central Statistical Office.

* Reflects data for January – September 2006 only.

TABLE A.39
IMPORTS BY ECONOMIC FUNCTION, 2002 - 2006
/ $MILLION/

COMMODITY GROUPS	2002	2003	2004	2005	2006*
1. Consumer Goods	**4,009.1**	**4,733.6**	**5,251.2**	**6,665.0**	**5,103.2**
NON-DURABLES	2,375.5	2,823.5	3,100.2	3,861.6	2,839.6
Food	1,536.6	1,790.2	2,043.9	2,558.5	1,827.9
Other	838.9	1,033.3	1,056.3	1,303.1	1,011.7
DURABLES	1,633.6	1,910.1	2,151.0	2,803.4	2,263.6
C.K.D. Passenger Cars	-	-	-	-	-
Non-C.K.D. Passenger Cars	596.1	756.3	946.4	1,192.1	994.8
Other	1,037.5	1,153.8	1,204.6	1,611.3	1,268.8
2. Raw Materials and Inter. Goods	**9,697.7**	**10,153.1**	**11,853.5**	**17,669.9**	**14,995.2**
Fuels	6,324.9	6,665.5	7,407.2	12,482.6	11,370.2
Construction Materials	830.4	1,113.3	1,556.6	1,462.4	1,087.1
Other Raw Materials	2,542.4	2,374.3	2,889.7	3,724.9	2,537.9
3. Capital Goods	**7,237.9**	**6,597.9**	**10,957.5**	**7,047.9**	**6,187.8**
Transport Equipment	2,196.5	1,118.8	2,212.7	978.7	1,581.1
Oil and Mining Machinery	539.3	534.7	2,050.4	546.4	452.3
Other Machinery and Equipment	4,502.1	4,944.4	6,694.4	5,522.8	4,154.4
4. Other Commodities	**1,928.2**	**3,016.8**	**2,538.1**	**4,486.3**	**3,615.7**
5. Total Imports Unadjusted for Balance of Payments (1+2+3+4)	**22,872.9**	**24,501.4**	**30,600.3**	**35,869.1**	**29,901.9**

SOURCE: Central Statistical Office.

* Reflects data for January – September 2006 only.

TABLE A.40

DIRECTION OF TRADE – EXPORTS, 2003-2006

COUNTRY	2003		2004		2005		2006*	
	$Mn	%	$Mn	%	$Mn	%	$Mn	%
United States	17,444.6	54.7	27,626.0	69.2	34,888.9	58.3	40,988.2	59.5
United Kingdom	356.8	1.1	614.0	1.5	460.8	0.8	556.7	0.8
Japan	4.5	0.0	4.9	0.0	4.8	0.0	226.3	0.3
Other European Union Countries[1] (excluding U.K.)	648.9	2.0	593.7	1.5	602.2	1.0	5,747.8	8.4
Canada	597.4	1.9	506.4	1.3	654.3	1.1	846.3	1.2
CARICOM	6,300.2	19.8	5,140.9	12.9	12,807.5	21.4	11,445.0	16.6
of which:								
Jamaica	2,195.0	6.9	1,467.0	3.7	4,496.9	7.5	3,850.3	5.6
Guyana	914.6	2.9	669.1	1.7	1,671.6	2.8	1,497.0	2.2
Barbados	1,225.6	3.8	1,228.4	3.1	2,541.9	4.2	2,164.4	3.1
Puerto Rico and U.S. Virgin Islands	396.6	1.2	585.9	1.5	553.6	0.9	1,083.9	1.6
Central and South America[2]	2,165.5	6.8	1,765.7	4.4	3,814.2	6.4	4,079.5	6.0
European Free Trade Association	61.1	0.2	28.8	0.1	32.7	0.0	99.4	0.1
Other	3,906.5	12.3	3,026.9	7.6	6,042.5	10.1	3,774.8	5.5
TOTAL[3]	**31,882.1**	**100.0**	**39,893.2**	**100.0**	**59,861.5**	**100.0**	**68,847.9**	**100.0**

SOURCE: Central Statistical Office.

[1] Updated to include all EU countries.
[2] Excludes Guyana, French Guiana, Suriname and Belize.
[3] Excluding ships' stores/bunkers.
* Reflects data for January – September 2006 only.

TABLE A.41

DIRECTION OF TRADE – IMPORTS, 2003-2006

COUNTRY	2003		2004		2005		2006*	
	$Mn	%	$Mn	%	$Mn	%	$Mn	%
United States	7,388.6	30.2	10,375.4	33.9	10,295.7	28.7	8,123.2	27.2
United Kingdom	882.7	3.6	1,631.6	5.3	1,417.6	4.0	788.6	2.6
Japan	1,006.5	4.1	1,174.3	3.8	1,415.1	4.0	1,064.8	3.6
Other European Union Countries[1] (excluding U.K.)	3,024.4	12.3	4,681.3	15.3	1,989.8	5.5	2,477.5	8.3
Canada	731.9	3.0	675.5	2.2	770.7	2.1	602.1	2.0
CARICOM	588.9	2.4	633.6	2.1	700.2	2.0	473.6	1.6
of which:								
Jamaica	***105.0***	***0.4***	***88.8***	***0.3***	***93.3***	***0.3***	***87.2***	***0.3***
Guyana	***140.4***	***0.6***	***163.0***	***0.5***	***137.7***	***0.4***	***87.3***	***0.3***
Barbados	***139.0***	***0.6***	***141.9***	***0.5***	***179.5***	***0.5***	***164.9***	***0.5***
Central and South America[2]	5,294.5	21.6	5,294.4	17.3	10,236.5	28.5	7,297.3	24.4
of which:								
Brazil	***2,207.8***	***9.0***	***3,204.5***	***10.5***	***4,859.1***	***13.5***	***2,990.4***	***10.0***
Venezuela	***1,656.5***	***6.8***	***962.1***	***3.4***	***2,164.6***	***6.0***	***1,505.7***	***5.0***
European Free Trade Association	247.7	1.0	229.9	0.8	425.8	1.2	116.2	0.4
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	5,336.2	21.8	5,904.3	19.3	8,617.7	24.0	8,958.6	29.9
TOTAL[3]	**24,501.4**	**100.0**	**30,600.3**	**100.0**	**35,869.1**	**100.0**	**29,901.9**	**100.0**

SOURCE: Central Statistical Office.

[1] Updated to include all EU countries.
[2] Excludes Guyana, French Guiana, Suriname and Belize.
[3] Unadjusted for balance of payments purposes.
* Reflects data for January – September 2006 only.

TABLE A.42

WEIGHTED AVERAGE TT DOLLAR EXCHANGE RATES FOR SELECTED CURRENCIES 2002-2006[1]

PERIOD	UNITED STATES DOLLAR		CANADIAN DOLLAR		UK POUND STERLING		JAPANESE YEN		EURO*	
	BUYING	SELLING	BUYING	SELLING	BUYING	SELLING	BUYING	SELLING	BUYING	SELLING
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2002	6.1746	6.2473	3.8622	4.0202	9.1236	9.4925	0.0494	0.0501	5.7305	5.9724
2003	6.2314	6.2951	4.3670	4.5550	9.9809	10.4028	0.0537	0.0544	6.8736	7.1661
2004	6.2440	6.2990	4.7107	4.9058	11.1953	11.6742	0.0575	0.0583	7.5991	7.9244
2005	6.2319	6.2996	5.0866	5.2849	11.1559	11.6325	0.0566	0.0595	7.6171	7.8818
2006	6.2495	6.3122	5.4430	5.6765	11.3205	11.8324	0.0536	0.0545	7.7295	8.0566
2006										
January	6.2339	6.3044	5.3184	5.5350	10.8233	11.2978	0.0538	0.0548	7.5980	7.9200
February	6.2365	6.3102	5.3654	5.6054	10.7501	11.2210	0.0526	0.0535	7.3810	7.6782
March	6.2584	6.3277	5.3380	5.5754	10.7288	11.2326	0.0532	0.0541	7.4050	7.7044
I	**6.2435**	**6.3145**	**5.3394**	**5.5704**	**10.7676**	**11.2516**	**0.0532**	**0.0542**	**7.4644**	**7.7709**
April	6.2751	6.3306	5.4138	5.6413	10.8785	11.3585	0.0534	0.0543	7.5619	7.8844
May	6.2543	6.3191	5.5638	5.8004	11.4645	11.9775	0.0556	0.0569	7.8516	8.1886
June	6.2645	6.3201	5.5622	5.7931	11.3488	11.8490	0.0545	0.0552	7.7416	8.1286
II	**6.2639**	**6.3229**	**5.5183**	**5.7503**	**11.2501**	**11.7490**	**0.0546**	**0.0556**	**7.7280**	**8.0773**
July	6.2548	6.3111	5.4785	5.6930	11.3175	11.8532	0.0538	0.0548	7.7790	8.1692
August	6.2130	6.2891	5.4728	5.7352	11.5941	12.1143	0.0534	0.0545	7.8282	8.1773
September	6.2364	6.2957	5.5281	5.7589	11.5486	12.0845	0.0532	0.0537	7.7968	8.1176
III	**6.2347**	**6.2987**	**5.4926**	**5.7286**	**11.4858**	**12.0162**	**0.0534**	**0.0543**	**7.8014**	**8.1553**
October	6.2401	6.3093	5.4775	5.7119	11.5207	12.0372	0.0525	0.0534	7.7251	8.0628
November	6.2620	6.3153	5.4323	5.6700	11.7562	12.2911	0.0533	0.0540	7.9351	8.1928
December	6.2672	6.3148	5.3519	5.5843	12.0637	12.6141	0.0535	0.0538	8.1174	8.4223
IV	**6.2565**	**6.3132**	**5.4221**	**5.6571**	**11.7748**	**12.3085**	**0.0531**	**0.0538**	**7.9230**	**8.2216**

SOURCE: Central Bank of Trinidad and Tobago.

[1] Monthly rates are an average for the month.
* Euro was first traded in the Foreign Exchange market in 2000.

TABLE A.43

TRINIDAD AND TOBAGO – INTERNATIONAL RESERVES, 2002-2006
/ US$Million /

END OF PERIOD	CENTRAL BANK FOREIGN ASSETS	of which IMF RESERVE TRANCHE POSITION	of which SDR HOLDINGS	FOREIGN LIABILITIES	NET INTERNATIONAL RESERVES (1-4)	CENTRAL GOVERNMENT	NET OFFICIAL RESERVES (5+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2002	1,923.5	0.0	0.4	16.2	1,907.3	0.1	1,907.4
2003	2,257.7	0.0	1.1	16.2	2,241.5	0.1	2,241.6
2004	2,992.9	0.0	1.9	16.2	2,976.7	0.1	2,976.8
2005	4,885.7	0.0	1.6	16.1	4,869.6	0.1	4,869.7
2006	6,531.1	0.0	1.2	16.1	6,515.0	0.1	6,515.1
2005[r]							
I	3,251.6	0.0	1.8	16.2	3,235.4	0.1	3,235.5
II	3,567.5	0.0	1.8	16.2	3,551.3	0.1	3,551.4
III	4,229.3	0.0	2.0	16.1	4,213.1	0.1	4,213.3
IV	4,885.7	0.0	1.6	16.1	4,869.6	0.1	4,869.7
2006							
I	5,360.7	0.0	1.1	16.1	5,344.7	0.1	5,344.8
II	6,140.4	0.0	1.1	16.0	6,124.4	0.1	6,124.5
III	6,485.3	0.0	1.1	16.2	6,469.2	0.1	6,469.3
IV	6,531.1	0.0	1.2	16.1	6,515.0	0.1	6,515.1

END OF PERIOD	COMMERCIAL BANKS FOREIGN ASSETS	COMMERCIAL BANKS FOREIGN LIABILITIES	COMMERCIAL BANKS NET FOREIGN POSITION (8-9)	GROSS FOREIGN ASSETS (1+6+8)	TOTAL FOREIGN LIABILITIES (4+9)	NET FOREIGN POSITION (11-12)
	(8)	(9)	(10)	(11)	(12)	(13)
2002	670.4	616.5	53.9	2,594.0	632.7	1,961.3
2003	1,009.0	739.4	269.6	3,266.8	755.6	2,511.2
2004	1,216.2	743.6	472.6	4,209.2	759.8	3,449.4
2005	1,407.2	956.6	450.6	6,293.0	972.7	5,320.3
2006	2,047.7	753.1	1,294.6	8,578.9	769.2	7,809.7
2005[r]						
I	1,348.4	653.4	694.9	4,600.1	669.6	3,930.4
II	1,334.7	635.7	699.0	4,902.3	651.9	4,250.4
III	1,191.7	849.5	342.2	5,421.1	865.6	4,555.5
IV	1,407.2	956.6	450.6	6,293.0	972.7	5,320.3
2006						
I	1,650.0	835.7	814.3	7,010.8	851.8	6,159.1
II	1,750.4	809.6	940.8	7,891.0	825.6	7,065.4
III	1,579.7	747.9	831.8	8,065.2	764.1	7,301.1
IV	2,047.7	753.1	1,294.6	8,578.9	769.2	7,809.7

SOURCE: Central Bank of Trinidad and Tobago.

TABLE A.44

SUMMARY ACCOUNTS OF THE CENTRAL BANK, 2002-2006
/ $MILLION /

	END OF PERIOD				
	2002	2003	2004	2005	2006
Net Foreign Assets	**12,517**	**14,315**	**18,929**	**31,291**	**40,770**
Net International Reserves	11,978	13,834	18,487	30,692	41,000
Assets	12,079	13,935	18,589	30,794	41,101
Liabilities	102	102	102	102	102
Other Foreign Assets	539	481	442	599	-230
Other external assets	931	916	885	1,052	275
Medium and long-term foreign liabilities	-16	-37	-16	-29	-76
SDR allocation	-376	-399	-427	-424	-428
Net Domestic Assets	**-6,932**	**-8,433**	**-13,144**	**-23,257**	**-31,138**
Net credit to the public sector	-6,336	-8,000	-12,718	-20,440	-27,192
Central Government (net)	-6,502	-8,156	-12,871	-20,589	-27,230
Treasury bills	11	0	0	0	0
Other Government securities	0	0	0	0	0
Loans to Government	0	0	0	0	0
Use of reserves(-addition)	-6,513	-8,156	-12,872	-20,589	-27,231
Rest of Public Sector	167	156	154	149	39
of which: Public enterprises	0	0	0	0	0
Net Claims on financial institutions	380	380	380	380	380
Other items (net)	-976	-813	-806	-3,196	-4,326
Reserve Money	**5,585**	**5,882**	**5,785**	**8,035**	**9,632**
Currency Issue	2,005	2,295	2,554	2,991	3,560
Currency in circulation	1,502	1,709	1,957	2,425	2,654
Currency with banks	503	586	597	566	906
Deposits of commercial banks	3,072	2,955	2,783	4,673	5,688
Deposits of non-bank financial institutions	509	632	449	371	384
	Changes as a percent of beginning-of-period reserve money				
Net International Reserves	6.0	33.2	79.1	211.0	128.3
Net Domestic Assets	-10.4	-26.9	-80.1	-174.8	-98.1
Of which: Central Government	-6.7	-29.6	-80.2	-133.4	-82.7
Reserve Money	-3.9	5.3	-1.6	38.9	19.9
Memorandum Item:					
Net Domestic Assets (Net of RSF)	-5,917	-6,866	-10,298	-17,772	-22,345
Net claims on public sector (Net of RSF)	-5,320	-6,433	-9,872	-14,955	-18,399
Central Government (Net of RSF)	-5,487	-6,589	-10,025	-15,104	-18,438
Government Blocked Account	2,677	3,100	6,105	7,407	8,843

SOURCE: Central Bank of Trinidad and Tobago.

APPENDIX THREE

CALENDAR OF KEY ECONOMIC EVENTS
JANUARY - DECEMBER, 2006

JANUARY

02 The CARICOM Single Market (CSM), the first stage of the Caribbean Single Market and Economy (CSME) was inaugurated. The CSM allows for the free movement of goods, services, capital and skilled people without restrictions and tariffs throughout CARICOM. The CSM was implemented in Trinidad and Tobago, Barbados, Guyana, Suriname, Belize and Jamaica.

05 The Central Bank of Trinidad and Tobago pursuant to Sections 65-67 of the Insurance Act, Chapter 84:01 has exercised its power of intervention in the affairs of Citizen Insurance Company Limited. The Company among other requirements is to "refrain from effecting any new contracts of insurance in all classes of business with effect from January 04, 2006. The Company is however permitted to effect renewal business only."

An Act to amend certain laws to facilitate the implementation of the Revised Treaty of Chaguaramas establishing the Caribbean Community, including the CARICOM Single Market and Economy, was assented to by the President. The Act was cited as the Caribbean Community (Removal of Restrictions) Act, 2005. (Act No. 2 of 2005).

06 The Attorney General and the UNDP signed an agreement aimed at providing US$50,000 in funding to assist with the restructuring of the Integrity Commission and the strengthening of anti-corruption initiatives. This exercise is projected to cost US$117,500 with the Trinidad and Tobago government contributing US$67,500.

11 The Trinidad and Tobago Interbank Payments System Limited (TTIPS) was launched by the Central Bank of Trinidad and Tobago. This system allows small value transactions to move smoothly throughout the banking system and will act as an automated clearing house that will collect and distribute electronic credits and debits for all six commercial banks and the Central Bank.

13 The Urban Development Corporation of Trinidad and Tobago (UDECOTT) launched a TT$192 million dollar fixed rate bond. This bond will carry an amortized structure for twelve years with a coupon rate of 7.0%.

21 The Central Bank of Trinidad and Tobago increased the 'Repo Rate' to 6.25 per cent with effect from this date. The decision to change the rate was taken against the background of persistent inflationary pressures, reduced differential between short-term TT and US dollar rates, and a persistent liquidity overhang.

24 The Caribbean Money Market Brokers (CMMB) Research Centre launched the Composite Leading Indicator (CLI). This indicator is intended to provide clear and early readings of short run movements in the economy. CMMB believes that this tool will provide flash indicators of the direction of changes in the economy.

27 The Telecommunications Authority of Trinidad and Tobago awarded Columbus Communications Trinidad Ltd with a concession to provide cable television, high speed data internet services and local telephone services.

The Finance (Supplementation and Variation of Appropriation) Act was assented to on this date. (Act No. 1 of 2006)

FEBRUARY

08 The Finance Act was assented to on this date. (Act No. 2 of 2006)

15 The Trinidad and Tobago Stock Exchange announced that the trading of BWIA West Indies Airways Ltd shares would be suspended. The Stock Exchange facilitated the suspension to allow BWIA time to prepare a restructuring plan as well as a business plan.

16 The Government of Trinidad and Tobago signed an agreement in principle with Alcoa to proceed with plans for a US$1.5 billion 341,000 metric-tons-per-year (mtpy) aluminium smelter in Cap-de-Ville. Alcoa will hold 100 per cent interest in the smelter and will build an associated anode plant and cast house.

19 The Ministry of Culture and Gender Affairs will spend $5 million during the next nine months to train unemployed persons in the non-traditional skills.

24 The Central Bank of Trinidad and Tobago raised the 'Repo Rate' to 6.50 per cent.

MARCH

07 The commercial banks increased their prime lending rate from 10 per cent to 10.25 per cent following the Central Bank's decision to increase the repo rate.

It was announced that the Government of Trinidad and Tobago had won its long standing dispute with FW Oil, an American Oil Company, over an attempt to restart oil production in Trinmar's Soldado field. The International Centre for the Settlement of Investment disputes ruled in Trinidad and Tobago's favour in determining that FW Oil should not be awarded the US$100 million which it was demanding from the state.

08 The Central Bank of Trinidad and Tobago pursuant to Sections 65-67 of the Insurance Act, Chapter 84:01 exercised its power of intervention in the affairs of Goodwill General Insurance Company Limited. The Central Bank imposed requirements on the Company which included the following "refrain from effecting any contracts of insurance whether new or renewal or varying existing contracts of insurance with effect from March 7, 2006".

15 The second tranche of the Housing Development Corporation $1,390 million fixed rate bond was issued. The bond will mature in 2021.

22 The National Energy Corporation (NEC) opened a $45.5 million dollar pier and commissioned two new tugs. The pier will support the exportation requirements of the M5000 plant owned by the Methanol Holdings Trinidad Ltd Group. The new pier can accommodate tankers up to 55,000 DWT and has the capacity to accommodate future ammonia exports.

27 The closure of the National Gas Company's (NGC) 30 year unsecured bond issue worth US$400 million was reported. The bond will mature in 2036 at 6.05 per cent and will be used mainly to finance up to 80 per cent of the capital expenditure on three of NGC's major capital projects.

28 The Central Bank of Trinidad and Tobago raised the 'Repo Rate' to 6.75 per cent.

APRIL

11 Republic Bank (TT) Cayman Ltd acquired Dextra Bank and Trust Co. Ltd in the Cayman Islands. Dextra Bank and Trust Co. Ltd provides a full range of offshore banking and trust services and private banking services to both personal and institutional clients.

The Caribbean Community (CARICOM) Cuba Trade and Economic Cooperation Act was assented to on this date. (Act No. 5 of 2006)

13 The Central Bank of Trinidad and Tobago announced that it would sell World Cup commemorative coins to celebrate the qualification of the Trinidad and Tobago National Football Team for the 2006 FIFA World Cup Finals in Germany.

18 Westlake Chemical Corporation of USA and a consortium of investors comprising of the Government of Trinidad and Tobago, the Natural Gas Company and the National Energy Corporation signed a US$1.5 billion memorandum of understanding for the construction, operation and ownership of an ethane-based ethylene/polyethylene complex based in Point Lisas. The plant is set to begin construction in the final quarter of 2007. The complex will contain an ethylene cracker complex and a polyethylene plant complex.

28 The Central Bank of Trinidad and Tobago maintained the 'repo' rate at 6.75 per cent.

MAY

02 The National Lotteries (Amendment) Act was assented to on this date. (Act No. 9 of 2006)

08 The Central Bank of Trinidad and Tobago announced the issuing of the Corporate Governance Guideline on this date. This guideline is applicable to institutions licensed under the Financial Institutions Act, 1993, as well as insurance companies and incorporated intermediaries registered under the Insurance Act, Chapter 84:01.

13 The Prime Minister of Trinidad and Tobago announced that the Government had secured a US $100 million dollar loan from the Chinese government. This loan will be used to construct two national academies for the performing arts, one of which will be based in Port-of-Spain and the other in San Fernando.

23 A three company consortium comprised of Ansa McAl, Terra Industries and CF Industries Holdings signed an agreement with the Trinidad and Tobago Government for the construction and operation of a five (5) chemical plant fertiliser complex at Union Industrial Estate in La Brea. One plant will produce urea, ammonia and nitrate while the other two will use those chemicals to make urea ammonium nitrate.

27 Telecommunications Services of Trinidad and Tobago (TSTT) and Laqtel announced that they had signed an interconnection deal. With this deal, calls between the networks will cost 45 cents per minute. This rate applies to mobile to mobile and fixed line to mobile calls between networks. This agreement includes guidelines for both parties regarding the provision of facilites, the restoration of faults and payment terms. This agreement will be in place for five years.

JUNE

08 The Finance (Supplementation and Variation of Appropriation) Act was passed and assented to on this date. (Act No. 11 of 2006)

09 The Water and Sewerage Authority of Trinidad and Tobago (WASA), launched a TT$360 million fixed rate bond. This bond will be issued in one tranche with a fixed coupon rate of 7.50 per cent and will mature in 2016.

20 The sod for a new $17 million dollar district health facility in Siparia was turned on this date. The facility will be constructed on 15,000 square feet of land and will replace the current sixty year old health structure. It will offer 24 hour service with specialised radiology and ultrasound centres.

23 The Central Bank of Trinidad and Tobago raised the 'Repo Rate' to 7.25 per cent. In addition, commercial banks were requested to place TT$500 million in a special interest bearing deposit account at the Central Bank for a minimum period of one year. These measures were instituted to prevent the further narrowing of the differential between TT and US short-term interest rates, as well as to combat strong consumer credit and rising inflationary pressures.

27 The Students' Revolving Loan Fund (Amendment) Act was passed and assented to on this date. (Act No. 12 of 2006)

JULY

12 Methanol Holdings Trinidad Ltd signed a US$1.2 billion dollar loan agreement with KFW IPEX-Bank, a German based bank. The loan will be used to fund the building of its ammonia/urea/melamine (AUM) complex in Point Lisas. The complex will be made up of seven plants and is slated to be completed by the first quarter 2009. The plants will produce urea, ammonium nitrate and melamine.

17 Moody's Investors Service upgraded Trinidad and Tobago's foreign currency bond rating from Baa1 to Baa2. Moody's also upgraded Trinidad and Tobago's foreign currency country ceiling for bonds to A1 from A2 as a result of continued improvement in the country's external payments position and declining debt ratios. Trinidad and Tobago's local currency deposit ceiling remains at A1 and the local currency guideline remains at Aa3.

18 The British Gas group and its US energy partner Chevron Texaco announced the first delivery of natural gas from its Dolphin Deep marine oilfield, to onshore facilities at Beachfield on the south-east coast of Trinidad. The Dolphin Deep field is located 83 kilometres off the south-east coast of Trinidad in the East Coast Marine area.

20 The Fair Trading Act was passed and assented to on this date. (Act No. 13 of 2006)

The Financial Institutions (Amendment) Act was passed and assented to on this date. (Act No. 15 of 2006)

28 The Central Bank of Trinidad and Tobago raised the 'Repo Rate' to 7.50 per cent.

AUGUST

08 The Governor of the Central Bank of Trinidad and Tobago launched the Bank's education pamphlet, No. 2 on inflation.

25 The Central Bank of Trinidad and Tobago raised the 'Repo Rate' to 7.75 per cent.

SEPTEMBER

14 The Finance (Supplementary Appropriation) Act, 2006 was assented to by the President. (Act No. 20 of 2006)

27 The Central Bank of Trinidad and Tobago raised the 'Repo Rate' by 25 basis points to 8.0 per cent. In addition a secondary reserve requirement of 2.0 per cent of prescribed liabilities was introduced with effect from October 4 2006.

28 The Central Bank of Trinidad and Tobago obtained an order from the High Court to place Goodwill Insurance Company under judicial management. Ms. Renee Lisa Phillip was appointed as the company's judicial manager. The judicial manager is accountable to the Court and will function in accordance with the powers and obligations as provided under the Insurance Act (Chap 84:01).

OCTOBER

03 Republic Bank sold part of the portfolio of its banking business in the Dominican Republic to Banco BHD.

05 FITCH raised the RBTT's Financial Group's long-term issuer default rating from BB+ to BBB- giving the group an investment grade rating. The agency also upgraded the short-term rating to F3 from B, and upgraded the individual rating to C from C/D.

10 The final tranche of the Housing Development Corporation (HDC) TT$1,390 million fixed rate bond was launched. The final tranche was valued at TT$475 million with a fixed rate of 8.5 per cent and will mature on October 10, 2021.

24 RBTT Merchant Bank signed an agreement with National Insurance Property Development Company Ltd (NIPDEC) to arrange a bond for TT$286.3 million. This bond is intended to raise sufficient capital for NIPDEC to undertake the construction of 15 fire stations, 14 police stations, dormitories and training facilities.

25 RBTT Merchant Bank signed a deal with GeoNet Ethanol LLC, a US Virgin Islands company, to provide a US$13.5 million syndicated loan to finance the construction of an ethanol dehydration facility in St. Croix.

The Appropriation Act, 2006. was assented to by the President on this date. (Act No. 27 of 2006)

27 The Central Bank of Trinidad and Tobago announced the decision to maintain the 'Repo Rate' at 8.0 per cent.

NOVEMBER

02 It was announced that Laqtel and Paltel had dissolved their partnership. The partnership between the two companies was formed in July with Paltel, the Palestinian based telecommunications company, slated to inject capital into Laqtel, the local telecommunications company.

BHP Billiton announced that it had made a significant oil discovery at its Ruby (1) well off the East Coast.

03 Republic Bank won the Latin Finance "Bank of the Year 2006 in T&T" award for the second time in three years. This award recognizes excellence in retail, commercial and local investment banking in various countries.

24 The Central Bank of Trinidad and Tobago maintained the 'Repo Rate' at 8.0 per cent. Additional steps were taken to increase liquidity absorption with the issue of a TT$700 million eight year bond with a coupon rate of 8.00 per cent.

DECEMBER

16 The Ministry of Trade announced that in January 2007 all imported items currently carrying a Common External Tariff (CET) rate of zero to five per cent will no longer carry a tariff. More than 3,000 tariff lines will be impacted by this measure. The tariff removal was designed to combat inflationary pressures on the economy and also to provide a more liberal trading environment thereby making Trinidad and Tobago more World Trade Organisation compliant. Items such as air-conditioning equipment, refrigerators, tanks, cans and drums are excluded from this measure.

22 The Trinidad and Tobago Stock Exchange de-listed BWIA shares on this date. Trading in BWIA shares has been suspended since November 2006. The decision to de-list BWIA shares was taken following a Securities and Exchange Commission (SEC) hearing on December 15 2006 at the La Joya Complex in St. Joseph for BWIA shareholders, members of the Stock Exchange and representatives of the company. The decision to de-list BWIA shares was taken in accordance with sections 54 and 134 of the Securities Industry Act, 1995, based on the following factors identified by the SEC: unsatisfactory financial conditions or operating results, an inability to meet current debt obligations, or adequately finance operations; failure to make timely, adequate and accurate disclosures of information to its shareholders and the investing public.

29 The Central Bank of Trinidad and Tobago announced that it decided to maintain the 'Repo Rate' at 8.0 per cent. The repo rate will remain at this level while the Central Bank continues to pursue and intensify liquidity absorption measures

such as increased foreign exchange sales. In response to the tightening liquidity, commercial bank interest rates have begun an upward trend, with new residential mortgage loans increasing from 7.50 -8.50 per cent to 8.75 per cent while rates on cash secured retail loans are earmarked to be increased in early 2007.

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2006 ANNUAL ECONOMIC SURVEY