HIGHLIGHTS

Central Bank of Trinidad and Tobago
Financial Stability Report 2018

CENTRAL BANK OF TRINIDAD & TOBAGO

In Summary:

- Against the backdrop of slowing global growth momentum, international agencies have identified key risks to global financial stability including the build-up of leverage in advanced economies and tighter financial conditions in emerging markets.
- Domestically, available information points to some improvement in economic activity in 2018.
- The local financial system remained sound and resilient in 2018.
- However, there is no room for complacency, as vulnerabilities and risks abound which emanate from the household sector, interactions with the sovereign and externally-influenced factors.
- The Central Bank works on an on-going basis with other domestic and regional supervisory agencies as well as financial institutions to ensure continued financial stability.

1. GLOBAL FINANCIAL STABILITY RISKS

Tightened financial conditions

Growing household and sovereign debt

Fintech, cyber-attacks

Environmental disasters

2. DOMESTIC MACRO-FINANCIAL CONDITIONS

Led by the energy sector, there was a moderate rebound in economic activity in 2018.

Bolstered by higher earnings and reduced expenditure, Government's fiscal position improved in FY 2017/18.

Private sector credit grew at a fair pace in 2018, owing in most part, to robust consumer lending.

3. FINANCIAL SYSTEM PERFORMANCE

Banking Sector
Highly capitalised and profitable, with non-performing loans well contained at around 3%.

Insurance Sector
Financial soundness indicators point to stability and resilience within the sector.

Pension Sector
Assets continued to grow, but low interest rates and an aging population represent some key challenges.

Payment Sector
The usage of electronic payment methods expanded in 2018, with card payments dominating the retail space.

4. VULNERABILITIES AND RISKS

VULNERABILITIES	KEY TRIGGERS	MAIN CONTAGION CHANNELS	RISKS
Growing household indebtedness	Sluggish domestic economic environment	Deterioration of household balance sheets	Deterioration in the quality of consumer loan portfolios
High sovereign concentrations in the financial system	Sharp fall in Government revenue	Public sector debt servicing and financing activities	Rise in public sector-related non-performing loans
Keeping pace with evolving international standards on money laundering, terrorist financing and tax transparency	Loss of corresponding banking relationships	Loss of access to international financial markets and payment systems	Delays in executing international payments
Rapid digitalisation in the financial services industry	Cyber-attacks	Disruption in financial services	Loss of confidence in digital transformation

Risk Rating Scale: Low | Moderate | Elevated | High | Very High

5. EFFORTS TO ENSURE CONTINUED FINANCIAL STABILITY

Enhancing the Regulatory Framework

Assessing Recent Developments in Payment Systems, including in the area of Virtual Currencies

Improving Risk-based Supervision and Governance in Financial Institutions

Strengthening Technical and Analytical Capability in Supervision and Resolution

Ensuring Compliance with International Standards for AML/CFT and Tax Transparency

Co-ordination with other Supervisory Agencies