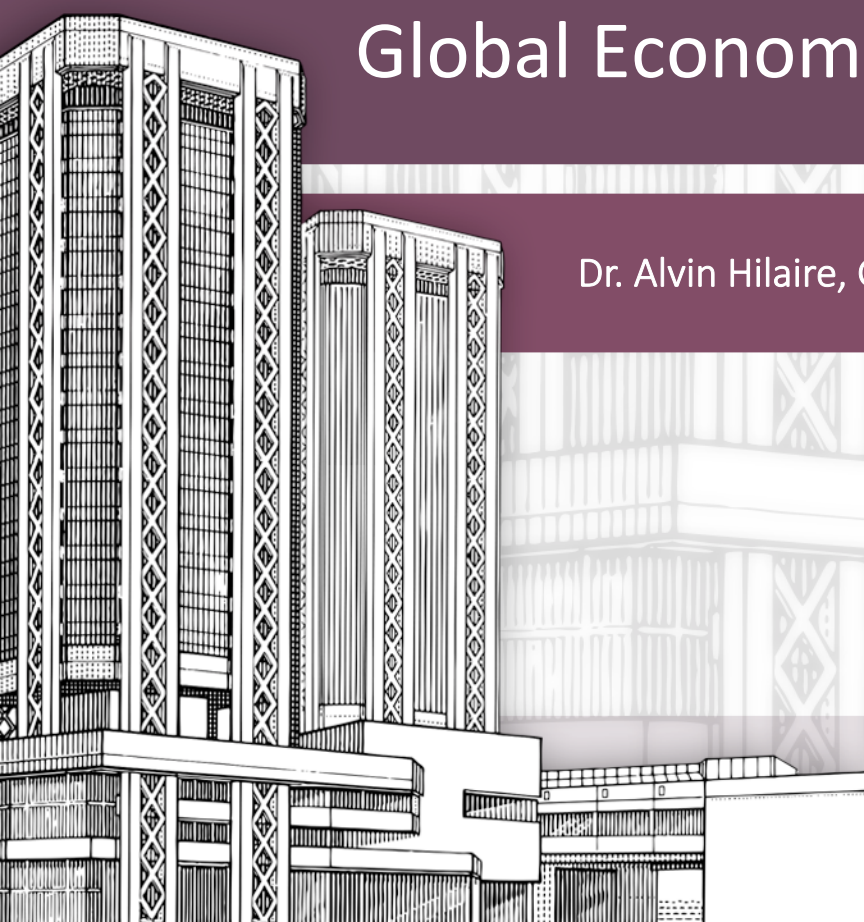




Aspects of Trinidad and Tobago's Global Economic Interactions



CENTRAL BANK OF
TRINIDAD & TOBAGO

Dr. Alvin Hilaire, Governor, Central Bank of Trinidad and Tobago

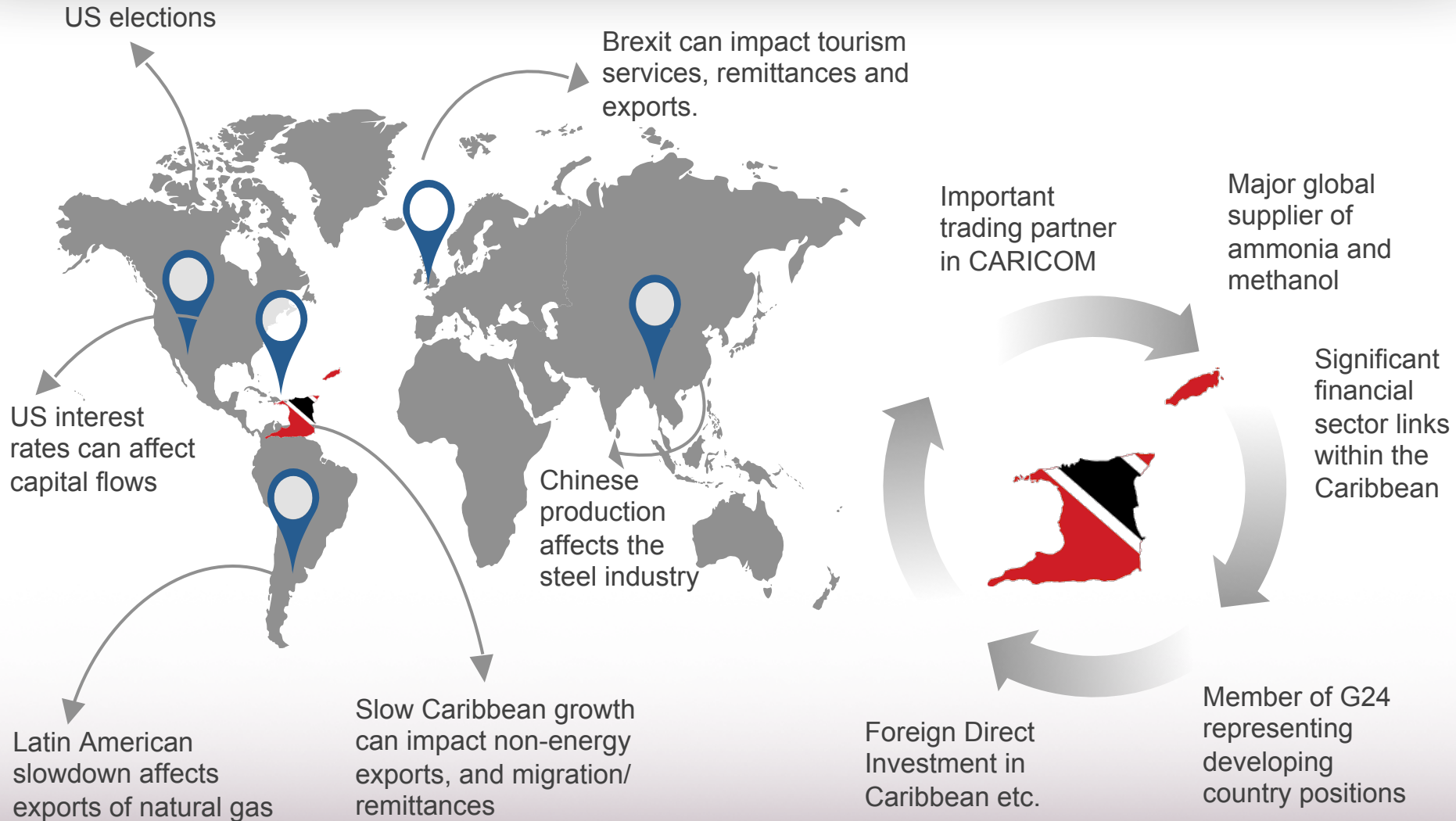
Launch of the Monetary Policy Report, November 11, 2016



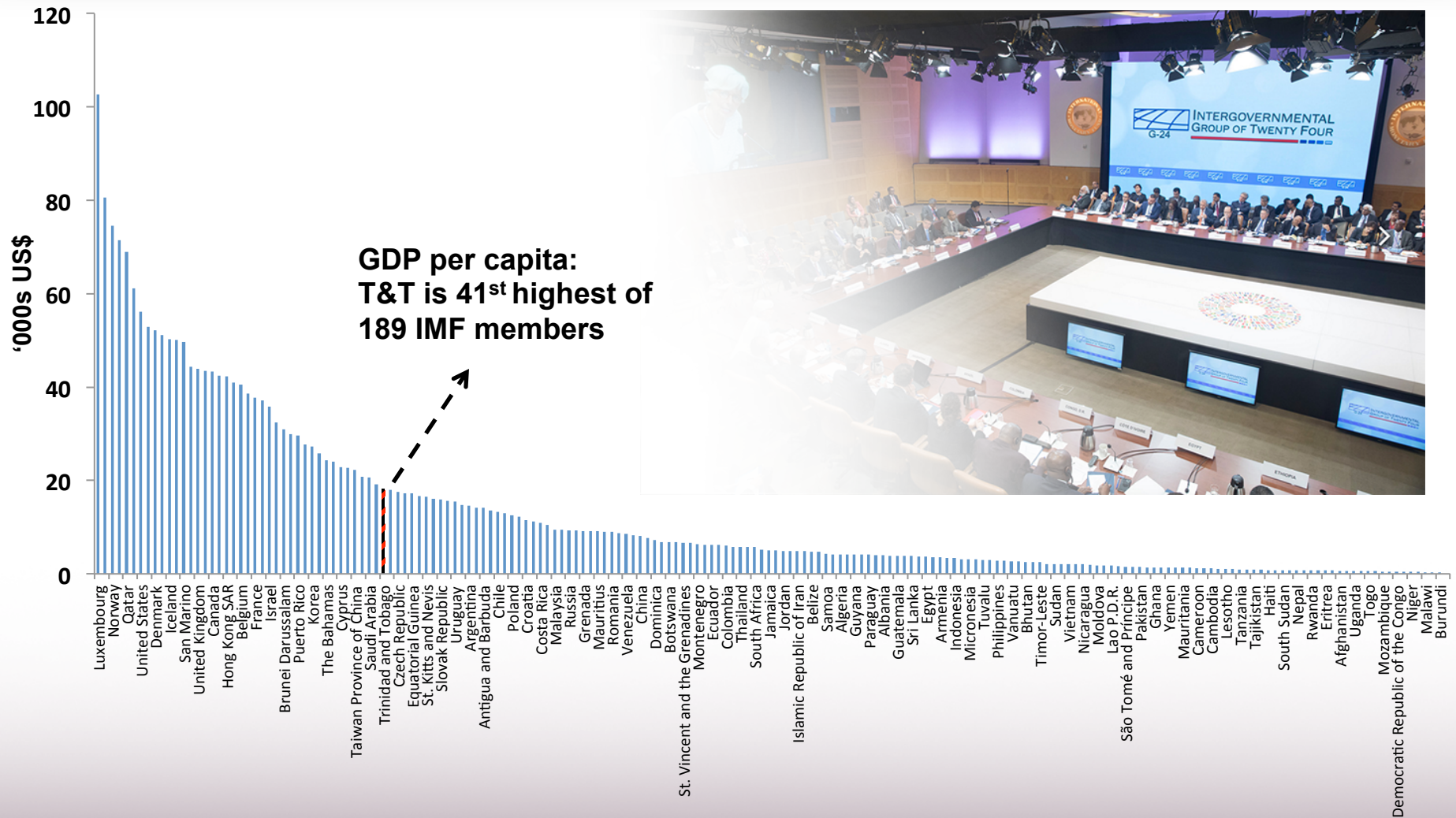
Aspects

1. Dependence on commodity cycles
2. Financial interconnections
3. Interest parity and capital movements
4. Outlook for emerging markets
5. Labor mobility and remittances

Trinidad and Tobago is deeply embedded in world economic affairs...



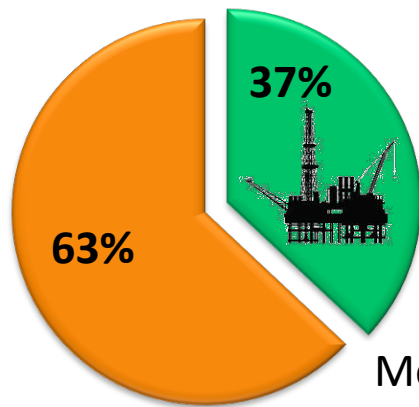
Trinidad and Tobago has influence in world economic affairs...



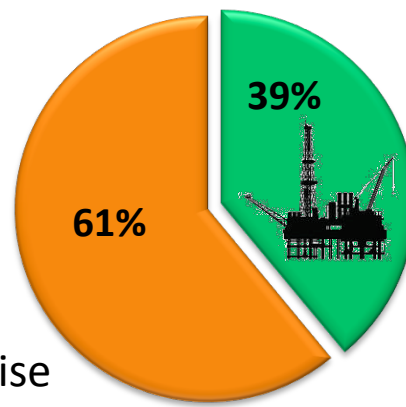
(1) The clearest expression of external dependence is exposure to commodity cycles...

Energy sector contribution
2000-2015

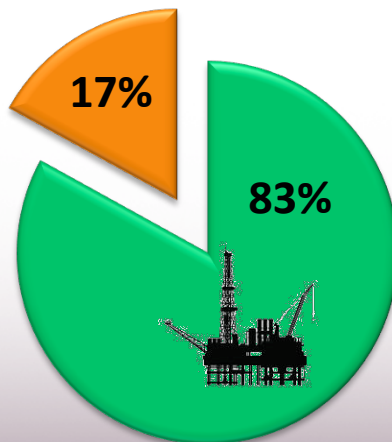
GDP



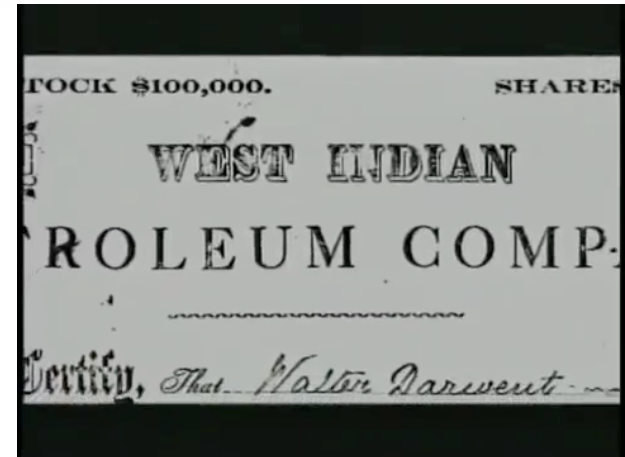
Government Revenue



Merchandise
Export



Early Oil Industry



Source: Ministry of Energy and Energy Industries.

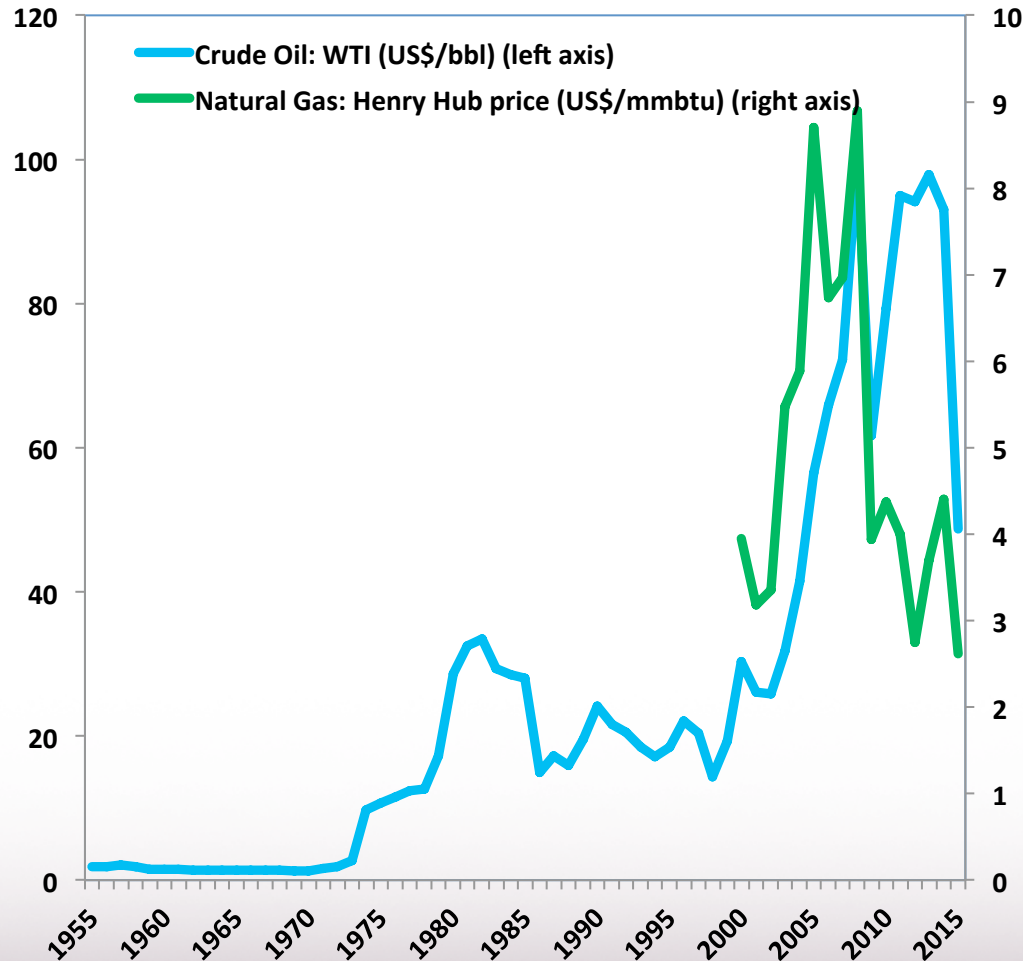
Juniper Project



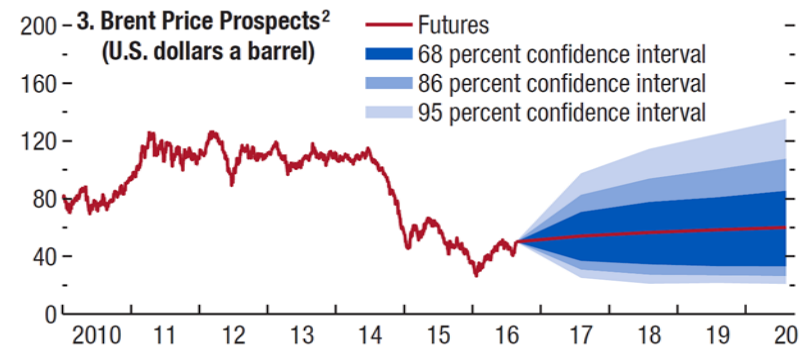
Source: bpTT (2016).

There is a real possibility that energy price movements could reflect secular, as opposed to, cyclical trends...

Crude Oil and Natural Gas Prices



Source: Bloomberg.



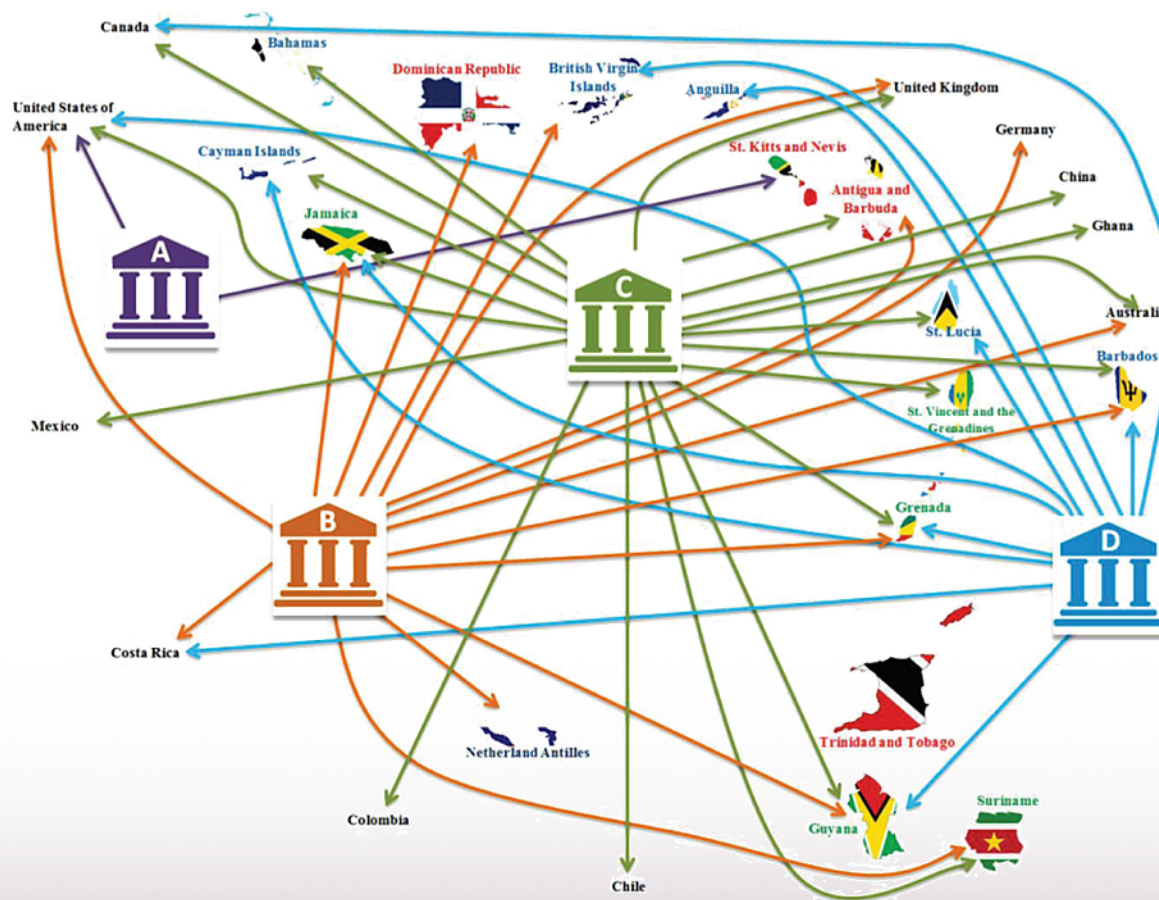
Source: International Monetary Fund, World Economic Outlook Database, October 2016.

Long term energy issues

- Shale
- OPEC actions
- Japanese nuclear power
- Demand

(2) Our financial system is closely linked to world markets...

Commercial Banks Interconnectedness



Source: Trinidad and Tobago Financial Stability Report 2015.

Trinidad and Tobago must achieve global compliance to avoid being 'de-risked' ...

- De-risking involves loss of correspondent banking relationships
- It could affect all external financial transactions and drive activity into unofficial channels
- The solutions include improved compliance and clarity of expectations by developed country regulators
- Trinidad & Tobago has so far not been hard hit but the tax/AML/CFT frameworks need to be finalized
 - FATCA; FATF/CFATF; CARIFORUM – EU Economic Partnership Agreement; CARICOM Financial Services Agreement

(3) In the determination of capital flows, interest parity considerations are crucial...

Interest Rate Parity Condition

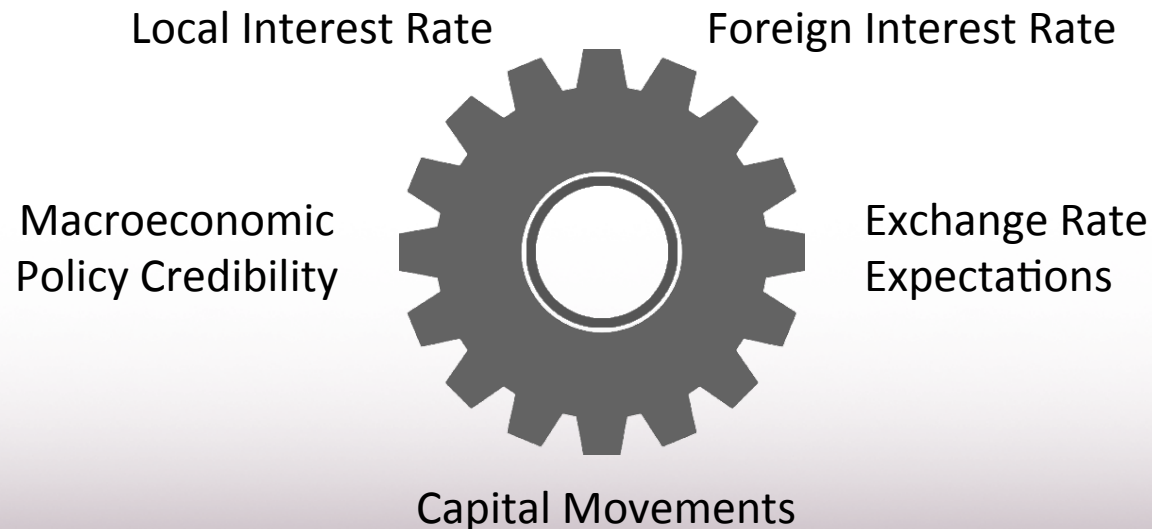
$$\frac{F_{t+1}}{S_t} =$$

F_{t+1} – Forward Exchange Rate

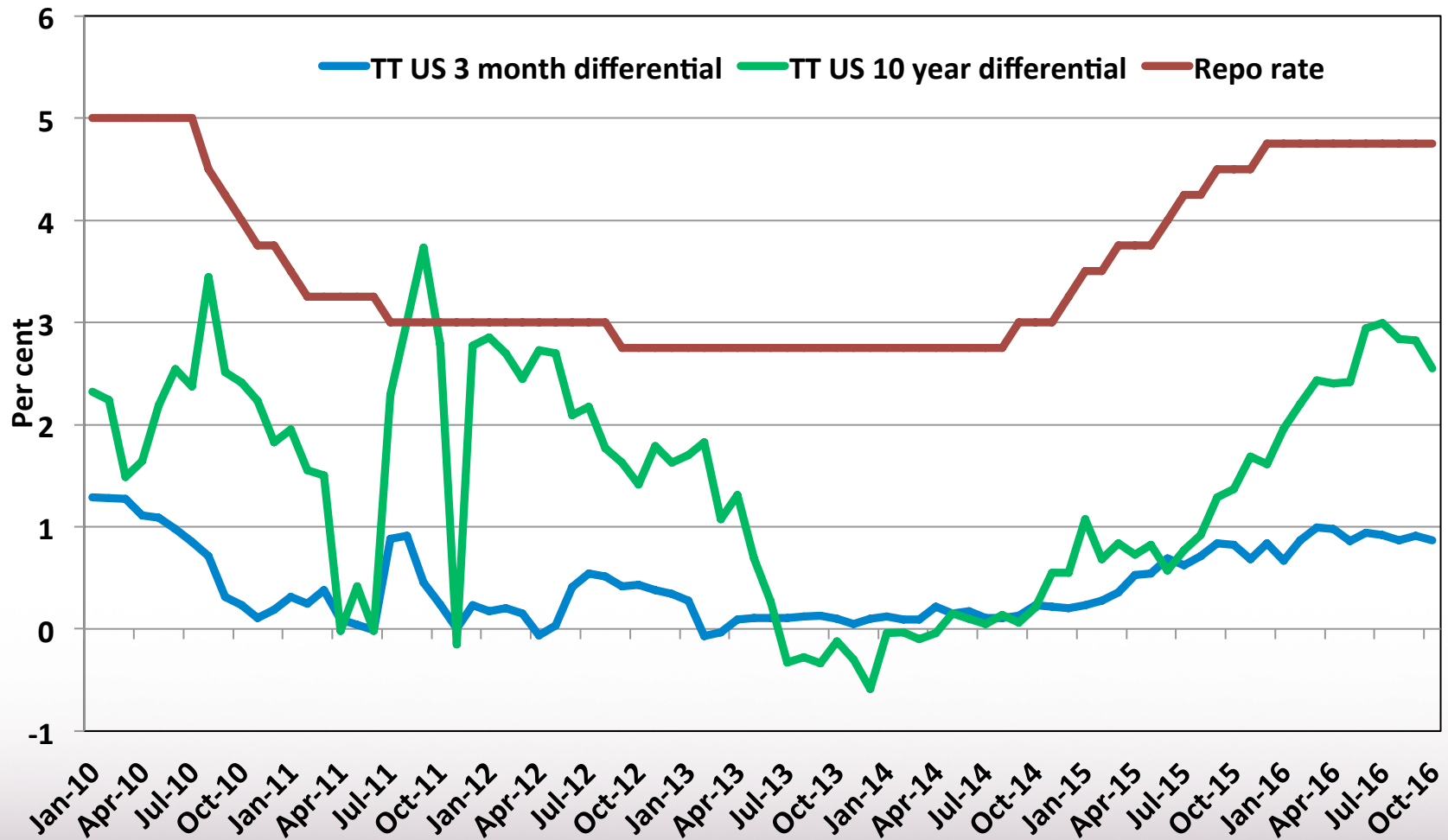
S_t – Spot Exchange Rate

R_{FC} – Foreign Interest Rate

R_{DC} – Domestic Interest Rate

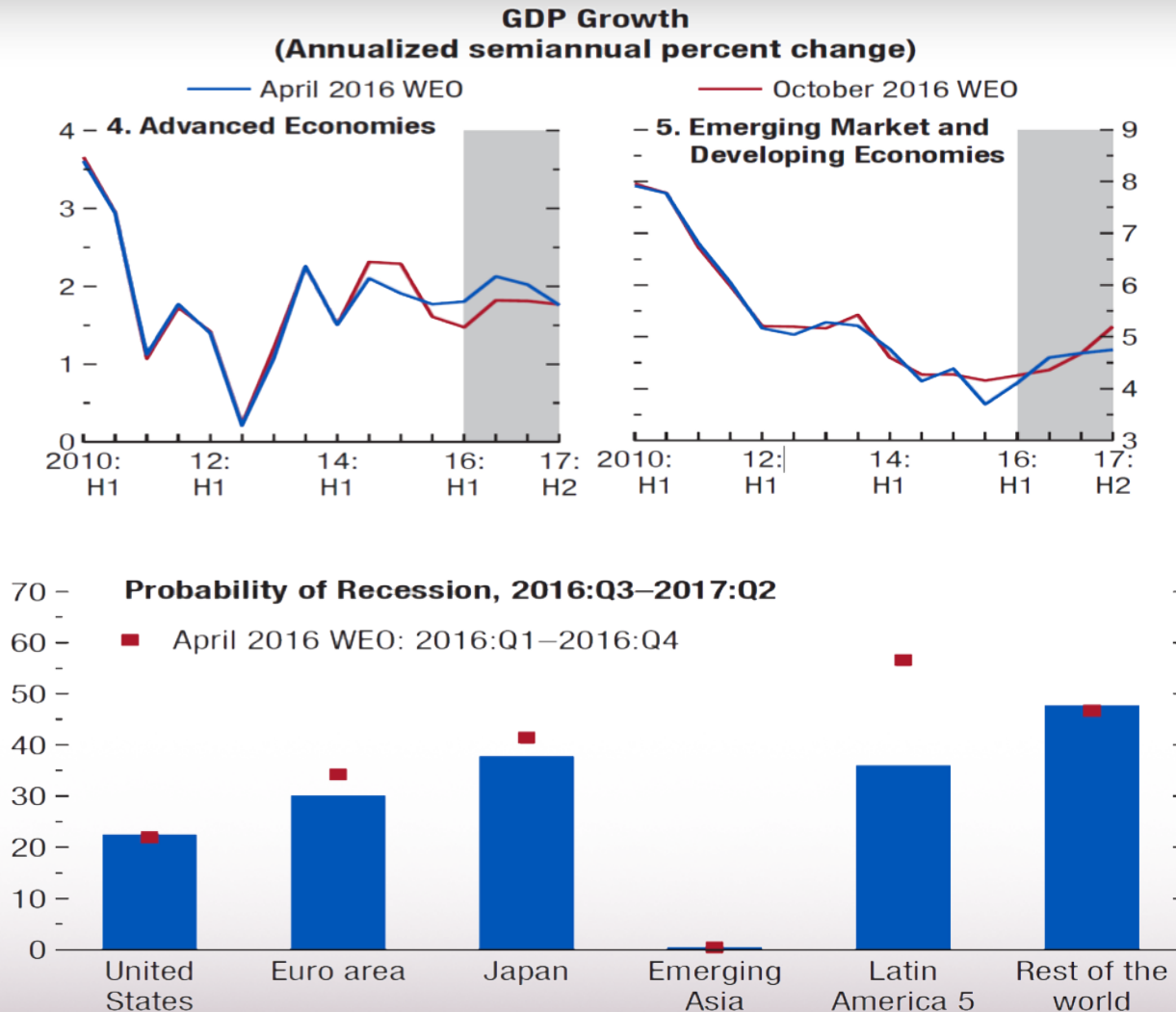


Monetary Policy must be sensitive to external interest rates and risk factors...



Sources: Central Bank of Trinidad and Tobago and Bloomberg.

(4) The current outlook, particularly for emerging market economies, is complicated



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

...but it's a two-way street and domestic fortunes impact our neighbours...

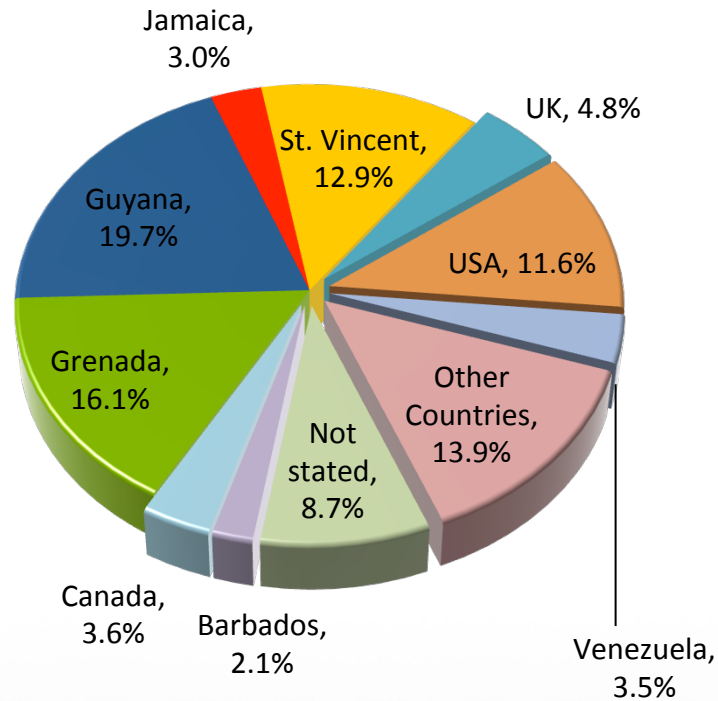
Selected Economic Indicators - 2015

		Real GDP Growth (%)	Inflation (%)	Fiscal Balance/ GDP (%)	Debt/ GDP (%)	Current Account Balance/GDP (%)
	Antigua and Barbuda	2.2	1.0	-8.6	104.4	-10.2
	The Bahamas	-1.7	1.9	-4.4	64.4	-16.0
	Barbados	0.9	-1.1	-6.9	105.0	-7.2
	Belize	1.0	-0.9	-8.0	81.9	-9.8
	Dominica	-1.8	-0.8	0.9	82.5	-9.3
	Grenada	6.2	-0.6	-1.2	91.4	-15.9
	Guyana	3.2	-0.3	-1.2	48.2	-5.7
	Jamaica	0.9	3.7	-0.3	120.4	-3.4
	St. Kitts and Nevis	5.0	-2.8	6.1	67.8	-12.3
	St. Lucia	2.4	-1.0	-1.5	79.1	-3.7
	St. Vincent and the Grenadines	0.6	-1.7	-2.1	79.3	-26.2
	Suriname	-0.3	6.9	-8.8	43.5	-15.7
	Trinidad and Tobago	-0.6	4.7	-1.8	50.0	-1.0
	Venezuela	-6.2	121.7	-23.1	41.5	-7.8

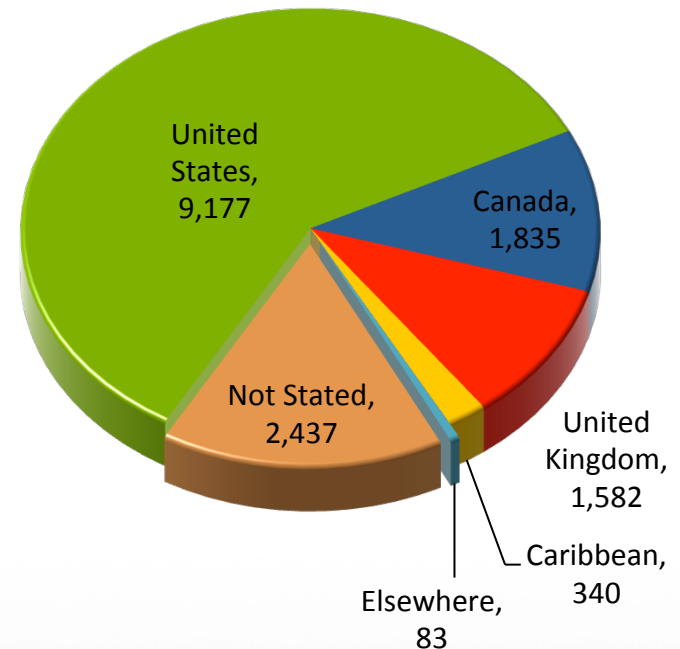
Sources: International Monetary Fund, World Economic Outlook Database, October 2016, Central Bank of Trinidad and Tobago, Ministry of Finance and Central Statistical Office.

(5) Migration patterns will be influenced by economic factors...

Percentage Distribution of Foreign-Born Population by Country of Birth: 2011



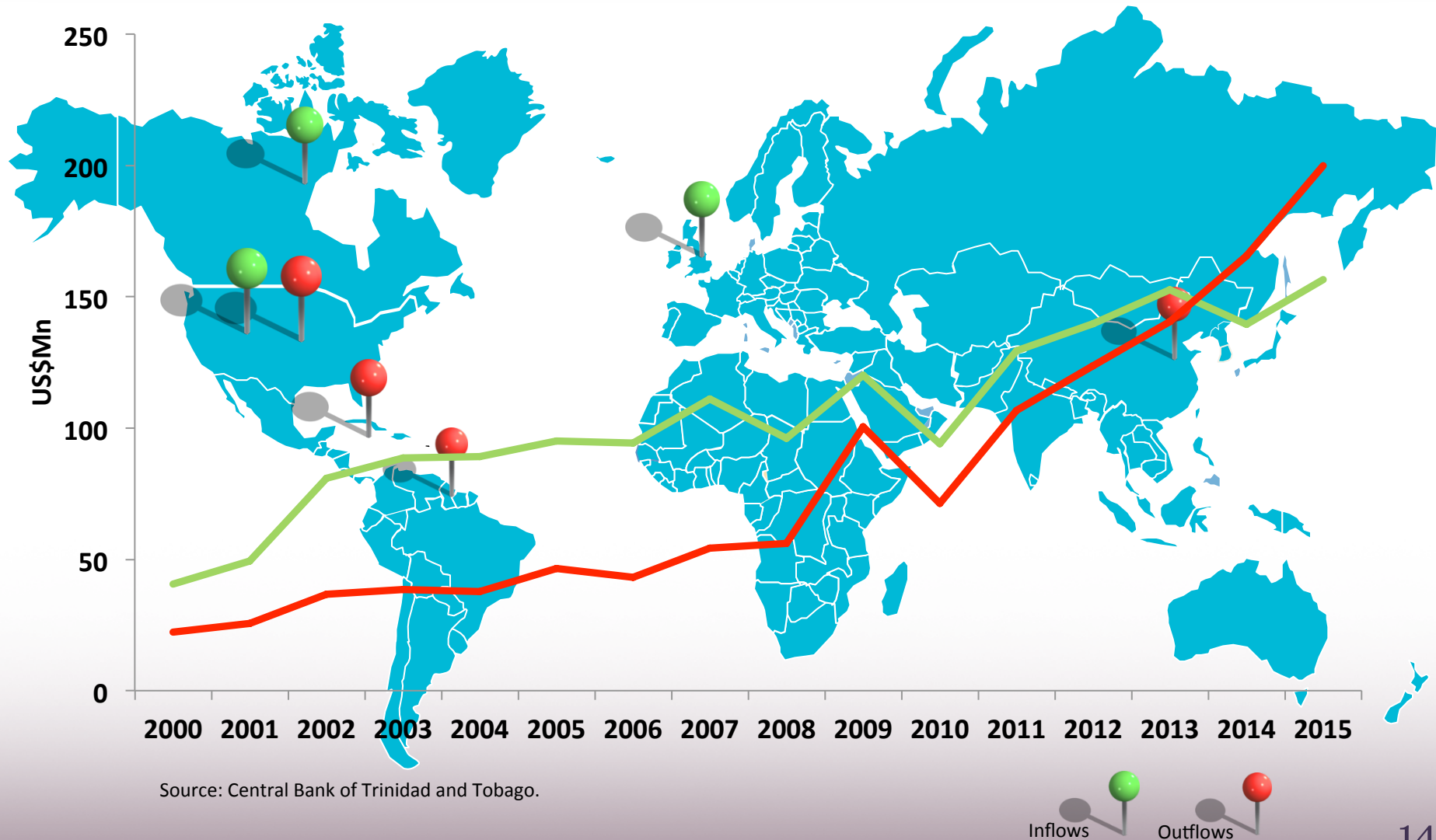
Intercensal Emigrants by Country of Destination, 2000-2011



Source: Trinidad and Tobago 2011 Population and Housing Demographic Report.

The migration issue has implications for the effectiveness of public economic policy...

Trinidad and Tobago – Private Remittances



**Data and intelligence on T&T's interaction
with the rest of the work is critical...**



Domestic policies must formally integrate feedback effects from external reactions...





Thank You

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